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# POLICY TRACKER

*A Monthly Bulletin of Financial Inclusion Policy Developments*



LAGOS  
BUSINESS  
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## Editor's Note

### Crypto assets regulation, consumer protection and financial inclusion in Nigeria



The Central Bank of Nigeria says that cryptocurrencies are not legal tender and warns members of the public to steer clear to avoid losing money, otherwise they are on their own.<sup>1</sup> The Securities and Exchange Commission has however, come forward to define them as securities unless proven otherwise and to issue guidelines for their registration and regulation.<sup>2</sup> Therefore, “all Digital Assets Token Offering (DATOs), Initial Coin Offerings (ICOs), Security Token ICOs and other Blockchain-based offers of digital assets within Nigeria or by Nigerian issuers or sponsors or foreign issuers targeting Nigerian investors, shall be subject to the regulation of the Commission. Existing digital assets offerings prior to the implementation of the Regulatory Guidelines will have three (3) months to either submit the initial assessment filing or documents for registration proper, as the case may be.”<sup>3</sup>

The Investment and Securities Act defines “securities” as:“...

(a) debentures, stocks or bonds issued or proposed to be issued by a government;  
 (b) debentures, stocks, shares, bonds or notes issued or proposed to be issued by a body corporate;  
 (c) any right or option in respect of any such debentures, stocks, shares, bonds or notes;  
 or  
 (d) commodities futures, contracts, options and other derivatives, and the term securities in this Act includes those securities in the category of the securities listed in (a) - (d) above which may be transferred by means of any electronic mode approved by the Commission and which may be deposited, kept or stored with any licensed depository or custodian company as provided under this Act.”<sup>4</sup>

<sup>1</sup> CBN, Virtual Currencies not Legal Tender in Nigeria – CBN, February 18 2018. Available at: <https://www.cbn.gov.ng/out/2018/ccd/press%20release%20on%20virtual%20currencies.pdf>

<sup>2</sup> Statement on Digital Assets and Their Classification and Treatment, 14 September 2020. Available at: <https://sec.gov.ng/statement-on-digital-assets-and-their-classification-and-treatment/>

<sup>3</sup> Ibid.

<sup>4</sup> Section 315, Investment and Securities Act, No. 29 2007.

From the definition above, which connotes investments, debt or equity or derivatives, it is apparent that it is a moot point whether cryptocurrencies are necessarily and inherently covered. Conversely, the Chairman of the United States Securities and Exchange Commission stated that: "Cryptocurrencies are replacements for sovereign currencies... [they] replace the yen, the dollar, the euro with Bitcoin. That type of currency is not a security."<sup>5</sup>

One must admit that usually the idea conveyed by crypto issues is that of providing opportunity for investment in an alternative, tradeable, profitable and promising product. Not surprisingly SEC's Guidelines provide that "Issuers or sponsors are expected to satisfy the burden of proving that the virtual assets do not constitute securities by making an initial assessment filing."<sup>6</sup>

It is certainly more realistic and prudent for regulators to develop engagements with innovators that enable them to be up to speed with developments, guide and steer innovators into constructive channels. Staying aloof, or worse taking a hostile approach that lives in denial or seeks to erect regulatory barriers in an attempt to choke innovation to extinction is a futile strategy. Innovation will not disappear, rather digital innovation tends to remain in cyber space regardless and may cause widespread systemic and consumer damage.

It is far better for all relevant regulators to consult, harmonize their approaches and evolve comprehensive strategy on crypto assets, as indeed all digital innovations, so as to avoid confusing players and any unintended economic and social consequences. For example, since cryptocurrencies are now under SEC's regulatory purview ab initio, putatively they ought not to be admitted into CBN's Regulatory Sand Box, at least until proven not constitute securities. Products that are already covered by extant regulation usually are not admitted into regulatory sand boxes. Hence the wisdom in a cross regulatory national sand box approach any way.

