Slingstone LP

NIGERIA

2025 FINTECH LEGAL OUTLOOK

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Executive Summary

Nigeria's fintech industry reached a new level of maturity in 2024 with the continued expansion in size and innovation across more financial services. With growth comes increased responsibility to consumers, investors, and the financial system. In our regulatory roundup earlier this year, we noted the gradual shift away from light-handed regulation as the Central Bank of Nigeria (CBN) might be moving its lens closer on prudential risks within the fintech space. While the playing field remains uneven, CBN's recent posture suggests a stronger application of prudential standards. Its commitment to balancing financial stability with innovation may become more complex and demanding. The emphasis on capital adequacy, liquidity requirements, and risk management-particularly for digital banks-will likely extend across the broader fintech ecosystem in 2025.

The outlook for 2025 suggests increased private equity participation, a resurgence of mergers and acquisitions, and more strategic business combinations. While investors are showing renewed confidence in Nigeria's fintech industry, particularly supporting growth - stage companies, early-stage funding appears to be shrinking as industry consolidation continues.

The structure of Nigeria's digital markets is undergoing a subtle but significant transformation, with more strategic investments and alliances. These arrangements, particularly those involving dominant players with significant user-facing intermediation capabilities or control over critical channels, are quietly reshaping competition, with the impact likely to become more pronounced soon.

Fintechs are also deepening collaborations with banks, telecoms, and non-financial service providers to enhance payment solutions, credit offerings, and insurance products within digital ecosystems. While these developments drive growth, they potentially impact competition and may prompt a fundamental rethink of how to ensure market fairness. The regulatory perimeter for digital markets may expand slightly, with increased collaboration between key regulators, including the Federal Competition and Consumer Protection Commission (FCCPC), CBN, and the Nigerian Communications Commission (NCC). The *National Digital Economy and E-Governance Bill, 2024* expresses Nigeria's ambition to introduce a digital-market focused legislation and may become law in 2025 but the scope of its measures may need expanding significantly to address the risks and trends that are emerging.

Nigeria's efforts to exit the Financial Action Task Force (FATF) grey list will remain a regulatory priority throughout 2025, with riveted attention on fintech compliance requirements.

Stricter enforcement of anti-money laundering (AML) and counter-terrorism financing (CTF) measures is expected, with oversight of Know-Your-Customer (KYC) processes and reporting obligations, as seen in 2024.

Meanwhile, digital assets regulation may become clearer and more coherent, with the Securities and Exchange Commission (SEC) and CBN refining their approach and developing comprehensive rules based on insights from sandbox programmes and global trends. More structured rules on cryptocurrency trading, tokenised assets, and blockchain-based financial services are anticipated by mid 2025 with SEC's publication of the Exposure of Amendments to the Rules on Digital Assets Issuance, Offering Platform, Exchange and Custody.

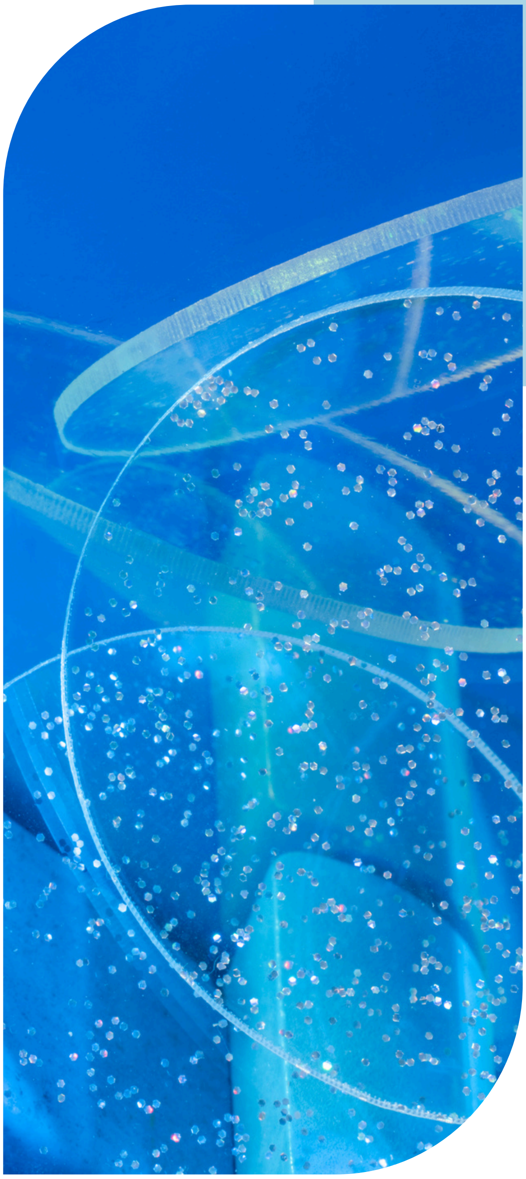
The growing application of Artificial Intelligence (AI) in financial services is accelerating the push for comprehensive AI regulation. As AI-driven solutions expand, clearer governance frameworks will emerge to address risks, guide the industry through this early phase of AI development, and lay the foundation for the next wave of financial services innovation.

As 2025 unfolds, it is our uttermost pleasure to share insights on these potential legal and regulatory issues for businesses and stakeholders to mind the gap and plan compliance more strategically.

While the playing field remains uneven, CBN’s recent posture suggests a stronger application of prudential standards. Its commitment to balancing financial stability with innovation may become more complex and demanding.

2024 Overview

The Continuing Rise of Digital Payments: Key Insights from 2024



The digital payments ecosystem is rapidly expanding with more innovative products in mobile banking, digital wallets, and fintech payment solutions and the increased adoption of digital payments with CBN's revised cashless policy. Data from Nigeria Interbank Settlement System (NIBSS) shows that by the end of 2024, electronic payment transactions surged to $702.6 billion (N1.07 quadrillion), a 79.6% increase from N600 trillion in 2023. Transaction volumes also rose by 15.5%, from 9.7 billion in 2023 to 11.2 billion in 2024.[1]

Mobile money operators and payment switching and processing companies such as Flutterwave, and Paystack processed N79.5 trillion in transactions, a 70.6% increase from 2023. Fintech platforms saw a 23% rise in transaction volume, highlighting their growing role in financial inclusion.

Nigeria's electronic payment ecosystem saw significant growth in 2024, driven by fintech expansion and cash shortages. According to NIBSS, PoS transactions increased 69%, rising from N10.7 trillion in 2023 to N18 trillion in 2024.[2]

PoS terminal deployments more than doubled from 2.4 million to 5.5 million, while registered terminals grew from 3.5 million to 7.8 million, with 4.3 million new registrations spurred by MMOs, PTSPs, digital banks, and commercial banks expanding their retail reach.

