




UDO UDOMA &
BELO-OSAGIE
PUBLICATION

DEPOSIT **MONEY BANKS**

OPERATING MOBILE MONEY
WALLETS WITHOUT CBN'S APPROVAL:

ANY IMPLICATIONS?





Prior to 4th July 2019, Deposit Money Banks (“DMBs”) that wished to provide mobile money wallets were required to obtain the approval of the Central Bank of Nigeria (“CBN”). This requirement was on the basis of such wallets being seen as banking products which banks could not provide without the prior approval of the CBN. This has now changed, however, and the CBN’s approval is no longer required.

The CBN recently issued a circular, dated 4th July 2019 (the “Circular”), in which it stated that DMBs no longer need to obtain the prior approval of the CBN to offer mobile money wallet services to their customers. Based on the Circular, a DMB is now only required to notify the CBN prior to its commencement of the service. As with CBN-licensed mobile money operators, DMBs are required to operate their mobile money wallets within the existing regulatory framework for mobile money services.

This change is a welcome development for DMBs, as it provides an avenue for them to provide an additional product—i.e., mobile wallet services—to their existing customers, as well as new customers. An administrative bottleneck (coupled with possible delays) which they would have needed to go through before being able to provide the service has now been eliminated.

While DMBs welcome the development, for other stakeholders in the financial services industry, the initial reaction has been that

this development creates an uneven playing field and could further strengthen the dominance of the DMBs over the mobile money space.

Out of the 21 licensed mobile money operators in Nigeria, seven are led by DMBs. As a result, the other industry players regard the CBN permitting DMBs to operate in the mobile money space without approval as a move which will increase the number of the DMBs in the space.

The DMBs already have a large existing customer base and, as such, it would be considerably easier and even relatively cheaper for them to advertise, launch, acquire customers and subsequently provide their services to customers. This will further worsen the challenges currently being faced by non-bank-backed mobile money operators (“MMOs”) in Nigeria. Such challenges include inadequate capital, lack of wide-spread agent networks, low levels of customer awareness and education etc., all of which are peculiar to start-ups.

It is even more interesting when one considers that the Circular does not make a distinction regarding the categories of DMBs that can provide mobile money wallet services. This is important when one considers the licensing and ongoing compliance requirements for MMOs and some of the ‘smaller’ DMBs. For example, the minimum share capital of an MMO is currently =N=2billion Naira, whereas that for a State Microfinance Bank (“SMFB”) is

=N=1 billion shareholder funds. What this means is that one could potentially utilise a SMFB to operate as an MMO in order to avoid the higher capital requirements for an MMO. It is unlikely that this is the intention of the CBN in issuing the Circular, however, the CBN may need to consider other unintended consequences of the announcement.

Having said the above, the CBN should be commended for continuously seeking ways and means towards expanding the avenues for financial inclusion in the country. With DMB's branch network, customer base, staff strength and technical capacity, it is expected that they will

potentially be able to reach more Nigerians and the unbanked populace, thereby reducing the number of the unbanked and boosting the financial inclusion drive of the CBN. The CBN has continued to promote the development of an efficient and effective mobile money scheme, and the publication of regulations and guidelines on the operation of the scheme, has been vital to the deepening of the space.

It is expected that in the coming weeks, stakeholders in the financial services industry will engage the CBN on this recent development, but in the interim, we hope to see DMBs introduce their own mobile money wallets.



This update does not constitute legal advice. Should you have any questions regarding this or any other developments, please contact:



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