Department for Business & Trade

Recommendations for the implementation of the National FinTech Strategy in Nigeria

March 2023

TheCityUK

About the Department for Business & Trade

Department for Business & Trade (DBT) is the UK department for economic growth. DBT supports businesses to invest, grow and export, creating jobs and opportunities across the country. DBT advise, support, and promote British businesses wanting to grow and export; shape rules to ensure businesses thrive, markets are competitive, and consumers are protected; open up new markets for businesses by removing barriers and striking trade deals; secure global investment from businesses and investors; and champion free trade, economic security, and resilient supply chains.

About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes 12% of the UK's total economic output and employs nearly 2.5 million people, with two thirds of these jobs outside London. It is the UK's largest net exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It is also the largest taxpayer and makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business, and protect and manage risk.

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Foreword

The rapid application of technology in financial and related professional services has accelerated the role of digital finance in increasing economic development and financial inclusion across the world. Digital finance enables financial institutions to boost transparency and efficiency, reduce transaction and exchange costs, and strengthen regulatory monitoring and compliance methods.

In Nigeria, financial technology (FinTech) is having a significant impact. The country has one of the youngest and largest populations in the world. This youth dividend, coupled with exponential growth in smartphone usage, has led to strong demand for FinTech products and solutions, including by those who otherwise may have been excluded from the traditional financial system.

Government's ambitions to reform its financial system and transition to a cashless economy, presents significant growth opportunities for FinTech companies. However, political will and consumer demand alone are not enough to create a sustainable and robust FinTech ecosystem. Fair and transparent regulations, access to international capital, and well and internationally trained professionals providing supporting services are essential for it to thrive.

The Nigerian Government has taken significant steps to develop and build its FinTech ecosystem. The launch of its National FinTech Strategy (NFS) in October 2022 outlines Nigeria's strategy to boost its FinTech ecosystem and improve its global competitiveness. The NFS is a key component of Nigeria's Payment Systems Vision 2025 (PSV 2025) and supports the objectives set out in the Nigerian Startup Bill 2022 as well as the Business Facilitation Act 2023.

The UK Government is delighted to be working with the Nigerian Government, the Central Bank of Nigeria (CBN), regulators, and industry representatives in both markets to provide a clear vision and roadmap for implementing the NFS, with short-, medium-, and long-term recommendations that can be implemented by industry, government, and regulators. The recommendations will help to speed up the implementation of the Nigerian government's financial inclusion agenda and strengthen Nigeria's FinTech environment for companies to scale in Africa and globally.

We are very grateful for the insights shared and input into this report from stakeholders across Nigeria and UK's FinTech sector, government, and regulators. We would also like to extend our thanks to the EnterpriseNGR for their support.

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Executive summary

Nigeria's FinTech sector has experienced rapid growth, with new FinTech products being introduced at unprecedented rates. The FinTech sector can be an important catalyst for further economic development, financial inclusion, innovation, and international investment in Nigeria.

Nigeria is one of the most exciting high-growth markets in Africa financial and related professional services businesses, presenting both the UK and Nigeria with many opportunities for partnership. With recently agreed transition to the Enhanced Trade and Investment Partnership Agreement (ETIP) and UK-Africa Investment Summit (UK-AIS) to be held in April 2024, there is a strong commitment to a strategic long term economic partnership. This report will further strengthen the bilateral ties across our two financial ecosystems. The Department for Business and Trade (DBT) is looking forward to working with the Federal Ministry of Industry, Trade and Investment (FMITI) and the Nigerian Government in contributing to this important initiative to enhance trade and investment links between the Nigerian economy and global financial markets.

The role of government and regulators has been fundamental to the success of Nigeria's FinTech industry to date, creating a balance between innovation, financial stability, and consumer protection. In particular, the Central Bank of Nigeria (CBN) has led the way, implementing initiatives such as the regulatory sandbox and developing the NFS. The Securities and Exchange Commission (SEC) of Nigeria has taken steps to enable crowdfunding, launched the Innovation and FinTech Portal (FinPort) and implemented the SEC Regulatory Incubation Program to support FinTechs wishing to operate in Nigeria's capital markets.

With rapid developments in technology and new digital services being offered, it is critical that Nigeria's approach to supporting its FinTech ecosystem continues to evolve. This report explores the role of industry, government, and regulators to ensuring FinTechs have the support needed to establish, flourish, and expand, both in Nigeria and overseas. It finds that while the Nigerian government, regulators and industry associations have shown leadership in driving forward a progressive approach to innovation in financial services, challenges around regulatory clarity, capability development, delivery of support programs, access to finance and export assistance could be limiting the industry's ability to reach its full potential. The report therefore puts forward a mix of actionable recommendations which considers how government and industry can work in partnership with the regulators to become a leading destination for FinTech.

The recommendations in this report are a result of collaboration between UK and Nigerian governments, through the Economic Development Forum (EDF) and collaboration with TheCityUK, and intend to build on the success achieved so far, in helping Nigeria to develop a strong FinTech industry in the face of growing regional and global competition, and lead to increased trade and investment between the UK and Nigeria.

Summary of key findings and recommendations

Key findings

There are often several stages to a start-up's authorisation journey.
For many start-ups, achieving the full licence required to operate is a long journey, and they will apply for additional permissions as they mature and scale. Understanding the different options earlier on in the process would be an advantage.

Regulators' published statements and materials can be hard to understand.
This is compounded by websites that are hard to navigate, which makes it difficult to find relevant information.

Some FinTechs do not know who to engage with and lack technical and managerial capacity to meet different regulatory requirements.
There are several support mechanisms for innovative firms, but it can be hard to understand which service is most suitable for their company's requirements and stage of development.

Investment into FinTech is limited.
Political, macroeconomic instability as well as foreign exchange issues affect investors' confidence. This is further exacerbated by FinTechs' limited capacity to comply with consumer protection and other regulations, governance structures, and technical and managerial knowledge.

There are a variety of approaches to FinTech engagement across different countries, resulting in friction for new market entrants.
Regulatory systems which differ from the Nigerian model can result in friction for Nigerian firms looking to expand into overseas markets. Despite the complexities of overseas regulation, cultural, legal, and other barriers to entry, also present hurdles for FinTechs.

Short-term recommendations

Further socialise the NFS.
This will allow FinTechs to understand how to take advantage of the initiatives it contains.

Establish a dedicated FinTech one-stop shop.
This could have both a physical shop front and a virtual presence with representation from all the relevant regulating agencies. It will allow firms to seek advice on FinTech regulatory matters in one place. This will increase the coordination and efficiency of the regulatory approval process. The possibility to use the CBN sandbox to support this work should be explored.

Create a right-touch regulatory framework.
The one-stop shop will be responsible for mapping current approval processes and publishing them. Over time this will help identify overlapping or duplicative regulations which can be streamlined. This will support FinTechs to receive the relevant licenses in an efficient timeframe and uncomplicated manner.

Improve and strengthen collaboration between stakeholders between FinTechs, FIs, government and the regulators.
These will help to improve policymaking, reduce duplications, and boost innovative practices.

FinTech ecosystem capacity building and talent development.
FinTechs need to enhance their managerial and governance skills to ensure they can address concerns regarding consumer and investor protection, cybersecurity, and anti-money laundering (AML). Given the speed of technology development building the capacity of regulators to understand FinTechs though mentorship and exchange programs is critical. Working closely with education providers to produce future talent pipeline for the industry will support growth.

Encourage investment and funding into FinTech.
Implement investment strategies to help FinTechs to scale and enter new markets. Mechanisms, such as an investment fund to de-risk private sector investment, loan guarantee funds, and FinTech pilot and procurement programs can enable FinTech to have access to the right funding support to grow.

Medium-term recommendations

Adoption of supervisory technology.

Introduce further IT capabilities at the regulators to support the introduction of SupTech and RegTech solutions to operational practices to increase efficiencies and approval times.

Strengthen FinTech focus on consumer protection.

Strengthening cybersecurity and consumer remediation measures will ensure consumer protection and build trust, while encouraging innovation.

Consider investment incentives.

Consider implementing investment/ tax and government grants to attract investment into FinTech.

Improve relevant digital and physical infrastructure and capital policy interventions for strategic sectors.

It is critical for the adoption of FinTech that consumers and providers have access to the relevant digital infrastructure. To incentivise private investment into infrastructure, the right capital policy interventions need to be designed and implemented.

Establish an International Financial Centre in Nigeria.

This will deepen the financial and related professional services ecosystem and create the business environment needed to attract significant international investment. It will help develop a modern, trusted international brand for Nigeria.

Long-term recommendations

Conclude mutual recognition and international cooperation.

Implementing collaborative efforts between Nigeria and international regulators, such as mutual recognition agreements, will enhance cross-border regulatory cooperation, and further two-way trade and investment opportunities.

Undertake semi-annual public private reviews of the FinTech ecosystem to identify future areas of enhancement.

These efforts between regulators, government and industry can further address challenges and find solutions to improve the ecosystem as it develops.

Crate principles-based framework for future decisions to balance financial stability, economic growth, and innovation.

Ensure regulation is enhanced to protect consumers, while not stifling innovation. Create a principles-based framework for future decisions that supports financial stability, contributes to economic growth, and encourages innovation.

The current state of the FinTech industry

Nigeria's FinTech ecosystem

Financial Technology (FinTech) has become an integral part of the global financial services industry. Worldwide, FinTech is expanding markets and providing consumers with greater freedom and choice, while increasing financial inclusion. Nigeria's National FinTech Strategy (NFS) demonstrates the Nigerian Federal and Local Governments' commitment to developing a globally competitive FinTech industry and underscores its role in promoting inclusive growth and economic development.

FinTech has enormous potential to transform the provision of financial services in Nigeria through the development of innovative instruments, channels, and systems. Over the past decade, Nigeria has made significant progress in supporting the FinTech sector. The Federal and Local Governments and regulators have consistently responded to the evolution of financial services and prioritised its digital agenda through initiatives such as the Startup Bill, PSV 2025, the Business Facilitation Act 2023, open banking, cashless policy, and the introduction of the digital currency (eNaira). FinTech has enormous potential to transform the provision of financial services in Nigeria through the development of innovative instruments, channels, and systems. Given the fast-paced nature of this sector, continuous collaboration between domestic and global stakeholders involved in Nigerian FinTech is essential.

Nigeria's FinTech sector has experienced rapid growth in recent years, with new FinTech solutions and products being introduced at unprecedented rates. Nigerian startups have flourished by providing solutions to various sectors (finance, education, healthcare, and agriculture), and creating opportunities for local businesses to establish and thrive. The FinTech sector contributes to economic growth and investment. Africa's digital economy is expected to contribute up to US$300 billion to its GDP by 2025 and over US$700 billion by 2050[1]. It is crucial that the positive impact of FinTech players in Nigeria to the broader financial ecosystem is effectively communicated externally to build support for the changes required to enable its future growth.

FinTech is boosting access to digital financial services in Nigeria by reducing entry barriers. According to data from Enhancing Financial Innovation and Access (EFInA), the number of financially excluded adults decreased by nearly 14 percent from 41.6 percent in 2016 to 35.9 percent of Nigeria's population in 2020. EFInA data also reveals that 81 percent of the 38.1 million excluded adults in Nigeria own a mobile phone. To optimise financial inclusion opportunities and increase consumer access, it is essential to accelerate the provision of appropriate digital infrastructure throughout the country. The high cost of digital infrastructure and power outages could hinder the growth and effectiveness of FinTech services in Nigeria. Providing digital infrastructure is critical for implementing Nigeria's cashless economic policy and in the widespread use of the eNaira.

[1] Business Insider Africa, available https://africa.businessinsider.com/local/markets/how-regulations-can-accelerate-the-evolution-of-africas-financial-technology-opinion/mwltmfm#:~:text=In%20March%202021%2C%20Flutterwave%20%2D%20a,at%20%24712bn%20by%202050

Demand for FinTech

Nigeria's largest FinTech market segment is digital payments, valued at US$12,150 million in 2023 with over 90 million users. This is predicted to grow to US$23,810 million with close to 147 million users by 2027[2]. Alternative financing is also growing strongly with the highest average transaction value per user at around US$8,450 in 2022.

Demand for FinTech is largely driven by consumers and government initiatives. The CBN and Government of Nigeria have introduced measures to increase digital payments and transition to a cashless economy, including by introducing the eNaira. These policy drivers are increasing demand for FinTech solutions. Awareness of new products, access to mobile devices, internet and energy are the biggest drivers of FinTech adoption by consumers. However, there are barriers to consumer adoption in Nigeria, such as affordability, digital literacy, financial inclusion, and trust. Improved market access and digital literacy initiatives can address some of these issues. Trust may take a more sustained effort to address due to market sensitivities concerning data protection, fraudulent behaviour, consumer profiling, and exclusion.

