

Volume 2 | Issue no. 2 | February 2021



# POLICY TRACKER

*A Monthly Bulletin of Financial Inclusion Policy Developments*



**LAGOS  
BUSINESS  
SCHOOL**

PAN-ATLANTIC UNIVERSITY



## Editor's Note

### Open Banking, Innovation and Financial Inclusion: Will the dots connect?



The Central Bank of Nigeria (CBN) issued the Open Banking Regulatory Framework (“the Framework”) on 17 February 2021, having observed that there was an emerging practice and integration between banks and innovators around open Application Programming Interfaces (APIs). Open Banking is a collaborative model allowing banking data to be shared between two unrelated players thereby leveraging on their mutual capabilities and synergies for innovative product and services extension and enhancement of economic performance. The expectation is that the initiatives will stimulate innovation that will ultimately and more rapidly increase financial inclusion. Plaitakis Et al, (2020)<sup>1</sup> aptly caution that open banking will not automatically translate to financial inclusion, although it may stimulate the types of innovation that serves the excluded and underserved.

The explicit objectives of the framework are as follows: provision of an enabling regulatory environment for customer centered innovation, defining risk based access levels and service categorizations, standards and management frameworks for data sharing within the financial services sector; and to“(v) ... promote

competition in banking and other financial services and enhance access to financial services.” Paragraph (v) is about the promotion of financial inclusion, albeit termed: “enhance access”. This commendably puts Nigeria among the few emerging markets and developing economies (EMDE’s) with open banking frameworks that mandate financial inclusion as a core objective.<sup>2</sup>

The types of data to be shared are: Product Information and Service Touchpoints (PIST), Market Insight Transactions (MIT), Personal Information and Financial Transaction (PIFT) and Profile, Analytics and Scoring Transaction (PAST). The last two, which contain the more intrusive and revealing customer data, thus open to greater anti-competitive, privacy and customer protection related abuse, are restricted to banks and other CBN regulated players. Non-bank, non CBN regulated players may access PIST and MIT information only if sponsored by CBN regulated players. Regulatory Sand Box participants can access PIST, MIT and PIFT transactions.

The Central Bank of Nigeria shall regulate the development of a common Banking Industry API standard with the

<sup>1</sup> Plaitakis, Ariadne, and Stefan Staschen. 2020. “Open Banking: How to Design for Financial Inclusion.” Working Paper. Washington, D.C.: CGAP. Available at:

[https://www.cgap.org/sites/default/files/publications/2020\\_10\\_Working\\_Paper\\_Open\\_Banking.pdf](https://www.cgap.org/sites/default/files/publications/2020_10_Working_Paper_Open_Banking.pdf).

<sup>2</sup>This includes, Brazil, Mexico and Indonesia. See Plaitakis, Et al, n. 1 above, at p. 10

following principles: Openness, Reusability, Interoperability, Modularity, Robustness, User-Centric and Security. Hopefully, this will be accomplished through an evolutionary, phased, consultative and stakeholder led process that allows, experimentation, innovation and market led models, rather than by regulator dictation. This appears implicit going by the phraseology in the Framework and the specification of a 12 month window for evolving the industry API standard.



Parties shall ensure the establishment of data access and service level agreements, risk assessments and management, informed consent of consumers, cybersecurity, non-fault related responsibility and liability, anti-fraud, data privacy, consumer protection compliance monitoring and supervision, round-the-clock customer service/complaint desks, and so on. Adherence to CBN's Consumer Protection Framework is imperative and Arbitration shall precede any judicial resolution of disputes.

The framework should promote collaboration, interoperability and stimulate innovation, given that players have been moving in that direction hitherto and the creation of a platform with minimum ground rules for participation, market regulation, market based incentives and sharing of costs and dispute resolution. Whilst the

Regulator does not explicitly mandate compulsory participation by financial service providers and other players, it implicitly does so.

