

Law and Practice

Contributed by:

Isa Alade, Azeezah Muse-Sadiq, Seyi Bella and Olumide Osundolire

Banwo & Ighodalo see p.24



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1. Fintech Market

1.1 Evolution of the Fintech Market

From disrupting the conventional banking system by creating lending alternatives and enabling electronic payments to redesigning savings and wealth management infrastructures, the value proposition of the fintech market in Nigeria has grown to meet the day-to-day needs of its consumers with lasting financial solutions.

Fintech Start-Ups and the Nigerian Economy

Nigeria, Egypt, Kenya and South Africa make up the “big four” start-up ecosystems in Africa. Within the Nigerian start-up ecosystem, fintech continues to be the leading subsector. As of September 2022, fintech ventures accounted for more than 36% of the 481 existing tech start-ups and 42% of total funds raised by these tech start-ups.

As the largest subsector of the Nigerian tech ecosystem, fintech contributed a great deal to the country’s economy in 2022 – thanks to an influx of innovative product features and investments. With the transaction value of instant payments hitting an all-time high of NGN387 trillion, a 42% increase from 2021 as reported by the Nigerian Inter-Bank Settlement System (NIBSS), it is apparent that Nigeria’s fintech ecosystem continuously enjoys and thrives on a significant level of consumer utility.

However, the fintech market did not emerge unscathed from the global and domestic economic downturn of 2022. Although the total value of funding raised by Nigerian fintech companies in 2022 is estimated to be about USD507 million, this figure represents a decline from the total of USD536.7 million recorded in 2021 as well as the projected amount of USD543.3 million for 2022. Interestingly, the tech start-up

ecosystems in Nigeria and South Africa both experienced turmoil in the thick of the global and economic nosedive in 2022, as reports show that South African start-ups raised USD500 million – with fintech start-ups accounting for a frightful USD77 million when compared with USD336 million in 2021.

Notwithstanding this decline, compared to other key African investment destinations, Nigeria’s fintech ecosystem witnessed the biggest funding rounds yet. Notably, in February 2022, Flutterwave successfully raised a USD250 million series D round; this raised its valuation to more than USD3 billion shortly after attaining its unicorn status in 2021. In the same year, Interswitch secured a USD110 million deal, Moove Africa BV raised USD105 million in a series A2 round, while Team Apt (now Moniepoint) raised USD50 million in a pre-series C round.

As with previous years, Nigeria’s biggest fintech players continue to be seen in payments services, microfinancing/lending, software solutions (in this order) in 2022. In recent times, there has been an increase in the usage of the buy now pay later (BNPL) solution offered by companies like Wakanow, CDcare, Easycare. Nigeria currently has a weak credit system and it is believed that the BNPL solution can help improve the credit situation by increasing access to credit in Nigeria. However, owing to the lack of a reliable credit reporting system in the country, BNPL continues to struggle with massive defaults from its customers.

Fintech Regulatory Landscape in 2022

The major regulators in the fintech ecosystem are the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). In 2022, the CBN and the SEC issued new regulations to guide fintech and financial activities

in the country. The country also witnessed new regulations and laws from other regulators that affect fintech activities.

In May 2022, the SEC issued the New Rules on Issuance, Offering Platforms and Custody of Digital Assets (the “Digital Assets Rules”), which apply to all issuers seeking to raise capital through digital asset offerings. These rules were issued on the back of the Statement on Digital Assets and their Classification and Treatment issued by the SEC in September 2020. The Digital Assets Rules provide the requirement for an initial digital offering, as well as categories for registration of virtual asset service providers – notably, digital assets offering platforms, digital assets custodians and digital assets exchanges. Notwithstanding the position of the SEC as presented in the Digital Assets Rules, the regulatory position on digital assets and cryptocurrencies in Nigeria still remains controversial following the CBN’s directive to financial institutions in 2021, whereby operations in cryptocurrencies through the Nigerian banking system were restricted.

In August 2022, the Federal Competition and Consumer Protection Commission (FCCPC) issued interim guidelines for the registration of digital lending platforms (the “FCCPC Guidelines”). The FCCPC Guidelines require all digital lending platforms to be registered with the FCCPC, as the regulatory body for issues related to competition and consumer protection. The FCCPC Guidelines constitute the FCCPC’s approach towards regulating the digital lending space in Nigeria. Under these rules, all digital lending platforms are required to undergo documentation with the FCCPC, as well as provide information on their operational licence. On the back of this requirement, Google has advised that digital lending apps operating in Nigeria will need to provide evidence of registration/

licence or risk being removed from the Google Play Store.

As of December 2022, more than 100 digital lending companies have been registered with the FCCPC. It is contended that, in issuing the FCCPC Guidelines, the FCCPC may be acting outside its regulatory purview to protect consumer interests as the FCCPC Guidelines may be regarded as regulation of money-lending business in Nigeria. Money-lending business is, however, a matter for state regulation in Nigeria.

Furthermore, in the fourth quarter 2022, the President of the Federal Republic of Nigeria gave its assent to the Start-up Bill. The Start-up Act, among others, establishes a National Council for Digital Innovation (“the Council”) and a Start-up Support and Engagement Portal (the “Start-up Portal”) to be managed by the secretariat of the Council. The Start-up Portal is intended to operate as a one-stop shop for start-ups to undergo registration processes with relevant ministries, departments and agencies.

On 14 November 2022, the National Data Protection Bureau (NDPB) issued a compliance notice mandating all organisations that control and process data to, inter alia:

- comply with the provisions of the Nigeria Data Protection Regulations 2019;
- designate one or two members of staff as Data Protection Contacts (DPCs); and
- share the name of such DPCs with the NDPB or share the contact details of the entity’s Data Protection Officer with the NDPB by November 25 2022 (subsequently extended to January 20, 2023).

This is required for such organisations to be included in the National Data Protection Ade-

quacy Programme Whitelist, which contains a list of organisations deemed to have taken steps to comply with the standard duty of care required in ensuring data protection. The Whitelist is intended to be shared with local and international establishments to serve as a reference for compliant organisations in relevant transactions and proceedings.

Furthermore, the following AML/CFT frameworks were also introduced:

- the Money Laundering (Prevention and Prohibition) Act 2022 (MLPA);
- the CBN (Anti-money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2022 (the “CBN AML/CFT Regulations”); and
- the SEC (Capital Market Operators Anti-Money Laundering and Combating Terrorism) Regulations 2022 (the “SEC AML/CFT Regulations”).

Forecasting Nigeria’s Fintech Market Growth in 2023

The past few years have shown that the Nigerian fintech market is promising and volatile, particularly based on its sharp decline in 2022 compared with its exponential growth in 2020. This begs the difficult question: “What can we expect in 2023?”.

