

**Code of Conduct
for
Virtual Assets Service Providers (VASPs)
in Nigeria**

For SiBAN Members
&
Adopting Nonmembers

by
**Stakeholders in Blockchain Technology Association of Nigeria
(SiBAN)**



June 2022

Acknowledgment

This SiBAN Code of Conduct has been prepared based on global best practices adopted in three relevant documents consistent with SiBAN's philosophy of a virtual assets sector that is fair, transparent, and efficient: The Cayman Islands' *Statement of Principles: Conduct of Virtual Asset Services*, the Global Digital Asset & Cryptocurrency Association's (Global DCA) Code of Conduct, and the obligations of virtual asset service providers (VASPs) provided in the New Rules on Issuance, Offering Platforms and Custody of Digital Assets issued by the Securities and Exchange Commission (SEC), Nigeria, on 11 May 2022.

The SiBAN Code of Conduct was initiated by the SiBAN President, Senator Ihenyen, comprehensively reviewed by the SiBAN Policy & Regulations Committee headed by John Arinze Okafor, approved by the SiBAN Executive Council, and adopted by the registered members of SiBAN.

Table of Contents

1. Introduction3

2. Authority.....3

3. Objectives and Existing Laws.....3

4. Scope of Application.....4

5. Definitions.....4

6. Code of Conduct.....5

Code 1: Honesty and Integrity5

Code 2: Fair treatment of customers.....5

Code 3: Protection of Customer Data.....5

Code 4: Protection and Segregation of Customer Assets.....6

Code 5: Maintenance of Security Systems6

Code 6: Due Diligence, Care, and Skill.....6

Code 7: Prevention, Detection and Disclosure of Financial Crimes.....7

Code 8: Conflict of Interest and Unfair Dealings.....7

Code 9: Adequate Resources.....7

Code 10: Full Disclosure.....7

Code 11: Corporate Governance and Resilience.....8

Code 12: Compliance with Regulatory Acts.....8

Code 13: Promotions and Misrepresentations.....8

Code 14: Business Continuity & Disaster Recovery.....8

Code 15: Trading.....9

Code 16: Consumer & Investor Education.....9

7. Administration.....9

8. Enforcement.....10

9. Declaration of Compliance.....11

Code of Conduct for Virtual Assets Service Providers (VASPS) in Nigeria

1. Introduction

1.1 The Stakeholders in Blockchain Technology Association of Nigeria (SiBAN) is a self-regulatory body in Nigeria's emerging blockchain industry. SiBAN was founded in 2018 by stakeholders in the virtual assets sector to promote blockchain awareness, adoption, and advocacy. This document establishes SiBAN's Code of Conduct for Virtual Asset Service Providers who are registered as *members* and *nonmembers* of SiBAN who voluntarily adopt it. At SiBAN, we believe that self-regulation is vital in ensuring a fair, efficient, and transparent virtual assets sector in Nigeria, and hope that virtual asset service providers (VASPs) that operate in the Nigeria market, as well as relevant regulators, will support our self-regulatory initiative.

2. Authority

2.1. By virtue of the authority and powers bestowed on the SiBAN Executive Council elected by the voluntary and registered members of SiBAN, a lawful association founded in accordance with section 42 of the Constitution of the Federal Republic of Nigeria 1999 (as amended) which guarantees the fundamental right to freedom of association, the Executive Council has issued this Code of Conduct to serve as guidance for the conduct of virtual assets service providers (VASPs). This authority is exercised and exercisable over registered SiBAN members and nonmembers who voluntarily adopt the Code of Conduct for themselves in accordance with the procedure set out in this document.

3. Objectives and Existing Laws

3.1. This Code of Conduct sets out the terms of reference by which all registered SiBAN members should follow with regard to the delivery of virtual asset services in Nigeria.

3.2. The establishment of this Code of Conduct is consistent with SiBAN's objective of ensuring a safer virtual assets sector in Nigeria through the adoption of best practices amongst its registered members and nonmembers who voluntarily adopt the Code of Conduct.

3.3 This Code of Conduct does not substitute existing law or any law or regulation that may be enacted or made in the future.

3.4 The Code of Conduct applies alongside and in addition to any applicable existing laws or regulations, or laws or regulations made by constituted authorities or regulators in the future.

3.5 Persons acknowledge that they will familiarize themselves with all relevant existing laws and regulations, and comply with them accordingly.

3.6. Persons acknowledge that they will obtain required certifications, licenses, and similar requirements that apply to virtual asset services in Nigeria.

4. Scope of Application

4.1. This Code of Conduct applies to all VASPs in Nigeria who are registered members of SiBAN. Similarly, it applies to nonmembers who have signed the Code of Conduct to demonstrate their adherence to the provisions of the Code. The Code also applies to the virtual asset-related activities of Persons.

