eNaira

FROM DREAM TO REALITY

eNaira

Same Naira, More Opportunities

CONTEXT

Global trends towards
Central Bank Digital Currencies

Decline in Use of Cash

Explosion in Digital Payments

Rise in Private Currencies

Objectives of the eNaira

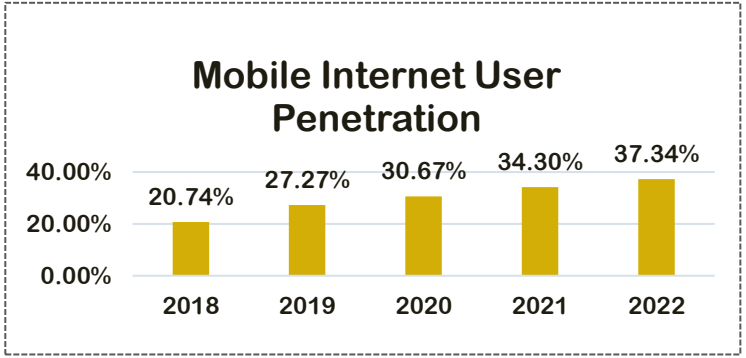
WHY THE CBN BELIEVES NIGERIA IS READY FOR THE CBDC

Economic, Technology & Social Landscape

Adult Population (18+)	Financial Inclusion Rate	Most Common Payment Method
106 mn	*64%*	*Cash*

Working Population	Urban Population	Literacy Rate
54%	*52%*	*62%*

Although 81% of adults in Nigeria own mobile phones, it has a large unbanked adult-rural population



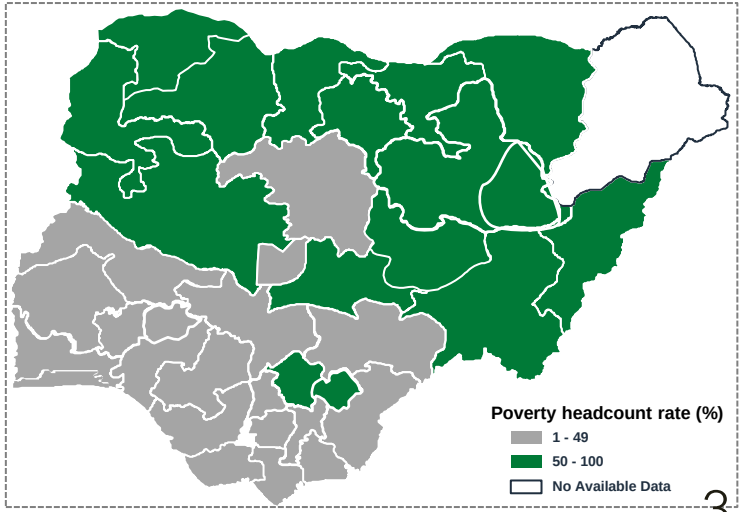
- **81% own a Mobile Phone**
- **28% active Digital Financial Service**
- **66% live in Rural Areas**
- **55% are between 18-35 years**
- **24.2% Cryptocurrency Adoption Rate**

195m Mobile Subscribers

104m Active Internet Users

33m Active Social Media Accounts

101m Mobile Internet Users



Source: World Bank, EFInA, Statista, NCC, PwC Nigeria

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Nigeria's Financial Ecosystem

Banks*	Card / Payment Processors	Mobile Money Operators	Payment Terminal Service Providers	Payment Solution Providers
ZENITH, GTBank, UBA, access, FirstBank, Ecobank The Pan African Bank	mastercard, Flutterwave, VISA, paystack, Interswitch, etranzact, remita	paga, Firstmonie Agent, MoMo Agent, Sure Pad, OPay, UBA Moni, Moniepoint BUSINESS	Accelerex, UP, XPRESS, etranzact, teamapt, itex, Interswitch, Flutterwave	Flutterwave, paystack, Interswitch, remita, APPZONE, etranzact, teamapt

