

Tech Updates For the 1st Half Of 2023

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Introduction

The Nigerian technology industry saw a flurry of activity in the first half of 2023, from regulatory developments to technology companies making milestones. In this brief overview, we provide some notable updates that have shaped H1 2023.

1. CBN Grants Interswitch A Payments Service Holding Company (PSHC) License

Interswitch Group, a leading provider of integrated payments and financial technology in Africa, has announced that it has successfully obtained a Payments Service Holding Company (“PSHC”) Licence from the Central Bank of Nigeria (“CBN”) on January 13, 2023. The CBN had previously issued Guidelines for Licensing and Regulation of Payments Service Holding Companies in Nigeria 2021 (“Guidelines”) that required that companies desirous of operating in multiple license categories should establish a PSHC structure. The purpose of the Guidelines is to ensure that the activities of each of the PSHC subsidiaries operating within those respective licensing regimes are delineated for clearer accountability, effective risk management, and the enablement of better regulatory oversight by the CBN. In light of this Guidelines, Interswitch applied and became part of the first licensees by CBN in this category.

2. CBN Launches AfriGo Domestic Card Scheme

On January 26, 2023, the Central Bank of Nigeria (“CBN”), in partnership with Nigeria Inter-Bank Settlement System Plc (“NIBSS”), launched a national domestic card scheme, AfriGo. The launch of AfriGo is a significant development in the Nigerian payment landscape. With this launch, CBN hopes to compete in the card payment industry that is currently dominated by Mastercard, Visa, and Verve. AfriGo’s main objective is to provide Nigerian consumers with an alternative card option and excellent services at affordable rates. AfriGo also aims to reduce the transaction fees for cardholders, deepen financial inclusion and grant CBN data sovereignty. Like other cards, the AfriGo card will facilitate seamless transactions across Nigeria, subject to limitations placed by individual banks.

3. The Central Bank Of Nigeria Releases Guidelines For Open Banking

By a circular dated March 7, 2023, addressed to all deposit money banks, mobile money operators, and payment service operators, the CBN issued the Operational Guidelines for Open Banking in Nigeria. The Guidelines aim to drive competition and improve accessibility to financial and payment services in Nigeria. The adoption of open banking in Nigeria is to foster the sharing of customer-permissioned data between banks and third-party firms enabling the building of customer-focused products and services.

The guidelines outline the roles and obligations of different participants, including banks, third-party financial institutions, and customers, aiming to maintain uniformity and safety within the open banking system. It also includes a summary of the basic criteria that participants must meet, which establish protective measures to uphold the stability of the financial system in an open banking framework. The guidelines include provisions on data privacy, protection, and data security, open banking licensing and authorization requirements, interoperability and standardization, transaction limits, consumer protection, and so on.

4. CBN Releases Draft Guidelines For Agency Banking In Nigeria

The agency banking framework in Nigeria aims to provide minimum standards and requirements for agent banking operations, enhance financial inclusion and provide agent banking as a delivery channel for cost-effectively offering banking services. To further enhance the existing framework, the CBN issued a circular dated March 9, 2023, addressed to banks, other financial institutions, and payment service providers

relating to its issuance of an exposure draft on the regulatory framework for Agent Banking in Nigeria. The draft guidelines provide that any CBN-licensed entity which wishes to engage in agent banking must apply to the CBN for approval with documents showing board approval, strategy, risk management, Know your Customer and AML/CFT/CPF policies and controls, and so on. It also highlights the different agent structures, the super agents, sole agents, and sub-agents, with the Financial Institutions being responsible for the selection of agents. On the agents' front, the guideline lists out prohibited activities such as giving guarantees, opening accounts or granting loans or activities beyond its purview, subcontracting another entity to carry out agent banking on its behalf where it is not a super-agent structure, etc.

5. Africa Development Bank Approves \$525,000 Grant To Build An African Fintech Information Hub

The African Development Bank, a multilateral development financial institution, on April 4, 2023, signed a \$525,000 grant agreement with Africa Fintech Network (“AFN”) to set up the Africa Fintech Hub which is an online portal that will serve as a one-stop shop for all fintech activities in Africa. The Hub will enable fintech associations across Africa to pool resources and knowledge, strengthen relationships and partnerships and showcase African fintech work.

The AFN will partner with the Centre for Financial Regulation and Inclusion who would provide technical support in building the African Fintech Hub. This Africa Fintech Hub aims to expand access and usage of digital financial solutions to meet the needs of all Africans.

6. Nigeria’s Securities And Exchange Commission (SEC) Launches Sandbox For Fintech

The SEC, in a circular issued on April 28, 2023, announced a call for fintech operators interested in joining its Regulatory Incubation Program (“RI”) to start sending in applications. This RI operates as a regulatory sandbox and accordingly, allows innovative fintech companies to test their products and get the requisite approval from the Commission before launching into the market. By an earlier released circular in June 2021, Eligible applicants of the RI include registered capital market operators, unregistered fintech innovators that require regulation, firms of all sizes, and firms that want to enhance investor participation in the Nigerian capital market. However, this RI does not extend to fintech companies operating in crowdfunding, robo-advisory or digital investment advisory, and sub-brokers using digital platforms.

