Money transfer operators in Nigeria: Regulation and licensing options

August 2020

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Many people have had their 2020 plans ruined by COVID-19, but the cross-border remittance opportunity in Nigeria is even more enticing right now. The World Bank expects cross-border remittances to drop dramatically in 2020, but many African players are experiencing a sharp increase in digital person-to-person flows as cash is becoming stigmatised. This may turn out to be an opportunity for pulling in the 50% of Nigerians who currently send cash informally.

Are you one of the players who want to enter the Nigerian payments market? More specifically, do you intend to provide cross-border remittance services to the millions of Nigerians who send money to and from of their country every day? Perhaps you've already identified the market gaps that your solutions solve (if you haven't, read Volume 6 of our Barriers to remittances in sub-Saharan Africa series in Nigeria) and you are now in the process of understanding how to enter the market from a regulatory point of view.

Should you go solo or should you partner with a bank? Here's an overview of the Nigerian remittance market as well as your different licensing options:

What is the market opportunity in Nigeria?

- Nigeria has the largest population in Africa, with over 196 million residents in 2018. The United Nations estimates that in 2017, roughly 1.3 million Nigerians were living abroad. With a large presence abroad comes a strong prospect for inbound remittances.
- With roughly USD24 billion received in 2019, Nigeria is the largest recipient of remittances in sub-Saharan Africa. PwC estimates that Nigeria's annual remittances would reach roughly USD35 billion by 2023.
- Informal flows are estimated to be around 50% of total flows into the country, which represents a clear market opportunity.
- Investors already have their hands in the cookie jar! In fact, the World Bank's Nigeria digital economy diagnostic report notes that investment funding for Nigerian start-ups and fintechs was more than USD117 million in 2018.
- Nigeria is the largest economy in Africa. The World Bank estimates that Nigeria's GDP was USD470 billion in 2018.
- Right now is the opportune moment to prepare to enter the Nigerian market, since the COVID-19 scenario means the Central Bank of Nigeria is favourably considering the role of digital payments as they limit the use of cash.

There is evidently a strong business case for Nigeria as a powerful cross-border remittance market. So, which regulations are important when considering the Nigerian market, and what are the gains and losses from either partnering with a bank or going solo?

What are the regulations to consider in relation to cross-border remittances?

The Central Bank of Nigeria (CBN) has a lot of easily accessible information on their website; however, it is important to note that the CBN is constantly aiming to be ahead of the curve through meticulously updating its regulations and issuing guidance notes. Therefore, you need to check regularly whether there have been any changes. At the time of writing, there were four relevant regulatory guidelines that the CBN had published:

- Guidelines on Mobile Money Service in Nigeria (2015)
- Guidelines on International Money Transfer Services in Nigeria (2014)
- Guidelines on International Mobile Money Remittance Services in Nigeria (2015)
- Guidelines for Licensing and Regulation of Payment Service Banks (2018)

These regulatory guidelines should be read together with CBN's anti-money laundering and combatting the financing of terrorism (AML-CFT) regulation (2013); the Circular on Compliance with the Cybercrime (Prohibition, Prevention, etc.) Act 2015: Collection and Remittance of Levy for the National Cybersecurity Fund; the Regulatory Framework for the use of unstructured supplementary services data (USSD) for financial services in Nigeria (2018); Circular on extension of the regulatory framework for the use of USSD in the Nigerian financial system (2018); and the regulations on Instant (Inter-Bank) Electronic Funds Transfer Services in Nigeria (2018).

What are the licensing options and requirements?

There are four licensing options in Nigeria, which allow different activities (i.e. domestic, inbound and cross-border) but also impose different requirements. Your final choice will depend on the focus of your business and on your current size and financial capability.

Name of licence	Mobile money (MM) licence	International money transfer service (IMTS) licence	International mobile money remittance services (IMMRS) licence	Payments Service Bank (PSB) licence
Activities allowed	Only allows for domestic remittances	Allows for both inbound and outbound remittances; Has limitations on outbound remittance transfers (outbound remittances limited to USD2,000 or its equivalent per transaction; and inbound transfers limited to USD500 per cash withdrawal, unless paid through account)	Allows for both inbound and outbound remittances (Outbound limit of USD100 per week or its equivalent)	Only inbound remittances

Name of licence	Mobile money (MM) licence	International money transfer service (IMTS) licence	International mobile money remittance services (IMMRS) licence	Payments Service Bank (PSB) licence
Application fee	Non-refundable application fee of NGN100,000 paid via the Real-time Gross Settlement (RTGS) third-party transfer	Non-refundable application fee of NGN500,000	Non-refundable application fee of NGN1,000,000 paid to CBN via the RTGS third-party transfer	Non-refundable application fee of NGN500,000
Capital requirements	Minimum paid up share capital of NGN2 billion	Minimum paid-up share capital of NGN50 million or its equivalent for foreign companies, plus the guarantee of the parent company	Minimum net worth of USD1 billion	Minimum capital of NGN5 billion
International presence	No requirement	For outbound remittances, presence in at least seven different countries	Operate in at least 20 countries 10 years' operating experience	No requirement
Domestic presence	Need to register with the Corporate affairs commission	Need to register with the Corporate affairs commission	No requirement	Need to register with the Corporate Affairs Commission
Additional requirement	None	None	Be in possession of an MM licence Be in a partnership with an authorised dealer bank licensed in Nigeria	Non-refundable licensing fee of NGN500,000

The most straightforward way to enter the market if you want to offer both inbound and outbound remittances would be to apply directly for the IMTS licence. Alternatively, you could apply for the PSB licence if you're happy to only provide inbound remittances.

