

# New Cash Policy

## Stakeholder Engagement Sessions



## Cashless Lagos Implementation

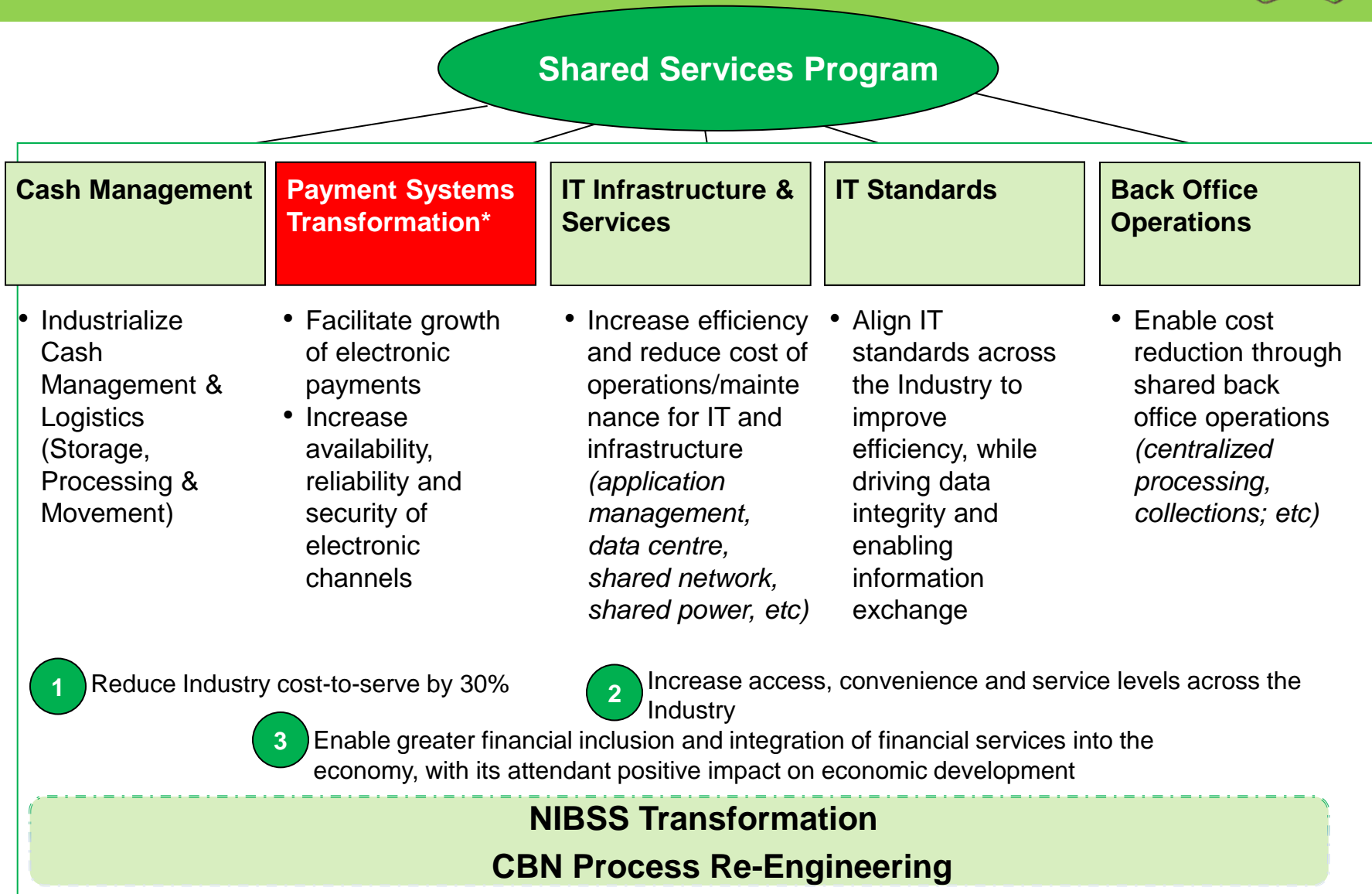
October 2011





- **Context – Shared Services Program**
- **Overview & Implications of Nigeria’s Cash Economy**
- **Cash-Less Lagos**
- **Are you ready?**

# Overview: CBN, in conjunction with the Banker's committee embarked on a Shared Services program with three key objectives, including a drastic cost reduction of 30%

