

**THE LEGAL AND REGULATORY FRAMEWORK FOR CRYPTO-
CURRENCY AND DIGITAL ASSETS IN NIGERIA**

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CERTIFICATION

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I dedicate this project to my creator, God Almighty for the privilege bestowed on me as a human being, without whom none of this would be possible, and to my wonderful parents Mr. and Mrs. Nanna, for their unwavering love and support towards my LLB journey.

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LIST OF ABBREVIATIONS

AML - Anti-Money Laundering

CBN - Central Bank of Nigeria

CFTC - Commodities Futures Trading Commission

CGTA - Capital Gains Tax Act

CITA - Companies Income Tax Act

DLT - Distributed Ledger Technology

FCCP Act - Federal Competition and Consumer Protection Act

FinCEN - Financial Crimes Enforcement Network

ISA - Investments And Securities Act

KYC - Know Your Customer

NFT - Non-Fungible Token

PITA - Personal Income Tax Act

SEC - Securities and Exchange Commission

VAT ACT - Value Added Tax Act

VASP - Virtual Asset Service Provider

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 INTRODUCTION

Digital assets and crypto-currencies have become transformative forces in modern finance. Bitcoin, introduced in 2009, marked the inception of decentralized digital currencies, paving the way for thousands of crypto-currencies and block-chain based projects. However, their growth has also raised questions about their legal classification, regulatory oversight, and implications for global economies. Legal systems worldwide grapple with defining digital assets and crypto-currencies due to their hybrid nature part currency, part commodity, and part security. As these assets proliferate, the lack of uniformity in their treatment creates regulatory gaps and risks, necessitating adaptive models that can respond to technological innovation while protecting market participants¹.

The legal and regulatory framework for crypto-currency and digital assets in Nigeria is undergoing significant transformation as the country seeks to leverage the potential of these technologies while addressing associated risks. Amidst a backdrop of rising interest and participation in crypto-currency evidenced by Nigeria's position as a leading nation in Africa for crypto-currency searches², this evolving landscape has prompted the government and regulatory bodies to rethink existing legal structures and introduce new guidelines to foster innovation and protect consumers.

¹ Akinsuru Adedoyin and Iseoluwa Oluwaseun, 'The Legal Status of Digital Assets and Cryptocurrencies: Adaptive Regulatory Models' <https://www.researchgate.net/publication/387970790_The_Legal_Status_of_Digital_Assets_and_Cryptocurrencies_Adaptive_Regulatory_Models> accessed 14th September 2025.

² 'Impact Analysis Of CBN's New Regulatory Guidelines On Banking Virtual Assets Service Providers' <<https://slingstonelaw.com/insight/2024/01/12/impact-analysis-of-cbns-new-regulatory-guidelines-on-banking-virtual-assets-service-providers/>> accessed 14th September 2025.

Recognized for its potential to enhance financial inclusion, crypto-currency in Nigeria is seen as a democratic tool that can provide secure and transparent transactions outside of traditional banking systems. However, the regulatory environment has been characterized by ambiguity, with conflicting stances from key authorities like the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). While the CBN has historically adopted a cautious approach, advising financial institutions against engaging with virtual currencies³, the SEC has embraced a more permissive stance, developing frameworks to regulate digital assets and ensure compliance with anti-money laundering (AML) protocols⁴.

The rise of digital assets and crypto-currency has disrupted traditional financial systems and posed significant challenges to global legal and regulatory frameworks. This study examines the legal framework of digital assets and crypto-currency, exploring their definitions, classifications, and treatment in Nigeria. It also investigates adaptive regulatory models designed to address the dynamic and evolving nature of this ecosystem. By analyzing global practices and proposing innovative approaches, this research aims to provide a comprehensive understanding of the intersection between law, technology, and finance.

1.2 BACKGROUND TO THE STUDY

The rapid growth and widespread adoption of digital assets, particularly crypto-currencies, have sparked significant interest in their regulation worldwide. As the digital assets industry continues to evolve and expand in Nigeria, it is crucial to understand the current regulatory landscape surrounding these emerging financial

³ 'Has the cryptocurrency ban in Nigeria been lifted?' <<https://infusionlawyers.com/has-the-cryptocurrency-ban-in-nigeria-been-lifted/>> accessed 14th September 2025.

⁴ The Cable Newspaper, 'SEC seeks regulation of digital assets, says \$2trn crypto market can't be ignored' <<https://www.thecable.ng/sec-seeks-regulation-of-digital-assets-says-2trn-crypto-market-cant-be-ignored/>> accessed 14th September 2025.

instruments. Regulatory frameworks play a crucial role in fostering investor confidence, consumer protection, financial stability, and overall market integrity in any financial system. With the unique characteristics and challenges posed by digital assets, it becomes imperative for regulators in Nigeria to develop a comprehensive and adaptive regulatory framework that balances innovation and risk management.

In Nigeria, the regulatory landscape regarding crypto-currencies has evolved significantly over the years. In 2017, the Central Bank of Nigeria (CBN) issued directives prohibiting commercial banks from engaging in crypto-currency transactions, reflecting a cautious stance towards the burgeoning market⁵. Despite this, the use of crypto-currencies continued to grow, with Nigeria becoming one of the leading countries in Africa in terms of interest and participation in crypto-currency markets, scoring the highest in a 2020 study of Google Trends data related to crypto-currency searches. The legal status of crypto-currencies in Nigeria has been characterized by ambiguity, as there has been no outright ban on crypto-currency related companies, allowing for a parallel economic system alongside the official Naira. This duality has prompted regulatory bodies like the Nigerian Securities and Exchange Commission (SEC) to adopt a more proactive approach. Beginning in 2023, the SEC started to develop a framework aimed at regulating digital assets while also encouraging innovation and protecting investors, a significant shift from previous restrictive measures. Despite crypto-currencies not considered legal tender by the CBN, there are no specific crypto laws or regulations in Nigeria criminalizing their use.⁶ Consequently, crypto-currencies are widely traded on local crypto-currency

⁵ Wikipedia, 'Cryptocurrency in Nigeria' <https://en.wikipedia.org/wiki/Cryptocurrency_in_Nigeria> accessed 14th September 2025.

⁶ C Ofili and others, 'The Virtual Currency Regulation Review: Nigeria' (The Law Reviews, 7 September 2022) <<https://thelawreviews.co.uk/title/the-virtual-currency-regulation-review/nigeria>> accessed 14th September 2025.

exchanges outside the banking sector. As a result, peer-to-peer (P2P) trading has become prevalent, with Nigerians engaging in direct crypto exchanges. Nigeria stands as the largest market for P2P trading, with Bitcoin trading volume surpassing \$400 million in the first two quarters of 2022 on platforms like Paxful.⁷ Local Bitcoin meet-ups and communities serve as educational platforms for individuals interested in learning about crypto-currencies, but caution is advised due to the high-risk nature of crypto-currency investments.

The growth of digital assets has raised several legal and policy questions, including how to regulate these assets, how to ensure investor and consumer protection, ensure financial stability, and how to tax digital assets. This was the motive behind CBN's circular warning about the use of crypto-currencies and directing banks against holding and facilitating crypto-currency transactions. The SEC issued a statement on the regulation of digital assets in Nigeria, but there is still a lack of clarity on the taxation of digital assets and the level of consumer protection provided to users of these assets.⁸ Given the importance of this issue and the need for clear and effective regulation, this study aims to examine the current legal and regulatory framework for the regulation of crypto-currency and digital assets in Nigeria and to provide recommendations for improving the framework. Understanding the regulatory environment for digital assets in Nigeria is crucial to foster an innovative, inclusive, and secure financial ecosystem. And by addressing regulatory gaps and challenges, Nigeria can position itself as a favourable destination for crypto investments while safeguarding the interests of its participants and maintaining financial stability.

⁷ S Singh, 'An overview of cryptocurrency regulations in Nigeria' (Cointelegraph) <<https://cointelegraph.com/learn/crypto-regulations-in-nigeria>> accessed 14th September 2025.

⁸ SEC New Rules on Issuance, Offering Platforms and Custody of Digital Assets <<https://sec.gov.ng/wpcontent/uploads/2022/05/Rules-on-Issuance-Offering-and-Custody-of-Digital-Assets.pdf>> accessed 14th September 2025.

1.3 STATEMENT OF THE PROBLEM

The issue surrounding the regulation of digital assets, particularly crypto-currencies, has become a crucial challenge for governments globally, as the use of these assets continues to grow. In Nigeria, the regulation of digital assets is still in its infancy, with the CBN and the SEC taking steps in regulating these assets in several ways. However, the current legal framework for the regulation of crypto-currency and digital assets in Nigeria is fragmented and lacks clarity, leading to several problems and challenges. This is made more complicated as digital assets have largely received conflicting treatment by the CBN and SEC. The lack of consistency and coordination between the different government agencies responsible for regulating certain types of digital assets often leads to confusion and uncertainty among users and this could make it difficult for the appropriate regulators to enforce rules and protect consumers. This can further contribute to the limited and inadequate consumer protection measures for digital assets, leaving users of these assets vulnerable to financial crime amongst other risks. Such a lack of a clear and robust consumer protection framework for digital assets in Nigeria also raises serious concerns about the safety and security of these assets for users. Not to mention the lack of clarity on the taxation of digital assets.

1.4 RESEARCH QUESTIONS

- i. What are crypto-currencies and digital assets
- ii. What are the specific laws and regulations in Nigeria that pertain to the regulation of crypto-currency and digital assets, and how do they define the legal qualification of digital assets within the country?
- iii. How effective is the current regulatory framework for crypto-currency and digital assets in Nigeria, considering factors such as the roles and responsibilities of regulatory agencies, existing consumer and investor protection measures, and the taxation system?
- iv. What are the best practices and regulatory approaches employed in other jurisdictions like The United States of America, for the regulation of crypto-currency and digital assets, and how do they compare to the current framework in Nigeria?
- v. What reforms are necessary to strengthen Nigeria's crypto-currency and digital assets legal framework

1.5 AIM AND OBJECTIVES OF THE STUDY

Aim:

To evaluate the current legal and regulatory framework governing crypto-currencies and digital assets in Nigeria, identify the principal deficiencies that impair effective oversight and market development, and develop specific, policy recommendations that reconcile regulatory coherence, consumer protection, and economic policy objectives.