Regulators must themselves be digitally or innovation compliant and have requisite RegTech, SupTech, automation and savvy staff. Else, how are they going to effectively regulate digital innovation and fintechs? Evidently, our regulators need to up their game. Digital assets are here to stay.

However, it is doubtful how much financial inclusion cryptocurrencies can drive in Nigeria at present, given the level of literacy, financial illiteracy and digital exclusion of the unbanked and underbanked. Block chain, of course offers exciting opportunities for inclusion.<sup>7</sup> The lack of knowledge, even by many educated customers about what cryptocurrencies are all about is glaring, despite enthusiasm towards them in

Nigeria.<sup>8</sup> Not a few fraudulent and money laundering scam and schemes have been linked to cryptocurrencies.<sup>9</sup> Nevertheless, the positive and sensible attitude of SEC to embrace innovation so as to provide a framework for constructive engagement and consumer protection is commendable. We hope other regulators are working with and harmonizing strategy with SEC on this subject.



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<sup>5</sup> Emily Perryman, Is cryptocurrency a security? 12 January 2020. Available at: [https://finance.yahoo.com/news/cryptocurrency-security-140020233.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2x1LnNvbS8&guce\\_referrer\\_sig=AQAAAlpn2i0xoeOwelmAQCKAey4nBECidozhvug1QDCsdzUCT13w2EuracsRBPlcxBu9\\_Sjtf3GBLEeR9lI62JsRQ8TXmz-5-jWbAV9wQsH61oNXy2jTOCKkPm6E5P70C9ezypU4W0ILH7b0C3ovF1qhokQtON1SCzod2HE\\_Cu4vGRw](https://finance.yahoo.com/news/cryptocurrency-security-140020233.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2x1LnNvbS8&guce_referrer_sig=AQAAAlpn2i0xoeOwelmAQCKAey4nBECidozhvug1QDCsdzUCT13w2EuracsRBPlcxBu9_Sjtf3GBLEeR9lI62JsRQ8TXmz-5-jWbAV9wQsH61oNXy2jTOCKkPm6E5P70C9ezypU4W0ILH7b0C3ovF1qhokQtON1SCzod2HE_Cu4vGRw)  
<sup>6</sup> Paragraph 2.

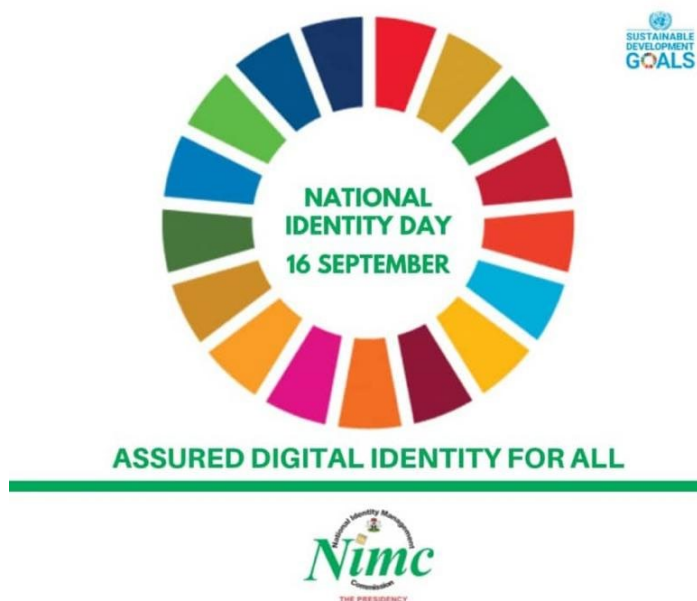
<sup>7</sup> C.f. Jay Hao, Financial Inclusion, Cryptocurrency and the Developing World, Cointelegraph, 25 June 2020. Available at: <https://cointelegraph.com/news/financial-inclusion-cryptocurrency-and-the-developing-world>

<sup>8</sup> Ajifowoke Michael Gbenga, Crypto Regulation in Nigeria: Catalyst for Mass Adoption or Barrier to Growth, Ventures Africa, 17 September 2020. Available at: <http://venturesafrica.com/cryptocurrency-regulation-nigeria-catalyst-mass-adoption-barrier-growth/>

<sup>9</sup> Ibid.