With the general decline in funding towards the end of 2022 and the possibility of a global stagflation and recession, the funding pattern is likely to maintain a downward trend in 2023. Given that general elections are scheduled to take place between February and March 2023 in Nigeria, investors may be particularly unwilling to commit funds during these periods, owing to the uncertainty created by the elections with regard

to potential policy reviews that may impact investment activities.

Overall, the following developments, trends and factors are expected to impact the nature and level of fintech activities in Nigeria in 2023.

High inflation rate and forex scarcity

According to the National Bureau of Statistics, as of December 2022, the inflation rate in Nigeria stood at 21.47% – a 5.72% increase compared with December 2021. There are predictions by global rating companies and experts of higher inflation rates in 2023. The high inflation rate is not unrelated to the naira-dollar disparity and, although forex restrictions have been put in place, the unprecedented disparity between the official rate and the parallel market rate, as a result of the long-drawn scarcity of forex at the official rate continues to contribute to the fall of the naira. The forex situation largely affects repatriation of capital; therefore, there is a likelihood that the inflation rate and forex scarcity will cause more strain on foreign transactions, as most of the funding secured in the ecosystem are in US dollars.

Lay-offs and cut-offs

Fintech ventures are major employers in the Nigerian start-up ecosystem. Along with many other businesses, fintech ventures are looking to re-evaluate and re-assess their models to cut costs in light of the global tech recession and decline in external funding. As of November 2022, Vendease and Quidax had laid off 9% and 20% of their workforce respectively. In 2023, there is a high possibility that many businesses will continue on this path.

Nigerian Exchange Technology Board Listing Rules

On 15 December 2022, the Nigerian Exchange (NGX) Technology Board Listing Rules (the “NGX TechBoard Listing Rules”) were approved by the SEC. The NGX Technology Board (the “Technology Board”) is a platform for technology companies to raise capital on the NGX, with the aim of encouraging investments in indigenous technology companies. The securities listed on the board will be open to qualified institutional investors, high net worth individuals and retail investors. Upon the NGX TechBoard Listing Rules becoming effective, it is expected that the fintech ecosystem will welcome more funding from African investors as well as benefit from the wider pool of the public markets.

Implementation of CBN's Cashless Policy

Effective from January 2023, the CBN implemented new limitations on cash withdrawals following the launch of the redesigned naira notes. Although there are concerns around the workability of the new policy, it spells good news for the fintech market as more consumers are likely to lean towards the value proposition of fintech companies as opposed to the traditional banking industry.

2. Fintech Business Models and Regulation in General

2.1 Predominant Business Models

The most prevalent fintech business models in Nigeria are:

- payments and remittances;
- lending and financing services;
- Investech; and
- personal finance.

Payments and Remittances

The payments subsector of the fintech industry is by far the most active in Nigeria and has received the most interest from investors and regulators alike. Payment services cover business-to-business applications (such as payment-processing providers and solutions for accepting payments) and business-to-consumer applications (including services such as mobile wallets and payment applications that enable individuals to pay on the go and make peer-to-peer transfers). Remittance-related products focus on cross-border money transfers from migrant populations to their “home” country. This subsector comprises fintech companies and legacy players such as Payment Service Banks (PSB). Non-financial legacy players have also begun delving into payments and remittances – for example, two leading telecommunications companies (MTN and Airtel) obtained PSB licences in 2022.

Lending and Financing

Mobile lending applications and BNPL services, also referred to as “point of sale instalment loans”, have proliferated the Nigerian fintech space. The ability to provide quicker loans through a simplified lending process (mostly without collateral) gives this model a competitive advantage over traditional lending, but legacy players are also deploying similar solutions. Nigerian fintech companies are also providing innovative solutions for financing asset and trade, particularly through the instrumentality of sale credits.

Investech

Investech start-ups are leveraging technology to provide Nigerians with the opportunity to grow their funds. Some of these opportunities range from real estate, agriculture and the money market. These fintech companies focus on deploying solutions to improve and democra-

tise investment and wealth management to their customers.

Personal Finance

Another popular business model for fintech companies in Nigeria is to offer a personal savings solution that manages personal bills, accounts and/or credit.

2.2 Regulatory Regime

Nigeria operates a three-tier federal system of government, with powers shared by the Nigerian Constitution among the federal, state and local governments. The regulation of banking activities falls within the purview of the federal government, thus the operations of most fintech companies are regulated by federal laws. Furthermore, there is no specific regulatory regime focused on fintech companies in Nigeria; rather, they are generally subject to the regime applicable to other companies operating similar businesses/models in a particular sector.

Notably, in 2022, the Nigerian Start-up Act was passed. The Start-up Act seeks to create an enabling environment for growth, attraction and protection of investment in tech start-ups.

Payments

This subsector is principally regulated by the Banks and Other Financial Institutions Act 2020 (BOFIA), supplemented by various guidelines issued by the CBN from time to time that apply to legacy players and fintech companies alike. Any fintech operating as a Payment Service Provider (PSP) is required to obtain a CBN licence to operate.

Lending and Financing

This subsector is also principally regulated by BOFIA – albeit supplemented by various guidelines issued by the CBN from time to time that

apply to legacy players and fintech companies alike, including relevant prudential guidelines. In order to hold deposits and engage in lending/financing operations in Nigeria, fintech companies require any of the following:

- a commercial banking licence (national or regional);
- a merchant banking licence;
- a specialised banking licence or a microfinance banking licence (national or state or unit); or
- a finance company licence from the CBN.

However, fintech companies that are not focused on holding deposits or providing lending services across the entire country may operate with a money-lender's licence pursuant to the money-lender laws of the relevant state(s) they operate in. The money-lender's licence application regime is less onerous than the other regimes – hence the attraction for fintech companies. Yet another alternative is for a fintech to partner with entities that hold the relevant lending licences and merely provide the technology platform through which the loans are advanced. In 2022, the FCCPC added an additional layer of regulatory framework to the digital lending space. The FCCPC requires all digital money-lenders to register with it in accordance with the FCCPC Guidelines.

Investech

Entities engaged in the provision of investment services must register with the SEC as capital market operators. Much like personal finance applications, investech companies have also begun partnering with registered capital market operators in order to provide these services.

Personal Finance

In order to accept deposits from customers, fintech companies are required to obtain any of the banking licences identified under “lending” from the CBN. In practice, however, fintech companies offering personal finance applications in Nigeria typically operate through partnerships with established microfinance banks (MFBs) or deposit money banks (DMBs). Fintech companies have also begun to acquire microfinance banking licences to deliver their products.

Financial Services Through Telecommunications Infrastructure

In addition to the foregoing, pursuant to the Licence Framework for Value Added Services, the Nigerian Communications Commission (NCC) regulates businesses that offer financial services by leveraging on mobile phones or other telecommunications infrastructure.

2.3 Compensation Models

The compensation models for the industry participants vary depending on the business model.

