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CONTENTS

1. Fintech Market	p.4	6. Fund Administrators	p.11
1.1 Evolution of the Fintech Market	p.4	6.1 Regulation of Fund Administrators	p.11
2. Fintech Business Models and Regulation in General	p.6	6.2 Contractual Terms	p.11
2.1 Predominant Business Models	p.6	7. Marketplaces, Exchanges and Trading Platforms	p.11
2.2 Regulatory Regime	p.6	7.1 Permissible Trading Platforms	p.11
2.3 Compensation Models	p.7	7.2 Regulation of Different Asset Classes	p.12
2.4 Variations between the Regulation of Fintech and Legacy Players	p.7	7.3 Impact of the Emergence of Cryptocurrency Exchanges	p.12
2.5 Regulatory Sandbox	p.8	7.4 Listing Standards	p.13
2.6 Jurisdiction of Regulators	p.8	7.5 Order Handling Rules	p.13
2.7 Outsourcing of Regulated Functions	p.8	7.6 Rise of Peer-to-Peer Trading Platforms	p.13
2.8 Gatekeeper Liability	p.8	7.7 Issues Relating to Best Execution of Customer Trades	p.13
2.9 Significant Enforcement Actions	p.9	7.8 Rules of Payment for Order Flow	p.13
2.10 Implications of Additional, Non-financial Services Regulations	p.9	7.9 Market Integrity Principles	p.13
2.11 Review of Industry Participants by Parties Other Than Regulators	p.9	8. High-Frequency and Algorithmic Trading	p.14
2.12 Conjunction of Unregulated and Regulated Products and Services	p.10	8.1 Creation and Usage Regulations	p.14
3. Robo-Advisers	p.10	8.2 Requirement to Register as Market Makers When Functioning in a Principal Capacity	p.14
3.1 Requirement for Different Business Models	p.10	8.3 Regulatory Distinction between Funds and Dealers	p.14
3.2 Legacy Players' Implementation of Solutions Introduced by Robo-Advisers	p.10	8.4 Regulation of Programmers and Programming	p.14
3.3 Issues Relating to Best Execution of Customer Trades	p.10	9. Financial Research Platforms	p.14
4. Online Lenders	p.10	9.1 Registration	p.14
4.1 Differences in the Business or Regulation of Loans Provided to Different Entities	p.10	9.2 Regulation of Unverified Information	p.14
4.2 Underwriting Processes	p.10	9.3 Conversation Curation	p.14
4.3 Sources of Funds for Loans	p.11	10. Insurtech	p.14
4.4 Syndication of Loans	p.11	10.1 Underwriting Processes	p.14
5. Payment Processors	p.11	10.2 Treatment of Different Types of Insurance	p.15
5.1 Payment Processors' Use of Payment Rails	p.11	11. Regtech	p.15
5.2 Regulation of Cross-Border Payments and Remittances	p.11	11.1 Regulation of Regtech Providers	p.15
		11.2 Contractual Terms to Assure Performance and Accuracy	p.15

12. Blockchain	p.15
12.1 Use of Blockchain in the Financial Services Industry	p.15
12.2 Local Regulators' Approach to Blockchain	p.16
12.3 Classification of Blockchain Assets	p.16
12.4 Regulation of "Issuers" of Blockchain Assets	p.16
12.5 Regulation of Blockchain Asset Trading Platforms	p.16
12.6 Regulation of Funds	p.16
12.7 Virtual Currencies	p.16
12.8 Impact of Regulation on "DeFi" Platforms	p.16
13. Open Banking	p.17
13.1 Regulation of Open Banking	p.17
13.2 Concerns Raised by Open Banking	p.17

1. FINTECH MARKET

1.1 Evolution of the Fintech Market

The fintech ecosystem in Nigeria is largely comprised of businesses focused on mobile payments, mobile lending and personal finance, including wealthtech.

Nigerian Fintechs Play Key Role in COVID-19 Pandemic

2020 was an unprecedented year across the world and countries such as Nigeria are still grappling with the effects of the COVID-19 pandemic. Fintechs, however, rose to the occasion, with the likes of Softcom and PalmPay providing support to relief organisations and collaborating with state governments to set up support funds for vulnerable Nigerians affected by COVID-19.

The COVID-19 pandemic also meant that there was considerable reliance on digital infrastructure to service the needs of customers. For example, Flutterwave, a Nigerian payments system service provider, launched Flutterwave Store, a portal that allows African merchants and SMEs to create online stores to sell their products (Harnessing Nigeria's Fintech Potential: September 2020 McKinsey Report).

Notwithstanding the challenges posed by the COVID-19 pandemic in the past 12 months, Nigeria has continued to bolster its reputation as one of the leading African markets leveraging technology to democratise financial services.

