REGULATING CRYPTOCURRENCIES IN NIGERIA: HOW SECURED ARE THE SECURITIES UNDER THE ISA 2025?

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Abstract

Cryptocurrencies have introduced cutting-edge dynamics into the economy of nations. It becomes an existential threat to fiat currencies, raising concerns for state regulatory interventions. However, instead of confronting the crypto phenomenon headlong with apposite legislations, the Nigerian state adopts a conservative stance. This article examines the evolution of cryptocurrencies as securities and the challenges of their regulation in Nigeria. Adopting the doctrinal methodology of legal research, the article leverages primary and secondary sources of law on the subject matter to address the complex trajectory of digital currencies and its implications for Nigeria. The paper finds that the enactment of the ISA in March 2025 has, within the context and limit of the discourse, secured the securities and stabilized the capital market with high potential for greater control of the transactions by the state. The conclusion recommends some areas for amendment specifically suggesting the creation of arbitration mechanism through the ISA instrument in order to relieve the Investment and Securities Tribunal of potential overload that is characteristic of the traditional Nigerian court as well as engender speedy settlement of issues without cryptocurrencies losing the appeal of its peer-to-peer features.

Keywords: Cryptocurrency; e-Commerce; Fiat Currency; Regulation; Securities

1. INTRODUCTION

In 2008, global recession was triggered by financial crisis which resulted in a freeze on credit markets and near collapse of stock markets. The crisis occasioned a crash in real estate market as well as extensive unemployment. Amidst the economic crisis Satoshi Nakamoto submitted a whitepaper or theory captioned “Bitcoin: A Peer-to-Peer Electronic Cash System.”[2] The Bitcoin theory suggested the evolution of digital currency which would not be subject of control by a structured banking system or central authority. Oladipupo et al conceive that Satoshi Nakamoto was a pseudonym whose real personality has remained

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2 H. K. Chey, “Cryptocurrencies and the IPE of Money: An Agenda for Research” (2023) 30 (4) *Review of International Political Economy*, 1605-20. https://doi.org/10.1080/09692290.2022.2109188; C. Olk and L. Miebs, “A Credit theory of anti-credit money: how the cryptocurrency sphere turned into a shadow banking system” (2025) 32 (5) *Review of International Political Economy 1414-1416. https://doi.org/10.1080/09692290.2025.2476738*

shrouded in secrecy.[3] However, in 2009, Satoshi Nakamoto was recorded to have mined the first Bitcoin blockchain which he described as Genesis Block. Certain fundamental issues which Nakamoto set to tackle or improve upon through the Bitcoin phenomenon included: i. The creation of a scarce virtual asset with capacity to maintain value like gold and other precious metals;

1. ii. The bypass of third parties such as payment processors or banks with propensity for high transaction charges and ability to seize or freeze customers' accounts;
2. iii. Allowing for online micropayments at the lowest cost; and
3. iv. Enabling electronic payments across geographical borders from any part of the globe in a manner that defies domestic monetary policies.

Chou describes the disruptive tendencies of cryptocurrencies against the fiat financial system as the fourth industrial revolution.[4]From the year 2009 when the foremost Bitcoin was mined, the asset has grown from an experimental digital asset to a cryptocurrency ecosystem worth billions of dollars (USD). Bitcoin has encouraged the evolution of a myriad of other cryptocurrencies, like Ripple, Peercoin, Litecoin, and Namecoin.[5] It has also become a blueprint for numerous other cryptocurrencies which have become established as electronic store of value in the evolving landscape of digital economy.

The year 2024 was a significant year in respect of cryptocurrency transactions in Nigeria. Garba et al suggest that the volume of transactions in Nigeria enabled by cryptocurrency approximated to $400 million as the country's global ranking in Bitcoin usage surges. [6] Chainalysis' data demonstrates that between July 2023 and June 2024, the volume of crypto transactions recorded in Nigeria amounted to $59 billion.[7] This is a tremendous increase when compared with the slight increase in volume of transactions from July 2022 to June 2023. By figure 1 below, Chainalysis, demonstrates a graphic 25% growth

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3 A. O. Oladipupo, D. M. Oyedokun, and E. Nesiama, "Cryptocurrency Ban in Nigeria: Implications for Domestic and International Trade" (2023) 7 (1)*International Journal of Research and Innovation in Social Sciences (IJRISS)* 539, 551. RePEc:bcp:journl:v:7:y:2023:i:1:p:539-551; F. Piazza, "Bitcoin in the Dark Web: A Shadow over Banking Secrecy and Call for Global Response" (2017) 26 (3) *Southern California Interdisciplinary Law Journal* 545.

4 See, S. Y. Chou, "The Fourth Industrial Revolution" (2018) 72 (1) *Journal of International Affairs* 107,120.

5 A. Balarabe, M. F. Abdullah, and A. Rahman, "Cryptocurrency in Nigeria: A Review from Contemporary Islamic Scholars' Perspective" (2024) 32 (3) *Jurnal Syariah* 466, 83. https://doi.org/10.22452/syariah.vol31no3.5m

6 K. H. Garba, S. Lazarus, and M. Button, "An Assessment of Convicted Cryptocurrency Fraudsters" (2026) 38 (1) *Current Issues in Criminal Justice* 164, 180. https://doi.org/10,1080/10345329.2024.2403294. See also, S. Corbet et al, "Cryptocurrencies as a Financial Asset: A Systemic Analysis" (2019) 62 *International Review of Financial Analysis* 182, 190. https://doi.org/10.1016/j.irfa.2018.09.003

7 J. De Luna Martinez, and D. Kale, "Regulating the Cyrpto Market in Nigeria" in International Monetary Fund (ed), *Selected Issues Paper SIP/2025/096* (Washington D.C. 2025), 2. See also, IMF Country Report No 25/158 (2025).

in transaction volume from July 2022 to June 2023 in its computation of annual adoption growth of cryptocurrency in Nigeria. [8]

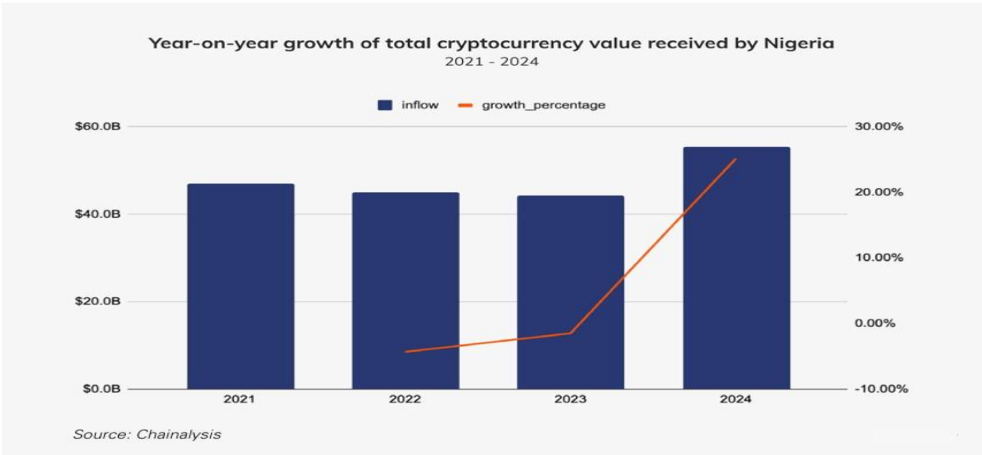

Figure 1: Year-on Year Growth of Total Cryptocurrency

The evolution of cryptocurrencies has challenged the post Bretton Woods mechanism of financial command and control on global transactions. The Bretton Woods system was entrenched by consensus in July 1944 resulting in the establishment of international currency exchange regime or fiat monetary mechanism.[9] Digital currencies in their nature defy municipal monetary policies determined by deposits of gold reserves and controlled by the state's official bank.[10] Thus, with the growth of the cryptocurrency ecosystem comes with the need for bureaucratic regulation for the protection of consumers, investors and the general economy, particularly in Nigeria.[11] This has become imperative as cases of crypto-related fraud

