



COMPENDIUM ON BANKING AND PAYMENT SYSTEM
FRAMEWORKS, CIRCULARS AND GUIDELINES

VOLUME 2



PREFACE

This publication contains policies, rules, circulars, guidelines, regulations and frameworks issued by the Securities and Exchange Commission, Nigerian Deposit Insurance Corporation, Nigerian Investment Promotion Commission, National Insurance Commission, National Information Technology Development Agency, Nigerian Communications Commission and the Central Bank of Nigeria as it affects the fintech ecosystem in Nigeria. It will serve as a point of reference to all stakeholders, particularly banks and other financial institutions, to guide compliance. It will also provide investors with information for decision making.

This Second Volume Compendium of Policies and Regulations has received the approval of the Governing Board and Management of the Fintech Association of Nigeria, and we commend their support.

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SECURITIES AND EXCHANGE COMMISSION (SEC) AS A REGULATOR

SEC REGULATORY INCUBATION GUIDELINES (FOR SPECIFIC CATEGORY OF FINTECH ENTREPRENEURS)

1. INTRODUCTION

The Securities and Exchange Commission (SEC or the Commission) on 16th June 2021 issued a circular on the SEC Regulatory Incubation Program announcing the SEC Regulatory Incubation (RI) program for FinTechs operating or seeking to operate in the Nigerian Capital Market. The Regulatory Incubation (RI) program is designed to address the needs of new business models and processes that require regulatory authorisation to continue carrying out full or ancillary technology-driven Capital Market activities

By the Circular the RI Program will operate by admitting identified Fintech business models and processes in cohorts for a one-year period. **Participation in the RI program will encompass an Initial Assessment Phase and the Regulatory Incubation Phase.** The categories to be admitted into each cohort will be determined based on submissions received through the FinTech Assessment Form and communicated ahead of each take-off date.

Review of completed Fintech Assessment Forms will continue on an ongoing basis. FinTechs who consider that there is no specific regulation governing their business models or who require clarity on the appropriate regulatory regime for seeking the authorisation of the Commission, are encouraged to complete the Fintech Assessment Form.

2. PRE-QUALIFICATION REQUIREMENT

- a) Applicant shall be using innovative technology to offer a new type of product or service, or applying innovative Fintech to an existing product or service
- b) The business shall involve an activity that, if carried on in or from Nigeria, is a financial service (i.e. it is within the scope of the activities that the Commission regulates)
- c) Applicant shall be ready to take-off with live customers and operate within the purview of the SEC Regulatory Framework
- d) Applicant shall commit to applying for registration as soon as Rules are provided by the Commission
- e) The product or service shall be one that addresses a problem (compliance or supervision) or brings potential benefits to consumers or industry. Applicant shall ensure that the product is safe for investors
- f) Applicant shall complete the FinTech Assessment Form and discuss the proposal with the Commission at an early stage.

3. REGULATORY INCUBATION OPERATIONS REQUIREMENT

Applicant shall:

- a) be deemed fit and possess relevant skills in financial services and/or technology
- b) undertake to act with integrity due care and diligence and provide referee information
- c) undertake to provide full information to clients and commit to send them regular feedback
- d) undertake to provide full disclosure to the Commission on the business through an incubation implementation plan
- e) undertake to provide procedure for holding and controlling client assets

- f) Undertake to comply with all relevant laws and regulations
- g) have an office in Nigeria
- h) undertake to comply with AML/CFT requirements
- i) undertake to provide monthly reports to the Commission

4. REGULATORY INCUBATION FORM AND FEE

An Applicant shall comply with the following:

- a) complete the relevant application form
- b) pay a processing fee of N200,000.00
- c) Provide Implementation Plan documents along with the application

For more information see

<https://sec.gov.ng/finport/>

SEC PRESS RELEASE ON CRYPTOCURRENCIES

The Securities and Exchange Commission “SEC” on 12 February 2021 issued a press release “the **Press Release**” to address comments on a perceived policy conflict between the **SEC Statement on Digital Assets and their Classification and Treatment** of September 11, 2020 and the **Central Bank of Nigeria “CBN” Circular** of 5 February 2021 which effectively prohibits financial institutions in Nigeria from supporting or aiding cryptocurrency transactions.

According to the Press Release, SEC does not see any contradictions or inconsistencies between the SEC Statement and the CBN Circular. It goes further to state that in recognition of the fact that digital assets may have the full characteristics of investments as defined in the Investments and Securities Act 2007, the SEC Statement asserts that trading in such assets falls under SEC’s regulatory purview, except proven otherwise.

The implication of the Press Release is that both regulators are independent as the CBN acted in its capacity as the regulator of the banking system. SEC has however by the Press Release committed to working with CBN to better understand the identified risks of cryptocurrencies.

In the light of these facts, SEC stated in its Pres Release that it has become necessary on the implementation of SEC’s Capital Market Fin Tech Strategy, to put on hold admittance of crypto companies into the Regulatory Incubation Framework until they are able to operate bank accounts within the Nigerian banking system. The planned implementation of the SEC Regulatory Incubation Guidelines for FinTech firms will however continue.

For more information see

<https://sec.gov.ng/press-release-on-cryptocurrencies/>

NIGERIAN SEC REGULATES DIGITAL ASSETS

In line with the powers conferred on the Securities and Exchange Commission “SEC” by Section 13 of the Investment and Securities Act, 2007, SEC issued a **Statement on Digital Assets And Their Classification and Treatment** “the Statement” to now regulate crypto-token or crypto-coin investments when the character of the investments qualifies as securities transactions.

WHAT WILL BE REGULATED?

1. Virtual crypto assets: The effect of the Statement is that virtual crypto assets are classified as securities unless proven otherwise. However the burden of proving that the crypto assets proposed to be offered are not securities and therefore not under the jurisdiction of the SEC, is placed on the issuer or sponsor of the said assets, otherwise the issuer or sponsor will be required to register the digital asset with the Commission.
2. Digital Assets Token Offering (DATOs), Initial Coin Offerings (ICOs), Security Token ICOs and other Blockchain-based offers of digital assets within Nigeria or by Nigerian issuers or sponsors or foreign issuers targeting Nigerian investors.
3. Existing digital assets offerings operating in Nigeria prior to the implementation of these new regulations will have three months to register with the Commission.

WHO WILL BE REGULATED?

1. Any person, (individual or corporate) whose activities involve any aspect of Blockchain-related and virtual digital asset services. Such services include, but are not limited to reception, transmission and execution of orders on behalf of other persons, dealers on own account, portfolio management, investment advice, custodian or nominee services.
2. Issuers or sponsors (start-ups or existing corporations) of virtual digital assets.

The Statement also adds that the Commission may require Foreign or non-residential issuers or sponsors to establish a branch office within Nigeria. However foreign issuers or sponsors will be recognized by the Commission where the foreign issuer or sponsor is a member of the International Organization of Securities Commissions (IOSCO), and or a reciprocal agreement exists between Nigeria and the country of the foreign issuer or sponsor.

REGISTRATION PROCESS

1. Initial Assessment filing- to satisfy the burden of proving that the virtual assets do not constitute securities.
2. Registration of virtual assets either made directly by the issuer or sponsor or where the burden of proof is not satisfied.

The Statement further classified cryptocurrencies and utility tokens as commodities, security tokens as securities, and derivatives and investment funds as “specified investments.” The Commission will also be responsible for overseeing utility token spot trading and transactions where conducted on a Recognized Investment Exchange.

For more information see

https://sec.gov.ng/wp-content/uploads/2020/09/SEC-STATEMENT-ON-DIGITAL-ASSETS-AND-THEIR-CLASSIFICATION-AND-TREATMENT_11920.pdf

CIRCULAR ON THE RENEWAL OF REGISTRATION

By virtue of the Securities and Exchange Commission (SEC) Circular dated 23rd March 2021 and its Amended Rules, all Capital Market Operators which may include fintech operating in the capital market are expected to renew their registration with SEC annually.

According to the SEC, the purpose for reintroducing renewal of registration is premised on the need:

1. to have a reliable data bank of all Capital Market Operators (CMOs) registered and active in the Nigerian Capital Market.
2. to provide updated information on operators in the Nigerian Capital Market for reference and other official purposes by local and foreign investors, other regulatory agencies and the general public.
3. to increasingly reduce incidences of unethical practices by CMOs such as may affect investors' confidence and impact negatively on the Nigerian Capital Market.
4. to strengthen supervision and monitoring of CMOs by the Commission

The renewal is expected to be done on the e-portal of the Commission.