From an investment perspective, there were a number of equity investments as well as M&A activity recorded in the Nigerian fintech market. For instance, Kuda, a digital bank with over 300,000 customers, raised USD10million in its seed round led by Target Global, a leading European venture capital fund, to deepen its digital banking services. Global Accelerex, an electronic payment and fintech solutions company, signed an investment agreement with Africa Capital Alliance, a regional private equity firm, for a USD20 million investment to foster financial inclusion and for the company's expansion plans. Lastly, US payments giant Stripe acquired Nigerian payments start-up Paystack for over USD200 million, a deal that has been described as "the largest exit-by-acquisition for any Nigerian start-up".

Regulations Impacting the Nigerian Fintech Market

The activities of regulators have also contributed to the growth of the fintech market in the past 12 months as the regulators have been eager to create an enabling environment that will support innovation in financial services, without compromising stability within the overall financial system. For instance, as it relates to the mobile payments subsector, in August 2020 the Central Bank of Nigeria (CBN)

issued revised Guidelines for Licensing and Regulation of Payment Service Banks (PSBs) (the "Revised PSB Guidelines"). PSBs are required to enhance financial inclusion in rural areas by facilitating high-volume, low-value transactions in remittance services, micro-savings and withdrawal services in a secured technology-driven environment.

Importantly, the Revised PSB Guidelines now permit PSBs to undertake payment and remittance (including inbound cross-border personal remittances) services through various channels within Nigeria as well as deal in foreign exchange in limited circumstances by permitting the sale of foreign currencies realised from inbound cross-border personal remittances to authorised foreign exchange dealers (PSBs were not permitted to undertake these activities pursuant to the initial PSB Guidelines issued in 2018).

To further mitigate risks within the payments system—including systemic risks, credit risks, liquidity risks, operational risks, legal risks, settlement risks and information security risks—the CBN introduced the Guidelines on Nigerian Payments System Risk and Information Security Management Framework. Furthermore, the CBN recently published a circular approving new licence categorisations for the Nigerian payments system (the "Payments Licensing Circular"), which has streamlined licensing under the Nigerian payments system as follows:

- switching and processing;
- mobile money operations;
- payment solution services; and
- regulatory sandbox.

This circular brought some clarity to the scope of activities that licence holders within the payments system can undertake.

In September 2020, the Securities and Exchange Commission (SEC) also released a statement on digital assets (the "2020 SEC Statement on Crypto-Assets"), wherein it defined crypto-assets as "a digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status in any jurisdiction. A crypto asset is neither issued nor guaranteed by any jurisdiction, and fulfils the above functions only by agreement within the community of users of the crypto asset; and distinguished from fiat currency and e-money."

Importantly, the SEC statement classified all crypto-assets as securities unless proven otherwise and noted that the burden of proving that any crypto-assets "proposed to be

offered” are not securities is placed on the “issuer” or “sponsor” of the crypto-assets. In addition, and in line with the recommendation by the Fintech Roadmap Committee of the Nigerian Capital Market, the SEC published Draft Crowdfunding Rules to regulate equity and debt securities-based crowdfunding in Nigeria. The Draft Crowdfunding Rules are yet to take effect.

However, in February 2021, the CBN — in a letter to deposit money banks (DMBs), non-bank financial institutions and other financial institutions (the regulated financial institutions) — prohibited all regulated financial institutions from dealing in cryptocurrencies or facilitating payments for cryptocurrency in Nigeria. This letter further directed all regulated financial institutions to identify persons and/or entities transacting in or operating cryptocurrency exchanges within their systems and ensure that such accounts are closed immediately. Further, the CBN — in a press release aimed at clarifying its stance in the letter — stated that the requirement for regulated financial institutions to refrain from dealing in cryptocurrencies and to close accounts of cryptocurrency exchangers/customers was justified because:

- the anonymity and lack of identification of cryptocurrency users encourages illegal activities such as money laundering; and
- given that cryptocurrencies are issued by unregulated and unlicensed entities, their use runs against the key mandate of the CBN (under the CBN Act) as the issuer of legal tender in Nigeria.

As such, the CBN considers the use of cryptocurrencies in Nigeria to be a contravention of existing law. While the CBN maintains that it has not banned cryptocurrencies in Nigeria, this regulation has impacted the ability of cryptocurrency exchanges, which facilitate trades in cryptocurrencies to transactions within the traditional banking system. As a result, cryptocurrency exchanges like Binance have directed its users to move funds from their bank accounts into their peer-to-peer wallets in order to facilitate trades in cryptocurrencies on the Binance platform. The expectation is that more cryptocurrency exchange platforms will take similar action(s) in response to this CBN directive.

In January 2021, and in line with the recommendation by the Fintech Roadmap Committee of the Nigerian Capital Market, the SEC published Crowdfunding Rules to regulate equity and debt securities-based crowdfunding in Nigeria.