Objectives:

The following are the objectives:

- i. To conduct a comprehensive review of the relevant laws and regulations in Nigeria regarding the regulation of digital assets.

ii. o evaluate the current regulatory framework for crypto-currency and digital assets in Nigeria, including the role of regulatory agencies, consumer and investor protection measures, and taxation.

iii. To provide recommendations for improving the legal framework for the regulation of crypto-currency and digital assets in Nigeria based on an evaluation of best practices in selected jurisdiction.

1.6 SCOPE OF THE STUDY

The scope of this study is limited to a doctrinal analysis of the legal framework for the regulation of crypto-currency and digital assets in Nigeria using other jurisdictions like the US as a baseline study. The study will focus on the current state of regulation of crypto-currency and digital assets in Nigeria, identifying the relevant regulatory bodies, examining their approach to regulation, and assessing the challenges they face in regulating the digital asset market. The study would review international best practices for regulating digital assets and compare them with the current regulatory framework in Nigeria. The study further evaluates the potential benefits and risks of the digital asset market in Nigeria and suggest possible regulatory measures that can enhance the growth of the market while mitigating the risks.

1.7 SIGNIFICANCE OF THE STUDY

The significance of this study lies in its ability to provide clarity and direction for multiple stakeholders in Nigeria's fast-growing crypto-currency sector. For policymakers and regulators, it offers a consolidated legal map of statutes, circulars, and guidelines, alongside practical recommendations for harmonizing CBN, SEC, and other agencies' roles while ensuring compliance with international Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) standards. For legal practitioners and courts, it supplies doctrinal analysis and interpretive guidance that

strengthen compliance frameworks, litigation strategies, and dispute resolution in an area with little case law. For market participants and communities, it highlights consumer protection safeguards and operational pathways for exchanges and *fintechs*, fostering investor confidence and reducing fraud risks. For academics and researchers, it contributes new knowledge by linking legal analysis with empirical adoption data and enforcement practices. More broadly, the study's recommendations can reduce illicit flows, improve tax compliance, and channel Nigeria's high crypto adoption into formal, inclusive economic growth aligned with the national digital economy agenda.

1.8 RESEARCH METHODOLOGY

This study adopts the doctrinal approach. The study relies on primary and secondary source. Primary sources comprise authoritative texts, legislation, and judicial decisions. Secondary sources include scholarly articles, textbooks, online resources, and other relevant publications that support the study objectives.

1.9 CHAPTER ANALYSIS:

CHAPTER ONE

Chapter One provides the general foundation of the research. It introduces the rise of digital assets and crypto-currencies globally and explains how Nigeria's regulatory landscape has evolved in response. The chapter outlines the background to the study, the central problem of fragmented and unclear regulation, and the key research questions guiding the work. It also states the aim and objectives, defines the scope of the research, explains its significance to regulators, legal practitioners, market actors, and scholars, and concludes with the doctrinal methodology adopted for analysis.

CHAPTER TWO

Chapter Two examines the conceptual and theoretical underpinnings of digital assets and crypto-currencies. It clarifies essential terms, outlines the different categories of digital assets, and explains the structure of the digital asset market. The chapter further analyzes the nature of crypto-currencies from various legal perspectives—whether they should be considered property, securities, or currency. It concludes with a literature review that synthesizes existing academic and policy debates relevant to the study.

CHAPTER THREE

Chapter Three focuses on the legal and institutional framework governing crypto-currencies and digital assets in Nigeria. It discusses the historical development of digital asset regulation and examines the key statutes shaping the sector including the CBN Act, the Investments and Securities Act, consumer protection laws, and taxation statutes such as VAT, CITA, PITA, and the Capital Gains Tax Act. The chapter also highlights the financial crime concerns associated with crypto-currency use in Nigeria, including AML/CFT issues, before offering a concluding overview.

CHAPTER FOUR

Chapter Four provides a comparative analysis between Nigeria’s regulatory approach and that of the United States of America. It outlines the regulatory structure in the U.S., highlighting the roles of agencies such as the SEC, CFTC, IRS, and FinCEN, and identifies best practices that could inform Nigeria’s reforms. The chapter also discusses broader legal and regulatory challenges such as compliance gaps, institutional conflict, and market risks that hinder effective adoption and oversight of digital assets.

CHAPTER FIVE

Chapter Five presents the overall findings of the research, synthesizing insights from earlier chapters. It outlines the major conclusions drawn about Nigeria's regulatory inconsistencies and the urgent need for harmonization. The chapter then offers targeted recommendations aimed at strengthening regulatory clarity, enhancing consumer and investor protection, improving taxation frameworks, and aligning Nigeria's approach with international best practices. It ends with a closing conclusion that reinforces the importance of coherent reforms for the future of digital assets in Nigeria.

CHAPTER TWO

CONCEPTUAL CLARIFICATIONS AND LITERATURE REVIEW

2.1 CONCEPTUAL CLARIFICATIONS

2.1.1 Overview of Digital Assets

The attention towards regulating digital assets such as crypto-currencies has increased as of late, with a lot of discussions centred around regulating these assets under different areas of law.¹ As the digital asset industry continues to expand rapidly, there is a growing need for more robust legal and regulatory frameworks for these assets. Currently, the laws surrounding digital assets mainly concentrate on the form of the asset and the technology behind it. This approach disregards the existence of other methods and technologies for creating digital assets that don't depend on the principles and capabilities of Distributed Ledger Technology (DLT) and cryptography.² The concept of digital assets is relatively new and the definition is still evolving, but it generally refers to any asset that is created, stored, and managed in digital form and has intrinsic or extrinsic value. This can include things such as virtual currency, digital artwork, and virtual real estate, among others. Unlike traditional assets, digital assets can be stored and transferred using decentralized technologies such as block chain, which allows for secure and transparent ownership records. This gives digital assets unique properties and challenges compared to traditional assets, and is a key reason why they are attracting the attention of regulators, investors, and other stakeholders. Digital assets can be bought, sold, and traded just like traditional assets, and their value is determined by market demand.

¹ ST Middlebrook and SJ Hughes, 'Regulating Cryptocurrencies in the United States: Current Issues and Future Directions' *William Mitchell Law Review* (2014) 40; Jerry Brito and Houman B Shadab and Andrea Castillo, 'Bitcoin Financial Regulation: Securities, Derivatives, Prediction Markets, and Gambling' *Columbia Science & Technology Law Review* (2014) 16.

² JG Allen and Others, 'Legal and Regulatory Considerations for Digital Assets' (Cambridge Centre for Alternative Finance 2020).

The term digital asset has no strict legal meaning. The absence of a universally accepted definition of digital assets is exacerbated by its inherent and unique characteristics. The challenges caused by the distinctive characteristics are associated with the lack of centralized control and anonymity typical for digital financial assets. The term easily suggests a type of intangible personal property. This connotation has largely been adopted by multiple jurisdictions. In Canada, digital assets such as crypto-currency are not legal tender (fiat currency) but are regarded as intangible personal property.³ Also, it has also been regarded as a commodity under the Canadian Income Tax Act.⁴ Similarly, the National Information Technology Development Agency (NITDA) defined digital assets as intangible content that is stored digitally and has a market value.⁵ The definition of digital assets can vary. It can be narrowly defined and broadly defined. Narrowly constructed, digital assets are instantiated through computer code and depend on so called consensus computer algorithms to trigger and validate a transaction in a given digital asset. Broadly constructed, digital assets can include virtual assets such as video games in the broadest sense, and items sold in video games.⁶ For the purposes of this work, digital assets are defined broadly. They cover all types of virtual and electronic assets that can be created and stored digitally, identifiable and discoverable, and has or provides value, regardless of how they are otherwise named or categorized by regulatory agencies, including crypto-currencies, security tokens, utility tokens, virtual assets, virtual collectibles, stablecoins, altcoins, among others. In the broader sense, digital

³ 'Canada Revenue Agency Ruling 2013-0514701I7' (23 December 2013) <<https://taxinterpretations.com/cra/severed-letters/2013-0514701i7>> accessed 28th October 2025.

⁴ Income Tax Act, RSC 1985, c 1 (5th Supp.) (Can).

⁵ CBN, 'Design Paper for the eNaira' <https://www.enaira.gov.ng/assets/download/eNaira_Design_Paper.pdf> accessed 28th October 2025.

⁶ WA Kaal, 'Digital Asset Market Evolution' *The Journal of Corporation Law* (2021) 910-963.

assets are distinct from stocks, which are not inherently digital and have strong links to physical assets. Bitcoin is an example of a purely digital asset as it exists only in the virtual world.⁷ The growth of the digital asset market is largely due to the advancement of block chain technology.

Digital assets can be classified into two main categories: crypto-based and non-crypto-based digital assets. The main difference between the two categories is the underlying technology and security mechanism used to secure transactions and represent ownership.⁸ Digital assets can also be categorized into content-related/non-content-related and investable/non-investable assets. While content related digital assets may include content such as videos, photos, books, music, and documents,⁹ investable may include digital financial assets that could be traded as securities.¹⁰ The term digital asset is often confused with the term crypto assets.¹¹ A crypto asset is a type of digital asset that is distinguished by its use of cryptography. A crypto-currency is only one type of a broader category of digital assets.¹²

⁷ Ibid

⁸ Financial Stability Board (FSB), 'Crypto-asset markets: Potential channels for future financial stability implications' (2018) <<https://www.fsb.org/wp-content/uploads/P101018.pdf>> accessed 28th October 2025.

⁹ Tomciak Petr, 'Regulatory approaches to crypto assets in the EU and selected jurisdictions' (PhD thesis, Prague University of Economics and Business 2022).

¹⁰ Jake Frankenfield, 'Digital Assets' (Investopedia, 30 June 2022) <<https://www.investopedia.com/terms/d/digitalasset-framework.asp>> accessed 28th October 2025.

¹¹ Eva Su, 'Digital Assets and SEC Regulation' (Congressional Research Service 23 July 2021) 4 <<https://sgp.fas.org/crs/misc/R46208.pdf>> accessed 28th October 2025.

¹² Jason Scharfman, 'Cryptocurrency Compliance and Operations: Digital Assets, Blockchain and DeFi' (Palgrave Macmillan Cham 2021).

