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POLICY TRACKER

A Monthly Bulletin of Financial Inclusion Policy Developments



**LAGOS
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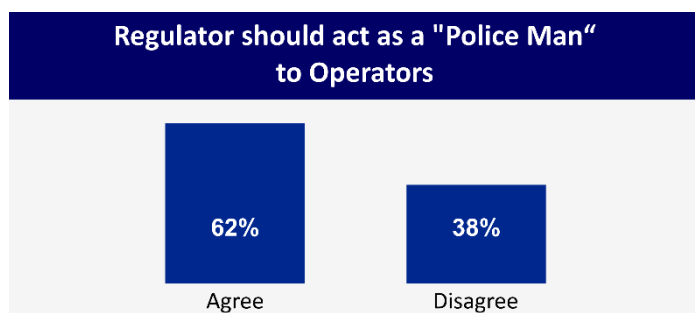
Editor's Note

Regulatory roles and market conduct in Nigeria's Financial Services

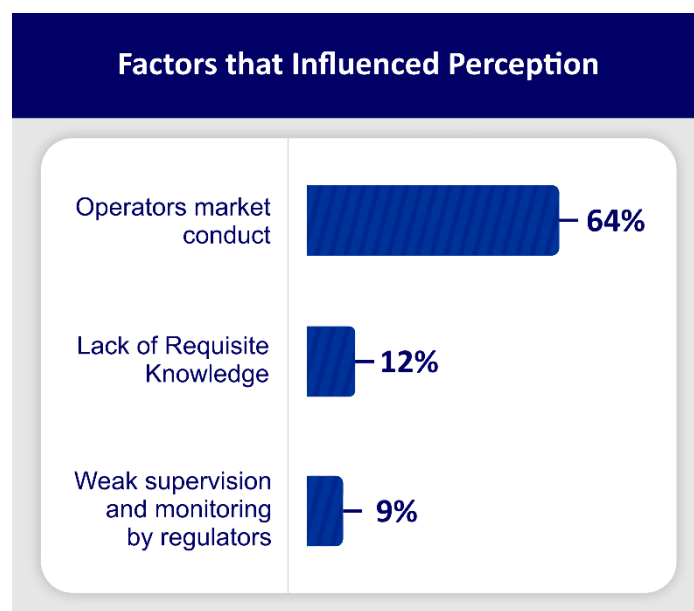


The last edition of the Tracker contained an opinion piece on consumer protection and operators market conduct. This month's Tracker revisits the theme of market conduct by presenting snippets of data from a recent empirical survey conducted by SIDFS, Lagos Business School on "Regulators Perception of Financial Service Providers in the DFS Ecosystem". In part, the survey was targeted at 50 regulators from a cross-section of financial services regulatory agencies who had participated in an extended interaction with SIDFS and had the objective of seeking to understand regulator – operator relations within the DFS Ecosystem. A questionnaire was administered to the respondents and responses were received from 33 respondents (66% response rate). Descriptive and thematic analysis was used to analyze the data.

This opinion piece relates to the first impression question: "Operators are too profit-minded and serial law breakers, you must take whatever they say with a pinch of salt and close mark them with monitoring and detailed regulations. The job of the regulator is more akin to that of a policeman actually. Agree or Disagree?" The response is presented in the graph below:



The factors influencing that response are displayed in the graph below.



In August 2020 the Center for Financial Inclusion at Accion (CFI) released the results of a study on market conduct supervision in consumer protection in several countries in the West Africa Economic and Monetary Union (WAEMU), and in particular, lessons learned in Benin Republic.¹ The report noted that market conduct supervision is an important complement to prudential regulation but found that there was a weak culture of self-regulation among financial institutions, a high prevalence of non-regulated financial service providers and low literacy levels in the country. It concluded that there was the need to strengthen market conduct supervision and to encourage and guide supervisory agencies to adopt market conduct

¹ Boubacar Diallo, Improving Consumer Protection Market Conduct: Lessons Learned in Benin, 20 August 2020. Available at:

<https://www.centerforfinancialinclusion.org/improving-consumer-protection-market-conduct-lessons-learned-in-benin>

supervision and Client Protection Principles into their practices.