The Banks and Other Financial Institutions Act (BOFIA) was also amended in 2020 and the BOFIA now expressly includes

international money transfer operators (IMTOs) and payment service providers (PSPs) in the definition of “other financial institutions”, regardless of whether such IMTO or PSP operations are conducted digitally, virtually or electronically. In the past, the status of these entities as financial institutions was implied from the various circulars and regulations issued by the CBN. Now, with their explicit mention in BOFIA, without a doubt, IMTOs and PSPs are financial institutions and their activities will continue to be regulated by the CBN. Importantly, IMTOs and PSPs will now be required to meet licensing and risk-based capital requirements specified under the BOFIA.

Lastly, the Companies and Allied Matters Act (CAMA) – the most significant business legislation in Nigeria, which had not been amended for three decades – was amended and passed into law in 2020. New provisions in CAMA 2020 that make it less burdensome to incorporate and maintain operations in smaller companies (such as incorporating a company with a single shareholder, rather than, at a minimum, two shareholders and exemptions from the requirement to have audited financial statements) are likely to impact the operations of fintechs, which are often start-ups.

Fintech Trends for the Next 12 Months in Nigeria

Other issues or trends that may continue to impact the Nigerian fintech market in the next 12 months include:

- the rise of digital/challenger banks such as Kuda and Sparkle Nigeria that are providing a unique value proposition distinct from traditional banking models and appeal to the teeming young population in Nigeria;
- the lingering presence of a large unbanked population and the prominence of PSBs to close the financial inclusion gap in rural communities;
- continued strategic collaborations between traditional financial institutions and fintechs, as may be approved by the CBN; currently, traditional financial institutions such as Providus Bank provide back-end solutions for a number of fintech players, such as support for mobile wallet functionalities on fintech-led mobile money applications;
- the prominence of fintechs offering health insurance solutions, even as potential users of these platforms – such as hospitals, health insurance schemes, employers and patients – find innovative ways to respond to the COVID-19 pandemic and insure against health risks; and
- increased regulatory activity that may foster growth in the market.

2. FINTECH BUSINESS MODELS AND REGULATION IN GENERAL

2.1 Predominant Business Models

The most prevalent fintech business models in Nigeria are mobile payments, lending services, crowdfunding, personal finance and wealthtech.

Payments

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 so far. The number of mobile money transactions increased astronomically from 15.9 million transactions in 2013 to 217.8 million transactions in 2019. According to the Nigeria Inter-Bank Settlement System Plc (NIBSS), the value of transactions via two digital payment platforms—NIBSS Instant Payment System and point-of-sale terminals—rose to NGN111.29 trillion from January to September 2020. Both platforms recorded a 44% growth in the value of payments when compared to an aggregate of NGN77.49 trillion in the corresponding period of 2019.

Payment services covers business-to-business (B2B) applications such as payment processing providers and solutions for accepting payments, and business-to-consumer applications (B2C), which includes services such as mobile wallets and payment applications that enable individuals to pay on the go and make peer-to-peer transfers. This subsector comprises fintech companies and legacy players such as deposit money banks (DMBs).

Lending

Mobile lending applications have also proliferated in 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.

Crowdfunding

Due to the cost of raising funds from traditional banks, crowdfunding applications have become attractive platforms for raising finance for ventures/projects in Nigeria. Most agritech companies in Nigeria are funded through crowdfunding.

Personal Finance

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

Wealthtech

A number of fintechs in Nigeria focus on deploying solutions to improve and democratise investment and wealth management to their customers.

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. Further, 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.

Payments

The CBN has various regulations for companies providing payment and remittance services, including the Revised PSB Guidelines, the Guidelines on Operations of Electronic Payment Channels in Nigeria (the “Electronic Payments Guidelines”), the Guidelines on International Money Transfer Services in Nigeria (the “IMTS Guidelines”), the Guidelines on International Mobile Money Remittance Service in Nigeria (the “IMMRS Guidelines”), the Guidelines on Mobile Money Services in Nigeria, the Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria, and the CBN Regulatory Framework for the use of Unstructured Supplementary Service Data in Nigeria.

Of particular importance are the Revised PSB Guidelines, which require PSBs to leverage technology in providing financial services, specifically to the unbanked population predominantly inhabiting rural areas in Nigeria. While PSBs may maintain savings accounts, accept deposits and invest in government-backed securities, they are not permitted to grant loans.

The recently issued Payments Licensing Circular has implications for fintechs operating within the payments subsector as it requires that any collaboration between licensed payment companies, banks and other financial institutions in respect of products and services will now be subject to the CBN’s prior approval.

