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NEW CBN LICENSING REQUIREMENTS FOR PAYMENT SERVICE PROVIDERS

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On 24th May, 2021, the Central Bank of Nigeria (“CBN”) issued a new circular on the licensing requirements for Payment Service Providers (“PSP”), indicating a definite resolve by the apex bank to regulate the sector. The Circular was released further to the CBN Circular on New license categorisation for the Nigerian Payment System dated 9th December 2010. The circular provides for the new licensing requirements of the various categories of licences which are outlined below:

Switching and Processing Licence

Switching Company is a Payment/Transaction switch that routes transaction data to financial institutions or hosts and merchants for processing and approving electronic transactions upon receiving transaction requests from more than one interface like the ATM, POS, etc). An applicant for switching and processing license must:

- a) be a company registered with the Corporate Affairs Commission (“CAC”). The object of the memorandum of association should be restricted to permissible activities of a switching and processing company;
- b) have N2 billion of shareholder’s funds unimpaired by losses;
- c) deposit in its own name, a refundable lump sum of N2 billion into the CBN PSP Share Capital Deposit Account.

Mobile Money Operator (MMO) Licence

Mobile money is an electronic wallet service. MMOs allow customers to receive, store and expend money using a mobile phone. An applicant for an MMO license must:

- a) be a company incorporated with the CAC. The memorandum of association should be restricted to the permissible activities for MMOs. A holder of the MMO licence can engage in e-money issuing, wallet creation, and management, pool account management, as well as activities permitted for super-agent.
- b) Possess N2 billion of shareholder’s funds unimpaired losses;
- c) Deposit, in its own name, a refundable lump sum of N2 billion into the CBN PSP Share Capital Deposit Account. The escrowed funds are invested in treasury bills.

Payment Solution Services (PSS)

Payment solution services provide bridging infrastructure, end-to-end electronic payment solutions, systems and services to stakeholders within the financial services space. An applicant for a PSS license must:



- a) be a company incorporated with the CAC. The memorandum of association should be restricted to the permissible activities for PSS providers. A holder of the PSS licence can combine the permissible activities of super-agent, payment terminal service provider, and payment solutions service provider.
- b) Possess N250 million of shareholder's funds unimpaired losses;
- c) Deposit, in its own name, a refundable lump sum of N250 million into the CBN PSP Share Capital Deposit Account. The escrowed funds are invested in treasury bills.

Payment Terminal Service Provider (PTSP) Licence:

A PTSP is an entity licensed to deploy, maintain, and ensure the effectiveness of Point of Sale (POS) operations. An applicant for a PTSP license must:

- a) be a company incorporated with the CAC. The memorandum of association should be restricted to the permissible activities for PTSPs including POS terminal deployment and services, POS terminal ownership, Payment Terminal Application Developer (PTAD), merchant/agent training, and support;
- b) Possess N100 million of shareholder's funds unimpaired by losses;
- c) Deposit, in its own name, a refundable lump sum of N100 million into the CBN PSP Share Capital Deposit Account.

Payment Solution Service Provider (PSSP):

These are companies that make up the underlying e-payment infrastructures in Nigeria. An applicant for a PSSP license must:

- a) be a company incorporated with the CAC with memorandum and articles of association. The memorandum of association should be restricted to the permissible activities for PSSPs such as payment processing gateway and portals, development of payment solution/application, and merchant service aggregation and collections;
- b) Possess N100 million of shareholder's funds unimpaired by losses;
- c) Deposit, in its own name, a refundable lump sum of N100 million into the CBN PSP Share Capital Deposit Account.

Super Agent Licence:

A Super-Agent is an entity licensed by the CBN and contracted by a financial service provider, that is empowered to conduct certain financial activities within a local community. An applicant must be:

- a) A company incorporated with the CAC. The permissible activities that should be specified in its memorandum of association for super-agents are agent recruitment, management, and other activities set out in the Regulatory Framework for Licensing Super Agents in Nigeria;



- b) Possess N50 million of shareholder's funds unimpaired by losses;
- c) Deposit, in its own name, a refundable lump sum of N50 million into the CBN PSP Share Capital Deposit Account.

General Provisions:

An applicant for a license is required to provide the audited financial statements of the company for the preceding three years, where applicable. All written application should be addressed to the Director, Payments System Management Department, of the CBN, accompanied by evidence of payments of application fee and other documentary requirements. The documentary requirements include the applicant's certificate of incorporation, Memorandum & Articles of Association, Form CAC 2A (Return on Allotment of shares), Form CAC 7A (Particulars of Directors), Tax Clearance Certificate for three (3) years of the company (if applicable) and Taxpayer Identification Number (TIN) of the company, the company's profile, corporate structure and organogram, policy documents, etc.

The applicant is required to provide a non-refundable application fee of N100,000.00 and a licensing fee of N1 million where the application is successful. Initially, an approval-in-principle is granted for a period of six months. The duration of the commercial license is determined by the CBN upon satisfactory performance of operations.



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