

FinTech License Passporting in Africa

A Promising Framework for Responsive Regulation

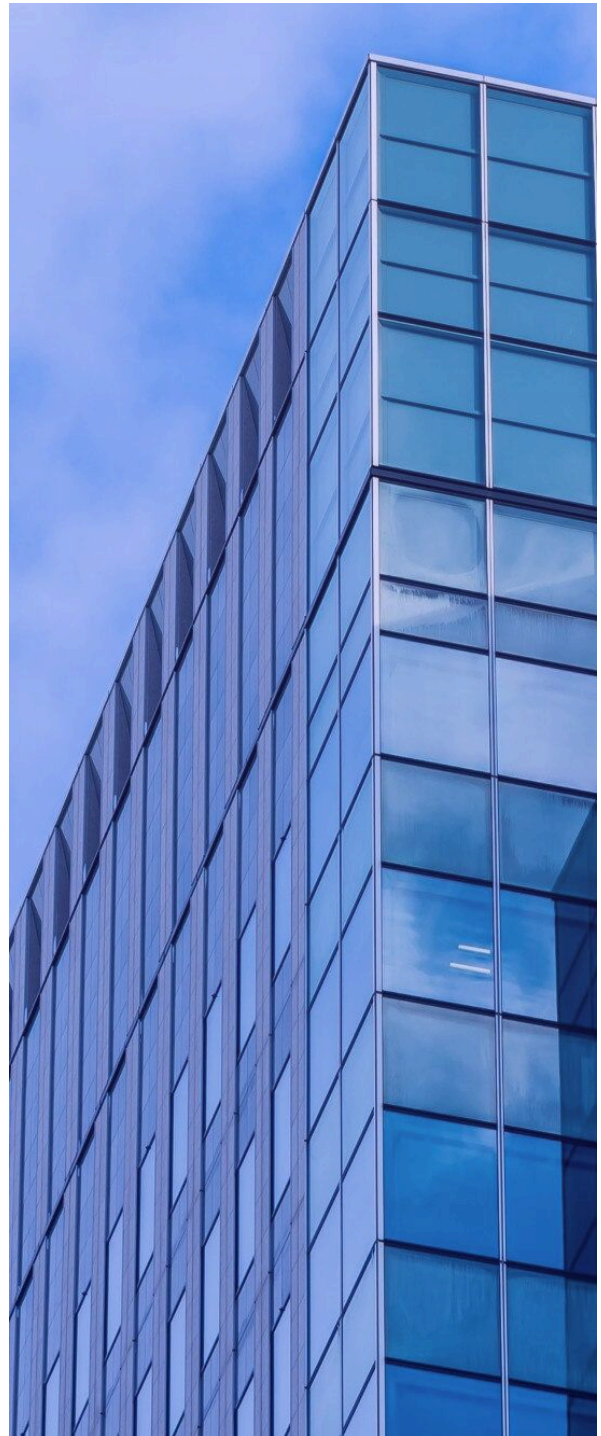


Introduction

■ FinTech License Passporting or Partnership?