## Global Identity Management / Know Your Customer

### Digital Identity Day



The Federal Government has adopted the 16<sup>th</sup> of September as the Nations Identity Day. This was announced<sup>10</sup> by the Ministry of Communication and Digital Economy. The Minister, Dr. Isa Pantami, urged Nigerians to support the development of the digital economy by embracing the use of digital identities.<sup>11</sup> He encouraged Nigerians to visit NIMC accredited centres for their digital identities.

### National Business Sample Census (NBSC), 2020

The National Bureau of Statistics (NBS), supported by the World Bank, is set to commence census of businesses in the country. All commercial and industrial enterprises in each local government area (LGA) will be identified and listed for compilation in a national directory. Implementation will begin on 12 October and end on 12 December 2020. It will provide the country with

comprehensive and detailed information about the structure of the Nigerian economy.<sup>12</sup>

### Identity theft



The Nigeria Immigration Service (NIS) has automated and integrated its system for monitoring of stolen and lost travel documents with INTERPOL Global System (IPGS) in Lyon, France. This makes Nigeria the first country in Africa and 54<sup>th</sup> in the world to have automated its stolen and lost travel documents database.<sup>13</sup> The automation should hopefully impede some identity theft.

A survey by KPMG reported that 85 per cent of banks are challenged on boarding customers digitally and of 17 retail banks in Nigeria, few have technologies in place to reduce the risk of identity theft.<sup>14</sup>

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

### Licensing of Data Protection Compliance Organization Halted

The National Information Technology Development Agency (NITDA), after licensing 72 DPCOs as at August 2020, has temporarily suspended new applications for

<sup>10</sup> Pantami Galvanizes Nigerians Towards International Identity Day 2020, Federal Ministry of Communications & Digital Economy Website, 14 September 2020. Available at: <https://www.commtech.gov.ng/news-and-media/daily-news-report/375-pantami-galvanizes-nigerians-towards-international-identity-day-2020.html>

<sup>11</sup> Ibid.

<sup>12</sup> Omokolade Ajayi, After 22 years, NBS is set to commence National Business Sample Census, Nairametrics, 28 September 2020. Available at: <https://nairametrics.com/2020/09/28/after-22-years-nbs-is-set-to-commence-national-business-sample-census/>

<sup>13</sup> Go-Live Automated Integration of NIS SLTD to INTERPOL Database makes Nigeria First in Africa, Nigeria Immigration Service Website, 8 September 2020. Available at: <https://immigration.gov.ng/go-live-automated-integration-of-nis-sltd-to-interpol-database-makes-nigeria-first-in-africa/>

<sup>14</sup> Segun Kasali, 85 Per Cent of Banks Are Challenged On Boarding Customers Digitally — KPMG, Nigerian Tribune, 5 September 2020. Available at: <https://tribuneonline.ng.com/85-per-cent-of-banks-are-challenged-on-boarding-customers-digitally-%E2%80%95-kpmg/>



DPCO licensing until further notice.<sup>15</sup> DPCOs provide training, auditing and consulting services to organisations for the purpose of compliance with the Data Protection Regulation, 2019 and other regulations having effect in Nigeria.

