



LEGAL REGIME ON CRYPTOCURRENCY AND OTHER FORMS OF DIGITAL CURRENCIES IN NIGERIA: LESSONS FROM EL SALVADOR

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ABSTRACT

Cryptocurrency made its entry into Nigeria around 2012 with the growing global popularity of Bitcoin. Early adopters were primarily tech enthusiasts and investors seeking alternative financial opportunities. By 2016, Bitcoin and other cryptocurrencies began to gain traction as Nigerians looked for ways to hedge against economic instability and inflation. The legal landscape for cryptocurrency and blockchain is still evolving. The Central Bank of Nigeria (CBN) has issued warnings about the risks associated with cryptocurrency investments, emphasizing the potential for fraud, volatility, and the lack of consumer protections. In February 2021, the CBN directed all financial institutions to close accounts transacting in or operating on cryptocurrency exchanges. This directive sparked significant debate about the balance between innovation and regulation. The Nigerian legal system also faces challenges in adapting existing laws to address the unique characteristics of blockchain technology. Issues such as the legal recognition of smart contracts, the enforceability of blockchain-based agreements, and the jurisdictional complexities of cross-border blockchain transactions are areas that require comprehensive legal analysis and new legislative frameworks. This paper adopted the doctrinal research methodology. The findings revealed that there are existing Nigerian laws and regulations on cryptocurrency and blockchain technology are currently misaligned with international standards due to their nascent and fragmented nature. This paper holds that Nigeria should establish clear and comprehensive regulations for cryptocurrency and blockchain technology to address aspects such as licensing requirements for exchanges, consumer protection, anti-money laundering (AML), and counter-terrorism financing (CTF) measures

KEYWORDS: *Blockchain, Cryptocurrency, Digital Currencies and Data*

1. INTRODUCTION

The rapid adoption and proliferation of cryptocurrency and blockchain technology in Nigeria have outpaced the development of corresponding legal and regulatory frameworks, leading to a series of significant challenges and uncertainties.¹ The Central Bank of Nigeria's (CBN) directive to financial institutions to cease dealing with cryptocurrency exchanges has created confusion and stifled innovation, while the Securities and Exchange Commission (SEC) has proposed regulations

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¹ A A Gikay, 'Regulating Decentralized Cryptocurrencies under Payment Services Law: Lessons from European Union Law' [2018] (9) *Journal of Law, Technology, and the Internet*, 2.



that are not yet fully implemented.² Also, lack of clear legal protections for consumers engaging in cryptocurrency transactions exposes them to significant risks, including fraud, theft, and market volatility. Without regulatory safeguards, users are vulnerable to malicious activities and have limited recourse in cases of financial loss.³ The decentralized and often anonymous nature of cryptocurrency transactions poses risks to the integrity of Nigeria's financial system. Issues such as money laundering, terrorism financing, and other illicit activities are harder to monitor and control without effective regulatory oversight and robust compliance measures. The legal status of cryptocurrency and blockchain-based transactions remains uncertain, complicating their recognition and enforcement in Nigerian courts. Questions about the legality of smart contracts, the enforceability of blockchain agreements, and the jurisdictional complexities of cross-border transactions present significant legal challenges.

The regulatory uncertainty and lack of clear legal frameworks could hinder Nigeria's ability to fully leverage the economic benefits of blockchain technology. Potential benefits such as enhanced financial inclusion, improved transparency, and increased efficiency in various sectors may remain unrealized without supportive legal and regulatory structures. This paper, therefore, examines the Regime on cryptocurrencies and other forms of digital currencies in Nigeria and lessons from El Salvador.

2. EXAMINATION OF THE REGULATORY REGIME ON CRYPTOCURRENCIES AND OTHER FORMS OF DIGITAL CURRENCIES IN NIGERIA

The regulatory regime for cryptocurrencies in Nigeria has been marked by a combination of strict measures and evolving approaches as the country grapples with the burgeoning influence of digital currencies. Nigeria has taken a somewhat stringent stance on cryptocurrencies.⁴ Specifically, in February 2021, the Central Bank of Nigeria (CBN) issued a directive banning banks and financial institutions from dealing in cryptocurrencies or facilitating payments for cryptocurrency exchanges.⁵ This move was aimed at protecting the financial system from the risks associated with unregulated digital assets, such as fraud, money laundering, and terrorism financing.⁶ Therefore, this directive has helped curb the direct use of cryptocurrencies in the formal financial sector, thereby reducing potential risks related to financial stability, fraud, and illegal activities.⁷ The ban has driven cryptocurrency transactions underground, making it more challenging for regulators to

² Gikay (n 1) .

³ *ibid.*

⁴ O Omoniyi, 'Regulation of Cryptocurrency and Digital Assets in Nigeria: New Beginnings' [2020] (3) (3) *Journal of Finance* 30-45.

⁵ Omoniyi (n 4).

⁶ E E Esoimene, 'Nigeria's Regulation of Cryptocurrencies: New Developments' [2021] (12) *FinTech Law Journal* 101-119.