Infrastructure Providers				
NIBSS, ORACLE	infobip, Clickatell, UBANQUITY	Interswitch, Microsoft, Flutterwave	APPZONE, remita, teamapt	

Licenses		
	Switching and Processing	Mobile Money Operations
	Payment Solution Services	Regulatory Sandbox

- It is on the basis of trends such as these, that CBDCs have become a critical part of the conversation in many central banks.
- A 2021 BIS Survey of central Banks found that 86% are actively researching the potential for CBDCs, 60% were experimenting with the technology and 14% were deploying pilot projects.
- Given this, the CBN commenced extensive study, consultation, identification of use cases and the testing of the CBDC concept in a sandbox as far back as 2017. The objective of the research was to establish a compelling case for the adoption of a digital currency in Nigeria.

JOURNEY TO LAUNCH

THE eNaira DESIGN PAPER

Design Paper. Key Considerations

The CBN has considered key areas such as interest earnings, regulation, compliance with AML/CFT, Privacy and data protection in launching and implementing the eNaira

1. REGULATIONS.

The CBN understands that it has to go through a steep learning curve with the eNaira as only few countries have been able to successfully implement CBDCs. Therefore, CBN is constantly evaluating various aspects of the eNaira, the role market participants will play in and its various use cases.

It is expected that there will be a lot of uncertainties and regulations must be adaptive enough to respond to the evolving landscape.

2. COMPLIANCE WITH AML/CFT.

The eNaira payment system will be compliant with AML/CFT guidelines to ensure the integrity of the financial system. The CBN has adopted an account based CBDC to ensure compliance. Here, CBN will be able to identify users on the platform using the key identification data such as BVN and NIN.

CBN will also rely on financial institutions and other payment service providers to deliver layered value-added services on the eNaira platform such as AML/CFT checks (handled by financial institutions). This means customers will have the option to choose their preferred banking partner during the onboarding process.

3. PRIVACY AND DATA PROTECTION.

The eNaira system is built with deep considerations around privacy and data protection and in compliance with the National Data Protection Regulations (NDPR). The customer linking processis a core aspect of the user onboarding process to access eNaira.

The linking process enables financial institutions to provide support to users and carry out function such as AML/CFT checks. eNaira system is designed in line with AML/CFT guidelines in order to guide against the illicit flow and use of funds.

4. INTEREST EARNINGS ON eNaira AND REDEEMING THE eNaira.

Since the eNaira has been designed as a digital representation of the physical Naira, it will not earn interests. This aligns CBN's objectives for the eNaira to complement existing banking products and services and not destabilise the existing system. The eNaira shares the same characteristics as the physical Naira including its value. Therefore, the conversion rate for the eNaira to cash is at par (NGN 1= 1eNaira)

Source: CBN, PwC analysis

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eNaira Use Cases

CORE USE CASES

- Person to Person transactions
- Person to Merchant Payments
- Diaspora Remittance
- Person-to-Government Transactions

TARGETED PAYMENTS

- Transfer of Social Benefits (Social benefits, Disaster reliefs, Covid palliatives)
- Government-to-Person, Government-to-Merchant
- Cross border payments and investments

CBDC WALLET BASED PRODUCTS

- Lending Products (MSME Lending etc.)
- Asset Tokenisation
- Blockchain Identity

USE CASES FOR DLT

- Supply chain verification
- Educational credentials on the blockchain

- - IN WORKS
- - ACTIVE

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WHAT YOU NEED TO KNOW?