Regulatory environment

Several pieces of legislation have been introduced in Nigeria to support innovation in financial services. The Nigerian Startup Bill 2022 reflects the commitment to creating a supportive environment for startups to grow in Nigeria. Regulators, such as the CBN and Securities and Exchange Commission of Nigeria (SEC), have introduced regulatory frameworks for open banking, cryptocurrencies, and equity crowdfunding (e.g., PSV 2025).

To further boost FinTech, the CBN outlined its vision for the future of FinTech in Nigeria through its NFS, recommending a range of new policies and legislation. This commendable step has great potential to unlock further economic growth for the country. While these efforts are welcomed by the industry, given the rapid pace at which Nigeria's FinTech sector is evolving, continuous incremental improvements must occur at an even faster pace. To support these efforts, replacing outdated legislation and eliminating duplicate regulations that affect FinTech will also need to be considered.

To further enhance the regulatory environment for FinTech, there is a need to create interoperability between payment systems and other digital finance systems. This will be critical to enhancing the FinTech ecosystem by enabling a wider range of FinTech businesses to enter the market and offer products that meet new customer demands. Regulatory barriers in the sector include unclear policies and regulations, lack of coordination between regulators, regulatory fragmentation, and overlap. This makes it difficult for firms to obtain the necessary licences to operate in an efficient and time-effective manner. Uncertainty about what is permitted and fear that different regulators may have different interpretations can make firms risk-averse, hindering innovation.

[2] https://www.statista.com/outlook/dmo/fintech/nigeria

An example of international best practice is the Revised Payment Services Directive (PSD2) which permits data sharing by European financial services firms about their customers, resulting in European countries having some of the highest number of FinTechs per capita in the world. Consolidated rulebooks from implementing regulators have distinguished those European countries that have benefited most from PSD2.

Thanks to the efforts of the government and regulators, startups in Nigeria have access to regulatory and industry sandboxes to test out new products and solutions. The Financial Service Innovators launched the 'Industry Innovation Sandbox' with support from the CBN, EFInA, and Nigeria Inter-Bank Settlement System. In late 2022, the CBN launched its own regulatory sandbox. SEC also introduced their own regulatory Incubation Program to support FinTechs operating in capital markets. Improving regulatory coordination and collaboration across these sandboxes would deliver even greater benefits by fully leveraging these tools. UK and South Africa's coordinated approach to its regulatory sandboxes provide good models for consideration.

To enhance the attractiveness of FinTech and other technology sectors for international investment, it is crucial to prioritise foreign exchange stability. This will enable Nigerian FinTech to capitalise on global export and growth opportunities, given their strong innovation and service solutions tailored for high-growth emerging economies. The development of an International Financial Centre (IFC) is another way in which Nigeria can build its attractiveness to international investors. Establishing a supportive business environment that provides an international legal framework, competitive tax policies, mobility policies to allow companies to recruit top global talent and good digital infrastructure is a way in which other countries such as the United Arab Emirates, Kazakhstan and Morocco are attracting international investment.

Research methodology

Nigeria and the UK are long term strategic partners. The Economic Development Forum (EDF) Memorandum of Understanding (MoU) has provided a valuable mechanism for developing the economic collaboration between the two countries. In 2022, the UK-Nigeria Finance and Financial Services Working Group co-chaired by Nigeria (Ambassador Ahmed Shuaibu) and the UK (Nicola Watkinson, TheCityUK) was established to enhance cooperation in an industry that is vital to both countries. This private sector led group identifies current challenges and provide recommendations that will lead to improved outcomes in areas identified as of greatest importance to the industry – remittances and FinTech. To support these work streams, the UK Government has commissioned two projects. The first aims to identify practical ways to address the challenges in the remittance system, while the second, implemented by TheCityUK, aims to develop a roadmap to support the implementation of the NFS in partnership with CBN and relevant public and private FinTech stakeholders.

This roadmap builds on the strategic objectives identified in NFS as well as other regulators. Its provides a clear and sequenced execution framework that will: (i) develop a well-functioning FinTech ecosystem that advances technological innovation, develops globally competitive FinTechs, creates private sector jobs, and supports all ecosystem members with tools that facilitate growth; and (ii) design and implement policies that promote in the growth of FinTechs, while ensuring fit-for-purpose products that protect consumers, investors and the financial system from excessive risks.

Objective

The objective of this report is to:

i) Provide technical assistance to the government and regulators by designing a roadmap for the implementation of the NFS.

ii) Design frameworks for regulators to use when optimising licensing procedures for FinTechs.

The roadmap will contribute towards an improved policy environment that helps FinTechs scale, build talent pools, generate exports, and attract more investment within a structured regulatory framework that mitigates risks for both FinTech participants and consumers.

Methodology

The following methodology was used to design this report:

i) Desk research: We undertook qualitative and quantitative research of existing legislation governing FinTechs across Africa and other equivalent countries. We analysed the NFS and various related reports on Nigerian FinTech policy and regulations.

ii) Stakeholder consultations: We held multiple consultations with representatives from the public and private sectors in Nigeria and the UK (listed at the end of this report). With support from EnterpriseNGR and FinTechNgr, we hosted a virtual stakeholder workshop on 23 February 2023, attended by over 60 FinTech executives and the Lagos Business School. We held consultations with Nigerian regulators and government representatives to understand what work is already underway, current priorities, and where this project could support their implementation agenda.

iii) In person meetings with key stakeholders, including Nigerian FinTechs, industry-led bodies, associations, banks, Nigerian regulators, and other representatives from the Nigerian and UK FinTech ecosystem.

Limitations

Our desk-based research included an analysis of existing laws, regulations, regulatory guidelines, and strategies prevailing at the time of our review. The scope of our report was largely limited to a desktop review of written laws and surrounding literature, as well as virtual and in person stakeholder consultations.

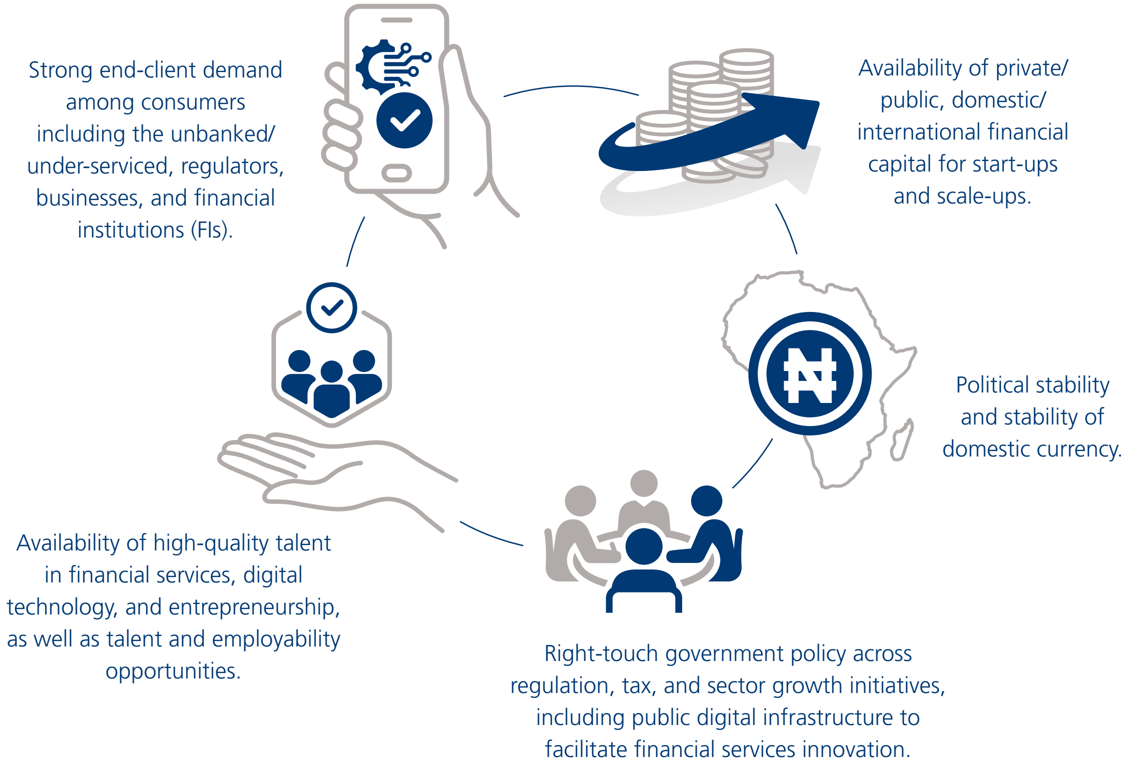
Next Steps

As the EDF concludes in 2023, both countries have agreed to transition towards an Enhanced Trade and Investment Partnership Agreement (ETIP). Under this ETIP, both sides will continue to work together to resolve market access issues and enhance economic cooperation to improve two-way trade and investment between both countries. With the second UK-AIS being held in London in 2024, this report can provide an important mechanism that can be taken forward to continue cooperation in an industry that is vital to the future growth of both countries.

Roadmap for NFS implementation

FinTech has transformed the global financial services landscape, but its benefits are not yet felt equally. Establishing a sustainable FinTech ecosystem which delivers benefits to all parts of the population, protects consumers, and stimulates growth and investment requires coordination, communication, and collaboration between market participants. Political will and leadership, as well as an understanding of market demands, are essential for ensuring equitable outcomes. Nigeria has many elements in place to develop a strong and globally competitive FinTech ecosystem including a well-defined NFS.

Research[3] shows that a sustainable FinTech ecosystem is built on:



[3] Fuelling FinTech and Transformation and Innovation Reports, TheCityUK. Available at https://www.thecityuk.com/our-work/

Developing a well-functioning, sustainable and futureproof FinTech ecosystem will take time. Regulatory and legislative development needs sufficient consultation periods with stakeholders; international financial centres take several years to establish; talent development requires sustained effort; and education programmes need to be rolled out across the country to ensure equitable inclusion. There are, however, several immediate actions the relevant stakeholders can take on the path towards an effective and internationally recognised digital finance ecosystem.

This section sets out a roadmap and key performance indicators (KPIs) developed in collaboration with British High Commission and Nigerian Government. These actions often interlinked and can be implemented by the relevant FinTech stakeholders in a sequential manner. The roadmap is based on the 29 strategic initiatives outlined in the NFS. In addition, our consultations have shown that there are further recommendations that could assist the regulators to achieve the goals outlined in the NFS.

The timelines suggested in this roadmap builds on the NFS’ three-phased approach and assumes that the momentum outlined in the strategy can be maintained. The short-term recommendations match the financial inclusion target date of 2024 and provide suggestions for ongoing FinTech development. This roadmap will allow the government, regulators, and industry to build a sustainable, internationally competitive FinTech ecosystem in Nigeria, that meets the government’s financial inclusion goal.

This roadmap assumes that (i) the implementing agencies have the relevant resources (human, financial and physical) to implement these recommendations; and (ii) there is collaboration between all relevant newly appointed government, public and private sector FinTech stakeholders and businesses to implement the proposed actions.

Short-term recommendations

Recommendations that can be implemented within the next two years:

Recommendation 1: Further socialise the NFS.

The NFS, published in October 2022 during the Financial Inclusion Week, was prepared in consultation with the FinTech community and broader financial ecosystem but its launch was delayed due to Covid-19. Despite being positively received, our consultations have demonstrated that the majority of FinTechs have yet to read the full strategy document and understand how they can take advantage of the initiatives it contains. These recommendations complement and support the CBN and other stakeholders' existing plans to disseminate the NFS. Dissemination of the NFS can be private sector led, with support from the CBN and other regulators involved in FinTech.