5. Definitions

5.1. For the purposes of this Code of Conduct, the following definitions are provided:

a) "Virtual Asset" - digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes.

b) "Virtual Assets Service Provider" - any natural or legal person who is not covered elsewhere under the Recommendations, and as a business conducts one or more of the following activities or operations for or on behalf of another natural or legal person:

i. exchange between virtual assets and fiat currencies;

ii. exchange between one or more forms of virtual assets;

iii. transfer of virtual assets;

iv. safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and

v. participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

c) "Member" - any individual or entity who is recognized by SiBAN as being registered with SiBAN and who has signed this SiBAN Code of Conduct.

d) "Persons" - Voluntary SiBAN members or adopting nonmembers who provide virtual asset services in Nigeria.

6. Code of Conduct

Code 1: Honesty and Integrity

6.1. Persons providing virtual asset services should conduct their operations and communications in an honest and ethical manner and must not pose a risk to the virtual assets sector, other sectors, and the public. Whether individual or entity, a VASP must conduct business with integrity at all times and ensure that all disclosures are accurate, clear, and not misleading. Also, persons who offer platforms for investors should endeavor to have a conspicuous disclaimer on such platforms informing investors that any loss resulting from the investors trading or investment through such platforms is not covered by any protection fund.

Code 2: Fair treatment of customers

6.2. Persons providing virtual asset services must pay due regard to the interests of their customers and treat them fairly. All communications to customers should be timely and accurate and in a form that the customers can understand, providing Nigerian translations where necessary. Persons will be transparent and clearly disclose all fees chargeable or changed. All fees and charges payable must be fair, reasonable, and transparent. Persons will have proper complaint management processes for resolving customer complaints. Complaints will be promptly attended to and records will be kept for the requisite statutory time frame in regards to the nature of the complaint and how the complaint was addressed or resolved. All customer

complaints or issues must be dealt with in a fair and timely manner which is consistent with the provisions of the Federal Competition and Consumer Protection Act.

Code 3: Protection of Customer Data

6.3. Persons providing virtual asset services must protect the personal data of customers by way of adequate storage, data protection, maintenance, proper record keeping, and other appropriate measures consistent with the provisions of the Nigeria Data Protection Regulation and other applicable regulations. Persons will have appropriate processes and internal controls for handling operational risks caused by human error, system failure, or unforeseen external events.

Code 4: Protection and Segregation of Customer Assets

6.4. Persons providing virtual asset services should take all necessary steps to protect assets of customers and ensure that customer assets are clearly identified and segregated from proprietary assets. Persons will ensure that customers can readily access information about their assets and data, including where their assets are held.

Code 5: Maintenance of Security Systems

6.5. Persons providing virtual asset services should ensure that appropriate systems and security access protocols are maintained to effectively guard against cyber threats; and all employees, including senior officers and board of directors, must be fully aware of relevant cyber security threats. As a Service Provider, persons must ensure that they adopt cybersecurity practices required of a Service Provider under the Cybercrimes (Prohibition and Prevention) Act and other relevant laws in Nigeria. In the event of any system error, failure, or malfunction, persons must (i) take all necessary and immediate appropriate actions to mitigate any potential losses; and (ii) immediately notify the relevant authority or authorities of the system error, failure, or malfunction.

Code 6: Care, Diligence, and Skill

6.6. Persons engaged in virtual asset services must conduct their business with care, diligence, and skill; employ forward-looking risk management practices, and always consider risks to its customers, the integrity of SiBAN, and the reputation of the Nigeria virtual assets sector in addition to risks to its own business.

Code 7: Prevention, Detection, and Disclosure of Financial Crimes

6.7. Persons engaged in virtual asset services should have appropriate systems, policies, processes, and procedures to ensure compliance with the applicable anti-money laundering and combating the financing of terrorism (AML-CFT) regulations in Nigeria. Therefore, Persons engaged in virtual asset services acknowledge that they will adopt adequate know your customer (KYC) and know your transaction (KYT) policies. Persons understand that this is meant to mitigate against money laundering, terrorism financing, and counter proliferation financing requirements and comply with applicable AML-CFT and proliferation financing laws and regulations.

Code 8: Conflict of Interest and Unfair Dealings

6.8. Persons engaged in virtual asset services should identify and effectively manage conflicts of interest and, where applicable, put in place price-discovery mechanisms in order to prevent price manipulation and other unfair trading practices, including collusion and front-running.

Code 9: Adequate Resources

6.9. Persons engaged in virtual asset services should ensure that they have adequate financial and non-financial resources available, including adequate capital and insurance (including against theft or loss), considering the complexity, scope, and size of their businesses.

Code 10: Full Disclosure

6.10. Persons engaged in virtual asset services must provide full and proper disclosure of its operations, including disclosure of (a) the capacity they are acting in (in relation to a relevant transaction), (b) risks associated with the virtual asset service or transaction, (c) the quantity, value, or arrangements for the payment or provision of commissions or other incentives and, (d) where applicable, provisions for custodial or other third-party arrangements. Where investment is involved, persons who offer platforms or products for investments should ensure that they obtain and retain self-declared risk acknowledgement forms from their users. Persons must disclose and display prominently on their platforms any relevant information relating to their virtual asset platform such as (i) all necessary risk warning statements, including all risk factors that users may require in making a decision to participate on the platform; (ii) information on rights of investors relating to investing or trading on the platform; (iii) criteria for access to the platform; (iv) education materials (v) fees, charges and other expenses that it may charge, impose on its users; and (vi) information about complaints handling or dispute

resolution and its procedures; (vii) information on processes and contingency arrangement in the event the platform is unable to carry out its operations or cessation of business.