For more information see

<https://sec.gov.ng/circular-on-the-renewal-of-registration/>

REPORT OF THE FINTECH ROADMAP COMMITTEE OF THE NIGERIAN CAPITAL MARKET

The Securities and Exchange Commission (SEC) in 2018 inaugurated a Fintech Roadmap Committee for the Nigerian Capital Market to amongst other things, develop a Fintech roadmap for the Nigerian Capital Market, promote access to capital in the financial services sector and inform SEC on approaches to innovation within the financial services sector. The Report addressed the following:

STRUCTURE AND IMPORTANCE OF FINTECHS

The Committee noted the structure and importance of Fintechs, stating that Fintechs may be structured as Payment Solutions Service Providers (PSSPs), Payment Terminal Service Providers (PTSPs), Payment Gateway Providers, Savings/Investment platforms, Remittance platforms, Bill Payment Platforms, E-wallets, Agency Banking, Mobile Money Operators and so on. The Committee stated that financial institutions such as banks and insurance companies have existed in Nigeria for decades and financial inclusion is still low. It further stated that Fintechs can step in to provide value by creating technology driven solutions and is a key driver of financial inclusion and economic development.

COMPARATIVE ANALYSIS OF FINTECHS PRACTICE DONE BY THE COMMITTEE

The Committee noted that traditional banking institutions are seeking increased collaborations with FinTechs through direct investments or revenue sharing models while governments are investing more in RegTech and innovation friendly regulations as well as facilitating regulation to enable FinTechs drive economic growth and employment opportunities. These collaborations, investments define the relevance and growth of a city and country as a Fintech Hub. According to the Global Fintech Hub report, cities in China, USA, UK and Singapore lead as top 10 Fintech Hubs in the world. The Report analyzed the regulatory environment of Fintech Hubs in China, UK and Singapore to establish the most appropriate adaption to drive the Fintech regulation and growth in Nigeria.

FINTECH CHALLENGES

The Committee noted the following to be challenges to Fintechs in Nigeria:

1. Regulation: The existing framework in the Nigerian capital market neither provides enough clarity on the role of FinTech companies nor clearly articulates what is expected of them in terms of registration requirements and compliance
2. Access to Data: This makes it difficult to identify potential customers, develop applications to meet the specific needs of investors and monitor competition. According to the Committee, the Nigerian Data Protection Regulation 2019 affects FinTechs as it invariably limits the amount of data available for collection by FinTechs because of the requirement to ensure lawful processing and since lawful processing includes obtaining consent from data subjects, performing a contract to which the Data Subject is a party, protection of the vital interest of the Data Subject, compliance with legal obligation and public interest, there could be great difficulty in obtaining consent from data subjects due to the large volume of data that will be processed by Fintechs.
3. Cyber Security: A huge volume of personal and proprietary data is vulnerable to attack and possible improper use.
4. Capital Market Liquidity
5. Lack of market confidence
6. Institutional knowledge gap

7. Lack of innovation
8. Weak digital structure
9. Underdeveloped venture capital/growth funding structure for fintechs
10. Lack of incubator-accelerator entrepreneurial support system.

The Committee Recommended amongst others, the following for addressing the challenges raised above:

1. Deepen market penetrations through collaborations with the CBN, the National Pension Commission, the National Insurance Commission, with Educational Institutions so as to create cross industry financial literacy programs targeted at retail clients, and with strategic government interventions
2. Foster an innovative environment
3. Invest in Regtechs (Regulatory Technology) platforms to strengthen inspection and investigation processes.
4. Collaborate with other regulators and government agencies to form up Fintech oriented privacy and security policies, while existing policies should be revised to reflect existing realities in an innovative environment that encourages data sharing in a secure manner.
5. Fintechs should embrace best practices in information security and embed security into their product design and technology architecture to optimize experience and modularity and invest in security for APIs and integrations with external parties.
6. Drive a Harmonized Regulatory Agenda: SEC should work with other regulators to create a centralized committee of all impacted regulators charged with the responsibility to formulate and ratify policies and regulations for FinTechs.
7. SEC and other operators should continuously review and update market infrastructures to ensure documents' digitization, Big Data and Analytics, Personal Financial Management, RegTech etc.
8. SEC should shorten the timeline for registration to encourage investment and participation in the capital markets
9. SEC should work with other regulatory agencies to create clear and specific licensing regimes for different FinTech businesses in Nigeria
10. SEC should be responsible for the regulation of Virtual Financial Assets Exchanges and develop a framework around it.

The Committee gave other considerations for FinTech development/participation in Nigerian Capital Market (NCM) which are:

1. create awareness and educate the NCM stakeholders about attracting and sustaining existing and new technologies in the NCM ecosystem;
2. create a business model and technology test phase with different FinTech-types in the NCM, as one size does not fit all; and
3. ensure feedback mechanism for smooth transition to the regulatory phase

Finally, the Report includes timeline for implementation of recommendations to be completed between the 4th quarter of 2019 and the 4th quarter of 2021.

For more on this, click on this link: <https://sec.gov.ng/wp-content/uploads/2020/09/Report-of-the-FinTech-Roadmap-Committee-of-the-Nigerian-Capital-Market-October-14-2019.pdf>

NEW RULES ON COLLECTIVE INVESTMENT SCHEMES

Sequel to the publication of [new Rules relating Collective Investment Schemes in December 2019](#), the Commission hereby issues the following clarifications to facilitate effective compliance with the new CIS Rules.

1. All Fund Managers of Collective Investment Schemes are required to comply with the provisions of the new Rules and file evidence of compliance on or before September 30 2020;
2. The application of the new total expense ratio and incentive fee computation takes effect from the beginning of Q3,2020, i.e. July 2020;
3. Incentive fees should not be factored into total expense ratio computation and shall be assessable and payable on an annual basis;
4. The Fund Managers Association of Nigeria (FMAN) shall submit acceptable benchmarks for Money Market Funds, Balanced Funds and Ethical Funds at the beginning of each year commencing Q3. 2020;

For more Information check out

<https://sec.gov.ng/new-rules-on-collective-investment-schemes/>

RULES ON ELECTRONIC OFFERING

1. INTRODUCTION

Pursuant to the Investments & Securities Act (ISA) 2007, the Commission has reviewed and approved new rules on Electronic Offering.

2. REGULATION OF ACTIVITIES

- a) The Eligible Service Provider (ESP) is responsible for the coordination and operation of the e-Offering as well as the implementation of security measures and system.
- b) An ESP shall have a disaster recovery plan that will ensure the ability to respond to disaster or other emergency that might affect information system, data and/or operation of the e-Offering.
- c) An ESP shall obtain the following documents in electronic form which must be uploaded on the e-Offering platform and made available to prospective investors in connection with any offer:
 - i. The prospectus, any supplemental prospectus, placement memoranda, rights circular approved by the Commission;
 - ii. The completed subscription/application forms; and
 - iii. Any other relevant documents in connection with the offer collectively called the "Offer Documents")

3. OBLIGATIONS OF THE ISSUING HOUSE(S), ISSUER AND/OR SPONSOR

Their obligations include;

- a) complying with these Rules and Regulations and other selling restrictions, publish information regarding the offer on their respective websites to enable investors make an informed decision.
- b) creating awareness that the securities on offer can be subscribed to electronically on the designated e-Offerings for such issue
- c) ensuring compliance with the provisions of the ISA, the SEC Rules and relevant exchange rules with regards to the approval of an Offer.
- d) providing detailed instructions and other information relevant in the e-Offering to the Eligible Service Provider(s) prior to the commencement of the offering and upon receipt, the Eligible Service Provider shall provide written confirmation to the Commission accordingly.

4. INFORMATION TO THE PUBLIC

The Issuer and/or Sponsor shall post the particulars and details of its selected Eligible Service Provider on its website along with:

- a) a list of all the available subscription channels;
- b) a list of participating Eligible Service Providers (where the offer is to be undertaken on more than one e-Offering platform). In this instance, the Platforms shall be able to interact with each other and provide for the aggregation of subscription data in a single database;
- c) the offer open and close dates;
- d) instructions for making applications; and
- e) names and addresses of all the professional parties to the offer, as contained in the prospectus.

5. CONTINGENCY AND PLANNING

The Issuing House(s), Issuer and Sponsors (where applicable) are mandated to ensure or procure that there is a primary and secondary contingency plan in place to address and deal with any disruptions to the e-Offering whether operational, technological or otherwise; and shall ensure there is a minimum contingency plan of technology infrastructure as well as automated disaster recovery contingency plan.

