

**REGULATORY FRAMEWORK
FOR MOBILE MONEY SERVICES
IN NIGERIA**

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1.0 Introduction

A robust payments system is vital for effective monetary policy implementation and the promotion of economic efficiency. The introduction of mobile telephony in Nigeria, its rapid growth and adoption and the identification of person to person payments as a practical strategy for financial inclusion, has made it imperative to adopt the mobile channel as a means of driving financial inclusion of the unbanked. These factors underscore the decision of the Central Bank of Nigeria to issue this regulatory framework to create an enabling environment for the orderly introduction and management of mobile payment services in Nigeria. The framework defines the regulatory environment as a policy path towards achieving availability, acceptance and usage of mobile payment services.

Mobile payment has evolved as a veritable channel for facilitating the growth of commerce. The use of the mobile phone for the initiation, authorization and confirmation of the transfer of value out of a current, savings or stored value account has been recognized as a development that is expanding the growth of commerce among both the financially included and non-included units in the economy.

This regulatory framework addresses business rules governing the operation of mobile payment services, and specifies basic functionalities expected of any mobile payment service and solution in Nigeria. It identifies the participants and defines their expected roles and responsibilities in providing mobile payment services in the system. In addition, it sets the basis for the regulation of services offered at different levels and by the participants.

The overriding vision of achieving a nationally utilized and internationally recognized payments system necessitates strategies to bring informal payment transactions into the formal system.

This framework has identified two models for the implementation of mobile money services namely;

- A. Bank Led – Financial Institution(s) and/or its Consortium as Lead Initiator
- B. Non-Bank Led- A corporate organisation duly licensed by the CBN as Lead Initiator

The CBN recognizes the importance of Mobile Network Operator (MNOs) in the operations of mobile money and appreciates the criticality of the infrastructure they provide. However, the telco-led model (where the lead initiator is an MNO), shall not be operational in Nigeria.

Its exclusion will enable the CBN have full control of monetary policy operations, minimise risks and ensure that the offering of financial services are driven by organizations that have been licensed by CBN to do so.

2.0 Objectives

The objectives of the regulatory framework are as follows:

- A. Provision of an enabling environment for the adoption of mobile payment services in reducing cash dominance in the Nigeria economy.
- B. Ensure a structured and orderly development of mobile payment services in Nigeria, with clear definition of various participants and their expected roles and responsibilities.
- C. Specification of the minimum technical and business requirements for the various participants recognized for the mobile money services industry in Nigeria.
- D. Provision of the basis for broad guidelines for the implementation of processes and flow of mobile payment transactions, from initiation to completion.
- E. Promoting safety and effectiveness of mobile money services and thereby enhance user confidence in the services.

3.0 Scope

To achieve the above stated objectives, two types of mobile payment services are identified for operation in Nigeria:

1. The Bank-led Model: This is a model where a bank either alone or a consortium of banks, whether or not partnering with other approved organizations seek to deliver banking services leveraging on the mobile money system. This model shall be applicable in a scenario where the bank operates on stand-alone basis or in collaboration with other bank(s) and any other CBN approved organization. The Lead Initiator must be a bank or consortium of banks, and shall be legally responsible and accountable to the Central Bank of Nigeria and the end users.
2. The Non Bank-led Model: This model allows a corporate organization that has been duly licensed by the CBN to deliver mobile payment services to subscribers. The Lead Initiator must be a corporate organization (other than a deposit money bank or a telecommunication company) specifically licensed by the Central Bank of Nigeria to provide mobile payment services in Nigeria.

4.0 Participants in the Mobile Money System

This framework shall **guide** the activities of Participants in the provision of mobile money services.

Participants are grouped into six (6) categories:

- A. Regulators

- B. Mobile Money Operators
- C. Infrastructure providers
- D. Other Service Providers
- E. Consumers
- F. Mobile Money Agents

A. Regulators

The Regulators for this purpose are the Central Bank of Nigeria (CBN), Nigerian Communications Commission (NCC).

B. Mobile Money Operators

These are organizations that are licensed by the Central Bank of Nigeria to provide the system for the mobile money services. The organizations approved to perform the role of Mobile Money Operations are Banks and Corporate Organizations.

All approved Mobile Money Operators are required to provide:

1. The infrastructure (hardware, software, switching and security) for mobile payment services;
2. Business continuity and disaster recovery plans, to ensure services are always available at all times.
3. 99.99% system availability and ensure all signed on participating institutions follow same rule

Mobile Money Operators are required to connect to the National Central Switch (NCS) for the purpose of ensuring interoperability of all schemes in the system. A scheme operator can either be a bank or a licensed corporate organization.

The Mobile Money Operators are the Lead initiators for the mobile scheme and shall be responsible for ensuring that the various solutions and services within an approved mobile payment scheme meets the entire regulatory requirements as defined in this framework and as may be specified from time to time.

The Lead initiator (as an entity and as representative of other partners) shall be legally responsible and accountable to the Central Bank of Nigeria and the end user. All advertisements

and public pronouncements on their scheme shall emanate and be issued by the Lead Initiator only.

b (i). Bank

The roles of the bank as a MMO include:

- a. Provision of all financial services for the operation of the mobile money service.
- b. Verification, approval and accountability for the credibility and integrity of their partner organizations, and recommending same to the CBN for approval.

b (ii) Licensed Corporate Organizations

The roles of Licensed Corporate Organizations include:

- a. The provision and management of the technology required to deliver mobile payment services to the subscriber.
- b. The provision of the agent network required to extend all the proposed services to the market place.

