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Approaches and developments

The Financial Technology ("**Fintech**") industry in Nigeria has continued to witness notable and remarkable developments in 2023. The number of startups in Nigeria grew from 144 recorded in 2021, to 217 in 2023.[1] Nigeria retained a top spot across African countries for early-stage Fintech investment in 2023, with 49 deals out of a total of 116 transactions in Africa. FrontEdge, a Nigerian startup providing finance, secured up to USD10 million in its funding round in November 2023, topping the highest seed funding across Africa.[2]

Nevertheless, the Fintech industry witnessed a decline in funding and investment for various reasons.[3] While it still ranked top for the number of funded startups, Nigerian startups raised *circa* USD400 million in 2023, 16.6% of the continent's total, dropping from first to fourth place for total funding. This funding total is a 59% decline compared to 2022, when the startups accumulated *circa* USD976 million, 29.3% of Africa's total – a staggering decline.[4] Notwithstanding the decline in funding, Nigerian Fintech Nomba and e-health venture Helium Health maintained a significant development as they raised USD30 million each (pre-Series B, and Series B, respectively).

The Fintech landscape witnessed various events in 2023. Nigeria had its general elections in February 2023, which came with a change in government across all levels of government, a change in regulatory committees and a dish out of new regulations and policies. The Central Bank of Nigeria ("**CBN**") for one, mandated Nigerians to deposit old currencies in banks for new ones. The currency redesign came with a consequent cash crunch nationwide and Fintechs, particularly payment platforms witnessed a rise in onboarding of new customers and reuniting with old customers. Digital banking transactions were on the rise with the Nigerian Inter-bank Settlement System ("**NIBSS**") recording in February 2023, 183.7 million transactions significantly higher than the 108.1 million transactions recorded in January 2023.[5]

Regulatory approaches in Nigeria have also witnessed more pragmatic approaches and solutions in recent years, including the first half of 2024. In July 2023, the Federal

Competition and Consumer Protection Commission ("**FCCPC**"), in a bid to implement its guidelines for the registration of digital lending established in 2022, permanently delisted two digital money lending companies along with their respective applications, for violating customer privacy and engaging in fraudulent activities. Additionally, in August 2023, the FCCPC in accordance with its regulations, ordered Google LLC to remove the mobile applications of unlicensed digital lenders from its playstore and prohibit payment gateways or services from providing or continuing services to the affected businesses.

The regulatory approach has also evolved to more prominently recognise digital and virtual assets. This was further evident with the CBN lifting the ban on commercial banks from collaborating with digital/virtual assets providers and mandating compliance with the Securities and Exchange Commission ("**SEC**") regulation on virtual and digital assets service providers. More recently, in June 2024, the SEC established a regulatory incubation programme for onboarding of virtual asset providers in Nigeria. The Finance Act, 2023 also expanded the scope of chargeable assets to include digital and virtual assets, formally recognising them in Nigeria.[6] There has also been ongoing discussions on the appropriate regulation of digital and virtual assets in the country. Regarding the payment system in Nigeria, in the first half of 2024, the CBN, in a bid to promote the smooth functioning and liquidity of the FX markets, released several guidelines to regulate international money transfer services and diaspora remittances in Nigeria.

Overall, Fintech continues to foster the transformation of the traditional banking system in Nigeria at an unprecedented pace and continues to advance the reach and efficiency of financial services within and beyond the country.

Fintech offering in your jurisdiction

Fintech offerings in Nigeria may be classified into five (5) major categories: (i) Digital Banking; (ii) Alternative Lending and Digital Credit; (iii) Electronic Payments; (iv) Investment and Financial Management/Crowdfunding; and (v) Blockchain and Digital Currencies. These categories are further discussed below.

