



BANWO & IGHODALO

FINTECH UPDATE

CBN ISSUES NEW REGULATORY REGIME FOR MOBILE MONEY SERVICES IN NIGERIA

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On July 9, 2021, the Central Bank of Nigeria (“**CBN**”) issued new twin regulations to govern mobile money services in Nigeria. The regulations were issued in furtherance of the CBN’s efforts at ensuring a robust and effective payments system in Nigeria, and in recognition of the vital role that mobile payment (through the use of mobile phones) plays as an effective driver of financial inclusion and the growth of commerce.

Titled: “**Regulatory Framework for Mobile Money Services in Nigeria**” and “**Guidelines on Mobile Money Services in Nigeria**”, the new twin regulations are also built on the CBN’s mandate to promote a sound financial system in Nigeria and facilitate the development of efficient and effective system for the settlement of transactions.

This article provides a synopsis of the new twin regulations and highlights their likely implications for key stakeholders and the overall economy.

1. Regulatory Framework for Mobile Money Services in Nigeria

The *Regulatory Framework for Mobile Money Services in Nigeria* (“**MMS Framework**”) is intended to create an enabling environment for the orderly introduction and management of mobile money services in Nigeria. It defines the regulatory environment and the business rules governing the activities of and services provided by mobile money operators (“**MMOs**”).

The MMS Framework divides mobile money services



into two models: Bank-Led and Non-bank Led services. Under the Bank-Led Model, a bank either alone or a consortium of banks, whether or not partnering with other approved organizations, seeks to deliver banking services by leveraging on the mobile payments system. Banks are to act as the lead initiators¹ under this model and are therefore responsible for ensuring that the various solutions and services within an approved mobile payment scheme meets the entire regulatory requirements. In the Non-bank led model, a corporate organization (other than a deposit money bank, a national primary mortgage bank, a national microfinance bank or a subsidiary of a telecommunications company) is duly licensed by the CBN to deliver mobile money services to customers and shall play the role of Lead Initiator under this model.

Notably, as stated in the MMS Framework, whilst the CBN recognizes the importance of Mobile Network Operators (MNOs) i.e. telecommunications companies in the operations of mobile money services, including the importance of the infrastructure they provide, a model where such

¹ The Lead initiator (as an entity and as representative of other partners) shall be legally responsible and accountable to the Central Bank of Nigeria and the end user.

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MNOs are lead initiators of mobile money services (the “**Telco-Led Model**”) will not be operational in Nigeria. The exclusion of the Telco-Led Model is to minimize risks, by ensuring that financial services offerings are driven by organizations that are licensed and fully regulated by the CBN; as the monetary policy operator and controller.

The MMS Framework recognizes six (6) categories of participants in the mobile money system and defines their roles and responsibilities as: Regulators; Mobile Money Operators; Infrastructure Providers, Other Service Providers; Consumers; and, Mobile Money Agents. The CBN and the Nigerian Communications Commission (NCC) play the role of regulators in the mobile money market.

Essentially, the bank-led MMOs are expected to provide financial services for the operation of mobile money services and verification of partner organizations for CBN approval. The roles of the non-bank led MMOs, on the other hand, include the provision and management of technology required to deliver mobile money services and provision of agent networks.

The different mobile money scenarios anticipated by the CBN are also clearly defined, and these could be Bank Account based, Card Account based, and Stored Value (e-Wallet) Account Based.



The MMS Framework requires MMOs to provide for comprehensive mobile money processes, which will cover user on-boarding, agent recruitment and management, consumer protection and dispute resolution, risk management and transactions settlement. In addition, MMOs are also required to comply with the extant Know Your Customer (“KYC”) and Customer Due Diligence (CDD) requirements, as well as, the provisions of extant laws and regulations on Anti-Money Laundering, including the CBN AML document.

2. Guidelines on Mobile Money Services in Nigeria

The *Guidelines on Mobile Money Services in Nigeria* (“**MMS Guidelines**”) are expected to complement the MMS Framework, in ensuring orderly development and promotion of safety and effectiveness of mobile money services in Nigeria, with the aim of enhancing user confidence in the services. The MMS Guidelines cover models, agent network, business rules, and the roles & responsibilities of participants in the mobile money services market in Nigeria.