⁷ *ibid.*



monitor and manage these activities.⁸ Additionally, it has pushed many Nigerians towards peer-to-peer (P2P) trading platforms, which are harder to regulate.⁹

Despite the regulatory constraints, Nigeria remains one of the largest cryptocurrency markets in the world in terms of adoption.¹⁰ Many Nigerians turn to cryptocurrencies as a hedge against inflation and for remittances, given the instability of the national currency, the Naira. The high level of adoption signifies a resilient and innovative public willing to leverage digital currencies despite regulatory hurdles, this innovation can drive the development of the fintech sector. The current regulatory regime does not foster innovation within a legal framework, potentially stifling growth in the sector and driving talent and investment to more crypto-friendly jurisdictions.¹¹ Cryptocurrencies have the potential to enhance financial inclusion in Nigeria, where a significant portion of the population remains unbanked. Digital currencies can provide access to financial services without the need for traditional banking infrastructure.¹²

The lack of a clear regulatory framework creates uncertainty and can deter new users from entering the crypto space. A major concern for regulators is ensuring the security of financial transactions and protecting consumers from fraud and scams prevalent in the crypto market.¹³ The regulatory ban aims to protect consumers from the high volatility and risks associated with cryptocurrencies.¹⁴ Without proper regulation, consumers remain vulnerable to fraud and scams in the person to person market, and there is no recourse for those who fall victim to such activities.¹⁵ Nigeria has launched its own central bank digital currency, the eNaira, as an alternative to cryptocurrencies. The eNaira is aimed at enhancing the digital payment landscape while remaining under the control of the central bank. The eNaira provides a regulated digital currency option that can integrate seamlessly into the existing financial system, ensuring stability and regulatory oversight. The success of the eNaira depends on its acceptance and adoption by the public, which may be limited if people perceive it as a less flexible and innovative option compared to cryptocurrencies.¹⁶

3. LEGAL STATUS OF CRYPTOCURRENCY IN NIGERIA

Cryptocurrency is not recognized as a legal tender in Nigeria. In fact, the Nigerian government has been proactive in issuing notices about the pitfalls of investing in the cryptocurrency markets.¹⁷ For

⁸ Esoimene (n 6).

⁹ *ibid.*

¹⁰ U J Orji, 'The State of Cryptocurrency Regulation in Nigeria' [2021] (2) 3) *Journal of Economic and Finance* 50-60.

¹¹ *ibid.*

¹² O Ugwu, 'Regulatory Challenges and the Future of Cryptocurrencies in Nigeria' [2020] (15) (2) *Journal of Multidisciplinary and Current Studies* 220-238.

¹³ *ibid.*

¹⁴ A Dike, 'Assessing the Legal Framework for Cryptocurrencies in Nigeria' [2019] (7) (1) *Nigerian Journal of Technology* 45-61.

¹⁵ (n 14).

¹⁶ Dike (n 14).

¹⁷ I Ahmed, 'Examination of the Tax Treatment of Cryptocurrency Transactions in Nigeria' [2021] (9) (1) *Afe Babalola University Law Journal* 20-35.



example, in January 2017, the Central Bank of Nigeria and the Securities Exchange Commission issued two separate circulars advising Nigerians, Banks and other Financial Institutions to desist from the trade and use of cryptocurrencies as they are not recognized as legal tender in Nigeria.¹⁸ The CBN also issued another circular dated 28 February 2018 warning Nigerians on the inherent risks in engaging in cryptocurrency transactions on the basis that cryptocurrencies are not regulated all over the world.¹⁹

Furthermore, on 5 February 2021, CBN released a letter addressed to Banks and other Financial Institutions which stated that dealing in cryptocurrencies and facilitating payment for cryptocurrency exchanges are prohibited. The CBN further instructed all Banks and other financial institutions to identify individuals or entities who transact in cryptocurrency or operate cryptocurrency exchanges and close the accounts of such persons or entities.²⁰ This letter generated uproar in the financial sector and serious concern was raised by stakeholder on the potential negative effect the ban on cryptocurrency could have on Nigeria's growing cryptocurrency market and innovation in the fintech industry. In response, the CBN issued a press release on 7 February 2021 to clarify that the CBN did not place any new instructions on cryptocurrencies given that all banks in the country had earlier been forbidden through the CBN circular dated 12 January 2017 not to use, hold, trade and/or transact in cryptocurrencies.²¹

However, the former Vice President of Nigeria, Prof. Yemi Osinbajo, once called for the regulation of cryptocurrency transactions in Nigeria rather than an outright ban.²² According to the former Vice President, cryptocurrency transactions present a new challenge to the traditional banking sector and as such there is a need for the country to prepare to overcome these challenges. Pursuant to this, the CBN announced in May 2021 that a digital currency will be created for Nigeria. On 25 October 2021, the CBN introduced a central bank digital currency known as 'eNaira' which was launched and activated by President Muhammadu Buhari under the slogan: 'Same Naira, More Possibilities'. The eNairas reputed as the second central bank digital currency fully open to the public after the Bahamas.²³ The eNaira shares a lot of similarities with other types of digital currencies.²⁴ For instance, such as other types of digital currencies, the eNaira uses blockchain technology and it can be stored in digital wallets, and it be used for payment in transactions.²⁵ It can be transferred digitally and at virtually no cost to anyone in the world with an eNaira wallet.²⁶

¹⁸ Central Bank of Nigeria (CBN), 'Again, CBN warns on virtual currencies'

<[https://www.cbn.gov.ng/Featured/Articles/2018/artilces/CBN Virtual Currencies.asp](https://www.cbn.gov.ng/Featured/Articles/2018/artilces/CBN%20Virtual%20Currencies.asp). accessed 5 February 2026.

¹⁹ (n 19).

