OLANIWUN AJAYI

2020

FINTECH

FORWARD LOOK

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INTRODUCTION

2020

WELCOME TO THE OLANIWUN AJAYI LP

FINTECH FORWARD LOOK, 2020

This Fintech Forward Look 2020 is the third in the series of the annual publication of the Olaniwun Ajayi LP Technology, Innovation and Fintech Practice.

In 2019, we saw an increase in the number of key players in the Fintech ecosystem, consistent with the trend we have witnessed in the sector in the last few years. There has been a rise in tech-led changes with Fintech and tech-enabled businesses at the forefront of the disruption. This has culminated in a redefinition in the nature and way veterans in established markets go about their business, with banks going to great lengths to establish customer friendly solutions in the digital age. This has in turn led to deeper scrutiny and regulation by regulators whose objectives are twofold – (x) leveraging on the technology utilized by these companies to further their regulatory objectives, the main being “financial inclusion”; and (y) ensuring a safe and stable financial system and protecting the interest of all stakeholders.

In terms of funding, as generally expected, there has been an upward trajectory of investments in Nigeria’s tech sector. Beginning from Q1 2019, tech companies in Nigeria raised US$17.6m, 8.5% higher than the sum raised in Q1 2018. By Q2 2019, they raised US$24.7m, 40% higher than the investment sum in Q1 2019, in Q3 2019, tech companies had raised US$38.0m, 6.5% higher than investment sums raised in Q3 2018[1]. In Q4 2019, there was an unprecedented inflow of funding of about US$410 million invested in Nigerian tech companies, specifically, Fintech companies; this investment sum is equivalent to roughly one-third of all the VC funding raised by tech companies in Africa in 2018[2]. Notable investments in Q4 2019 include Visa’s investment of US$200 million in Interswitch, which has earned its status as Africa’s first Fintech unicorn, OPay also received circa US$170m in Series A & B investments, while PalmPay also raised US$40m.

1. *Techpoint Africa: Nigerian Startup Funding Reports for Q1, Q2 and Q3 2019. It is worthy to note that Branch International, the holding company of Branch Nigeria raised the sum of US$170m to expand its business operations in Q2, 2019.*
2. *Partech Africa 2018 Annual Report*

INTRODUCTION

2019 also saw history making mega deals globally such as: (x) FIS's US$43 billion acquisition of WorldPay; (y) Fiserv's US$22 billion acquisition of First Data; and (z) Total System Services (**TSYS**) and Global Payments merger deal of circa $21.5 billion.

As with our previous reports, this Report is in two 2 parts. Part A focuses on highlights of 2019 and the key trends we observed, while Part B looks forward into 2020, outlining some of our expectations for the year and what we think the key indicators for the sector would be.

Furthermore, as a special feature and based on the unusual upward trajectory of some incumbents and emerging Fintech companies in Nigeria, we have run an independent feature on some Fintech companies to look out for in 2020. These companies cut across the payments and RegTech spaces.

We hope that you find it an engaging read. As always, please do not hesitate to contact us if you have any queries.

Damilola Salawu
Partner (Technology, Innovation and Fintech),
Olaniwun Ajayi LP,
February 2020

TESTIMONIALS

Olaniwun Ajayi LP ranked in Band 1 in the Chambers and Partners Fintech Legal Category 2020

RANKED IN Chambers FinTech 2019 Professional Adviser

RANKED IN Chambers FinTech 2020

First Tier Ranking For FINTECH
Chambers & Partners (2020)

"They are always ready to help - their time and effort is noteworthy. The philosophy around the team and the culture means that its easy to talk to them."
Chambers & Partners (2020)

"They have been very good at navigating the FinTech space in Nigeria. They are good at advising on and unlocking the regulatory space."
Chambers & Partners (2020)