### *Data Protection Bill*



NITDA has been advised by an expert to ensure the rigorous enforcement of the existing Nigeria Data Protection Regulation (NDPR) issued in January 2019 and to vigorously lobby the public and private sectors and the National Assembly to ensure the quick passage of the proposed Data Protection Bill 2020.<sup>16</sup>

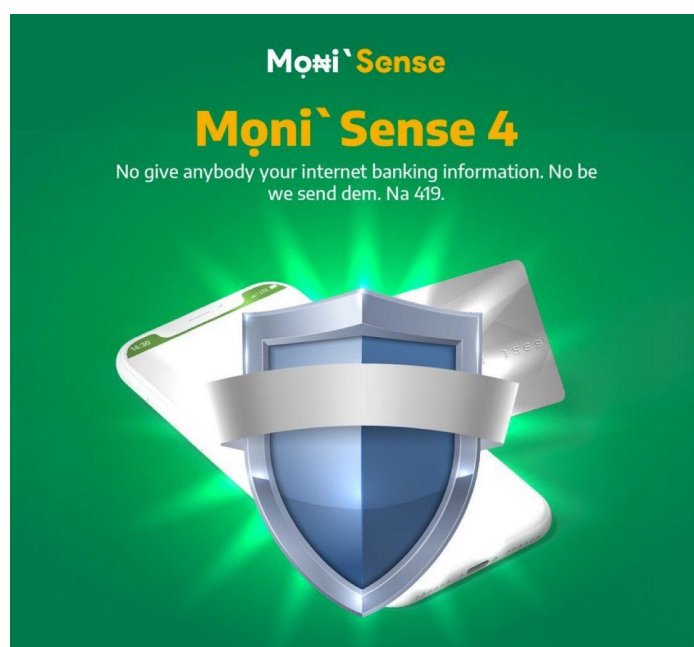
### *Emergency Communication Centres*

The Nigerian Communication Commission (NCC) has reported that in its bid to promote the protection of telecoms consumers nineteen (19) Emergency Communications Centres (ECC) have been activated across the country.<sup>17</sup> The 112 National Emergency Number allows Nigerians in distress to get help in emergencies.

### *Consumer Complaints on the Rise*

The Federal Competition and Consumer Protection Commission (FCCPC) has frowned at the inability of service providers to resolve consumers' complaints and provide a feedback mechanism for their products. Specifically, the Chief Executive Officer, FCCPC, Babatunde Irukera, noted that the commission receives no fewer than 10,000 complaints weekly. Consequently, the Commission urged service providers (telecommunications, financial service providers, pay television, etc.) to use the same mechanism used in distributing their products and services to receive customer's feedback and resolve complaints.<sup>18</sup>

### *Moni Sense*



**BANKERS' COMMITTEE**

The Central Bank of Nigeria and the Bankers Committee introduced on September 7 2020 a financial literacy programme on Facebook titled Moni Sense to educate the public on how to protect themselves against cybercrime and frauds through messages requesting them to update their bank details and other phishing ploys.<sup>19</sup>

<sup>15</sup> Data Protection Compliance Organization (DPCO) License: Suspension of Application and Licensing Process, NITDA Website, 22 September 2020. Available at:

<https://nitda.gov.ng/data-protection-compliance-organisation-dpcO-license-suspension-of-application-and-licensing-process/>

<sup>16</sup> Inyene Ibanga, Of Identity Management, the Digital Economy and National Security, Premium Times, September 13 2020. Available at:

<https://opinion.premiumtimesng.com/2020/09/13/of-identity-management-the-digital-economy-and-national-security-by-inyene-ibanga/>

<sup>17</sup> NCC, Consumer Protection and Empowerment tops our Agenda – Danbatta, CFA Media, 17 September 2020. Available at: <https://cfamedia.ng/consumer-protection-and-empowerment-tops-our-agenda-danbatta/>

<sup>18</sup> FG frowns at companies' inability to resolve consumer complaints, feedback, Vanguard Newspaper, 21 September 2020. Available at: <https://www.vanguardngr.com/2020/09/fg-frowns-at-companies-inability-to-resolve-consumer-complaints-feedback/>