Some of the notable provisions of the MMS Guidelines are highlighted below:

Agency Network and Agent Banking

- Provision for mobile money agent networks; and
- Agent banking relationships between participants are required to be in line with the extant *Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria* issued by the CBN.

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Licensing

- All MMOs are required to be licensed by the CBN;
- MMOs are required to obtain a unique Scheme Code issued by the Nigerian Inter-Bank Settlement Scheme (NIBSS);
- MMOs must also obtain unique short codes issued by the NCC; and
- MMOs are further required to comply with the technology requirements and standards approved by the CBN and NCC, among other provisions.

Permissible and Non-permissible activities

- Permissible activities for MMOs include wallet creation and management, E-money issuing, agent recruitment and management, among other activities approved by the CBN;
- MMOs are prohibited from granting loans, advances or guarantees; and
- MMOs are not permitted to accept foreign currency deposits, among other activities precluded under Section 7.2.2. of the MMS Guidelines.

Rules of Operation for Mobile Payment Transactions

- There are extensive provisions, among other things, for the different forms of transactions under mobile money services, ranging from bank account-based transactions, card-based transactions and wallet-based transactions;
- There are also provisions for the e-Wallet system under the Stored Value Account system; and
- Account holders are required to be identified by unique account identifiers.

Roles and Responsibilities of Participants

- The roles and responsibilities of participants in the mobile money services sector – Bank-led MMOs, Non-Bank-led MMOs, Infrastructure Providers, Mobile Network Operators, and Consumers are clearly spelt out;
- The need for compliance with regulatory requirements is emphasized;
- The obligation to ensure adequate customer protection is stressed; and
- Compliance with the different technological standards applicable to mobile money transactions is clearly stated.

Operation of Savings Wallets

- MMOs are permitted to operate Savings Wallet services, upon obtaining the approval of the CBN;
- Funds in savings wallets are permitted to be invested only in the Nigerian Treasury Bills;
- MMOs operating savings wallet schemes shall be regarded as mandate customers of the CBN; and
- There are provisions on how interests on savings in wallets can be assessed, amongst others.

Settlement & Transaction Security Standards

- All payment settlements are required to be done in accordance with the settlement standards operated through the inter-bank settlement system, under the supervision of the NIBSS;
- Prescribed forms of settlement include On-Us transactions and Not-On-Us and Remote-On-Us transactions; and
- Mobile money solutions are required to comply with the transaction security standards of the CBN.

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Dispute Resolution Mechanism



- Disputes arising between institutions within the mobile money scheme are required to be resolved within fourteen (14) days; and
- Disputes not resolved within the timeframe shall be resolved in line with the *Arbitration and Conciliation Act, 2004*.

Other notable provisions in the MMS Guidelines cover risk management policies and other policies expected to be complied with by market participants. These include the requirement for MMOs to make necessary statutory returns and annual reporting to the CBN.

Remarks

The phenomenal growth of mobile telephony in Nigeria in recent years, has contributed significantly to the integration of many people in the remotest parts of the country into the economic and financial hubs at city centres. As a corollary, the use of the

mobile phone for the initiation, authorization and confirmation of the transfer of value out of current, savings or stored value accounts continues to expand the growth of commerce among the millions of financially included and indeed, non-included units in the economy.

Mobile channels remain a veritable means of driving the CBN's/Government's financial inclusion goal. This is underscored by the general shift towards mobile money services, particularly among the unbanked population.

With the introduction of the MMS Framework and MMS Guidelines, the unclear and overlapping regulatory regime that has hitherto hampered the flow of investment into the Fintech market, is expected to become progressively streamlined; with new levels of confidence and attraction to investors. Besides, the compliance requirement for KYC, anti-money laundering, data protection, cybersecurity, prudential guidelines, and the other extant banking and financial sector's laws and regulations; is also expected to buoy the confidence of consumers and the general public in the use of mobile channels.

The *MMS Framework & Guidelines* can be accessed [here](#) and for further clarification, you may reach out to us by email: banwigho@banwo-ighodal.com or through any of our contact persons below:

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