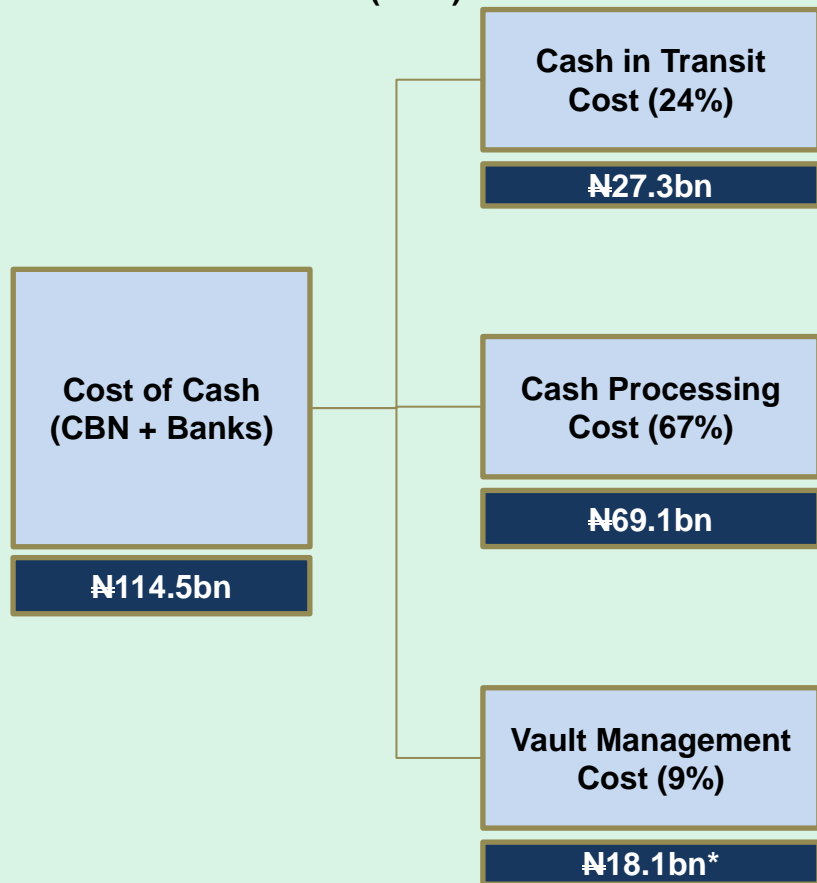


\* Payments is the key driver of cost of distribution, which accounts for almost 60% of the industry cost base

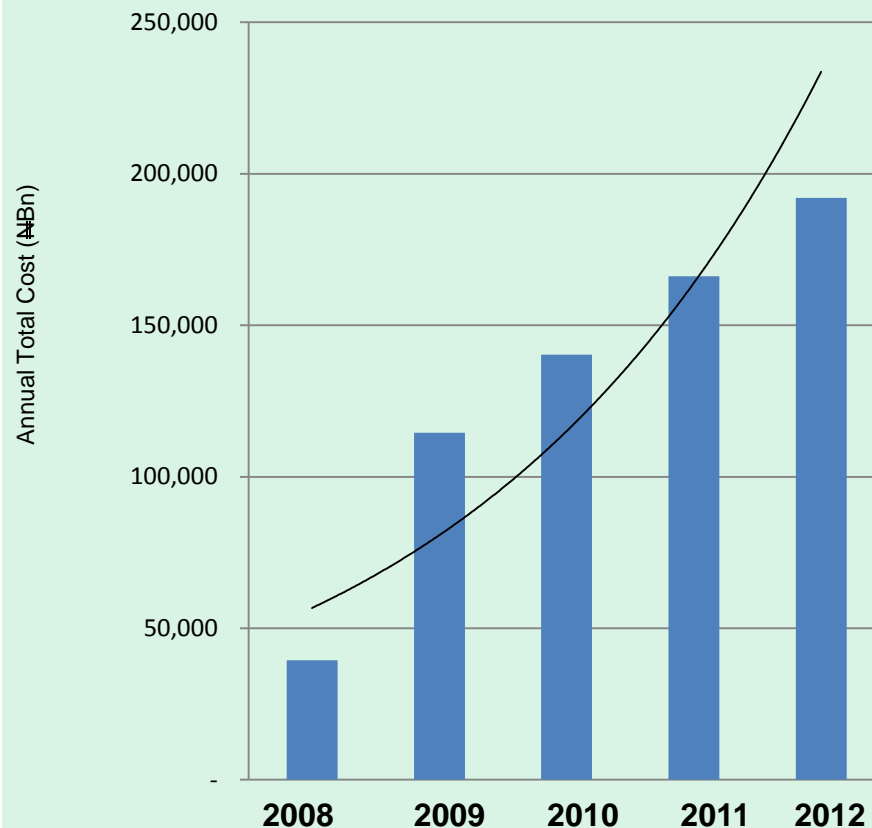
# Cost of cash to Nigeria's financial system is high and increasing. In fact, direct cost of cash is estimated to reach N192 billion in 2012



Direct cost\* of cash to Financial system (2009)



A 5-year projection of the direct cost of cash to Financial System



Source: A compilation of actual data from the CBN and 17 banks in the FSI (data extrapolated for 24 Banks).

