



NIGERIA TRANSITING TO A CASH-LESS SOCIETY: MAPPING THE NATIONWIDE AGENDA 21ST -22ND OCTOBER 2014



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EXECUTIVE SUMMARY

The conference, Nigeria Transiting to a Cash-less Society: Mapping the Way Forward, took place on the 21st – 22nd October 2014. The event, as in previous years, brought together key stakeholders and policy makers within the Nigerian electronic and mobile payments ecosystem as well as experts from the global payments industry. The conference provided a holistic outlook on electronic and mobile payments in Nigeria and deliberated on the implementation of the initiative nationwide as well as the challenges faced by some stakeholders in effectively harnessing the potential inherent in innovative payments. The conference considered many topical issues including financial inclusion, infrastructural challenges, the rapid development of e-commerce and online businesses as a result of the cashless initiative and the challenges posed by fraud.

As the cashless initiative comprises of many different moving parts, this annual cashless conference, being the only event which pulls together all the various actors and stakeholders within the ecosystem, is clearly beneficial and crucial to the successful implementation of the system. In addition, delegates from previous and current years have indicated the need for this to continue on an annual basis.

The aim of the conference was not only to sensitize the whole industry but also provide further awareness and education to the public whilst also promoting CBN's roll out of the initiative nationwide. The event was supported by various industry bodies including:

- Committee of E-Banking Industry Heads,
- Association of Licensed Telecommunications Operators
- The Consumer Protection Council
- Association of Licensed Mobile Payment Operators
- Nigeria Computer Society
- Nigeria British Chamber of Commerce
- United Kingdom Trade and Industry

The conference attracted approximately 300 delegates over the two days. Prior to this, the team sought to and formed partnerships with key stakeholders (banks, telecoms companies, regulatory bodies, government, professional bodies and so on) and were fortunate to have knowledgeable senior executives as resource persons, most of whom attended personally. The sessions were dynamic and the discussions helped to tease out the issues relevant to the successful implementation of electronic and mobile payments nationwide. Delegates listened to and engaged with industry experts and policy makers. On many occasions the sessions ran over due to the very lively debates on the various topics which were covered.

The conference commenced with the opening address by **Alhaji Suleiman Barau, Deputy Governor, Operations, Central Bank of Nigeria (CBN)**, represented by Mr Chidi Umeano, Head, Shared Services, who spoke on the roadmap



to implementing the initiative countrywide. The keynote address by **Harish Natarajan, Senior Payments Systems Specialist, Payment Systems Development Group (PSDG), World Bank**, focused on the importance of a solid financial infrastructure in ensuring financial stability, considered the global development of electronic and mobile payments systems and the success factors in various jurisdictions. This was accompanied by quality statistical information to demonstrate the points made by Mr. Natarajan.

Some of the key points made during the conference include:

- The banking sector has increased its offerings and improved its electronic payment channels over time.
- The CBN has embarked on mass media campaign of the cashless initiative and has engaged various key groups most affected by the cashless policy in order to create awareness and the forum for dialogue amongst these groups.
- Greater interconnectivity has been achieved with 'card neutral' POS systems as well as better network connectivity with failover sim cards.
- Settlement processes for POS payments have improved at T+ 1 currently and there are ongoing plans for POS system cashback functionality
- The cashless policy has contributed to government revenue increase in some of the States where it was implemented, case in point being Ogun State. The implementation of the policy nationwide has not been without its challenges due mainly to partial consumer adoption, as a result of concerns which the CBN and the banking industry are working hard to resolve.
- With the evolution of payments and innovative forms of payments emerging, new forms of authentication which are separate from the payment process and independent from the actual payment are developing. Examples of these are Paypal one of the World's largest internet payments services and Paym, a UK based payment services provider.
- Telecoms are a major player in the cash less economy and a major infrastructural force to be reckoned with.
- Retail consumer information is a rich source of payment data used to offer a more customer centric approach and reduce the risks of fraud. This is essential for banks and can be utilised to tailor services to customer needs, thereby driving up revenue and regaining trust lost during the recent financial crisis.
- Merchant POS transaction service charge has been reduced by CBN from 1.25% to 0.75% to encourage greater merchant adoption.
- Sound regulatory framework as well as enforcement are germane to driving investment and so must be stable.

- Providing access to financial services for the unbanked provides economic empowerment, reduces household transaction cost and can lead to accelerated access to micro credit.
- Policy considerations must be taken into account and should include new players becoming oversight regimes, monitoring of new technologies, new ways of using and managing payment data, affordability and ease of access to payment systems, discouraging anti-competitive behaviour and customer lock-in, availability of an efficient processing system including the need for interoperability between same type service providers and old and new service providers.
- Regulators must make every effort to build working/collaborative relationships and avoid a turf war in order to help drive the cashless initiative and enable the system to function effectively. Though the CBN drives the cashless policy, it recognises that other key regulatory bodies are important for it to succeed.

The conference offered a great opportunity to bring all the stakeholders together, to deliberate on areas of common challenges, discuss potential resolutions, engage with the relevant regulators and provide education to consumers who are the major stakeholders within the cashless ecosystem, Again, the feedback from delegates is that this was a well organised, highly educational and informative conference which should be continued on a yearly basis.

1. INTRODUCTION

The conference titled, 'Nigeria Transiting to a Cash-less Society: Mapping the Nationwide Agenda' was held on the 21st -22nd October 2014 at the Lagos Oriental Hotel in Lagos. Organised by Reach Consult, an organisation providing consultancy, research and capacity development within compliance, information technology, telecommunications innovative payments and information and data security, in collaboration with CBN as main sponsor, the conference brought together key stakeholders in the Nigerian mobile and electronic payments ecosystem as well as international experts in the payments industry.

One of the aims of the conference was to support the CBN in the smooth implementation of the cash-less policy nationwide and to create the platform for all key stakeholders to come together under one roof, meet and deliberate with regulators on common areas of concern, discuss potential solutions and engage with consumers, the major stakeholders within the cashless initiative.



