



BANWO & IGHODALO

FINTECH UPDATE

SYNOPSIS OF THE CBN REGULATORY GUIDELINES ON THE E-NAIRA

Introduction

On October 25, 2021, the Central Bank of Nigeria (“**CBN**”), Nigeria’s apex financial and monetary regulator, issued a governing framework for the administration of the *eNaira* in Nigeria. The *eNaira* is the digital form of the Fiat currency (Naira) issued by the CBN, and it will be exchangeable with the digital currencies of other Central Banks (CBDC). Like the physical/paper Naira, the *eNaira* is a legal tender and forms part of the currency-in-circulation. It is created to complement cash as a less costly, more efficient, generally acceptable, safe and trusted means of payment and store of value.

Titled *Regulatory Guidelines on the eNaira (the “Guidelines”)*, the governing framework, which came into operation the very day it was issued, creates the ***eNaira Platform*** for the proper, efficient and safe management of the digital currency system in the country. It also, among other key matters, identifies the key participants in the Nigerian digital currency system and their roles, principal features, nature of transactions, documentation requirements and other key considerations that will guide all stakeholders dealing in the *eNaira*, including the CBN; Financial Institutions; Merchants; Ministries, Departments and Agencies (MDA); and Consumers (end-users). In order to access, use and hold *eNaira*, an end-user is required to have an *eNaira* wallet.

This article provides a synopsis of the key provisions of the Guidelines.

Participants on the eNaira Platform

- **Central Bank of Nigeria:** The CBN’s role will cover minting, issuance, and distribution of the *eNaira*. The regulator will also be responsible for creating and monitoring compliance with standards and regulations, for the administration of the *eNaira*.
- **Financial Institutions (“FIs”):** FIs will play an intermediation role between the CBN and end-users. Their functions include facilitating the onboarding process of bank customers (merchants and individuals), integrating the *eNaira* wallet feature on their electronic banking products, ensuring compliance with KYC/AML/CFT requirements for participants on the *eNaira* platform. FIs will also be responding for attending to user complaints and rendering reports to the CBN on enquiries about the *eNaira*.
- **Merchants:** Merchants will be required to promote the *eNaira* as an alternative means of payment, providing cashback services and preventing access and use of their wallet accounts for fraudulent purposes.
- **Ministries, Departments and Agencies (MDAs):** MDAs may choose to receive revenue and make payments using the *eNaira*.
- **Consumers:** the role of the end-users includes creating and funding of their wallet accounts, using the *eNaira* as a means of payment, protection of their wallet credentials from unauthorized access, and notification of FIs in the event of complaint or dispute.

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Key Components of the eNaira Platform

- The eNaira will be administered by the CBN on a centralized platform, known as the Digital Currency Management System (“DCMS”). The DCMS as a platform will be used to manage the eNaira Wallets for the different participants.
- Five categories of eNaira Wallets will be managed on the DCMS: (i) **eNaira Stock Wallets**, managed by the CBN; (ii) **eNaira Treasury Wallets**, managed by FIs; (iii) **eNaira Branch Wallets**, also managed by FIs; (iv) **eNaira Merchant Speed Wallets**, created for merchants; and (v) **eNaira Speed Wallets**, created for individual end-users.
- Onboarding processes of FIs, Merchants, MDAs, and Consumers, will be completed upon compliance with prescribed requirements – providing all mandatory information such as Emails, BVN, among others.
- The Unique Identifiers recognized on the eNaira platform include: Tax Identification Number (TIN) for corporate entities, National Identification Number (NIN) and/or Bank Verification Number (BVN) for individuals, and Bank Verification Number (BVN) in the case of merchants that are not corporate entities.



Transaction Types and Charges Structure on the eNaira Platform

- **Consumer Transactions:** Transactions which individuals may conduct, which include (i) Person to Person; (ii) Person to Business and vice versa; (iii) Person to Government and vice versa; (iv) Cash or Bank Account to eNaira Speed Wallet and vice versa; and (v) any other service approved by the CBN.
- **Merchant Transactions:** Transactions which merchants may conduct, which include (i) Merchant/Business to Bank Account; (ii) Merchant/Business to Person; and (iii) Cash/Bank Account to eNaira Speed Wallet. In addition, merchants are required on a daily basis, to sweep their till balance(s) into their FIs accounts.
- **FI Transactions:** Transactions which FIs may conduct, which include (i) FI to CBN and vice versa; (ii) FI to Government and vice versa; (iii) FI to Business and vice versa; and FI to Customer and vice versa.
- **MDAs Transactions:** Transactions which MDAs may conduct upon onboarding by the CBN, which include (i) MDAs to Person and vice versa; (ii) MDAs to MDAs; (iii) MDAs to FIs and vice versa; (iv) MDAs to CBN and vice versa; and MDAs to Businesses and vice versa.