- **Digital banking**

  This is probably the most active and predominant sector of the Nigerian technology ecosystem, with digital banks and banking services actively disrupting the traditional banking system. 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. This aspect of the Fintech industry is highly regulated and has generated more regulatory oversight than any other sector of the Nigerian tech ecosystem. Due to the cash crunch earlier in 2023, alternative means of facilitating transactions arose and point-of-sale ("**POS**") terminals rapidly increased across the country. Total cashless POS transactions rose by 45.41% year-on-year to NGN39.58 trillion (approx. USD85.96 billion) in January 2023.[7] By projections, the interest income in the digital banking market is set to reach USD1.41 billion in 2024.[8]

- **Alternative lending and digital credit**

  Tech-driven alternative lending and direct credit platforms that attempt to bridge the credit gap continue to emerge in Nigeria. These platforms offer credit services through websites and mobile applications enabling customers to swiftly access unsecured credit facilities online and are more convenient for borrowers when compared to borrowing from traditional commercial banks. This is due to the reduced documentation requirements and the absence of a requirement for collateral in most cases. Operators in this space use machine-learning algorithms to perform real-time assessments of the creditworthiness of a user and to carry out risk evaluations of the ability of users to repay the loans. The algorithms usually rely on non-traditional digital data mined from the mobile phone of the user in the first instance, and credit report/history obtained from facilitators such as the credit bureaux (where available) for subsequent disbursements.

Traditional money deposit banks have launched various lending products similar to the product offerings by the alternative lenders and also highlighting that loan products can be obtained without cumbersome documentation processes. In January 2024, Access Holdings Plc announced its obtention of CBN's approval-in-principle to establish a consumer lending subsidiary to be known as Oxygen X Finance Company Limited. More impressively, Fintechs and commercial banks have collaborated with telecommunications mobile network operators to provide quick Unstructured Supplementary Service Data ("**USSD**") code-based lending services making it easier for individuals to apply for loans through their mobile devices without the need for internet access.

The FCCPC continues to regulate the digital lending space by mandating all digital lenders to be registered with it and placing digital lenders on watchlists to adequately protect customers. Nonetheless, the digital lending and alternative credit sector continue to witness systemic growth and increase. As at May 2024, 232 companies have been granted full approval to operate as digital lenders while 41 have conditional approval, signifying an increase from 211 in November 2023.[9]

- **Electronic payments**

In the past several years, payment and bill collection mechanisms in Nigeria have significantly evolved following the development of electronic payments and payment-processing platforms. These Payment System Providers ("**PSPs**") are mainly non-banking institutions that are integrated into the payment side of commercial activities. The NIBSS Instant Payments that facilitates real time inter-bank payment solutions recorded an increase in its e-payment value hitting an all-time high in 2023 as it rose by 55% to NGN600 trillion (*circa* USD 370 million), compared to NGN387 trillion (*circa* USD240 million) in 2022.[10]

The regulatory framework in this area is relatively stable. A sub-category of electronic payments is public sector revenue collection. All payments to the Federal Government of Nigeria and its agencies are made to its Treasury Single Account ("**TSA**") via the Remita online payment platform. In addition, the Federal Inland Revenue Service has introduced several electronic tax services including the e-Tax Payment product for the payment of all Federal Government taxes and levies through payment and settlement platforms, such as NIBSS and Remita.

Other sub-categories of electronic payments are foreign exchange and remittance transactions. Fintech has impacted cross-border businesses particularly with respect to foreign exchange and remittance transactions. The personal remittances received in Nigeria increased by USD0.4 billion (+1.99%) in 2023.[11] The CBN regulates this space principally through the Guidelines on International Mobile Money Remittance Service, 2014 and the Reviewed Guidelines on International Money Transfer Services in Nigeria, 2024. These Guidelines authorise licensed operators to provide inbound and outbound international money remittance services in Nigeria. The Reviewed IMTS Guidelines restricts banks and Fintechs from obtaining an approval for an IMTO

License but can operate as agents, although it is silent on the continued operations of banks and Fintechs having the IMTO licence.[12]

- **Investment and financial management/crowdfunding**

This is another area that has been impacted by Fintech solutions. At present, trustee and asset management companies have introduced online investment platforms that enable customers to invest in the stocks market, money market instruments, mutual funds and treasury bills. These include online investment platforms such as I-invest, InvestNow, and the online securities trading platform, MeritTrade. Also, the Nigerian Stock Exchange has adopted Fintech solutions in the form of an automated trading system for securities trading on its floor. Further, non-banking institutions have also developed online platforms that provide financial management services such as savings, expense management and invoicing to customers. Notable examples include Carbon, PiggyVest and CowryWise (online savings platforms), Kliqr (an online expenses management platform), and Invoice NG (an invoicing platform). The Securities and Exchange Commission ("**SEC**") now grants digital sub-broker licences to fintech companies offering investment solutions in Nigeria to allow them to operate in the Nigerian capital market and include Nigerian securities on their platform. For instance, in January 2023, Bamboo Systems Technology Limited (Africa's leading online brokerage firm) was granted a digital sub-broker licence from the SEC.

