

FINANCE UPDATE

APRIL & MAY 2018



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HIGHLIGHTS OF THE CIRCULARS AND GUIDELINES ISSUED BY THE CENTRAL BANK OF NIGERIA IN APRIL AND MAY 2018

APRIL 2018

Dear Esteemed Clients,

Introduction

The Central Bank of Nigeria (CBN) issued the following Circulars/Guidelines in the months of April and May 2018. We hope that you find some of the information useful in your operations.

- ✚ **FPR/DIR/GEN/CIR/07/001 – CBN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018**
- ✚ **BPS/DIR/GEN/CIR/04/016 – THE CIRCULAR ON THE REGULATORY FRAMEWORK FOR THE USE OF UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD) IN THE NIGERIAN FINANCIAL SYSTEM**
- ✚ **NO. 42 – MONETARY, CREDIT, FOREIGN TRADE AND EXCHANGE POLICY GUIDELINES FOR FISCAL YEARS 2018/2019**

1. FPR/DIR/GEN/CIR/07/001 – CBN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018

This circular was issued by the CBN to Banks and other Financial Institutions informing them of the CBN AML/CFT Administrative Sanctions Regime. This effort is pursuant to the requirement of the Financial Action Task Force (FATF) Recommendation 35 on effective, proportionate and dissuasive sanctions and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) 2007 Mutual Evaluation recommendation that Nigeria's AML/CFT sanctions regime be reviewed and made to be proportionate and dissuasive.

This is a collaborative effort between the CBN and the Office of the Attorney General of the Federation. The Administrative Sanctions Regime has been gazetted to give it legal effect and ensure compliance with FATF and GIABA requirements.

Please refer to the circular for additional information at <http://www.cbn.gov.ng/FPRD/AdministrativesanctionRegime.pdf>

2. BPS/DIR/GEN/CIR/04/016 – THE CIRCULAR ON THE REGULATORY FRAMEWORK FOR THE USE OF UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD) IN THE NIGERIAN FINANCIAL SYSTEM

This regulatory framework for the use of USSD in the Nigerian Financial System was issued by the CBN to all Deposit Money Banks, Switches, Mobile Money Operators, Payment Solution Service Providers, Micro Finance Banks and others in furtherance of its mandate to develop and enhance the security of the electronic payments system in Nigeria. The implementation of this framework takes effect from 1st June 2018.

Some of the salient provisions of the Regulatory framework are as follows:

S/N	Item	Provisions
1.	Objectives	The framework seeks to establish the rules and risk mitigation considerations when implementing USSD for financial services offering in Nigeria.
2.	Participants in the USSD ecosystem	<p>Service providers that provide financial services through the use of USSD in Nigeria include the following:</p> <ul style="list-style-type: none"> a. Financial institutions: Banks, Other Financial Institutions and Payment Service Providers, providing products and services using USSD protocol to their customers. b. Mobile Money Operators (MMOs): MMOs are Deposit Money Banks or corporate entities, duly licensed by the CBN to provide mobile payment services to the banked and unbanked customers. c. Mobile Network Operators (MNOs): MNOs utilize USSD to interact with, and provide services to their customers. d. Value Added Service Providers/ Aggregators (NCC Licensees) – Any person or organization that engages in the provision of value added mobile/fixed Services, including premium rated services. e. Customers: initiate financial transactions or sessions through a USSD string provided by their financial Institutions.
3.	Eligibility for Unique Short Code	<ul style="list-style-type: none"> 1. Mobile Money Operators are eligible for the issuance of USSD short codes from the NCC after meeting the necessary requirements of the NCC for the issuance of same. 2. For CBN licensed entities, other than Mobile Money Operators, a letter of no objection/introduction from

		the CBN would be required before being considered for the issuance of the USSD short codes by the NCC, subject to meeting the requirements of the NCC.
4.	Vulnerabilities and Mitigations	<p>USSD based financial transaction requires encryption to protect the integrity of the financial information. To this end, Financial Institutions providing use of the USSD channel shall:</p> <ol style="list-style-type: none"> a. Put in place, a proper message authentication mechanism to validate that requests/responses are generated through authenticated users. Such authentication mechanism shall include a minimum combination of any of International Mobile Subscriber Identity (IMSI), Date of SIM Swaps, Date of Mobile Station International Subscriber Directory Number (MSISDN) Recycle, International Mobile Equipment Identity (IMEI), Date of device change, etc. b. Ensure that the customer receives notification on the status of every transaction conducted through the channel. c. Not use the USSD service to relay details of other electronic banking channels (in case of banks), to their customers, to prevent compromise of other electronic banking channels through the USSD channel. d. Ensure encryption of USSD information within its environment by an auditable process. e. Ensure at least, radio encryption between users' SIM-enabled device and base stations. f. Ensure secure transmission of USSD signals between network operator & the USSD aggregators, and between the USSD aggregators & the bank.
4.	Dispute Resolution	<ol style="list-style-type: none"> a. Financial Institutions are responsible for setting up dispute resolution mechanism to facilitate resolution of customers' complaints. b. Financial Institutions are to treat and resolve any customer related issues within 3 (three) working days. Non-compliance will be subject to penalty, as may be prescribed by the CBN, from time to time.
5.	Service Level Agreement	There must be Service Level Agreements between the

