

The Adoption and Regulation of Web3, Blockchain, and DeFi in Nigeria: Vice President Yemi Osinbajo’s Position and the Way Forward for the Country

A public statement by the Stakeholders in Blockchain Technology Association of Nigeria ([SiBAN](https://siban.org.ng)), a self-regulatory blockchain association in Nigeria, 15 October 2022

1. We at SiBAN wish to publicly acknowledge and commend the Nigeria Presidency for its position on the approach Nigeria needs to adopt in the emergence of Web 3.0, blockchain, and decentralized finance (DeFi) and re-emphasize why Nigeria must provide an enabling business environment for innovation to thrive for the collective good of the country and the Nigerian people. Speaking at the Nigeria Digital Economy Summit (NDES) with the theme “Web 3.0, Blockchain & DeFi: Impact on Africa’s Digital Economy”, Prof. Yemi Osinbajo's statements on emerging innovations and the need for Nigeria to leverage them to grow and expand the Nigerian economy couldn't have been better put. Perhaps more than ever before, particularly in the face of unemployment, widespread poverty, dwindling oil revenue, cost-pull inflation, and other socio-economic challenges facing us today, there is no better time for Nigeria to review its policy and regulatory stance on emerging technologies, including blockchain-technology applications in the financial services industry which is particularly currently undergoing demand-driven disruption globally.
2. Blockchain technology can be understood and appreciated as a 3rd-generation Internet that can help anyone safely and securely store, exchange, or transfer anything of value—from intangible assets to tokenized tangible assets—without the need for a central authority, middleman, or third party. This is an unprecedented innovation in human history which will permeate every industry and sector where there is a problem of trust. From our private sector to public sector, the problem of trust continues to get in the way of transactions, affecting both business and governance. From public procurement to land-title management; asset management to stock exchange; logistics & supply chain to

Moneta Hub, 2 Allen Avenue, Gabriel Akinmade Plaza, Buffalo Building, Ikeja, Lagos, Nigeria
info@siban.org.ng, <https://siban.org.ng>

Member: Blockchain Industry Coordinating Committee of Nigeria ([BICCON](#)); Fintech Alliance Coordinating Team ([FACT](#)); [Fintech Association of Nigeria](#)'s Regulators Forum; Blockchain Associations Forum ([BAF](#)); Centre for Evidence-Based Blockchain ([CEEB](#)); International Digital Asset Exchange Association ([IDAXA](#))-unofficial member status; Global Digital Asset & Cryptocurrency Association ([Global DCA](#)); Key stakeholder in Nigeria's [National Blockchain Adoption Strategy](#) by the Federal Ministry of Communications & the Digital Economy and the National Information Technology Development Agency (NITDA)

intellectual property rights management; banking to cross-border transactions, blockchain provides a 'trustless technology' that promises a solution to our trust issues.

3. While regulations in Nigeria's banking and financial system have been innovative over the years, helping the country accommodate new players in Web 2.0, it is time regulators started reviewing their approach to regulating Web3-, blockchain- and DeFi-based innovations. Just as the Flutterwaves, Paystacks, and the rest of them continue to innovate and push the boundaries of financial inclusion in Web 2.0, regulators must begin to reimagine the role of regulation as an enabler in a Web3 economy. Newer FinTech players such as AAX, Binance, Bitmama, Boundlesspay, Bundle, Concordium, Kumo, LBank, Luno, Paxful, Tradefada, Quidax, WhaleFin, YellowCard, and other players in the emerging blockchain & crypto space need enabling and innovative regulation. This will encourage more investments and create opportunities, benefitting the Nigerian economy.
4. Until the Central Bank of Nigeria (CBN) reimagines its role in today's fast-changing banking and financial system, private sector-led blockchain innovations in the banking and financial system will continue to be stifled, resulting in a big loss for the country in ways we already witness in our economy today. Financial stability is critical, but without inclusiveness financial stability may not be sustainable. As the Vice President Prof Osinbajo has urged Nigeria to do, "we must think through and develop appropriate policies and regulations that promote, rather than inhibit, innovation and commerce. We can be world leaders in the Web 3 revolution. The only limit is our vision". The government "must also set clear rules to enable crypto markets and trading in other digital assets", emphasized Prof. Osinbajo. We at SiBAN are on all fours with the presidency.
5. In the world of Web3, blockchain, and DeFi where "the user owns his or her own identity and personal data" (Prof Osinbajo), the unavoidable and unstoppable effect is that the economy will become increasingly decentralized. This is why central authorities, including regulators, should regulate crypto in Nigeria's banking and financial system, not prohibit it. The CBN and other relevant regulators need to introduce policy and regulatory frameworks that boost trust and transparency through efficient and effective transaction monitoring and reporting in accordance with applicable legislation and regulations on anti-money laundering (AML) and countering financing of terrorism (CFT) controls.
6. Commendably, Nigeria has enacted the Money Laundering Act 2022 to, amongst other things, bring virtual assets or digital assets (including crypto) within its AML/CFT framework in order to be compliant with global standards in accordance with the Financial Action Task Force (FATF). Also commendably, Nigeria's Securities and Exchange Commission (SEC) now recognizes digital asset custodians (DACs), digital assets exchange

(DAX), digital asset offering platforms (DAOPs), and other virtual assets service providers (VASPs) in the investments and securities market. But without a bank account and restricted from transacting with banks and other regulated financial institutions in the country, many VASPs, local and foreign, are understandably not very confident in the Nigerian business and regulatory environment. The CBN needs to review its anti-cryptocurrency directive of 5 February 2021.

