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POLICY TRACKER

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**LAGOS
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E-KYC - Digital Identity

In the current phase of the SIDFS project the policy stream carries out empirical research and recommends policy/regulatory measures for the promotion of sustainable business models and inclusive products to drive quicker attainment of financial inclusion targets.

We undertook research in the first quarter of 2020 to: Identify how policies, legislation and regulatory measures have influenced the development of inclusive financial services and products by financial service providers (FSPs).

Semi-structured survey questions were digitally distributed to 150 regulators, financial service providers and other players in the contact list of SIDFS for self-response and telephone interviews. Responses were received from 41 persons (27%), probably owing to the fact that the survey was just before Covid-19 lock down. The research was qualitative. Data analysis was by descriptive and thematic analysis. Survey questions included:

1. Which public policy, legislation and regulatory measure significantly motivate FSPs to develop inclusive financial products and services?
4. Which ... have been a significant obstacle ...?
6. How can these identified policies, legislation and regulatory measures be reformed?

Tiered KYC, the second most preponderant motivator reported for inclusive products is our focus today. One respondent said: "with the tiered KYC, KYC was simplified, overcoming a major barrier to inclusion", as it enabled banks and other FSP's to onboard customers with reduced KYC. Another said: "I recommend the development of a framework for e-KYC in Nigeria".

A key insight was that: **"Minimum digital identity is imperative and sufficient for product development and financial stability"**.

Respondents counseled:

"E-KYC /more relaxed measures to align others with Fintech's, followed by curbs after recruitment, may be more effective in driving faster inclusion."

A respondent said: "Regulators need to rethink the whole customer on-boarding process to reflect the digital transformation taking place in the country, so that there would be an open playing field for everybody ... Because, today, a Fintech can on-board almost anybody, unlike the banks, due to some regulations like KYC, AML/CFT regulations."

Another said:

"... Once we tell a prospective customer that he/she will require a NIN, they just back out, as the process of

getting the NIN is very difficult. Most times, we must bear an extra cost to facilitate NIMC registration agents... this is not a sustainable strategy..."

E-KYC¹ could mean taking facial identity by 5 second video² or digital thumbprint without face-to-face contact with an agent, or even the use of relaxed criteria, such as matching customer data with Sim card, Voters card identity records. In the UK, it could be with registered address. Software that can verify identification data of customers from documents, hand writing or through mobile cameras are available.

E-KYC can be restricted to very low transaction limits, only augmented if customers upgrade their KYC further, say by subsequently obtaining the NIN number to minimize risk of cybercrime. In light of the offer of the Nigeria Computer Society to create in 180 days a framework for issuance of Temporary National Identity Number using complex data matching algorithm and facial recognition, the recommendation for e-kyc appears pragmatic.

The president of the FATF (Financial Action Task Force) "encourages the fullest use of responsible digital customer onboarding and delivery of digital financial services ...Use of digital/contactless payments and digital onboarding reduce the risk of spreading the virus."³ How can E-KYC quicken financial inclusion whilst addressing Covid-19/AML/CFT risks?

Regulatory innovation is required!



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¹Christensen, The Four e-KYC Models Around the World, 5 April 2020: <https://www.regulationasia.com/the-four-e-kyc-models-around-the-world/>

²Bhargava, Allow digital self-KYC process for new SIM cards: Telecom firms, The Hindu Newspaper, April 7 2020: <https://www.thehindu.com/news/national/allow-digital-self-kyc-process-for-new-sim-cards-telecom-firms/article31275144.ece>

³Statement by the FATF President: COVID-19 and measures to combat illicit financing, Paris 1 April 2020: <http://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>

Global Identity Management/Know Your Customer

Steering Committee and Working Group for Nigeria's Digital Identity Project



On 6 June 2020, the Federal Government inaugurated the [steering committee and working group](#) meant to accelerate digital identification system. The committee and working group commenced work immediately and were tasked to provide policy, institutional and operational guidance towards implementing the strategic roadmap for Nigeria's digital identity development.¹ The Committee would leverage the existing ecosystem of Government Agencies, States, and trusted private partners to carry out nationwide enrolment through a viable partnership strategy with an effective public awareness campaign. The plan is to enroll 187 million people within the next 3–5 years.

Revised Framework for the Operations of Bank Verification Number (BVN) and Watch-List for the Nigerian Financial Industry

On 25 June 2020, the Central Bank of Nigeria (CBN) issued an [exposure draft of a revised framework for the operations of Bank Verification Number \(BVN\) and watch-list for the Nigerian Financial Industry](#).

This Framework defines roles and responsibilities of participants in the BVN system and the operations of BVN. It also specifies regulations for the operations of a

Watch-list - a database of customers identified by their BVNs, who have been involved in confirmed cases of breaches, to address increasing incidence of frauds and to enhance public confidence in the banking industry.

According to [the circular dated 25 June 2020](#), stakeholders are expected to provide their comments and perspectives on the draft on or before July 15, 2020.

