

UK Remittances to Nigeria: A market analysis of the immediate effects & responses to CBN's 30th November 2020 Dollar Directive

A Report By



About DMA Global

Headquartered in central London with regional offices in Accra, Ghana and Sydney, Australia, DMAG is delighted to submit this proposal in response to Pangea Trust's "Conducting Diaspora Remittances Mapping in Ethiopia." DMAG's core competencies include: remittances and payments market research, diaspora engagement and investment research, scorecard development, programme design and implementation, product design, and market entry.

Widely regarded as a leading development consultancy, DMAG is engaged by both the public and private sector to deliver projects around the world. We have a particular focus on Africa and to date we have worked in the UK, Africa (Djibouti, Ethiopia, Ghana, Kenya, Morocco, Nigeria, Senegal, Somalia, South Africa and Tanzania), throughout the EU, Canada, Australia, New Zealand, CIS countries (Armenia, Kyrgyz Republic, Moldova and Tajikistan), the USA, Asia Pacific (including Singapore, Malaysia, India and China) and Latin America and the Caribbean.

Executive Summary

Remittances sent through formal channels benefit governments by bringing access to hard currency providing visibility to and assist with the management of the economy. Nigeria has one of the largest and more complex remittance markets in the world, however, the very large informal segment impedes the potential benefits of these flows being realised by the government.

To address the challenges with informality and specifically the lack of foreign exchange in the country, the Central Bank of Nigeria (CBN) on 30 November 2020 mandated that all remittance transactions from now on must be paid out in US dollars, either in US dollar cash or credited to a US dollar domiciliary account. Previously the legislation had mandated that all international remittances should be paid out in Naira.

It is against this backdrop that the FCDO commissioned a study to investigate the informal remittance market in Nigeria, particularly focusing on the UK to Nigeria corridor. This report further examines the impact of the new directive on remittance receivers, both formal and informal users as well as understanding the impact on market operators.

Market background - SSA's largest market but a strong informal component

Nigeria is the largest inbound remittance market in Sub-Saharan Africa and the 7th largest in the world. CBN data suggests a decline in remittance flows of 27 percent from the previous year reaching US\$17.2 billion¹ in 2020 (although the clarity of remittance data is a problem in the market), which is driven by the impact of COVID-19 and also the strengthening of the informal market. Formal remittances are estimated to have accounted for 4.0 percent of GDP in 2020² and are therefore a key contributor to the Nigerian economy.

The UK is the second largest sender of remittances to Nigeria, behind the US, and is estimated to have transmitted GBP 2.7 billion in 2020³. Money from the UK is predominantly sent via international money transfer operators and FinTechs and is paid out by banks in Nigeria. Prior to the series of directives issued by the CBN it was possible to pay out remittances via mobile money, however, this is no longer the case⁴ It cost the sender 3.7 percent⁵ of the send amount in Q1 2021 to send money from the UK to Nigeria. Prices have significantly declined in the last twelve months, falling from 7.5 percent in Q1 2020, primarily due to lower exchange rates being applied⁶.

For Nigeria the informal market is driven by the parallel foreign exchange market, which is largely driven by constraints on the access consumers have to foreign exchange. The parallel market exchange rate is the exchange rate provided by unlicensed (informal) forex providers who do not use the CBN's official exchange rate. The parallel rate is often more favourable and hence consumers are drawn to it. Due to its very nature of being 'informal' the scale of money sent through informal channels is not known. Nigeria has several fixed (as opposed to floating)

¹ [Vanguard \(2021\). *Diaspora cash remittances drop by 27% to \\$17.2bn.*](#)

² [World Bank \(2021b\). *Inflows: Annual Remittances Data \(updated as of May 2021\).*](#)

³ [World Bank \(2018\). *Bilateral Remittance Matrix.*](#)

⁴ As a result of CBN directive.

⁵ DMAG mystery shopping conducted January 2021.

⁶ [World Bank \(2021a\). *Remittance Prices Worldwide.*](#)

Note that for Q1 2021 analysis shows that a limited number of UK licenced operators are providing services at negative exchange margins which means that there is probably arbitrage practices being undertaken, where certain operators are buying Naira at parallel market rates.

exchange rates between the Nigerian Naira and the US Dollar. As a result of lower oil prices in recent years, the Naira is overvalued and hence the gap between the parallel (or black market) and official exchange rates has widened, growing from around 2-5 percent (in Q2 2020) to currently over 25 percent⁷.

As such, remittance beneficiaries prefer to receive funds through informal channels which offer a better rate more in-line with the black-market rate rather than the official rate and ultimately to receive more money in Naira.

Informal remittance services predominantly work through “round-tripping”. This term refers to when a company that is sending the money on behalf of a customer uses its connections in Nigeria to have Naira credited to the bank account of the receiver (or collected in cash). However, the money is not actually sent to Nigeria and is subsequently paid offshore to another entity or netted off.

A new directive mandating paying out in US dollars

Whilst the Nigerian remittance regulatory environment is comprehensive and structured it has experienced major changes in recent months.

- Since December 2020 the Central Bank has mandated that all transactions are paid out, or credited to a bank account, in USD in an effort to bring more US dollars into the country and reduce the perceived advantages of the parallel market.
- Additional measures have subsequently been introduced, including a circular reminding banks and others that cryptocurrency is prohibited in the country (and has been since 2017) even though the country is the second largest user of cryptocurrency in the world⁸. This is relevant as it is understood that a portion of the cryptocurrency trade was for remittance purposes.
- The CBN has also issued an incentive, on 8 March 2021, similar to those introduced in Pakistan and Bangladesh, where for every USD received by a consumer they will also be paid NGN5 into their account or in cash as a bonus.

Impact on remittance service providers

The directive’s introduction, and a number of subsequent clarification communications, has resulted in some disruption to the market. Its implementation was not well signposted and happened at the busiest time of the year for operators.

It took some time for Money Transfer Operators (MTOs) and local banks to make the necessary changes and given that there was a low level of USD accounts in the country (less than 5 percent at the time of its introduction) delays were experienced and/or some transfers were returned to the senders. This caused major disruption to some businesses. Since then, banks have started to open dollar accounts, unprompted, for those Naira account holders receiving remittances.

Digital remittance providers have been the most negatively affected, with the crediting of electronic wallets in particular, essentially banning this transfer method, since these are only

⁷ [Central Bank of Nigeria \(CBN\) \(2021\). *Monthly Average Exchange Rates of the Naira \(Naira Per Unit of Foreign Currency\) – 2021.*](#)

⁸ [Quartz Africa \(2020, December 18\). *Nigeria is now the No.2 bitcoin market on this fast-growing global marketplace.*](#)

available in Naira. This will have a severe impact on financial inclusion levels as e-wallets were providing the unbanked with access to financial services.

The lack of USD clearing in the country (domestic payments are cleared through the Nigerian ACH in Naira) has caused further problems meaning that RSPs need to partner with more individual pay-out partners rather than being able to make all Naira payments through a single partner in Nigeria.

Overall, interviews with RSPs suggest that there has been a decline in remittance volumes through formal channels as a result of the directive. Whilst data is limited in this regard, some providers noted an 80 percent decline in volume. That being said, the impact has not been uniform across the industry with some formal operators benefitting from the changes.

Within Nigeria, banks and Bureau de Changes (BDCs) are generally more positive about the changes. BDCs have directly benefitted from people visiting them to change their USD to Naira and banks have seen this as an opportunity to gain business from a smaller informal market. Banks have been getting their dollars either from the CBN or importing them directly.

There have been reports of customers not being able to receive US dollars in rural areas and shortages of smaller denomination notes. Also, the industry has reported consumers being concerned for their safety when collecting their dollars from a bank and then moving to the parallel market to exchange them into Naira. There have also been reports of banks not having adequate dollars for customers, saying they have ceased the service or insisting on BVN numbers for those picking up money.

Remittance receivers

To understand the impact on the users of the transactions, thirty in-depth interviews were undertaken with remittance receivers. Interviews aimed to determine their use of services generally and whether they had changed their habits since the directive has come in.

The interviews suggest that around 50 percent of remittances are sent through informal channels, which is supported by other research on this topic⁹. Users do not consider informal channels to be risky or unsafe, and often feel that it meets their needs. A consistent finding from the receivers, however, shows that they are not always aware if the funds have been sent through informal or formal channels and that these recipients really don't mind.

From the in-depth interviews, the directives have had limited impact with few participants having changed their behaviour as a result of the diaspora remittance directive and subsequent incentives. In fact, the majority were unaware of the changes. Most of the respondents, who were receiving informally, had not noticed any change in the way they received their funds since the introduction of the CBN directive. Those that changed their behaviour were all formal receivers.

For the small minority that are now receiving their funds in USD, this was considered inconvenient as it requires them to change the money at a BDC. It is understood that receivers prefer to receive money in Naira and want to avoid the time and cost of going to change money as well concerns on safety when withdrawing and exchanging cash.

⁹ [CENFRI \(2019\). *Remittances in Nigeria*.](#)

A key finding is that the parallel exchange rate is not the only consideration in choosing informal service providers, but that there is also a lot of mistrust of banks in Nigeria across all types of receivers. Consumers have reported banking charges and disappearance of transfers as to reasons why they do not trust banks. The mistrust of the government and their perceived overreach into shutting down bank accounts at will is also cause for apprehension. Long lines at banks also do not help.

Informal users will only switch to formal services if they can provide a convenient service, which would entail instant crediting and not having to travel to banks, as well as providing low prices and an exchange rate that is as good as the parallel market rate.

Recommendations

It is clear that the informal market has been and continues to be a major challenge in the Nigeria remittances market. There is little doubt that the 30th November 2020 directive has changed how the market works and has had a major impact on the operations of RSPs as well as potentially in terms of flows. The two objectives of the study, the informal market and the impact of the directive, are therefore inextricably linked.

Undoubtedly Nigeria faces major problems with respect to encouraging more transactions into the formal sector. The key driver is the existence of the parallel exchange market and the premium within that. This is an issue that is much broader than remittances. It is a macro-issue that needs to be addressed at the highest level. If the parallel market exists there will always be a potential benefit for remitters to use it to obtain a better deal. However, there are steps that can be taken to address this in the shorter term, including devaluation of the Naira.

The current measures do not provide a big enough incentive to switch people from informal channels. They are a step at the beginning of what will need to be a long and consistent approach to achieve the desired outcomes. It has taken other countries many years to make major progress in this area.

The method of introduction of the directive was a challenge for many operators and has impacted some consumers negatively. It reduced the inward flow of dollars in a major way in the beginning but there are signs that at the end of Q1 formal flows were increasing.

The CBN would benefit from receiving assistance from international bodies and technical experts to build trust with remittance senders, introduce changes in a managed and planned manner, engage with industry within and outside of Nigeria to help address broad objectives such as financial inclusion, digital services, illicit finance and so on.

It is beyond the scope of this study to address all the issues surrounding the parallel market exchange rate but there are a number of actions that can be undertaken to improve the remittances market from an overall perspective and also in respect of the directive.

The recommendations have been divided into those which the FCDO could undertake, which generally focus on advocacy, actionable recommendations in the UK as well as broader recommendations for the Nigeria remittances market. In addition, some high-level recommendations for the CBN have been produced.

#	Title	Difficulty	Priority	Comments
1	Establish a dialogue and strong working relationship between FCDO, HMG, CBN, and other key actors on the UK to Nigeria remittances corridor	M	H	<p>Objectives: Develop a mutually beneficial close working relationship that is capable of responding jointly to changes in the market and acting together to address:</p> <ul style="list-style-type: none"> • Reducing Informality • Lowering the cost of remittance • Supporting financial inclusion • Sharing data and best practices • Improving AML/CFT measures and guidance <p>Background/Description: Currently, the FCDO and CBN do not have a strong relationship when it comes to being able to regularly discuss remittances and other overlapping interests.</p> <p>Establishing this dialogue will be the basis for success for all other recommendations within this report. This relationship will be further served with the involvement of the whole of HMG so that knowledge sharing becomes a strong pillar of these exchanges, as opposed to a one way exchange. ' Additionally, other actors will need to be brought into the conversation in order to achieve the various goals and objectives.</p> <p>Actions: 1. Develop a clear engagement plan for dialogue between FCDO and CBN 2. Put HMG and CBN in conversation with each other to encourage knowledge sharing and maximise progress made on both the receiving and sending ends. 3. Offer to provide technical assistance on topics that would be of interest to CBN and FCDO 4. Engage, and potentially coordinate with all other relevant development actors in Nigeria remittance market</p> <p>Success Measures: Improved working relationship between the FCDO and CBN in which mutually beneficial discussions and engagement can be had on a regular basis with periodic knowledge sharing sessions that work to improve the UK to Nigeria remittances corridor. Essentially, success looks like a relationship where the FCDO office in Abuja feels comfortable picking up the phone and setting up a meeting to exchange with the CBN on market developments.</p>
2	Establish a formal working group, based in the UK, for UK to Nigeria remittances that would focus on improving the market for both consumers and money transfer operators	M	M	<p>Objectives:</p> <ul style="list-style-type: none"> • Reduce the cost of remittances to Nigeria by increasing competition • Reduce informal remittances, • Increase transparency • Improve regulatory compliance of small and large MTOs • Increase financial inclusion <p>Background/Description: As one of the top markets sending to Nigeria, there is much work to be done in the UK to improve remittances to Nigeria. However, there is currently no centralised way with which to carry out this work. Improvements need to be made both in educating consumers and supporting money transfer businesses so that formal remittances can be sent at cheaper costs.</p> <p>Working together with all stakeholders can deliver updates on the events in the corridor, contribute ideas to improve the situation and work together in areas of mutual interest.</p> <p>Actions that the focus group can work on together are laid out below.</p> <p>Actions: 1. Provide education and awareness raising to Nigerian remittance senders in the UK on the current situation in Nigeria, the differences between formal and informal services, and encourage them to switch to formal</p>

			<p>2. Conduct independent consumer research on a regular and ongoing basis to stay abreast of consumer trends, demographics and attitudes, especially towards use of informal channels.</p> <p>3. Education and support to strengthen compliance of UK based operators</p> <p>4. Establish useful programs within the working group to improve the market</p> <p>Success Measures: Attendance at high level annual meeting; a roadmap to address specific current challenges and, ultimately, to mitigate these issues in the UK-Nigeria corridor; increased formal remittance flows due to more people using formal channels; increased clarity and lower obstacles for small businesses wanting to participate formally in the remittances market.</p>
RECOMMENDATIONS SPECIFICALLY FOR CBN:			
3	Collect and publish reliable remittances data	M	H
		<p>Objectives:</p> <ul style="list-style-type: none"> Ability to develop informed policies Measure the impact of measures that have been undertaken Ensure all stakeholders are citing the same data when making decisions 	
		<p>Background/Description:</p> <p>There is currently confusion surrounding remittance data for Nigeria. There are massive differences between the numbers quoted by the World Bank and the flow of funds seen by CBN. This mismatch causes extensive problems for the CBN and the Nigerian government. It prevents informed decision making and can lead to unwarranted policy implementation.</p>	
		<p>Further, stakeholders are eager to support the CBN in developing informed policies that are appropriate for the market but a lack of clear and periodic data makes it difficult to know what will be best for the market.</p>	
		<p>Actions:</p> <ol style="list-style-type: none"> Build on the data reporting obligations already on ground to design an automated data collection process for IOMTs, banks, BDCs, mobile wallet operators and so on. Publish useful, clear and accurate remittances data on a regular basis Develop quantifiable measures and targets to determine the success, or otherwise, of policy decisions 	
		<p>Success Measures: Clear, disaggregated data is publicly and regularly available on Nigerian remittances from CBN.</p>	
4	Establish a remittances forum in Nigeria that includes market stakeholders to respond to the needs of the market with a long term view	M	M
		<p>Objectives: Transition informal remittances into formal</p>	
		<p>Background/Description:</p> <ul style="list-style-type: none"> Informed policy decisions and informed operators so that disruptions in service can be avoided Moving people from informal to formal Improved financial inclusion Increased competition via ensuring all market players, regardless of size, get a say in and area informed of policy decisions 	
		<p>Actions:</p> <ol style="list-style-type: none"> Develop a long-term remittances plan Conduct regular consumer research to establish the appropriateness of various actions and determine the usage of the parallel market. 	
		<p>Success Measures: A well-attended remittances forum where market operators do not feel that policies take them by surprise; a remittances market roadmap that is in line with Nigeria's development goals; up-to-date information on how and why consumers use informal channels and an action plan to move them to formal channels.</p>	
5	Be proactive in ensuring new regulations serve their purpose without causing new problems	H	H
		<p>Objectives:</p> <ul style="list-style-type: none"> Lower the risks posed by flooding the parallel market with dollar cash Bring more hard currency in the country Increase financial inclusion Ensure rural receivers are not left behind Increase formal flows 	
		<p>Background/Description:</p>	

			<p>The Nov 30th, 2020 directive and subsequent communication took not only operators by surprise, but also consumers. Some of them were pushed into the informal market as they preferred to continue receiving their remittances in Naira or lived in remote locations and had no bank branches near them that had dollars to pay out. Further, the parallel market was flooded with dollar cash which could have some unintended consequence for illicit finance.</p> <p>Due to this, it is important that the unintended consequences of the directive are addressed to ensure there are no regressions in financial inclusion or the fight to combat terrorism. Additionally, consumers should be given more choice on how and where they want to receive their remittances.</p> <p>Actions:</p> <ol style="list-style-type: none"> 1. Examine ways t enable receivers to choose leave remittances in USD or to convert them into Naira via BDCs or banks 2. Ensure that the current directives do not negatively impact financial inclusion by allowing wallets and other operators that reach rural receivers to terminate international remittances. <p>Success Measures: Uptake of digital remittances from rural receivers; ability for consumers to choose how and where to receive their remittances.</p>
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ABBREVIATIONS

ABCON	Association of Bureau de Change Operators of Nigeria
ACH	Automated Clearing House
AML/CFT	Anti-money Laundering / Combating the Financing of Terrorism
BDC	Bureau de Change
BOP	Balance of Payments
BVN	Bank Verification Number
CBN	Central Bank of Nigeria
FATF	Financial Action Task Force
FCDO	Foreign, Commonwealth, and Development Office
FDI	Foreign Direct Investment
FinTechs	Financial Technology (Companies)
FX	Foreign exchange
GBP	Great British Pound
GDP	Gross domestic product
HMG	Her Royal Majesty's Government
IMTOs	International money transfer operators
KYC	Know-your-customer
MMOs	Mobile Money Operators
MNO	Mobile Network Operators
MTOs	Money Transfer Operators
P2P	Peer-to-peer
RPW	Remittance Prices Worldwide
RSPs	Remittance services providers
SMART	Specific, Measurable, Attainable, Relevant and Time-based
SSA	Sub-Saharan Africa
UK	United Kingdom
USD	United States Dollar

Introduction

Objective

This report has two main objectives. The first being to deepen FCDO's understanding of the remittance flows from the UK to Nigeria, with particular emphasis on understanding the informal market. To understand the remittance flows to Nigeria, this report looks at the cost of remittances, constraints, opportunities and the economic relevance of remittances to the country's economy and remittance receivers. The second objective seeks to understand the impact of a Central Bank of Nigeria (CBN) directive issued on 30th November 2020, which stated that all diaspora remittances were to be received in US dollars. The report investigates the impact of this directive on both remittance receivers and the industry at large, from both the UK and Nigeria perspective.

