

Commentary on Structuring the Acquisition of PSS Licences in Nigeria

OALP Technology Innovation and Fintech Newsletter

INTRODUCTION

Over the last few years, electronic payment transactions in Nigeria have recorded significant growth and this momentum shows no signs of slowing down.¹ A key participant in the facilitation of electronic payment transactions in Nigeria is the Payment Solution Services (PSS) provider,² an umbrella term covering three (3) sub-categories of licensees: Payment Solution Service Provider (PSSP);³ Payment Terminal Service Provider (PTSP);⁴ and Super-Agent.⁵ These entities support the payments ecosystem by providing infrastructure, software, and services that facilitate electronic transactions. Given the strategic value of the PSS licence, more businesses are seeking direct entry points into the payments value chain. In this newsletter, we highlight the options available to acquire a PSS licence under Nigerian law and key considerations for each option.

LICENCE APPLICATION

The primary option is to apply directly to the Central Bank of Nigeria (CBN) for a PSS licence or one of its sub-categories of a PSS licence. The licensing process is divided into two (2) phases – an approval-in-principle phase and a final licence phase, and typically spans a minimum of six (6) months, owing to the comprehensive nature of CBN's regulatory assessment. The CBN will review the applicant's corporate structure, governance,

financial capacity, technical competence, and compliance readiness.

Notably, any foreign business intending to explore this option must first register a company with the Corporate Affairs Commission (CAC), meeting the applicable share capital requirement prescribed by the CBN. This is because the CBN issues the PSS licence (or any subcategory) to corporate entities duly registered with the CAC only. Accordingly, investors should factor this requirement into their planning, as it carries timing and cost implications.

ACQUISITION FROM A LICENSED ENTITY

An alternative that some business owners consider is to obtain a PSS licence or one of the sub-categories from an existing licensed company. However, this approach would face a major regulatory roadblock as the CBN prohibits the transfer of a PSS licence in the licence document. This prohibition is understandable, as the licence is intrinsically tied to the specific structure, systems, management, and operations of the entity to which it was issued. As such, the PSS licence cannot be sold or transferred as a standalone asset independently of the licensed entity. This limitation necessitates structuring such transactions as share acquisitions, rather than asset or licence acquisitions. The objective is not to purchase

1. See our *Technology, Innovation and Fintech Wrap Up and Outlook 2025* at <https://www.olaniwunajayi.net/blog/technology-innovation-and-fintech-wrap-up-and-outlook-2025/>.

2. See *CBN New Licence Categorisations for the Nigerian Payments System 2020*. It should be noted that a *Switching and Processing Licence* also allows the entity to provide these services.

3. *The permissible activities of a PSSP includes provision of payment processing*

gateway and portals, payment solution/application development, merchant service aggregation and collections.

4. *The permissible activities of a PTSP includes provision of POS terminal deployment and services, POS terminal ownership, payment terminal and application development and merchant/agent training and support.*

5. *The permissible activities of a Super-Agent includes provision of agent recruitment and management services.*



the licence in isolation, but rather to take control or become part of the company to which the licence is attached.

In transactions involving the acquisition of a licensed entity, obtaining the prior approval of the CBN is a fundamental requirement pursuant to the provisions of the Banks and Other Financial Institutions Act 2020 (BOFIA).⁶ Failure to obtain the CBN's approval of the transaction renders the transaction void, and any purported transfer of interest shall be ineffectual, except where the transaction is subsequently ratified in writing by the CBN.⁷ To this extent, it is customary for the parties to negotiate and prepare key transaction documents, including the share purchase agreement which typically stipulates that the receipt of CBN's approval is a condition precedent to completion of the transaction. The CBN will be assessing the transaction and the parties to confirm *inter alia* that the purchaser(s) satisfy the same regulatory standards required of the original promoters of the licensed entity. These include "fit and proper" criteria, financial capability, sound governance and a commitment to compliance with regulatory obligations. Furthermore, the CBN will be evaluating whether there are any anti-trust issues arising from the transaction in line with its mandate under the BOFIA.⁸

Given that the acquisition must be structured as a share acquisition, another critical consideration is the scope of the due diligence on the target company- the licensed entity. Beyond verifying the validity of the PSS licence, the buyer should undertake a thorough review of the target company's regulatory compliance history, corporate governance framework, financial exposure, and ongoing or potential disputes. It is also essential to determine whether there are any unresolved regulatory issues, pending enforcement actions, or conditions attached to

the licence that could impact the transaction. Furthermore, key third-party contracts should be reviewed to identify provisions that could be triggered by the acquisition. To support transparency and ensure operational continuity, it is equally important that relevant stakeholders are notified of the change in ownership in a timely manner. Lastly, it is necessary for the buyer to assess whether essential staff, infrastructure, and intellectual property required for the continued operation of the licensed business are included in the transaction scope.

On the seller(s) part, all material information about the business including compliance matters or potential liabilities should be disclosed to the buyers. Such disclosures are critical, as they inform the allocation of risk and shape the scope of liabilities and indemnities negotiated under the share purchase agreement.

CONCLUSION

Each option highlighted in this newsletter has its advantages and drawbacks and should be evaluated against a business' immediate and long-term strategy, with guidance from professional advisers. Ultimately, a PSS licence represents more than just access to the payments industry, it is a regulatory endorsement of the licensee's financial and technical capacity to operate in a sensitive and highly regulated environment. As such, whether pursuing an acquisition or a fresh application, any transaction involving a regulated business must be handled with clarity, precision, and full regard for the regulatory requirements. With proper structuring and proactive engagement with the CBN, it is possible to successfully commence operations as a PSS licensee in Nigeria in accordance with the regulatory framework.

6. Section 7 and 61 of the BOFIA.

7. Section 7 and 61 of the BOFIA.

8. Section 65 and 61 of the BOFIA.

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