However, the framework has no explicit strategies for prioritizing or incentivizing financial inclusion or developing consumer safeguards for the larger market consumers, per se. Several studies indicate that "many fintechs in Nigeria seem to be more concerned with disrupting payment systems in the retail segments of the financial services value chain"<sup>3</sup> and micro-lending, rather than a greater variety of inclusive products. Although, open banking works optimally with smart phones, a good number of inclusive services can still be provided via feature phones. Clearly, there may be need for some further regulatory incentives or hand holding to promote innovation and activity in this less glamorous and apparently less financially rewarding space for the typical start-up or innovator. We, therefore, predict that CBN will need to be more intentional and creative to stimulate an inclusive open banking system. With 37% of the population yet to be on boarded, the rising trend of G2P payments, heightened poverty rates as a result of Covid-19 and so on, financial inclusion ought to be the major focus of Nigeria's open banking framework, so as to ensure policy alignment with CBN's five year policy thrust<sup>4</sup> and the financial inclusion strategy.



**Professor Olawale Ajai**

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

<sup>3</sup> Including, PricewaterhouseCoopers (PwC), McKinsey & Company, and the Economist Intelligence Unit (EIU) - Emmanuel Paul, Fintechs are merely scratching the surface of financial inclusion in Nigeria, October 1 2020. Available at: <https://techpoint.africa/2020/10/01/fintechs-financial-inclusion-nigeria/>

<sup>4</sup> Mohammed Haruna, Godwin Emefiele Unveils 5-Year Policy Thrust, CBN UPDATE, Vol. 1 No. 1 September 2019. Available at: <https://www.cbn.gov.ng/out/2020/ccd/cbn%20update%20september.pdf>

## Global Identity Management / Know Your Customer

### *NIN-SIM Linkage Deadline Extended*



The federal government has extended the NIN to SIM integration exercise by 8 weeks, with a new deadline of April 6, 2021. So far, a total of 50.18 million NINs have been collected by the mobile network operators.<sup>5</sup>

### *Financial Transactions by IDPs*

The Central Bank of Nigeria (CBN) has issued a letter<sup>6</sup> to Banks and Other Financial Institutions and Payment Service Providers mandating them to accept Machine Readable Convention Travel Document (MRCTD) issued by the Nigeria Immigration Services; and the Refugee Identity Card issued by the National Commission for Refugees, Migrants and Internally Displaced Persons (IDPs) as adequate means of identification for refugees. Financial Institutions are advised to follow the provisions of the Regulations 40<sup>7</sup> and 80<sup>8</sup> of the [CBN AML/CFT Regulations, 2013](#).

### *NIN may Replace BVN*

The Minister of Communications and Digital Economy, Dr. Pantami has made a case to the National Economic Sustainability Committee for the replacement of Bank Verification Numbers (BVN) with National Identification Number (NIN). The Minister told press men that

discussions with the CBN Governor are ongoing to ensure that all citizens with BVN are automatically provided with functional NIN.<sup>9</sup>

### *Fake NIN Enrolment Agents*

The National Identity Management Commission (NIMC) has advised the general public against transacting with some persons purporting to be agents and consultants of the NIMC, claiming to operate and facilitate engagement of companies/agents under the ongoing National Identification Number (NIN) Enrolment Project and collecting money for registration.<sup>10</sup>

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

### *Consumer Complaints on the Rise*



Following the review of received consumer protection complaints in 2020, the Federal Competition and Consumer Protection Commission reports increased consumer complaints relating to the banking and telecommunication sectors. Both ranked 2<sup>nd</sup> and 3<sup>rd</sup> respectively on the consumer complaint chart, whilst electricity related complaints ranked 1<sup>st</sup>. The Commission

<sup>5</sup> Press Statement: Federal Government Lauds Citizens, Extends NIN-SIM Linkage Deadline by 8 weeks, NCC Website, 2 February 2021. Available at: <https://www.ncc.gov.ng/media-centre/news-headlines/943-press-statement-federal-government-lauds-citizens-extends-nin-sim-linkage-deadline-by-8-weeks>

