

Regulation of Blockchain Financing in Nigeria: The Need for a Definitive Framework

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Abstract

In the era of blockchain technology, Nigeria has emerged as a forerunner in its application, driven by a burgeoning population of young people and a vibrant fintech environment seeking alternatives to the unpredictability of conventional finance. Despite this momentum, the legal landscape for blockchain-based financing, which includes Initial Coin Offerings (ICOs), Security Token Offerings (STOs), and Decentralized Finance (DeFi), has historically been marked by regulatory resistance between the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). While the enactment of the Investments and Securities Act (ISA) 2025 marked a significant milestone by formally recognizing digital assets as securities and establishing a licensing regime for Virtual Asset Service Providers (VASPs), this paper argues that the current landscape remains a "fragmented patchwork" rather than a definitive framework. Through a doctrinal and comparative analysis of the ISA 2025, the SEC's 2026 Revised Minimum Capital Requirements, and the Finance Act's taxation provisions, this research identifies critical gaps in the existing regime. Specifically, it highlights the prohibitive nature of high capital thresholds (reaching ₦2 billion for certain exchanges), the lack of statutory clarity regarding the legal personality of Decentralized Autonomous Organizations (DAOs), and the absence of specific evidentiary rules for the enforcement of smart contracts in Nigerian courts. Furthermore, the study examines the "regulatory gridlock" caused by overlapping jurisdictions between the SEC, the Corporate Affairs Commission (CAC), and the Federal Inland Revenue Service (FIRS). The paper concludes that for Nigeria to transition from a consumer of blockchain technology to a hub for blockchain-led capital formation, it must move beyond piecemeal circulars and incubation programmes. It proposes a Definitive National Blockchain Financing Framework that harmonizes inter-agency roles, introduces a tiered licensing structure to support local start-ups, and provides a clear legal taxonomy for "utility" versus "security" tokens. Such a framework is essential to balance financial stability and investor protection with the imperative for technological innovation.

Keywords: Blockchain Regulation, Legal Framework, Digital Assets, ISA 2025, Nigeria, Fintech Law, VASP, Securities.

INTRODUCTION

Nigeria has emerged as one of the world's leading adopters of crypto-assets and blockchain-based financial technologies. Between 2015 and 2025, the country witnessed a rapid expansion in cryptocurrency usage driven by economic instability, foreign exchange constraints, inflationary pressures, youth unemployment, financial exclusion, and the

increasing digitization of financial services¹. The Nigerian crypto ecosystem evolved from predominantly peer-to-peer retail trading into a more structured environment characterized by regulatory engagement, institutional experimentation, fintech integration, and block chain-oriented financing models.² Nigerian users increasingly adopted crypto-assets not merely for speculative investment purposes, but also for remittances, savings preservation, cross-border payments, and hedging against naira depreciation³. Studies on cryptocurrency adoption in Nigeria found that users were motivated primarily by the perceived profitability of crypto-assets and their utility as alternative payment systems.⁴ The study further observed that adoption rates were especially high among educated youths between the ages of 25 and 34 years.⁵ Recent empirical literature suggests that cryptocurrency transaction volumes and blockchain-enabled services have positively influenced financial participation and digital economic integration in Nigeria⁶. Beyond retail adoption, Nigeria gradually experienced a transition toward institutional blockchain financing. This shift became increasingly visible after 2020 as fintech firms, payment service providers, venture capital investors, and regulatory agencies began integrating blockchain technologies into formal financial frameworks. Nigerian financial institutions started exploring blockchain applications for payment settlement, identity management, fraud reduction, smart contracts, and digital asset administration. Studies examining blockchain adoption in Nigerian financial institutions indicate that blockchain systems enhance transparency, operational efficiency, and transaction security while reducing fraud vulnerabilities.⁷

The institutionalization of blockchain financing in Nigeria was also influenced by developments within the regulatory sphere. Initially, Nigerian authorities adopted a cautious and restrictive posture toward cryptocurrencies. In 2021, the Central Bank of Nigeria (“CBN”) prohibited regulated financial institutions from facilitating cryptocurrency transactions, citing concerns relating to money laundering, terrorism financing, and financial system instability. Despite the restrictions, peer-to-peer crypto trading continued to expand significantly, demonstrating both the resilience of decentralized finance and the limitations of conventional regulatory prohibitions.⁸ Subsequently, Nigerian regulators began transitioning from outright restriction toward regulatory accommodation and controlled innovation. The Securities and Exchange Commission (“SEC”) increasingly acknowledged

¹ Omoruyi Edoigiawerie, “Blockchain 2025,” Chambers and Partners Available @<http://share.google/mbpiLxsnjbkoffTggo>. Accessed 27th May, 2026

² Ibid

³ Ibid

⁴ Emomotimi Agama, “Investigating the Adoption and Usage of Cryptocurrencies in Nigeria” (2025) SSRN Electronic Journal 3

⁵ Ibid

⁶ Oluwaseun Akanji, Cryptocurrency Adoption as a Catalyst for Financial Inclusion: Evidence from Nigeria. (MBA Thesis, Miva Open University 2025) 45 - 57

⁷ Emmanuel John Anagu, “Enhancing Data Security and Driving Economic Development through Blockchain Adoption in Nigerian Financial Institutions.” Journal of Advanced Computing Technology and Application (JACTA)

⁸ See discussions on the persistence of peer-to-peer cryptocurrency markets despite banking restrictions in Nigeria. Reddit 4))

the inevitability of digital assets within contemporary financial markets. By 2025, the Nigerian regulatory landscape had evolved substantially through the enactment of the Investment and Securities Act 2025, which formally recognized digital assets and virtual asset service providers within Nigeria's securities framework.⁹ This marked a significant shift from regulatory hostility toward institutional governance and legal recognition of blockchain-based finance.