The conference provided the forum for learning and to harmonise positions among stakeholders on pertinent issues. It sought to do this in the following ways:

- Provide the opportunity to hear directly from the CBN on the way forward for the cash-less policy in Nigeria.
 - Create the platform for discussion, knowledge sharing and collaboration among all the relevant stakeholders.
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- Gain insight into the latest developments and global best practices in electronic and mobile payments.
 - Discover the proposed plans by CBN and the Ministry of Communication Technology for financial inclusion through alternative channels, case study being NIPOST.
 - Consider the current successes and challenges of the initiative and use this to benchmark the plans for an effective implementation in the next phase of the project: the nationwide rollout.
 - Provide a platform for discussion on the proper role of banks in a bank-led payments model.

2. CONFERENCE PLANNING

The cashless policy has brought immense benefits to many sectors of the Nigerian economy. Nevertheless, there remain a number of challenges which need to be addressed to ensure the effectiveness of the initiative. The conference organizers felt that a conference, on a large scale, providing a holistic outlook on the payments landscape would be invaluable in supporting CBN nationwide implementation efforts. The team visited and interviewed various key stakeholders to gain an understanding of the areas of importance and challenges to each stakeholder group. Those interviewed included banks, non-bank financial institutions, telecoms companies, regulators, members of the National Assembly, merchants and corporate institutions, retailers including on-line businesses such as Jumia and US based online company serving the Nigerian market, Aragga, who travelled from the US to participate in the conference. These shared their experiences of the cash-less initiative and the challenges which they faced as well as topics they would like to see covered during the conference. This strategy proved very useful as it shaped the conference topics and created the platform for meaningful discussion and information sharing on the range of issues within the Nigerian electronic and mobile payments ecosystem.

The team engaged the media to create awareness of, and sensitize members of the public to, the conference and to showcase CBN efforts in ensuring the success of the initiative, for example, through its full support of, and collaboration on, this conference. Mrs. Henrietta Abraham, Reach Consult, one of the conference organizers, was interviewed on CNBC to discuss the cash-less initiative and the conference. The team ran full page newspaper adverts of the event, such as, in the Punch newspaper, ran several radio jingles on Classique FM and also employed online

and email advertising strategy, which, all, proved very fruitful. The conference was reported in print and electronic media before and after the conference. The team also facilitated post conference CNBC television interview for Mr Tunde Kuponiyi, Chairman, Committee of E-banking Industry Heads (CeBIH), based on our media partnership with CNBC.

The event attracted government functionaries at the highest level. These included **Mr Peter Jack, DG, Nigeria IT Development Agency of Nigeria (NITDA)** represented by Mr Okechukwu Ikpe, CEO, OMNL Nigeria Ltd., **Barr. Chris Onyemenan, DG, National Identity Management Commission (NIMC)**, represented by Mr. Michael Ogungbe, Director, Operations, NIMC, **Mrs. Dupe Atoki, DG, Consumer Protection Council (CPC)**, represented by Mrs. Leke Ogundipe and **Dr Sam Amadi, DG, Nigeria Electricity Regulatory Commission (NERC)**, represented by Dr Uche Okoro, Special Assistant, Research and Strategy. The World Bank again supported the event with the attendance of **Mr. Harish Natarajan**, Senior Payments Specialist. Sadly, **Mr. Mitchell Elegbe, Founder/CEO, Interswitch**, was unable to join us at the very last minute. Various segments of the electronic and mobile payments industry were also represented at the conference. These included banks and non-bank financial institutions, global payments industry leaders such as MasterCard, Telecoms and IT infrastructure companies. Others included large corporations such as Shoprite and on-line companies such as Jumia, Aragga and Konga. The conference organisers were fortunate to have the support also of the United Kingdom Trade and Industry (UKTI) and are already in discussions with the US embassy with regards to partnering for the 2015 conference.



The conference commenced with a brief welcome by host, Mrs. Henrietta Abraham, Senior Partner, Reach Consult. This was followed by the first keynote address by Mr Chidi Umeano who represented the CBN Deputy Governor, Operations, Alhaji Suleiman Barau. Thereafter the second keynote address was presented by Mr Harish Natarajan, Senior Payments Expert, Payment Systems Development Group, World Bank.

The conference provided the forum for key stakeholders in the electronic and mobile payments space and policy makers to engage, discuss pertinent issues regarding the cash-less initiative and make recommendations as Nigeria charts the way forward towards a more robust electronic and mobile payments system in Nigeria. The sessions over the two days were very lively, informative and engaging with excellent audience participation which was hugely facilitated by the moderator, Mr Tunde Alabi, a well-known motivational speaker. Each session had a dynamic feel to it with lively debate and thought provoking questions from the delegates on both days. We were able to increase our partnership strength this years with the Oxford Business Group partnering with us and distributing over 250 copies of their highly respected magazine, **'The Report Nigeria 2013'**. Other sponsors and partners such as Union Bank, Etisalat, GTBank, Ecobank, Mansard Insurance and Aragga had stands set up to demonstrate their payments products to, and engage with, delegates. The Nigeria Identity Management Commission (NIMC) was also fully in attendance to register delegates for the newly developed national identity cards. Networking opportunities abounded throughout the conference.

3. CONFERENCE SESSIONS AND KEY POINTS

The 2-day programme brought experts who presented key developments in the electronic and mobile payments industry both in Nigeria and globally. Each topic was deliberately selected due to its relevance and centered on the following:

- Payments Systems Global Analysis
- Deploying a robust infrastructure for effective payments services
- Stable power generation to enhance the cashless initiative
- The challenges of multi sector convergence in the cashless environment
- Financial inclusion through alternative distribution channels – case study NIPOST
- The role of the banks in a bank led payments model
- Challenges to the successful deployment of mobile money and effective agent networks
- Security and risk management global best practices
- The Nigerian identity smartcard (e-id card)
- Online payments as catalyst to accelerated e-commerce development in Nigeria.

