

# STATE OF FINTECH & REGTECH REPORT

20  
23

NIGERIA IN PERSPECTIVE

RegTech **AFRICA**

Agpaytech

# EXECUTIVE SUMMARY

The Africans' FinTech scene is just not big but growing fast. In the first half of 2023, African FinTech deals reached 60 transactions. Although African FinTech companies raised a combined \$189m in Q2 2023, a 64% reduction from the same period in 2022. This means that African FinTech deals witnessed a decline of 30% compared to the previous year. Despite the decrease in funding, international BigTechs and giant card network companies are collaborating and investing in Africa's FinTech base. Nigeria was the most active country with several FinTech deals and activities mostly in the city of Lagos, saw 25 deals, a 42% share of the total deals in Africa as of Q2 2023.

The Nigerian FinTech industry showed immense potential returns on investment in H1 2023 largely due to spearheading policy initiatives such as Cashless Policy, Startup Bill, CBN and SEC's regulatory sandbox, Bank Verification Numbering (BVN) system, Business Facilitation Act 2023, Open Banking, and others. Although most FinTech products and services were found in the payment-related sector, the report discovered increased attention in other segments such as regulatory technology (RegTech), Banking-as-a-Service (BaaS), Wealth-as-a-Service (WaaS), and others. Moreover, the FinTech offerings in Nigeria go beyond payment services to full business integration, which is expected to increase more than 60% among all startups in Nigeria by 2026. While some FinTech firms provide direct consumer financial services others engage in backend technology supports such as software-as-a-service, cloud infrastructure, regulatory embedded (smart contracts), application programming interface (API), data security, blockchain technology, and other embedded finance activities.

With regards to the regulatory technology aspect of the FinTech Segments, RegTech solutions have gained traction mostly in areas such as regulatory reporting and compliance, anti-money laundering (AML), and know-your-customer (KYC) processes. A growing population that is increasingly digitally connected, as well as the diversity of regulatory regimes across different non-financial and financial sectors further accentuates the need for flexible and adaptive RegTech solutions that can be tailored to local contexts in Nigeria's business environment. The RegTech sector is expected to grow 40% among the start-ups in Nigeria at the end of 2025.

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# ABBREVIATIONS

AI - Artificial Intelligence

AML - Anti-Money Laundering

API - Application Programming Interface

AU - African Union

BAAS - Banking-as-a-Service

BNPL - Buy Now Pay Later

BVN - Bank Verification Number

CAC - Corporate Affairs Commission

CBDC - Central Bank Digital Currency

CBN - Central Bank of Nigeria

CFT - Counter Terrorism Financing

CTMS - Central Terminal Management System

DFSP - Digital Financial Services Providers

DLT - Distributed Ledger Technology

DPR - Data Protection Regulation

ECOWAS - Economic Community of West African States

FCCPC - Federal Competition and Consumer Protection Commission

FinTech - Financial Technology

FIRS - Federal Inland Revenue Service

FSI - Financial Services Innovators

GFC - Global Financial Crisis

IAAS - Infrastructure-as-a-Service

ISP - Internet Service Provider

KYC - Know-Your-Customer

MNOs - Mobile Network Operators

MTN - Mobile Telephone Network

NAICOM - The National Insurance Commission

NCC - Nigerian Communications Commission

NDIC - Nigeria Deposit Insurance Corporation

# ABBREVIATIONS

NDPR - Nigerian Data Protection Regulation

NDPC - Nigeria Data Protection Commission

NFI - Non-Financial Institutions

NFS - National FinTech Strategy

NFT - Non-Fungible Token

NIBSS - Nigeria Inter-Bank Settlement System

NIMC - National Identity Management Commission

NIN - National Identification Number

NIP - NIBSS Instant Payments

NITDA - National Information Technology Development Agency

NOTAP - National Office for Technology Acquisition

OB - Open Banking

PSB - Payment Service Bank

PSV 2025 - Payment System Vision 2025

PTSA - Payment Terminal Services Aggregator

RAAS - Regtech-as-a-Service

RegTech - Regulatory Technology

RI - Regulatory Incubation

RTGS - Real-time Gross Settlement Systems

SAAS - Software-as-a-Service

SEC - Securities and Exchange Commission

TSP - Technology Services Provider

USSD - Unstructured Supplementary Service Data

UX - User Experience

WAAS - Wealth-as-a-Service

# TABLE OF CONTENTS

<b>I</b>	Executive Summary	<b>18</b>	RegTech Contributions to the Emerging Technologies in Nigeria
<b>01</b>	Overview of the FinTech and RegTech Landscape in Africa	<b>19</b>	Classification of RegTech
<b>03</b>	The Nigerian FinTech Ecosystem	<b>22</b>	Creating FinTech Value Through RegTech
<b>05</b>	FinTech Services, Applications & Technologies	<b>24</b>	Regulatory Approach to FinTech Innovations
<b>05</b>	Where FinTech Fit-in in the Financial Ecosystem	<b>26</b>	Obstacles to FinTech Development in Nigeria
<b>06</b>	Making headways to other FinTech Segments	<b>28</b>	Key RegTech Functionalities Driving Growth in Nigeria
<b>07</b>	Major FinTechs Commodities in the Nigeria Market	<b>29</b>	Regtech Solutions in The Non-Financial Sector as Business Opportunities
<b>09</b>	How FinTechs Can Serve the Rural and the Unbanked Population	<b>31</b>	FinTech Startups- Strategies for Success in Nigeria
<b>11</b>	Opportunities for FinTech and Traditional Banks Partnership	<b>32</b>	Existing FinTech Firms
<b>13</b>	The Emergence of RegTech	<b>33</b>	Recommendations for New FinTech/RegTech Entrants to Nigeria
<b>17</b>	Regulatory Authorities and Activities in the FinTech in Nigeria	<b>32</b>	Conclusion
		<b>35</b>	References



# OVERVIEW OF THE FINTECH AND REGTECH LANDSCAPE IN AFRICA

Financial technology (FinTech) and Regulatory Technology (RegTech) have gained significant attention in recent years, revolutionizing the financial industry globally. Africa, with its rapidly growing economy and increasing mobile penetration, has become a focus for FinTech and RegTech innovation.

Today, the FinTech services in Africa range from mobile payments, remittances, digital lending in the form of Buy Now Pay Later, personalized deposit-taking (Saved Now Buy Later), insurance technologies for individuals and business needs, wealth and personal finance management, software-as-a-service (SaaS), digital currency and blockchain solutions, and other API providers. The majority of the FinTech services are within the payment transfers and remittance scope, emerging FinTech startups are integrating financial innovation services into other sectors or institutions such as education (payment of fees, books, laptops), hospitals (health financing), agriculture (smart-agriculture), transport (e-riding), artificial intelligence and many others.

Besides, the FinTech firms in Africa have witnessed external collaborations with Card Network firms (Visa, Mastercard), telecommunications (Vodafone, MTN Group), a surge in investment, meager and acquisitions (MFS Africa, M-Pesa, Mastercard) and market expansion (Flutterwave, ATLMoney, Zeepay), and other partnership deals from the traditional banks. Moreover, the FinTech sector is gaining strong foundation through domestic and cross-border associations, conferences, regulatory

sandbox, central banks support, governments and economic organizations initiatives (AU, ECOWAS, World Bank, PAPSS, National FinTech Strategy, etc.).

Regulation is the cornerstone of a stable and sound financial services sector, and one which serves the interests of both consumers and investors. Now, more than ever, regulation penetrates to the core of all financial institutions whether they focus on insurance, banking or asset management.

RegTech is an emerging sector within the FinTech industry that focuses on developing innovative solutions to help financial institutions and businesses comply with regulatory requirements efficiently and cost-effectively. The dynamism of Africa's financial industry, with technical and language barriers, varying regulations across different countries, limited resources for regulatory enforcement, and issues related to money laundering and fraud, compliance, and multifaceted identifications pose risks to businesses. RegTech solutions address these challenges by providing automated compliance, risk management, and fraud prevention tools. Among the major RegTech services in Africa include compliance and reporting, security and privacy, risk management, real-time monitoring of transactions, revenue assurances and safety practices.

RegTech firms now work closely with financial institutions (banks, insurance, FinTech firms), government agencies and regulatory authorities (tax authorities, customs and trade, registry

departments), healthcare (pharmaceutical companies, healthcare providers), energy and utilities (Global Voice Group), for environmental compliance and reporting, real estate (property management), eCommerce (Jumia, Alibaba), transportation and logistics (supply chain regulations, airline and airport), telecommunications for customer privacy and data protection (MNOs).

In the Africa region, the FinTech firms in the new venture space continue to grow and present numerous opportunities. Start-up activities and deals across the Africa region are gaining attraction by many BigTechs and financial firms worldwide. According to Techpoint Africa, African startups raised \$2.65 billion in H1 2022.

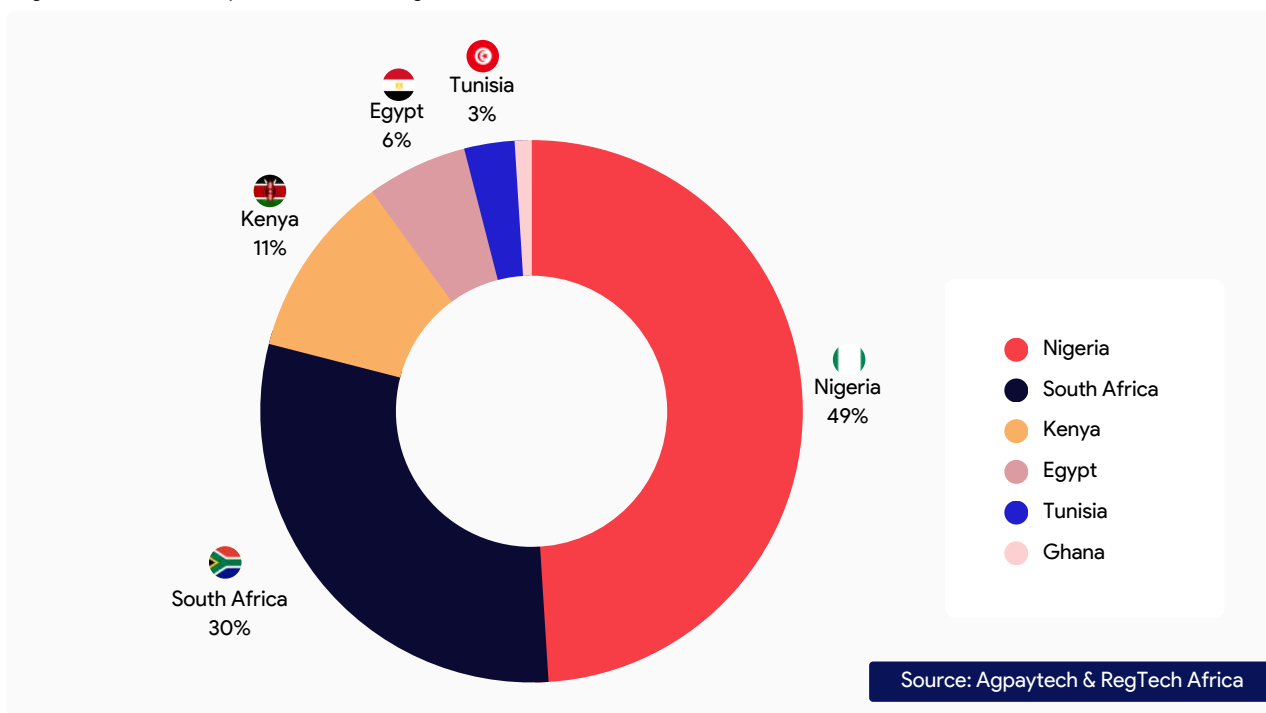
However, African startups raised \$1.43 billion in H1 2023, a 46% year-on-year drop.