7. From a regulatory and law-enforcement angle, the CBN anti-cryptocurrency directive in the banking and financial system has, amongst other things, made cryptocurrency transactions in the country less transparent, thus impairing efficient and effective transaction monitoring and reporting. Crypto adoption has been significantly reduced to p2p transactions, a comparatively decentralized space that relies largely on self-regulation. This is why Nigeria currently ranks 11th in global crypto adoption (Chainalysis Global Crypto Adoption Index 2022), but is no. 1 in peer-to-peer (P2P) crypto transactions globally. In fact, Nigeria's P2P crypto transaction volume is ahead of even that of Vietnam, the no.1 country in the world in crypto adoption. Meanwhile, the United States which currently ranks 3rd in global crypto adoption, is 111th in p2p transactions.
8. The difference between Nigeria and the United States here is that unlike Nigeria where the CBN has issued an anti-cryptocurrency directive to all banks and other financial institutions and has in fact fined some banks over a billion naira over the restriction, the Reserve Bank of the United States has not done so. Instead, US banks and other regulated financial institutions have been allowed to individually measure their risks and they are required to put effective AML/CFT compliance programs in place if they independently decide to facilitate cryptocurrency transactions. In other words, while US banks and other regulated financial institutions are investing in capacity building and technology to prepare for the future of finance, Nigeria banks and other financial institutions are being prohibited from providing banking and financial services to VASPs. We are failing to prepare for the future of finance. If the CBN reconsiders its anti-cryptocurrency directive by permitting banks and other financial institutions to facilitate cryptocurrency transactions as it permitted pre-February 2021, most crypto transaction volumes will return to the centralized exchanges where transaction monitoring and reporting would be better managed in a most efficient and effective manner. For now, most VASPs in the country continue to self-regulate p2p transactions, ensuring KYC.
9. We believe that policy and regulation have a role to play here. As the Vice President has aptly captured what Nigeria needs to do, "the key to achieving real change lies in actualising the true potential of our youth and preparing them to think and act for a future better than their past. They can learn from previous mistakes and build a better world for

themselves and their children. Let us all work together towards using technology to build a sustainable Nigeria for future generations to come".

10. At SiBAN, we continue to engage with the government, including our regulators, hoping that in fully appreciating the future of finance in the era of Web3, blockchain, and DeFi, our policy and regulatory stance on vital matters will begin to inspire confidence in our economy, not fear. Fear breeds distrust. Transparency boosts trust and trust brings confidence. Confidence in Nigeria's financial system is vital. Thankfully, at a Monetary Policy Committee (MPC) Strategic Retreat in Lagos in July 2022 themed "Monetary Policy Implementation in a Digitally-Evolving Developing Economy", the CBN Governor, Governor Emefiele, in his words, acknowledged that "the evolution of FinTechs, cryptocurrencies, digital payments, artificial intelligence and machine learning, have changed the functioning of the financial and banking sectors, both globally and domestically". Consequently, Governor Emefiele admitted that there is "the urgent call for the need to rethink financial system regulation, supervision and monetary policy implementation".
11. If all stakeholders across key industries, including policymakers and regulators, work together to help Nigeria maximize Web3, blockchain, and DeFi, the Nigerian economy will be the better for it. Thankfully, Nigeria already has massive human capital—our biggest national asset—which we have so far failed as a nation to leverage for growth. Due to lack of vision, lack of research & development, and lack of multi-stakeholder engagements, we hold our collective future back. Oftentimes, we tend to find solace and assurance in the present—however temporal or weak—because we are afraid of the future we refuse to envisage and consequently don't plan for. That future is already here.
12. At SiBAN, we will continue to collaborate with all stakeholders in the best interest of Nigeria's emerging blockchain industry for the country's economic growth and development without compromising best practices. As Nigeria prepares for the [Blockchain Day](#) event coming up on 26 October 2022 as part of the 3-day [Digital Nigeria International Conference](#) at the International Conference Centre, Abuja FCT, we look forward to further engagements between the private sector and public sector on blockchain adoption and its impact on Nigeria's digital economy.



Senator Ihenyen, *President*
president@siban.org.ng



Obinna Iwuno, *Executive Secretary*
sec@siban.org.ng