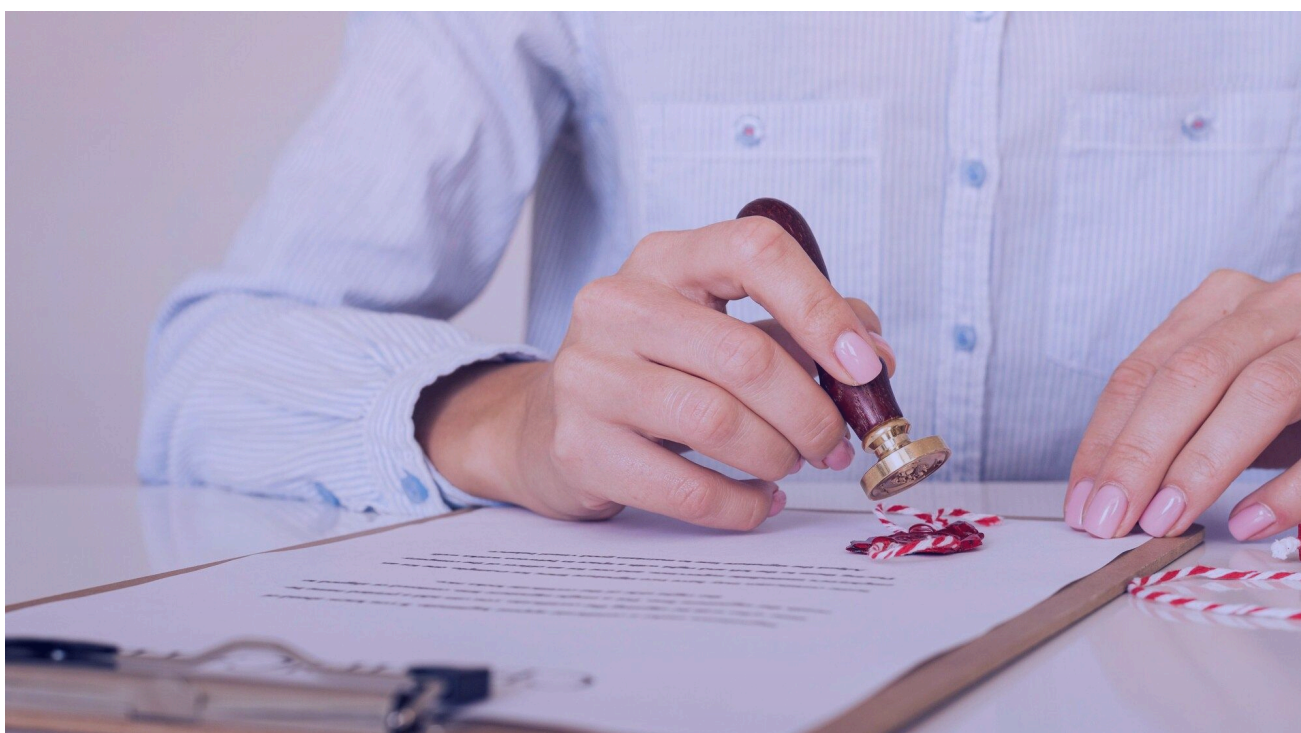
Africa is home to over 1,300 FinTech companies in the continent offering several digital support and payment services. This growth emphasizes the continent's rapid adoption of digital financial services with the rapid proliferation of mobile technology, increased internet penetration, and a burgeoning youth population. Africa has witnessed a surge in innovative financial solutions that promote inclusion and accessibility. Notably, 70% of these FinTech firms are concentrated in Nigeria, South Africa, Kenya, Ghana and Egypt. These countries also attract around 80% of FinTech funding in Africa.

Despite the speed of FinTech growth and innovation in domestic markets (country-based), cross-border FinTech services have come standstill due to complex regulatory challenges. FinTech companies operating in Africa encounter numerous regulatory hurdles when trying to expand across borders. The continent's fragmented legal landscape, varying compliance requirements, and inconsistent enforcement create significant barriers to seamless operation. A single FinTech company offering multiple services (payments, lending, wealth management) may need separate licenses in different categories. For instance, a Neobank may need a digital banking license, PSP license, and lending license in different countries. A cross-border payments company must comply with foreign exchange laws in each jurisdiction. A WealthTech firm may need investment advisory and asset management licenses in multiple markets. This regulatory fragmentation coupled with high capital requirement and process fees, complex requirements, documentation and application process, restriction on foreign-owned FinTech and the need for separate licenses for different services discourage innovation and market expansion.



The Challenge: Acquiring an Operating License in Another Country

The hassle of obtaining operating licensing in another jurisdiction exceeds the business task itself. All fifty-six (54) countries in Africa have regulation and regulatory authorities overseeing FinTech operations, such as central banks, financial services authorities, or securities commissions. While many countries do not have specific regulations, the central banks, Financial Sector Authorities and Security Commission mostly oversee the FinTech operations. For instance, the Central Bank of Nigeria (CBN) regulates FinTech through licenses like Payment Service Provider (PSP) or Microfinance Bank (MFB) licenses. The Bank of Ghana regulates the activities of the PSP through its FinTech and Innovation Department.



Domestically, acquiring a FinTech or PSP operation license involves comprehensive documentation which includes a business plan, proof of capital, anti-money laundering (AML), know-your-customer (KYC), data security protocols, and background checks on key management personnel. The application process also requires time which takes back-and-forth requests for additional information or clarification. Authorities sometimes conduct interviews on the company's operational readiness and site inspection of infrastructure. In some countries, FinTech firms are invited to test their services in a regulatory sandbox before full licensing.

