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# POLICY TRACKER

*A Monthly Bulletin of Financial Inclusion Policy Developments*



**LAGOS  
BUSINESS  
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## Editor's Note

### Federalizing Power over Communication and Financial Inclusion



This month's Tracker features a call by the Executive Secretary, Nigeria Computer Society (NCS), Mr. Iyiola Ayoola for federalizing legislative power over Communication.<sup>1</sup> According to him, this will ensure that the States and local governments promote quicker and more democratic spread of broadband and other critical digital economy services. It would also obviate the problem of inapt policies due to over-centralization where decisions are taken in Abuja, far from the realities on the ground. Unit governments may be forced to give greater priority to un-served and underserved areas, be more sensible about impeding taxes and regulations and focus on creating jobs for the youth, while protecting digital economy entrepreneurs.

The Exclusive legislative List<sup>2</sup> does not list "Communication" or "Telecommunication" as such. Item 46 lists: "Posts, telegraphs and telephones"; Item 66: "Wireless, broadcasting and television other than broadcasting and television provided by the Government of a state; allocation of wave-lengths for wireless, broadcasting and television transmission"; and Item 68: "Any matter incidental or supplementary to any matter mentioned elsewhere in this list." The Concurrent legislative list<sup>3</sup> does not contain any provision directly or

indirectly alluding to Communication. The Functions of a Local Government<sup>4</sup> does not allude to any such powers.

The National Communications Act<sup>5</sup> (NCA) with wide powers to regulate the field was passed pursuant to the allocation of power in the Constitution. The exclusive jurisdiction of the federal government on Communication was confirmed in *Registered Trustee of Association of Licensed Telecommunication Operators of Nigeria & 6 Ors. V Lagos State Government & 4 Ors.*<sup>6</sup>; where the Federal High Court forestalled the attempt of Lagos State Government to encroach on the powers of the NCC to regulate telecommunications facilities, towers and mast. The Court said: "it will be difficult to do Telecommunication business in Nigeria if every State in the federation, which is not unlikely, if this case succeeds, to enact their own laws, to take a piece of the action."<sup>7</sup> *IHS Nigeria Limited v. Attorney General of the Federation & 4 Ors.*<sup>8</sup> reinforced this rule, albeit upholding the right of States to act under section 135 of the NCA to give necessary approvals to licensees under the NCA and impose one-off fees.

State Governments also assert the right to regulate urban planning, as vindicated by the Supreme Court in *Attorney General of Lagos State and Ors. V Attorney General of the Federation & Ors.*<sup>9</sup> However, their erstwhile rigidity on

<sup>1</sup> Yinka Okeowo, Why broadband policies should be domesticated in States – Ayoola, Tech Economy.ng, April 27 2021. Available at: <https://techeconomy.ng/2021/04/why-broadband-policies-should-be-domesticated-in-states-ayoola/>

<sup>2</sup> Schedule II, Part I, Constitution of the Federal Republic of Nigeria, 1999 (as amended).

<sup>3</sup> Schedule II, Part II, Constitution of the Federal Republic of Nigeria, 1999 (as amended).

<sup>4</sup> Schedule IV, Constitution of the Federal Republic of Nigeria, 1999 (as amended).

<sup>5</sup> The Nigerian Communications Commission Act Cap N9, L.F.N. 2004 and the Nigerian Communications Act

No. 19 of 2003.

<sup>6</sup> (Unreported) Suit No. FHC/L/CS/517/06 delivered by Justice Auta of the Federal High Court, Lagos on 25th February, 2007.

<sup>7</sup> At p. 24.

<sup>8</sup> (Unreported) Suit No. FHC/UM/CS/146/16 delivered by Justice Osiagor of the Federal High Court, Umuahia on 30th May, 2018.

<sup>9</sup> (2003)12 NWLR Part 833, 1-253.