8 Chainalysis, *The 2024 Geography of Crypto Report* (The Geography of Crypto Report 2024).

9 The Bretton Wood system was established by agreement in July 1944 with an aim to create international currency exchange regime. More importantly, this agreement established the International Monetary Fund and the World bank which still stand till date, decades after the Bretton Woods system collapsed. This is the system that introduced the modern-day financial frameworks. See, I. O. C. Igwe, "History of the International Economy: The Bretton Woods System and its Impact on the Economic Development of Developing Countries" (2018) 4 (2) *Athens Journal of Law* 105, 126. https://doi.org/10.30958/ajl.4.2.1; P. Subacchi and D. Vines, "Fifty Years on: What the Bretton Woods System Can Teach Us about Global Macroeconomic Policy-Making" (2023) 39 (2) *Oxford Review of Economic Policy* 164, 182. https://doi.org/10.1093/oxrep/grad016

10 U. G. Ehirim, "Cryptocurrency and Nigeria's Monetary Sovereignty: The Legal Conundrum?" (2025) 1 (1) *2023/2024 End of Session Lecture Series of the Faculty of Law, Delta State University (Oleh Campus)*137, 159.

11 J. M. Boada, and R. J. R. Muslera, "Legal Protection of Blockchain: An Analysis of Its Functionality and Legal Nature According to the Spanish Legal System" (2024) 13 (e73869) *Chilean Journal of Law and Technology* 1, 19. https://doi.org./10.5354/0719-2584.2024.73869

make daily news across the globe. In Nigeria, criminal enrichments through crypto reached approximately $10 Billion in 2024.[12] The foregoing estimate appears economic as the electronic currency has been identified as a good vehicle for the actuation of money laundering across the globe. [13] Consequently, the data may increase as digital financial crimes upgrade over time.[14]

In Uganda, illicit financial activities have festered under the pretext of crypto transactions. For example, Capital Chicken, an alleged crypto platform defrauded the Ugandan public of over 8 billion Ugandan Shillings between 2020 and 2023.[15] The truth is that several countries have taken steps to formulate regulations and policies to curb criminal online activities while enhancing innovation in digital assets and blockchain technology. Each country's response lends credit to its peculiar experiences. It could, therefore, safely be argued that Nigerian government's approach to the crypto ecosystem draws from hindsight which associates Ponzi Schemes with Bitcoin, particularly with the events of Mavrodi Mudial Moneybox (MMM) which defrauded a large section of the Nigerian populace.[16] Munullang *et al* posit that the Binance experience in Nigeria should re-calibrate and double governments' efforts at regulation of the crypto ecosystem.[17] However, the extant regulatory and legal architecture in Nigeria is punctuated with overlapping functions among regulatory bodies, particularly the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC), leaving inefficiency and distrust in its trail. Consequently, this paper prioritises the Investments and Securities Act 2025 (ISA), the Anti-Money Laundering (AML) Act and the CBN Circulars in its analysis. References to other jurisdictions such as the United States of America (US) and South Africa (SA) are for comparative analyses of the regulatory and legal framework for digital currencies in Nigeria

12 See, Chainalysis, Crypto Scam Revenue 2024: Pig Butchering Grows Nearly 40% YoY as Fraus Industry Leverages AI and Increases in Sophistication (*Report,* 13 February 2025). https:/www.chainalysis.com; O. Adaramola, "The Dark Arts of Crypto Laundering and the Nigerian Financial Ecosystem: Examining Regulatory Perspectives of Virtual Assets and Virtual Asset Providers in Mitigating Money Laundering Risks in Nigeria" (2025) 7 *Journal of Economic Criminology* 100117. https://doi.org/10,1016/j.jeconc.2024.100117

13 F. E. A. Longa, "Cryptocurrency and Money Laundering" (2025) 15 (2) *American Journal of Industrial and Business Management 15*. https://doi.org/10.4236/ajibm.2025.152017 m

14 O. Volobuieva, Y. Leheza, V. Pervii *et al,* "Criminal and Administrative Legal Characteristics of Offenses in the Field of Countering Drug Trafficking: Insights from Ukraine" (2023) 12 (3) *Yustisia* 262, 277. https://doi.org/10.20961/yustisia.v12i3.7944 3.

15 A. Bagala, "CID Probes Theft of Shs 1.7b from Capital Chicken Clients" *Monitor* (05 October 2023) <https://www.minitor.co.ug/category/news/capital-chicken-clients> accessed 18 February 2026 at 8.30 pm

16 E. E. Esoimeme, "The Money Laundering Risks and Vulnerabilities Associated with MMM Nigeria" (2018) 21 (1) *Journal of Money Laundering Control* 112, 119. https://doi.org/10.1108/JMLC-01-2017-0002

17 H. Manullang, Z. J. Fernando and A. I. Nur, "Blockchain and Corporate Criminal Liability: Law Reform and the Technological Revolution in Corporate Accountability" *(2025) 6 (3) Journal of Law & Legal Reform* 1411,1426. https://doi.org/10.15294/jllr.v6i3.22472

2. CHALLENGES IN THE REGULATION OF CRYPTO ASSETS

i. In devising a framework for purposes of administration of the crypto ecosystem, a number of factors pose great challenges to regulators generally. These challenges are inherent in the nature and diverse manifestations and uses of cryptocurrencies, impacting its definition as well as occasioning regulatory overlap in the functions of statutory agencies. The functions of cryptocurrencies at any relevant time define their status as well the legitimate agencies to exercise oversight function. The foremost task with the concept of cryptocurrency lies with its definition. Cryptocurrencies can be described as intangible electronic assets designed by utilising distributed ledger technology (DLT) or its variants, transmitted and distributed by means of digital networks.[18] They are acquired from brokers, devoid of third parties, via peer-to-peer transactions or by the process of mining which uses computational capabilities to design coins. It follows that the elimination of third parties which may include structured financial institutions enables zero interference with the peer-to-peer transactions, including payments for goods and services.[19] The International Financial Reporting Standards Interpretations Committee (IFRSIC) attempted to distinguish digital currencies from fiat currencies by proffering a working definition of crypto assets, leveraging three critical features, namely:[20]a digital currency recorded on public ledger, utilising cryptography for security purposes;

ii. it does not give rise to a contractual relationship between the holder and another party;

iii. it is not issued by a jurisdictional authority or any other party.

In the light of the foregoing, crypto assets are considered as property or commodity in some quarters while some individuals regard them as investments, capable of being traded on the floor of capital markets. Though intangible in nature, crypto assets have inherent value and securities which is transferable and capable of bequeathing civil rights.[21] Consequently, El Salvador adopted cryptocurrencies as legal tender on 9th June 2021, inspiring Botswana, and the Central African Republic which adopted digital currencies as national currencies in 2022.[22] The adoption of cryptocurrencies by the named sovereign states elevates such digital

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18 European Union's Directive, Markets in Crypto Assets and Amending Directive (EU) 2019/1937

19 Swiss Financial Market Authority, Guidelines for Enquiries Regarding the Regulatory Framework for Initial Coin Offerings (ICOs)

20 The IFRSIC's composition includes representatives of the global-best technical experts with diverse businesses of international spread as well as market experience in the real time application of International Financing Reporting Standards

21 See, J. Joseph and R. Paul, *Blockchain: A Practical Guide to Developing Business Law and Technology Solutions* (Mc Grow-Hill Education 2018), 18

22 S. Goldbach and V. Nitsch, "Cryptocurrencies and Capital Flows: Evidence from El Salvador's Adoption of Bitcoin" (2024) *Applied Economics Letters* 1-6. https://doi.org/10.1080/13504851.2024.2394201

asset to a foreign currency capable of being traded on any capital market platform around the globe.

