

# **SEC Now Taking Applications For The Regulatory Incubation Program**

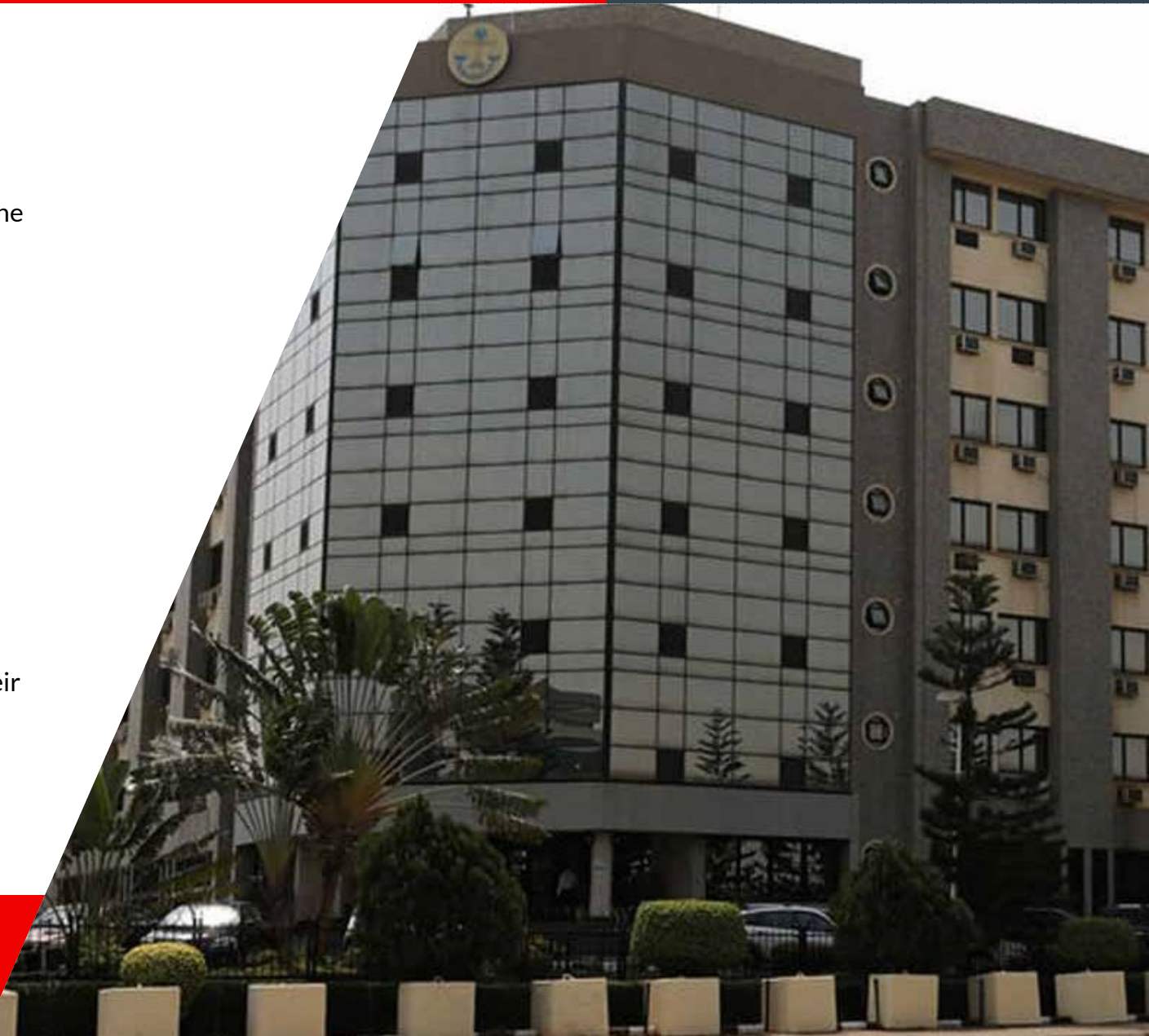
**Financial Technology Team**

# Introduction

On April 28, 2023, the Nigerian Securities and Exchange Commission (the “SEC”) issued a circular announcing the opening for applications from interested fintech operators for the inaugural cohort of its Regulatory Incubation (“RI”) Program. The application period for Cohort 1 will span from April 28, 2023 to May 26, 2023.

The RI Program was introduced by the SEC on June 16, 2021 when it issued the Regulatory Incubation Guidelines for Specific Category of FinTech Entrepreneurs (the “Guidelines”).

The RI Program offers fintech entrepreneurs the opportunity to test their innovative products and services in a controlled environment, without having to comply with all of the regulatory requirements that apply to established financial institutions.





# Eligible Applicants For Cohort 1

Admission into the RI Program is done in cohorts. The following are eligible participants for Cohort 1:

- 1 Registered Capital Market Operators;
  - 2 Unregistered Fintech innovators that require regulation;
  - 3 Firms of all sizes; and
  - 4 Firms seeking to enhance investor participation in the Nigeria Capital Market (of special interest to the SEC)
- 

# Applicants Excluded From Cohort 1

Because the RI Program was designed for participants operating in unregulated areas of the Nigerian capital market, entities whose offerings are covered by existing regulatory frameworks would not be admitted into the cohort.

As a matter of fact, because frameworks already exist for their offerings, the SEC has expressly stipulated that entities operating in the following areas are excluded from applying for Cohort 1:


- a) Crowdfunding;
- b) Robo Advisory/Digital Investment Advisory; and
- c) Sub-broker Serving Multiple brokers using a digital platform.





# Eligible Applicants For Cohort 1

Prospective applicants for the RI Program must demonstrate that the innovation sought to be tested:

1. is for application in the Nigeria Capital Market;
  2. is safe for investors;
  3. is a genuine one that introduces a new product/process to serve specific investor needs;
  4. has the ability to solve existing compliance or supervisory issues (optional); and
  5. is ready for testing.
- 



# Further Requirements For An Applicant

In addition, applicants for the RI Program must:

- a) have an office in Nigeria;
- b) be deemed fit and possess relevant skills in financial services and/or technology;
- c) undertake to act with integrity due care and diligence and provide referee information;
- d) undertake to provide full information to clients and commit to sending them regular feedback;
- e) undertake to provide full disclosure to the SEC on the business through an incubation implementation plan;
- f) Undertake to provide a procedure for holding and controlling client assets;
- g) undertake to comply with all relevant laws and regulations;
- h) undertake to comply with AML/CFT requirements; and
- i) undertake to provide monthly reports to the SEC



**Apply Now**

## Why You Should Apply?

The Regulatory Incubation Program offers participants a wealth of opportunities, including:

1. Obtaining regulatory clarity on the limits within which a proposed Fintech innovation should be developed.
2. Relaxed regulatory compliance obligations within the regulatory incubation period.
3. An enabling environment to test innovations and products within the regulatory incubation period.

We believe that Regulatory Incubation Program is a step in the right direction and we hope that existing and aspiring financial services 'techpreneurs' will take advantage of this opportunity to test run their innovative products under the close watch and guidance of the SEC itself.