The Alliance for Financial Inclusion's (AFI) risk based market conduct supervision framework² defines market conduct as: "... the manner in which an FSP designs its products and services and manages its relationship with clients and public, including the use of intermediaries (representatives or agents)."³ The framework incorporates an overall risk scorecard that provides a concise snapshot of FSP's current significant activities and risk management procedures and provides basis for flexibility by supervisors in their analysis of the FSP and supervisory actions to be taken.



Nigeria does not suffer from a lack of laws, principles and codes on market conduct in the financial services industry. Nevertheless, the SIDFS survey identifies a significant deficit of wholesome market conduct by operators, at least from the perception of regulators. The CFI report suggests that improving regulatory expertise in market conduct supervision can change behavior over time.⁴ Albeit, the subject remains a perennial area of concern across the world.⁵ A 2020 report on the banking sector in Nigeria states that: "Corporate governance is viewed as one of the biggest challenges faced by Nigerian banks, and financial mismanagement or misconduct by executive management has hampered their performance and sustainability."⁶ This was a major reason for the Banking Consolidation policy by CBN during Professor Soludo's tenure and a major concern during Governor Sanusi's tenure.

Market conduct depends as much on the state of competition in the markets as on good self-regulatory measures and good corporate governance by operators, as well as effective supervision by regulators. The learning point from the CFI study is that regulatory expertise in market conduct supervision can be enhanced and might be a significant, albeit not exclusive factor in changing market behavior. Across board capability enhancement for Nigeria's financial sector supervisory agencies in market conduct supervision and client protection principles may therefore be required. Innovative policies and systematic, continuing initiatives to increase industry competition and consumer protection, minimize anti-competitive behavior and to improve corporate governance by operators are evidently urgently required. In the final analysis, the buck of enthrone better market conduct stops at the table of regulators.



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² Market Conduct Supervision of Financial Services Providers A Risk-Based Supervision Framework, Guideline Note No.21, August 2016. Available at: <https://www.afi-global.org/sites/default/files/publications/2016-08/Guideline%20Note-21%20CEMC-RiskBased.pdf>

³ At p.4.

⁴ Ibid.

⁵ C.f., Speech By Andrew Bailey, Chief Executive of UK's FCA, on "The Future Of Financial Conduct Regulation"; available at: <https://www.proshareng.com/news/Regulators/The-Future-Of-Financial-Conduct-Regulation/45004>; KPMG Studies on market conduct in South

Africa's insurance industry -

<https://assets.kpmg/content/dam/kpmg/za/pdf/pdf2020/market-conduct-in-the-insurance-industry.pdf>

⁶ https://www.researchandmarkets.com/reports/4990967/the-banking-sector-in-nigeria?utm_source=dynamic&utm_medium=GNOM&utm_code=pgds7w&utm_campaign=1356354+-+Nigerian+Banking+Industry+Report+2020%2c+Featuring+Profiles+of+First+Bank+of+Nigeria%2c+Guaranty+Trust+Bank%2c+United+Bank+for+Africa%2c+Zenith+Bank%2c+Taj+Bank%2c+Unity+Bank%2c+and+More&utm_exec=joca220gnomd

Global Identity Management / Know Your Customer

Digital Identification



The Federal Executive Council has approved the draft National Policy for Digital Identification for Internally Displaced Persons (IDPs). This policy will be implemented by the National Identity Management Commission (NIMC) and supervised by the Ministry of Communications and Digital Economy.⁷ NIMC engaged enrolment agents on 24 November 2020 for the implementation of the policy.⁸

NIMC bags excellence service award

NIMC has been ranked third in the Independent Corrupt Practices and other Related Offences Commission (ICPC) Transparency and Accountability index of 55 Federal Government of Nigeria regulatory agencies.⁹

Africa's Digital Due Diligence Repository

African Export-Import Bank (Afreximbank) has launched the operations of 'MANSA', a single source of the primary data required for Customer Due Diligence (CDD) and Know Your Customer (KYC) checks on African entities, including financial institutions, corporates and SMEs.¹⁰

⁷ Emmanuel Elebeke, FG endorses digital ID for IDPs, Vanguard Newspaper, 12 November 2020. Available at: <https://www.vanguardngr.com/2020/11/fg-endorses-digital-id-for-idps/>

⁸ NIMC Twitter Page, Briefing of consultants and presentation of engagement letters to representation of enrolment agents for IDP enrolment project held 24th November 2020. Available at: https://twitter.com/nimc_ng/status/1331256437826269186