WHERE WE ARE

JULY 2023 - 2024

- Offline eNaira payments solution
- Integration with other CBDC Systems
- Multi-Sig Wallets
- Branded QR Code for authenticity
- Improved User Experience with App personalization
- Improved transaction Security

TIER 0 — BRONZE

PHONE NO. REQUIRED

I. Wallet Cap: 120,000.00 (261 USD)
II. Daily Credit Limit: 20,000.00
III. Daily Withdrawal Limit: 500.00

TIER 1 — SILVER

NIN REQUIRED

I. Wallet Cap: 300,000.00 (652 USD)
I. Daily Credit Limit: 50,000.00
II. Daily Withdrawal Limit: 50,000.00

TIER 2 — GOLD

BVN REQUIRED

I. Wallet Cap: 500,000.00 (1,087 USD)
I. Daily Credit Limit: 200,000.00 (435 USD)
II. Daily Withdrawal Limit: 200.000.00

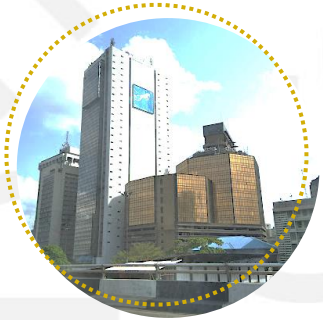
TIER 3 — PLATINUM

BVN REQUIRED

I. Wallet Cap: 5,000,000.00 (10, 869 USD)
II. Daily Credit Limit: 1,000,000.00
III. Daily Withdrawal Limit: 1,000,000.00

Value Proposition
for Stakeholders

FINANCIAL INSTITUTIONS



- Enable FIs to have regular inflows as merchants are required to sweep money from eNaira wallets to banks within 24 hours.
- Reduction of cost of currency processing
- Provide an opportunity for an increased customer base
- Improved Anti Money Laundering & Counter Financial Terrorism monitoring (AML and CFT)

FINTECH

- Enable Fintechs ride on the eNaira platform by building new innovative products and add-ons
- Increased customer base and reach
- Streamlines payment infrastructure integration and reduces cost
- Opportunities for new licensing classifications

FEDERAL/STATE GOVT. AGENCIES

- Expansion in the scope of financial products and services
- Increased confidence among users in the payments system
- Inclusion: Access to financial services.

NIGERIANS IN DIASPORA

- Diaspora remittance into Nigeria in year 2022 was approx. 20 Billion USD.
- Reduction in remittance costs
- Quicker and faster channel of remittance
- Provides Alternative form of remittance
- Increased confidence in transactions and payment systems
- Improved remittance satisfaction

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Value Proposition for Stakeholders

BANKED CUSTOMERS

- The eNaira will reduce the level of failed transactions in the payments system.
- Reduction in the cost of transactions
- Expansion in the scope of financial products and services
- Increased speed and convenience of transactions
- Increased confidence among users

DISTRIBUTORS/ MERCHANTS

- The eNaira will reduce the level of failed transactions in the payments system.
- Reduction in the cost of transactions
- Expansion in the scope of financial products and services
- Increased speed and convenience of transactions
- Increased confidence among users

UNBANKED CUSTOMERS

- Increased Revenue base
- Reduced cost of revenue collection and administration
- Provides a platform for Effective and efficient payments
- Transparency and accountability in social benefits pay-outs

CORPORATE INSTITUTIONS

- Effective Cash Management – Reduction in account reconciliation errors.
- Reduction in revenue leakage due to fraud/corruption.
- Enable new business models and enhancement of existing models.
- Ease and transparency of statutory payments.
- Ease of payment to employees.

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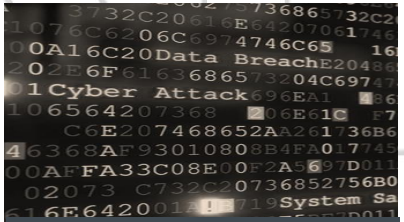
Primary Challenges & Solutions



Security

Problems with Cyber Security

Adoption

Low adoption concerns are mostly caused by our payment system's advanced nature, lack of knowledge & digital literacy.

Stakeholders

Late engagement of stakeholders such as Merchants, Mobile Money Operators, NCC

Onboarding

Standard KYC procedures have made it difficult to onboard the larger population because only 37% of Nigerians have email accounts.