Lending

This subsector is principally regulated by the BOFIA 2020, supplemented by various guidelines issued by the CBN from time to time that apply to legacy players and fintechs alike, including relevant prudential guidelines. To hold deposits and engage in lending operations in Nigeria, fintechs 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) 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 moneylender's licence pursuant to the moneylender laws of the relevant state(s) they operate in. The moneylender's application regime is less onerous than the BOFIA regime, thus the attraction to fintech companies. Alternatively, a fintech company may procure a finance company licence from the CBN that empowers it to provide consumer and business loans to individuals and micro, small and medium-sized enterprises (MSMEs). Yet another alternative is for a fintech company to partner with entities that hold the relevant lending licences and merely provide the technology platform through which the loans are advanced.

Crowdfunding

Interest or debt crowdfunding remains the prevalent model of crowdfunding in Nigeria, as opposed to equity crowdfunding. This is largely due to the current regulatory slant against equity crowdfunding. However, following the introduction of the Crowdfunding Rules, we may see more equity crowdfunding in the Nigerian fintech market going forward. The Crowdfunding Rules permit micro, small and medium scale enterprises to raise financing through crowdfunding intermediaries who will facilitate fundraising activities such as that of an offer for sale of securities or instruments via crowdfunding portals. It should be noted that, to protect the investing public, the SEC limits the amount that retail investors can invest in a crowdfunded investment to just 10% of their net annual income in a calendar year. However, these limits do not apply to high networth individuals.

Personal Finance

To accept deposits from customers, fintechs 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 DMBs. Fintechs have also begun to acquire microfinance banking licences to deliver their products.

Wealthtech

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

Financial Services through Telecommunications Infrastructure

In addition to the foregoing, pursuant to the License Framework for Value Added Services (VAS), 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 payment transfers. 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. It also provides 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 moneylender laws of various states prescribe limitations on the interest on loans that may be imposed by moneylenders.

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.

Fintechs generally operate within the existing regulatory regime for the financial services industry. This is evident from the provisions of BOFIA 2020, which explicitly recognise PSPs and IMTOs as financial institutions to be regulated like other financial institutions (such as finance companies, which are legacy players) in the manner contemplated by the Act.

Also, legacy players are developing products to compete with fintech companies, thereby obscuring the regulatory lines.

2.5 Regulatory Sandbox

In 2019, the Financial Service Innovators Association of Nigeria (FSI) in conjunction with the CBN and the NIBSS launched a regulatory sandbox to facilitate innovation in digital products by fintechs. Dubbed the “Financial Industry Sandbox”, the initiative was designed to allow fintechs to test solutions and products within a controlled environment through the NIBSS application programming interfaces (APIs) and those of other existing companies. According to NIBSS, the Bank Verification Number (BVN), the 11-digit unique identity for each individual across the Nigerian banking industry to ensure secure transactions, is required to access the sandbox in a bid to guard against manipulation of the platform.

The SEC has also launched a regulatory sandbox that will serve as a safe space to test innovative products, services, business models and delivery mechanisms relating to the capital market in a live environment without immediately satisfying all the necessary regulatory requirements. The sandbox is targeted at individuals and businesses (registered or intending to register with the SEC) and plans 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 (FinPort) on the SEC website.

Additionally, in furtherance of the CBN’s commitment to build a financial services sector that promotes innovation, effective service delivery, healthy competition and financial inclusion, it has released the framework for regulatory sandbox operations in Nigeria (the “Sandbox Regulations”). The Sandbox Regulations details the requirements for conducting live tests on innovative products, services and other solutions in a controlled environment. To this end, the CBN will review the products and solutions of applicants (licensed institutions, fintechs, innovators and researchers) during its implementation.

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 of Nigeria responsible for the regulation of all banks and financial institutions operating in Nigeria. The bulk of fintechs 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 fintechs can be found in the operation of wealthtech applications and crowdfunding platforms, among others. In the same vein, certain fintechs 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.

NAICOM regulates the insurance industry in Nigeria, with its jurisdiction extending to insurtech companies that carry on insurance businesses.

Finally, the National Information Technology Development Agency (NITDA) is the regulatory body responsible for promoting and developing policies and guidelines for information technology in Nigeria. Fintechs in Nigeria are required to ensure compliance with the data privacy and protection rules, as stipulated by the NITDA, especially the requirements of the Nigeria Data Protection Regulations (NDPR).

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.

For instance, 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

The BOFIA imposes an obligation on financial institutions (including fintechs operating as digital banks, IMTOs and PSPs) to adopt policies stating their commitments to comply with anti-money laundering (AML) and combating financing of terrorism (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 2013 (as amended) require financial institutions to, amongst other things, (i) adopt customer due

diligence measures for the purpose of identifying and verifying their customers, and (ii) 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. These sanctions include fines, suspension of licences and, in some instances, the institution of criminal proceedings against the principal officers of the company. In general, from an enforcement perspective, details of dealings between fintechs and regulators may not be public knowledge unless a public statement is made by the relevant regulator or formal legal action is taken that results in sanctions for the fintechs.