[1] https://nibss-plc.com.ng/industry-stat/?category=nibss-instant-payment---nip

[2] https://nibss-plc.com.ng/industry-stat/?category=nibss-instant-payment---nip

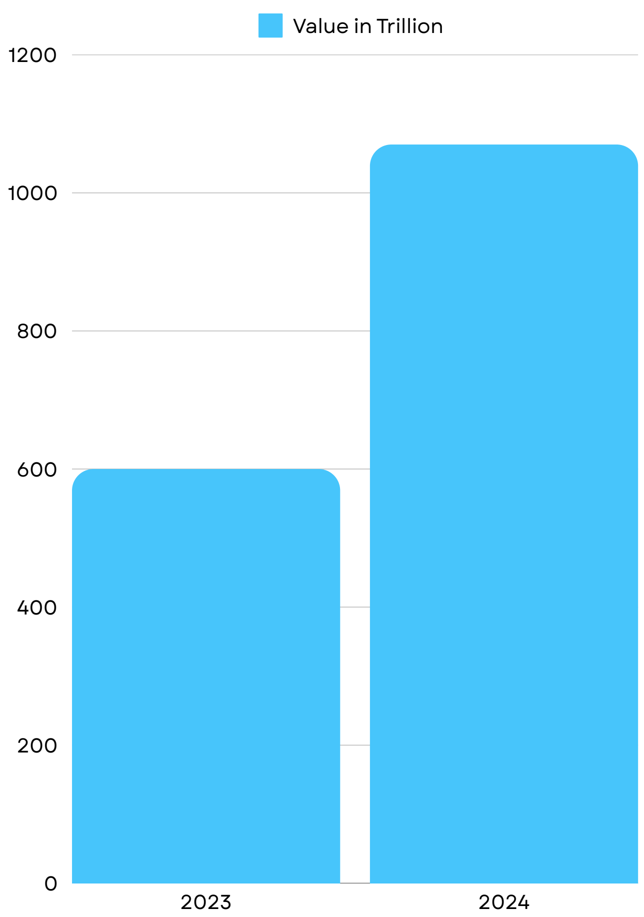
ELECTRONIC PAYMENT TRANSACTIONS

2024 TOTAL
N1.07 Quadrillion

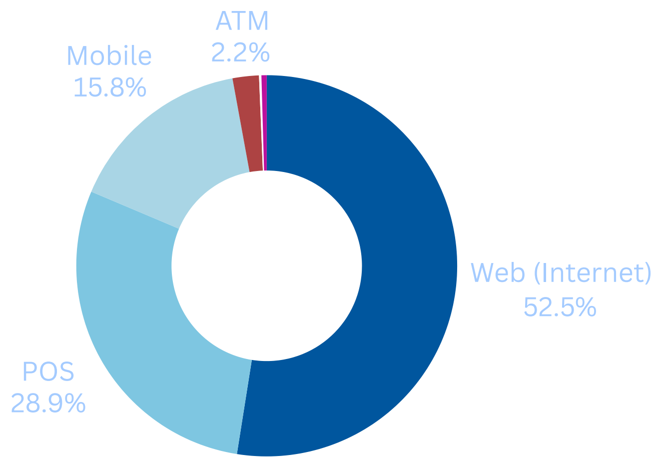
2023 Transactions Volume
9.7Billion

2024 Transactions Volume
11.2billion

Percentage Increase in Volume **15.5%**



A Surge in Electronic Transactions



CBN Breakdown of Electronic Payments H1 2024

The CBN recognises the increasing adoption of electronic payments in Nigeria. Data from the first half of 2024, published by the CBN, shows that Internet (Web) Transfers accounted for the highest share of e-payment transactions, making up 51.91% of the total, while NEFT had the lowest share at 0.20%[3].

[3] Central Bank of Nigeria, Payment Modes in Nigeria, https://www.cbn.gov.ng/PaymentsSystem/modes.html accessed January 15, 2025

cNGN Launches with High Expectations but Faces Slow Adoption

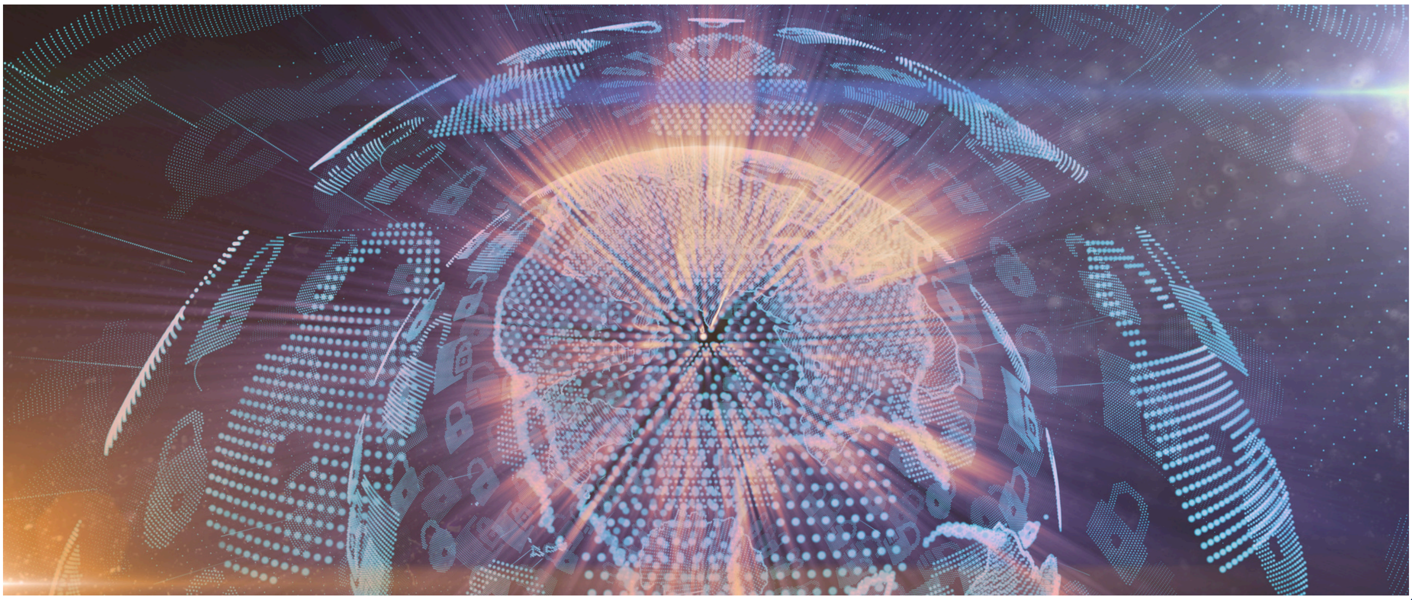
The Central Bank of Nigeria (CBN) approved the cNGN pilot within its regulatory sandbox, launching it on February 27, 2024.[4] Pegged 1:1 to the Nigerian Naira, the cNGN was developed by the Africa Stablecoin Consortium—a coalition of Nigerian financial institutions, fintech firms, and blockchain experts—as a major step in advancing Nigeria's digital currency landscape. As Africa's first regulated stablecoin, it is fully backed by reserves held at designated commercial banks, ensuring stability and trust among users.