Proposed Actions	Timelines
1 Prepare two to five-page summary document highlighting the 29 actions and key messages from the strategy.	Q2-Q3 2023
2 Publish a brief in national journals and relevant industry-body/ associations newsletters.	Q2-Q3 2023
3 Disseminate the NFS among the FinTech ecosystem for greater awareness and to ensure further buy-in publish the guidelines on relevant websites/ social media through target outreach/ partnerships.	Q2-Q3 2023
4 Hold workshops/ webinars/ consultations with FinTechs through relevant associations and industry-led bodies to share findings.	Q2-Q3 2023
5 Establish a feedback mechanism to track the progress of NFS roadmap implementation.	Q4 2023
6 Form a high-level taskforce working committee comprising operators, regulators, relevant government ministries, and other stakeholders to drive the implementation of the NFS. Decide the structure of the taskforce as well as where the taskforce should be situated.	Q1 2024
7 Launch this high-level taskforce and conduct quarterly meetings.	Q1-Q2 2024

KPIs	#summary document prepared and disseminated through mailout and social media campaigns, #number of industry briefings held, #number of consultation workshops held, #feedback mechanism in place and operational, #high-level task force established, #collaboration between FinTech stakeholders improved
Implementing Agencies	Associations/ industry-led bodies, such as EnterpriseNGR, FinTechNgr, OpenbankingNG, ALTON, etc.; regulators, such as CBN, SEC, DBT.

Recommendation 2: Establish a dedicated FinTech one-stop-shop.

Our consultations have consistently highlighted the need for a one-stop shop (OSS) for FinTech regulation, including registration, licensing, and approval of FinTechs. Given the complexity of regulations and perceived lack of coordination among regulators, a dedicated FinTech office – that could be both, physical and virtual - should be established to act as a central point of contact for all FinTech-related information. This will provide FinTech firms and innovators with a single access point for information and a unified approach to FinTech product approval. It will address complexities surrounding the establishment of FinTechs and allow for the coordination and centralisation of licensing requirements and processes (including capital requirements), leading to increased efficiencies in the establishment of firms. The OSS could utilise the CBN and SEC sandboxes, where FinTechs with new technologies could test out their models in a way which allows all regulators to see it at once and then advise on what approvals might be needed, thus providing a link between sandboxes and the OSS – speeding up licencing and approval processes. An OSS can significantly improve customer experience and collaboration between FinTechs and regulators through an enhanced, all-in-one service in a speedy, engaging, responsive, and integrated manner.

The concept of the OSS was supported in the recently published Startup Bill 2022 and is referenced in the NFS under the FinTech Hub idea. However, there is a question about where the one-stop shop should be situated. Several options have been suggested:

- The Nigeran Investment Promotion Commission (NIPC) already operates the Electronic One-Stop Investment Centre (e-OSIC), which brings together relevant government agencies to provide fast-tracked services to investors. The NIPC could act as an umbrella for FinTech OSS, however we would recommend, that at least in the first two years of its operations, FinTech OSS operates as a physical entity.
- The FinTech OSS could sit under the existing Financial Services Regulatory Coordination Committee (FSRCC) chaired by the CBN. FSRCC has a secretariat within it that could be expanded to act as the OSS and cover all regulators involved in FinTech. Strong key performance indicators (KPIs) would need to be created to ensure smooth operations of the OSS.
- The OSS could be established under the CBN and over time move under the Office of the Vice President (OVP), which is focused on economic development of Nigeria. Legislation would need to be created to protect OSS' operational independence and protect it from political instability.
- Drawing on the model of the Nigerian Communications Commission (NCC), FSRCC could be strengthened by the appointment of an independent Chair and CEO, under which FinTech OSS would be formed.
- A separate FinTech OSS entity could also be formed under the Federal Ministry of Finance (MoF).

Under the OSS, the CBN could leverage its convening power to secure the buy-in of other relevant regulators to create the operational structures that facilitate its efficient functioning. All regulators would retain their respective regulatory/licensing mandates but be accessible to FinTechs in one location through representation at the OSS, and jointly assess and approve joint licenses. Having the regulators in one office will improve coordination where regulations overlap. In the UK, regulators formed the Digital Regulation Cooperation Forum, which brings together regulators responsible for telecommunication, big tech, data protection, financial conduct, and prudential regulation for this purpose.

Proposed Actions	Timelines
1 Form a high-level taskforce or working group comprised of all stakeholders involved in FinTech.	Q2-Q3 2023
2 Decide under which agency the OSS should be situated.	Q2-Q3 2023
3 Prepare the Terms of Reference for the establishment of the OSS drawing on international best practice.	Q3 2023
4 Develop a detailed proposal for the establishment the OSS and gather industry feedback.	Q4 2023
5 Second staff from various regulatory agencies on a fixed-term basis to build the capacity of the OSS staff.	Q1-Q3 2024
6 Operationalise OSS.	Q3 2024
7 Map out existing requirements for regulations, approvals, and licences for different sorts of FinTechs using real case studies and publish these. This should help over time to identity areas of overlap/ duplication which could be streamlined (linked to recommendation 3).	Q3-Q4 2024
8 Establish an online file sharing platform accessible to OSS regulators to support governance and create efficiencies in operations.	Q3-Q4 2024

KPIs	#OSS established and is fully resourced and functional, #number of relevant licences issued, #50 percent improvement in timely licence issuance, #number of firms serviced #number of FinTechs services, #file sharing system in place.
Implementing Agencies	Regulators, such as CBN, MoF, OVP, NIPC, FIRS, SEC, NAICOM, PENCOM, FMOCDE, FCCPC, DBT, FMITI, etc.

Recommendation 3: Create a right-touch regulatory framework.

Nigeria already has established a well-developed regulatory framework for its financial services and has identified new steps to support FinTech in the NFS. The regulators now need to develop a right-touch unified and participatory regulatory framework that is responsive, agile, and clear, while avoiding duplication. A well-coordinated regulatory framework that provides certainty, and balances innovation, with risk to the public and investors is the gold standard when regulating FinTech entities.

Regulators should have KPIs around their approval processes, which include timelines for approvals or alternative responses and remedial measures in case timelines are not adhered to. A strong regulatory framework should be focused on safeguarding consumers, promoting innovation and robust competition, maintaining stability in the market, and guaranteeing financial inclusion. Integrating a tiered approach to regulatory scrutiny may be instrumental in reducing the barriers to entry. For instance, introducing an approach to regulation that is primarily based on the size and type of FinTech provider and the scope of their services would expedite the entry of 'smaller' FinTech entities into the market, given that they need not be subjected to the same level of scrutiny as FinTech entities with more complex and riskier business models.

To support the development of a right-touch regulatory framework, our consultations have demonstrated that a comprehensive review of the licensing system should be conducted to enable FinTech start-ups and scale-ups to obtain relevant business licences in a timely and efficient manner. This includes licensing requirements for mobile money services, international money transfer services, and the operations of electronic payment channels in Nigeria, etc. This could be done with the support from the FinTech OSS. The licensing process for FinTech companies in Nigeria can be lengthy and complicated, which can discourage investment and innovation. For example, FinTech companies must register with the CAC to obtain a valid licence from the CBN. In addition, some FinTechs obtain their licence from CBN and others from SEC, leading to a lack of clarity of the types of licenses to be obtained for specific FinTech products.

Obtaining licences can be a lengthy process, and FinTech companies that hold or intend to hold certain licence categories are required to obtain a 'no-objection' letter from the Payment Systems Management Department of the CBN. This letter confirms that the CBN has no objection to the company holding the licence in question. In addition, CBN approval is now required for collaborations between FinTech companies, banks and other FIs regarding products and services. Obtaining a 'no-objection' letter can be complex = requiring compliance with various regulations and licensing systems.

Based on consultations, simplifying the process by reducing paperwork, improving communication, reducing timelines, updating the types of licences granted, and streamlining the application process could help attract more FinTechs to Nigeria and support local founders. If an OSS is implemented, clear licensing guidelines could be created and published regularly by the office.

The capital requirements for licencing are very high for start-ups and the licencing process can be confusing. The conditions that must be met by FinTechs to obtain a licence from the Federal Ministry of Communications and Digital Economy (FCCPC) are different from those required by the CBN. When moving into payments, telecommunications, and global system for mobile communication (GSM) providers are required to establish a separate subsidiary with its own board that needs to be regulated by CBN and NCC and this increases costs without a clear benefit. Digital banks in Nigeria often operate under microfinance licences as there is no suitable type of licence in place for them (the alternative commercial/retail banking licence is not suitable for a digital bank).

Proposed Actions	Timelines
1 Establish a committee of all regulators to review current regulations impacting FinTech with a view to reducing overlap, redundancy, and duplication. Industry should be consulted to help identify those areas which would benefit from early attention.	Q3 2023
2 Review licensing regimes (including timelines, types of licences, and letters of no objections) and consider opportunities to simplify and streamline these without impacting on consumer protection.	Q3 2023
3 Provide clear and detailed guidance on licensing requirements and processes for obtaining a ''no-objection' letter. Publish the guidelines on the CBN's website and provide training to FinTechs to help them navigate the process (this could be undertaken though a OSS as outlined in Recommendation 2).	Q4 2023
4 Using the end-to-end process mapping for licensing to identify pinch points to be remedied.	Q1 2024
5 Develop further regulatory sandboxes to enable FinTechs to test their services in a safe environment.	Q2 2024
6 Consult industry on what regulatory guidance might be helpful to better facilitate KYC (Know your Customer), payment interoperability, etc.	Q4 2024
7 Convene regular meetings with the representatives of FinTechs, industry bodies, professional qualifications, and membership bodies to consult on and socialise regulations.	Q4 2024

KPIs	#committee of regulators formed #of licence processes reviewed and simplified #new licensing and 'no objection' letter guidelines published on CBN website #decrease in time to respond to queries, #reduced processing time, #number of relevant start-up licences granted, #number of scale-up licences granted, #improved compliance/ reduced rejections, #reduced time to process applications #number of industry consultations held #of new sandbox programmes established.
Implementing Agencies	Regulators, such as CBN, FCCPC, NCC, SEC, NAICOM, PENCOM, CAC, NITDA, FMITI, Industry-led bodies and associations, such as EnterpriseNgr, FinTechNgr, Nigeria Economic Summit Group, Financial Inclusion Secretariat, private sector

Recommendation 4: Improve and strengthen collaboration between FinTech, financial institutions and the regulators.

Our consultations have highlighted the importance of continuously improving collaboration and knowledge sharing across the FinTech ecosystem, building on the initiatives (webinars, summits, conferences, etc.) already being implemented by organisations such as Reguvator Forum by FintechNgr, FinTech1000 advocacy group, EFInA, Templars' Global Summit: Perspectives in Tech in Nigeria. Different forums might include founders, licencing entities, telecommunications infrastructure operators, FinTech associations, banks, other FIs, regulators and government. Benefits of improved collaboration are two-fold. On one side, it will improve FinTechs understanding of regulation, increasing their credibility with regulators, investors, and consumers. On the other side, it will allow regulators to better understand FinTech technologies and solutions and allow for improved regulations.

Regulator-led collaboration

As the regulatory environment in Nigeria is constantly changing, the country needs to evolve its approach to collaboration between the public and private sector. FinTechs, stakeholders (such as FinTech associations) and regulators should regularly engage with each other through forums and working groups to understand each other's views on market regulation and to explain their approach to FinTech regulation.

Strengthened collaboration between the different regulators involved in FinTech regulation, including through the establishment of OSS, could improve cross-agency learning, avoid duplication, and ensure effective policymaking in response to frequently changing FinTech market developments. A collaborative agency framework, like The Digital Regulation Cooperation Forum in the UK, could help shift towards a more relational form of governance.

There is also an opportunity to introduce 'policy sprints'[4] which have been successfully implemented in the UK. 'Policy sprints' bring together policy makers, regulators, and the industry to co-design appropriate regulatory regime to understand industry needs while ensuring consumer and market protection.

FI and FinTech initiatives

Improving collaboration between FIs and FinTechs could help to increase awareness of new solutions and products, leading to the adoption of new working methodologies such as open innovation and agile development, and attract more investment into FinTech. Cross-organisational networks could improve trust and facilitate regular face-to-face interactions. However, this information sharing should be limited to areas that do not have adverse implications for market competition. Oversight should ensure that information on products, services, pricing, etc. covered by

[4] https://www.fca.org.uk/firms/cryptoassets/cryptosprint

competition law is not shared. Areas such as cybersecurity, risk management, compliance, and recommended professional services should be considered in scope.

FIs should outline their process for selecting the right FinTech partner, collaboration practices, points of contact, incumbent technology requirements, data protection policy, supplier onboarding processes, etc. By focusing on improving the internal processes for dealing specifically with FinTechs, FIs can make collaboration simpler and faster through standard terms and conditions or specific governance process. FIs could also involve FinTechs in start-up mentoring initiatives. On the other hand, FinTechs need to better understand the legal and commercial structure of agreements they enter into, including intellectual property (IP) agreements. They also need to improve their capacity to ensure data safety by adopting relevant supervisory frameworks, data protection measures and implementing appropriate security systems. Finally, FinTechs should ensure they have the right technology infrastructure requirements and skilled technical experts in place.