Nigeria Computer Society – Self NIN registration



Nigeria Computer Society has offered to create in 180 days a framework for issuance of Temporary National Identity Number using complex data matching algorithm and facial recognition.² This will allow Nigerians to register with NIMC by themselves using simple Mobile phones and assist NIMC to deliver NIN registration faster. The temporary NIN would be permanent by fingerprint data to be collected later by NIMC. The application will be capable of working offline with upload to the central server whenever the Network is available

Consumer Protection, Privacy and Data Protection, Cybercrime and Fraud

Capital Markets: Requirement for Additional Information on All Prospectus Issued to the Public

To ensure investor protection and promote transparency in the operation of the Nigeria Capital Market, the Securities and Exchange Commission (SEC), released a [circular](#) on 18 June 2020, introducing a new

¹FG Inaugurates Steering Committee for Nigeria Digital Identity for Development Ecosystem Project, NIMC Website, 8 June 2020. Available at: <https://www.nimc.gov.ng/fg-inaugurates-steering-committee-for-nigeria-digital-identity-for-development-ecosystem-project/>

²C-Voice, Nigeria Computer Society offers to assist NIMC to deliver NIN registration, June 2020, Vol.2 (7): <http://www.ncs.org.ng/wp-content/uploads/2020/06/e-VOICE-Vol-2-ISSUE-VI-JUNE-2020.pdf>

requirement for inclusion in all prospectuses or offer documents issued to the general public.

The new requirement which commenced on 18 June 2020, stipulates that all prospectuses issued to the general public must include: *SEC's contact telephone number and email address*. According to the circular, this new requirement is to enable investors confirm the clearance of the prospectus and registration of the securities with the commission.

Combating financial crime



[CWG Plc](#) (an information technology company) has partnered with [Clari5](#) (a banking enterprise financial crime risk management products company), to jointly provide solutions to African banks to counter enterprise-wide fraud and money laundering risk. With this partnership, banks across Africa can now benefit from the advantages of Clari5's real-time, cross channel and fraud risk management capability.³

DFS Environment: Interoperability, Collaboration and Competition

Regulatory Framework for Sandbox Operations

The CBN issued an [exposure draft of a regulatory framework for sandbox operations](#) on 23 June 2019 calling for the input of all Deposit Money Banks, Mobile Money Operators and Payment Service Providers on or before 15 July, 2020.

The Framework defines the establishment, rules and operations of a regulatory sandbox⁴ for the Nigerian Payments System in order to promote effective competition, embrace new technology, encourage financial inclusion and improve customer experience, with a view to engendering public confidence in the Financial System. The objective is to facilitate the speedier development and deployment of innovative business models and products that advance financial inclusions; increase competition, widen consumers' choice and lower costs, without compromising on requisite consumer protection safeguards, monetary and financial stability.

Quick Response (QR) Code Payments in Nigeria



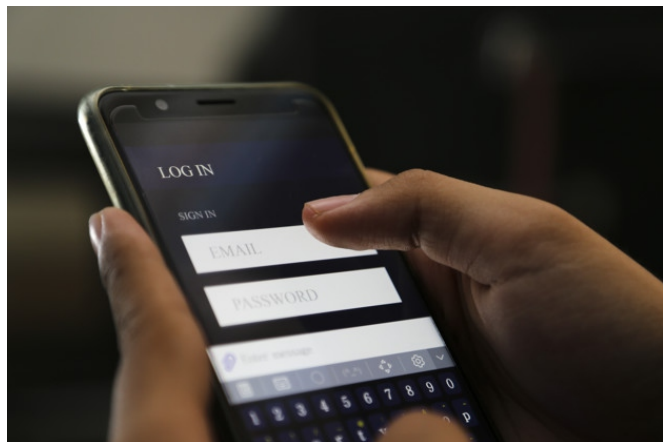
The CBN on 25 June, 2020, issued a [draft Framework for Quick Response \(QR\) Code Payments in Nigeria](#). The framework stipulates: acceptable QR code standards for implementing QR payments; Interoperability of QR Payments; Roles and Responsibilities of Participants in QR Payments; and Risk management principles for QR code payments in Nigeria. According to [the circular dated 25 June 2020](#), stakeholders within the payment system are expected to provide their comments and perspectives on the draft within two weeks from the date of the circular.

³Modupe Abidoye, CWG signs strategic partnership with Clari5 to help African Banks combat financial crime in real time, TechEconomy, 8 June 2020. Available at: <https://techeconomy.ng/2020/06/cwg-signs-strategic-partnership-with-clari5-to-help-african-banks-combat-financial-crime-in-real-time/>

⁴A Regulatory Sandbox is a formal process for firms to conduct live tests of new, innovative products, services, delivery channels, or business models in a controlled environment, with regulatory oversight, subject to appropriate conditions and safeguards.

