



CENTRAL BANK OF NIGERIA
Central Business District
P.M.B. 0187,
Garki, Abuja.

BANKING AND PAYMENTS SYSTEM DEPARTMENT

BPS/DIR/GEN/CIR/05/012

October 15, 2018

To: All Banks and CBN Licensed Payments System Providers (Switches, TPPs, MMOs, PTSPs, PSSPs and Super Agents)

**CIRCULAR ON THE EXPOSURE DRAFT OF NEW CBN LICENSING REGIME (LICENCE TIERING)
FOR PAYMENT SYSTEM PROVIDERS**

Financial Technology companies (FinTechs) have been evolving with innovative products which are gaining acceptance within the country and banks have been collaborating with these technology companies, in order to remain competitive in the financial services ecosystem. The emergence of Financial Technology Companies (FinTechs) in the financial system accentuates the known risks within the financial system. In particular, the operational risk dynamics within the financial system is fast evolving with an increasing reliance on FinTech platforms and the growing level of acceptability of their services by both traditional financial service providers (Banks) and consumers of financial services (the public).

In view of the above, the CBN has considered and hereby proposes new licensing regime for all categories of payment service providers and financial technology companies. It is our belief that the proposed structure, if implemented, will properly position the Bank to adequately address the emerging issues of FinTech with respects to cyber risks, risk management framework, capital adequacy, better focused regulation and oversight operations.

1. Proposed Licensing Structure

The proposed licensing structure is highlighted on the following pages.

S/N	Licence Category/Caps	Existing Licence Type	Proposed Permissible activities	Minimum SHF	Licence/Renewal Fees	Tenor
1	PSP (Super Licence) (Cap 10)	Switching	Switching, Processing, Transaction clearing and Settlement Agents services	N5Bn	N2m / N1m	3 Years
		PSSP	Payment processing gateway and portals, Payment solution/application development, Merchant Service aggregation,			
		PTSP	POS Terminal deployment and services, POS Terminal ownership, PTAD, Merchant/agent training and supports			
		Non-bank Merchant Acquiring	Merchant Acquiring and settlements service, Settlement agents services			
		Super Agency	Agent recruitment and management.			
2	PSP (Standard Licence) (Cap 30)	MMO	e-Money issuers, Agent recruitment and management, wallet creation and management, pool account management.	N3Bn	N1m / N500,000	3 Years
		Super Agency	Agent recruitment and management.			
		Non-bank Merchant Acquiring	Merchant Acquiring and settlements service, Settlement agents services			
		Super Agency	Agent recruitment and management.			
3	PSP (Basic Licence)	Super Agency (Cap 30)	Agent recruitment and management.	N50m	N100,000 / N50,000	2 Years
		PSSP (Cap 20)	Payment processing gateway and portals, Payment solution/application development, Merchant Service aggregation,			
		PTSP (Cap 30)	POS Terminal deployment and services, POS Terminal ownership, PTAD, Merchant/agent training and supports			

2. Points to Note

- a. Once the new license regime is implemented, companies shall be expected to notify the Bank before starting any new activity under its licence category. E.g. a Super licence holder who initially had been approved for only PSSP and Switching operations, must inform the Bank (for information purposes only) if it subsequently decides to commence PTSP operations.
- b. PSPs that perform merchant service aggregation functions shall not hold the settlement funds of the merchant. The merchant service aggregator process shall only facilitate settlement by providing the acquirer with the necessary settlement files to complete settlement.

3. Consideration for Mutual Exclusivity of Some Licenses

- a. **Card Scheme/Switching:** It is important that any entity rendering Switching service does not render card scheme service and vice versa. This is to avoid a situation where a Switch prioritizes its own card scheme transactions to the detriment of others/ competitors. Section 2.4.10 of the Current Guidelines on Transaction Switching in Nigeria, prohibits Switching companies from issuing payment cards.
- b. **MMO/Switching:** It is equally important that MMOs do not render switching services and vice versa. This is to avoid a situation where a Switch prioritizes its scheme transactions to the detriment of others/competitors.

Kindly review the aforementioned and forward your inputs to the Director, Banking & Payments System Department and psps@cbn.gov.ng not later than October 29, 2018.

Thank you for your usual cooperation.


'Dipo Fatokun 15/10
Director, Banking & Payments System Department.