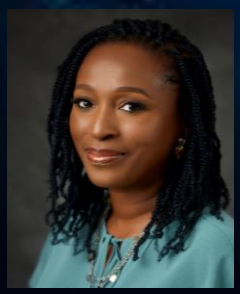
UDO UDOMA & BELO-OSAGIE

AN OVERVIEW OF NIGERIA'S REGULATORY LANDSCAPE FOR FINTECH IN 2024 AND OUTLOOK FOR 2025



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INTRODUCTION

The financial technology ("Fintech") sector in Nigeria experienced significant growth and advancements in 2024. This was driven by the collaborative efforts of industry players, regulators, and government agencies. Key contributors to that growth included the Central Bank of Nigeria ("CBN"), the Securities and Exchange Commission ("SEC"), the Federal Ministry of Communications, Innovation, and Digital Economy, and the Nigerian Data Protection Commission ("NDPC"). In this update, we have highlighted the major developments in the regulatory framework in the Fintech space in 2024 and provided insights into anticipated trends and progress for 2025.

REMITTANCES

New IMTO Guidelines

The CBN issued the revised Guidelines of International Money Transfer Services in Nigeria (the "IMTO Guidelines") on 31st January, 2024 to repeal the existing guidelines which was issued on 26th September, 2014. The IMTO Guidelines provide a detailed framework for the licensing and operations of International Money Transfer Operators ("IMTOs") in Nigeria and introduced new requirements which authorised participants are required to comply with. The CBN restricts banks and Fintechs from being licensed as IMTOs. Please refer to our earlier publication on the IMTO Guidelines using the links here and here for more details.

The Introduction of Non-Resident Nigerian Ordinary Account and the Non-Resident Nigerian Investment Account

The CBN issued a circular on 10th January, 2025 introducing two new account categories for Nigerians in the diaspora. The new accounts are:

1. **Non-Resident Nigerian Ordinary Account (NRNOA):** This account enables diaspora Nigerians to remit foreign earnings, manage funds in both foreign and local currencies, and meet personal financial obligations in Nigeria; and
2. **Non-Resident Nigerian Investment Account (NRNIA):** This account is aimed at facilitating investment by Nigerian residents abroad in Nigerian financial market instruments, including bonds and equities, using foreign or local currencies held in this account.

With the introduction of these accounts, the CBN aims to enhance diaspora Nigerians' contributions to Nigeria's socio-economic development by providing secure financial management and investment opportunities. The accounts, which

became operational on 1st January, 2025, allow full repatriation of funds and currency conversion at prevailing exchange rates in the official market. Account holders must, however, comply with the prescribed Know Your Customer (KYC) requirements. Interest income earned on deposits is subject to applicable taxes, if any. In addition, to facilitate the ease of opening the accounts, CBN Governor, Mr. Olayemi Cardoso, announced a Bank Verification Number (BVN) platform for diaspora Nigerians to streamline KYC compliance and encourage greater participation of the targeted diasporans in the Nigerian economy.

PAYMENTS

The CBN took major regulatory steps in 2024 to enhance electronic transaction monitoring and promote competition in the payments processing sector. In April, the CBN granted Unified Payment Services Limited (UPSL) a payment terminal service aggregator (PTSA) licence. With this, UPSL became the second PTSA in Nigeria alongside the Nigeria Interbank Settlement System Plc (NIBSS).

On 11th September, 2024, the CBN issued a circular mandating key operational changes in Nigeria's payments infrastructure. The circular introduced several requirements for Payment Service Providers (PSPs) in engaging with the two PTSAs, including:

- **Transaction Routing:** Acquirers must process all Point of Sale (PoS) transactions exclusively through the designated PTSAs.
- **Processor Certification:** PTSAs can only work with certified, nominated, and CBN-licensed payment processors, effectively eliminating unlicensed entities.
- **PTSA Integration:** All CBN-licensed processors must integrate with both PTSAs to enhance operational flexibility.
- **PoS Configuration:** PTSPs must ensure that PoS machines comply with routing and compatibility requirements.
- **Mandatory Reporting:** PTSPs and PTSAs must submit monthly transaction reports to the CBN for regulatory oversight.

