



What you need to know about **PROJECT GIANT** **CBN'S CENTRAL BANK DIGITAL CURRENCY (CBDC)** **E-NAIRA**

Introduction

The CBN, like other Central Banks globally, has commenced preparation for the issuance and operation of Central Bank-issued Digital Currency (CBDC). This project is driven by a collaboration between the CBN and its technical partner, Bitt. Inc.



What is CBDC?

A CBDC is a digital representation of a fiat currency, denominated in an existing unit of account, which serves both as a medium of exchange and a store of value. Most existing CBDC plans envision improved payment efficiency (including new monetary policy transmission channels), financial inclusion, safety, privacy and compliance.



What is the timeline for issuing CBDC by CBN?

Following CBN's decision to implement the CBDC, it put in place a 4 phased roadmap that would lead up to the Pilot launch of the e-Naira on October 1, 2021. The phases involved the assessment of the project, designing the e-Naira architecture and acquiring the technological resources and skills, customization of the e-Naira in line with the objective, training and onboarding of financial institution, consumer awareness programs and the roll-out of e-Naira through authorized payment services facilitators. On 1st of October 2021, the pilot launch of the e-Naira would take place.



Which Geographical Location Would Have Access to the e-Naira Pilot Launch?

The system would be rolled out in Port-Harcourt, Abuja, Kano and Lagos.



How Would the e-Naira Roll-out and Transaction Activities be Secured?

The digital platform of the CBDC will be onboarded using strict Anti-Money Laundering/Combating the Financing of Terrorism regulatory standards as its KYC models. It will leverage on the banks' existing customers legacy KYC infrastructure.



Operations/Stakeholders of the e-Naira

Monetary Authority (Central Banks) with responsibilities to issue, distribute, redeem and destroy digital currency. The CBN would maintain control and security of e-Naira minting, store data on secure cloud server and also monitor and analyze currency transactions.

Licensed Financial Institutions and Government Agencies would be able to request CBDC currency/issue stable coins, manage digital currency across its branches, perform authentication and KYC procedures.

Government Ministries, Departments and Agencies (MDA) would process digital payments sent and received from citizens and businesses, analyze transactions and reconcile accounts.

Businesses and Merchants would provide low-cost solutions to manage payments, offer POS, remote and online payments

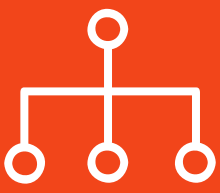
Banked Consumers and Unbanked Consumers would have access to a simple user experience platform, expandable architecture to facilitate innovation and advanced privacy and security features.



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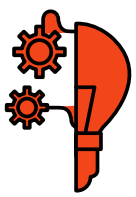
What are the Consumer Wallet KYC and Transaction Structure?

Tier 1 are consumers with no existing bank account, with a daily transaction and balance limit of N50,000 and N300,000 respectively, the KYC requirement is validation of telephone number using NIN.

Tier 2 are consumers with an existing bank account, with transaction and balance limit of N200,000 and N500,000 respectively, the KYC requirement is validation of BVN.

Tier 3 are also consumers with existing bank account, with transaction and balance limit of N1,000,000 and N5,000,000, the validation requirement is also BVN. Although existing MMOs authenticators would be required to conduct physical verification and comply with all KYC procedures provided under the CBN Anti-Money Laundering and Combating the Financing of Terrorism Regulations, 2013.

Merchants would have a daily transaction send and receive limit of N1,000,000 and N5,000,000 respectively with an uncapped daily balance limit. Their KYC procedures remain the same as stated in the CBN AML/CFT regulations.



Cost Benefits and Incentives of the e-Naira

Upon the roll-out of the e-Naira platform, it is expected that there would be no e-Naira Merchant transaction costs on the platform as opposed to the current cost of e-transactions. Similarly, there would be no e-transaction costs for consumers when they make platform wallet to merchant transactions or platform to platform transactions.

What is the e-Naira Onboarding Process?

Prior to the customer's onboarding process, Banks are to send invitations to its customers to register for the e-Naira; a special code is then sent to selected customers for the validation of the e-Naira wallet

- Customer downloads the e-Naira speed wallet
- Customer enters invitation code sent by its Bank; the CBN Digital Currency Management System (DCMS) system validates the code
- If code is valid, customer is required to enter its BVN, Date of Birth, TIN and the DCMS validates this information through its integration with NIBSS and FIRS
- If information is valid, the system creates the customers e-Naira wallet and activates it.
- A notification is sent to the customer as well as the FI of the e-Naira wallet activation.

How Would the e-Naira be Circulated?



e-Naira transaction Process for FI: Financial Institutions (FI) can request/uptake e-Naira

- FI logs into its e-Naira platform and generates OID; the CBN through its Real Time Gross Settlement System (RTGS) uses the OID generated to request for a sum of the e-Naira
- CBN reviews, approves, mints, then transfers the e-Naira from its Stock Wallet to the FI's Treasury Wallet
- The FI receives a transaction notification on its treasury wallet

Financial Institutions request to return e-Naira

- FI logs into its e-Naira platform; requests to return e-Naira
- The CBN through its Digital Currency Management System (DCMS) credits the FI's current account, debits its e-Naira's Currency in Circulation (CIC) and transfers e-Naira from the FI's Treasury Wallet to the CBN's stock wallet



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e-Naira Transaction Processes and Lifecycle

1. An e-wallet holder can initiate e-Naira transfers to another e-wallet holder using the e-Naira wallet
2. Topping-Up the e-Naira Wallet: the e-Naira wallet platforms allows a consumer to credit its e-Naira wallet from consumer's bank account app (the consumer's bank could be either the same as its e-Naira Wallet's bank or a different bank). Credit is also permitted on the e-Naira Wallet from a 3rd party's account
3. Cashing out from the e-Naira Wallet: Customers are allowed to cash out.
 - From their e-Naira wallet to its cash account within the same bank or its account in another bank and from its e-Naira wallet to another consumer's bank account within the same or in a different bank
 - However, e-Naira transfers for Naira cash withdrawals from a FI is not allowed: it is still unclear why this limitation exists considering that although it is expected to be a digital alternative for cash, a global feature is that it continuously operates both online and offline.



What are Other e-Naira Use Cases?

1. Merchants e-Naira onboarding process is the same with individual customer onboarding process as stated above. There are no infrastructures for corporate accounts yet such as multiple signatories.
2. Transactions involving a merchant include person to merchant/business (P2B); merchant/business to person (B2P). Transfer of e-Naira to merchant for cash hand over is not allowed.
3. e-Naira wallet holders can handover cash to verification agents including banks and merchants for the e-Naira equivalent.
4. Government ministries, departments and agencies (MDA) also have access to the e-Naira wallet. For this purpose, the MDAs are also to onboard to the e-Naira wallet.
5. MDA downloads the e-Naira speed wallet and logs in with its MD code. It enters its TSA/T24 account onto the platform and the system validates the account.
6. International Money Transfer Operators (IMTO) also receive e-Naira for their customers through varying alternatives such as partnering with a local bank, prefunded e-Naira account and guarantees from local banks.

What are the Roles of Banks in Facilitating the eNaira Project?



The Banks would facilitate the marketing and promotion of the eNaira to existing and potential customers, provide onboarding and support services to customers, facilitate the distribution of the eNaira to customers and implementation of necessary integration channels for the efficient distribution of the eNaira. It would also ensure compliance with KYC and AML/CFT requirements.

For more information, you can contact us at info@punuka.com

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