




CLIENT ALERT
CBN WITHDRAWS CIRCULAR DIRECTING FINANCIAL INSTITUTIONS TO IMPLEMENT THE COLLECTION AND REMITTANCE OF NATIONAL CYBERSECURITY LEVY

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INTRODUCTION

The Central Bank of Nigeria (CBN) has withdrawn its earlier directive to commercial banks and other financial institutions mandating the collection and remittance of the 0.5% Cybersecurity Levy (the “Levy”) as proposed in the Cybercrime (Prevention and Prohibition) Amendment Act 2024 (“the Act”). The Levy, which was to apply to all electronic transactions, and would be remitted to a National Cybersecurity Fund that will be directed towards infrastructure development, security awareness programs, and cutting-edge research to bolster Nigeria’s cybersecurity apparatus.

BACKGROUND



On May 6, 2024, the CBN issued a circular¹ mandating commercial banks, mobile money operators, payment service providers, and other financial institutions to collect the Levy as outlined in the Act. According to the apex bank, the levy was to be applied at the point of electronic transfer origination, then deducted and remitted by the financial institution. Following deduction, the deducted amount was to be reflected in the customer’s account with the narration, “ Cybersecurity Levy” according to the circular.

However, the directive sparked public outcry, and generated criticism from financial experts and economic groups, all labelling the Levy “regressive” due to its timing. The general consensus was that, the additional 0.5% Levy on electronic transactions is an unwelcome burden on businesses and consumers as it would negatively impact an already struggling economy evidenced by high inflation rates, and a rising cost of living.

The public outcry against the Levy gained momentum, culminating in the federal government’s intervention on May 14th, 2024 with an immediate suspension of the Levy’s implementation and

¹ PSM/DIR/PUB/LAB/017/004 – Circular to All Commercial, Merchant, Non-Interest and Payment Service Banks, Other Financial Institutions, Mobile Money Operators and Payment Service Providers.

acknowledgment of the need for further review. Following mounting pressure and a motion by the legislature, CBN finally officially withdrew the directive on May 17th, 2024²

IMPACT ON BUSINESSES AND CONSUMERS REMAIN UNCERTAIN

It is pertinent to note that whilst the withdrawal of the Levy is a temporary relief for businesses and consumers, the long-term solution for funding national cybersecurity initiatives remains unclear. Further, considering the current economic climate vis-a-vis the government’s commitment to the National Tax Policy of 2017 to reduce the number of taxes in Nigeria the introduction of this additional levy was no doubt ill-timed. Inquiries around a proposed alternative cybersecurity funding plan and how such will ensure transparency and avoid placing undue burdens on businesses and consumers remain present. The need for robust cybersecurity infrastructure is undeniable, and the government may need to explore alternative funding mechanisms in the future. No doubt, the coming months will be crucial as the government navigates these challenges in order to attain a sustainable approach to securing Nigeria's digital space and generate more revenue without placing an onerous burden on its citizens.

² *PSM/DIR/PUB/LAB/017/005 – Circular to All Commercial, Merchant, Non-Interest and Payment Service Banks, Other Financial Institutions, Mobile Money Operators and Payment Service Providers.*