For payment services, the compensation model is highly regulated in Nigeria. Companies in this subsector profit by receiving a percentage of the transaction fees that are typically incurred when making payments. In this regard, the Electronic Payment Guidelines provide that fees and charges for web transactions are to be agreed between service providers and banks/entities to which the services are being provided. They also provide that the maximum total fee that a merchant shall be charged for web transactions shall be subject to negotiations between the merchant and the acquirer (the bank that maintains the merchant bank’s account) and these negotiations must take into account the provisions of the CBN’s Circular on the Implementation of Interchange Fee (the “Interchange

Guidelines”). The Interchange Guidelines regulate the interchange fees paid by the acquirers to card issuers (the financial institution that issues credit/debit cards to customers).

For online lending, the money-lender laws of various states prescribe limitations on the interest on loans that may be imposed by money-lenders.

2.4 Variations Between the Regulation of Fintech and Legacy Players

In Nigeria, there is generally no difference between the regulation of fintech industry participants and the regulation of legacy financial institutions.

Fintech companies generally operate within the existing regulatory regime for the financial services industry. This is evident from the provisions of BOFIA, which explicitly recognise PSPs and international money transfer operators (IMTOs) as financial institutions to be regulated like other financial institutions (such as finance companies, which are legacy players) in the manner provided for by BOFIA. Also, legacy players are developing products to compete with fintech companies, thereby obscuring the regulatory lines.

2.5 Regulatory Sandbox

In 2019, a Financial Industry Sandbox launched by the Financial Service Innovators Association of Nigeria in conjunction with the CBN and the NIBSS was designed to allow fintech companies to test solutions and products within a controlled environment through the NIBSS APIs and those of other existing companies (“the Sandbox”).

Similarly, the regulatory incubation programme introduced by the SEC is targeted at individuals and businesses (registered, or intending to register, with the SEC) that are planning to launch

an innovative product or process in the Nigerian capital market. Such innovators are expected to complete the fintech assessment form that can be accessed through the Innovation and FinTech Portal on the SEC website.

In furtherance of the CBN's commitment to building a financial services sector that promotes innovation, effective service delivery, healthy competition and financial inclusion, the CBN Sandbox Regulations were released in January 2021 (the "Sandbox Regulations"). The Sandbox Regulations set out the requirements for conducting live tests on innovative products, services and other solutions in a controlled environment provided by the CBN. To this end, the CBN will review the products and solutions of applicants (licensed institutions, fintech companies, innovators and researchers) during their implementation.

In 2022, CBN launched the Sandbox. Both existing CBN licensees (financial institutions with fintech initiatives) and other legacy companies are eligible to make a Sandbox application. Acceptance into the sandbox is based on five broad criteria:

- the innovative nature of the product/service/solution;
- commitment of the applicant to operate within a limited transaction value and volume;
- tested usefulness and functionality of the product;
- availability of necessary resources by the applicant to support testing in the sandbox; and
- availability of business plan that shows product's viability beyond the sandbox.

2.6 Jurisdiction of Regulators

The legislation establishing various regulators usually specifies the jurisdiction limits of such regulators.

The CBN is the apex monetary authority in Nigeria responsible for the regulation of all banks and financial institutions operating in Nigeria. The bulk of fintech companies in Nigeria deal in payment/financial services and, in so doing, assume quasi-banking functions – thereby coming within the regulatory purview of the CBN.

The SEC is the primary regulatory body for investments and capital markets transactions in Nigeria. The jurisdiction of the SEC in the regulation of fintech companies that operate can be found in the operation of investtech applications and crowdfunding platforms, among others. In the same vein, certain fintech companies that offer the option of pooling together capital from individual investors towards investment in certain asset classes (collective investment schemes) must be registered with the SEC.

The National Insurance Commission (NAICOM) regulates the insurance industry in Nigeria, with its jurisdiction extending to insurtech companies that carry on insurance businesses.

The National Information Technology Development Agency (NITDA) is the regulatory body responsible for promoting and developing policies and guidelines for information technology in Nigeria and used to be the supervisory authority for data protection (now carried out by NDPB). Fintech companies in Nigeria are required to ensure compliance with the data privacy and protection rules, as stipulated by the NITDA – especially the requirements of the National Data Protection Regulation (NDPR).

Furthermore, the NCC is empowered by the Nigerian Communications Act 2003 to regulate the telecommunications industry in Nigeria. Thus, fintech companies offering services that involve the use of mobile networks or mobile phones are subject to the NCC's regulatory purview and must obtain operating licences from the NCC.

Finally, the FCCPC is the apex regulator for consumer protection and competition affairs in Nigeria. Acting in its capacity as the regulatory authority saddled with implementing the Federal Competition and Consumer Protection Act ("FCCPA"), the FCCPC regulates the activities of fintech companies with the aim of protecting the rights of consumers under the FCCPA.

2.7 Outsourcing of Regulated Functions

Generally, the powers given to players in the financial services industry by the regulator(s) through the various licences cannot be transferred, assigned or otherwise outsourced to third parties without the consent of the regulator. However, there are exceptions. By way of an example, certain financial services can be provided by a third party (agent) to customers on behalf of DMBs or mobile money operators (as vendors) pursuant to the CBN Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria. The vendors are required to submit an application for approval to the CBN, stating the extent of agent banking activities and responsibilities of relevant parties, as well as the risk management, internal control, operational procedures and any other policy and procedures relevant to the agent banking arrangement. The parties to the agent banking arrangement are also required to enter into service-level agreements and agent banking contracts satisfactory to the CBN.

2.8 Gatekeeper Liability

BOFIA imposes an obligation on financial institutions (including fintech companies operating as digital banks, IMTOs, PSPs and fintech companies whose objectives include investment management) to adopt policies stating their commitments to comply with AML/CFT obligations under subsisting laws and regulations, as well as to implement control measures to prevent any transaction that facilitates criminal activities, money laundering or terrorism.

More specifically, the CBN AML/CFT Regulations 2022 require financial institutions to, among other things:

- adopt customer due diligence measures for the purpose of identifying and verifying their customers; and
- monitor and report transactions that may be deemed suspicious.

2.9 Significant Enforcement Actions

Nigerian laws establishing the various regulatory bodies also empower these bodies to enforce compliance with the regulations and impose sanctions for the infringement of these regulations. Sanctions imposed by the CBN, the SEC and other regulatory bodies include fines, the suspension of licences and – in some instances – the institution of criminal proceedings against the principal officers of the company for non-compliance.

In April 2022, the CBN imposed a sanction of NGN1.314 billion on six Nigerian banks for alleged non-compliance with the CBN's directive for banks to close accounts of persons or entities involved in cryptocurrency transactions within their systems. In August 2022, the FCCPC announced that it had:

- conducted enforcement actions against an erring digital money-lender;
- renewed orders empowering the FCCPC to search and seize properties from the premises of the erring digital money lender; and
- ordered Google Play Store to bring down certain identified mobile applications that were discovered to be created and operating as a circumvention of existing investigative interventions of the FCCPC.