Another primary challenge in the regulation of digital assets is the issue of taxonomy. This implicates the difficulty in classifying cryptocurrencies in the light of their inherent anonymity in regards to transactions, as evidenced in the complexities of the phenomenon in fashioning effective protection for consumers and tax regimes as well as the generation of jurisdictional issues in litigation since the metaverse within which the crypto ecosystem thrives cuts across political and economic, legal jurisdictions. Consequently, cryptocurrencies combine major characteristics of, and indeed may function as means of exchange for goods, securities, capital assets, and settlement of account. Xie conceives that each of the variants of cryptocurrency is unique in its own way, but would generally be categorised under four groups according to taxonomy.[23]

i. Store of Value (SoV) Cryptocurrencies

This category of cryptocurrencies sustains their economic value in terms of purchasing power overtime. Their primary features are: capacity to increase or preserve purchasing power in the future, cheap to liquidate and store (quality of easy purchase and sell) which gives it advantage over fiat (local) currency, government bonds, gold and stocks. Bitcoin cash, and Litecoin whose values are determined by demand and supply market index fall into this category.

ii. Digital Monies

Digital tokens are designed for daily transactions. They do not sustain advantages over cash overtime because their value attaches fiat currencies which can appreciate or depreciate according to government policies within domestic economy, thereby making them most unstable as long-term investment. Ukwueze conceives that these set of cryptocurrencies which may include, Dash, Facebook Libra, ZCash and Monero are more cost–efficient in terms of bulk purchases of commodities because they save the buyer large sums in transactions charges with characteristic flat fees. They also guarantee the highest level of privacy as they show great difficulty in tracking and recording, thereby lending their uses to

23 A. Xie, "4 Types of Cryptocurrencies - A Framework to Think about Crypto-Assets" *Data Driven Investor* (14 September, 2019). <https://medium.com/datadriveninvest or/4-types-of-cryptocurrencies-a framework-to-think-about- cryptoassets-5012670fa1d7> accessed 16 February 2026 at 8.10 am

illicit transactions.[24]

iii. Utility Tokens

This set of cryptocurrencies are designed to pay for services and commodities on customised network. Veechain, Augur and Ethereum, which extract specific operational fees from consumers as cost of smart contract and interactions on their platforms, fall under this classification. These tokens are uncapped, showing capacity for elastic supply which increases their volatility and negativing their potentials as investment attraction.

iv. Security Tokens

Security Tokens are digital configuration of actual, tangible assets on the blockchain technology which are made subject of regulation as securities. Examples of this kind may include Blockchain Capital (Bcap), Science Blockchain, C20 as well as the evolving Sidera[25] and Pi.[26] They are treasury bonds, real estates, equity, debt, foreign currencies and so on, in digital representation and so offer the advantages of enhanced liquidity because they are naturally exchangeable by trading. They also offer different units of account with their capacity to be broken up into smaller and affordable fractions. Thus, the taxonomy of crypto at any material time has regulatory and legal implications, particularly for taxation purposes. However, this paper is limited to cryptocurrencies as securities.

Securities could be classified into three major categories. These are:

i. Debt securities, generally created for a term certain and may include government treasury bonds and bills which represent loan facilities with predetermined repayment arrangements.

ii. Equity securities, representing shareholders' ownership interests in a growing concern. This is usually transacted through the stock exchange market where shareholders may trade their equities for value.

iii. Hybrid securities having the capacity to combine the fundamentals of both debt and equity securities in one instrument.

In the determination of whether crypto assets qualify as securities, the US legal system

24 F. O. Ukwueze, "The Legal Status and Regulatory Challenges of Cryptocurrencies in Nigeria" (2021) 1 (2) *International Journal of Business Strategy* 62, 72

25 A. Gamage, "SIDERA: The Platform Where Blockchain Technology Meets with the Innovation of IOT Wearable Devices", *Medium* (2028) <https://bitcointalk.org/index.php?action=profile;u=1444017> accessed 16 February 2026 at 9.00am

26 See M. E. Hajj and I. Farran, "The Cryptocurrencies in Emerging Markets: Enhancing Financial Inclusion and Economic Empowerment" (2024) 17 (10) *Journal of Risk Financial Management* 467. https://doi.org/10.3390/jrfm17100467

has relied on the binding precedent of the Supreme Court of the United States of America. In *Securities and Exchange Commission v W. J. Howey Co*,[27] the court decided that, 'an investment of money in a common enterprise with profits to come solely from the efforts of others constitutes a type of security called an investment contract'. The court laid down four principles which must co-exist for an investment to qualify to be regulated as security:

a) There is an investment of money;

b) The investment is made into a common enterprise;

c) The investors expect to make profit from their investment; and

d) Any expected profits or returns are due to the actions of a third party or promoter.

From the foregoing broad test, it is evident that an extensive assessment of parties' expectations and understanding is incidental to proper analysis and evaluation of any transaction (capable of creating legal obligations) depending on the enabling instrument, reason or aim of transacting and general context.[28] By the decision in *Howey*, a spectrum of tangible and intangible utilities can be subjected to investment contract.[29] Speculative trading between a seller and a buyer would hardly indicate an existence of investment agreement. The case may, however be different in the case of crypto trading. Where a crypto transaction is underpinned by the expectation of returns on investment (ROI) and profits from VASPs, the critical ingredients of investment contract are present. Conversely, where cryptocurrency is merely used for purchase of goods and services instead of fiat currency, such cryptocurrency in the context is categorised as commodities (private property), rather than securities.

The Howey test has continued to be a point of reference on the regulation of cryptocurrencies as securities, particularly in the US. The application of the Howey principles to digital assets has been troublesome. This is because most digital currencies, particularly stable coins are incapable of meeting the third threshold of the Howey's test by which an investor expects profit. The truth is that the value of these coins is tied to a determinate, inflexible external asset which has the strength of stability over speculative profit. [30] For example, DAI, a stable-coin powered by algorithm owes its value stabilisation to smart contracts rather than promising efforts of some managers with profit prospects. To

27 *Securities and Exchange Commission v W. J. Howey Co*. 328 U. S. 293 (1946)
28 See *Marine Bank v Weaver* 455 U. S. 551 (1982)
29 *Securities and Exchange Commission v Trendon T. Shavers and Bitcoin Savings and Trust*, Civil Action No. 4:13-CV-416
30 S. Oranburg, "The Clarity Act: Explaining and Analyzing How Congress Will Transform Digital Asset Markets" (2026) 45 *Review of Banking and Financial Law*. http://dx.doi.org/10.2139/ssrn.5288934

this end, it would be absurd to classify stablecoins as securities in the same vein with bonds and stocks, without qualifications.[31] In *SEC v Ripple,*[32] the developer of the XRP coin had offered and sold the digital currency to members of the public without SEC's authorisation. In a summary judgement, the court ruled that the rule in Howey did not apply since the sales of the coin was by way of exchange which constituted a secondary sale. Conversely, in an earlier case of *SEC v Kik Interactive Inc.,*[33] a Canada-based start-up sold the KIN tokens some investors based in the US without compliance with the federal securities law which prescribes registration of such digital assets with the regulator. By committing to simple agreement for future tokens the defendant raised massive funds from approximately ten thousand wealthy investors. The court applied the Howey's test to hold him hold the developer accountable to the regulator. It follows that where such transactions involve sales to institutional investors, the Howey test would fail. However, where the transaction constitutes a simple agreement for future tokens (SAFT), particularly where cryptocurrencies developers offer such investment opportunities to accredited investors, such SAFTs must be registered with the regulator as security.