Proposed Actions	Timelines
1 Form a 'technology policy and regulation collaboration forum'. This forum should include regulators looking at data privacy and protection, financial conduct and prudential policy, telecommunication, and competition authorities.	Q1 2024
2 The forum should share information and best practice and provide guidance in areas of common interest as well as explore how to improve internal processes for working with FinTechs.	Q2 2024
3 Introduce 'policy sprints'.	Q3 2024
4 FinTechs need to be encouraged to build their own capacity in regulatory, IP, consumer protection, etc.	Q4 2024
5 FIs should create individual guidelines for FinTechs and improve internal processes for working with FinTechs.	Q4 2024

KPIs	#number of regulatory changes as a result of improved cooperation, #improved knowledge, # improved speed of transactions/ approvals, #improved compliance with regulations, #reduced rejections #increased partnerships/ initiatives between FIs and FinTechs, #increased outreach and partnerships, #increase in innovative products and solutions.
Implementing Agencies	Regulators, such as CBN, Consumer Protection Agency, industry associations and led bodies, such as FinTechNgr, EnterpriseNGR, OpenbankingNG, ALTON, Nigeria Economic Summit Group, Financial Inclusion Secretariat, private sector, including FIs, FinTechs.

Recommendation 5: FinTech ecosystem capacity building and talent development.

Regulator Capacity Building

Capacity building for regulatory agencies is critical to promoting the development of the FinTech industry in Nigeria. Frameworks to continuously identify and prioritise FinTech regulation training needs and mechanisms to facilitate training and development courses could enable regulators to better understand and regulate new and complex innovations in FinTech. This would also allow for better law enforcement to tackle cybercrime and non-compliance of FinTechs with relevant regulations.

To boost knowledge sharing, collaborative efforts between regulators and industry through partnerships (such as UK-AIS), staff secondments, exchange programmes, and international fellowships can be introduced. These would allow regulator employees to upskill and be better equipped to evaluate emerging FinTech products. As part of the collaborative efforts between local and international regulators and training institutions, there is room to initiate secondment or exchange programmes, where regulator staff may be engaged by foreign regulators such as the Financial Conduct Authority (FCA) in the UK or the Monetary Authority of Singapore (MAS) in Singapore, and vice versa. The technical assistance provided through these programmes would be beneficial for regulators in understanding the nuances of the FinTech sector and should improve their response to changes in technology. International alignment and promoting international best standards have been cited as a key objective of regulators.

There is also an opportunity to develop feedback loops between FinTechs and regulators, where FinTechs are encouraged to provide constructive feedback on frictions in regulatory processes, like firm authorisations. The regulators can in turn use this feedback to improve their operations without eroding regulatory standards. In addition, conducting research and analysis on trends, technologies, and regulations can help regulators to stay up to date with the latest developments in the industry.

FinTech's capacity building

Our consultations have shown that FinTech, especially post-Covid 19, are still struggling to recruit right talent and technical and managerial capacity. A framework should be put in place to build FinTech firms' and innovators' capacity to better understand regulations as well as business management. Current initiatives driven by FinTechNgr, FinTech1000, EnterpriseNGR, Financial Sector Deepening (FSD) Africa, etc., should be expanded. This might cover topics such as customer protection, business planning, financial management, anti-money laundering (AML), cyber-security, etc. This would equip FinTech firms with the relevant knowledge for operating a business in Nigeria and address regulators' concerns over customer protection and regulatory compliance. Access to funding is one of the key issues experienced by founders. Capacity building efforts could also focus on building expertise in seeking funding.

Finally, there is a need to improve consumer and investor understanding and capacity of potential scams, fraud and what to look out when using or investing into FinTech solutions.

Talent Development

While there is a good supply of local talent in Nigeria, FinTech struggles to attract specialised technical talent, due to financial and other risks associated with startups. Our consultations have shown that young talent in FinTech often lacks specific experience (the average staff member has less than five years' work experience) and there is a lack of expertise in financial management, data analytics, consumer protection and top management and administrative skills. The global mobility of experienced technical talent is a challenge in Nigeria. Leading organisations are losing their top talent overseas ('Japa'). Therefore, is a need to develop new local talent and attract international talent (which is currently scarce), while creating an enabling environment and providing incentives that encourage people to remain in the country. Remote working presents great opportunities to attract talent. and remote learning offers the chance for educational institutions to deliver specialised programmes for the FinTech industry in a more cost-effective manner. A mentorship structure could be put in place between different stakeholders to further encourage collaboration though exchange programmes, accelerators, innovation hubs, hackathons, etc. This could be achieved by partnering with already existing initiatives such as Youth of Enterprise and StartUpMarketPlace.

Technical capability is important for an effective and sustainable talent pool, but it is not enough on its own. Feedback from the consultations, highlighted that a broader range of competencies, such as creative and emotional intelligence, are also needed. These competencies allow companies to create new and innovative solutions and better user experience, while ensuring trust and inclusion within the ecosystem. Ethical behaviour within the ecosystem is essential to countering crime and exploitation.

	Proposed Actions	Timelines
1	Develop a staff exchange model with other regulatory authorities in the UK and around the world.	Q1 2024
2	Develop a proposed feedback survey for beta testing with firms going through regulatory processes.	Q1 2024
3	FinTech associations to form partnerships with local universities and colleges, to help FinTechs to hire graduates and provide mentorship schemes.	Q3 2024
4	Upskill the existing workforce through staff secondment and exchange programmes, training and development including through international partnerships with relevant skills development organisations such as ACCA and remote learning opportunities.	Q4 2024
5	Consider how the Federal Ministry of Education and Training could work with FinTechs and regulators to develop a future talent pipeline by developing a core competency framework to train people of all backgrounds.	Q4 2024

KPIs	#improved staff attraction and retention, #improved international regulatory alignment #regulator secondments #new training courses #university pathway programs for graduates #increased skills availability, #improved consumer protection, #improved capacity and competitiveness of FinTech.
Implementing Agencies	Regulators, such as, CBN, FCCPC, SEC CAC, FIRS, NDIC, MoF, NAICOM, etc, all levels education providers, such as MoE, TVET, industry led bodies and associations such as FinTech Ngr, EnterpriseNGR, private sector.

Recommendation 6: Encourage investment and funding into FinTech.

Nigeria will need to support its FinTechs in marketing their business models and change the perceived risk of investment. With FinTechs in Nigeria being highly reliant on external funding, reducing the perceived risk of investment into FinTechs can be achieved through the provision of stable access to energy and telecommunications infrastructure, improved cybersecurity, exchange rate stability and improved macroeconomic indices, and industry skills development to ensure consumer protection and increased stability through the application of the rule of law.

Expansion can happen through organic growth; however, start-ups often need scale-up capital to move into new markets, to invest in innovation, and to recruit more people. Investment capital can come from a range of sources, such as traditional bank loans, venture capital, crowdfunding, private equity, pension funds, etc. It can be international or domestic. Regardless of where it comes from, ecosystems must be attractive to investors in terms of regulation, talent, investor protection, incentives, and opportunities to invest.

Our consultations have demonstrated that FinTechs are facing issues with reaching scale and profitability. Traditional financing and access to larger amounts of investment capital are limited in Nigeria due to the business risks associated with funding start-ups and helping them scale. Most FinTechs raise capital privately through family and friends or leverage traditional commercial sources such as bank loans. FinTechs need to better understand how to prepare financial reports, set up company structures, importance of governance and legal compliance to investors and consumers as well as how to prepare investment pitches.

The government should consider expanding its FinTech funding intervention policies such as the Intervention Fund and explore other ways to de-risk private sector investment through mechanisms such a loan guarantee fund. The government could increase its support for FinTech by using FinTech products itself and piloting and procuring FinTech products and services to help FinTechs build their reputation and profile – a model that has been successfully implemented in Australia and the UK. The British High Commission could help the CBN design potential options for consideration.

Moreover, establishment of the Nigeria International Financial Centre (NIFC) could attract additional investment into Nigeria. Depending on what model is chosen, it could send a strong signal to global investors, expanding domestic FinTech and the broader financial services sector.

In addition, FinTechs should explore other non-financial areas of investment support, such as mentorship, technical and managerial capacity building, branding, and marketing, partnership opportunities and access to/ scaling up into markets and new customers.

	Proposed Actions	Timelines
1	Understand which domestic sectors could most benefit from FinTech solutions.	Q3 2023
2	Expand the CBN FinTech Intervention Fund to support start-ups focusing on delivering solutions into sectors such as agriculture, entertainment, power, etc. that could gain the greatest benefit.	Q3 2023
3	Explore with donor agencies or investment partners the creation of a fund that will provide guarantees to derisk investment into FinTech.	Q4 2023
4	Evaluate possible tax incentives for investment into early stage FinTechs where the risk is highest.	Q4 2023
5	Engage with the international venture capital ecosystem.	Q1 2024
6	Develop guidelines on equity-based crowdfunding.	Q2 2024
7	Promote Nigerian FinTechs through targeted marketing campaigns and delegations to markets like the UK aimed at attracting investors (in partnership with the UK Government and Innovate Finance).	Q2 2024
8	Review government procurement rules to enable increased government piloting and consumption of local FinTech solutions.	Q2 2024

KPIs	#FinTech investment strategy/ plan in place, #FinTech Intervention Fund expanded, #30% increase in FinTech investment by 2025 from 2022 baseline, #growth in FinTech start-ups and scale-ups.
Implementing Agencies	Regulators, such as: CBN, FCCPC, SEC, Ministry of Industry, Trade and Investment, Nigerian Export Promotion Council, Nigeria Investment Promotion Council, investors, donor agencies, industry-led bodies, and associations, FinTechs.

Medium-term recommendations

Recommendations that can be implemented between the next two to four years:

Recommendation 1: Adoption of Supervisory Technology.

Regulators could look to embrace Supervisory Technology (SupTech) and RegTech as part of service delivery enhancement. RegTech is the use of innovative technology by regulatory bodies to support the supervision of regulated entities and support the implementation of effective AML systems (according to recent FATF report, Nigeria has been added to high-risk countries/ grey list for deviancies in country's regime to counter money laundering, terrorist financing and proliferation financing). SupTech is intended to assist regulatory agencies in assessing and approving products presented before them and to allow the regulators to get real-time insights into the operations of the FinTech entities, at the same time spurring technology-based exposure within the regulator.

Proposed Actions	Timelines
1 Regulators to attend conferences and hold workshops to understand the latest developments in RegTech and SupTech that would allow them to better deliver their services.	Q4 2024
2 The CBN and SEC might consider an annual competition to identity a new RegTech/ SupTech solution which can be piloted.	Q1 2025

KPIs	#number of conferences attended, #number of workshops held, #knowledge improved
Implementing Agencies	Industry-led bodies and associations, such as FinTechNgr, FinTech100, EnterpriseNGR, FinTechs, FIs, regulators.

Recommendation 2: Balance Innovation and Consumer Protection.

Regulators should provide measures aimed at protecting consumers while maintaining a balance between innovation promotion and financial stability. On the other hand, consumers and investors may seek to invest in FinTech firms (and their products) without fully understanding the risks associated with it. There is a need for clear rules and regulations aimed at protecting investors and consumers. One solution might be for FinTechs to be included in the Nigeria Deposit Insurance Corporation coverage to protect FinTech users from loss and establish a speedy and effective dispute resolution between consumers and FinTechs.

FinTechs need to comply with the cybersecurity, GDPR/ NDPR, compliance regulations and requirements, and take a proactive approach to managing risk. FinTechs must follow KYC practices and national and regional data protection regulations, for example on issues such as chargeback, especially when operating outside Nigeria. To protect their reputation, consumer protection should underpin firms' operations. Consumer protection can be achieved by close and proactive collaboration between the industry and regulators. Larger firms should be encouraged to collect and share intelligence and collaborate with government entities to collectively combat cybersecurity risks. FinTech firms and regulators should collaborate to devise approaches to check financial fraud in the sector.

Our consultations have shown that the continued adoption of the National Cybersecurity Policy and Strategy must be encouraged. Nigeria should also enhance collaboration between government agencies, private sector organisations, and civil society to improve cybersecurity. This could involve the establishment of public-private partnerships, information sharing agreements, and joint training programs. Incidence response should also be improved. Nigeria's reputation for global cybercrime and cyber fraud could be reversed aided by strengthening cyber law enforcement and monitoring.