Right of Way charges and “illegal” levies on Communication operations (including by Local Governments) may not really be an evidence of shortsightedness or ignorance. With the Federal Government controlling about 95% of taxable sources the Unit Governments are “attempting to take their own shares of the revenues of corporate bodies through the back door.”<sup>10</sup>



Dysfunction created by multiple layers of regulations on Communications operations can be minimized by coordinated regulatory frameworks and measures by all tiers of government<sup>11</sup>, whilst ensuring a win-win approach to sharing of revenue, which is after all, really an incidental benefit to the developmental purpose of regulation. However, there is need for a greater recognition that the relevant issue is about the role of Communications in empowering economic activity and promoting financial and economic inclusion. In that wise, cooperative federalism<sup>12</sup> may be a “low hanging fruit” to progress.

The Federal Government can minimize dysfunctional multiple regulation by facilitating harmonized planning, public policy and control. It can use “moral-suasion” or a “carrot and stick” approach by using financial grants and other incentives to motivate unit governments to support Communications, broadband and the digital economy. Alternatively, or additionally, it could willingly (and without necessarily insisting on waiting for constitutional amendment to taxing powers) devise a more empowering

or democratic sharing of tax revenue on Communications operations to deter impeding unit government activity. Asserting federal constitutional power should be subtle or as a last resort. Unit governments must prioritize good governance and sustainable development, rather than raising revenue to be corruptly or wastefully utilized.

The federal, state and local governments should adhere to the rule of law and the implementation of and evolution of a culture of social justice enshrined in Chapter II of the Constitution<sup>13</sup> by treating financial and economic inclusion as a fundamental duty and purpose of all governments in Nigeria.<sup>14</sup> Civil society and citizen political agitation to demand for greater attention of the legislature and executive to financial and economic inclusion as a fundamental tenet of good governance is required. Public interest litigation to obtain supportive case law by the Nigerian Bar Association and other activists will be welcome. It is time for all stakeholders to begin to agitate for financial and economic inclusion to be ultimately, a basic right.



**Professor Olawale Ajai**

*Professor of Legal, Social & Political Environment of Business,  
Lagos Business School*

<sup>10</sup> Dr. Abiola Sanni (2012). Multiplicity of Taxes in Nigeria: Issues, Problems and Solutions, International Journal of Business and Social Science, Vol. 3 No. 17, 229 – 236, at p. 236.

<sup>11</sup> C.f., Uchenna Jerome Orji (2018). Ch. 5, Telecommunications Law and Regulation in Nigeria, Cambridge Scholars Publishing, Newcastle upon Tyne, UK.

<sup>12</sup> “Cooperative federalism [means]... different levels of government work together as complementary parts in a shared legal sphere. This could mean joint participation by each level of government in the formation and/or implementation of policies... either through formal or informal channels... [and] the integration of relevant actors into an existing

framework, rather than advocating the operation of a parallel framework for such actors” - Ohiocheoya Omiunu (2014). Moving From ‘Central Exclusivity’ To Cooperative Federalism in The International Economic Participation of Federal Systems: A Case Study of Nigeria, PhD thesis of University of Liverpool, at p. 3. Available at: [https://livrepository.liverpool.ac.uk/2006420/1/OmiunuOhi\\_Jun2014\\_2006420.pdf](https://livrepository.liverpool.ac.uk/2006420/1/OmiunuOhi_Jun2014_2006420.pdf)

<sup>13</sup> Fundamental Objectives and Directive Principles of State Policy.

<sup>14</sup> See, sections 15 (4); 16 (1) (a) & (b); 16 (2); 17 (1) & 17 (3).



## Global Identity Management / Know Your Customer

### *4th extension of NIN registration deadline*

The Federal Government has extended the NIN registration deadline to 6 May 2021. Estimates suggested that over 51 million people now have their NINs and that the current number of monthly enrolments has increased to about 2.6 million registrations.<sup>15</sup>

### *SIM Activation ban lifted*



The Federal Government of Nigeria approved the activation of new SIM Card with mandatory National Identification Number (NIN) from April 19 2021, in line with the revised National Digital Identity Policy for SIM Card registration.<sup>16</sup> The Policy includes Guidelines on New SIM Acquisition and Activation, SIM Replacement, New SIM Activation for Corporates and Internet-of-Things/Machine-to-Machine (IoT/M2M), amongst others. The possession of a National Identity number will be a prerequisite for each of these categories.