In November 2022, the SEC announced the inclusion of ten persons and three entities to the Nigeria sanctions list of individuals and entities subject to assets freeze, travel ban and arms embargo.

2.10 Implications of Additional, Non-financial Services Regulations

In addition to the primary regulations governing their businesses, fintech companies are subject to general laws/regulations with attendant compliance obligations. However, there is generally no difference in the application of these regulations to fintech companies compared to legacy players.

The NDPR is the principal privacy law in Nigeria and all companies collecting and processing customers' data must comply with its provisions. The NDPR mandates operators to maintain security measures for the protection of such data.

2.11 Review of Industry Participants by Parties Other than Regulators

The NIBSS, among others, initiates and develops an integrated nationwide network for electronic or paperless payments, funds transfer and settlement of transactions. In order to fulfil its mandate, the NIBSS sets verification standards that must be complied with by industry partici-

pants who seek to consummate transactions on the NIBSS network.

In addition, the Companies and Allied Matters Act 2020 (CAMA) stipulates that all companies in Nigeria must prepare audited financial statements comprising an auditor's report certified by an independent auditor. However, companies that have not carried on business since incorporation and small companies as defined under Section 394 of the CAMA are exempt from preparing audited financial statements. Thus, all fintech companies operating in Nigeria must be audited annually by certified independent audit firms, except those that fall within the exemption bracket.

2.12 Conjunction of Unregulated and Regulated Products and Services

Generally, it is not permissible for licensed/registered companies offering regulated products to offer unregulated products and services. Regulated entities operating in the financial services industry submit annual returns for their operations/businesses and undergo an annual examination that will expose any unregulated products/services. Nonetheless, certain participants offer regulated and unregulated products and services through the same legal entity.

2.13 Impact of AML Rules

The main legislation prohibiting money laundering in Nigeria is the MLPA. The CBN's AML/CFT Regulations regulate financial institutions under the CBN's regulatory purview and the SEC's AML/CFT Regulations regulate institutions under the regulatory purview of the SEC.

The MLPA, which is more general in its scope, imposes the obligation to conduct KYC checks on financial institutions (FIs) and designated non-financial institutions (DNFIs). To the extent

that an unregulated entity does not fall under the definition of an FI or a DNFI, it is not bound by the requirements of the MLPA – given that it relates to FIs and DNFIs, including the fulfilment of the KYC requirements. However, a fintech company that holds a CBN or SEC licence or falls under the definition of a DNFI under the MPLA is required to comply with the KYC requirements as stipulated under the relevant laws and regulations and to make the required periodical returns.

3. Robo-advisers

3.1 Requirement for Different Business Models

In August 2021, the SEC issued the Rules on Robo-Advisory Services in Nigeria (the “Robo-Advisory Rules”) in a bid to regulate the adoption and deployment of robo-advisory services in the Nigerian capital market. Pursuant to the provisions of the Robo-Advisory Rules, every robo-adviser is required to comply on an ongoing basis with applicable business conduct requirements set out in the Investments and Securities Act No 29 of 2007 (as amended) (ISA) and the Rules and Regulations, Notices and Guidelines issued pursuant to the ISA.

Although the Robo-Advisory Rules are silent on the types of business models that can be established, they recognise that the services provided by robo-advisers can be fully automated – with no human intervention in the entire advisory process.

3.2 Legacy Players’ Implementation of Solutions Introduced by Robo-advisers

Robo-advisory solutions have been sparsely deployed in providing financial advisory services in Nigeria as traditional (human) models continue to remain popular. Nevertheless, numerous investech solutions (such as RiseVest and Cowrywise) use robo-advisory-based interfaces (ie, the process of gathering information from a client/user through surveys and questionnaires, then investing or providing investment recommendations based on such data). Predominantly, the legacy asset management/stockbroking firms have implemented automated solutions more for first-link interfaces with customers.

3.3 Issues Relating to Best Execution of Customer Trades

Robo-advisory services are limited in their deployment in Nigeria. However, regulators have taken a proactive approach in ensuring that robo-advisers, as they expand in the Nigerian market, ensure best execution of customer trades.

In July 2018, the Nigerian Exchange Group Plc (then the Nigerian Stock Exchange, or NSE) issued the Rules on Order Handling and Best Execution (the “NGX Order-Handling Rules”), which stockbrokers/dealing members – whether they utilise technology solutions in their service offerings or not – are required to comply with in the execution of customer trades. The Robo-Advisory Rules also seek to regulate the adoption and deployment of robo-advisory services in the Nigerian capital market, and set out compliance requirements and standards that robo-advisers in Nigeria are required to adhere to when ensuring adequate protection for their clients.

4. Online Lenders

4.1 Differences in the Business or Regulation of Loans Provided to Different Entities

Differences in the business or regulation of loans exist in Nigeria based on the nature of the borrower. Loans are typically provided under a commercial bank licence or MFB licence issued by the CBN. Although the commercial banking licence targets the general populace, MFBs target low-income earners, vulnerable groups, informal sector operators, micro-entrepreneurs, subsistence farmers and SMEs, and provide loans with less stringent application and collateral requirements. It is not unusual to see online or digital lenders collaborate with MFBs or obtain MFB licences, thanks to relaxed application and compliance processes compared with the traditional banks, with restrictions on the value of loans that may be granted to individual businesses. However, traditional banks are not prevented from granting loans to similar entities – many of which have already introduced specialised online lending products targeted at SMEs.

Also, fintech companies that are not focused on holding deposits but instead focus on providing lending services within the geographical limits of a state may operate with a money-lender's licence pursuant to the money-lender laws of the relevant state(s) they operate in. The money-lender's licence application regime is less onerous than the other regimes; hence the attraction.

4.2 Underwriting Processes

In order to improve underwriting processes, online lenders are using deep-learning algorithms to process vast amounts of data and more accurately quantify the risk of default. The introduction of the Credit Reporting Act in 2017,

which facilitates credit reporting and gathering, appears to have also strengthened the underwriting process – given that the loans availed through these platforms are mostly provided without collateral. This has allowed the banks to underwrite loans for the mass markets with credit loss rates well below the industry average. Furthermore, the Global Standing Instruction mandate of the CBN became effective in August 2020 and is aimed at facilitating loan recovery from individual borrowers across the financial system.

However, there are no specific regulations that provide for a particular underwriting process for online lenders in Nigeria. Thus, general requirements applicable to traditional players will apply to online lenders.

4.3 Sources of Funds for Loans

There is no particular source of funds peculiar to fintech companies for online lending purposes in Nigeria. However, the most popular is lender-raised equity. Other sources of funds include loans (shareholder or third-party), deposit-taking activities, debt capital markets instruments, peer-to-peer bilateral funding and securitisations.

4.4 Syndication of Loans

Loan syndications are quite popular in the Nigerian financial market, albeit mostly with traditional banking institutions as opposed to online lenders – given that the value of loans typically disbursed through online lending platforms tends to be small.