<sup>6</sup> Acceptance of Machine Readable Convention Travel Document (MRCTD) and Refugee Identification Card as Means of Identification, CBN Website, 8 February 2021. Available at: [https://www.cbn.gov.ng/Out/2021/CCD/Letter%20to%20Banks%20on%20Acceptance%20of%20Refugee%20ID%20Card%20\(002\).pdf](https://www.cbn.gov.ng/Out/2021/CCD/Letter%20to%20Banks%20on%20Acceptance%20of%20Refugee%20ID%20Card%20(002).pdf)

<sup>7</sup> Regulations 40 states that financial institutions shall review, identify, and record other areas of potential money laundering risks not covered in the gazetted regulations and report risk quarterly to CBN and NFIU. Also, all financial institutions are to review their AML/CFT frameworks regularly to determine their adequacy and identify areas of risks.

<sup>8</sup> Regulations 80 provides that where a refugee or asylum seeker requires a basic bank account without being able to provide evidence of identity, authentic references from the Nigerian Immigration Services endorsed by the State Security Services shall be used in conjunction with other readily available evidence. Financial institutions are also directed to conduct monitoring procedures on the use of such accounts to ensure that it is consistent with the customer's circumstances.

<sup>9</sup> Blessing Olaifa, FG plans to replace BVN with NIN – Pantami, The Nation Newspaper, 9 February 2021. Available at: <https://thenationonline.ng/fg-plans-to-replace-bvn-with-nin-pantami/>

<sup>10</sup> NIMC – General Disclaimer, NIMC Website, 1 February 2021. Available at: <https://nimc.gov.ng/nimc-general-disclaimer/>



plans to expand capacity and leverage technology to handle more complaints, however, noting that the consumer protection system will best function with companies/businesses swiftly resolving complaints themselves.<sup>11</sup>

## DFS Environment: Interoperability, Collaboration and Competition

### Regulatory Framework for Open Banking in Nigeria



On 17 February 2021, the CBN issued the [regulatory framework for open banking](#) which establishes principles for data sharing across the banking and payments ecosystem. This will promote innovation, broaden the range of financial products and service, and deepen financial inclusion. The regulation specifies the data and services to be exchanged by financial institutions through APIs as follows:

- Product Information and Service Touchpoints (PIST).
- Market Insight Transactions (MIT).
- Personal Information and Financial Transaction (PIFT).
- Profile, Analytics and Scoring Transaction (PAST).

However, to manage risk, data and API access will be dependent on the maturity levels of participants grouped in tiers as shown in the table below:

S/N	Participants Category	Risk Management Maturity Level (Tier 0-3)	Access level by Data & Service Category
1	Participants without regulatory licence	Tier 0	PIST and MIT
2	Participants through CBN Regulatory Sandbox	Tier 1	PIST, MIT and PIFT
3	Licensed Payments Service Providers and Other Financial Institutions	Tier 2	PIST, MIT, PIFT, and PAST
4	Deposit Money Banks	Tier 3	PIST, MIT, PIFT, and PAST

Source: Regulatory Framework for Open Banking in Nigeria, Central Bank of Nigeria, February 2021

Going forward, the CBN notes in a [circular](#) notes that operational guidelines related to the framework will be communicated in due course.

## Enabling Financial Inclusion at the Last Mile

### Financial Exclusion in the North

A group known as the Arewa Consultative Forum (ACF) has opined that the astronomical review of the CBNs new capital requirement will lead to the demise of most of the microfinance banks presently operating in the North. It, therefore, urged the CBN to utilize private-owned microfinance banks in the disbursement of government intervention funds and to extend the deadline for the new capital requirement for microfinance banks to April 2025. ACF advised the CBN to accept these suggestions and implement them in order to drive financial inclusion in the North.<sup>12</sup>

<sup>11</sup> Agency Report, Electricity, telecommunication to consumer complaints in 2020 – FCCPC, Premium Times, 22 February 2021. Available at: <https://www.premiumtimesng.com/news/more-news/444498-electricity-telecommunication-top-consumer-complaints-in-2020-fccpc.html>