²⁰ *ibid.*

²¹ *ibid.*

²² (n 19).

²³ A A Adedipe and O Atanda, 'Nigeria: Prohibition of Cryptocurrency Transactions by the Central Bank of Nigeria' <<https://www.mondaq.com/Nigeria/fin-tech/1036556/prohibition-of-cryptocurrency-transactions-by-the-central-bank-of-nigeria>>accessed 5 February 2026.

²⁴ A A Adedipe (n 23).

²⁵ *ibid.*

²⁶ A A Adedipe (n 23).



Nonetheless, there are certain important differences between eNaira and other types of digital currencies, the ‘eNaira’ unlike other types of digital currencies, is issued and regulated by the Central Bank of Nigeria.²⁷ Therefore, this means that ‘eNaira’ legal tender that serves as both a medium of exchange and a store of value. In addition, unlike other types of digital currencies which constitute asset in nature, the eNaira is not a financial asset but a digital form of a national currency and draws its value from the physical naira, to which it is pegged at parity.²⁸ Since its introduction in 2021, the eNaira had soared popularity. The eNaira was projected to be running on about 10,000 downloads per day in the second quarter of 2022. This projection by a source in one of the commercial banks leading in the eNaira platform follows the 7,300 dpd recorded in the first quarter of the year 2022. However, despite the popularity of eNaira, research revealed that operators are concerned with the low level of person-to-person transaction which is an indicating that actual usage by individuals is not as active as the downloads.²⁹

The Hushpuppi case involves Ramon Abbas, a Nigerian national who gained international notoriety for his involvement in a massive fraud scheme.³⁰ He was arrested in Dubai in 2020 and subsequently extradited to the United States to face charges. Hushpuppi, as he is popularly known, was accused of running a global fraud operation that targeted victims in several countries, including the United States, UK, and UAE. His scheme involved using social media to launder millions of dollars and trick victims into transferring funds to his accounts. The case drew widespread attention due to Hushpuppi’s lavish lifestyle and high-profile connections. He was known for flaunting his wealth on social media, often posing with luxury cars, designer clothes, and expensive jewelry.³¹ In 2021, Hushpuppi pleaded guilty to fraud and money laundering charges in a US court. He faces up to 20 years in prison and is awaiting sentencing. The Hushpuppi case highlights the growing concern of cybercrime and the need for international cooperation to combat fraud and bring perpetrators to justice. The Hushpuppi case involves cryptocurrencies and digital currencies. Hushpuppi and his accomplices used cryptocurrencies, particularly Bitcoin, to launder and transfer illicit funds. They also used online payment platforms and digital currencies to facilitate their fraudulent activities.³²

According to the US Department of Justice, Hushpuppi and his co-conspirators used a “complex network of accounts” to launder millions of dollars in cryptocurrency, which was then converted into fiat currency and transferred to bank accounts around the world. The case highlights the vulnerability of cryptocurrencies to fraud and money laundering, and the need for increased regulation and oversight in the cryptocurrency space. It also demonstrates the ability of law

²⁷ A A Adepide (n 23).

²⁸ *ibid.*

²⁹ *ibid.*

³⁰ O Olawoyin, ‘Nigeria will soon create digital currency-CBN’ (Premium Times, Abuja 21 May 2023) <<https://www.premiumtimesng.com/news/top-news/463912-nigeria-will-soon-create-digital-currency-cbn.html>> accessed 28 February 2026.

³¹ (n 30).

³² (n 23).



enforcement agencies to track and trace illicit cryptocurrency transactions, and to bring criminals to justice. Hushpuppi's use of cryptocurrencies and digital currencies was a key aspect of his fraudulent scheme, and his case has had significant implications for the cryptocurrency industry and efforts to combat financial crime.³³

The jurisdictional issues and justiciability of digital currencies related claims in Nigeria encompass several facets due to the evolving nature of digital currencies and the regulatory environment. The CBN has issued several circulars and directives regarding digital currencies.³⁴ In February 2021, the CBN directed financial institutions to cease facilitating cryptocurrency transactions and shut down accounts of individuals and entities engaged in cryptocurrency trading. This regulatory stance influences the jurisdictional handling of digital currency cases as it effectively bans financial transactions involving cryptocurrencies within the formal financial system. Also, SEC has also expressed its intent to regulate digital assets, recognizing them as securities, and thus bringing them within the purview of Nigerian securities laws. The interplay between CBN's stance and SEC's regulatory efforts adds complexity to jurisdictional issues. Therefore, the legal recognition of digital currencies in Nigeria is still ambiguous. Since digital currencies are not recognized as legal tender by the CBN, disputes involving digital currencies might not be straightforward under existing legal frameworks. The courts may face challenges in asserting jurisdiction over cases involving digital currencies due to the lack of explicit statutory provisions addressing these assets.³⁵

Also, digital currencies are inherently cross-border, and jurisdictional issues arise concerning which country's laws apply. Nigeria's legal system would need to determine its jurisdiction over transactions that may involve foreign parties or exchanges located outside Nigeria. Also, contracts involving digital currencies might face challenges in enforceability. Given the CBN's stance, contracts for the purchase, sale, or exchange of digital currencies could be deemed illegal or voidable. Thus, courts would need to consider whether to enforce such contracts or declare them void due to illegality under Nigerian law, cases of fraud, theft, or disputes involving digital currencies present unique challenges. The anonymous and decentralized nature of digital currencies can make it difficult to trace transactions and identify perpetrators. With the lack of regulatory clarity, protecting consumers in digital currency transactions is a significant concern. Disputes involving losses due to the volatility of digital currencies or platform failures would test the capacity of Nigerian courts to provide adequate remedies. The justiciability of claims would depend on how Nigerian courts interpret existing consumer protection laws in the context of digital currencies. Therefore, now in Nigeria, there are limited judicial precedents in Nigeria specifically addressing digital currencies. Courts may look to decisions from other jurisdictions or international legal principles to guide their rulings.³⁶ Additionally, the Nigerian judiciary is still developing its

³³ (n 30).