Despite its potential, adoption has been slower than expected due to factors which include limited awareness and regulatory uncertainties as the cNGN remains under the sandbox.

However, with its formal launch in 2025, this year will be defining for cNGN, determining whether it can outperform the preceding eNaira. The cNGN appears poised for greater impact in 2025 with strategic collaborations and growing interoperability across multiple blockchains. Now available on licensed exchanges Busha and Quidax, cNGN offers expanded use cases, facilitating seamless remittances and providing liquidity for digital asset transactions.

Considering that the regulatory framework for Nigeria's digital assets ecosystem is still in its early stages, cNGN would depend on active consultative engagement with regulators, defining acceptable standards on critical issues such as consumer protection, transparency, and risk management.

[4] Busola Aro, CBN approves naira stablecoin, to launch February 27, accessed January 10, 2024, https://www.thecable.ng/cbn-approves-naira-stablecoin-to-launch-february-27/



SEC's ARIP Defines a Structured Path for Digital Asset Operations and Oversight

A key regulatory milestone in 2024 was the Securities and Exchange Commission's (SEC) introduction of the Accelerated Regulatory Incubation Framework (ARIP) to fast-track approvals for virtual asset service providers (VASPs) and digital investment platforms. While the Digital Assets Rules are being finalised, ARIP grants provisional approval to qualified entities. This provides the right regulatory environment to innovate while protecting investors and ensuring market integrity.[5]

The framework covers virtual asset issuers, exchanges, and service providers, including foreign firms serving Nigerian consumers. Participants must implement risk management measures and comply with anti-money laundering (AML), counter-terrorism financing (CTF), and counter-proliferation financing (CPF) regulations while adhering to restrictions on promotional activities and customer base expansion during the incubation period.

On 29 August 2024, the SEC granted Approval-in-Principle to Busha Digital Limited and Quidax Technologies Limited to operate under ARIP. Additionally, five firms—Trevotech Limited, Wrapped CBDC Limited, Housing Exchange NG Limited, Dream City Capital, and Blockvault Custodian Limited—were admitted for model and technology testing.[6]

[5] Securities and Exchange Commission, Framework On Accelerated Regulatory Incubation Program (ARIP) For The Onboarding Of Virtual Assets Service Providers (VASPs), https://sec.gov.ng/framework-on-accelerated-regulatory-incubation-program-arip-for-the-onboarding-of-virtual-assets-service-providers-vasps/ accessed June 22, 2024

[6] Finextra, Busha and Quidax granted provisional licenses by Nigerian SEC, https://www.finextra.com/newsarticle/44653/busha-and-quidax-granted-provisional-licenses-by-nigerian-sec, accessed December 29, 2024

Slow Progress for Open Banking as Payment System Vision 2025 Nears Endline

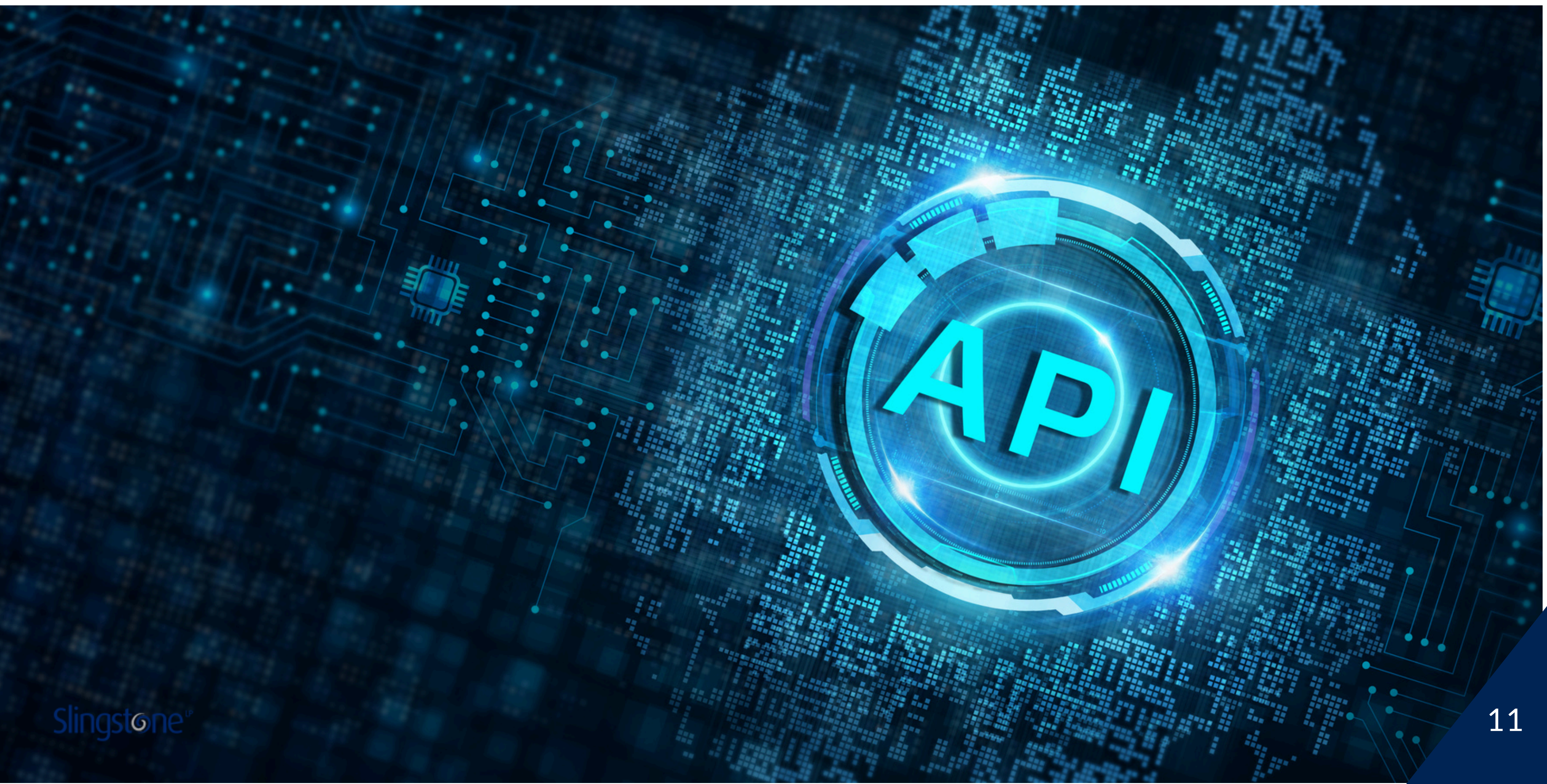
Nigeria made history in 2023 as the first African country to introduce operational guidelines for open banking, reinforcing its commitment to a key target of the CBN's Payments System Vision 2025 (PSV 2025). The regulatory-driven model categorizes financial data into tiers with strict access requirements, ensuring secure data exchange, customer protection, and transparency while fostering innovation in financial services.