Methodology

Both primary and secondary research techniques have been used in this study

Primary research:

1. Interviews were conducted with both formal and informal remittance receivers to better understand the informal remittance market in Nigeria. Specific questions were also added to understand the impact of the CBN directive on their remittance habits
2. Interviews with key stakeholders in both the public and private sector, in the UK and Nigeria, were also conducted, including banks, international money transfer operators (IMTOs), Bureau de Change operators (BDCs), international and government bodies.

Given the nature of the interviews and concerns expressed about potential reprisals for assisting with this report, the results have been amalgamated and anonymised so comments cannot be attributed to specific individuals or organisations.

Secondary research:

1. A thorough review of existing reports on the Nigeria remittance market. A bibliography is presented in Appendix 1
2. Global and national databases on migrant stocks, flows, remittance volumes and pricing, with a focus on Nigeria as a receive market
3. Regulations and policy, particularly CBN directives, in Nigeria
4. News websites, newspapers, social media platforms and other literature analysing reactions and effects of the directives

Structure of the report

Section 1 presents a high-level overview of remittances and the operating environment in Nigeria; Section 2 details information about the directives recently issued by CBN and considers the potential implications of this policy; Section 3 delves into experience of different actors within the market and their reactions to the CBN directive and how it has impacted them; and Section 4 looks at consumer research findings including results from informal and formal remittance receivers. There are common themes throughout each section which are explored from multiple perspectives and lead to a series of actionable recommendations, relating to both the informal remittance market and the CBN directive that closes out the report.

Section 1: A high-level overview of remittances in Nigeria

Summary

- Nigeria is the largest remittance receiver in Sub-Saharan Africa at US\$ 17.2 billion (2020)
- Informal remittances are a key feature of the Nigeria remittances market
- The UK is the second largest sender of remittances to Nigeria, behind the US
- Remittances are a major source of foreign currency for Nigeria and represent 5.3 percent of its GDP (2019)
- The global average cost of sending US\$ 200 to Nigeria in Q4 2020 was 7.5 percent of the send amount
- The cost of sending remittances to Nigeria from the UK has fluctuated in recent years and currently stands at 3.9 percent
- Banks are thought to dominate the remittance-receive network in Nigeria
- Currently there are no options to send remittances via mobile money to Nigeria
- The oil price crisis has had a significant impact on the country's economy by depriving it of US Dollars thus making remittances even more important
- Whilst the Nigerian remittance regulatory environment is comprehensive it has experienced major change since December 2020 with the Central Bank mandating that all transactions are paid out in USD.

This section provides a high-level overview of remittances in Nigeria, prior to the directive. The section includes the top remittance-sending countries, the costs of sending over time, and operators in the market.

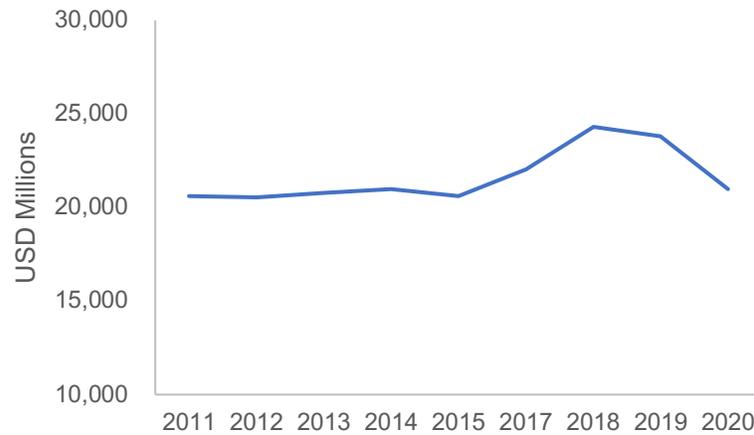
1.1. Remittance flows and contribution to Nigerian GDP

Nigeria is the largest remittance receiver in Sub-Saharan Africa (SSA). In 2020, Nigeria received approximately US\$ 17.2 billion in remittances^{10,11} according to CBN data. Remittances to Nigeria have remained relatively stable for the past 10 years as shown in Figure 1. Whilst the flows for 2020 were expected to drop to US\$ 20.9 billion from US\$ 23.8 billion in 2019, Nigeria is still the largest remittance receiver in SSA. CBN data suggests that diaspora remittances fell 27 percent y-o-y, largely as a result of COVID-19, with expectations that it will increase in 2021.

¹⁰ [Vanguard \(2021\). Diaspora cash remittances drop by 27% to \\$17.2bn.](#)

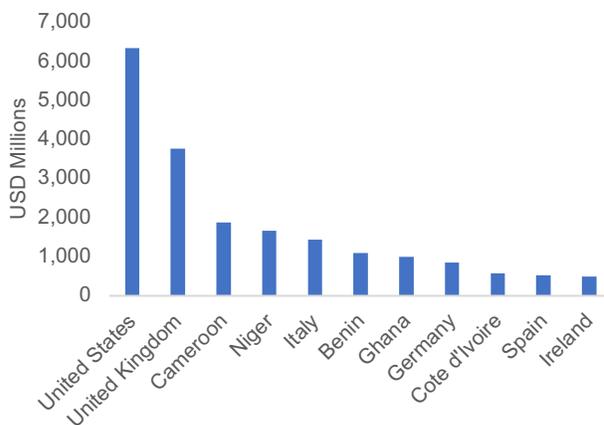
¹¹ For perspective, Ghana is the second largest remittance receiving country in SSA and, for 2020, estimates place the volume at US\$ 4.3 billion.

Figure 1: Remittance Inflows to Nigeria Over Time



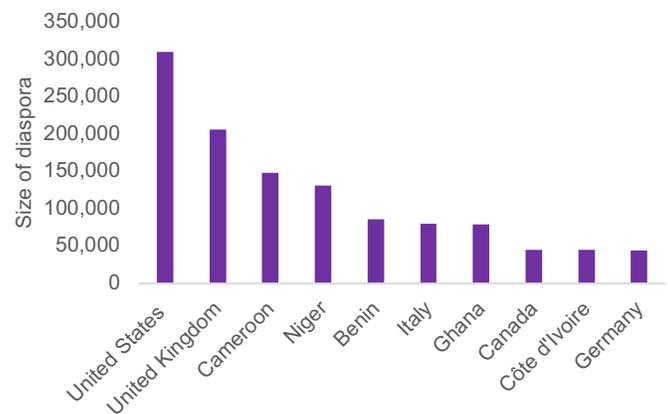
Source: KNOMAD (2020) Remittance Flows May 2021

Figure 2: Top 10 Remittance Sending Countries to Nigeria



Source: World Bank Bilateral Remittance, 2018

Figure 3: Top 10 Diaspora Host Countries, 2019



Source: UNDESA, 2019

The UK is the second largest sender of remittances to Nigeria, behind the US (Figure 2). Nigeria is also the second largest destination country for UK remittances (after India). As presented, intra-Africa flows are also very important to Nigeria with 5 out of the top 10 remittance sending countries being other African countries.

The remittance inflows to Nigeria correlates with the migration pattern. Nigeria's diaspora population is estimated as 1.4 million¹², approximately 0.6 percent of the population, with 190,000 people of Nigerian heritage residing in the UK (in 2017)¹³. However, this does not include those who migrate informally, with unofficial reports stating there are approximately 15 million Nigerians in the diaspora¹⁴ (approximately ten times higher than the formal number).

¹² [UNDESA \(2019\). International migrant stock by destination and origin.](#)

¹³ [Office for National Statistics \(2018\). Number of Nigerians living in the UK.](#)

¹⁴ [PwC \(2019\). Strength from Abroad. The Economic Power of Nigeria's Diaspora.](#)

Remittances are very valuable to Nigeria's economy. In 2019, remittances accounted for 5.3 percent of Nigeria's GDP, which is significantly higher than Foreign Direct Investment (FDI) flows, which stood at US\$ 3.2 billion¹⁵, which equals 0.7 percent of the country's GDP. It is understood that 70 percent of remittances received are for family support, such as daily consumption, education and healthcare, while 30 percent goes towards investments, predominantly real estate¹⁶.

It is known that informal remittances are particularly prevalent in the Nigeria remittances market. Informal remittance flows are transactions that occur outside of a business licensed by the CBN. Due to their nature, it is difficult to collect data on the amount of remittances transferred through informal methods. Informal remittances to Nigeria are often sophisticated operations unlike in other countries in Africa, where informal remittances are often defined as physically carrying cash by friends and family. In Nigeria, whilst cash carrying does occur, informal remittances are more likely to be organised much like a licensed MTO with a remittance sender visiting an unofficial 'agent', often working in another business, and the money being sent to the receiver's bank account. In many cases, the receiver is not aware of whether the remittances have been sent formally or informally since the money is in their bank account in Nigeria. In addition, informal providers offering online services often have well-branded and legitimate looking websites, which does not raise questions from remittance senders or receivers.

In many cases in Nigeria, the informal flows never leave the UK. This 'round-tripping' method makes it almost impossible to track remittances. Many informal remittances are also peer-to-peer transfers and do not involve an operator at all. In these cases, someone who needs to send money to Nigeria locates another person who either offers the service or has enough funds to have buoyant Naira and GBP accounts. GBP is sent from one account to another GBP account, and in Nigeria, Naira is sent from one account to another Naira account. Essentially, the money never leaves their respective countries.

Formal operators have also been suspected of 'round-tripping,' which would explain their ability to charge such low rates to Nigeria and is also part of the reason the CBN directive has been enacted. As the CBN governor described in a speech: "Report of remittance inflows are grossly characterized and marred by irregularities as some money transfer operators unlawfully choose to under-report the inflows. Their mode of operation is to report a lower amount than what they received and pursue arbitrage premium by selling the unreported excess in other markets at different rates. This is our definition of round-tripping, which is wholly illegal in Nigeria."¹⁷

¹⁵ [UNCTAD \(2020\). Country Factsheet: Nigeria.](#)

¹⁶ [Vanguard \(2021\). 70 per cent of diaspora remittances to Nigeria used for family support – Osinbajo.](#)

¹⁷ [ProShare \(2021\). Policy on Remittance Flows Administration Aimed at Increasing Transparency – Emeziele.](#)

Remittances Data: How its calculated and why it is so confusing in Nigeria

Globally, it is difficult to be definitive about remittances data and particularly so in Nigeria's case, due to the sheer size and complexity of the market. The World Bank's remittances inflow numbers are the recognised authority on remittances data worldwide, but these are derived from the Balance of Payment (BOPs) reporting by central banks to the IMF and estimation models. However, the nature of BOPs also means some estimation is involved in the "Secondary Accounts" portion which remittances feed into. Items in the BOP that are considered remittances include:

- Employee compensation
- Personal Transfers
- Capital Transfers between Households

The World Bank also has a bilateral remittances matrix that is based on an estimation of migrant stock levels that can also be debated. This means that even the authority on remittances data is not a definitive number and certainly cannot accurately reflect both formal and informal flows. If looking at Nigeria then, with its estimated 1.4 million diaspora members, estimation of flows will vary depending on what migration data (official or estimated; documented or undocumented) and which assumptions (for example on salary and proportion of salary sent home) the statistician is working with. The model was developed in the 2000's and may benefit from re-examining the methodology, especially for Nigeria.

Central Bank of Nigeria have their own remittances estimation models which is usually in line with other global estimates. Their models consider:

- personal transfers in cash through various channels including IMTOs, account-to-account transfers within Nigeria, carrying cash into the country (declared and undeclared), and use of informal operators and the Hawala system
- personal transfers in kind such as good and electronics shipped to or carried into the country and value of properties owned by non-residents
- compensation of employees such as Nigerians at home working for international organisation and foreign embassies, part-time salaries of Nigerians studying abroad, and the salaries of seasonal workers

These three broad categories are in line with global standards for measuring Secondary Accounts for the purposes of the BOP, although the specificities in data collection and calculation may vary. CBN is not open to sharing their estimation models with third parties but they are receptive of collaborative efforts to improve data collection, especially on informal flows.

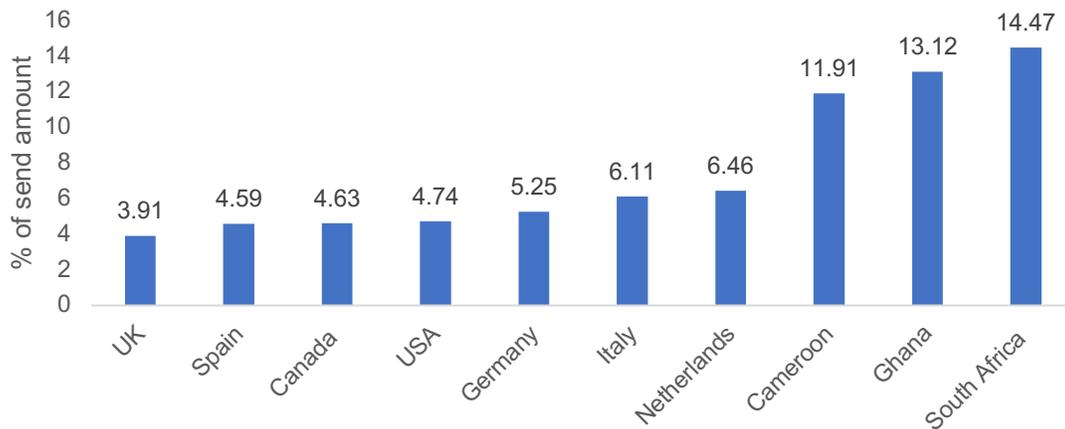
It is difficult to get data on informal and unrecorded flows, but household surveys help provide information on the proportion and methods of informal flows. Through consultation with AIR and the Nigerian Bureau of Statistics, CBN conducted a nationally representative household survey at the beginning of 2020, before the pandemic, that they plan to publish soon. Surveys like this help feed into the estimation models that CBN creates.

As Africa's largest economy, and the biggest recipient of remittances in Sub-Saharan Africa – according to the data available – Nigeria's remittances data is constantly under scrutiny. In October 2019, there was also a lot of controversy around Nigeria's remittances numbers as one financial expert, Henry Boyo, asked: "\$26billion in remittances, where are the dollars?" and former Minister Finance Etubom Ani accused CBN, Nigerian banks and IMTOs of retaining the dollars abroad. CBN then clarified that official inflows were \$2.6billion and not \$26 billion and soon after the Nigerian House of Representatives launched an investigation into the discrepancies in diaspora remittances. What came of this investigation is unclear, but the confusion between Nigeria's estimated flows and actual flows remains.

1.2. Remittance Pricing

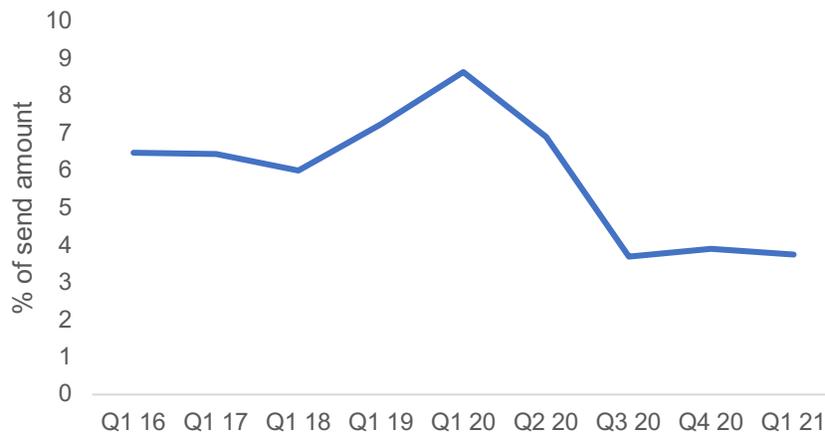
The global average cost of sending US\$ 200 to Nigeria in Q4 2020 was 7.5 percent of the send amount. SSA is the most expensive region in the world to send remittances to at 8.19 percent, although costs have been declining in recent years. The UK is the cheapest formal corridor to send money to Nigeria at 3.9 percent, whilst the most expensive country is South Africa followed by Ghana and Cameroon demonstrating that intra-Africa remittances are more expensive than transactions from outside the continent. This phenomenon is widely seen in all other African countries. The lower costs from the UK can be attributed to the large size of the corridor, resulting in more competition and the presence of a large informal market which offers more attractive prices. The formal sector tries to compete on price with this to some degree.