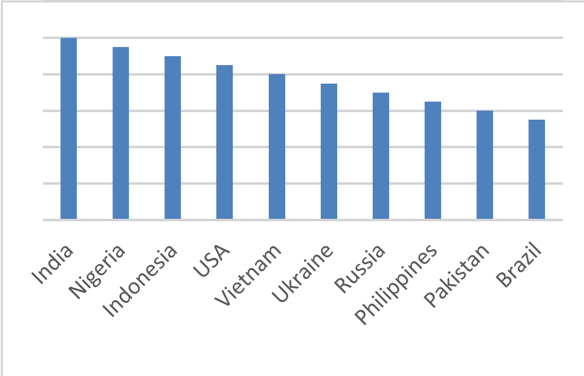
3. LEGAL AND REGULATORY FRAMEWORK ON CRYPTOCURRENCY IN NIGERIA

a. Investments and Securities Act 2025 (ISA)

Going by the global crypto adoption index, Nigeria is one of the world's largest users of cryptocurrencies, second only to India. See figure 2:

31 See, Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-Assets (MiCA), arts. 3, 16-22.
32 *Securities and Exchange Commission v Ripple Labs, Inc., et al:* U.S. District Court, Southern District of New York [2020]
33 *Securities and Exchange Commission v Kik Interactive, Inc., WL 5819770 (S.D.N.Y. Sept. 30 2020).*

Figure 2. Chainalysis' Global Crypto Adoption Index, 2024 (Top 10 countries)



Source: [The 2024 Geography of Crypto Report]

The development has created the urgency of interrogating the legal regime sustaining the adoption of the digital asset in Nigeria. Thus, electronic currencies are gaining traction across the globe, with some countries adopting them as legal tender,[34] a form of money[35] or monetary surrogate, but under some bureaucratic oversight.[36] Currently, Nigeria joins the retinue of countries which has legally recognised virtual and electronic currencies as tradeable securities at the capital market. This development comes on the heels of total rejection of cryptocurrencies by legal systems across Africa, in favour of fiat currencies. In *Silver Kayondo v Bank of Uganda*,[37] applicant filed a suit challenging the absolute ban on cryptocurrency transactions, particularly its exchange with Uganda Shillings (UGX). Applicant contended that cryptocurrencies are legitimate electronic asset which could be traded with fiat currency in furtherance of e-commerce which is not limited to Ugandan geographical boundaries and that there exists no law in Uganda expressly banning cryptocurrency transactions. The court held that cryptocurrencies are validly declared illegal by the defendant which has statutory

34 *David Hedqvist v. Sweden,* Case C-264/14 (CJEU). See also, K. Yarova, "Cryptocurrency: Determination of Legal Status in Ukraine" (2017) 10 (50) *A Young Scientist* 1117-1120.
35 See, the National Bank of Ukraine letter from 08.12.2014 р. № 29- 208/72889. <https://zakon.rada.gov.ua/laws/show/v2889500- 14#Text> accessed 25 September 2025. By the provisions of Part 2 of Article 32 of the Law of Ukraine —On the National Bank of Ukraine No. 679- XIV dated 20 May, 1999, which concerns the issue and use of monetary units, only the official currency known as the hryvnia could be used in Ukraine
36 L. Yoona, "Cryptocurrency at Crossroads: Navigating Securities Law, Anti-Money Laundering, and Federal Oversight in a Decentralized Economy" (2025) 3 *Columbia Undergraduate Law Review* 25; C. Brummer, *Cryptoassets: Legal, Regulatory, and Monetary Perspectives* (New York: Oxford University Press 2019), 6.
37 *Silver Kayondo v Bank of Uganda, Miscellaneous Cause No. 109, 2022 (Judgment of Ssekaana Musa, Judge of the High Court of Kampala, Civil Division delivered 24 April 2023)*

authority to regulate currencies in Uganda. Most recently, in *Standard Bank v South African Reserve Bank,* [38] the South African High Court sitting at Gauteng decided that cryptocurrencies cannot be construed as capital or currency as enacted in the South Africa's Exchange Control Regulations of 1961. The SARB forfeited monies which it paid into a South African Cryptocurrency Wallet account belonging to Leo Cash and Carry Ltd. The court found a regulatory gap in holding that cryptocurrency cannot be fitted into existing legal framework for financial regulation.

The trajectory of cryptocurrency in Nigeria as taxonomy for digital and virtual asset was characteristically one of mixed reactions, particularly in the capital market as a result of the CBN's ban prohibiting all financial institutions from enabling or processing transactions routed through the crypto ecosystem.[39] The regulation of digital assets, even as securities, has been largely by means of executive directives or guidelines which could be likened to 'soap bubbles' within the legal system in terms of their lacking in reliability. The abundance of regulations or directives have been unable to harmonise the stance of the CBN and the SEC with a view to stabilising the status of digital currencies in Nigeria.[40] Nevertheless, the emerging landscape is dynamic, affording new recognitions for digital and virtual assets like digital tokens and cryptocurrencies.[41]

The ISA[42] gives details to the definition of "securities" in Nigeria, extending it to digital assets, including tokens, cryptocurrencies, and blockchain-based instruments generally. According to Section 357 of the Act,

> "securities" means —
>
> (a) debentures, stocks or bonds issued by a government;
>
> (b) debentures, stocks, shares, bonds, notes issued by a body corporate, any right or option in respect of any such debentures, stocks, shares, bonds or notes;
>
> (c) virtual and digital assets;
>
> (d) investment contracts;
>
> (e) commodities, futures, contracts, options and other

38 *Standard Bank of South Africa v South Africa Reserve Bank and others* [2025] ZAGPPHC 481
39 Suit No. NICN/LA/437/2021: *Kingsley Nwaorgu v First Bank of Nigeria PLC* (Judgement delivered by Hon. Justice E. A. Oji of the National Industrial Court of Nigeria, Lagos Division on 10 July 2024), 10. .
40 Z. Akindele and V. Sameria, "Navigating the Regulatory Headwinds for Crypto Exchanges in Nigeria," *Templars Thought Lab* (7 March 2024). <https://www.templars.law.com> accessed 20 September 2025, at 10:00 am.
41 The ISA was signed into law by President Bola Ahmed Tinubu in March 2025. It is however headed and may be cited as Investment and Securities Act , No. 2, 2025
42 *Ibid*

> derivatives; or
>
> (f) any other instrument deemed as securities which may be transferred by means of any electronic mode or which may be deposited, kept or stored with any depository or custodian…

Thus, in Section 357(c) securities is defined to comprise digital and virtual assets, among others. This implicates that all Digital Asset Exchanges (DAEs), Virtual Asset Service Providers (VASPs), and Digital Asset Operators (DAOs) have become subject to the regulatory powers of the SEC.[43] The express enactment of investment contracts as a constituent of 'securities' in the statute imports the Howey principles which could apply to bring actors in ponzi schemes under regulatory control.[44] The implication is that once there is a clear intention of creating legal relations in a transaction whereby an investor expects a return on investment, that not being speculative in nature, such transactions come under the definition of securities. The innovative provision affords no escape routes to traders no matter the disguise, by protecting investors through compliance with the transparency and disclosure requirements. The statutory identification of cryptocurrencies in its variants donates equal status to the digital assets with customary securities in Nigeria at the capital market. The SEC is established by statute to regulate all transactions involving digital assets which includes the issuance, promotion and trading of the tokens associated with DLT offerings and products.[45]

The law prescribes the mandatory registration of crypto exchanges and virtual asset operators with the SEC. Accordingly, such operators must comply with prescribed capitalisation requirements, abide by the Anti-Money Laundering (AML) and all Know Your Client/Customer (KYC) measures as well as publish transactions suspected to be tainted with criminality to the regulators.[46] In line with section 123 of the Act, a legal entity identifier (LEI) generates and attaches any entity directly or otherwise involved in securities transactions for the purpose of bureaucratic monitoring and minimisation of systemic risks resulting from the transactions by parties and counterparties. The LEI may only be issued by an authorised entity.[47]

43 Section 357 of the ISA 2025 defines securities exchange as an organised facility which maintains and provides an infrastructure for bringing together buyers and sellers of securities, virtual assets, commodities, or financial products or instruments.
44 See *Howey*, (n. 28)
45 See, section 355 (1) (a) of the ISA 2025.
46 B. Gana, "Crypto: Safeguarding Digital Assets" *Punch* (8 August 2025), 15
47 Section 123 (2) of the ISA

Furthermore, the Act enhances legal protection of investors by prohibiting fraudulent investment designs, including Ponzi schemes. The Act gives powers to the SEC to intervene, and shut down all suspicious investment schemes. Accordingly, 196 (1) provides as follows:

> The Commission shall have the power to enter and seal up all prohibited schemes and shall obtain an order of the Tribunal or a court to freeze and forfeit all assets of such schemes to the Federal Government of Nigeria.