Section 303 of the Investment and Securities Act 2007 (ISA) imposes a penalty on any person that carries on investments and securities business without SEC registration. Section 304 of the ISA further provides that where the SEC, in the course of its investigation, discovers evidence of possible criminality, it shall pass such information to the appropriate criminal prosecuting authorities.

In December 2020, the SEC applied to the Investments and Securities Tribunal (IST) to make interim orders restraining wealthtech company Chaka Technologies Limited and its promoters (the “Defendants”) from advertising or offering for sale shares, stock or other securities of companies or other entities. The platform provided by Chaka Technologies Limited allows for the purchase of shares in foreign companies and the SEC alleges that the activities being undertaken by the Defendants were being carried out outside of the regulatory purview of the SEC and without requisite registration, as stipulated by the ISA. The IST has now granted these interim orders. In response, Chaka Technologies Limited has issued a public statement stating that it provides its services in partnership with an SEC-licensed asset management company and, as such, it has not breached any provisions of the ISA.

Similarly, the various guidelines issued by the CBN stipulate sanctions for operators in violation of CBN regulations, including suspension/revocation of the operating licence and financial penalties. In December 2020, the CBN released a disclaimer to the public stating that TransferWise and Azimo, two online money transfer service companies, are not registered IMTOs in Nigeria (the “Disclaimer”). It would appear that the CBN issued the Disclaimer because TransferWise and Azimo have not been licensed by the CBN to

conduct the business of facilitating international remittances and money transfers in Nigeria.

On its part, the NITDA prescribes that any operator found to be in breach of its regulations on data privacy rights shall be liable to criminal proceedings and in the case of an operator dealing with over 10,000 persons, payment of a fine equal to 2% of the operator’s annual gross revenue for the preceding year or payment of the sum of NGN10 million, whichever is greater.

2.10 Implications of Additional, Non-financial Services Regulations

In addition to the primary regulations governing their businesses, fintechs are subject to general laws/regulations with attendant compliance obligations. However, there is generally no difference in the application of these regulations to fintechs 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. The Nigeria Data Protection Bill 2020, which builds on the NDPR (and is being reviewed by Nigeria’s National Assembly), aims to ensure that data processing in the country conforms to international standards. Further, the Cyber-crimes (Prohibition, Prevention, Etc) Act requires fintechs to verify the identity of their customers carrying out electronic financial transactions by requiring the customers to present documents bearing their names and other relevant information before the issuance of ATM cards, credit cards, debit cards and other related electronic devices.

Fintechs are also required to comply with the Money Laundering (Prohibition) Act in addition to the CBN (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2013 (as amended).

Another major additional regulation is the Federal Competition and Consumer Protection (FCCPC) Act. Its provisions extend to fintechs and prohibit anti-competitive practices, including price fixing and arrangements that are a restraint on competition.

2.11 Review of Industry Participants by Parties Other Than Regulators

The NIBSS, amongst others, initiates and develops an integrated nationwide network for electronic or paperless payments, funds transfer and settlement of transactions. To fulfil its mandate, the NIBSS sets verification standards that

must be complied with by industry participants who seek to consummate transactions on the NIBSS network.

In addition, CAMA 2020 stipulates that all companies in Nigeria shall prepare audited financial statements, which shall consist of 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 CAMA 2020 are exempt from preparing audited financial statements. Thus, all fintechs 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 of 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. For instance, certain fintechs that offer wallets and payments services to their customers may, in addition to facilitating transactions in fiat currency, also facilitate transactions in cryptocurrencies. Cryptocurrencies remain unregulated to the extent that such assets are not offered to the public as a means of raising finance (that is, securities).

3. ROBO-ADVISERS

3.1 Requirement for Different Business Models

In Nigeria, there are no requirements for companies deploying robo-advisory platforms to maintain different business models for different asset classes. Refer to **7.2 Regulation of Different Asset Classes** for the different asset classes that exist in Nigeria.

3.2 Legacy Players' Implementation of Solutions Introduced by Robo-Advisers

Robo-advisory technology has been sparsely deployed in providing financial advisory services in Nigeria as traditional (human) models continue to be popular. Predominantly, the legacy asset management/stockbroking firms have put automated solutions more to use for first-link interfaces with customers.

3.3 Issues Relating to Best Execution of Customer Trades

Due to its limited deployment in Nigeria, there are currently no best practices in Nigeria relating to execution of customer trades on robo-advisory platforms. However, the Nigerian Stock Exchange (NSE) issued the Rules on Order Handling and Best Execution in July 2018 (the "NSE 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.

4. ONLINE LENDERS

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

There are generally no differences in the regulation of loans based on the nature of the borrower (individuals, small business or large corporates) subject to applicable prudential guidelines. However, online lenders generally operate under limited licensing frameworks (due to relaxed application and compliance processes), with restrictions on the value of loans that may be granted to individual businesses.