<sup>19</sup> NM Partners, Bankers Committee embarks on cybersecurity, fraud awareness initiative – launches Moni Sense, Nairametrics, 9 September 2020. Available at: <https://nairametrics.com/2020/09/09/bankers-committee-embarks-on-cybersecurity-fraud-awareness-initiative-launches-moni-sense-campaign/>

## DFS Environment: Interoperability, Collaboration and Competition

### PENCOM – NAICOM MOU

National Pension Commission (PENCOM) and National Insurance Commission (NAICOM) signed a Memorandum of Understanding on retiree life annuity and group life insurance for employees pursuant to section 4(1) (b) of the Pension Reform Act, 2004.<sup>20</sup> It is meant to guide stakeholders to make informed decisions and ensure safety of Retiree Life Annuity funds and assets. In particular, the purchase of annuities shall only be from life insurance companies licensed by and supervised by NAICOM. The 2014 amendments to the Act compels organizations with three or more employees to participate in the pension scheme.

### Cybersecurity Conference



Financial Institutions Training Centre (FITC) and Nigeria Interbank Settlement System (NIBSS) on September 10 jointly hosted the largest financial services sector cybersecurity conference in Nigeria with the theme: Combatting Cybercrime: Strategies for Strengthening Emerging Markets.<sup>21</sup> Deputy Managing Director at NIBSS, Mr. Niyi Ajao, said at the conference that electronic fraud is increasing due to the increase in financial inclusion and e-payment adoption.<sup>22</sup> Deputy Governor, Financial System Stability (FSS), Central Bank of Nigeria (CBN), Mrs. Aishah

<sup>20</sup> Regulation on Annuity Under Section 4.1(b) of the Pension Reform Act 2004. Available at: [www.pencom.gov.ng/Regulations\\_on\\_Annuity](http://www.pencom.gov.ng/Regulations_on_Annuity); [https://www.pencom.gov.ng/wp-content/uploads/2017/04/Regulations\\_on\\_Annuity.pdf](https://www.pencom.gov.ng/wp-content/uploads/2017/04/Regulations_on_Annuity.pdf)

<sup>21</sup> NM Press, FITC/NIBSS to host largest financial services sector cybersecurity conference in Africa, Nairametrics, 9 September 2020. Available at: <https://nairametrics.com/2020/09/09/fic-nibss-to-host-largest-financial-services-sector-cybersecurity-conference-in-africa/>

Ahmad announced that CBN had commenced the development of an industry wide Security Operation Centres (SOCs) SOC – CBN Cybersecurity Fusion Centre (C2FC) – to serve as a shared service platform for the financial sector, providing cyber intelligence gathering, analysis, dissemination and crisis response.<sup>23</sup>

### Support for fintech start up's & digital inclusiveness



At the sixth edition of the 2020 Information Communications Technology and Telecommunications Expo (ICTEL 2020), organized by the Lagos Chamber of Commerce and Industry (LCCI), experts called on government to collaborate with the private sector and the ICT industry to provide more support for start-ups, whom had been impacted negatively by the COVID-19 pandemic.<sup>24</sup> They also highlighted the need for inclusiveness to give digital access to Nigerians that do not have access to digital economy by expanding fiber infrastructure across our cities to increase 4G coverage in order to provide more capacity that will enable more broadband access.

## Enabling Financial Inclusion at the Last Mile

### MSME Survival Fund (A2F)

The Federal Government, through the National Economic Sustainability Plan, has set up an [MSME Payroll Support Scheme](#) to cushion the effect of Covid-19 on MSMEs.

<sup>22</sup> FITC-NIBSS event underscores need for cyber resilience in financial sector, Financial Nigeria, 15 September 2020. Available at: <http://www.financialnigeria.com/fic-nibss-event-underscores-need-for-cyber-resilience-in-financial-sector-news-2212.html>

<sup>23</sup> Ibid.