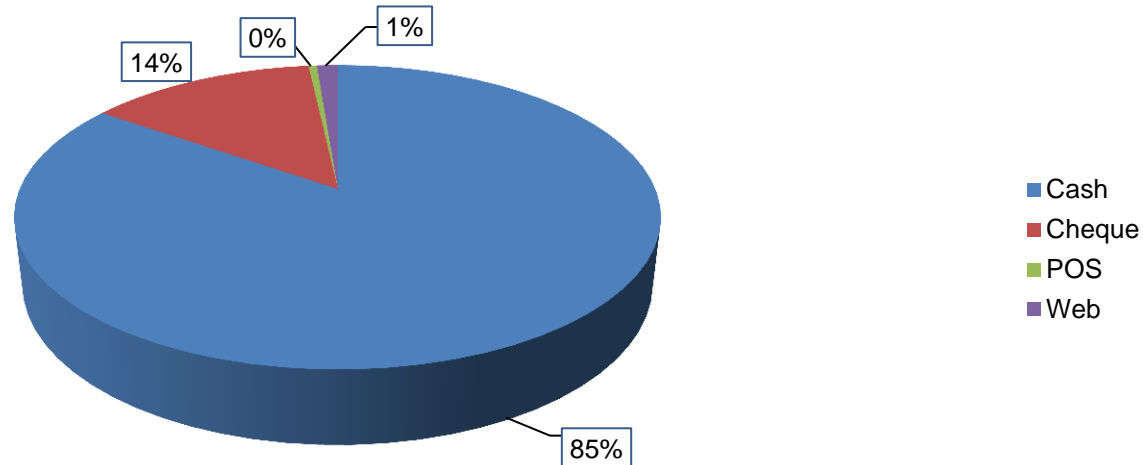
\*Does not include bank cash infrastructure costs and employee costs attributable to cash logistics

# Nigeria is a cash based economy with retail and commercial payments primarily made in cash



**Cash related transactions represent over 99% of customer activity in Nigerian banks today.**

Payment Channel	Transaction Volume
<i>ATM Withdrawals</i>	<b>109,592,646</b>
<i>OTC Cash Withdrawals</i>	<b>72,499,812*</b>
Cheques	29,159,960
POS	1,059,069
Web	2,703,516