The timeline for licensing and issuance of licenses for FinTech operations varies significantly in Africa. In some countries where the application process is streamlined or FinTech-friendly, it could take 3 to 6 months. In countries with more complex regulatory frameworks or where FinTech is still a developing sector with the existence of startups and FinTechs in the market (e.g., Nigeria, South Africa, Ghana) takes 4-12 months. Moreover, it takes over 1 year in African countries where the regulatory approval is highly stringent, and multiple agencies or additional clarifications are needed.

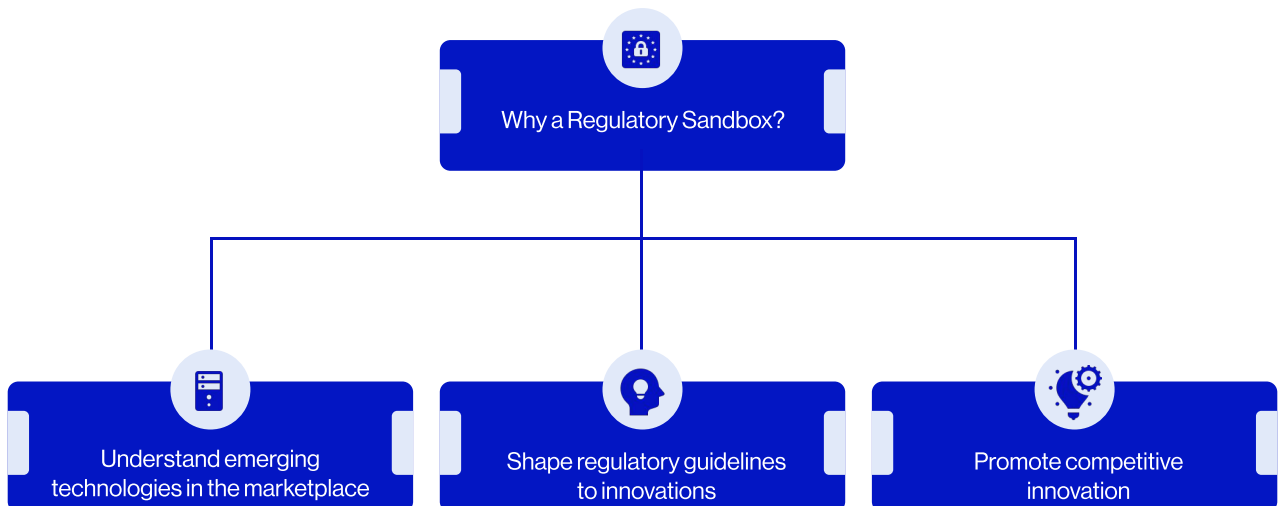
Alternative to Traditional Licensing

A. Collaboration with Local Entities

Several tech-savvy companies operate in different countries through collaboration or partnerships with local entities. Partnering with a locally licensed company can allow FinTechs to operate without acquiring a direct license and the bureaucratic process of seeking for license. Many international telecommunication networks, card companies and digital payment have used partnerships, mergers and other diplomatic ways to operate in different countries. For instance, in 2024 the following collaborations occurred to boost the FinTech landscape:

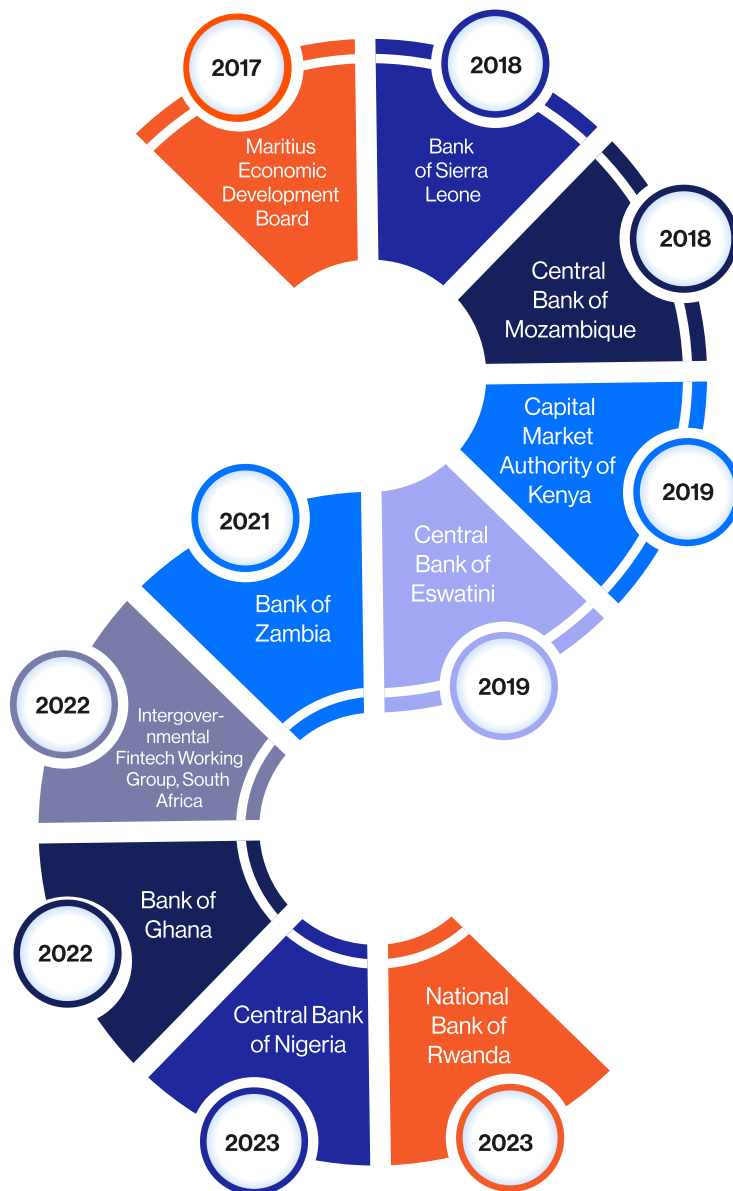
- Airtel Africa and MasterCard have announced the launch of a new cross-border remittance service, enabling Airtel subscribers across 14 African markets to send and receive money safely, securely, quickly, and with certainty.
- Mastercard Inc. agreed to take a minority stake in the financial technology business of MTN Group Ltd., Africa's biggest wireless carrier, boosting the telecom company's stock significantly. MTN stated that the deal values the entire FinTech unit at \$5.2 billion.
- Safaricom, Kenya's largest mobile operator, and leading digital payments company Visa partnered to develop products that will support digital payments for M-Pesa customers.
- Visa also announced a partnership with MFS Africa to enable millions of mobile money users to access virtual card services and other innovations.

B. Cross-Border Regulatory Sandboxes



In the African continent, 90% of regulatory sandboxes in Africa are authorized by Central Banks while 85% of regulatory sandboxes in Africa are not policy-focused but rather promote financial innovation (Agpaytech, 2024). While some countries like Ghana, South Africa, Rwanda, Kenya and Nigeria have established regulatory sandboxes for FinTech innovation, many others lack such mechanisms, limiting opportunities for firms to test new products in a controlled environment. Cross-border focused regulatory sandbox could have the potential to reduce regulatory hurdles FinTechs go through to secure operational licenses in different jurisdictions. Taking a clue from Europe's SEPA, Rwanda had an agreement with Singapore with similar FinTech license passporting through Sandbox. While not within Africa, Rwanda's partnership with Singapore sets a precedent for cross-border FinTech collaboration, showcasing how African nations can leverage such agreements. Also, the Southern African Development Community (SADC) is exploring regional FinTech harmonization, paving the way for passporting within member states like South Africa, Botswana, and Namibia.