In Nigeria, investment management platforms often offer crowdfunding as an investment product. Crowdfunding is a major financing option for micro, small and medium enterprises ("**MSMEs**") with some key beneficiaries in the education, entertainment, manufacturing and real estate sectors.[13] Beyond the typical equity and debt financing options open to a business seeking funding, crowdfunding relies on the use of online platforms to raise funds to finance a project, business, or venture. The SEC in January 2021 issued its Rules on Crowdfunding (the "**Rules**"). These Rules provide a regulatory framework permitting private companies with the required structure and mechanism in place to raise capital from the public through crowdfunding. The principal feature of the Rules is the introduction of a crowdfunding portal, which would serve as a touchpoint between the fundraising entity and the investing public. The Rules mandate crowdfunding intermediaries including the crowdfunding portal to register with the SEC. The total transaction value in the crowdfunding market is expected to reach USD36,900 by the end of 2024.[14]

Robo advisors provide automated financial planning and investment services with little or no human supervision. In August, 2021, the SEC issued its rules on Robo-Advisory activities ("**Robo-Advisory Rules**"). Robo-Advisors provide automated financial management services utilising information on the financial state and goals of investors. The Robo-Advisory Rules seek to regulate Robo-Advisors who operate digital investment platforms that offer financial management services by proposing that: (i) Robo-Advisors comply with extant laws and regulations applicable to financial advisors regulated by the SEC; (ii) the principal officers of Robo-Advisors have the required experience and skill in financial management and technology; (iii) mechanics be put in place to mitigate investor risks where Robo-Advisors are advising on trading in foreign securities; and (iv) material information be disclosed to investors. Robo-advisors must continue to meet the business conduct requirements under the ISA. Although Fintech companies in Nigeria like Risevest, Piggvest and Cowrywise actively provide personal finance and wealth management services, they do not as yet provide the full range of Robo-Advisory services. Notwithstanding, assets under the management of the Robo-Advisors market are projected to reach USD4.72 billion in 2024.[15]

- **Blockchain and digital currencies**

  On May 3, 2023, the Nigerian government announced the approval of a national blockchain policy. The policy re-emphasises the potential of blockchain in the development of the Nigerian digital economy in areas including national identity management, internal revenue monitoring and secure financial services. The adoption of the policy in Nigeria lays the groundwork for blockchain adoption in the country. While the policy does not provide a legal framework *per se*, it serves as a go-ahead for stakeholders to develop a legal framework.

  The regulatory environment for non-fiat digital currencies in Nigeria has largely remained cautionary based on the regulator's position on maintaining regulatory oversight and control over financial activities in Nigeria. However, CBN's approach is becoming less prohibitive and rather receptive. The CBN has been active in the area of Central Bank Digital Currency with the introduction of the eNaira and the Regulatory Guidelines on eNaira in October 2021. The eNaira is a digital form of the Naira which serves as a legal tender, unit of account, a store of value and a medium of exchange.

  In May 2022, the SEC issued the Rules for the Registration of Virtual Assets Service Providers ("**VASPs**") and Rules on Issuance, Offering Platform(s) and Custody of Digital Assets. These rules apply to (i) local, foreign or non-residential issuers or sponsors of virtual or digital assets, and (ii) platforms that facilitate the trading, exchange and transfer of virtual assets. The definition of virtual assets is broad enough to capture digital currencies to the extent that they are not fiat currencies, e-money or digital securities. In May 2022, the former president Muhammadu Buhari assented to the Money Laundering (Prevention and Prohibition) Bill 2022 which includes VASPs as part of financial institutions.[16] The CBN has also relaxed its prohibitive stance on digital assets by permitting SEC-licensed VASPS to operate bank accounts. The SEC has recently launched a framework providing an incubation programme for all pending applications for VASP licences.