As well intended as the foregoing powers of the SEC may appear, it is prone to abuse. This is because the Act purports to make the practice of prioritising the obtaining of an order of court before any rights of the citizens may be infringed by way of 'entering upon and sealing up' of businesses, a second thought. It is suggested that for the purpose of advancing the rule of law and discouraging arbitrariness, the law should be amended to read, 'The Commission shall have the power to enter and seal up all prohibited schemes *provided always that it shall first obtain an order of court in that respect* and shall obtain an order of the Tribunal or a court to freeze and forfeit all assets of such schemes to the Federal Government of Nigeria.' [48]

Section 314 of the ISA establishes the Investments and Securities Tribunal (IST). The IST's jurisdiction and constitution enhances efficient handling of disputes arising from capital market, including transactions in cryptocurrency and its variants. Aggrieved investors may also seek redress or lodge complaints against the SEC and other operators of the capital market with the IST.[49] The establishment of the IST confirms the *lex specialis* status of the ISA in matters pertaining to securities.

In furtherance of the powers to enter and seal up Ponzi investment schemes, the SEC shall by an order of a court or the Tribunal freeze or cause all assets of such schemes to be forfeited to the Federal Government of Nigeria. Under section 196(3), the operators and promoters of such prohibited investment designs are triable for an offence and may be convicted and sentenced to 10 years imprisonment or minimum of ₦20,000,000.00 (twenty million naira) (or about $12,430) fine, if found guilty. The Act empowers the SEC to intercept internet data and telecom exchanges for proper investigation of illicit activities, including insider trading and other forms of market manipulation. Section 3 (4)(j) of the ISA

48 See a similar provision in Section 3 (4) (m) of the ISA, on powers of the SEC
49 Alliance Law Firm, "Major Highlights of the Investment and Security Act 2025: A new Dawn for Nigeria's Capital Market" (5 May 2025). <https://alliancelawfirm.ng/major-highlights-of-the-investments-and-securities-act-2025-a-new-dawn-for-nigerias-capital-market/> accessed 20 September 2025 at 2:00 pm.

clothes the SEC with the authority to,

> 'Obtain subscriber records held or maintained by internet service providers, telephone service providers and other electronic communication providers located within Nigeria which identify subscribers, payment details and other relevant details including content of communication in connection with the violation or suspected violation of this Act or other securities laws, code and regulations…'

It is yet to be seen how the foregoing power of the SEC would not infringe data privacy rights of the subjects in Nigeria.[50] The legal provision aligns with similar provision of the Nigerian law conferring extensive authority of regulators. For example, Section 3 of the Nigeria Data Protection Act 2023 (NDPA) provides as follows:

> Subject to the rights and freedoms under the Constitution and the limitations, the obligations under Part V, other than sections 24, 25, 32 and 40 of this Act, shall not apply to a data processor if the processing of personal data is…carried out by a competent authority for the purpose of the prevention, investigation, detection, prosecution, or adjudication of a criminal offence or the execution of a criminal penalty, in accordance with any applicable law…carried out by a competent authority, as is necessary for national security. [51]

It becomes more worrisome that the section did not make the exercise of the foregoing powers subject to obtaining valid orders of court. This is because issues pertaining to the communication details of transactions, including electronic personal data fall within the constitutional guarantees of Section 37 of the Constitution of the Federal Republic of Nigeria 1999 (CFRN) and cannot be undertaken without legal consequences. [52] In *Udoka Clarence v*

50 P. C. Aloamaka, "A Critical Analysis of the Nigeria Data Protection Act 2023: Elevating Standards to Global Norms," *UCC Law Journal* (2025) 4 (2), 242, 250. https://doi.org/10.47963/ucclj.4:2:1724
51 See Section 3 (2) (a) & (c) of the NDPA
52 T. N. Al-Billeh, "Legal Framework for Protecting the Right to Private Life in the Digital Space: The Extent to which Jordanian Constitution and Legislation Takes into Account International Requirements" (2024) 11 (1) *Revista de Investigacoes Constitucionais*1, 18. https://doi.org/10.5380/rinc.v11i1.90631

Kuda Microfinance Bank, [53] the court rejected the argument of the defendant bank which, without a valid order of court, froze the account of the plaintiff beyond 72 hours based on fraud alert from Flutterwave, rationalised under the CBN's Directive in 2021 proscribing transactions on cryptocurrency. The court agreed with the plaintiff in holding that such unilateral restrictions on plaintiff's account infringed plaintiff's property rights as enacted in Sections 43 and 44 of the CFRN. The implication of the law is that the SEC must exercise these powers within constitutional spectrum and the courts should be willing to declare any excesses as unconstitutional, null and void.

b. By these statutory authorisations, the SEC currently enjoys extensive powers to scrutinise and penalise criminality within the crypto market ecosystem with a view to shoring up investors' confidence and protection in the matrix of Nigeria's capital market. Consequently, persons who are defrauded under the pretext of crypto transactions may engage the formal channels to ventilate their grievances and recover. In establishing the IST as a channel of dispute resolution on matters involving securities in Nigeria, the Act falls short of global best practices in omitting to provide mechanism for arbitration or private conciliation.[54] This is imperative as the ISA is fashioned after the Nigerian structured court with its traditional justice delivery dynamics. This informs the desirability of swifter and privately propelled dispute resolution infrastructure that would meet the expectation of investors in terms of speedy dispensation of justice. It is posited that parties should be given the latitude to amicably resolve their grievances with the liberty to revert to the IST in the events of irreconcilable differences. The development would build confidence and reduce the burden on the IST as well as maintain some level of privacy that has endeared the blockchain ecosystem to investors. A robust and effective enforcement and implementation of the law would depend on enhanced inter-agency co-ordination.Central Bank of Nigeria Act, No. 7, 2007

The CBN is created by the Central Bank of Nigeria Act 2007 (CBN Act). The CBN is statutorily saddled with the sole responsibility to, issue currency which shall be legal tender in the country, and promote efficient financial system in Nigeria, among other functions.[55] The CBN is a critical player in the determination of the legal status of cryptocurrencies and the

53 Suit No. FHC/L/CS/1338/2023: *Udoka Clarence v Kuda Microfinance Bank (Judgement delivered by Hon. Justice F. N. Ogazi of the Federal High Court, Lagos Division on 21 May, 2025)*
54 D. Budhijanto, P. Amalia, and N. A. Shiddiq, "Blockchain Arbitration: Roadmap to Recognition and Enforcement of Arbitral Award" (2025) 11 (1) *Cogent Social Sciences* https://doi.org/10.1080/23311886.2025.2536726
55 Section 1 of the CBN Act 2007.