Yet, the FinTech segment received the largest funds and increased in start-ups in the continent. Overall, over

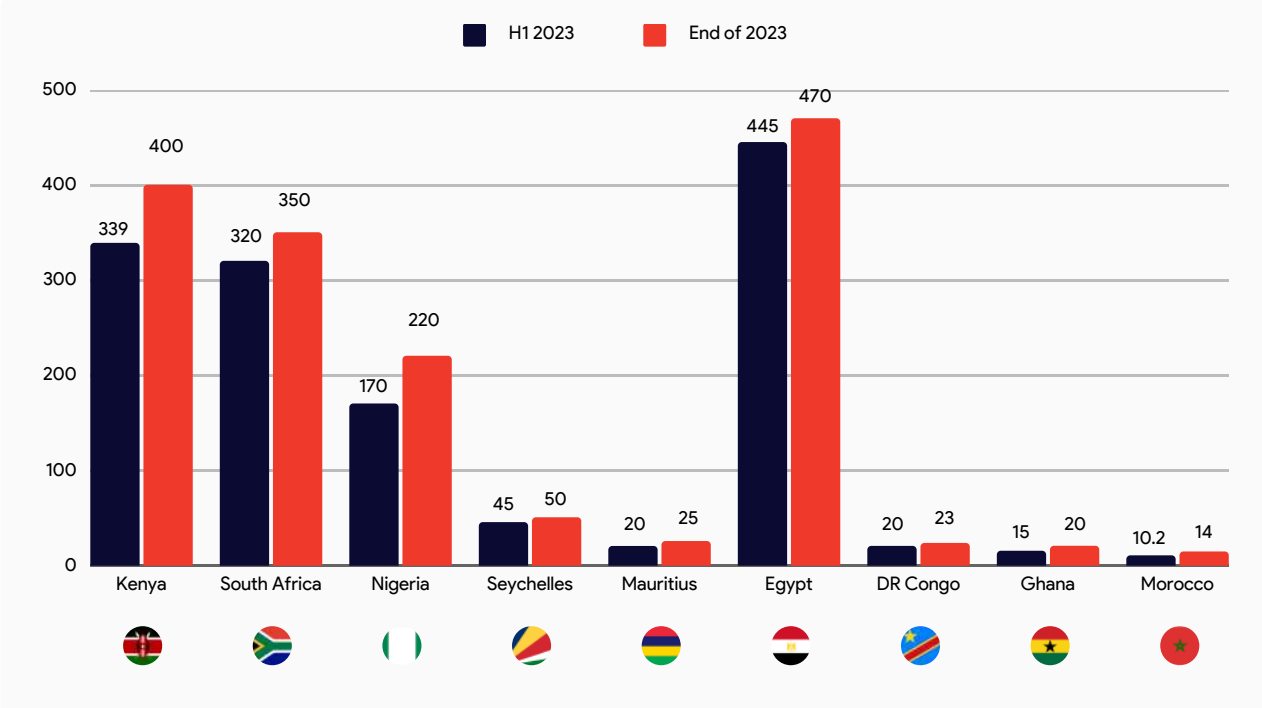
**\$1.3B**

in H1 2023, and this is expected to reach over \$1.6 billion at the end of the year.

Figure 1: FinTech startup cumulative funding 2019-H1 2023



Selected African countries and amount raised in H1 2023 and estimated at the end of 2023





# THE NIGERIAN FINTECH ECOSYSTEM

The Nigerian Fintech ecosystem has created an environment for FinTech firms to scale up, revolutionizing the way businesses and individuals in Nigeria conduct financial activities, and improving consumers' experience. It impacts various aspects of life, including payments, lending, banking services, and wealth management. The Nigerian FinTech ecosystem involves FinTech startups, investors, business organizations, financial institutions, regulators, government, academic institutions, media and consumers. This financial ecosystem all works together hand-in-hand to make FinTech a successful industry.

Most FinTech startups are concentrated in Lagos and it is the only African city in the top 100 Global Startup Ecosystem Report (StartupBlink, 2023).

FinTech startups in Nigeria are largely focused on payments and remittances with the majority of the firms in mobile transfer, lending and cross-border payments representing a share of over 30%. While those operating in investment instruments, insurance and integrated payment for loans with non-financial platforms accounted for 16%. Statista also reported that blockchain startup activities

As of August 2023, in Nigeria, FinTech ventures represented over

**40%**

of all start-ups and garnered

**42%**

of the total funds raised by startups.

Within the FinTech sector, mobile transfer, lending, and cross-border payments held a dominant share of over

**30%**

**16%**

represents investment instruments, insurance, and integrated payment for loans with non-financial platforms

Blockchain startup activities constituted

**11%**

of the FinTech space

(Statista, 2023).

accounted for 11% of the FinTech space (Statista, 2023).

As of August 2023, FinTech ventures accounted for more than 40% of the start-ups and 42% of the total funds raised by overall start-ups.

The history of FinTech in Nigeria dates back to when the first Nigerian bank started incorporating technology into their banking system for smooth operations. Some of the early FinTech companies in Nigeria are Interswitch, founded by Mr. Mitchell Elegbe; Etranzact, founded by Mr. Valentine Obi; Precise Financial Systems (PFS), founded by Mr. Yele Okeremi and SystemSpecs, founded by Mr. John Obaro.



Governments at all levels and regulators have consistently responded to the evolution of financial services and prioritized its digital agenda through initiatives such as the Startup Bill, PSV 2025, the Business Facilitation Act 2023, Open banking, cashless policy, and the introduction of the digital currency (eNaira). Nigeria’s National FinTech Strategy (NFS) demonstrates the Federal, State and Local Government’s commitment to developing a globally competitive FinTech industry and underscores its role in promoting inclusive growth and economic development.

Figure 3: FinTech startup funding in Nigeria 2015-2023

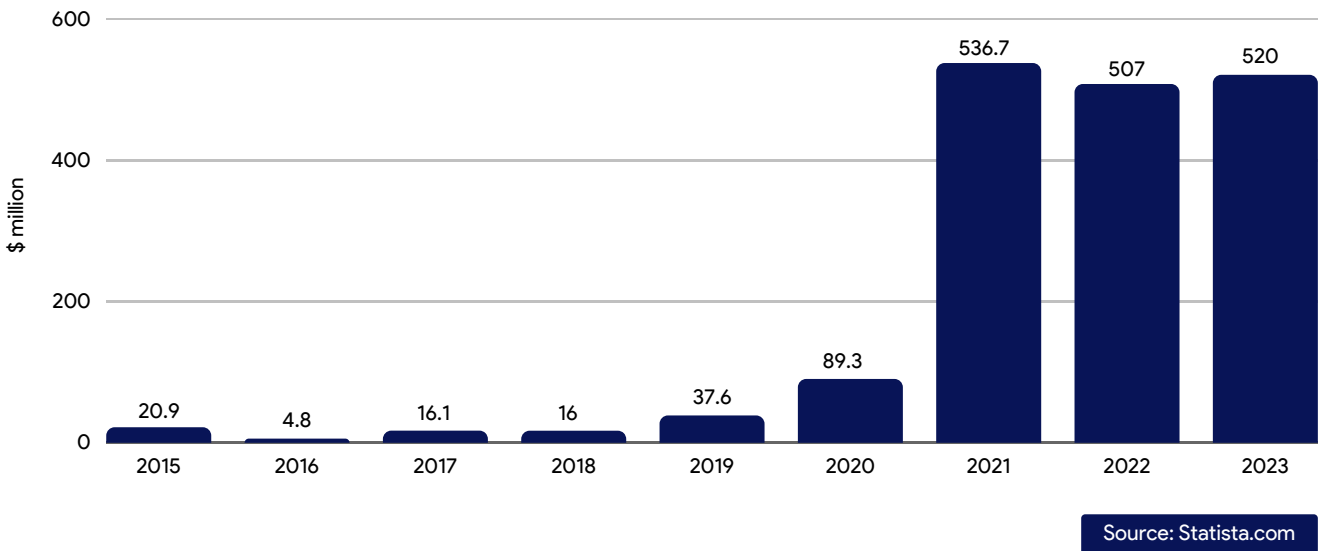
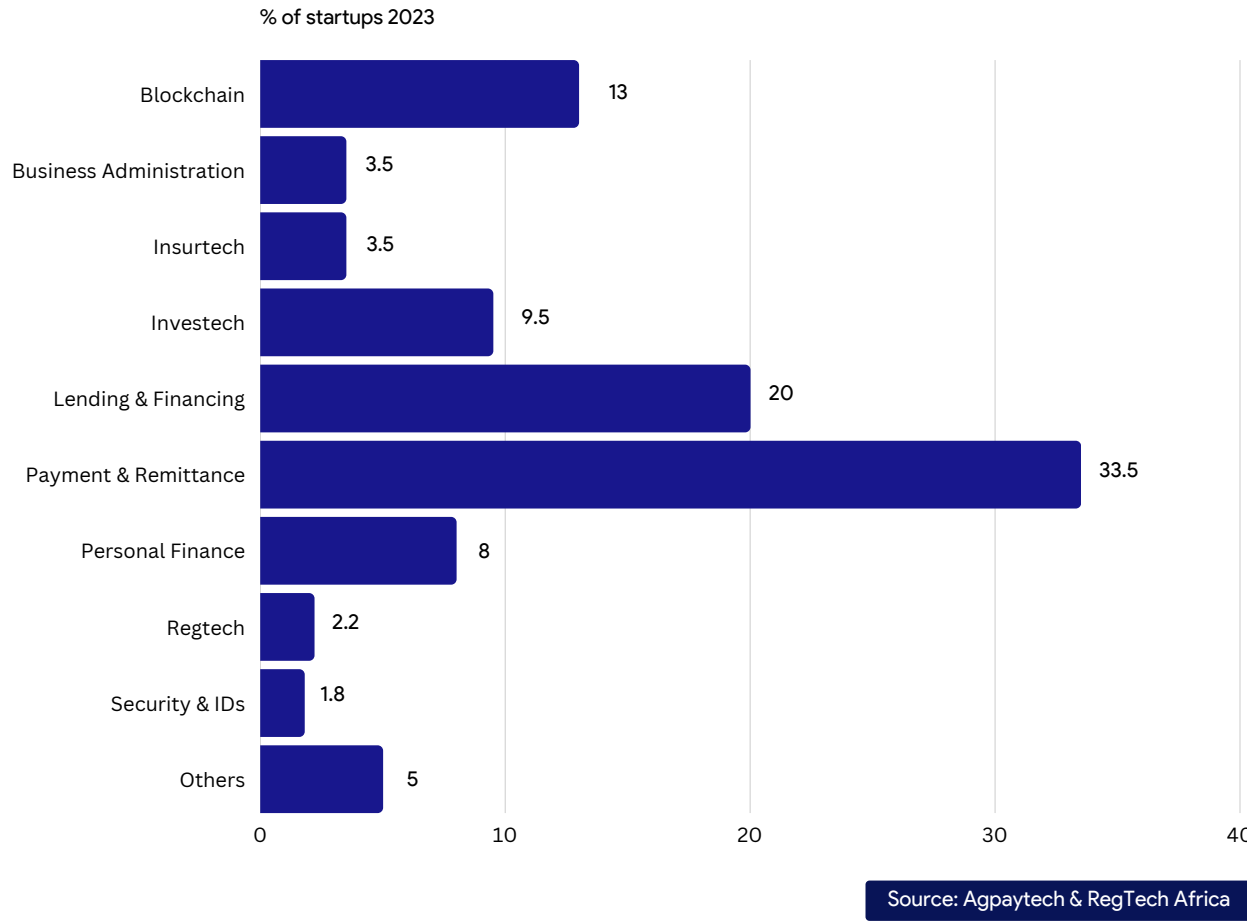


