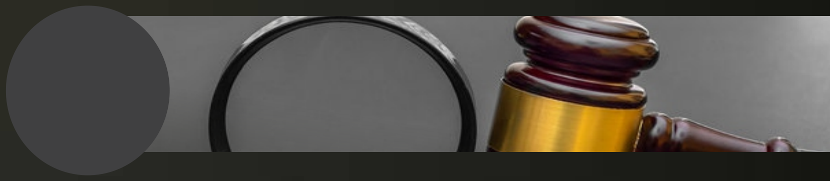
Regulating Innovation: Balancing Fintech Growth and Security in Nigeria's Digital Economy

www.woleolanipekun.com

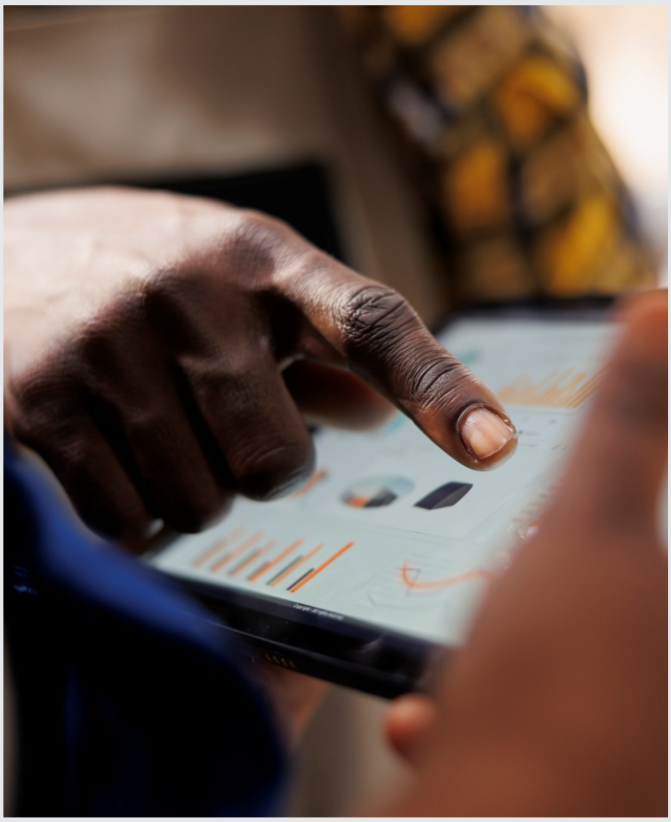


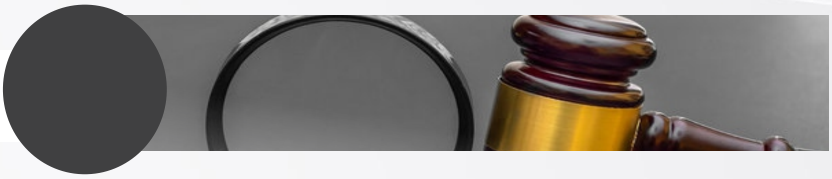
INTRODUCTION

The rise of financial technology (fintech) in Nigeria has redefined the country's digital economy, accelerating financial inclusion while creating new regulatory and security challenges. From mobile money operators and payment gateways to savings platforms and digital lenders, fintechs have bridged longstanding gaps in access to financial services, particularly for underserved populations. This rapid growth, however, has also heightened risks around data protection, consumer welfare, cybersecurity, and market integrity. In response, Nigerian regulators have sought to balance innovation with oversight, deploying a layered framework of statutes, sector-specific rules, and supervisory mechanisms. The challenge and opportunity lies in ensuring that fintech's disruptive potential is harnessed to deepen inclusion and economic growth, while safeguarding against systemic, consumer, and integrity risks that could undermine long-term stability.

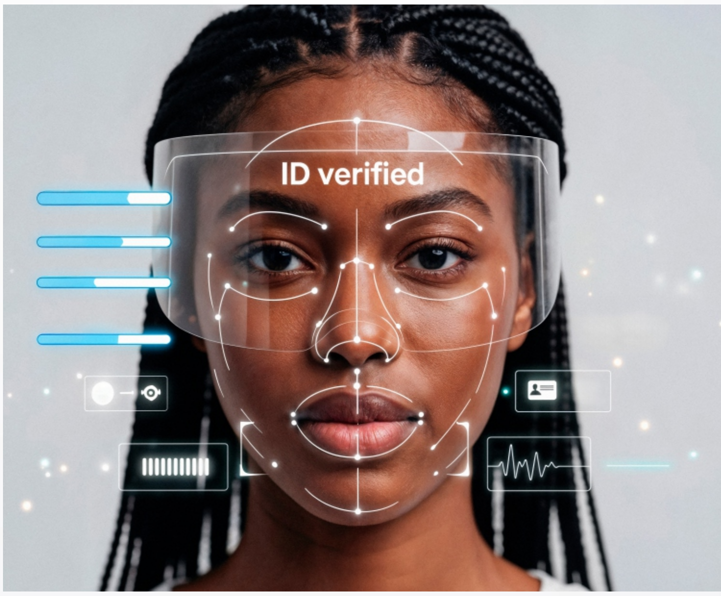
Nigeria's digital economy has expanded rapidly on the back of mobile connectivity, agent networks and a vibrant startup scene. At the centre of this transformation, sits financial technology (fintech), which has emerged as a critical driver of financial inclusion. Payments companies (Payment Service Providers, e.g. Interswitch; Mobile Money Operators, e.g. Paga; Payment Terminal Service Providers, e.g. Citiserve; Payment Solution Service Providers, e.g. Flutterwave; Super Agents and Agency Banking Networks; e.g. FirstMonie), micro-savings, e.g. Piggyvest and digital credit platforms, e.g. FairMoney have significantly reduced distribution costs while expanding access to everyday financial tools across the country.[1] EFInA reported in 2023 that non-bank financial services such as mobile money presents an opportunity to deepen financial inclusion through alternative channels. This momentum sits within the Central Bank of Nigeria's broader financial inclusion agenda. International observers, including the International Monetary Fund also note the potential for digital rails and innovations such as CBDC/e-Naira integration to deepen inclusion if risks are well managed.

