

# FINTECH COMPLIANCE IN NIGERIA: LEGAL REQUIREMENTS AND BEST PRACTICES

## Introduction

Fintech companies in Nigeria are revolutionizing payments, lending, and digital banking. But innovation comes with regulatory responsibility. Non-compliance with financial, anti-money laundering, or data protection laws can result in fines, license revocation, or reputational damage. Understanding fintech compliance is, therefore, critical for operators and investors. This article outlines the legal framework, compliance obligations, and practical guidance for fintech businesses in Nigeria.

## Regulatory Framework for Fintech in Nigeria

Fintech companies operate under multiple laws and regulatory agencies:

### 1. Central Bank of Nigeria (CBN) Regulations

- o Payments System Vision 2020
- o Guidelines for Licensing and Regulation of Payment Service Banks (PSBs)
- o Requirements for licensing, capitalisation, reporting, and operational risk management.

### 2. Securities and Exchange Commission (SEC) Rules

- o Regulates fintechs offering investment products or digital securities.
- o Enforces compliance with the Investment and Securities Act 2007.

### 3. Money Laundering (Prohibition) Act 2022 (MLPA)

- o Obligates fintechs to implement AML/CFT controls, conduct KYC, and report suspicious transactions to EFCC.

### 4. Data Protection Regulations

- o Nigeria Data Protection Regulation (NDPR) 2019 mandates proper handling of customer data.



## Key Compliance Requirements

### 1. Licensing and Registration

Fintechs must obtain the appropriate license before operating:

- Payment Service Providers (PSPs) – CBN
- Digital Lending Platforms – CBN & SEC (depending on product)
- Crypto and digital assets – SEC & other emerging regulatory frameworks

Operating without a license is a criminal offence under CBN and SEC regulations.

### 2. Customer Due Diligence (KYC/CDD)

Fintechs are required to:

- Verify customer identity using official IDs
- Assess risk profiles for anti-money laundering purposes
- Monitor and report unusual transactions

Failure to comply attracts sanctions under the MLPA.

### 3. Capital and Operational Requirements

CBN licensing guidelines often stipulate:

- Minimum paid-up capital (e.g., ₦2 billion for Payment Service Banks)
- Adequate IT infrastructure
- Disaster recovery and cybersecurity measures
- Internal audit and risk management frameworks

### 4. Anti-Money Laundering and Reporting

- Suspicious transactions must be reported to EFCC or the CBN's Financial Intelligence Unit (FIU).
- Customer transactions above thresholds must be documented.
- Internal AML compliance units must be established.



## 5. Data Protection and Cybersecurity

- NDPR requires explicit consent for data collection.
- Fintechs must implement secure storage, encryption, and breach response policies.
- Regulators increasingly audit cybersecurity readiness.

## Enforcement and Penalties

Agencies have broad enforcement powers:

- CBN: Can suspend operations, revoke licenses, and impose fines.
- SEC: Can sanction investment-related fintechs for non-compliance.
- EFCC: Can investigate and prosecute AML breaches.

Case Study:

In 2021, the CBN sanctioned multiple digital lending platforms for inadequate KYC, mismanagement of funds, and breach of customer privacy rules.

## Best Practices for Fintech Compliance

1. Early Legal Consultation – Engage regulatory experts before launch.
2. Regular Audits and Reporting – Ensure all operational and financial activities are monitored.
3. Staff Training – Employees must understand AML, KYC, and data privacy obligations.
4. Technology Investment – Implement automated monitoring, fraud detection, and secure platforms.
5. Document Policies and Procedures – Maintain a compliance manual to demonstrate adherence during audits.

## Conclusion

Fintech compliance in Nigeria is multi-layered, spanning financial regulation, AML, and data protection.

By proactively adhering to regulatory standards, fintechs can:

- Avoid legal penalties,
- Build consumer trust, and
- Promote sustainable growth in Nigeria's digital economy.

Compliance is not merely a legal obligation; it is a strategic business advantage.