Figure 4: FinTech startups in Nigeria by Sector H1 2023

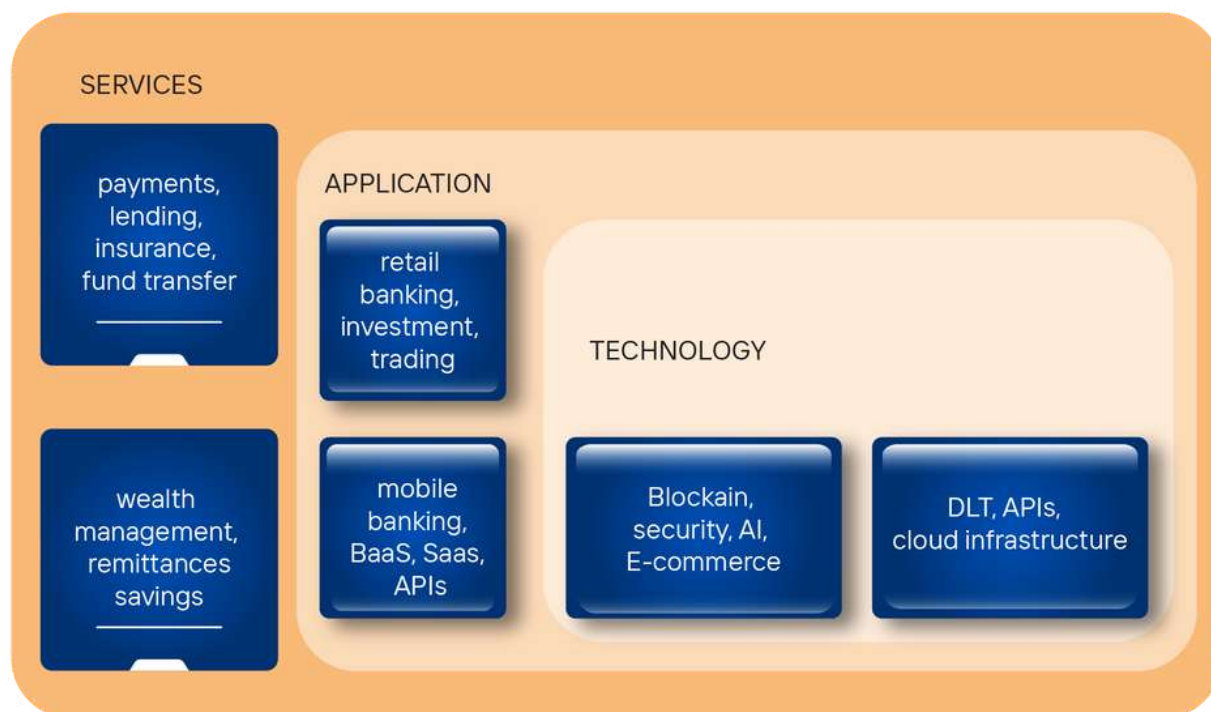


## FINTECH SERVICES, APPLICATIONS & TECHNOLOGIES

Nigeria, as Africa's largest economy and most populous country, presents immense opportunities for FinTech innovation and investment. The combination of a large unbanked population, limited access to traditional financial services, and a high rate of smartphone penetration have paved the way for FinTech to thrive in Nigeria. FinTech has enormous potential to transform the provision of financial services in Nigeria through the development of innovative instruments, channels and systems. The sector has attracted substantial investment, both local and international, resulting in a vibrant ecosystem of FinTech companies.

To the business world, FinTech activities in Nigeria are providing pragmatic ideas through FinTech services, technology and applications that all work to shape the financial ecosystem. The FinTech offerings go beyond payment services to full business integration in the financial and economic market. While some FinTech firms provide direct consumer financial services others engage in backend technology supports such as software-as-a-service, cloud infrastructure, regulatory embedded (smart contracts), API, data security, and many others.

Figure 5: FinTech by services, applications and technology



Source: Agpaytech & RegTech Africa

## WHERE FINTECH FIT-IN IN THE FINANCIAL ECOSYSTEM

Innovation has taken hold across different areas of financial services to diverse states in Nigeria. Among key financial revolutions the country has witnessed include NIBSS Instant Payments (NIP), Central bank digital currency (CBDC), that is the eNaira, Open banking initiatives, Domestic card (AfriGo), Payment Service Banks (PSB), Bank Verification Number (BVN), Central Terminal Management System (CTMS), Payments Terminal Services Aggregator (PTSA), Automated Clearing System, Real-time Gross Settlement Systems (RTGS), regulatory sandbox and many others.

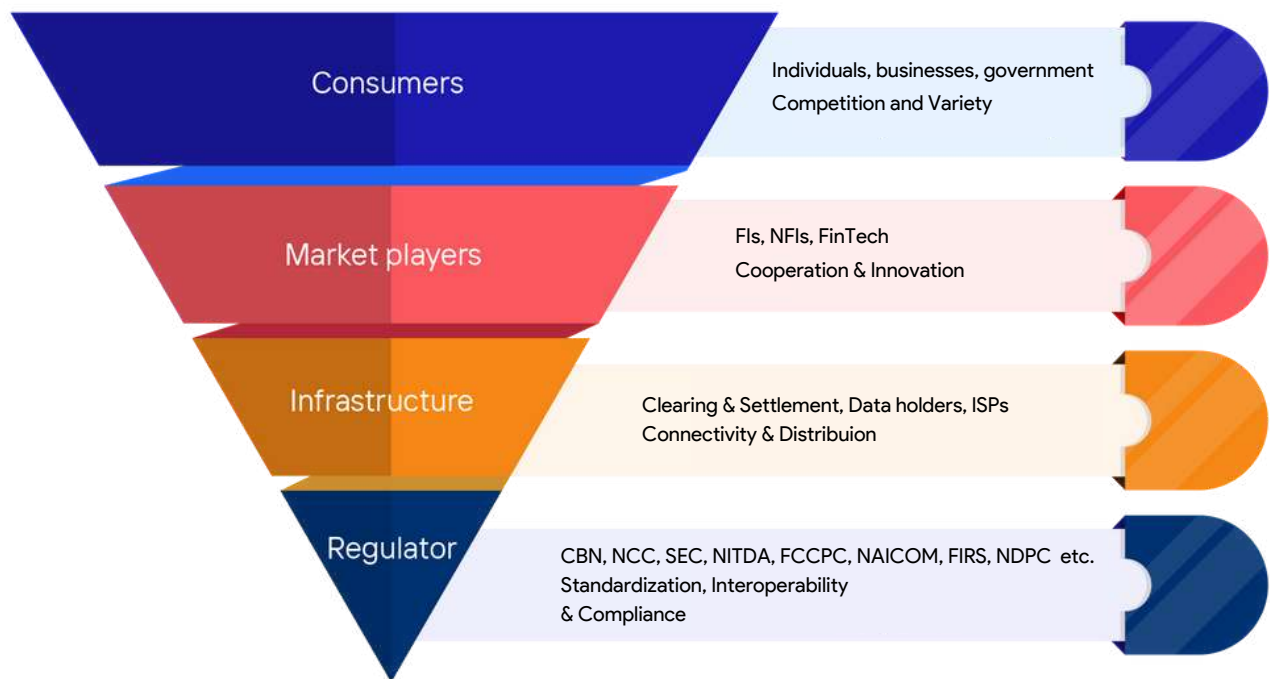
In addition, FinTech is playing a key role by reshaping financial products, payments, business models, market players, market structure and even money itself. In Nigeria, FinTech firms are mostly engaged in the payment sector providing mobile money transfers, remittance services, digital commerce and other related alternative financing.

Table 1: FinTechs development in payment areas

DIGITAL PAYMENTS	DIGITAL INVESTMENT	DIGITAL ASSETS	ALTERNATIVE LENDING	ALTERNATIVE FINANCING
Mobile Transfer	Neobrokers	Cryptocurrencies	Marketplace Lending (Consumer)	Crowd investing
Digital Remittances	Robo-Advisors	NFT	Crowdlending (Business)	Crowdfunding
Digital Commerce			Buy Now Pay Later (BNPL)	

Source: Agpaytech & RegTech Africa

Figure 6: FinTech layers in Nigeria



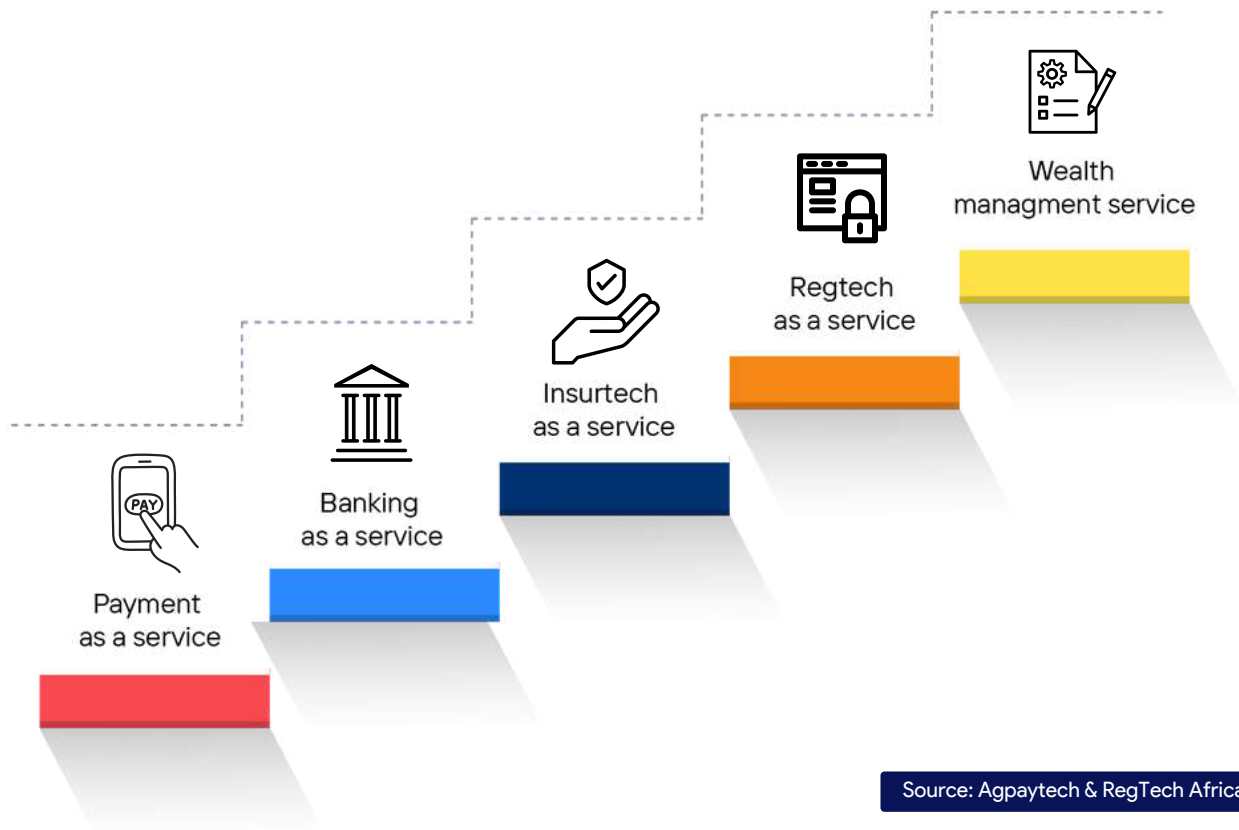
Source: Agpaytech & RegTech Africa

## MAKING HEADWAYS TO OTHER FINTECH SEGMENTS

FinTech activities are not limited to payment services only. However, any new technology that enhances and automates the usage of financial products and services is also under FinTech. It is, therefore, necessary to understand the scope of FinTech activities and move into other segments to tap the opportunities. In the Nigerian financial ecosystem, digital technology is reshaping financial services by eliminating many of the frictions that drove earlier integrated business models through advances in two key areas connectivity and computing power.