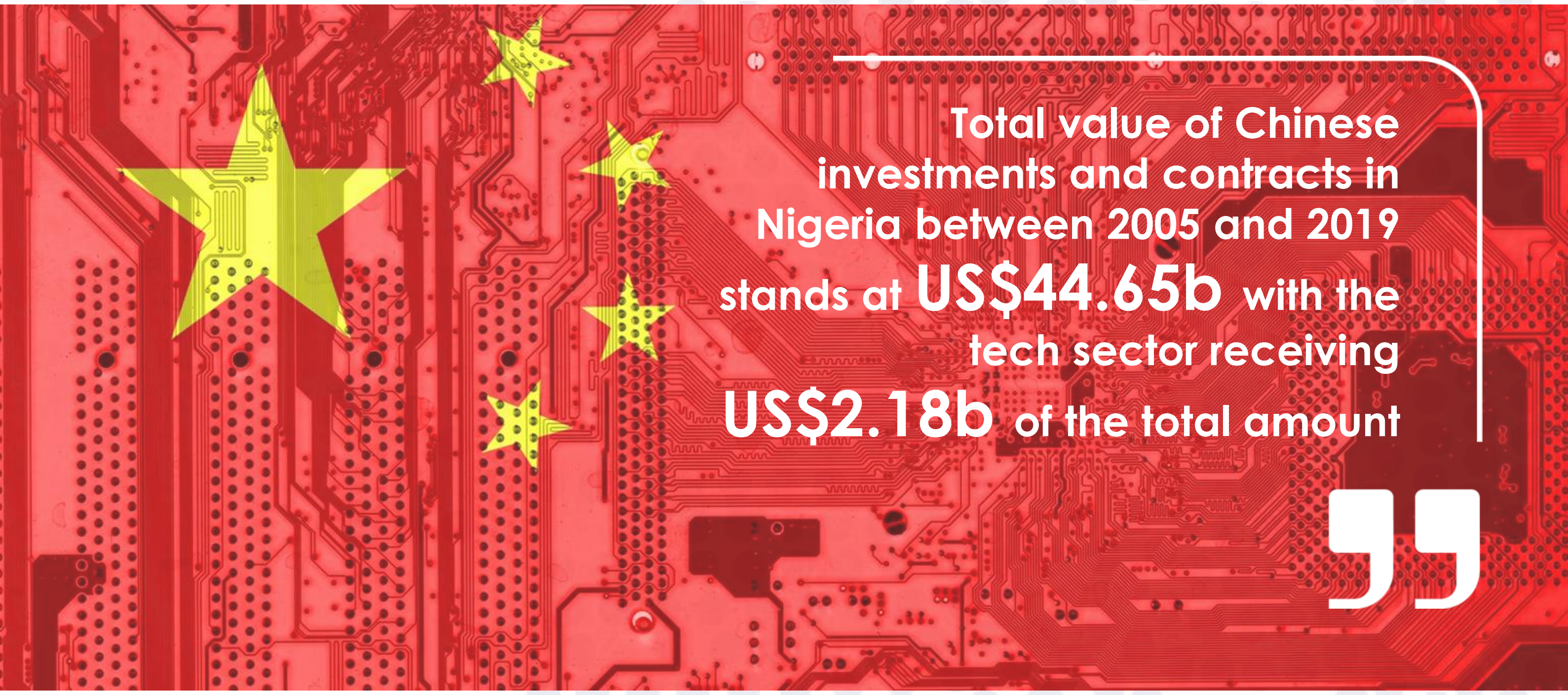
The firm is especially noted for the strength of its regulatory advice in the payments and lending spaces"
Chambers & Partners (2019)

PART A:
2019 WRAP-UP

FOREIGN CAPITAL AND INVESTMENTS IN TECH– THE CHINESE INCURSION

Generally, most of the investments in Nigeria's tech sector are often led by foreign venture capitalists and investors from the UK, US and other African countries. This has been the trend since 2016. However, in 2019, substantial investments in Nigeria's tech sector came from Chinese investors and venture capitalists/funds. For instance, OPay and PalmPay jointly received about US$210 million in funding from Chinese investors; an amount that is substantially more than the investments made in the Nigeria's entire tech sector from Q1 to Q3 2019.