³⁴ (n 23).

³⁵ *ibid.*

³⁶ (n 26).



understanding of cryptocurrency and digital currency issues, and the courts may seek guidance from international authorities and legal precedents.³⁷

4. BENEFITS AND RISKS ASSOCIATED WITH THE USE OF CRYPTOCURRENCIES

There is no legislation in Nigeria that expressly bans the usage of cryptocurrencies. In normative systems such as law, without an express prohibition of a conduct whether an act or omission by a code, such a conduct is permitted. In criminal law, this is known as the principle of *nullum crimen sine lege*, ‘meaning there is no crime where there is no law’. When applied to legislation, it simply means that the existence of a crime depends on there being a previous legal provision declaring the action to be an offence. This is the jurisprudence behind the provision in section 36 (12) of the 1999 Constitution³⁸ that a ‘person shall not be convicted of a criminal offence unless that offence is defined, and the penalty therefore is prescribed in a written law. The court have consistently upheld this principle.³⁹ Thus, in the absence of a statutory prohibition of cryptocurrencies in Nigeria, their creation, use or dealing in them is lawful as they do not contravene any law in existence.⁴⁰

Therefore, in Nigeria, the body empowered by law to issue legal tender is the Central Bank of Nigeria. Also, the law prescribes the unit of currency and its subdivision which is the Naira, further divisible into one hundred kobo.⁴¹ Furthermore, CBN also determines the exchange rate of the naira to other currencies in the world and arranges for the printing of currency notes and the minting of coins. Currency notes and coins issued by CBN shall be legal tender in Nigeria at their face value for the payment of any amount.⁴² Expressly, the Criminal Code, prohibits the making or counterfeiting of currency and related acts such as being in possession, dealing in uttering, importing, or exporting counterfeit currency and prescribes punishments for them.⁴³

Therefore, security is both a benefit and a risk when cryptocurrencies are concerned. Cryptocurrencies give greater security through transparency. Each party in a cryptocurrency transaction has access to see exactly where the funds are being transferred. Also, their virtual digital nature makes it impossible for them to be subjected to counterfeiting or physical theft.⁴⁴ Again, the anonymity of the parties to the transaction as against the traditional currencies where the parties need to know or recognize each other provides another source of security for the transaction.⁴⁵ While traditional fiats are tied to a location, cryptocurrencies and other digital assets can be used across countries which make them more flexible. Also, there is a wide range of application options,

³⁷ (n 30).

³⁸ Constitution of the Federal Republic of Nigeria 1999 (as amended) s 36(12).

³⁹ *Aoko v Fagbemi* (1961) 1 All NLR 1.; *Amadi v FRN* (2011) All FWLR (Pt 561) 15-88.

⁴⁰ F Baunjaku, ‘Cryptocurrencies: Advantages and Disadvantages’ [2017] (2) (1) *Journal of Economics* 31-37.

⁴¹ CBN Act, 2007, s 2 and 15.

⁴² *ibid*, s 16-20.

⁴³ Counterfeit Currency (Special Provisions) Act, 2004, s 146-160B; 467(2) (g) and 475.

⁴⁴ (n 40).

⁴⁵ G Cornel, ‘Bitcoin-A Brief Analysis of the Advantages and Disadvantages’ [2017] (5) (2) *Global Economic Observer* 62-67.



as each coin is created for a specific purpose.⁴⁶ Cryptocurrencies can revolutionize financial inclusion, by providing a means for small companies to raise funds through online lending, while also bringing closer to individuals through the provision of mobile payment systems.⁴⁷

Flowing from the above, a bitcoin payment is estimated to be capable of being confirmed in 10-30 minutes even where transactions occur across different jurisdictions.⁴⁸ Therefore, for international commercial transactions, the merchants can check the transaction before they deliver the goods.⁴⁹ Also, because altcoin transactions are irreversible unless the seller agrees to that with the customers, the risk of a chargeback fraud can be reduced. While some jurisdictions including Nigeria have some regulations on the operation of cryptocurrency, there is no single ‘all-embracing’ legislations that spells out most aspects of what cryptocurrencies entail, and one of this is how breaches of rights would be handled, particularly because of rights themselves are not defined, therefore, one cannot factor in exactly what point they are breached.⁵⁰ As a result of the end-to-end encrypted nature of cryptocurrencies, which gives room for anonymity, cryptocurrencies can easily be used to facilitate terrorist attacks and other nefarious activities such as money laundering. This is possible because the identity of the parties remains anonymous, as against the traditional fiat, where the involvement of a trusted third party makes it difficult to mask the transaction. Citizens can easily evade tax using cryptocurrencies because capital gains can be easily masked.⁵¹ The effect of this is that wealth becomes concentrated in the hands of a few, while others remain at a risk to service even more that they should.⁵²

5. ISSUES AND CHALLENGES UNDERMINING REGULATION OF CRYPTOCURRENCY AND DIGITAL CURRENCIES IN NIGERIA

The regulation of cryptocurrencies and digital currencies in Nigeria faces several issues and challenges that undermine its effectiveness.