3.1.1. DAY ONE

FIRST KEYNOTE ADDRESS:

First Keynote Address: Implementing the Cash-less Initiative Nationwide -The Journey So Far and the Roadmap Ahead

Speaker: **Alhaji Suleiman Barau, Deputy Governor, Operations, CBN** represented by Mr Chidi Umeano, Head, Shared Services



The Deputy Governor in his speech highlighted the extent to which the cashless initiative has created positive change in the financial industry in Nigeria and the economy at large. The CBN has embarked on a number of strategies in order to ensure the success of the initiative as it is rolled out nationwide.

Key points made include:

- The policy seeks to reduce the cost of cash management, modernize Nigeria' payment system, drive financial inclusion, improve the effectiveness of the monetary policy, curb corruption and leakages and encourage transparency.
- Part of the changes implemented as a result of the policy is the removal of deposit charges to encourage a 'mop up' of funds outside the banking sector.
- The banking sector as a result of the initiative has increased its offerings and improved its electronic payment channels.
- Greater connectivity has been achieved on POS terminals with failover sim cards, and 'card neutral' interconnectivity.
- Settlement processes for POS payments have improved at T+ 1 currently and plans for POS system cashback functionality are already in place.
- Mobile money is one of the easiest means of achieving financial inclusion in the country with the CBN licensing 23 mobile money operators currently.
- ATMs now provide value added services such as cash deposits, bill payments and funds transfer.
- The CBN has embarked on mass media campaign of the cashless initiative and has engaged various key consumer groups most affected by the cashless policy in order to create awareness and the forum for dialogue amongst these groups.
- The CBN has taken several measures to address the challenges posed by fraud. The introduction of chip and pin, adoption of the payment card industry data security standard (PCI DSS), inauguration of the Nigerian Electronic Fraud Foundation (NeFF), transaction encryption and tokenization, deployment of dynamic authentication of card not present transactions and other fraud detection software, tiered KYC requirements and the introduction of the industry biometric solution project are all the various strategies adopted to minimize the instances of fraud, strengthen consumer confidence in the system and encourage greater adoption of the scheme by the relevant stakeholders.

- In addition, regulatory guidelines have been established by CBN to create a framework which enables safer e- transactions. For instance, the Electronic Payments Act was enacted in 2013 with the Payment System Ombudsman and Financial System Ombudsman currently before the National Assembly.
- Cashless policy has contributed to revenue increase in some of the States where it was implemented, case in point being Ogun State.
- The implementation of the policy nationwide has not been without its challenges due mainly to consumer partial adoption as a result of concerns, which the CBN and the banking industry are working hard to resolve.
- Merchant POS transaction service charge has been reduced by CBN from 1.25% to 0.75% to encourage greater merchant adoption.
- Wi-Fi connectivity is planned for POS terminals nationwide in an MOU between the CBN, the Nigerian Communication Satellite Company (NIGCOMSAT) and Nigeria Interbank Settlement Systems (NIBSS).
- The recently launched Electronic Payments Incentives scheme will provide benefit to merchants, consumers and other stakeholders thereby boosting the cashless initiative.

SECOND KEYNOTE ADDRESS:

Topic: Payment Systems Global Analysis: Lessons for Nigeria

Speaker: Harish Natarajan, Senior Payments Systems Specialist, PSDG, World Bank



The World Bank identified seven global trends in retail payments:

- The mobile revolution
- Identity at the heart of payments
- Unbundling of payment and authorization
- Real time payment contexts
- Person to person (P2P) payments digitizing
- Emergence of web continents
- Big data

Key points from the address include:

- The mobile phone is becoming a key component in the card payment process and in some instances replaces payment cards or traditional payment instruments, for instance, NFC enabled phones or smart phones which can act as low cost payment terminal accepting card payments, mobile phones used for e-money transactions or electronic funds transfer. Examples are the recently launched Apple Pay, Kenyan M-Pesa, USA Square Reader and Digicash from Luxembourg.

- Trust and security are key within the payments infrastructure. Industry stakeholders within the payments space are expanding to the provision of 'digital identity' services because the attributes required in this service domain are similar to those developed for e-payments. Examples of these are Aadhaar in India and Bank ID in Sweden.
- With the evolution of payments and innovative forms of payments contexts emerging, new forms of authentication which are separate from the payment process and independent from the actual payment are developing. Examples of these are Paypal, one of the World's largest internet payments companies and Paym, a UK based payments services provider.
- Payment is made real time by additional messaging in parallel with the transfer of funds in order to ensure that parties are able to settle transactions immediately and do not have to wait until settlement of funds before transactions are concluded. Examples of this are MyBank used in Italy, Luxembourg and France and Square Cash in USA.
- With P2P payments, non-cash alternatives are possible through electronic payment instruments. Remittances have been the key driver in cross border P2P transactions. Examples of these are Bitcoin, GCASH in the Philippines and Regalii in the Dominican Republic.
- The internet has become fragmented into virtual 'isolated continents' through platforms such as social networks like Facebook, internet giants like Google or large merchants, whereby fit for purpose payment solutions are being designed specifically for these 'continents' thereby leading to market fragmentation. Examples of these are Facebook Credit, Alibaba in China and Amazon in USA.
- Retail consumer information is a rich source of payment data used to offer a more customer centric approach and reduce the risks of fraud. This is essential for banks and can be utilised to tailor services to customer needs, thereby driving up revenue and regaining trust lost during the recent financial crisis. Examples are DCB Bank in Singapore, Alifinance in China and OCBC Bank in Singapore and Malaysia.
- Policy considerations must be taken into account and should consider new players becoming oversight regimes, monitoring of new technologies, new ways of using and managing payment data, affordability and ease of access to payment systems, discouraging anti-competitive behaviour and customer lock-in, availability of an efficient processing system including the need for interoperability between same type service providers and old and new service providers.