2.1.2 Types of Digital Assets

There are several types of digital assets, each with its own unique characteristics and uses. Some of the most common types of digital assets include:

i. Crypto-currency: Crypto-currency refers generally to digital money that is electronically created and stored but that lacks the status of legal tender backed by government authority.¹³ For Marian, the term “crypto-currency” can be used to refer to any digital currency that relies on peer-to-peer cryptography for the validation of value transfers.¹⁴ It is essentially a protocol that allows for the validation of transactions without the need for a trusted third party such as a bank, credit card company, escrow agent, or recording agency.¹⁵ The updated European Anti-Money Laundering Directive, which was first proposed in 2016 and officially adopted in 2018, not only requires wallet providers and crypto-currency exchanges to follow anti-money laundering regulations but also provides the first legal definition of virtual currencies.¹⁶ Accordingly, virtual currencies were defined as digital representations of value that are not backed by a central bank or government and do not have legal status as a currency, but are used as a means of exchange. Crypto-currencies are a medium of exchange that is created and stored electronically in the block chain, a distributed public database that keeps a permanent record of digital transactions. Unlike traditional currency, these alternatives have no physical form and typically are not

¹³ European Central Bank, ‘Virtual Currency Schemes’ (European Central Bank October 2012) 13-19 <<http://www.ecb.europa.eu/pub/pdf/other/virtualcurrencyschemes201210en.pdf>> accessed 28th October 2025.

¹⁴ Omri Marian, ‘A Conceptual Framework for the Regulation of Cryptocurrencies’ *University of Chicago Law Review Dialogue* (2015) 82 <<http://scholarship.law.ufl.edu/facultypub/695>> accessed 28th October 2025.

¹⁵ J Brito and others, ‘Bitcoin Financial Regulation: Securities, Derivatives, Prediction Markets, and Gambling’ *Columbia Science & Technology Law Review* (2014) 16.

¹⁶ ‘5AMLD: A Unique Regulation for Europe’s Digital Space’ (Electronic Identification 7 July 2022) <<https://www.electronicid.eu/en/blog/post/aml5-new-anti-money-laundering-directive/en>> accessed 28th October 2025.

backed by tangible assets. They are not insured or controlled by a central bank or other governmental authority, cannot always be exchanged for other commodities, and are subject to little or no regulation.¹⁷ Furthermore, it is distinct from e-money, which is a digital representation of fiat currency used to electronically transfer value denominated in fiat currency.

ii. Central Bank Digital Currency:

A Central Bank Digital Currency (CBDC) is a digital form of a country's national currency that is issued and backed by the central bank.¹⁸ CBDCs aim to provide a digital alternative to physical cash and offer a more efficient, secure, and accessible means of making payments and conducting transactions. CBDCs use digital ledger technology, such as block-chain, to keep track of transactions and ensure the security and integrity of the currency. The *eNaira* infrastructure is based on DLT that supports the two-tiered model architecture which the CBN has adopted.¹⁹ They can be used in a similar way to physical cash or traditional digital payment methods, such as credit cards or mobile payment apps. One of the main advantages of CBDCs is that they can be issued and managed by the central bank, which provides a higher level of security, stability, and oversight compared to crypto-currencies and other decentralized digital currencies. They can help to reduce the cost and increase the speed and efficiency of financial transactions. However, CBDCs differ from other digital assets in that they are issued and managed by the central bank, although this provides a higher level of security, stability, and oversight, unlike decentralized digital currencies.²⁰

¹⁷ Greg Strong and Rodrigo Seira, 'Aspects of state securities regulation' *Blockchain & Cryptocurrency Regulation* (2019).

¹⁸ Bank of England, 'What is CBDC?' <<https://www.bankofengland.co.uk/explainers/what-is-a-central-bankdigital-currency>> accessed 28th October 2025.

¹⁹ CBN, 'eNaira Design Paper' <<https://enaira.gov.ng/about/design>> accessed 28th October 2025.

²⁰ CFI Team, 'Central Bank Digital Currency (CBDC)' (Corporate Finance Institute 19 January 2023) <<https://corporatefinanceinstitute.com/resources/cryptocurrency/central-bank-digital->

Additionally, CBDCs are typically considered to be legal tender, while the legal status of other digital assets, such as crypto-currencies, can vary depending on the jurisdiction.

iii. Decentralized Finance (DeFi) assets:

Decentralized Finance (DeFi) assets are digital assets that are used in decentralized finance applications. DeFi refers to a set of financial applications and services that operate on block-chain technology and do not rely on traditional intermediaries, such as banks.²¹ It aims to create a more inclusive, accessible, and transparent financial system that is not controlled by any single entity.²² They can include crypto-currencies, such as *Bitcoin* and *Ethereum*, as well as other digital assets that are specifically designed for use in DeFi applications. These digital assets are used as collateral, as a means of payment, or as a store of value in DeFi applications.

iv. Digital Collectibles:

Digital Collectibles are unique, rare, and often valuable digital assets that are designed for collectors and enthusiasts.²³ They are often non-fungible tokens (NFTs), meaning each token represents a unique and distinct item, as opposed to crypto-currencies, which are fungible and interchangeable.²⁴ Digital collectibles can take many forms, including virtual trading cards, in game items, digital art, and more. They are often created in limited quantities and have intrinsic value based on their rarity, scarcity, and perceived uniqueness. The value of digital collectibles is determined by supply

currency-cbdc/> accessed 28th October 2025.

²¹ Fabian Schar, 'Decentralised finance: On blockchain- and smart contract-based financial markets' *Federal Reserve Bank of St. Louis Review* (2021) 53–74.

²² Raphael Auer and Others, 'The Technology of Decentralised Finance (DeFi)' *BIS Working Papers* (17 January 2023).

²³ Manchester United, 'Digital Collectibles Explained' (Manchester United, 17 November 2022) <<https://www.manutd.com/en/news/detail/digital-collectibles-explained-as-man-utd-enters-web3-era-in-football>> accessed 28th October 2025.

²⁴ Joshua Fairfield, 'Tokenized: The Law of Non-Fungible Tokens and Unique Digital Property' *Indiana Law Journal* (2022) 97.

and demand, just like physical collectibles.²⁵ They have become increasingly popular in recent years, particularly in the gaming and art communities, as they offer a new way to own and trade unique, digital items.

v. Non-Fungible Tokens (NFTs):

Websters dictionary defines a Non-Fungible Token as ‘A unique digital identifier that cannot be copied, substituted, or subdivided, that is recorded in a block-chain, and that is used to certify authenticity and ownership (as of a specific digital asset and specific rights relating to it).’²⁶ NFTs are unique digital assets that cannot be replicated or divided. They are typically used to represent ownership of real-world digital assets such as art, music, or other forms of creative content.²⁷ The ownership of an NFT only proves ownership of a specific block-chain record, and it does not grant the owner rights to the digital asset that the NFT purports to represent. When someone sells an NFT that represents their work, the buyer only acquires ownership of the NFT and not the copyright to the work.

vi. Utility Tokens:

These are also known as user tokens. They are digital assets that give the holder access to a specific product or service, this could include a DEX, meta-verse platform, or block-chain-based Web3 platform.²⁸ They are often used as a means of payment within a specific platform or ecosystem.

²⁵ Steve Kaczynski and Scott Duke Kominers, ‘How NFTs Create Value’ (Harvard Business Review 10 November 2021) < <https://hbr.org/2021/11/how-nfts-create-value>> accessed 28th October 2025.

²⁶ Merriam-Webster, ‘Non-fungible token’ *Merriam-Webster.com Dictionary* <<https://www.merriamwebster.com/dictionary/non-fungible%20token>> accessed 28th October 2025.

²⁷ Tiger 21, ‘The Rise of Non-Fungible Tokens (NFTs) and Digital Collectibles’ (Tiger 21, 9 September 2021) <<https://tiger21.com/insights/nft-and-digital-collectibles/>> accessed 28th October 2025.

²⁸ Ledger Academy, ‘Utility Token’ (Ledger Academy, 23 December 2023) <<https://www.ledger.com/academy/glossary/utility-token>> accessed 28th October 2025.

vii. Stable-coin:

Stable-coins are digital assets that are designed to maintain a stable value, often by being pegged to a stable asset such as the US dollar.²⁹ Stable-coins pegged to assets other than the US dollar exist, some examples are the Euro pegged stable-coin issued by Tether (EURt) and the gold pegged stable-coins issued by Tether (XAUt) and Paxos (PAXG).³⁰ They tie their value to the value of a real world asset through a variety of stabilization mechanisms such as off-chain collateral, on-chain collateral, and algorithmic.³¹ They are designed to provide a stable store of value and a more stable medium of exchange compared to other crypto-currencies. Stable-coins serve as both a means of payment and a store of value for a range of DeFi transactions and could be used more generally to buy goods and services in the future.³²

viii. Tokenized Assets:

Tokenized assets are physical assets, such as real estate or commodities, that have been converted into digital form and represented as tokens on a block-chain. Tokenization is also defined as the method to convert ownership rights in an asset into a digital token.³³ The tokenization of assets involves the creation of digital tokens representing real assets issued on the block-chain. The potential of asset tokenisation is theoretically unlimited, as any real asset can allegedly be “put on the block-

²⁹ Parma Bains, ‘Regulating the Crypto Ecosystem: The Case of Stablecoins and Arrangements’ *IMF Fintech Note* 2022 8.

³⁰ Hedera, “What is a Stablecoin?” <<https://hedera.com/learning/tokens/what-is-a-stablecoin>> accessed 28th October 2025.

³¹ Garth Baughman and Others, ‘The stable in stablecoins’ FEDS Notes (Washington: Board of Governors of the Federal Reserve System, 2022) <<https://www.federalreserve.gov/econres/notes/feds-notes/the-stablein-stablecoins-20221216.html>> accessed 28th October 2025.

³² FF Carapella and Others, ‘Decentralised Finance (DeFi): Transformative Potential & Associated Risks’ *Finance and Economics Discussion Series* (2022) 57.