The SEC further introduced regulatory innovation mechanisms such as the Accelerated Regulatory Incubation Program ("ARIP"), designed to facilitate compliance pathways for crypto and blockchain firms operating within Nigeria's emerging digital asset ecosystem.¹⁰ The program reflected a broader institutional acceptance of blockchain finance as part of Nigeria's evolving capital market architecture. Nigerian fintech companies and digital payment platforms increasingly leveraged blockchain infrastructure for international settlements, remittances, and liquidity management. Stablecoins, particularly dollar-denominated digital assets such as USDT, gained substantial traction among Nigerian users due to persistent exchange-rate instability and inflationary pressures affecting the naira.¹¹

The Nigerian experience therefore reflects a dual transformation. First, there was the widespread social adoption of crypto-assets by individuals seeking alternative financial instruments in response to macroeconomic instability. Second, there emerged a gradual institutional transition toward regulated blockchain financing characterized by fintech integration, regulatory reform, and capital market adaptation. This evolution positions Nigeria as a critical case study within global debates on digital finance, regulatory governance, and financial innovation in emerging economies with the burning question surrounding the availability or adequacy of the legal framework.

2. Conceptual Framework

There are frequently used terminologies worthy of explanation for better understanding of their use in the digital finance space. These terms manifest the evolution of money from the way they were in the past, their current operation and a forecast of futuristic forms of money in the digital space.

Blockchain

This is a distributed ledger with growing lists of records (blocks) that are securely linked together via cryptographic hashes. Each block contains a cryptographic hash of the previous

⁹ Olayimika Oyeibanji, "The Securitization of Stablecoins under the Nigerian Law: A Call for Function-Based Regulation" (2025) SSRN Electronic Journal 5

¹⁰ Olayimika Oyeibanji and Tersor Yarkwan, "Accelerated Regulatory Incubation Program (ARIP) under the Purview of the Securities and Exchange Commission" (2025) SSRN Electronic Journal. ([SSRN][6])

¹¹ See discussion on stablecoin adoption and digital asset usage patterns in Nigeria. (Reddit7)

block, a timestamp and transaction data¹². Since each block contains information about the previous block, they effectively form a chain with each additional block linking to the ones before it. Consequently, blockchain transactions are resistant to alteration, because once recorded, the data in any given block cannot be changed retroactively without altering all subsequent blocks and obtaining network consensus to accept these changes unlike traditional databases run by central authorities (like banks or corporations) a blockchain is decentralized and distributed across a network of computers.¹³ Core characteristics of blockchain technology in finance is that it is immutable, once a block of data is recorded and verified by the network, it cannot be altered or deleted. Another feature is that it is decentralized as there is no single owner or central administrator keeping the entire ledger. The ledger is kept by every participant in diverse transactions. It is also transparent as every transaction is visible to all participants on the network, ensuring complete traceability¹⁴.

Cryptocurrency

A cryptocurrency is a digital or virtual currency, secured by cryptography, which makes it nearly impossible to counterfeit or double spend¹⁵. They exist in decentralized networks that utilize blockchain technology, a distributed ledger secured by a network of computers. Cryptocurrencies are not issued by any central or governing authority, however the Securities and Exchange Commission of most countries set rules that crypto online brokerage firms and other institutions that offer cryptocurrency must follow¹⁶. Cryptocurrencies are digital money accessed through cryptographic systems that enable secure online payments without the use of third party intermediaries such as banks, it is a peer-to-peer money exchange system that is enabled via blockchain technology¹⁷.

Types of Cryptocurrencies

Oftentimes, it is the name of the coins that is well known, however, the name of the coin differs from the type of coin which are classified according to their purpose and use. They are Utility (XRP and Ethereum), Transactional (Bitcoin, designed to be used as a well known payment method). Governance (represents voting or other rights on the blockchain such as Uniswap), Platform (supports decentralized applications), Security Tokens, (represents ownership of an asset such as a tokenized stock value transferred to the blockchain, eg MS Token)¹⁸ Utility tokens are generally understood as blockchain-based digital assets designed

¹² Morris, David Z ' Leaderless, Blockchain Based Venture Capital Fund Raises \$100 Million, Narayanan Arvind, et al ' Bitcoin and Cryptocurrency technologies: A Comprehensive Introduction. Princeton, New Jersey; Princeton University Press (2016) ISBN 978-0-691-17169-2

¹³ Ibid

¹⁴ Ibid

¹⁵ Investopedia Team, 'Cryptocurrencies Explained with Pros and Cons for Investment.' Available @ investopedia.com. Accessed May 20, 2026

¹⁶ Ibid

¹⁷ Satoshi Nakamoto, 'Bitcoin, a Peer - to - Peer Electronic Cash System '. Investopedia Digest 2008, 3-4.

¹⁸ Ibid

primarily to provide access to goods, services, or functionalities within a specific blockchain ecosystem. Unlike conventional securities, utility tokens are not principally intended as investment instruments or profit-generating assets. Rather, they function as access rights within decentralized applications or blockchain networks.¹⁹ Under Nigerian law, utility tokens may fall outside strict securities regulation where they do not exhibit characteristics of investment contracts or transferable securities.

Security tokens, by contrast, possess characteristics analogous to traditional financial securities such as shares, bonds, or investment contracts. Security tokens commonly grant holders rights relating to profit participation, dividends, ownership interests, or investment returns. The Nigerian Securities and Exchange Commission (“SEC”) increasingly adopted a functional regulatory approach in determining whether digital assets constitute securities. In its 2020 ‘Statement on Digital Assets and their Classification and Treatment’, SEC indicated that crypto-assets capable of functioning as investment instruments or capital market products would fall within its regulatory jurisdiction.²⁰ This position was significantly reinforced by the Investment and Securities Act 2025, which formally recognized digital assets and virtual asset service providers within the Nigerian securities regulatory framework.²¹ The classification of security tokens aligns substantially with international regulatory principles, particularly the “substance over form” doctrine. Under this approach, the economic realities and functional attributes of a token determine its legal characterization rather than the nomenclature adopted by issuers. Consequently, tokenized investment arrangements involving expectations of profit derived from the efforts of promoters may qualify as securities notwithstanding their technological structure.²² Thus, the Nigerian digital asset framework increasingly demonstrates a transition from simplistic cryptocurrency categorizations toward a more nuanced legal taxonomy grounded in functionality, economic purpose, and systemic financial implications.