SPECIAL ADDRESS

Topic: Enhancing the Cashless Initiative in Nigeria through Stable Power Generation System

Speaker: Dr. Sam Amadi, Chairman/CEO, Nigerian Electricity Regulatory Commission (NERC) represented by Dr Uche Okoro, SA, Research and Strategy



This session discussed the importance of effective power generation in the successful implementation of the cashless initiative, the ongoing plans for power generation in Nigeria and what NERC is practically putting in place to implement efficient power generation in order to boost the cashless initiative.



SESSION 1

Topic: Deploying a Robust Payments Infrastructure for Electronic and Mobile Payments in Nigeria.

Speakers:

- **Tunde Kuponiya, Chairman, Committee of E-Banking Heads and Deputy General Manager, Ecobank Plc**
- **Engnr. Gbenga Adebayo, Chairman, Association of Licensed Telecommunications Operators of Nigeria**
- **Christabel Onyekwere, Executive Director, Nigeria Inter-Bank Settlement System (NIBSS),** represented by Babatunde Akinwa, Head, E-payment Training Institute, NIBSS
- **Babatunde Okeniyi, Executive Director, Sales & Marketing Unified Payment**



The cash-less initiative is still in its early stages of development in Nigeria, however, since its inception, the financial landscape within the nation has changed dramatically. Nevertheless, Nigeria's infrastructural limitations continue to hamper the steady development, operation and greater adoption of electronic and mobile payments. Despite the

limitations, an increasingly wide range of initiatives are being developed to effect payments via channels such as the POS systems, internet and mobile networks. This session considered the banking, IT and telecommunications infrastructure required for an effective payments system in Nigeria.

Key points made include:

- Focus should be on power supply which is a fulcrum for e-payments.
- Stakeholders should consider shared infrastructure as this has the potential to drive down cost.
- Telecommunications is essential to support data transfer therefore telecoms companies are a major player in the cash-less economy and an infrastructural force integral to the success of the initiative.
- Providing access to financial services for the unbanked provides economic empowerment, reduces household transaction cost and can lead to accelerated access to micro credit.
- Adopting alternative channels has many benefits including ease of access and use, low operational costs, lower cost of access than traditional channels.
- Challenges to effective alternative channels include network instability or low/poor coverage, float management or distribution, weak regulatory framework, also affects alternate channels, limited consumer awareness leading to low adoption.
- Sound policy and regulatory framework as well as effective enforcement are key to fostering consumer interest and germane to driving investment and therefore must be stable

SESSION 2

Topic: Convergence of Multi-sectors in the Cashless Environment: The Challenge for Regulators

Speakers:

Mr Peter Jack, DG, National IT Development Agency (NITDA) represented by Mr Okechukwu Okey, CEO, OMNL Nigeria Ltd.

Mrs. Dupe Atoki, DG, Consumer Protection Council (CPC) represented by Mrs Leke Ogundipe

Mr Dipo Fatokun, Director, Banking & Payment Systems, Central Bank of Nigeria (CBN) represented by Mr Musa Jimoh, Deputy Director, Payments System Policy & Oversight

Josephine Amuwa, Director Policy and Competition, Nigeria Communication, Commission, represented by Mr Henry Ojokpota, Policy and Competition



Innovative payments cuts across various industry sectors finance, telecoms, IT and so on. It also has a huge impact on consumers. This has created a convergence whereby regulators need to work together and avoid a turf war in order to create a stable environment for the initiative to develop. This session considers the challenge faced by regulators as they seek to understand their role and how to respond in this new ecosystem.

Key points made include:

- The cashless policy has had a major impact on many industry sectors. The CBN is driving the policy, banks, non-bank financial institutions and, merchants are creating the platforms for electronic and mobile payments for transactions, telecoms companies are enabling the mobility services and ICT service providers are providing the infrastructure.
- The major role of the regulator is to provide an enabling environment for the smooth and beneficial operation of an electronic and mobile payment system. This requires an effective legal and regulatory framework, standards and guidelines, therefore regulators must work together to implement these successfully.
- Regulators must make every effort to build working/collaborative relationships and avoid a turf war in order to help drive the cashless initiative and enable the system to function effectively. Though the CBN drives the cashless policy, it recognises that other key regulatory bodies are important for it to succeed.
- The CBN should have oversight of any organization providing payments services and, due to convergence of the industries, develop a memorandum of understanding with other regulators.
- As consumers are the major stakeholders within the cashless initiative, the CPC which is tasked with consumer protection is considering ways in which to address the issue of consumer protection within the cashless ecosystem and will work closely with other regulators as required to achieve its stated objectives.
- NITDA approach is to liaise with multi stakeholders as it develops its comprehensive strategy and framework and rolls this out nationwide.

SESSION 3

Topic: Accelerating Financial Inclusion through Successful Deployment of Alternative Innovative Channels

Panelists:

Chidi Umeano, Head, Shared Services, CBN

Dr Abiodun Jagun, Special Assistant to the Hon. Minister for Communications Technology

Yomi Onifade, Director, Retail Business, Mansard Insurance

Aderinola Oloruntoye, Solutions Manager, SAP, Nigeria



One of the aims of the cashless initiative is to bring financial inclusion to the unbanked. Joint research by Groupe Mobile Spéciale (GSM), Consultative Group to Assist the Poor (CGAP) and McKinsey & Co estimate the unbanked to be about 1.7 billion with the potential to generate \$5 billion in direct revenue in 2012. Therefore, there are distinct benefits to reaching out to this market segment. In Nigeria alone, approximately 70% of the population is unbanked. This session considers the development and use of alternative distribution channels to accelerate access to financial services.