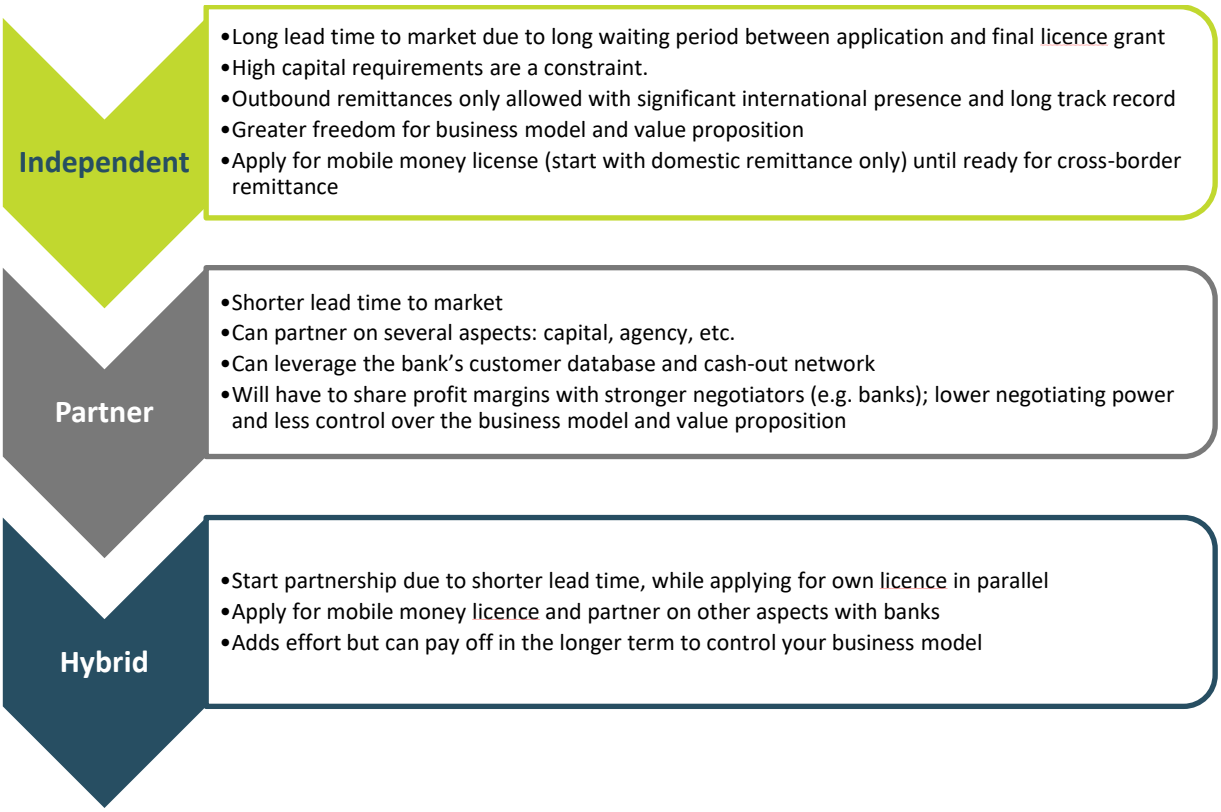
Partnering vs going solo

In making your decision of whether to partner with a bank or to go solo, you may also want to reflect on timelines, actual experiences of money transfer operators in Nigeria, and consider the administrative processes in Nigeria in applying for a licence. From our stakeholder interviews, we found going solo to be challenging, even with financial support from investors. The timelines are not sharply defined and vary substantially. Bureaucracy may also affect timelines in the application process and the outcome. If you've made up your mind about going solo, our advice is: Be present on site, knock on the doors and build relationships there. Your dossier will not make the same progress if you manage it remotely, as it takes time and presence to build trust with regulators. Hiring some legal support in the country may also be a good idea.

Partnering with a bank may seem the quickest option, and yet it does not come without risks. Banks have a strong negotiating power in Nigeria and will put pressure on margins. You may also want to carefully select your partner bank, as many of them mostly operate in urban areas and may not represent the best cash-out solution for rural customers.

The hybrid approach is therefore our recommendation, as it is a great way to understand the market while you build up a good rapport with local clients. Partnering up at first may reduce some of the hurdles involved initially with getting your services to the market. It also strengthens your case for getting a licence when you decide to go independent, as you will have had time to understand the CBN and its administrative processes – an aspect highlighted by stakeholders when applying for a licence in Nigeria.

In summary, here are the different strategies you can use:



Nigeria is an economic powerhouse in Africa and an even bigger deal when it comes to remittances. Do not let the regulatory landscape throw you aback, as there are sufficient ways to navigate it successfully.

Cenfri is an independent, not-for-profit think-and-do tank, based in South Africa. We have a global geographic scope, having worked across 35 countries, with Nigeria being one of our priority countries. Feel free to contact us for more information. We can engage with you on the options discussed in the blog, share further insights from previous research and introduce you to some of our partners in Nigeria.

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