5.1 Lack of Comprehensive Regulatory Framework

The Central Bank of Nigeria’s directive banning banks from facilitating cryptocurrency transactions was a broad-stroke approach that did not establish a detailed regulatory framework. Without comprehensive guidelines, there is uncertainty among businesses and individuals about what activities are permissible.⁵³ This discourages legitimate enterprises from engaging with

⁴⁶ G Cornel (n 45).

⁴⁷ *ibid.*

⁴⁸ (n 30).

⁴⁹ *ibid.*

⁵⁰ A Olasubomi, ‘Cryptocurrencies in Nigeria: A Legal Analysis’ [2021] (2) (4) *Journal of Finance and Development* 200-220.

⁵¹ (n 50).

⁵² *ibid.*

⁵³ O Agbakoba, ‘Cryptocurrency and Government Regulation in Nigeria’ [2024] (6) (4) *Journal of Finance and Social Sciences* 200-215.



cryptocurrencies and pushes transactions to less transparent, harder-to-regulate spaces like peer-to-peer (P2P) platforms.⁵⁴

5.2 Underground Market and Peer-to-Peer Trading

The ban has not stopped cryptocurrency activities; instead, it has pushed them underground. Peer-to-peer (P2P) trading has surged in Nigeria.⁵⁵ Platforms like Paxful and Local Bitcoins have seen significant increases in usage. While this allows continued access to cryptocurrencies, it also complicates regulatory oversight and increases the risk of fraud and scams since these transactions occur outside formal banking channels.

5.3 Financial Exclusion

The CBN's strict stance on cryptocurrencies may inadvertently increase financial exclusion. Many Nigerians use cryptocurrencies to access financial services and international markets due to limited traditional banking infrastructure.⁵⁶ The ban restricts these opportunities, particularly for those in rural areas or without access to formal banking.⁵⁷

5.4 Consumer Protection and Security Risks

Cryptocurrencies are susceptible to high volatility, fraud, and scams, issues that are exacerbated in an unregulated environment. Instances of Ponzi schemes and fraudulent investment platforms have risen.⁵⁸ For example, the "MMM Nigeria" scheme lured many Nigerians with promises of high returns using cryptocurrencies, ultimately collapsing, and causing significant financial losses. The absence of a regulatory framework means that victims of such scams have little recourse.

5.5 Technological and Knowledge Gaps

There is a general lack of understanding of cryptocurrencies and blockchain technology among both the regulators and the public.⁵⁹ This knowledge gap hinders the development of effective regulatory measures. Many regulators lack the technical expertise needed to fully understand and address the nuances of cryptocurrency transactions. This gap also affects the public, who may fall victim to scams due to a lack of awareness about the risks involved in cryptocurrency investments.⁶⁰

6. PROSPECTS FOR REGULATION OF CRYPTOCURRENCIES AS A MEANS OF EXCHANGE IN NIGERIA

The prospects for regulating cryptocurrencies as a means of exchange in Nigeria are promising but come with significant challenges and opportunities.⁶¹ Cryptocurrencies can significantly enhance

⁵⁴ O Agbakoba (n 53).

⁵⁵ *ibid.*

⁵⁶ L Mills, 'Crypto in Nigeria-Surge in Adoption and Regulatory Shifts' [2024] (3) (4) *Crypto Council for Innovation Journal* 100-120.

⁵⁷ *ibid.*

⁵⁸ (n 58).

⁵⁹ *ibid.*

⁶⁰ *ibid.*

⁶¹ *ibid.*

financial inclusion in Nigeria, where a large portion of the population remains unbanked or underbanked.⁶²

6.1 Digital Accessibility

Cryptocurrencies offer an accessible financial tool for people without traditional bank accounts, allowing them to participate in the digital economy.⁶³ They can provide a cost-effective means of conducting transactions, particularly in rural areas where banking infrastructure is limited.⁶⁴

6.2 Remittances

Nigeria is one of the largest recipients of remittances in Africa. Cryptocurrencies can streamline these transactions by reducing fees and increasing speed.⁶⁵ Using cryptocurrencies for remittances can reduce the high costs associated with traditional money transfer services. Cryptocurrencies enable faster transactions, which can be particularly beneficial for urgent remittances.⁶⁶

6.3 Economic Stability

Given the volatility of the Naira, cryptocurrencies can serve as a hedge against inflation and currency depreciation. Cryptocurrencies can provide an alternative store of value for Nigerians looking to protect their wealth against local currency devaluation. They offer an additional means of diversifying assets, potentially stabilizing personal finances and small businesses.⁶⁷

The current regulatory environment is marked by uncertainty and stringent restrictions, particularly the CBN's ban on banks facilitating cryptocurrency transactions. Therefore, a clear and comprehensive regulatory framework is needed to provide certainty for businesses and consumers. This should balance risk management with innovation support. Regulators must engage with stakeholders, including fintech companies, financial institutions, and the public, to develop informed and effective policies.⁶⁸ Regulations must include robust consumer protection measures to safeguard users from fraud and financial loss. Also, public education campaigns are necessary to inform users about the risks and safe practices in using cryptocurrencies. Effective use of cryptocurrencies requires robust technological infrastructure and widespread internet access.⁶⁹ Investment in digital infrastructure is crucial to support the widespread use of cryptocurrencies as a means of exchange.