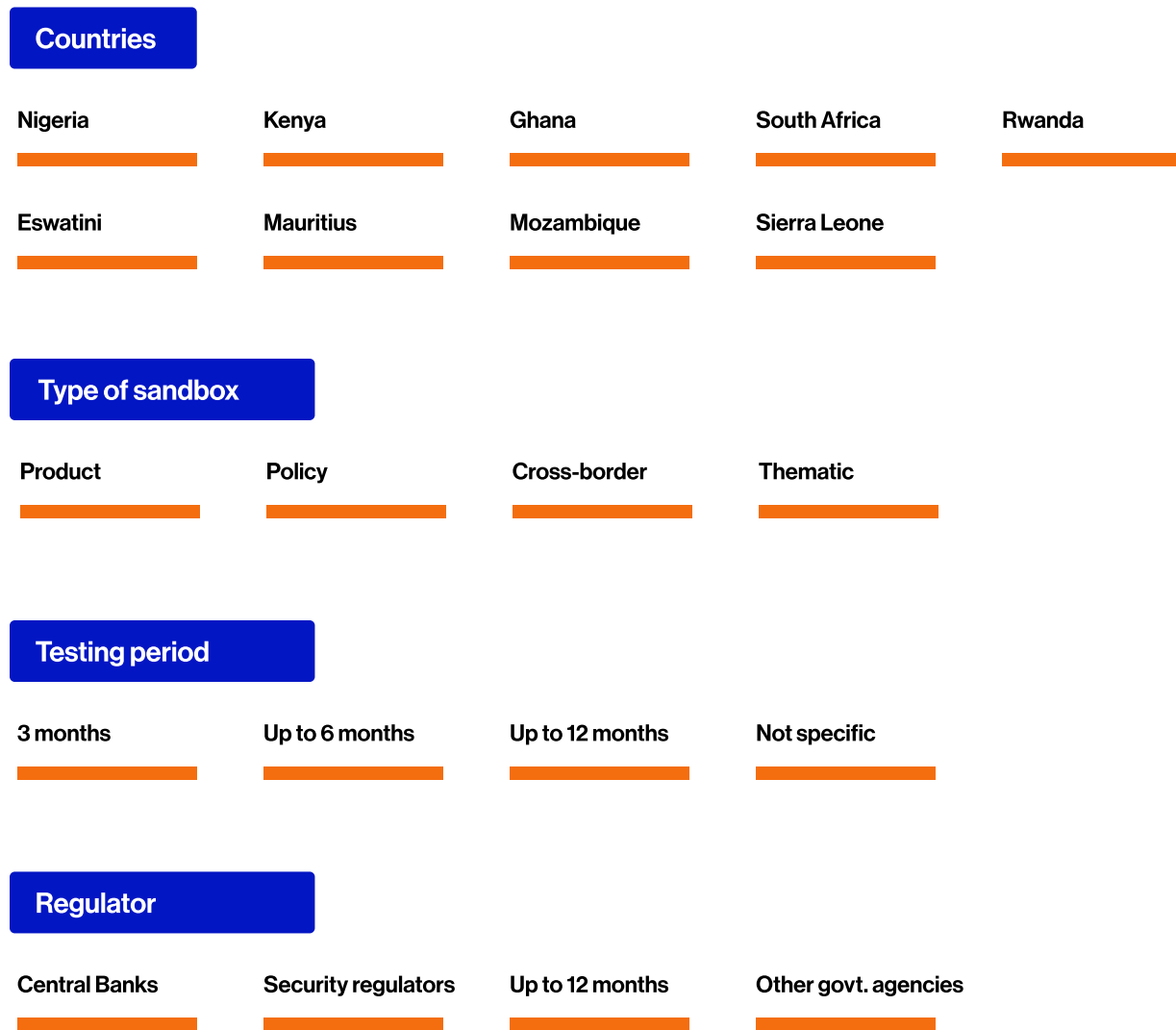
Figure 2: Regulatory sandbox launch in Africa



Source: Agpaytech, 2025

The regulatory sandbox approach has gained considerable traction worldwide and countries like the United States and the United Kingdom were the first to introduce the concept. Currently, World Bank Group research indicates that over 70 FinTech-related sandboxes have been officially announced globally. Some countries allow FinTechs to operate in a controlled environment before applying for a full license.