Thus, online lending typically targets retail and SME loans, albeit that traditional banks are not prevented from granting loans to similar entities, many of which have already introduced specialised online lending products targeted at SMEs.

4.2 Underwriting Processes

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 since 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 (GSI) mandate of the CBN became effective in August 2020 and is aimed at facilitating loan recovery from individual borrowers across the financial system. The CBN has stated that the GSI mandate would enable it to create a watch list of consistent loan defaulters. Thus, in the course of the operation of the GSI mandate, a wider pool of data may be created for the purpose of facilitating the loan underwriting process.

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, whilst other sources of funds include loans (shareholder or third-party), deposit-taking activities, debt capital markets instruments, peer-to-peer bilateral funding and securitisations. Compared to peer-to-peer lending, private placement transactions and loan arrangements, there are legal issues around the ability of online lenders to raise equity from members of the public due to restrictions in CAMA 2020 and the ISA.

4.4 Syndication of Loans

Loan syndications are quite popular in the Nigerian financial market but mostly with traditional banking institutions, as against online lenders, since the value of loans typically disbursed through online lending platforms is generally small.

Typically, 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 Central Bank of Nigeria, 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 regard are the Guidelines on International Money Transfer

Services in Nigeria (the "IMTS Guidelines"), and the Guidelines on International Mobile Money Remittance Service in Nigeria (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.

6. FUND ADMINISTRATORS

6.1 Regulation of Fund Administrators

Fund administrators are primarily regulated under Nigerian law by the ISA and the SEC's rules and regulations (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. Thus, 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.

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 Nigerian Stock Exchange (NSE)

and the FMDQ Securities Exchange Limited (FMDQ). Equity securities can be traded on the NASD OTC PLC (NASD) and the NSE, whilst commodities can be traded on the AFEX Commodities Exchange, the Abuja Securities and Commodities Exchange and the FMDQ.

The NSE is in the process of demutualising. Upon completion, The Nigerian Exchange Limited (NGX) will be responsible for listing, trading, technology, market data and other core exchange functions. However, the NSE is currently awaiting SEC regulatory approvals to finalise demutualisation.

The NSE also provides the Alternative Securities Market (ASEM) and Growth Board, which are trading platforms available to small and mid-sized fast-growth companies to raise critical long-term capital at relatively low cost to realise their business potential.

Currently, the primary regulation for listing on the NSE is The Nigerian Stock Exchange Rulebook 2015. The regulations for listing securities on the FMDQ include the FMDQ Bond Listing and Quotation Rules December 2014 and FMDQ Commercial Paper Registration and Quotation Rules July 2020, whilst 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, the FMDQ Private Markets Limited (a subsidiary of FMDQ Holdings PLC) provides a platform for the inclusion of private companies in the capital markets. The FMDQ Private Markets provides a medium for the disclosure of activities of private companies in the Nigerian debt and equity capital markets, serving as an information repository for the recording of these activities via a restricted access portal, the Private Companies' Securities Information and Distribution Portal. The FMDQ Private Companies' Bonds Noting Guidelines May 2020 and the FMDQ Private Companies' Securities Noting Guidelines April 2020 establish the framework through which private companies can access the Nigerian capital markets through the issuance of bonds and securities through private placement.

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. For example, 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,

which apply to exchange-traded derivatives and OTC derivatives where specifically mentioned.

7.3 Impact of the Emergence of Cryptocurrency Exchanges

Cryptocurrency exchanges are not specifically regulated in Nigeria. On 28 February 2018, the CBN issued a press release wherein it reiterated that further to the circular to banks and other financial institutions (OFIs) on virtual currency operations in Nigeria, virtual currencies are not legal tenders in Nigeria and any bank or institution that transacts in such business does so at its own risk. The CBN further stated that for the avoidance of doubt, dealers and investors in any kind of cryptocurrency in Nigeria are not protected by law.

Significantly, on 11 September 2020, the SEC released a statement with respect to the classification and treatment of digital assets offerings (the "Publication"). In issuing the Publication, the SEC relied on the provisions of Section 13 of the ISA that empowers it to regulate securities business in Nigeria. According to the Publication, the SEC will now regulate crypto token or crypto coin investments when the character of the investments qualifies as securities transactions. The Publication further states that the SEC's position is that virtual crypto-assets are securities unless proven otherwise, thus the burden of proving that crypto-assets proposed to be offered are not securities and therefore do not fall under the jurisdiction of these is placed on the issuer or sponsor of the said assets.

Accordingly, the following individuals/professionals will be regulated by the SEC.

- Any person (individual or corporate) whose activities involve any aspect of blockchain-related and virtual digital asset services. They must be registered by the Commission and, as such, will be subject to the regulatory guidelines.
- Issuers or sponsors (start-ups or existing corporations) of virtual digital assets shall be guided by the Commission's regulation. The Commission may require foreign or non-residential issuers or sponsors to establish a branch office within Nigeria. However, foreign issuers or sponsors will be recognised by the Commission where a reciprocal agreement exists between Nigeria and the country of the foreign issuer or sponsor.