However, most of the FinTech services are concentrated in the payment service. Today, new FinTech business models are moving away from Payment-as-a-Service (PaaS) to other FinTech segments like Banking-as-a-Service (BaaS), Insurtech-as-a-Service (IaaS), RegTech-as-a-Service (RaaS) and Wealth-as-a-Service (WaaS).

Figure 7: Key Financial technology services



## MAJOR FINTECHS COMMODITIES IN THE NIGERIA MARKET

There are FinTech companies in almost all the market segments of businesses in Nigeria. This covers eCommerce, digital health, application developers, digital media, eServices, smart home, and FinTech. Yet, FinTech has witnessed breakthroughs in areas such as digital payments, digital investments, insurance, lending, RegTech and other crypto-assets financing with innovative and personalized services that support business.



Table 2: Major FinTech products and services in Nigeria 2023

<p><b>PAYMENTS AND REMITTANCE</b></p>	<ul style="list-style-type: none"> <li>• Digital Payments</li> <li>• Mobile Payments</li> <li>• Payments processing &amp; switching</li> <li>• Digital banks &amp; accounts</li> <li>• Global transfers &amp; remittances</li> <li>• Terminal &amp; infrastructure providers</li> </ul>
<p><b>LENDING</b></p>	<ul style="list-style-type: none"> <li>• Retail lending</li> <li>• SME lending</li> <li>• Credit data analytics &amp; loan assessments</li> </ul>
<p><b>SAVINGS, INVESTMENTS &amp; CROWDFUNDING</b></p>	<ul style="list-style-type: none"> <li>• Digital wealth &amp; asset management</li> <li>• Automatic savings platforms</li> <li>• Alternate investments</li> <li>• International investment platforms</li> <li>• Crowdfunding</li> </ul>
<p><b>ENTERPRISE SERVICES &amp; INFRASTRUCTURE</b></p>	<ul style="list-style-type: none"> <li>• Financial services solutions</li> <li>• Credit infrastructure</li> <li>• APIs and connectors</li> </ul>
<p><b>REGTECH</b></p>	<ul style="list-style-type: none"> <li>• AML/KYC</li> <li>• Compliance and Verification</li> <li>• Risk Management</li> <li>• Regulatory reporting</li> </ul>

Source: Agpaytech & RegTech Africa



FinTech companies in Nigeria have revolutionized the way payments are made, enabling convenient, secure and efficient transactions. Mobile payment platforms such as Paga, Flutterwave and Paystack have gained significant popularity, allowing individuals and businesses to send and receive money, pay bills and make online purchases.

Also, FinTech has disrupted the banking industry in Nigeria by introducing digital-only banks. Players such as Kuda Bank, ALAT by Wema Bank and V Bank offer fully digital banking services, allowing customers to open accounts, make transactions and access a range of financial services through their smartphones.

Secondly, FinTech is modernizing the peer-to-peer or merchant-to-customer lending models. FinTech platforms like Carbon, Renmoney and FairMoney have introduced peer-to-peer lending models that provide access to credit for individuals and small businesses. These platforms leverage technology to assess creditworthiness, making it easier for borrowers to obtain loans quickly and conveniently.

Another lending opportunity provided by FinTech is the Buy Now Pay Later (BNPL), where merchant allows customers to defer payment of goods and services. In addition, FinTech companies have introduced innovative savings and investment platforms, catering to the needs of the unbanked and underserved population. Platforms like Piggyvest and Cowrywise offer digital savings accounts, investment opportunities, and access to mutual funds, empowering individuals to grow their wealth and achieve financial inclusion.

Furthermore, FinTech firms have tackled the challenges associated with cross-border remittances, offering more affordable and efficient solutions compared to traditional banks. Companies like TransferWise, WorldRemit, ATLMoney Transfer, and Remitly provide Nigerians with the ability to send and receive money internationally at competitive exchange rates, reducing the costs and time involved in the process.

## HOW FINTECHS CAN SERVE THE RURAL AND THE UNBANKED POPULATION

Most people in the pre-urban and rural areas are often marginalized from emerging technological services due to access to internet-enabled smartphones, low literacy levels, internet connectivity dilemmas and not-required services. In some cases, people in rural areas do not have bank accounts and they are difficult to enjoy today's financial services due to the absence of conventional banks. Nevertheless, startups, FinTechs and RegTechs are working to make banking, digital payment and regulatory compliance easier for people in rural areas through retailers/shopkeepers.

The Central Bank of Nigeria (CBN) issued guidelines for the licensing and regulation of Payment Service Banks in Nigeria. Investors, Startups, and FinTech firms can join the development of the Payment Service Bank (PSB) initiative in Nigeria to provide innovative financial solutions to the rural-centric and unbanked population. Unlike the Bank-led mobile money approach, the CBN has approved the Payment Service Bank model for telecoms to operate financial services in a bid to make a dent in the country's huge unbanked population.

Currently, Hope PSB, 9PSB, MoneyMaster PSB, MTN MoMo PSB and Smartcash PSB have been granted licenses by the CBN to operate payment service banks (PSBs). With this, the Mobile Network Operators (MNOs) can maintain savings accounts and accept deposits, carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria, issue debit and pre-paid cards, operate electronic purses and invest in CBN securities.

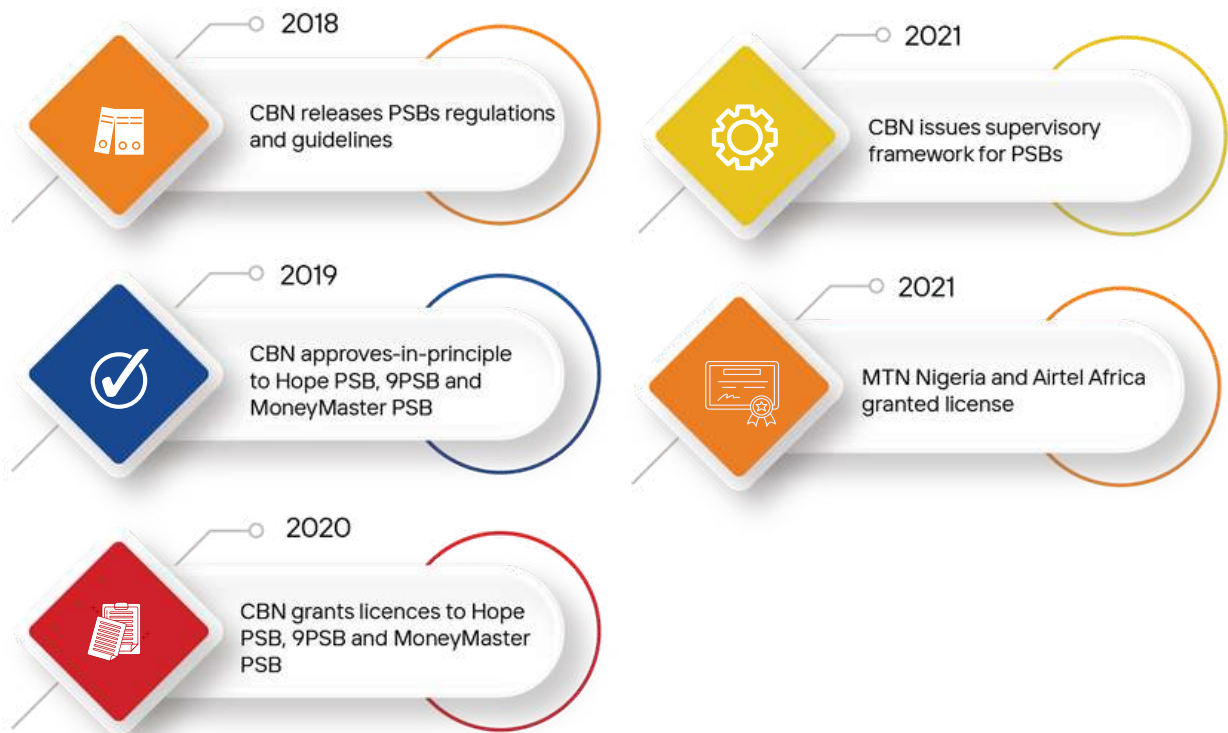


Figure 8: Benefit for FinTechs to join PSBs



Source: Agpaytech & RegTech Africa

Figure 9: Development of PSBs in Nigeria

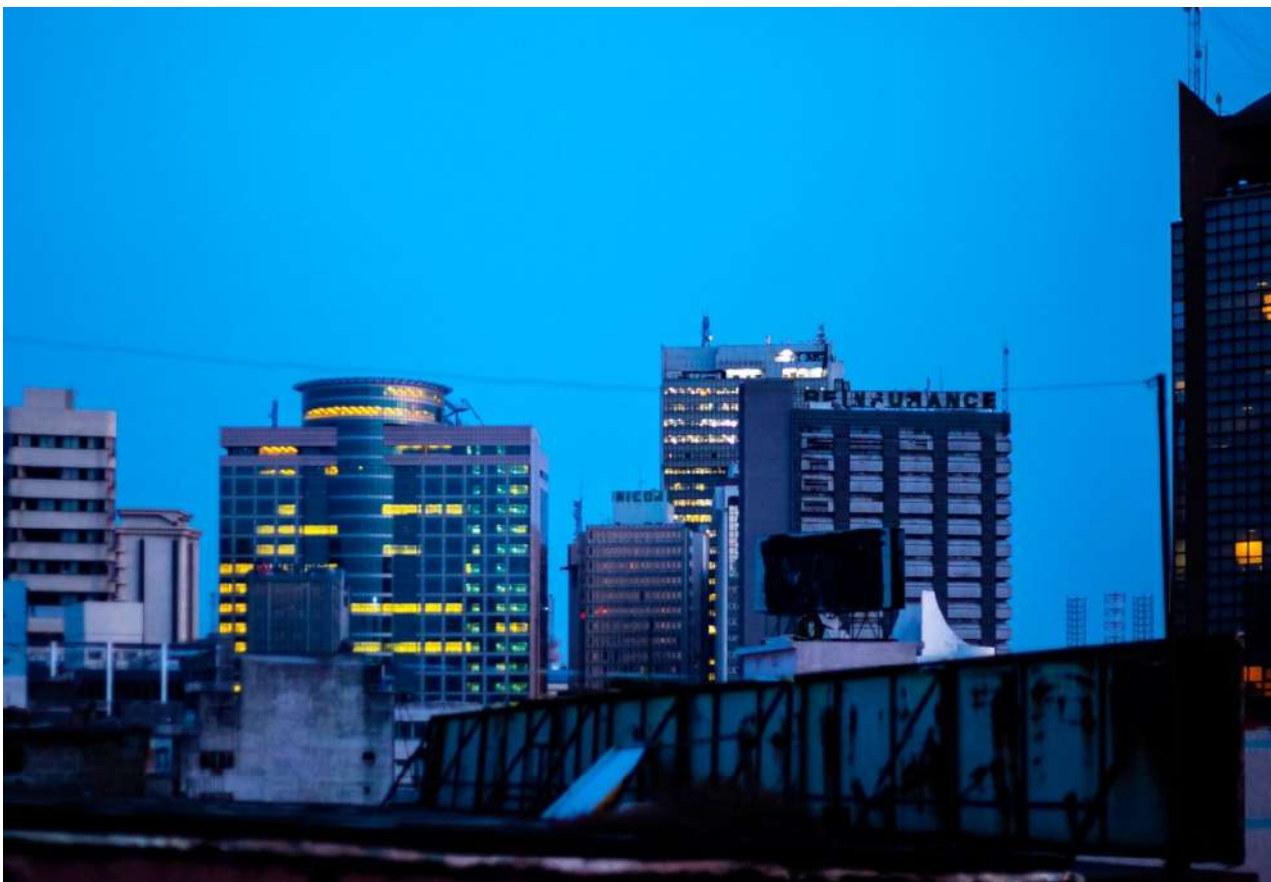


Source: Agpaytech & RegTech Africa

Table 3: Permissible and non-permissible activities of PSB

PERMISSIBLE ACTIVITIES	NON-PERMISSIBLE ACTIVITIES
1. Maintain savings accounts and accept deposits from individuals and small businesses, which shall be covered by the deposit insurance scheme	1. Grant any form of loans, advances, or guarantees.
2. Carry out payments and remittances (including inbound cross-border personal remittances) services through various channels within Nigeria;	2. Trade in foreign exchange except for permissible activity II
3. Issue debit and pre-paid cards	3. Insurance Underwriting
4. Operate electronic purse	4. Undertake other transactions which are not prescribed by the PSB guidelines
5. Invest in FGN and CBN securities	5. Establish any subsidiary except as prescribed by CBN regulation on Scope of Banking No.3, 2010.
6. Carry out other activities prescribed by CBN	