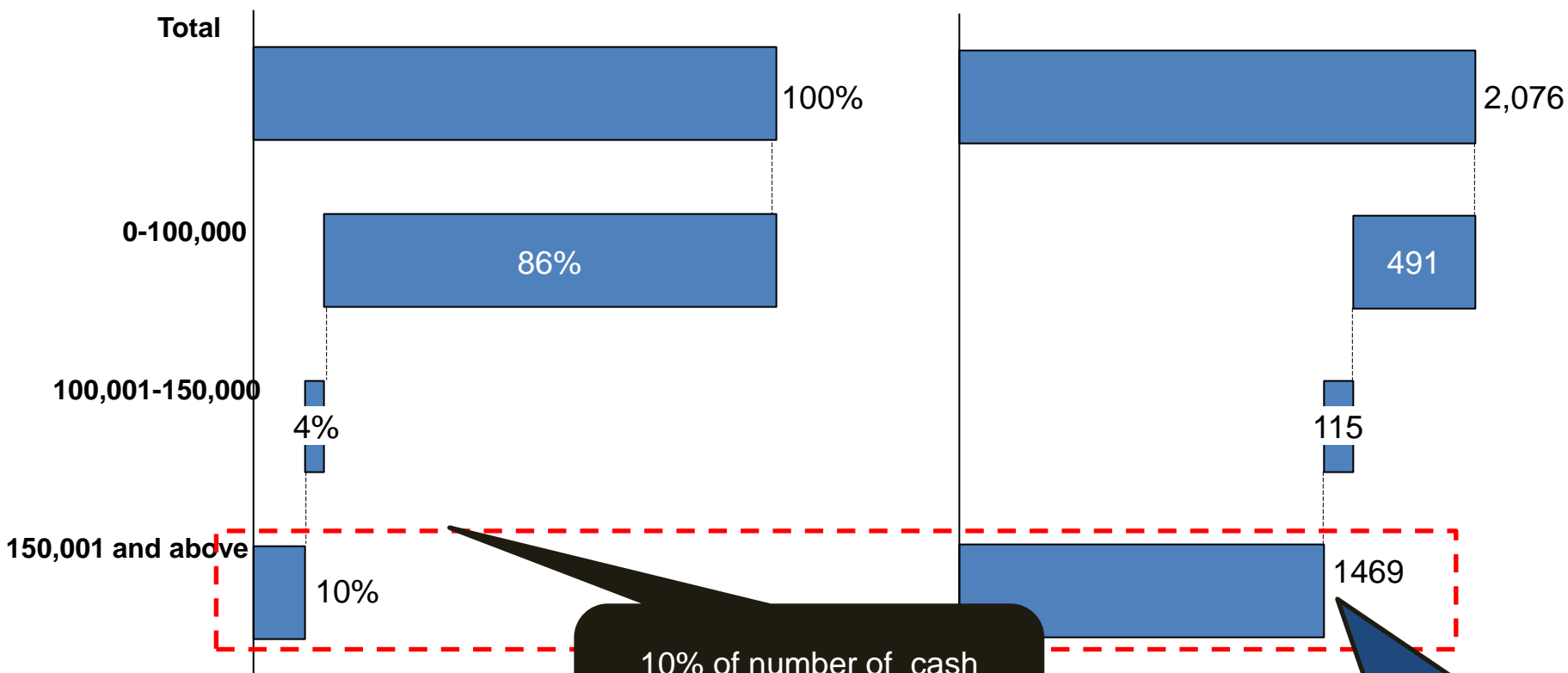


# However, only 10% of branch cash transactions are above N150,000, but they make up ~71% of the value of cash transactions



Branch Cash transactions– number of transactions

Branch cash transactions - value of transactions(N'Bn)



10% of number of cash transactions are above N150,000

But accounts for 71% in value of cash transactions

\* Base data is reflective of the Nigerian Banking Industry

# In addition, the high usage of cash results in a number of challenges across the system



## Example of challenges resulting from high-cash usage (Not Exhaustive)

- **Robberies and cash-related crime**
- **High cost of processing borne by every entity across the value chain** (i.e. from CBN, to Banks, to the operating entities as well (e.g. staff required to process cash transactions, manual operating systems, etc))
- **Revenue leakage arising from significant handling of cash**
- **Inefficient treasury management due to nature of cash processing**

# To address these challenges, the Cash policy was introduced to encourage cashless payments, while ensuring not all consumers subsidize the few 'heavy cash' users



## Key Components of Cash Policy Circular

- Commencing from **January 1st, 2012**, a **daily cumulative limit of N500,000 and N3,000,000 on free cash withdrawals and lodgments** by individual and corporate customers respectively in **Lagos state**.
- Commencing from **January 1st, 2013**, a **daily cumulative limit of N500,000 and N3,000,000 on free cash withdrawals and lodgments** by individual and corporate customers respectively **nationwide**.
- Individuals and corporate organizations that make **cash transactions above the limits will be charged a penal fee of N20/thousand and N30/thousand** respectively for deposit amounts above the cumulative limits, **as well as N30/thousand and N50/thousand** respectively for withdrawal amounts above the cumulative limits.
- Furthermore, **3rd party cheques above N150,000 shall not be eligible for encashment over the counter**. Value for such cheques shall be received through the clearing house.
- **Banks will cease cash in transit lodgment** services rendered to merchant-customers from January 1st, 2012 (to be replaced by CBN licensed CIT providers)
- **No card scheme shall operate exclusive acquirer agreement or contract** in Nigeria with effect from June 1, 2011