⁹ Msugh Ityokura, NIMC bags excellence service award, 10 November 2020, The Guardian. Available at: <https://guardian.ng/appointments/nimc-bags-excellence-service-award/>

Digital Identity Verification & KYC Technology

VerifyMe has launched a 4D GIS technology service to improve last-mile agent efficiency by pre-screening addresses based on cell tower and GPS positioning in real-time. The innovation was developed to address the issue of non-standardisation of addresses faced by businesses in Nigeria.¹¹

Consumer Protection, Privacy and Data Protection, Cybercrime and Fraud

Call to Ratify Malabo Convention



The Nigeria Internet Governors Forum (NIGF) during her [Virtual Nigeria Internet Governance Forum](#), urged the Federal Government (FG) to ratify the [African Union Convention on Cyber Security and Personal Data Protection](#), also known as the Malabo Convention, to unify the implementations of cybersecurity and data protection regulations across the continent - Africa.¹²

DFS Environment: Interoperability, Collaboration and Competition

Fintech and Capital Markets

The Securities and Exchange Commission (SEC) plans to introduce financial technology in capital markets operations. The Commission is implementing the Fintech roadmap and contextualizing the regulatory

¹⁰ Press Releases, Afrximbank launches MANSA, Africa's Digital Due Diligence Repository, 30 November 2020. Available at: <https://www.afreximbank.com/afreximbank-launches-mansa-africas-digital-due-diligence-repository/>

¹¹ VerifyMe unveils 4D GIS Technology to enhance last-mile authentication, Vanguard Newspaper, 23 November 2020. Available at: <https://www.vanguardngr.com/2020/11/verifyme-unveils-4d-gis-technology-to-enhance-last-mile-authentication/>

¹² Adeyemi Adepotun, NGIF urge ratification of Malabo Convention on cybersecurity, data protection, 13 November 2020. Available at: <https://guardian.ng/technology/ngif-urge-ratification-of-malabo-convention-on-cybersecurity-data-protection/>

independent framework to board the technology into the capital market. In furtherance to this, the chairman of the Senate committee on capital market, Ibikunle Amosun, tasked stakeholders to strategise on how to encourage Micro, Small and Medium Enterprises (MSMEs) and multinational companies to participate in the Nigeria capital market.¹³

Localised Payment Methods



dLocal has partnered with Microsoft to reach new customers in emerging markets with localized payment methods, beginning with Nigeria. Through this collaboration, shoppers on the Microsoft Store Website in Nigeria will be able to pay with local credit cards for products. In the coming months, Microsoft intends to use dLocal's Payins solution to add additional popular local payment methods, and also expand to other emerging markets globally. This collaboration was made possible by Nigeria's cashless initiative that has been driving growth of digital payments services and e-commerce.¹⁴

Call for Continent-wide BVN and GSI

The Managing Director, Ecobank Nigeria, Patrick Akinwuntan, while delivering his keynote address at the Nigeria Fintech Week, called on Nigeria to take the lead to introduce a continent-wide Bank Verification Number (BVN) and Global Standing Instruction (GSI) for Africa

under the African Continental Free Trade Area (AfCTA) Agreement, champion blockchain for cross-border payments in agriculture, education, and the government for better productivity. He also noted the need for collaboration between Fintechs, Banks and Telecommunication companies to improve markets in health, agriculture, education, transportation, fashion and creative industry, commodities, and capital markets.¹⁵

Enabling Financial Inclusion at the Last Mile

Gender Access to Finance



The umbrella body of women in the North, Jama'iyar Matan Arewa (JMA) has said that its women are having problems with accessing various loans offered by the Federal and State government due to their inability to go online, poor education and limited understanding of the loans, and lack of documentation to access the loans. To address these issues, the President of JMA, Jajiya Rabi Musa, while speaking to representatives of some banks, Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), the Kaduna State Microfinance Bank and the Kaduna State Women and Empowerment Fund, suggested that the Federal Government should evolve a method that will waive the Bank Verification Number or registration with the Corporate Affairs Commission for these women.¹⁶

¹³ John Akubo, SEC moves to introduce fintech in capital market, The Guardian Newspaper, 5 November 2020. Available at: <https://guardian.ng/news/sec-moves-to-introduce-fintech-in-capital-market/>

¹⁴ dLocal Collaborates with Microsoft to Reach New Customers in Emerging Markets, Yahoo Finance, 10 November 2020. Available at: <https://finance.yahoo.com/news/dlocal-collaborates-microsoft-reach-customers-120000584.html>