Figure 3: Domestic regulatory sandbox features

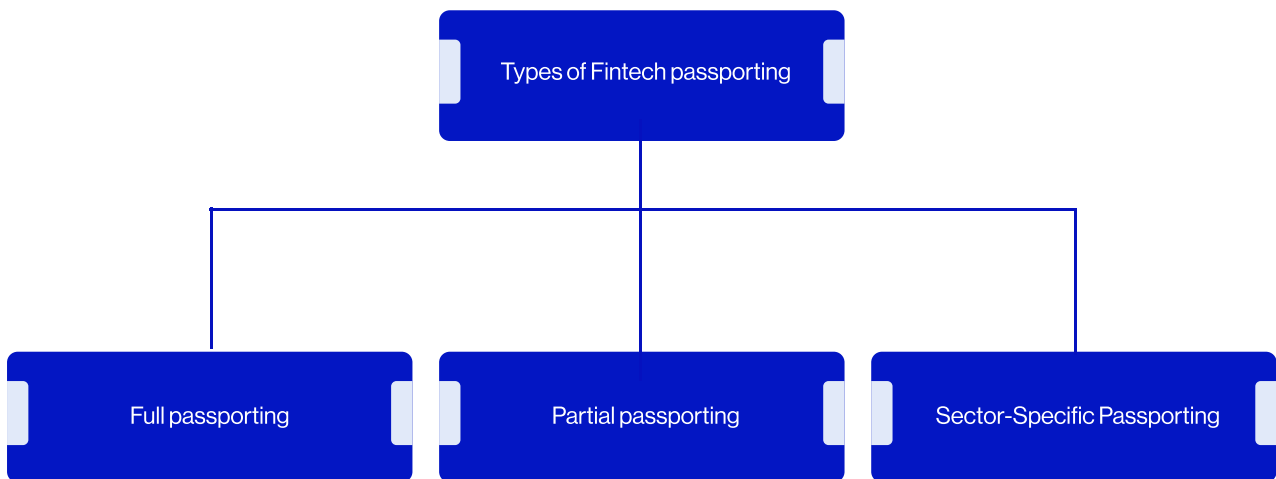


Source: Agpaytech, 2025

C. FinTech License Passporting

FinTech license passporting is a concept that allows a company licensed in one jurisdiction to operate in another without needing to obtain a separate license. Passporting enables a company licensed in one country to offer its services in another without needing to obtain a separate license. This not only streamlines operations but also encourages innovation, financial inclusion, and economic growth across the continent. FinTech license passporting presents a compelling solution to these challenges by enabling companies licensed in one jurisdiction to operate seamlessly in others without the need for redundant licensing processes. While this practice is well-established in regions like the European Union (EU) through frameworks such as the Single Euro Payments Area (SEPA) and Payment Services Directive (PSD2), it is still in its early stages in Africa. However, there are efforts and initiatives aimed at fostering cross-border FinTech operations and financial integration across the continent. This approach not only simplifies regulatory compliance but also fosters a more integrated and competitive financial market, driving innovation and economic growth. Drawing inspiration from established models, such as the European Union's financial passporting system, Africa has the opportunity to create a tailored framework that addresses the continent's unique socio-economic and technological landscape.
































Figure 4: Types of FinTech License Passporting



Source: Agpaytech, 2025

While specific types of license passporting are still evolving in Africa, they can generally be categorized into three categories. Full Passporting allows FinTech companies to operate all their services across multiple jurisdictions under a single license. Partial Passporting permits specific services, such as payment processing or digital lending, to be offered in other countries without full licensing. Sector-specific passporting focuses on particular FinTech sectors like crypto, remittances, or peer-to-peer lending, where regulations are harmonized for those services.

FinTech firms that could utilize FinTech License Passporting

Investment Platforms	Cross-Border Payments	InsurTech
		
		
		
		
Payment Processing	Neobanks	Cryptocurrency/Blockchain
		
		
		
 		
Lending Platforms	Wealth Management	Buy Now, Pay Later (BNPL)
		
		
		
		

Developing FinTech License Passporting in Africa

Developing a FinTech License Passporting system in Africa could significantly reduce regulatory fragmentation, foster innovation, and enhance financial inclusion. This framework aims to create a unified regulatory environment that enables FinTech companies to operate across multiple African countries with a single license, reducing operational costs and fostering financial inclusion. The framework begins with leveraging leading bodies' capacity to develop unified regulatory frameworks and then creates regional or sub-regional sandboxes to test the FinTech license passporting. Thirdly, creating a centralized body, such as the African FinTech Regulatory Authority (AFRA), responsible for issuing a single FinTech license recognized across participating countries. While the license will be issued centrally, compliance monitoring will be decentralized and managed by local regulators within the harmonized framework. Moreover, there is a need to develop unified KYC/AML protocols across Africa to simplify identity verification and fraud prevention as well as leverage Regtech platform and API integration for assessment and reporting.