Although 2024 was expected to mark the operationalization of open banking, progress has been slow.

Despite regulatory clarity, the CBN has yet to authorize fintechs and banks to commence operations, leaving the framework behind schedule as PSV 2025 reaches its endline.

Once fully implemented, open banking is expected to enhance competition, improve digital banking experiences, and drive greater financial inclusion across Nigeria. Stakeholders continue to push for implementation, raising awareness of its potential benefits and urging the CBN to take decisive action.[7]

[7] Open Banking Nigeria (Open Technology Foundation), *Current Status of Open Banking*, https://openbanking.ng/open-banking-in-nigeria/



BDC Regulation Revised as Cross-Border Remittances Grow

In May 2024, the Central Bank of Nigeria (CBN) introduced new guidelines for Bureau de Change (BDC) operations, covering licensing, AML/CFT compliance, reporting, governance, and expansion of digital capabilities.

The guidelines prohibit PSPs, PSBs, MMOs, and IMTOs from owning BDCs. While BDCs can serve as cash-out points for inbound IMTO transfers, outbound foreign currency transfers remain restricted.

The World Bank projects that remittance flows to Low and Middle-Income Countries (LMICs), including Nigeria, will grow by 2.3% in 2024 and 2.8% in 2025, reaching $690 billion.[8]

As cross-border remittances expand, increased collaboration between fintechs, BDCs, and banks is expected to facilitate international funds inflow within the boundaries of permissible activities and framework of the Revised BDC Guidelines.

CBN Tightens Fintech Regulatory Enforcement Amid Compliance Push

As Nigeria's fintech sector expands, regulatory scrutiny has intensified, particularly around Know-Your-Customer (KYC) compliance. On April 29, 2024, the CBN imposed a two-month suspension on customer onboarding for key players, including Moniepoint, OPay, Kuda Bank, and Palmpay based on alleged KYC deficiencies.

This represents a shift in the regulatory approach, especially for digital banks operating under the Microfinance Bank licence. Regulators are increasingly focused on risk assessment, with stricter supervision and enforcement gaining momentum since late 2023. In December, the Nigeria Inter-Bank Settlement System (NIBSS) delisted non-deposit-taking fintechs from its platform, mandating that only CBN-licensed deposit-taking institutions be listed as Beneficiary Institutions on instant payment platforms.

The market is swiftly adjusting to CBN's stance on KYC compliance, with many digital banks reassessing their KYC and fraud detection processes, increasing compliance hires, and deploying anti-fraud/transaction monitoring tools. This improved compliance practice is expected to continue in 2025 as digital banks and fintechs seek to attract more investment.

[8] Bethel Olujobi, World Bank predicts bigger diaspora remittance for Nigeria in 2024, Business Day, August 12, 2024, https://businessday.ng/news/article/world-bank-predicts-bigger-diaspora-remittance-for-nigeria-in-2024/

Fintech Funding Slumps but Investor Optimism Remains

Nigeria's fintech sector faced a notable funding decline in 2024, mirroring a broader downturn in Africa's venture capital landscape. According to Lucidity Insights, Nigerian fintechs raised approximately $29.4 million across 16 deals in the first half of 2024—a sharp contrast to the $1.2 billion secured in 2023[9]. This reflects a 70% drop in funding, aligning with the continent-wide fintech slowdown, where African startups raised $340 million in H1 2024 across 66 deals, compared to $1.1 billion in H1 2023. By the end of 2024, African startups had collectively raised $2.01 billion across 182 deals reflecting a 31% drop in total funding amount and deal volume compared to the $2.9 billion raised through 263 deals in 2023.[10]

Despite the funding downturn, key players in Nigeria's fintech space continued to attract investment. Moniepoint secured $110 million in October 2024, attaining "unicorn" status with a valuation exceeding $1 billion in a funding round led by Development Partners International and Lightrock, with participation from new investors, including Google's Africa Investment Fund and Verod Capital [11].

[9] African Fintech Funding & Funding Deals in H1 2024, by Country, https://lucidityinsights.com/infobytes/african-fintech-funding-and-deals-h1-24
[10] Afridigest, Fintech funding in Africa down 70% y/y in H1 2024 < https://afridigest.com/fintech-funding-africa-h1-2024/ >
[11] Tosin Eniolorunda, Moniepoint has raised US$110 million to power the dreams of millions of Africans everywhere, https://moniepoint.com/blog/moniepoint-has-raised-usdollar110-million

While overall funding declined, Fintechs with demonstrated strong business models and market traction continue to enjoy significant investor confidence.

Clearly therefore, while overall funding declined, fintechs with demonstrated strong business models and market traction continue to enjoy significant investor confidence.

There is also a gradual resurgence of Mergers and Acquisitions (M&A) There is a gradual resurgence of Mergers and Acquisitions (M&A) across industry verticals and jurisdictions, with key fintech players expanding into broader or new markets such as e-commerce, health tech, and strategic acquisitions in East Africa. The first quarter alone saw M&A activities worth approximately $2.6 billion across various sectors, including fintech for announced deals.[12]

Notable transactions include Mastercard's $200million acquisition of minority stake in MTN's MoMo, and Carbon's acquisition of Vella Finance to launch an AI-powered SME banking platform. Other key deals include Brass's acquisition by an investment group led by Paystack,[13] with participation from PiggyVest, Ventures Platform, P1 Ventures, and angel investors. Risevest also acquired Kenya-based investment startup Hisa.[14] This reflects a growing trend of strategic consolidations by Nigerian fintechs to strengthen market positioning across Africa by acquiring local startups in target markets.

