

THE CENTRAL BANK OF NIGERIA eNAIRA

INTRODUCTION

- The Central Bank of Nigeria (CBN) earlier in the proposed a digital currency known as the eNaira. The reason behind this lunch is first to make the unbanked banked and also draw the teeming youthful population who are excited by the internet to have an alternative to holding cash.
- The eNaira was to be launched on 1st October 2021 but was sadly postponed due to unforeseen circumstances. the Federal Government of Nigeria on
- This paper is to run you through what you need to know about the product and the potential pitfalls

What is a Central Bank Digital Currency

- The E-Naira is classified as a Central Bank Digital Currency because it is a digital fiat issued by the CBN
- A Central Bank Digital Currency (CBDC) is an electronic version of a local currency issued by the central bank.
- In other words it is a paperless format of the local currency.

What is E-Naira

- The **E-Naira** is an electronic version of the Nigerian naira issued by the Central Bank of Nigeria as an alternative payment option.
- The E-Naira is not meant to replace the Naira but to serve as an alternative and it shall rank at par with the Naira (1:1)

IS THE eNAIRA A CRYPTO ASSET?

- There is a general misconception that the eNaira is a Nigerian version of crypto currencies like Bitcoin Ethereum, Ripple and the likes.
- The truth is eNaira is not a crypto asset. Although the eNaira operates on an almost similar blockchain technology, there is a huge difference between the eNaira and cryptocurrencies.

eNAIRA V CRYPTO (CONTD.)

- Crypto assets are decentralized in the sense that ledgers are not stored in a single place. The eNaira like all CBDC is centralised and the ledgers are with CBN
- Crpto assets are held anonymously while the eNaira cannot be held anonymously

E-Naira Vs Stablecoins

- The key difference between Stablecoins and eNaira is that stablecoins are pegged against another asset example is the USD coin which is pegged against the dollar. The eNaira is not pegged against the Naira but it is at par with the Naira meaning 1eNaira is equal to 1 Naira.

eNAIRA V DIGITAL MONEY

- Most forms of digital currencies like mobile money and electronic transfers are fiat issued by the Central Bank through intermediaries like commercial banks, mobile money operators. eNAIRA are fiat issued by the central bank without any intermediaries.

HOW TO OPEN AN eNAIRA WALLET

- Log on to the website
- Download the wallet
- Enter an invitation code issued by the CBN
- Fill the form
- Comply with the necessary KYC requirement like National Identification Number, Bank Verification Number, Means of Identification etc

Once all these are done your wallet is ready for use.

MERCHANT WALLET

- Note that for business persons ('Merchants') there is a merchant version of the eNaira wallet.
- The steps are also similar but there are some additional requirements like:

Tax Identification Number (TIN), Incorporation documents and the likes

HOW WOULD THE E-NAIRA WORK

- Any person willing to use the eNaira, would have to open an enaira wallet by downloading the wallet from the website
- The wallet operates a tier system. ***TIER 1, TIER 2, TIER 3*** the kind of transaction a user can make on the wallet is dependent on the level of kyc

TIER ONE

- Tier one these are for customers without an existing bank account
- 1. Minimum account opening requirement: national identity number (NIN);
- 2. Daily transaction limit: N50,000;
- 3. Maximum cumulative daily balance: N300,000.

TIER TWO

- Tier two— these are for customers with minimal spending abilities but have bank accounts:
- 1. Minimum account opening requirement: in addition to the requirement for Tier 1, a bank verification number (BVN);
- 2. Daily transaction limit: N200,000;
- 3. Maximum cumulative balance: N500,000.

TIER THREE

- Tier three—these are for customers with regular spending abilities
- 1. Minimum account opening requirement: similar to tier 2;
- 2. Daily transaction limit: N1,000,000;
- 3. Maximum cumulative balance: N5,000,000.

MERCHANT

- 1. Minimum account opening requirement: Full KYC as stipulated in the CBN's AML/CFT regulations;
- 2. Daily Transaction Limit: N1,000,000;
- 3. Maximum cumulative balance: unlimited.

ADVANTAGES OF E-NAIRA

1. eNaira simplifies the implementation of monetary policy by making it easier to propagate money through the economy.
2. The eNaira system is expected to make remittance simple and seamless.
1. It is expected to eliminate 3rd party risks associated with money remittances and payments.

ADVANTAGES OF THE eNAIRA (CONTD)

- eNaira can simplify disbursement of funds and possibly bring the people closer to the government.
- eNaira can prevent illicit activity because they exist in a digital format and do not require serial numbers for tracking. Cryptography and a public ledger make it easy for a central bank to track money throughout its jurisdiction, thereby preventing illicit activity and illegal transactions using eNaira.

ADVANTAGES OF THE eNAIRA (CONTD)

One of the roadblocks to financial inclusion for large parts of the unbanked population, especially in a country like Nigeria, is the cost associated with developing the banking infrastructure needed to provide them with access to the financial system. eNaira can establish a direct connection between consumers and central banks, thus eliminating the need for expensive infrastructure.

DISADVANTAGES

- The biggest disadvantage of the eNaira as at today is the fact that the data of all users would be with the CBN. This is a privacy issue and is capable of being abused by the government.
- There is also the issue of security, although the CBN have argued that the eNaira would have a 2FA authentication system many of us have witnessed how criminal gangs have been able to break 2FA with ease.
- There is also the regulatory challenge it poses especially in cross border transaction. Example would a statement from your eNaira wallet be acceptable with an embassy?

DISADVANTAGES (CONTD.)

- If the whole idea is to get the unbanked to become banked then the eNaira may not be the answer. Nigerian's internet penetration is still very low and the eNaira needs the internet to operate. It might become an over head cost at the end of the day with the rising internet cost

- QUESTIONS