### *SEC's KYC reminder*

The Securities and Exchange Commission (SEC), noting the low level of compliance to directives on update of investors' Know Your Customer information for 2021, requested Capital Market Operators (CMO) to accord it the

highest level of priority.<sup>17</sup> As at April 8, 2021, there were still 4,012,311 (Four million, twelve thousand, three hundred and eleven) accounts with incomplete KYC information. The deadline for the annual renewal was 30th April, 2021.

### *BVN ban on Fintechs*

On April 8 2021, Nigeria Interbank Settlement Scheme (NIBSS) reportedly suspended the provision of bank verification number (BVN) service to Fintech companies and their third party partners.<sup>18</sup> Apparently, the move was in response to alarming levels of fraud on young Nigerians perpetrated by fraudsters using a popular Fintech provider.

## Consumer Protection, Privacy and Data Protection, Cybercrime and Fraud

### *Digital trading of foreign securities*



On 8 April 2021, SEC directed CMOs to disallow allied digital platforms from trading foreign securities, as only foreign securities listed on any Exchange registered in Nigeria may be issued, sold or offered for sale or subscription to the Nigerian public.<sup>19</sup> It enjoined the investing public to always seek clarification on investment products advertised through conventional or online mediums.

<sup>15</sup>Vaughan O'Grady, Fourth deadline announced for Nigeria NIN-SIM registration, Developing Telecoms, 6 April 2021. Available at:

<https://www.developingtelecoms.com/telecom-business/telecom-regulation/10936-fourth-deadline-announced-for-nigeria-nin-sim-registration.html>

<sup>16</sup>Yinka Okeowo, BREAKING: FG lifts suspension on new SIM Cards activation from April 19, Techeconomy.ng, April 15 2021. Available at: <https://techeconomy.ng/2021/04/breaking-fg-lifts-suspension-on-new-sim-cards-activation-from-april-19%E2%80%8B/>

<sup>17</sup>Owoicho Sunday Owoicho, SEC Reminds Capital Market Operators of KYC Update, The Fact, 18 April 2021. Available at: <https://thefact.ng/sec-reminds-capital-market-operators-of-kyc-update/>

<sup>18</sup>Alexander O. Onukwue, Can NIBSS save BVN from bank scams and be a fair umpire? Tech Cabal, 27 April 2021. Available at: <https://techcabal.com/2021/04/27/can-nibss-save-bvn-from-bank-scams-and-be-a-fair-umpire/>

<sup>19</sup>SEC Management, Proliferation of Unregistered Online Investment and Trading Platforms Facilitating Access to Trading in Securities Listed in Foreign Markets, SEC Website, 8 April 2021. Available at: <https://sec.gov.ng/proliferation-of-unregistered-online-investment-and-trading-platforms-facilitating-access-to-trading-in-securities-listed-in-foreign-markets/>

## Digital sub-brokers



On 22 April 2021, SEC amended the Consolidated Rules and Regulations definition of “Sub-Broker” as meaning: “any person or entity not being a dealing member of an Exchange who acts on behalf of a sponsoring Broker/Dealer as an agent or otherwise for assisting the investors in buying, selling, or dealing in securities through such sponsoring Broker/Dealer.”<sup>20</sup> A Sub-broker providing access to multiple brokers through a Digital Platform is a sub-broker who utilizes a digital platform to serve clients and interact with the sponsoring broker or brokers.

Consequently, application for registration as a Sub-Broker/Sub-Broker Serving Multiple Brokers through a Digital Platform must be made to SEC by companies who utilize digital platforms to offer shares to Nigerians. They must have a minimum paid up capital of N10,000,000 (Ten Million Naira), a Current Fidelity Insurance Bond covering at least 20% of the minimum paid-up capital, submit the necessary information on their Sponsored Individuals, the Company Profile and other required business organization documents, a copy of their Principal Agreement with Brokers, a description of the technology on which its infrastructure is built and must establish adequate risk management policies, procedures and controls.