6. OBLIGATIONS AND DUTIES OF THE ELIGIBLE SERVICE PROVIDERS

Some of their obligation and duties include;

- a) ensuring compliance and system integrity of the entire e-Offering platform;
- b) ensuring effective process of collection and handling of applications from applicants and the electronic interface of its website works;
- c) adhering to the instruction of the Issuing House(s) in connection with the coordination of e-Offering in accordance with the terms of the offer;
- d) ensuring that the Offer Documents are readily accessible on the offering platform;
- e) ensuring that its computer systems have sufficient capacity and security to protect the integrity of the e-Offering transaction;
- f) providing or procuring adequate firewall and anti-virus software on the e-Offer platforms to ensure that information provided by applicants on the platform is safe and secure;

The Design of the e-Offering Platform is to provide the following amongst others;

- a) give applicants access to general information regarding the Offer, the application page; and access to download, view and print the Offer Subscription Documents;
- b) include relevant contact information for technical support, frequently asked questions, queries and information in connection with the operation of the e-Offering platform or the Eligible Service Provider's website;
- c) provide for electronic online payment options which shall be seamlessly integrated with the e-Offering platform;
- d) allow integration with identity management systems such as the BVN database for the purpose of Know Your Customer verification;
- e) integrate with the depository to enable electronic crediting of approved allotments to subscribers' depository accounts;

For more Information see

https://sec.gov.ng/wp-content/uploads/2019/10/New-SEC-NG-Rules-14-October-2019_final.pdf

RULES ON CROWDFUNDING

1. APPLICABILITY

These Rules apply only to Investment-Based Crowdfunding.

2. ELIGIBILITY

Only the following entities shall be eligible to raise funds through a Crowdfunding Portal operated by a registered Crowdfunding Intermediary, in exchange for the issuance of investment instruments;

- a) MSMEs incorporated as a company in Nigeria with a minimum of two-years operating track record;
- b) MSMEs incorporated as a company in Nigeria with less than 2 years operating track record but which has a strong technical partner that possesses a minimum of 2 years operating track record or has a core investor;

3. CROWDFUNDING PORTAL REQUIREMENT

- a) Every portal that facilitates, operates, provides or maintains interactions between fundraisers and the investing public (crowd) in Nigeria for the purpose of any investment-based crowdfunding shall be operated only by an entity registered as a Crowdfunding Intermediary
- b) An application for registration of a Crowdfunding Intermediary shall be made to the Commission in the prescribed form and in the manner specified by the Commission and shall be accompanied with Certified True Copies (CTC) of:
 - i. The certificate of incorporation certified by the Corporate Affairs Commission (CAC);
 - ii. Memorandum and Articles of Association and amendments (if any) certified by the Corporate Affairs Commission;
 - iii. CAC Form(s) showing Statement of Share Capital, Return of Allotment, and Particulars of Directors;
 - iv. Latest copy of the audited accounts or a copy of the statement of affairs signed by its auditors and management accounts that are not more than 9 months old or a copy of the statement of affairs signed by its auditor as at time of filing with the Commission;
 - v. Management accounts that are not more than 1 month old as at the time of filing with the Commission;
 - vi. A profile of the Company which shall include amongst other information; a brief history of the company, organizational and shareholding structure, principal officers as well as details of past and current activities; amongst others
 - vii. The cash assets ratio shall be a minimum of 30% liquid assets and 70% fixed and other assets.

4. ADDITIONAL REQUIREMENTS FOR COMMODITIES INVESTMENT PLATFORMS

Without prejudice to the general provision of the Rules, a crowdfunding intermediary may operate a commodities investment platform subject to compliance with the following additional requirements:

- a) Eligibility: in addition to the eligibility requirements specified in these rules, the Crowdfunding Intermediary shall not be registered as a fund manager with the Commission;

- b) Portal Requirements: The Crowdfunding Intermediary shall not facilitate on its portal any other crowdfunding business other than sourcing funds for investments in agriculture or other commodities;
 - i. The portal operated by the Crowdfunding Intermediary for investments in agricultural or commodities projects shall not be utilised for any other funding or marketing purpose;
 - ii. A crowdfunding intermediary registered to operate a Commodities Investments Platform shall not host a different crowdfunding portal where funds would be sourced for non- agricultural or commodities projects
- c) Registration Requirements: The cash assets ratio requirement for a Crowdfunding Intermediary operating a Commodities Investment Platform shall, without prejudice to the other registration requirements specified in these rules, be a minimum of 60% liquid assets and 40% fixed and other assets;
- d) Project Hosting: The Crowdfunding Intermediary shall be eligible to host commodities investment projects on its Commodities Investments Platform subject to compliance with certain conditions

For more information visit <https://sec.gov.ng/wp-content/uploads/2021/01/Jan-2021-Executed-Rules.pdf>

GUIDELINES ON SECURITIES SETTLEMENT IN NIGERIA

1. INTRODUCTION

The Securities and Exchange Commission “SEC” and the Central Bank of Nigeria “CBN” issued the Guidelines on Securities Settlement in Nigeria pursuant to the powers conferred on it by section 13 and further section 312 (3) of the ISA 2007; and section 47 (2) of the CBN Act 2007

The Guidelines set out the procedures for the settlement of securities in Nigeria, including the rights and obligations of the parties. It also covers the settlement procedures and settlement cycle for the trades executed in the following exchanges: i. The Nigerian Stock Exchange traded securities. ii. FMDQ Over The Counter (OTC) Securities. iii. NASD Over The Counter (OTC) Securities iv. Nigerian Commodity Exchange (NCX) traded securities. v. Afex Commodities Exchange.

2. PARTIES TO SECURITIES SETTLEMENT IN NIGERIA

Parties to Securities Settlement in Nigeria shall include but not limited to:

- a) Capital Market Registrars.
- b) Central Bank of Nigeria
- c) Central Securities Clearing System (CSCS) PLC (Central Securities Depository Clearing & Settlement Agent)
- d) Custodians
- e) Dealing Members Firms.
- f) Deposit Money Banks (DMBs).
- g) Discount Houses.
- h) FMDQ OTC
- i) Investors.
- j) NASD OTC
- k) Nigerian Commodity Exchange (NCX)
- l) Nigeria Inter-Bank Settlement System PLC (NIBBS)
- m) Nigerian Stock Exchange (NSE)
- n) Payment /Infrastructure Service Providers.
- o) Securities & Exchange Commission
- p) Commodity Warehouses
- q) Other Financial Institutions (OFIs) as may be approved by the CBN or SEC in the future.
- r) Afex Commodities Exchange

3. SECURITIES SETTLEMENT RULES AND PROCEDURES

As a general rule, any securities transaction must trade or be reported through a licensed Exchange in line with the standard settlement guidelines

4. PAYMENT SERVICE PROVIDERS

The Payment Service Providers have responsibility for the payment initiation platform and the electronic reporting system used by the Registrars and Stockbrokers.

For more information visit <https://sec.gov.ng/approved-guidelines-on-securities-settlements-in-nigeria/>

REQUIREMENTS FOR REGISTRATION AS A RATING AGENCY

1. **PAYMENT**

- a) Evidence of Payment of **Filing/Application Fee** ;
- b) Evidence of Payment of **Processing Fee** ;
- c) Evidence of Payment of **Registration Fee** ;
- d) Evidence of Payment of **Sponsored Individual** for each sponsored individual;

2. **FORMS**

- a) Duly Executed Form SEC 3A – For the Company;
- b) Form SEC 2 and 2D – Sponsored Individuals/Compliance Officer (To be completed in duplicates); (Note that every applicant is to have at least three sponsored individuals, one of whom should be a Compliance Officer who shall be responsible for monitoring compliance with the ISA 2007, Rules and Regulations, notifications, guidelines, instructions etc. issued by the Commission or the Federal Government)
- c) Form SEC 2 and 2D – Directors of the Company (To be completed in duplicates)

3. **MINIMUM PAID-UP CAPITAL AND FIDELITY INSURANCE BOND**

- a) Evidence of minimum paid-up capital of N150 million;
- b) Fidelity Bond representing 25% of minimum paid-up capital, as stipulated by the Commission's Rules and Regulations;

