



GOVERNANCE AND COMPLIANCE DIGEST

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

Licensing and Compliance Requirements for Fintech Startups in Nigeria (Part Two)

Introduction

In our [previous publication](#), we highlighted the various FinTech offerings, viz – Digital Banking, Alternative Lending & Digital Credit, Electronic Payments, Crowdfunding, and Blockchain & Digital Currencies. We went further to identify the Regulatory bodies saddled with the responsibility of superintending, administering, and enforcing Laws, Policies,

Regulations and Guidelines for players within the space. We identified the Central Bank as the Apex regulator and then highlighted other regulators, their establishing Acts as well as other legislations for industry players.

In this final part of the digest, we will delve into the licensing and Compliance requirements for FinTech startup Companies.

Licensing

There are five (5) licenses that a startup FinTech Company may apply for from the CBN, these include:

1. **Mobile Money Operator (MMO) License:** This license authorizes a company to provide mobile money services, including electronic wallets, funds transfers, and bill payments. The MMO license is issued by the CBN.
2. **Payment Service Provider (PSP) License:** This license authorizes a company to offer payment services like electronic payment solutions, internet banking, and mobile money. The Central Bank of Nigeria (CBN) grants the PSP license.
3. **Payment Solution Service Provider (PSSP) License:** This license authorizes a company to offer payment processing and switching services for electronic transactions. The PSSP license is issued by the NCC in conjunction with the CBN.
4. **Payment Terminal Service Provider (PTSP) License:** This license authorizes a company to provide payment terminal and point-of-sale (POS) services. In collaboration with the CBN, the Nigerian Communications Commission (NCC) grants the PTSP license.
5. **Switching and Processing License:** This license authorizes a company to run a payment gateway or switching system that links different payment channels, including banks, mobile money providers, and payment processors. The Switching and Processing license is issued by the CBN.

Depicted in the infographic below are the identified licenses FinTech can apply for as well as the prerequisite documents needed for the approval of the licenses.

LICENSE

1

Mobile Money Operator (MMO) License

REQUIREMENT

1. TCC for three years (if applicable) and TIN of the company.
2. Details of ownership and holding company structure (if applicable);
3. Incorporation documents.
4. BVN, CV and means of ID of the directors and top management (including one independent non-executive director, chairman and managing director);
5. Business plan.
6. Requisite policies and framework.
7. Project deployment time; and
8. Signed agreements with its partners.
9. Application fees.

LICENSE

3

Payment Solution Service Provider (PSSP) License

REQUIREMENT

1. Tax Clearance Certificate (TCC) of three years (if applicable) and TIN of the company;
2. Incorporation documents.
3. BVN, CV, and means of ID of directors and top management (including one non-executive director, chairman, and managing director);
4. Signed agreements with its partners;
5. Requisite policies and framework; and
6. Evidence of payment card security certification and other relevant payment terminal certification.
7. Application fees.

LICENSE

5

Switching and Processing License

REQUIREMENT

1. Corporate documents include the following:
2. Incorporation documents;
3. Details of ownership and holding company structure (if applicable);
4. Tax Clearance Certificate (TCC) for 3 years (if applicable) and Taxpayers Identification Number (TIN) of the company;
5. Bank Verification Number (BVN), Curriculum Vitae (CV), and means of identification (ID) for the directors and top management (including one independent non-executive director, chairman, and managing director);
6. Business plan and product deployment methodology;
7. Requisite policies and framework;
8. Signed agreements with sub-agents, financial institutions, and business parties; and
9. Evidence of payment card security certification and other relevant payment terminal certification.
10. Application fees.

LICENSE

2

Payment Service Provider (PSP) License

REQUIREMENT

1. TCC for three years (if applicable) and TIN of the company;
2. Incorporation documents;
3. BVN, CV, and means of ID of the directors and top management (including one independent non-executive director, chairman, and managing director);
4. Requisite policies and framework;
5. Signed agreements with its sub-agents, financial institutions, and partners;
6. Minimum of 50 agents;
7. Evidence of payment card security certification and other relevant payment terminal certification; and
8. Project deployment methodology.
9. Application fees

LICENSE

4

Payment Terminal Service Provider (PTSP) License

REQUIREMENT

1. Tax Clearance Certificate (TCC) of three years (if applicable) and TIN of the company;
2. Incorporation documents;
3. BVN, CV, and means of ID of the directors and top management (including one independent non-executive director, chairman, and managing director);
4. Requisite policies and framework; and
5. Project deployment methodology.
6. Application fees

Compliance

In addition to the CBN being Apex regulator in the FinTech space, fintech startups are also required to comply with laws, policies, guidelines, regulations from other regulatory bodies. For example, given that FinTech Companies would potentially be Data Controllers or Data Processors as envisaged by the Nigeria Data Protection Act, 2023, they would be required register with the Commission¹, appoint a Data Protection Officer (DPO)², conduct a comprehensive audit on their processing activities and file an Audit report every year with the Nigeria Data Protection Commission³.

In addition to this, FinTech Companies are expected to comply with the following:

1. Anti-Money Laundering (AML) and Know Your Customer (KYC) Regulations: Fintech companies are expected to implement robust AML and KYC procedures to prevent money laundering and fraudulent activities on their platforms. These Companies are to comply with the Nigerian Financial Intelligence Unit (NFIU) guidelines.
2. Consumer Protection Practices: To ensure fair, competitive and transparent practices, FinTech companies must ensure that their practices protects the best interest of their consumer/customers.
3. Cybersecurity and IT Standards: Given the sensitive nature of financial data, fintech companies should invest in robust cybersecurity measures. Compliance with the National Information Technology Development Agency (NITDA) guidelines is essential, including regular security assessments and ensuring data encryption.⁴
4. Compliance Reporting and Auditing: Fintech companies must maintain accurate financial records and be prepared for audits. Regulatory bodies may require periodic reporting of financial and operational data to ensure compliance.⁵
5. Tax Compliance: FinTech companies must comply with Tax laws and maintain proper records of tax filing and other compliance requirements. These actions are crucial to avoid the regulators sanctions and penalties.

Conclusion

Overall, navigating the regulatory landscape for fintech startups in Nigeria can be challenging given the various requirements from different regulatory bodies. However, by understanding the specific licensing and compliance requirements set out by each regulator fintech startups can ensure that they operate legally and avoid any potential regulatory issues.

¹ Section 44, NIGERIA DATA PROTECTION ACT, 2023

² Section 32 NIGERIA DATA PROTECTION ACT, 2023

³ Article 4.1.5 NIGERIA DATA PROTECTION REGULATION 2019 & Article 6.1 NIGERIA DATA PROTECTION REGULATION 2019: IMPLEMENTATION FRAMEWORK

⁴ DAVID ADAMGBO "LEGAL COMPLIANCE FOR FINTECH COMPANIES IN NIGERIA" SEPTEMBER, 14 2023 < https://medium.com/@the_solicitorng/legal-compliance-for-fintech-companies-in-nigeria-9b7b5fd3faa3 > accessed 16th March, 2024

⁵ ibid

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