This trend is consistent with the incursion of Chinese investors into the Nigerian economy generally and the increasing trade relation between China and Nigeria. According to the China Investment Global Tracker, the total value of Chinese investments and contracts in Nigeria between 2005 and 2019 stands at US$44.65b[3] with the tech sector receiving US$2.18b of the total amount[4]; and as at Q2 2019, Nigeria imported more goods worth N1,020.6b (or 25.47% of its total imports) from China than the N422.1b worth of goods (representing 10.53% of Nigeria's total imports) imported from the United States.[5]



3. *https://www.aei.org/china-global-investment-tracker/*
4. *The transportation sector received the most investments in the sum of US$20.9b while the agriculture sector came in third behind the technology sector, receiving investments up to total of US$320m*
5. *file:///C:/Users/doyebayo/Downloads/FOREIGN_TRADE_STATISTICS_Q2_2019.pdf*

IN A PRICING WAR, WHO WINS?

Increased funding is forcing many incumbent Fintech & traditional financial institutions, to be more innovative in delivering better consumer experience and competitive pricing

The increased funding in the Fintech sector has triggered a new form of competition amongst Fintech companies in the country. On one side we find the incumbent Fintech companies and on the other, new Fintech companies awash with cash from a new league of investors. The new entrants successfully leverage their 'deep pockets' to wage a price and innovation war with the incumbents in the ecosystem- a strategy that some industry players have viewed as anti-competitive. While the price and innovation war is highly beneficial to the consumers (as it presents increased choice, greater efficiencies in service delivery at an increasingly affordable price), the sustainability of this market entry strategy remains to be seen.

Furthermore, the increased funding is forcing many incumbents Fintech companies and traditional financial institutions, to be more innovative in delivering better consumer experience and competitive pricing. This has been further amplified by the CBN's recent downward review of the charges imposed by Nigerian banks on electronic transactions[5]. While this also serves the interest of the consumers, it could also be seen as an attempt by the CBN to ensure that banks remain competitive against Fintech companies (who tout better pricing as their key value proposition). Relatedly, CBN also issued a directive compelling banks to increase their loan to deposit ratio[6], a decision likely to result in increased competition for Fintech companies in the lending space.

As a result, Fintech companies will need to look beyond pricing to be able to successfully compete with the banks.

5. *https://www.cbn.gov.ng/out/2019/CCD/CBN%20Press%20Release%20Bank%20Charges%20Consumer%20Protection.pdf*
6. *https://techcabal.com/2019/11/07/the-battle-between-banks-and-fintechs-is-just-getting-started/*

TAXATION AND CHARGES ON ONLINE AND ELECTRONIC TRANSACTIONS

More than ever, the Fintech and e-commerce sectors are coming under the scrutiny of Nigeria's tax authorities. This may be as a result of the continued increase in online and electronic transactions[7] and the growth of Nigeria's digital economy, trends which have arguably justified the government's decision to consider the e-commerce sector as a potential source of tax revenues.

On this note, in August 2019, the FIRS through its then Chairman, Babatunde Fowler in an exclusive interview with Premium Times[8] announced its intention to enforce a 5% Value Added Tax on goods and services purchased online, starting 2020. According to the FIRS, it would appoint banks and agents to withhold the 5% VAT from customers that use their credit/debit cards for online purchases. It is evident that the imposition of VAT on online transactions will impact the prices of the goods on e-commerce platforms thereby making it difficult for low and mid-level income earning Nigerians to patronise those platforms. The decision of the FIRS could potentially make doing business more difficult for players in the e-commerce space given that margins in that space are thin and players thrive on volume and turn over. However, the decision of the FIRS is not novel as the government was always entitled to VAT (by law) on both online and offline transactions and in any case, most of the merchants on these platforms already impose VAT on their goods without remitting same to the tax authorities. Evidently, the decision of the FIRS is an attempt to solve the problem of remittance.

In the event that the FIRS decides to implement this directive, a bigger question would be whether there would be another directive mandating e-commerce operators to ensure that the merchants (on their platforms) do not include VAT on the prices of their goods to avoid taxing the consumers twice.