[12] Dealmakers Africa, https://www.dealmakersafrica.com/dma-q1-2024
[13] Paystack, Paystack leads investment group to acquire Brass, May 28, 2024, https://paystack.com/blog/company-news/brass,
[14] Risevest, Risevest Acquires Hisa, September 19, 2024, https://risevest.com/blog/risevest-acquires-hisa

2024 Funding Trends and Deals

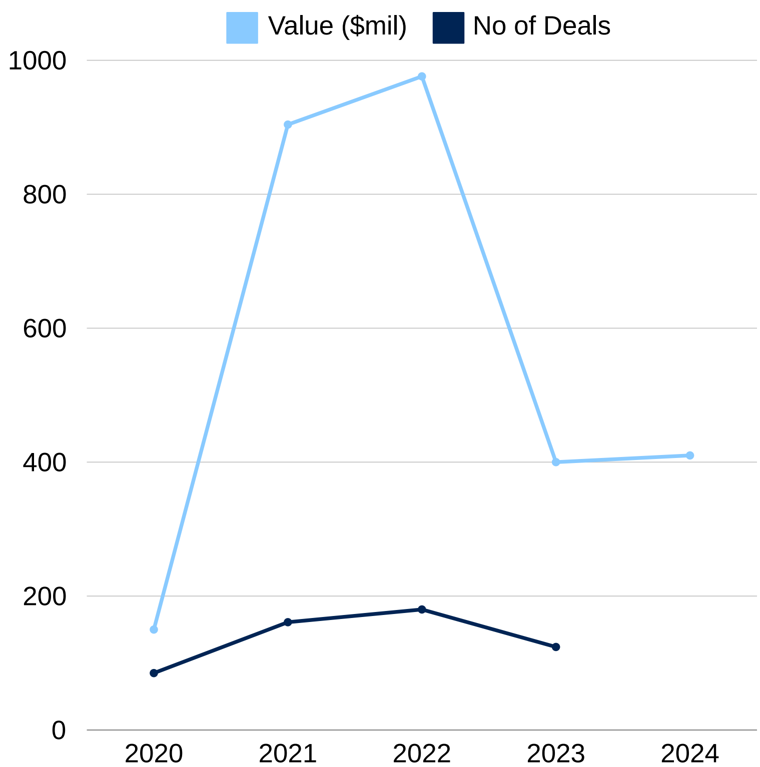
Despite the funding downturn, key players in Nigeria's fintech space continued to attract investment.

2024 Deal Value in Africa

$2.01Billion

Deal Volume

182



Startup Funding Nigeria 2020-2024

2025

Emerging Trends and Outlook

Stricter Prudential Regulation Ahead as Fintech Growth Accelerates

The Nigerian fintech industry has expanded rapidly, becoming larger and more complex than ever. With higher stakes, more fintech firms are emerging as systemically important players. The sector's increasing innovation and evolving structure have led to a blurring of lines between established financial institutions and fintech activities.

With fintechs playing a prime role in the payments system and evolving into significant financial intermediaries and acquiring banking licenses—managing liquidity exposures similar to banks—regulators are now paying closer attention to prudential risks, the effectiveness of existing safety nets, and broader implications for financial stability, particularly given the potential for systemic contagion in technology-driven services.

This accelerated growth is challenging current regulatory approaches, stirring a rethink that suggests the playing field between fintechs and conventional financial services may soon become less uneven.

A key area of concern is the safety of customer funds held by non-bank mobile money operators. The Nigerian Deposit Insurance Corporation (NDIC) had previously sought to address this by requiring fintechs to provide deposit guarantees. In late 2023, non-deposit-taking fintechs were delisted as beneficiary banks on NIBSS, reflecting increasing regulatory caution. NDIC has also indicated its readiness to assess fintech-related risks on deposit insurance, enhance supervision of digital banks, and strengthen consumer protection frameworks in collaboration with other financial safety net institutions.[14]

As fintechs expand into mainstream financial markets, the era of light-handed regulation may be coming to an end. Some digital banks are considering transitioning into commercial banking, a move that implicitly signals the sector's maturity and readiness to compete with conventional financial institutions. This perception of fintechs as full-fledged financial players is likely to drive a proportionate regulatory response, with measures such as higher capital requirements for deposit-taking fintechs—particularly those offering savings and lending products—ensuring they maintain sufficient liquidity to reduce balance sheet insolvency risks. Corporate governance standards may also be further refined, with the CBN already announcing plans to introduce new compliance and governance regulations.[15]

[14] Nigerian Deposit Insurance Corporation (NDIC), Establishes New Unit On Fintech And Innovation, https://ndic.gov.ng/ndic-establishes-new-unit-on-fintech-and-innovation/

[15] Bukky Amosun, Nigerian Fintech Faces New Regulations to Improve Compliance and Governance, , July 1, 2024, https://www.techcityng.com/nigerian-fintech-regulations-compliance-governance/

Operational risk remains another significant concern, with regulators tightening enforcement around risk management, fraud prevention, and consumer protection. Amid rising fraud attacks on both traditional and digital banks—internally and externally—CBN has directed NIBSS to debit the settlement accounts of banks receiving fraudulent funds, as significant portions of such proceeds are being traced through digital banks. While this measure alone may not be enough to curb financial crime, CBN's stricter obligations push the fintech industry to collaborate more and ensure no weak links in the chain. A more effective cyber fraud response would involve broader industry collaboration through fraud desks and a judicial system that is timely, responsive, and supportive in funds tracing and incident management, enhanced transaction monitoring tools, stricter KYC compliance, and stronger fraud prevention frameworks. These combined efforts could reduce fraud and strengthen public confidence in the payments ecosystem.

Additionally, the CBN's April 2024 suspension of customer onboarding for OPay, Moniepoint, PalmPay, and Kuda Bank demonstrates the increased focus on customer due diligence (CDD) and Know Your Customer (KYC) practices. With fintechs now a central pillar of the financial system, regulatory enforcement is set to become more rigorous, reflecting the sector's expanding role, growing risks, and the need for better safeguards to ensure financial system stability.

Key TakeAways

Stronger Oversight on Prudential Risks

Regulators will tighten scrutiny on fintech liquidity exposure and potential contagion risks.

Higher capital and liquidity requirements

Fintech intermediaries may be required to hold more capital and maintain sufficient liquid assets to mitigate insolvency risks.

Stricter Safeguards for Consumers

Consumer protection will become more enhanced. Regulators may require fintechs handling deposits to have more adequate protections against financial instability.

> As the structure of fintech investments becomes more sophisticated, regulators may assess the impact of dominant digital platforms on market competition- addressing any concern regarding market concentration and potential barriers for emerging fintechs.

Increased Consolidation and Strategic Investments Expand the Perimeters of Digital Markets Regulation

The Nigerian fintech sector is undergoing consolidation with a surge in strategic investments that show increasing maturity of the market. Recent deals, such as Visa's strategic investment in Moniepoint and Google's participation in its Series C round, highlight global interest in the sector. Additionally, Mastercard's $200 million minority stake in MTN's MoMo, Africa's largest mobile network operator, leveraging vast customer networks for digital payments expansion.

As the structure of fintech investments becomes more sophisticated, regulators may assess the impact of dominant digital platforms on market competition- addressing any concern regarding market concentration and potential barriers for emerging fintechs. With mergers and acquisitions (M&A) activity expected to rise in 2025, fintech acquisitions may come under closer merger control review by the Federal Competition and Consumer Protection Commission (FCCPC).

