

TNP Insights



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Revision to the USSD Pricing Model by the NCC

We suggested that the rationale for MTN to change its billing model may be because it didn't wish to go through the rigorous process of reconciling bulk payments with FSPs, - prominent FSP being the banks. We also mentioned that perhaps MTN may have felt cheated by the banks and preferred to bill customers directly. For some time now, there have been disputes between the Telcos and banks on the billing method to be adopted. Should it be the corporate billing model whereby Telcos bill the banks directly or should it be an end user billing model where the Telcos bills the customers directly?

The revised Pricing Regulation has laid these issues to rest and now provides that the billing method to be adopted by the Telcos must be the corporate billing model where the Telcos bill the banks directly. The rationale for this is that the Telcos are offering the services directly to banks, there is also the reason that charging customers directly for the use of USSD sessions may result to double billing since the banks usually charge their customers for such services. Now, the implication of all of these is that Telcos would no longer bill users directly for USSD sessions, by deducting their airtime, instead the Telcos would be charging the FSPs directly.

Furthermore, the revised Pricing Regulation no longer provides for the floor and cap rates² for a USSD session. The price for a USSD session is now ₦1.63K. According to the revised Pricing Regulation, this rate should form the basis of negotiations between Telcos and the FSPs.

Telcos are also to notify the NCC of the agreed rates following

negotiations with the FSPs before the implementation of the agreed rates and in the event that the Telcos and FSPs are unable to come to an agreement on the rates, then the same should be referred to the NCC for regulatory intervention and any decision made by the NCC on this would be final and binding. This pricing model became effective on 1st August 2020.



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In light of this development, we recommend a revision to Central Bank of Nigeria (“CBN”) revised Guide to Charges by Banks and other Financial Institution (“Bank

Charges Guide”)³ which became effective on 1st January 2020. According to the revised Bank Charges Guide, FSPs are to only charge the current NIP (NIBSS Instant Payment) rates for USSD sessions. We believe this charge was as a result of the move by the Telcos to bill customers directly for USSD costs late last year as FSPs no longer had to factor in Telcos costs.

Formerly⁴, FSPs charged for USSD sessions based on cost recovery, what this meant was that FSPs were allowed to charge customers based on the costs incurred in providing the USSD service to them and such costs would typically include the Telcos costs for leveraging on their infrastructure, the FSPs would thereafter make bulk payment to the Telcos.

However, with this new pricing model by the NCC, the CBN may need to revise the USSD charges to allow FSPs charge based on cost recovery for USSD services provided, as the revised Bank Charges does not cater for this. If the CBN does not amend this, FSPs may run at a loss and would be the ones to bear all the costs incurred for offering USSD services to customers, now that NCC has mandated the Telcos to adopt the corporate billing method.

The Nigerian Communications Commission (“NCC”) on the 24th July 2020 issued the revised “Determination of USSD Pricing” (“revised Pricing Regulation”)¹. The revised Pricing Regulation specifically prohibits Mobile Network Operators (“Telcos”) from charging customers directly for use of Unstructured Supplementary Service Data (USSD) sessions. This revision is especially important in view of the controversy that occurred late last year. Recall sometime in October 2019 when MTN announced that it would start charging customers directly for (USSD) sessions. A backlash arose following that announcement, customers reaction was so intense that the Minister of Communications, Dr. Isa Ali Pantami ordered the suspension of the plan, stating that the NCC was not aware of the USSD charge by MTN.

In our article [here](#), we explored the lawfulness of MTN's USSD pricing model and what it meant for customers. We stated that MTN choosing to bill customers directly was not unlawful as USSD charges had never been free. MTN adopted the model of billing Financial Service Providers (FSPs) directly (FSPs include banks, mobile money operators, FinTech's etc.) while other Telcos like Airtel and 9mobile adopted the option of billing customers directly from the onset.

¹ <https://www.ncc.gov.ng/accessible/documents/910-determination-of-ussd-pricing-amended/file>

² Under the former Pricing Regulation, the floor rate was ₦1.63k per USSD session, while the cap rate was ₦4.89k per USSD session. A USSD Session is 20 seconds.

³ <https://www.cbn.gov.ng/Out/2019/CCD/Guide%20to%20Charges%20by%20Banks%20Other%20Financial%20and%20Non-Financial%20Institutions%20eff%20Jan%201%202020.pdf>

⁴ <https://www.cbn.gov.ng/Out/2017/fprd/guide%20to%20bank%20charges%20circular%20to%20all%20banks%20other%20financial%20institutions%20and%20mobile%20payments%20operators.pdf>