



PAYMENT SERVICE BANK LICENSE
(PSB) IN NIGERIA

How to Obtain a Payment Service Bank (PSB) License in Nigeria

Description

Table of Contents

1. [Introduction](#)
2. [What Is a Payment Service Bank \(PSB\)?](#)
3. [Legal & Regulatory Framework](#)
4. [Eligible Promoters](#)
5. [Step-by-Step Licensing Process](#)
 - 5.1. Approval-in-Principle (AIP)
 - 5.2. Final License
 - 5.3. Pre-Licensing Inspection

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- 5.4. Commencement of Operations

- 6. [Requirements & Documentation](#)
 - 7. [Costs & Financial Obligations](#)
 - 8. [Common Misconceptions](#)
 - 9. [Frequently Asked Questions \(People Also Ask\)](#)
 - 10. [Conclusion](#)
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1. Introduction

Nigeria's Central Bank (CBN) created the Payment Service Bank (PSB) category in August 2020 to accelerate financial inclusion by targeting low-income and unbanked populations through high-volume, low-value transactions. PSBs leverage mobile and digital channels; agent networks, ATMs, e-wallets, to deliver deposit, remittance, and advisory services at the grassroots. This guide unpacks every step, requirement, cost, and timeline you need to secure a PSB license in Nigeria, drawing **100%** on the CBN's official "Guidelines for Licensing and Regulation of Payment Service Banks".

2. What Is a Payment Service Bank (PSB)?

A PSB is a technology-driven financial institution authorised to:

- **Accept deposits** from individuals and small businesses (insured under NDIC).
 - **Process payments & remittances** (including inbound cross-border personal remittances).
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- **Issue debit & prepaid cards**, manage electronic wallets, and render financial advisory services.
- **Invest in CBN and FGN securities.**

Non-permissible activities include granting loans/advances, accepting foreign currency deposits, insurance underwriting, and establishing unrelated subsidiaries.

3. Legal & Regulatory Framework

- **Enabling Acts:** CBN Act 2007; BOFIA 1991 (as amended).
- **Key Document:** “Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria” (27 August 2020).
- **Supervisory Oversight:** Financial Policy & Regulation Department (FPRD), CBN.
- **Compliance Regimes:**
 - Money Laundering (Prohibition) Act, 2011.
 - CBN AML/CFT Regulations for Banks (2013).
 - Cybersecurity, Consumer Protection, Data Protection frameworks.

4. Eligible Promoters

The following entities may promote a PSB:

1. Banking agents
2. Telecom companies (via subsidiaries)
3. Retail chains and supermarkets
4. Postal and courier services
5. Mobile Money Operators (MMOs)
6. Switching companies
7. Fintech firms
8. Financial holding companies
9. **Other entities**, subject to CBN approval.

Note: Regulated entities must submit a “no objection” letter from their primary regulator at application.

5. Step-by-Step Licensing Process

5.1 Approval-in-Principle (AIP)

1. **Formal Application:** Addressed to the CBN Governor, through the FPRD.
2. **Presentation:** In-person proposal covering business case, vision, governance, risk management, compliance, and financial viability.

3. **Documentation:** Submit all AIP requirements listed in Section 6.1.
4. **CBN Decision:** Within **90 days** of complete submission; issuance of AIP certificate.

5.2 Final License

Within **6 months** of AIP, submit:

- Non-refundable licensing fee (₦2 million).
- Certified true copies: Certificate of Incorporation, MEMART, CAC Form 1.1 or Status Report.
- Evidence of head office location, board changes, technical infrastructure, employment letters, training programmes.
- **Final License** issued upon satisfactory review.

5.3 Pre-Licensing Inspection

CBN conducts on-site inspections to verify:

- Premises and infrastructures readiness.
- Original supporting documents.
- Board and management credentials.
- Capital contributions deposit.
- IT integration with Nigeria's National Payments System.

5.4 Commencement of Operations

Before going live, submit:

- Shareholders' register and share certificates.
- Opening statement of affairs (signed by directors & auditors).
- Enterprise Risk Management Framework, internal controls, board minutes, NIBSS integration evidence.

6. Requirements & Documentation

Category	Key Documents
Corporate	Certificate of Incorporation; CAC Form CAC 2A & 7A or Status Report; MEMART; Board resolutions; Shareholders' agreement; No-objection letters (if applicable).
Governance	Board & committee charters; Fitness & Propriety questionnaires; CVs & declarations; BVNs & Tax Clearance Certificates of directors/shareholders.
Business Plan & Strategy	Detailed feasibility/business case; Ownership structure table; Five-year financial projections; Marketing & distribution strategy; IT infrastructure plan.
Policies & Manuals	AML/CFT Policy; ALM Policy; Financial Management Policy; Risk Management Framework; Code of Ethics & Business Conduct; Technical Services Agreement.
Financial	Evidence of minimum capital deposit (Section 6.6); Audited financial statements (3 years); Non-refundable application & licensing fees.
Operational Readiness	Evidence of head office; IT systems integration; Agent network rollout plan; Training programmes; NIBSS connection.

All documentation must be duly certified and presented in the specified formats.

7. Costs & Financial Obligations

Item	Amount (₦)
Minimum Paid-Up Capital	5,000,000,000.00
Non-Refundable Application Fee	500,000.00
Non-Refundable Final Licensing Fee	2,000,000.00
Change of Name Fee	1,000,000.00

Upon issuance (or rejection), CBN refunds capital deposit + investment income (less expenses & tax).

8. Common Misconceptions

Myth	Reality
PSBs can grant loans like commercial banks.	PSBs are prohibited from granting any form of loans, advances, or guarantees.
PSBs accept all cash deposits (incl. forex).	PSBs can only accept naira deposits; foreign currency deposits are disallowed, except sale of inbound remittance FX to authorised dealers.
Any fintech can auto-convert to a PSB.	Existing MMOs must fully comply with all PSB guidelines—including minimum capital, governance, and AIP/final licensing steps—before conversion.
PSBs operate nationally by default.	PSBs must deploy ≥ 25% of their service touchpoints in rural/unbanked areas per CBN's financial inclusion mandate.

9. Frequently Asked Questions (People Also Ask)

- What is the minimum capital requirement for a PSB license?**
₦5 billion, or as prescribed by the CBN.

2. How long does it take to obtain AIP?

Up to **90 days** from complete application submission.

3. Can a PSB provide loans and advances?

No, granting loans/advances is expressly prohibited under PSB regulations.

4. What fees are non-refundable?

The **application fee** (₦500,000) and **licensing fee** (₦2 million) are non-refundable.

5. Who can apply for a PSB license?

Banking agents, telcos, retail chains, MMOs, fintechs, switching firms, etc., subject to CBN approval.

10. Conclusion

Securing a Payment Service Bank license in Nigeria demands meticulous preparation, comprehensive business plans, robust governance structures, substantial capital, and strict adherence to CBN guidelines. By following the steps outlined above and assembling **100%** of your documentation per the official CBN “Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria”, you position your institution for timely Approval-in-Principle, successful Final Licensing, and a compliant operational launch.

Embark on your PSB journey today to leverage Nigeria’s vast unbanked market and drive financial inclusion at scale.

Category

1. Industry Insights