4. **SPONSORED INDIVIDUALS**

- a) Minimum of three sponsored Individuals;
- b) Managing Director of the Company to be among the sponsored individuals;
- c) Two principal officers of the Rating Agency shall be registered as sponsored officers who must have a minimum of first degree or professional qualification in accounting, economics, statistics or banking and finance with not less than ten (10) years post qualification experience.
- d) Full postal address (es) of two nominated referees, immediate previous employers and bankers of sponsored individuals;
- e) Detailed curriculum vitae of sponsored individuals and Directors which should include details of activities arranged from Secondary School to date with dates; (all gap in employment and educational history should be explained);
- f) Copies of credentials of sponsored individuals including secondary school and NYSC discharge certificates; originals will be required for sighting by the SEC;
- g) Evidence from the Sponsored Individuals of having the minimum of four years post-graduation experience to perform the Issuing House function as stipulated by the Commission's Rules and Regulations. This should include a list of issues handled by the Sponsored Individuals for the Issuing House function or in which he/she participated;
- h) Police clearance report for each Sponsored Individual. Each sponsored individual is to report at the SEC head office in Abuja or the Lagos zonal office with two recent passport photographs to commence the process;
- i) Copy of means Identification of the Directors and the Sponsored Individuals of the Company (International Passport, tax or utility payment documents);

5. **APPLICANT COMPANY**

- a) Profile of the company covering among others, brief history of the company, organizational structure, shareholding structure, principal officers and detailed information about the promoters;

- b) The name(s) and address (es) of the company's subsidiaries/associated companies, type of business and percentage holding;
- c) Details of rating criteria, methodology and principles;
- d) Undertaking to furnish the Commission with copies of any amendment to its Memorandum and Articles of Association, code of conduct, guidelines etc., within 14 working days of such alteration. Certified copies must be forwarded to the Commission;
- e) An appropriate application/registration fee as determined by the Commission from time to time;
- f) Code of conduct for management and staff of the agent etc

6. **CORPORATE DOCUMENTS**

A copy each of the following, duly certified by the CAC;

- a) Certificate of Incorporation
- b) Memorandum and Articles of Association– this should include the power to perform the specified function;
- c) CAC Form(s) showing Statement of Share Capital, Return of Allotment, and Particulars of Directors;
- d) Latest audited accounts of the Company or audited statement of affairs for companies in operation for less than one year;
- e) Sworn undertaking to keep proper records and render returns as may be specified by the Commission from time to time signed by a director or the company secretary (to be notarized);
- f) Sworn undertaking to abide by SEC Rules and Regulations and Investments and Securities Act No.29 of 2007 by a director or the company secretary (to be notarized);

For more information see <https://sec.gov.ng/check-lists/requirements-for-registration-as-a-rating-agency/>

NIGERIAN DEPOSIT INSURANCE CORPORATION (NDIC) AS A REGULATOR

NDIC RELEASES DEPOSIT INSURANCE GUIDELINES ON MOBILE PAYMENT SYSTEM

1. INTRODUCTION

Following the introduction of mobile banking in Nigeria by the Central Bank of Nigeria (CBN) which issued operating licences to many Deposit Money Banks (DMBs) and telecommunication companies to provide mobile banking services, the Nigeria Deposit Insurance Corporation (NDIC) released Deposit Insurance Guidelines on Mobile Payments System (MPS) known as “Pass-Through Deposit Insurance scheme.”

The “Pass-Through Deposit Insurance scheme” is the protection provided by the NDIC to mobile money subscribers, whereby NDIC insures funds that are deposited by a Mobile Money Operator (MMO) in the DMBs. The MMO acts as a custodian on behalf of the one or more subscribers who are actual owners of the funds as if those actual owners have deposits in the DMBs.

2. PARTICIPANTS OF THE PASS-THROUGH DEPOSIT INSURANCE SCHEME

- a) **Mobile Money Operator (MMO)** – An entrepreneur licensed by the CBN to carry out the business of mobile payment within the country.
- b) **Payment Agent** – The Agent appointed by the MPOs to receive or pay monies at various locations on its behalf.
- c) **Pool Account** – Account opened and operated by an MMO in a DMB on behalf of its subscribers.
- d) **Bank** – Bank maintains the pool account wherein all subscribers’ balances are domiciled by the MPO.
- e) **Customers** – These are the subscribers to MPOs for mobile payments services.
- f) **The Mobile Network Operator (MNO)** – The MNO provides telecommunication network/infrastructure which enables switching, processing and settlement for mobile payments services

3. SOME SALIENT ELEMENTS OF THE PASS-THROUGH DEPOSIT INSURANCE SCHEME

- a) The subscribers of MMOs shall be insured up to the maximum coverage level of N500,000.00 per subscriber per Deposit Money Bank or the applicable coverage level for depositors in line with the NDIC Act.
- b) Subscribers’ funds in pool accounts and other deposits in the same institution under the same capacity shall be aggregated and insured up to the maximum coverage limit.
- c) The relationship between the MMOs and their subscribers shall be based on Bare Trust Arrangement. (Bare Trust refers to an account where each beneficiary holds a separate share and is entitled to protection within the parameters of the scheme.)
- d) All KYC requirements on the owners of funds in Trust (Pool) accounts shall be fully met as specified by the CBN.
- e) The records of the Trust (Pool) account holders at the insured institutions shall clearly indicate that the account holder is an Agent or Custodian acting in a fiduciary capacity, and not the actual owner of the funds. The funds must belong to the individual subscribers and not the Agent or custodian.
- f) The insured institutions, MMOs and Agents shall render returns in specified formats to NDIC on predetermined frequencies.
- g) Mobile Money Operators (MMOs) shall be required to take Fidelity Bond Insurance for any losses arising from the fraudulent acts of their staff and agents. The applicable rate of the fidelity insurance shall be specified by NDIC from time to time.

h) NDIC shall issue regulations to operators on the implementation of the Pass-Through Deposit Insurance.

For more information see

<https://ndic.gov.ng/ndic-releases-deposit-insurance-guidelines-on-mobile-payments-system/>

PRESS RELEASE ON NEW FINTECH AND INNOVATIONS UNIT

The Nigeria Deposit Insurance Corporation (NDIC) has responded to technological innovations and applications in financial services with the establishment of a new **“FINTECH AND INNOVATIONS UNIT”** to align with contemporary trends in advanced economies.

The new Unit, which is domiciled in the Insurance & Surveillance Department of the Corporation, is expected to engage and collaborate with innovators in the financial and non-financial sectors of the economy to identify, develop and promote technology-driven solutions that would protect depositors and improve the safety and soundness of Insured Financial Institutions.

The Unit is expected to enable the Corporation identify disruptions and associated risks of Fintech and Innovations on deposit insurance; articulate the use of Fintech for Early Warning Signals (EWS) and Prompt Corrective Action (PAC); Identify other digital currency deposits for the purpose of insurance coverage; evolve supervisory measures for digital banks; and enhance existing consumer protection measures as they relate to digital deposits in collaboration with other safety net players.

For more information see

<https://ndic.gov.ng/ndic-establishes-new-unit-on-fintech-and-innovation/>

NIGERIAN DEPOSIT INSURANCE CORPORATION ACT 2006

1. INTRODUCTION

The Nigerian Deposit Insurance Corporation Act enacted in 2006 established the Nigerian Deposit Insurance Corporation (NDIC), a body established to protect depositors' funds and ensure the safety and soundness of the Nigerian banking system. Among other responsibilities, the NDIC is responsible for insuring all deposit liabilities of licensed banks and such other deposit taking financial institutions operating in Nigeria so as to engender confidence in the Nigerian banking system.

2. REQUIREMENT TO INSURE DEPOSIT LIABILITIES

All licensed banks and such other financial institutions engaged in the business of receiving deposits shall be required to insure their deposit liabilities with the NDIC. The Act however states that deposits not required to be insured with the NDIC are deposits of staff including directors of the insured institution (insider deposits), counterclaims from a person who maintains both deposit and loan account and such other deposits as may be specified by NDIC. Where the license of a failed insured institution is revoked, payment of the insured deposit in such institution shall be made by the NDIC within 90 days.

The Act defines financial institutions to mean any person in Nigeria who transacts business but who is not a licensed bank. Fintechs may fall under this definition of financial institution.

3. PREMIUM PAYABLE

Every insured institution which is a bank or deposit taking financial institution is to pay to the NDIC a premium which shall be:

- a) 15/16 of one percent per annum for banks and
- b) 8/16 of one percent per annum for other deposit taking financial institutions

of the total deposit liabilities standing in its books as at 31st December of the preceding year as certified by the approved auditor of the licensed bank or deposit-taking financial institution and such premium is payable not later than 2 months from the date of the demand notice.

The Act further provides that no insured institution shall pay dividend on its capital stock or from profit declared while it remains in default in the payment of any premium obligation due to the NDIC.