Regulatory and insurance technology

Traditional financial institutions and Fintechs continue to face various new regulatory obligations and reporting requirements, which may be difficult to achieve while meeting operational standards. RegTech facilitates the automation of compliance processes to enable Fintechs mitigate cybersecurity risks and meet compliance requirements. In 2023, three major Fintech players lost over NGN5 billion (approx. USD6 million) to fraud in the first eight months of 2023.[17] This has necessitated the need to tackle technological breaches and deploy measures to combat fraud and money laundering. RegTech continues to gain traction in regulatory reporting and compliance, KYC processes and fraud detection and prevention tools. The RegTech sector is expected to grow 40% among the start-ups in Nigeria at the end of 2025.[18]

Insurance Technology ("**Insurtech**") explores and expands the relationship between insurance products/services and technology. Insurtech solutions include the streamlining of procuring insurance policies, bridging the access gap to insurance and simplifying insurance processes. The Insurance Act, 2003 is the law regulating insurance services in Nigeria. Section 4, of the Insurance Act establishes National Insurance Commission ("**NAICOM**") which is the principal regulatory body for insurance business in Nigeria. Insurtech companies must register with NAICOM and obtain relevant licences and permits.

Although, the insurance industry in Nigeria is still largely dominated by traditional insurance companies offering their services without the use of Insurtech, the Insurtech market is rapidly developing. The biggest players in the Insurtech industry include Conerstone Insurance, the first traditional insurer to offer its customers with an online platform for insurance transactions, and RelianceHMO, a cloud-based health insurance platform for individuals and businesses which offers solutions for telemedicine, virtual consultations and personalised healthcare. Start-ups also continue to emerge with technologies to integrate the creation, distribution and administration of the insurance business using mobile applications, thereby promoting ease of accessing insurance products and services at competitive prices. In 2023, Nigerian Insurtechs Mycover.ai and Haba raised USD1.25 million and USD75,000 in pre-seed funding respectively.[19] Also, in February 2024, BimaLab, an Insurtech initiative established by FSD in collaboration with NAICOM announced the opening of the acceleration programme for Insurtech startups.

Regulatory bodies

As at today, there is no single regulatory authority assigned to Fintech in Nigeria. The regulators of Fintech in Nigeria cut across various other sectors in Nigeria. The main regulatory bodies of the Fintech sector in Nigeria include the CBN, the Nigerian Deposit Insurance Corporation ("**NDIC**"), the SEC, the Nigerian Communications Commission ("**NCC**"), the National Information Technology Agency ("**NITDA**"), the National Insurance Commission ("**NAICOM**"), the FCCPC, the Corporate Affairs Commission ("**CAC**"), the Federal Inland Revenue Service ("**FIRS**"), the Nigeria Data Protection Commission ("**NDPC**") and the National Office for Technology Acquisition and Promotion ("**NOTAP**"). The extent of each regulator's supervision will mostly depend on the transactions or Fintech services which the Fintech company is engaging in.

- **The CBN**

  The CBN has primary responsibility for regulating financial services in Nigeria. The CBN is the principal regulator mandated to issue licences to banks and other financial institutions by virtue of the Banks and Other Financial Institutions Act, 2020 ("**BOFIA**") and the Central Bank of Nigeria Act, 2007. Fintech companies offering financial services to Nigerian consumers must obtain the appropriate licences and comply with CBN's applicable guidelines.

- **The NDIC**

  The NDIC is responsible for insuring all deposit liabilities of licensed banks and other deposit-receiving financial institutions in Nigeria. Fintech companies that provide mobile banking services, including deposit accounts such as checking and savings accounts for Nigerian consumers, are required to be registered with the NDIC. This is pursuant to section 21 of the NDIC Act, 2023.

- **The SEC**

  The SEC is the securities and capital markets regulator in Nigeria pursuant to the Investments and Securities Act, 2007 ("**ISA**"). Fintech companies desirous of raising capital from the capital market must register their securities with the SEC and comply with the ISA and the rules made thereunder. Further to the Rules on Issuance, Offering

Platforms and Custody of Digital Assets (the "**Rules on Digital Assets**") issued by SEC in December 2022, SEC has provided further guidance by issuing the Accelerated Regulatory Incubation Programme Framework for the Onboarding of VASPs (the "**ARIP Framework**") in June 2024, to provide an incubation program for all pending applications for VASP licenses with the SEC.