## Implications & Priorities

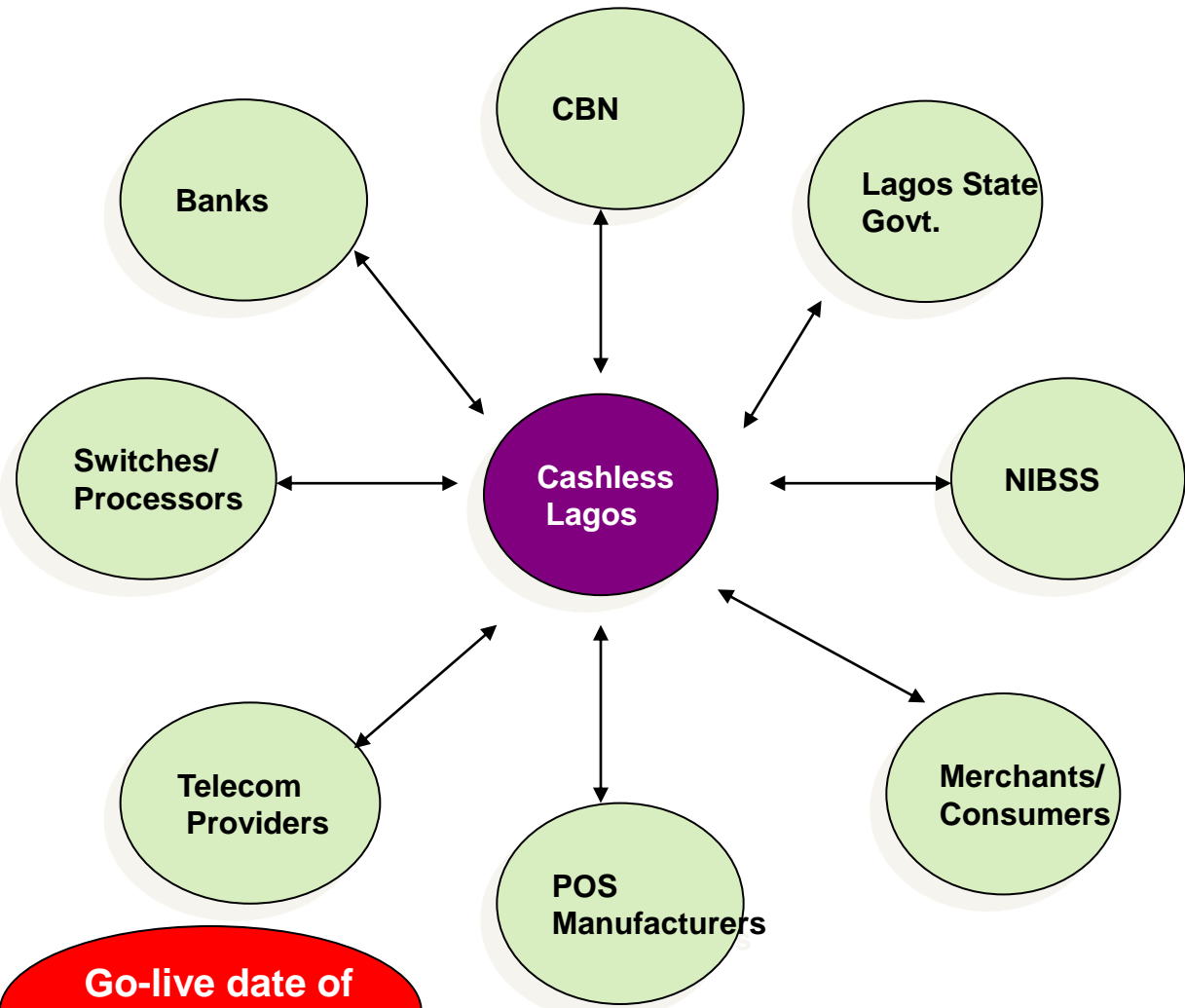
- **Increasing availability and reliability of alternative payment channels**; as well as ensuring **effective settlement cycles**
- Ensuring appropriate options to **enable addition of 'new entrants' into the banking system** (e.g. KYC requirements)
- **Educating and creating awareness** amongst consumers, merchants, other stakeholders
- Instituting a **framework to ensure monitoring and compliance** of policy; **mitigate risks**; as well as **assess the impact** on economy and industry cost-to-serve

# “Cashless Lagos” is the cross-industry collaborative effort executing the payments transformation plan in Lagos state



## GOALS:

- Implement new cash policy and demonstrate Feasibility/Benefits
- Significantly increase POS penetration and usage
- Significantly push awareness and usage of other electronic channels (e.g. *Direct Debit, Electronic Funds Transfer, Mobile payments, ATMs etc*)

