



# Regulations for Nigerian Blockchain startups

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# What is Blockchain?

A familiar analogy is likening blockchain to WhatsApp groups.

# Reasons people get involved in crypto

Promise of wealth.

It makes cross border transfers, faster and easier.

To harvest the benefits of mining and trading.

Should Crypto be regulated?????

# How crypto will be legislated

Depends on whether the legislature sees crypto as currency or commodity, both bearing different implications. However, whichever way, tax issues must arise. As commodity, tax is paid from profit.



**As Currency:** Federal legislature and CBN would have the power to regulate.

**As Commodity:** In this instance, it could be classified as securities. As a commodity and not legal tender, state legislatures will be able to regulate. I bet Lagos would be the first to.

# Current Legal Position

CBN and SEC warning & policies

Does not prohibit crypto.

This doesn't mean there are no laws that can be applied.



Banks and Financial Institutions are prohibited from investing in cryptocurrency or running a virtual currency exchange.



Private Businesses other than BFIs  
can run a virtual currency  
exchange or launch an ICO.

AML/CFT (Combating the  
Financing of Terrorism) must be  
complied with by the exchanges

It is risky to assume that just because there is no definite legal framework, then anything goes.


No.

Some already existing laws are applicable. Applicable laws depend on the nature of crypto business.



For instance, are you running a consultancy business that teaches people how to invest in crypto?

The **ISA** requires you to have first obtained a license from SEC as a capital market specialist, otherwise, you could be liable.



On Wednesday, a member of the House of Reps called on CBN and NDIC to create a regulatory framework for the innovative technology through a bill titled 'Need to regulate blockchain applications and internet technology.'



Areas we can expect regulations  
to address

As we await further development of a  
regulatory framework, we can expect  
law makers to address the following:



1. A legal definition of virtual currency.

2. Security Standards: virtual currencies run on software code and require the internet. That definitely raises issues of security. To protect users, operators and businesses in the space have to be regulated for them to uphold acceptable security standards.

3. AML/CFT: this will not necessarily eliminate the use of virtual money for illicit means, but it would help reduce it.


4. Customer data management/privacy issues.

5. Risk Management Standards

6. Repository models, centralized or decentralized?


7. Remittances, local or cross border?

8. Exchange rates



We hope that the Nigerian government will strive for a proactive approach that will not stifle but allow the young technology to flourish in the country. The focus at all times should be protecting the interests of investors (her citizens).





As my conclusion, I dare say we should focus on education rather than speculation. Education is the most powerful weapon which you can use to change the world (Nelson Mandela).

Innovation has just begun.



Stay Tuned

Thank You