6.4 Access and Affordability

Ensuring affordable and reliable internet access, especially in rural areas, is vital for broader adoption. A gradual, phased approach to regulation can help manage risks and allow for adjustments

⁶² J Chioma, 'Adoption of Cryptocurrencies in Nigeria: Challenges and Opportunities' [2021] (12) (4) *African Journal of Science, Technology, Innovation and Development* 483-492.

⁶³ A Ojo and E Okafor, 'The Impact of Blockchain Technology on Financial Inclusion in Nigeria' [2021] (10) (1) *Journal of Information and Economic Development* 56-69.

⁶⁴ *ibid.*

⁶⁵ *ibid.*

⁶⁶ *ibid.*

⁶⁷ *ibid.*

⁶⁸ *ibid.*

⁶⁹ (n 63).



based on real-world experiences.⁷⁰ Also, implementing pilot programmes and regulatory sandboxes can help test the use of cryptocurrencies in controlled environments.

Thus, starting with less restrictive measures and gradually tightening regulations based on observed risks and market behaviour.⁷¹

6.5 International Collaboration

Learning from other countries' regulatory experiences and collaborating with international bodies can provide valuable insights and best practices.⁷² Nigeria can benchmark against regulatory frameworks from countries like Japan, Switzerland, and Singapore, which have more mature cryptocurrency regulations.⁷³ Aligning with international standards can facilitate cross-border transactions and integrations with global financial systems. The introduction of the eNaira offers an opportunity to integrate cryptocurrency regulation with the broader digital currency ecosystem. Developing regulations that allow cryptocurrencies to complement the eNaira, rather than compete with it, can enhance the overall digital payment landscape. Establishing standards for interoperability between the eNaira and private cryptocurrencies can ensure seamless transactions and wider acceptance.⁷⁴

The prospects for regulating cryptocurrencies as a means of exchange in Nigeria are strong, provided that the regulatory framework is clear, balanced, and supportive of innovation.⁷⁵ By addressing challenges such as regulatory clarity, consumer protection, and infrastructural barriers, Nigeria can harness the benefits of cryptocurrencies to enhance financial inclusion, streamline remittances, and provide economic stability. A phased, collaborative, and strategic approach to regulation can help realize these prospects effectively.⁷⁶

7. ASSESSMENT OF NIGERIAN GOVERNMENT'S EFFORTS IN ADOPTION OF CRYPTOCURRENCIES

Assessing the Nigerian government's efforts in adopting and regulating cryptocurrencies involves analysing several key initiatives, policies, and their impacts.⁷⁷

7.1 Central Bank of Nigeria's Stance

In February 2021, the CBN issued a directive prohibiting banks and financial institutions from dealing with cryptocurrency exchanges and facilitating cryptocurrency transactions.⁷⁸ The CBN

⁷⁰ A Ojo and E Okafor (n 63).

⁷¹ M Aliyu and A Adeniyi, 'Blockchain Technology: A New Horizon for Financial Transactions in Nigeria' [2021] (45) (2) *Journal of Banking and Finance* 23-35.

⁷² *ibid.*

⁷³ *ibid.*

⁷⁴ *ibid.*

⁷⁵ *ibid.*

⁷⁶ (n 71).

⁷⁷ K O Blessing, 'Cryptocurrency Regulation: Comparative Analysis and Lessons for Nigeria' [2021] (62) (1) *Journal of Economic and Social Studies* 113-129.

⁷⁸ *ibid.*



has consistently issued warnings about the risks associated with cryptocurrencies, such as volatility, fraud, and their use in illegal activities.⁷⁹ This directive effectively curtailed the use of bank accounts for cryptocurrency trading, leading to a decrease in formal transactions. As a result, many Nigerians turned to peer-to-peer (P2P) trading platforms, which are harder to regulate and monitor.⁸⁰

7.2 Development of eNaira (Central Bank Digital Currency)

The CBN launched its own digital currency, the eNaira, in October 2021. The eNaira aims to complement the Naira and improve financial inclusion and digital payment systems. The government has undertaken efforts to educate the public about the eNaira, promoting its benefits and how it can be used. The eNaira has the potential to improve the efficiency and inclusiveness of Nigeria's payment system.⁸¹ Initial adoption has been slower than expected, with challenges related to public trust, awareness, and the technological infrastructure needed for widespread use.

7.3 Regulatory Sandboxes and Innovation Support

The Securities and Exchange Commission (SEC) and the CBN have indicated plans to create a regulatory sandbox to support fintech innovation, including blockchain and cryptocurrency technologies. There have been discussions around supporting blockchain technology for various use cases, such as supply chain management and voting systems, even though direct cryptocurrency use remains restricted. These initiatives could foster innovation and provide a controlled environment to test new financial technologies without posing significant risks to the broader financial system. However, the actual implementation and operationalization of these sandboxes have been slow, limiting immediate impact.⁸²

7.4 Legal and Policy Developments

The Nigerian government has been working on draft legislation to regulate digital assets more comprehensively.⁸³ This includes defining what constitutes a digital asset and setting up a regulatory framework for Initial Coin Offerings (ICOs) and other crypto-related activities.⁸⁴ There are ongoing efforts to enhance collaboration between different regulatory bodies, such as the CBN, SEC, and the Nigerian Communications Commission (NCC), to develop a cohesive approach to digital currencies.⁸⁵ These efforts, if effectively implemented, could provide much-needed regulatory clarity and stability for the cryptocurrency market in Nigeria. Also, the pace of legislative and regulatory development has been slow, leading to ongoing uncertainty and challenges for businesses and consumers involved in the cryptocurrency space.⁸⁶

⁷⁹ K O Blessing (n 77).

