

SETTING UP A FINTECH COMPANY IN NIGERIA

Introduction

With the rapid growth of technology, Start-ups have continually found ways to improve financial services. This trend has been matched by the growing appetite of consumers globally, for faster and more convenient financial services. The financial sector in Nigeria has witnessed a growth in FinTechs with their revenue expected to reach \$543m in 2022.

In this article, we have set out below the process of setting up a FinTech company in Nigeria.

1. Licences

For promoters seeking to set up a FinTech, it is generally advised that they understand the existing regulatory space before proceeding to incorporate the business. This will help promoters to understand the acceptable organisational structure, share capital requirements and financial implications attached to any business they seek to engage in.

FinTechs in Nigeria are generally categorized and regulated as follows:

FinTech categories	Regulators
i Payment Service Providers, Mobile Money Operators, Digital Banks and Switch companies	Central Bank of Nigeria (CBN)
ii Lending companies	CBN; State Ministry of Home Affairs
iii Savings, investment and funding	CBN; Securities and Exchange Commission (SEC)
iv Cryptocurrency	CBN; SEC
v Insurtech	National Insurance Commission

Notwithstanding the above, some regulators cut across all sectors due to their general regulatory function such as the National Communications Commission (NCC) (for FinTechs providing value added services) and the National Information Technology Development Agency (NITDA) (for users of data, amongst other things).

2. Incorporation

Once there is a clear understanding of the regulatory terrain, the next step is to incorporate the company for the FinTech service. Although the minimum share capital for incorporating a private company in Nigeria is 100,000 naira, the share capital requirement for FinTechs usually exceeds this amount. Promoters must consult the regulators and relevant laws (via their legal advisers) to determine the adequate minimum share capital and shareholding requirement for their FinTech.

There are also capital deposits required by relevant regulators such as CBN for setting up FinTechs, to find out more, [click here](#).

3. Documentation

Upon incorporation, it is pertinent for the founders to ensure that all relevant contracts are in place to properly protect the business. The founders are generally advised to execute the following: a Founders' Agreement (to regulate the relationship of the founders of the business); a Shareholders' Agreement (to regulate the relationship between all shareholders including present and future shareholders); Loan Agreements (to evidence and detail all capital injections including investments by founders and friends into the business); and Employee Stock Option (granting an option of share purchase to key employees).

4. Protecting the Intellectual Property

Founders of FinTechs are advised to ensure that intellectual property developed in the course of the business are protected. It is important that the company's logos are registered as trademarks at the Trademark Registry; and the software and codes are registered at the National Copyright Commission or Patent Registry (if it qualifies). Although software and codes are automatically copyrighted under Nigerian law, it is useful to carry out registration of the software at the relevant registry.

It is pertinent to note that intellectual property rights automatically vests in the developer (which could be employees or contractors of the company) under Nigerian law. To ensure that the rights vest in the company/founder, it is advisable that the FinTech enters into an agreement with the developer assigning rights in the software to the company/FinTech either through an employment contract or a Copyright Agreement.

5. Financing

Founders may choose to first source for funds from family and friends, after which they may need to progress to venture capital and other institution.

The [CBN](#) and the [SEC](#) recently launched programs to aid FinTechs in test running their software under regulated spaces. [Click here to find out more about these programs](#).

Conclusion

With the population of unbanked Nigerians currently calculated at above 50% of the adult population, there is great growth opportunities in the FinTech ecosystem. It is, however, recommended that professional advice is obtained by emerging and existing FinTech founders from the inception of the FinTech, to properly guide the business.