The *Nigerian Digital Economy and E-Governance Bill 2024*, which is expected to become law this year, revalidates Nigeria's existing competition and consumer protection regulatory architecture.[16] While it does not establish a dedicated digital markets legislation, it will further strengthen the FCCPC enforcement and monitoring authority, leveraging its principal statute alongside a patchwork of sector-specific regulations. This will enable the Commission to coordinate regulatory oversight alongside sector-specific agencies such as the CBN, Securities and Exchange Commission (SEC), Nigeran Communications Commission (NCC), and National Information Technology Development Agency (NITDA), building on the 2023 inter-agency collaboration on digital lending regulation.

Notably, the FCCPC recently signed an MoU with the NCC with the declared objective of advancing competition and consumer protection objectives in the communications industry.[17] The Commission also collaborated with the Nigerian Data Protection Commission (NDPC) on a joint investigation into data protection practices by WhatsApp LLC and Meta Platforms Inc. ("Meta Parties"), resulting in a $220 million fine.[18] This growing trend of inter-agency collaboration within Nigeria's digital ecosystem signals the potential for more coordinated enforcement of competition and consumer protection regulations in digital markets.

[16] Nigerian Digital Economy and E-Governance Bill, available at https://fmcide.gov.ng/wp-content/uploads/2024/07/National%20Digital%20Economy%20and%20E-Governance%20Bill%2C%202024%20-%20Draft.pdf?_t=1721838823

[17] Emma Okonji, NCC, FCCPC Sign MoU on Telecoms Consumer Protection, This Day, January 2025, https://www.thisdaylive.com/index.php/2025/01/16/ncc-fccpc-sign-mou-on-telecoms-consumer-protection/ -

[18] FCCPC, Final Order and Notice of Order of the Commission, July 18, 2024, https://fccpc.gov.ng/wp content/uploads/2024/07/Final-order-FCCPC-Meta-18072024.pdf

Importantly, recent judicial decisions provide further clarity on FCCPC's jurisdiction in digital market regulation. In *Suit No: FHC/L/CS/1009/2024 – Emeka Nnubia v. Honourable Minister of Industry, Trade and Investment & Others* (FCCPC and MTN Nigeria Communications Plc), the Federal High Court affirmed FCCPC's authority over anti-competitive practices and consumer protection in the telecommunications sector.

This judicial decision affirms the statutory framework for inter-agency collaboration for better regulatory coordination within Nigeria's burgeoning digital market space. As Nigeria's fintech sector continues to evolve, regulators will likely expand their scope to address risks related to market dominance, competitive fairness, and systemic stability.

Key TakeAways

Focus on Consolidation and Digital Markets

The trend of fintech consolidation and strategic investments will likely attract more scrutiny, with FCCPC leveraging its powers and sector-specific regulations for oversight.

Stronger Regulatory Coordination

Joint enforcement actions within the digital markets may become more common as seen in recent MoUs and joint actions by key regulators.

Judicial Support for Collaboration

Recent Court Judgment affirms FCCPC's power to regulate competition and consumer protection in digital markets.

Digital Assets in 2025: Bolder Regulation, New Tax Frontiers

The Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) are taking bolder steps toward regulating digital assets. As regulations become more coherent and clearer—mainstreaming cryptocurrency transactions into the formal economy—a new tax regime targeting the digital assets economy may be underway.

A crucial turning point in digital asset regulation was CBN's reversal of its two-year restriction on cryptocurrency transactions. On 23rd December 2023, CBN issued the Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs), expanding the scope for digital asset transactions. Prior to this, CBN's regulatory posture actively discouraged virtual asset investments, citing global uncertainties and systemic risks. In contrast, SEC had consistently maintained that digital assets qualify as securities, setting the foundation with its *Rules on Issuance, Offering Platforms, and Custody of Digital Assets* in 2022.[19]

Two key developments in 2024 signal a new phase for the digital assets economy.

First, SEC introduced a regulatory sandbox under its Accelerated Regulatory Incubation Framework (ARIP) to fast-track approvals-in-principle for VASPs and admitted several fintech firms into the sandbox. Second, SEC exposed *Proposed Amended Rules on Digital Assets Issuance, Offering Platforms, Exchange, and Custody*[20] to refine existing regulations. SEC states that the amendment is required to rearrange the Rules, provide clarity to the market and incorporate industry feedback particularly concerning engagements with the CBN.

The principles and context of the amended rules remain substantially consistent with SEC's existing approach which treats digital assets as securities. This may provide a more practical and supportive framework for asset-backed cryptocurrencies and asset-referenced tokens. Future CBN regulations on digital assets may also adopt the risk-based approach seen in Basel's Crypto Asset Classification,[21] imposing stricter prudential requirements on banks' exposures to crypto assets and maintaining market discipline.

[19] Securities and Exchange Commission, https://sec.gov.ng/wp-content/uploads/2022/05/Rules-on-Issuance-Offering-and-Custody-of-Digital-Assets.pdf

[20] Securities and Exchange Commission, Exposure Amended Rules on Digital Assets Issuance, Offering Platforms, Exchange, and Custody, September 27, 2024, https://sec.gov.ng/wp-content/uploads/2024/12/B-Amendments-to-the-Rules-on-Digital-Assets.pdf

[21] Bank for International Settlements, BaseCryptoasset Standard Amendments July 17, 2024, https://www.bis.org/bcbs/publ/d580.htm, Cryptoasset standard amendments, https://www.bis.org/bcbs/publ/d579.htm, Disclosure of cryptoasset exposures, https://www.bis.org/press/p240717.htm

Digital Assets: From Restriction to Structured Oversight

January 2017

CBN Published a Circular stating crypto has no legal tender status in Nigeria and warned against it.

February 2018

CBN warned people who invest in cryptocurrencies that they did so at their own risk because they were not protected by the law.

September 2020

On September 11, 2020, SEC issued a statement on digital assets and their classification as securities.

February 2021

CBN ordered banks to close cryptocurrency trading accounts.

May 2022

SEC introduced Rules on Issuance, Offering Platforms, and Custody of Digital Assets on May 11, 2022.

May 2023

Finance Act, 2023 was enacted on May 28, 2023. The Act treats digital assets as Chargeable Assets for Capital Gains Tax purposes.

December 2023

On December 22, 2023, CBN issued the Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs)

June 2024

SEC commenced the Accelerated Regulatory Incubation Program (ARIP) to onboard VASPs and DISPs.

September 2024

SEC Exposure Amended Rules on Digital Assets Issuance, Offering Platforms, Exchange, and Custody was released on September 27, 2024.