¹⁵ Ecobank Advocates More Collaboration between Fintech, Banks and Telco's, ProShare, 4 November 2020. Available at: <https://www.proshareng.com/news/Fintech/Ecobank-Advocates-More-Collaboration-between-Fintech-Banks-and-Telcos/54126>

¹⁶ Ibrahim Hassan Wuyo, Arewa women not educated enough to access NIRSAL, other loans – JMA makes case for BVN waiver, 27 November 2020. Available at: <https://www.vanguardngr.com/2020/11/arewa-women-not-educated-enough-to-access-nirsal-other-loans-%E2%80%95-jma/>

EFInA trains Micro Finance Banks (MFBs)

EFInA organised a 2-day digital products development training session for 50 MFBs in Nigeria on November 17 and 18, 2020.¹⁷ The training focused on developing innovative quality digital financial products while improving the quality of those that are currently being developed by MFBs, targeted at the un(der)banked population, and underserved mass population especially in rural Nigeria. The training provided a step by step guidance on DFS products development and journey towards sustainability regarding product design, reach and profitability.

Upgraded Super-Agent network service – Momo Agent



MTN has upgraded and expanded its super-agent network service – MoMo agent to include bill payment, cash deposit and withdrawal, data and airtime purchase, as well as bulk payment disbursement services by public and private companies. MoMo Agent is a super-agent network service developed to provide safe and accessible money transfer services to financially underserved communities across Nigeria.¹⁸

Electronic Banking

First Bank has launched a FastTrack ATM to promote financial activities on the Automatic Teller Machine (ATM) devoid of any form of physical interaction with the machine. This innovation built in partnership with

Inlacks enables customers to carry out transactions by using their mobile phone to perform needed steps designed originally for implementation on the ATM.¹⁹

Enabling Environment for DFS Ecosystem

Banks and Other Financial Institutions Act (BOFIA), 2020.



On 12 November 2020, President Muhammadu Buhari assented the Banks and Other Financial Institutions Act, 2020.²⁰ Notable highlights include:

- It empowers the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) to set up a banking sector resolution fund to ensure the safety of depositors' funds and operate as a bridge bank to strengthen struggling banks back to stability.²¹
- It introduces a credit tribunal to improve loan recovery and address the incidence of high non-performing loans within the financial system.
- It strengthens the regulatory and supervisory framework for the financial industry and provides additional tools for managing failing institutions and systemic distress to preserve financial stability.

A copy as passed by the national assembly can be found [HERE](#).

¹⁷ Media Room, EFInA trains over 50 Micro Finance Banks (MFBs) in Nigeria on Digital Financial Services (DFS), 23 November 2020. Available at:

<https://www.efina.org.ng/media-room/efina-trains-over-50-micro-finance-banks-mfbs-in-nigeria-on-digital-financial-services-dfs/>

¹⁸ Juliet Umeh, Financial inclusion: MTN upgrades MoMo agent services, allows more payment offerings, 18 November 2020. Available at:

<https://www.vanguardngr.com/2020/11/financial-inclusion-mtn-upgrades-momo-agent-services-allow-more-payment-offerings/>

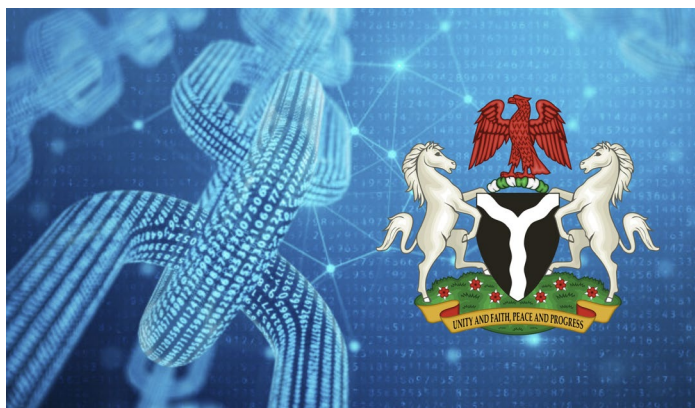
¹⁹ Victor Enengedji, COVID-19: First Bank launches next-generation ATM, Spearheads innovation in electronic banking in Nigeria, Nairametrics, 30 November 2020. Available at:

<https://nairametrics.com/2020/11/30/covid-19-firstbank-launches-next-generation-atm-spearheads-innovation-in-electronic-banking-in-nigeria/>

²⁰ Chidi Emenike, President Buhari assents to BOFIA 2020, Nairametrics, 13 November 2020. Available at: <https://nairametrics.com/2020/11/13/president-buhari-assents-to-bofia-2020/>

²¹ Chika Olisah, CBN, NDIC to set up bridge bank for struggling financial institutions, Nairametrics, 17 November 2020. Available at: <https://nairametrics.com/2020/11/17/cbn-ndic-to-set-up-bridge-bank-for-struggling-financial-institutions/>

National Blockchain Adoption Strategy



The National Information Technology Development Agency (NITDA) has presented a [draft National Blockchain Adoption Strategy](#) to stakeholders for review.²² The stakeholder's engagement is aimed at reviewing the draft strategy to address the issue of legal uncertainties associated with the technology, lack of digitization, unregulated markets, cryptocurrency, Ponzi schemes, money laundering and terrorism funding and come up with a document that enables its efficiency, transparency in governance, new business models which in turn triggers job creation.²³

Official Launch of the RSA Transfer System

On 16 November 2020, the National Pension Commission (PENCOM) officially launched the Retirement Savings Account (RSA) Transfer System. Before this launch, the Commission had developed the RSA Transfer application – an electronic platform that would enable seamless RSA Transfers.²⁴ The transfer of RSA ([here](#)) which is backed by the provision of section 13 of the Pension Reform Act 2014, will allow a pension contributor or retiree to move his/her RSA from one Pension Fund Administrator (PFA), not more than once a year.²⁵

²² Draft National Blockchain Adoption Strategy, NITDA Website. Available at: <https://nitda.gov.ng/draft-national-block-chain-adoption-strategy/>

²³ Chisom Ada, NITDA presents draft national Blockchain adoption strategy, TechEconomy.ng, 9 November 2020. Available at: <https://techeconomy.ng/2020/11/nitda-presents-draft-national-blockchain-adoption-strategy/>

²⁴ Official Launch of the RSA Transfer Window, Pension Nigeria, 9 November 2020. Available at: <https://www.pensionnigeria.com/pension-news/official-launch-of-the-rsa-transfer-window/>

²⁵ PenCom DG Opening Speech at Official Launch of RSA Transfer Window on 16.11.2020, Pension Nigeria, 18 November 2020. Available at:

DFS Infrastructure

Embedded Subscriber Identification Modules (e-SIM)

The Nigeria Communication Commission has approved MTN Nigeria and 9Mobile to carry out a trial on the workability of embedded Subscriber Identification Modules (e-SIM) in Nigeria for one year. The trial will involve both mobile network operators testing 5,000 e-SIMs.²⁶ The e-SIM makes it easier for subscribers to choose a pre-paid plan provider and switch between network operators. Also, it will eliminate the need for physical SIM card slots on mobile devices.

Broadband Plan 2020-2025 Implementation



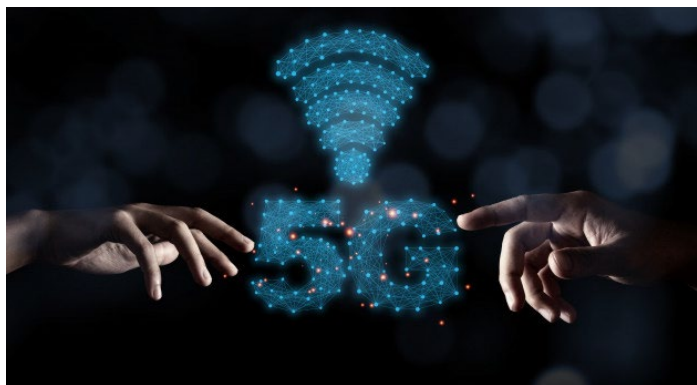
The first stakeholder consultation with telecommunication industry players on the implementation of the new national broadband plan 2020-2025 held at the NCC's Communications & Digital Economy Complex in Abuja on Tuesday, November 3, 2020.²⁷ The Executive Vice Chairman of the Nigerian Communications Commission (NCC), Prof. Umar Danbatta, proffered that successful implementation of the Plan would require continuous engagement of different stakeholders.