Code 11: Corporate Governance and Resilience

6.11. Persons engaged in virtual asset services must have effective corporate governance arrangements and must take careful consideration regarding organizational structure, strategy, procedures, and corporate culture. They must also be fully prepared for all possible contingencies to ensure minimal loss and disruption to customers, even in the event of the company winding down. Persons must ensure that they do not engage in any business practices appearing to relevant authorities to be deceitful, oppressive, or improper which otherwise discredits such persons' method of conducting business.

Code 12: Compliance with Regulation

6.12. Persons engaged in virtual asset services should have appropriate systems, policies, processes, and procedures to ensure compliance with applicable regulations. These regulations may include data security and data privacy compliance, investments and securities compliance, AMF-CFT compliance, companies and allied matters compliance, employment law compliance, banking and other financial services compliance, and tax compliance.

Code 13: Promotions and Misrepresentations

6.13 Persons will neither misrepresent facts nor engage in fraudulent practices in the promotions and marketing of their products and services.

6.14 Persons will publish risk disclosure statements on their virtual-assets trading platforms and refrain from engaging in high-pressure sales tactics.

Code 14: Business Continuity & Disaster Recovery

6.15 Persons will establish and maintain written business continuity and disaster recovery (“BCDR”) plans that are appropriate to the complexity, nature, and scale of their businesses.

6.16 Persons should design their BCDR plans in a manner that will enable them to continue operations, to restore operations, or to shift its operations to another platform with minimal disruption to clients, other persons, and the overall marketplace. Notify the relevant authority

or authorities of the occurrence of any event which would trigger the activation or execution of the business continuity & disaster recovery plan.

Code 15: Trading

6.17 Persons should apply any mark-up to customers' transactions in a fair, reasonable, and transparent manner.

6.18 Persons who provide execution or aggregation services to customers should provide adequate disclosure regarding how those execution or aggregation services operate and the processes utilized.

6.19 The manner in which orders are handled and executed will be clearly disclosed by Adherents.

6.20 Persons should avoid making inaccurate or misleading statements regarding trading volumes or available liquidity.

Code 16: Consumer and Investor Education

6.21 Persons who offer virtual asset services should carry out continuous awareness and education programs on the products and services offered and the underlying technology in order to ensure that users and potential users understand them.

7. Administration

7.1 The SiBAN Executive Secretary, Vice Chair (Policy & Regulations), and the Vice Chair (Membership) are responsible for administering the Codes of Conduct on both existing and new members. Persons who register as SiBAN members and agree to be bound by the rules and regulations of SiBAN, including the Code of Conduct, are bound by the Code of Conduct as this is a demonstration of their commitments to, and adoption of, the practices established in this Code of Conduct.

7.2 Upon adoption and signing of the Code of Conduct, persons will be required to submit the documents below for review and confirmation by the SiBAN Executive Council:

- (i) AML-CFT policy
- (ii) Privacy policy
- (iii) Risk disclosure statement
- (iv) Terms of Use or Terms of service
- (v) Business Continuity & Disaster Recovery Plan

7.3 Upon adoption of the Code of Conduct, persons may be required to provide the documents stated in clause 7.2 above upon request by or on a need basis as considered necessary by the Executive Council.

7.4 Upon signing this Code of Conduct, Persons will have a period of six (6) months from the date of initial signing to implement each of the principles of the Code.

8. Enforcement

8.1 Upon the voluntary adoption of this Code of Conduct by the registered members of SiBAN, it becomes binding and enforceable. In the event of any persons contravening the Code of Conduct, an *ad hoc* Code of Conduct Committee (CCC), a committee constituted by the Executive Council with a simple majority support of registered SiBAN members approved by the SiBAN President on a case-by-case basis will be responsible for determining and enforcing disciplinary measures.

8.2 SiBAN reserves the right, exercisable by the Executive Council with the approval of the President, to expel any Person for serious or repeated misconduct in violation of the Code of Conduct. SiBAN also reserves the right, exercisable by the Executive Council with the approval of the President, to expel any Person who refuses to undertake remedies requested by the Executive Council in response to violations of the Code. The CCC, who will make recommendations to the Executive Council, should be guided by the principles of fair hearing.

9. Declaration of Compliance

9.1 As a SiBAN member or adopter of the Code of Conduct, we will endeavor to comply with the Code. We will cooperate with SiBAN to ensure that the Code is effectively implemented and enforced. In the event of any amendment or update of the Code we will cooperate with and support SiBAN. Having adopted the Code, we will not contravene the provisions of the Code. If summoned by the Code of Conduct Committee (CCC) upon allegation of contravention of a provision or provisions of this Code, we agree to submit ourselves to the CCC and comply with the final decision of the Executive Council.



STAKEHOLDERS IN BLOCKCHAIN
TECHNOLOGY ASSOCIATION OF NIGERIA

www.siban.org.ng