Usually, where the value of a loan to be procured by a borrower is huge, a financial institution will pool together a syndicate of other banks to provide the loan on similar terms. A security trustee is appointed to hold collateral provided by the

borrower for the benefit of the syndicate of lenders. A facility agent is also appointed to collect interests and repayments from the borrower and distribute to the syndicate as well as monitor the borrower's financial covenants and administer waivers and amendments to the loan documentation. Syndicated loans are also subject to prudential guidelines prescribed by the CBN from time to time.

5. Payment Processors

5.1 Payment Processors' Use of Payment Rails

Payment processors and payment gateways in Nigeria often operate within existing payment rails established by the CBN, such as the Real Time Gross Settlement System. Within this system, payment processors and payment gateways (acting through settlement banks) are able to provide an avenue for real-time processing and settlement of transactions undertaken between customers and merchants.

5.2 Regulation of Cross-Border Payments and Remittances

The CBN regulates cross-border payments and remittances, and issues licences to organisations seeking to provide such services in Nigeria. The most relevant regulations in this respect are the Pan African Payment and Settlement Systems (PAPSS) Guidelines, the Guidelines on International Money Transfer Services in Nigeria (the "IMTS Guidelines") and the Guidelines on International Mobile Money Remittance Services (the "IMMRS Guidelines").

Specifically, the IMTS Guidelines provide minimum standards and requirements for international money transfer operations, specify delivery channels for such money transfer operations

and provide guidelines for the implementation of processes and flows of international money transfer services. The IMMRS Guidelines were issued to complement the IMTS Guidelines by facilitating foreign exchange transactions through mobile applications.

The PAPSS Guidelines were issued with the objective of regulating cross-border payments within the African Continental Free Trade Agreement framework. The PAPSS Guidelines are aimed at enabling innovation in cross-border trade and access to new markets, thereby providing a simple process that reduces the complexities and costs of foreign exchange for cross-border transactions between African markets and secures instant cross-border payment capabilities to their customers all over Africa.

6. Fund Administrators

6.1 Regulation of Fund Administrators

Fund administrators are primarily regulated under Nigerian law by the ISA and the SEC Rules. The SEC Rules set forth that fund managers may engage in investment advisory services, selection of securities for the fund/portfolio, publication of financial market periodicals, management of funds and portfolios on behalf of investors, or any ancillary activities. As such, where an entity is looking to engage in these services, registration with the SEC as a portfolio/fund manager is mandatory.

6.2 Contractual Terms

Investors or fund advisers may negotiate additional provisions in relevant contracts with fund administrators to ensure they administer their functions with due care and skill in line with investors' commercial objectives.

In order to assure investor protection, the SEC Rules contain robust provisions around information to be placed in any prospectus, trust deed or contract with fund administrators (including maximum incentive fees chargeable by a fund manager, governance framework and approved investment instruments for deposited funds).

7. Marketplaces, Exchanges and Trading Platforms

7.1 Permissible Trading Platforms

The applicable and permissible platforms for trading securities in Nigeria are dependent on the type of security intended to be listed. For debt securities, the current trading platforms permissible are the NGX and the FMDQ Securities Exchange Limited (FMDQ). Equity securities can be traded publicly on the NASD Over-the-Counter (OTC) Plc (NASD) and NGX, whereas commodities can be traded on the AFEX Commodities Exchange Limited, the Lagos Commodities and Futures Exchange, the Nigeria Commodity Exchange, and the FMDQ.

Pursuant to the completion of the demutualisation process of the NSE in 2021, a new non-operating holding company, the Nigerian Exchange Group Plc (the “NGX Group”), was created. The NGX Group has three operating subsidiaries:

- NGX Exchange Limited, the operating exchange;
- NGX Regulation Limited, the independent regulation company; and
- NGX Real Estate Limited, the real estate company.

The NGX is responsible for listing, trading, technology, market data and other core exchange functions. The NGX also provides for the Growth

Board, which is a trading platform available to small and mid-sized fast-growth companies in order to raise critical long-term capital at relatively low cost so they can realise their business potential. As mentioned in **1.1 Evolution of the Fintech Market**, in December 2022, the SEC approved the NGX Techboard Listing Rules. It is expected that the Technology Board will serve as a specialised platform for technology-based companies to list and raise capital on the NGX.

Currently, the primary regulation for listing on the NGX is the NGX Rulebook 2015 (as amended from time to time). The regulations for listing securities on the FMDQ include the FMDQ Bond Listing and Quotation Rules December 2014, the FMDQ Short Term Bonds Registration Process and Listing Rules 2016, the Sukuk Listing Rules 2017, the FMDQ Commercial Paper Registration and Quotation Rules April 2021, while the regulation for listing on the NASD is the NASD OTC Market Rules. These rules are, however, amended from time to time.

In addition to the above, FMDQ Private Markets Limited (a subsidiary of FMDQ Group Plc) provides a platform for the notation of instruments issued by private companies in the capital markets. FMDQ Private Markets provides a medium for the disclosure of activities of private companies in the Nigerian capital markets by serving as an information repository for the recording of these activities via a restricted access portal (the Private Companies’ Securities Information and Distribution Portal) and on either the FMDQ Private Markets PCB Main Board, Growth Board or Cradle Board, depending on the nature of the issuer and its ability to meet the relevant requirements.

7.2 Regulation of Different Asset Classes

The rules and regulations applicable to each asset class extend to securities listing, transaction monitoring, and compliance by members with the ISA, the SEC Rules and the various rules of the applicable exchanges and trade points. The ISA empowers the SEC to regulate the derivatives market and, in December 2019, the SEC approved and published rules regulating derivatives trading in Nigeria that apply to exchange-traded derivatives and OTC derivatives where specifically mentioned.

7.3 Impact of the Emergence of Cryptocurrency Exchanges

In 2021, the CBN issued a circular to DMBs, non-bank financial institutions and other financial institutions (the “Regulated Institutions”) reminding the Regulated Institutions that dealing in cryptocurrencies or facilitating payments for cryptocurrency exchanges is prohibited and further directing the Regulated Institutions to identify persons and/or entities transacting in or operating cryptocurrency exchanges within their system and ensure that such bank accounts are closed immediately. In 2022, it was reported that the CBN imposed monetary sanctions in the sum of NGN1.314 billion on certain Regulated Institutions for alleged non-compliance with this directive. Further to the CBN Circular, the SEC disclosed in a statement in Lagos in 2021 that it will put on hold admittance into its regulatory incubation framework for fintech firms and all persons affected by the CBN Circular.

Notwithstanding the foregoing, in May 2022, the SEC published rules on the issuance, offering and custody of digital assets and it is expected that the SEC Rules will apply to the issuance and offering of cryptocurrencies.