Source: Central Bank of Nigeria





## OPPORTUNITIES FOR FINTECH AND TRADITIONAL BANKS PARTNERSHIP

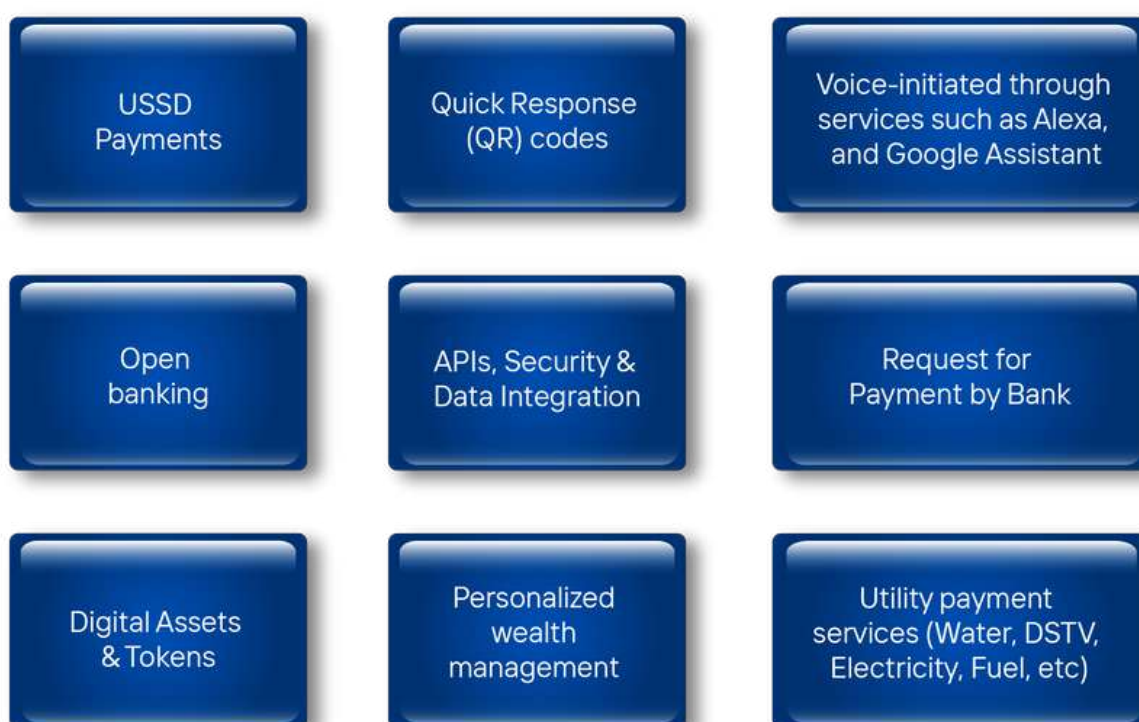
It is worth noting that partnerships between FinTech companies and traditional banks should be built on trust, shared goals and a well-defined strategy. Successful collaboration requires effective communication, alignment of objectives and the ability to navigate any cultural or operational differences between the two entities. The collaboration between these two sectors can leverage their respective strengths and create mutually beneficial outcomes.

FinTech companies are known for their innovation and expertise in leveraging technology to create new financial products and services. By partnering with FinTech firms, traditional banks can gain access to cutting-edge technologies and adopt innovative solutions in areas such as mobile banking, payment systems, risk management, customer or user-friendly interfaces, advanced data analytics and data sharing.

FinTech firms specialize in niche financial services and often focus on specific segments or innovative product categories. By partnering with FinTech companies, traditional banks can expand their product offerings and cater to a broader range of customer needs.

This collaboration enables banks to quickly and cost-effectively introduce new services, such as peer-to-peer lending, robo-advisory platforms, blockchain-based solutions or digital wallets. FinTech companies often face challenges related to regulatory compliance and risk management. Traditional banks, on the other hand, have well-established compliance frameworks and risk management practices. By partnering with banks, FinTech firms can leverage their expertise in navigating complex regulatory environments and implementing robust risk management processes, thereby enhancing their credibility and trustworthiness.

Figure 10: Suggested business models



Source: Agpaytech & RegTech Africa



RegTech adoption has shifted traditional set-and-forget regulations to inclusive and user-centered design practices which involve automation of largely manual processes and/or the use of new technologies to improve their ability to supervise their respective industries and to efficiently implement.



## THE EMERGENCE OF REGTECH

Following the 2008 Global Financial Crisis (GFC), regulatory and guideline policies that govern institutions, financial markets, products, and services experienced a swift change. Today, regulatory compliance in the 21st century is taking digital versions like smart contracts. These emerging technologies have challenged regulators' ability to regulate the fourth industrial revolution.

Regulatory technology (RegTech) has therefore evolved to deal with the changing dynamics of regulatory systems and compliance issues. Focusing on its application within the financial services sector, the RegTech sector has seen significant growth since the end of the global financial crisis both in response to the ensuing wave of regulatory change and to significant technological advances such as cloud computing and data science.

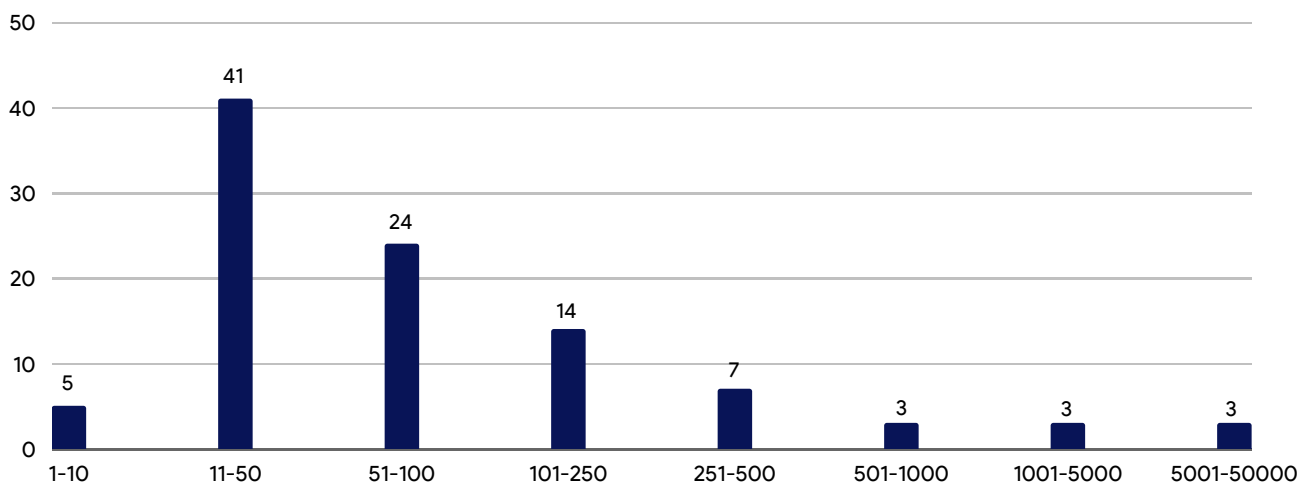
RegTech adoption has shifted traditional set-and-forget regulations to inclusive and user-centered design practices which involve automation of largely manual processes and/or the use of new technologies to improve their ability to supervise their respective industries and to efficiently implement. For example, artificial intelligence (AI) can be used to monitor data for regulatory risks, natural-language processing can help organizations better understand regulatory requirements and blockchain can help track and verify compliance data.

Figure 11: Evolving stages of RegTech



Source: Agpaytech & RegTech Africa

Figure 12: Size of RegTech by Company Employees



Source: RegTech100-Report-2023

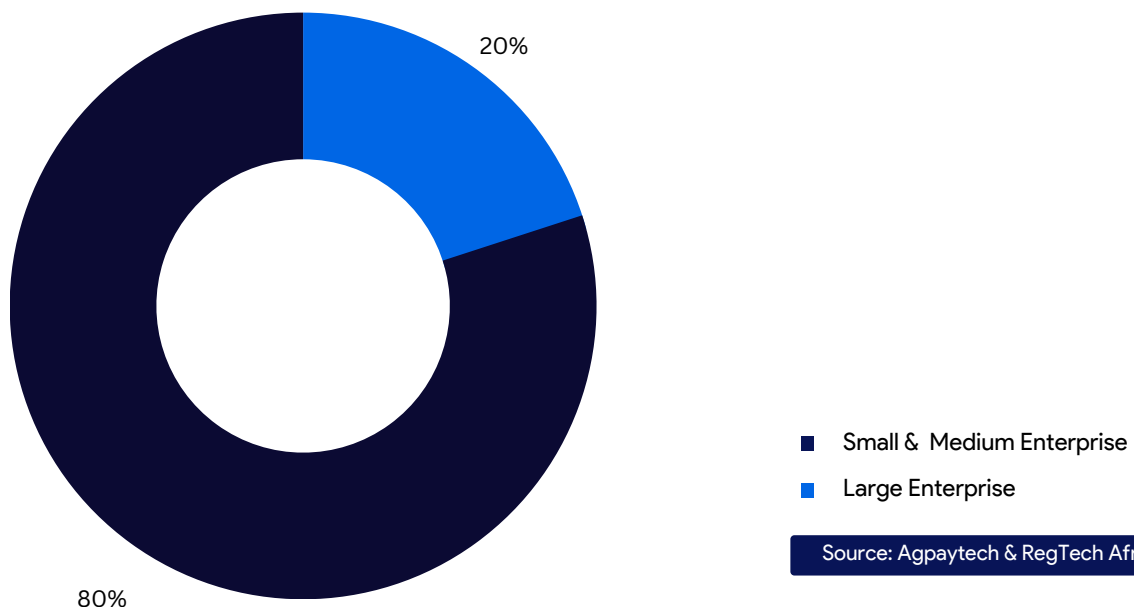
## REGTECH IN NIGERIA

In recent years, the financial services landscape in Nigeria has witnessed remarkable growth and transformation, driven by advancements in technology and an increasing focus on regulatory compliance. The convergence of these two forces has given rise to a burgeoning sector known as Regulatory Technology, or RegTech. RegTech encompasses a spectrum of innovative technological solutions that aim to streamline and enhance the regulatory processes within the financial industry. While its emergence is a global phenomenon, its impact on the African continent is particularly noteworthy due to the unique challenges and opportunities presented by the region's diverse economies, regulatory frameworks, and financial inclusion goals.