## Banks hidden charges

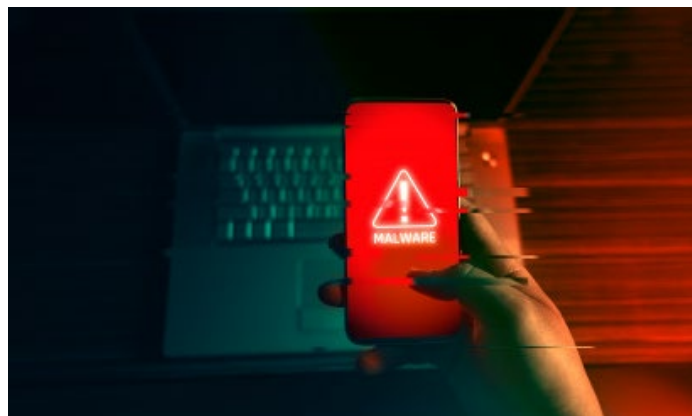
The Speaker of the House of Representatives, Hon. Femi Gbajabiamila, complained about banks’ hidden charges when he hosted the board and management of the Standard Chartered Bank, led by the Chief Executive Officer, Lamin Manjang.<sup>21</sup> He said the House was

concerned that such a practice was making customers helpless and called for a change.

## Cybercrime surge

According to Mr. Tope Aladenusi, Chief Strategy Officer, Deloitte West Africa, at a webinar hosted on: ‘Staying Protected Amidst the Pandemic Chaos,’ organized by First Bank Plc, Nigeria lost N5.5 trillion to fraud and cybercrimes in 10 years.<sup>22</sup> This was more than losses due to drug trafficking and attributable to insufficient skilled resources, deficiency in awareness, rapidly changing technology landscape and weakness in cyber security controls.

## Mobile malware epidemic



A report by Upstream, and its full-stack anti-fraud platform, Secure-D, found that 11 percent of Android devices in Nigeria contain malware-infected apps.<sup>23</sup> Disturbingly, about 576 malicious apps – many of which are yet to be removed from the Google Play store were detected and threat actors are increasingly migrating to other unregulated third-party app stores. Mobile users in rural areas, who tend to use low-end Android devices on their mobile phones for payment are more vulnerable to these risks.

<sup>20</sup> SEC Management, Major Amendments as at April 22, 2021, SEC Nigeria website. Available at: <https://sec.gov.ng/regulation/rules-codes/>

<sup>21</sup> David Oladele, Gbajabiamila speaks against banks’ hidden charges, exploitative marketing, TechEconomy. Ng, April 27 2021. Available at: <https://techeconomy.ng/2021/04/gbajabiamila-speaks-against-banks-hidden-charges-exploitative-marketing/>

<sup>22</sup> Ugo Aliogo, ‘Nigeria Lost N5.5tn to Cybercrimes in 10 Years’, This Day Newspapers, April 26 2021. Available at: <https://www.thisdaylive.com/index.php/2021/04/26/nigeria-lost-n5-5tn-to-cybercrimes-in-10-years/>

<sup>23</sup> Yinka Okeowo, Mobile malware epidemic hits Nigeria; 1 in 9 Android phones now infected, April 21 2021. Available at:

## DFS Environment: Interoperability, Collaboration and Competition

### Block chain potentials



According to Enhancing Financial Innovation and Access (EFINA'S) report of 3 April 2021, Block chain technology has the potential to add \$1billion to Nigeria's economy by 2021 and \$29billion by 2030, whilst promoting financial inclusion in identity management, payments, access to finance and land titling and registration.<sup>24</sup>

### Global block chain networking

As a part of the roll out by Stellar, a global, public block chain network for deepening interoperability, financial access and inclusion, Cowrie Integrated Systems, a financial technology company with headquarters in the United Kingdom and offices in Nigeria, is designing a fiat tokens (also known as stable coins) payment channel.<sup>25</sup> It leverages USDC, one of the world's leading digital dollar stable coins, as a bridge currency to help businesses reduce the friction of sending payments to and from Europe. This would provide a bi-directional channel for customers to redeem and trade EURT, a euro stable coin also pegged 1:1 to fiat reserves. EURT is issued by Tempo, an electronic payment institution based in France.