As these innovations deepen, Nigeria has simultaneously established a multi-layered regulatory framework to preserve stability, market integrity, consumer welfare and data rights while enabling innovation. The Banks and Other Financial Institutions Act 2020 (BOFIA) and the Central Bank of Nigeria Act 2007 remain the statutory backbone for licensing and oversight of banks and many non-bank financial institutions engaged in fintech activities. Pursuant to its powers and duties enshrined in these statutes, the Central Bank of Nigeria (CBN) has issued a suite of rules that shape the modern fintech landscape. These safeguards include the issuance of Operational Guidelines for Open Banking in Nigeria (2023) to stimulate secured data portability; the Framework for Regulatory Sandbox Operations (2020);[3] to test and learn innovations under supervision; New Licence Categorisations for Nigerian Payment Service Providers (2020) to clarify the categories of risk; to mention but a few.





However, while the CBN ensures the safety and stability of fintech operations, the Securities and Exchange Commission (SEC) oversees market conducts and facilitates capital formation. By the provisions of Investment and Securities Act, 2007, SEC governs crowdfunding and digital asset activities through its 2022 Rules on Issuance, Offering Platforms and Custody of Digital Assets, 2021 Crowdfunding Rules, now operating under the Investments and Securities Act, 2025. Similarly, the Central Bank of Nigeria, through its 2023 Guidelines on the Operations of Bank Accounts for Virtual Asset Service Providers, has regularised the relationship between banks and VASPs, this aligns its regulatory oversight with the Securities and Exchange Commission's market regulations and anti-money laundering standards.



Given fintech's reliance on personal data, the Nigeria Data Protection Act 2023 established the Nigeria Data Protection Commission and a comprehensive regime for data rights and privacy, further operationalised by the NDPA's General Application and Implementation Directive (GAID) 2025, which will take full effect on 19 September 2025 and would replace NDPR after a transition period.[4] To mitigate rising cybersecurity risks accompanying digital adoption, the Cybercrimes Act 2015 was amended in 2024 to strengthen obligations such as timelines for incident reporting, (which has been reduced from 7 days of its occurrence to 72 hours of its detection).

Financial integrity is a top priority for the Nigerian government. This is why laws like the Money Laundering (Prevention and Prohibition) Act 2022, the Terrorism (Prevention and Prohibition) Act 2022, and the CBN Customer Due Diligence Regulations 2023 require financial institutions to disclose somesuspicious transactions, verify customer identities, apply Know Your Customer (KYC) checks, and monitor transactions, including those involving virtual assets. Consumer risks in digital lending remain a major concern, which is why the government has responded through the issuance of the Federal Competition and Consumer Protection Commission's Limited Interim Regulatory/ Registration Framework and Guidelines for Digital Lending, 2022. This framework regulates app-based lenders by targeting predatory practices and data abuse, creating a registration and conduct system that works alongside CBN's licensing rules.

1 A2F 2023 'Financial Inclusion State Factsheet Unlocking Insights to Accelerate Financial and Economic Inclusion' <https://a2f.ng/a2f-2023-financial-inclusion-state-factsheet/> accessed 23/08/2025.

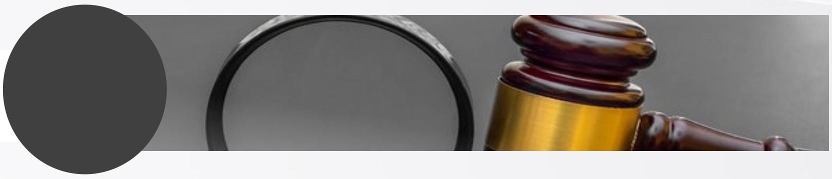
2 Torsten and Jack, 2023 'Nigeria-Fostering Financial Inclusion Through Digital Financial Services' International Monetary Fund SIP/2023/020.

3 <https://www.cbn.gov.ng/out/2020/psmd/exposure draft of regulatory framework for sandbox operations.pdf> accessed 23/08/2025.

4 Banwo & Ighodalo, 2025 <'Navigating Nigerias GAID 2025: What Organisations need to know to ensure compliance - Businessday NG> accessed 17/08/2025.

5 Section 3 Cybercrimes (Prohibition, Prevention, etc.) (Amendment) Act, 2024.

6 Fintech News Africa 'Nigeria's Fintech Sector Surges 70% Despite Challenges' <https://fintechnews.africa/44869/fintech-nigeria/nigerias-fintech-sector-surges-70-despite-challenges/> accessed 17/08/2025.