shaping of its regulatory landscape. The Bank has in recent times focused its approach on the control of how structured financial institutions should relate with crypto assets much more than the direct regulation of cryptocurrencies in their variants.[56]

Section 27 of the CBN Act enacts treasury and banking operations. By the provisions of section 27(e), the CBN may accept and keep in custody for its customers, items such as securities and other articles of value. The Act does not provide for virtual assets with particularity. In the exercise of its powers under the enabling statute, the CBN issued a plethora of circulars and guidelines in respect of cryptocurrencies and other digital assets. The CBN had previously issued directives in restriction or prohibition of structured financial entities from dealing in cryptocurrencies as well as facilitating exchanges of the digital currencies with fiat currency. For instance, the CBN issued some circulars mandating banks to shut or desist from allowing operations of accounts dealing with cryptocurrency activities, as well as prohibiting the banks from trading, holding, or conducting businesses in virtual currencies through accounts domiciled with them[57] These multiple directives created unfavourable climate for the crypto market to thrive thereby pushing crypto activities generally into peer-to-peer, beyond the antennae of official banking sector. Reiterating the prohibitive stance on cryptocurrencies in 2021, the CBN directed financial institutions and banks to bar accounts funded through cryptocurrency transactions, rationalising its decision on such risks as terrorism financing and money laundering. It emphasised that transactions in digital currencies violate the CBN Act which establishes the monopoly of the CBN on matters of issuance and recognition of legal tender in the country. The CBN's letter contradicted the SEC's statement made in 2020 allowing trading with cryptocurrencies as securities and construing digital assets as any other form of money within the intendment of section 2 (2) (f) of its enabling Act.[58] The courts have always stepped in in the midst of uncertainties. Thus, in *Central Bank of Nigeria v Rise Vest Technologies Ltd & 84 Ors,* [59] the Federal High Court, Abuja Division nullified CBN's circular purporting to declare trading of cryptocurrency as illegal. [60] The court decided that only a statute, not circulars, could authorise such status of

56 See, Guideline on the operations of Bank Accounts for Virtual Assets Service Providers, 2023.
57 The Central Bank of Nigeria (CBN) initially issued warnings and directives starting in 2017, cautioning banks and financial institutions about the risks associated with cryptocurrencies, including concerns about money laundering and terrorist financing. In February 2017, the CBN prohibited financial institutions from facilitating cryptocurrency transactions, effectively banning banks from converting cryptocurrencies to Naira or facilitating crypto payments.
58 *Ibid.*
59 *Suit. No. FHC/ABJ/CS/822/2021: Governor of Central Bank of Nigeria v Rise Vest Technologies Limited & 84 Ors..(Ruling delivered by Hon. Justice Taiwo O. Taiwo of the Federal High Court Abuja on 25 October 2021)*
60 CBN's circular with Reference Number: BSD/DIR/PUB/LAB/014/001 of 5th February 2021.

illegality on cryptocurrency.

There was therefore some form of relief in 2023 when the CBN issued yet another guideline to financial houses regarding the operations of accounts for Virtual Assets Service Providers (VASPs). The 2023 CBN Guideline defines virtual assets as ‘digital tokens that represent assets, such as debt or equity claims on the issuer.’ It also recognised a Digital Asset Exchange (DAE) as an electronic platform used for the facilitation of transaction on digital or virtual assets.

The Guideline establishes basic documentation prerequisite for account opening by VASPs as well as directives on measures for consumer protection and Customer Due Diligence. By the Guideline, all VASPs are mandated to abide by the Regulations on counter-terrorism financing (CTF), anti-money laundering (AML), and global best practices.[61] A community reading of the crypto administrative framework in Nigeria reveals a mix of conservative, cautious disposition on digital assets by the apex bank which exerts monopoly on currency matters and a proactive regime of regulation by the SEC. The new statute establishes formal recognition of crypto assets by the legal system. The current state of things signals a paradigm shift from prohibition toward legal recognition by way of structured oversight.

The issuance of the CBN’s VASP Guidelines initiates a propensity of high hopes of favourable regulatory crypto ecosystem, going forward. Leveraging the greenlight, the SEC mooted an amendment to the Digital Assets Rules. Prominent among the proposed amendment is the bringing of ‘crypto’ within the definition of the term 'virtual asset'. Consequently, 'virtual asset' is described as 'virtual (crypto) asset' for purpose of particularity in definition. The truth is that the proposed redesignation of ‘virtual asset’, lends support to the argument that SEC's prior statement which excluded cryptocurrency from its Digital Assets Rules was an oversight and that SEC's restraint in enforcing the Rules was basically connected with the hitherto uncompromising stance of the CBN on cryptocurrency.

Notwithstanding the identified legal advancements, the statutory and administrative landscape maintains a somewhat fragmented posture with overlapping functions between the SEC and CBN, sustaining the prevailing confusion in the capital market. As it stands, the CBN remains

61 Guideline on the operations of Bank Accounts for Virtual Assets Service Providers (n. 27); U. G. Ehirim, “Navigating the Investment and Securities Act 2025: A Comparative Legal Framework for Cryptocurrency Regulation in Nigeria”, (2026) 15 (87) *Amazonia Investiga,* 48–66. https://doi.org/10.34069/AI/2026.87.01.5.

conservative with respect to emerging risks associated with cryptocurrencies, whereas the SEC appears committed to promoting investor confidence through regulatory oversight in the crypto market space. For example, the ISA 2025 has recognised cryptocurrencies, yet the hostile attitude of the EFCC and CBN towards critical players and VASPs has remained challenging. To this end, coordination and harmonisation of regulatory functions as well as further legal clarifications are anticipated to enhance a coherent legal framework in line with global best practices.

The CBN has initiated a currency float which allows market forces to determine Naira value as parallel regulatory measure against cryptocurrencies' potential disruption of the economy. The initiative falls within the jurisdiction of the CBN which is mandated to administer the Nigerian economy with sound policies. Earlier, these reformatory steps remained and operated distinctively and discreetly, lending themselves to manipulations. Nigerians became alarmed in February 2024 when it was alleged that Binance, a critical cryptocurrency transaction platform in Nigeria, engaged in or facilitated currency manipulation which contributed to a consistent and sustained depreciation in Naira value.[62] The result was an investigative scrutiny resulting in the prosecution of directors and executives of Binance and suspension of Binance's services in Nigeria.[63] In response, Binance removed the Naira as a currency on its platform.

The Binance revelations engaged shift regulatory approaches by the SEC and CBN with a concerted effort to crush illicit trading of cryptocurrency in Nigeria, extending to the delisting of the Naira from peer-to-peer (P2P) transaction platforms to reduce the chances of its manipulation. Consequently, the CBN has directed the suspension of the onboarding of new customers by four major FinTech following suspected forex speculation transactions and money laundering associated with cryptocurrency.[64] Practically, any regulation or scrutiny of digital currencies begins with bureaucratic regulation of FinTech platforms which serve as

62 See, Suit No: FHC/ABJ/CS/1444/2024: *FGN v Binance Holdings Limited & 2 Ors*, See also, D. Musa, "FG Slaps Binance with Fresh $81.5bn Suit over Economic Losses, Tax" *Punch* (19 February 2025). <https://punching.com/nigeria-slaps-binance-with-another-81-5bn-lawsuit-over-economic-losses-tax/> accessed 24 September 2025 at 5pm

63 Suit No. FHC/ABJ/CS/259/2024: *FRN v Binance Holdings Limited*. The EFCC brought charges against the defendants under sections 6 (b), (h), (i); 7 (1) (a) & (2) and 38 of the Economic and Financial Crimes Establishment Act 2004, and section 15 of the Money Laundering (Prevention and Prohibition) Act 2022 (as amended)