7.4 Listing Standards

Companies seeking to be listed on the NGX must comply with the NGX’s listing rules in the NGX Rulebook as well as the relevant provisions of the CAMA, the ISA and the SEC Rules. A company may be listed on the Main Board, the Premium Board, the Technology Board or the Growth Board of the NGX. In addition, the main board of the NGX has three listing standards that are applicable to companies seeking to list on the main board. The NGX Rulebook also stipulates other listing requirements for companies seeking to be listed on the Premium Board, the Growth Board and the Technology Board.

Furthermore, the FMDQ Bond Listing and Quotation Rules December 2014 provides for the listing standards for the quotation of securities for companies, mutual funds, exchange-traded funds, and mortgage-backed and asset-backed securities on the FMDQ. Meanwhile, the NASD OTC Market Rules sets out the requirements for a company seeking to be listed on the NASD OTC.

Also, private companies seeking to note securities on the FMDQ Private Companies’ Securities Information and Distribution Portal must comply with the requirements of the following rules issued by the FMDQ Private Markets depending on the type of security:

- Private Companies’ Bonds Noting Guidelines June 2021;
- Private Companies’ Notes Noting Guidelines June 2021;
- Sukuk Noting Guidelines June 2021; and
- Private Companies’ Equities Noting Guidelines April 2022.

7.5 Order-Handling Rules

There are no general order-handling rules applicable to dealers in the Nigerian capital markets regulatory sphere, as each exchange is expected to issue its order-handling rules. By way of an example, the NGX Order-Handling Rules regulate order handling and execution for dealing members. It provides that when executing a client's order, a dealing member shall take into account the following criteria for determining the relative importance of the execution factors:

- the characteristics of the client, including the categorisation of the client as retail or institutional;
- the characteristics of the client order; and
- the characteristics of securities that are the subject of that order, including expected return, risk, liquidity and volatility.

7.6 Rise of Peer-to-Peer Trading Platforms

Peer-to-peer trading platforms are not regulated under Nigerian law. Therefore, the regulated OTC trade points and recognised exchanges are still the main platforms, such as Binance, BuyCoins and Quidax.

7.7 Issues Relating to Best Execution of Customer Trades

One issue that relates to the best execution of customer trades is that under the NGX Order-Handling Rules, every dealing member must establish and implement an order execution policy to allow it to obtain – for its client order – the best possible result. Pursuant to this best execution obligation, investment companies are obliged to execute customer orders in a way that would provide the best results for the customers, considering customer preferences such as price, cost, speed, clearing, settlement, custody and counterparty.

7.8 Rules of Payment for Order Flow

There are currently no rules or regulations expressly permitting or prohibiting payment for order flow. However, the NGX Order-Handling Rules provide that each dealing member shall execute its client's specific instructions and take all reasonable steps to obtain the best possible result for a client while executing an order or a specific aspect of an order. In addition, the NGX rules on the registration of market-makers provides that every applicant who intends to be a market-maker must ensure that they have in place a proper supervisory programme and a system to ensure a proper management of conflict of interest.

7.9 Market Integrity Principles

Currently, the NGX has a market surveillance and investigation department whose primary mission is to protect the integrity of the capital market from fraud, manipulation and abusive practices and to ensure fair and orderly market and investor protection. Additionally, the NGX launched the X-Whistle, a whistle-blowing portal for secure and effective submission of information relating to violations of rules and regulations in the Nigerian capital market. X-Whistle allows any person to raise genuine concerns about unethical or unlawful conduct by market participants on an anonymous basis, with the objective of protecting market integrity. In 2020, the NGX (then NSE) upgraded X-Whistle in order to strengthen investor protection. The upgraded portal features a single repository for complaints, tips and referrals, and the ability to generate detailed and varied reports, with analytics for proper tracking.

Just like the NGX, the FMDQ also has a market surveillance department that monitors members' trading activities to ensure transparency, credibility and integrity in the FMDQ markets. The

FMDQ also takes disciplinary actions against its members for violations of the FMDQ Rules and Regulations and publishes compilations of these actions on its website monthly. The FMDQ whistle-blowing policy provides an avenue for stakeholders (members, employees, regulators, investors, industry professionals, issuers and the general public) to provide tips regarding activities/issues within the FMDQ portals.

8. High-Frequency and Algorithmic Trading

8.1 Creation and Usage Regulations

There are currently no regulations in relation to high-frequency and algorithmic trading in Nigeria.

Although high-frequency trading is not prevalent in Nigeria, the NGX Rulebook provides that firms wishing to be considered for market-making functionality when applying for a dealing membership will need to meet higher technological requirement levels that include the ability to manage, measure and control their portfolio risk using probability algorithms that take into consideration their open positions, borrowing inventory and collateralised obligations.

8.2 Requirement to Register as Market Makers When Functioning in a Principal Capacity

The SEC Rules and the ISA do not specifically provide for the registration of market makers in high-frequency and algorithmic trading when they are functioning in a principal capacity.

8.3 Regulatory Distinction Between Funds and Dealers

There are no regulatory distinctions between funds and dealers engaged in high-frequency and algorithmic trading.

8.4 Regulation of Programmers and Programming

There are currently no regulations in relation to high-frequency and algorithmic trading and programmers in respect of same in Nigeria. However, the Robo-Advisory Rules provide that robo-advisers shall – at a minimum – disclose in writing the following to their clients:

- assumptions, limitations and risks of the algorithms;
- circumstances under which the robo-advisers may override the algorithms or temporarily halt the robo-advisory service; and
- any material adjustments to the algorithms.

In addition, robo-advisers are required to have policies, procedures and controls in place to monitor and test the algorithms on a regular basis in order to ensure that they are performing as intended and – at a minimum – processes and controls to detect any error or bias in the algorithms.

9. Financial Research Platforms

9.1 Registration

In Nigeria, financial research platforms and participants are typically not subject to registration. Non-registration of such platforms and participants thereto with the regulators only applies to the extent that such a platform only provides factual financial data, news, research and analytics for engaging in the Nigerian financial markets. Where such platforms proceed to offer

investment advisory services and make recommendations as to the types of securities to buy and sell, such platforms would be required to register with the SEC.

Similarly, companies desirous of publishing information about insurance products may be subject to the registration framework under the 2022 Insurance Web Aggregators Operational Guidelines (the “Web Aggregator Guidelines”). The Web Aggregator Guidelines define a web aggregator as a company registered under the CAMA and approved by NAICOM, which maintains a website and provides information on insurance products – especially in relation to price or feature comparison – in a bid to offer leads to an insurer. An existing insurance operator (insurer/broker) who wishes to play this role is required to obtain a no-objection from NAICOM, whereas a non-insurance operator has to obtain a licence from NAICOM via a more demanding application process.