The Rise Of Financial Technology In Nigeria

Statistically, Nigeria's fintech industry expanded by about 70% in 2024,[6] with over 430 fintech companies operating at the start of 2025, up from 255 in 2024. Nigerian fintechs raised around USD 400 million in 2023, representing 16.6% of Africa's total fintech funding, down from USD 976 million in 2022 (29.3%).[7] McKinsey notes a 197% growth in fintech investments over three years, mostly from international investors,[8] while the CBN recorded cumulative investments exceeding USD 200 million between 2011 and 2018.[9]

In H1 2024, Nigeria processed approximately 1.56 quadrillion in e-payment transactions, accounting for 70% of the full-year 2023 volume, while fintech attracted USD 140 million in funding during that same period. The country also hosts over 200 active fintech startups, the highest in Africa.[10] Embedded finance revenue was projected at USD 1.118 billion in 2024, projected to grow at CAGR of 25.5% to USD 3.48 billion by 2029.[11]

Key Players and Disruptive Innovations

Prominent fintech companies in Nigeria include OPay, PiggyVest, Moniepoint, Flutterwave, Paystack, Interswitch, Kuda Bank, Carbon, Paga, Remita, and TeamApt (Moniepoint).

According to statistics, OPay serves over 60 million users with services spanning payments, loans, and merchant tools.[12] PalmPay boasts 35 million registered users, handles 15 million daily transactions, and raised USD 140 million, backed by investors such as Transsion and NetEase.[13] Moniepoint became a unicorn after it raised USD 110 million from investors including Google, and processes over 800 million transactions monthly worth more than USD 17 billion.[14] Flutterwave raised USD 250 million in 2022, achieving a valuation over USD 3 billion, making it Africa's most valuable startup at that time.[15]

By 2025, the leading fintech verticals were business payments and cross-border transactions, credit infrastructure and digital lending, and BNPL/merchant solutions.[16] Additionally, As of Q1 2025, Nigerian startups raised over USD 100 million, with most going to fintechs, highlighting the sector's continued resilience.[17]

Payment Infrastructure and Blockchain-Driven Innovation

Kora (formerly Korapay), is a Lagos-based, pan-African payment infrastructure provider founded in 2017, enabling pay-ins, payouts, settlements, and card issuance through a unified application programming interface (APIs). It leverages blockchain for cross-border transactions and enables dollar payment option for transactions in dollars.

Interswitch, founded in 2002, has evolved from a domestic switch into one of Africa's largest integrated payments and digital commerce platforms. It powers widely used services such as Quickteller and the Verve card scheme, in 2023, it was licensed by the Central Bank of Nigeria as a Payments Service Holding Company, allowing it to operate multiple regulated subsidiaries under one structure.[18]

IMPACT OF FINTECH ON TRADITIONAL FINANCIAL INSTITUTIONS AND CONSUMERS

Some banks are adopting digital channels and partnering with fintechs operators like Paystack and Flutterwave to enhance infrastructure, tap new segments, and drive innovation, while, established players like FSDH Merchant Bank continue to deliver innovative business finance and investment services tailored for the[19] digital economy.

Happily, a random evaluation reveals that access to digital credit significantly improved users' subjective well-being over three months, even if it didn't materially affect income or resilience in[20] the short run. However, it is pertinent to know that while digital finance enhances inclusion, it also raises risks of over-indebtedness, with increased participation in credit markets, because of its accessibility and easy-to-use model, which will potentially lead to large debt accumulation.

THE REGULATORY LANDSCAPE OF FINTECH: PROGRESS AND CHALLENGES

Existing Laws and Guidelines on Financial Technology in Nigeria include:

1. Banks and Other Financial Institutions Act, 2020 (BOFIA):

Banks and Other Financial Institutions Act, 2020 (BOFIA) is the primary statute governing financial institutions in Nigeria. Section 2(5) empowers the Central Bank of Nigeria (CBN) to license new categories of financial service providers beyond traditional banks. This includes mobile money operators, payment service providers, and digital banks. The Act introduced a stronger compliance regime by increasing penalties for operating without a license (up to 50 million for companies under Section 57) and by expanding CBN's supervisory powers to include fintech-driven payment systems. In practice, this means that fintechs offering deposit-taking, lending, or payments must obtain the relevant CBN license and are subject to prudential supervision, capital adequacy requirements, and corporate governance standards.

2. CBN Regulatory Sandbox Operations Framework 2022:

The Sandbox Framework creates a controlled environment for testing innovative fintech products under CBN's supervision. Section 2 of the Framework allows fintech start-ups to trial solutions such as blockchain-enabled remittances, AI-driven credit scoring, or digital KYC, without immediately triggering the full burden of licensing. However, participation requires compliance with risk management protocols, customer protection measures, and transaction limits. This framework encourages innovation while ensuring consumer safety.

3. Operational Guidelines for Open Banking, 2023:

These guidelines operationalise Nigeria's move towards open banking, where financial institutions and fintechs share customer-permissioned data securely through standardized APIs. Section 5 provides for a tiered participation model: Data Providers, e.g., banks, Mobile Money Operators, Data Consumers, e.g., fintechs offering credit scoring and API Standards ensuring interoperability and cybersecurity. The Guidelines impose strong obligations on consent management, requiring express customer authorization before any data sharing. This promotes innovation in digital lending, payments, and personal finance management while safeguarding consumer rights.

