

REGULATORY FRAMEWORK FOR MOBILE PAYMENTS SERVICES IN NIGERIA

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1. Introduction

- In its desire to extend banking services to a wider segment of Nigerians, the CBN identified mobile telephony as a veritable tool for advancing financial inclusion.
- Since mobile phones have become widely acceptable and used in the country, the Bank is encouraging the introduction of financial services through that channel.
- However, CBN has recognized the need to create an enabling environment for all the participants in this segment and hence this “Regulatory Framework”.
- The overriding vision is to achieve a system that is nationally utilized and internationally recognized – A Nigerian System of mobile payments
- The Mobile Payments Regulatory Framework is divided into 8 sections comprising an Introduction, Mobile Payments Systems, The Infrastructure, Technology, Business Rules, User Protection, Compliance Monitoring and a Glossary of all terms used in the Framework. We will summarize the entire Framework for ease of understanding and clarity of rationale.

2. OBJECTIVES OF THE FRAMEWORK

- Provision of an enabling environment for mobile payments services in reducing cash dominance in the Nigerian economy.
- Specification of minimum technical and business requirements for various participants in the mobile payments services industry in Nigeria.
- Stipulation of rules and responsibilities of participants in the provision and usage of mobile payments services in Nigeria.
- Provision of broad guidelines for implementation of processes and flows of mobile payments transactions from initiation to completion
- The Framework was developed with global best practice in mind

3. SCOPE AND PARTICIPANTS

- The framework addresses business rules governing the operations of mobile payments services in Nigeria.
- It specifies basic functionalities expected of any mobile payments service and solution in Nigeria.
- It sets the basis for regulation of mobile payments services offered at different levels and by diverse participants.
- It does not cover the use of mobile phones as an access to the internet for the purpose of using internet banking services. The Electronic Banking Guidelines apply here.
- It guides the activities of participants
- Participants include service providers, infrastructure providers, solution providers, scheme operators and the consumers.

4. MOBILE PAYMENTS MODELS

- The Framework identified three major models for the implementation of mobile payments services, namely:
- **Bank-Focused Model:** where a bank delivers banking services to customers using the mobile phone as a delivery channel. This model can only be deployed by a licensed deposit-taking financial institution.
- **Bank-Led Model:** where a bank, or a consortium of banks, partnering with other organizations, jointly seek to deliver banking services by leveraging on the mobile banking system. This model shall be applicable only in a scenario where there exists collaboration between a licensed deposit-money bank(s) and an organization duly verified by the partner bank(s).
- **Non-bank-Led Model:** This model allows a corporate organisation that has been duly approved by CBN to deliver mobile payments services to consumers. This model shall be applicable to any organization other than a licensed deposit money bank and telecommunication companies.

4.1 LEAD INITIATORS

- The Lead initiator shall be responsible for ensuring that the various solutions and services within a mobile payments system meet the entire regulatory requirements as defined by the CBN.
- The Lead initiator (as an entity and as representative of other partners) shall be legally responsible and accountable to the CBN and the end user.

4.2 BANK – FOCUSED MODEL

- The Lead Initiators here are licensed deposit taking financial institutions which include DMBs, microfinance banks and discount houses.
- Participants include the initiating bank, its ICT partners and the customers.
- In addition to other requirements, the Lead Initiator shall adhere to the requirements of the mobile payments KYC guidelines and
- It shall put in place adequate measures to mitigate all the risks that could arise from the deployment and use of its mobile payments solution.

4.3 BANK – LED MODEL

- The Lead Initiator is a bank or a consortium of banks and it partners with other organizations to jointly deliver banking services leveraging on the mobile banking system.
- Participants in this model include the Lead initiator, and partner organizations like scheme operators, infrastructure providers, telecommunication companies, independent operators etc.) and the customers.
- This model shall be applicable only in a scenario where there exists collaboration between a deposit taking financial institution and an organization duly verified by the partner bank(s).
- In addition to other requirements, the Lead Initiator shall adhere to the requirements of the mobile payments KYC guidelines and
- The roles and responsibilities of the participating organizations are restricted to their area of core competence e.g. provision and management of the necessary technology requirements as well as agent network management and provision

4.4 NON BANK LED MODEL

- **This is the area that generates the most controversy in that the lead initiator shall be an organization other than a DMB or Telco e.g. Switches and payments service providers**
- Here the Telcos are explicitly excluded from leading any such models for the following reasons and rationale
- Ensuring that the regulatory gaps/lapses that could occur with a Telecoms organization running a mobile payments solution is nullified till a time when the regulatory issues between NCC and CBN are regulated.
- Ensuring that the Non Bank led model will promote innovation within the IT services and infrastructure that will enhance the Mobile Payments
- Ensuring openness and interoperability via monitoring that the Telcos concentrate on their area of core competence as mobile operators (carriers of traffic) and not attempt to become payments service providers
- Also to ensure that Larger networks are not given undue advantage based on their wide coverage hereby excluding other payments service providers from access to their customer base
- Also to ensure that all mobile payments traffic are given equal priority during transmission by the Telcos without prejudice to their own consumer generated traffic
- The roles and responsibilities of the organization is clearly defined notably that the **Organization shall register with the CBN as a Payments Service Provider, ensure its network is in full compliance with the regulatory framework, provides the CBN with open access for on the spot monitoring, provides a quarterly assessment report on the performance of the organization.**