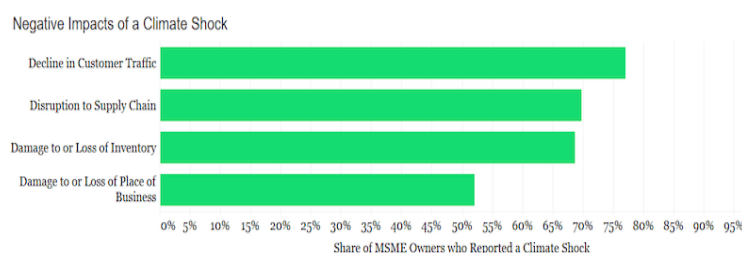
<sup>24</sup> Efina, 'Potential of Blockchain for Financial Inclusion in Nigeria', 3 April 2021. Available at: <https://techeconomy.ng/2021/04/mobile-malware-epidemic-hits-nigeria-1-in-9-android-phones-now-infected/>  
<https://www.efina.org.ng/media-room/potential-of-blockchain-for-financial-inclusion-in-nigeria/>

<sup>25</sup> Denelle Dixon, How blockchain technology is fixing payments today and what comes next, World Economic Forum, 29 April 2021. Available at: <https://www.weforum.org/agenda/2021/04/how-blockchain-technology-is-fixing-payments-today-what-comes-next/>

## Enabling Financial Inclusion at the Last Mile

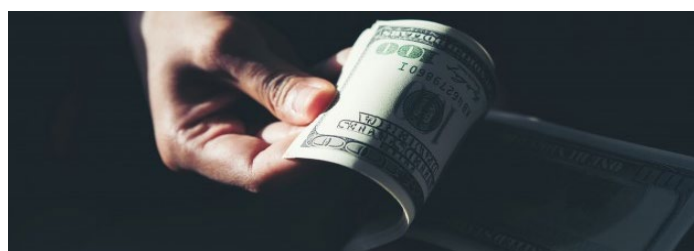
### Climate change impacts on MSMEs

The Center for Financial Inclusion's (CFI) dipstick survey of urban MSME owners in Lagos shows that 24 percent of MSME owners had been negatively impacted by climate shocks in the past 5 years and are recovering more slowly from COVID-19 than their peers (see figure below).<sup>26</sup>



Ameliorative support in the form of systems-level investments in infrastructure by the government to mitigate the risk of future shocks are needed but must not disrupt ongoing operations of MSME owners resident in affected communities. FSPs, regulators, and policymakers also need to collaborate to ensure continued access to appropriate and affordable financial services, such as flood insurance, to MSME owners.

### Cardless cash withdrawal via Mobile agents



Y'ello Digital Financial Services, YDFS, has expanded its MoMo Agent cardless cash withdrawal service to customers using First Bank, GTBank, Zenith Bank, and other tier-one banks.<sup>27</sup> The service allows the

<sup>26</sup>Eric Noggle, Climate Change is Exacerbating Obstacles to COVID-19 Recovery for MSMEs in Nigeria, Center for Financial Inclusion, Accion, Apr 26, 2021. Available at: Center for Financial Inclusion Header LogoCenter for Financial Inclusion

<sup>27</sup> Victor Ilo, How innovation is pushing Nigeria's financial inclusion drive [Opinion], Vanguard Newspapers, April 27. Available at: <https://www.vanguardngr.com/2021/04/how-innovation-is-pushing-nigerias-financial-inclusion-drive-opinion/> via Agents



underserved to access cash from their accounts without having to visit an ATM or use an ATM card.

## Enabling Environment for DFS Ecosystem

### *Reps suspend microfinance banks recapitalization*

The House of Representatives, on Wednesday, April 28, passed a motion directing the Central Bank of Nigeria (CBN) to suspend the planned recapitalization of microfinance banks (MFBs) until the economy stabilizes and is safe for a new deadline.<sup>28</sup> It instructed the committee on banking and currency to work with CBN to find a practical solution and to give a feedback within four weeks for further legislative action.

### *CAC email registration link*



The Corporate Affairs Commission (CAC) has notified the email address for customers and the public for manual submissions of registration applications till the deployment of the interface for submission on the online Company Registration Portal.<sup>29</sup> CAC said it had started prioritizing the reduction of the registration cycle for new companies to just three hours before the end of the year 2021.