9.2 Regulation of Unverified Information

Presently, rumours and other unverified information on financial research platforms are not specifically regulated – although the Web Aggregator Guidelines, for example, stipulate that the content of a web aggregator’s website must at all times be unbiased and factual. In any case, financial research platforms seek to preserve their reputation by ensuring that they gather their information from authoritative sources and that due care and caution is taken in compiling their publications. They may also limit their liability by inserting language in their terms and conditions (the “T&Cs”) to the effect that absolute accuracy, adequacy or completeness of information furnished cannot be guaranteed. Nonetheless, liability for false and misleading statements may be incurred under general common law principles and under Nigerian criminal law.

9.3 Conversation Curation

Presently, there are no ways to curate conversations to avoid pump and dump schemes, spreading insider information and other types of unacceptable behaviour on financial research platforms.

Financial research platforms that provide a forum for users to exchange information harbour an inherent risk that such information may be socially and legally unacceptable, and pump and dump schemes are touted. However, some platforms typically reserve the right to deny access to public forums to users. Unacceptable behaviour may prompt a financial research platform to deny access to its site. It should be noted that, in the T&Cs developed by the financial research platform, there is typically language around limitation of liability such that users are aware that they bear some risk when they rely on information posted on the platform in order to make an investment decision.

10. Insurtech

10.1 Underwriting Processes

Typically, insurtech companies may directly provide insurance services where they obtain an insurance licence from NAICOM or may serve as an aggregator where they provide the platform on which individuals can access different types of insurance cover from different insurance companies in Nigeria. Where an insurtech company serves as an aggregator, it would not be required to provide any form of underwriting services. However, to the extent that the insurtech company engages in the business of directly providing insurance services, it would be required to underwrite the insurance cover provided.

There are no specific regulations governing underwriting for insurtech in Nigeria. However, the Prudential Guidelines for Insurers and Reinsurers in Nigeria (the “NAICOM Guidelines”) provide an obligation for insurtech companies directly providing insurance services to provide a risk management framework to address material risks, which includes underwriting risk. In order to comply with the NAICOM Guidelines, insurtech companies may use sophisticated software to assess risk.

In February 2022, the UK aid-funded FSD Africa and NAICOM partnered to launch “BimaLab (Nigeria)”, an accelerator programme designed to boost the development and adoption of digital solutions for the insurance sector through the education, nurturing and promotion of innovators and insurtech start-ups. In December 2022, FSD reported that two incumbent insurance companies in Nigeria that had applied for the BimaLab Accelerator Programme have been selected for the BimaLab–Neo Insurers Training Initiative. The training programme was scheduled for four weeks.

10.2 Treatment of Different Types of Insurance

The Insurance Act provides for two main classes of insurance businesses: life insurance business and general insurance business. Life insurance is classified into individual life insurance, group life insurance and health insurance business. General insurance business is classified into fire, motor vehicle, marine and aviation, bonds credit guarantee and suretyship insurance. These main classes of insurance are treated differently by industry participants and regulators.

To the extent that insurtech companies are directly providing insurance services, they will be required to register with NAICOM before com-

mencing operations and the type of insurance business they intend to provide (life, general, composite) will determine the obligations (including minimum capital requirements and registers/records) they must fulfil under the Insurance Act. There are also separate application and registration processes for insurtech companies (directly engaged in insurance services), depending on which of the classes of insurance they provide.

11. Regtech

11.1 Regulation of Regtech Providers

There is no substantive law that regulates regtech providers in Nigeria. However, depending on the nature of tools adopted and the services provided, the activities of regtech companies may be regulated by cross-sectorial laws and/or regulation. An example of such regulation is the NDPR. Accordingly, regtech providers whose activities entail processing of personal data of data subjects would be bound to comply with the provisions of the NDPR. Where the activities of regtech providers involve the processing of personal data of a customer of a financial institution, for example, such regtech company will be directly obliged to comply with the provisions of the NDPR.

11.2 Contractual Terms to Assure Performance and Accuracy

Generally, the nature and terms of the contract between financial services firms and regtech providers are predominantly governed by the general principles of contract and the agreed terms of the parties during negotiation. Notwithstanding the existence of such contracts, financial services firms have a duty to ensure that specific contractual terms/clauses are inserted in service contracts to make the services consistent with regulatory provisions.

The CBN, through the Consumer Protection Framework 2016, imposes a duty on financial services institutions to ensure that they put in place effective consumer risk management frameworks to protect consumers' information and assets. Consequently, financial services firms – when contracting with regtech providers – insist on assurances that the regtechs accurately process and adequately protect consumer details.

The authors expect that, in response to the COVID-19 pandemic, business continuity in the services being provided by regtech companies will be paramount to financial services firms and that contracts will contain sufficient provisions to mitigate service disruption.

12. Blockchain

12.1 Use of Blockchain in the Financial Services Industry

The application of blockchain technology in the Nigerian financial services industry is increasingly gaining momentum, as industry players are now utilising same in their service delivery. Notably, in 2022 it was announced that NGX will in 2023 commence the use of blockchain technology for trade settlement. Similarly, e-naira has since seen an increase in adoption – with the latest update to the application effected in November 2022 and volume of downloads soaring to more than 500,000. In addition, fintech start-up Afriex raised USD10 million for its blockchain money transfer platform and there are reports that a number of commercial banks use Zone's blockchain platform for payment processing that facilitates local and intra-African payments in fiat and digital currencies.

12.2 Local Regulators' Approach to Blockchain

Blockchain technology is generally unregulated in the Nigerian financial services industry; however, the adoption of blockchain technology via digital or virtual assets is now regulated in certain respects. The SEC Digital Assets Rules introduced a registration framework for initial digital asset offerings within Nigeria or targeting Nigerians, as well as a registration framework for virtual asset service providers (VASPs), digital assets offering platforms, digital assets custodians and digital assets exchange. It should be recalled that the CBN has, from 2021, maintained a hostile approach towards cryptocurrencies.

Notwithstanding these, the authors note that the Finance Bill 2022 has included “digital assets” as a form of property under the Capital Gains Tax Act. If this provision is retained in the Finance Act upon enactment, it is likely that Capital Gains Tax will be payable on gains recorded on cryptocurrencies, non-fungible tokens (NFTs) and other blockchain-based digital assets.

12.3 Classification of Blockchain Assets

Per the SEC Digital Assets Rules, blockchain assets may be divided into digital assets and virtual assets. Digital assets mean a digital token that represents assets such as a debt or equity claim on the issuer, whereas virtual assets mean a digital representation of value that can be transferred, digitally traded, and used for payment or investment purposes. Virtual assets do not include digital representation of fiat currencies, securities and other financial assets.

12.4 Regulation of “Issuers” of Blockchain Assets

The SEC Digital Assets Rules require all promoters/entities/businesses proposing to conduct initial digital asset offerings within Nigeria (or

targeting Nigerians) to submit an assessment form, draft white paper and a legal opinion on whether or not the tokens are securities. The SEC will review the submission and, where the SEC concludes that the assets are securities, the issuer will be required to register such asset. The authors, however, note that the SEC Digital Assets Rules is not yet operational.