Enabling Financial Inclusion at the Last Mile

First Bank new account opening platform



First Bank of Nigeria limited in addition to other mobile banking infrastructure (*894# USSD, Website, ATMs, First Monie Agents, etc.) launched the Direct Sales Executive (DSE) application. DSE is an end to end encrypted mobile application installed on Bank's staff mobile phone, which enables them to open an account for prospective customers. According to Chuma Ezirim, Group Executive, e-Business & Retail Products, this launch is geared at deepening financial inclusion by leveraging on technology to onboard customers to formal financial services.⁵

ICT Projects in Nigeria in Local Languages

On 30 June 2020, the Minister of Communications and Digital Economy, Dr. Isa Panatami, inaugurated two inter-agency committees – *Completed Projects Review and Commissioning Committee* and *Committee on Media Engagement in Local Languages*. The Completed Projects Review and Commission Committee is mandated to review, collate, and virtually commission all Information and Communication Technology projects while the Committee on Media Engagement in Local Languages is charged with the responsibility of creating awareness of these projects, their locations and benefits to Nigerians using local languages.

Committee members were drawn from all five agencies supervised by the Ministry including NIPOST, NIGCOMSAT, Galaxy Backbone, NCC and NITDA.⁶

Enabling Environment for DFS Ecosystem

NCC-FIRS MoU on VATable Telcos' Transactions

On Tuesday, 9 June 2020, the National Communications Commission (NCC) signed a Memorandum of Understanding (MoU) with the Federal Inland Revenue Service (FIRS) to ensure that the tax agency ascertains accuracy and completeness of Value Added Tax (VAT) elements and other taxes payable in the transactions of telecommunication operators.

With the MoU, the FIRS will be able to integrate an application programming interface (API) technology solution with the systems of telecom Operators for independent verification of the amount of VAT that should be paid by mobile network operators (MNO).⁷

Recapitalization Requirement for Insurance Companies



Following the difficulty to proceed with the [31st December 2020 recapitalisation deadline](#) due to the incidences of COVID-19 pandemic, the National Insurance Commission (NAICOM) issued a [circular NAICOM/DPR/CIR/25-04/2020](#) extending and segmenting the recapitalisation process for insurance companies in Nigeria into two phases. According to the

⁵NM Partners, FirstBank leverages technology to promote virtual bank account opening for customers, Nairametrics, 3 June 2020. Available at: <https://nairametrics.com/2020/06/03/firstbank-leverages-technology-to-promote-virtual-bank-account-opening-for-customers/>

⁶Modupe Abidoye, Pantami inaugurates two ministerial inter-agency committees on completed projects, Techeconomy, 30 June 2020. Available at: <https://techeconomy.ng/2020/06/pantami-inaugurates-two-ministerial-inter-agency-committees-on-completed-projects/>

⁷Press Statement: NCC, FIRS sign MoU, for ascertaining VAT elements of telcos' transactions, NCC Website, 10 June 2020. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/826-press-statement-ncc-firs-sign-mou-for-ascertaining-vat-elements-of-telcos-transactions>

circular, Insurance companies who fail to satisfy the required minimum paid-up capital by the end of 31st December, 2020 may be restricted on the scope of businesses they will transact. Also, all insurance companies must fully comply with the required minimum paid-up capital at the end of the recapitalisation exercise on 30th September 2021.

NIPOST to be unbundled into three subsidiary companies

As part of the reformation of the postal sector approved by the National Council on Privatisation in October 2017, the Nigerian Postal Service (NIPOST) is to be unbundled, into three subsidiary companies –

- NIPOST Properties & Development Company
- NIPOST Transport & Logistics Company; and
- NIPOST Microfinance Bank Limited

According to the Director-General of the Bureau of Public Enterprises, Mr Alex Okoh on 24 June 2020, the benefits of the reform include: the provision of efficient postal services and utilisation of vast assets of NIPOST across the country and the operation and growth of ancillary services and business.⁸

DFS Infrastructure

RoW Charges

In addition to six States who reduced or waived Right of Way (RoW) Charges in the month of May, Anambra State reduced its RoW charge from N600 per linear metre to zero naira.⁹ So far seven states have cancelled RoW charges, or effected the National Economic Council RoW Resolution fixing a charge of N145 per linear metre.

5G in Nigeria



Following global trends in 5G telecommunication development, the Nigerian Communications Commission (NCC) has successfully completed the proof of concept (trial) with MTN in six locations using different equipment vendors for a period of 3 months. According to the NCC, results of this trial which was embarked on in November 2019¹⁰, shows performance improvement of 5G over previous technologies (2G – 4G) with the radiation levels well below the specified human safety guidelines. Consequently, the NCC, through [a public notice](#), has commenced the development of a policy for the deployment of 5G in Nigeria.

⁸Ndubuisi Francis, FG to Unbundle NIPOST into Three Subsidiary Companies, ThisDay Newspaper, 24 June 2020. Available at: <https://www.thisdaylive.com/index.php/2020/06/24/fg-to-unbundle-nipost-into-three-subsidiary-companies/>

⁹Peter Oluka, Breaking: Anambra crashes Right of Way Price to zero naira, TechEconomy, 4 June 2020. Available at: <https://techeconomy.ng/2020/06/breaking-anambra-crashes-right-of-way-price-to-zero-naira/>

¹⁰Joy Nwankwo, Updated: Nigeria becomes first in West Africa to try 5G technology, powered by MTN, TechEconomy, 25 November 2019. Available at: <https://techeconomy.ng/2019/11/updated-nigeria-becomes-first-in-west-africa-to-trial-5g-technology-powered-by-mtn/>

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