7 Ebimobowei et. al, 2024 'Global Legal Insights: Fintech 2024', Sixth Edition, Chapter-17_Nigeria <https://www.gelias.com/images/Newsletter/GLIFIN24_Chapter-17_Nigeria.pdf> accessed 24/08/2025.
8 Harnessing Nigeria's fintech potential accessed 17/08/2025.
9 Central Bank of Nigeria, 2022 'Fintech Evolution and Development In Nigeria: Lessons From Other Jurisdictions' <https://www.cbn.gov.ng/Out/2023/RSD/OCCASIONAL%20PAPER%20NO%2076%20-%20Fintech%20Evolution%20and%20Development%20in%20Nigeria> accessed 25/08/2025.
10 9 Payment Service Bank > accessed 25/08/2025.
11 Ibid.
12 Empower Africa '10 African Fintech Startups Ranked Among The Top 300 Globally in 2025' <https://empowerafrica.com/10-african-fintech-startups-ranked-among-the-top-300-globally-in-2025> accessed 28/08/2025
13 Ibid
14 Reuters 'Google among investors putting $110 million into Nigeria's Moniepoint' <https://www.reuters.com/technology/google-among-investors-putting-110-million-into-nigerias-moniepoint-2024-10-29> accessed 28/08/2025.
15 Dan, 2022 'Flutterwave Becomes Africa's Most Valuable Startup' Axios <https://www.axios.com/2022/02/16/flutterwave-becomes-africas-most-valuable-startup> accessed 28/08/2025.
16 Fintech News Africa <https://fintechnews.africa/44869/fintech-nigeria/nigerias-fintech-sector-surges-70-despite-challenges/> accessed 22/08/2025.
17 TechCabal, 2025 'The Biggest Fintech Companies in Nigeria' <https://techcabal.com/2025/07/21/the-biggest-fintech-companies-in-nigeria-2025/> accessed 22/08/2025.
18 Iheanyi, 2023 'interswitch-secures-cbn-payment-service-holding-company-license' BusinessDay <https://businessday.ng/companies/article/interswitch-secures-cbn-payment-service-holding-company-license/> accessed 29/08/2025
19 FSDH Merchant Bank 'Top 100 Fintech Companies in Nigeria – Who's Leading the Digital Revolution' <https://fsdhmerchantbank.com/2025/03/18/top-fintech-companies-nigeria/> accessed 28/08/2025.
20 Daniel et. Al, 2022 'Instant Loans Can Lift Subjective Well-Being: A Randomized Evaluation of Digital Credit in Nigeria' arXiv <https://arxiv.org/abs/2202.13540> accessed 27/08/2025.

4. National Information Technology Development Agency (NITDA) Act, 2007:

Section 6(c) of this Act empowers NITDA to develop guidelines for electronic governance and to monitor the use of electronic data interchange and other forms of electronic communication transactions, in both the public and private sectors. Section 17 further authorises the Agency to issue standards, guidelines, and codes of practice governing the use of information technology across industries. For fintech companies, this statutory authority translates into compliance obligations around information security, data management, and digital service delivery. Thus, NITDA provides a foundational regulatory framework ensuring that fintech operations involving technology infrastructure adhere to national IT governance principles.

Building on this mandate, the Nigeria Data Protection Regulation (NDPR) 2019, issued by NITDA, created the first national data protection framework in Nigeria. It established obligations for all entities, including fintechs, to ensure that personal data was processed lawfully, transparently, and securely. Importantly, the NDPR required fintechs handling large volumes of data to file annual Data Protection Compliance Audits with NITDA, thereby institutionalising compliance monitoring in the digital economy. Although now subsumed, the NDPR laid the groundwork for comprehensive data protection in Nigeria.

NITDA Act also imposes substantial sanctions for non-compliance, sections 64 to 70 empower the Commission, under the supervisory framework of NITDA's broader IT oversight, to impose administrative fines of up to two percent of the annual gross revenue of a defaulting company or 10 million, whichever is greater. This creates a robust compliance environment in which fintech companies must integrate data protection obligations into their operational and technical structures.

5. NITDA's Guidelines for Nigerian Content Development in ICT (2019, revised 2022):

These guidelines extend its regulatory influence to fintech operations by mandating data localisation measures and prioritising indigenous ICT service providers. Fintechs that rely on foreign infrastructure or offshore hosting must therefore ensure that critical financial and consumer data is stored locally or that exemptions are obtained in line with NITDA's approval processes.

6. Nigeria Data Protection Act 2023 (NDPA):

The Nigeria Data Protection Act (NDPA), 2023 has since replaced the NDPR and significantly expanded the regulatory regime, establishing the Nigeria Data Protection Commission (NDPC) as the primary enforcement authority. Section 24 of the Act requires all fintechs as a data processor, processing personal data, such as mobile money wallets, lending apps, or crypto exchanges, to establish a lawful basis for processing, such as consent or legitimate interest. Under Sections 25 to 31 of the NDPA, fintechs are required to process personal data only on lawful grounds, such as obtaining valid consent, fulfilling contractual obligations, or complying with legal duties. Section 32 mandates appointment of a Data Protection Officer for medium and large data controllers, which includes fintech firms, according to the interpretation section. Section 41 requires fintechs to ensure the recipient of the personal data is subject to law, binding corporate rules, contracts, code of conduct, or certification that affords adequate safeguards of the data when transferring to foreign servers. This is particularly critical for fintechs using foreign cloud infrastructure or cross-border remittance platforms.

7. SEC Rules on Issuance, Offering Platforms and Custody of Digital Assets, 2022:

This Rules was issued pursuant to SEC's power under Section 13 (f) of the Investments and Securities Act. These rules recognize digital tokens and crypto-assets as "securities" in certain circumstances. Rule 3 defines Virtual Asset Service Providers (VASPs) to include crypto exchanges, token issuers, and custodians, requiring them to register with SEC. Rule 5 imposes disclosure obligations on token issuers similar to those of companies conducting Initial Public Offering, while Rule 6 provides minimum capital requirements for exchanges and custodians. These rules were designed to provide accuracy and legal certainty to blockchain-based innovations while protecting investors from fraud and market abuse.