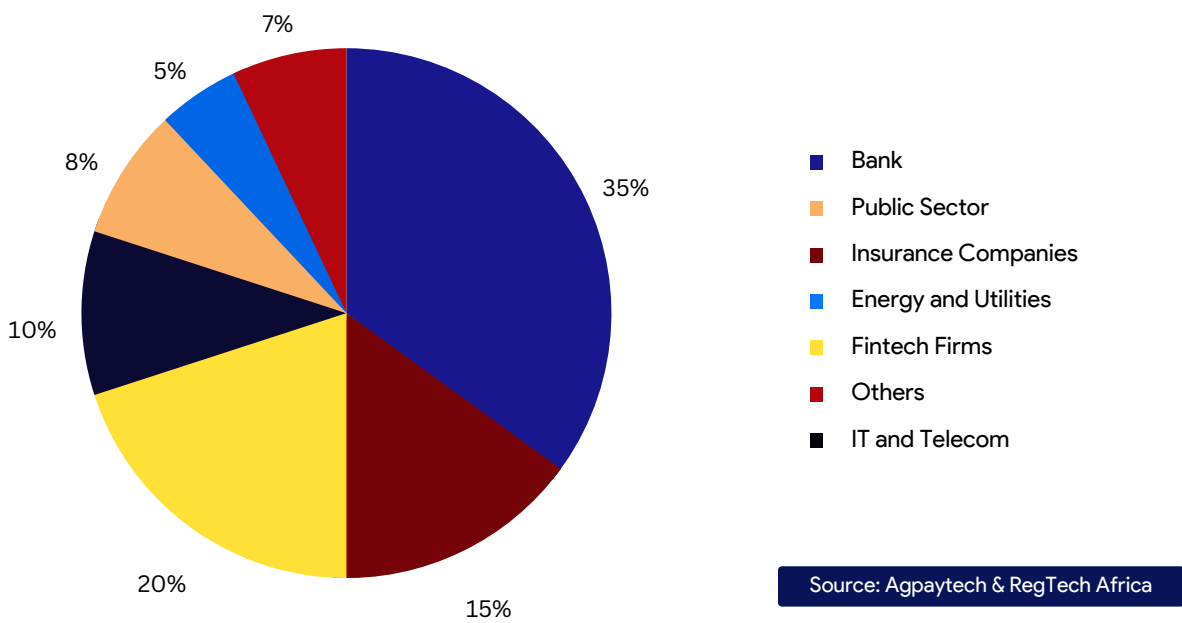
The Nigerian RegTech landscape is characterized by a dynamic interplay of factors such as rapid technological adoption, the expansion of mobile and digital financial services, and the rise of FinTech innovation hubs. With a growing population that is increasingly digitally connected, Nigeria presents an environment ripe for the adoption of technology-driven solutions that not only enhance compliance but also enable financial institutions to optimize their operations and customer experiences. The diversity of regulatory regimes across different non-financial and financial sectors further accentuates the need for flexible and adaptive RegTech solutions that can be tailored to local contexts in Nigeria's business environment.

Figure 13: RegTech by Enterprise Size -2023



Source: Agpaytech & RegTech Africa

Figure 14: Percentage RegTech by end user in Nigeria 2023



## DEMAND DRIVERS FOR REGTECH ADOPTION IN NIGERIA

Increased attention on financial regulations, increased adoption of advanced technology, and rapid expansion in collaboration between national regulators and financial institutions are thought to be some of the major drivers of the heightened regtech adoption in Nigeria.

Financial oversight is becoming increasingly data-driven, with regulators requesting data with greater depth and regularity. The sort of data required to assess compliance with most prudential rules, which are often quantitative and must be of high quality: structured, well-defined, accurate, and thorough.

Furthermore, financial institutions have made, and continue to make, significant investments in the data and analytical solutions that are required. As a result, there is a rise in demand for regtech solutions for financial services, which is propelling the market forward.

On top of these factors, the increased number of fines imposed on large financial institutions, as well as incidents of money laundering and financial fraud, are driving up the demand for appropriate regtech solutions.

Consequently, reporting requirements and transparency are more important than ever for businesses to maintain compliance.



## **REGULATORY AUTHORITIES AND ACTIVITIES IN THE FINTECH ECOSYSTEM IN NIGERIA**

In Nigeria, RegTech solutions have gained traction in areas such as regulatory reporting and compliance, anti-money laundering (AML) and know-your-customer (KYC) processes.

These solutions use advanced data analytics and AI algorithms to analyze large volumes of data, identify potential risks, and flag suspicious activities.

Moreover, collaborative initiatives such as regulatory sandboxes are emerging in different parts of the world with objectives to promote innovation in the field while minimizing risks. RegTech solutions aim to help organizations meet their compliance obligations more efficiently, accurately and cost-effectively.

Table 4: Some key players in the RegTech ecosystem

PARTICIPANTS	EXAMPLES	ROLES
Financial Regulators	<ul style="list-style-type: none"> <li>• CBN</li> <li>• NCC</li> <li>• SEC</li> <li>• FCCPC</li> <li>• NITDA</li> <li>• NDPC</li> <li>• NAICOM</li> <li>• FIRS</li> </ul>	<ul style="list-style-type: none"> <li>• Use RegTech to improve their supervisory processes</li> <li>• Facilitate developments in the industry</li> <li>• Supervise technology providers</li> <li>• Foster collaboration across the RegTech ecosystem</li> <li>• Create rules and processes to encourage and guide innovation and engagement</li> </ul>
Technology Service Providers (TSP)	<ul style="list-style-type: none"> <li>• MTN Nigeria</li> <li>• Ariel Nigeria</li> <li>• Opay</li> <li>• Flutterwave</li> <li>• NIBSS</li> </ul>	<ul style="list-style-type: none"> <li>• Understand the regulatory and business frameworks to develop innovative solutions that align with the regulatory challenges faced by regulators and market participants</li> </ul>
Market Participants	<ul style="list-style-type: none"> <li>• FI</li> <li>• FinTechs</li> <li>• PSP</li> <li>• DFSP</li> <li>• MNO</li> </ul>	<ul style="list-style-type: none"> <li>• Use RegTech to improve their regulatory and compliance processes</li> <li>• In-house development of RegTech solutions or outsource development to a technology service provider</li> <li>• Comply with regulatory requirements laid out by regulators (for example, regulatory reporting using IT processes outlined by the regulator)</li> </ul>
Consultants	<ul style="list-style-type: none"> <li>• BFA Global</li> <li>• R2A</li> <li>• RPA</li> <li>• MM4P, UNCDF</li> <li>• UNDP</li> </ul>	<ul style="list-style-type: none"> <li>• Provide expert advice for ideation, development, and/or implementation of RegTech solutions</li> </ul>
Donors	<ul style="list-style-type: none"> <li>• USAID Bill &amp; Melinda Gates Foundation.</li> <li>• Omidyar Network</li> <li>• UNDP</li> </ul>	<ul style="list-style-type: none"> <li>• Provide financial resources to initiate or continue RegTech initiatives</li> </ul>

Source: Agpaytech & RegTech Africa

## REGTECH CONTRIBUTIONS TO THE EMERGING TECHNOLOGIES IN NIGERIA

Regulatory technology aims to simplify regulation and streamline compliance processes by translating complex regulations into code. Solutions like codified regulations, AI compliance systems, blockchain tracking and smart contracting all present the potential to improve regulatory systems. RegTech is a utility for the whole industry that reduces the burden of compliance for the regulated but also promotes effective governance from regulators.

In reality, RegTech solutions are versatile. They are well-positioned to help businesses improve their regulatory compliance while fine-tuning other components of business transformation for long-term success. Not only do these technologies help streamline the business processes necessary to meet regulatory standards and lower associated costs, but they also provide critical support for business growth, improve customer service delivery and help accelerate speed to market.

Figure 15: RegTech application to emerging technologies

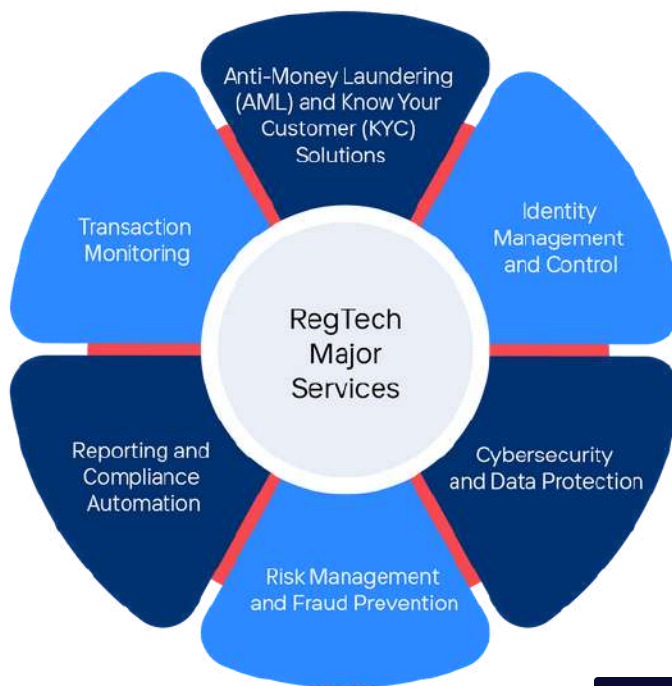


## CLASSIFICATION OF REGTECH

The Nigerian regulatory landscape is subject to regular change. This evolution of regulatory trends affects business operations directly. That makes businesses need RegTech solutions and AML compliance of utmost importance for startups, domestic and multinational companies. Six main technology innovation regulatory services are largely demanded by firms.



Figure 15: Major RegTech services in Nigeria



Source: Agpaytech & RegTech Africa



### Anti-Money Laundering (AML) and Know Your Customer (KYC) Solutions

In Nigeria, AML and KYC compliance is a significant regulatory challenge due to the complexity of financial transactions. RegTech solutions have emerged to streamline customer onboarding, verification, and due diligence processes. For instance, startups like ThetaRay, Fraudio, VerifyMe, Thales OkHi and YouVerify offer digital identity verification services, helping financial institutions comply with KYC regulations more efficiently.



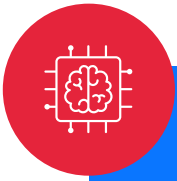
### Transaction Monitoring

RegTech solutions help financial institutions monitor transactions in real time to detect unusual or suspicious patterns that may indicate money laundering or fraud. These solutions automate the process of identifying potentially risky transactions, reducing the need for manual reviews. Example: Intellinx, DataSeers, Hawk:AI, QuantaVerse, Transunion, Tookitaki, LexisNexis, Accuity and many others provide transaction monitoring solutions.



### Reporting and Compliance Automation

RegTech platforms help financial institutions generate accurate and timely reports required by regulators. These solutions automate the process of collecting, analyzing, and submitting data, reducing the risk of errors and ensuring compliance. For instance, companies like FlexFinTx, Refinitiv, Facctum, and Veriff offer automated regulatory reporting solutions.



### Risk Management and Fraud Prevention

Nigerian financial institutions are increasingly using RegTech to assess and manage risks associated with their operations. AI-powered analytics and algorithms can identify patterns that suggest potential fraud, enabling quicker responses to mitigate risks. Firms like Forter, Seon, IBM Safer Payments, NiceActimize, SAS, Oracle and others provide fraud prevention and protection services.



