



SEC'S REGULATORY INCUBATION PROGRAM AND OPPORTUNITIES FOR NIGERIAN FINTECHS

As the Apex regulatory body for the Nigerian capital market, the Securities and Exchange Commission (the “**SEC**”) released a circular on June 16, 2021 notifying members of the public and capital market operators of its introduction of the Regulatory Incubation (“**RI**”) program. The RI program is an interim measure geared towards fostering effective regulation which accommodates innovation by FinTechs, without compromising market integrity and within limits, ensuring investor protection at all times.

The RI program is set to launch in the third quarter of 2021, Fintech business models and processes will be admitted into cohorts for a one-year period. Essentially, the RI program will serve as an incubator for the admitted FinTechs to operate under some prescribed basic but limited regulatory provisions for one year, giving the SEC the opportunity to supervise Fintech entrepreneurs with the proposed new models of providing capital market services before they become fully established upon registration.

Under the RI program, participants will be required to undertake an Initial Assessment Phase and RI Phase, before registration with the SEC. At the Initial Assessment Phase, the applicant will be required to fill the Fintech Initial Assessment (“**FIA**”) Form and where the SEC determines (based on information in the FIA Form) that no regulatory framework exists for the regulation of the applicant's proposed fintech solution, the applicant will then be directed to fill and submit the RI Form. Applicants admitted into the RI Program will participate in the RI Phase. Successful participants in the RI Phase may then commence operations as a SEC registered entity.

The SEC Regulatory Incubation Guidelines for Specific Category of FinTech Entrepreneurs also

issued by the SEC (the “**Guidelines**”) sets out the pre-qualification requirements for admission into the RI program as follows:

- a. applicant shall be using innovative technology to offer a new type of product or service or applying innovative Fintech to an existing product or service
- b. the business shall involve an activity that, if carried on in or from Nigeria, is a financial service (that is, it is within the scope of the activities that the SEC regulates).
- c. applicant shall be ready to take-off with live customers and operate within the purview of the applicable SEC Regulatory Framework.
- d. applicant shall commit to applying for registration as soon as Rules are provided by the SEC.
- e. the product or service shall be one that addresses a problem (compliance or supervision) or brings potential benefits to consumers or industry.
- f. applicant shall ensure that the product is safe for investors.
- g. applicant shall complete the FIA Form and discuss the proposal with the SEC at an early stage

Applicants are required to complete the relevant application form and pay a processing fee of N200,000 (Two Hundred Thousand Naira Only). The steps for participating in the RI program are accessible [here](#). The Guidelines provide that an applicant shall:

- a. be deemed fit and possess relevant skills in financial services and/or technology.
- b. undertake to act with integrity, due care and diligence and provide referee information.
- c. undertake to provide full information to clients

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- and commit to send them regular feedback.
- d. undertake to provide full disclosure to the SEC on the business through an incubation implementation plan.
 - e. undertake to provide procedure for holding and controlling client assets.
 - f. undertake to comply with all relevant laws and regulations.
 - g. have an office in Nigeria.
 - h. undertake to comply with Anti Money Laundering/ Combating the Financing of Terrorism requirements.
 - i. undertake to provide monthly reports to the SEC.

By virtue of the Guidelines, a FinTech operator under Regulatory Incubation:

- a. shall not conduct any other investment business except as presented to the SEC.
- b. is prohibited from financial promotions which guarantee returns - these include any notice,

- circular, letter or other written or electronic medium of communication addressed to any person.
- c. shall not provide information containing any untrue or misleading statement.
- d. shall have the capacity to on-board a maximum of 100 clients who shall be fully informed of the service or product prior to onboarding. Subject to the SEC's appraisal and approval, the firm may on-board additional clients if the need arises. Firms that are already in operation shall maintain their existing clients and cease on-boarding new ones.
- e. shall be under regulatory incubation only for a maximum period of one-year after which they shall apply for registration if found eligible or discontinue the activity.

The Guidelines may be accessed [here](#) and for further clarification, you may reach out to any of our contact persons below:

Contact Persons



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