



THE CBN FRAMEWORK FOR QUICK RESPONSE (QR) CODE PAYMENTS IN NIGERIA

In response to the increasing use of quick response code payments in Nigeria, the Central Bank of Nigeria (the “CBN”) has issued the Framework for Quick Response (QR) Code Payments in Nigeria 2021 (the “**Framework**”).

The Framework provides regulatory guidance for the operation of QR Code payment services in Nigeria including safety standards and risk management requirements that participants within the Fintech ecosystem must adhere to. In this newsletter, we set out the key aspects of the Framework.

WHAT IS A QR CODE?

Under the Framework, a QR Code is defined as a kind of matrix barcode representing information presented as square grids, made up of black squares against a contrasting background, that can be scanned by imaging device, processed and transmitted by appropriate technology.

These codes can be used to present, capture and transmit payments information across payments infrastructure. Essentially, QR Codes are used to store (in this case, financial) data for the purposes of facilitating quicker payments.

Although the use of QR Codes is not a recent invention, its increased adoption became prominent in the wake of the covid-19 pandemic – particularly because of the need

to deter less hygienic payment methods and increase the adoption of contactless payments.

UNDERSTANDING THE QR CODE VALUE CHAIN AND RESPONSIBILITIES OF THE PARTICIPANTS

The Framework identifies the following categories of participants as making up the QR codes payments ecosystem:

- Merchants;
- Customers;
- Issuers (Banks, Mobile Money Operators (MMOs) and Other Financial Institutions);
- Acquirers (Banks, MMOs and Other Financial Institutions); and
- Payments Service Providers

Merchants

Given that merchants are not mandatorily required to accept payments via QR Codes in Nigeria, the use of QR Codes as an acceptable payment method is dependent on the merchant. However, merchants who decide to utilise QR Codes must use and display only approved QR Codes in Nigeria.

Below are some of the responsibilities of the merchant:

- i. comply with service agreements executed with the acquirer and comply with the rules and regulation of the acquirer;
- ii. cooperate with the acquirer to investigate any reported fraudulent transaction;
- iii. report suspicious use of QR Codes for payments to the acquirer; and
- iv. comply with all applicable CBN guidelines and regulations.

Customers

Although the responsibilities on customers are minimal, customers are required to use QR Code payment applications availed by the issuer and for the intended purpose without modifications; adhere to all minimum-security guidelines as stipulated by the issuer; and report inappropriate/unauthorised QR Code Payment transaction(s) on their accounts/wallets.

Issuer

The Issuer’s primary interface is with the customer. Key responsibilities include:

- i. provide QR Code Payment application to customers upon request and activation by customer and security of QR Code payment application for QR Code payments;
- ii. execute a service agreement with their customers;
- iii. comply with Card Scheme Rules (where applicable);

- iv. determine and agree appropriate transaction limits with customers for QR Code Payments based on their customers’ risk profile assessment;
- v. ensure appropriate configurations on QR Code Payment application that use QR codes for payments in conformity and compliance with requirements of QR Code regulations;
- vi. deploy necessary updates and patches on its QR Code Payment application;
- vii. Provide adequate support to customers and resolving all disputes in line with CBN’s customer protection regulations; and
- viii. comply with all applicable CBN guidelines and regulations.

Acquirer

The [digital] Acquirer is the financial institution that will process the QR code-generated payments on behalf of a merchant.

The responsibilities of the Acquirer include:

- i. execute service agreement with merchants;
- ii. determine and agree appropriate transaction limits with merchants for accepting QR Code Payments based on its risk profile assessment of the merchant;
- iii. ensure appropriate configurations and use of QR codes at Merchant location/website/applications in conformity and compliance with requirements of QR Scheme(s) and QR Code regulations;
- iv. ensure that appropriate security protocols are applied;
- v. provide adequate training, support and security guidelines to merchants on the use of QR code for payments;

- vi. ensure that hardware, software, protocols used for QR Code for payments are in conformity with the requirements of operations of QR Code payments regulations;
- vii. give merchants value for QR Code transaction within T+1 or as may be agreed with the merchant; and
- viii. comply with all applicable CBN guidelines and regulations.

Payment Service Providers

Those who fall under this bucket include switches and payment solutions service providers (PSSPs). They are essentially partners that make payment processing seamless.

They are permitted to support processing and settlement for all issuers and acquirers; and facilitate interoperability of QR Code Payments for all issuers and acquirers. They are also required to comply with the Framework and all other applicable guidelines from the CBN.

OTHER KEY PROVISIONS

Interoperability

The Framework requires all Issuers, Acquirers, switches, processors and other participants in QR payments ecosystem to ensure full interoperability of QR Code Schemes in Nigeria.

Risk Management and Compliance

The Framework also sets out some basic risk management principles that shall guide the operations of QR Code payments in Nigeria. For example, QR Codes shall, at a minimum, be encrypted (AES) and/or signed.

Amongst other things, QR Codes Payments applications, updates and patches shall be duly certified by the Payment Terminal Service Aggregator (PTSA) and only PTSA certified QR Codes shall be utilised.

Dispute Resolution

All consumer complaints shall be resolved in accordance with the CBN Consumer Protection Regulation.

Infringements and Sanctions

The CBN shall impose appropriate sanctions on any of the participants that fail to comply with the Framework.

Conclusion

Following the recent adoption of a universal QR code payment solution in Ghana, it is evident that the use of QR code payments in Africa is on the rise and although merchant-presented mode is currently the permitted QR Code system under the Framework, it is expected that the CBN will provide guidance on the use of customer-presented mode sooner than later.

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