

# **USE OF INDENTITY MANAGEMENT TO IMPROVE TRANSPARENCY, COMBAT FRAUD, LOWER COST OF TRANSACTION AND INCREASE FINANCIAL INCLUSION**

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**CENTRAL BANK OF NIGERIA**

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# Introduction

The Central Bank of Nigeria (CBN) plays four (4) key roles in the payments system, namely;

- Overseer; Operator; User; and Catalyst for growth.

The Central Bank of Nigeria (CBN), in collaboration with major stakeholders has been reforming the Nigerian Payments System and there have been significant improvements over the years.

Notable among the recent initiatives in the Nigerian payments system are:

- Bank Verification Number (BVN)
- Implementation of Industry e-Reference Portal
- International Money Transfers
- Revised Guidelines for Card issuance and usage in Nigeria
- Cash-less Policy



# Bank Verification Number (BVN)

With increasing incidents of compromise on conventional security system (Password and PIN), there is high demand for greater security for access to sensitive or personal information in the Banking system. In recent times the biometric technologies have been used to analyze human characteristics as an enhanced form of authentication for real-time security processes.



# Bank Verification Number (BVN) Contd.

- CBN in collaboration with the Bankers' Committee launched the Bank Verification Number (BVN) Project on February 14, 2014, with biometric solution, as a unique identifier for all banks' customers;
- The key objective of the BVN initiative is to authenticate a customer of financial institutions using a unique identifier across the industry.
- The BVN enables one person to have a single identity within the financial system irrespective of the number of accounts within multiple banks.



# Objectives of BVN Project

- The purpose of the project is to use biometric information as a means of first identifying and verifying all individuals that have account(s) in any Nigerian Bank and consequently, as a means of authenticating customers identity at point of transactions.
- To provide uniform industrially accepted unique identity for the Banks' Customers



# Benefits of BVN

- Enhances the effectiveness of Know Your Customer (KYC) ;
- Reduces exposure to fraud;
- Enhances credit advancement to bank customers;
- Checks identity theft; and
- Promotes a safe and sound financial system in Nigeria.



# BVN Implementation and Timelines

The Bank manages implementation processes through issue of circulars and routine meetings with the Deposit Money Banks (DMBs) and other key stakeholders.

One of the Circulars to the DMBs communicated the following:

- That by March 2015, transactions valued at N100,000,000.00 (One hundred million Naira) and above, should only be allowed for customers with the BVN;
- That by June 2015, all banks' customers should have the BVN. Any bank customer without the BVN would be deemed to have inadequate KYC;
- DMBs should sensitize its customers on the aforementioned development and enrol them for the BVN accordingly.
- DMBS are required to submit to Nigeria Inter-Bank Settlement System (NIBSS), as part of their weekly returns on Customers Account Details, the account status of customers that have submitted their BVN and those that have not.





# BVN Implementation and Timelines ... (contd)

- Nigeria resident's bank account without the BVN after October 31, 2015 would be operated as "NO CUSTOMER INITIATED DEBIT" account, until the account holder obtains and attaches a BVN to the account;
- Nigeria resident's bank account without the BVN will still continue to receive credit inflows (in cash and electronically) and will neither be deactivated nor confiscated;
- BVN enrolment for Nigerian bank customers in Diaspora was extended to 31<sup>st</sup> December 2016; and
- Concession was granted to security personnel who were on special assignment, to have full access to their accounts with or without BVN till 1<sup>st</sup> January 2017



# BVN: Issues and Way Forward

- DMBs and CBN meet to standardize the procedures for change or correction of discrepant details of the customers;
- DMBs have been empowered to effect corrections;
- More enrollment centers for Nigerians in Diaspora were opened; and
- BVN would be extended to customers of Other Financial Institutions.



# BVN Issues and Way Forward

- Discrepancies in some bank customers details on the BVN database and the records of the bank (core banking application);
- Delays in attending to customers' request for resolution of the aforementioned discrepancies;
- Inability of some customers in diaspora to register for BVN;
- Reviewing the BVN framework to incorporate “BVN Watch-list” guidelines in the document; and
- Collaborating with the other stakeholders in harmonising biometric operation in Nigeria.



