



The “New Economy”: An Overview of the First Half of 2024

Introduction

Even though we are only halfway through 2024, the year 2024 has already proven to be momentous and exciting for the telecommunications, technology, and financial services industries in Nigeria. Within the past six (6) months, these industries have witnessed some remarkable deals and innovative regulations that has shaped the Nigerian business ecosystem. Notable among these developments are the enactment of the revised Guidelines for International Money Transfer Operators, the introduction of a framework on Accelerated Regulatory Incubation Program for the onboarding of virtual assets service providers (VASPs) and the suspension of the Cybercrime Levy.

In this edition of our newsletter, we highlight the significant developments that have shaped the Nigeria's "new economy" in the first half of 2024.

1. CBN Issues Revised Guidelines For International Money Transfer Operators

In a bid to liberalise the foreign exchange market and to boost foreign capital inflows, the Central Bank of Nigeria (the "CBN") issued the revised Guidelines on International Money Transfer Services in Nigeria (the "Revised Guidelines") which replaces the previous guidelines with a similar title issued in September 2014. There were several changes introduced by the Revised Guidelines. Notably, the Revised Guidelines expressly prohibits the banks and financial technology companies from operating international money transfer services. Another change was that the permissible activities for International Money Transfer Operators ("IMTOs") were limited to just inbound transfers. Additionally, the new minimum share capital for both local and foreign IMTOs is USD1,000,000. The CBN also increased the application fee from ₦500,000 to ₦10,000,000 and mandated all IMTOs must pay an annual renewal fee of ₦10,000,000.

2. The NDPC Issued Guidance Notice On The Registration Of Data Controllers And Processors Of Major Importance

In 2023, President Bola Tinubu signed the Nigeria Data Protection Act (the "NDPA") into law. Under the Act, data controllers and processors of major importance were mandated to register with the Nigerian Data Protection Commission (the "NDPC") within six months from the commencement of the NDPA. However, the NDPA did not clearly outline the criteria for an entity to be designated as a "data controller or data processor of major importance." Rather the NDPA empowered the Nigeria Data Protection Commission (the "NDPC") to designate data controllers and processors of major importance that are required to register. Consequently, on February 14, 2024, the NDPC issued a Guidance Notice on the Registration of Data Controllers and Processors of Major Importance (the "Guidance Notice"). The Guidance Notice classified data controllers and processors into three levels: Major Data Processing - Ultra High Level, Major Data Processing - Extra High Level, and Major Data Processing - Ordinary High Level. The respective registration fees for these levels are ₦250,000, ₦100,000, and ₦10,000. The Guidance Note gave existing data controllers and processors up to June 30, 2024, to register with the NDPC. The companies/entities affected by the Guidance Note include commercial banks, telecommunications companies, multinational companies, ministries, departments and agencies of government, schools etc.

3. The FG Suspends The Implementation Of The Cybercrime Levy

On February 28, 2024, President Bola Tinubu signed into law the Cybercrimes (Prohibition, Prevention, etc.) Amendment Act (the "Act"). Following the enactment of the Act, the CBN issued a circular on May 6, 2024, directing banks, other financial institutions, and payment service providers to implement the deduction of cybercrime levy of 0.5% on all electronic transactions done by specific businesses. The Cybercrime Levy collected are to be remitted to the National Cybersecurity Fund. The targeted

businesses are GSM service providers and all telecommunication companies, internet service providers, banks and other financial institutions, insurance companies and the Nigerian Stock Exchange. However, the Federal Government has suspended the implementation of the cybersecurity levy due to public outcry.

4. SEC Releases Proposed Amendments To The Rules On Digital Assets Issuance, Offering Platforms, Exchange, And Custody

On March 15, 2024, the Securities and Exchange Commission (the “**SEC**”) released its proposed amendments to the Rules on Issuance, Offering Platforms and Custody of Digital Assets, 2022 (the “**Proposed Rules**”) and invited stakeholders and the general public to make comments and observations on the Proposed Rules. The SEC renamed the rules as Rules on Digital Assets Issuance, Offering Platforms, Exchange, and Custody. Amongst the numerous changes, the Proposed Rules provides that no person or entity can provide virtual assets services unless they are incorporated as a company with the Corporate Affairs Commission (CAC) and registered with the SEC. Additionally, existing capital market operators who intend to offer trading, offering platforms and custodial services must establish a subsidiary or separate entity to provide these services. Under the Proposed Rules, the minimum paid-up capital for digital assets exchange and digital assets offering platforms was increased from ₦500,000 to ₦1,000,000,000, and a minimum paid-up capital of ₦1,000,000 was prescribed for digital assets custodian.

5. CBN Issues New Regulatory Guidelines For BDC Operators

After inviting the general public to comment on the exposure draft guidelines for Bureau De Change (“**BDC**”) operators on February 23, 2024, the CBN on May 22, 2024 issued the Regulatory and Supervisory Guidelines for Bureau De Change Operations in Nigeria (the “**Guidelines**”) to take effect from June 3, 2024. The Guidelines supersedes the Revised Operational Guidelines for Bureaux De Change, 2015 and any other circular or guidelines on BDCs issued by the Financial Policy and Regulation Department. The Guidelines introduce some notable innovations. The Guidelines introduced two categories of BDC licence, Tier 1 Licence and Tier 2 licence. Tier 1 BDC Licence holders are allowed to operate in any state of the federation and the Federal Capital Territory while Tier 2 license holders can only operate in a state or the Federal Capital Territory. To obtain a Tier 1 Licence, applicant must maintain a minimum share capital of ₦2,000,000,000 while Tier 2 licence applicant must maintain a minimum share capital of ₦500,000,000. The application fee was increased from ₦100,000 to ₦1,000,000 for Tier 1 licence and ₦250,000 for Tier 2 licence, while the licensing fee was increased from ₦1,000,000 to ₦5,000,000 and ₦2,000,000 for Tiers 1 and 2 licences respectively. The Guidelines also prohibited BDC operators from dealing in cryptocurrencies and other virtual assets. Existing BDC operators are required to reapply for a new licence according to the licence categories of their choice and must meet the minimum capital requirements for their selected licence category within six months from the effective date of the Guidelines.

