The 0.5% Cybersecurity Levy—A New Burden on Electronic Transactions

On May 6, 2024, the Central Bank of Nigeria (CBN) issued a circular mandating all banks, other financial institutions, and payments service providers within Nigeria to impose a cybersecurity levy of 0.5% on all eligible electronic transactions. According to the apex bank, the levy is in response to the newly enacted Cybercrimes (Prohibition, Prevention, etc.) (Amendment) Act of 2024 and aims to support the National Cybersecurity Fund (NCF) through contributions collected from electronic transactions. This initiative reflects the CBN's ongoing efforts to enhance national cybersecurity measures.

Key Details of the CBN Directive

(a) Levy Rate and Application:

A 0.5% levy is applied to the value of specified electronic transactions, to be deducted at the point of transaction initiation.

(b) Implementation Timeline:

Financial institutions must implement the levy by May 20, 2024, and are required to make monthly bulk remittances to the NCF, managed by the Office of the National Security Adviser (NSA) and domiciled at the CBN. This remittance must be done by the 5th business day of each month.

(c) System Reconfiguration:

Banks and financial institutions must modify their systems within specified timelines to ensure accurate levy processing and remittance:

- Commercial, Merchant, Non-Interest, and Payment Service Banks: Within 4 weeks from the circular's issuance.

- Other Financial Institutions: Including Microfinance Banks, Primary Mortgage Banks, and Development Financial Institutions within 8 weeks.

(d) Penalties for Non-Compliance:
Non-compliant banks and financial institutions face severe penalties, including a minimum fine of 2% of their annual turnover.

Exemptions from the Levy

The CBN circular specifies certain transactions that are exempt from the cybersecurity levy to prevent duplicated charges. These include intra-bank transfers, salary payments, government social welfare transactions, inter-bank activities, financial institution transactions with the CBN, financial operations involving savings and investments, routine bank funding operations, and transactions related to educational institutions, registered non-profits, and charities.

Implications for Stakeholders

- **Economic Considerations:**

The additional financial burden could affect consumer behavior and discourage the adoption of digital payments, potentially impacting economic activities.

- **Increased Transaction Costs for Customers:**

The levy will coexist with other levies like the Electronic Money Transfer Levy (EMTL), increasing the financial burden on customers who rely heavily on digital transactions.

- **Operational Adjustments for Financial Institutions:**

Financial institutions must adapt their systems and processes to ensure compliance with the new levy, manage additional operational costs, and remain competitive.

- **Strategic Business Considerations:**

Businesses reliant on digital transactions may need to adjust pricing strategies or absorb increased costs, which could impact their overall financial health.

Update on Implementation

Due to widespread concern about its impact on business costs, the Federal Executive Council (FEC) has suspended the implementation of this levy. While this provides temporary relief for businesses, the situation remains dynamic, and the levy could be reintroduced unless legislative changes are made.

Stay Prepared with SimmonsCooper Partners

As these regulatory changes unfold, staying informed and prepared is crucial. SimmonsCooper Partners is prepared to provide strategic guidance and legal insights to help navigate these new regulations. For more detailed insights or assistance with compliance, contact us at info@scp-law.com or visit our website at www.scp-law.com.