Stronger Private Equity Presence in Fintech M&As and Key Levers

Globally, the second quarter of 2024 marked a turning point, with Private Equity's strongest deal-making period in two years. Private Equity firms reportedly closed 122 acquisitions valued at an impressive $160 billion. While this still pales in comparison to the high-water mark of Q3-2021—when 232 deals worth $300 billion were completed, it represents a major improvement in activity since then. [22]

In Nigeria, DealMakers Africa reports a rise in private equity investments by 321.8% in the first quarter of 2024, driven primarily by deals in the energy and educational technology (edtech) sectors.[23] Adenia Partners Ltd also identified the trend of increased Private Equity Deals in the Nigerian market, announcing the closing of its latest oversubscribed fund, Adenia Africa Fund, with a total capital raise of $470 million[24]. Adenia expressed intent to continue seeking controlled investing in medium-sized companies across Africa with established business models, market traction and appropriate Environmental, Social, and Governance (ESG) structures. Recently, Development Partners International (DPI), a British private equity firm, had also led a $110 million investment in Nigerian fintech Moniepoint.

[22] DAI Magister, Private Equity's Resurgence in Tech M&A, September 25, 2024, https://www.daimagister.com/resources/private-equity/ -

[23] DealMakers Africa, Q1 2024 issue, https://www.dealmakersafrica.com/dma-

[24] Justice Okamgba , Firm Secures $470m for Fintech Investment, Punch, 7th April 2024, https://punchng.com/firm-secures-470m-for-fintech-investment/#google_vignette

Clearly, the Nigerian fintech sector remains a major attraction, but investment flows in 2025 several key factors are expected to drive an increase in PE activity in Nigeria in 2025 based on recent private equity (PE) investments and projected future deals.

Macroeconomic Recovery and Stable Foreign Exchange (FX) regime:
Investor sentiments suggest that improvement in the macroeconomic environment may open the fintech space up for more active private equity participation particularly with a stable Foreign Exchange (FX) regime, reducing currency risk, and encouraging long-term commitments from foreign and local investors.

Regulatory Maturity and ESG Integration:
The anticipated rebound of private equity M&A globally suggests that capital will increasingly flow into sectors and markets demonstrating both resilience and strong governance.

Investor sentiment is shifting—funding is no longer as readily available. Innovation and good business models are no longer enough. Tech companies demonstrating clear Environmental, Social, and Governance (ESG) principles and strategy are now better positioned to attract investment. Beyond regulatory requirements, the presence of structured ESG policies, governance frameworks, and sustainability initiatives shows discipline, long-term resilience, and reduced investment risk.

Regulators are ramping up enforcement. Supervision is stricter and fines are becoming more common. In 2025, stricter enforcement on licensing, operational structures, and risk frameworks will continue. Investors might be paying closer attention to the relationship between compliance cultures and operational maturity to lessen investment risks.

Key TakeAways

Rebound of Private Equity-Led M&A Activity

Global trends suggest a rebound in fintech mergers and acquisitions, with consolidation becoming a strategic move for scaling and navigating regulatory complexities.

ESG Integration as a Competitive Advantage

Investors are prioritising fintechs with structured governance, sustainability-focused models, and financial inclusion strategies as ESG factors gain significance in funding decisions.

Macroeconomic Recovery and Stable FX Regime

A stable Foreign Exchange (FX) regime, reducing currency risk, and encouraging long-term commitments from foreign and local investors.

AI-driven fintech Solutions will fast-track regulation

The increasing adoption of Artificial Intelligence (AI) in financial services will speed up the journey to comprehensive AI regulation. More AI-powered solutions are set to transform Nigeria's fintech space, with recent applications in cybersecurity, fraud detection, credit decisioning, algorithmic trading, and customer experience. Regulators may have to work together to establish clearer governance frameworks to address risks and guide the industry as AI solutions expand.

AI-driven innovations, such as robo-advisors, are already positioning firmly and expanding financial inclusion, with more developments expected. Currently, Nigeria does not have a substantive AI-focused regulation, but government initiatives suggest this is a regulatory agenda for the nearest future. The National Artificial Intelligence Strategy (NAIS) outlines a roadmap for AI governance, including plans to establish an AI regulatory body and a National AI policy framework.

For now, existing regulations provide partial oversight. The National Data Protection Act 2023 (NDPA) sets governance standards for AI-driven solutions through the General Application and Implementation Directive (GAID), which requires AI-powered data processing to comply with broader data protection principles.

SEC regulates AI-driven investment advisory services under its Robo-Advisory Rules, requiring transparency in algorithmic decision-making.

Consumer protection is also a cross-cutting concern for AI design, development, and deployment within the purview of the Federal Competition and Consumer Protection Act (FCCPA) 2018. Regulators may seek to address key consumer protection concerns, including insufficient consumer information on AI models, which leaves users with limited understanding of how decisions—especially investment recommendations—are made. Other concerns include discriminatory outcomes, misinformation or algorithmic manipulation influencing investment decisions, consumer privacy risks, and unfair pricing leading to potential exploitation of consumers.

As the fintech market experiments with more AI solutions, the nature of the risks to regulate, the approach for regulation, and the potential scope for a comprehensive AI regulation will become clearer, setting the context and foundation for future policies.

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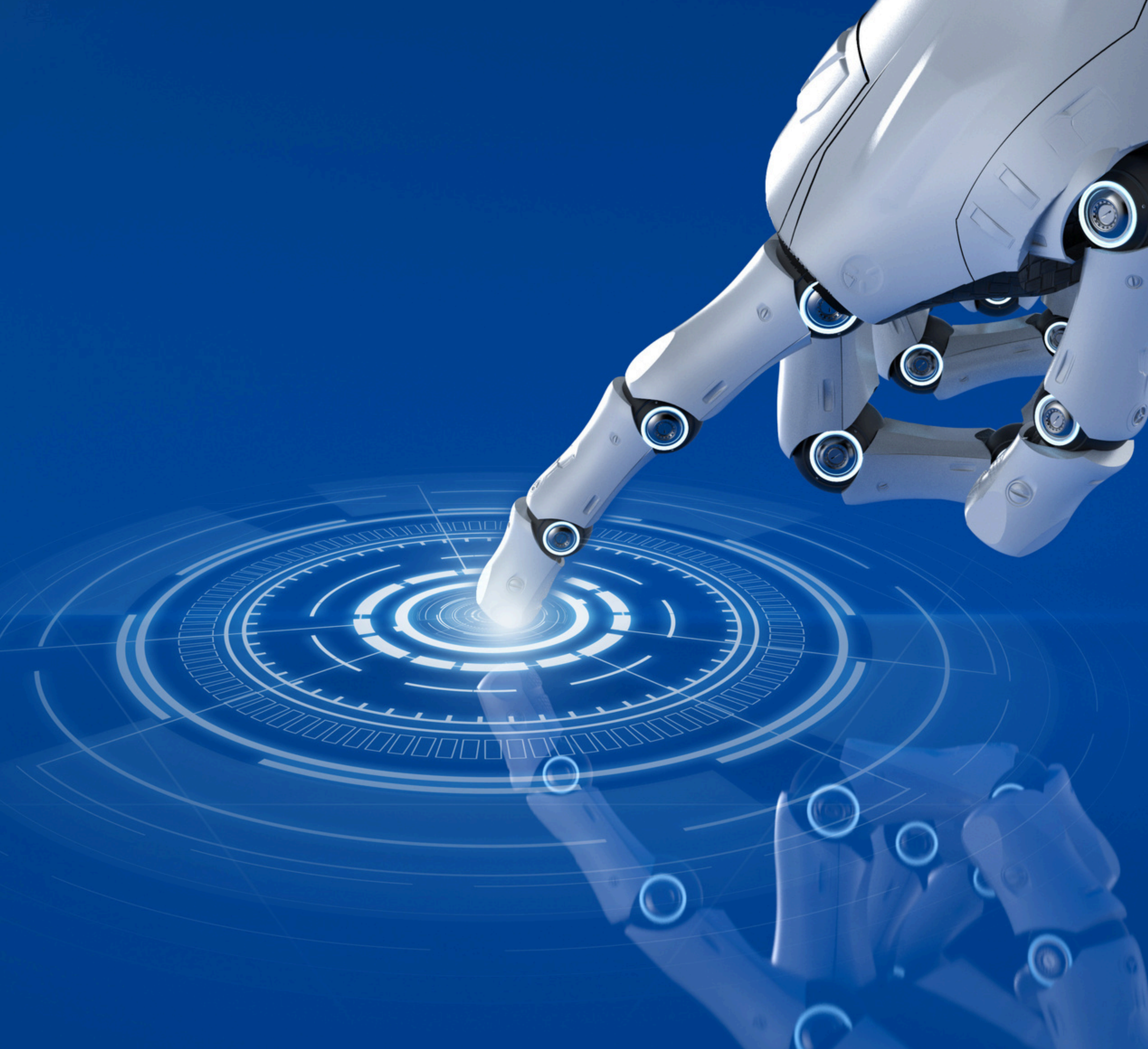