4.5 ROLE OF TELECOMMUNICATION COMPANIES

The CBN appreciates the critical role of telcos in any of the models for the implementation of mobile payments services in Nigeria. However the roles of telcos shall be guided by the following provisions: Telcos

1. shall provide telecommunication network infrastructure for the use of scheme operators.
2. Ensure that a secure communication path based on the technological standard stipulated in this regulatory framework is implemented.
3. Make available its network to scheme operators based on criteria which are transparent and generally applicable to all scheme operators without discriminatory practices against any scheme.
4. Ensure that its subscribers are free to use any mobile payments system of their choice;
5. NOT receive deposit from the public except in the respect of prepaid air time billing of their subscribers; and
6. Not allow the use of the prepaid airtime value loaded by their subscribers for the purpose of payment or to transfer monetary value.

4.6 DIFFERENT MOBILE PAYMENTS SCENARIOS

- **Card Account Based**- here a payment card is linked to a mobile phone for the purposes of initiating and concluding payments transactions. The rules of operation here are clearly articulated notably that the “card shall be issued by a CBN approved card issuing organization” and shall conform to all existing card regulations as issued by the CBN.
- **Bank Account Based**- In this case the mobile payments system drives transactions through bank accounts of customers’ e.g. Current, savings and domiciliary accounts. It is based on the existing accounts generating system within the banks. Here money could be credited to an account or removed from an account depending on whether it is a pull based or push based transaction. The main point in the rules of operations here is that the transaction will be concluded via a “s secure mobile payments” that meets the defined standards herein.
- **Stored Value Account based**- this means that the accounts will be system based where value is stored in a dedicated settlements account with a licensed deposit taking institution. Stored value accounts may include prepaid accounts where the settlement account shall be funded with the total amount of the system based account on the scheme.

5.0 INFRASTRUCTURE

- This section deals with the infrastructure necessary for the running of an efficient mobile payments system. These include the service providers, network facilities, information and computer technologies and the operating procedures that govern the whole process. **The infrastructure shall facilitate instant payment to the end user and settlement of the scheme providers in a T +1 cycle.**

6.0 TECHNOLOGY

Here the CBN gives minimum technology standards that comply with global best practices. By this section and the attendant technologies mentioned here the CBN gives a clear direction on the importance of the Confidentiality, Integrity, and Availability and Non repudiation of the data transmitted via Mobile payments systems.

The key drivers of the technology requirements in the Framework is based on

- Compatibility- seamlessly through various mobile phone operators
- Interoperability via the National Central Switch
- Reliability- full system redundancy
- Security- via data encryptions
- Flexibility

7.0 BUSINESS RULES

- These are the rules that govern the various participants within the Mobile payments. **Here e-Money is defined and its specific characteristics clearly highlighted. This section also defines Issuers (Bank and Non Bank).**
- **Here the Issuer is saddled with responsibilities such as appointment of agents and sub agents, monitoring the exists of such, ensure compliance with the KYC Rules, interoperability with other vendors, sale of e-Money, obtain licenses to operate its scheme, and provision of adequate collateral securities with the regulatory authority to mention a few**

7.1 KNOW-YOUR-CUSTOMER RULES

BANKING STATUS	KYC LEVEL	VERIFICATION REQUIREMENT	MOBILE PAYMENT TRANSACTION LIMIT
Un-Banked	Least KYC	Name and Phone number	Maximum transaction limit of NGN3,000.00 and daily limit of NGN30,000
Semi-Banked	Partial KYC	Refer to CBN KYC Manual and Money Laundering (Prohibition) Act	Maximum transaction limit of NGN10,000.00 and daily limit of NGN100,000.00
Fully-Banked	Full KYC	Refer to CBN KYC Manual and Money Laundering (Prohibition) Act	Maximum transaction limit of NGN100,000.00 and daily limit of NGN1,000,000.00

8.0 USER PROTECTION

- Operators shall maintain a functional dispute and complaints resolution desk which shall be equipped to receive complaints through phone calls, emails and personal visits.
- Here the users' rights and responsibilities are clearly defined for the avoidance of doubt.
- The Ombudsman role for dispute resolution is also clearly defined as a pre-requisite during implementation of the Framework. This ombudsman shall consist of
 - NCC
 - Consumer Protection Council
 - A Rep from Scheme Operators (Telcos)
 - A Rep for Financial institutions
 - A member of the NPSC
 - The Central Bank of Nigeria

9.0 COMPLIANCE MONITORING

- Non compliance with the provisions of the Framework shall attract sanctions from the Central Bank of Nigeria. For the avoidance of doubt the CBN has created the Policy and Oversight Office to ensure compliance is adequately monitored.

END

- THANK YOU FOR LISTENING

QUESTIONS?