64 Inclusion times, "CBN stops top FinTechs from onboarding new customers". <https://www.inclusiontimes.com/cbn- stops-top-fintechs/> accessed 20 September 2025, at 3:00 pm.

the vehicle for digital asset trading.[65] A follow up on legal scrutiny of the FinTech in April 2024 resulted in the EFCC's freeze of 1,146 accounts operated with nine FinTech companies under shady circumstances of terrorism financing, money laundering and illicit forex trading.[66] Thus, fresh fears arise in the capital market as to the possibility of harmonisation of regulatory framework within the sector in the face of recent and continued crackdown on cryptocurrency activities in Nigeria. The fears of disruption may also be expressed in respect of the P2P transactions that have gained traction at the dawn of the ban on structured banking channels.

c. Money Laundering (Prevention and Prohibition) Act, No. 14, 2022

The Money Laundering Act (also known as anti-money laundering law, AML) provides for digital assets which resonate with the growth of virtual currencies like Bitcoin, Dogecoin, Solana, Tether, Ethereum, and other similar assets operated within the blockchain ecosystem. The AML[67] defines virtual assets as 'digital representations of value that can be digitally exchanged or transferred and utilised for payment or investment purposes but excludes digital representations of fiat currencies, securities, and other financial assets. Section 30 of the AML, that is the section on interpretation, extends the definition of financial institution to accommodate VASPs. The inclusion of VASPs as financial institutions subjects them to equal regime of the AML obligations with structured financial institutions which includes effective record keeping, customer due diligence as well as the duty to report suspicious transactions. Under the Act, there is an obligation for mandatory reporting by VASPs of transactions on virtual assets which exceeds prescribed monetary thresholds. In addition, the VASPs must exude transparency in their administration of cryptocurrency transactions to aid the prevention of money laundering.[68] The AML prescribes stringent penalties for offences of money laundering, particularly involving digital assets. [69] This includes a minimum four years imprisonment or minimum fines assessed at five times the illicit profits, or both, for individual directors and operators of the VASP while culpable corporate bodies face minimum fines of five times the value of the proceeds of crime.[70]

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65 U. G. Ehirim, "Regulating the Emerging Mobile Money Services and National Digital Currencies in Nigeria and South-Africa" (2026) 20 (1) *Masaryk University Journal of Law and Technology,* 1-29 . https://doi.org/10.5817/MUJLT2026-40380
66 G. Onyedinefu, "EFCC Secures Court Order to Freeze 1,146 Bank Accounts over Forex Crises" *Businessday* (30 April 2025). <https://businessday.ng/news/article/efcc-secures-court-order-to-freeze-1146-bank-accounts-over-forex-crises/> accessed 24 September 2025 at 4pm
67 See, Section 30 of the MLA, 2022
68 N. M. Adeniyi, "The examination of anti-money laundering laws in nigeria as international law overview", jurnal akta 9, no. 2 (2022), 166-182. https://doi.org/10.30659/akta.v9i2.21234.
69 Section 18 of the AML
70 *Ibid.*

There is apparent inconsistency between the AML (Money Laundering Act 2022) and the ISA 2025. While the ISA upholds investors' confidentiality subject to the powers of the SEC to track suspicious transactions, the AML prescribes full disclosure by the designated and non-designated financial organisations to of transactions that has exceeded regulatory limits. Both statutes complement each other for a safe and harmonious market economy. It is settled law that in the event of any inconsistency between the two regulations and regulatory circulars (CBN) in respect of securities, the ISA should prevail as a specific law. [71]

It is noted that the conflict between regulatory mandates stems from definition of terms which is the bane of identification of the legal status of cryptocurrencies around the globe. Bazirake contends that definition of cryptocurrency has defied uniformity, becoming a formidable bases for challenging regulatory instruments.[72] A legal system such as Nigeria should harmonise its laws as to offer a consensus definition to avoid creating escape routes for those who may wish to infringe the laws. The importance of unity and unambiguous conception of terms conferring legal obligation cannot be over-emphasised. In *Florida v Michell Espinoza,*[73] the District Court of Florida quashed a charge filed against a defendant who was tried for obtaining income by criminal means, albeit the defendant had pleaded guilty at the commencement of trial. Defendant had sold some narcotics to an undercover agent by use of cryptocurrency. The trial court reasoned that virtual-currencies were no monies, strictly speaking (because of ambiguity in statutory definitions), as to be construed as incomes under the statute.[74] The court held among others, that:

> This court is unwilling to punish a man for selling his property to another, when his actions fall under a statute that is so vaguely written that even legal professionals have difficulty finding a singular meaning[75]

In the light of the foregoing, section 30 of the AML defines 'virtual assets as digital representations of value that can be digitally exchanged or transferred and utilised for

71 *FRN v Osahon & 7 Ors.* [2006] NGSC 6*; Ezeadukwa v Maduka* [1997] 8 NWLR (Part 518) 635.
72 A. Bazirake, "Cryptocurrency as a Security Asset: Analyzing the Roles of Various Stakeholders in the Adoption of Virtual Assets Under the Capital Markets Authority (Amendment) Bill, 2023" (2024) 53 (8) *Makerere Law Journal* 386, 392
73 *Florida v Espinoza*, F-14-2923 (22 July 2016)
74 See also, M. Burdonosova, "Theoretical and legal analysis of state regulation of cryptocurrency in Ukraine" (2019) 1 *Actual Problems of Domestic Jurisprudence* , 9, 12.
75 *Espinoza*, (n. 58)

payment or investment purposes.' The definition does not accommodate digital representations of securities, fiat currencies, and other tradeable assets. This implicates the exclusion of virtual assets as securities. However, section 357(c) of the ISA 2025 conceives securities as including digital and virtual. This singular contradiction needs to be addressed to avoid creating a difficult task for the judiciary in their duty of interpretation of statutes.

d. National Information Technology Development Agency (NITDA) Act No. 28 of 2007

The National Information Technology Development Agency (NITDA) announced the National Blockchain Adoption Strategy in 2023 to deepen the entrenchment of blockchain technology in Nigeria, particularly in the healthcare,[76] and finance sectors of the economy. By this blueprint, NITDA establishes a regulatory sandbox which allows startups to test-run emerging applications in the blockchain technology in a controlled environment in the first instance. The strategy enhances innovation within the boundaries of regulatory oversight by providing a safe space for experimentation and control.

4. Regulation of crypto asset: A peep into other jurisdictions

a. United States of America (US)

Yahaya and Omoarebu contend that the United States of America (US) hosts the largest crypto markets around the globe thereby entrenching itself as a critical player in the definition of benchmark for world digital currencies activities.[77] In the US, the Financial Crimes Enforcement Network (FinCEN) is statutorily empowered to regulate, (i). cryptocurrency transactions categorised as Money Services Businesses (MSBs) which requires registration under relevant statutes; (ii). Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) programmes; (iii). Know Your Customer (KYC) procedures; and (iv). statutory compliance with the Travel Rule.[78] The Security and Exchange Commission (SEC) enforces laws which generally regulate securities, particularly in respect of licensing and registration, including digital assets. The Commodity Futures Trading Commission (CFTC) administers virtual assets categorised as commodities in derivative markets, including Bitcoin.[79] The Office of Foreign Assets Control (OFAC)

76 U. G. Ehirim, "Artificial Intelligence and Healthcare Delivery in Nigeria: Confronting the Dilemma of Patients' Right to Safety" (2025) 1 *Indonesian Journal of Sharia and Socio-Legal Studies* 1, 12.
77 Yahaya and Omoarebu, (n. 2); Chainalysis Team, "Institutional Momentum and U.S Bitcoin ETPs Propel Crypto into the Mainstream". <https://www.chainalysis.com/blog/north-america-crypto-adoption-2024/> accessed 21 September 2025, at 11. 01am.
78 US Government, "Money Services Business Definition". <https://www.fincen.gov/money-services-business-definition> accessed 21 September 2025, at 11:00 am.
79 Commodity Futures Trading Commission, <https://www.cftc.gov/> accessed 19 June 2025 at 1:00 pm.