³³ Akash Takya, ‘Asset Tokenization - Real Assets on the Blockchain’ (LeewayHertz) <<https://www.leewayhertz.com/what-is-asset-tokenization/>> accessed 28th October 2025.

chain”.³⁴ Tokens issued in asset tokenisation exist on the chain and carry the rights of the assets they represent, acting as a store of value. The real assets on the back of which the tokens are issued continue to exist in the “off-chain” world and, in the case of physical real assets, those would typically need to be placed in custody to ensure that the tokens are constantly backed by these assets.³⁵

2.1.3 Structure of the Digital Assets Market

The structure of the market for digital assets refers to the different entities and participants involved in buying, selling, and trading digital assets. This includes crypto-currency exchanges, market makers, and liquidity providers, as well as institutional investors, hedge funds, and individual investors. The structure of the market can also include service providers, such as custodians, payment processors, and wallet providers, who provide infrastructure and support to the market participants. Additionally, regulators play a key role in shaping the structure of the market for digital assets, as they are responsible for overseeing its operations and ensuring compliance with legal and regulatory requirements. As the market for digital assets continues to evolve and mature, it is likely that new participants will emerge and the existing structure will continue to change and adapt. The structure of the market for digital assets in Nigeria is still in its early stages of development, compared to more established markets like the United States and Europe. Exchanges provide a centralized marketplace for users to trade crypto-currencies, such as Bitcoin and Ethereum, together with fiat currencies, such as the Nigerian Naira. In addition to exchanges, there are also peer-to-peer marketplaces and over-the-counter (OTC) trading desks that provide alternative ways to buy and sell digital assets. Other key

³⁴ OECD, ‘The Tokenization of Assets and Potential Implications for Financial Markets’ *OECD Blockchain Policy Series* <<https://www.oecd.org/finance/The-Tokenisation-of-Assets-and-PotentialImplicationsfor-Financial-Markets.htm>> accessed 28th October 2025.

³⁵ Ibid

players in the market include digital asset custodians, who provide secure storage solutions for digital assets, and wallet providers, who offer secure storage solutions for digital assets.

2.2 THE NATURE OF CRYPTO-CURRENCY

The true nature of Crypto-currency is shrouded in obscurity and this must have influenced Howden when he posited that ‘unfortunately for regulators, cryptos do not fit neatly into any defined category’.³⁶ It is opined that to effectively and efficiently regulate Crypto-currencies, its position in the eyes of the law must first be ascertained. It is often argued whether or not Crypto-currency is a commodity, a collectible, a currency or even a security.³⁷ Again, it is often asked whether the rights associated with Crypto-currency are contractual and to what extent is Bitcoin, for example, a chose in action?³⁸

2.2.1 Crypto-currency as Property

The question is often asked if Crypto-currency is a property, good or commodity. Article 2 of the United States Uniform Commercial Code defines goods as “all things (including specially manufactured goods) which are movable at the time of identification to the contract for sale other than the money in which the price is to be paid, investment securities (Article 8) and things in action.”³⁹ Similarly under the English Sale of Goods Act 1979, goods is defined as including “all personal chattels other than things in action and money, and in particular “goods” includes emblements, industrial growing crops, and things attached to or forming part of the land which are

³⁶ Ed Howden, ‘The Crypto-currency Conundrum: Regulating and Uncertain Future’ *Emory International Law Review* (2014) 742-762.

³⁷ Reuben Grinberg, ‘Bitcoin: An Innovative Alternative Digital Currency’ *Hastings Sci & Tech. LJ* (2012) 181, 206.

³⁸ Shawn Bayem, ‘Dynamic Common Law and Technological Change: The Classification of Bitcoin’ *Washington and Lee Law Review Online* (2014) 1, 14.

³⁹ United States Uniform Commercial Code Article 2, § 28:2—105 (2013)

agreed to be severed before sale or under the contract of sale and includes an undivided share in goods” and property is defined as “the general property in goods, and not merely a special property”.⁴⁰ This definition is in *pari materia* with the definitions of goods and property under Section 2 of the Sale of Goods Law of Lagos.⁴¹ The first observation under these statutes is that crypto-currency is in no way contemplated. It has however been contended that crypto-currency comes under the definition commodity under the American Commodity Exchange Act⁴² by the addition of the words “all other goods and articles” in the definition of commodity.⁴³ As an alternative to categorizing crypto-currency generally as a property, it is believed that it should be treated as a money commodity.⁴⁴ Crypto-currency by holding itself out as an accepted medium of exchange within a community, it acts as money commodity. Bitcoins for example are very easy to transmit across the internet and are recognized as valuable across a widespread community of users. The United States Internal Revenue Service (IRS) in 2014 concluded that Bitcoin should be treated as property for tax purposes.⁴⁵ For all practical purposes, it means that the currency is not treated as actual.

2.2.2 Crypto-currency as Security

⁴⁰ English Sale of Goods Act 1979, s.61

⁴¹ Sale of Goods Law 1958, WRL 1959. Cap. 115

⁴² Commodity Exchange Act, 7 USC § 1 (a) (9) (2014).

⁴³ Mitchell Prentis, ‘Digital Metal Regulating Bitcoin as a Commodity’ *Case Western Reserve Law Review* (2015) 609, 625.

⁴⁴ Mitchell Prentis, (n43) 626.

⁴⁵ United States Internal Revenue Service Guidance IR-2014-36, ‘General Rules for Property Transactions Apply’ (2014) <<https://www.irs.gov/uac/newsroom/irs-virtual-currency-guidance>> accessed 28th October 2025.

It is argued that crypto-currency is security and should be regulated as such.⁴⁶ The belief is that owning a bitcoin has something in common with owning a stock or a partnership interest as both are intangible personal property that can be valuable on their own without direct implication of further legal relationships.⁴⁷ Various jurisdictions have pretty overlapping provisions as to what is considered security. The English Companies Act 2006 for example, provides that ‘securities means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 (c. 8) and other securities of any description.’⁴⁸ The definitions of ‘security’ by section 2(1) of The American Securities Act 1933 and The Nigerian Investment and Securities Act 2007 are akin to that of the English Companies Act stated above. The provisions of the three statutes seem to accommodate Crypto-currency as security. The words ‘other securities of any description’, ‘investment contract’ and ‘contract’ under these statutes respectively further lay credence to this argument.

It is claimed that Bitcoin fulfills the requirements of investment contract under US law. Investment contract is defined as “any transaction in which individuals are led to invest money in a common enterprise with the expectation that they would earn a profit solely through the efforts of the promoter or of someone other than the investor. This definition is broken down into three requirements: investment of money, common enterprise and profit solely on the effort of another.”⁴⁹ Nevertheless, shares or stock in a company and other similar forms of security differ from bitcoin in an important way, in that while the ownership of shares for example confer rights such as,

⁴⁶ Ruoke Yang, ‘When is Bitcoin a security under US securities law?’ *Journal of Technology Law & Policy* (2013) 101.

⁴⁷ Shawn Bayem, (n38).

⁴⁸ English Companies Act Chapter 46, s. 783(a)

⁴⁹ *SEC v. W.J. Howey Co.*, 328 U.S. 294, 298 (1946).

a right to vote⁵⁰ and to receive a declared dividend, ownership of a bitcoin does not itself confer any such rights.

2.2.3 Crypto-currency as Currency

Money is defined as a store of value, a unit of account, and a medium of exchange.

Currency is money that is generally accepted as a form of exchange, and flows within an economy and is accepted as a medium of exchange authorized by a government.

Crypto-currency may and has been likened and indeed categorized as a currency for holding the attributes of money. It has been argued that Bitcoin is a currency and should be regulated as such. This assertion is on the basis of the similarity between crypto-currency and currency that both can be used to purchase goods and transferred to exchange value. The United States government treats Bitcoin as money in a variety of contexts, example given is their Treasury Department's Financial Crimes Enforcement Network (FinCEN)'s guidelines (FIN-2013-G001) stating that an administrator that accepts and transmits or buys and sells convertible virtual currency, including Bitcoin, is a "money transmitter,"

⁵⁰ English Companies Act, s.284; Companies and Allied Matters Act Cap C20, *LFN*, 2004, s.81

2.3 LITERATURE REVIEW

The state of crypto-currency development in emerging markets is still in its early stages and according to Yeoh⁵¹, adopting definitive legislation at this early stage may be premature and hamper future innovation. Until early 2017, the block-chain ecosystem primarily operated without much regulatory oversight. However, as the year progressed, there was a surge in questionable ICOs and speculative trading of bitcoin. This raised concerns about the potential use of crypto-currency for activities like tax evasion, fraud and other illegal practices, prompting regulators to step in⁵². Despite their increased involvement, the terminology around crypto-currency is still evolving, which makes it difficult to clearly define and classify these assets legally⁵³. Uzougbo⁵⁴ provides a more expansive critique by pointing to the global nature of block-chain systems and the necessity for international regulatory alignment. This is relevant in identifying risks monopolistic behaviour, market manipulation and cross-border anonymity that undermine financial stability and consumer protection. Due to its global nature, block-chain technology requires international cooperation among regulators and lawmakers to align legal and regulatory frameworks across borders while addressing risks like monopolies and market manipulation. Achieving this alignment would necessitate significant legal and organizational changes. Regarding security and data privacy, digital assets such as crypto-currency offer enhanced security due to their decentralized structure. Still, regulators are concerned about the

⁵¹ P. Yeoh, 'Regulatory Issues in Blockchain Technology' *Journal of Financial Regulation and Compliance* (2017) 196–208.

⁵² H Aksom and I Tymchenko, 'How Institutional Theories Explain and Fail to Explain Organizations' *Journal of Organizational Change Management* (2020) 1223–1252.

⁵³ MP Rodríguez Bolívar and others, 'Stakeholders' Perspectives on Benefits and Challenges in Blockchain Regulatory Frameworks' in *Blockchain and the Public Sector: Theories, Reforms, and Case Studies* (Springer, 2021) 1–18.

⁵⁴ NS Uzougbo and others, 'Regulatory Frameworks for Decentralized Finance (DEFI): Challenges and Opportunities' *GSC Advanced Research and Reviews* 19 (2024) 116–129.

anonymity they provide, which could facilitate illegal activities such as money laundering or terrorist financing⁵⁵. However, this argument assumes a level of regulatory convergence that does not reflect the realities of sovereignty, digital literacy and geopolitical fragmentation across emerging economies. Another challenge is how block-chain technology aligns with the EU's general data protection regulation (GDPR), particularly the 'right to be forgotten,' given that block-chain data is immutable. While this is relevant to understanding the critical gap in aligning consumer protection with innovation, this argument primarily focuses on normative tensions without suggesting regulatory or technical innovations that could reconcile these conflicts. A study by Dewey⁵⁶ indicated that most of the regulations being formulated, including high capital requirements, are inapplicable in emerging markets as they are in advanced economies. Dewey⁵⁷ brings a necessary argument of how policymakers in emerging markets understand that strengthening their institutional frameworks to ensure financial stability is a key focus. This involves establishing clear insolvency procedures for closing financial firms and other businesses and creating a stronger legal system to consistently and fairly uphold property rights. However, the study does not take into consideration the political constraints involved nor does it address how regulatory environments can be iteratively improved alongside block-chain innovation.