Figure 4: Average cost to send USD200 to Nigeria from different countries in Q4 2020



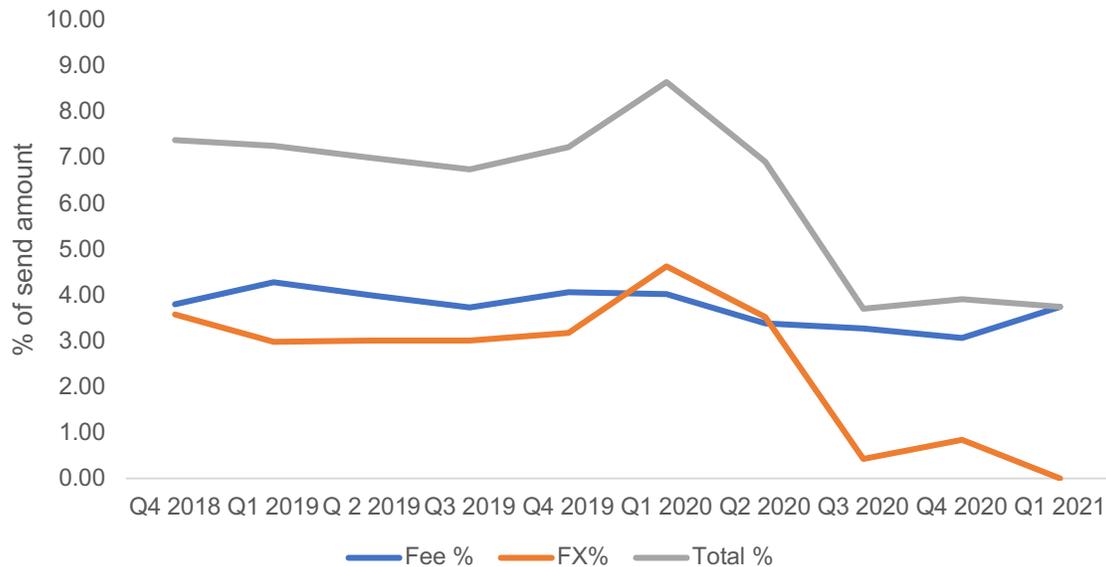
Source: Remittance Prices Worldwide, 2020

Figure 5: Remittance Costs to Nigeria Over time



Source: Remittances Prices Worldwide, 2020; DMAG Mystery Shopping, 2021

Figure 6: Breakdown of cost of sending USD 200 from UK to Nigeria Q4 2018-Q1 2021



Source: Remittances Prices Worldwide, 2020; DMAG Mystery Shopping, 2021

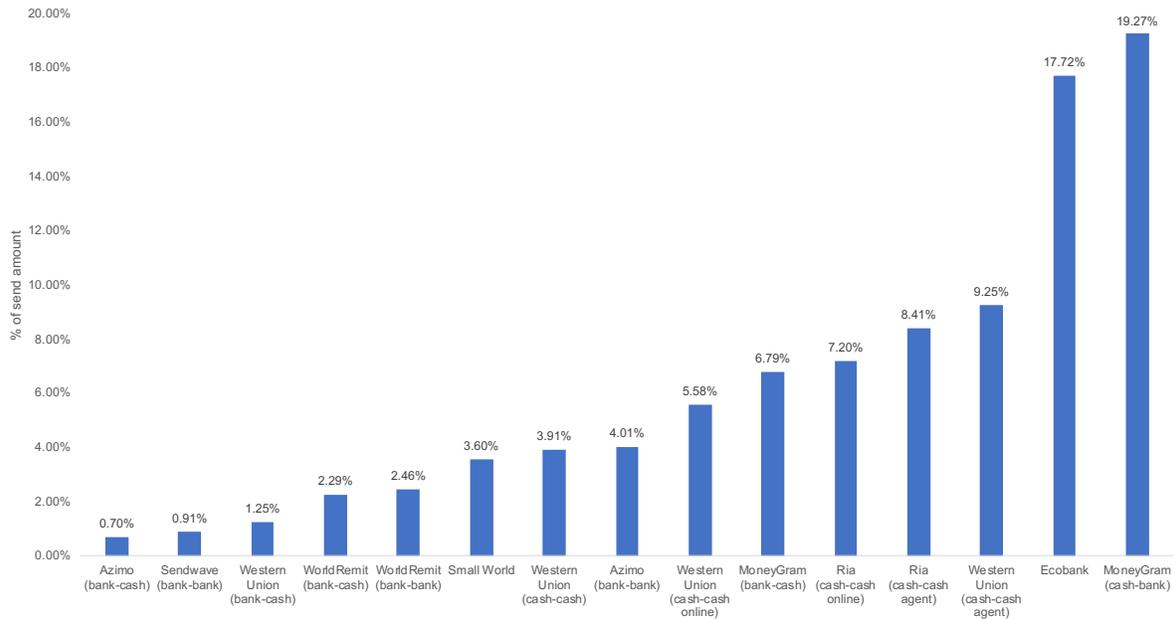
The cost of sending remittances to Nigeria from the UK has fluctuated in recent years. The cost of sending US\$ 200 equivalent declined steadily from Q1 16 to Q1 18 but rose in Q1 20. A specific price survey was made for this study and shows that prices from the UK fell from 8.7 percent to 3.8 percent between Q1 2020 and Q1 2021 (Figure 5). This in part can be explained by the reduction in the foreign exchange margin charged by IMTOs. In Q1 21 the foreign exchange margin was 0.01 percent compared to Q1 20 where it was 4.63 percent from GBP to NGN¹⁸. In some cases, some licenced providers are offering negative FX margins. This is explained either by them offering promotions where they absorb the loss, or, more likely, that they are accessing parallel market rates for buying Naira and arbitraging this to make major profits on transactions.

Remittance costs to Nigeria vary depending on the provider or type of service used. Figure 7 presents the costs by operators and, where applicable, type or service. From the UK, there are 8 providers surveyed in RPW covering 14 services. Of these services, 26 percent are completely digital¹⁹, 50 percent are partly digital, and 23 percent are cash-to-cash based services. Cash-to-cash services are the most expensive transfer method averaging at 7.45 percent, considerably larger than the partial digital transactions (4.72 percent) and completely digital (1.65 percent).

¹⁸ Note that all companies were charging an FX margin. Some were offering a negative margin implying that they were using parallel market rates

¹⁹ Completely digital services refers to initiating and receiving remittances digitally. Partially digital refers to one end of the remittance transaction being completed digitally.

Figure 7: Remittance Costs by Operator from UK to Nigeria Q1 2021



Source: Bespoke DMAG research for this report, 2021

1.3. Market Operators

Type of Operator	Description
Deposit Money Banks (DMBs)	These are licensed commercial Banks in Nigeria that hold customers' accounts and they are basically Agents of International Money Transfer Organisations (IMTO). In general, the regulation in Nigeria does not permit a Bank to own an IMTO licence but they are only used as Agents for the settling of in-bound transactions.
FinTechs	These are organisations that provide solution and systems to integrate with the commercial Banks and they are equally allowed to hold an IMTO licence. These organisations have helped to propel the financial industry at large and more specifically, the banking industry. Most Fintechs are integrated to major Payment Switches within the country, and a few have also acquired the license to operate as a Payment Switch.
Mobile Money Operator (MMO)	MMOs are a subset of FinTechs. Specifically, these organisations operate using mobile phones. They can open mobile wallets for individuals while keeping the balances of such Wallets in an account in a Commercial Bank. Based on the financial inclusion drive; they have Agents scattered all over the federation to help with the disbursement and facilitation of withdrawal of cash from the wallets. It is pertinent to note that until recently, they could run as an IMTO, if they have a license, and a few of them partnered with renowned world leading IMTOs. Prior to the directive, only two mobile network operators (MNOs) operating in Nigeria had been given a license ²⁰ . However, neither of them operates wallets as of yet. In Nigeria,

²⁰ [Verdant Capital \(2020\). To License or Not – Nigeria's Evolving Approach to Mobile Money Licensing.](#)

	unlike other African countries, mobile money is predominately offered by FinTechs instead of telecommunications companies.
International Money Transfer Organisation (IMTO)	These are organisations that have been licensed by the Central Bank of Nigeria to provide both Inbound and Outbound money transfer services to customers in Nigeria. The CBN has set limits of about US\$2,000 for each Outbound transaction. No Commercial Bank can perform outbound money transfer service.
Bureau de Change (BDC)	Prior to the CBN directive on diaspora remittances, BDCs could operate as small-scale foreign exchange services ²¹ . They are not legally allowed to operate in the remittance market. Currently, their role is to change money for remittance recipients who have cash or a domiciliary account. They factor in the Nigeria remittance market because they are entitled to a higher USD rate compared to banks and RSPs but they cannot participate in paying transactions out.

Since 2014 only IMTOs licensed by the CBN can operate money transfers to Nigeria. As of March 2021, there are 47 licensed IMTOs operating in Nigeria, with 17 (36 percent) headquartered in the UK, see Appendix 2²². There is currently no documentation or data on the market share of each operator. However, traditional remittance players including Western Union, MoneyGram and Ria are thought to dominate the MTO portion of the market. In recent years, FinTech companies have grown in popularity and often provide lower costs. From the UK to Nigeria FinTechs such as Azimo and WorldRemit have been increasing their market share in recent years.

Banks dominate the remittance-receiving networks in Nigeria. IMTOs are required to partner with local banks to offer a pay-out service to customers. As well as offering a cash pay-out banks provide bank accounts to remittance receivers. Some estimates suggest that sending remittances to a bank account dominates as much as 80 percent of the market, with the remaining 20 percent being cash pay-out.

Currently there are no options to send remittances via mobile money to Nigeria. Mobile money cross-border payments have been growing in popularity in many parts of the world, particularly in Africa. In Nigeria there were plans to expand the limited cross-border mobile money network, however, as per CBN directive on 30th November 2020, this is banned due to the CBN directive on remittances to be paid-out in USD. Mobile Money Operators (MMOs) are only allowed to pay-out in Naira and therefore cannot accept dollar payments. As a result, MMOs were instructed to disable their wallets from receiving remittances. Further commentary on the impact of the directive on MMOs is provided in Section 3.

1.4. Challenges of operating in Nigeria remittance market

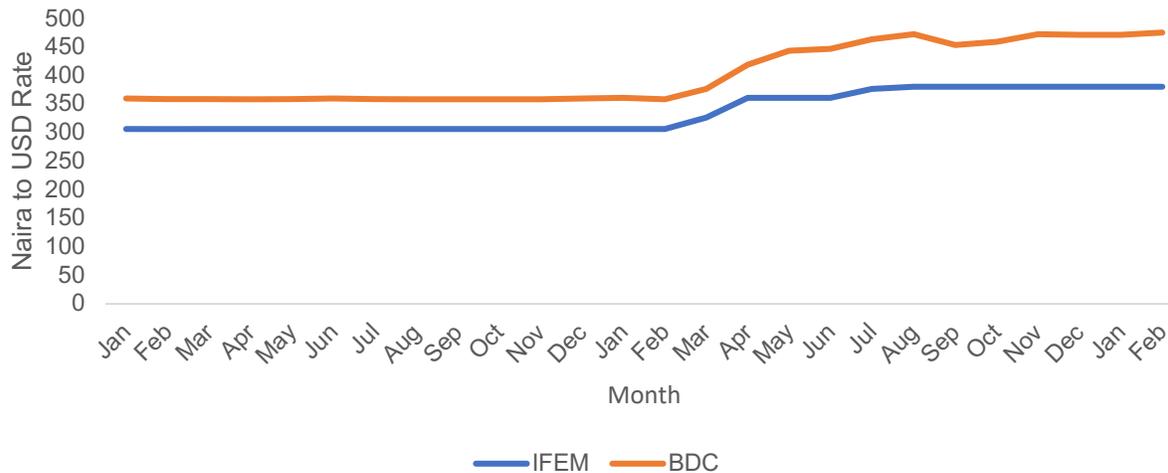
According to IMTOs, the Nigerian formal remittances market was not functioning efficiently prior to 2021. The main reason was the presence of the informal remittance market which has been a feature for many years, largely driven by the Naira being overvalued compared to the US

²¹ [Central Bank of Nigeria \(CBN\) \(2015\). Revised Operational Guidelines for Bureaux De Change.](#)

²² [Central Bank of Nigeria \(CBN\) \(2021\). List of Approved International Money Transfer Operators as at February 28, 2021.](#)

dollar. A combination of low oil prices and the COVID-19 pandemic resulted in Naira losing further value in real terms. This resulted in a larger premium than was previously seen between parallel market rates and official CBN rate (see Box 1). The motivations behind using the informal market are presented in Section 4.

Figure 8: IFEM vs BDC foreign exchange rates



Source: CBN²³

Data from the CBN presents the International Foreign Exchange Market Rate (IFEM), also known as the "official rate" or the CBN rate that all licensed IMTOs and Banks were meant to be using when remittances were received in Naira as well as the Bureau de Change (BDC) rate, which is the rate used by both licensed BDC operators and the unlicensed ones as well. The black market or parallel rate is often the same as the BDC rate but can sometimes be 3 to 5 naira higher.

More than anything, Figure 8 shows the effect of Covid-19 on the USD to Naira exchange rate. The rates remained quite steady at about 307 and 360 throughout 2019 and the first two months of 2020. In March, when the world went into lockdown, the rates jumped to 327 and 377 and have been climbing since then. In August 2020, the official rate was 381 and has been pegged there since, while the BDC rate continues to fluctuate slightly.

The CBN directive was introduced on 30th November and clarified throughout December. The directive had little to no effect on the BDC rate, with only a miniscule dip in December before going back to the November rate and continuing to rise in February. The BDC rates from January to February are as follows: 472.74, 471.62, 472.4 and finally 476.05. It will take a few more months to truly ascertain whether the CBN's directive to receive remittances in dollars will have the effect they hope on the exchange rate.

It is difficult to estimate the size of the informal market in Nigeria. Anecdotally it is understood that for every formal transaction there are two informal. However, there is little-to-no empirical evidence to support this. Access to the informal market is very easy for consumers. For example, there are many Facebook groups dedicated to offering more favourable foreign exchange rates than the official rates. The difficulty for customers is that one does not necessarily know if an

²³ [Central Bank of Nigeria \(CBN\) \(2021\). Monthly Average Exchange Rates of the Naira \(Naira Per Unit of Foreign Currency\) – 2021.](#)

operator is informal or not, this is particularly true for remittance receivers. This will be discussed further in Section 4.

The parallel market in Nigeria, which drives the informal remittance market, emerged as a result of the regulator's attempt at pegging the exchange rate and the creation of controls to compensate for the balance of payments deficit. The Central bank tried to sanitize the market by creating licensed Bureaux de change (BDC). These organizations were expected to transact legally in a market geared towards retail and due to the fact that they were licensed, they are expected to file-in their returns to Central Bank periodically. Be that as it may, the parallel market has largely influenced the rate at which BDCs transact. This is because informed participants would normally offer ridiculously lower and higher rates for purchasers and sellers respectively. The parallel market is uncoordinated, and its stakeholders are unlicensed and not monitored. Thus, anyone with access to foreign exchange could deal in the market.

The oil price crisis hit Nigeria's economy hard. The price of oil plummeted in early 2020 and with crude oil being a major export for Nigeria this limited the supply of dollars in the market. The official exchange rate rose slightly, but the parallel exchange rate skyrocketed during this time. This ensured that remittance flows at the official exchange rate were not attractive compared to the informal market.

The Nigerian regulatory environment is comprehensive, but it has experienced significant change and at times it can be unpredictable. The unpredictability of regulations is difficult for RSPs as changes require time, effort and money to address. In the short span from 30th November, 2020 to now, 30th March 2021, three unique circulars have been issued, with a further four clarifications. They often result in operators suspending or closing services if compliance is too difficult. Furthermore, many operators advised the researchers that they do not feel able to constructively criticise the CBN as their status may be threatened.

Summary

There is no doubt that remittances are important to the Nigerian economy. However, determining the actual size of the flows is a challenge, which means understanding the true impact of remittances is difficult. It is understood that there are currently actions being developed to rectify the data collection issue. The CBN has been engaging with NIBSS and consulting with the African Institute for Remittances (AIR) to develop policies. At the beginning of 2020, in collaboration with AIR, the CBN issued a nationwide remittance survey. However, at the date of reporting, the content and results of the survey have not been made public. Remittance pricing is low for the region although this has not been consistent in recent years. Banks are very much dominant in the market.

The overriding feature of the Nigerian remittance market is the impact and the size of informal flows.

Section 2: CBN Directive on Diaspora Remittances

Summary

- On 30th November 2020 the CBN introduced an amendment to procedures for receipt of diaspora remittances. The initiative mandated that all transactions are paid out in USD cash or credited to a USD domiciliary account
- The measure was introduced to bring more foreign exchange into the country and create more transparency in the market
- Its introduction has resulted in some disruption to the market and appears part of a longer-term plan
- The CBN issued a reminder that cryptocurrency is prohibited in the country and that banks should not facilitate payments in and out of crypto wallets. Nigeria is the third largest user of cryptocurrency in the world
- The trade in cryptocurrency will most likely continue as long as traders continue to find the experience smooth and easy.

On 30th November 2020, the CBN produced an ‘Amendment to Procedures for Receipt of Diaspora Remittances’ which threw the Nigerian remittance market into chaos at its peak period. This amendment stated that all diaspora remittances were to be received in foreign currency from that date. Remittance recipients were given the choice as to the method of receiving funds, either in USD cash or into a domiciliary account (also in USD). A copy of the directive can be found in Appendix 3. The initial directive was followed by further clarifications and amendments, as outlined in the timeline below:

Timeline of CBN directives:

30th November 2020:

Amendment to procedures for receipt of diaspora remittances. Beneficiaries of remittances should receive them in foreign currency

2nd December:

2020: Clarifications on amendment to procedures for receipt of diaspora remittances

18th December 2020:

Additional Operational Guidelines (2). Deposit Money Banks (DMBs) were to close all Naira accounts for IMTOs

5th February 2021:

Letter to all DMBs, NBFIs and other FIs. A reminder that dealing in crypto currencies or facilitating payments for them is prohibited.

30th November 2020:

Operations of Domiciliary Accounts. Provides clarifications on use of domiciliary accounts.

16th December 2020:

Additional Operational Guidelines. Switches and processors to immediately cease local currency transfers through IMTOs, all MMOs to disable receipt of funds from IMTOs

22nd January 2021:

Modalities for Payout of Diaspora Remittances. Only licensed IMTOs can carry out diaspora remittances to Nigeria. IMTOs should not disburse remittances in Naira.

5th March

2021: Introduction of CBN's "Naira 4 Dollar Scheme". For every dollar received through CBN licensed IMTOs, the beneficiary will receive 5 Naira.