3. Theories of Regulation: Balancing the “Laissez-faire” Approach with “Command and Control” in the Digital Age.

The regulation of digital assets and blockchain finance raises fundamental theoretical questions concerning the appropriate role of the state within rapidly evolving technological ecosystems. Regulatory debates surrounding cryptocurrencies and blockchain innovation frequently oscillate between two competing paradigms: the laissez-faire approach and the command-and-control model. The laissez-faire theory of regulation advocates minimal governmental intervention within markets. Rooted in classical liberal economic thought,

¹⁹ Chris Brummer and Yesha Yadav, “Fintech and the Innovation Trilemma” (2019) 107 *Georgetown Law Journal* 235.

²⁰ Securities and Exchange Commission, ‘Statement on Digital Assets and their Classification and Treatment’, 14 September 2020.

²¹ Olayimika Oyeboji, “The Securitization of Stablecoins under the Nigerian Law: A Call for Function-Based Regulation” (2025) SSRN Electronic Journal

²² Dirk A Zetsche et al, “The ICO Gold Rush: It Is a Scam, It Is a Bubble, It Is a Super Challenge for Regulators” (2018) *Harvard International Law Journal*, 267.

laissez-faire regulation assumes that innovation, competition, and market efficiency are best achieved through limited state interference²³ Proponents argue that excessive regulation of blockchain technologies may suppress innovation, discourage investment, and undermine the transformative potential of decentralized finance. Within the context of digital assets, laissez-faire advocates emphasize the decentralized and borderless nature of blockchain systems. They contend that rigid state control may be technologically ineffective because decentralized networks often operate beyond territorial regulatory boundaries.²⁴ Furthermore, excessive restrictions may drive innovation into informal or offshore markets rather than eliminating the underlying technologies. Nigeria initially experienced substantial elements of de facto laissez-faire crypto activity between 2015 and 2020 due to the absence of comprehensive digital asset legislation. During this period, peer-to-peer cryptocurrency trading expanded significantly despite regulatory uncertainty.²⁵ The rapid growth of Nigeria's crypto market during this phase demonstrates how technological innovation can flourish even in partially unregulated environments.

Conversely, the command-and-control theory of regulation emphasizes formal legal rules, centralized oversight, licensing requirements, sanctions, and institutional supervision. This approach is commonly justified on grounds of investor protection, financial stability, anti-money laundering enforcement, consumer safety, and systemic risk management.²⁶ Regulatory institutions adopting command-and-control frameworks seek to establish legal certainty and institutional accountability within financial markets. The Nigerian government's 2021 restrictions on cryptocurrency transactions by regulated financial institutions reflected a command-and-control regulatory orientation motivated by concerns over illicit finance, speculative volatility, and macroeconomic risks.²⁷ However, the persistence of peer-to-peer trading despite formal restrictions demonstrated the limitations of purely prohibitive regulatory approaches in decentralized technological environments.

Contemporary regulatory theory increasingly advocates a balanced or hybrid approach combining innovation facilitation with risk-based supervision. Regulatory sandbox systems, adaptive regulation, co-regulation, and principle-based governance represent modern attempts to reconcile technological innovation with public-interest protections.²⁸ Nigeria's recent transition toward digital asset recognition and regulatory incubation reflects this broader movement toward adaptive governance frameworks.

The SEC's Accelerated Regulatory Incubation Program ("ARIP") exemplifies this evolving

²³ Adam Smith, 'An Inquiry into the Nature and Causes of the Wealth of Nations.' (first published 1776, Modern Library edn 1937) 44-76

²⁴ Primavera De Filippi and Aaron Wright, 'Blockchain and the Law: The Rule of Code'. Harvard University Press, 2018, 98

²⁵ Chainalysis, Global Crypto Adoption Index 2021.

²⁶ Julia Black, "Decentralizing Regulation: Understanding the Role of Regulation and Self-Regulation in a 'Post-Regulatory' World Current Legal Problems." 2001, 54 -103.

²⁷ Central Bank of Nigeria Circular BSD/DIR/PUB/LAB/014/001 (5 February 2021).

²⁸ Karen Yeung, "From Internet Politics to Internet Regulation" in Andrew Murray and Kevin Scott (eds), 'The Regulation of Cyberspace. Routledge 2007, 101

regulatory philosophy by enabling blockchain firms to operate within monitored regulatory environments while authorities simultaneously develop institutional expertise and policy capacity.²⁹ Such approaches recognize that digital financial innovation requires regulatory flexibility rather than rigid prohibition or unrestricted market autonomy. Ultimately, the regulation of blockchain finance in Nigeria reflects broader global tensions between technological disruption and legal control. The challenge for policymakers lies in constructing regulatory frameworks capable of promoting innovation, ensuring financial integrity, protecting investors, and preserving systemic stability within an increasingly decentralized digital economy.

4. Evolution of the Regulatory Landscape (2021–2026)

The CBN Shift: From the 2021 Prohibition to the 2023 Lifting of the Ban and the 2024 VASP Account Guidelines.

The evolution of Nigeria’s blockchain and cryptocurrency regulatory framework between 2021 and 2026 reflects a significant transition from prohibitionist policies toward institutional regulation and controlled market integration. The Central Bank of Nigeria (“CBN”) played a central role in this transition through successive regulatory interventions that shaped the operational environment for digital asset activities in Nigeria. In February 2021, the Central Bank of Nigeria issued Circular BSD/DIR/PUB/LAB/014/001 directing banks and other financial institutions to close accounts associated with cryptocurrency transactions and prohibiting regulated entities from facilitating crypto-related payments.³⁰ The CBN justified the restriction on grounds relating to money laundering risks, terrorism financing concerns, exchange-rate instability, and the speculative nature of cryptocurrencies. The directive effectively disconnected cryptocurrency exchanges and blockchain-based financial service providers from Nigeria’s formal banking infrastructure.