According to Collomb⁵⁸, regulatory frameworks allow block-chain to operate within the legal frameworks established in a given country, which is important in a finance sector involving sensitive data. This position aligns with the overarching consensus

⁵⁵ Ibid

⁵⁶ J Dewey, '*Blockchain & Blockchain Regulation*' (Global Legal Group Ltd, 2019).

⁵⁷ Ibid

⁵⁸ A Collomb and others, 'Blockchain Technology and Financial Regulation: A Risk-Based Approach to the Regulation of Icos' *European Journal of Risk Regulation* (2019) 263–314.

that legal clarity is essential for the operational viability of crypto-currency in sectors handling sensitive data. However, the study stops short of addressing how diverse legal traditions, resource constraints, or political instability in emerging markets may limit the applicability of such frameworks. Compliance with regulations helps build trust among users and stakeholders. While this applies to developed economies, the aspect of trust may not be applicable in emerging markets. In most cases, most governments in emerging markets have been termed corrupt and inefficient⁵⁹. Hence, regulatory compliance alone may not translate into public trust. Similarly, Kalenzi⁶⁰ reiterates the importance of regulation in reassuring users about data security and ethical handling. Moreover, regulatory compliance is necessary to prevent illegal activities such as money laundering, fraud and terrorism financing. Crypto-currency anonymity and lack of central oversight can make it a potential tool for such activities if improperly regulated⁶¹.

2.4 CONCLUSION

The evolving landscape of digital assets presents both opportunities and challenges for regulators, investors, and users alike. The absence of a universally accepted definition, coupled with the unique characteristics of digital assets like decentralization and anonymity, necessitates a comprehensive and adaptive regulatory approach. Existing regulatory theories, such as public interest, capture, public choice, new institutional economics, and innovation theory, offer valuable frameworks for understanding the motivations behind regulation and the potential impact on innovation. While the current focus is on establishing clear legal frameworks to

⁵⁹ J Salmon and G Myers, 'Blockchain and Associated Legal Issues for Emerging Markets' (World Bank Group, 2019) 15.

⁶⁰ C Kalenzi, 'Artificial Intelligence and Blockchain: How Should Emerging Technologies be Governed?' *Frontiers in Research Metrics and Analytics* (2022) 1-54.

⁶¹ J Salmon and G Myers (n55)

ensure financial stability, consumer protection, and data security, particularly in emerging markets, international cooperation is crucial for aligning regulatory approaches and addressing cross-border risks. Ultimately, a balanced approach that fosters innovation while mitigating risks is essential for harnessing the full potential of digital assets and promoting a secure and inclusive digital economy.

CHAPTER THREE

LEGAL AND INSTITUTIONAL FRAMEWORK IN NIGERIA CRYPTO-CURRENCY AND DIGITAL ASSETS

3.1 BACKGROUND OF DIGITAL ASSET REGULATION

The arrival of digital assets, including crypto-currencies and virtual currencies, has presented significant challenges and opportunities for regulators worldwide. In Nigeria, the Central Bank's stern stance on crypto-currencies explicitly prohibits banks and financial institutions from trading or investing in crypto-currency. The Central Bank of Nigeria (CBN) has emphasized that virtual currencies are unlicensed, unregulated, and do not possess legal tender status in the country. The statement of the Securities and Exchange Commission (SEC) introduces a new dimension to the regulatory landscape for digital assets. The SEC's statement seeks to bring virtual currencies and digital assets within an identified regulatory framework, potentially conflicting with the CBN's position. This chapter focuses on the regulatory framework for digital assets especially crypto-currencies in Nigeria. It explores the legal and regulatory landscape governing digital assets, including the SEC rules and regulations, the Investment and Securities Act (ISA), and other relevant legislation. The aim is to provide a comprehensive understanding of the regulatory framework and its implications for various categories of digital assets. It attempts to spotlight the regulatory uncertainties and provide valuable insights necessary for understanding and navigating the evolving regulatory landscape for digital assets in Nigeria.

3.2 EXISTING LAWS AND REGULATIONS APPLICABLE TO DIGITAL ASSETS

3.2.1 The Central Bank of Nigeria Act (CBN Act)

The CBN plays a pivotal role in the Nigerian financial system, guided by various sections of the CBN Act. Section 2(b) of the CBN Act empowers the central bank to issue legal tender currency in Nigeria and maintain its external reserves. This gives the CBN the responsibility of ensuring an adequate supply of currency and maintaining stability in the Nigerian currency's value. Section 2(e) authorizes the CBN to act as the banker and financial advisor to the federal government. As the government's banker, the CBN manages the government's accounts, facilitates debt issuance, and provides financial advisory services. CBN has the authority to regulate and supervise banks and other financial institutions operating within Nigeria.¹ This includes licensing and supervising commercial banks,² setting prudential standards, and enforcing regulations to maintain the safety and soundness of the banking system. Their regulatory power of banks gives them the authority to issue orders and make rules that are binding on banks and other financial institutions. CBN's role extends to currency issuance, government banking, financial supervision, and monetary policy formulation and implementation, all aimed at maintaining stability and fostering the development of the Nigerian financial system.³ And, section 34 of the CBN Act empowers the central bank to act as a lender of last resort. In times of financial distress or systemic crisis, the CBN can provide liquidity support to banks and financial institutions, helping to maintain their solvency and overall stability in the financial system.

¹ Banks and Other Financial Institutions Act (BOFIA), s. 61 and 62.

² BOFIA 2002, s. 3 and 5.

³ CBN Act, s 31.

The Act allows the CBN to issue regulations and guidelines regarding foreign exchange operations, promoting orderly and efficient foreign exchange markets.⁴ The CBN not only manages Nigeria's foreign exchange reserves it also plays a crucial role in regulating foreign exchange transactions to ensure stability in the country's external sector.⁵ Through these provisions, the CBN assumes a multifaceted role as the regulator, supervisor, and guardian of the Nigerian financial system. It works towards maintaining price stability, safeguarding the soundness of financial institutions, promoting efficient payment systems, managing foreign exchange operations, and providing essential economic data to support informed decision making. By virtue of the CBN's powers under the CBN Act and BOFIA, in February 2021, the CBN issued a circular to financial institutions instructing them to close accounts associated with crypto-currency exchanges and individuals conducting crypto-currency transactions.⁶ The circular cited concerns about money laundering, terrorism financing, and other associated risks.

3.2.2 Investments And Securities Act 2025 (ISA)

Digital assets are gaining traction globally, with countries adopting them under regulatory oversight⁷. Nigeria has joined this trend, legally recognizing digital and virtual assets as capital market securities. Crypto-currency, a form of virtual and digital asset, was initially met with mixed reactions in the market following the Central Bank of Nigeria (CBN)'s prohibition of banks and other financial institutions

⁴ CBN Act, s. 35.

⁵ CBN Act, s. 2 (d).

⁶ Ademola Bakare, 'Crypto-currency Trading: CBN Orders Banks to Close Operating Accounts' (2021) 3 (2) *CBN Update*, 2.

⁷ Digital Watch Observatory, 'The global regulatory landscape of crypto: Between innovation and Control', <<https://dig.watch/updates/the-global-regulatory-landscape-of-crypto-between-innovation-and-control>> accessed 5th November 2025.

from processing or enabling crypto transactions in Nigeria.⁸ However, the landscape is evolving, opening up new opportunities for virtual and digital assets, such as crypto-currencies and digital tokens.⁹ The ISA expressly expands the definition of “securities” to include virtual assets such as crypto-currencies, tokens, and other block-chain-based instruments. Section 357(c) of the Act defines securities to include virtual and digital assets. This means that all Virtual Asset Service Providers (VASPs), Digital Asset Operators (DAOs), and Digital Asset Exchanges (DAEs) are subject to the oversight of the Securities and Exchange Commission (SEC). This statutory recognition means that crypto-currencies and related digital assets are now subject to the same regulatory oversight as traditional securities in Nigeria.¹⁰

The SEC is empowered to regulate all activities involving virtual assets, including issuance, trading, and promotion¹¹. Section 355(1) (a) of the Act grants the SEC the power to regulate virtual assets, digital assets, and other distributed ledger technology (DLT) offerings, tokens, and products. Crypto exchanges and digital asset operators must register with the SEC, comply with capital requirements, and implement Know Your Customer (KYC) and Anti-Money Laundering (AML) measures and report suspicious transactions to regulators¹². Section 123 of the Act provides that there shall be a legal entity identifier for any entity involved directly or indirectly in securities

⁸ CBN Update, ‘Cryptocurrency Trading: CBN orders Banks to close Operating Accounts’ <<https://www.cbn.gov.ng/out/2021/ccd/volume%203%20number%202%20cbn%20update%20february%202021.pdf>> accessed 5th November 2025.

⁹ PWC, ‘Summary of key changes to the Investment and Securities Act 2025’ (2025) <[https://www.pwc.com/ng/en/assets/pdf/summary-key-changes-to-the-investments-securities-act-2025.pdf#:>](https://www.pwc.com/ng/en/assets/pdf/summary-key-changes-to-the-investments-securities-act-2025.pdf#:) accessed 5th November 2025.

¹⁰ Abubakar Nur Khalil, ‘Nigerian Gov Passes Law Recognizing Bitcoin As A Security’ <<https://www.forbes.com/sites/digital-assets/2025/04/30/nigerian-gov-passes-law-recognizing-bitcoin-as-a-security/>> accessed 5th November 2025.