7. CBN Revokes Licenses Of 132 Nigerian Microfinance Banks

In May 2023, the CBN, through an official gazette of the Federal Government, announced the revocation of the operating licenses of 132 microfinance banks, 4 primary mortgage banks, and 3 finance companies in the country. The CBN premised the revocation on its finding that some of the affected entities had ceased to carry on, in Nigeria, the type of business for which they were issued licenses for a continuous duration of 6 months, failed to comply with the conditions subject to which their licenses were granted, or failed to comply with the obligations imposed on them by the CBN pursuant to the provisions of the Banking and Other Financial Institutions Act (“BOFIA”), 2020.

8. Government Set To Apply Capital Gains Tax On The Sale Of Digital Assets

On May 28, 2023, former President Muhammadu Buhari signed the Finance Act, 2023 into law, introducing significant changes to Nigeria’s tax space. One of these changes is the imposition of a 10% Capital Gains Tax on the sale of digital assets, including cryptocurrency despite the restrictions on cryptocurrency transactions which have been in place since 2021. This move is in furtherance of the

government's goal of increasing cross-border and international taxation of e-commerce with emerging countries.¹

9. The Data Protection Bill Is Signed Into Law

On June 14, 2023, President Bola Ahmed Tinubu signed into law the Data Protection Act, 2023, in a bid to further secure the privacy and protection of the personal data of data subjects in Nigeria. This Act is to be enforced in addition to the Nigerian Data Protection Regulation, 2019 (“NDPR”) and the NDPR Implementation Framework, 2020. The Act establishes the Nigerian Data Protection Commission (“NDPC”), as a replacement for the Nigerian Data Protection Bureau, for supervision and implementation of the provisions of the Act.

Some of the key takeaways include: (a) the Act introduces a legitimate interests as one of the lawful bases for personal data processing; (b) the Act expanded the special protection previously accorded to children regarding personal data processing to encompass other persons lacking legal capacity; (c) the Act introduces a new category ‘Data Controllers or Processors of Major Importance’ who have additional obligations such as appointing a Data Protection Officer with expert knowledge of data protection law and practices and an obligation to register with the NDPC; (d) the Act also expands scope of sensitive personal data and prescribes the conditions under which it can be processed. A more comprehensive review of the Act can be found [here](#).

10. CBN Issues Guidelines For Contactless Payments In Nigeria

By a circular dated June 27, 2023, the Central Bank of Nigeria issued the Guidelines for Contactless Payments in Nigeria. It was issued in furtherance of the CBN's mandate to standardize operations in the payments space, deploy innovative products, and ensure the safety and stability of the financial system in Nigeria. The guidelines set transaction limits for contactless payments through accounts and wallets in Nigeria to ₦15,000 and ₦50,000 as the daily cumulative limit. For transactions above the specified daily cumulative limit, customers would be required to use contact-based technology. Transactions with a higher value will be required to be authenticated by PIN or biometric verification.

11. Fastcredit Raises ₦3 Billion While Fairmoney Raises ₦2.5 Billion With Its Commercial Paper's Issuance

Fastcredit Limited, a Nigeria-based Fintech company in its debut commercial paper series 1, 2 & 3 issuance successfully raised the sum of ₦3 billion. There was an oversubscription of the commercial paper and according to the leadership of the firm, this was a clear reaffirmation of the confidence of investors and stakeholders in the unique value Fastcredit is creating in the financial industry². Stanbic IBTC Capital Limited acted as lead arranger and placing agent while G.Elias acted as the solicitor to the issuer. FairMoney Nigeria also announced the success of its series 1 commercial paper issuance of ₦2.5 billion.

Commercial papers are short-term unsecured debt instruments used by companies to raise working capital. Although 28 firms issued commercial papers worth ₦507 billion in the first quarter of 2023³, raising working capital through commercial paper is not a prevalent practice amongst fintech players. There is a long list of institutional investors, with the recent addition of Pension Fund Administrators (PFAs), who invest in instruments like bonds, treasury bills, and commercial papers constantly looking to

¹ <https://nairametrics.com/2023/06/06/nigeria-will-tax-digital-assets-including-crypto-10-on-capital-gains/> last accessed July 27, 2023

² <https://businessday.ng/companies/article/oversubscribed-fast-credit-completes-debut-commercial-paper-issuance/> last accessed July 24, 2023

³ <https://businessday.ng/business-economy/article/nigerian-firms-raise-n507bn-via-commercial-papers-in-q1/>, last accessed July 24, 2023

diversify their investments. Commercial Papers constitute an alternative funding option that can be explored by technology companies.

12. Google Releases New Policy To Restrict Digital Lender's Access To Sensitive Personal Data

On Monday, July 11, 2023, Google disclosed to the public its new policy regarding the restriction of digital lender companies' access to sensitive personal data which became effective on May 31, 2023. It was made known that this development comes due to the misuse of individual personal data and breach of privacy that had brought about a rise in fraudulent activities.

The policy restricts applications that provide personal loans from accessing sensitive data such as photographs and contacts. This restriction also covers customers' external storage, images, contacts, location, telephone numbers, and media videos. You can read our full article on this [here](#).

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