However, the 2021 prohibition did not eliminate cryptocurrency activity within Nigeria rather, it accelerated the growth of peer-to-peer (“P2P”) trading systems operating outside formal banking channels. Nigeria subsequently emerged as one of the world’s largest P2P cryptocurrency markets despite the banking restrictions.³¹ The persistence of crypto adoption demonstrated both the limitations of command-and-control regulatory mechanisms within decentralized financial systems and the strong domestic demand for alternative digital financial instruments.

The prohibition also generated tensions between monetary regulation and technological innovation. Critics argued that the CBN’s restrictive approach undermined financial

²⁹ Olayimika Oyeboji and Tersor Yarkwan, “Accelerated Regulatory Incubation Program (ARIP) under the Purview of the Securities and Exchange Commission” SSRN Electronic Journal 2025, 45-60

³⁰ Central Bank of Nigeria Circular BSD/DIR/PUB/LAB/014/001, ‘Letter to all Deposit Money Banks, Non-Bank Financial Institutions and Other Financial Institutions’ 5th February 2021.

³¹ Chainalysis, 2021 Global Crypto Adoption Index (2021).

innovation, discouraged fintech investments, and pushed blockchain activities into informal and less transparent markets.³² At the same time, regulators remained concerned about illicit financial flows, investor vulnerability, and the absence of consumer protection safeguards within the crypto ecosystem.

A significant regulatory shift occurred in December 2023 when the CBN issued the Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs).³³ The Guidelines effectively relaxed the earlier prohibition by permitting banks and other financial institutions to open designated accounts for licensed Virtual Asset Service Providers (“VASPs”), Digital Asset Exchanges (“DAXs”), Digital Asset Offering Platforms (“DAOPs”), and Digital Asset Custodians (“DACs”).³⁴ Importantly, the CBN did not fully legalize cryptocurrency trading by banks themselves, rather, the Guidelines adopted a controlled engagement model whereby regulated financial institutions could provide banking services to licensed digital asset operators subject to strict compliance requirements.³⁵ The Guidelines imposed obligations relating to customer due diligence, anti-money laundering (“AML”) compliance, know-your-customer (“KYC”) verification, transaction monitoring, and reporting obligations consistent with Financial Action Task Force (“FATF”) recommendations.³⁶ The 2023 policy reversal reflected broader international trends favoring regulation over outright prohibition. It also demonstrated increasing governmental recognition that blockchain finance and digital assets had become economically significant components of Nigeria’s financial ecosystem. Legal commentators observed that the CBN’s revised approach represented an attempt to reconcile innovation with financial oversight through a risk-based regulatory framework.³⁷

By 2024, the operationalization of the VASP framework significantly altered Nigeria’s digital finance landscape. The CBN and the Securities and Exchange Commission (“SEC”) increasingly adopted coordinated supervisory approaches requiring crypto operators to obtain regulatory authorization before accessing banking infrastructure.³⁸ Consequently, the Nigerian regulatory environment evolved from informal tolerance and outright restriction toward institutional licensing and monitored participation.

5. The Investments and Securities Act (ISA) 2025 and the SEC’s Expanded Powers over

³² Primavera De Filippi and Aaron Wright, ‘Blockchain and the Law: The Rule of Code.’ (Harvard University Press 2018).

³³ Central Bank of Nigeria, ‘Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs)’ Nairametrics 22 December 2023.

³⁴ Ibid

³⁵ Overview of Nigeria’s Dynamic Cryptocurrency Regulatory Landscape’ (International Bar Association 2024, Policy Paper)

³⁶ Financial Action Task Force, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers* (2021).

³⁷ ‘Navigating the Legal Landscape of Cryptocurrency in Nigeria Post-CBN Circular 2023’ (Mondaq, 2024)

³⁸ Securities and Exchange Commission, *Accelerated Regulatory Incubation Program (ARIP) Checklist for VASP Onboarding* (2024).

Digital Assets

A defining milestone in Nigeria’s blockchain regulatory evolution was the enactment of the Investment and Securities Act (“ISA”) 2025, which significantly expanded the statutory authority of the Securities and Exchange Commission over digital assets and blockchain financing activities. The legislation represented the first comprehensive statutory recognition of digital assets within Nigeria’s capital market framework.³⁹ Prior to ISA 2025, the regulation of cryptocurrencies and blockchain-based investments largely depended on administrative circulars, SEC statements, and subsidiary regulations. Although the SEC had issued its 2020 Statement on Digital Assets and their Classification and Treatment, the absence of express statutory backing created uncertainties regarding enforcement powers, jurisdictional scope, and legal classification.⁴⁰ ISA 2025 addressed these uncertainties by formally incorporating digital assets, tokenized securities, and virtual asset service providers into Nigeria’s securities regulatory architecture.⁴¹ The Act expanded the SEC’s jurisdiction to include the registration, licensing, monitoring, and supervision of entities involved in digital asset issuance, trading, custody, brokerage, tokenization, and blockchain-based investment activities.⁴²

One of the most important innovations under ISA 2025 is the adoption of a functional regulatory approach toward digital assets. Under this framework, digital assets capable of functioning as investment contracts, securities, derivatives, or collective investment instruments fall within SEC oversight irrespective of their technological structure or nomenclature.⁴³ This aligns Nigeria with international regulatory developments emphasizing substance over form within fintech regulation. The ISA 2025 also strengthened SEC’s enforcement powers over digital asset operators. The Commission obtained broader authority to issue licensing conditions, conduct investigations, impose administrative sanctions, suspend operations, revoke registrations, and implement investor protection mechanisms.⁴⁴ The Act further enabled SEC to regulate tokenized investment products, Security Token Offerings (“STOs”), and blockchain-based fundraising activities within Nigeria’s capital market system.

Another major feature of the post-2025 framework is the institutionalization of regulatory incubation and sandbox mechanisms. Through initiatives such as the Accelerated Regulatory Incubation Program (“ARIP”), SEC created transitional compliance pathways for blockchain

³⁹ Investment and Securities Act 2025.