8. FCCPC Limited Interim Framework for Digital Lending, 2022:

The FCCPC introduced this framework in response to widespread consumer complaints about predatory lending apps. Section 3 requires digital lenders to register with the Commission and disclose their ownership structures, while section 5 mandates compliance with fair debt collection practices, prohibiting practices such as harassment or shaming of borrowers. The Framework also aligns with the NDPA by requiring lenders to obtain explicit consent before accessing borrowers' phone contacts or personal data. This represents a major step in consumer protection in fintech.

Challenges The Extant Laws Might Expose Fintech Users To

1. Regulatory Fragmentation:

Fintechs offering multiple services (e.g., lending, payments, and crypto) face overlapping oversight from CBN, SEC, FCCPC, and NDPC. For example, a lending app that also facilitates digital asset investment must comply with SEC rules, FCCPC guidelines, CBN's BOFIA provisions, and NDPA obligations simultaneously, which could be overwhelming. This multiplicity creates compliance uncertainty.

2. Outdated Laws:

Financial technology innovations have outgrown some of the laws put in place to regulate them. Some of the laws, while BOFIA 2020 and NDPA 2023 are modern statutes, key frameworks such as the *Investments and Securities Act 2007* and the *Cybercrimes Act 2015,* even with its amendment, have not kept pace with developments like decentralized finance (DeFi), NFTs, or AI-driven credit assessment. As a result of these, certain innovations fall into grey areas of regulation.

1. Compliance Burdens for Start-ups:

The capital requirements under BOFIA and SEC Rules, combined with mandatory Data Protection Officer (DPO) appointments under NDPA, might be difficult for smaller fintech start-ups. Many innovators face delays or exclusion from the market due to the high cost of compliance.

2. Consumer Trust and Enforcement Gaps:

Although laws exist, enforcement remains inconsistent. For instance, despite the FCCPC's digital lending framework, unregistered loan apps continue to operate through offshore servers, obtaining borrowers' contacts without explicit consent, and exposing borrowers' data as a means of enforcing repayment. This undermines consumer trust in Nigeria's regulatory capacity.

3. Cross-Border Challenges:

Fintechs that rely on foreign partnerships face legal uncertainty due to NDPA's adequacy requirement for cross-border data transfers, particularly when servers are in jurisdictions without equivalent protection. This directly affects remittance fintechs and payment processors.

Balancing The Growth Of Fintech While Upholding Data Security

With the growth of fintech, Nigerian law has evolved by setting to protect consumer data, ensure security, and place clear obligations on operators. These rules balance innovation with accountability, covering data protection, cybersecurity, consumer rights, and financial integrity. Some of these laws are on:

1. Consumer protection and data privacy

a) Consent and lawful processing:

Under the Nigeria Data Protection Act, 2023, lawful processing is the baseline, with Section 24 highlighting consent as a primary ground for processing personal data in fintech services. Sections 35–38 further strengthen consumer rights by providing for withdrawal of consent, the right to object, restrictions on automated decision-making, and data portability.

b) Security obligations and breach notification:

Part VII of the NDPA heavily provides for data security by placing stringent duties on data controllers and data processors. Sections 39 on security and 40 on personal data breaches requires controllers to implement appropriate technical and organisational measures to ensure security, integrity and confidentiality of personal data in their control and to notify the Nigeria Data Protection Commission in the event of a personal data breach.

c) Consumer disclosures for digital lending and payments:

The FCCPC Limited Interim Framework for Digital Lending, 2022, requires lenders to disclose pricing, fees, repayment terms and debt collection practices when registering. The Framework also mandates a declaration form and imposes limits on abusive recovery practices.

Cybersecurity risks and fraud

1. CBN risk-based approach:

The Central Bank of Nigeria issued the Risk Based Cybersecurity Framework and Guidelines for Deposit Money Banks and Payment Service Banks in 2024. The Framework treats cybersecurity as a prudential issue, ties board accountability to cyber risk, mandates a governance structure, and prescribes incident management and reporting obligations.

2. Open banking security duties:

The Operational Guidelines for Open Banking 2023 require participants to adopt API security standards, manage tokens securely, and use the Open Banking Registry for oversight. The Guidelines explicitly map roles for API Providers and API Consumers, it also requires consent and logging controls.

3. General criminal law settings:

The Cybercrimes Act 2015 and its subsequent amendments criminalise unauthorised access, cyber fraud and phishing. These laws underpin criminal enforcement against fraudsters and inform incident escalation to law enforcement.

Compliance with Anti-Money Laundering and Countering the Financing (AML CFT) of Terrorism and Know Your Customer

1. Revised AML statute:

The Money Laundering (Prevention and Prohibition) Act 2022 expands predicate offences, tightens reporting duties, and establishes the Special Control Unit Against Money Laundering under the EFCC. The Act increases scope for designated nonfinancial businesses and professions that include certain fintech activities.

2. CBN Customer Due Diligence Regulations 2023 and AML CFT Regulations 2022:

The CBN published Customer Due Diligence Regulations in 2023 which require financial institutions to implement risk-based KYC, enhanced due diligence for politically exposed persons and suspicious transaction reporting procedures.

3. VASP banking guidance and VASP oversight:

The CBN Guidelines on Operations of Bank Accounts for Virtual Asset Service Providers 2023 require banks to apply risk based due diligence for VASPs and to conduct ongoing monitoring. The Guidelines instruct banks to verify VASP licensing status with SEC or other competent authorities and to apply transaction limits and reporting.

Cross border transactions and jurisdictional risks

1. Cross border data transfers:

NDPA Part VIII requires that transfers of personal data outside Nigeria must be supported by an adequacy decision, or appropriate safeguards such as standard contractual clauses, binding corporate rules, or explicit consent in specified circumstances.