4. OTHER COMPLIANCE REQUIREMENTS

- a) Every insured institution is to submit to the NDIC such returns as may be required from time to time failing which such institution shall be liable to penalty.
- b) All insured institutions shall have fidelity insurance coverage up to such level as may be prescribed from time to time by the NDIC
- c) Insured institutions are to render to the NDIC, monthly returns of frauds, forgeries or theft occurring during each month and shall include detailed report of such events.
- d) Insured institutions are required to notify NDIC of any staff dismissed, terminated or advised to retire or resign on grounds of fraud or financial malpractice

For more information, see the link to the NDIC Act 2006: [ndicact.pdf](#)

INVESTOR REGISTRATION REQUIREMENT WITH NIPC

1. INTRODUCTION

Nigerian Investment Promotion Commission (NIPC) is a Federal Government Agency in Nigeria established by the NIPC Act 1995. The Commission initiates and supports the enhancement of the investment climate in Nigeria for both Nigerian and Non- Nigerian Investors

2. OBJECTIVE

The objective of the NIPC is to promote, coordinate and monitor investments in Nigeria.

The section 20 of the NIPC Act provides that for an enterprise in which foreign investment is permitted shall before the commencement of business register with the Commission, but before registration, the enterprise with foreign participation must first be incorporated under the Companies and Allied Matters Act. What this provides is that foreigners can invest and participate in the operations of any enterprise in Nigeria except for enterprises that engage with activities in the negative list, which includes; production of arms and ammunition, production of narcotic drugs and military wears etc.

4. REQUIREMENTS FOR REGISTERING A BUSINESS WITH NIPC

- a) Registration of the company business with the Corporate Affairs Commission in Nigeria and payment of stamp duties with the FIRS.
- b) Filling out a formal application addressed to the Executive Secretary of the Commission, by the applicant first obtaining the duly completed NIPC Form 1 and making a non-refundable deposit of N10, 000 (Ten Thousand Naira)
- c) The form shall be completed by the company and submitted to the headquarters at Abuja along with the following documents:
 - i. Receipt of payment of the NIPC Form
 - ii. Memorandum and Article of Association
 - iii. A copy of Certificate of Incorporation, with the minimum share capital of N10,000,000.00 (Ten Million Naira)
 - iv. Evidence of capital importation for wholly foreign companies
 - v. The CAC Form 1.1, which comprises the details of the company's shareholding and particulars of the directors.
 - vi. Evidence of a Joint Venture agreement where applicable
 - vii. Feasibility report and project implementation program of the company to carry on its business operations.
 - viii. Power of Attorney or Letter of Authorization where applicable
 - ix. Training programme for Nigerian Staff of the company.
 - x. Payment of prescribed fee

For more Information check out [NIPC-ACT.pdf](#)

NATIONAL INSURANCE COMMISSION (NAICOM) AS A REGULATOR

REGULATORY OVERVIEW IN THE INSURANCE SECTOR IN NIGERIA

The Insurance Act 2003 was established to regulate all insurance business and insurers in Nigeria except insurers which are a friendly society established with no share for the purpose of aiding members or their dependants where such association does not employ any person whose main occupation is canvassing of other persons to become members of the association or collecting contributions towards funds of the association from members and insurers whose business is established outside Nigeria, engaged solely in reinsurance transactions with an insurer authorized to carry on any class of insurance business.

The Act establishes 2 main classes of insurance that can be registered in Nigeria which are:

- a) Life Insurance business categorized into individual life insurance, group life insurance and health insurance business
- b) General Insurance business categorized into fire insurance business, general accident insurance business, motor vehicle insurance business, marine and aviation insurance business, oil and gas insurance business, engineering insurance business, bonds credit guarantee and suretyship insurance business, and miscellaneous insurance business

It is important to note that in accordance with the Insurance Act, an insurer may be authorized to transact any new category of miscellaneous insurance business if evidence of adequate reinsurance arrangement in respect of that category and requisite capital where necessary are shown.

The National Insurance Commission (NAICOM) created under the NAICOM Act 2003 is tasked with regulating the Insurance sector.

Requirements for operating as Insurance business in Nigeria

The requirements for operating as an insurance business under the Insurance Act are:

- a) Registration as a limited liability company under the Companies and Allied Matters Act or a body duly established pursuant to any other enactment to transact the business of insurance or reinsurance.
- b) Apply for registration as an insurer to NAICOM in the prescribed form accompanied by a business plan and such other information as NAICOM requires. NAICOM will register the insurance business where satisfied that the proposed insurance business has a paid-up share capital and statutory deposit in accordance with the Act.
- c) NAICOM shall not grant approval for registration of an insurer if it is satisfied that it is not in the public interest or the interest of policy holders or persons who may become policy holders for it to be granted
- d) NAICOM shall before registering an insurer, be satisfied that:
 - i. the arrangements relating to reinsurance treaties in respect of the class or category of insurance business to be transacted are adequate and valid
 - ii. the class or category of insurance business shall be conducted in accordance with sound insurance principles
 - iii. the proposal forms, terms and conditions of policies are in order and acceptable
 - iv. the applicant has paid the fee for the registration
 - v. there shall be competent and qualified persons to manage the company

- vi. the name of the applicant is not likely to be mistaken for the name of any other insurer or so nearly resembling the name as to be calculated to deceive.

Where NAICOM is not satisfied that there is compliance by the applicant for registration, it shall notify the applicant within 60 days of submission of the application after which the aggrieved applicant may within 30 days after the notice, appeal to the Minister of Finance or reapply for registration.

Minimum Paid-up capital requirement

Following the NAICOM circular of May 2019, the minimum paid up share capital required for insurance companies is as follows: Life insurance Companies 8billion naira; for General Insurance N10billion; for Composite insurance 18billion and for reinsurance 20billion.

For new insurers intending to commence business, 50% of their paid-up share capital must be deposited with the CBN as statutory deposit. 80% of the statutory deposit with interest will be paid back to the insurer not later than 60 days after registration while existing insurers are to deposit an equivalent of 10% of their minimum paid-up share capital with the CBN.

Other Major Compliance Requirements for an Insurance Business in Nigeria

The Insurance Act makes provision for the mode of operations of insurance companies amongst which are:

- a) notifying NAICOM within 21 days of change of principal office address
- b) ensuring no insurer appoints or has in its employment a director or chief executive manager or secretary who is or has become of unsound mind, is convicted of any offence involving dishonesty or fraud, is not a fit and proper person for the position, is guilty of misconduct or in case of a person with professional qualification, has been disqualified or suspended by competent authority, or has been convicted by a court or tribunal for an offence in the nature of criminal misappropriation of funds.
- c) Notifying NAICOM within 30 days of the chief executive officer of the insurer ceasing to be chief executive officer
- d) Policy documents evidencing contract of insurance must be delivered to the insured not later than 60 days after payment of first premium
- e) Seeking approval of NAICOM before introducing new products, class or category of insurance business.
- f) Keeping of records of all incorporation documents of the insurer, minutes of any meeting of the board, register of policies, claims, investment, assets, loans, lapsed and expired policies etc.
- g) Maintenance of contingency reserves to cover fluctuations in securities and variation in statistical estimates
- h) Submission of duly audited balance sheet, a revenue account applicable to each class of insurance business and statement of investments representing the insurance funds not later than 30th June of each year
- i) Amalgamation with or transfer to any other insurance business shall only be done with the approval of NAICOM.

Insurance companies are also expected to comply with the NAICOM Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria 2021 and other guidelines as may be released by NAICOM from time to time.

For more information on this see [GAZETTE VERSION 9.cdr \(naicom.gov.ng\)](#)

NITDA AS A REGULATOR

DRAFT NATIONAL BLOCKCHAIN ADOPTION STRATEGY

The National Information Technology Development Agency in 2020 prepared the proposed Draft National Blockchain Adoption Strategy (Proposed Strategy). The aim of this Proposed Strategy to drive adoption of blockchain technology in public administration, leading to improved efficiency, transparency, and accountability in governance and to open job creating opportunities in the transformation agenda of a digital economy. The Proposed Strategy focuses on key areas such as regulation, skills and capacity building, innovation, investment, and international competitiveness and collaboration.

For successful implementation of the Proposed Strategy, the stakeholders of the Strategy amongst others are: Federal Ministry of Communication and Digital Economy, Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), Nigeria Immigration Service, etc.

The Proposed Strategy analyzed the history of blockchain in Nigeria, stating there has been lack of awareness, lack of clear government stand on the blockchain technology, lack of regulatory instruments and application integration challenges.