The PTSA circular aims to strengthen transparency, security, and efficiency in Nigeria's electronic payments system. PSPs were required to regularise their operations with PTSAs and confirm compliance with the CBN within 30 days of the circular's issuance. Compliance is mandatory. Non-compliant entities may become liable to potential sanctions and monetary penalties.

ARTIFICIAL INTELLIGENCE

Nigeria's AI Growth

Nigeria saw increased AI adoption in the year 2024, particularly in Fintech. A 2024 Nigeria Fintech Marketing Outlook revealed that 29% of surveyed Fintech firms used generative AI for content creation, including social media and blogs[1]. In addition, the Federal Ministry of Communications, Innovation, and Digital Economy (FMCIDE), in collaboration with Google, launched the AI Fund to accelerate AI integration in Fintech. Through this initiative, 10 AI startups received NGN100 million in funding, US$3.5 million in Google Cloud credits, and mentorship from the National Centre for AI and Robotics.

AI Regulation in Nigeria

The FMCIDE also proposed the National Digital Economy and E-Governance Bill (NDEE Bill) 2024. The NDEE Bill aims to mandate the use of AI and emerging technologies in public sector digital services, subject to regulatory compliance[2].

Draft National Artificial Intelligence Strategy 2024

In August 2024, Nigeria's Minister of Communication, Innovation, and Digital Economy released the draft National Artificial Intelligence Strategy (NAIS) to promote ethical AI development and position Nigeria as a global leader in AI.

The strategy focuses on AI infrastructure, ecosystem development, adoption, responsible governance, and risk management. Key initiatives include establishing high-performance computing centres, clean energy AI clusters, and a National AI Collaboration Office. Eligible entities may be entitled to pioneer status incentives to encourage investments in AI infrastructure. To address economic, ethical, societal, and AI model risks, the NAIS adopts the National Institute of Standards and Technology (NIST) AI risk management framework. There are, however, challenges such as funding constraints, skill gaps, data security risks, and slow private-sector adoption that may hinder implementation.

[1] https://bitcoinke.io/wp-content/uploads/2024/03/Fintech-Marketing-Outlook-Nigeria-2024-BitKE.pdf
[2] https://fmcide.gov.ng/wp-content/uploads/2024/07/National%20Digital%20Economy%20and%20E-Governance%20Bill%2C%202024%20-%20Draft.pdf?_t=1721838823

DATA PROTECTION

a. Classification Data Controller and Data Processor of Major Importance

The data protection regulatory regime is evolving rapidly in Nigeria. As a part of that development, the NDPC issued the Guidance Notice on the Registration of Data Controllers and Data Processors of Major Importance (the "Notice") under the Nigeria Data Protection Act 2023 ("NDPA") in 2024. This Notice clarified the classification and registration requirements for Data Controllers or Processors of Major Importance ("DCPMIs"), a category introduced by the NDPA. Under Section 65 of the NDPA, a DCPMI is any entity operating in Nigeria that processes the personal data of a significant number of individuals or whose activities involve data of strategic importance to Nigeria's economy, society, or security. The NDPA, however, left the specific determination of DCPMIs to the NDPC on the basis of which the NDPC issued the Notice.

A legal challenge arose in Frank Ijege vs. NDPC[3], where the Kaduna Division of the Federal High Court ruled that several provisions of the Notice exceeded the NDPC's legal authority under the NDPA. The court invalidated provisions related to DCPMI definitions and classifications, citing a lack of clear exemptions for certain data controllers and processors as required by Section 48(3)(b) of the NDPA. As of now, we are not aware that the NDPC has filed an appeal to overturn the court's ruling, and the DCPMI registration process has not officially been suspended.

b. Enforcement Actions

Nigeria saw a significant rise in enforcement action in relation to data protection in 2024. For instance, the Federal Competition and Consumer Protection Commission ("FCCPC") fined WhatsApp LLC and Meta Platforms US$220 million, while the NDPC imposed a record fine of NGN555.8 million on Fidelity Bank Plc. In addition, the NDPC levied approximately NGN400 million in penalties against four banks and three other institutions for data protection violations.

c. Request for Social Media Handles by Financial Institutions

On 16th May, 2024, the Lagos Division of the Federal High Court, in the case of Chris Eke vs. Central Bank of Nigeria[4], upheld the CBN's Customer Due Diligence Regulations (the "Regulations"). The Regulations mandate financial institutions regulated by the CBN to collect customers' social media handles

[3] Suit No FHC/KD/CS/34/2024
[4] Suit No. FHC/L/CS/1281/2023

as part of the KYC process. Justice Dimgba ruled that this requirement does not violate customers' right to privacy.