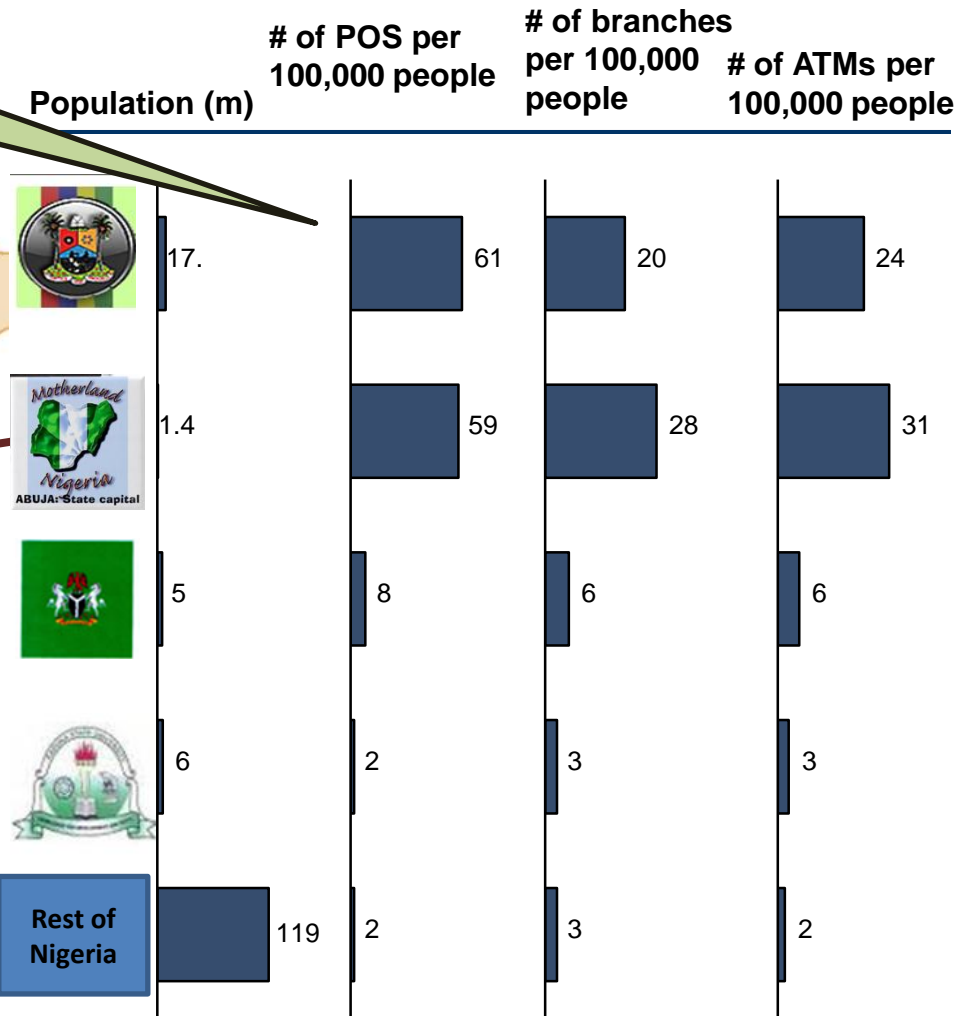


**Go-live date of January 1<sup>st</sup> 2012**

# Why Lagos? - Lagos is ahead of other States in terms of banking penetration and payment infrastructure



Lagos accounts for 85% of POS transactions; and ~66% of cheques\*



\* 2009 Data

# Cashless Lagos: Alternatives to cash will be made available for both retail and wholesale cash users



**Industry stakeholders are jointly working together to increase the alternative channel penetration, functionality, and ease-of-use**

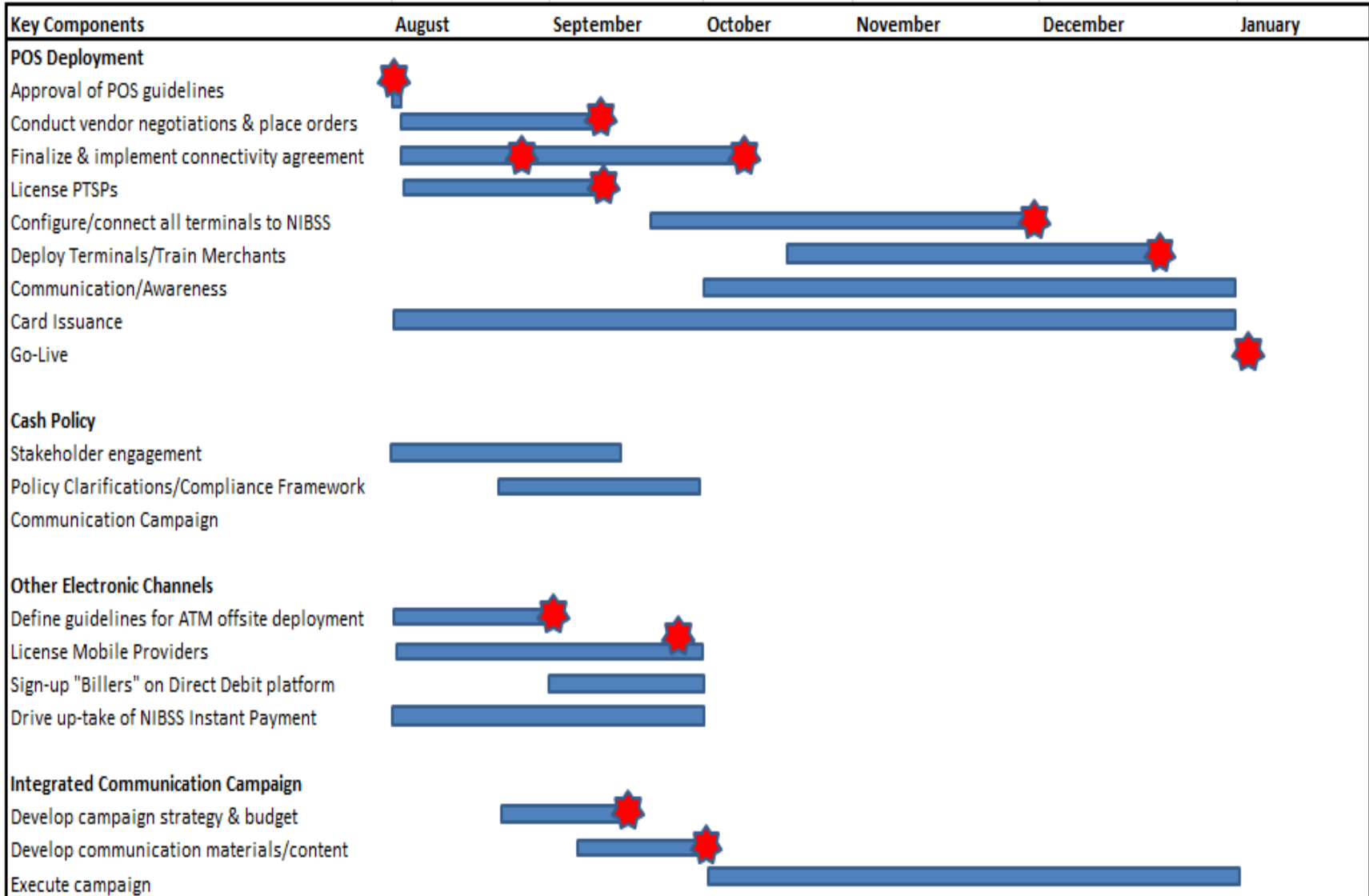
- **Point-Of-Sale Systems:** Card Neutral (Interoperability); Improved Connectivity; Greater reach/deployment, T+1 settlement
- **Mobile Payments:** Eleven players fully licensed; few others in pilot mode
- **Multi-functional ATMs:** Withdrawal, Cash-deposit, Bill payments, etc
- **Internet Banking:** Intra and Inter Bank funds transfer
- **(Instant) Electronic Funds Transfer:** Instant transfer option currently offered through NIBSS
- **Direct Debits:** Automated Direct Debit option being piloted with a few Banks and Billers



