

# Paytech Regulations:

## Supporting or Restricting Innovation?



Anyone with a smart phone in this age has undoubtedly been exposed to some sort of financial technology one way or another. Daily commercial transactions are now being automated, for instance, the average roadside merchant has a POS machine. It is fast becoming a major source of revenue and technological innovation, which is attracting regulations by the authorities.

On the effect these regulations have on innovation, we would not consider it an either-or situation because it may be too early to make such categorizations. It is at a phase where it is just evolving. Hence, approaching it from a conclusive angle of either being enabling or restrictive would only aid the already existing 'tension' between the regulators and the players.



At the stage the regulatory landscape is, some aspects can be seen as enabling, while some other aspects can be seen as restrictive. For example, the Licence Categorization of the Nigerian Payments System guideline can be seen as an enabling move in the PayTech space because it helped clear the blurry lines between the different PayTech licenses and their scope. When that is considered alongside the recently released Payment Service Holding Company (PSHC) guideline that gives the PSHC the ability to set-up subsidiaries having the Mobile Money Operator (MMO) licence and the Switching & Processing licence, the road looks all enabling. However, the same guideline that clears the blurry line, also sets minimum capital ranging into billions, which to some can be seen as restrictive.

What can be ascertained now, is that regulators seem to be focusing more on the service providers than the payment process itself. The Payment Solution Services (PSS) licence, Mobile Money Operator (MMO) licence and Payment Service Bank (PSB) licence, to name a few, looked encouraging until we encountered the recently released Mobile Money Services in Nigeria guidelines geared towards the MMO operations

in Nigeria, where the Telecommunication Companies (that have infrastructure covering about 70% of the population) are restricted from being the lead initiators.

There is also the perspective of the potential economic boost PayTech could provide and how this should be a consideration for regulation makers. It is important to note that no sector has brought in as much Foreign Direct Investment in recent times as the FinTech space. Regulatory support is not only beneficial locally but on an international scale. Regulators just need to stabilize the sector in time, give room for productivity as well as ensure that it is safe to bring these funds into the country (as against offshore accounts) even if it means revisiting the Venture Capital Act.

Further progressive steps would be to loosen its restrictive dealings when it comes to FinTech and Forex and to maintain regulation but not in a restrictive manner. For example, PayTechs, if allowed can be a booster to FX remittances in the country. These companies can create platforms for remittances that solve the bottleneck around cross-border transactions. More people will send more money home if there is an easier platform integrated with the official rate without having to go through third parties.



We then have to raise the question, is the environment hostile to the present solution providers? It doesn't seem so yet. But can the regulators be more open minded in their approach and focus on the process and not just the providers? Definitely!

In summary, it might be a bit hasty to expressly fit it the entire regulatory landscape into a definite category now. It is preferable to say the landscape is evolving and simply requires some measure of 'creativity' on the part of the companies that are in the space and some measure of flexibility on the part of the regulators. This creativity can be achieved with collaboration with a business- savvy legal team which understands the regulatory landscape as well as the company's objectives.

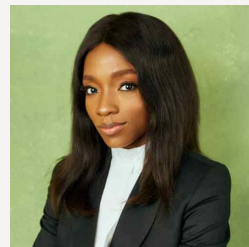


**For more information on the above article, please contact our Corporate, Finance & Business Advisory team.**



**Olanrewaju Olumide**

Partner, Corporate, Finance & Business Advisory Team  
[olanrewaju@acuitypartners.com.ng](mailto:olanrewaju@acuitypartners.com.ng)



**Oluwaseyi Oluboba**

Associate  
[Oluwaseyi.o@acuitypartners.com.ng](mailto:Oluwaseyi.o@acuitypartners.com.ng)