Proposed Actions	Timelines
1 Explore the inclusion of FinTechs in the Nigeria Deposit Insurance Coverage scheme.	Q1 2025
2 Government to strongly enforce compliance of cybersecurity rules.	Q2 2025
3 Consider models used around the world to enable cyber information sharing between law enforcement, critical financial institutions, and the government.	Q3 2025

KPIs	#improved consumer protection/ reduction in claims against businesses, #reduction in cybercrime
Implementing Agencies	Regulators, including CBN, FCCPC, EFCC, NCC, NPF, CAC, FMITI, FinTechs, FIs.

[5] https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2023.html

Recommendation 3: Consider investment incentives.

The most conducive environment for FinTech firms is one that provides certainty, while at the same time having clear compliance in place that facilitates ease of doing business. To further attract FinTechs and investors from around the world some jurisdictions offer tax incentives. Countries such as Canada, Singapore, U.A.E, and the UK offer tax incentives and in some instances government grants for new FinTechs. Such incentives have led to an increase in the establishment of FinTech entities in those regions as well as improved financial inclusion. Other incentives can include visa programs to attract entrepreneurs and investors. An improved macroeconomic environment will also incentivise investments and inflow of capital to the FinTech sector. Which implies that while tax incentives are critical, stable, and competitive exchange rates, low inflation and interest rates will likewise promote investments.

Making changes to the existing tax policy can be a lengthy and cumbersome process, however, tiering the corporate tax bracket to support start-ups and emerging FinTech firms could be explored. In addition, it may be beneficial to foster a predictable and consistent set of tax legislation, to allow for the growth of FinTech, with the understanding that consistency is just as attractive to businesses as tax breaks. A special tax window could be created for international investors with a dedicated fund to ensure the availability of currency exchange for repatriation and other purposes. This will encourage international investment flows into Nigeria and its developing FinTech sector.

Proposed Actions	Timelines
1 Review of the impact tax is having on FinTech establishment, scale finance, and R&D investments. Recommendations might consider short-, medium-, and long-term incentives for firms meeting public policy objectives.	Q1-Q2 2025
2 Provide incentives based on recommendations and potentially link those to NIFC.	Q3 2025

KPIs	#increase in domestic and global Nigerian FinTech competitiveness, #increased investment into FinTech
Implementing Agencies	Regulators, such as CBN, Federal Inland Revenue Service, FMITI, NIPC, MoF.

Recommendation 4: Improve relevant digital and physical infrastructure and capital policy interventions for strategic sectors.

Access to capital forms a critical part of innovation growth and the government should develop bold policy interventions to incentivise investment and unlock much-needed capital to support and grow the FinTech sector. The aim of such policies would be to attract private, public, and sovereign investors in Nigeria to increase sources of venture capital and private equity. This could be achieved by the implementation of a FinTech Fund or similar, which would lead to tremendous growth in FinTech enterprises. An example of this is the Tibi Scheme in France which has increased the number of French unicorns substantially since its formation. Given that blockchain technology and cryptocurrency are still in the early stage of adoption, they are growing fast in Nigeria. Yet, when looked at in terms of the overall value of trades, combined with the dominance of mobile phones and underdeveloped financial and digital infrastructure, the opportunities for using blockchain to enable foreign exchange and remittance payments could be vast. Regulators can work with Exchanges to allow the listing of FinTech companies by which they can gain access to liquidity/equity finance for capital and infrastructure expansion.

FinTech businesses depend heavily on regular and secure access to the internet or some form of telecommunications, and our consultations have highlighted that infrastructure and market constraints prevent them from reaching scale. Nigeria is one of a very few countries in Africa with a presence of real-time payments system and the payment infrastructure that are necessary to enable rapid scale-up of FinTech services. This will be true both for businesses and consumers as the sector matures. As such, penetration of affordable internet and mobile communications is vital for a functioning and efficient FinTech sector. With a high smartphone or featurephone ownership, the opportunities for FinTechs are vast. However, like with any infrastructure dependant business, the reputation of FinTech businesses is largely dependent on the quality and reliability of the ICT. Consumers need to be always guaranteed full-service provision – frequent power cuts, unreliable mobile and internet connectivity, etc. make such service impossible.

There have been instances in Nigeria, where FinTechs (for example Interswitch) entered the payments markets by building infrastructure specific to the country, and as a result they evolved into being a market leader in their field, evolving into a national digital platform. Interswitch established Nigeria’s first transaction and switching infrastructure in the country between 2002 and 2007, paving the way for payment acceptance across the country and enabling it to pioneer Africa’s largest card scheme – Verve – with payment acceptance in Nigeria and over 185 countries globally. OPay and PalmPay had to overcome infrastructure challenges by leveraging pre-existing physical networks to reach their customers and build their base. OPay in Nigeria has grown its business by building a vast agency network of more than 300,000 agents to counteract the lack of infrastructure in that country.58 PalmPay has taken a different rout, pre-installing their application on selected smartphone devices to encourage usage.

Although internet penetration in Nigeria (currently at 51 percent with 109 million active users) and mobile internet user penetration (currently at 37 percent of the Nigerian population is using a mobile device with access to the internet) have been on the increase, and the internet freedom in Nigeria is among the most established in Africa, it is still low due to associated costs of internet, adequate equipment, and mobile devices[6].

Currently, Nigeria has a power transmission capacity of about c.7,500MW and an installed capacity of c.20,000MW with a population of >200 million people. South Africa, on the other hand, with a population of c. 59 million has an installed capacity of 58,095MW. On a per capita basis we can assume Nigeria requires an installed capacity of c. 200,000MW to achieve power sufficiency. While this cannot be achieved in five years, significant progress could be achieved by increasing reliability, capacity, and access to electricity. Reliable access in urban centres where FinTechs may be founded is key, access to telecommunication networks will allow those without reliable access to have intermittent access to fintech services.

In addition, infrastructure challenges affect the ability for remote work and curb the expansion of customers and as a result, financial inclusion. Solutions such as a universal payments interface (where all forms of digital payment might be integrated), improved internet connectivity and the cost of mobile devices could address some of these challenges.

Proposed Actions	Timelines
1 Develop proposals for capital policy interventions, these can include pooling of VC, institutional investor and government capital like Tibi, tax incentives, subsidies, or quantity-based restrictions.	Q1 2025
2 Put forward these proposals to the Nigerian Government for consideration and ask that industry be consulted on them.	Q3 2025
3 Set ambitious KPIs for telecommunication and electricity access.	Q1 2026
4 Incentivise investment into infrastructure which would meet these KPIs through tax incentives and government signalling and de-risking of these investments.	Q3 2026

KPIs	#Modelling of effects of interventions, #Consultation of industry on interventions, #Proposals put forward to government
Implementing Agencies	Regulators, such as CBN, SEC, MoF, NCC, NIPC, FMOCDE, MoF, Ministry of Works, Power, and Housing; Ministry of Science & Technology, Nigerian Exchanges, FMDQ, industry-led bodies and associations, #private sector

[6] https://www.statista.com/statistics/484918/internet-user-reach-nigeria/

Recommendation 5: Establish an International Financial Centre in Nigeria.

Nigerian regulators and authorities are demonstrating their commitment to developing future growth opportunities by exploring ways of developing its financial and related professional services ecosystem, including FinTech. In 2021, the CBN announced plans to establish the Nigeria International Financial Centre (NIFC) to act as an international gateway for capital and investment, driven by a technology payment system infrastructure. A transparent and efficient international financial centre (IFC) that supports FinTech, can further support Nigeria's efforts to combat financial literacy, attract investment and promote its FinTech industry globally.

Lagos, Nigeria's primary economic hub, ranks 109 out of 119 in the Global Financial Centres Index (GFCI)[7]. The index is based on over 100 instrumental factors, such as ICT development, cyber security, and government effectiveness. Nigeria's rating, though currently the lowest in Africa, should be seen as a baseline for growth. The CBN, SEC, and Government initiatives have already begun to target these areas, including through the NFS and, when implemented, should see Nigeria move up on the index. Regulators need to collaborate with the private sector to set up and promote an IFC.

A fit-for-purpose regulatory regime and financial services sector are needed to foster FinTechs and encourage innovation. However, this cannot be developed in isolation from the global environment. A truly effective ecosystem that attracts investment and enhances international collaboration is essential. International, regional, and domestic investors and firms need to understand the operating environment and have confidence that their investments are safe from economic and political risks. FinTech is changing the financial and related professional services ecosystem as well as the requirements for financial centres. To develop as a FinTech hub, Nigeria would need to provide investors with relevant infrastructure technologies and automated systems that are at least as advanced as those offered in leading financial centres. It would also need to provide banks and FIs with speedy and reliable AML/KYC processes and relevant regulatory frameworks based on international practice and an easy to navigate business environment.

Financial centres around the world apply different models for their IFCs. There is a spectrum of options that the Nigerian authorities could consider as they look to improve the existing financial services infrastructure and develop the NIFC: review and modernise model, mid-range hybrid model and independent free standing IFC model adopted in Dubai, Abu Dhabi, London, New York, and many others. The UK is the second largest IFC in the world, and TheCityUK has a long-standing partnerships and experience in establishing IFCs, including Dubai International Financial Centre (DIFC), Astana, Tashkent, Ho Chi Minh City and many other IFCs.

[7] https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/gfci-32-explore-the-data/gfci-32-rank/

Proposed Actions	Timelines
1 Prepare a detailed Terms of Reference for the establishment and procurement of the NIFC development.	Q3 2023
2 Commission a study to provide best practice and recommendations on developing NIFC and provide different models for IFC establishment.	Q4 – Q2 2024
3 Select the right model for Nigeria and secure right buy in.	Q3 – Q4 2024
4 Implement recommendations by working with regulators and wider industry to establish NIFC.	Q1 2025 – Q4 2026
5 Maintain NIFC standing and competitiveness.	Ongoing from Q1 2025

KPIs	#recommendations for the establishment of NIFC prepared, #relevant model selected, #financial centre established
Implementing Agencies	Regulators, such as CBN, MoF, SEC, OVP, etc, service providers, DBT, donor community, UK and Nigerian FIs, industry-led bodies and associations, etc.

Long-term recommendations

Recommendations that can be implemented continuously from year four:

Recommendation 1: Conclude mutual recognition and international cooperation.

Regulatory requirements in FinTech are constantly redefining the boundaries of the sector and are widening the scope of products and services. The changing regulatory framework and digitalisation are the driving forces of greater connectivity between domestic and foreign stakeholders. FinTech presents opportunities to enhance cross-border regulatory cooperation. Mutual cooperation and collaboration are therefore important in assisting the regulators to address territorial concerns that arise in an increasingly complex global market.

Technological solutions are often borderless and to achieve scale, it is important for FinTechs to match their value proposition to the market they are entering. This presents a challenge to market entrants due to multiple regulatory approvals required across jurisdictions. This factor also brings about enforcement issues for regulators due to jurisdictional overlaps in enforcement. Collaborative efforts between regulatory agencies in Nigeria and peer regulators in other jurisdictions should be promoted and actioned. Mutual agreements would prevent regulatory duplicity in different jurisdictions and would be based on the understanding that the two regulatory and supervisory regimes are broadly consistent with one another in that they have consistent regulatory objectives and aim to deliver comparable outcomes, rather than strictly equivalent. Mutual recognition would allow cross-border innovation and lower barriers to entry faced by FinTech providers seeking to provide solutions in Nigeria. It would also allow for Nigerian FinTech to expand internationally.

Nigeria and its government could consider entering into agreements with other countries, and their regulatory agencies, to facilitate FinTech development across borders and prevent regulatory duplicity in different jurisdictions. The agreements would be based on the understanding that the two regulatory and supervisory regimes are broadly consistent with one another in that they have consistent regulatory objectives and aim to deliver comparable outcomes, rather than strictly equivalent. The mutual recognition would allow cross-border innovation and lower barriers to entry faced by FinTech providers seeking to provide solutions in Nigeria.

To address multiple compliance requirements brought about by cross-border products or business models, regulators should consider allowing FinTech entities already established in other jurisdictions to set up and continue their business operations in Nigeria without the need for further authorisations (through FinTech passports). This would prevent regulatory inefficiencies in approving a product that has already undergone rigorous regulatory vetting in another market and successfully demonstrated that it provides appropriate solutions for the financial needs of consumers.