7. https://www.cbn.gov.ng/Paymentsystem/ePaymentStatistics.asp
8. https://www.premiumtimesng.com/news/headlines/344181-nigeria-considers-new-5-tax-for-online-purchases.html

TAXATION AND CHARGES ON ONLINE AND ELECTRONIC TRANSACTIONS

Although, the CBN seems to be promoting the cashless policy, the numerous charges by the DMBs and the exorbitant value of these charges appear to be against the interest of the consumers…

While the VAT on online transactions was not an imposition of a new tax but an attempt to enforce payment and remittance of VAT, it forms one of the many taxes and charges on online and electronic transactions and has contributed to the debate on the excessive nature of these charges. Interestingly, determining how to collect VAT on online transactions (also known as internet sales tax) is a global issue. While some countries such as Australia, Japan, Russia, South Africa, Switzerland and some states within the USA, have regimes in place to collect internet sales tax, the FIRS is still shopping for the best model (that will also be *in tandem* with global best practices).

In addition to the potential VAT charge on electronic transactions and the charges on cash transactions, recently, there was a debacle between the MNOs and DMBs about charges on USSD transactions. This was triggered by the dissatisfaction of the MNOs with the revenue sharing arrangement they have with the DMBs for USSD transactions. Specifically, in October 2019, MTN announced that customers would be charged NGN4 for USSD access, a decision that sparked wide criticism and resulted in the NCC and the CBN (in the interest of the consumers) directing that no such fee be imposed.

Although, the CBN seems to be promoting the cashless policy, the numerous charges by the DMBs and the exorbitant value of these charges appear to be against the interest of the consumers who will continue to pay through their nose in order to access digital financial services. The real question is whether DMBs in the country can provide electronic banking services to consumers without necessarily imposing many of the existing exorbitant charges.

9. *https://www.cbn.gov.ng/Paymentsystem/ePaymentStatistics.asp*
10. *https://www.premiumtimesng.com/news/headlines/344181-nigeria-considers-new-5-tax-for-online-purchases.html*

INCREASE IN THE PARTICIPATION OF MOBILE NETWORK OPERATORS

In our 2018 Report, we predicted that 2019 will see a rise in the number of key players in the Fintech ecosystem, in particular MNOs. This has been made possible through the drive by the CBN to promote and enhance access to financial services by low income earners and unbanked segments of the society, as part of its National Financial Inclusion Strategy (NFIS). In Q4 2018, the CBN issued the Guidelines for Licensing and Regulation of Payment Service Banks, which allowed new participants such as telcos (through their subsidiaries), retail chains (supermarkets, downstream petroleum marketing companies) and postal service providers and courier companies participate in financial services ecosystem. With telcos being permissible promoters of PSBs through their subsidiaries, it comes as no surprise that subsidiaries of two leading telcos, Master PSB owned by Globacom and 9PSB owned by 9mobile, were granted Approval-in-Principle to commence operations as PSBs.

On its part, MTN through its subsidiary Yello Digital Financial Services Limited (YDFSL) was issued a licence to operate as a Super-Agent by the CBN in July 2019. In pursuance of this, YDFSL launched a super-agent network service - MoMo Agent which allows ease of transfer of funds without the need for internet access. Whilst these are still relatively recent developments, it is likely that the activities of the MNO backed digital financial services companies in the financial sector will have a significant impact on the NFIS of the CBN.

MORE FINTECH COMPANIES AND INCREASED PENETRATION OF DIGITAL FINANCIAL SERVICES BUT FINANCIAL INCLUSION REMAINS ELUSIVE

It is evident that in the past year, there has been the establishment of more Fintech companies and increase in the number of Fintech transactions[9]. Research[10] on Electronic Payment Channels in the Nigerian banking sector also revealed that in Q1 2019, a total volume of 557,083,712 (Five Hundred and Fifty-Seven Million, Eighty-three Thousand, Seven Hundred and Twelve) transactions valued at NGN 34.02 trillion were processed. By the end of May 2019, the value of transactions via the Nigeria Interbank Settlement System Instant Payment (NIP) rose to NGN41.48 trillion. This is a 36% increase in the value on the transactions compared with NGN30.448 trillion transactions in the first five months of 2018, and 35% increase in the transaction volume. The volume of mobile inter-scheme transfers also increased by 115% from 6.151 million transactions in the first five months of 2018 to 2.856 million as of May 2019. Additionally, the transaction value of Point of Sales (POS) transactions from January to May 2019 was NGN1.137 trillion which represents a 36% increase as against N0.86tn in 2017. The transaction volume of POS transactions also rose by 57% from 97.49 million in January to May 2018 to 152.6 million in the corresponding period in 2019.