C. Infrastructure Providers

These are organizations providing infrastructure that enable switching, processing and settlement facilities for mobile money services. Settlement here refers to Inter-Scheme Settlement.

- 1. Telecommunications:** Telecommunication companies play the important role of providing the infrastructure to drive the exchange of messages for mobile payments.
- 2. Inter -Scheme Settlement:** The role of Inter-Scheme Settlement Provider shall be to provide net positions of transactions across schemes to the inter-bank settlement system to affect the finality of payment for services consummated across two different Schemes by various participants.

D. Other Service Providers:

The CBN recognizes that, with the evolution of the mobile money system, spin-off services would be identified by MMOs which can be outsourced to entities with specialized skills and resources to support such services in a more efficient and effective manner.

The service providers may employ the infrastructures of the MMOs to provide services to the end users.

E. Consumers

These are end users of mobile money services.

F. Mobile Money Agents

The activities of Mobile Money Agents shall be guided by the provisions of the Guidelines on Agent Banking and Agent Banking Relationship in Nigeria.

5.0 The Nigerian Mobile Money System

Mobile money system in Nigeria refers to the various components required to deliver mobile money to the banking and non-banking community. The providers of these services and solutions shall be required to operate within the defined regulatory framework specified in this document and any other regulation/guideline issued by the CBN.

The CBN is responsible for defining and monitoring the mobile money systems in Nigeria.

6.0 Mobile Money Scenarios

The following scenarios are the methods through which mobile money can be carried out in Nigeria:

1. Bank Account Based
2. Card Account Based
3. Stored Value (e-Wallet) Account Based

6.1 Bank Account Based

This is a scenario where the mobile money system drives transactions through the bank accounts of customers. These accounts include current, savings, domiciliary etc.

6.1.1 Types of Bank Account Based

The types of Bank Account Based scenario shall include, but not limited to Pull based account transactions (debits through a mobile payment solution) and Push based account transactions (credits through a mobile money solution). A pull based transaction shall be authorized by the account holder via a verifiable mode before the transaction is consummated.

6.1.2 Card Account Based

This is a scenario where a payment card is linked to a mobile phone for the purpose of initiating and concluding payment transactions

6.2.1 Types of Card – Driven Payments

The types of card – driven payments recognized by this framework are:

- A. Credit
- B. Debit, and
- C. Pre-Paid

6.3 Stored Value Account Based

This is a scenario where a mobile money system drives transactions through a system-based account that shall comply with the standards defined within this framework.

6.3.1 Types of Stored Value Account

The various options recognized by this framework include Re-loadable Stored Value Account, Pre-paid Account, etc.

7.0 Mobile Money Processes

The Mobile Money Operators shall provide a detailed payments management process that covers the entire solution delivery, from user registration and management, Agent recruitment and management, Consumer protection/dispute resolution procedures, Risk management process to transaction settlement. These processes shall cover the scope of the value chain across all the participants in the mobile money ecosystem.

8.0 Infrastructure

The core infrastructure for providing a National mobile payment system comprises of transaction processing, clearing and settlement platforms and agent network. The responsibility for the provision and management of these platforms is shared amongst the various stakeholders/service providers.

9.0 Settlement

The settlement finality for mobile money shall leverage the NIBSS Infrastructure and the CBN Inter-Bank Funds Transfer System (CIFTS). The Infrastructure shall facilitate instant payment to the end users and settlement of the Scheme providers on a T+1 cycle for the mobile money system.

10.0 Scheme Dispute Resolution

NIBSS shall provide the dispute resolution platform for the mobile payment systems for the use of participants in resolving inter scheme transaction disputes. The dispute resolution process will be aligned with the global best practices for arbitration.

11.0 Risk Management

In view of the peculiarity of the operations of other licensed providers and the unique risks associated with their operations, the regulatory framework hereby specifies the following requirements to mitigate risks arising from their activities.

The MMOs must ensure that risk mitigation techniques are in place to minimize operational, liquidity, technical, fraud, financial and money laundering risks. The mobile payment system should not be susceptible to sustained operational failures as a result of system outages. A risk compliance officer must be assigned by the MMOs, who are to provide internal risk management oversight. The CBN will review the risk management program, including all of the controls that are in place to manage the risks on a periodic basis

12.0 Technology

The technology implemented for mobile payment services is to comply with the standards and requirements on international best practice on mobile payment services. The technology to be deployed is expected to be reliable, user friendly, safe and secure. All MMO are to interconnect through NIBSS to ensure interoperability.

13.0 User Interface

- 13.1 The user interface shall at the minimum, be menu-driven.
- 13.2 The user interface shall not provide access to confidential information.
- 13.3 PIN shall be encrypted at the point of entry.

14.0 Know Your Customer (KYC) and Customer Due Diligence (CDD) Requirements

All MMOs shall comply with the provisions of the Circular on “Three – Tiered Know Your Customer Requirements” .

15.0 Anti-Money Laundering Regulation

In addition to the provisions of the requirements prescribed in the KYC Guidelines, the CBN AML document shall also apply to mobile money service

The regulatory authorities reserve the right to change the criteria for suspicious transactions reporting in respect of mobile money as it deemed fit. Such amendments shall be communicated by appropriate channels to the mobile money operators and other stakeholders.

16.0 Consumer Protection and Dispute Resolution

To build confidence in the mobile money system, a dispute resolution mechanism needs to be put in place.