However, it is important to clarify that the Publication does not address the use of cryptocurrencies as legal tender in Nigeria as same is outside its regulatory purview. Accordingly, whilst the Publication is a clear indication that the

SEC has now taken steps towards regulating the trading of digital assets as securities in Nigeria, it does not contradict the position of the CBN in its circulars and press statements referred to above.

7.4 Listing Standards

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

Furthermore, the FMDQ Bond Listing and Quotation Rules December 2014 provides for the listing standards for the quotation of securities for companies, mutual funds, ETFs, mortgage-backed and asset-backed securities on the FMDQ, whilst 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 bonds and other securities on the FMDQ Private Companies' Securities Information and Distribution Portal must comply with the requirements of the FMDQ Private Companies' Bonds Noting Guidelines May 2020 and the FMDQ Private Companies' Securities Noting Guidelines April 2020.

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.

For example, the NSE Order Handling Rules sets out rules on 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 over-the-counter

trade points and recognised exchanges are still the main platforms.

7.7 Issues Relating to Best Execution of Customer Trades

An issue that relates to the best execution of customer trades is that under the NSE 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 NSE Order Handling Rules provides 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 whilst executing an order or a specific aspect of an order. In addition, the NSE 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 NSE 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 NSE 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, on an anonymous basis, to raise genuine concerns about unethical or unlawful conduct by market participants with the objective of protecting market integrity. In 2020, the NSE upgraded X-Whistle 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 NSE, 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 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. The NSE, however, has three software applications for trading, which are FIX, FAST and X Gen; the introduction of which has improved mobile trading technologies in the Nigerian capital market and some dealers have taken advantage of these applications to improve access to the market.

Whilst high-frequency trading is not prevalent in Nigeria at the moment, the NSE 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.

9. FINANCIAL RESEARCH PLATFORMS

9.1 Registration

In Nigeria, financial research platforms and participants are 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 fac-

tual financial data, news, research and analytics for engaging in the Nigerian financial markets.

However, 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.

9.2 Regulation of Unverified Information

Presently, rumours and other unverified information on financial research platforms are not specifically regulated. These platforms are currently self-regulated. Financial research platforms seek to preserve their reputation by ensuring that they gather their information from authoritative sources and due care and caution are taken in compiling their publications. They may also limit their liability by inserting language in their terms and conditions (T's&C's) 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 the 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's&C's 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 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 aggrega-

tor, 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.

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, while general insurance business is classified into fire insurance, motor vehicle, marine and aviation, bonds credit guarantee and suretyship insurance, and 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 commencing 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 will be required to fulfil under the Insurance Act.

It should be noted that 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. For instance, where

the activities of regtech providers involve the processing of personal data of a customer of a financial institution, 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 so as to protect consumers’ information and assets. Consequently, financial services firms, in 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 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 in its infancy but gradually gaining traction as industry players are now utilising same in their service delivery. For example, in 2018, a prominent payment service provider partnered with Microsoft Corporation to launch a supply chain financing service in Nigeria. Hosted on Microsoft’s Azure blockchain solution, this service was created to provide seamless trade financing in supply chain operations on a single platform with end-to-end visibility. It was also widely heralded as the first enterprise-grade blockchain service in Nigeria.

In addition, legacy players in the industry are considering the utilisation of blockchain in driving financial inclusion since it is uniquely suited in this regard by eliminating the need for

third-party intermediaries as financial transactions will be executed on a distributed network, thereby cutting costs.

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 crypto-assets is now being regulated in certain respects. Pursuant to the 2020 SEC Statement on Crypto-Assets, crypto-assets are, by default, classified as securities unless proven otherwise and the burden of proving that the crypto-assets proposed to be offered to the public are not securities is placed on the issuer or sponsor of the crypto-assets.

However, in February 2021, the CBN — in a letter to the regulated financial institutions — prohibited these institutions from dealing in cryptocurrencies or facilitating payments for cryptocurrency in Nigeria (See our updated response to **1.1 Evolution of the Fintech Market** above).

Following the CBN's directive to regulated financial institutions, the SEC has put its plans to regulate cryptocurrencies on hold.

12.3 Classification of Blockchain Assets

As noted in **12.2 Local Regulators' Approach to Blockchain**, crypto-assets or currencies have been the focus of regulation in connection with blockchain technology in Nigeria. In particular, based on the authors' interpretation of the 2020 SEC Statement on Crypto-Assets, the authors are mindful that the SEC's default classification of crypto-assets as "securities" would apply in scenarios where a person or entity wishes to offer such crypto-assets to members of the Nigerian investing public as a means of raising capital (unless such offer is exclusively made through crowdfunding portals).