Please refer to our previous publication from this link here for insights on other developments in the data protection space, including the Nigeria Data Protection General Application and Implementation Directive and the Cybercrimes (Prohibition and Prevention) (Amendment) Act 2024.

FOREIGN EXCHANGE

The CBN introduced various policies in relation to foreign exchange ("FX") aimed at stabilising the Nigerian foreign exchange market ("NFEM"). The key regulatory changes include the introduction of the Revised FX Guidelines (the "FX Guidelines") and the Nigeria FX Code (the "FX Code"). A brief overview of these changes in 2024 is highlighted below.

a. Introduction of the Nigeria FX Code

The CBN released the Nigeria Foreign Exchange Code (FX Code) on 27th January, 2025 which was officially launched on 28th January, 2025. The FX Code is aimed at enhancing governance, professionalism, transparency, and integrity in FX transactions in the NFEM. While it is presented as guiding principles, the FX Code includes penalties for certain violations, indicating some level of enforceability. Please use the link here to access our recent publication on the FX Code.

The Revised Guidelines for the NFEM

As part of its restructuring of the NFEM, the CBN issued the Revised Guidelines for the NFEM on 29th November, 2024 (the "NFEM Guidelines"). The NFEM Guidelines replace previous regulations, including those related to FX market liberalisation and the Investors' & Exporters' FX Window. The FX Guidelines established key regulatory and operational requirements, focusing on the roles of market participants, FX pricing mechanisms, and reporting obligations. The primary objective is to enhance transparency, prevent market manipulation, and strengthen confidence in FX transactions in the NFEM. A notable change is that Bureaux de Change operators ("BDCs") are now allowed to access FX from authorised dealers to meet customer needs, subject to a monthly cap set by the CBN from time to time.

The NFEM Guidelines introduce stricter reporting requirements and emphasise publishing reliable FX data, improving regulatory oversight and market efficiency. However, they also impose increased compliance obligations on market participants, particularly Authorised Dealers. Please click here to access our detailed analysis of the FX Guidelines.

b. BDC Operations in Nigeria

(i) The BDC Guidelines:

On 22nd May 2024, the CBN issued the Guidelines for BDC Operations in Nigeria (the "BDC Guidelines"), introducing significant changes to BDC operations. The BDC Guidelines cover key areas such as licensing requirements, capital thresholds, permissible and non-permissible activities, FX sourcing, transaction disbursement methods, card issuance, and BDC bank account operations. The BDC Guidelines introduced a two-tier licensing system. Tier 1 BDCs can operate nationwide and establish branches and franchises with CBN approval, while Tier 2 BDCs are limited to one State or the Federal Capital Territory (FCT) and can open up to five branches with approval but cannot operate franchises. The minimum capital requirement is NGN2 billion for Tier 1 BDCs and NGN500 million for Tier 2 BDCs.

The BDC Guidelines prohibit certain entities and individuals from owning or having an interest in BDCs such entities include banks, financial holding companies, international money transfer operators (IMTOs), payment service providers, and shareholders in other BDCs. Furthermore, the BDC Guidelines define permissible activities, reinforcing the CBN's efforts to combat illicit financial operations. BDCs can acquire foreign currency from approved sources, sell foreign currency for authorised purposes, open foreign currency and Naira accounts, issue prepaid debit cards in partnership with banks, and serve as cash-out points for IMTOs. The BDC Guidelines reemphasise CBN's restriction on BDCs from engaging in the street trading of foreign currencies.

Please refer to our earlier publication titled *"An Overview of the New Regime for Bureaux De Change Operations in Nigeria"* using the link here for more details.

