

NEW CBN LICENCING REQUIREMENTS FOR PAYMENT SERVICES



Governor, Central Bank of Nigeria: Mr. Godwin Emefiele

In line with the Central Bank of Nigeria's (CBN) commitment to promote a strong and credible payment system in Nigeria, the CBN issued a [circular](#) dated 9th December 2020 to all Payment Service Providers, Banks and other Financial Institutions approving new license categorisations for Payment Systems (the "Circular"). The Circular streamlines Payment Systems licenses into four broad categories: Switching and Processing; Mobile Money Operations; Payment Solution Services; and Regulatory Sandbox.

Pursuant to the Circular, the CBN on the 24th of May 2021 issued another [circular](#) to consolidate and highlight the requirements for obtaining the Payment System licenses (the "Consolidated Circular"). The Consolidated Circular sets out the licensing requirements, capital requirements, documentation requirements, etc. to process the relevant Payment System licenses.

We have summarised below some of the highlights of the Consolidated Circular.

1. Eligibility

An applicant must be a corporate entity registered by the Corporate Affairs Commission ("CAC"), with a Memorandum and Article of Association (MEMART).

2. Capital Requirement

Minimum Capital Requirement

Licence Categories	Capital Requirement ¹
Switching and Processing Licence	N2,000,000,000.00
Mobile Money Operator Licence	N2,000,000,000.00
Payment Solution Service (PSS) ²	N250,000,000.00
Payment Terminal Service Provider (PTSP)	N100,000,000.00
Payment Solution Service Provider (PSSP)	N100,000,000.00
Super Agent	N50,000,000.00

Escrow Requirement

An applicant company is required to make a refundable deposit in its name into the CBN PSP Share Capital Deposit Account (the "Escrow Amount"). **The Escrow Amount is equal to the cash equivalent of the minimum capital requirement for each license which must be paid in full.** The Escrow Amount will be invested in treasury bills, subject to availability, and will be refunded at the end of the application process.

3. Application and Licencing

An applicant company is required to make the following payments:

- Non-refundable application fee of N100,000; and
- Licensing fee of N1,000,000.

1. Shareholders' funds unimpaired by losses
2. Payment systems companies in the PSS category may hold any of PSSP, PTSP and Super Agent license or a combination of the licenses.

The licensing fee is payable before the issuance of the final license by the CBN, if successful.

4. Documentation Requirement

The documentation required for an application depends on the licence category. The following documentation are, however, required for all license categories:

- a) Certificate of Incorporation of the company;
- b) Memorandum & Articles of Association;³
- c) Form CAC 2A (Return on Allotment of shares);
- d) Form CAC 7A (Particulars of Directors);
- e) Tax Clearance Certificate for three (3) years of the company (if applicable);
- f) Taxpayer Identification Number (TIN) of company;
- g) The applicant company's profile: detailing the current type of business operation, products and services Classified as Confidential; and
- h) Details of ownership: private/public; ultimate parent; any significant changes in ownership in the last two years, etc.

[Click here](#) for more information on the specific documentation required for each licence category.

3. The object clause(s) must be restricted to relevant payments system activities permitted by the CBN.

Implication

The introduction of an escrow requirement for Payment Service Providers reiterates the CBN's commitment to promote a strong and credible payment system in Nigeria. The requirement is geared towards ensuring that companies desirous of obtaining payment service licenses have the necessary financial resources and backing required to effectively provide the relevant services whilst also ensuring that the Nigerian public is protected and assured of credible and sustainable services.

Notwithstanding the foregoing and considering the current economic realities relating to the cost of raising funds for start-ups and their obligations to investors, the requirement for a lump sum payment of the Escrow Amount is considered by many industry participants to be onerous, and to have the potential of stifling investment in the payment service sector which is only just beginning to gain traction and strengthen investor confidence. It is envisaged that in addition to meeting the minimum capital requirements, most companies looking to engage in payment services may be unable to meet the escrow requirements.

New entrants looking to obtain a payment service license but who find the new capital and escrow requirements to be too steep may consider merging with other companies looking to engage in payment services to meet the requirements. Alternatively, new entrants will have to come up with innovative ways to convince investors to fund and, thereafter, negotiate favourable terms considering the increased investment sum required and the attendant risks for the investors.

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