



GOVERNANCE AND COMPLIANCE DIGEST

LICENSING AND COMPLIANCE REQUIREMENTS FOR FINTECH STARTUPS IN NIGERIA (PART ONE)

Licensing and Compliance Requirements for Fintech Startups in Nigeria

Introduction

Financial Technology Companies (“FinTech”) have been on the rise in the last decade offering innovative financial solutions to meet the growing demands of consumers in Nigeria. These FinTech Companies at startup level would require certain licenses from the relevant regulatory bodies who superintend over the space to operate legally in Nigeria. This

two-part article seeks to examine the licensing and compliance requirements FinTech startups must navigate to obtain licenses and remain compliant with the different regulatory bodies. The first of the digest highlights the different FinTech offerings as well as regulatory bodies and legislations – Acts, Policies, Regulations and Guidelines that govern the industry.

Identifying FinTech Offerings

Intending FinTech Startups must first and foremost identify what aspect of Financial Technology services they are willing to offer. These FinTech offerings include:

1. **Digital Banking:** Digital banking involves providing banking services online or through mobile apps. This includes activities like account management, fund transfers, bill payments, and more, all accessible through digital platforms.
2. **Alternative Lending and Digital Credit:** This fintech offering focuses on providing loans and credit services through digital channels, offering alternatives to traditional banks. It uses technology to assess creditworthiness and disburse loans quickly.
3. **Electronic Payments:** Electronic payments involve facilitating online transactions, such as purchases, transfers, and bill payments, without the need for physical cash. This includes services like mobile wallets, online payment gateways, and peer-to-peer transfers.
4. **Investment and Financial Management/Crowdfunding:** This fintech sector focuses on investment platforms, financial management tools, and crowdfunding services. It allows individuals to invest, manage their finances, and participate in crowdfunding campaigns through digital platforms.
5. **Blockchain and Digital Currencies:** Blockchain technology enables secure and transparent transactions through decentralized ledgers. In the context of fintech, it's used for activities like digital currencies (cryptocurrencies), smart contracts, and secure data storage.¹

Identifying the Relevant Regulator/Laws

After identifying the service/offering a FinTech startup intends to pursue, it then behooves that the proprietors identify the relevant Regulatory Authorities that superintend or manage the space in which they wish to operate. The main regulator of the FinTech Industry in

¹ https://www.linkedin.com/pulse/licenses-required-fintech-operation-nigeria-sidebriefafrica?utm_source=share&utm_medium=member_android&utm_campaign=share_via

Nigeria is the Central Bank of Nigeria (CBN). The CBN plays a crucial role in regulating and supervising financial institutions within Nigeria hence, for any startup to operate, such startup must obtain a license from the CBN which sets out the specific requirements and conditions for operation. The table below highlights the regulator, the establishing Act as well as guidelines/regulations they have issued which are germane to the operations of FinTech Companies.

S/N	REGULATORY BODY	ESTABLISHING ACT
1	Central Bank of Nigeria (CBN)	Central Bank Act, 2007
2	Corporate Affairs Commission (CAC)	Companies and Allied Matters Act, 2020;
3	Federal Competition and Consumer Protection Commission (FCCPC)	Federal Competition and Consumer Protection Act, 2018
4	Federal Inland Revenue Service (FIRS)	Federal Inland Revenue Service (Establishment) Act 2007
5	National Insurance Commission (NAICOM)	NAICOM Act
6	National Office for Technology Acquisition and Promotion (NOTAP)	NOTAP Act, 1992
7	Nigeria Data Protection Commission (NDPC)	Nigeria Data Protection Act, 2023
8	Nigerian Communications Commission (NCC)	Nigerian Communications Act, 2003
9	Nigerian Deposit Insurance Corporation (NDIC)	Nigerian Deposit Insurance Commission Act, 2006
10	Nigerian Information Technology Development Agency (NITDA)	Nigerian Information Technology Development Agency Act, 2007
11	Securities and Exchange Commission (SEC)	Investments and Securities Act, 2007

Looking at these Regulatory bodies, they all have Acts or Laws creating them which spells out the scope/objectives which they set out to achieve. It then behooves that the proprietor

of the startup identifies the Acts, Laws, Regulations and Guidelines released by these bodies to micromanage or have better control over players within the space. Some other applicable Laws and Regulations for FinTech Companies include the:

1. Advance Fee Fraud and other Fraud Related Offences Act, 2006;
2. Banks and Other Financial Institutions Act, 2020;
3. Business Facilitation Miscellaneous Provision, Act 2023.
4. Corrupt Practices and other Related Offences Act, 2000;
5. Cybercrimes (Prohibition, Prevention, Etc.) Act, 2015;
6. Economic and Financial Crimes Commission (Establishment, Etc.) Act, 2004;
7. Finance Act, 2023 (as amended);
8. Financial Reporting Council of Nigeria Act, 2011;
9. Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995;
10. Money Laundering (Prevention & Prohibition) Act, 2022;
11. Moneylenders Laws of the respective states in Nigeria
12. Nigeria Startup Act, 2022;
13. Nigerian Exchange Technology Board Listing Rules, 2022;
14. Nigerian Investment Promotion Commission Act, 2004;
15. Terrorism (Prevention) Act, 2011 (as amended)

Conclusion

In conclusion, fintech startups in Nigeria must be aware of the licensing and compliance requirements set out by regulatory bodies such as the CBN, SEC and NCC as well as other regulators captured above. By obtaining the necessary licenses and approvals from these regulators and remaining compliant with their laws, regulations, and guidelines, fintech startups can operate legally and contribute to the growth of the fintech industry.

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