<sup>12</sup> Abdulwaheed Adubi, North Writes CBN Governor, alleges financial exclusion, Business Day Newspaper, 12 February 2021. Available at: <https://businessday.ng/news/article/north-writes-cbn-governor-alleges-financial-exclusion/>

## Enabling Environment for DFS Ecosystem

### CBN bans Cryptocurrencies accounts



The Central Bank of Nigeria issued a [circular on 5 February 2021](#), instructing all Deposit Money Banks, Non-Bank Financial Institutions and Other Financial Institutions to identify persons and/or entities transacting in or operating crypto currency exchanges within their systems and close their accounts immediately. According to [a press release](#) the potential of cryptocurrency to be used for conducting illegal activities, its contravention of the CBN Act (2007) and the need to protect the financial system and generality of Nigerians from the risks inherent in crypto assets transactions necessitated the measure.

The Securities and Exchange Commission released a statement on 11 February 2021<sup>13</sup> that in view of the CBN's restriction of cryptocurrency transaction, admittance into the SEC Regulatory Incubation Framework, was being put on hold until such persons are able to operate bank accounts within the Nigerian banking system.

### Determination of Capital Structure of Licenses of Telco's

The Nigerian Communications Commission (NCC) has published a [consultative paper on the determination of capital structure of licenses in the communications sector in Nigeria](#). The Commission recently conducted a review of the financial health of its licensees and

observed huge indebtedness and huge deficits in shareholders' funds. To forestall a systematic and sector-wide collapse a mechanism that will pre-emptively set parameters and monitor compliance was, therefore, imperative. To determine the capital structure of its licenses NCC will consider shareholders fund, capital reserve and general reserve, revaluation reserve, retained earnings, borrowing capacity of licensees, benchmarks for debt-to-equity ratio amongst others. Interested stakeholders were requested to forward their submissions on or before Friday, March 19, 2021.<sup>14</sup>

## DFS Infrastructure

### 5G network



The Minister of Communications and Digital Economy, Mr. Isa Ali Ibrahim Pantami, has stated that the ministry was working on a 5G deployment policy that will take care of all security, health and safety concerns of Nigerians, as the country cannot afford to lag behind in the 5G revolution.<sup>15</sup> He said that independent scientific reports published by the International Telecommunication Union (ITU) and the World Health Organisation (WHO) suggested that the 5G network posed no risks to public health and safety. After 5G trial in 2019 the Ministry had undertaken wide-ranging stakeholder consultations to ascertain the safety of 5G networks and will proceed with deployment only after all issues have been addressed and necessary approvals obtained.

<sup>13</sup> Press Release on Cryptocurrencies, SEC Website, 11 February 2021. Available at: <https://sec.gov.ng/press-release-on-cryptocurrencies/>

<sup>14</sup> Public Notice: Consultation Paper on the Determination of Capital Structure of Licenses in the Communications Sector in Nigeria, NCC Website, 11 February 2021. Available at: <https://www.ncc.gov.ng/media-centre/public-notice/951-public-notice-consultation-paper-on-the-determination-of-capital-structure-of-licensees-in-the-communications-sector-in-nigeria>

<sup>15</sup> Ahmed Rahma, 5G Network Not Dangerous to Health—Pantami, Business Post, February 27, 2021. Available at: <https://businesspost.ng/technology/5g-network-not-dangerous-to-health-pantami/>



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  
Tobechukwu Njideaka

**Design & Images:**

Ibukun Taiwo  
Olanrewaju Adelaja



@sustainabledfs



/company/sustainabledfs



@sustainabledfs



/sustainabledfs



[sustainabledfs.lbs.edu.ng](http://sustainabledfs.lbs.edu.ng)



**LAGOS  
BUSINESS  
SCHOOL**  
PAN-ATLANTIC UNIVERSITY

© Lagos Business School, 2021



**SUSTAINABLE  
+ INCLUSIVE**  
DIGITAL FINANCIAL SERVICES