



Licensing Regime for Payments Sector in Nigeria

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Key Highlights of the Circular

Whilst the Circular retains the same classification scheme of Payment System Providers (PSP) as provided under the CBN circular on “New License Categorizations for the Nigerian Payments System” dated 9th December 2020 (the “Previous Circular”), this Circular specifically provides for the capital requirements, documentation requirements and the applicable licensing fees applicable to all the relevant players in the Sector.

Mobile Money Operators

The Circular requires all Mobile Money Operators (“MMO”)¹ to maintain a N2,000,000,000 (Two Billion Naira) shareholders’ funds unimpaired by losses. The CBN also prescribes that a refundable deposit of N2,000,000,000 (Two Billion Naira) be made by prospective MMO licensees into an escrow account created for that purpose and the escrowed funds can be invested into treasury bills, subject to the availability of treasury instruments.

Payment Terminal Service Provider (PTSP)

The CBN requires a minimum capital requirement of N100,000,000 (One Hundred Million Naira) shareholders’ fund, unimpaired by losses from potential PTSP License holders². The applicant for a PTSP license is also required to effect the deposit of a refundable N100,000,000 (One Hundred Million Naira) which shall be deposited in an escrow account to be provided by the CBN.

Payment Solution Service Provider (PSSPs)

The CBN requires that applicants for a PSSP³ license must have a minimum capital of N100,000,000 (One Hundred Million Naira) shareholders’ fund unimpaired by losses. A refundable capital to the tune of N100,000,000 (One Hundred Million Naira) is required to be deposited in an escrow account to be provided by the CBN.

Super Agent License

Super Agents are expected to drive financial inclusion through cash transfers in local communities by forming an agent network to deploy banking and financial payments services⁴. The minimum capital requirement for a Super Agent license is N50,000,000 (Fifty Million Naira) shareholders’ funds, unimpaired by losses. The CBN requires that a deposit of N50,000,000 (Fifty Million Naira) is made into an escrow account to be provided by the CBN.

¹ Permissible activities for MMOs are issuance of e-money, wallet creation and management, pool account management, and additionally, carry on all the activities of a Super Agent.

² The permissible activities for a PTSP licensee are POS terminal deployment and services, POS terminal ownership, Payment Terminal Application Developer (PTAD), merchant/agent training and support.

³ PSSPs can engage in payment processing gateway and portals, development of payment solution/application and merchant service aggregation and collection services.

⁴ The permissible activities for Super Agents are agent recruitment, management and other activities set out in the Regulatory Framework for Licensing Super Agents in Nigeria.

Payment Services Solution (PSS)

Holders of a PSS license can combine the permissible activities of a Super Agent, PTSP and PSSP. The CBN requires that potential licensees have a minimum shareholders' fund (unimpaired by losses) of N250,000,000 (Two Hundred and Fifty Million Naira). Such potential licensee shall effect the deposit of a refundable N250,000,000 (Two Hundred and Fifty Million Naira) into an escrow account to be provided by the CBN. Entities applying for the 3 (three) licenses at a time may make the payment of N100,000,000 (One Hundred Million Naira) for PSSP license, N100,000,000 (One Hundred Million Naira) for PTSP and N50,000,000 (Fifty Million Naira) for Super Agent licenses respectively. The refundable deposit is required to be made in one lump sum and in the name of the company applying for the license (and not an individual or a related company).

Switching and processing license

Switch Companies are generally authorized to engage in switching, processing of cards, clearing transactions/settlement agents, non-bank acquiring services and the listed activities for Super-Agent, PTSP and PSSP. The CBN requires that potential licensees meet a minimum shareholders' funds requirement of N2,000,000,000 (Two Billion Naira), which shall be capital unimpaired by losses. The Bank also requires that a N2,000,000,000 (Two Billion Naira) refundable deposit be made in the name of the company applying for a license under this heading and in one lump sum only.

General Requirements

- All applications for a license (regardless of the category) are required to be accompanied by a payment of N100,000 (One Hundred Thousand Naira) as application fee, and N1,000,000 (One Million Naira) as the licensing fee (payment of which must be paid before the issuance of a final license, if successful).
- Applicants who intend to conduct dual license activities of MMOs and Switch Companies can do so only under a holding company (HoldCo) structure as provided under the Previous Circular. Pertinently, the objective of this structure is to effectively delineate the activities of the subsidiaries existing under the HoldCo structure with a view to avoiding co-mingling.

Takeaway

1. Barring an unsuccessful application, we expect that the respective deposits required of every license applicant by the CBN will be utilized for the purpose of meeting and shall be treated as the required shareholders' fund unimpaired by losses.
2. Whilst the Previous Circular mandates Payment System Providers and license applicants to meet a certain minimum share capital threshold which it fails to set, the Circular has now clarified and revised the capital requirement by demanding that license applicants meet a shareholders' funds threshold instead. However, it remains to be seen whether this new licensing regime will engender competition and encourage fresh participation by new investors in the Sector or indeed will constitute an entry barrier to the potential entrants/investors in the Sector considering the rather unfavourable macro-economic climate and the stringent nature of the capital, financial and documentary requirements.



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DUALE, OVIA &
ALEX-ADEDIPE

1, Prof. Olagoke Olabisi Street, Off Folashade Awe Street,
Remi Olowude Way, Lekki Phase 1, Lagos, Nigeria

Tel.: +234 1 631 2150
Email: info@doa-law.com
www.doa-law.com