In addition, the 2020 SEC Statement on Crypto-Assets requires that all digital asset token offerings, initial coin offerings and other blockchain-based offers of digital assets within Nigeria or by Nigerian issuers or sponsors or foreign issuers targeting Nigerian investors shall be subject to the regulation of the SEC.

12.4 Regulation of "Issuers" of Blockchain Assets

The 2020 SEC Statement on Crypto-Assets requires any person (individual or corporate) whose activities involve any aspect of blockchain-related and digital asset services to be registered by the SEC such that they will be subject to the relevant regulatory guidelines issued by the SEC. Such blockchain-related services include the reception, transmission and execution of orders on behalf of other persons,

dealers on own account, portfolio management, investment advice, as well as custodian or nominee services.

In addition, pursuant to the 2020 SEC Statement on Crypto-Assets, the SEC may require foreign or non-residential issuers or sponsors to establish a branch office within Nigeria. However, foreign issuers or sponsors will be recognised by the SEC where a reciprocal agreement exists between Nigeria and the country of the foreign issuer or sponsor.

12.5 Regulation of Blockchain Asset Trading Platforms

There are no specific regulations that regulate the licensing or operation of blockchain asset trading platforms in Nigeria. Notwithstanding the foregoing, the authors note that blockchain asset trading platforms as well as the secondary trading of blockchain assets in Nigeria operate purely as unregulated trading platforms that merely facilitate transactions between parties.

12.6 Regulation of Funds

Pursuant to the 2020 SEC Statement on Crypto-Assets, derivatives and collective investment funds of crypto-assets, security tokens and utility tokens will be regulated under the ISA and SEC rules and regulations. In addition, market intermediaries and market operators dealing in such derivatives and collective investment funds will need to be registered or approved by the SEC.

12.7 Virtual Currencies

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. Utility tokens that simply provide users with a product or service (as opposed to security tokens) will be treated as commodities but spot trading and transactions in utility tokens will not fall within the purview of the SEC unless same is undertaken on a recognised investment exchange. On the other hand, security tokens, which have the features and characteristics of a security and represent participation in earning streams or an entitlement to receive dividends or interest payments, will be deemed securities and treated as such.

12.8 Impact of Regulation on "DeFi" Platforms

DeFi is a relatively new concept globally and in Nigeria. The authors are not aware of any regulations that specifically define decentralised finance 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 activities being undertaken by the relevant DeFi platform.

13. OPEN BANKING

13.1 Regulation of Open Banking

The CBN issued the Regulatory Framework for Open Banking in Nigeria (the Framework) on 17 February 2021. Prior to the issuance of the Framework, banks operated in a closed ecosystem, with exclusivity of access to customer information, locking out innovators; and forcing customers to rely solely on the digital channel offerings of their respective banks. The purpose of the Framework is to enhance financial inclusion by fostering the sharing and leveraging of data with third party financial services firms to build solutions and services that provide efficiency, greater financial transparency, synchronisation and options for account holders across Nigeria to interoperate within the financial system in Nigeria.

The Framework covers banking and other related financial services, such as payments and remittance services, collection and disbursement services, deposit-taking, credit, personal finance advisory and management, treasury management, credit ratings/scoring, mortgage, leasing/hire purchase; and other services as may be determined by the CBN.

Under the Framework, not every participant has access to all the categories of information made available. Participants in the Framework are categorised based on their risk management maturity level and, as such, data that may be exchanged is based on the categorisation of each participant.

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 Framework requires the participants to comply with all data privacy laws and regulations including the NDPR. Additionally, participants are also required to adhere to the provisions of the Consumer Protection Framework of the CBN in their dealings with customers.

Amongst the additional requirements imposed by the Framework, it is required that agreements presented to the customer by the participant should be simple, explicit and in the customer's preferred language; and in the customer's preferred form including written, electronic, video or audio form. The customer's consent is required to be obtained in the same form that the agreement was presented, and a copy of the consent of the customer made available to the customer and preserved by the participant. The specific rights which the customer will be granting to the participant as well as the implication of granting those rights to the participant should be listed for the customer to consent to separately.

Under the Framework, it is also required that the consent of the customer should be revalidated annually and, where the customer has not used the service of the partner, for 180 days.

Banwo & Ighodalo (B&I) 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 12 partners and over 90 lawyers. The FinTech practice is well positioned to offer clients the benefit of its extensive technology experience, combined with regulatory and financial services knowledge. 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, mergers and acquisitions, 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. Some of the firm's clients include Mastercard, Interswitch, Amazon Web Services, WorldRemit, BitPESA, INTL FCStone and Pingexpress. The authors wish to acknowledge the contribution of the following persons in the preparation of this article: Damilola Wright, Noble Obasi, Ifeoluwa Ogunbufunmi, Daniel Jayeoba, Tosin Oye-banjo, Imade Iyamu, Tobilola Ojuri and Destiny Ogedegbe.

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