2.1. Understanding of rationale for diaspora remittance directive

CBN advised that the policy was meant to “deepen the foreign exchange market, provide more liquidity and create more transparency in the administration of diaspora remittances into Nigeria”. The CBN also noted that the amendment would help provide investment opportunities for Nigerians in the diaspora. The amendment came on the back of the oil price crisis (detailed in Section 1.4). Further, CBN explained that of the USD 23 billion that the World Bank claimed entered Nigeria as remittances in 2019, CBN only saw USD 1.5 billion in 2020. If we assume that World Bank would release a similar number in 2020, this means that only 6.5 percent of the estimated flows to Nigeria came in through IMTOs. In their own yearly estimations, CBN estimated that around 20-25 percent of total inflows are sent through IMTOs. Through this directive, CBN hopes to push more remittances flows through formal, monitored channels. Furthermore, CBN is also trying to curtail round-tripping, which many formal operators were believed to be taking advantage of. With more funds actually formally coming into Nigeria, CBN hopes this will reduce the need for borrowing and help mitigate the impacts that Covid-19 has had on the economy²⁴.

There is much speculation amongst operators as to why the directive was introduced but most understood that it was meant to address the large disparity between the official rate and the parallel rate. All operators felt that CBN’s aim was to flood the parallel market with dollars, thereby forcing the parallel exchange rate to come down. Whilst the reason behind the amendment is universally understood, different actors have different interpretations around some of the more detailed elements and the timing of actions. These differences generally vary depending on the type of operator and whether or not they were integrated with local bank partners.

Detailed reactions of the various operators, including banks, IMTOs, FinTechs, MMOs and BDCs are presented in Section 3. Furthermore, the experiences and reactions of consumers was investigated and are detailed in Section 4.

2.2. Potential implications

While the CBN has specific hopes for the directive, there are both positive and negative potential implications that may come out of this new policy, some of which are already being expressed by operators (Section 3). Some of the beneficial implications include improving Nigeria’s economy by having more foreign exchange, reducing the parallel rate and strengthening the Naira. It may also have positive implications for traditional IMTOs and banks. Certainly some receivers are enjoying increased remittances since they are able to decide the rate at which they exchange their dollars. However, there are several concerns around increased risk, illicit finance, inconvenience for customers, decreased financial inclusion and the potential impacts on investing into Nigerian businesses due to the volatility of the regulations.

Two major implications, and CBN’s primary purpose for enacting the directive, is to increase the amount of foreign exchange available in Nigeria and increase transparency in the data reported. After the initial impact of the COVID-19 pandemic and the oil price crisis, Nigeria has been short of foreign currency. This directive already meant that banks are importing more dollars into the country and could have positive outcomes for businesses that transact with international partners. With all formal remittances having to go through banks and actually having to enter the country, as opposed to being round tripped as discussed in Section 1.1, CBN will be able to better monitor and report on remittance inflows into Nigeria. However, this is premised on the hope that the formal market will be more attractive than the informal market.

²⁴ [Mondaq \(2020, December 31\). Nigeria: Diaspora Remittances In Nigeria: Examining The New CBN Policy.](#)

The directive also has the potential to make the remittances market a more equal playing field between traditional actors and informal operators. This is particularly relevant for banks and traditional IMTOs who felt they were losing the Nigeria remittances market to the informal operators who use the parallel rate. Some IMTOs have already started seeing an increase in transactions after the initial confusion passed. Their customers appreciate receiving dollars that they are then able to exchange at a rate they prefer, usually the parallel rate.

Receivers are taking their dollars to the parallel market, which CBN hopes will bring down the parallel rate, but for now receivers are enjoying getting more Naira for their dollar. With dollars in hand, receivers have more control over how much they can get for their transfers and are able to make their remittances stretch further. It is still unclear at this point (March 2021) if CBN's plan to flood the parallel market with dollars, so that the difference between the parallel market and the formal market narrows is working. It is believed that by the end of April or May 2021, the directive's effects on the market will be clearer. If it does work, then this would be positive for the Nigerian economy and the strength of the Naira. Whilst this could be a medium to long term outcome, the initiative has not had any impact on the difference between these two exchange rates so far.

While there were some concerns about safety from non-users, most customers who actually receive in dollars, i.e. do not use the informal market, saw no safety risks in receiving and exchanging dollars. Operators also expressed that their customers do not mind having dollars in hand because money changers often operated outside or very near banks. CBN expressed that most remittances are approximately USD 200, about 93,000 Naira, and lot of people walk around with much more than that and are not concerned about a security risk. Also, many money changers operate with a bank account and, if the customer prefers, no cash has to be involved at all. For example, if the remittance is received into a domiciliary account, the receiver can go to their bank, transfer to the domiciliary account of the money changer, who then transfers Naira to the recipient.

Flooding the parallel market may come at the price of introducing more counterfeit dollars into circulation in Nigeria. Fake US dollar bills are not uncommon in the Nigerian market and an increase in dollars might potentially lead to an increase in counterfeit dollars as well. CBN feels that this will not be much of an issue since banks are the only operators allowed to pay out dollars, so receivers do not have to worry whether their bills are genuine. The problem comes, however, when the dollars are circulated through the market where there are plenty of opportunities to insert fake bills into the mix. Some BDCs noted that they had received counterfeit dollars from customers selling their dollars and did not realise until they tried depositing it at a bank.

Beyond fake dollars, the increase in dollar circulation, if not properly managed and monitored, also has the potential to fund illicit finance and terrorism. A major concern resulting from the new directive is that there will be increased volumes of US dollars available within the country. This potentially raises the level of existing risks around terrorist financing/illicit finance further. It is understood that terrorist organisations, such as Boko Haram obtain some of their funding in US dollar cash via the informal market, so if there are more notes in circulation with limited controls there is an increased danger of them reaching these types of organisation.

Nigeria is a member of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)²⁴ but not of FATF itself. The consequences of the directive and risks of more illicit flows of funds will not help Nigeria's global situation with regards to its risk profile

On a broader scale, informal remittances represent a significant illicit finance risk because there is a lack of traceability. Identification and KYC is not undertaken using that method, which increases the risk of all forms of anti-money laundering. Anyone can obtain large sums of money, unchecked allowing for an increased risk of bribery, tax evasion, theft and so on. Given that nearly all of the settlements in the informal market take place outside of Nigeria (especially selling hard currency to Nigerians who wish to purchase items or settle invoices outside the country), there is a very high risk that money laundering and/or terrorist finance is happening. At the very least, there is no way of proving that it is not happening. Changing money in Nigeria into/from Naira using the informal markets increases the opportunities to “wash” money and convert it without any checks or balances. The informal market presents a huge risk in terms of illicit financial flows.

In relation to customers, there is the issue of creating more inconvenience, although some do not seem to mind since they are receiving a higher rate. FinTechs brought a lot of convenience to the Nigerian remittances market and were able to credit accounts almost instantly. This allowed point-to-point transactions and remitting in urgent cases. Now, customers must always find a bank to pick up dollars or withdraw or transfer it from their domiciliary account and then find a way to exchange into Naira before they can use it. While having to go into the bank and then look for a money changer to give a good rate is much less popular than receiving directly into their Naira accounts, most people did not mind the inconvenience because they preferred the rate they could get by having the dollars themselves.

This directive could have severe consequences on financial inclusion in Nigeria, particularly for those in rural areas and those without a BVN. In 2017, 40 percent of the population had an account at a financial institution (bank account or mobile wallet)²⁵. However, mobile wallets can no longer be used to receive remittances, an experience that in other African countries demonstrates that mobile money accounts are a highly effective tool for financial inclusion. Anyone that was receiving remittances into a mobile wallet or withdrawing them using a mobile wallet or banking agents must now find their nearest bank branch, which might be difficult for those in rural areas. Further, Nigeria’s Bank Verification Number (BVN) scheme has been applauded for enabling easier KYC across banks, but those that do not have a BVN are currently unable to pick up dollars. However, this does not affect customers that were receiving directly into a bank account because anyone with an account also has a BVN.

The introduction of the directive has caused increased concern in the market and has the potential to put off investors due to the rapid change in regulations. The sudden introduction of the measures meant that many businesses were taken unawares and were not able to operate because they could not meet the new requirements. The directive came into force just before the holiday period which is the operators’ busiest time of the year. These types of changes are worrisome to operators that might have been interested in entering the market.

As well, as causing mistrust, the directive is thought to be stifling innovation in the market. Some operators expressed concern about launching innovative products that they worried could be banned overnight because of a sudden change in regulatory approach. This should be a concern for the CBN who have been pushing for innovative solutions in the remittance market. An example of this is the banning of receiving remittances into mobile wallets. Innovative products are needed to lower costs, provide point to point transactions, enhance efficiency and improve transparency in the market.

²⁵ [World Bank \(2017\). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution.](#) Corresponding data was 30% in 2011 and 44% in 2014.

Cryptocurrency in Nigeria

On 5th February 2021, the CBN issued a reminder that cryptocurrency is prohibited in the country and banks should not permit payments into crypto or similar wallets. There have been varying reports from stakeholders and consumers as to the level of penetration of cryptocurrency in the country. It is clear though that many people know about and use crypto for foreign transfers and forex transactions, but it is unclear how widespread it is as a form of remittances. CBN has said that this directive had nothing to do with diaspora remittances and was simply bad timing for the market. Others believe that after the initial 30 November 2020, people moved from IMTOs to using crypto and hence the CBN “reminder.”

The most popular cryptocurrency is Bitcoin, but vendors trade in a number of different, and lesser known, cryptocurrencies. There are many apps that support bitcoin, both based in Nigeria and outside. As a result of the CBN policy banning bitcoin apps, Nigerian traders in cryptocurrency are forced to restrict their activities to peer-to-peer trading platforms. Nigerian-based apps would have felt the effects of this CBN ruling more so than those based outside Nigeria.

In terms of provision of cryptocurrency in Nigeria, there are established vendors who are well-versed in the trading of bitcoin and offer services where they receive remittances in the cryptocurrency and transfer Naira to receivers across Nigeria. As for their source of Naira, a vendor explained that bitcoin is a valuable commodity because there are always people willing to buy through peer-to-peer exchanges. Traders receive Naira that they then pay out in bitcoins or receive bitcoins that they then pay-out in Naira. They get enough of to keep their business going since they cannot be withdrawn from apps due to the CBN policy.

While those that used bitcoin had lots of praise for it, two main drawbacks of using cryptocurrency emerged. The first is that it can't be used immediately. Cryptocurrency has to be used in trade or exchanged through peer-to-peer platforms. However as one bitcoin trader said, “It's just [about] you having patience. I don't think there's any big deal in that.” Secondly, due to the daily fluctuations in cryptocurrency, diaspora remittances in bitcoin might be reduced when converted to Naira by the time it reaches the receiver. The unpredictability of the cryptocurrency is one drawback that is experienced by those who trade in it.

Operators in the remittance market, not necessarily crypto vendors, have suggested that it is better to regulate rather than ban cryptocurrency. If the CBN mandate is to have oversight over all flows that come into Nigeria, then it would be more beneficial for the CBN to issue guidelines and request reports from crypto vendors. Cryptocurrency is very hard to control, demonstrated by the fact that all the crypto ban did was move bitcoin from business to individuals. One public sector employee mentioned that this is easier to regulate in those countries whose currency is ‘pegged’ to crypto. It is clear that there is some fear and hesitation involved in how the naira would fare against cryptocurrencies. Some operators expressed that CBN seems to think that cryptocurrency is synonymous with money laundering and financing terrorism. But people can always receive in crypto, which they have continued to do so and CBN is trying to clamp down on the selling which is having adverse effects on economy. According to one operator, what is happening is that the buying and selling of crypto has moved away from businesses and into the hands of individuals. It is also causing the inflation rate to up because people are buying crypto at a premium, so they can pay for goods abroad and once those goods are imported, they have to be sold at a higher rate for the importer to make up their costs.

Ultimately, the trade in cryptocurrency will most likely continue as long as traders continue to find the experience smooth and easy, as well as more beneficial to them due to its high rates that can be received for selling crypto. It evades the stress that many consumers have now come to associate with Nigerian banks. Cryptocurrency is regarded as a passive investment that is immune from the fluctuations of the Naira. For those that use cryptocurrency, it remains their preferred way of receiving money from abroad.

Summary:

The CBN hopes that its most recent directive will help improve data on remittances, reduce the parallel rate and bring more foreign currency into the country. Operators and consumers understand these aims but also have differing opinions on the motives behind them. Traditional IMTOs and banks welcome the directive because they believe they can finally compete with informal operators. Digital IMTOs and FinTechs believe this directive unfairly favours banks and traditional IMTOs, pushing them out of the market and pushes people to the informal market. Some consumers welcome the directive, but others believe that CBN is simply trying to control every aspect of remittance financing as they tried to do during the ENDSARS protests.

While the directive could have some beneficial outcomes, there are a lot of detrimental consequences that must be considered before it is too late. Foreign exchange inflows, a reduction to the parallel rate and a move from the informal market to the formal market for remittances are all possible. However, the increase in counterfeit dollars, illicit finance, and decreased financial inclusion, innovation and trust in regulators could be catastrophic to Nigeria's economy.

The reminder of the cryptocurrency ban and the instruction to banks to close all crypto accounts is likely to not have had an effect on the trading of cryptocurrency amongst Nigerians. Instead, there might have been an increased interest as it brought the topic to the fore. Nigerians appreciate the convenience and accessibility of trading in crypto currencies and the market is still booming, it has just moved out of the hands of businesses and onto peer-to-peer platforms.

Section 3: Industry research findings

Summary

- The impact of COVID-19 on remittance providers depended on the type of operator
- Banks, Bureau de Changes and IMTOs have generally responded favourably to the remittance pay-out directive
- FinTechs and MMOs have been hit harder by the new policies and have more concerns
- Banks are integrating with other IMTOs which hitherto were not connected to their infrastructure, this comes at a cost to the IMTOs
- FinTechs were acting as aggregators and not IMTOs per se, even though they had an IMTO license. Thus, their major role was in settling of transactions and not engaging in the proper role of an IMTO

Research was undertaken with private sector operators in the UK, Nigeria and Ghana. Respondents included banks, IMTOs, mobile operators, FinTechs and BDCs. This section provides a consolidation of their views. It should be noted, however, that none of the respondents wished for their individual comments to be attributable for fear of potential reprisals. Responses are therefore anonymised.

Furthermore, no operators were willing to provide concrete numbers in the flows they were seeing through the pandemic or as a result of the directive. Therefore, most of the data stated in this section are estimates shared by the responder during the conversation.

Topics covered include: general challenges of working in Nigeria (which were covered in Section 1), the impact of COVID-19 on businesses as well as the implications of the CBN directive (which was the key topic that concerned them at the time of the interview (Q1 2021)).

3.1. Impact of COVID-19

As with the rest of the world, **it was anticipated that remittance flows to Nigeria would decline as a result of COVID-19**. From stakeholder interviews it is clear that the severity of the impact of COVID-19 was dependent on the type of operator.

FinTechs and IMTOs noted a degree of resilience amongst remittance senders and so did not see a dramatic decline in flows as a result of COVID-19. Any declines that they did see quickly recovered after the first few months. The fact that both these types of providers have digital options is the main reason why they have held up well during the pandemic. IMTOs advised that they saw a decline in cash-based services through agents in the UK but a major increase in digital origination of transactions²⁶. A few operators stated that declines in the UK corridor were from March 2020 to June 2020.

BDCs and banks, on the other hand, did not fare as well. Both types of operators noted that the volume of transactions had declined throughout 2020. Whilst official data is unavailable, interviewees commented that they had seen a decline of between 20-30 percent in transactions. They attributed this to remittance senders losing employment in host countries, which affected

²⁶ Note, that this is very similar to the results experienced by all operators around the worldwide. The public results of Western Union, MoneyGram and Ria reflect this.

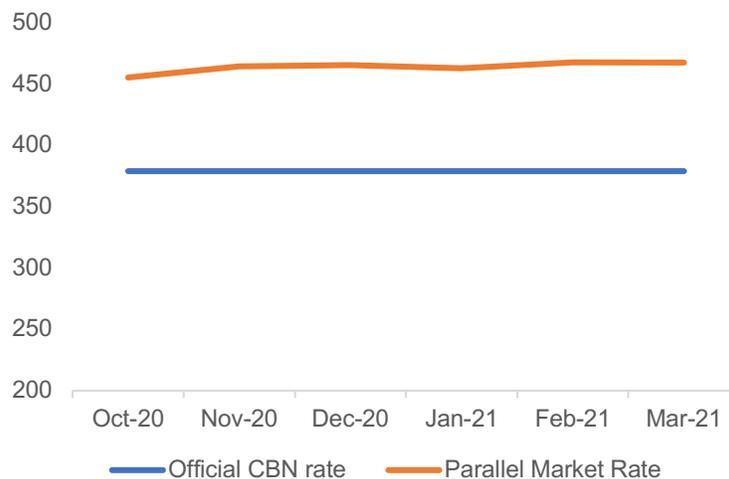
their disposable income and thus they were unable to remit money home to family or friends. Intra-Africa transactions were significantly negatively affected.

Overall, the Nigerian remittance market has gone through a lot over the last year, but COVID-19 does not seem to have had the most significant impact on remittance flows, particularly compared to the CBN directive.

3.2. The impact of CBN directive on operators

The directive issued on 30th November 2020 for diaspora remittances to be disbursed in USD was not anticipated by the vast majority of providers operating in Nigeria. The reaction to the introduction of the directive has varied across the range of operators in the market.

Figure 9: Nigeria exchange rates (official CBN vs. parallel market)



Source: CBN, 2021²⁷; Nairametrics, 2021²⁸

Initial data suggests that the impact of the directive has not had the desired affect since the parallel market rate has not declined.

3.1.1. Banks

Overall, banks have responded favourably to the directive. It is felt that the directive will be successful in stabilising the Naira by making the dollar accessible to everybody. Additionally, banks consider that the policy creates an even playing field for the financial system, which they believe will deepen customer trust because of previous issues with the exchange rate. Customers were dissatisfied with the exchange rate being offered by banks compared to the parallel market and BDCs. Although the timing of the directive came as a surprise to all banks, they did have an inkling that something was going to happen because they knew CBN was eager to address the exchange rate issue and the lack of foreign currency in the country. The introduction of the

²⁷ [Central Bank of Nigeria \(CBN\) \(2021\). Monthly Average Exchange Rates of the Naira \(Naira Per Unit of Foreign Currency\) – 2021.](#)

²⁸ [Nairametrics \(2021\). Parallel Market.](#)

directive caused significant operational disruption in the market. All of the players worked to adapt relatively rapidly to see how they could comply with the new CBN regulations. However, the disruption was less for banks than for other operators.