9. *According to an EFinA research, there were about 250 Fintech companies in Nigeria in 2018 https://www.efina.org.ng/our-work/research/access/*
10. *https://punchng.com/banks-e-transactions-hit-n34tn-in-q1/*

MORE FINTECH COMPANIES AND INCREASED PENETRATION OF DIGITAL FINANCIAL SERVICES BUT FINANCIAL INCLUSION REMAINS ELUSIVE

Despite the clear increase in both the volume and value of transactions processed digitally, a significant portion of eligible Nigerians still lack access to financial services. According to the CBN[11], 36.8% of eligible Nigerian adults are still financially excluded[12]. In this regard, the 80% financial inclusion target by 2020 set by the CBN has been extended till 2024 with stakeholders urged to achieve 95% financial inclusion by 2024.

The lack of commensurate impact of increase in Fintech companies and transaction value is largely attributed to a few factors which include; (x) lack of infrastructure i.e. broadband penetration, in the rural areas which makes it commercially impracticable for financial institutions to deploy the fintech solutions necessary for driving financial inclusion in these places; (y) affordability of internet and data; and (z) digital illiteracy.

11. *2018 Annual Report on the National Financial Inclusion Strategy Implementation*
12. *Although this is a significant increase from 41.6% exclusion rate recorded in 2016.*

MATURITY IN THE FINTECH INDUSTRY – RISE OF DISPUTES AMONGST FINTECH COMPANIES

As the market continues to grow, and stakeholders increasingly interact with one other, it is inevitable that commercial disputes will increase. Therefore, we have seen an increase in contractual disputes between Fintech companies in 2019; specifically, some of the disputes in digital financial services sector arise from; IP/IT licensing, software development agreements, service level agreements, outsourcing, joint ventures, performance (e.g., payment), terms and conditions, data / analytics, interconnection issues, application programming interfaces (APIs), mobile apps, artificial intelligence, blockchain / DLT, smart contracts, IP infringements, consumer rights and customer service, etc.

Relatedly, we have also seen that Fintech companies often prefer dispute resolution mechanisms such as mediation and informal settlement given the speed, confidentiality, and the limited cost involved in pursuing such alternative dispute resolution mechanisms, in comparison with the expenses involved in litigation and arbitration. On the whole, we are beginning to witness a drive amongst Fintech companies for a robust dispute management framework which guides these companies on the prevention and management of disputes arising from their core business operations. It is interesting to note that on the regulatory side, a number of CBN guidelines and regulations make provisions for the dispute resolution mechanism to be adopted in the event of a dispute between the regulated bodies and their counterparts. Particularly, the Guidelines on Operations of Electronic Payment Channels in Nigeria, Guidelines on Mobile Money Services in Nigeria, and the Regulation for Direct Debit Scheme in Nigeria have provisions stipulating that disputes should be resolved by the CBNs dispute resolution mechanism, and if unresolved referred to arbitration in accordance with the Arbitration and Conciliation Act[13].

13. *Cap.A18 LFN 2004*

PART B:
2020 OUTLOOK

THE RISE OF THE SUPER APP: A ONE-STOP SHOP FOR LIFESTYLE

A super app is an app that offers multiple services on a single platform. First attaining prominence in Asia, super apps like WeChat, Go-Jek and Grab offer a variety of solutions and services including transportation, food, payments, leisure and entertainment and wealth management on a single platform. With this model, technology companies are able to grant users easy access to many different services (on a platform) in a bid to continuously engage and capture customer loyalty.

This trend is picking up in Nigeria and across Africa, with some Fintech companies, traditional financial institutions and MNOs competing for the attention of users. For instance, OPay, was birthed in 2018 and has morphed into something much more than a payments platform and offers a mirage of other services from within the OPay app, turning it into a super app. In a similar vein, GTBank, and Cellulant have launched a number of products that may potentially transform these platforms into super-apps.

The above indicates a new type of disruption within an already 'disruptive' sector. Clearly, the fight for market share is becoming more intense, and the biggest winners in the long run are likely to be companies that are able to develop the capacity to capture the undivided attention of the users while also engaging the wider consumer market.