In presenting the benefits of Blockchain Technology, the Proposed Strategy highlighted reasons relevant agencies of government in Nigeria would need to adopt blockchain technology which are;

1. The need to protect national sovereignty by defending the value of Naira in the global market through having adequate regulatory oversight and control of virtual currencies and exchanges.
2. The need for visibility into all financial activities for regulatory oversight.
3. Fight Money Laundering and corruption.
4. Promote transparency and accountability in governance.
5. Consumer protection introduced by unregulated markets
6. Reduction of Capital flight through emerging markets
7. Provide opportunities through new business models thereby creating jobs

Regulation of Blockchain Technology in Nigeria

The Proposed Strategy recognised that although Nigeria does not have any legal framework or regulation guiding blockchain technology adoption, there have however been frameworks, policies and strategies providing support for emerging technologies such as blockchain to thrive and foster adoption by the public sector such as: the National Digital Economy Strategy and Policy 2020-2030 aimed at repositioning the Nigerian economy to take advantage of the many opportunities that digital technologies provide, the National IT Policy 2012 aimed at providing a framework for streamlining the ICT sector and enhancing its ability to catalyse and sustain socio economic development; and others such as the E-Government Master Plan, Nigeria Cloud Policy, National Broadband Plan 2020-2025, and the Nigerian Data Protection Regulation 2019.

Strategy Framework

The Proposed Strategy is built on 6 key initiatives summarized below:

1. Establishment of Nigeria Blockchain Consortium: According to the Proposed Strategy, there should be a Nigerian Blockchain Consortium to be constituted whose objective will

be to drive the initiative and consider how to effectively apply the use of blockchain technology in public sector processes and services.

2. Strengthening of the Regulatory and legal framework: there should be established, a regulatory environment that is conducive to innovation and growth, to take advantage of the opportunities available.
3. Focus of the provision of National Digital Identity: The Proposed Strategy notes that the national digital identity framework would allow more government services to be available to people and businesses digitally at any time. It further records that there are ongoing efforts to harmonize biometrics and IDs such as NIN, BVN, etc.
4. Promotion of Blockchain digital literacy and awareness: In creating awareness, the participation of the government, private businesses and the educational sector are required.
5. Creation of Blockchain business incentive programmes: The Proposed Strategy notes that government incentivised programmes for SMEs and start-ups would have a positive effect on adoption.
6. Establishment of a national blockchain sandbox for proof of concepts and pilot implementation.

The Proposed Strategy identified the underlying key principles for blockchain strategy as: regulatory oversight, innovation and entrepreneurship, security, trust and transparency in value chain, investment opportunities and job creation, and governance.

Financial Institutions are required by the National Information Technology Development Agency (NITDA) to comply with the Nigeria Data Protection Regulation 2019 (NDPR) by 31 March of every year to avoid penalties.

For more information see

[DRAFT-NATIONAL-BLOCKCHAIN-ADOPTION-STRATEGY.pdf \(nitda.gov.ng\)](#)

<https://ndpr.nitda.gov.ng/>

NCC AS A REGULATOR

LICENSE FRAMEWORK FOR VALUE ADDED SERVICES

1. INTRODUCTION

A Value Added Service (VAS) Provider is any person or organization that engages in the provision of value added mobile/fixed services, including premium rated services. The VAS providers are mandated to sign a contract with a network operator enabling the provision of such services.

There are different entities (Companies/individuals) that work together to bring value added services to the end user; they include Value Added Service Providers, Application Providers, Value Added Service aggregators, and Network Operators. A Value Added Service Provider can combine the role of the first three and leverage on the infrastructure of the network operator to provide the service. This License category will also be available to the 3 entities.

2. THE OBJECTIVES OF THE VAS LICENSE

The objective of this authorization is to establish a framework to implement appropriate safeguards in relation to use of mobile Value Added services by ensuring that;

1. To provide Legal and Regulatory Framework for Value Added Services
2. To ensure that Customers are sufficiently informed of the nature, prices, terms and conditions of Value Added Service at the point of sale, in advertising, and while using the services.
3. To ensure that consumers/subscribers are educated about the conditions and terms of Value Added Services, for e.g. right to privacy of the subscriber, no unsolicited messages, right to 'opt in' and 'opt out' of a service by a subscriber etc.
4. To ensure that Customers can readily access an unsubscribe mechanism for each Value Added Service, to discontinue a service and avoid incurring further charges.
5. To ensure that Customers have a convenient, fair and efficient means of resolving complaints arising in respect of Value Added Service services.
6. To encourage entry into the telecom industry by investors which promotes competition that would guarantee better services for subscribers and additional revenue to the operators.

3. THE LICENSE SCOPE

The following are some of the services expected to be rendered by Value Added Service Providers;

1. Entertainment-Premium rate messages, subscription service for TV and radio polling, games, chat, quizzes.
2. Marketing- Premium billed contest, subscription services, group functions, incentives and promotions
3. Advertising-Drive purchases to target markets, create affinity groups and ongoing communications of new products using broadcast (TV, Radio), print (online, newspaper, magazine)
4. Commerce- Transaction fees for the redemption of coupons, point of sale purchases and micro payments; subscriber rate plans.

5. Generally, some form of mobile Value Added Service to be provided include; Text messages, Picture messages, Ring tones, Graphics, Games, Mobile Internet Sites, Videos, Multimedia, Call Directory and Call Centre services.

4. GUIDELINES

The following guidelines are to be adhered by Value Added Service Licensee;

- a) Service Subscription- subscribers have a right to privacy; service providers are prohibited from sending unsolicited message to a non-subscriber. Approval must be obtained from a subscriber prior to sending commercial SMS messages and other Value Added Services. This approval pertains only to specific programs the consumer subscribed.
- b) Service providers must not send or have others send on their behalf, unsolicited, random or untargeted telecommunications messages (SPAM).
- c) Advertising and Promotion- All advertising and promotions must clearly indicate whether a service is a subscription; terms and conditions of program clearly stated; Service pricing information is clearly and conspicuously indicated.
- d) The consumer must have the right to 'opt-in' or 'opt-out' of any promotion or program/service, whether subscription based or otherwise.
- e) No Value Added Service may be promoted as being "free" if it involves any charge whatsoever to the consumer. No product or service may be described as "free" if it is obtainable only by the use of a premium rate service involving a charge to the customer.
- f) Text messages sent and received by consumer must be stored by the service provider for a period of six months or any period determined to be reasonable by the service provider. There should be no hidden charges. Any associated charges for services rendered should be disclosed.
- g) Value Added Service Provider shall adhere to the Quality of Service Regulations and other regulations issued by the Commission.

5. SERVICES ENVISAGED UNDER VALUE ADDED SERVICES

Some of the services that fall under this license category include the following;

- a) Text messages, Picture messages, Ring tones, Graphics, Games, Mobile Internet Sites, Videos, Multimedia etc.
- b) All Services using or needing Short Codes
- c) Call Center Services
- d) Call Directory Services
- e) Prepaid Calling Card
- f) Special Numbering Services

6. METHOD OF APPLICATION FOR VALUE ADDED SERVICE LICENSE

All individual licenses can be gotten by filling the applicable license application form in line with the established process.

7. LICENSE FEE

The License Fee will be as determined for the various services covered by this license.

8. TENURE

The license is for a period of five years in the first instance and is renewable on equal terms upon fulfillment of the requirements for renewal.

The Value Added Services and Aggregator Framework also control and regulate the VAS (Content Service) industry in Nigeria

For more Information see

[Licensing License Framework For Value Added Services.pdf](#)

[Value Added Service - Aggregator.pdf](#)

GUIDELINES FOR LICENSING AND REGULATION OF PAYMENTS SERVICE HOLDING COMPANIES IN NIGERIA

1. INTRODUCTION

To complement the CBN Circular on New Licence Categorizations for the Nigerian Payments System The GUIDELINES FOR LICENSING AND REGULATION OF PAYMENTS SERVICE HOLDING COMPANIES IN NIGERIA requires companies desirous of operating more than one licence category, to set up a Payments Service Holding Company (PSHC), with activities of subsidiaries clearly delineated. Under this arrangement, a Non-operating PSHC shall be formed to hold equity investment in the separate companies in a “parent-subsidiary” arrangement without engaging in the day-to-day management and operations of subsidiaries.

A PSHC shall be a corporate body, registered with the Corporate Affairs Commission (CAC), and licensed, supervised and regulated by the Central Bank of Nigeria. It shall have a board size of between 5 and 10 or as determined by applicable CBN Corporate Governance Guidelines.

2. THE AFFECTED REGULATED PAYMENT ACTIVITIES

- a) Mobile Money Operations
- b) Switching and Processing
- c) Payment Solution Services
- d) Any other activity as may be approved by the CBN

3. STRUCTURE

- a) For any PSHC structure to emerge, there shall be at the minimum, two subsidiaries, which include a Mobile Money Operator (MMO) and a Switching company.
- b) A PSHC is permitted to have only two hierarchies. Given the permissible level of hierarchies, the PSHC may have a subsidiary which is a parent to another subsidiary (intermediate company).

