

**CBN CONSOLIDATED REQUIREMENTS FOR OBTAINING LICENCES FOR FINTECHS IN NIGERIA**

On the 24<sup>th</sup> day of May 2021, the Central Bank of Nigeria (“CBN”) issued a circular which consolidated the requirements for obtaining licences for payments system services in Nigeria (the “**New Regime**”). Prior to the issuance of the New Regime, the CBN had in December 2020 issued a circular which categorized payment systems licences into four (4); viz; Switching and Processing, Mobile Money Operations, Payment Solution Services, and Regulatory Sandbox. The requirements set out in the New Regime cut across the eligibility of the desiring entity, documentation, minimum capital requirements, documentary requirements, application and licensing fees, licence validity, and contact for the submission of application for the grant of licence.

We have set out below, the salient components of the New Regime as they relate to specific payment systems licences.

**1. Eligibility**

Any entity that seeks to obtain the CBN’s payment system licence must be a corporate entity duly registered with the Corporate Affairs Commission (“CAC”) and having Memorandum and Articles of Association. This requirement applies to all categories of licence, that is, switching and processing licence, mobile money operator licence, payment solution services, payment terminal service provider, payment solution service provider, and super-agent licence. The implication of this requirement is that a payment system licence cannot be granted to an individual or a business name. Such entity must be a registered company having share capital.

**2. Capital Requirements**

The capital requirements may be categorized into two: Minimum Share Capital Requirement and Escrow Fund Requirement. The table below sets out the minimum share capital requirement for each of the licence category.

<b>SN</b>	<b>Licence</b>	<b>Share Capital Requirement</b>
a.	Switching & Processing Licence	N2,000,000,000.00
b.	Mobile Money Operator (MMO) Licence	N2,000,000,000.00
c.	Payment Solution Services (PSS) Licence	N250,000,000.00
d.	Payment Terminal Service Provider (PTSP) Licence	N100,000,000.00
e.	Payment Solution Service Provider (PSSP)	N100,000,000.00
f.	Super Agent Licence	N50,000,000.00

The above requirements should be adhered to at the point of incorporating the company. However, where the corporate entity is already in existence but its issued share capital is below the prescribed threshold, relevant application should be made to the CAC to increase the issued share capital in accordance with the provisions of the Companies and Allied Matters Act, 2020 (“CAMA”).

Regarding the escrow fund requirement, the New Regime requires that a refundable amount equal to the minimum issued share capital for respective licences be deposited into a CBN designated account. This implies that it is not enough to issue the share capital to prospective investors to satisfy the requirements of CAMA. Such investors must have fully paid for the shares which will then be deposited into the CBN designated account.

Just like the eligibility requirement, the capital and escrow fund requirements apply to all the licence categories. While the escrow fund requirement, arguably, provides security and further assurance to investors and the public that the licensee has the financial capacity to provide credible and sustainable services, we think that the requirement to pay the escrow fund as a lump sum is rather too burdensome, especially for start-ups. Again, it may be counter-productive in the long run as fewer companies may be able to play in that sector due to lack of funds. In order to attract more investors and give room for sustainability, it is advised that the CBN reduces the amount of the share capital and or the escrow amount.

**3. Contact for the Submission of Application**

The application for any of the licence types must be addressed to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja. The evidence of payments of application fee and other relevant documents must be submitted alongside the application.

**4. Documentary Requirements**

The documentation requirement varies across the various categories of licence. However, the following items are common amongst all the licence categories:

- a. Certificate of incorporation of the applicant company;
- b. Memorandum and articles of association of the applicant company; (The object clauses must be restricted to relevant payment system activities permitted by the CBN)
- c. Forms CAC 2A – Return of Allotment of Shares & CAC 7A – Particulars of Directors (Now subsumed under the Memorandum of Association and Form CAC 1.1) of the applicant company;
- d. Tax clearance certificate for three (3) years (if applicable);
- e. Tax Identification Number of the applicant company;
- f. Applicant company’s profile showing its current type of business operation, products and services;
- g. Structure of holding or parent company (if applicable);
- h. Details of ownership: private/public, ultimate parent, and any significant changes in the ownership of the company in the last two years;
- i. Total number of employees.

The exact documentary requirements for each of the licence categories can be accessed [here](#).

**5. Application and Licensing Fees**

The New Regime prescribes uniform application fee of N100,000.00 (One Hundred Thousand Naira) and licensing fee of N1,000,000.00 (One Million Naira). While the application fee is non-refundable and to be paid prior to the submission of the application, the licensing fee is to be paid before the issuance of the final licence, if the application succeeds.

**6. Licence Validity**

Upon the submission of the application, the applicant company will be granted an approval-in-principle which will expire in six (6) months. The validity of the commercial licence which is granted thereafter is as determined by the CBN. It is also renewable upon satisfactory performance of operations.

***NOTE:** No part of this article should be relied upon as legal advice. It is only intended as a general guide on the subject and as such, we advise that you consult a specialist where legal advice is desired. For further information on the subject and any other real estate related questions, kindly contact us at [info@lexsetters.com](mailto:info@lexsetters.com).*

**Kelechi Attamah**  
Head, Banking and Finance Practice Group

**LEXSETTERS LLP**  
3C, Obadeyi Close, Ikoyi, Lagos  
[www.lexsetters.com](http://www.lexsetters.com)