Banks and IMTOs have been able, with time, to adjust their operational models. FinTechs have largely not been able to do so. Prior to the directive, it was estimated by one bank that as much as 80 percent of remittances were going through FinTechs. However, since the implementation of the directive, this has changed because only banks and BDCs can handle foreign exchange. Previously, FinTechs were able to use an aggregator to pay-out remittances or send them directly to the receivers account, however this is no longer possible. Banks across Nigeria are now partnering with IMTOs to offer transactions with many offering instant receipt of dollars in theory, although different in practice.

There were some initial issues for banks in implementing the directive. The first being the need to be able to provide cash in US dollars to all recipients. There were reports that in the first stages of implementation there was a shortage of cash, particularly small bills (under US\$ 100). Some banks have counteracted this by educating receivers and senders on sending amounts that can be paid out in 100s, instead of lower denominations. There have also been reports of people being paid the Naira equivalent of what they should have received, or the money being sent back to the sender because the account details that were provided were for a Naira account²⁹. Most banks are also working on educating their staff about the directives. Furthermore, queues have been increasing at the branches, which has been inconvenient for both customers and branch staff. Identity machines are often down and customers are asked to complete various forms, demonstrate a BVN and match that with a fingerprint. There was initial concern about the safety in transporting large amounts of USD, particularly to more rural locations, however this has not been an issue so far as banks are using armoured cars, security and escorts to get the dollars to their final destination. Undoubtedly the directive caused disruption in the market, with all the players working to see how they can comply with the CBN regulations. However, the banks have been the least affected.

In anticipation of some of these issues, CBN produced a circular that banks should open USD domiciliary accounts for people receiving remittances who already have Naira accounts. This did not immediately solve all of the problems involved with receiving in dollars. Banks used local currency account information to open a US dollar account, which helped resolve the process. Those who do not yet have a domiciliary account, or cannot open one, can still access their dollar cash, up to US\$ 2,000 per day. Given that domestic transactions in Nigeria do not occur in dollars, nor is there a dollar clearing system, or any other foreign currency, beneficiaries with domiciliary accounts will still need to withdraw their money, in person, and exchange it on the parallel market if they want to receive Naira.

The new directive seems to also be pushing Nigerians out of innovative financial solutions coming out of the African continent. One bank shared that Nigerians will not be able to partake in their upcoming innovative pan-African platform where they can deposit in a local currency (for example in Ghana) and then withdraw from their account in a different country (for example Sierra Leone) in a separate currency. Thus, we see the following as impacts or effects of this regulation:

1. Due to the directive, Nigeria will be the only country the bank is present in that will not be able to participate in this platform.

²⁹ By the middle of March this issue had largely been addressed as banks are opening domiciliary accounts for those who already held a Naira account, if required.

2. This will make it hard for Nigeria to fully gain benefits from the Continental Free Trade Agreement.

The directive might also have an adverse effect on financial inclusion because the agency networks of banks will not be able to help customers access their remittances. Further, domiciliary accounts require BVNs. Most banks in Nigeria have large agency banking networks, some have 600 to 13,000 agency branches³⁰ that reach people in more remote areas. When remittances were paid directly into Naira bank accounts, people could access these easily and therefore collect their remittances with a local banking agent. However, agency banks are not allowed to handle foreign currency or international transfers. Anyone who used to rely on agent banks to access their remittances, will have to find a full bank branch in order to receive dollars or open a domiciliary account. This could involve many hours of travel and inconvenience.

End to end transfers e.g., to a hospital for a sick relative, to pay a utility or tax bill or to pay for an item for someone are no longer possible.

Banks, and traditional IMTOs, have claimed that their customers do not mind the extra hassle as they get more Naira if they exchange on the parallel market. One mentioned that the feedback from customers essentially boils down to *“I would do anything to get my money.”* Even those that need to bring extra documents, for example an updated ID, in order to open a domiciliary account, do not mind doing so.

The sustainability of the directive is ambiguous amongst banks. Most do not believe that it is not a long-term solution since CBN does not plan to dollarize the Nigerian economy. One solution suggested is to have both the USD and Naira accepted as the currency for pay-out, with the choice being the beneficiaries. If this does not happen many believe that CBN will adjust its process and eventually move back to the Naira.

3.2.1. IMTOs

Traditional IMTOs have also responded in a largely positive manner to the directive, particularly those who were integrated directly into the banking system and have a large presence in the market. The reactions of digital IMTOs are discussed below along with FinTechs and Mobile Wallets as their experience with the directive has been different. IMTOs considered that they had lost much of the Nigeria remittance market to informal players and FinTechs before the directive was introduced. As a result of the directive, IMTOs consider that the market is more of an even playing field.

After the initial confusion, IMTOs have seen an increase in business since the directive came into place. One stakeholder noted that people are finally getting value for their money. Likewise, IMTOs consider that people who were using informal services were affected and so have had to switch to formal services. This is not entirely supported by the findings in Section 4.

IMTOs consider that they can be more competitive because the funds are arriving in USD, thus removing some of the benefit of the informal operators. That being said, IMTOs can now compete with informal operators because receivers can exchange the dollars they receive on their own, most often on the black market. One stakeholder has said this is extremely convenient for receivers because at some banks the persons (not BDCs) who change money are

³⁰ [The Guardian \(2015, June 20\). Agent Banking: Penetrating Markets, Rural Communities For Financial Inclusion.](#)

right outside the door. He claimed that some are even resident in the banks, but this has not been confirmed.

However, it must be emphasised that exchanging money with informal changers carries significant risks. In Nigeria it appears to be that this is now an acceptable activity for many which runs contrary to the CBN's original intentions in giving the Naira a fixed rate. The benefit of changing on the parallel market has even been promoted by legitimate news media in Nigeria, suggesting that this is now an acceptable thing to do.

The main complaint towards the directive from IMTOs has been the lack of forewarning. Whilst some say that they had an idea that there was going to be some change in the market, they were not aware of the specifics nor the timing of when it was going to be issued. IMTOs had to change their entire systems in order to comply with the new regulations. That being said, licenced IMTOs have had the opportunity to attend weekly meetings with the CBN since the directive to discuss any issues and suggest solutions. This is a highly useful activity and one that it is recommended continues.

As with the banks, IMTOs believe that the regulation will eventually change to a point where the customers decide what they pick up, either USD or Naira especially since some people will struggle to get and change dollars. There is a lack of financial touch points across Nigeria, which mobile wallet operators were meant to address. This is further discussed below.

3.2.2. FinTechs & Mobile Wallets

FinTechs and MMOs have been the most affected by the directive. These businesses were supporting the Nigerian remittance market before the directive, particularly in light of COVID-19, where digital services were increasing. Technology allowed remittances to be received and used seamlessly on a point-to-point basis. However, in light of the directive, if they were not directly integrated with banks, which most of them were not, it was not possible for them to pay out remittances in foreign currency. Some FinTechs that were already partnered with banks were able to continue operating, although at a significantly reduced capacity, but others have been pushed out of the remittances market entirely. This has naturally disrupted the services with receivers either having to receive in cash, open a domiciliary account or receive funds from the informal market.

Up until 30th November, most of the major mobile wallets in Nigeria were able to participate in the remittances market, but this changed overnight. This was particularly frustrating for them, given that it was a licence they had recently acquired, paid for and were gearing up to renew soon. They had also worked hard to secure international partnerships and build technology that would integrate with their partners' systems in order to be able to operate in the remittances market. On the 16th December a CBN directive instructed all MMOs to disable integration with IMTOs. Their IMTO partners switched off the connection to them and continued to operate with their bank partners. MMOs were left with no options. *"The only thing we can do is wait,"* commented one operator.

The directive was partially introduced to stop "round-tripping"³¹. Some stakeholders considered FinTechs as "middle men" who added their own costs to the remittance market,

³¹ Round-tripping is the process whereby an entity outside of Nigeria organises for funds to be credited to a Naira account in Nigeria. However, settlement in USD does not happen in Nigeria or with Nigeria businesses. Instead, the

whether through fees or profiting off the large FX margin. They would usually act as the switch or partner for international organizations. Once someone has a Naira account, it is quite easy for them to credit another Naira account. This meant that some digital IMTOs who had local partners could operate without sending foreign currency to Nigeria. Stopping this is part of the aim of the directive.

It is viewed that the CBN has taken away the convenience that FinTechs and MMOs brought to the market. FinTechs within and outside Nigeria have regarded the directive negatively. Both FinTechs and MMOs believe that the CBN have not considered the consumer when they were implementing the directives and were looking out for banks. The convenience of being able to receive funds digitally has been particularly impacted. Some FinTechs in the UK had to stop operating when the directive was introduced as they were unable to meet the partnering requirements initially. Even though they were not out of operation for long they lost customers during that time, some of whom turned to the informal market.

For MMOs, the main challenge operating in Nigeria is where they sit in the financial ecosystem. MMOs are not allowed to operate in the FX market. Likewise, MMOs are not able to operate domiciliary accounts. This means that MMOs cannot credit international remittances to their wallets and have essentially been pushed out the market. For one mobile wallet operator, remittances only made up 1-2 percent of their revenue and were an additional product to offer their customers. Other FinTechs are exploring how they can leverage remittance flows. The FinTech Association of Nigeria has attempted some advocacy with CBN but with limited results so far.

A potential negative outcome of the directive is the limiting of financial inclusion. One of the aims of the CBN is to bring financial services to the un(der)banked. There are limited bank branches and ATMs in rural areas, which is where FinTechs and mobile operators were stepping in as well as providing the end-to-end service for payment to entities e.g. hospitals, utilities etc where there is not an individual to collect and do this. Mobile wallets also helped contribute to the “wallet culture” in Nigeria. Many people funded these wallets with family remittances, but the directive has made that option impossible. Steps are required to help improve financial inclusion in general. It is important to realise that one of the incentives to owning wallets is the fact that there is money to be kept in it in the first place. If the MMOs are not allowed to participate in remittances, which hitherto were reasons for people opening the wallets i, then there must be another incentive to ensure the uptake of wallets in Nigeria.

FinTechs and MMOs believe that the directives have created a gap between the type of operators in the Nigerian remittances market that is unnecessary.

Similar to banks and IMTOs, FinTechs and Mobile Wallets, all of whom were licensed as IMTOs with the CBN, do not see the directive as sustainable. Prior to the announcement of the directive, CBN had a meeting with all licensed IMTOs where the issue of the difference in FX rate between the parallel market rate and the official rate was discussed. This meeting was to find a way to bridge the differential in both rates.

3.2.3. BDCs

dollars are used to pay third party invoices or some other off-shore settlement. As a result, the CBN does not see the US dollars.

BDCs provide legal services wherein the public can buy and sell foreign currency outside the purview of banks. However, it is necessary to differentiate between licensed and unlicensed operators. Registered BDCs pay annual licenses to the Central Bank and operate under its rules and regulations. Every week, the CBN disburses foreign currency to BDCs across Nigeria which they use to trade. Due to this, registered BDCs are closely monitored by the CBN along with other regulatory bodies including the Association of Bureau De Change Operators of Nigeria (ABCON). Licensed BDCs are required to collect KYC information such as ID card and BVN from their customers. On the other hand, unregistered traders do not pay annual fees to the CBN or taxes to the FIRS, they can charge higher exchange rates without worrying that their license will be suspended. Because unlicensed agents typically operate in the same vicinity as registered BDCs, it is difficult to determine which exchange operator is actually licensed by the CBN.

Another concern of BDCs is the rise in the exchange rate, which has been observed since the directive. The average remittance receiver who collects foreign currency from the bank following the CBN directive heads to their nearest money changer to change it to Naira. They most likely would not know, or even bother to ask, whether the person is a licensed BDC or not. Although the money changer usually offers a higher rate, registered BDCs state that they operate separately from the black market. Registered BDCs fear they are at risk of losing customers to the non-regulated parallel (informal) market. However, analysis from nairametric, CBN and abokiFX, shows that the BDC rate and the parallel rate are only one or two naira different.

Table 1: Customer's Equivalent Funds at Different Rates at 30th March 2021

	BANK	BDC	Parallel Market
US\$	412	485	486
200	82,400	97,000	97,200
500	206,000	242,500	243,000
1000	412,000	485,000	486,000

Source: CBN, 2021³²; Abokifx³³

BDCs are not authorised to transact outside Nigeria and are therefore not Remittance Service Providers. Before the CBN directive their main connection to remittances was exchanging the physical cash brought in by those traveling into Nigeria. Their role in the market remains the same, although now that all formal remittances are coming in dollars, they have become a central component of the formal remittance market.

Summary

The CBN directive on remittance pay-out has had a significant impact on the Nigerian remittances market. As discussed throughout the section, the level of impact is dependent on the type of operator. The policy has benefitted banks, BDCs and IMTOs much more than FinTechs and MMOs, practically driving them out of the market. The CBN directive has had a greater impact on

³² [Central Bank of Nigeria \(CBN\) \(2021\). Monthly Average Exchange Rates of the Naira \(Naira Per Unit of Foreign Currency\) – 2021.](#)

³³ [abokiFX \(n.d.\) Your daily Naira exchange rate.](#)

remittances than COVID-19 did, with most operators recovering losses after a few months since the pandemic hit.

Section 4: The Impact on Consumers – results from in-depth research

Summary:

- Thirty in-depth interviews were conducted to understand the informal remittance market, impact of the CBN directive, drivers of consumer behaviour, cryptocurrency and the impact of COVID-19
- Remittance receivers are not always aware if funds have been sent informally
- Overall, there is a lot of mistrust of banks in Nigeria across all types of receivers
- The challenges of formal operators combined with the convenience, ease and price of informal remittances are thought to drive people to continue using unofficial channels
- Most of the respondents who receive remittances formally and informally had not noticed any change in the way they received their funds since the CBN directive was introduced
- Overall, the receivers interviewed preferred receiving money in Naira and wanted to avoid the time and cost of going to change money
- Informal remittance flows are prevalent between Ghana and Nigeria, made easier by geographic proximity and historical ties
- Interviews cited the low charges incurred while transferring Bitcoin is cryptocurrency's major advantage over traditional banks
- The majority of remittance receivers interviewed did not feel an impact of COVID-19 on the money received from the UK

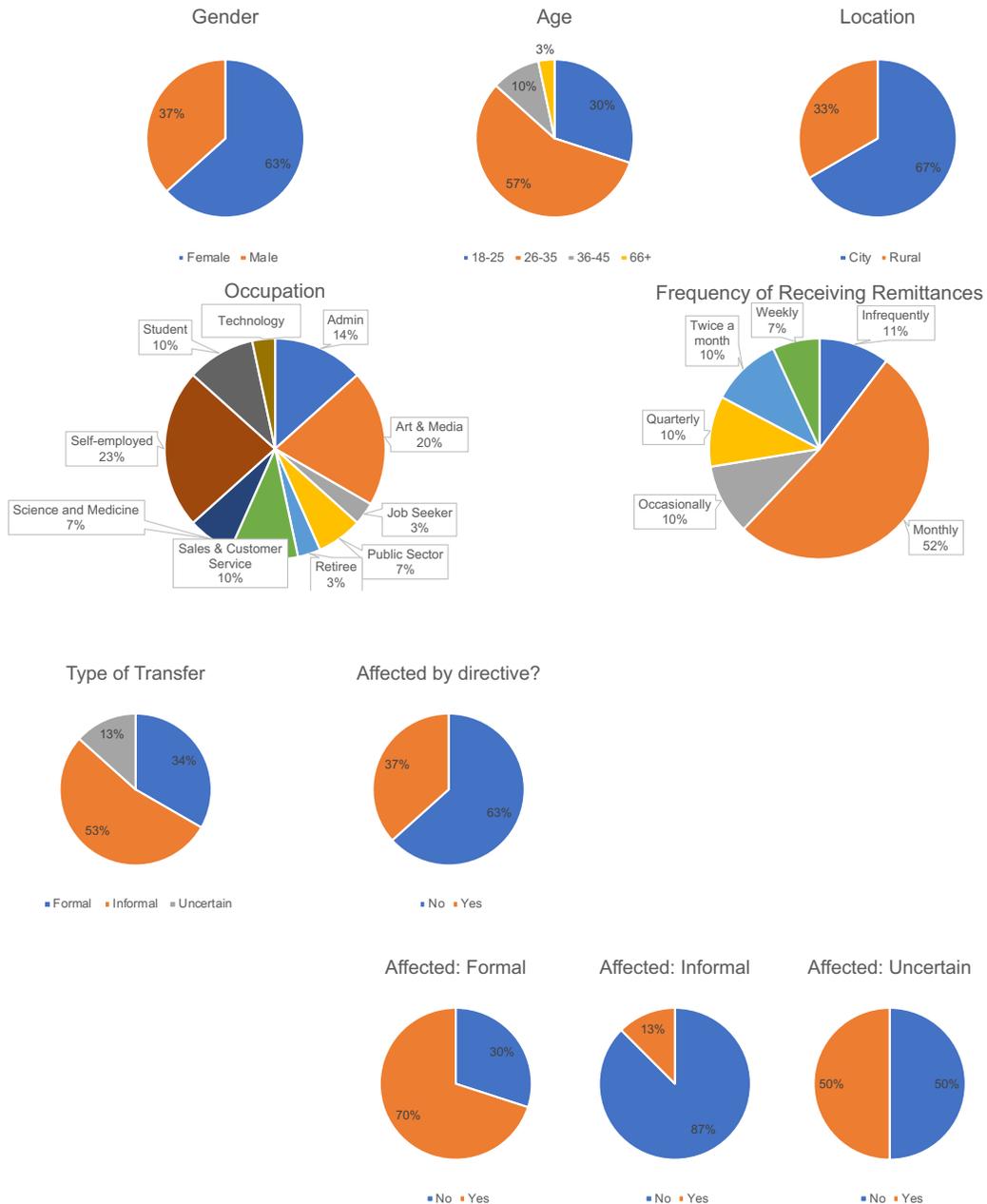
It is important to understand why receivers in Nigeria use the specific methods (formal, informal, bank accounts, cash and so on) in order to determine whether it is desirable for them to use alternative methods. Therefore, consumer research was undertaken with special attention being paid to users of informal and formal remittances (in line with the original objective of the study). As well as determining general consumer behaviours, specific research was undertaken to determine whether the 30th November 2020 directive has had an impact on receivers.