It is our considered view that in 2020, we may witness the launch of more super-apps in Nigeria as Fintech companies strive to:

INNOVATION IN THE NIGERIAN CAPITAL MARKET - CAPITAL MARKETS FOCUSED TECHNOLOGY

The Nigerian Securities and Exchange Commission (SEC) is making efforts to ensure the development of innovation in the Nigerian Capital Market (NCM). SEC's underlying objectives for innovation include: (x) ensuring safety of innovations to investors and protecting the integrity of the NCM; (y) facilitating innovation that serves genuine investor needs; and (z) providing solutions to existing problems. In accordance with these objectives, the SEC recently set up the Fintech Roadmap Committee for the Capital Market (the Committee) to develop a framework to support innovation and regulation in the NCM. On this note, the Committee published the Capital Markets Fintech Roadmap Report (the Report)[16] earlier in 2019.

The SEC recently set up the Fintech Roadmap Committee for the Capital Market (the Committee) to develop a framework to support innovation and regulation in the NCM

16. *This Report was adopted at the recently concluded Nigerian Fintech Week.*

INNOVATION IN THE NIGERIAN CAPITAL MARKET - CAPITAL MARKETS FOCUSED TECHNOLOGY

In the Report[17], challenges to the development of Fintech in Nigeria were identified to include: inadequate or opaque regulation, access to data, lack of market confidence, cybersecurity, institutional knowledge gaps, lack of innovation, weak digital infrastructure, underdeveloped VC structure and lack of entrepreneurial support system. Furthermore, the Report recognised the opportunity for Fintech companies to provide solutions to these challenges and drive financial inclusion. The key recommendations from the Report include: (x) collaboration between Fintech companies and regulators and harmonising the role of regulators in different subsets of the ecosystem; (y) fostering an innovative environment which will be achieved via the creation and hosting of a sandbox environment and the development of APIs; and (z) leveraging RegTech platforms to digitise rules/codes and ensure transparent enforcement and prosecution. The Report also indicates the need for a SEC regulated inter-operator system – the Nigerian Investment Resource Services to give centralised access for data similar to what obtains in the banking sector to wit, the Nigerian Inter-bank Settlement System (NIBSS).

The SEC has already taken steps to carry out some of the recommendations from the Report with the development of an innovation and fintech portal "FinPort" on the SEC's website. The SEC has also committed to: (x) leveraging on the existing NIBBS sandbox to create a national sandbox and conducting a first review to ensure its regulations are innovation friendly by q1 2020; (y) creating a FinTech Office within SEC by Q2 2020; and (z) creating an Innovation Hub within the SEC by Q3 2020.

Expectedly, there will be more innovation and Fintech driven activities in the Nigerian capital market in 2020. On this note, we hope to see more Fintech companies deploying capital market-centric solutions.

17. *https://sec.gov.ng/report-of-the-fintech-roadmap-committee-of-the-nigerian-capital-market/*

MORE DIGITAL BANKS, YET NO DIGITAL BANKING REGULATION

We expect to see more digital banks (branchless banks) in 2020

In keeping with the continental trend of un-bundling of financial services, we have seen the emergence of digital banks (also known as branchless banks), a trend which we expect to see more of in 2020. Branchless banking refers to the delivery of financial services (whether by banks or by other providers) outside of conventional bank branches. 'Banks beyond branches' use technology, agents or other-party intermediaries as the primary points of contact with customers. Reliance on existing technology infrastructure and retail establishments has significant potential to lower the costs of delivery and reach financially excluded households that cannot be served profitably with conventional bank branches, especially in remote and sparsely populated areas. Digital bank customers can access an array of banking services, including cash deposit, withdrawal, transfer, payment of bills, loans and investment management through the technology platforms provided by the providers or through the agents. All these services are provided through digital channels such as mobile and web app, USSD codes, POS terminals and ATMs.