- **The CAC**

  The CAC is the regulatory body responsible for the incorporation and statutory supervision of all companies in Nigeria. The CAC makes regulations for the operation of Companies in Nigeria an ensures compliance with the statutory requirement for companies in Nigeria. Fintech companies (including banks) must be incorporated at the CAC to carry on business in (as distinct from doing business with) Nigeria except otherwise exempted from this requirement by the Minister of Trade, Industry and Investment (see sections 78 and 80 of CAMA 2020). More recently, CAC also mandated the registration of POS terminal operators' businesses with the CAC.

- **The NCC**

  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 NCC's regulatory purview and must obtain operating licences from the NCC. For instance, companies that operate mobile payments must be licensed by the NCC pursuant to the Licence Framework for Value Added Service ("**VAS**"). The NCC VAS regulation defines a VAS provider as a person or organisation engaged in the provision of value-added mobile/fixed services.

- **The NITDA and NDPC**

  The role of the NITDA pursuant to the NITDA Act, 2007 is to develop, regulate and advise on Information technology in Nigeria through regulatory standards, guidelines and policies. The Nigeria Data Protection Act ("**NDPA**") is the primary regulation on data protection in Nigeria. The NDPA established the NDPC as a body which will regulate the processing of personal data by data controllers and data processors in Nigeria. Operationally, the NDPC regulates the processing of personal data as contained in the regulations, the Framework and the NDPA, while the NITDA regulates information technology companies that provide cloud computing services or data centres used for storage and processing of data in Nigeria. The NDPA and the NITDA regulation extends to Fintech companies who are handling, processing, storing or transferring the data of data subjects in Nigeria.

- **The NAICOM**

  The NAICOM was established by the NAICOM Act, 1997 with the responsibility for ensuring the administration, regulation, and control of insurance business in Nigeria. Thus, where an Insurtech company carries on insurance business, it will require a licence from the NAICOM.

- **The FCCPC**

  The FCCPC was established by the Federal Competition and Consumer Protection Act, 2018 ("**FCCPA**"). The FCCPA prohibits anti-competitive practices in the Fintech space. The practices covered include price-fixing market division and exclusive dealing agreements that have anti-competitive effect. It is, however, worthy of note that the regulatory oversight of the FCCPC will only extend to Fintech companies that do not qualify as banks or other financial institutions as defined by BOFIA. This is pursuant to the ever-rising arguments on who has the ultimate powers to regulate the banks and other financial institutions. While the FCCPA attempts to override other laws in all matters regarding anti-competition and consumer protection, the BOFIA specifically restricts the application of the FCCPA and any products arising from the operations of banks and other financial institutions. In this regard, the regulation of the CBN pursuant to the BOFIA supersedes the regulation of the FCCPC in matters pertaining to financial products and services.

- **The NOTAP**

  The NOTAP is an agency under the Federal Ministry of Science and Technology in Nigeria established by the NOTAP Act N68, LFN 2004. NOTAP is saddled with the responsibility of regulating and promoting the acquisition, transfer, and domestication of foreign technology in Nigeria. NOTAP's regulation will apply to Nigerian Fintech companies who engage in technology acquisition activities and enter into technology transfer agreements in their business with foreign entities.

- **The FIRS**

  The FIRS is the federal tax regulator in Nigeria. Fintech companies are required to remit income tax, withholding tax, value-added tax and stamp duties to the government through the FIRS. Pay-as-you-earn taxes are remitted to the state (not federal) internal revenue services for the location (the state) where the employee in question works.

Key regulations and regulatory approaches

There has still not been a single regulatory approach targeted at the Fintech players in Nigeria. In the Nigerian Fintech space, there is a combined regulatory oversight which will be largely dependent on the activity being carried out by the relevant Fintech company. What is obtainable is a mixed application of various statutes and regulations. The CBN, as a major regulator for Fintech in Nigeria, has issued the following guidelines for their operations:

- CBN Risk-Based Cybersecurity Framework and Guidelines for Deposit Money Banks and Payment Service Banks, 2024.
- CBN Additional Measures for International Money Transfer Operators, 2024;
- CBN Guidelines on International Money Transfer Services, 2024;
- CBN Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers, 2023;
- CBN Operational Guidelines for Open Banking in Nigeria, 2023;
- CBN Customer Due Diligence Regulations, 2023;
- CBN Guidelines on Contactless Payments in Nigeria, 2023;
- CBN Regulatory Guidelines on the e-Naira, 2021;
- CBN Regulatory Framework for Mobile Money Services in Nigeria, 2021;
- CBN Framework for Regulatory Sandbox Operations, 2020 ("**Sandbox Operations Framework**");
- CBN Guidelines on Operations of Electronic Payment Channels in Nigeria, 2020;
- CBN Guidelines on Licensing and Operations of Payment Service Banks in Nigeria, 2020;
- CBN Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria, 2019;
- CBN Regulatory Framework for the Use of Unstructured Supplementary Service Data Financial Services in Nigeria, 2018;

- CBN Regulation for Bill Payments in Nigeria, 2018;
- CBN Risk-Based Cyber-Security Framework and Guidelines for Deposit Money Banks and Payment Service Providers, 2018;
- CBN Regulation for Direct Debit Scheme in Nigeria, 2018;
- CBN Guidelines on Operations of Electronic Payment Channels in Nigeria, 2016;
- CBN Guidelines on Mobile Money Services in Nigeria, 2015;
- CBN Revised Guidelines for Finance Companies in Nigeria, 2014; and
- CBN Microfinance Policy, Regulatory and Supervisory Framework, 2011.

The SEC has also issued major guidelines and frameworks which are relevant to Fintech. These include:

- SEC's Accelerated Regulatory Incubation Programme Framework for the Onboarding of Virtual Assets Service Provider Rules, 2024;
- SEC Virtual Assets Service Provider Rules, 2022; and
- Rules on Robo Advisory Services, 2021.

Other applicable regulations and statutes include:

- Nigerian Exchange Technology Board Listing Rules, 2022;
- Nigeria Startup Act, 2022;
- NCC Value Added Services and Aggregator Framework, 2018;
- SEC Crowdfunding Rules, 2021;
- Moneylenders Laws of the respective states in Nigeria (this line item apart, all laws and regulations mentioned in this section are federal laws);
- NITDA Nigeria Cloud Computing Policy, 2019;
- Companies and Allied Matters Act, 2020 (as amended);
- Investments and Securities Act, 2007;
- FCCPA and FCCPC regulations;
- NAICOM Act;
- Money Laundering (Prohibition) Act, 2022 (as amended);
- BOFIA;
- Corrupt Practices and other Related Offences Act, 2000;
- Economic and Financial Crimes Commission (Establishment, Etc.) Act, 2004;
- Terrorism (Prevention) Act, 2011 (as amended);
- Cybercrimes (Prohibition, Prevention, Etc.) Act, 2015;
- Nigeria Data Protection Act, 2023;
- Nigeria Data Protection Regulations, 2019;
- NDPR Implementation Framework, 2020;
- Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995;
- Nigerian Investment Promotion Commission Act, 2004 (as amended);
- NOTAP Act, 1992;
- Finance Act, 2023 (as amended);
- Nigerian Deposit Insurance Commission Act, 2023;

- Financial Reporting Council of Nigeria Act. 2011;
- Nigerian Communications Act, 2003;
- Business Facilitation Miscellaneous Provision, Act 2023; and
- Federal Inland Revenue Service (Establishment) Act.

The implementation of these regulations, like the regulators themselves, continues to rely on the transactions or the nature of services offered by the Fintech company. While certain regulations are operating in tandem, others seem to be fragmented, leading to a lack of consistency within the Fintech Regulatory Framework. However, extensive discussions have been taking place between the regulators and the stakeholders regarding the establishment of a cohesive regulatory framework and approach towards Fintech and technology in general. We remain hopeful that a unified framework for Fintech in Nigeria will emerge in the nearest future.