A mixture of phone-interviews and face-to-face interviews were conducted in early 2021, with a combination of snowball and randomised sampling methods used to identify respondents. To qualify to be interviewed, all participants had to receive remittances on a regular basis and were based throughout Nigeria in both major cities and rural areas. An additional small sample of senders of remittances from Ghana to Nigeria were also interviewed.

The sample size of thirty respondents, for the in-depth interviews, was large enough to draw strong qualitative conclusions. The following charts provide indicative quantitative data, which although not statistically significant, provides a good indication of the direction of travel. The majority of the people who were interviewed received remittances monthly and lived in urban areas. 53 percent received remittances through informal means yet largely reported that they had not been affected by the CBN directive. Compared to formal remittance receivers where 70

percent noted that they had been affected by the directive. See figure 10 for further interview results.

Figure 10: Interview results



4.1. Estimated flows of informal remittances

Remittance receivers are not always aware if the funds have been sent informally. Several respondents stated that their method of receiving remittances was “100 percent legitimate”, however on closer examination, it was clear that they were using an informal route. It is unclear if the confusion of formal versus informal amongst interviewees was due to limited financial

education or because the informal providers are very well organised and provide sophisticated operations. In reality, many informal operators credit Naira bank accounts of their receivers. It is logical, therefore, that the receiver would assume that the service they are using is formal if it passes through a banking channel. However, most informal services feature an unregistered business in the UK working with an unregistered entity in Nigeria that is able to credit accounts.

Various sources estimate that informal flows represent 50 percent of the formal flows. The findings from the interviews support this assumption.

The close-knit nature of Nigerian diaspora communities, including in the UK, suggests that informal flows will continue to flow. With the number of Nigerians that either live in the UK or split their time between the UK and Nigeria, there will always be people who need to send money to (and from) Nigeria, even if they are not licensed to do so or it is not their primary business. The natural two-way flows can be used to make informal flows. A large number of transactions from the UK to Nigeria are through peer-to-peer transactions and will likely remain pervasive as long as Nigerians can travel between the two countries and will make it difficult to measure the size of the market.

4.2. Consumer behaviour

Overall, there is a lot of mistrust of banks in Nigeria across all types of receivers. Historically this was due to potential bank failures. However, the survey found that currently this is largely because of the perceived inconvenience of banking. This includes the need to physically have to go to the bank, which is time consuming particularly considering the long queues at tills, down time of identification systems and the unreliability of ATM networks. The multitude of forms that are needed, as well as high bank charges were also mentioned as reasons why they do not use banks. Additionally, customers are not content with the banks handling the foreign exchange because of the rates that they provide, which are much worse than the parallel market. Therefore, interviewees felt that there is no certainty that they will be able to access their money, and when they can it is a hassle. To avoid the hassle of banks, some interviewees said that they withdraw funds from their account to virtual wallets on services such as PiggyVest or other investments as soon as they arrive or opt to use mobile money (which they now cannot do as a result of the directive).

The key to changing customer behaviour is to provide a convenient service to receivers. In this case, interviewees mentioned that getting funds directly into bank accounts with a competitive foreign exchange rate would be the most attractive. For those interviewed, their ideal product would include receiving the money directly into their account but at the parallel market rate, not the CBN rate.

Remittances are mainly used for personal upkeep and daily consumption. A few participants do use funds to finance businesses, but they were in the minority. Interestingly, some of the respondents received remittances from clients and organisations they work with, for example, photographers, writers and graphic designers work with UK-based clients, so not all remittances are sent by family and friends.

4.3. Reasons for the use of Informal Providers

Informal remittance receivers identified a number of risks in using informal services. The risks that were outlined by respondents (in an unprompted manner) were: carrying cash (in a suitcase) as it is at risk of being lost or stolen and getting into trouble with officials if carrying undeclared cash. Additionally, unlicensed agents were thought to be slower in getting remittances to receivers than formal providers as there can often be delays in getting hold of these agents. There is also the risk of the money disappearing, with no option to complain. Many receivers aren't familiar with the ways in which unlicensed agents carried out their business. At least one did not realise that agents took a fee for the transactions they engage in. Others are aware that a commission is taken but report not knowing exactly how the agents operate. However, this does not take away from the fact that people use informal services. Others mentioned difficulties with financial literacy and lack of awareness of other methods of getting money from abroad as challenges. Overall, one of the main reasons that people use informal is because they do not trust the banks preferring to place their trust in the unregulated operators who tend to be known to them through friends and/or colleagues. As noted by one receiver:

"I still believe that if banks were doing their jobs well, all these things should not be a problem"

The challenges of formal operators combined with the convenience, ease and price of informal remittances are thought to drive people to continue using unofficial channels. Receivers typically do not know the cost of these formal services as they are borne by the sender. Most receivers are mainly concerned with getting more at the end of the day. That as well as people not considering it illegal to receive from an informal provider:

"I know it's not the proper channel, but it's also not illegal."

There is the feeling that if the formal (banking) system in Nigeria improved, less people would use informal providers.

4.3.1. Impact of CBN directive on informal receivers

Most of the respondents who receive informally had not noticed any change in the way they received their funds since the CBN directive was introduced. Interviewees commented that they are still receiving Naira directly into their account, the only complaint was from one participant who noted that there was a delay in receiving the Naira. For those who reported using UK-based informal agents prior to the directive, there was no indication that they would stop using this method as it has continued to work for them, despite the CBN directive.

For those that had noticed a change, they were not aware it was because of the directive. It was commented that there was a slight reduction in the expected amount received in Naira due to the fact that the USD to Naira exchange rate is less than that of the USD to GBP. Essentially, changing GBP to Naira will yield a higher amount in Naira than when the GBP is converted to USD before reaching the receiver. It was noted that remittances are being sent in dollars even from the UK, which receivers were unaware of³⁴.

A small percent of the interviewees had switched from formal to informal channels as a result of the directive. They had previously been using a digital service that was not able to operate for a short time after the directive came into force, but that was enough time for receivers to go to informal providers. As one participant put it:

³⁴ This is logical as the receiver only sees the currency that the funds arrive in and not what the ordering currency was.

“That’s what’s so great about Nigerians. When one way shuts down, there will always be a plan B, C...and on.”

Another respondent had chosen to evade perceived setbacks due to the directive by switching to other alternatives, for example the web application, Bitsika.africa which enables money transfers specifically within the African continent. For one receiver who was unaware of the CBN directive, they noticed that recently a family member in the UK had asked a friend in Nigeria to send money to them for the family upkeep on his behalf.

Overall, the receivers interviewed preferred receiving money in Naira and wanted to avoid the time and cost of going to change money. For those that pick-up cash in foreign currency in Nigeria often have to go to the parallel market to change it to Naira. While some of these agents are unregistered, the receivers get a better rate of exchange, so they are able to get more Naira. This is a major reason that some receivers use and will continue to use informal options. Receivers do not perceive that there is a problem with informal remittances as long as money is received.

A number of respondents advised that they have experienced some operational problems. There were reports of complications in withdrawing and transferring remittances in recent months, especially with invalid PIN numbers or problems with BVNs (Banking Verification Numbers). A respondent reported that she was told there was a daily limit to how much could be received or paid out in US Dollars.

4.4. Ghana to Nigeria Remittance Corridor

As presented in Section 1, the Ghana to Nigeria remittance corridor is significant, with Ghana being the country to host the largest Nigerian diaspora.

Informal remittance flows are prevalent between the two countries, made easier by geographic proximity and historical ties. From interviews with providers, it was found that one of the main ways that remittances are sent is much like the system formal operators use. The sender approaches an informal provider, provides the recipient’s information, the provider then contacts partners in Nigeria, who are then able to immediately pay-out the Naira. Interviews with informal providers highlighted that the GHS from the sender is converted into USD, which is then converted into Naira. This is because providers need the GHS and USD to buy other currencies in the black market so they can make money off the exchange rate. The receiver has always, and will continue to, receive in Naira despite the CBN directive. The provider interviewed had not heard of the CBN directive and commented that it would not affect the business.

Informal remittance providers in Ghana tend to be from Niger and are irregular migrants. It is understood that they are a very closed community and they are suspicious of outsiders. However, they consider themselves to have an efficient money transfer system to Nigeria. In Ghana, the providers are well organised and have shops fronts and office locations for people to send money from. As well as sending money, people can send and receive goods to or from Nigeria. Outside these same shop fronts cargo vehicles can be seen waiting to transport the goods. Interestingly, one provider shared that some bank managers in Ghana are complicit in the black market, particularly in relation to foreign exchange. Rather than exchanging GHS for USD at the bank, the bank manager will suggest changing it on the black market.

Informal providers noted that COVID-19 has had a big impact on the informal market, much more so than the CBN directive. Informal providers have had much less work as there has been less money physically flowing between the countries due to COVID-19. Both the frequency and the amount has declined.

It was mused that the reason for sending remittances informally was because of the inefficiency of formal services and lower costs. The cost of informal services is always under 5 percent while formal services have to consider compliance costs such as the KYC and taxes, as well as the difficulty of making money on the exchange rate, which is not applicable for informal services. There is also less hassle with ID and the service is instant³⁵.

People often use informal services so they don't have to carry large amounts of cash when travelling between the two countries. It is safer, and more efficient, if the cash is waiting for them when they arrive in Nigeria. One participant switched from formal to informal because they had issues with using the banking system. Informal services have proved to be more convenient as well as providing better value for money, are safer, offer instant pay-out, and are time efficient (the banks are time consuming due to the forms that need to be completed). Importantly, to return to a formal service, the sender would need the formal service to match the positives of the informal service, particularly instant pay-out in Nigeria.

4.5. Impact of CBN directive on formal users

Interestingly, the majority of interviewees who are users of formal services had not heard of the CBN directive, and therefore they felt little to no impact. One participant noted that they are continuing to receive money the same way that they were before, which was into a Naira account through a bank transfer. This participant spoke to her bank about the directive, and she was informed that because they receive money frequently from the UK (and other countries), it would not affect her. Clearly, there is confused messaging being delivered by the operators or there is a lack of understanding from receivers. (Interviews with RSPs and mystery shopping shows that UK RSPs are not offering Naira.)

Of those participants that were aware of the directive, the majority strongly disagreed with the CBN directive. The general sense was that the directive was not supportive of the people who are trying to make ends meet. Prior to the directive, most consumers were able to receive remittances in their Naira bank accounts, now however they have to go to the bank to collect USD cash and from there head to the BDC, one interviewee noted:

"I can get robbed at any point in time,"

Furthermore, some participants thought that the ease of doing business in Nigeria has worsened as a result of the directive. A respondent complained that it felt as if Nigeria is in the dark when it comes to innovative finance. Another commented that they felt the directive would hamper start-ups that have money transfers and remittances as their core business. Another believed that the CBN did not carry out any, or comprehensive, research with consumers before passing the directive.

"Other countries are finding ways to adapt but you are setting us back so I'm not for the decision."

³⁵ Note: The formal market to send from Ghana to Nigeria is very limited as the service is restricted to banks and a few MTOs who are allowed to send from Ghana.

Whilst most of the feedback from consumers was negative, a couple of respondents viewed it favourably. They believed that the directive was a way to curb financial crimes, money laundering and fraud. One of them praised the move as laudable. There was also the idea that the CBN set up the directive in order to receive foreign currency in the country. One consumer told us that they do not think this will make much of a difference in how people send money. However, both the sender and receiver are affected by this directive.

Others reported that they haven't received money from abroad this year due to the directive. They say that is because they do not have a domiciliary account. However, this is not expected to be a long-term problem since the CBN instructed that anyone who previously received funds into a Naira account would have the funds automatically transferred to a domiciliary account, which would be opened for them when they received remittances.

4.6. Consumer perspective on change to Cryptocurrency market

Some of the consumers interviewed who were engaged in cryptocurrency trading were unaffected by the dollar pay-out CBN directive. They were not particularly worried about the cryptocurrency ban either. This is largely due to there being so many options to trade crypto in Nigeria, so that they feel that the CBN directives do not affect them. If one option was shut down, then another would pop up.

The majority of participants had heard of cryptocurrency but did not understand how it worked. Most interviewees were interested in learning how to trade in cryptocurrency but were unsure how to begin. It appears that the cryptocurrency market was growing prior to the dollar pay-out directive and continues to thrive in spite of the ban on cryptocurrency.

At least four of the consumers interviewed used Bitcoin to receive remittances from abroad. Two consumers have had someone from the UK send Bitcoin to Nigeria, where it is converted to the Naira equivalent. Therefore, they did not interact with Bitcoin themselves.

"I feel it is way better than the bank," one consumer who receives Bitcoin remittances on behalf of other consumers told us.

Interviews cited the low charges incurred while transferring Bitcoin is cryptocurrency's major advantage over traditional banks. In addition to that, one can store Bitcoin without any charges. One receiver told us that he often uses Bitcoin to purchase items from UK stores that deliver to Nigeria. That being said, there are different types of cryptocurrency that have varied transfer speeds, which could mean that by the time the Bitcoin is transferred, the Bitcoin-USD rate has changed, which affects the overall cost.

4.7. Impact of COVID-19

The World Bank estimated that remittances would decline by a total of 14 percent by the end of 2021³⁶. Like other countries, the Nigerian economy has suffered as a result of global COVID-19 particularly due to depressed oil prices. The experience of RSPs was mixed with some

³⁶ [KNOMAD \(2020\). Migration and Development Brief 33: Phase II: COVID-19 Crisis Through a Migration Lens.](#)

saying that they have suffered as a result of COVID-19 and others advising that there was little impact on them. Official data suggests that remittances fell by 27 percent year-on-year to Nigeria.

The majority of remittance receivers interviewed did not feel an impact of COVID-19 on the money received from the UK. Those who receive via informal providers seem to be the least affected because they had an established method prior to the pandemic. This is unlike what has been seen in many other countries, where informal remittance markets have declined and formal markets have increased as a result of the travel bans as people are unable to travel with cash in their luggage. This may be due to the incentive of the difference between the formal and parallel market exchange rates. In Nigeria, funds (in Naira) were still arriving in their account, so there was no disruption. Likewise, none of the participants who engaged in cryptocurrency commented on any impact that COVID-19 had on their trading.

Some interviewees saw remittances decline as a result of constraints experienced by family in the UK. With relatives not working as frequently, and the uncertainty on future employment, money was not able to be sent with the frequency or amount it was prior to the pandemic. With lockdowns in the UK, and other major host countries, it was harder to get money to Nigeria particularly if the sender was using a physical agent to send funds. In the instances where money was sent, the normal amount was reduced.

The demand for digital remittances is increasing as a result of the pandemic. Some interviewees informed that the use of digital services had increased due to the pandemic. The use of a virtual card was mentioned as a way to receive foreign currency that is used to purchase goods and services. This proved more convenient as there was a spending limit of US\$ 100 on Naira debit cards. For some participants, prior to the directive, digital remittances were seen as easier, with money being received faster through them. Whilst the pandemic has made this more difficult, the Bitcoin market is still operating. As a result of the pandemic, people were more confident with digital services and valued the convenience of them. It was concluded that those who had started to use digital services saw no reason to return to their prior method of transfer.

Summary:

A wealth of information was gained from consumer interviews. First and foremost, informal providers are a significant feature of the Nigerian remittances market. Moreover, remittance receivers are not always aware if they are receiving funds from an informal provider, if the money arrives in their account, they do not question the method of its arrival.

The directive has not had an overwhelming impact on remittance receivers, whether they are formal or informal. A level of inconvenience was expressed, particularly when having to exchange cash.

Notably, there was no mention from the interviewees about the lack of dollar cash at branches or challenges with denominations.

For those who were negatively impacted there was fear for their personal security when carrying cash, and a dislike that banks were handling foreign exchange. Receivers overwhelmingly prefer to get cash into their bank accounts that they can they use however they please.

Cryptocurrency is a growing trend for P2P transactions and is expected to continue growing, particularly as a result of the CBN directives which has driven some receivers to favour digital remittances and has encouraged the growth of vendors who specialise in receiving bitcoin from

abroad and transferring Naira to clients in Nigeria. Finally, COVID-19 had a limited impact of remittance receivers, with the majority not noticing a difference.

Section 5: Recommendations

It is clear that the informal market is a major phenomenon in the Nigeria remittances market. It is also clear that the 30 November 2020 directive has changed how the market works and has had a major impact, potentially in terms of flows, but also in terms of operations for RSPs. The two objectives of the study are therefore inextricably linked.

Undoubtedly Nigeria faces major problems in regard to encouraging more transactions into the formal sector. The key driver is the existence of the parallel exchange market and the premium within that market. This is an issue that is much broader than remittances. It is a macro-issue that needs to be addressed at the highest level. If the parallel market exists, there will always be a potential benefit for remitters to use it to obtain a better deal. However, there are steps that can be taken to address this in the shorter term, including devaluation of the Naira.

It is beyond the scope of this study to address all the issues surrounding the parallel market exchange rate, but there are a number of actions that can be undertaken to improve the remittances market from a wider perspective and also in respect of the directive of 30 November 2020.

The recommendations have been divided into those which the FCDO could undertake, which generally focus on advocacy; actionable recommendations in the UK; and broader recommendations for the Nigeria remittances market. In addition, some high-level recommendations for the CBN have been produced.