Proposed Actions	Timelines
1 Initiate discussions with economic allies and their financial authorities. Finding areas of alignment and where regulations are achieving like for like outcomes can inform the formation of a future agreement.	Q1 2027
2 Begin talks with neighbour governments about closer economic ties and stability of each other's economies.	Q1 2027
3 Submit an application to the Global Financial Innovation Network to access developments and seek cooperation in the areas of financial innovation, regulatory reporting, AML/CFT, SupTech and RegTech.	Q1 2028
4 Submit an application to the African Continental Free Trade Area (AfCFTA).	Q1 2028
5 Set calendar for FinTech domestic and international events, forums, FinTech festivals, hackathons, etc., (for 2024 onwards).	Q3 2023
6 Arrange forums and partnerships for regulators in different jurisdictions and economic blocks to share experiences, perspectives and learning opportunities aimed at a structured cross-border framework.	Q3 2027
7 Use feedback mechanisms to assess experience of businesses setting up in Nigeria from partner nations to refine actions outlined above.	Q1-Q2 2027
8 Put in place FinTech passports to harmonise regional regulatory frameworks.	Q2 2027
9 Establish bilateral regulatory MoUs, FinTech agreements and bridges with other African and non-African countries and their regulatory agencies, to align standards with other countries, jointly address regulatory issues and risks arising from FinTech as well as increase exports and attract domestic and foreign investment into FinTech.	Q1 2028
10 Leverage MoUs, improved infrastructure and capital policy interventions to attract fintech operations to Nigeria.	Q2 2028

KPIs	#number of agreements/ MoUs signed #numbers of events held/ attended, #increase in Nigerian FinTechs scaling-up internationally, #increase in international FinTechs expanding into Nigeria, #passports in place
Implementing Agencies	Regulators, such as CBN, CPA, MoF, NIPC, FCCP, PENCOM, NAICOM, FMITI, DBT, etc., international agencies and regulators, FinTechs.

Recommendation 2: Undertake semi-annual public private reviews of the FinTech ecosystem to identify future areas of enhancement.

In the long term, public-private reviews of the FinTech ecosystem could be conducted to evaluate the continuously developing industry and assess where in the ecosystem things could be done better, facilitate improvements and provide solutions while maintaining innovation and providing consumer protection. Creating an effective feedback loop between the government, regulators and the industry would provide an efficient way to address challenges and encourage public-private sector dialogue and collaboration.

Proposed Actions	Timelines
1 Using feedback surveys and public-private constructs from previous recommendations, track and write reviews on the health of the environment.	Semi-annually from Q1 2028
2 Use reviews to streamline regulations and enhance collaboration.	Semi-annually from Q1 2028

KPIs	#number of reviews held #number of addressed policy/ regulatory changes, #Improved FinTech competitiveness, Improved policies, regulations, and guidelines
Implementing Agencies	Regulators, such as CBN, SEC, PENCOM, NAICOM, industry-led bodies and associations, such as FinTechNgr, FinTechs, etc.

Recommendation 3: Create principles-based framework for future decision to balance financial stability, economic growth, and innovation.

Nigerian government and regulators are committed to balancing consumer and investor protection, with innovation. Increased investment into and growth of FinTech can further contribute to the growth of NIFC/ broader financial and related professional services ecosystem, economic growth, and stability.

Our consultations have shown, that over time, the focus of Nigerian regulators could shift to creating a principles-based framework for future decisions that supports financial stability, contributes to economic growth, and encourages FinTech innovation. Principles-based regulation means moving away from reliance on detailed, prescriptive rules and relying more on high-level, broadly stated rules or principles to set the standards by which regulated firms must conduct business.

The potential benefits of using principles are that they provide flexibility, are more likely to produce behaviour which fulfils the regulatory objectives and are easier to comply with. Detailed rules, provide certainty, a clear standard of behaviour and are easier to apply consistently and without retrospectivity. However, they can lead to gaps, inconsistencies, rigidity and are prone to avoidance, and to the need for constant adjustment to new situations and to the ratchet syndrome, as more rules are created to address new problems or close new gaps, creating more gaps and so on. Principles-based framework has been successfully implemented in the UK by the FCA and many other countries.

Proposed Actions	Timelines
1 Using OSS and outcomes from other recommendations assess current framework.	Q3-Q4 2028
2 Create principles-based framework applicable to Nigerian context.	Q1-Q3 2029

KPIs	#FinTech investment, #FinTech firms exports, #FinTechindustry value, #FinTech contribution into Nigerian GDP, #incrased comopliance,
Implementing Agencies	Regulators, such as CBN, FCCPC, National Treasury, NIPC, FinTechs.

FinTech as an enabler

FinTech can be a positive force for change by leapfrogging existing infrastructure constraints. The ability to quickly test new products and services using FinTech platforms offers significant economic advantages to high growth developing economies like Nigeria. FinTech can boost trade and investment opportunities, improve gender equality, and alleviate poverty.

Advances in cloud technologies, artificial intelligence (AI), and mobile devices, have allowed FinTech to evolve beyond banking and payments, to include sub-sectors such as savings, asset exchange, InsurTech, WealthTech, market provisioning (including RegTech, SupTech, digital identity, analytics), lending, capital raising, etc. It offers opportunities for people from diverse backgrounds, including women and girls and people from minority communities that are studying science, technology, engineering, and mathematics (STEM) to enter markets as innovators and entrepreneurs to address market gaps, which traditional FIs may not have had the capacity or desire to address.

FinTech can also support SMEs to grow and access funding by providing more accessible banking and trading solutions. FinTech platforms are increasingly aimed at scaling up SMEs in multiple sectors beyond large corporations, which has led to a proliferation of FinTech platforms for SMEs and Business to Business (B2B) services as well as business to business to customer (B2B2C) services.

How FinTech can help tackle cybercrime in Nigeria

FinTech can play a key role in tackling cybercrime in Nigeria. Cybercrime poses a threat to businesses and individuals and can discourage investment due to its impact on international perceptions. Firms may be hesitant to invest in digital companies due to concerns about online criminality as well as physical violence.

Creating an intelligence-sharing hub between intelligence agencies, law enforcement and business community can help curb the success rate of cybercrimes, such as ATM spoofing, hacking, identity theft, piracy, and phishing. Sharing methods for detecting and preventing these attacks among businesses can improve security for Nigerian people and businesses. Sharing information and intelligence about successful attacks with law enforcement can provide evidence that the Government is addressing this threat and incentivise further investment. The intelligence community being able to share threat intelligence with businesses, particularly those operating critical national infrastructure or services, will also improve the resilience of the Nigerian economy to cyber-attacks by adversaries.

The UK has companies that provide a myriad of services to increase security in the sector, including a dedicated police unit for fraud (Dedicated Card and Payment Crime Unit), a public-private cyber intelligence sharing centre (Financial Sector Cyber Collaboration Centre), and a body overseeing the resilience of critical national financial infrastructure (Cross-Market Operational Resilience Group). These interlinked constructs support the digital ecosystem as a whole.

How FinTech can help the CBN counter informal economy

One significant challenge facing Nigeria is its citizens engagement in the formal economy. Reasons for disengagement can vary and can be intentional via the evasion of taxes or labour standards, or unintentional factors such as poor digital literacy, inadequate infrastructure and resources, and lack of trust in the formal economy. According to World Economics, the estimated size of Nigeria's informal economy (including its informal sector and shadow economy) is 57.7 percent of country's economy, or around US$1.1 billion. This means that nearly 60 percent of Nigeria's working population receives wages in cash, hindering efforts to progress towards a cashless economy policy. A significant cash-based society presents problems, such as tax evasion, which lowers government tax revenues and reduces its ability to provide public services.

FinTechs can provide more formal employment opportunities leading to more productivity gains in the economy and contributions to GDP. This in turn reduces the shadow economy's growth. FinTech solutions enable the gradual elimination of cash and the parallel automation of transactions. These digital capabilities may make it easier to track informal flows and limit efforts to bypass the system with stronger detection methods. Disruptions in financial markets can lead to new business models that also provide different routes through which financial flows can take place. FinTechs can offer streamlined onboarding and digital processes and are well placed to take advantage and disrupt the financial services status quo, increasing penetration and services. However, to enforce these changes there will be a need for higher levels of investment in monitoring and enforcement, as well as developing localised solutions, and education to change behaviours.

How FinTech can help improve financial inclusion

FinTech can positively impact financial inclusion, poverty alleviation, and enhance resilience with collaboration from government and industry. By identifying segments of the population in need of financial support, FinTech can provide new opportunities for consumers and businesses to access financial services solutions and products. For FinTech to reach its full social potential, innovators, policymakers, and regulators must work together to establish a right-touch regulatory framework that builds trust and enables businesses to support key social goals through innovation, while protecting consumer data and privacy. Besides directly addressing financially excluded and vulnerable consumers, FinTech can have an indirect impact on financial poverty by increasing productivity and fostering sustainable economic growth.

In Nigeria, progress to realise the full financial inclusion benefits through FinTech has been slow due to issues with access and trust. Many vulnerable and financially excluded communities lack access to basic information technologies, such as the internet and mobile phones (smart or feature phones). Despite over 84 percent of internet traffic in Nigeria being generated by mobile devices, unreliable internet access, high broadband costs, and frequent power cuts disrupt both consumers and service providers. Therefore, penetration of affordable internet and mobile communication is vital for a functioning and efficient FinTech sector.

Nigeria's large informal, cash-based economy and the use of physical currency is perceived as low risk by society. Lower levels of financial and digital literacy and a lack of consumer trust in the formal economy have limited FinTech's ability to address financial inclusion. Unreliable infrastructure and questionable data protection practices, make it difficult for Nigerian consumers to judge the legitimacy of FinTech solutions without trusted guidance and protection. New financial solutions bring greater risks of misuse; therefore, all areas of society should be taken into account in these new developments. The NFS addresses digital financial education and touches on building trust in new developments and ensuring that products meet the needs of participants, while also informing them of inherent risks. It is important to use a multi-stakeholder approach when designing communication campaigns to effectively leverage FinTech for financial inclusion. Industry, regulators, and policymakers must balance protecting consumers with encouraging innovative solutions through care policy considerations and education.

Creating value through RegTech

Global Regulation Technology (RegTech) spending is expected to exceed US$204 billion by 2026, accounting for 50 percent of all regulatory compliance spend for the first time[8]. This growth is expected, given the scale of the regulatory burden facing the financial services industry. Despite major banks spending 10-20 percent of their costs on governance, risk and compliance, billions of dollars in fines are still being incurred for failures in managing compliance[9]. RegTech promises to reduce this burden and risk by automating processes through new digital technologies and AI that improve efficiency and effectiveness. This may allow firms to unlock more capital and reallocate capital to other investments that support the growth of other industries.

RegTech allows firms to digitalise their compliance systems from manual processes to data driven systems, enabled by analytics and machine learning. It allows current processes, facilitated by Cloud and Distributed Ledger Technologies (DLT), AI and Banking-as-a-Service (BaaS), to be redesigned. It presents significant opportunities to support the development of effective and robust AML/CFT systems and procedures. It enhances fraud prevention processes, and thereby strengthens protections for consumers and businesses. RegTech solutions such as digital identity enables greater access, choice and control for consumers and businesses, as well as facilitates trade between jurisdictions. Integration of RegTech services with BaaS models is key to realising further market growth. BaaS models that include outsourcing

[8] Juniper Research, 19 April 2022 juniperresearch.com/researchstore/fintech-payments/regtech-market-size-report
[9] Ibid

RegTech services such as digital onboarding, will accelerate AI-based automation for online document verification and KYC, fraud detection and mitigation processes.

FinTech hubs play a critical role in supporting the development of RegTech by providing an ecosystem that brings together all stakeholders required to understand, test, and adopt RegTech solutions at scale. This is evidenced in multiple jurisdictions where RegTech has been integrated into the financial services innovation process enabled by regulators, including the UK, Singapore, Australia, and the Middle East. For example, RegTech solutions were in the very first FCA sandbox and now in the first cohort for the Global Financial Innovation Network sandbox run by over 50 regulators. Other innovation mechanisms used to test the impact of RegTech include TechSprints and Proof of Concepts. In the UK, this is delivered through a dedicated RegTech Unit within the FCA's Innovation team. The unit facilitates interaction between FIs, policymakers, and other regulators in strategic areas for RegTech development such as digital regulatory reporting and applying new technologies to enable greater data sharing to combat financial crime across jurisdictions.