Key points made include:

- To promote financial inclusion, CBN is leveraging on the expansion within the telecoms industry to increase the reach of mobile money. To date it has licensed 21 mobile money operators.
- The Ministry of Communication Technology is developing the NIPOST project to bridge the gap in access to financial services and act as catalyst for financial inclusion, as part of its National Financial Inclusion strategy for Nigeria launched in October 2012, aimed at reducing the percentage of the unbanked to 20% by the year 2020, by utilising non-bank entities and low cost branchless channels to accelerate the pace of financial inclusion.
- NIPOST, being a recognised and trusted institution with about 60% of the population having access to it, particularly in the rural areas, coupled with its potential infrastructural strength, is well placed to play a significant role in achieving the government's financial inclusion target.

- CBN should expand its financial inclusion policy to other sectors as traditional banking system is not geared up for financial inclusion.
- Banks should become more customer-centric and this approach must drive every innovative policy or plans being made.

3.1.2. DAY TWO

OPENING SPEECH

Legislating to Enhance the Cashless Policy: The Role of the Legislator

Speaker: Senator Bassey Otu, Chairman, Senate Committee on Banking and Financial Institutions, National Assembly represented by Senator A. A. Adeniyi, member of the Committee.



The senator highlighted the work of the legislative body, and his committee in particular, in supporting the cashless initiative. He indicated his committee's support of the initiative but stressed the need to educate the public, particularly those in the grassroots, who are used to cash transactions and may not understand the reason for, and role of, the cashless initiative.



KEYNOTE ADDRESS

The National Identity Card: Enhancing Security in the Cashless Era

Speaker: Barr. Chris Onyemenam, DG, National Identity Management Commission represented by Mr Michael Ogungbe, Director, Operations.



This keynote address considered the role of the national identity smart card as an avenue to ensuring the success of the cash-less initiative.

Key points made include:

- One of the major challenges Nigeria has faced has been the lack of unique identity for individuals which has been fueled by the growth of certain sectors of the economy including the financial sector. This underscored the need for unique national identity cards.

- NIMC realising this to be one of the major challenges to the Nigerian electronic payment system has deployed a strategic and workable solution to these challenges: the national identity management system.
- The core of the identity management system is the concept of one identity per individual with each person possessing an e-ID card focused on 'strong local content' and in sync with global thinking and with various chip features.
- NIMC aims to provide quality data services to the financial services sector through the National Identity database whereby bank accounts are linked to the database and verification and authentication processes can be carried out by querying the database.
- The ID card is a highly secure multipurpose card with biometric and about 19 other security layers and smart card functionality, to be used for identification and provide payment solutions, thereby reducing the risk of fraud and engendering consumer confidence.
- The payment applet on the e-ID card is separated from other applets on the card by a firewall and conforms to ISO 27001 standards on information security.
- The NIMS system and e-ID card provide several benefits to Nigeria including reduction in the cost of governance, reduction in identity related fraud, security enhancement to the Nigeria public.



SESSION 1

Topic: Taking the Lead in Innovative Payments: The Role of Nigerian Banks in the Cashless Era

Panelists:

Mr Musa Itopa Jimoh, Deputy Director, Payments System Policy & Oversight, CBN

Dr Adedeji Adeyinka, CEO, Afripay Mobile Money, UBA Group

Adeleke Adekoya, Head, Digital Banking, Access Bank



Due to the advancement in technology, the financial services industry is no longer a purely banking space but has become an interplay between the various stakeholders. Different jurisdictions have adopted either the bank-led or non-bank led models or alternatively, adopted a variation of the two models. In Nigeria, the bank-led

model is in operation. This session considers how this works in practice, whether the bank-led model can function effectively in the Nigerian context given that mobile devices are fast becoming major payment/banking instruments.

Key considerations include:

- The CBN by virtue of the power conferred on it by the CBN Act 2007 empowers the banks to lead the process, as only deposit banks can issue cards, whilst CBN provides the framework for policy implementation.
- Banks have been generally conservative and need to be more flexible and innovative in creating new platforms, for instance, UBA is taking advantage of social networks by making banking services available via social networks like Facebook.
- CBN in order to promote agency banking launched agent banking which enables banks to contract with agents to carry out business on its behalf. So far approximately 8 banks have taken the license.
- In a bid to protect consumers, the CBN is discouraging the use of airtime as a form of currency as this is not backed by any bank. Also CBN is not at this stage interested in virtual currencies such as Bitcoin.
- The approach a Central Bank should take in determining the model to adopt is to analyze the situation in the country, the legal and regulatory structure, the infrastructure and the possibilities of the development of the market and then regulate accordingly. In essence, develop a holistic vision of the system.
- The success factor requires that each sector within the payments ecosystem plays its own part.

SESSION 2

Topic: Addressing Challenges to the Successful Deployment of Mobile Money and Effective Agent Networks in Nigeria

Panelists:

Lucas Dada, Director, Products and Services, Etisalat

Yewande Adewusi, Senior Manager, Mcommerce, Airtel

Mike Ogbalu, Managing Director, FirstMonie

Shorongbe Adeyinka James, Manager, Cards & Products, Ecobank



Despite the fact that the telecommunications industry has facilitated transformation, particularly in developing economies, mobile money is still at an embryonic stage in many jurisdictions with much still required for its successful deployment as each market is unique with its own complexities.

This session deliberated on the status of the mobile payments industry in Nigeria, the challenges to mobile money gaining greater traction, the issues surrounding interoperability, the business case for retailer

adoption and what is, and who is a part of, the solution.

Key points include:

- Mobile money challenges stem from the fact that it is a new business area which requires time to grow and build trust with agents. This is in addition to regulatory and other challenges. Providers must think long term, exercise patience and educate consumers.
- Cashless society is a policy conglomerate – there is a need to separate the different aspects, unbanked, money transmission, savings, debts, other products.
- The key stakeholder is the consumer whose trust must be gained for mobile money to gain traction in Nigeria.
- Collaboration amongst service providers is key to promoting mobile money in Nigeria. There are partnerships being formed among stakeholders and ongoing collaboration with CBN, though there are still areas of challenges.

- One of the successes of mobile money is that innovation is focused on consumer needs rather than what the provider wants, however, the challenge remains the cost of penetrating the rural areas and the limited level of awareness amongst consumers in these areas and generally.
- The innovation process may be supported by either incremental change powered by market dynamics and competition, radical change powered by radical new technologies or compulsory – driven by law.