<sup>24</sup> Experts Call for Collaboration to Enhance Digital Economy, This Day Newspaper, 24 September 2020. Available at: <https://www.thisdaylive.com/index.php/2020/09/24/experts-call-for-collaboration-to-enhance-digital-economy/>

Administrators of MSMEs and Proprietors of Small & Medium private schools are required to complete a form which among other details requests their account number. The government seeks to distribute these funds through the bank accounts of beneficiaries. The scheme is estimated to cater for at least 1.3million citizens across the country while targeting an average of 35,000 individuals per state. Registration of prospective beneficiaries commenced on 21 September 2020.<sup>25</sup>

### *Digital Nigeria Portal and Mobile Application*

In furtherance of the Digital Nigeria Programme (a vital component of the digital literacy and skills pillar of the National Digital Economy Policy and Strategy), the federal government on Monday, 28 September 2020 launched a Digital Nigeria Portal and mobile application. The "Digital Nigeria" mobile app is available on play store and apple store, enabling Nigerians to enroll in ICT courses within the comfort of their homes. This programme is directed towards developing the capacity of Nigerians to use technology to solve problems.<sup>26</sup>

### *PoS and Mobile Transactions Decline*



An analysis of the Electronic Payment Channels Data from NIBBS by Vanguard showed that in August, the volume of PoS and Mobile Transfer Transactions dropped by 6% and 2% respectively while the value of these transactions dropped by 7% (PoS) and 8% (Mobile transfers). Experts

have attributed this decline to Covid-19 negative impact on business activities, hidden charges by financial service providers (FSPs), and the inability of FSPs to satisfy customers' needs or quickly resolve compliant as regards cash transfer. More so, Shina Loremikan, National Chairman, Centre against impunity in Nigeria, called on regulatory bodies to sanction banks for breach of contract with customers. He noted that if not enforced, customers will continue to opt for physical transactions rather than electronic payment channels.<sup>27</sup>

### *Non-interest banking*



Nigeria Deposit Insurance Corporation (NDIC) in collaboration with the Islamic Financial Service Board (IFSB) organized a Webinar event on the impact of COVID-19 on the Banking System with a Special Focus on Non-Interest Financial Institutions' (NIFIs).<sup>28</sup> Participants called on regulators, especially the CBN to: address the Liquidity challenges faced by the NIFIs on investible instruments particularly short-term investible windows, adoption of Social Financing in collaboration with religious bodies targeted at poverty alleviation, the extension of Sukuk to include the corporate private sector and the establishment of Non-Interest Microfinance Banks to target the financially excluded and underserved segments of the population.

<sup>25</sup> Mark Mayah, Hope rises for unpaid private school teachers on FG's survival fund, Business Day Newspaper, September 28, 2020. Available at: <https://www.pressreader.com/nigeria/business-day-nigeria/20200928/281835761143844>

<sup>26</sup> FG Launches digital Nigeria portal, mobile, BusinessDay Newspaper, 29 September 2020. Available at: <https://businessday.ng/news/article/fg-launches-digital-nigeria-portal-mobile/>

<sup>27</sup> Elizabeth Adegbesan, Pos, mobile transactions decline, as experts blame banks, Vanguard Newspaper, 29 September 2020. Available at:

<https://www.vanguardngr.com/2020/09/pos-mobile-transactions-decline-as-experts-blame-banks/>

<sup>28</sup> NDIC Press Release, Non-Interest Bank Stakeholders Call For Closer Monitoring of Impact of Covid-19 on The Financial System During NDIC Webinar, 1 September 2020. Available at: <https://ndic.gov.ng/press-releases/non-interest-bank-stakeholders-call-for-closer-monitoring-of-impact-of-covid-19-on-the-financial-system-during-ndic-webinar/>



## Framework for Advancing Women's Financial Inclusion



The CBN has issued a [framework for advancing women's financial inclusion in Nigeria](#). The framework identifies critical barriers to access to finance for women in Nigeria and identifies eight strategic imperatives and related recommendations within the boundaries of the financial sector space. Critical barriers identified were classified along the following lines: Demand related, Supply related, Legal Regulation supervisory, and Financial & Technical Infrastructure. The recommended eight strategic imperatives for advancing women's financial inclusion is shown in the figure below:



Fig. 1. Source: Framework for Advancing Women's Financial Inclusion in Nigeria (2020), Central Bank of Nigeria.