Charges and Cost Structure

- As provided in the Guidelines, transactions that originate from the eNaira platform shall be free for the first 90 (ninety) days commencing from October 25, 2021.
- After the 90-day period, transactions on the

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eNaira platform shall attract charges as outlined in the Guide to Charges by Banks, Other Financial and Non-Bank Financial Institutions, issued by the CBN.

be referred to an arbitration panel, as provided under the extant *Arbitration and Conciliation Act* or as may be defined by the CBN from time to time.

AML/CFT Compliance on the eNaira Platform

- FIs are required, in the course of transacting through the Wallet to comply with the *Money Laundering (Prohibition) Act 2011* (as amended), the *Terrorism (Prevention) Act, 2011* (as amended) and all other extant Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) laws and regulations applicable in the country.
- The Guidelines create a tiered structure for end-users who will be using the eNaira platform. The tiers are **Tier 0**, **Tier 1**, **Tier 2**, and **Tier 3** for Individuals and the **Merchant Tier**. Each level in the tiered structure has its respective documentation requirements and daily transaction/balance limits.

Dispute Resolution

- Complaints by consumers/end-users arising from the usage of the eNaira, are to be referred to the end-users' preferred FI Helpdesks. If unresolved, such consumer complaints are to be escalated to the eNaira helpdesk. Similarly, complaints from financial institutions or disputes arising between financial institutions are to be reported to the eNaira Helpdesk Team and resolved within two (2) working days.
- In cases of disputes where one or both parties are unsatisfied with the resolution, the issue shall



Other key provisions under the Guidelines include the requirement for FIs to create a framework, policy documents, and governance structure to ensure Sound Risk Management based on their operations of the eNaira platform. Also, the Guidelines provide that 2-factor authentication shall be in place on the eNaira platform, as a means of safeguarding the Security and Privacy of participants. There are also extensive provisions on the responsibilities of Banks and Wallet users in the case of loss, compromise, or theft of a user's device/access to the eNaira platform, as well as additional reporting requirements for FIs.

Remarks

The introduction of the eNaira by the CBN, demonstrates a growing shift of central banks and national reserves towards the adoption of digital currencies globally. The CBN is empowered under the *CBN Act, 2007* and the *Banks and Other Financial Institutions Act (BOFIA), 2020* to issue legal

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tender currency, ensure financial system stability, and promote the development of electronic payments system in the country.

Being a digital currency stored in a digital wallet and that operates on a peer-to-peer system, the eNaira bears some semblance to cryptocurrencies. However, the fact that the eNaira is a fiat money issued and controlled by the CBN and backed by Government guarantee, makes it fundamentally different from cryptocurrencies. Unlike the eNaira, a cryptocurrency is a decentralized digital currency that is not issued by any central authority and which exists outside the control of a government. This notwithstanding, the emergence of the Guidelines is likely be seen by many as a precursor to the development of a legal and regulatory framework for the adoption of cryptocurrencies in the Nigerian Payments System.



We note that the introduction and use of the eNaira have the potential to boost electronic payments in Nigeria exponentially and attract more investments into the Fintech space. While we are still observing the possible market impact of the eNaira on the business of stakeholders, like commercial banks and card payment processors, it is likely that the adoption of the eNaira will continue to deepen the popularity of contactless and micro payments in the Nigeria's payments landscape. In particular, we are inclined to

agree with the CBN that the new digital currency regime will (i) improve the availability and usability of Central Bank money, (ii) support a resilient payments system ecosystem, (iii) encourage financial inclusion, (iv) reduce the cost of processing cash, (v) enable direct welfare disbursements to citizens, (vi) increase revenue and tax collection, (vii) facilitate Diaspora remittances, and (viii) reduce the cost and improve the efficiency of cross-border payments.

Further, we see the emergence of the eNaira as part of the CBN's efforts at rejigging its development strategy for the payments system, now tagged the **Payment Systems Vision 2025 (PSV-2025)**. It is expected that the evolving disruptions of the financial system through application of blockchain technology and artificial intelligence (AI) by Fintech companies, will enhance financial inclusion, electronic banking/ payments and the use of alternative banking channels (otherwise known as the "Cashless Policy"), as well as the other core objectives of the PSV-2025.

The Guidelines can be accessed [here](#) and for further clarification, you may reach out to us by email: banwigho@banwo-ighodalo.com or through any of our contact persons below:

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