		Financial Institutions and MNOs/VAS & Aggregators, benchmarked against the NCC Quality of Service (QoS) regulation and service availability requirements of electronic payment services of the CBN.
6.	Penalties for Infractions	The appropriate Regulator (CBN and/or NCC) as applicable shall impose appropriate sanctions for any contravention on any participant that fails to comply with this Framework.

Please refer to the circular for additional information at <https://www.cbn.gov.ng/Out/2018/BPSD/Regulatoryframework.pdf>

3. NO. 42 – MONETARY, CREDIT, FOREIGN TRADE AND EXCHANGE POLICY GUIDELINES FOR FISCAL YEARS 2018/2019

The CBN recently issued the Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for fiscal years 2018/2019 to the public in order to provide policy guidance to financial institutions for the fiscal period in the medium-term horizon and to assuage policy ambiguity, demonstrate the direction and policy continuity of the Bank as maintained over time.

Please refer to the circular for full details of the policy at [http://www.cbn.gov.ng/Out/2018/MPD/Monetary Credit Foreign trade exchange 2018 and 2019.pdf](http://www.cbn.gov.ng/Out/2018/MPD/Monetary%20Credit%20Foreign%20trade%20exchange%202018%20and%202019.pdf)

MAY 2018

- ✚ BPS/PSV/SIG/CIR/01/001 EXPOSURE DRAFT OF THE NIGERIAN PAYMENTS SYSTEM RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK
- ✚ FPR/DIR/GEN/CIR/07/001 CBN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018
- ✚ TED/FEM/FPC/GEN/01/003 RE: REVIEW OF WEEKLY FOREIGN EXCHANGE CASH SALES TO BUREAU DE CHANGE (BDC) OPERATORS

1. BPS/PSV/SIG/CIR/01/001 - EXPOSURE DRAFT OF THE NIGERIAN PAYMENTS SYSTEM RISK AND INFORMATION SECURITY MANAGEMENT FRAMEWORK

The CBN recently issued exposure draft of the Nigerian Payments System Risk and Information Security Draft Management Framework to all Deposit Money Banks, Financial Service Providers, Payment Service Providers and the general public for their review and comments (If any).

All comments are required to be forwarded in hardcopy to the Director, Banking and Payments System Department and the softcopy to scokojere@cbn.gov.ng and psv2020@cbn.gov.ng on or before the 31st of May 2018.

Please refer to the circular for additional information at https://www.cbn.gov.ng/Out/2018/BPSD/NPS_Risk_and_Info_Sec_Mgt_Framework.pdf

2. FPR/DIR/GEN/CIR/07/001 CBN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (ADMINISTRATIVE SANCTIONS) REGULATIONS, 2018

This circular was issued by the CBN to Banks and other Financial Institutions informing them of the CBN AML/CFT Administrative Sanctions Regime. This effort is pursuant to the requirement of the Financial Action Task Force (FATF) Recommendation 35 on effective, proportionate and dissuasive sanctions and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) 2007 Mutual Evaluation recommendation that Nigeria's AML/CFT sanctions regime be reviewed and made to be proportionate and dissuasive.

This is a collaborative effort between the CBN and the Office of the Attorney General of the Federation. The Administrative Sanctions Regime has been gazetted to give it legal effect and ensure compliance with FATF and GIABA requirements.

Please refer to the circular for additional information at http://www/cbn.gov.ng/Out/2018/FPRD/aml_merged_May_2018.pdf

3. TED/FEM/FPC/GEN/01/003 RE: REVIEW OF WEEKLY FOREIGN EXCHANGE CASH SALES TO BUREAU DE CHANGE (BDC) OPERATORS

This regulatory framework was issued by the CBN to all Authorized Dealers, Bureau De Change (BDC) Operators and the General Public informing them that the frequency of sales to licensed BDCs has increased to three times weekly being Mondays, Wednesdays and Fridays and the BDCs are to ensure that their accounts are duly funded with the equivalent naira proceeds on Tuesdays, Thursdays and Fridays.

However, Authorised Dealers shall continue to sell foreign currencies for travel related invisible transactions to customers and non-customers over the counter which will be upon presentation of various travel documents namely passport, air tickets and visa.

Please refer to the circular for additional information at http://www/cbn.gov.ng/Out/2018/TED_Circular_28052018.pdf