4. LICENSING REQUIREMENTS

The promoters of the PSHC shall be required to submit a formal application for the grant of a licence. The application shall be addressed to the Director, Payments System Management Department. The Licensing process shall be in two phases: Approval-in-Principle and Final Licence.

A Financial Holding Company, with a payment service provider as a subsidiary, that had been licensed under the Financial HoldCo Guidelines prior to the issuance of these Guidelines, needs not apply for a PSHC licence.

5. REQUIREMENTS FOR GRANT OF APPROVAL-IN-PRINCIPLE (AIP)

The application shall be accompanied with the following:

- a) A non-refundable application fee of N1,000,000.00 (One Million Naira only) or such other amount that the CBN may specify from time to time; payable to the Central Bank of Nigeria, through electronic transfer.
- b) Evidence of meeting the prescribed minimum paid-up capital as defined in Section 7.1 of the Guidelines, subject to the satisfaction of the CBN.
- c) Detailed business plan or feasibility report

- d) A written and duly executed undertaking by the promoters that the PSHC shall be adequately capitalized for the volume and character of its business at all times, and that the PSHC shall be under the supervisory authority of the CBN, as an Other Financial Institution (OFI).
- e) For regulated foreign institutional investors, the CBN shall require a no-objection letter from the regulatory body in the home country.
- f) Shareholders' agreement providing for disposal/transfer of shares as well as authorisation, amendments, waivers, reimbursement of expenses, etc.
- g) Statement of intent to invest in the PSHC to be made by each investor in the PSHC.
- h) Technical Services Agreement, where applicable.
- i) Draft copy of the company's Memorandum and Articles of Association (MEMART)
- j) Where the promoters of the PSHC are corporate investors, the CBN shall require them to forward required additional documents

6. REQUIREMENTS FOR GRANTING A FINAL LICENCE

Not later than six (6) months after obtaining the AIP, the promoters of a proposed PSHC shall submit an application to the CBN for the grant of a final licence. The application shall be accompanied with the following:

- a) Non-refundable licensing fee of N5,000,000.00 (Five Million Naira only), or such other amount that the CBN may specify from time to time, payable to the Central Bank of Nigeria by electronic transfer;
- b) Evidence of promotion or investment of a payment service company;
- c) Evidence of payment of capital contribution by each shareholder;
- d) Evidence of location of Head Office (rented or owned) for the take-off of the PSHC;
- e) Schedule of changes, if any, in the Board, Management, IT infrastructure and significant shareholding since the grant of AIP;
- f) Evidence of ability to meet technical requirements and modern infrastructural facilities such as office equipment, computers, telecommunications, etc. to perform PSHC operations and meet CBN and other regulatory requirements;
- g) Organisational structure, showing functional units, responsibilities, reporting relationships and grade (status) of heads of departments/units; and
- h) Board and staff training programme.

7. REQUIREMENTS FOR COMMENCEMENT OF OPERATIONS

The PSHC cannot commence operations until the final licence has been granted by the CBN, and shall inform the CBN of its readiness to commence activities and such information shall be accompanied with one copy of each of the following: (a) Shareholders' Register; (b) Share certificate issued to each investor; (c) Enterprise Risk Management Framework (ERMF); (d) Internal Control Policy; (e) Minutes of pre-commencement board meeting; (f) Opening statement of affairs signed by directors and auditors; and (g) Date of Commencement of Activities.

8. PERMISSIBLE ACTIVITIES

In addition to the permitted activity of holding of equities in financial and technological subsidiaries that facilitate and/or enhance innovative digital financial services, a PSHC can provide broad policy direction, shared services (CBN mandates that shared services in the group be provided on arm's length basis and with the consent of the board of directors of the subsidiary) and/or enter into technical or management service contract with any of its subsidiaries, with the prior written approval of the CBN, in respect of the following areas: (a) Human Resources services; (b) Risk Management services; (c) Internal Control services; (d)

Compliance services; (e) Information and Communication Technology; (f) Legal services; (g) Facilities (office accommodation including electricity, security, cleaning services in that accommodation); and, (h) Any other services as may be approved by the CBN from time to time.

9. NON-PERMISSIBLE ACTIVITIES

A PSHC is prohibited from deriving income from any other source except as expressly stated in the PSHC Guidelines and these include from: (a) dividend income from its subsidiaries/associates; (b) income from shared services; (c) interest earned from idle funds invested in government securities or placement with licensed financial institutions, (d) patents, royalties and copyrights; (e) profit on divestment from subsidiaries.

10. SHARE CAPITAL REQUIREMENT

PSHC Guidelines provides that the minimum paid up capital of a PSHC shall exceed the sum of the total equity of all its subsidiaries, where the PSHC owns 100% of the subsidiaries.

Where however the PSHC owns less than 100 per cent of the subsidiaries, its minimum paid-up capital shall exceed the summation of its proportionate holding in the subsidiaries. The implication of this provision would be that a PSHC would need to increase its share capital each time the CBN increases the share capital requirement for its category of subsidiary.

11. CORPORATE GOVERNANCE REQUIREMENTS

- a) A PSHC shall have a minimum of 5 directors and a maximum of 10 directors who shall be competent and independent. However, PSHCs are prohibited from appointing persons who, at the relevant time, are also directors of its subsidiaries unless the CBN's prior approval is obtained. Where with CBN's approval, a director of a subsidiary is permitted to sit on the board of the PSHC, the aggregate number of directors from the subsidiary at any point of time shall not exceed 30% of the membership of the board of directors of the PSHC
- b) No PSHC shall appoint a person who has served as an executive or non-executive director for a maximum period permitted by CBN into its subsidiary until after a minimum period of three years after expiration of the tenure of such a director, and vice versa
- c) Generally, a PSHC shall ensure compliance with the CBN Corporate Governance Guidelines and the Securities and Exchange Commission Corporate Governance Guidelines (if a public quoted company in Nigeria)

For more information see

[CIRCULAR AND GUIDELINES FOR LICENSING AND REGULATION OF PAYMENTS SERVICE HOLDING COMPANIES IN NIGERIA.pdf \(cbn.gov.ng\)](#)

REGULATORY FRAMEWORK FOR MOBILE MONEY SERVICES IN NIGERIA

1. INTRODUCTION

This Regulatory Framework for Mobile Money Services in Nigeria “the Framework” addresses business rules governing the operation of mobile money services, and specifies basic functionalities expected of any mobile money service and solution in Nigeria.

2. MODELS

The Framework identified two models for the implementation of mobile money services namely; (a) Bank Led – Bank and/or its Consortium as Lead Initiator (b) Non-bank Led- A corporate organisation duly (other than a deposit money bank, a national primary mortgage bank, a national microfinance bank or a telecommunication company) licensed by the CBN as Lead Initiator.

The CBN recognizes the importance of Mobile Network Operators (MNOs) in the operations of mobile money services and appreciates the criticality of the infrastructure they provide. However, the telco-led model (where the lead initiator is an MNO), shall not be operational in Nigeria.

3. AGENCY NETWORK

The provisions of the Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria shall apply to Mobile Money Agent Network

4. PERMISSIBLE ACTIVITIES

- a) Wallet creation and management;
- b) E-money issuing;
- c) Agent recruitment and management;
- d) Pool account management;
- e) Non-bank acquiring as stipulated in the regulatory requirements for non-bank merchant acquiring in Nigeria;
- f) Card Acquiring; and
- g) any other activities that may be permitted by the CBN

5. NON-PERMISSIBLE ACTIVITIES

- a) Grant any form of loans, advances and guarantees (directly or indirectly);
- b) Accept foreign currency deposits;
- c) Deal in the foreign exchange market except as prescribed in Section 4.1 (ii & iii) of the extant Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria;
- d) Insurance underwriting;
- e) Accept any closed scheme electronic value (e.g. airtime) as a form of deposit or payment;
- f) Establish any subsidiary; g. Undertake any other transaction which is not prescribed by these Guidelines;
- g) And any other activities that may be prohibited by the CBN

6. OPERATIONS OF SAVINGS WALLET

Modalities for Implementation

If an MMO intends to provide a savings wallet service, it shall notify the Bank and where the Bank has no objection, the MMO shall have the following responsibilities:

a) Pre-Operations

An MMO offering a Savings wallet service shall operate a Savings Wallet Principal Pool Account and a Savings Wallet Interest Pool Account in a settlement bank with the funds having NDIC protection under the pass-through insurance arrangement.

