



SUPER-AGENT LICENCES AND THE IMPLICATIONS FOR TELCOS & BANKS IN NIGERIA

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On the 29th of July 2019, MTN's subsidiary; Yello Digital Financial Services Limited ("YDFSLS") was issued a licence to operate as a Super-Agent by the Central Bank of Nigeria ("CBN"), making MTN the first Telco in Nigeria to delve into financial services.

As with the Payment Service Banks ("PSB") and the Shared Agency Network Facility ("SANEF") initiatives, the issuance of the licence to YDFSLS is another step taken by the CBN to drive financial inclusion in Nigeria. These initiatives were introduced in order to penetrate the smaller and largely unbanked communities within Nigeria and it seems that the Telcos are looking to take advantage of it.

WHY WOULD MTN CONSIDER THIS VENTURE?

According to Enhancing Financial Innovation & Access (EFInA); a reputable financial sector development organisation, only about 39.7% of the adult population were banked in 2018[1] and while those numbers are improving, Nigeria is still lagging in terms of financial inclusion[2].

By the end of the first quarter of 2019, MTN was stated to have about 60.3 million subscribers and is now the mobile network operator with the highest subscribers.

Interestingly, this figure far exceeds the highest number of customers of any Nigerian Bank[3].

SO WHAT ARE SUPER-AGENTS AND WHAT ARE THE IMPLICATIONS FOR BANKING INSTITUTIONS NOW THAT TELCOS ARE GETTING INVOLVED?

1. In simple terms, a Super-Agent is a corporately licensed entity that is empowered to conduct certain banking activities within the community.
2. The CBN Guidelines for the Regulation of Agent Banking and Agent Banking relationships in Nigeria, prescribes the scope of banking activities of Super-Agents as[4]:
 - Cash deposit and withdrawal;
 - Bills payment (utilities,taxes, tenement rates, subscription etc.)
 - Payment of salaries;
 - Funds transfer services (local money value transfer)
 - Balance enquiry

[2] <https://www.efina.org.ng/about/financial-inclusion/#>

[3] <https://www.vanguardngr.com/2019/05/mtn-adds-2-1m-subscribers-grows-service-revenue-by-13-4/>

[4] Article 6.2 of the CBN Guidelines for the Regulation of Agent Banking and Agent Banking relationships in Nigeria

- Generation and issuance of mini statement;
- Collection and submission of account opening and other related documentation;
- Agent mobile payments/banking services;
- Cash disbursement and cash repayment of loans;
- Cash payment of retirement benefits;
- Cheque book request and collection;
- Collection of bank mail/correspondence for customers; and
- Any other activity the CBN may prescribe from time to time.

3. According to the CBN Regulatory Framework for Super-Agents in Nigeria (“The Framework”), the responsibilities of a Super-Agent are as follows[5];

- Monitoring and supervising the activities of its agents;
- Maintaining information on the volume and value of transactions carried out for each type of service by each agent;
- Monitoring effective compliance with set limits and establishing other prudential measures in each case; and
- Taking all other measures, including onsite visits, to ensure that agents operate strictly within the requirements of the law, the guidelines[6] and the contract between the agents and the financial institutions.

4. One of the differences between a Super-Agent and a traditional bank is that the former is restricted from holding electronic money value.

What this means is that, while a Super-Agent can drive financial inclusion through cash transfers in local communities, the level of their cashless transactions is limited.

However, this difference does not exist between the traditional bank and the PSB’s, as they can hold electronic money value and so do not suffer the same restriction as the Super-Agent in this regard.

CONCLUSION

While it may be too early to predict, the numbers show that Telcos are connecting with locals at a higher rate than any bank currently.

They are more ingrained in the local communities of Nigeria when it comes to telecommunications, and have agents scattered across numerous local governments in different states of the Federation.

As a direct result of the already forged relationships in these parts, Telco financial service subsidiaries are likely to find it easier to engage the locals as Super-Agents or PSB’s, than the banks have.

[5] Article 4.0 of the Regulatory Framework for Licensing Super-Agents in Nigeria

[6] Guidelines for the Regulation of Agent Banking and Agent Banking relationships in Nigeria



This gives Telcos a huge advantage in terms of penetrating the communities, and with several of them (including MTN or any of its subsidiaries) pushing to obtain a PSB licence, it is only a matter of time before the entire sector begins to consider expansion into financial services.

So until banking institutions find innovative ways to improve, simplify, and most importantly, on-board a great percentage of the grass root communities in the flow of their transactions, they may be facing a new kind of disruption.



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