

Banking - Nigeria

CBN introduces bank verification numbers

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Introduction

The Central Bank of Nigeria (CBN) has introduced a bank verification number scheme into the banking system. The scheme aims to revolutionise the country's banking and payment systems.

The bank verification number scheme is designed to address issues such as:

- ensuring the safety of depositors' funds;
- avoiding losses through the compromise of personal identification numbers;
- preventing identity theft;
- checking fraud; and
- including illiterate persons in the banking system.

Background

The CBN plans to roll out the scheme to 1,000 bank branches in Lagos State, Nigeria's commercial capital. The success (or otherwise) of this rollout will determine how it will be implemented in other states.

In essence, the bank verification number is a biometric registration of customers in the financial system. Its introduction is intended to tackle cybercrime and ATM fraud. The CBN has stated that the bank verification number allows a customer to have "a single identity within the financial system". Thus, people who are unable to read and write will be able to use their biometrics for banking transactions, as this cannot be replicated. It will tackle incidents of identity theft and enable banks to verify their customers easily in the context of the Know Your Customer initiative.

Dermalog BMS, the German company which handled the project, stated that it was the first time that any country had implemented the platform for national use. Therefore, this may be a positive first for the Nigerian banking industry and, in the longer term, the African banking industry.

Deposit money banks were expected to commence biometric registration of customers in the week beginning June 16 2014.

The Nigerian Inter-Bank Settlement System (NIBSS) is providing the connectivity service for the initiative. NIBSS believes that the project is a major landmark for the Nigerian financial industry as it will promote financial inclusion and prevent money laundering, as bank verification numbers will give customers unique identities, which will be difficult to replicate.

Reaction

The introduction of the initiative has divided opinion in the Nigerian banking sector. Supporters of the initiative say that the added security features will lead to increased consumer lending and will boost the economy, irrespective of customers' status and class.

However, critics of the bank verification number scheme state that it is a duplication of efforts due to the introduction of the Nigerian uniform bank account number system (NUBAN) into the Nigerian banking system a few years ago. NUBAN, which was introduced by the CBN in 2010, is a 10-digit bank account numbering system which is easier to use than the traditional longer account numbering structures. It conforms with the requirements of the West African Money Institute, which promotes the financial integration of the Economic Community of West African States countries.

NIBSS officials have stressed that NUBAN identifies a customer within his or her own bank, while the

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bank verification number scheme will identify a customer across the entire banking industry. Thus, a customer will have the same bank verification number even if he or she has multiple accounts at different banks.

Comment

It remains to be seen whether the introduction of the bank verification number scheme will combat financial crime and boost the economy as its supporters claim. Only time will tell if this will be a successful project or an expensive but failed venture. Whatever the case, it will be a watershed moment in the Nigerian financial industry.

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