¹¹ Section 357 of the ISA 2025

¹² Abubakar Nur Khalil, ‘Nigerian Government passes Law recognising Bitcoin as a Security’ <<https://www.linkedin.com/pulse/how-nigerias-new-investment-securities-act-affects-crypto-investors-pxttf>> accessed 5th November 2025.

transactions to monitor and minimize systemic risks arising from the activities of parties and counter-parties. Section 123 (2) of the Act provides that all participants in securities transactions shall obtain the legal entity identifier from an authorized issuer. The Act enhances investor protection by banning fraudulent investment schemes such as Ponzi schemes. Section 196(1) of the Act provides that the Commission shall have the power to enter and seal up all prohibited schemes and shall obtain an order of the Tribunal or a court to freeze and forfeit all assets of such schemes to the Federal Government of Nigeria. Section 196(3) provides that the promoter and operator of any entity engaged in a prohibited scheme commits an offence and are liable on conviction to a fine of not less than N20,000,000 or imprisonment for a term of 10 years. The SEC can impose substantial fines (at least N20 million or about \$12,430) and prison sentences of up to 10 years for violations¹³. It also has the authority to access telecom and internet data to investigate illicit activities, such as market manipulation and insider trading. The SEC now has more power to investigate and penalize fraudulent crypto projects. The dispute resolution mechanisms introduced by the Act significantly improve investor protection. Victims of crypto fraud now have formal channels for seeking redress, a development that should boost confidence in the market. Section 314 of the Act provides for the establishment of Investments and Securities Tribunal (IST). The ISA 2025 expands the IST's composition and jurisdiction to efficiently handle capital market disputes, including those involving digital assets and crypto-currencies. Investors aggrieved by actions or in-actions of the SEC or capital market operators can bring their complaints to the IST.¹⁴ However, the

¹³ Omaplex Law Firm, 'Understanding the Investment and Securities Act 2025, <<https://omaplex.com.ng/understanding-the-investment-and-securities-act-2025/>> accessed 5th November 2025.

¹⁴ Alliance Law Firm, 'Major Highlights of the Investment and Security Act 2025: A new Dawn for Nigeria's Capital Market' (2025) <<https://alliancelawfirm.ng/major-highlights-of-the->

Act will be better implemented if enforcement is robust, and inter-agency coordination is improved.

3.2.3 The Federal Competition and Consumer Protection Act (FCCP Act)

The Federal Competition and Consumer Protection Commission (FCCPC) in Nigeria plays a crucial role in promoting fair competition,¹⁵ protecting consumers' rights,¹⁶ and ensuring economic efficiency.¹⁷ The FCCP derives its authority and responsibilities from the FCCP Act.¹⁸ Section 3 of the FCCP Act establishes the FCCPC as the primary regulatory body responsible for enforcing competition and consumer protection laws in Nigeria.¹⁹ The Commission's main objective is to prevent anti-competitive practices, promote competition, safeguard consumer rights, and enhance market efficiency.²⁰ Under Section 18 of the FCCP Act, the commission is empowered to investigate and address anti-competitive behaviours, such as abuse of dominance, collusion, and unfair trade practices. The FCCP has the authority to conduct inquiries, gather evidence, and impose penalties on businesses found to be engaging in anti-competitive conduct.²¹ The Commission has the power to investigate a monopoly situation,²² which shall be taken to exist in relation to the supply of goods or services of any description or import and export of goods and services of any description from Nigeria, to the extent it has an effect on competition in a market in

[investments-and-securities-act-2025-a-new-dawn-for-nigerias-capital-market/>](#) accessed 5th November 2025.

¹⁵ FCCPA, s. 17(a)(b) and (g); FCCPA, s 1(a).

¹⁶ FCCPA, s. 17(i).

¹⁷ FCCPA, s. 1(b).

¹⁸ FCCPA, s. 3(1).

¹⁹ Section 167 of the FCCPA defines a consumer as a person who purchases or offers to purchase goods otherwise than for the purpose of resale but does not include a person who purchases any goods for the purpose of using them in the production or manufacture of any other goods or articles for sale. The definition of consumer extends to digital asset users.

²⁰ FCCPA, s. 17(a-z).

²¹ FCCPA, s. 18(1)(h)

²² FCCPA, s. (76).

Nigeria, as may be prescribed in regulations made by the Commission.²³ These provisions imply that the Commission has the power to scrutinize and intervene in instances where monopolistic practices related to the supply, import, or export of digital assets have a detrimental effect on competition within the digital assets market in Nigeria. This provision helps to ensure fair competition and market dynamics within the digital asset industry, consequentially, promoting a level playing field for market participants and safeguarding the interests of consumers. The FCCP plays a vital role in protecting consumers' interests. Under Section 17 of the FCCP Act, the commission has the authority to investigate and redress consumer complaints, enforce product quality standards, and ensure accurate product labeling and information. The FCCP can level sanctions against businesses that engage in unfair or deceptive practices that harm consumers.

The FCCP, empowered by its establishing law,²⁴ has the potential to play a significant role in protecting customers of digital assets in Nigeria. There are some ways in which the FCCP can offer consumer protection unique in the digital asset industry. The FCCP has the authority, as per Section 17 paragraph (h) of the FCCP Act, to investigate and address consumer complaints. If customers face issues or fraudulent activities related to digital assets, they can file complaints with the FCCP.²⁵ Although an aggrieved consumer can directly approach a court with appropriate jurisdiction to seek redress.²⁶ The Commission can initiate investigations, gather evidence, and take appropriate actions against businesses or individuals found to be engaging in unfair practices or defrauding customers. Furthermore, the FCCP Act empowers the

²³ FCCPA, s. (77).

²⁴ The Federal Competition and Consumer Protection Act (FCCP Act).

²⁵ FCCPA, s. 146 (1)(c).

²⁶ FCCPA, s. 146(2).

commission to enforce consumer rights, including accurate product labeling²⁷ and information.²⁸ In the context of digital assets, the FCCP can ensure that businesses providing digital asset services or platforms adhere to transparency requirements and provide accurate information to customers regarding the risks, terms, and conditions associated with digital assets. The FCCP's role in promoting fair competition, as specified in the FCCP Act, indirectly benefits customers of digital assets. By preventing anti-competitive practices, such as monopolistic behaviours or collaboration, the FCCP ensures that customers can access a diverse range of digital asset services and platforms. This promotes competitive pricing, innovation, and quality services, ultimately benefiting the customers. Notwithstanding, the FCCP can engage in consumer education and awareness campaigns specifically targeted at digital assets. By providing guidance on best practices, risks, and security measures associated with digital asset transactions, the FCCP can empower customers to make informed decisions and protect themselves from potential scams or fraudulent activities.

²⁷ FCCPA, s. 116.

²⁸ FCCPA, s. 114.

3.2.4 The Capital Gains Tax Act (CGTA)

The taxation of intangible property²⁹ in Nigeria is governed by the provisions of the relevant tax laws. The CGTA imposes a charge on the gains accruing to any person on the disposal of assets.³⁰ All forms of property fall within the meaning of assets for the purposes of the Act whether situated in Nigeria or not.³¹ These include options, debts, and incorporeal property generally,³² any currency other than Nigerian currency,³³ and any form of property created by the person disposing of it, or otherwise coming to be owned without being acquired.³⁴ Disposal as referred to in the Act could be by way of sale, lease, transfer, or assignment. It usually involves a surrender or forfeiture of rights.³⁵ Transactions involving the disposal of digital assets could be taxable under the CGTA since it falls under the meaning of chargeable assets being incorporeal property. Incorporeal property refers to property rights that do not have a physical or tangible form. It encompasses legal rights and interests that exist independently of physical objects. Such rights and interests may include intellectual property rights, contractual rights, copyrights, patents, trademarks, and financial instruments. Digital assets are a form of incorporeal property due to their intangible nature. Like other intangible property, they hold value and can be owned, transferred, or exchanged. Treating digital assets as incorporeal property for tax purposes maintains consistency with the existing tax regime that already addressed the taxation of intangible assets. However, the Finance Act 2022 amends Section 3(a) of the CGTA and provides that:

²⁹ Intangible properties here refer to assets that lack physical substance but possess value, such as intellectual property, trademarks, copyrights, patents, and goodwill.

³⁰ CGTA, s. 1(1).

³¹ CGTA, s. 3.

³² CGTA, s. 3(a).

³³ CGTA, s. 3(b).

³⁴ CGTA, s. 3(c).

³⁵ CGTA, s. 6(1)(c).

forms of property shall be assets for the purposes of this Act, whether situated in Nigeria or not, including options, debts, digital assets, and incorporeal property generally”. This amendment treats digital assets as a separate category of property, it could enable the FIRS and other relevant authorities to adapt to this evolving landscape more efficiently. This could further allow for flexibility in determining and defining taxable events, establishing certain valuation methodologies, and developing the appropriate compliance mechanisms. Regulations could be tailored to address the specific complexities of digital assets and ensure fair and effective taxation. Also, specialized tools and techniques for monitoring digital asset transactions, improving compliance, and enforcement efforts can be put in place.

3.2.5 The Value Added Tax Act (VAT ACT)

This is a consumption tax paid on value added services. The VAT Act imposes and charges VAT on certain goods and services.³⁶ VAT is charged and payable on the supply of all goods and services, other than those goods and services which were listed in the First Schedule to the Act.³⁷ The primary question here is whether digital assets are taxable goods. As provided in fairness and neutrality in the tax system, treating similar economic activities equally regardless of whether they involve physical or digital assets. Furthermore, applying VAT to digital assets can also generate substantial tax revenues for the government. As the digital asset industry continues to grow and gain widespread adoption, transactions involving digital assets have the potential to contribute significantly to the overall tax revenue. This revenue can then be utilized to fund public services, infrastructure development, and other government initiatives. Section 2 of the VAT Act, every supply of goods and services

³⁶ VAT Act, s. 1.

³⁷ VAT Act, s. 2.

are taxable goods under the Act except those goods and services in the First Schedule.³⁸

Digital assets not falling within the umbrella of exempted goods and services are taxable goods. This means that where there is a transaction involving digital assets, VAT is calculated and collected on the value of the digital asset. The buyer is charged VAT by the seller, who then pays the VAT to the government. If, on the other hand, the buyer is not an end user and the goods or services are business expenses, the tax paid on those purchases can be deducted from the tax it charges its customers. As far as VAT is concerned, the government only receives the difference; in other words, each player in the sales chain pays tax on the gross margin of each transaction³⁹. By charging only the value contributed at each stage of production, value added tax avoids the cascading effect of sales tax.⁴⁰ Taxing digital assets under the VAT framework allows for the equitable treatment of both digital and physical goods. It ensures that digital assets, which hold economic value and are exchanged in the marketplace, contribute to the tax base just like tangible goods. This approach promotes fairness and neutrality in the tax system, treating similar economic activities equally regardless of whether they involve physical or digital assets. Furthermore, applying VAT to digital assets can also generate substantial tax revenues for the government. As the digital asset industry continues to grow and gain widespread adoption, transactions involving digital assets have the potential to contribute significantly to the overall tax revenue. This revenue can then be utilized to fund public services, infrastructure development, and other government initiatives.

