

CBN's Supervisory Framework for Payment Service Banks 2021



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Introduction

The Central Bank of Nigeria (CBN) has released the Supervisory Framework for Payment Service Banks 2021. The Framework aims at providing a set of regulations that are targeted at streamlining the operations of Payment Service Banks (PSBs) and establishes a robust regime of corporate governance rules.

Scope of the Guidelines

The PSB Framework 2021 complements existing regulations, including prudential guidelines and focuses on corporate governance, risk management including KYC, and safety of consumers funds.

Eligibility to operate as a PSB

The PSB Framework 2021 maintains the requirements under the revised Guidelines for Licensing and Regulation of Payment Service Banks 2018 (revised in 2020). Eligible promoters of PSBs are:

- banking Agents
- telecommunications companies through their subsidiaries
- retail chains (supermarkets, petroleum marketing companies)
- postal services providers and courier companies
- Mobile Money Operators (who convert by meeting the conditions in the Guidelines)
- switching Companies
- financial technology companies
- financial Holding Companies; and
- any other entity on the merit of its application subject to the approval of the CBN

Permissible Activities

- Accept deposits from individuals and small businesses
- Carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria.

- Sale of foreign currencies realised from inbound cross-border personal remittances to authorised foreign exchange dealers
- Issue debit and pre-paid cards on its name
- Operate electronic wallet
- Render financial advisory services
- Invest in FGN and CBN securities; and
- Carry out such other activities as may be prescribed by the CBN from time to time.

Corporate Governance

The most remarkable feature of the PSB Framework 2021 is its copious provisions on corporate governance. The PSB Framework 2021 provides detailed requirements on qualification for board appointment. Some of the key corporate governance provisions are:

- Board appointment must be approved by the CBN.
- Board size is limited to a minimum of 5 and a maximum of 13.
- minimum of one Non-Executive Director as Independent Director. For publicly listed PSBs, CAMA 2020 will apply.
- minimum of 2 non-executive directors who must have experience in the banking or related financial industry.
- not more than 2 members of an extended family can be on the Board of a PSB, its subsidiary or Financial Holding Company (HoldCo). Extended family includes director's spouse, parents, children, siblings, cousins, uncles, aunts, nephews, nieces, in-laws and any other relationship as determined by CBN.
- must comply with the provisions of the Assessment Criteria for Approved Persons' Regime for PSBs which sets out the roles, responsibilities, minimum qualifications and/or experience for principal officers.

Key Compliance Obligations

PSBs are required to comply with existing regulations issued by CBN, notably the Cyber Security Framework, the Nigeria Payment System Risk & Information Security Management Framework, Nigeria Financial Services Industry IT Standards Blueprint Version and Data Protection Regulations. Particularly, PSBs:

- must maintain records of transactions (domestic and international) for at least 5 years after completion of the transaction or such longer period as may be required by CBN and the Nigeria Financial Intelligence Unit.
- have reporting obligations under the Money Laundering Prohibition (Prohibition Amendment) Act; and comply with the provisions of the Guidelines on Global Standing Instruction 2020 (GSI) and provide reports of GSI activities to CBN no later than the 8th day after each month end.
- Must update their Credit Risk Management System records outstanding balances monthly.

Takeaway

PSBs will be required, amongst others to evaluate their level of compliance with the new corporate governance rules under the PSB Framework 2021.

It is also important to note that the PSB Framework 2021 is not exhaustive on the legal/regulatory requirements for PSBs. There are myriads of laws and regulations that should be read in conjunction with the PSB Framework 2021.

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