<https://www.pensionnigeria.com/pension-news/pencom-dg-opening-speech-at-official-launch-of-rsa-transfer-window-on-16-11-2020/>

²⁶ Press Statement: NCC Approves e-SIM Trial for MTN, 9mobile, NCC Website, 2 November 2020. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/897-press-statement-ncc-approves-e-sim-trial-for-mtn-9mobile>

²⁷ Media Team, PRESS STATEMENT: Stakeholder Engagement Key to Broadband Implementation – Danbatta, 04 November 2020. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/901-press-statement-stakeholder-engagement-key-to-broadband-implementation-danbatta>

Draft Deployment Plan for 5G Technology in Nigeria



Following the three months trial test of 5G network in key cities across the country in 2019²⁸, the NCC has developed a [draft Deployment Plan for 5G Technology in Nigeria](#). The Commission calls for comments and inputs by stakeholders and interested persons on or before 7 December 2020. The Plan envisages a two-stage deployment approach with phase one on the Non-Standalone approach and Phase two on the Stand-alone system. With the assurance from the trial, that there are no health challenges related to 5G, NCC plans to commence phase one in 2021 and phase two in 2022. The NCC expects the technology to have covered major urban areas in the country by 2025.²⁹

Draft Guidelines on National Roaming, Collocation and Infrastructure Sharing

The NCC has published draft guidelines on roaming and infrastructure sharing as stipulated below, for stakeholders' comments on or before Monday, 7 December 2020. The Commission intends to hold a public inquiry virtually on Wednesday, 16 December 2020 concerning the draft regulatory instruments.³⁰

1. [Guidelines on National Roaming](#): designed to prescribe a regulatory framework for the implementation of national roaming services in Nigeria and give effect to the provisions of licences which permits the licensees to enter into agreements to provide national roaming services (subject to prior approval of the Commission). These

guidelines will apply to only service providers that have been issued Unifies Access Service licences and such other licences that may be issued by the Commission subsequently.

2. [Guidelines on Collocation and Infrastructure Sharing](#): developed to encourage collocation and information sharing between access providers and access seekers within a predetermined framework to remove uncertainty and create an environment for better co-operations. Key objectives of these guidelines include to:
 - a) ensure that the incidence of unnecessary duplication of infrastructure is minimized or completely avoided;
 - b) protect the environment by reducing the proliferation of infrastructure and facilities installations;
 - c) promote fair competition through equal access being granted to the installations and facilities of operators on mutually agreed terms;
 - d) ensure that economic advantages derivable from the sharing of facilities are harnessed for the overall benefit of all telecommunications stakeholders;
 - e) minimise capital expenditure on supporting infrastructures and to free more funds for investment in core network equipment; and
 - f) encourage access providers and access seekers to pursue a cost-oriented policy with the added effect of a reduction in tariffs chargeable to consumers.
3. [Active Infrastructure Sharing Business Rules](#): The document sets out business rules to manage the processes for active infrastructure sharing amongst telecommunication service providers licensed by the Commission. Key objectives of these rules include:
 - a) to provide seamless services to subscribers;
 - b) to maximize the use of network facilities including but not limited to network capacity and capabilities, base station sites, backbone, etc.;

²⁸ NCC has approved spectrum for 5G deployment trial, says Danbatta, NCC Website, 28 August 2019. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/650-ncc-has-approved-spectrum-for-5g-deployment-trial-says-danbatta>

²⁹ NCC Releases Draft Consultation Document for 5G Deployment, This Day Newspaper, 12 November 2020. Available at: <https://www.thisdaylive.com/index.php/2020/11/12/ncc-releases-draft-consultation-document-for-5g-deployment/>

³⁰ Notice of Public Inquiry on National Roaming, Collocation Guidelines and AIS Business Rules, NCC Website, 16 November 2020. Available at: <https://www.ncc.gov.ng/media-centre/public-notice/906-notice-of-public-inquiry-on-national-roaming-collocation-guidelines-and-ais-business-rules>

- c) to enhance sharing and reduce duplication of investment for network facilities where adequate provision has been made;
 - d) increase revenue to incumbent operators with excess capacity;
 - e) to promote the availability of a wide range of high quality, efficient, cost-effective and competitive telecommunication services throughout;
 - f) to optimize operators' capital expenditure on supporting infrastructure;
 - g) allow expansion of coverage to previously underserved and un-served areas;
 - h) give an opportunity for product and technology innovation; and
- create efficient, competitive and environment business condition

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