Renewed Drive to Exit Grey List

In February 2023, Nigeria was added to the Financial Action Task Force (FATF) Grey List, increasing scrutiny on its financial system. This status imposes restrictions that could disrupt remittances, which totaled over $20 billion in 2023.[25]

To address this, Nigeria aims to exit the Grey List by May 2025. At the 2024 IMF Annual Meetings, CBN Deputy Governor Philip Ikeazor stressed the urgency, stating, "Sending money home is practically impossible. If we want to drive remittances and FDIs, we must exit the Grey List." CBN Governor Yemi Cardoso outlined measures to increase remittances to $1 billion, including stronger oversight, new non-resident accounts, and strategic partnerships with banks.[26]

Nigeria's progress was recognized at a recent FATF plenary, where five key recommendations improved from "Partially Compliant" to "Largely Compliant." These include:[27]

- Recommendation 23: Measures for Designated Non-Financial Businesses and Professionals (DNFBPs)
- Recommendation 24: Transparency in Beneficial Ownership of Legal Persons
- Recommendation 25: Transparency in Beneficial Ownership of Legal Arrangements
- Recommendation 28: DNFBP Regulation and Supervision
- Recommendation 32: Cash Courier Regulations.

The CBN remains committed to achieving its 2025 goal. In January 2025, it directed NIBSS to debit commercial banks receiving fraud proceeds as a measure to strengthen fraud detection and accountability.[28]

With these initiatives, Nigeria is strengthening its financial system to meet global standards, and 2025 could mark the year the country satisfies most of the FATF's recommendations.

[25] Nigeria Aims to Exit FATF Grey List by 2025 to Boost Remittances and Foreign Investment - Monday, 28 October 2024 15:36, https://www.ecofinagency.com/finance/2810-46076-nigeria-aims-to-exit-fatf-gray-list-by-
[26] Nigeria Close To Exiting FATF Grey List by Meeting 37 of 40 AML Standards 2025-to-boost-remittances-and-foreign-investment,
[27] AML Watcher, Nigeria Close to Existing FATF Grey List, https://amlwatcher.com/news/nigeria-close-to-exiting-fatf-grey-list-by-meeting-37-of-40-aml-standards/
[28] Ganiu Oloruntade, Nigeria's Central Bank orders NIBSS to debit banks over fraudulent transactions, tightening accountability, Jan 28, 2025 https://techcabal.com/2025/01/28/cbn-nibss-fraud/

Concluding Remark

As Nigeria's fintech industry enters another phase of maturity in 2025, it remains a point of attraction for investment and continues to shape the financial services market.

Despite declining early-stage funding, the sector has shown resilience, with a rebound in financing activity already underway. Investor sentiment in 2025 is expected to favour scaling enterprises and increased consolidation, with Environmental, Social, and Governance (ESG) considerations and compliance not just influencing investment decisions but becoming critical to business survival.

The regulatory environment is evolving, with greater attention on fintech-associated risks and clearer compliance obligations. While stricter enforcement measures are likely as authorities refine supervision approach to address risks, a corresponding approach from dominant industry players is expected as they look to change public perception, reduce exposures and ensure growth in a sustainable way.

As fintechs grow in significance globally, regulatory frameworks are expanding to ensure responsible innovation without stifling progress - a principle that also defines Nigeria's approach. The continuing challenge for regulators therefore is: striking the right balance between enabling industry growth and implementing safeguards necessary for protecting consumers within the digital markets; and ensuring the stability of the financial ecosystem.

Glossary

AI – Artificial Intelligence
ARIP – Accelerated Regulatory Incubation Program
AML – Anti-Money Laundering
BASEL – Basel Committee on Banking Supervision (Global regulatory framework for banks)
BDC – Bureau De Change
CBN – Central Bank of Nigeria
CDD– Customer Due Diligence
CFT – Combating the Financing of Terrorism
DISPs – Digital Investment Service Providers
DNFBPs – Designated Non-Financial Businesses and Professionals
FATF – Financial Action Task Force
FCCPA – Federal Competition and Consumer Protection Act, 2018
FCCPC – Federal Competition and Consumer Protection Commission
FDI – Foreign Direct Investment
GAID – General Application and Implementation Directive
IMF – International Monetary Fund
IMTOs – International Money Transfer Operators
KYC – Know Your Customer
M&A – Mergers and Acquisitions
MFB – Microfinance Bank
MMO – Mobile Money Operator
NAIS – National Artificial Intelligence Strategy
NDPA – National Data Protection Act
NDPC – National Data Protection Commission
NCAIR – National Centre for AI and Robotics
NCC – Nigerian Communications Commission
NIBSS – Nigeria Inter-Bank Settlement System
NITDA – National Information Technology Development Agency
PE – Private Equity
POS – Point of Sale
PSB – Payment Service Bank
PSP – Payment Service Provider
PSSP – Payment Solution Service Provider
PTSP – Payment Terminal Service Provider
SEC – Securities and Exchange Commission
VASPs – Virtual Asset Service Providers

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