⁸⁰ *ibid.*

⁸¹ *ibid.*

⁸² (n 77).

⁸³ *ibid.*

⁸⁴ *ibid.*

⁸⁵ I Chukwudi, 'Blockchain Technology and its Application in the Nigeria' [2020] (8) (3) *Journal of Environmental Sciences* 142-155.

⁸⁶ *ibid.*



7.5 Public Engagement and Education

The government has undertaken initiatives to educate the public about the risks and benefits of cryptocurrencies, emphasizing caution and encouraging informed decision-making. Various government agencies have hosted workshops and seminars to discuss the implications of cryptocurrencies and blockchain technology. These efforts have helped increase public awareness about digital currencies and their potential risks and benefits. Despite these efforts, there is still a significant gap in understanding among the general populace, and scepticism remains high due to past regulatory actions and the complex nature of cryptocurrencies.⁸⁷ Overall, the Nigerian government's efforts reflect a cautious approach, balancing the potential benefits of cryptocurrencies with the need to protect the financial system and consumers. Continued progress

8 APPRAISAL OF REGULATION OF CRYPTO AND OTHER FORMS OF DIGITAL CURRENCIES IN EL SALVADOR AND LESSONS FOR NIGERIA

El Salvador's adoption of Bitcoin as legal tender has been a ground-breaking and controversial move, attracting global attention.

8.1 Legal Framework and Implementation

In June 2021, El Salvador passed the "Bitcoin Law," which made Bitcoin an official legal tender alongside the U.S. dollar.⁸⁸ This law mandates that businesses must accept Bitcoin as a form of payment.⁸⁹ The government launched the Chivo wallet, a state-sponsored digital wallet, to facilitate Bitcoin transactions. It also provided \$30 in Bitcoin to each citizen who signed up for the wallet. The law requires businesses to accept Bitcoin, theoretically increasing its use and integration into the economy. However, practical implementation has faced resistance and technical challenges. The government's provision of free Bitcoin aimed to encourage adoption, but the effectiveness of this incentive has been mixed.⁹⁰

8.2 Economic and Financial Implications

One of the primary goals is to increase financial inclusion, especially for the unbanked population, by providing an alternative to traditional banking. The government hopes that the adoption of Bitcoin will attract foreign investment and stimulate innovation in the fintech sector. While the initiative has the potential to boost financial inclusion, it is too early to determine its long-term success. Initial adoption has been sluggish, with reports of limited use outside major urban areas.⁹¹ The volatility of Bitcoin poses a risk to economic stability. Critics argue that reliance on a highly volatile asset could lead to financial instability and complications in monetary policy.⁹²

⁸⁷ (n 85).

⁸⁸ (n 85) 113-129.

⁸⁹ *ibid.*

⁹⁰ *ibid.*

⁹¹ *ibid.*

⁹² *ibid.*



8.3 Public Reception and Adoption

The government has launched campaigns to educate the public about Bitcoin and how to use it, aiming to increase understanding and adoption. Efforts have been made to improve the infrastructure for Bitcoin transactions, such as installing Bitcoin ATMs and developing the Chivo wallet.⁹³ Public reception has been mixed, with a significant portion of the population remaining sceptical or resistant to using Bitcoin. Reports indicate that many businesses and consumers still prefer the U.S. dollar. The rollout of the Chivo wallet has faced technical problems, including transaction delays and security concerns, which have hindered widespread adoption.⁹⁴

8.4 Legal and Regulatory Challenges

The Bitcoin Law establishes a legal framework for the use of Bitcoin, but its enforcement and regulation remain complex and evolving.⁹⁵ The government has attempted to address consumer protection issues by ensuring that transactions are straightforward and secure through the Chivo wallet.⁹⁶ The fast-paced implementation has led to regulatory uncertainties. Businesses and consumers are still navigating the legal implications of accepting and using Bitcoin.⁹⁷ Ensuring compliance with the Bitcoin Law has been challenging, particularly for smaller businesses that may lack the technical know-how to handle Bitcoin transactions.⁹⁸ Overall, while El Salvador's experiment with Bitcoin as legal tender is pioneering, its legal effectiveness is still under scrutiny. Continued efforts to address technical, regulatory, and educational challenges will be crucial to determining the long-term success and sustainability of this initiative.⁹⁹

8.5 Lessons in Nigeria

Nigeria can draw valuable lessons from El Salvador in regulating trade and exchange in cryptocurrencies and other digital currencies.

Firstly, Nigeria can recognize Bitcoin as a legal tender, encouraging broader acceptance and usage, specifically for remittances and international trade, as obtainable in El Salvador. Nigeria can as well create a government endorsed digital wallet to facilitate secure cryptocurrency transactions for its unbanked population, as El Salvador developed the Chivo Wallet for Bitcoin transactions, therefore promoting financial inclusion.¹⁰⁰ Nigeria can create a government-endorsed digital wallet to facilitate secure cryptocurrency transactions for its unbanked population. El Salvador invested in infrastructure, such as Bitcoin ATMs and internet access.¹⁰¹ Nigeria should improve internet

⁹³ (n 85).