ACTIONS FOR FCDO

1. Establish a dialogue and strong working relationship between FCDO, HMG, CBN, and other key actors on the UK to Nigeria remittances corridor	Timeframe	Difficulty	Priority
<p>Objectives: Develop a mutually beneficial close working relationship that is capable of responding jointly to changes in the market and acting together to address:</p> <ul style="list-style-type: none"> • Reducing Informality • Lowering the cost of remittance • Supporting financial inclusion • Sharing data and best practices • Improving AML/CFT measures and guidance 	Ongoing	Medium	High
	<p>Background/Description: Currently, the FCDO and CBN do not have a strong relationship when it comes to being able to regularly discuss remittances and other overlapping interests. Establishing this dialogue will be the basis for success for all other recommendations within this report. This relationship will be further served with the involvement of the whole of HMG so that knowledge sharing becomes a strong pillar of these exchanges, as opposed to a one way exchange. Additionally, other actors will need to be brought into the conversation in order to achieve the various goals and objectives.</p>		

Actions:		
1.	<p>Develop a clear engagement plan for dialogue between FCDO and CBN</p> <ul style="list-style-type: none"> Brainstorm what FCDO can offer in a relationship with CBN such as access to remittances strong convening power around the world, and funding for technical assistance Using the above strengths should help open the door for a dialogue and subsequently a strong working relationship between the two organizations From there, regular meetings can be scheduled to build on discussions around: <ul style="list-style-type: none"> remittance prices & volumes data collection (from both send and receive perspectives), informality, AML-CFT, and other topics of interest. 	
2.	<p>Put HMG and CBN in conversation with each other to encourage knowledge sharing and maximise progress made on both the receiving and sending ends.</p> <p>The types of activities that should be undertaken include:</p> <ul style="list-style-type: none"> Share intelligence and work together to combat the informal sector Share data and best practices on supporting the formal sector Provide feedback on the challenges that have been identified, including user experiences and potential illicit finance risks with the new directive Progress could be made in identifying and closing down illegal remittance businesses if both ends of the corridor work together to address the risks 	
3.	<p>Offer to provide technical assistance on topics that would be of interest to CBN and FCDO</p> <ul style="list-style-type: none"> The UK has access to specific skill sets which could be provided to CBN as required and would serve as a good point of entry to establish a mutually beneficial working relationship between CBN and FCDO Areas of interest, could include: <ul style="list-style-type: none"> Consumer protection - there is limited protection for consumers and the UK could make a large difference in a small amount of time AML-CFT compliance to help bolster Nigeria's skills in this area and manage potential risks. It is understood that CBN has contacted the FCA with concerns about certain agents in the UK and asking for assistance in removing them but without a response. Expert support around currency management given that the Naira is a managed currency and Nigeria has a large informal market. Support the CBN with possible responses to the Nov 30 2020 directive to minimize the potential negative impacts (see Action 1 of Recommendation 5). 	
4.	<p>Engage, and potentially coordinate, with all other relevant development actors in Nigeria remittances market</p> <ul style="list-style-type: none"> FCDO should engage with the various actors already present in the Nigerian financial and remittances space such as the IMF, World Bank, Gates Foundation and others who are interested in the current situation in Nigeria. If deemed necessary, a working group should be established to discuss and develop solutions for issues in the Nigerian remittances market which FCDO could lead and coordinate. As a minimum FCDO should be an active participant. Such a group would harmonise discussions in the marketplace so that all stakeholders are made aware of what is happening and have a chance to give feedback and influence outcomes. 	
<p>Success Measures: Improved working relationship between the FCDO and CBN in which mutually beneficial discussions and engagement can be had on a regular basis with periodic knowledge sharing sessions that work to improve the UK to Nigeria remittances corridor. Essentially, success looks like a relationship where the FCDO office in Abuja feels comfortable picking up the phone and setting up a meeting to exchange with the CBN on market developments.</p>		
Stakeholders	<i>Roles and Ongoing Work</i>	<i>Areas for collaboration</i>

HMG: Financial Conduct Authority, HMRC, the UK Treasury	Key stakeholders on the UK side	As CBN's counterparts in the UK, coordinating with the CBN on different areas of interest will be critical to the success of these recommendations		
Other Development Actors	Other developmental stakeholders that would be willing and able to support the projects	Convening to discuss how to address current and future challenges and potentially establishing a working group.		
2. Establish a formal working group, based in the UK, for UK to Nigeria remittances that would focus on improving the market for both consumers and money transfer operators	Timeframe	Difficulty	Priority	
	Yearly and other meetings as determined	Medium	Medium	
Objectives: <ul style="list-style-type: none"> • Reduce the cost of remittances to Nigeria by increasing competition • Reduce informal remittances, • Increase transparency • Improve regulatory compliance of small and large MTOs • Increase financial inclusion 		Background/Description: As one of the top markets sending to Nigeria, there is much work to be done in the UK to improve remittances to Nigeria. However, there is currently no centralised way with which to carry out this work. Improvements need to be made both in educating consumers and supporting money transfer businesses so that formal remittances can be sent at cheaper costs. Working together with all stakeholders can deliver updates on the events in the corridor, contribute ideas to improve the situation and work together in areas of mutual interest. Actions that the focus group can work on together are laid out below.		
Actions:				
1.	Provide education and awareness raising to Nigerian remittance senders in the UK on the current situation in Nigeria, the differences between formal and informal services, and encourage them to switch to formal <ul style="list-style-type: none"> • Users of informal remittances are often not aware whether the service they are using is formal or informal. • Undertake education programmes within the Nigerian community in the UK to inform them of the dangers of informal remittances and the various alternatives that are available. Steps could also be taken to educate/inform service users on the implications of the directives and also make them aware of offers, good products and bring transparency. • A variety of approaches could be used including social media; but Nigerian diaspora leaders should be engaged in the planning for best results 			
2.	Conduct independent consumer research on a regular and ongoing basis to stay abreast of consumer trends, demographics and attitudes, especially towards use of informal channels			

	<ul style="list-style-type: none"> This study has provided some useful insight but was mostly focused on the receive side. Information is needed on consumers' motivations on the send side and much more is needed to track changes over time and to bring deeper understanding in areas such as gender, rural consumers, formal versus informal and so on. A regular tracking research could cover many areas and once an infrastructure is developed, such as the support of the working groups, it would also be easier to convene it for specific one-off situations, for example on the impact of the directive. 								
3.	<p>Education and support to strengthen compliance of UK based operators</p> <ul style="list-style-type: none"> Some MTOs would benefit from technical assistance to help develop risk-based policies and procedures, and assistance with implementation. This should be provided as a public good via guidance from the working group. Some of the UK's top IMTOs were cut off from sending to Nigeria due to non-compliance with Nigerian regulations, guidance would be helpful there Support could be provided on behalf of small MTO businesses to ensure the barriers to entry are not disproportionately high and monitoring is fair. Ensuring these MTOs could enter the market would increase competition and therefore drive down cost. 								
4.	<p>Establish useful programs within the working group to improve the market</p> <ul style="list-style-type: none"> Work with industry to reduce the risk profile of the corridor, through sharing data and intelligence Implement a whistle blowers programme to alert HMRC, FCA and others of unregistered or non-compliant MTOs 								
<p>Success Measures: Attendance at high level annual meeting; a roadmap to address specific current challenges and, ultimately, to mitigate these issues in the UK-Nigeria corridor; increased formal remittance flows due to more people using formal channels; increased clarity and lower obstacles for small businesses wanting to participate formally in the remittances market.</p>									
Stakeholders:	<table border="1"> <thead> <tr> <th><i>Roles and Ongoing Work</i></th> <th><i>Areas for collaboration</i></th> </tr> </thead> <tbody> <tr> <td>Financial Conduct Authority, HMRC, the UK Treasury</td> <td>Their insights into mitigating risks, addressing compliance and other send market factors will be valuable to the group.</td> </tr> <tr> <td>Market Operators in the UK</td> <td>They would benefit from the insights of other people in the working group and would provide valuable insights on the market. Develop a realistic plan for engagement as some may be reluctant</td> </tr> <tr> <td>Nigerian Community Leaders via diaspora organisations</td> <td>Important to collaborate with them on best ways to communicate with and educate the Nigerian remittance senders; leaders/representatives should be part of the working group and not an afterthought as they would have valuable insights on challenges and remittance behaviours</td> </tr> </tbody> </table>	<i>Roles and Ongoing Work</i>	<i>Areas for collaboration</i>	Financial Conduct Authority, HMRC, the UK Treasury	Their insights into mitigating risks, addressing compliance and other send market factors will be valuable to the group.	Market Operators in the UK	They would benefit from the insights of other people in the working group and would provide valuable insights on the market. Develop a realistic plan for engagement as some may be reluctant	Nigerian Community Leaders via diaspora organisations	Important to collaborate with them on best ways to communicate with and educate the Nigerian remittance senders; leaders/representatives should be part of the working group and not an afterthought as they would have valuable insights on challenges and remittance behaviours
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ACTIONS FOR CBN

3. Collect and publish reliable remittances data	Timeframe	Difficulty	Priority
	1 month + Ongoing	Medium	High
Objectives: <ul style="list-style-type: none"> • Ability to develop informed policies • Measure the impact of measures that have been undertaken • Ensure all stakeholders are citing the same data when making decisions 	Background/Description: <p>There is currently confusion surrounding remittance data for Nigeria. There are massive differences between the numbers quoted by the World Bank and the flow of funds seen by CBN. This mismatch causes extensive problems for the CBN and the Nigerian government. It prevents informed decision making and can lead to unwarranted policy implementation.</p> <p>Further, stakeholders are eager to support the CBN in developing informed policies that are appropriate for the market but a lack of clear and periodic data makes it difficult to know what will be best for the market.</p>		
Actions:			
1.	Build on the data reporting obligations already on the ground to design an automated data collection process for IMTOs, banks, BDCs, mobile wallet operators and so on. <ul style="list-style-type: none"> • This will allow for specific data points to be provided at very short notice. • Ensure that disaggregated and corridor data is included, including gender, reason and other related information where possible 		
2.	Publish useful, clear and accurate remittances data on a regular basis <ul style="list-style-type: none"> • Specific remittances data should be available on the CBN website, sperate from the rest of the financial reports (which, currently, only give growth percentages of the remittances rather than raw numbers) • When remittances data is published or discussed publicly, it should be clearly stated whether CBN is referencing only formal flows or all estimated flows. 		
3.	Develop quantifiable measures and targets to determine the success, or otherwise, of policy decisions <ul style="list-style-type: none"> • Given that we are now several months from the initiation of the CBN dollar directive, there should be enough data to ascertain if it is having its desired effects on the market. • Clear and accurate data will help inform how the CBN should proceed with the directive or if there is more support needed to achieve the desired aims. 		
Success Measures: Clear, disaggregated data is publicly and regularly available on Nigerian remittances from the CBN			
Stakeholders:	<i>Roles and Ongoing Work</i>	<i>Areas for collaboration</i>	
African Institute of Remittances; National Statistics Institute	Household surveys	AIR, NSI and CBN worked together during 2019/20 to conduct household surveys on remittances in Nigeria. Their insights will be useful on any data project, particularly for estimating use of informal	
Development Sector Stakeholders	Ongoing research or projects in Nigeria with interest in the	Other development actors would be willing and able to support Nigeria in its data collection and publication endeavours; particularly with providing technical assistance to assess the effects of the directive so far.	
4. Establish a remittances forum in Nigeria that includes market stakeholders to respond	Timeframe	Difficulty	Priority
	Ongoing	Medium	Medium

<p>to the needs of the market with a long-term view</p>			
<p>Objectives:</p> <ul style="list-style-type: none"> • Informed policy decisions and informed operators so that disruptions in service can be avoided • Moving people from informal to formal Improved financial inclusion • Increased competition via ensuring all market players, regardless of size, get a say in and area informed of policy decisions 	<p>Background/Description:</p> <p>The Nigerian remittances market can at times feel disjointed and confusing, particularly to smaller players who do not have direct access to CBN and other policy makers. It's important to have a platform that is accessible to all which would help with obtaining regular feedback from all operators, both in Nigeria and outside the country. Ideally the group should include participants from the key corridors. Above and beyond just being a platform for communication, the forum can also respond to market needs by allocating responsibilities for specific actions to specific groups.</p> <p>It is important that this group, or at least some meetings or events, are open to all participants in the Nigerian remittances space so as not to alienate smaller players.</p> <p>The aim is to have a group with all the key stakeholders of the Nigerian remittances market so that disruptions that shock the market can be avoided and informed policy decisions can be made and shared accordingly.</p>		
<p>Actions:</p>			
<p>1.</p>	<p>Develop a long-term remittances plan</p> <ul style="list-style-type: none"> • In the drive to continually improve Nigeria's remittances market, at times individual decisions are made that may have a positive impact in one area but negative consequences in another. The 30th November regulation was implemented with limited consultation with industry players, disrupted operations during the busiest time for remittances and has been subject to a number of clarifications and revisions. When decisions are made in a vacuum it does not bring confidence to market operators. • It is essential that a long-term plan is developed, after consultation with other stakeholders, that clearly sets out the key steps and a roadmap on how Nigeria will move forward with developing remittances for the good of the whole country. • Regulations and clear provisions that allow for innovation in the remittances and financial sector should be included within this roadmap. • The forum can be a perfect channel in which to receive feedback from operators and other stakeholders on what would work best in the market and to give them a heads up on decisions that will be forthcoming so that they have time to prepare. 		
<p>2.</p>	<p>Conduct regular consumer research to establish the appropriateness of various actions and determine the usage of the parallel market</p> <ul style="list-style-type: none"> • In order to make the best policy decisions for the remittances market, there is a need to understand the drivers of senders and receivers of remittances. If there is an ongoing research programme (perhaps using panels) then actual and proposed policies and practices can be assessed. Key considerations are: <ul style="list-style-type: none"> ○ While the research would be beneficial to the remittances forum, the research should be independently conducted and not connected to CBN. The feedback from individuals and remittance industry operators indicated that they did not trust CBN (or are afraid of them) and so having verifiable independent research is important. ○ This is an area that donors who would be part of the forum have a strong interest in and may be willing to fund. ○ Insights from the study should then be acted upon by members of the remittances forum. This would feedback into policies developed as part of action point 1. ○ This can be done independently but would be best carried out in conjunction with action 2 from recommendation 2. 		
<p>Success Measures: A well-attended remittances forum where market operators do not feel that policies take them by surprise; a remittances market roadmap that is in line with Nigeria's development goals; up-to-date</p>			

information on how and why consumers use informal channels and an action plan to move them to formal channels.		
Stakeholders:	<i>Roles and Ongoing Work</i>	<i>Areas for collaboration</i>
AIR and National Institute of Statistics	Household survey on remittances	These two groups are already conducting research on remittances along with CBN and their networks could be used to quickly assess the reasons for the use of informal and what it would take to encourage people to use formal remittances.
RSPs	Operate in the market	They would have important insights into the market and can give feedback on upcoming policy decisions
Development organisations	Ongoing research or projects	Could support in developing long-term policy decisions based on global best practices and support in funding the user research.

5. Be proactive in ensuring new regulations serve their purpose without causing new problems	Timeframe	Difficulty	Priority
	6 months	High	High

Objectives:	Background/Description:
<ul style="list-style-type: none"> Lower the risks posed by flooding the parallel market with dollar cash Bring more hard currency in the country Increase financial inclusion Ensure rural receivers are not left behind Increase formal flows 	<p>The November 30th 2020 directive and subsequent communication took not only operators by surprise, but also consumers. Some of them were pushed into the informal market as they preferred to continue receiving their remittances in Naira or lived in remote locations and had no bank branches near them that had dollars to pay out. Further, the parallel market was flooded with dollar cash which could have some unintended consequence for illicit finance.</p> <p>Due to this, it is important that the unintended consequences of the directive are addressed to ensure there are no regressions in financial inclusion or the fight to combat terrorism. Additionally, consumers should be given more choice on how and where they want to receive their remittances.</p>

Actions:	
1.	<p>Examine ways to enable receivers to choose to leave remittances in USD or to convert them into Naira via BDCs or banks</p> <ul style="list-style-type: none"> At the time of the directive, many customers did not have a USD account (a situation which has broadly been addressed) or preferred to continue receiving their remittances in Naira despite the lower rate. Customers should be given more choice in how they receive their money. There are some measures that can be taken to ensure that consumers get more of a choice while also ensuring that everything stays within the formal sector. <ul style="list-style-type: none"> Given the objectives of the CBN, an ideal solution would be for the receiver to choose which currency to receive their money in whilst at the same time settlement to the bank in Nigeria is made in Nigeria. Facilitate exchange at higher rates through the formal systems rather than just the exchange bureau. The differential rates are causing market inequalities. Initiatives to equalise the different rates and float the currency are important and FCDO can source expertise to work on it. Nigeria has an excellent Naira clearing and settlement system but does not have the same for US dollars. It is, therefore, important that a fully automated USD clearing system is developed to facilitate the consumer's choice if the status quo is to begin. FCDO has experience with this and can support with examples like that of Bangladesh.