Despite these successful innovation initiatives, challenges remain in accelerating adoption of RegTech at scale. Overcoming these challenges requires collaboration and co-creation between policymakers, regulators, FIs, and solution providers, through existing frameworks, new mechanisms, and industry assets. Several factors can prevent wider adoption of digital solutions and shared platforms, such as a lack of shared understanding of technology impacts on KYC processes; lack of clarity on roles and responsibilities for mandating standards; owning/operating industry assets such as utilities; and conflict between KYC and data privacy requirements. These barriers have knock-on effects, such as preventing RegTechs and FIs forming partnerships and collaborations in RegTech.

Effective collaboration in optimising KYC can deliver better value for consumers, businesses, and wider civil society. Regulators identifying where innovation will deliver public value, and consistently being active in understanding the role of specific technologies, will contribute to addressing some of these issues. Best practice requires regulators to remain vendor –neutral while specifying leading technologies that help tackle longstanding problems, rather than being tech-agnostic about technology's role in achieving better outcomes. Digital optimisation can support SME finance and trade, broader social development goals, and reduce some burdens accompanying regulatory change and reporting.

Supporting SME growth

Starting a business in Nigeria can be challenging due to issues such as paying taxes, obtaining working capital, licencing, and expanding operations. Businesses need support and guidance, which is where accelerators and incubators come in. Organisations like Co-creation Hub, Start Up Wise Guys, Faster Capital, Wennovation Hub, Seedstars, play an essential role in developing effective tech ecosystems, by bringing together advisors and experienced mentors from various fields (legal, accounting, finance) to support start-ups. These initiatives offer everything from desk space to formal development programmes that introduce start-ups to venture capitalists. The support provided by accelerators and incubators includes mentoring, market access support, funding, investor networks, training, access to entrepreneurial communities, product development, etc. Bootcamps like StartupBootCamp offer respected investor preparation programmes and business growth seminars, mentorship opportunities, and investment and partnership opportunities ranging from US$17,000 to US$450,000.

Incubators typically provide physical spaces on flexible terms and support early-stage founders in refining their products, while also offering mentorship and consulting over a long period of time. Accelerators focus on growth and access to funding with the aim of stimulating companies that will scale up rapidly or fail fast, through a more focused, sector-based approach on a temporary basis.

Accelerators and incubators offer valuable support for entrepreneurs for launching new business ideas or scaling up for growth. To engage with them effectively, SMEs and start-ups should consider:

- Selecting a programme: (i) Understand you're the business needs, such as market access, investment, funding, and partnership before applying; (ii) consider using incubators/ accelerators to support post-Covid 19 recovery, including through digitalisation and transformation of SME business models; and (iii) assess virtual/ international opportunities.
- Applying for a programme: (i) Prepare a compelling financial story and business plan; and (ii) learn from the application process.
- During the programme: (i) Adopt a share and learn mindset to partner with other programme participants; and (ii) leverage the breadth of opportunities, such as networks and mentoring.
- After the programme: (i) Stay connected to the community; and (ii) give back/ mentor.

Conclusions

FinTech is a dynamic and constantly evolving sector in Nigeria with enormous potential to become a leading sector in the region. It can address financial and digital inclusion, transition consumers from the informal to the formal economy, contribute to the country's economic growth, and help to combat cybercrime. To keep up pace with its evolution, its policy and regulation must be agile.

The CBN and Nigerian Government have demonstrated their commitment to developing a globally competitive Nigerian FinTech industry by publishing the NFS, financial inclusion strategy and establishing a single regulatory sandbox among others. While significant and forward-thinking progress has been made, challenges remain that impact FinTech's growth.

A proactive approach to implementing the regulatory framework and a participatory approach to policy formulation are needed. Regulators, policymakers, FinTechs, FIs, industry bodies and academia, should work together to develop a right-touch regulatory framework that positively shapes the sector and lowers market barriers, while protecting consumers.

Cross-border collaboration and cooperation can help to internationally align Nigeria's regulations and policies and position the country as a leading FinTech hub in Africa. Implementing the recommendations in this report, based on the NFS, will support Nigeria's ambition to develop a NIFC that complements those in London, New York, etc., while contributing to FinTech's long-term sustainable development and the growth of the Nigerian economy.

These recommendations, developed in collaboration with UK and Nigerian Governments through the EDF, will also boost the strength of the wider financial services ecosystem in Nigeria, while enabling further international investment flows and trade opportunities between the UK and Nigeria, such as access to the UK's capital markets.

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- Access Bank
- Alliance for Financial Inclusion
- ALMPO
- AnalyticsRim Technology Services
- ALTON
- Barclays
- Budgit
- Carbon
- CCHub
- Chainvine (Oliver Oram)
- Clifford Chance
- Co-Creation Hub
- Colab
- Cowrywrise
- Crestsage Limited
- Enovate Lab
- eTranzact International Plc
- FinTech Association of Nigeria and its members
- FirstCentral Credir Bureau Ltd
- FlutterWave
- Greysoft
- Hope PSBank
- Innovate Finance
- Innovation Support Network Hubs
- Interswitch
- Inq.Nigeria
- Invest Bamboo
- ISN Hub
- Kuda Bank
- Lagos Business School
- LAPO Microfinance
- LifeBank
- Kuda Bank
- Lagos Business School
- LAPO Microfinance
- LifeBank
- NITDA
- Opay
- OpenbankingNG
- Paga Group Ltd
- Payattitude Global Limited
- Paystack
- PwC
- Remita
- Richard Maton
- Roundstone Consulting
- Secure ID Ltd
- Sparkle
- Standard Chartered
- SystemSpecs
- Templars
- TechQuest STEM Academy
- Theia
- The Nigerian Economic Summit Group
- TM30
- Trium
- Unified Payment Services Ltd
- UP Digital Limited
- Woven Finance
- Verraki
- Vbankng
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- VogyePay
- Voilo

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Acronyms

AI	Artificial Intelligence
AML	Anti-Money Laundering
ATM	Automated Teller Machine
B2B	Business to Business
B2B2C	Business to Business to Customer
BaaS	Banking-as-a-Service
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
CFT	Combatting the Financing of Terrorism
CPC	Consumer Protection Council
DBT	Department for Business & Trade
DIFC	Dubai International Financial Centre
DLT	Distributed Ledger Technologies
EDF	Economic Development Forum
EFCC	Economic and Financial Crimes Commission
EFInA	Enhancing Financial Innovation and Access
eOSIC	Electronic One Stop Investment Centre
ETIP	Enhanced Trade and Investment Partnership
FCA	Financial Conduct Authority
FCCPC	Federal Competition and Consumer Protection Commission
FCDO	Foreign and Commonwealth Development Office
FinPort	Innovation and FinTech Portal
FinTech	Financial Services Technology
FI	Financial Institution
FIRS	Federal Inland Revenue Service
FMITI	Federal Ministry of Industry, Trade and Investment
FMOCDE	Federal Ministry of Communications and Digital Economy
FSD	Financial Sector Deepening
FSRCC	Financial Services Regulation Coordinating Committee
GDP	Gross Domestic Product
GFCI	Global Financial Centres Index
GSM	Global system for mobile communication
ICT	Information Communications and Technology
IFC	International Financial Centre
IFWG	Intergovernmental FinTech Working Group
InsurTech	Insurance Technology
KPI	Key Performance Indicator
KYC	Know your Customer
MAS	Monetary Authority of Singapore
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NAICOM	National Insurance Commission
NCC	Nigerian Communications Commission
NDIC	Nigeria Deposit Insurance Corporation
NFS	The National FinTech Strategy
NFIU	Nigerian Financial Intelligence Unit
NIBS	Nigeria Inter-Bank Settlement System Plc
NICP	Nigerian Investment Certification Programme
NIFC	Nigeria International Financial Centre
NIPC	Nigerian Investment Promotion Commission
NIMC	National Identity Management Commission
NITDA	National Information Technology Development Agency
NOTAP	National Office for Technology Acquisition and Promotion
NPF	Nigeria Police Force
OSS	One-stop-shop
OVP	Office of the Vice President
PENCOM	National Pension Commission
PSD2	Second Payment Service Directive
PSV 2025	Payment's System Vision 2025
RegTech	Regulation Technology
SDG	Social Development Goals
SANEF	Shared Agent Network Expansion Facilities Ltd
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprise
STEM	Science, Technology, Engineering and Mathematics
SupTech	Supervisory Technology
UK	United Kingdom
UK-AIS	UK-Africa Investment Summit
USA	United States of America
USD	United States Dollar
WealthTech	Wealth Technology

Annex I: Insights from Other Markets

The following tables set out some of the key regulations, policies and frameworks that apply to FinTech across the UK, Singapore, and UAE. Further to this, other regions have been included in the case study to showcase some of the key initiatives, as examples of best practice, that have been undertaken to stimulate their FinTech sectors.

United Kingdom

FinTech's capacity building

Regulator	Area	Regulations
Financial Conduct Authority (FCA)	Payments	• The Payment Services Regulations 2017 apply to payment service providers that don't also serve as deposit-takers or as electronic money institutions. These regulations are the UK's implementation of the Second Payment Service Directive (PSD2) (2015/2366/EC), which is a series of EU guidelines issued by the European Banking Authority (EBA) on payment services. The PSR's have since been expanded in scope to include the operations of third parties that are involved in open banking. • In January 2023, the UK government released a review and call for evidence of its PSR. • The Electronic Money Regulations 2011 (EMR) provide a regulatory and licensing framework for issuers and distributors of electronic cash.
	Credit Services over an electronic medium	• The Financial Services and Markets Act (Regulated Activities Order 2001) (SI 2001/54444) (RAO) regulates specified financial activities or investments subject to the exemptions provided by the RAO.
	Cryptocurrencies/ crypto assets	• In July 2019, the FCA issued Guidance on Crypto assets, which defines crypto assets and what falls within the parameters of regulation. • The UK Jurisdiction Taskforce in November 2019 developed an authoritative statement to guide the application of regulations and the operation of the commercial court in respect of the definitions of crypto assets, smart contracts, and their transfer. • The FCA issued a consultation paper on the strengthening of financial promotion rules for high-risk investments, including crypto assets in January 2022. • The Financial Markets and Services Bill 2023 is expected to include crypto assets and put crypto more broadly into the UK regulatory perimeter, with HMT identifying where it needs regulation and regulators developing standards. • In February 2023, HM Treasury (HMT) issued a consultation on the future financial services' regulatory regime for crypto assets. • There is no specific supporting regulatory framework directed at cryptocurrencies or crypto assets in the UK rather these would be incorporated into existing frameworks.

Regulator	Area	Regulations
	AML	• Regulated under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR). After transposing the EU's 5th Anti Money Laundering Directive (5MLD) the UK's money laundering regulation has come up with obligations for crypto wallet providers in respect of AML requirements. This necessitates registering with the FCA, in addition to implementing KYC and standard AML checks.
	Open Banking	• Open Banking Rules were introduced by the Competition and Markets Authority (CMA) and the Open Banking Implementation Entity (OBIE) produced open banking standards and guidelines.
Information Commissioner's Office (ICO)	Data Protection	• The Data Protection Act 2018 is the UK's implementation of the GDPR and the ICO is responsible for this Act.
ICO, Office of Communications, or the Secretary of State for Health in specific instances	Cybersecurity	• Data breaches and use of electronic communication and information technology systems fall under the scope of these regulations: Network and Information Systems Regulations, 2018 (NIS Regulations); Communications Act, 2003; Privacy and Electronic Communications (EC Directive) Regulations, 2003 (PECR) Computer Misuse Act, 1990; Electronic Identification and Trust Services for Electronic Transactions Regulations 2016. • The new Data Protection and Digital Information Bill 2022 will seek to update and simplify UK data law following Brexit, change the approach to international data transfers, and facilitate the formation of digital identification (Digital Verification Schemes) using a trust framework.

FinTech Incentives

Type of Incentives	Initiative
Regulatory Sandboxes	• In 2016, the FCA launched its regulatory sandbox, which has become the model sandbox for innovation across the globe. The sandbox is committed to including a scale-box, which serves to provide requisite support to FinTech entities to accelerate the growth of their operations, enhancing the Regulatory Sandbox, making permanent the digital sandbox pilot, introducing measures to support partnering between incumbents and FinTech and RegTech firms, and providing additional support for regulated firms in the growth phase.[11] • To support firms utilising personal data the Information Commissioner's Office launched a regulatory sandbox to improve the compliance of entities with the data privacy laws.
Networks	• The FCA leads the Global Financial Innovation Network. This network is composed of over 70 international regulators and related organisations that support financial innovation.
FinTech hubs	• The FCA's Innovation Hub supports both regulated and unregulated businesses and allows them to introduce products into the market. • The UK launched the Centre for Finance, Innovation and Technology (CFIT) in February 2023, which will support the newly established regional FinTech hubs across major cities in the UK that seeks to connect emerging talent and industry together.
Internal FinTech strategies	• The Bank of England's FinTech Hub aims to implement FinTech in its own operations, understand FinTech operations and assess the potential risks. • The Prudential Regulatory Authority launched a new directorate – authorisations, RegTech, international supervision – which creates an innovation zone to streamline regulatory authorisations using better technology.

