



**FINTECH
UPDATE**

FRAMEWORK FOR QUICK RESPONSE CODE PAYMENTS IN NIGERIA

The Central Bank of Nigeria (CBN) has recently published a series of regulations relating to the Fintech industry, including regulations to govern the use of Quick Response (QR) codes as a payment mechanism.

These regulations, denoted as the Framework for Quick Response Code Payments in Nigeria (the QR Framework), were published on 13th January 2021 and can be found in their entirety at [this link](#)

UUBO's Fintech team has reviewed the QR Framework, and our key insights into the guidelines are laid out below.



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1. Introduction

1.1 Pursuant to the QR Framework, QR codes can now be used to present, capture, and transmit payment information across payments infrastructure in Nigeria. The technology further enables mobile channels to facilitate payments and presents another avenue for promoting electronic payments to micro and small enterprises.

1.2 How do QR Code Payments Work?

QR codes are two-dimensional machine-readable barcodes, which are used to facilitate mobile payments at the point-of-sale. The QR codes are presented and scanned, the data is transmitted, and the payment is processed.

1.3 Who are the Participants in QR Code Payments in Nigeria?

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

2. Scope & Objectives

2.1 The QR Framework provides regulatory guidance for the operation of QR code payment services in Nigeria and aims to ensure the adoption of appropriate QR code standards for safe and efficient payments services in Nigeria. To implement this, the QR Framework stipulates the following in relation to QR payments in Nigeria:

- (a) the acceptable QR code standards;
- (b) interoperability of issuers, acquirers, switches, processors, and other participants;
- (c) roles and responsibilities of participants in QR payments; and
- (d) risk management principles.

3. Key Provisions of the QR Framework

3.1 QR Code Specifications for Payments in Nigeria

3.1.1 Under the QR Framework, QR code payments must be implemented in accordance with the following specifications:

- QR code payments must be based on the EMV® QR Code Specification¹ for Payment Systems. The CBN may also approve any other QR Code Standard, provided it meets the prescribed security requirements within the framework, demonstrates interoperability with other existing implementation in the industry and/or has cost benefits to end-users (merchants and customers).
- QR code payments implementation in Nigeria must support account, wallet, card, and token-based QR code operations.

¹ The EMV QR Code Specifications are globally renowned and have been described as a system that simplifies and broadens the acceptance of QR Code payment solutions globally. Some of the benefits include technical interoperability, confirmed functionality and consumer familiarity.



- QR code payments in Nigeria must be based on the Merchant-presented mode (where merchants present the QR Code for buyers to accept to conclude payment transactions) specification.

3.2 Responsibilities of Participants in QR Code Payments in Nigeria

The QR Framework lists certain responsibilities that each of the parties must meet, namely:

3.2.1 Issuers (Banks, MMOs and OFIs) must

- *Provide QR Code payment application to customers upon request and activation by customer, ensure appropriate configurations, and provide adequate training, support, and security guidelines to customers on the use of QR code for payments. They must also execute service agreements with their customers and ensure the security of QR Code payment application for QR Code payments.*

3.2.2 Merchants must:

- *Use and display only approved QR Codes, cooperate with Acquirers to investigate any reported fraudulent transaction, report suspicious use of QR Codes for payments to the Acquirer, and comply with the terms of Service Agreements executed with the Acquirer.*

3.2.3 Customers must:

- *Use QR Code payments applications provided by the Issuer and for the intended purpose without modifications, at Merchant locations/websites/applications; adhere to all minimum-security guidelines as stipulated by the Issuer and report inappropriate /unauthorised QR Code payment transactions on their accounts/wallets.*

3.2.4 Acquirers must:

- *Execute service agreements with Merchants, determine and agree appropriate transaction limits with merchants for accepting QR Code Payments based on risk profile assessments of the merchants, ensure that appropriate security protocols are applied, and ensure that hardware and software protocols used for QR Code payments are in conformity with the requirements of QR Code payments regulations.*

3.2.5 Other Participants (Switches & PSSPs) must:

- *Support processing and settlement for all Issuers and Acquirers, facilitate interoperability of QR Code payments for all issuers and acquirers, and ensure full compliance with the QR Framework and other extant guidelines on electronic payments and transaction processing.*

3.3 Risk Management and Compliance

3.3.1 To ensure the safety and stability of the QR code payment system, the QR Framework introduces certain risk management principles that guide the operations of QR code payments. As a starting point, QR Codes must at the minimum be encrypted to advanced encryption standards, and/or signed.

3.3.2 Issuers and Acquirers are required to clearly define risk management policies and guidelines for the operation of the QR code scheme. The risk management guidelines shall include detailed stipulation of the responsibilities of all participants for managing risks associated with using the scheme.



- 3.3.3 Issuers and Acquirers are also required to agree minimum due diligence guidance for merchant on-boarding without prejudice to the KYC/AML requirements of the CBN, and ensure that only Payment Terminal Service Aggregator (PTSA)-certified QR Codes are utilised.

3.4 Other provisions

- 3.4.1 All consumer complaints shall be resolved in accordance with the CBN Consumer Protection Regulations.
- 3.4.2 The CBN will apply appropriate sanctions to any party that fails to comply.

4. General Comments and Conclusion

- 4.1 With the QR Framework, the CBN has taken another positive step in furtherance of its mandate to ensure the safety and stability of the Nigerian Financial System, promote the use and adoption of electronic payments, and foster innovation in the payments system.
- 4.2 We expect that the QR code payments system will, amongst other things, improve the ease of making payments for goods and services. From a practical point of view, QR codes will enable customers to complete payments on the spot and speedily. Another benefit is that QR codes eliminate the need for customers to pay with their cards at payment terminals, as the only equipment required is a mobile device such as a smartphone. This will certainly improve the overall customer experience. It is also in line with the current trend towards cardless payments. Further, due to the encrypted nature of QR codes, they provide a more secure and reliable means of payment – arguably even more so than card payments.
- 4.3 In conclusion, the COVID-19 pandemic and social distancing measures have hastened the demand for reliable touch-free payment options. As a result, the QR framework is a very welcome development and likely to be the first of other such solutions approved by the CBN.

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