# Other Payments' Efforts



# Nigeria electronic Fraud Forum (NeFF)

- **NeFF** was inaugurated in December, 2011 as part of the CBN's effort at increasing the safety of the financial sector through proactively managing e-fraud issues;
- Membership include DMBs, Payment Service Providers, & Law Enforcement Agencies;
- The key objective of the Forum is to share information on e-fraud and provide various measures of combating fraud and fraudsters;
- One of the achievements is the implementation of Industry Anti-fraud solution to monitor and minimize fraud incidence.



# E-Reference Portal

- One of the requirements for customer's account opening in the Nigerian banking industry is the completion of reference forms by the third party referees that maintain accounts in any Nigerian Deposit Money Bank.
- The processing of the referee forms was manual until introduction of the e-reference portal.
- E-Reference Portal is a web-based document management system, by which one entity can send documents electronically (e-documents) to the other, within the Nigeria Banking System.



# E-Reference Portal

- The solution was designed to process customer account reference forms faster;
- It also ensures that the inter bank references become faster, more efficient and traceable;
- The e-reference guidelines requires that receiving bank respond to inward references within 3 working days; and
- However, with the introduction of BVN, the use of referee forms for account opening might cease.



# Authorized Signatory Verification Portal

- Authorized Signatory Verification Portal was developed for the payment industry;
- The signatory verification portal is expected to replace the printed signature booklets that banks distribute so that instructions / documents received from other banks can be verified online; and
- The Portal is meant to digitize the booklet and also ensure that updates can be made quickly as staff change functions or move to other institutions.





## Revised Guidelines for Card Issuance and usage in Nigeria

- As part of the on-going efforts to encourage the use of payment cards by potential and existing banks' customers, the Bank, as part of its oversight functions has developed various regulations for the operations of card payments in the country.
- The need to have one document that regulates the operations of all payment card types (prepaid, stored value, debit and credit)
- The need to promote Nigerian card schemes that have expressed a desire to operate internationally



# Revised Guidelines for Card issuance and usage in Nigeria

- Major Features of the Guideline include the following:
  - Roles and Responsibilities of Card Issuers;
  - Requirements for Fraud and Risk Management;
  - Specific Requirements for Stored Value/Prepaid Cards, Credit and Debit Cards ; and
  - Consideration of recent developments in the use of locally issued cards for international transactions, by providing settlement process and a dispute resolution process for domestic and international transactions.



# Cash-less Policy

The cash-less policy was introduced in 2012 to reduce (**and NOT ELIMINATE**) the amount of physical cash (coins and notes) in the economy and curb some of the negative consequences associated with the high usage of physical cash in the economy

These include:

- a) High cash handling costs;
- b) High risk of using cash;
- c) High subsidy;
- d) Informal economy; and
- e) Inefficiency & Corruption.



# Criminals capitalize on Ignorance through ...

## **Phishing Websites and Emails**

used to gain personal information for purpose of identity theft, using fraudulent means ( e-mail messages, malware advertising, click jacking, etc.) that appear to come from legitimate sources.

## **Social Media**

Nobody is invisible online. It has become a powerful tool that can be used to profile prospective targets of Cyber attacks.

## **SPAM SMS**

Fraudsters have resulted to sending fake promos from organisations and telecoms operators in order to extort money from individuals.

## **ATM Support Pretense**

People being “very helpful” and ATMs end up being fraudsters that steal victims’ card details and clone such cards for use in foreign countries.

# Insider Threats

Insider threats are almost as devastating as external threats.

- majorly classified into sabotage, theft of sensitive data and intellectual property and fraud.

Majority of the cyber attacks that have occurred against financial institutions in Nigeria in the last two (2) years have had some kind of insider assistance



**Disgruntled**



**Ignorant**



**Overzealous**



**Contractor**



**Negligent**

## Conclusion

- The Central Bank of Nigeria has been at the fore front, spearheading the payments system development in Nigeria, for efficient and safe delivery of payment services to customers .
- The support of all stakeholders and collaborators is required towards continuous improvements of the Nigerian Payments System



THANK YOU  
FOR LISTENING!