Over the past 3 or 4 years, there has been an increase in the number of digital banks (and these players include traditional financial institutions and unlicensed service providers). Interestingly, we find that many Fintech companies that started out as offering only one or more financial services have pivoted into full digital banks. For instance, Kuda, formerly known as Kudimoney started as a payments company, however, the company has now obtained a microfinance banking licence from the CBN, pursuant to which it offers digital-only, no fee banking services. In furtherance of this, Kuda has entered into strategic partnerships with three West African banks — Guaranty Trust Bank (GTB), Access Bank and Zenith Bank. Other examples include ALAT (often dubbed as the pioneer digital bank in the country) which offers financial services leveraging technology.

MORE DIGITAL BANKS, YET NO DIGITAL BANKING REGULATION

The banking sector in Nigeria is heavily regulated by the CBN (with the implication that, no organisation can offer banking services without procuring the applicable licence from the CBN). At the moment, unlike some other jurisdictions (such as China, Singapore, Abu Dhabi, etc.) where central banks issue digital banking licence, there is no clear regulatory position on digital banking services/offerings in Nigeria. Accordingly, most digital banks in Nigeria are established by traditional financial institutions (leveraging their banking licence) or by non-financial institutions in partnership with existing financial institutions- typically micro finance banks or upon the acquisition of a microfinance banking licence by the CBN. This creates a challenge for non-banking institutions that are desirous of offering digital banking services because in order to provide nationwide digital banking services, a national microfinance banking license must be obtained, and this requires a minimum share capital of NGN5 Billion.

Therefore, in 2019, the absence of a clear regulatory framework/licence for digital banking and the high cost of obtaining a national microfinance banking licence compelled many Fintech companies to execute M&A deals with Micro-Finance Banks in the country. With such acquisitions, the Fintech companies are able to stay compliant with the CBN licensing requirements.

It is our considered view that owing to the potential benefits of digital banking, particularly, in driving financial inclusion, there is a need for a clear framework and licensing regime by the CBN for digital banking. While it is understandable that the regulators may be cautious about relaxing the banking licensing rules in favour of innovation, we hope that the regulators would in 2020 define a clear framework for digital banking service providers.

REGULATORY TECHNOLOGY (REGTECH)

> An increase in the number of companies in Nigeria that are offering this RegTech solution to Fintechs and other financial service providers

In the delivery of digital financial services or Fintech products, service providers are required to comply with certain regulatory requirements such as KYC, CDD or other types of verification obligations. In the past few years, we have seen an increase in the development of RegTech solutions, which help financial services organisations automate compliance tasks and reduce operational risks associated with meeting regulatory requirements and reporting obligations.

Identity verification and AML/CFT checks for instance, are some of the compliance risks Fintech companies and traditional financial institutions have to deal with, and we are beginning to see an increase in the number of companies in Nigeria that are helping Fintech companies deal with these problems through their RegTech solutions. These RegTech companies leverage their access to existing databases sitting with the NIBSS, NIMC and other government agencies to conduct the relevant verification needed by Fintech companies to initiate and process financial transactions.

A key concern that these RegTechs have raised is need to harmonise all the databases in the country, as this may yield significant gains for companies involved in RegTech. We hope that RegTech will become more than a buzzword in the financial services sector in 2020 and we envisage that many more companies will foray into the RegTech space in order to enable Fintech companies and tech-enabled businesses comply with vast array of regulatory requirements that were set for traditional financial institutions or have been issued in an ad hoc manner to address the concerns (although still unfounded) about Fintech companies and tech enabled businesses.

FEATURE

Valued at over US$150 million, Flutterwave is the highest valued Y Combinator company in Africa[18]

Flutterwave is also named Fast Company's second most innovative African business in 2019.[19] The leading fintech company provides technology and infrastructure services to enable global merchants, payment service providers and Pan African banks make and receive payments. Its solution enables banks and merchants to replace multiple payment integrations with one simple API, which enables processing of any form of payment anywhere in Africa. Since its inception in 2016, it has processed over 100 million transactions worth US$ 2.6 billion, according to company data. Flutterwave products include Rave, its integrated payments platform that enables users to make and accept payments.

In early 2019, Flutterwave partnered with Visa to launch a consumer payment product called GetBarter which is aimed at facilitating personal and small merchant payments. GetBarter allows Visa cardholders to send and receive funds while non-cardholders can create a virtual Visa card to link to the app. Flutterwave also entered another exciting partnership in July 2019 with Alibaba's Alipay to offer digital payments between China and Africa. The partnership will allow Flutterwave merchants to accept or install Alipay as a payment type to accept payments from its users.

