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CENTRAL BANK OF NIGERIA (CBN) TO LAUNCH DIGITAL CURRENCY IN OCTOBER 2021

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The Central Bank of Nigeria (CBN) has recently informed of the launch of its own digital currency, called the 'e-Naira', in October, 2021, to operate as a wallet against which customers can hold existing funds and conduct transactions from their bank account. According to the CBN, the objective of the e-Naira is to amongst others, aid financial inclusion and social interventions, improve payment efficiency, and improve revenue and tax collection.

It must be noted that central bank digital currencies (CBDCs) which are issued by a government works differently from popular cryptocurrencies, such as Bitcoin, Ethereum and Dogecoin. Unlike CBDCs, cryptocurrencies are not controlled by a singular entity, and their creation and distribution is decentralized. On the other hand, the CBDC is a digital banknote using a blockchain-based token to represent a digital form of fiat currency of a particular country; that is, issued by a central bank and backed by the government to become a legal tender. The currency is centralized and regulated by the country's monetary authority such as the CBN in this case.

According to the CBN, 'Project Giant', as the Nigerian CBDC pilot is known, has been a long and thorough process for the CBN, with the bank's decision to digitize the naira in 2017, following extensive research and explorations.

Experts have applauded the government for taking this step, with hopes that e-Naira will promote the formal cross-border payments for efficiency, convenience and affordability; reduce the rate of cash handling and costs in the economy by up to 7 percent; deepen financial inclusion in Nigeria; promote the digitization of cash; and spur the development of e-commerce for fast, safe, and convenient payment structure in Nigeria.