2. Cross border payments and FX constraints:

The CBN controls foreign exchange and publishes circulars on permitted cross border payment flows and remittance corridors. Fintechs providing cross border remittances must comply with CBN foreign exchange rules, obtain the required permissions and ensure AML screening for cross border inflows.

3. Jurisdictional enforcement and evidence gathering:

The Cybercrimes Act and mutual legal assistance frameworks support cross border investigations but practical constraints remain. Evidence preservation and service of process across borders are often slow, which complicates takedown of offshore scam apps and collection of evidence for fraud cases.

GLOBAL BEST PRACTICES: LESSONS FOR NIGERIA

Regulators around the world manage fintech by combining different elements. Among these elements are, first, proportionate entry and testing regimes that permit experimentation while protecting consumers. Second, outcome focused rules that are technology neutral and enforceable. Third, structured public private engagement that builds regulator capacity and clarifies expectations for market participants. The United Kingdom, Singapore and Kenya each illustrate these elements in distinct ways and together provide an actionable blueprint for Nigeria.

The United Kingdom pioneered a regulatory sandbox under the Financial Conduct Authority (FCA), where firms tested innovations with real customers under supervision, guided by eligibility rules, assigned case managers and limited reliefs. Public reporting of lessons learned created an evidence base that informed subsequent rule changes.[21] Alongside, open banking reforms mandated standardized APIs for major banks, with governance and liability rules that clarified responsibilities between providers.[22] This combination reduced regulatory uncertainty, shortened authorisation times and enabled innovations to scale with confidence.

Singapore paired statutory clarity with adaptive testing through the Payment Services Act 2019 and the Monetary Authority of Singapore (MAS) sandbox framework. The Act consolidated fragmented rules on payments, transfers, e-money and digital tokens into a single activity-based framework, offering legal certainty for investors and firms.[23] MAS further introduced Sandbox Plus, which accelerates market entry for pilots that demonstrate strong compliance and consumer safeguards.[24] This approach shows how a stable law and a flexible testing regime can work together to balance innovation and risk.

Kenya, by contrast, demonstrated the power of pragmatic tolerance with M-Pesa. Instead of prohibiting novel models, the Central Bank of Kenya supervised the service through proportionate safeguards such as segregation of customer funds, regular audits and oversight of agent networks. This enabled rapid adoption of mobile money, driving financial inclusion for millions and creating a platform for subsequent financial innovations. Kenya's approach shows that risk-based supervision, rather than blanket restrictions, can unlock transformative growth.

Cumulatively, these cases show that Nigeria can adopt a blended approach, with structured sandbox testing, consolidated statutory clarity like Singapore, and proportionate supervisory tolerance like Kenya. This mix would provide certainty for investors, flexibility for startups and safeguards for consumers, positioning Nigeria to lead Africa's fintech transformation securely.

THE ROAD AHEAD:

The government should:
1. Adopt a two-track sandbox model, by creating a standard sandbox track for early-stage pilots and a sandbox plus track for pilots that meet elevated compliance standards and are eligible for expedited scaling. However, Admission criteria should be based on consumer protection readiness and AML controls.
2. Mandate that the CBN and SEC publish anonymised outcome reports that summarise compliance patterns and recommended artifacts for registry configuration, consent flows and AML triage.
3. Institutionalise regulator secondments and PPP pilot funds
Allocate budget lines for short term secondments between hubs and regulators and establish a small joint research fund to co finance open banking testbeds and API interoperability pilots.
4. Require segregation of customer float, minimum operational standards for agents, and routine liquidity audits rather than blanket prohibitions.
5. Standardise data adequacy clauses for cross border transfers, by working with the NDPC to produce model standard contractual clauses for cross border transfers that fintechs can include with cloud providers and partners. This reduces the friction created by NDPA adequacy requirements while preserving data rights.

Policy Recommendations:

1. Simplify and harmonize fintech regulations:

Nigeria's fintech sector is currently governed by overlapping frameworks issued by the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), National Information Technology Development Agency (NITDA), Federal Competition and Consumer Protection Commission (FCCPC), and other bodies. The fragmentation creates regulatory uncertainty and duplicative compliance costs. A harmonized framework is therefore necessary to ensure clarity. Singapore provides a model example through its Payment Services Act 2019, which consolidated multiple regulations into one activity-based, technology-neutral framework supervised by the Monetary Authority of Singapore. Nigeria could adopt a similar consolidated approach, possibly through a Fintech Coordinating Council, established under statute, with representatives from key regulators tasked with issuing joint regulations and guidelines. Such coordination would mirror models like the UK's Joint Regulatory Oversight Committee on Open Banking, reducing regulatory arbitrage and ensuring a single point of guidance for fintech operators.