6. NDPC Reopens Registration For DPCOS

In May 2024, the NDPC reopened the registration for Data Protection Compliance Organizations (“**DPCOs**”) to improve data processing practices in the country. Section 33 of the NDPA provides that both existing and newly registered DPCOs will be responsible for monitoring, training, auditing and rendering advisory services aimed at ensuring compliance of Data Controllers and Processors with existing legislation in the Data Protection Space. A DPCO could be a professional service consultancy firm, an IT service provider, an audit firm or a law firm. Before either of these entities can operate as a DPCO, they must have been licensed by the NDPC having filed the requisite documents. Currently the

NDPC has licensed approximately 183 DPCOs, leaving significant room for partnerships with private organisations.

7. NCC Temporarily Suspends Issuance Of Communication Licenses

On May 17, 2024, the NCC announced a temporary suspension of new license applications for three communications licenses: **(A)** Interconnect Exchange License; **(B)** Mobile Virtual Network Operator (MVNO) License; and **(C)** Value Added Service (VAS) Aggregator License. This suspension is pursuant to the NCC's powers to issue and renew licenses under the Nigerian Communications Act, 2003. It is believed that the temporary suspension of these licensing categories will enable the NCC thoroughly review key areas such as market saturation, competition level and current market dynamics. This is in response to the ongoing economic challenges and sustainability issues confronting the telecommunication sector. It is worth noting that the temporary suspension would not affect pending applications that commenced prior to the suspension period.

8. NCC Published 3 Draft Telecommunications Regulations

NCC has published three draft regulations and guidelines for stakeholder comments. The draft regulations include: **(A)** Telecommunications Network Interconnection Regulations (as amended), 2024; **(B)** Guidelines on Procedure for Granting Approval to Disconnect Telecommunications Operators (as amended) ,2024; and **(C)** Dispute Resolution Guidelines (as amended), 2024. The Telecommunications Network Interconnection Draft Regulations is an amendment of the Telecommunications Network Interconnection Regulations, 2007. It sets out an interconnection arrangement, which outlines the rights, obligations, and dispute resolution procedure, for licensed communication operators within the industry. It also incorporates minor changes to the extant regulation by substituting the word telecommunication for communication. The Guidelines on Procedure for Granting Approval to Disconnect Telecommunications Operators is expected to replace the 2012 regulation. This regulation applies to network facility providers and proposes methods for disconnecting a licensee in an interconnection arrangement. The Dispute Resolution Guidelines amend the 2004 version of the regulation by stipulating the applicable procedure for small claims consumer dispute arbitration within the communications sector.

Although these draft regulations are likely to impact the telecommunication industry significantly, they are susceptible to change as the NCC invited stakeholders and other interested parties to review and comment on how the regulations can be improved. These comments and submissions were to be sent in on or before May 10, 2024 after which a final version will be documented and published.

9. SEC Issues A Framework On Accelerated Regulatory Incubation Program (ARIP) For The Onboarding Of Virtual Assets Service Providers (VASPs) And Other Digital Investments Service Providers (DISPs)

The SEC provided a special window for the onboarding of Virtual Assets Service Providers ("VASPs"), tagged Accelerator Regulatory Incubation Programme ("ARIP"). All VASPs are mandated to complete the application into the ARIP within thirty (30) days from the date of issuance of the circular. The ARIP is aimed at ensuring the smooth onboarding of VASPs and other DISPs seeking to be registered to the commission. The ARIP would provide those registered with the requisite guidance to comply with the SEC's frequent regulatory demands, before becoming operational in Nigeria's capital market. This would also enable the SEC to understand the digital assets business, in order to create regulations that adequately addresses their business needs. Registration on the ARIP would attract a non-refundable

processing fee of ₦2,000,000 (Two Million Naira) and a current fidelity bond, covering at least 25% of the required shareholder fund. Sanctions will apply for VASPs that fail to comply with the registration as set out by the SEC.

10. National Identity Management Commission (Nimc) Proposes New General Multipurpose National Identity Card

The NIMC in collaboration with the CBN and the Nigeria Inter-bank Settlement System (NIBSS) has announced a launch of the multipurpose national identity card. This initiative aims to eliminate the need for Nigerians to possess multiple cards. The national identity card will serve various functions including identification for cardholders, making payments, facilitating travel, accessing government and private social services. Applications for the card will be processed through the NIMC self-service portal using the applicant's National Identity Number (NIN). The cards will be issued via the applicant's banks in line with existing protocol for Debit/Credit cards issuance.

Conclusion

As we look ahead to the second half of 2024, we remain committed to keeping you informed about the dynamic regulatory landscape and its impact on the Nigerian telecommunications, technology and financial services industries. These significant developments are just the beginning of what promises to be an exciting year of growth and innovation. We appreciate your continued engagement, and we look forward to supporting you through these developments.

LOCATIONS

LAGOS OFFICE

6 Broad Street
Lagos, Nigeria

T: +234 (1) 460 7890

E: gelias@gelias.com

ABUJA OFFICE

2nd Floor, Abia House,
Plot 979, First Avenue,
Central Business District
F.C.T, Abuja.

T: +234 (1) 888 8881

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