⁴⁰ Securities and Exchange Commission, *Statement on Digital Assets and their Classification and Treatment* (14 September 2020).

⁴¹ ISA 2025.

⁴² Ibid

⁴³ Olayimika Oyeboji, ‘The Securitization of Stablecoins under Nigerian Law: A Call for Function-Based Regulation’ (2025) SSRN Electronic Journal.

⁴⁴ ISA 2025

startups and VASPs seeking entry into the regulated financial system.⁴⁵ The ARIP framework reflects an adaptive regulatory philosophy aimed at balancing innovation facilitation with supervisory oversight. The statutory formalization introduced by ISA 2025 therefore marked a decisive shift from fragmented administrative regulation toward a consolidated legal framework for blockchain financing and digital assets in Nigeria.

6. The 2026 Revised Minimum Capital Thresholds of 2 billion Naira Required by SEC on Market Entry for Local Startups

Despite the progressive formalization of Nigeria's blockchain regulatory framework, the introduction of revised minimum capital requirements in 2026 generated significant debate concerning market accessibility, competition, and innovation within the digital asset sector.

In January 2026, SEC introduced revised minimum capital requirements for regulated capital market entities, including digital asset operators and Virtual Asset Service Providers.⁴⁶ Under the revised framework, Digital Asset Exchanges ("DAXs") and Digital Asset Custodians were required to maintain minimum capital thresholds of ₦2 billion, representing a substantial increase from the earlier ₦500 million requirement.⁴⁷ Other categories such as Digital Asset Offering Platforms ("DAOPs"), tokenization platforms, and digital asset intermediaries were also subjected to significantly increased capitalization thresholds.⁴⁸ SEC justified the revised requirements on grounds relating to market stability, investor protection, operational resilience, and systemic risk management.⁴⁹ Regulators argued that stronger capitalization standards would reduce the risks of insolvency, fraud, operational failure, and market abuse within Nigeria's rapidly expanding digital asset ecosystem.

Nevertheless, the ₦2 billion threshold attracted criticism from industry participants, fintech stakeholders, and startup operators who argued that the requirements disproportionately favored large institutional actors and foreign-backed exchanges over indigenous startups.⁵⁰ Critics contended that excessively high entry barriers could suppress innovation, reduce competition, and concentrate market power within a small number of well-capitalized firms. Technology and fintech analysts further warned that the revised thresholds could undermine the inclusive innovation potential of blockchain financing by excluding early-stage Nigerian entrepreneurs lacking access to substantial institutional capital.⁵¹ Concerns were also raised regarding the possibility of regulatory overreach and the creation of oligopolistic market structures within the digital asset industry. On the other hand, supporters of the reforms

⁴⁵ Securities and Exchange Commission, 'Accelerated Regulatory Incubation Program (ARIP) Checklist for VASP Onboarding*' (2024).

⁴⁶ Securities and Exchange Commission Circular No 26-1, 'Revised Minimum Capital for Regulated Capital Market Entities' (16 January 2026).

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ TechCabal 'Nigeria Doubles Capital Requirements for Digital Asset Firms' 16 January 2026.

⁵⁰ Techpoint Africa 'Nigeria's ₦2 Billion Capital Requirement Puts Crypto Exchanges at a Crossroads' 27 January 2026

⁵¹ Ibid.

argued that digital asset platforms increasingly perform systemically significant financial functions and therefore require prudential safeguards comparable to those applicable within traditional financial markets.⁵² Given the prevalence of crypto-related frauds, exchange collapses, and consumer losses globally, stronger capitalization standards were viewed as necessary mechanisms for enhancing public confidence and institutional legitimacy.

The revised capital framework therefore illustrates the broader regulatory dilemma confronting emerging digital economies: how to promote innovation and market participation while simultaneously ensuring investor protection, financial integrity, and systemic stability. Nigeria's experience demonstrates the complexities involved in constructing a definitive regulatory framework capable of balancing fintech growth with effective financial supervision.

7. Sufficiency & Adequacy of the Current Framework

The state of the current framework leaves nothing to be desired in terms of harmonization, unification and comprehensiveness in scope as so much are still left unaddressed with the field of digital financing largely left uncovered. The areas include;

a. Jurisdictional Overlaps and Conflict between SEC, the Central Bank of Nigeria (CBN), and the Corporate Affairs Commission (CAC)

Despite the progressive evolution of Nigeria's blockchain regulatory environment, significant institutional and jurisdictional uncertainties remain within the existing framework. One of the most prominent concerns relates to overlapping regulatory authority among the Securities and Exchange Commission ("SEC"), the Central Bank of Nigeria ("CBN"), and the Corporate Affairs Commission ("CAC"). These overlaps have created legal ambiguities affecting compliance obligations, licensing requirements, investor confidence, and regulatory predictability within Nigeria's digital asset ecosystem. The SEC primarily regulates digital assets from a capital market and investment perspective. Following its 2020 Statement on Digital Assets and their Classification and Treatment and the enactment of the Investment and Securities Act ("ISA") 2025, the Commission asserted jurisdiction over digital assets functioning as securities, investment contracts, tokenized instruments, and virtual asset services.⁵³ The SEC therefore exercises supervisory authority over Digital Asset Exchanges ("DAXs"), token issuers, custodians, brokers, and Virtual Asset Service Providers ("VASPs").

Conversely, the Central Bank of Nigeria approaches blockchain finance from a monetary stability and payment systems perspective. The CBN's regulatory interventions—including the 2021 cryptocurrency banking restriction and the subsequent 2023 VASP Guidelines—focused principally on financial system integrity, anti-money laundering compliance,

⁵² SEC Raises Capital Requirement for Crypto Exchanges in Nigeria to ₦2 Billion' Nairametrics, 16 January 2026.

⁵³ Securities and Exchange Commission, 'Statement on Digital Assets and their Classification and Treatment' (14 September 2020); Investment and Securities Act 2025

exchange-rate stability, and payment infrastructure oversight.⁵⁴ Consequently, while the SEC regulates digital assets as investment products, the CBN regulates their interaction with the banking system and monetary environment.