## Enabling Environment for DFS Ecosystem

### Regulation of Digital Assets



The Securities and Exchange Commission (SEC)<sup>29</sup> has proposed the regulation of crypto-token or crypto-coin investments so long as the character of the investment qualifies as securities transactions. It defines "Crypto Asset" as a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status in any jurisdiction. Consequently, the commission classified virtual digital assets into Crypto Asset; Utility Token or "Non-Security Token; Security Token; and Derivatives and Collective Investment Funds of Crypto Assets, Security Tokens and Utility Tokens.

Similarly, all Digital Assets Token Offering (DATOs), Initial Coin Offerings (ICOs), Security Token ICOs and other Block chain-based offers of digital assets within Nigeria or by Nigerian issuers or sponsors or foreign issuers targeting Nigerian investors, shall be subject to the regulation of the Commission. Existing digital assets offerings before the implementation of the Regulatory Guidelines will have three (3) months to either submit the initial assessment filing or documents for registration proper.

### Interest Rate on Savings Account Deposit

The Central Bank of Nigeria (CBN) issued a [letter](#) to all banks fixing the interest on local currency savings deposits to a minimum of 10% per annum of Monetary Policy Rate,

<sup>29</sup> Statement on Digital Assets and their Classification and Treatment, SEC Website, 14 September 2020. Available at: <https://sec.gov.ng/statement-on-digital-assets-and-their-classification-and-treatment/>



effective September 1, 2020. Following this regulatory instruction, Banks have begun a downward review of interest rate to customers.

## DFS Infrastructure

### *Establishment of an Infrastructure Company*



President Muhammadu Buhari has approved the establishment of an Infrastructure Company (Infra-Corp) to be driven by CBN in partnership with the Africa Finance Corporation (AFC) and the Nigerian Sovereign Investment Authority (NSIA). The Infra-Corp would:

- enable the use of private and public capital to support infrastructure investments that will have a multiplier effect on growth across critical sectors; and
- raise funds from the capital markets and mobilize long term finance to address some of the infrastructure needs (e.g. roads and broadband penetration) in the country, while providing reasonable returns to investors.

According to the CBN governor, Godwin Emefiele, leveraging ICT will enable improved access to finance through the deployment of an inclusive and interoperable payment system would help to reduce the cost of payment services for individuals.

### *Solar Connection Facility to Foster Financial Inclusion and Poverty Reduction.*

The CBN has issued a [framework for implementation of the solar connection facility](#) to support the [Economic Sustainability Plan \(ESP\) of the Federal Government](#) to roll out 5 million new solar-based connections in communities that are not grid connected. This was introduced by the CBN to complement government's effort to provide affordable electricity to rural dwellers, which in turn is a pathway to financial inclusion and poverty reduction.

### *ICT and Broadband Infrastructure Support*



[ipNX](#) (an Information and Communications Technology Company in Nigeria) has signed a partnership deal with the United States Trade and Development Agency (USTDA) to support the development of Nigeria's ICT and broadband infrastructure and help ipNX expand its fibre-optic network to over 200,000 residences in Lagos, Abuja, Port Harcourt and other Locations.<sup>30</sup>

<sup>30</sup> NM Partners, ipNX and USTDA sign deal to develop Nigeria's ICT infrastructure, Nairametrics, 21 September 2020. Available at:

<https://nairametrics.com/2020/09/21/ipnx-and-ustda-sign-deal-to-develop-nigerias-ict-infrastructure/>

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