### Cybersecurity and Data Protection

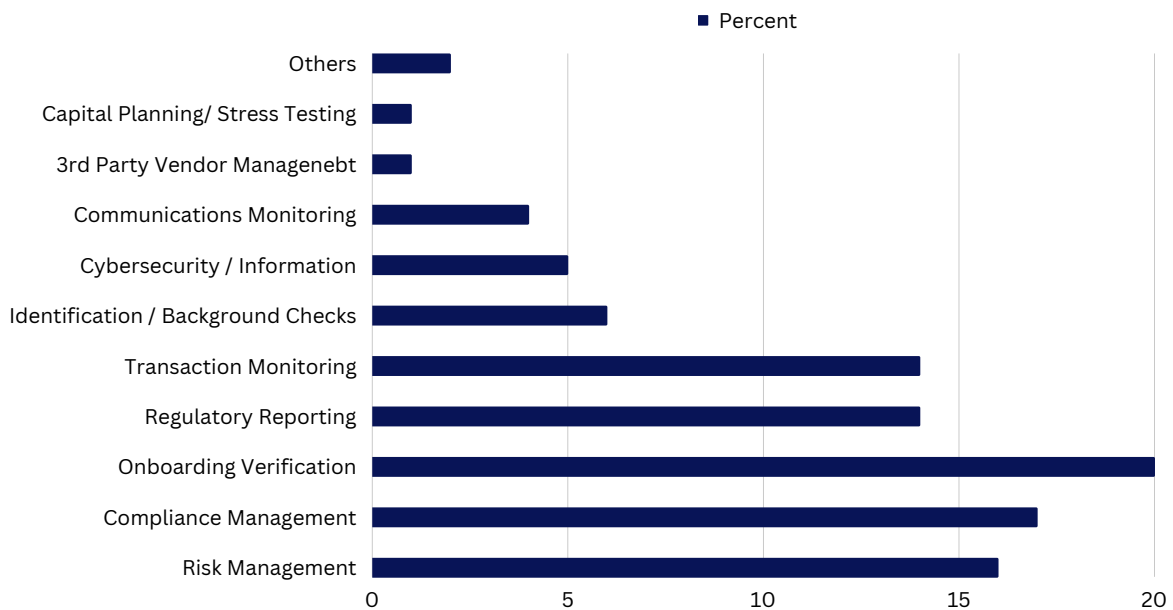
With the increasing digitization of financial services, cybersecurity and data protection have become crucial. RegTech solutions in Nigeria focus on safeguarding sensitive customer information and ensuring compliance with data protection regulations.



### Identity Management and Control

This branch involves AML and anti-fraud detection and screening. It facilitates counterparty due diligence and KYC procedures. An example of this in Nigeria is the BVN, which is the unique identification number for users to execute banking transactions. Also, the National Identity Management Commission (NIMC) oversees NIN and collaborates with banks to integrate the BVN for citizens' verification.

Figure 16: Key RegTech activities in Nigeria 2023



Source: Agpaytech & RegTech Africa

## CREATING FINTECH VALUE THROUGH REGTECH

According to Juniper Research (2022), the global regulation technology is estimated to spend over \$204 billion by 2026, accounting for 50% of all regulatory compliance spend for the first time given the scale of the regulatory burden facing the financial services industry.

Today, major financial institutions are spending substantial amounts on governance, risk, compliance and other financial risk issues. However, the RegTech solutions have the potential to significantly reduce the risk and burden by computerizing processes through new digital technologies and AI that improve efficiency and effectiveness. FinTech firms are at the center of supporting the development of RegTech by providing an ecosystem that brings together all stakeholders required to understand, test and adopt RegTech solutions at scale.

RegTech allows firms to digitalize their compliance systems from manual processes to data-driven systems, enabled by analytics and machine learning. It allows current processes, facilitated by Cloud and Distributed Ledger Technologies (DLT), AI and Banking-as-a-Service (BaaS), to be redesigned. It presents significant opportunities to support the development of effective and robust AML/CFT systems and procedures. It enhances fraud prevention processes and thereby strengthens protections for consumers and businesses. RegTech solutions such as digital identity enables greater access, choice and control for consumers and businesses, as well as facilitate trade between jurisdictions. Integration of RegTech services with BaaS models is key to realizing further market growth (TheCityUK, 2023).

By 2026, the global regulation technology is estimated to spend over

**\$204B**

**50%**

of all regulatory compliance spend will be accounted for.

Table 5: Examples of FinTech and RegTech co-value creation in Nigerian firms

	Year Est.	Location	Main	Solution	Partners
Voyance	2019	Lagos	Fraud management	Sigma	FinTech
Indicina Technologies	2017	Lagos	Loan monitoring compliance management	Machine learning	Financial
Chiniki Guard	2018	Lagos	Theft prevention and analytical dashboard	AI-enabled	Enterprise
KudiGo	2017	Lagos	KYC & AML checks, and customer identity verification.	Software-customized solution	Financial
VerifyMe Nigeria	2017	Lagos	Offers biometric identity verification services and KYC solutions	API	FinTech
Riby Finance	2017	Lagos	It also provides platform solutions for financial management, compliance, data analytics, etc.	Riby Cobanking	Financial
Risevest	2019	Lagos	Financial planning, risk assessment, and regulatory compliance services.	API	Financial, wealth management
Paystack	2015	Lagos	Payment processing, fraud prevention, and compliance with financial regulations.	Software-API	Financial

Source: Agpaytech & RegTech Africa



## REGULATORY APPROACH TO FINTECH INNOVATIONS

Nigerian authorities and regulators have enacted several regulations and guidelines to promote financial inclusion, and technological innovations and protect consumers. Most of these guidelines were from the CBN and the SEC. The CBN and the Nigeria Inter-Bank Settlement System (NIBSS) backed the introduction of the first FinTech industry innovative sandbox launched by Financial Services Innovators (FSI) to lower entry barriers into the FinTech space, especially as it relates to regulation and licensing. The SEC also introduced the “Regulatory Incubation” (RI) program designed to address the needs of new business models and processes that require regulatory authorization to continue carrying out full or ancillary technology-driven market activities. The RI is an interim measure to aid the evolution of effective regulation that accommodates innovation by FinTechs without compromising market integrity and within limits that ensure investor protection.

Besides CBN and SEC, there are other regulatory authorities or commissions whose guidelines directly or indirectly affect the FinTech and RegTech landscapes. Some include the Nigerian Deposit Insurance Corporation (NDIC), the Nigerian Communications Commission (NCC), the NITDA, the National Insurance Commission (NAICOM), the Federal Competition and Consumer Protection Commission (FCCPC), the Corporate Affairs Commission (CAC), the Federal Inland Revenue Service (FIRS) and the National Office for Technology Acquisition and Promotion (NOTAP).

Table 6: Some of the guidelines and regulations shaping the FinTech and RegTech ecosystem

Regulation/ Guideline	Sector				
	Data	Compliance	Risk	Security	Verification
Operational Guidelines for Open Banking in Nigeria, 2023	■	■	■	■	■
Nigeria Data Protection Act, 2023	■	■	■	■	■
The Guidelines for Contactless Payments in Nigeria, 2023	■	■	■	■	■
Regulatory Framework for the Agent Banking in Nigeria, 2023	■	■	■	■	■
Central Bank of Nigeria Customers Due Diligence Regulations, 2023	■	■	■	■	■
National FinTech Strategy, 2022	■	■	■	■	■
SEC Crowdfunding Rules, 2021	■	■	■	■	■
CBN Framework for Regulatory Sandbox Operations, 2020	■	■	■	■	■
Payment System Vision 2025	■	■	■	■	■
CBN Framework for Regulatory Sandbox Operations, 2020	■	■	■	■	■
The CBN Regulation on Electronic Payments and Collections for Public and Private Sectors in Nigeria, 2019	■	■	■	■	■
CBN Regulation for Bill Payments in Nigeria, 2018	■	■	■	■	■
NCC Value Added Services and Aggregator Framework, 2018	■	■	■	■	■
The CBN Regulatory Framework for the Use of USSD for Financial Services in Nigeria, 2018	■	■	■	■	■
The CBN Risk-Based Cyber-Security Framework and Guidelines for Deposit Money Banks and Payment Service Providers, 2018	■	■	■	■	■
The CBN Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria, 2018	■	■	■	■	■

Source: Agpaytech & RegTech Africa

Regulation/ Guideline	Sector				
	Data	Compliance	Risk	Security	Verification
The CBN Guidelines on Operations of Electronic Payment Channels in Nigeria, 2016	■	■	■	■	■
The CBN Guidelines on International Mobile Money Remittance Service in Nigeria 2015	■	■	■	■	■
The CBN Guidelines on Mobile Money Services in Nigeria, 2015	■	■	■	■	■
The Cybercrimes (Prohibition, Prevention, Etc.) Act, 2015	■	■	■	■	■

■ Yes ■ No

Source: Agpaytech & RegTech Africa

# OBSTACLES TO FINTECH DEVELOPMENT IN NIGERIA

The FinTech industry in Nigeria has shown immense potential in recent years, with innovative solutions addressing various financial challenges.

However, FinTech development in Africa, especially Nigeria has encountered similar challenges ranging from regulatory issues, infrastructure, investment funds, data security, and consumer management.

These obstacles and sub-issues can significantly impact the growth of FinTech in Nigeria, especially investment drive and foster sustainable growth. Addressing these challenges would require collaborative efforts from the government, regulatory bodies, investors, industry players and educational institutions to create an environment conducive to FinTech innovation and development. Table 7 identifies some of the key hindrances to FinTech growth in Nigeria.



Table 7: Challenges to FinTech Growth in Nigeria

<p><b>REGULATORY CHALLENGES</b></p>	<ul style="list-style-type: none"> <li>• Lack of clear guidelines and regulations for FinTech activities.</li> <li>• Slow and cumbersome regulatory processes hamper innovation.</li> <li>• High compliance costs and requirements for FinTech startups.</li> <li>• Lack of legal frameworks for emerging FinTech models like cryptocurrencies.</li> </ul>
<p><b>INFRASTRUCTURE GAP</b></p>	<ul style="list-style-type: none"> <li>• Poor internet penetration and network quality in certain regions.</li> <li>• Low levels of digital literacy among the population.</li> <li>• Absence of standardized APIs for seamless data sharing</li> <li>• Lack of infrastructure.</li> </ul>
<p><b>FUNDING CONSTRAINTS</b></p>	<ul style="list-style-type: none"> <li>• Insufficient venture capital and angel investment for startups.</li> <li>• Investors' cautious approach towards due to perceived risks.</li> <li>• Funding Gap: Lack of early-stage funding options.</li> </ul>
<p><b>CONSUMER TRUST</b></p>	<ul style="list-style-type: none"> <li>• Growing worries about data security and misuse.</li> <li>• Fraud and Cybersecurity: Rising instances of online fraud and cyberattacks.</li> <li>• Absence of comprehensive regulations for consumer protection in FinTech.</li> <li>• Limited Redress: Inadequate mechanisms for consumers to address FinTech-related grievances.</li> </ul>
<p><b>COMPETITION</b></p>	<ul style="list-style-type: none"> <li>• Competition from established banks and financial institutions.</li> <li>• Global Giants: Entry of international FinTech giants with significant resources.</li> <li>• An increasing number of FinTech startups leading to saturation in certain segments.</li> </ul>

Source: Agpaytech & RegTech Africa



# KEY REGTECH FUNCTIONALITIES DRIVING GROWTH IN NIGERIA

RegTech firms continue to drive innovative changes in the regulatory and compliance aspects of business organizations, especially in the financial sector. Companies that offer effective, user-friendly and scalable solutions in these areas are likely to find significant success and growth in the evolving RegTech market. Yet, RegTech business opportunities in Nigeria are under-explored and significant growth potential with demand in the market are needed. To achieve an even more modest growth, the RegTech industry will need to overcome some of the key challenges that are currently holding it back, and this in turn will require support from a number of different stakeholders.



## Anti-Money Laundering (AML) and Know Your Customer (KYC) Compliance Solutions:

AML and KYC regulations are crucial in the financial industry to prevent money laundering and verify the identity of customers. RegTech companies can offer innovative solutions that streamline and automate these compliance processes, making them more efficient, accurate and cost-effective for financial institutions.

## Data Privacy and Protection Compliance:

With the increasing emphasis on data protection and privacy regulations, there is a growing need for RegTech solutions that assist companies in complying with data protection laws such as the recently passed Data Protection Act, 2023 in Nigeria. RegTech companies can develop tools that help businesses manage and secure customer data while adhering to regulatory requirements.

## Risk Management and Regulatory Reporting:

RegTech solutions can provide advanced risk management tools that help businesses monitor and assess risks in real-time. Additionally, these solutions can automate the process of regulatory reporting, ensuring that companies comply with reporting requirements accurately and promptly.