The Corporate Affairs Commission also indirectly participates within the digital asset ecosystem through its statutory responsibility for corporate registration and business incorporation under the Companies and Allied Matters Act (“CAMA”) 2020.⁵⁵ Blockchain startups, fintech firms, token issuers, and digital asset platforms operating in Nigeria are generally required to register as corporate entities with the CAC before obtaining sectoral licenses from financial regulators.

However, the absence of a unified blockchain regulatory statute has produced institutional fragmentation and overlapping mandates. For instance, uncertainty frequently arises regarding whether a digital token should be regulated primarily as a security, a payment instrument, a commodity, or a technology service.⁵⁶ This classification problem affects licensing obligations, supervisory procedures, and enforcement authority. Furthermore, regulatory inconsistency between the SEC and the CBN has historically undermined policy coherence. While the SEC progressively recognized digital assets within the capital market framework, the CBN simultaneously imposed banking restrictions on crypto-related transactions in 2021.⁵⁷ This created a contradictory regulatory environment in which digital asset activities were simultaneously recognized and restricted by different institutions. Comparative studies suggests that fragmented fintech regulation weakens institutional efficiency and discourages innovation by increasing compliance costs and regulatory uncertainty.⁵⁸ The Nigerian framework therefore demonstrates the need for coordinated inter-agency governance mechanisms capable of harmonizing securities regulation, monetary supervision, corporate governance, taxation, and digital innovation policy.

b. Smart Contract Enforceability: Evidentiary Challenges in the Evidence Act regarding the Self-Executing Nature of Blockchain Agreements

Smart contracts constitute one of the foundational innovations underpinning blockchain finance and decentralized digital transactions. Smart contracts are self-executing computer protocols deployed on blockchain networks that automatically perform contractual obligations upon the occurrence of predefined conditions.⁵⁹ Through automation and

⁵⁴ Central Bank of Nigeria Circular BSD/DIR/PUB/LAB/014/001 (5 February 2021); Central Bank of Nigeria, *Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs)* 22 December 2023.

⁵⁵ Companies and Allied Matters Act 2020.

⁵⁶ Chris Brummer and Yesha Yadav, ‘Fintech and the Innovation Trilemma’ (2019) 107 Georgetown Law Journal 235.

⁵⁷ Securities and Exchange Commission, Statement on Digital Assets and their Classification and Treatment 14 September 2020; Central Bank of Nigeria Circular BSD/DIR/PUB/LAB/014/001 (5 February 2021).

⁵⁸ Julia Black, ‘Decentring Regulation: Understanding the Role of Regulation and Self-Regulation in a “Post-Regulatory World” Current Legal Problems’ (2001) 54 - 103

⁵⁹ Nick Szabo, ‘Smart Contracts: Building Blocks for Digital Markets’ (1996)

[<http://www.fon.hum.uva.nl/rob/Courses/InformationInSpeech/CDROM/Literature/LOTwinterschool2006/szabo.best.v>

immutability, smart contracts reduce reliance on intermediaries and facilitate decentralized commercial interactions. Despite their growing commercial significance, Nigerian law has not comprehensively addressed the enforceability and evidentiary treatment of smart contracts. While traditional contract law principles under Nigerian jurisprudence recognize agreements formed electronically, blockchain-based smart contracts raise novel doctrinal and evidentiary issues that existing legal frameworks do not fully resolve.⁶⁰

One central issue concerns the interpretation of contractual intention and consent within coded agreements. Conventional contract law generally depends on identifiable offer, acceptance, consideration, and intention to create legal relations.⁶¹ Smart contracts, however, are frequently expressed through programming code rather than natural language. This creates interpretive difficulties where disputes arise concerning contractual meaning, coding errors, or unintended algorithmic outcomes.

The Nigerian Evidence Act 2011 recognizes electronic evidence and electronically generated documents under sections 84 and 93.⁶² However, the legislation was enacted before the widespread emergence of blockchain-based contracting systems and therefore does not expressly address distributed ledger technologies, cryptographic authentication, or decentralized execution mechanisms.

The immutable and automated nature of blockchain records further complicates evidentiary analysis. Smart contracts may execute automatically without judicial supervision or human intervention, potentially producing irreversible transactions even where fraud, mistake, duress, or illegality subsequently emerges.⁶³ Courts may therefore encounter difficulties determining how equitable doctrines such as rescission, rectification, undue influence, or injunctions apply within self-executing blockchain environments.

Another challenge concerns evidentiary authentication. Although blockchain records are generally resistant to alteration, Nigerian courts may still require proof regarding authorship, digital identity, transactional intent, and chain-of-custody validation.⁶⁴ Questions may also arise concerning jurisdiction and applicable law where smart contracts operate across decentralized global networks without identifiable territorial locations. Legal scholars increasingly argue that existing evidentiary frameworks require modernization to accommodate blockchain technologies and algorithmic contracting systems.⁶⁵ Nigeria's current legislative framework remains insufficiently adapted to address these emerging

wh.net/smart_contracts_2.html(http://www.fon.hum.uva.nl/rob/Courses/InformationInSpeech/CDROM/Literature/LOT_winterschool2006/szabo.best.vwh.net/smart_contracts_2.html) Accessed 8 May 2026.

⁶⁰ AGB (Fed) Ltd v Biobaku Investment & Properties Ltd [1998] 7 NWLR (Pt 557) 305

⁶¹ Chitty on Contracts (34th edn, Sweet & Maxwell 2021).

⁶² Evidence Act 2011, SS 84 and 93

⁶³ Kevin Werbach and Nicolas Cornell, 'Contracts Ex Machina' Duke Law Journal (2017) 67, 313.

⁶⁴ Evidence Act 2011, S.84.