[11] Kalifa Review of UK FinTech

Singapore

FinTech Regulations

Regulator	Area	Regulations
Monetary Authority of Singapore (MAS)	Digital tokens and e-payments	• FinTech specific guidelines include the E-Payments User Protection Guidelines, Guide to Digital Token Offerings and Guidelines on the Provision of Digital Advisory Services. • In October 2022, MAS issued a consultation on the requirements for digital service providers and another consultation on the requirements for stablecoin issuers.
	Payment services	• The Payment Services Act 2019, whose scope extends to both classic banks and non-bank licensed entities. General activities regulated include issuance of payment accounts, card services, money transfer, e-money issuance, digital payment token services (understood to be 'cryptocurrencies' in this jurisdiction) or providing platforms for the exchange of digital payment tokens. • In October 2022, MAS issued a consultation on the requirements for digital service providers and another consultation on the requirements for stablecoin issuers. These included proposed measures for digital payment token service providers.
	Lending	• The Money Lenders Act regulates moneylending, credit bureaus, and the collection, use and disclosure of data subject/borrower information and data.
	Digital Banking	• In 2019, MAS announced that it will issue a digital full banking licence (x2) and digital wholesale banking licence (x3). In accordance with this, MAS issued the requirements for these licenses, as well as a digital banking framework.
	AML	• Singapore applies a general international framework based on the guidelines provided by the Financial Action Task Force (FATF). MAS, in light of this, has released various sector specific notices specific to banks and finance companies.

Regulator	Area	Regulations
Personal Data Protection Commission (PDPC)	Data Protection	• Personal Data Protection Act (PDPA), 2012, established guidelines for registered entities in respect of reporting timelines in case of data breaches, consent frameworks, extent of collection of data subject data, general obligations for data handlers and applicable KYC onboarding processes. • The Personal Data Protection (Amendment Act 2020) amended the PDPA 2012 and included provisions on data portability and data breach notifications.
Commissioner of Cybersecurity (CoC) who heads the Cybersecurity Agency (CSA), MAS (in the context of financial service providers), and the PDPC	Cybersecurity	• Singapore has an ecosystem of cybersecurity statutes that handle both general obligations to secure data and critical information infrastructure to more specific instances of how financial institutions can manage cyber risks as well as guidelines in respect of measures to curb the threat of cyber-attacks. Cybersecurity laws include the Cybersecurity Act, 2018, the Computer Misuse Act, MAS Guidelines on Risk Management Practices, and MAS Notices on Cyber Hygiene. • The CSA plans to launch a cybersecurity support scheme for SMEs, which includes funding support.

FinTech Incentives

Type of Incentives	Initiative
Regulatory Sandboxes	• In 2016, the MAS launched the FinTech Regulatory Sandbox and have further launched the Sandbox Plus, which includes further incentives such as financial grants and opportunities to participate on a platform to access deal-making opportunities.
FinTech/ Innovation Office	• In 2016, the MAS and Singapore National Research Foundation launched a FinTech one stop shop that also aims to promote Singapore as the prime destination for FinTech. This FinTech office offers funding support through a series of grants and schemes, including a MAS led Financial Sector Technology and Innovation (FTSI) scheme that provides grants of up to $100,000.
Regulator FinTech working groups	• The MAS have a FinTech and Innovation Group which looks to develop regulatory policies and development strategies for new innovation and technologies in the sector. The group consists of other sub-divisions that cover FinTech issues related to payments, FinTech infrastructure, the FinTech ecosystem, AI, and sustainable finance.

United Arab Emirates

FinTech Regulations

Jurisdiction/ Regulator	Area	Regulations
UAE Onshore: UAE Central Bank, Securities and Commodities Authority (SCA)	Financial Services	• The UAE Central Bank published the Regulatory Framework for Stored Values and Electronic Payment Systems 2017 and the UAE Decretal Federal Law on the Central Bank and Organisation of Financial Institutions and Activities, 2018. • These laws regulate money remittances, peer-to-peer digital payment, insurance (replacing the local insurance agency after a merger), transactions and retail credit and debit transactions. These regulations do not apply to legacy bank transactions, payments related to transfers of securities or assets, internal fund transfers between PSP's and technical service providers. • The Crypto Asset Activities Regulation No. 23 of 2020 provides a crypto asset licensing regime as governed by the SCA which defines various classes of investors to whom crypto assets may be offered.
Abu Dhabi Global Market (ADGM): Financial Services Regulatory Authority (FSRA)	Financial Services	• The Financial Services and Markets Regulations 2015 (FSMR) and the Guidance Regulation of Crypto Asset Activities in the ADGM (ADGM Crypto Guidance) govern the operation of financial services in the ADGM. • The FSMR consists of a policy framework, guidance manual for digital securities, virtual assets, and private financing platforms. • The ADGM Crypto Guidance covers a wide range of issues, from indicating the risk involved in investing in Crypto Assets to governing the relationship between investors and intermediaries.
Dubai International Finance Centre (DIFC): Dubai Financial Services Authority (DFSA)	Financial Services	• DIFC Law No. 1 of 2004 is the regulatory framework for financial activities in the DIFC. This is supplemented by guidance provided in the DFSA Handbook.
RAK Digital Assets Oasis	Digital Assets	• A free zone has been created in Ras Al Khaimah for digital and virtual asset companies, with no restrictions, including no corporation tax and no personal income tax and no custom duties.
UAE Onshore: Central Bank of the UAE and Executive Office of the AML and Countering the Financing of Terrorism	AML	• The Federal Decree No. 20 of 2018 on Anti-Money Laundering and Countering the Financing of Terrorism regulations were issued to develop the legislative and legal structure of the nation to ensure compliance with international standards.
UAE Onshore, DIFC and ADGM	Cybersecurity	• The UAE Cybercrimes Law (Federal Law No. 5/2012 on Combating Cybercrime) sets out that the primary offences in the UAE relating to violations of technology security and crucially commercial and financial transactions that have their origin on the internet or IT infrastructure. • The above law was replaced with the Federal Decree Law No. 34 of 2021 on Combatting Rumours and Cybercrimes.

FinTech Incentives

Type of Incentives	Initiative
Regulatory Sandboxes	• The Abu Dhabi Global Market (ADGM) launched the first regulatory sandbox in the region, the ADGM Reglab, that has now become the second most active sandbox in the world. ADGM also launched a FinTech digital sandbox to test products and solutions on a digital platform. • The Dubai Financial Services Authority (DFSA) launched the Innovation Testing Licence Programme. • The UAE Central Bank launched an Insurance Sector Regulatory Sandbox and its own Sandbox Regulations as part of its mandate, with the objective to understand emerging products in the sector, transform the UAE insurance market to a smart insurance market and support emerging FinTech entities in the region.
Innovation Hubs	• Dubai International Financial Centre's innovation hub brings together various players across the ecosystem. Initiatives include an accelerator program – DIFC FinTech Hive, which has now garnered more than 3,000 applicants. • DIFC has also launched an open finance lab to boost the growth of the UAE's FinTech sector. This will include business and technical workshops and industry forums.
National Strategies	• The UAE's National Innovation Strategy (NIS) aims to make the UAE one of the most innovative countries in the world by 2021. • In 2018, the government launched the Emirates Blockchain Strategy 2021, which focuses on a drive to shift e-government services to blockchain technology. • In 2019, the UAE Cabinet adopted the National Artificial Intelligence Strategy 2031. • The Dubai Plan 2021 and the Abu Dhabi Economic Vision 2030, which are all aimed at strengthening and promoting financial services sectors and creating a favourable, competitive marketplace for both start-ups and incumbents to flourish.
Talent Policies	• To attract international talent with specialised skills there are flexible visa options including a Golden Visa program and a Green Visa (freelancers).

Insights from Other Countries

Rwanda

To support an enabling testing environment the central bank of Rwanda (National Bank of Rwanda) and the Kigali International Financial Centre launched a regulatory sandbox framework as part of the 2018-2024 Rwanda Payment System Strategy (RPSS). Both licensed and unlicensed entities can benefit from this sandbox. In 2022, the government of Rwanda released its National FinTech Strategy 2022 – 2027, as part of Rwanda's 2050 vision, which will be governed by a steering committee and implemented through a variety of working groups focused on different areas, such as PayTech, alternative finance, WealthTech and InsurTech, RegTech and SupTech.

South Africa

South Africa has established numerous working groups as part of a joint effort between the government and private stakeholders to fully understand the emergence of DLT. In 2018, the Intergovernmental FinTech Working Group (IFWG) was set up with members from across government, including the National Treasury, South African Revenue Services, the Financial Intelligence Centre, the South African Reserve Bank, and the Financial Sector Conduct Authority. As part of the IFWG, a cross-regulator innovation hub was launched to support the FinTech ecosystem, which features a regulatory guidance unit, a regulatory sandbox, and an innovation accelerator. Under the IFWG, the Crypto Assets Regulatory Working Group (CARWG) was established to focus on policy issues related to crypto assets. In 2018, the South African Reserve Bank launched its FinTech Programme to assess the FinTech sector and its regulatory implications.

Egypt

The Central Bank of Egypt in collaboration with the Financial Regulatory Authority have produced a series of rules and regulations that define the scope of FinTech to include Robo-advisory, nano-finance, InsurTech, and (tech-enabled) consumer finance, among others. This creates certainty and clarity of the scope of FinTech regulations and then releasing sector specific regulations. The Central Bank of Egypt launched its FinTech and Innovation Strategy in 2019, which contains several initiatives including an innovation fund, FinTech and Innovation Committee, a FinTech Hub, CBE Regulatory Sandbox, and a FinTech and Innovation department.

Ghana

The Bank of Ghana established a FinTech and Innovation Office with specific responsibility for electronic money issuers (mobile money operators), payment service providers, closed loop payment products, payment support solutions and other innovative forms of payment delivered by non-bank entities. Other agile regulatory efforts include the development of a crowdfunding policy (that intends to update the traditional crowdfunding model) in recognition of the need to both protect consumers and improve financial inclusion among the unbanked population.

India

Regulators in India have emphasised the implementation of more efficient electronic payment systems in India through its India Stack, which combines several initiatives such as the Aadhaar authentication, Aaadhaar-enabled payment system, unified payments interface and digital locker, and in establishing the most efficient ways to lower market entry barriers. For instance, due to the restrictions on movement during the Covid-19 pandemic in India, FinTech entities were unable to obtain biometric data to fulfil their KYC obligations. As such, the local FinTech regulator gave leeway to utilise digital formats of collecting this data i.e., video calls and verification of electronic records.

Kazakhstan

The Astana International Financial Centre (AIFC) in collaboration with Visa launched the Visa Everywhere Initiative that supports start-ups globally to deliver FinTech solutions through participating in regional competitions. Startups benefit from an international platform and prize money. The AIFC's Tech Hub supports FinTech start-ups and entities in the region, and focuses on developing strong partnerships with international partners, including international regulators and companies.

Malaysia

To support FinTech growth and development in Malaysia, the Securities Commission (SC) of Malaysia launched the Alliance of FinTech Community (aFINity) to facilitate productive discussions between stakeholders in the FinTech ecosystem (FIs, government, startups, and investors). The Malaysia Digital Economy Corporation (MDEC) and Bank Negra launched a FinTech booster program to ensure that FinTech entities have access to the necessary knowledge of the regulatory requirements through three workstreams (Legal and Compliance, Business Model, and Technology). To further enhance cross regulator collaboration in the FinTech domain, the SC and Otoritas Jasa Keuangan, the financial services regulator formed a FinTech Bridge.

USA

The US has a highly complex and multi-faceted regulatory and supervisory framework involving several authorities both at the federal and state levels. The US has placed minimal restrictions on the types of business that FinTech providers can engage in. However, due to the increasingly global scale of the consumer base that US based FinTech entities serve, and the ensuing risk, this has necessitated the introduction of forward-thinking financial and AML reporting standards both at state and federal level, increased scrutiny by regulators in respect of previously unregulated initial coin offerings (as a result of the inherent volatility of cryptocurrency ventures) and AML provisions in law that seek to capture transactions made in virtual currencies and digital cash substitutes.

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