SESSION 3

Topic: Security and Risk Management in the Cashless Ecosystem: Global Best Practices

Panellists

Wale Obadare, CEO, Digital Encode

Sunday Ayegba, Head, Information System Audit, Fidelity Bank

Henrietta Abraham, Partner, Reach Consult



Security remains a major concern for payment providers and consumers. The global payments industry has made considerable efforts to ensure security of electronic and mobile payment transactions, however, fraud such as identity theft, account takeovers, and cybercrime remain serious threats. Financial institutions in particular have been major targets in recent years. As payment instruments and processes change, so do fraud schemes.

This session deliberated on security vulnerabilities in electronic and mobile payments. The discussion shed some light on how stakeholders in the payments industry can mitigate transaction risks and develop effective security.

Key considerations include:

- Risk management involves qualitative and quantitative risk analysis, a definition of risk policies, standards, baselines, guidelines, and procedures which are designed and implemented in a disciplined format.
- The financial sector alone accounts for 78% of targeted security breaches. One US report states that hackers have stolen 500 million records in the last 12 months.
- Identity theft and disruption of service are two of the major challenges to security in financial services.

- The root cause of vulnerabilities can vary and have included flaws, bugs or configuration errors. Payment systems case studies revealed that unpatched systems, SQL injection skimming, flaw in a bank's website, rogue wireless and malicious code have been the root cause of some of the security issues experienced by some global firms. Some of these have been through complacency on the part of the companies concerned.
- Payments services firms should boost security by ensuring compliance with industry global best practices such as Payment Card Industry Data Security Standard (PCI DSS) and Information Security Management System certification ISO27001, which the CBN is doing its best to ensure the financial sector compliance.
- Theft, loss or service degradation can result in reputational damage, therefore organizations should build a culture of information security through regular security assessments to ensure optimum protection is in place.
- Banks and service providers should collaborate more to educate customers on security issues as consumers are generally not aware of the dangers of sharing their passwords and other personal information.

SESSION 4

Topic: Online Payments as Catalyst to Accelerated E-Commerce Development in Nigeria

Speaker: Ms Omokehinde Ojomuyide, Area Business Head, West Africa, MasterCard

Panelists:

Jonathan Doerr, Managing Director, Jumia

Toyin Odutayo, Executive Director, Wakanow

Ernest Obi, Head e-Business and Channels Division, Keystone Bank Ltd

Sandy Adaralegbe, Director Marketing, Aragga



Innovative payments have enabled the accelerated development of E-commerce in Nigeria. The ease provided by online payments has facilitated a marked increase in consumers shopping and transacting online. In addition, in response to this, there is a growing number of online businesses springing up in Nigeria. Deliberations during this session include the impact of innovative payments on e-commerce development, the resultant effect on consumers and how payment solutions are progressively creating greater value for online businesses and consumers alike.



Key considerations include:

- The cashless policy has created huge potentials for e-commerce. Statistics reveal 40% increase in internet use and 15% increase in online purchases.
- E-Commerce growth has accelerated as the trend in the use of e-channels develops, however, online payment security is key. MasterCard card users should look for MasterCard 2nd level authentication on merchant sites otherwise this means the merchant site may not be very secure.
- There are trust issues with e-commerce transactions in Nigeria as a result of the cultural set-up hence online transactions are also in some instances supported by physical presence.
- Mobile devices have the capacity to stimulate e-commerce and form an important aspect of m-commerce development.
- The internet and social networks make it possible to reach a customer base of approximately 50million in a relatively short time, approximately 2-4years compared to other mediums such as television which takes approximately 13years.

- Banks should create a greater boost for e-commerce through incentives for e-commerce businesses, for instance, providing a reduced cost structure.

4. APPRECIATION AND CONCLUDING REMARKS

The conference organisers are extremely appreciative of CBN's support of the conference through sponsorship, attendance and participation. We would like to express our deep sense of gratitude and appreciation to Alhaji Suleiman Barau, Deputy Governor, Operations, CBN, for believing in and supporting the project and without whom this conference could not have happened. We are also very grateful and would like to thank Mr Tunde Lemo, previous Deputy Governor, Operations, CBN, who supported this project from inception and continues to support it even after his departure from office.

We wish to thank Mr Chidi Umeano, Head, Shared Services, for his assistance as intermediary between the organising team and the CBN and his attendance and participation at the conference. We also wish to extend our thanks to Mr Dipo Fatokun, Director, Banking and Payment Systems and Mr Musa Itopa Jimoh, Deputy Director, Payments System Policy & Oversight for their support of, and participation at, the conference as well as to all the CBN staff who attended and participated in the sessions, responding to delegate questions and providing clarity on the way forward.

We also extend our sincere gratitude to all our sponsors and partners – Union Bank, Etisalat, NIMC, NITDA, NCC, Ecobank, GTBank, Mansard Insurance, NIBBS, UKTI, Oxford Business Group, NERC, Wakanow, Jumia and Aragga - who supported, collaborated and participated in order to ensure the success of this conference. We look forward to many more years of collaboration in sensitizing the public to the cash-less initiative and helping to shape policy which contributes to the success and effectiveness of the policy. Our appreciation also goes to all our excellent resource persons for their time and valued insightful contributions.

This conference, the only one of its type to date, aims to provide a holistic platform for all industry stakeholders in the payments ecosystem to collaborate, form partnerships, exchange information, ideas, and knowledge, share best practices, contribute to policy development and create public awareness and education as the cash-less initiative develops within the Nigerian landscape. This conference continues to strategically support CBN roll-out nationwide and addresses the needs of the industry particularly with respect to the shaping of policy in this area.