Restrictions

Previously, the CBN, the principal regulator of Fintechs, had demonstrated a prohibitive and restrictive approach towards cryptocurrencies and virtual assets. However, this prohibitive stance is gradually eroding. On December 22, 2023, CBN issued the Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers ("**CBN VASP Guidelines**"). By the CBN VASP Guidelines, CBN acknowledged their previous stance of adequately restricting banks and other financial institutions from operating accounts for cryptocurrency service providers. Notwithstanding, CBN admitted that current trends have shown the need to regulate the activities of VASPs, which include cryptocurrencies and crypto assets. The CBN VASP Guidelines now supersedes the previously restrictive circular issued on February 5, 2021. However, banks and financial institutions are still prohibited from holding, trading and/or transacting in virtual currencies on their own account.[20]

In furtherance of its mandate in ensuring a transparent financial system, the CBN on April 29, 2024, restricted certain FinTechs like Moniepoint, OPay, Kuda Bank and Palmpay from opening new accounts and onboarding new customers on the suspicion of these accounts being used for illegal foreign exchange transactions. This ban was lifted a month later, after the affected Fintechs met the KYC requirements imposed for existing customers and fulfilled other necessary conditions. Further, on April 26, 2024, the Federal High Court of Nigeria granted an interim order sequel to a request by the Economic and Financial Crimes Commission ("**EFCC**") for the freezing of 1,146 bank accounts belonging to individuals and companies allegedly engaging in illegal foreign exchange transactions.[21] On the same note, the CBN recently mandated Fintechs to carry out enhanced due diligence on their customers and verify the identities of their customers. These restrictions are aimed at enhancing the KYC process of Fintechs, which continue to be under the scrutiny of the CBN over concerns around money laundering and terrorism financing.

The FCCPC in August 2023, ordered Google Playstore to delist illegal loan apps in August 2023, and by May 2024, the number of unregistered loan apps removed from the Google Playstore was 47.[22] This approach signifies the proactive stance of FCCPC in regulating the market and in furtherance of the Limited Interim Regulatory/Registration Framework and Guidelines for Digital Lending, 2022 ("**FCCPC Regulation**"). This FCCPC regulation requires all Fintech companies engaged in digital lending to obtain approval and register with the FCCPC, aims to facilitate ethical lending practices and also safeguard consumer rights, and advocate stronger regulatory framework for Fintechs.

Cross-border business

In recent times, there has been a shift from the traditional methods of payment to alternative means for domestic and cross-border business. The Fintech sector continues to dominate the domains of banking, payment solutions, lending, digital asset transactions, and financial management.

In Nigeria, cross-border business is enhanced in payments and remittances systems including mobile money wallets and digital wallets. The payment system continues to be revolutionised with the continued participation of FinTech players in the payments and remittances sector leading to a rise in POS terminals. The number of these terminals had risen to 2.7 million in March 2024 from 1.8 million in the previous year, indicating that 864,753 new PoS terminals were deployed over the past year.[23]

Fintech companies continue to actively collaborate with other global players in the Fintech industry. In March 2024, start-up company, LemFi, signed a strategic deal with Visa Cross-Border Solutions division. This partnership is aimed at fuelling Lemfi's expansion into other major markets in China, India and Pakistan. LemFi, enables users to manage, transfer, receive funds between home and host countries' currencies.[24]

In terms of cross-border regulatory efforts, further to the launch of Pan-African Payment and Settlement System ("**PAPSS**"), a cross-border, financial market infrastructure enabling payment transactions across Africa, the CBN issued the Guidelines on the Operations of PAPSS in Nigeria. The CBN actively regulates cross-border payments and transactions and grants licenses to players within this market. In January 2024, the CBN also issued the Reviewed Guidelines on International Money Transfer Services in Nigeria, aimed at liberalising the foreign exchange market and promoting diaspora remittances and foreign capital inflows in Nigeria. Following the liberalisation of the FX market, the CBN, in March 2024, issued a new circular allowing individuals and banks to initiate transactions on PAPSS for trade and payment services without restrictions or limits. On June 24, 2024, the CBN also released a circular on the new measures for enhancing local currency liquidity for settlement of diaspora remittances to enable International Money Transfer Operators' Naira liquidity through the CBN. As a follow up, the CBN regularly publishes and updates a list of IMTOs in Nigeria including approved operators that are yet to commence business. A significant increase in the number of licensed IMTOs in Nigeria is expected by the second half of 2024.[25] Nigeria's success in cross-border business, receiving 35% of Sub-Saharan Africa's diaspora remittances in 2023, underscores the growing role of fintech companies in facilitating cross-border transactions.[26]

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