2. Enhance cybersecurity infrastructure and education:

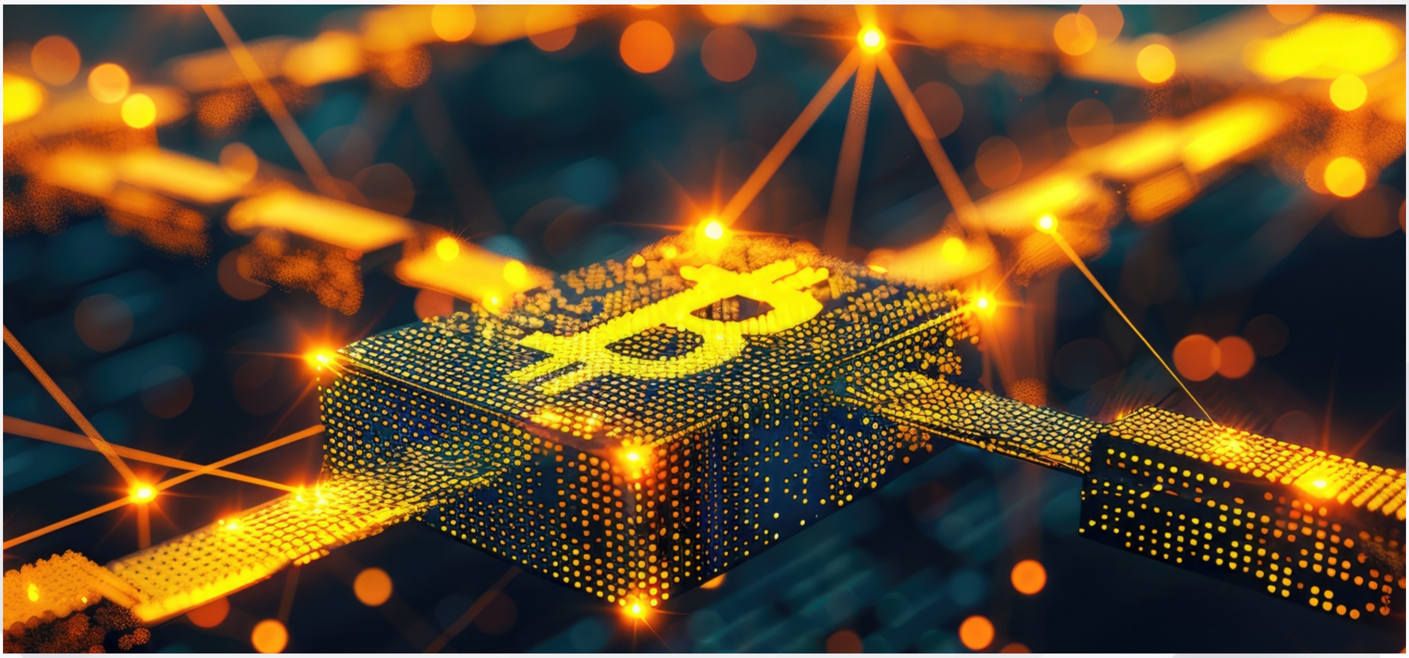
With the increased sophistication of cyberattacks, including SIM swap fraud, phishing, vishing and ransomware, the resilience of Nigeria's digital financial ecosystem requires urgent reinforcement. While the Nigeria Data Protection Act 2023 and the Cybercrimes (Prohibition, Prevention, etc.) Act 2015 provide a legislative base; a dedicated National Cybersecurity Fund for Financial Services should be created. This fund would support fintechs and banks in deploying stronger authentication, artificial intelligence-driven fraud detection, and encryption technologies. Additionally, nationwide capacity-building initiatives in collaboration with NITDA and the Office of the National Security Adviser could promote cybersecurity literacy for both fintech employees and consumers, similar to Singapore'sCybersecurity Labelling Scheme for FinTech Products.

3. Support responsible innovation through incentives and capacity building:

Sustainable growth in Nigeria's fintech sector depends on balancing innovation with accountability. Regulators should expand regulatory sandboxes with clearer entry and graduation criteria to ensure that tested products can scale commercially once they meet compliance standards. Capacity building should not only target regulators but also judicial officers, so that courts can interpret fintech disputes with technical accuracy. Kenya's experience with its Fintech Regulatory Sandbox under the Capital Markets Authority demonstrates that structured support attracts investors while protecting consumers.

4. Create a flexible and harmonised legal framework that evolves with technology:

The rapid evolution of technologies like decentralized finance (DeFi), artificial intelligence in credit scoring, and blockchain-based remittances underscores the need for a legal framework that adapts to change. A forward-looking Nigerian Fintech Act should codify key principles such as proportional regulation, risk-based supervision, and technological neutrality. This Act would not overregulate but instead set flexible guardrails, allowing regulators to issue sector-specific guidelines as technologies mature. By embedding adaptive clauses (such as periodic reviews every three years), Nigeria can avoid the rigidity of outdated statutes like the Investments and Securities Act 2007. This approach is consistent with global best practices, particularly the EU's Markets in Crypto-Assets Regulation (MiCA) which balances innovation with systemic safeguards.



21 Financial Conduct Authority , 2017 'Regulatory sandbox lessons learned report' <https://www.fca.org.uk/publication/research-and-data/regulatory-sandbox-lessons-learned-report.> accessed 26/08/2025.

22 Open Banking Strategic Working Group Secretariat, 2023 'The Future Development of Open Banking in the UK: Final report for the Joint Regulatory Oversight Committee' <SWG-Report-The-Future-Development-of-Open-Banking-in-the-UK-Feb-2023.pdf> accessed 26/08/2025.

23 Norton Rose Fulbright, 2020 'Singapore Payment Services Act: Impact on the payments industry' <https://www.nortonrosefulbright.com/en/knowledge/publications/30a3bc47/singapore-payment-services-act-impact-on-the-payments-industry> accessed 26/08/2025.

24 Lena NG, 2021 'MAS enhances FinTech Regulatory Sandbox and announces technology and data sharing platform' accessed 26/08/2025. <https://www.cliffordchance.com/insights/resources/blogs/talking-tech/en/articles/2021/11/mas-enhances-fintech-regulatory-sandbox-and-announces-technology.html> . accessed 26/08/2025.