⁶⁵ Max Raskin, 'The Law and Legality of Smart Contracts' (2017) 1 Georgetown Law Technology Review 305.

technological realities.

c. Taxation Ambiguity: Analysis of the National Tax Agency Act (NTAA) 2025 and its Application to Cross-Border Blockchain Transactions

Taxation represents another critical area of uncertainty within Nigeria's blockchain financing framework. The rapid growth of digital assets, decentralized finance, tokenized investments, and cross-border blockchain transactions has exposed significant limitations within traditional tax administration models. The enactment of the National Tax Agency Act ("NTAA") 2025 sought to modernize Nigeria's tax administration framework and strengthen fiscal oversight over digital economic activities.⁶⁶ The legislation expanded the powers of federal tax authorities in relation to digital transactions, cross-border commerce, electronic reporting systems, and technology-driven financial activities. However, the application of the Act to blockchain finance remains legally uncertain in several respects.

One major challenge concerns the classification of digital assets for taxation purposes. It remains unclear whether cryptocurrencies and tokenized assets should be treated as currencies, securities, commodities, property, or intangible digital assets under Nigerian tax law.⁶⁷ This classification problem affects the applicability of capital gains tax, value-added tax ("VAT"), corporate income tax, and withholding tax obligations. Cross-border blockchain transactions further complicate tax administration because decentralized financial systems often operate without identifiable intermediaries or fixed territorial establishments. Peer-to-peer transfers, decentralized exchanges, and token swaps may occur across multiple jurisdictions simultaneously, thereby undermining conventional territorial taxation principles.⁶⁸ The pseudonymous nature of blockchain transactions also creates enforcement difficulties relating to taxpayer identification, reporting obligations, and transaction tracing. Although blockchain ledgers provide transparent transactional records, identifying beneficial ownership within decentralized systems remains challenging for tax authorities.⁶⁹

Additionally, smart contract automation and decentralized governance structures complicate determinations regarding taxable persons, source jurisdiction, and transaction timing. Questions frequently arise concerning whether tax liability attaches at token issuance, exchange, staking, liquidity provision, or asset conversion stages.⁷⁰

Comparative international developments indicate growing efforts by tax authorities

⁶⁶ National Tax Agency Act 2025

⁶⁷ Olayimika Oyeboji, 'The Securitization of Stablecoins under Nigerian Law: A Call for Function-Based Regulation' (2025) SSRN Electronic Journal

⁶⁸ OECD, 'Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues' (2020).

⁶⁹ Financial Action Task Force, Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers (2021).

⁷⁰ OECD, *Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard* (2022).

worldwide to adapt taxation frameworks to digital assets and blockchain finance.⁷¹ However, Nigeria's regulatory approach remains fragmented and underdeveloped in this regard. The NTAA 2025 does not yet provide sufficiently detailed guidance on decentralized finance, stablecoins, DAO taxation, tokenized securities, or cross-border blockchain-based transactions. Accordingly, taxation ambiguity remains a major weakness within Nigeria's evolving blockchain financing regime. Without clearer legislative guidance, uncertainties regarding tax liability and compliance obligations may discourage investment, hinder innovation, and increase regulatory disputes within the digital asset sector.

8. The Proposed Definitive Framework

Legislative Recommendations: Drafting a Stand-Alone National Blockchain and Digital Assets Act

The existing Nigerian regulatory framework governing blockchain finance and digital assets remains fragmented, reactive, and institutionally dispersed. Although important regulatory developments have occurred through the Investment and Securities Act (ISA) 2025, the Central Bank of Nigeria (CBN) Guidelines on Virtual Asset Service Providers (VASPs), and related administrative instruments, Nigeria still lacks a comprehensive and unified legislative framework specifically dedicated to blockchain technology and digital asset regulation.⁷² Consequently, there is a compelling need for the enactment of a stand-alone National Blockchain and Digital Assets Act capable of consolidating regulatory standards, clarifying institutional responsibilities, and promoting legal certainty within the digital economy.

The absence of a dedicated statute has produced several structural weaknesses within Nigeria's current framework. First, blockchain-related activities are presently regulated through dispersed legal instruments administered by different agencies with overlapping mandates.⁷³ This fragmented approach generates uncertainty regarding applicable licensing standards, supervisory authority, dispute resolution mechanisms, and investor protection obligations. A stand-alone statute would provide legal coherence by integrating regulatory standards relating to securities law, payment systems, fintech innovation, taxation, anti-money laundering compliance, consumer protection, and data governance into a single legislative framework.

Second, existing Nigerian laws were largely enacted before the emergence of decentralized finance ("DeFi"), smart contracts, tokenized securities, stablecoins, and Decentralized Autonomous Organizations ("DAOs").⁷⁴ Consequently, many statutory provisions remain conceptually inadequate for addressing the complexities of blockchain-based commercial

⁷¹ . OECD, *Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues* (2020).

⁷² Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-assets [2023] OJ L150/40 ("MiCA").

⁷³ European Commission, *Proposal for a Regulation on Markets in Crypto-assets* COM (2020) 593 final.

⁷⁴ European Commission, *Digital Finance Strategy for the EU* COM (2020) 591 final.

systems. A National Blockchain and Digital Assets Act would therefore enable the legislature to develop technology-specific legal principles adapted to decentralized financial ecosystems. The legislation will clearly define key blockchain concepts including cryptocurrencies, digital assets, utility tokens, security tokens, stablecoins, smart contracts, tokenized securities, virtual asset service providers, and decentralized governance systems.⁷⁵ Precise statutory definitions are essential for reducing interpretive uncertainty and ensuring regulatory predictability.

The proposed framework will also adopt a function-based regulatory model. Under this approach, digital assets would be regulated according to their economic characteristics and operational functions rather than merely their technological labels.⁷⁶ For example, digital tokens functioning as securities or collective investment products will fall within securities regulation, while payment-oriented digital assets may require monetary and payment-system oversight. A function-based framework would align Nigeria with emerging international best practices in fintech governance.

Additionally, the proposed Act should formally recognize the legal validity and enforceability of blockchain transactions and smart contracts. This would require express statutory provisions affirming that smart contracts possess legal effect notwithstanding their execution through distributed ledger technologies or computer code.⁷⁷ Such recognition would significantly improve commercial certainty and investor confidence within Nigeria's digital economy.