Table 1: FinTech License Passporting Framework

1. Establish a Pan-African Regulatory Framework	2. Create Regional Regulatory Sandboxes
<p>Leverage existing bodies like the African Union, African Continental Free Trade Area (AfCFTA), and African Development Bank (AfDB) to spearhead the initiative.</p> <p>Unified regulatory requirements and standards</p>	<p>Implement regional sandboxes (e.g., in ECOWAS, SADC, EAC).</p> <p>Encourage national regulators CBK, BoG, CBN SARB to collaborate in these sandboxes to build trust.</p>
3. Establish a Centralized Licensing Authority	4. Harmonize KYC, AML & Data Protection Laws
<p>Create a body such as the African FinTech Regulatory Authority (AFRA) to issue a single FinTech license.</p> <p>Decentralize passporting compliance monitoring to local regulators</p>	<p>Unified KYC/AML Protocols</p> <p>Implement shared databases for identity verification, and fraud prevention.</p> <p>Align data privacy laws with frameworks like GDPR.</p>
5. Leverage Technology for Compliance	6. Promote Public-Private Partnerships (PPPs)
<p>Encourage the use of RegTech platforms.</p> <p>Develop standard APIs for regulatory reporting.</p>	<p>Involve stakeholders such as Africa FinTech Network, Flutterwave, MFS Africa, Telecoms, etc.</p>

Source: Agpaytech, 2025

Challenges to Address



Regulatory Sovereignty Concerns

Assure countries of shared oversight with local regulators.

Infrastructure Disparities

Use mobile-based and cloud solutions to bridge gaps.

Cybersecurity Threats

Adopt Pan-African cybersecurity standards and frameworks

Political will

Align the passporting initiative with AfCFTA priorities to gain political support

Conclusion

Market Expansion and Financial Inclusion

Passporting enables fintech companies to scale rapidly across multiple countries, offering services to underbanked populations and promoting financial inclusion.

Cost Efficiency and Innovation

By reducing the need for multiple licenses, passporting lowers compliance costs and administrative burdens, allowing fintech firms to focus on innovation and service improvement.

Economic Integration and Growth

A unified regulatory framework fosters cross-border trade and investment, contributing to regional economic growth and integration.

Enhanced Regulatory Oversight

Standardized regulations improve oversight, reduce regulatory arbitrage, and ensure consistent

The concept of FinTech License Passporting in Africa represents a transformative step towards fostering a unified, innovative, and efficient financial ecosystem across the continent. This will enable FinTech companies to operate seamlessly across borders with a single license. Also, the framework promises to reduce regulatory redundancies, lower compliance costs, and accelerate the scalability of digital financial services. This is particularly critical in Africa, where financial inclusion remains a pressing challenge and the FinTech sector is poised to bridge the gap between traditional financial institutions and the unbanked population. Moreover, passporting can harmonize regulatory standards while allowing for localized adaptations, promoting a balance between innovation and consumer protection. It encourages cross-border collaboration, stimulates investment, and drives competition, all of which are essential for a thriving FinTech landscape. As African economies become increasingly interconnected, a responsive regulatory framework that supports cross-border operations without compromising security and compliance will be vital.

For this promising framework to succeed, however, there must be concerted efforts from policymakers, regulators, and industry stakeholders. Regional cooperation, robust legal structures, and a commitment to continuous regulatory innovation are crucial. By embracing FinTech license passporting, Africa can position itself as a global leader in digital finance, unlocking unprecedented opportunities for economic growth, financial inclusion, and technological advancement. In conclusion, FinTech license passporting is not just a regulatory mechanism—it is a catalyst for Africa's digital transformation. With strategic implementation and stakeholder collaboration, it has the potential to redefine the financial landscape, ensuring that Africa remains at the forefront of FinTech innovation in the years to come.

About Agpaytech

Agpaytech Ltd. is a company pioneering in the Fintech space with a focused approach to building robust technologies for e-commerce Card Processing Solutions for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service (RaaS), Banking-as-a-Service (BaaS), Foreign Exchange, Cross Border Payments, and digital currency technology.

We also provide practical white paper research support to central banks, government and private institutions, economic organizations, and NGOs in Africa. Our services expand from research projects, state-of-industry reports, project assessment, data collection, and consulting services in the fintech space.

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