monitors compliance with relevant laws and enforces statutory sanctions.[80]

There is a robust compliance and documentation procedures which crypto custodians, exchange service providers, and token issuers are obligated to meet with the SEC and FinCEN in the US before operating in such capacities. These steps include filing applications in specific forms, appointing compliance officers as well as developing operational AML/KYC programmes. Thus, the SEC and the CFTC regulate different categorisation of cryptocurrency within the market dynamics. However, unlike the Nigerian experience, most disputes connected with cryptocurrency are resolved through the mechanism of mandatory arbitration which is intentionally made part of the terms of engagement from the beginning. The deliberate inclusion of Arbitration in the circumstances enhances speedy and amicable settlement of disputes. The Statutory Framework strikes a balance between consumer rights and liberty of innovation. The system aims to enhance technological advancement while upholding market integrity and safeguarding consumer-rights. There is a clear-cut distinction between the use of crypto as digital asset securities and its uses as commodities by legislative classification. This categorisation enhances growth in provision of crypto services as well as digital banking generally, by avoiding uncertainty.[81] Some lessons could be learned by Nigeria from the US

a. The US's method of synergising diverse agencies with clear-cut functions could benefit Nigeria and strengthen the evolving drivers of the e-economy, including the virtual currencies.[82] This could be done by consolidating oversight roles of different agencies, particularly the SEC and CBN. Thus, Nigeria could harmonise the relevant regulatory authorities or create a singular agency to handle all issues of oversight through registration and licensing. Nigeria could borrow a leaf from South Africa on the subject of harmony of regulation.
b. It is important for Nigeria to consider enforcing stricter KYC and AML regulations on all crypto operators to minimise illicit and fraudulent activities. This would align with the US regulations implemented by SEC and FinCEN.
c. Nigeria presently lacks specific mechanism for cross-border dispute resolution on

80 U.S. Department of the Treasury, "Office of Foreign Assets Control". <https://ofac.treasury.gov/> accessed 20 September 2025, at 10:00am.
81 A. Senn, "Cyber Matters: How the Alabama Securities Commission is Protecting Alabama Investors from Internet Fraud" *Castos,* (16 November 2023). <https://kassouf-podcast-network.castos.co> accessed 24 September 2025 at 6pm
82 See generally, E. Aliaj and E. Tiri, "E-Commerce Regulation in Albania" (2023) 13 (3) *Juridical Tribune* 441, 451; E. N. Valcu, "Brief Consideration on the 'Behaviour' of Professional Traders and Consumers in the Context of the Shift from Brick-and-Mortar to E-Commerce: Union and Transposition Regulations" (2023) 3 (1) *International Investment Law Journal* 90, 98.

crypto transactions. This could undermine the confidence of investors in the multi-billion-dollar crypto asset business.[83] This is important because transactions in cryptocurrency increasingly engage interactions across borders thereby making effective mechanisms for dispute resolution very essential for sustained stability of the legal system and investor trust.[84] In the US, most disputes regarding cryptocurrency transactions are resolved through the mechanism of mandatory arbitration which is intentionally made a fundamental rule of engagement for cryptocurrency exchange transactions, enhancing speedy, amicable settlement of issues between parties.[85]

b. South Africa

South Africa is the foremost country in Africa to enact crypto regulation by mandating registration and licensing services which impact crypto exchanges with fiat currency.[86] The country's progressive and clearly defined regulatory framework confers legal recognition on crypto assets, not as legal tender but as financial products.[87] Extant laws applicable to the financial sector are applied to crypto services and products. Consequently, the Financial Intelligence Centre (FIC) Act and the Financial Advisory and Intermediary Services Act (FAIS) which require registration, licensing, and mandatory compliance with KYC/AML rules, as well as the Travel Rule are enforceable on crypto transactions. The FIC, the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA) collaborate in their oversight functions within the crypto ecosystem to guarantee customer protection, promotion of innovation, and financial stability.[88]

5. CONCLUDING REMARKS

This paper analysed the regulatory and legal framework for cryptocurrency in Nigeria with particular details to its function as securities under the ISA 2025. It has been observed

83 Chainalysis' data show that between July 2023 and June 2024, Nigeria recorded $59 billion transaction volume in cryptocurrencies. See, J. D. L. Martinez and D. Kale, "Regulating the Crypto Market in Nigeria" 2025 *International Monetary Fund Selected Issues Paper* (*SIP/2025/096*), 2

84 N. Y. Damap and K. D. Maza, "Jurisdictional Challenges in Cryptocurrency Disputes: Navigating the Legal Maze of a Borderless Technology" (2025) 17 (1) *African Journal of Stability & Development*. https://doi.org/10.53982/ajsd.2025.1701.07-j 2

85 R. Wu et al, "Investigating E-Retailers' Intentions to Adopt Cryptocurrency Considering the Mediation of Technostress and Technology Involvement" (2022) 14 (641) *Sustainability* 1, 21.

86 W. Gaviyau and A. B. Sibindi, "Global Anti-Money Laundering and Combating Terrorism Financing Regulatory Framework: A Critique" (2023) 16 (7) *Journal of Risk Financial Management* 313. https://doi.org/10.3390/jrfm16070313

87 A. Abramova, "Crypto Regulations and Travel Rule in South Africa: Full Guide". <https://sumsub.com/blog/south- africa-crypto-regulations/> accessed 20 September 2025, at 1:05 pm.

88 *Ibid.*

that the Nigerian regulatory and legal infrastructure for virtual assets, including cryptocurrency is a work-in-progress, propelled by the exponential growth of digital or virtual assets. The trend has underlined the urgency for adequate oversight to enhance consumer-and-investor protection without suppressing innovation. The paper demonstrates the uncertainty created in the capital market by the CBN's earlier stance on transactions routed through the crypto ecosystem. It, however, highlights recent legal developments indicative of a drift towards the recognition of cryptocurrencies as securities under the ISA, 2025. This implicates a strong preference for regulation of digital currencies rather than prohibition by Nigeria. The development guarantees the opportunity for the country to take advantage of economic benefits from the digital currencies and blockchain technology while mitigating propensity for volatility and fraud. It needs to be noted that the extant regulatory framework exude fragmentation with regards to the overlapping responsibilities of independent regulatory agencies. The arrangement may complicate effective compliance and enforcement, thus raising the urgency for a more comprehensive and cohesive regulatory mechanism. A case has been made for definite laws on cryptocurrencies exchanges which would show greater legal stability than executive orders and directives from the regulatory agencies such as the CBN. This is the surest security to the securities in Nigeria.

A robust regulatory and legal framework will enhance Nigeria's ability to benefit and maximise the potentials of digital or virtual assets as well as position the country as a leading nation in the evolving landscape of cryptocurrency global ecosystem. The paper makes the following recommendations for better security of cryptocurrencies as securities:

i. The SEC should enact stringent KYC and AML Regulations for compliance by all VASPs to reduce illicit and fraudulent transactions.
ii. A well-defined ADR mechanism for cryptocurrencies-related disputes resolution, particularly such arising from cross-border interactions should be established in Nigeria. This implicates the amendment of the ISA, 2025 to provide for arbitration in like manner as it is the practice in US. Mandatory arbitration for exchange users should be limited to private investor disputes without criminal colourations. Consequently, issues bothering on crime such as money laundering should be exclusively determined by the courts.
iii. The SEC should engage the National Orientation Agency of Nigeria (NOAN) and other public enlightenment platforms for continued public education on the blockchain technology and cryptocurrency product to enhance an informed and secure investment environment.