(ii) Sale of FX by the CBN to BDCs to Meet Market Demand for Invisible Transactions

Between February and September 2024, the CBN issued multiple circulars on its direct sale of FX to BDCs to meet retail market demand for transactions such as personal travel allowances, medical bills, and tuition payments. To manage seasonal FX demands by end-users, the CBN issued a circular on 19th December, 2024 that temporarily granted all existing BDCs access to the NFEM from 19th December, 2024 to 30th January, 2025. During this period, BDCs could purchase FX from Authorised Dealers, subject to a weekly cap of US$25,000. This period has now been extended to 31st May, 2025. Please click [here] to access our earlier update on this point.

BLOCKCHAIN AND CRYPTOCURRENCY

The major developments in this space are outlined below.

(a) Proposed Amendments to the SEC Rules on Issuance, Offering Platforms and Custody of Digital Assets

On 15th March, 2024, the SEC published its proposed amendments to the existing SEC Rules. For more details on these Rules, please refer to the link here. Subsequently, on 16th December, 2024, the SEC released an exposure draft amending rules on digital assets, set to take effect on 30th June, 2025. The key changes in the new draft rules include:

- **Foreign Virtual Asset Service Providers (VASPs) Registration:** Foreign VASPs can be afforded recognition with the SEC if their home jurisdiction is an International Organisation of Securities Commission (IOSCO) or West Africa Regulators Association (WASRA) member or has a reciprocal agreement with Nigeria.

- **ARIP Requirement:** Registration under the Framework for Accelerated Regulatory Incubation Program ("**ARIP"**) is now a prerequisite for full SEC registration.

- **Digital Asset Intermediary (DAI):** A new category for entities facilitating digital asset transactions, including brokers, portfolio managers, trustees, and investment advisers, has been introduced.

- **Increased Capital Requirements:** The SEC introduced the following capital requirements: NGN500 million for digital asset offering platforms, NGN1 billion for exchanges, and NGN100–500 million for DAIs.

- **Board Composition Rules:** The SEC prescribes that VASPs must have at least five directors, with 60% being Nigerians, a non-executive chairman, a majority of non-executive directors, and at least one independent non-executive director.

- **Advertising Restrictions:** In addition to complying with other regulatory requirements regarding advertisement, the marketing and promotion of digital assets in Nigeria require the prior approval of the SEC.

(b) The SEC's Framework on Accelerated Regulatory Incubation Program for the Onboarding of VASPs and DISPs

Notwithstanding that the SEC had not issued the amended SEC Rules released in March 2024, the SEC released a Framework on Accelerated Regulatory Incubation Program (**ARIP**) for the Onboarding of VASPs and other Digital Investment Service Providers ("**DISPs"**) (the "**Framework**") on 21st June, 2024. For more details regarding the requirements under the Framework, please refer to the link here.

On 29th August, 2024, the Securities and Exchange Commission (SEC) announced the grant of approval-in-principle to two digital asset exchanges under the ARIP[5]. With this, Busha Digital Limited and Quidax Technologies Limited became the first cryptocurrency exchanges in Nigeria to receive approval-in-principle under the ARIP. Furthermore, five crypto entities were

[5] https://sec.gov.ng/press-release-update-on-the-secs-accelerated-regulatory-incubation-program-and-regulatory-incubation-program/

admitted into the SEC's Regulatory Incubation Program (RI Program), designed to assess digital asset firms and test innovative products and technologies under close supervision.

Given that only SEC-approved platforms can legally trade crypto assets directly in Nigeria targeting Nigerian residents, the ARIP and RI Program serve as the primary channels for introducing digital products to the Nigerian capital market. These initiatives also allow the SEC to gather insights on distributed ledger technology and crypto asset trading, shaping future policy development while ensuring consumer protection.

(c) Proposed Taxation of Cryptocurrency Transactions

The Nigeria Tax Bill, 2024, currently under consideration by the National Assembly, seeks to impose taxes on profits or gains realised from digital asset transactions in Nigeria. It reinstated the categorisation of digital assets as chargeable assets and provides a detailed definition of digital assets to encompass crypto assets, utility tokens, security tokens, NFTs, and similar digital representations. This is a positive development from the Finance Act 2023 which only imposed capital gains tax on digital assets without defining them. This resulted in stakeholders relying on the SEC's interpretation. If the bill is passed into law, it will provide much-needed clarity on taxable digital assets.