	<ul style="list-style-type: none"> ○ Alternatively, regulated BDCs could be allowed to act as sub-agents of banks so that they are able to exchange money for remittance receivers but still within CBNs purview. Currently, money received in cash at the bank is taken to the informal market where it can no longer be traced. If regulated BDCs are brought under the supervision of banks, customers can still get their remittances at a rate they prefer without the illicit finance risks posed by the current practices. 								
2.	<p>Ensure that the current directives do not negatively impact financial inclusion by allowing wallets and other operators that reach rural receivers to terminate international remittances</p> <ul style="list-style-type: none"> ● The CBN directive of 30 November 2020, and subsequent communications, has stopped international remittances being credited to mobile wallets. This is a major barrier to account adoption and such services, as well as agent banking locations, were a key way for rural remittance receivers to access money sent into their naira accounts. ● CBN can address the needs of rural receivers by considering the following: <ul style="list-style-type: none"> ○ Allow digital remittances to be made and credited to mobile wallet account, even if this means they act as the sub-agent of a bank who settles the dollar before sending it on in naira. ○ Ensure that agency banking locations are able to pay out international remittances; currently such locations cannot handle foreign currency and it would be risky to ask them to do so. ○ Incentivise end-to-end digital remittances as they result in financial inclusion and lower costs 								
<p>Success Measures: Uptake of digital remittances from rural remittance receivers; ability for consumers to choose how and where to receive their remittances</p>									
Stakeholders:	<table border="1"> <thead> <tr> <th><i>Roles and Ongoing Work</i></th> <th><i>Areas for collaboration</i></th> </tr> </thead> <tbody> <tr> <td>FinTech and small business, especially mobile wallets and agent banking locations</td> <td>These operators already know how to reach rural receivers</td> </tr> <tr> <td>Association of Bureaux de Change Operators of Nigeria (ABCON)</td> <td>ABCON has consistently insisted they should be made part of the remittances ecosystem in Nigeria</td> </tr> <tr> <td>Development organisations</td> <td>Any organisations working in the financial inclusion and rural space</td> </tr> </tbody> </table>	<i>Roles and Ongoing Work</i>	<i>Areas for collaboration</i>	FinTech and small business, especially mobile wallets and agent banking locations	These operators already know how to reach rural receivers	Association of Bureaux de Change Operators of Nigeria (ABCON)	ABCON has consistently insisted they should be made part of the remittances ecosystem in Nigeria	Development organisations	Any organisations working in the financial inclusion and rural space
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Appendix

Appendix 1: Bibliography

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Appendix 2: List of IMTOs Approved by CBN as of 28th February 2021

LIST OF APPROVED INTERNATIONAL MONEY TRANSFER OPERATORS AS AT FEBRUARY 28, 2021		
SN	OPERATOR	ADDRESS
1	AFTAB CURRENCY EXCHANGE LIMITED	Pail Mail Court, 61-67 King Street, Manchester, M2 4PD, United Kingdom
2	AZIMO LIMITED	173 Upper Street London, NI IRG United Kingdom
3	BELYFTED LIMITED	44 Whalebone Lane South Dagenham, Essex RMB 1BB, United Kingdom
4	CAPEREMIT UK LIMITED	47 Stanley Road Stevenage Hertfordshire SG2 OEE United Kingdom
5	CASHPOT LIMITED	157, Deptford High Street SE8 3NU, London United Kingdom
6	CENTREXCARD LIMITED	Unit 46, Dartford Business Park (Basepoint) Victoria Road, Dartford DA1 5FS, Kent, UK
7	CHIME INC.	239 East 5th Street Suite 4B New York, NY 10003 United States
8	COLONY CAPITAL LIMITED	Plot 5 Chief Yesefu Abiodun Way Oniru, Victoria Island Lagos
9	CP EXPRESS LIMITED	346 Barking Road London, E13 8HL
10	DT&T CORPORATION LIMITED	3 Harbour Exchange Square London E14 9GE
11	eTRANZACT LIMITED	4th & 5th Floors, Fortune Tower 27/29 Adeyemo Alakija Street Victoria Island Lagos
12	FIEM GROUP LLC DBA PING EXPRESS	1327, Empire Central Drive St. 110-6 Dallas Texas
13	FIRST APPLE INC.	6492 Landover Road Suite A1 Landover MD20785 Cheverly, USA
14	FLUTTERWAVE TECHNOLOGY SOLUTIONS LIMITED	8 Providence Street, Lekki Phase 1 Lagos
15	FORTIFIED FRONTS LIMITED In Partnership with e-2-e PAY LIMITED	#15 Glover Road Ikoyi, Lagos
16	FUNDS & ELECTRONIC TRANSFER SOLUTION	No. 15, Cameron Road, Ikoyi, Lagos
17	FUNTECH GLOBAL COMMUNICATIONS LIMITED	Ciarendon House 125 Shenley Road Borehamwood Hertshshire WD6 1AG United Kingdom
18	GLOBAL CURRENCY TRAVEL & TOURS LIMITED	1280 Ashton Old Road Manchester, M11 1JJ United Kingdom
19	HOMESEND S.C.R.L	Rue des Colonies 56, 6th Floor-B1000 Brussels Belgium
20	IDT PAYMENT SERVICES INC.	520 Broad Street USA
21	IMMUEBLE WARI LIMITED	20 Rue Amadou Assane Ndoye 7 Elge BP 32 368 Dakar Dakar Senegal
22	INTERSWITCH LIMITED	Plot 1648C Oko-Awo Close Victoria Island Lagos
23	MAKEBA INC.	65, Broad Street, 16 th Fl New York, NY 10004
24	MONEYGRAM	Africa Re-insurance Building 1679, Karimu Kotun Victoria Island, Lagos
25	NAIRA GRAM LLC operating in Nigeria as NGN GRAM LIMITED	24b Femi Okunnu Phase 2, Lekki Lagos State
26	NIGERIAN POSTAL SERVICE (NIPOST)	P.M.B 12537, Garki Abuja
27	NOUVEAU MOBILE LIMITED	oro 31B Oyeleke Street Alausa Ikeja, Lagos
28	PAGATECH LIMITED	176 Herbert Macaulay Way Yaba, Lagos
29	PAYCOM NIGERIA LIMITED	Plot 8, Dr. Nurudeen Olowopopo Avenue Alausa, Lagos
30	PAYPAL INC.	#2211 North First Street San Jose, CA95131 United States of America
31	REMIT HUB CAFE LIMITED	175 Chesterton Road Cambridge, CB4 1AF United Kingdom
32	REMITLY INC.	111 Third Avenue Suite 2100 Seattle, WA 98101 United States
33	RIA FINANCIAL	1 Allées Seydou Nourou TALL POINT E Dakar – Senegal
34	SHIFT FINANCIAL SERVICES LIMITED	No.1 Goba Close (Sulte 3), Off Monrovia Street Off Aminu Kano Crescent Wuse 2, Abuja
35	SIMPLIFY INTERNATIONAL SYNERGY LIMITED	No. 18, A-Close, 14 Road Gwarimpa, Abuja

36	SMALL WORLD FINANCIAL SERVICES GROUP LIMITED	Antonio Inesta Units 3&4 Sycamore Court Royal Oak Yard 168-170 Bermondsey Street SE1 3TQ, London
37	TCF LIMITED	2A Osborne Road Pees Galleria, Suite 4 Ikoyi, Lagos
38	TRANS-FAST REMITTANCE LLC	44 Wall Street, Suit 400 New York, NY10005 USA
39	TRANSFERTO MOBILE FINANCIAL SERVICES LIMITED (THUNES)	London Iron House London SE1 1UN United Kingdom
40	VENTURE GARDEN NIGERIA	Plot E, Ziatech Road Oregun, Ikeja Lagos
41	VOLOPA FINANCIAL SERVICES (SCOTLAND) LIMITED	Maclay Murray & Spens LLP 1 George Square, Glasgow, G2 1AL
42	VTNETWORK LIMITED	No.5 Beckley Street, Off Adeyi Avenue Old Bodija, Ibadan Oyo State
43	WEBLINK INTERNATIONAL LIMITED	The Enterprise Centre (Unit 1) Hastings Road, Bromley Kent BR2 8NA, London
44	WESTERN UNION	7 th Floor, Shore 13 1100 Boulevard Al Qods-Quartier Sidi Maarouf 20270 Casablanca-Morocco
45	WORLDREMIT LIMITED	2nd Floor, 62 Buckingham Gate London SW1E 6AJ
46	XPRESS MONEY SERVICES LIMITED	Office #426, 1 Olympic Way Wembley HA9 ONP London, UK
47	XPRESS PAYMENT SOLUTIONS LIMITED	23, Oba Akinjobi Way Ikeja GRA Lagos

Appendix 3: CBN Directive on Diaspora Remittances



CENTRAL BANK OF NIGERIA

Corporate Head Office
Central Business District
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TRADE AND EXCHANGE DEPARTMENT

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TED/FEM/FPC/GEN/01/011

November 30, 2020

**TO: ALL AUTHORIZED DEALERS and
GENERAL PUBLIC**

AMENDMENT TO PROCEDURES FOR RECEIPT OF DIASPORA REMITTANCES

In an effort to liberalize, simplify and improve the receipt and administration of diaspora remittances into Nigeria, the Central Bank of Nigeria (CBN) wishes to announce as follows:

- Beneficiaries of Diaspora Remittances through International Money Transfer Operators (IMTOs) shall henceforth receive such inflows in foreign currency (US Dollars) through the designated bank of their choice.
- Such recipients of remittances may have the option of receiving these funds in foreign currency cash (US Dollars) or into their ordinary domiciliary account.

These changes are necessary to deepen the foreign exchange market, provide more liquidity and create more transparency in the administration of Diaspora Remittances into Nigeria.

In addition, these changes would help finance a future stream of investment opportunities for Nigerians in the Diaspora, while also guaranteeing that recipients of remittances would receive a market-reflective exchange rate for their inflows.

All Authorized Dealers and the general public should note that beneficiaries shall have unfettered access and utilization to such foreign currency proceeds, either in cash and/or in their Domiciliary Accounts, in line with our circular **TED/FEM/FPC/GEN/01/010**

Please ensure strict compliance and be guided accordingly.



DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT



CENTRAL BANK OF NIGERIA

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TRADE AND EXCHANGE DEPARTMENT

E-mail address: ted@cbn.gov.ng

TED/FEM/FPC/GEN/01/010

November 30, 2020

**TO: ALL AUTHORIZED DEALERS and
GENERAL PUBLIC**

OPERATIONS OF DOMICILIARY ACCOUNTS

Following different interpretations on the operationalization of Domiciliary Accounts and to ensure the stability of the foreign exchange market, The Central Bank of Nigeria (CBN) would like to provide the following clarifications.

Export Proceeds Domiciliary Accounts

These accounts will continue to be operated based on existing regulations which allow account holders use of their funds for business operations only, with any extra funds sold in the Investors' & Exporters' (I&E) Window.

Ordinary Domiciliary Accounts

- Where accounts are funded by electronic/wire transfer, account holders will be allowed unfettered and unrestricted use of these funds for eligible transactions.
- Where accounts are funded by cash lodgments, existing regulation will continue to apply.

These clarifications are necessary given the vastly improved capabilities of the Central Bank of Nigeria to monitor transactions, forestall money laundering and prevent the adverse effect of Dollarization in our economy.

All Authorized Dealers and the General Public are to note that BVN would be used to enforce compliance with these regulations.

Please be guided accordingly.

**DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT**



CENTRAL BANK OF NIGERIA

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TED/FEM/FPC/GEN/01/012

December 02, 2020

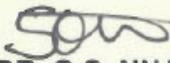
**TO: ALL AUTHORIZED DEALERS/
THE GENERAL PUBLIC**

**RE: AMENDMENT TO PROCEDURES FOR RECEIPT OF DIASPORA
REMITTANCES**

Further to the Circular Ref. No. TED/FEM/FPC/GEN/01/011 of November 30, 2020, on the above subject, we wish to reiterate and clarify to All International Money Transfer Operators (IMTO) the following;

1. IMTO's must ensure that all funds in favour of beneficiaries/recipients in Nigeria be deposited into the Agent Banks' correspondent account.
2. Agent Banks (Deposit Money Banks) in Nigeria will be responsible for final payment to beneficiaries/recipients either in foreign currency cash (USD) or into the beneficiaries'/recipients' domiciliary account in Nigeria.
3. The mode of payment either in cash or transfer is at the sole discretion of the beneficiaries/recipients.

Please ensure strict compliance and be guided accordingly.


DR. O.S. NNAJI
DIRECTOR
TRADE & EXCHANGE DEPARTMENT

CENTRAL BANK OF NIGERIA



PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
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PSM/DIR/CON/CWO/16/119

December 16, 2020

TO: Circular to International Money Transfer Operators (IMTOs) and Payment Service Providers (PSPs)

Dear Sir/Ma,

RECEIPT OF DIASPORA REMITTANCES: ADDITIONAL OPERATIONAL GUIDELINES

Following the recent policy pronouncements on amendments to procedures for receipt of diaspora remittances, the Central Bank of Nigeria (CBN) notes material compliance by majority of market participants as beneficiaries of remittances through IMTOs now receive foreign currency through their designated banks. However and regrettably, a few operators continue to pay remittances in local currency contrary to the regulatory directive. The CBN frowns at this practice.

In the light of this, the CBN hereby provides the following additional operational guidelines:

1. Switches and Processors should immediately cease all local currency transfers in respect of foreign remittances through IMTOs.
2. All MMOs are required to immediately disable wallets from receipt of funds from IMTOs.
3. Payment service providers are directed to cease integrating their systems with IMTOs going forward and must prevent comingling of remittances with other legitimate transactions.



4. All IMTOs are required to immediately disclose to beneficiaries that they exercise discretion to receive transfer in foreign currency cash or directly into their domiciliary accounts.
5. A central reporting portal for all foreign remittances to be managed by the Nigerian Interbank Settlement System (NIBSS) is currently under development to improve visibility of foreign remittance flows.

All licensed institutions are required to comply with the foregoing guidelines as contraventions will attract stiff regulatory sanction including **revocation of license**.

The CBN remains committed to promoting transparency in the administration of diaspora remittances into Nigeria and will continue to enforce policies that will stabilize and deepen the Nigeria foreign exchange market.

**Director, Trade and Exchange
Department**

**Director, Payments System Management
Department**



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PSM/DIR/CON/CWO/16/126

December 18, 2020

**TO: ALL DEPOSIT MONEY BANKS (DMBs), PAYMENT SERVICE PROVIDERS (PSPs)
AND INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)**

Dear Sir/Ma,

**RECEIPT OF DIASPORA REMITTANCES: ADDITIONAL OPERATIONAL
GUIDELINES 2**

Further to the circular to IMTOs and PSPs on "Receipt of Diaspora Remittances: Additional Operational Guidelines", referenced PSM/DIR/CON/CWO/16/119 and dated December 16, 2020, the Central Bank of Nigeria further directs as follows:

1. DMBs are to close all Naira accounts for IMTOs. This is to ensure that all diaspora remittances are received by beneficiaries in foreign currency only (cash and/or transfers to domiciliary accounts of recipients)
2. DMBs are permitted to open new Opex accounts for the purposes of the IMTO operations, such as salary payments and other operating expenses excluding diaspora remittance receipts.
3. DMBs must ensure that proper audit of IMTO accounts is done to forestall further use of Naira accounts for diaspora remittance purposes.

This takes effect immediately.

Please ensure strict compliance and be guided accordingly.


**Director, Banking Supervision
Department**


**Director, Payments System Management
Department**



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TRADE AND EXCHANGE DEPARTMENT

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TED/FEM/FPC/PUB/001/001

January 22, 2021

To: ALL AUTHORISED DEALERS AND
INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)

MODALITIES FOR PAYOUT OF DIASPORA REMITTANCES

Further to our circular titled "Receipt of Diaspora Remittances: Additional Operational Guidelines", it has come to our notice that some IMTOs and unlicensed companies continue to facilitate diaspora remittances into the country in Naira, in clear contravention of the Central Bank of Nigeria directive that all remittances be paid to beneficiaries in dollars.

For the avoidance of doubt, the Central Bank of Nigeria further clarifies as follows:

1. Only licensed IMTOs are permitted to carry on the business of facilitating diaspora remittances into Nigeria;
2. All diaspora remittances must be received by beneficiaries in foreign currency only (cash and/or transfers to domiciliary accounts of recipients);
3. IMTOs are NOT permitted, under any circumstances, to disburse diaspora remittances in Naira (either in cash or by electronic transfers), be it through naira remittance settlement accounts (which had been earlier directed to be closed), third party accounts or via any other payment platforms within and/or around the Nigerian financial system.

These measures are intended to promote transparency, grow diaspora remittances and significantly improve foreign exchange inflows into Nigeria. Strict sanctions, including withdrawal of operating licenses, shall be imposed on any individuals and/or institutions found to be aiding, abetting or directly contravening these guidelines.

For unlicensed operators, the CBN shall not hesitate to authorize the closure of their accounts in Nigerian banks, including being barred from accessing banking services in Nigeria.

The CBN shall continue to monitor developments in this regard and will issue further guidance as appropriate.

DR.O.S. NNAJI
DIRECTOR
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CENTRAL BANK OF NIGERIA
Banking Supervision Department
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Garki, Abuja.

February 5, 2021

LETTER TO ALL DEPOSIT MONEY BANKS, NON-BANK FINANCIAL INSTITUTIONS AND OTHER FINANCIAL INSTITUTIONS

The Central Bank of Nigeria's (CBN) circular of January 12, 2017 ref. FPR/DIR/GEN/CIR/06/010 which cautioned Deposit Money Banks (DMBs), Non-Bank Financial Institutions (NBFIs), Other Financial Institutions (OFIs) and members of the public on the risk associated with transactions in crypto currency, refers.

Further to earlier regulatory directives on the subject, the Bank hereby wishes to remind regulated institutions that dealing in crypto currencies or facilitating payments for cryptocurrency exchanges is prohibited.

Accordingly, all DMBs, NBFIs and OFIs are directed to identify persons and/or entities transacting in or operating crypto currency exchanges within their systems and ensure that such accounts are closed immediately.

Please note that breaches of this directive will attract severe regulatory sanctions.

This Letter is with immediate effect.

Yours faithfully,

BELLO HASSAN
DIRECTOR OF BANKING SUPERVISION

MUSAI JIMOH
DIRECTOR PAYMENTS SYSTEM
MANAGEMENT DEPARTMENT



CENTRAL BANK OF NIGERIA

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TED/FEM/PUB/FPC/01/003

05 March 2021

**TO: ALL DEPOSIT MONEY BANKS,
INTERNATIONAL MONEY TRANSFER OPERATORS (IMTOs)
AND THE GENERAL PUBLIC**

**INTRODUCTION OF THE CBN'S "NAIRA 4 DOLLAR SCHEME" FOR
DIASPORA REMITTANCES**

In an effort to sustain the encouraging increase in inflows of diaspora remittances into the country, the Central Bank of Nigeria (CBN) hereby announces the introduction of the "CBN Naira 4 Dollar Scheme", an incentive for senders and recipients of International Money Transfers.

Accordingly, all recipients of diaspora remittances through CBN licensed IMTOs shall henceforth be paid N5 for every USD1 received as remittance inflow.

In light of this, the CBN shall, through commercial banks, pay to remittance recipients the incentive of N5 for every USD1 remitted by sender and collected by designated beneficiary. This incentive is to be paid to recipients whether they choose to collect the USD as cash across the counter in a bank or transfer same into their domiciliary account. In effect, a typical recipient of diaspora remittances will, at the point of collection, receive not only the USD sent from abroad but also the additional N5 per USD received.

Please note having discussed with banks and IMTOs, the scheme takes effect from Monday 8 March 2021 and ends on Saturday 08 May 2021.


A.S. JIBRIN

**For: DIRECTOR
TRADE & EXCHANGE DEPARTMENT**