<sup>28</sup> David Oladele, Reps orders CBN to suspend recapitalisation of microfinance banks, Tech Economy.ng, 29 April 2021. Available at: <https://techeconomy.ng/2021/04/reps-orders-cbn-to-suspend-recapitalisation-of-microfinance-banks/>

<sup>29</sup> David Oladele, CAC unveils email addresses for manual submission of registration applications, Tech Economy.ng, April 22 2021. Available at:

## DFS Infrastructure

### *Digital economy projects*



The Emergency Communication Centres (NCC) facilitating distress contact with relevant agencies established by the Nigerian Communications Commission (NCC) in both Ogun and Enugu states were commissioned by the Minister of Communications and Digital Economy, Dr. Isa Ali Ibrahim Pantami on Friday, April 23, 2021.<sup>30</sup> Thus far, 19 states of the Federation including the Federal Capital Territory (FCT), Abuja have been served.

Digital economy projects, executed by the National Information Technology Development Agency (NITDA), were also commissioned that day. These include the Community ICT Centre, Dutse, Jigawa State; Information Technology Hub at Abubakar Tafawa Belewa University, Bauchi; and Digital Economy Centres (DEC) in Imo State Polytechnic; Garki Secondary School, Abuja and Ojodu Grammar School, Ojodu, Lagos State.

### *Fiber-To-The-Home (FTTH) sub-sector potentials*

The Broadband Plan 2020-2025 relies more on mobile networks for rapid penetration rate but overlooks last-mile fiber (FTTX) to deliver digital transformation and development through telemedicine, virtual learnings, e-entertainment, virtual realities, etc. Expressing this was the Group Executive Director of Commercials at ipNX

<https://techeconomy.ng/2021/04/cac-unveils-email-addresses-for-manual-submission-of-registration-applications/>

<sup>30</sup> Media Team, Press Statement: Minister Commissions NCC's Emergency Communication Centres in Enugu, NCC web site, Ogun, 23 April 2021. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/989-press-statement-minister-commissions-ncc-s-emergency-communication-centres-in-enugu-ogun>

Nigeria, Bimpe Olaleye<sup>31</sup> at a virtual engagement by the Association of Telecommunications Companies of Nigeria (ATCON). She reported that FTTH operators currently provide an average download speed of over 20Mbps, 100 and 200Mbps to large enterprises, SMEs and homes, with pricing at sub-N100 per Gigabyte. She called on all stakeholders to support the sub-sector considerably to increase penetration. Governments should avail special waivers, rebates on taxes and duties, licensing fees, Right of Way (RoW) intervention, among other incentives.

### *Federalizing Communication and Broadband powers*



The Federal government of Nigeria has been advised to sacrifice some of its privileged and rights over communications to the States and Local Government administrations in order to facilitate broad band penetration to un-served and underserved areas and to tackle the issue of Right of Way and multiplicity of challenges faced by mobile network operators in the deployment of service.<sup>32</sup> On their own part, State governments should prioritize digital skills development and domesticate broadband policies at the States and Local government levels

<sup>31</sup> Marketing Edge, Nigerian National Broadband Plan: ipNX reiterates the Potential of the FTTH Sub-sector to Drive Nigeria's Digital Economy. Available at: <https://marketingedge.com.ng/nigerian-national-broadband-plan-ipnx-reiterates-the-potential-of-the-ftth-sub-sector-to-drive-nigerias-digital-economy/>

<sup>32</sup>Yinka Okeowo, Why broadband policies should be domesticated in States – Ayoola, Tech Economy.ng, April 27 2021. Available at: <https://techeconomy.ng/2021/04/why-broadband-policies-should-be-domesticated-in-states-ayoola/>



For feedback and comments  
Sustainable Inclusive &  
Digital Financial Services,  
Lagos Business School,  
Km. 22, Lekki- Epe Expressway  
Ajah, Lagos, Nigeria

Email: [sustainabledfs@lbs.edu.ng](mailto:sustainabledfs@lbs.edu.ng)

Content & Editorial Work:  
Prof. Olawale Ajai

Design & Images:  
Ibukun Taiwo  
Olanrewaju Adelaja



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