⁹⁴ *ibid.*

⁹⁵ (n 96).

⁹⁶ *ibid.*

⁹⁷ *ibid.*

⁹⁸ K Fujimaki, 'The Regulatory Landscape of Cryptocurrency in Japan' [2020] (45) (2) *Journal of Financial Regulation* 210-230.

⁹⁹ *ibid.*

¹⁰⁰ Y Sato, 'Blockchain Technology and Cryptocurrency Adoption in Japan' [2019] (30) (1) *Journal of Information Technology* 55-75.

¹⁰¹ *ibid.*



connectivity and install cryptocurrency ATMs to make digital currency usage more accessible. El Salvador conducted nationwide campaigns to educate citizens about Bitcoin. Nigeria can implement educational programs to inform its citizens about the benefits and risks of cryptocurrencies.

Furthermore, El Salvador created laws to regulate Bitcoin transactions. Nigeria should develop comprehensive legislation to regulate the cryptocurrency market, ensuring consumer protection and market integrity. Nigeria can introduce a licensing system for cryptocurrency exchanges, ensuring they adhere to strict security and operational standards.¹⁰² Furthermore, launching nationwide campaigns and integrating cryptocurrency education into the school curriculum could enhance public understanding and confidence.¹⁰³

9. CONCLUSION

The legal implications of cryptocurrency and blockchain technology in Nigeria are multifaceted, presenting both challenges and opportunities. On one hand, the lack of a comprehensive regulatory framework and restrictive measures, such as the Central Bank's prohibition on financial institutions dealing with cryptocurrency exchanges, stifle innovation and growth in the digital currency market. This also limits financial inclusion and drives cryptocurrency activities underground, increasing risks. On the other hand, the integration of blockchain technology into Nigeria's legal system offers significant potential to enhance transparency, reduce corruption, and improve the efficiency of legal processes. Conversely, blockchain technology presents enormous opportunities that extend well beyond digital currencies. As a decentralized and immutable ledger system, blockchain has the capacity to transform numerous sectors of the Nigerian economy and legal system. Its adoption can significantly improve transparency in public administration, enhance accountability in government procurement, strengthen land registration systems, facilitate secure electronic voting, modernize corporate record management, improve judicial record-keeping, and reduce opportunities for fraud and corruption. Smart contracts further demonstrate the transformative potential of blockchain by enabling self-executing agreements that minimize transactional costs, reduce disputes, and improve contractual efficiency, provided that the legal system develops an appropriate framework for their recognition and enforcement.

The future of cryptocurrency and blockchain regulation in Nigeria therefore lies not in outright prohibition but in balanced, risk-based regulation that simultaneously protects consumers and encourages technological innovation. Such regulation should provide legal certainty regarding the status of digital assets, establish licensing requirements for virtual asset service providers, strengthen anti-money laundering and counter-terrorism financing compliance mechanisms, provide robust consumer protection standards, and clarify the taxation of digital assets.

¹⁰² Y Sato (n 100).

¹⁰³ A Honda, 'Taxation of cryptocurrencies in Japan: Current Issues and Future Prospects' [2017] (11) (3) *Japanese Journal of Taxation* 87-103.



Furthermore, harmonization among the Central Bank of Nigeria, the Securities and Exchange Commission, the Nigeria Data Protection Commission, the Economic and Financial Crimes Commission, and other relevant agencies is essential to eliminate regulatory overlaps and ensure a coordinated approach to digital asset governance.

Ultimately, Nigeria stands at a critical juncture in the evolution of its digital economy. Rather than viewing cryptocurrency solely as a financial risk, policymakers should recognize blockchain technology as a strategic tool capable of advancing economic development, promoting financial inclusion, attracting foreign investment, and strengthening institutional governance. With a modern, adaptive, and technology-neutral legal framework that balances innovation with effective regulation, Nigeria can position itself as a leading hub for blockchain innovation and digital finance in Africa while safeguarding the integrity, security, and stability of its financial and legal systems.

10. RECOMMENDATIONS

The paper made the following recommendations:

1. Nigeria should establish clear and comprehensive regulations for cryptocurrency and blockchain technology. This framework should address aspects such as licensing requirements for exchanges, consumer protection, anti-money laundering (AML), and counter-terrorism financing (CTF) measures. Clear regulations will provide legal certainty, promote market growth, and protect users from fraud and other risks.
2. The legal system should adapt to recognize and enforce smart contracts. This involves updating existing contract laws to include provisions for digital agreements and automated execution. Clear guidelines on the legal status, enforceability, and dispute resolution mechanisms for smart contracts will help integrate these innovations into mainstream legal practice.
3. To foster a safe and informed cryptocurrency market, the government and regulatory bodies should invest in public education and awareness campaigns. Educating citizens about the benefits and risks of cryptocurrencies and blockchain technology, as well as promoting responsible use, will enhance consumer protection and encourage wider adoption of these technologies.
4. Nigeria should invest in developing the technological infrastructure needed to support blockchain and cryptocurrency activities. This includes training regulators and law enforcement personnel in blockchain technology, deploying advanced monitoring tools, and encouraging innovation through support for blockchain startups. A robust technological foundation will enable more effective oversight and foster a thriving blockchain ecosystem.