The legislation should further establish comprehensive licensing and compliance standards for blockchain operators, including Digital Asset Exchanges ("DAXs"), token issuers, custodians, DeFi platforms, wallet providers, and stablecoin operators. Regulatory requirements relating to capitalization, cybersecurity, governance standards, anti-money laundering ("AML") compliance, consumer disclosures, and operational transparency should be codified within the framework.⁷⁸

Another important recommendation concerns the integration of regulatory sandbox mechanisms into statutory law. Nigeria's current sandbox initiatives, including the SEC Accelerated Regulatory Incubation Program ("ARIP"), operate largely through administrative guidelines.⁷⁹ A dedicated statute should institutionalize sandbox frameworks as permanent mechanisms for balancing innovation facilitation with supervisory oversight.

The proposed Act should also incorporate investor protection safeguards tailored to digital finance. These should include mandatory risk disclosures, custody requirements,

⁷⁵ Markets in Crypto – Assets (MICA), Arts 3–5

⁷⁶ MiCA, Arts 53–75.

⁷⁷ *ibid.*

⁷⁸ MiCA, Arts 6–15.

⁷⁹ MiCA, Arts 16–52.

cybersecurity obligations, compensation frameworks for digital asset fraud victims, and dispute resolution procedures for blockchain-based transactions.⁸⁰

Finally, the enactment of a stand-alone National Blockchain and Digital Assets Act would symbolically and strategically position Nigeria as a leading African jurisdiction for blockchain innovation, fintech investment, and digital financial governance. A coherent legislative framework would improve regulatory predictability, encourage foreign investment, facilitate institutional adoption, and strengthen Nigeria's competitiveness within the evolving global digital economy.

9. Conclusion

The regulation of blockchain financing in Nigeria remains one of the most important contemporary legal and policy questions confronting the country's evolving digital economy. This paper examined the emergence of Nigeria as a major global adopter of crypto-assets and blockchain-based financial systems, the institutional transition from informal crypto participation toward regulated blockchain financing, and the continuing challenges associated with the absence of a comprehensive legal framework.

The paper reveals that Nigeria's blockchain ecosystem evolved rapidly between 2015 and 2026 due to a combination of economic instability, foreign exchange constraints, youth-driven digital innovation, financial exclusion, and increased fintech penetration. Despite the restrictive posture initially adopted by the Central Bank of Nigeria ("CBN") in 2021, cryptocurrency adoption and decentralized finance ("DeFi") activities continued to expand through peer-to-peer systems and informal digital markets.⁸¹ This manifested the practical limitations of prohibitionist regulatory strategies within decentralized technological environments.

The article further established that Nigeria subsequently transitioned toward institutional accommodation and formalization of blockchain finance through the enactment of the Investment and Securities Act (ISA) 2025, the introduction of Virtual Asset Service Provider (VASPs) Guidelines, and the expansion of Securities and Exchange Commission (SEC) oversight over digital assets.⁸² These developments marked a significant departure from regulatory hostility toward a more structured governance approach emphasizing licensing, investor protection, anti-money laundering compliance, and supervised market participation.

However, the study identified several major deficiencies within the current framework. Jurisdictional overlaps among the SEC, the CBN, the Corporate Affairs Commission (CAC),

⁸⁰ Investment and Securities Act, 2025 'Central Bank of Nigeria, Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs)' 22 December 2023.

⁸¹ Central Bank of Nigeria Circular BSD/DIR/PUB/LAB/014/001 (5 February 2021); Chainalysis, 2021 Global Crypto Adoption Index.

⁸² Investment and Securities Act 2025 (Nigeria); Central Bank of Nigeria, Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs) 22 December 2023.

and tax authorities continue to create institutional fragmentation and regulatory uncertainty.⁸³ Nigerian corporate law also remains insufficiently adapted to decentralized governance systems while evidentiary rules under the Evidence Act 2011 inadequately address the enforceability and authentication challenges associated with smart contracts and blockchain-based transactions.⁸⁴ Additionally, unresolved taxation ambiguities relating to cross-border blockchain activities, tokenized assets, and decentralized finance further weaken legal certainty within the sector.⁸⁵ The paper argued that Nigeria's present framework remains largely reactive, fragmented, and administratively driven rather than comprehensive and legislative in orientation. Existing regulatory instruments, although progressive in certain respects, are insufficient to provide the degree of predictability, institutional coordination, and legal certainty required for sustainable blockchain financing and digital asset governance.

Consequently, this paper proposed the adoption of a definitive and unified legal framework through the enactment of a stand-alone National Blockchain and Digital Assets Act. This legislation will consolidate regulatory standards, formally recognize blockchain transactions and smart contracts, define digital asset categories, establish comprehensive compliance obligations, and create institutional mechanisms capable of balancing innovation with effective regulatory supervision.⁸⁶ Ultimately, Nigeria stands at a critical regulatory crossroads as the country possesses one of the largest digital asset markets in the world, a rapidly growing fintech sector, and a youthful population increasingly integrated into decentralized digital finance.⁸⁷ Yet, without a coherent and innovation-oriented legal regime, Nigeria risks undermining its own competitive advantages within the global digital economy.

The future of blockchain financing in Nigeria should not be approached primarily through prohibition, uncertainty, or fragmented administrative intervention. Rather, Nigeria requires a definitive legal framework that promotes responsible innovation, strengthens investor confidence, safeguards financial integrity, and facilitates institutional participation within the digital economy. A balanced, adaptive, and technology-conscious regulatory system is essential if Nigeria is to emerge not merely as a major crypto adoption market, but as a leading African jurisdiction for blockchain governance, digital finance, and fintech-driven economic transformation.

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⁸⁴ Companies and Allied Matters Act 2020; Evidence Act 2011; Max Raskin, 'The Law and Legality of Smart Contracts' (2017) 1 *Georgetown Law Technology Review* 305.

⁸⁵ National Tax Agency Act 2025, OECD, 'Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues' (2020).

⁸⁶ National Tax Agency Act 2025 (Nigeria); OECD, Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues (2020).

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