25 Afi Case Study 1: The Central Bank of Kenya's treatment of M-Pesa - Alliance for Financial Inclusion <https://www.afi-global.org/publication/case-study-1-the-central-bank-of-kenyas-treatment-of-m-pesa/> accessed 26/08/2025.

Recommendations for Fintech Operators in Nigeria:

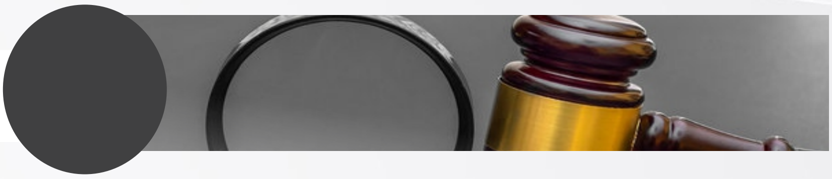
1. Map all personal data flows and record the lawful basis for each processing activity, including consent mechanisms and retention schedules.
2. Design consent journeys where withdrawal is as simple as granting consent, and implement human oversight in automated credit scoring or obtain explicit consent.
3. Carry out legal and data mapping for all cross border data transfers. Put in place contractual safeguards with foreign cloud or analytics providers and keep adequacy assessments ready for inspection.
4. Publish transparent privacy notices that explain data use, profiling, and transfer mechanisms.
5. Provide clear, pre-contract disclosures within digital platforms before onboarding customers and keep evidence of delivery.
6. Use the FCCPC Limited Interim Regulatory Framework for Digital Lending as a checklist to align product design and consumer disclosures.
7. Balance dual obligations: ensure that FCCPC consumer disclosure requirements are met alongside NDPA obligations for lawful basis, security and minimisation.
8. Implement an enterprise-grade cyber risk management framework aligned with the CBN Risk-Based Cybersecurity Framework 2024. This includes board-level accountability, penetration testing, API threat modelling, and incident response playbooks.
9. For open banking participants, deploy token management, consent logs, and replay-prevention controls as required by the 2023 Open Banking Guidelines. Maintain API registries and metadata.
10. Adopt a risk-based Know Your Customer (KYC) and Customer Due Diligence (CDD) framework per CBN CDD Regulations 2023, including customer risk scoring, transaction monitoring thresholds, and sanctions list screening.
11. Integrate NDPA privacy principles into AML processes by documenting lawful basis for profiling and automated analytics.
12. For crypto or virtual asset services, either obtain the relevant licence or partner with banks and entities that meet CBN's Virtual Asset Service Provider (VASP) guidelines and SEC requirements.
13. For remittance providers, maintain clear licences and approvals while ensuring compliance with originating and destination country rules.
14. Build monitoring frameworks that address heightened cross border transaction risks, including fraud and AML concerns.
15. Maintain international fraud investigation playbooks, including forensic preservation procedures and local counsel engagement.

Recommendations for Fintech Consumer in Nigeria:

1. Always review and understand consent forms and privacy notices before using fintech services. Ensure you are aware of how your data will be used, stored, and potentially transferred abroad.
2. Exercise your right to withdraw consent or challenge automated decisions, especially where credit scoring or profiling materially affects you.
3. Confirm that fintech providers disclose all terms and costs upfront before you sign up for loans, savings, or payment services.
4. Retain copies of digital agreements and consent confirmations for your records.
5. Use only fintech applications or platforms licensed by the CBN or registered with the FCCPC.
6. Protect login credentials and be wary of granting fintech apps excessive access to phone contacts or messages without understanding why it is required.
7. Report suspicious activities immediately to the provider and relevant regulators.
8. Be cautious about participating in suspicious or irregular financial transactions. Be aware that unusual patterns may trigger monitoring systems and regulatory reporting.
9. For crypto-related dealings, ensure you use providers that comply with CBN and SEC guidelines to reduce risk of fraud or loss.

10When sending or receiving money internationally, confirm that the provider is authorised by the CBN and that both jurisdictions have safeguards in place.

11Retain proof of transactions in case of disputes or fraud investigations.



Conclusion

The evolution of fintech in Nigeria demonstrates both promise and complexity. While investment inflows, adoption rates, and disruptive innovations have positioned Nigeria as a continental leader, regulatory fragmentation and compliance burdens continue to slow momentum. A dynamic and harmonised regulatory approach is therefore indispensable.

To achieve this, regulators must strike a balance between enabling innovation and safeguarding the financial system. This involves creating a consolidated, activity-based legal framework similar to Singapore's Payment Services Act 2019, while strengthening consumer protection, data governance, and cybersecurity resilience. At the same time, Nigeria must expand innovation testbeds such as regulatory sandboxes, and foster stronger collaboration among regulators, fintech startups, investors, and consumer groups.

If these steps are taken, Nigeria not only mitigates systemic risks but also positions itself as a continental standard-setter in fintech governance. With its vast consumer base, dynamic startup ecosystem, and maturing regulatory capacity, Nigeria has the opportunity to lead Africa's fintech transformation in a way that is secure, inclusive, and globally competitive.

CONTRIBUTORS

Elijah Agboola
Associate

Mariam Oyede
Associate

Should you require additional details or clarifications, kindly reach out to us via info@woleolanipekun.com

WOLE OLANIPEKUN & CO

LAGOS

God's Grace House
5, Maple Close, Osborne
Foreshore 2, Ikoyi, Lagos.

ABUJA

God's Grace House
6, Oshakati Close, Off
Constantine Street, Wuse Zone 4,
Abuja.

in woleolanipekun&co woleolanipekunandco X WOCLegal

www.woleolanipekun.com