12.5 Regulation of Blockchain Asset Trading Platforms

Blockchain asset trading platforms are regulated under Part D – Rules on VASPs and Part E – Rules on Digital Asset Exchange (DAX) of the SEC Digital Assets Rules.

VASPs are required to register under Part D by filing the appropriate SEC Forms and submitting all required documents. VASPs have various obligations, including obligations to monitor and ensure compliance of its rules, ensure fair treatment of its users, and obtain and retain self-declared risk acknowledgement forms from users prior to them investing.

DAX operators are required to comply with general requirements for VASPs and seek registration as a DAX operator under Part E. There are various regulatory restrictions/obligations for DAX operators. These obligations include reporting obligations, submission of rules to SEC, etc. Perhaps the most prominent restriction is the prohibition of DAX operators from facilitating the trading of any virtual/digital asset unless the SEC has issued a no-objection to the trading of the virtual digital asset.

12.6 Regulation of Funds

The SEC Digital Assets Rules provides limits on funds to be raised by an issuer. Specifically, the maximum quantum of funds that may be raised by an issuer within any continuous 12-month

period is NGN10 billion or 20 times the issuer's shareholders' funds (whichever is lower). The issuer is also required to demonstrate that the gross proceeds to be raised would be sufficient to undertake the project as proposed in the white paper.

In addition, it is probable that market intermediaries and market operators dealing in such fund derivatives and collective investment will need to be registered or approved by the SEC.

12.7 Virtual Currencies

The e-naira is the only virtual currency recognised as legal tender in Nigeria. It is also unlikely that virtual currencies will be deemed a virtual asset or a digital asset under the SEC Digital Assets Rules. Nevertheless, pursuant to the 2020 SEC Statement on Crypto-Assets, virtual currencies will be treated as commodities if traded on a recognised investment exchange and/or where they are issued as an investment.

12.8 Impact of Regulation on “DeFi” Platforms

Decentralised finance (DeFi) is a relatively new concept globally and in Nigeria. The authors are not aware of any regulations that specifically define DeFi in Nigeria. Thus, DeFi platforms in Nigeria will be subject to extant regulations issued by the SEC, the CBN or NAICOM – depending on the nature and scope of the activities being undertaken by the relevant DeFi platform.

12.9 Non-fungible Tokens (NFTs)

NFTs are not yet specifically regulated in Nigeria. Nonetheless, NFTs may be regarded as a virtual asset or a digital asset under the SEC Digital Assets Rules. However, the authors suspect that NFTs and cryptocurrencies will be treated with the same brush by SEC and other regulators.

13. Open Banking

13.1 Regulation of Open Banking

In 2021, the CBN issued the Regulatory Framework for Open Banking in Nigeria (“the Framework”) in its effort to enhance competition and innovation in the banking system. Subsequently, building on the framework, the CBN – in collaboration with industry stakeholders – developed and issued the exposure draft of the Operational Guidelines for Open Banking (the “Operational Guidelines”) in 2022. The Operational Guidelines set out detailed provisions on – among other things – the responsibilities and expectations for the participants in the Open Banking ecosystem, the framework for sharing information, and customer experience standards.

13.2 Concerns Raised by Open Banking

The ease of accessibility to data occasioned by open banking raises confidentiality and privacy concerns. It is, however, commendable that the Open Banking Framework and Operational Guidelines require participants to comply with all data privacy laws and regulations (including the NDPR consumer protection obligations).

Banwo & Ighodalo is a leading full-service Nigerian law firm with capacity to offer legal services across several West African countries. The firm is structured as a partnership, currently comprising 15 partners and more than 70 lawyers. The fintech practice is well positioned to offer clients the benefit of its extensive technology experience, combined with regulatory and financial services knowledge and excellent relationships with regulators. It regularly advises technology companies, start-ups and investors looking to utilise technology innovations in the complex and rapidly changing legal and regulatory landscape. The areas of work include data

privacy protection, e-commerce and internet services, financial services regulation, M&A, peer-to-peer debt and equity financing, and payment services. It also leverages on strong relationships with regulators, banks, insurers, funds and infrastructure service providers to offer incisive, informed and innovative advice across the entire fintech value chain. The authors wish to acknowledge the contribution of the following persons to the preparation of this article: Tosin Oyebanjo, Mayowa Olagbaiye, Akorede Folarin, Bukola Alada, Boluwatife Anjola and Mubarak Dosunmu.

Authors



Isa Alade is a partner at Banwo & Ighodalo and leads the firm's fintech practice. Isa has extensive experience in advising on legal and regulatory issues relating to the application of

technology to financial services. He has advised clients on the development of mobile payments and lending platforms, data privacy, and private equity investment into the fintech sector. He also provides support to government/regulatory agencies in the development of fintech laws. Isa is currently a member of the Governing Council of the FinTech Association of Nigeria.



Azeezah Muse-Sadiq is a partner in the corporate, securities and finance (CSF) group at Banwo & Ighodalo, as well as one of the partners leading the capital markets,

M&A and competition law practices. Azeezah advises on a wide range of capital markets transactions, including debt, equity and structured notes by corporate, sub-national, supranational and sovereign issuers. She has also served on some of the rules sub-committees of the Securities and Exchange Commission and constantly liaises with regulators and other capital market operators in devising ingenious solutions to facilitate complex and novel transaction structures. She is a member of the Nigerian Bar Association and the Chartered Institute of Investments and Securities (UK).

Contributed by: Isa Alade, Azeezah Muse-Sadiq, Seyi Bella and Olumide Osundolire, **Banwo & Ighodalo**



Seyi Bella is a partner in the corporate, securities and finance (CSF) group at Banwo & Ighodalo, where she also leads the firm's banking and finance practice. She advises on a

diverse range of banking and loan syndication transactions – including secured, unsecured, multi-currency and syndicated lending arrangements – and has a thorough understanding of structuring complex financing deals. Seyi also advises fintech companies and start-up companies seeking to do business in Nigeria, as well as venture capital and angel investors seeking to invest in fintech companies. She is a member of the Nigerian Bar Association and the New York Bar Association.



Olumide Osundolire is a partner in the corporate, securities and finance (CSF) group and the IP and technology practice groups at Banwo & Ighodalo, where he also leads the firm's company

secretarial and corporate governance practices. He advises some of the top fintech companies operating in Nigeria, providing legal support and advisory services on complex issues. Being a thought leader in his field with deep knowledge of legal issues in commercial transactions, Olumide acts as a resource person in capacity development trainings and has delivered presentations on diverse subjects within his core practice areas.

Banwo & Ighodalo

48, Awolowo Road
South-West Ikoyi
Lagos
Nigeria

Tel: +234 906 000 3561 2
Email: ialade@banwo-ighodalo.com
Web: www.banwo-ighodalo.com