³⁸ VAT Act, s. 3.

³⁹ MT Abdulrazaq, 'Introduction to VAT in Nigeria' (2nd edn, Ababa Press Ltd 2012) 93.

⁴⁰ AO Oladele and others, 'Tax Enforcement Measures and Revenue Generation in Nigeria' *International Journal of Business & Law Research* (2021) 55-66.

3.2.6 The Companies Income Tax Act (CITA)

Income derived from intangible property is generally subject to taxation. The income generated from intangible property is treated as part of the taxable profits of the individual or company owning or exploiting such assets. For companies, the income derived from intangible property is taxed under the Companies Income Tax (CIT) regime. Such income is included in the company's assessable profits, and the applicable tax rate is determined by relevant provisions of the CITA. The current CIT rate in Nigeria is 30%⁴¹ for companies operating outside the oil and gas sector and 30% hydrocarbon tax for companies engaged in upstream petroleum operations.⁴²

Under the CITA, gross income is defined to include “any profits or gains, including any income, derived from any trade, business, profession or vocation.”⁴³ Therefore, any income generated from digital assets, such as trading profits or gains from the sale of different types of digital assets like NFTs, tokens, and crypto-currency, is considered taxable income. Also, Section 13(1)(d) of the CITA provides that income derived from any source, which includes digital assets, is taxable in Nigeria if it accrues in, is brought into, or received from Nigeria. This means that both residents and non-resident companies of Nigeria are subject to taxation on their digital asset income if it is derived from Nigeria.

⁴¹ CITA, s. 40(1).

⁴² Petroleum Industry Act (PIA), s. 267(a).

⁴³ CITA, section 22 (1) (a).

3.2.7 The Personal Income Tax Act (PITA)

Section 3(1)(a) of the PITA imposes a tax on the income of individuals, which will include the income derived from digital assets-related transactions. Therefore, individuals who receive income from digital assets, such as crypto-currency mining or trading, are required to report such income and pay the appropriate tax. Section 37 of the PITA provides that income tax that may be payable on the chargeable income of an individual ascertained in accordance with the provisions of the Act shall be assessed at the rate or rates specified in the Sixth Schedule to the Act. Section 3 of the Act defines what income of an individual is chargeable. These include gain or profit from any trade, business, profession, or vocation, for whatever period of time such trade, business, profession, or vocation may have been carried on or exercised.⁴⁴ As per Section 37 of the PITA, the income tax payable by individuals on their chargeable income, including income from digital assets-related transactions, is determined based on the rates specified in the Sixth Schedule to the Act. This means that individuals engaged in activities such as crypto-currency mining or trading are required to report their income derived from these activities and pay the appropriate income tax based on the prescribed rates. The PITA considers any gains or profits obtained from trade, business, profession, or vocation, regardless of the duration of such activities, as chargeable income. Therefore, individuals involved in digital assets-related transactions, whether as a trade, business, or profession, are subject to income tax on the income earned from these activities.

⁴⁴ PITA, s 3(1)(a).

3.3 CRYPTO-CURRENCY AND FINANCIAL CRIME CONCERNS

The Nigerian government in the CBN circular of February 2021 cited money laundering and cybercrime as possible risks to the emergence of crypto-currency. It is agreed that inspite of the innovative financial solutions and opportunities it offers, crypto-currency does indeed come with its risks and challenges. Some of these dangers relate to money laundering, fraud and other financial crimes. In March 2024, an ex-employee of First Bank, a Nigerian bank with a market capitalization of ₦829 billion, was reported to have stolen and absconded with about ₦40 billion (\$29 million). The funds were traced to several banks and some of the stolen funds were used in purchasing crypto-currency. The Ex bank staff purchased stablecoin USDT from several crypto traders who were later brought in for questioning. Those traders claimed their only involvement was selling USDT and denied knowing the funds they received were proceeds of fraud.⁴⁵

In May 2024, the founder of Binance, one of the world's largest crypto firms, Changpeng Zhao, was sentenced by a court in the United States of America to four months in prison for violating the US anti-money laundering requirements⁴⁶. The founder of Binance had plead guilty to the anti-money laundering violation acknowledging that his company allowed terrorist groups and other criminals to have access to its platform. Also in October 2020, Arthur Hayes, the co-founder, and former CEO of BitMEX, one of the world's largest crypto-currency exchange was charged by US authorities, alongside other BitMEX executives, with violating anti-money laundering regulations and failing to implement proper know-your-customer

⁴⁵ 'Exclusive: First Bank employee on the run after diverting ₦40 billion; bank begins recovery' <<https://techcabal.com/2024/05/31/first-bank-employee-on-the-run-after-40bn-fraud/>> accessed 5th November 2025.

⁴⁶ Crypto World, 'Binance founder Changpeng Zhao sentenced to 4 months in prison after plea deal' (2024) <<https://www.cNBC.com/2024/04/30/binance-founder-changpeng-zhao-cz-sentenced-to-four-months-in-prison-.html>> accessed 5th November 2025.

procedures. In Nigeria, there have been reports of individuals involved in crypto-currency trading facing legal challenges and crackdowns. There have been instances of arrests and prosecutions related to crypto-currency-related activities such as alleged fraud or money laundering schemes. The Federal Government had detained at least two senior executives of Binance, Najeem Anjarwalla and Tigran Gambaryan. They were both charged with fraud and not adhering to cybersecurity regulations.⁴⁷

Crypto-currencies can be used to obscure the identity of individuals involved in transactions, making it difficult to trace the origins and destinations of illicit funds. Criminals can use crypto-currencies to layer and integrate illicit funds into the financial system. Once embezzled funds are converted into crypto-currencies, tracking them becomes complex due to the decentralized and often pseudonymous nature of the transactions. Many crypto-currency transactions bypass traditional financial institutions, reducing oversight and making it easier for embezzled funds to be hidden. Crypto-currencies have been associated with a range of security risks, including hacking, fraud, money laundering, and terrorism financing. Hence there is an urgent need for some form of regulation to taper the risks associated with crypto-currency.

⁴⁷ Punch Newspaper, 'Why US, Nigeria, others crack down on crypto currency kings' <<https://punchng.com/why-us-nigeria-others-crack-down-on-crypto-currency-kings/#:~:text=Additionally%2C%20there%20have%20been%20instances,Najeem%20Anjarwalla%20and%20Tigran%20Gambaryan>> accessed 5th November 2025.

3.4 CONCLUSION

The regulatory landscape for digital assets in Nigeria is complex and evolving. While the CBN has taken a restrictive stance, the ISA 2025 signals a shift towards recognizing and regulating digital assets as securities, bringing them under the purview of the SEC. This regulatory framework, along with existing laws like the FCCP Act, CGTA, VAT Act, CITA, and PITA, aims to balance innovation with investor protection and financial stability. However, the use of crypto-currencies in financial crimes like money laundering highlights the need for robust regulation and enforcement. Achieving effective regulation will require clarity, inter-agency coordination, and international cooperation to mitigate risks while fostering the potential benefits of digital assets in the Nigerian economy.

CHAPTER FOUR

COMPARATIVE ANALYSIS OF NIGERIA'S DIGITAL ASSET

REGULATION WITH THAT OF THE UNITED STATES OF AMERICA (USA)

4.1 REGULATORY FRAMEWORK IN THE UNITED STATES

The United States has been a pioneer in digital asset regulation, with multiple regulatory agencies involved in overseeing this emerging industry. In the United States, the digital asset market is regulated by multiple governmental entities. The SEC is responsible for overseeing digital assets that fall under the category of securities, such as security token offerings (STOs).¹ The Commodities Futures Trading Commission (CFTC) has jurisdiction over digital assets that are classified as commodities.² Additionally, the Financial Crimes Enforcement Network (FinCEN)³ is tasked with enforcing AML and KYC regulations for digital assets and the exchanges that facilitate their trading.⁴ These regulatory bodies play a crucial role in ensuring compliance and maintaining the integrity of the digital asset market in the US.⁵

The Howey Test,⁶ derived from a landmark Supreme Court case, is employed by the SEC to ascertain if a digital asset constitutes an investment contract and thus a security. Exemptions from registration requirements are available under the Securities

¹ T Lambert and others, 'Security token offerings' *Small Bus Econ* (2022) 299–325 <<https://doi.org/10.1007/s11187-021-00539-9>> accessed 15th November 2025.

² Stump Dawn, 'Digital Assets: Clarifying CFTC Regulatory Authority & the Fallacy of the Question, Is it a Commodity or a Security?' <https://www.cftc.gov/media/6306/DigitalAssetsAuthorityInfographic_CommStump082321/download> accessed 15th November 2025.

³ Financial Crimes Enforcement Network, 'Introduction to FinCEN Exchange' <<https://www.fincen.gov/resources/financial-crime-enforcement-network-exchange>> accessed 15th November 2025.

⁴ Lemire Katherine, 'Cryptocurrency and anti-money laundering enforcement' (Reuters September 2022) <<https://www.reuters.com/legal/transactional/cryptocurrency-anti-money-laundering-enforcement-2022-09-26/>> accessed 15th November 2025.

⁵ Passarella Tyler, 'Regulation of digital assets in the United States of America' (The Tokenizer) <<https://thetokenizer.io/2023/06/06/regulation-of-digital-assets-in-the-united-states-of-america/>> accessed 15th November 2025.

⁶ *SEC v WJ Howey Co* (1946) 328 US 293.

Act of 1933 and the Securities Exchange Act of 1934 for certain security tokens or digital assets. These exemptions allow for the sale of tokens or assets without having to go through the full registration process. We outline below the key exemptions and their limitations:

i. Regulation A+ Tier 1: Issuers can raise up to \$20 million within 12 months. They must however file Form 1-A with the SEC, providing information about the offering, risks, use of proceeds, business description, and financial statements.⁷

ii. Regulation A+ Tier 2: Here issuers are allowed to raise up to \$50 million within 12 months. Similar to Tier 1 above, they must file Form 1-A with the SEC but must do so with audited financial statements.⁸ There are investment limits for non-accredited investors.

iii. Regulation Crowdfunding (Reg CF): This allows issuers to raise up to \$5 million within 12 months. There are restrictions on investors, and the issuers must file Form C with the SEC prior to the offering.⁹

iv. Regulation D (Reg D): Mostly used for private offerings. Rule 504 of Reg D allows for raising up to \$10 million within 12 months, requiring the filing of Form D. Rule 506(b) permits unlimited fundraising from accredited investors and up to 35 non-accredited investors, with Form D filing. Rule 506(c) is similar to 506(b) but limits investors to accredited investors only.¹⁰

⁷ SEC, 'Updated Investor Bulletin: Regulation A' <https://www.sec.gov/oiea/investor-alertsbulletins/ib_regulationa.html> accessed 15th November 2025.