Security

To enable site-to-site configuration, we created a firewall configuration on the app services and a Virtual Private Network

Adoption

We increased user value proposition messaging in our awareness campaigns and engagements

Stakeholders

Strategically involving stakeholders, such as major retailers and organizations that oversee point-of-sale operators

Onboarding

We developed the tier layer for individual accounts, which allows the user to sign up with the bare minimal requirements and a cumulative transaction cap.

Classification: Public

Consumer Challenges & Solutions

Low Level of Consumer Digital Literacy

Absence of a robust Unique Digital Identifier

Inadequate eNaira Merchant Points

Solutions

- At the launch of the eNaira, an eNaira helpdesk was set up provide support to consumers and Financial Institutions on eNaira related issues, inquiries, and complaints.
- Development of a Digital Financial Services Awareness Guide (draft exposed)
- Tiered onboarding to accommodate different consumer strata
- Continuous engagement with stakeholders on benefits/opportunities

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Risks	Mitigating Measures
Financial Dis-intermediation	• Limits placed on eWallet to restrict payments to micropayments. • Measures to reduce cash usage which is outside of the commercial bank money and drive its introduction into the banking system.
Exposure to payment system uncertainties	• A governance structure that will continuously evaluate the risk and exposures of the eNaira to the current payment system.
Operational Risks (Failed dispute resolution mechanisms resulting in financial losses especially for merchants)	• The Bank has developed a robust operational guidelines • eNaira AML/CFT compliance framework and operations manual • Limit incidence fraud both internal and external
Cybersecurity Risk	• IT security governance over the eNaira system • Regular IT security assessments to identify vulnerabilities • Traditional security core of confidentiality, integrity, and availability (CIA) • Architecture risk analysis to identify potential flaws in the security design of the eNaira system
Reputational Risk	• Collaboration with stakeholders to clearly articulate use cases that solve current needs, • Define a clear value proposition for households, businesses, and key market players • Active collaboration with the stakeholders in the payment system and sensitization campaigns

eNaira Helpdesk

TREAT ENAIRA RELATED CONSUMER COMPLAINTS AND INQUIRIES RECEIVED VIA DIFFERENT CHANNELS (EMAIL, PHONE CALL, SURFACE MAIL).

PROVIDE SUPPORT AND MANAGE INTERACTIONS WITH BANKS.

MONITOR TRENDS FROM USER INQUIRY/FEEDBACK TO UPDATE ENAIRA FAQS AND RESOURCES.

NOTE GAPS IDENTIFIED AND ESCALATE TO TECHNICAL TEAM FOR PROCESS IMPROVEMENT.

LIAISE WITH RELEVANT TEAMS WHERE NECESSARY TO RESOLVE COMPLAINTS.

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Lessons Learnt
So far…

COLLABORATION WITH FINANCIAL INSTITUTIONS IS CRITICAL

- Their fear of disintermediation is real.
- Address it in a collaborative way. Early and frequent engagement is critical

FINANCIAL IDENTITY MUST PRECEDE CBDC

- You cannot overstate the importance of having an existing Digital Identity for consumers.
- It is a prior condition for considering a CBDC. Nigeria already had BVN and NIN

IDENTIFY WINNERS AND LOSERS LOSER?

- Determine the winners and losers of the new currency.
- Ensure you are prepared to deal with the losers' concerns and worries.
- Early identification of 'what is in it' for each stakeholder is critical

SLOW IS THE NEW FAST

- Adopt a phased approach to introducing it so that disruptions can be contained and managed.
- If consumers lose faith in a currency, you can hardly recover.

Classification: Public

Conclusions

01

CBDCS ARE HERE TO STAY

Central Bank Digital Currencies are gaining prominence as a cheaper and faster alternative means of digital transactions.

02

CONDUCT DUE DILIGENCE

Though a few countries have commenced with the issuance of digital currencies, each country's processes may be unique in respect to scalability, interoperability, flexibility and adaptability.

03

LEARN ALONG THE WAY

Identify possible Challenges and proffer possible solutions in anticipation.

MERCI

Central Bank of Nigeria

eNaira
Same Naira, More Possibilities