(e) The National Blockchain Policy Steering Committee

On 5th July, 2024, the National Information Development Agency announced the reconstitution of the National Blockchain Policy Steering Committee and the commencement of a co-creation workshop for implementing Nigeria's National Blockchain Policy. The Policy aims to foster a blockchain-powered economy by promoting adoption, integration, and innovation across various sectors to enhance economic growth, efficiency, transparency, and security.

Originally inaugurated in May 2023, the Committee, with members drawn from government agencies, industry, and academia, is responsible for overseeing the implementation of blockchain initiatives. The Policy focuses on workforce development, job creation, industry competitiveness, regulatory frameworks, research, and increased adoption of blockchain in both public and private sectors. It also seeks to establish blockchain sandboxes, encourage international collaboration, and develop national blockchain infrastructure.

OUTLOOK FOR 2025

2025 started as an interesting year with many expectations. The economy is expected to stabilise, and the economic reforms initiated by the Nigerian government are expected to start having positive impacts on the economy, which will be a plus for Fintechs. In this regard, these are some of the developments we expect to see in 2025:

Remittances

The NRNIA and NRNOA are expected to enhance diaspora remittances by providing secure and transparent investment options. This may also reduce dependence on IMTOs, fostering competition and potentially driving down transaction fees. Increased FX liquidity and financial inclusion are also expected. In this regard, there is currently a sense of stability in the official and unofficial FX markets, which has resulted in an appreciable appreciation of the Naira against other convertible currencies. This is expected to continue in the short to medium term.

Payments

The CBN may introduce comprehensive regulations to oversee the evolving and diverse payments sector. The existing regulations are spread through different instruments, making them cumbersome to follow. The harmonisation of the regulations in a single document will play a significant role in facilitating the understanding and application of the rules. Expected competition among PTSA operators (UPSL & NIBSS) will drive service improvements and reduce downtime. This will help Fintechs to facilitate seamless transactions with minimal disruptions. The enforcement of the mandatory monthly transaction reports will enhance transparency and fraud prevention in the payment system. We expect the CBN to lead on this.

AI

Global AI competition will drive innovation, with increased investment from the United States and China which could be a plus for Fintechs generally. Nigerian Fintechs will expand AI use for customer experience, fraud detection, and marketing. The NDEE Bill and additional AI regulations are expected to be enacted and become effective this year.

Data Protection

The NDPC is expected to issue new guidance on registering major data controllers and processors. It could also Increase its level of regulatory enforcement as data protection compliance becoming a business prerequisite. This is because 'data is the new oil'. It is, therefore, important for the regulator to ensure compliance by data processors. The NDP General Application and Implementation Directive (GAID) Regulation may also be finalised following the conclusion of stakeholder consultations on the issue.

Foreign Exchange (FX) Market

The FX Guidelines & FX Code will enhance market transparency, governance, and risk management and these are expected to stabilise the FX markets this year. Consequently, stricter compliance requirements are important as that will promote stability and liquidity. The CBN is expected to play a significantly role in this area.

Blockchain & Cryptocurrency

The revised SEC rules on digital assets could become effective by 30th June 2025 if issued ahead of that date. This will help with improving clarity on the licensing regime and requirements. The tax bills may also become laws which will provide a level of clarity regarding the taxation of digital assets. The expected implementation of the various National Blockchain Policy initiatives will enhance skills development, innovation, and regulatory support for blockchain adoption.

CONCLUSION

2024 was a notable year for players in the Fintech space and key regulators such as the SEC, CBN, and the FMCIDE. The sector witnessed many changes and proposed changes, some of which we have highlighted above. The sector continues to evolve rapidly, particularly in areas such as AI and crypto assets. This trend is expected to continue this year and beyond. Looking ahead, we anticipate increased activities and regulatory changes in 2025. We remain optimistic about expected positive changes and are committed to monitoring developments in the Fintech space and analysing their impact on the industry. Furthermore, we expect heightened participation by all the players in the sector, driven by the commendable regulatory reforms introduced by relevant authorities in 2025 and beyond.

This update has been provided by the Fintech team at Udo Udoma & Belo-Osagie. For more information about our Fintech practice group offerings, please visit our website at www.uubo.org or email us at fintech@uubo.org.

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