Flutterwave is increasing its footprint across the continent, having recently launched in South Africa, pursuant to a license issued in April by the South African Reserve Bank to operate in the country. This expansion makes South Africa the fifth country where Flutterwave has all its services localized, although the company has a presence in several African countries including: Zambia, Kenya, Tanzania, Cameroon, Ghana, Nigeria, Rwanda, Ivory Coast and Sierra Leone.

In January 2020, Flutterwave announced that it raised Thirty Five Million Dollars ($35,000,000) in its Series B round of financing.[20]

18. https://blog.ycombinator.com/y-combinator-top-companies-2019/
19. https://www.fastcompany.com/most-innovative-companies/2019/sectors/africa
20. https://techcrunch.com/2020/01/21/african-fintech-firm-flutterwave-raises-35m-partners-with-worldpay/

kuda.

Earlier in the year, Kudimoney which originally started as a loan provider, recently rebranded as Kuda Bank and obtained a Microfinance banking licence from the CBN to operate its digital bank.

Sequel to this, Kuda Bank raised US$1.6 million in a pre-seed funding round. As opposed to a mobile wallet or a mobile app relying on an existing bank, Kuda Bank has built its own banking software and is able to take deposits and connect directly to the Nigeria Central Switch.

Kuda Bank operates like every other bank as its users can open accounts, send money to other bank accounts, deposit money, save money, pay bills, purchase airtime and keep track of their spending on the app with smart budgets. Key draws to Kuda Bank include ease of setting up account, and freedom from excessive fees and charges. Kuda Bank charges zero card maintenance, account maintenance, debit card, and ATM withdrawal fees while transfers are charged at zero for the first 25 transfers every month and NGN10 for subsequent transfers. Kuda Bank users also receive a free debit card which can be delivered to anywhere within Nigeria and qualify for 15% interest yearly. Kuda Bank's partnership with GTB, Access bank and Zenith bank allows users to make withdrawals at over 3000 ATMs across the country.

SMILE IDENTITY

Smile Identity, a key player in the RegTech space, utilizes computer vision and machine learning to provide identity verification and authentication services, solving identity for banks, telecoms, financial services and shared economy applications in Africa and beyond.

Since its inception in 2017, the company has raised over US$2 million in funding and has invested nearly US$4 million into building an identity platform that does face recognition and ID Validation for over 200 million identities across Africa. Till date, Smile Identity has done over 300,000 registrations and verifications for African enterprise clients.

Smile Identity's products include the SmartSelfie™, a mobile SDK which incorporates ID validation, face recognition and anti-spoof checks, ID APIs and Web APIs that allows users to validate an ID, or to access facial recognition services. Smile Identity's services include: (x) user registration services which allows the user to upload selfies as biometric representation to be used for ID validation; (y) KYC services which enables verification of ID numbers and comparison of selfies to existing photos on government databases; (z) biometric 2nd factor authentication whereby users can compare incoming selfies to existing IDs; and (xx) deduplication services which allows users to clean up legacy customer databases with duplicate customer images or accounts.

GLOSSARY

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
API	Application Programme Interface
ATM	Automated Transfer Machine
CBN	The Central Bank of Nigeria
CDD	Customer Due Diligence
DLT	Distributed Ledger Technology
DMB	Deposit Money Bank
Fintech	Financial Technology
Fintechs	Financial Technology Companies
FIRS	Federal Inland Revenue Service
IP	Intellectual Property
IT	Information Technology
KYC	Know Your Customer
MNO	Mobile Network Operator
NCC	Nigerian Communications Commission
NCM	Nigerian Capital Market
NFIS	National Financial Inclusion Strategy
NIMC	National Identity Management Commission
NIP	Nigeria Interbank Settlement System Instant Payment
POS	Point-of-Sale
PSB	Payment Service Bank
RegTech	Regulatory Technology
SEC	The Securities and Exchange Commission
SMS	Short Message Service
Tech	Technology
Telco	Telecommunications Company
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax

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