Again the general consensus is that this event should remain an annual one with its unique holistic focus on policy in the payments space, meeting the needs of the industry and supporting the CBN in the smooth implementation of the cash-less initiative nationwide. Thank you.

money

Robust infrastructure critical to cashless society – Stakeholders

Femi Asu

THE need for robust infrastructure to boost the adoption of electronic and mobile payments in the country has been highlighted by industry stakeholders.

Speaking on Tuesday in Lagos at the All Stakeholders Cashless Conference, organised by the Central Bank of Nigeria and Reach Consult, the stakeholders also stressed the need for collaboration among all the players and regulators.

A Partner, Reach Consult, Henrietta Abraham, said, "Traditionally, Nigeria was cash-based, but now, we have seen great adoption with more and more people using their cards to make payment rather than use cash. I think it is also a more effective banking system. Now you are able to do things online. A lot of online businesses are springing up. More people are becoming more comfortable trading online."

She, however, noted that there were so many challenges, adding, "I believe that one by one we are addressing those challenges. One of the challenges that we have is infrastructure, for instance electricity. Without electricity, we can really have much growth in the electronic payments system." The Deputy Governor, Operations, CBN, Mr. Suleiman Barau, said over the past three years, the

cashless policy had gained traction as the industry witnessed rapid increase in electronic payments channel usage.

He said, for instance, the value of PoS transactions had increased from N28m a month in January 2012 to N27bn monthly as at September 2014, adding that NIP transfers monthly have increased from N51bn at the start of the policy to N1.7tn a month in September.

Barau, who was represented by the Head, Shared Services, CBN, Mr. Chidi Umeano, said the implementation of the policy nationwide had not been without its challenges, however.

"The envisioned attitudinal change from the public removes people from their cash comfort zone. This discomfort is also fuelled by other concerns and matters some of which are lack of understanding of the policy, prevailing cash culture in the country, technophobia, illiteracy, poverty,

infrastructure lag, and scepticism in the banking system.

He said the central bank and the banking industry were, however, working hard

to resolve these concerns of the public by engaging them through sensitisation sessions and stakeholder engagement sessions.

"The central bank

is also currently in an MOU with the Nigeria Communications satellite company NIGCOMSAT and NIBSS to provide Wi-Fi connectivity for

POS terminals across the country. We also recently reduced the merchant service charge from 1.25 per cent to 0.75 per cent on POS transactions."



• L-R: Head, Regulation and Monitoring, National Lottery Regulatory Commission, Mr. Nwakaechi Duruogu; General Manager, Lagos Island Bank and Chairman, Save4 Scholarship Savings Central Promo Committee, Fidelity Bank Plc, Mr. Eneke Obiagwu; Madam Fadeke Adigun, her daughter and husband; and Executive Director, Shared Services, Fidelity Bank, Chijioke Ugochukwu, during the presentation of a cheque for N500,000 that Adigun won in the Fidelity Save4 Scholarship Savings Promo...on Tuesday. Photo: Fidelity Bank

World Bank, IBS to train procurement officers

Olufemi Atoyebi, Ibadan

AS part of its efforts to promote fair and open competition in public and private organisations in Nigeria, the World Bank is providing technical support for Ibadan Business School in the training of procurement officers from across the country.

The Lead Specialist, World Bank, African

Region, Bayo Awosemusi, said the two-week executive training programme was designed to help government procurement officers move from mere theoretical approach to practical work. He said the need became imperative in order to re-establish professional conduct, transparency and fairness in governance.

He said, "The process that

guarantees transparency, equality, equity in the distribution of services and participation in governance without discrimination against credible people is what we refer to as procurement. It is the acquisition of works, goods and services to help government deliver to the people. Other corporations and organisations also have that department in their structure.

"The participants are procurement professionals from their own background. What we are doing is to improve on their skills, move from theory to practice so that they can understand the rules and regulation in procurement process. In Nigeria, we have one of the

best rules and regulation that govern the practice, but we need to understand how to apply them to derive the best benefit and eradicate corruption and favouritism. Nigeria must learn how to manage its economy, transparency and efficiency in order to be accountable to the people.

"That is what the training is about, we are not providing any financial support but technical support to IBS in this project, so that we can impact the additional skill that the procurement officers of government agencies need to render services in an efficient manner."

Awosemusi added that corrupt tendencies thrive where the rules are not

applied in procurement process, warning that government should not interfere in the process so that there would be transparency.

"Corruption surrounds procurement process in an environment where rules and regulations are not followed. We need to apply sanction so that corrupt officers will be held responsible for breaches."

The President, IBS, Yinka Fasuyi, said the partnership put the institution in a strategic position to transfer practical, hands-on knowledge, skills and experience to participants who are from state governments procurement department and Federal Government agencies.

New loans must have BVN from November – CBN

Femi Asu

THE Central Bank of Nigeria has said all new loans from Deposit Money Banks must have the Bank Verification Number as a condition precedent to drawdown, with effect from November 3, 2014.

The CBN in a statement on its website on Tuesday said that all credit customers must have BVN by December 31, 2014.

"All DMBs are required to fully integrate their core banking system, latest by 31 October 2014, to ease the enrollment process," the bank said, adding that it would monitor compliance.

The CBN in collaboration with the Bankers Committee had in February this year launched the BVN project.

As part of the overall strategy of ensuring the effectiveness of Know Your Customer principles, the BVN gives each bank customer a unique identity across the Nigerian banking industry, according to the statement.

"The CBN has observed that deposit money banks are making steady progress

towards the enrollment of their customers. However the attention of CBN has been drawn on the need to clarify grey areas in the process of enrollment of the customers on BVN," according to the statement signed by the Director, Banking and Payments System Compliance, Mr. Dipo Fatokun.

The central bank however said it had therefore become necessary for it to issue clarifications for the stakeholders to note and implement.

"Where an existing customer wishes to register the BVN with his or her bank, capturing his signature and photo identification documents may not be necessary, as the bank is expected to have those records during the account opening.

According to CBN, where an existing customer wishes to do a change of name after his or her enrollment on the BVN, due diligence should be exercised and appropriate legal documents obtained, before the change is effected.