b) Investment Operations

- i. Funds on saving wallets shall be invested in only the Nigerian Treasury Bills (NTB);
- ii. MMOs shall be treated as mandate customers of CBN for NTB subscription through the CBN NTB window;
- iii. MMOs shall have a process to determine appropriate cash balance on its Savings Wallet Principal Pool Account that will meet its savings wallets customers' withdrawal requirements at every point in time;
- iv. At every point in time, MMOs shall ensure that the sum of the principal amount invested and the balance on the Savings wallet principal pool account with the settlement bank equals the sum of outstanding balances of savings wallet holders.

c) Interest Distribution

- i. Fees and charges for the management of the investment shall not be more than 10% of interest income on savings wallet funds investment;
- ii. Where an MMO operates a savings wallet, i.e., a wallet earning interest, it shall expressly inform subscribers
- iii. On no account whatsoever, shall a Mobile Money savings wallet account holder suffer diminution in the principal sum on his/her wallet as a result of fees or charges;
- iv. Deposit Money Banks serving as settlement banks are prohibited from off-setting any other transactions of the MMO, including the transaction wallet pool accounts, against the savings wallet principal pool accounts and savings wallets interest pool account;
- v. MMOs shall comply with the minimum disclosure requirements on the financial statements as stipulated by the Bank;

The inclusion of the provision on savings wallet is an important addition given that before now, MMOs were only permitted to receive deposits but not offer savings product

7. KNOW YOUR CUSTOMER (KYC) AND CUSTOMER DUE DILIGENCE (CDD) REQUIREMENTS

- i. All MMOs shall comply with the provisions of extant laws.
- ii. The transaction and balance limit for Mobile Money Wallet shall be as follows: customers at KYC tier 1 have a daily transaction limit of ₦50,000 with a cumulative balance limit of ₦300,000 whilst customers with KYC tier 2 have a daily cumulative limit of ₦200,000 with a cumulative balance limit of ₦500,000. Finally, customers at KYC tier 3 have a daily transaction limit of ₦5,000,000 with no limits on their balance
- iii. All MMOs shall comply with the provisions of extant laws on CBN AML/CFT Regulation. The Bank may determine the transaction limits from time to time.

8. RESOLUTION OF FAILED MOBILE MONEY OPERATORS

The Nigeria Deposit Insurance Corporation (NDIC) is required to provide deposit insurance to cover and guarantee the mobile money deposit wallet subscribers. Funds collected in the savings wallet must be insured with the Nigeria Depositors Insurance Corporation under the pass-through insurance arrangement. However, in the event of the failure of a MMO, the CBN shall facilitate the transfer and assumption of the failed MMO and its subscriber funds by another MMO or Other Financial Institution.

By the Framework MMOs now have an express obligation to insure the funds in the wallet of the subscribers.

For more information see

[Framework and Guidelines on Mobile Money Services in Nigeria - July 2021.pdf \(cbn.gov.ng\)](#)

SUPERVISORY FRAMEWORK FOR PAYMENT SERVICE BANKS

1. INTRODUCTION

The Supervisory Framework for Payment Service Banks “the Framework” provides a set of regulations that are targeted at streamlining the operations of Payment Service Banks, ensuring transparency in their operations as well as ensuring adequate customer protection. The framework focuses on corporate governance, risks management of the PSBs, and safety of funds to the consumers of the Payment Service Banks’ products. This Framework also aims to ensure that sound risk management practices are embedded in the operations of the Payment Service Banks. Payment Service Banks are required to comply with relevant extant regulations and CBN’s prudential guidelines and circulars which are issued periodically.

2. STRUCTURE OF PAYMENT SERVICE BANKS

The Payment Service Banks shall use the words “Payment Service Bank” in its name to differentiate it from other banks. However, the name of a PSB shall not include any word that links it to its parent company or promoter.

Also, they shall:

- a) Operate mostly in the rural areas and unbanked locations targeting financially excluded persons, with not less than 25% financial service touch points in such rural areas as defined by the CBN from time to time;
- b) Enter into direct partnership with card scheme operators. Such cards shall not be eligible for foreign currency transactions;
- c) Deploy ATMs in some of these areas;
- d) Deploy Point of Sale devices;
- e) Be at liberty to operate through banking agents (in line with the CBN’s Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria);
- f) Roll out agent networks with the prior approval of the CBN;
- g) Use other channels including electronic platforms to reach-out to its customers;
- h) Establish coordinating centres in clusters of outlets to superintend and control the activities of the various financial service touch points and banking agents;
- i) Be technology-driven and shall conform to best practices on data storage; security and integrity;
- j) Set up consumer help desks (physical and online) at its main office and coordinating centres.

4. PERMISSIBLE ACTIVITIES

Payment Service Banks shall carry out the following activities:

- a) Accept deposits from individuals and small businesses, which shall be covered by the deposit insurance scheme;
- b) Carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria;
- c) Sale of foreign currencies realized from inbound cross-border personal remittances to authorized foreign exchange dealers;
- d) Without prejudice to 2.1 ‘i’ and ‘ii’ above, comply with provisions of the extant Foreign Exchange Regulations of the CBN;
- e) Issue debit and pre-paid cards on its name;
- f) Operate electronic wallet;
- g) Render financial advisory services;
- h) Invest in FGN and CBN securities;

i) ix. Carry out such other activities as may be prescribed by the CBN from time to time.

5. NON-PERMISSIBLE ACTIVITIES

- a) Grant any form of loans, advances and guarantees (directly or indirectly). They may lend to their employees in line with their employee loan policy, subject to the approval of their Board;
- b) Accept foreign currency deposits;
- c) Deal in the foreign exchange market except as prescribed in 4.1 (ii & iii) above;
- d) Insurance underwriting;
- e) Undertake any other transaction which is not prescribed by this Guidelines;
- f) Accept any closed scheme electronic value (e.g. airtime) as a form deposit or payment;
- g) Establish any subsidiary except as prescribed in the CBN Regulation on the Scope of Banking and Ancillary Matters, No 3, 2010.

6. OWNERSHIP AND LICENSING REQUIREMENTS

This shall be as provided in Sections 5.0 and 6.0 of the Guidelines for Licensing and Regulation of Payment Service Banks (2020), or the extant Regulation.

7. CORPORATE GOVERNANCE

PSBs are required to adopt structures and practices that will protect the interest of all stakeholders. The Framework provides for the required board structure, method of appointment and composition of the board and appraisal of the performance of the members of the board. The size of a PSB Board is a minimum of 5 and a maximum of 13 to be composed of at least 1 independent director; A minimum of 2 non-executive directors of a PSB must have banking or related financial industry experience; reflection of Gender diversity in the PSB Boards; comply with the provisions of the assessment criteria for approved persons which clearly stipulate the roles, responsibilities, minimum qualifications, and experience for principal officers of the PSB including being knowledgeable in business, financial matters and information technology, the roles of the Managing Director and Chief Executive Officers (CEO), Executive Directors and Deputy Managing Director, Non-Executive Director and Independent directors.

Annual independent evaluation of the Board and its committees is expected to cover the Board's structure, composition, responsibilities, processes, and relationships, with the evaluation report furnished to the CBN by 31st March of every year.

8. AML/CFT AND KNOW-YOUR-CUSTOMER (KYC) REQUIREMENTS

By Section 6 of the Framework, PSBs are required to comply with the provisions of the CBN on AML/CFT and all other extant laws on AML/CFT, identify and understand the AML/CFT risks of their customers and take adequate steps to mitigate these risks which include filing suspicious transaction reports to the Nigeria Financial Intelligence Unit (NFIU) and adopt policies which state commitments to comply with AML/CFT obligations under subsisting laws, and regulatory directives. The Framework set out the specific KYC requirements that must be met by the customers of PSBs

9. SHARED SERVICES

By Section 7 of the Framework, PSBs with the approval of the CBN can enter into shared services agreement with their parent companies or subsidiaries, provided that the recipient entity does not have the expertise and capacity to carry out these services and are required to comply with all provisions of the Guidelines for Shared Services Arrangement for Banks and

Other Financial Institutions. Also, a shared service agreement shall be executed between the recipient institution and the provider company.

All shared services agreements involving cross-border arrangements (parent and subsidiary) shall include a provision for capacity building, and the shared service agreement shall be submitted to the CBN for approval along with the validation by an independent firm.

PSBs are mandatorily required to comply with FIRS Income Tax (transfer pricing) Regulation. In addition, shared service fees shall be documented for all transactions between the service provider and the recipient in the same manner as if they were between unrelated parties.

For more information see

[Supervisory Framework for PSBs.pdf \(cbn.gov.ng\)](#)