# Cashless Lagos: Work has commenced in earnest, with clear milestones defined in four key areas



## High-Level Roadmap for Cashless Lagos (Key Milestones)

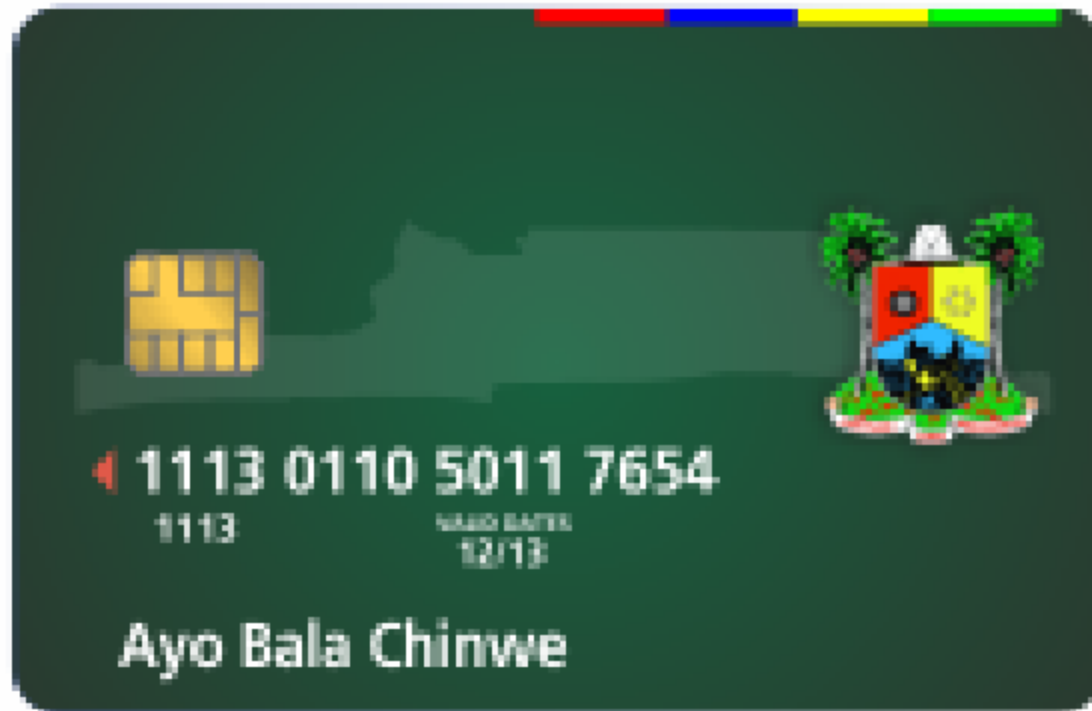


# Significant opportunities exist for various stakeholders



Stakeholders	Expected Benefits	Areas to support <i>(not exhaustive)</i>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Optimize tax revenue collection</li> <li>• Increased economic growth (positive correlation with increased payment efficiency)</li> <li>• Increased financial inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Tax incentives to drive adoption of electronic payments</li> <li>• Laws to support electronic processing &amp; payments</li> <li>• Continued support of E-payments drive through own internal processes</li> </ul>
<b>Consumers</b>	<ul style="list-style-type: none"> <li>• Faster, easier payments</li> <li>• Increased convenience/access (more payment options)</li> <li>• Reduced risk of robbery</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer sensitization &amp; awareness</li> <li>• Consumer education – knowledge of their rights</li> <li>• Feedback forums to regularly engage various customer segments and monitor quality of dispute resolution</li> </ul>
<b>Corporations</b>	<ul style="list-style-type: none"> <li>• <b>Better access to capital</b> due to shorter payment processing times</li> <li>• <b>Increased efficiency</b> of payment processes and accounting</li> <li>• <b>Reduced revenue leakages</b></li> <li>• More <b>efficient treasury management</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Embrace alternative channels</b> – for <b>internal use and dealing with 3<sup>rd</sup> parties</b> (<i>proactively engage banks on solutions; electronic bill payments, etc</i>)</li> <li>• Sign-up for <b>Direct Debit</b> (<i>where applicable</i>)</li> <li>• <b>Transfer some of efficiency benefits to customers via incentives</b> to encourage e-channels</li> </ul>
<b>Banks</b>	<ul style="list-style-type: none"> <li>• <b>Efficiency</b> through electronic payment processing</li> <li>• <b>Reduced cost</b> of operations (cash handling)</li> <li>• <b>Increased banking penetration</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increase <b>availability, functionality, and dispute resolution</b> process for <b>e-channel solutions</b></li> <li>• Begin <b>customer engagement</b> on alternative platforms now &amp; <b>participate in engagement sessions</b></li> <li>• <b>Order POS terminals</b> &amp; source merchants</li> <li>• <b>Leverage NIBSS</b> service offerings</li> </ul>

# Are you ready for Cashless Lagos?



# CashlessLagos™

# Initial Ideas - How you can support..... (not exhaustive)



## As Individuals....

- Sign-up for a Debit Card with your bank today! (*Various types, many benefits*)
- Use your card for payments – ask merchants for their card options
- Sign-up for electronic products (Internet Banking, Mobile Banking, etc)
- Inform and educate your circle of influence – spread the word!
- Other ideas????

## As an Organization/Institution/Corporation....

- Electronic payments (Salaries)?
- Provide customers with electronic options for payments to you (discourage use of cash payments – e.g. cash limits)
- Pay your contractors/3<sup>rd</sup> parties electronically
- Other ideas????



## Every Monday – ThisDay, Punch, BusinessDay



**CENTRAL BANK OF NIGERIA**

### Are you prepared for Cashless Lagos?

Over the next few weeks, CBN in conjunction with Banks and other key stakeholders will be conducting targeted, interactive stakeholder forums to enlighten the public on the new cash policy, and the safe and secure alternative electronic options available for making payments. From artisans and traders, to religious associations and professional bodies – we will be talking to stakeholders across all sectors of the economy. Tune-in to this section every Monday to get regular updates on Cashless Lagos.

#### Gallery








#### Did you know?

- Eleven operators have been licensed to serve as Mobile payment providers. Majority of the providers are expected to launch their service by October.
- CBN recently licensed six Payment Terminal Services Providers (PTSPs) to support and maintain Point-of-Sale terminals, in line with the cashless Lagos drive. The licensed PTSPs are ValuCard, ETOP, ITEX, Paymaster, CitiServe, and EasyFuel (focused on the downstream sector).
- There will be no need for a separate point-of-sale terminal for each type of card scheme going forward, as all terminals will be equipped to accept payments for any type of card (e.g. visa, master card, verve, genesis, etc). No more "we don't accept this card" or "we only accept that card".

#### This Week's Schedule

1. **Monday, September 26th 2011**, Ilepo Market
2. **Tuesday, September 27th 2011**, Lagos State Water Management Office
3. **Wednesday, September 28th 2011, Lagos State Parastatals**: Lagos State Sports Council; Lagos State Task Force on Environmental Monitoring; Lagos Metropolitan Transport Authority; Lagos State Electricity Management Board; Lagos State Printing Corporation; Ketu Market
4. **Thursday, September 29th, 2011**, Ojuwoye Market
5. **Friday, September 30th, 2011, Lagos State Parastatals**: Lagos Metropolitan Transport Authority; Lagos State Printing Corporation, Lagos State Public Service Staff Development Centre (PSSDC);

#### Q&A

**Question:** When does Cashless Lagos officially start?  
**Answer:** Cashless Lagos goes live on January 1st, 2012!



For more information, questions, feedback, please contact: **email:** [sharedservices@cbn.gov.ng](mailto:sharedservices@cbn.gov.ng) or **call** 0816 594 9918.



***THANK YOU  
FOR LISTENING!***