"In order to fast track the enrollment process, DMBs

are expected to give more attention to the enrollment of their customers," it said, adding that "All DMBs are required to enroll at least 40 per cent of their customers on or before 31 December 2014, and 70 per cent on or before 30 March 2015."

THE National Director, SOS Children's Villages in Nigeria, Mr. Erhnumwuse Eghosa, has commended Ecobank Nigeria for its continued support and commitment to the welfare of less-privileged children in the SOS homes across Nigeria.

He said Ecobank had continued to demonstrate strong financial support to SOS orphanages in the country thereby making life meaningful for the children.

He said the children would continue to receive the needed physical and emotional bonding that every child deserves, so as to help them cope with the challenges of life as well as build and strengthen the foundation for their holistic development.

He urged other corporate

SOS Village commends Ecobank for support

organisations and public spirited individuals to emulate the bank, saying, "We are grateful for your humanitarian support. This most importantly reminds the children that you believe in their right to a happy, healthy childhood

and a bright future." In a statement, the Managing Director, Ecobank Nigeria, Mr. Jibril Aka, said the bank's support to the SOS Villages was part of its Corporate Social Responsibility commitment.

Fidelity Bank restates commitment to financial empowerment

THE Managing Director and Chief Executive officer, Fidelity Bank Plc, Mr. Nnamdi Okonkwo, has restated the bank's commitment to empowering the citizenry financially and support the government policy direction in the area of education.

He made the statement in Lagos at the second draw of the bank's ongoing Save 4 Scholarship promo.

He said the bank had in August 2014 commenced

the promo to take the burden of paying school fees off the shoulder of parents and instill the desire to go back to school in those who had dropped out of school because of financial challenges.

Represented by the Executive Director, Lagos and South West Bank, Mr. Ikemefuna Mbagwu, the chief executive officer said, "Save 4 scholarship promo is the fourth promo being conducted by the bank in

the last seven years.

"This is a unique promo that focuses on the concern of governments in the area of education and financial empowerment to the populace."

The draw, which was witnessed by the regulatory bodies, covers the entire geo-political zones.

Okonkwo explained further that a total of 200 people would benefit from the bank's largesse of N80m in six months.



PROMOTING CASHLESS

L-R: Partner, Reach Consult UK, Henretta Abraham; Director, Products and Services, Etisalat, Lucas Dada; Senior Manager, Mcommerce, Artel, Yewande Adewusi; Managing Director, FirstMonie, Mike Ogbalu and Manager, Cards & Products, Ecobank, Shorongbe Adeyinka James at the third cashless conference in Lagos.... recently

ABIODUN AJALA

Appendix 2 – Conference Photos



L to R: Dr Bayo Adaralegbe, Mr Adeleke Adekoya, Head, Digital Payment, Access Bank, Dr Adedeji Adeyinka, CEO, Afripay Mobile Money, UBA Group, Mrs Henrietta Abraham, Partner/Principal Consultant, Reach Consult, Mr Musa Itopa Jimoh, Deputy Director, Payments System Policy & Oversight, CBN



L to R: Aderinola Oloruntoye, Solutions Manager, SAP, Nigeria, Dr Abiodun Jagun, Special Assistant to the Hon. Minister for Communications Technology, Henrietta Abraham, Yomi Onifade, Director, Retail Business, Mansard Insurance, Chidi Umeano, Head, Shared Services, CBN



Harish Natarajan, Senior Payments Expert, PSDG, World Bank, Henrietta Abraham, Tunde Kuponiyi, Chairman, CeBIH and Deputy General Manager, Ecobank Plc.



Dr Olumide Olusanya, Managing Director, Gloo, Lucas Dada, Director, Products and Services, Etisalat, Mike Ogbalu, Managing Director, Firstmonie



Wale Akinwa, Head, E-payment Training Institute and Lilian Phido, NIBSS



Mr Michael Ogungbe, Director, Operations, NIMC



L to R: Sandy Adaralegbe, Director, Marketing, Aragga; Jonathan Doerr, Managing Director, Jumia; Toyin Odutayo, Executive Director, Wakanow; Ernest Obi, Head e-Business and Channels Division, Keystone Bank Ltd



L to R: Mrs Leke Ogundipe, CPC; Mr Ojokpota, NCC; Henrietta Abraham; Musa Itopa Jimoh, Deputy Director, Payments System Policy & Oversight, CBN



Ms Omokehinde Ojomuyide, Area Business Head, West Africa, MasterCard; Mrs Sandy Adaralegbe, Marketing Director,



Harish Natarajan, Senior Payments Expert, PSDG, World Bank; Tunde Kuponiyi, Chairman, Committee of E-Banking Heads and Deputy GM Ecobank Plc; Babatunde Okeniyi, Executive Director, Sales & Marketing, Unified Payment; Henrietta Abraham; Engr. Gbenga Adebayo, Chairman, Association of Licensed Telecommunications Operators of Nigeria; Babatunde Akinwa, Head, E-payment Training Institute NIBSS; Chidi Umeano, Head, Shared Services, CBN



Tunde Kuponiyi, Chairman, CeBIH and Deputy GM, Ecobank Plc



Anton Wagenaar, General Manager, Shoprite with Musa Jimoh, CBN and Lucas Dada, Etisalat and a delegate.



Dr Bayo Adaralegbe, Adeleke Adekoya, Access Bank and a delegate



Chidi Umeano, CBN with Babatunde Okeniyi, Unified Payment



Wale Obadare, CEO, Digital Encode; Henrietta Abraham and Sunday Ayegba, Head, Information System Audit, Fidelity Bank



Mike Ogbalu, Firstmonie with Mr Bassey, Union Bank



Fadekemi Olusola, Head, Agency, Stanbic IBTC Bank



Yomi Onifade, Director, Retail Business Mansard Insurance, speaking during the financial inclusion sessions.



Delegate Q&A session



A cross section of the conference hall