## Cybersecurity and Fraud Prevention:

RegTech companies can offer cybersecurity solutions that protect financial institutions and businesses from cyber threats and fraudulent activities. These solutions can include advanced fraud detection algorithms, authentication methods and security protocols to safeguard sensitive information and transactions.

## Smart Contract and Blockchain Compliance:

As blockchain technology gains traction in various industries, including finance, RegTech companies can develop solutions that ensure smart contracts and blockchain-based transactions comply with relevant regulations. These solutions can add transparency and traceability to blockchain operations, making them more trustworthy and compliant with regulatory standards.

## REGTECH SOLUTIONS IN THE NON-FINANCIAL SECTOR AS BUSINESS OPPORTUNITIES

As regulations continue to evolve, the demand for RegTech solutions is likely to increase in diverse sectors where compliance and regulatory challenges exist. RegTech solutions are not limited to the financial sector. They can be applied across various industries and sectors where there are regulatory compliance challenges and a need for efficient management of regulatory requirements.

Table 8: RegTech application in the non-financial sectors

SECTOR	FOCUS	SOLUTION
Healthcare Facilities	Record and tracking	<ul style="list-style-type: none"> <li>• Patient data management</li> <li>• Ensure data privacy</li> <li>• Facilitate regulatory reporting</li> <li>• Patient tracking</li> </ul>
Pharmaceutical business	Drug development, testing & marketing	<ul style="list-style-type: none"> <li>• Automating compliance on clinical trials</li> <li>• Adverse event reporting</li> <li>• Marketing authorization</li> <li>• Drug administration reporting</li> </ul>
Environmental Agencies	Environmental regulations and standards regulations	<ul style="list-style-type: none"> <li>• Monitor emissions</li> <li>• Track waste disposal</li> <li>• Report on refuse areas</li> </ul>
Aviation and Transportation	Safety and operational regulations for airlines, airports, and logistics companies	<ul style="list-style-type: none"> <li>• Monitor aviation safety standards</li> <li>• Manage regulatory reporting requirements</li> </ul>
Real Estate and Property	Property regulations, tenant agreements, and rental laws	<ul style="list-style-type: none"> <li>• Streamline documentation processes</li> <li>• Ensure adherence to relevant real estate regulations</li> <li>• Monitor rental law usage</li> </ul>
Energy and Utility Compliance	Energy consumption, emissions, and sustainability	<ul style="list-style-type: none"> <li>• Track energy usage fraud</li> <li>• Meter temper and inefficiency</li> <li>• Managing and reporting on energy</li> </ul>
Automotive compliance	Safety standards, emissions regulations, and vehicle recalls	<ul style="list-style-type: none"> <li>• Assist manufacturers and automakers in staying compliant with automotive regulations</li> <li>• Monitor car fraud and prevention</li> <li>• Accident inspection</li> </ul>
Food and Beverage Compliance	Food safety standards & quality control regulation	<ul style="list-style-type: none"> <li>• Ensure compliance with industry-specific rules</li> </ul>

Source: Agpaytech & RegTech Africa



## OBSTACLES TO REGTECH ADOPTION IN NIGERIA

While the benefits of RegTech are significant, its implementation comes with its own set of challenges, particularly in a developing economy like Nigeria. The implementation of RegTech solutions often involves complex technologies, such as AI which can be challenging to understand and integrate into existing systems, especially for organizations with limited technical expertise or resources.

Moreover, the rapid pace of technological change necessitates continuous updating of knowledge and skills to keep up with the latest developments in RegTech.

The use of RegTech often involves the collection, storage, and analysis of large amounts of data, raising serious concerns about data privacy and security. These concerns can be particularly acute in the financial services sector, where sensitive information is routinely handled. Ensuring that RegTech solutions comply with data protection regulations and industry standards can be a complex and challenging task.

Implementing RegTech often involves significant changes to an organisation's processes, systems, and culture. Managing these changes can be a major challenge, requiring strong leadership, clear communication, and ongoing training and support. Resistance to change can be a significant barrier to the successful implementation of RegTech.

Other barriers to the adoption of regtech in Nigeria include Management buy-in, cultural change legacy systems and lack of early-stage funding options.

It's worthy of note that these barriers are beginning to lower as regtech solutions show potential to fulfil business use cases and provide cost benefits. With the right strategies and resources, organizations can overcome these challenges and harness the power of RegTech to enhance their regulatory compliance and performance.

# FINTECH AND REGTECH STARTUPS: STRATEGIES FOR SUCCESS IN NIGERIA

The Nigerian FinTech and RegTech space offers substantial growth potential for startups and existing firms to explore. Nigeria, being the largest country by population and economic size also remains the largest market in the financial landscape. Investors only need the right advice and strategies to succeed. We analyzed the FinTech and RegTech space and put forth actions that both startups and existing firms can leverage to strengthen their market position and capitalize on emerging opportunities.

## NEW ENTRANTS

Table 9: Success Strategies for FinTechs and RegTech Startups

STRATEGY	ACTION
Business plan	Foremost, irrespective of your business size, document a proper business model that illustrates the core vision, strategies, marketing, and financial roadmap for the next two, five, ten, fifteen, and twenty years.
Understanding the Local Regulatory Landscape	New entrants must thoroughly understand the relevant laws and regulations affecting their industry. Staying updated with regulatory changes and building personalized-focused solutions is crucial for success.
Identifying Specific Market Needs	Tailor your solutions to address specific group needs. This can be in the educational, agricultural, health, financial, automobile, and other sectors.
Partnerships and Collaboration	Collaborate with financial institutions, other startups, or industry players to leverage their existing customer base, distribution channels or expertise.
User-Friendly and Seamless Experience	Simplicity and ease of use are essential for customer adoption and retention. Provide unique experience and value to your clients.
Scalability and Flexibility	Ensure your platform can handle increased demand and adapt to evolving customer needs.
Customer Education and Support	Provide educational resources and excellent customer support to help users understand your solutions and values.
Networking and Industry Involvement	Enhance the business visibility by participating in industry events, and seminars to network with potential clients, investors, and experts.
Security and Compliance	Security and compliance are paramount in the financial and regulatory space. Invest in robust security, data privacy and compliance measures to boost clients' confidence.

Source: Agpaytech & RegTech Africa

## EXISTING FIRMS

Table 10: Success Strategies for Existing FinTech and RegTech Firms

Strategy	Action
Continuous innovation	Monitor market trends and customer feedback to identify areas for enhancement. Pay attention to individual and group concerns.
Diversification of services	Consider expanding your product or service offerings to meet broader customer needs or tap into new market segments
Regulatory compliance expertise	Position your firm as a trusted advisor with expertise in navigating regulatory complexities
Partnerships and integration	Integration with established players or platforms to enhance your market presence.
Talent acquisition and development	Businesses are driven by a dedicated team. Invest or acquire a skilled and motivated workforce that drives innovation and competition for the business.
Brand building and marketing	Conduct target marketing campaigns and lead reputation initiatives to attract new clients
Social responsibilities	Participate in advocacy efforts in the immediate communities that benefit the firm or put the business in the limelight.

Source: Agpaytech & RegTech Africa

# RECOMMENDATIONS

FinTech and RegTech firms in Nigeria operate in a dynamic and rapidly evolving industry characterized by feasible growth opportunities due to increased smartphone and internet penetration, education and the quest for convenience. This requires that they need to position their products and services in a timely, and needful manner to attract the right consumers and investors. To help new entrants succeed in this competitive landscape, this report recommends the following action plan:



## Regulatory Compliance:

Few entrants must prioritize understanding and adhering to the regulatory framework in Nigeria. Engage with regulatory bodies like the Central Bank of Nigeria (CBN) to stay updated on licensing requirements, data privacy regulations (like NDPR), and anti-money laundering (AML) regulations.



## Cybersecurity and Data Privacy:

New entrants should invest in robust security measures to safeguard customer data, transactions, and sensitive information. Regular security audits and employee training can help prevent cyber threats.



## Innovation and Differentiation:

Start-ups are advised to continuously innovate to stand out in the market. Develop unique solutions that address specific pain points for Nigerian consumers or businesses. Consider incorporating technologies like blockchain, AI, and biometrics to enhance security and user experience.



## Financial Inclusion focus in the rural areas:

Nigeria has a large unbanked and underbanked population mostly in the rural and pre-urban communities. New entrants can make a significant impact by providing services that cater to this segment, enabling access to financial services such as mobile payments, microloans, and digital savings accounts.



## Partnerships and Collaboration:

For new entrants to grow and compete in other sectors while reducing operational cost, such companies need to collaborate with traditional financial institutions, telcos, and other players in the ecosystem. Partnerships can help new entrants leverage existing customer bases, access regulatory expertise, and tap into established distribution networks.



## User Experience (UX):

While providing products and services, new entrants should focus on a seamless and user-friendly experience to all their digital solutions and services to help customer retention. Design intuitive interfaces, prioritize mobile optimization, and offer 24/7 customer support to address user concerns and technical issues promptly. Scalability is vital to maintaining service quality during periods of high usage.



## Marketing and Branding:

New entrants must develop a strong brand identity that resonates with their target audience. Craft effective marketing strategies that highlight the benefits of their services and differentiate them from competitors. Seek ways to generate revenue while offering value to customers.

# CONCLUSION

FinTech and RegTech have brought about significant advancements in the African financial industry, promoting financial inclusion, enhancing efficiency, and addressing regulatory challenges. The growth and trends observed in Africa's FinTech and RegTech sectors reflect the continent's potential for innovation and the transformative power of technology in shaping the future of finance in Africa. The Nigerian FinTech sector has not seen only growth but mass adoption and an increased international interest in BigTechs and other financial cooperation. Also, FinTech activities are not limited to payment services only, but new technologies are being used to automate the usage of financial products, regulation compliances, credit management, etc., in the area of education, agriculture, small and medium enterprises, and others.

Despite no definite regulatory act for FinTech activities, the growing collaboration between the supervisory authorities in the country such as CBN, SEC, NIMC, NIBSS and other industry-based associations are shaping and promoting conducive ease-of-doing FinTech business, especially with the recent introduction of Start-Up Act and regulatory sandbox.

Moreover, the current state of FinTech in Nigeria has witnessed a surge in collaborative effort between financial institutions such as traditional or commercial banks and Non-financial institutions (telecoms, education, utilities, energy, etc.) that possess huge customer data. This has paved the way for more innovative FinTech products and services such as Open Banking, Payment Service Bank, AIs, Requests for Payment by Bank, Buy Now Pay Later, integrating eNaira with existing payment options and many others.

While regulatory compliance remain an integral part of the FinTech activities and the financial landscape in Nigeria, this report finds RegTech solutions and services the key factor to optimize secured operations and customer experience.

Despite the significant and forward-thinking progress that has been made in the growth and adoption of regtech and fintech in Nigeria, a proactive approach to implementing a regulatory framework and a participatory approach to policy formulation are needed. This will require regulators, policymakers, FinTechs, FIs, industry bodies and academia, working together to develop a right-touch regulatory framework to positively shape the sector and lower market barriers, while protecting consumers.

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Nigeria-Lagos:  
1b, Etim Inyang Crescent Victoria Island



+234(0)8127105857



info@regtechafrica.com



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# ABOUT AGPAYTECH LTD

Agpaytech Ltd. is a company pioneering in the Fintech Space with a focused approach to building robust technologies for eCommerce Card Processing Solutions for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service, Banking-as-a-service, Foreign Exchange, Cross Border Payments, and digital currency technology.

We also provide practical white paper research support to central banks, government and private institutions, economic organizations, and NGOs in Africa. Our services expand from research projects, state-of-industry reports, project assessment, data collection, and consulting services in the financial market industry.



United Kingdom:  
3rd Floor, 86-90 Paul Street  
London, EC2A 4NE, UK



info@agpaytech.com



www.agpaytech.co.uk

State of Nigeria FinTech and RegTech Report 2023

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