⁸ SEC, 'Regulation A' <<https://www.sec.gov/education/smallbusiness/exemptofferings/rega>> accessed 15th November 2025.

⁹ SEC 'Regulation Crowdfunding' <<https://www.sec.gov/education/smallbusiness/exemptofferings/regcrowdfunding>> accessed 15th November 2025.

¹⁰ SEC, 'Exemption for limited offerings not exceeding \$10 million—Rule 504 of Regulation D' <<https://www.sec.gov/education/smallbusiness/exemptofferings/rule504>> accessed 15th November 2025.

Furthermore, several bills have been introduced or are pending to regulate crypto assets. One of them is the Digital Commodity Exchange Act of 2022,¹¹ which grants the CFTC the authority to regulate digital assets that meet the definition of a commodity.¹² While this proposal allows exchanges to voluntarily register with the CFTC and receive certain benefits, registration is not mandatory. Another bill is the *Lummis-Gillibrand* Responsible Financial Innovation Act,¹³ which aims to establish comprehensive regulations for the crypto asset community.¹⁴

Additionally, the House Financial Services Committee has promised to introduce legislation specifically addressing stablecoins, although no proposal has been released yet.¹⁵ Apart from being categorized as securities and commodities, digital assets can also fall under the classification of property or currency. The Internal Revenue Service (IRS) in the United States treats digital assets as property for taxation purposes. As per IRS Notice 2014-21,¹⁶ digital assets are regarded as property rather than currency. Consequently, capital gains tax is applicable to digital assets, and individuals involved in digital asset mining are required to report their earnings as income.

4.1.1 Lessons for Nigeria

¹¹ HR 7614 - 117th Congress (2021-2022), 'Digital Commodity Exchange Act of 2022' (2022) <<https://www.congress.gov/bill/117th-congress/house-bill/7614>> accessed 15th November 2025.

¹² House Committee on Agriculture, 'Summary of the Digital Commodity Exchange Act of 2022' <https://agriculture.house.gov/uploadedfiles/04.28.2022_dceasummary_final.pdf> accessed 15th November 2025.

¹³ 4356 - 117th Congress (2021-2022), 'Lummis-Gillibrand Responsible Financial Innovation Act' (2022) <<https://www.congress.gov/bill/117th-congress/senate-bill/4356/text>> accessed 15th November 2025.

¹⁴ Scott Andrew and Others, 'How the Lummis-Gillibrand Responsible Financial Innovation Act (S. 4356) Would Alter the Crypto Regulatory Landscape' (2022) <<https://crsreports.congress.gov/product/details?prodcode=IN11971>> accessed 15th November 2025.

¹⁵ Nikhilesh De, 'U.S. House Committee Publishes Draft Stablecoin Bill' (2023) <<https://www.coindesk.com/policy/2023/04/15/us-house-committee-publishes-draft-stablecoin-bill/>> accessed 15th November 2025.

¹⁶ IRS, 'Notice 2014-21' <<https://www.irs.gov/pub/irs-drop/n-14-21.pdf>> accessed 15th November 2025.

- i. Nigeria should consider implementing stricter AML and KYC regulations across all crypto platforms to reduce fraud and illicit activities, aligning with U.S.A standards overseen by FinCEN and SEC.
- ii. Nigeria currently lacks precise dispute resolution mechanisms for cross-border crypto transactions, which undermines investor confidence. As crypto-currency transactions increasingly involve cross-border interactions, effective dispute resolution mechanisms are essential for maintaining investor trust and legal recourse. Additionally, in the United States, many crypto-currency-related disputes are resolved through mandatory arbitration. Arbitration is commonly included in the terms of service for many crypto-currency exchanges, ensuring that disputes are settled quickly and outside of court.
- iii. Like the U.S.A's approach, integrating multiple agencies under clear roles, Nigeria could benefit from consolidating oversight amongst different agencies, especially CBN and SEC.

4.2 LEGAL AND REGULATORY CHALLENGES THAT HINDER THE EFFECTIVE ADOPTION AND IMPLEMENTATION OF DIGITAL ASSETS AND RELATED FINANCIAL SERVICES

Crypto-currency trading is fraught with a number of legal challenges as a result of its novelty and ease of transaction. In this part, we shall focus on taxation issues and criminal matters:

4.2.1 Crypto-currency and Tax Challenges

The novelty of crypto-currency trading generates a peculiar tax problem all over the world. The question as to whether and how tax is to be collected on crypto-currency must be heard. Taxation of crypto-currency as it stands now is a municipal problem regardless of its trans-border free roaming status. The difficulty with taxation of crypto-currency springs from several factors ranging from anonymity, extra-jurisdictional transfer, and jurisdictional omnipresence amongst others. Crypto-currency possess the traditional characteristics of tax havens as earnings are not subject to taxation¹⁷ and taxpayer's anonymity is maintained giving that crypto-currency does not depend on existing financial institutions such as banks. There is no jurisdiction in which they operate as being held in online digital wallets and the accounts in which they are held are anonymous, users can create wallets without providing identification and even when they do, it could be pseudonymous. Furthermore, crypto-currencies are transferable from peer to peer between users, thereby, doing away with the financial intermediaries through which tax could be collected. Looking at crypto-currency from an income tax perspective, a service facilitator may accept Bitcoin for example, as pay for service rendered unto their anonymous or pseudonymous wallet thus, escaping the need to pay personal income

¹⁷ LD Iyoyojie and others, 'Cryptocurrency: The Search For A Legal Framework As A World Currency' *International Journal of Business & Law Research* (2021) 15-25.

tax. It will therefore be doubtful that tax authorities will be aware of the income without voluntary submission by such service provider. An idea on how cryptocurrency may be used to escape tax is giving in an example of buying securities through tax exempt entities as agents.¹⁸ A tax evader interested in securities of a company may pay an agent in Bitcoin the value interested in investing; the agent buys the securities in fiat currency and would on receiving dividends from the company, transfer the investor the Bitcoin value of the dividends. A 2012 analysis shows that Bitcoin was already being used for tax evasion.¹⁹ It was shown that many Bitcoin wallets owners used it like savings accounts, receiving and never sending Bitcoin. Such accumulations would unless the owner wishes otherwise, be a means of tax evasion. The study also showed that users employed “fork and merge” routine wherein large amounts of Bitcoin are split into several accounts in small amounts.

The extra-jurisdictional transfer of funds is problematic in its most fundamental interpretation; international-law norms of sovereignty restrict a State’s jurisdictional remit to within its sovereign boundaries. Therefore, the instant a potential tax payer leaves a jurisdiction, a State’s ability to assert taxing rights, or bring the infringing party to account, is often muted, notwithstanding international co-operation.²⁰ It is therefore easy to envisage the problem here as crypto-currency’s lack of jurisdictional connection exemplifies a key issue with taxation. A submission to the Australian Senate Inquiry on Bitcoin had this statement: *“Digital currency transactions and services may lack a clear nexus to a particular jurisdiction for tax purposes. Most tax principles rely, to a certain extent, on principles of physical presence in defining*

¹⁸ Ibid p.20

¹⁹ Ibid

²⁰ Digital Watch Observatory, ‘The global regulatory landscape of crypto: Between innovation and Control’, <<https://dig.watch/updates/the-global-regulatory-landscape-of-crypto-between-innovation-and-control>> accessed 15th November 2025.

source of profit, or place of delivery or consumption of services".²¹ Bitcoin's jurisdictional ubiquity causes obscurity as to a State's right to tax, by lacking any connection to a State or a fixed location. This may result in certain transactions escaping jurisdiction, being the subject of tax contention, or the basis of tax avoidance.²²

4.2.2 Crypto-currency and Criminality

It is argued, and widely too, that crypto-currency is an anonymous instrument aiding criminality. This perspective is quite understandable especially following the case, *United States Of America V. Ross William Ulbricht*²³ more popularly known as the *Silk Road case*. In February 2015, a jury convicted Ross William Ulbricht on seven counts arising from his creation and operation of Silk Road under the username, Dread Pirate Roberts ("DPR"). Silk Road was a massive, anonymous criminal marketplace that operated using the Tor Network, which renders Internet traffic through the Tor browser extremely difficult to trace. Silk Road users principally bought and sold drugs, false identification documents, and computer hacking software. Transactions on Silk Road exclusively used Bitcoins, an anonymous but traceable digital currency. The site also contained a private message system, which allowed users to send messages to each other (similar to communicating via email), a public forum to discuss topics related to Silk Road, and a "wiki," an encyclopaedia that users could access to receive advice about using the site. Silk Road customers and vendors could also access a support section of the website to seek help from the marketplace's administrators when an issue arose. Between 2011 and 2013, thousands of vendors

²¹ JG Allen and Others, 'Legal and Regulatory Considerations for Digital Assets' (Cambridge Centre for Alternative Finance 2020).

²² Ibid

²³ (Unreported) 14 CRIM 068. Docket No. 15-1815 14 Decided: 31, May 2017

used Silk Road to sell approximately \$183 million worth of illegal drugs, as well as other goods and services. Ulbricht, acting as DPR, earned millions of dollars in profits from the commissions collected by Silk Road on purchases. In October 2013, the US government arrested Ulbricht, seized the Silk Road servers, and shut down the site. Another instance of crypto-currency use for crime was in December 2017 when an executive of a UK-registered crypto-currency exchange was kidnapped in Ukraine and was only released after paying a ransom of more than \$1m in bitcoins, the crime was dubbed “bitcoin kidnapping and extortion.”²⁴ There is also the case of the anonymous group which had claimed to have stolen copies of former United States Mitt Romney’s tax records and threatened to release them to the public if the group did not receive \$1 million worth of bitcoins.²⁵ Crypto-currency can be analyzed as being a facilitator of crimes such as money laundering, advanced fee fraud, sale of illicit substances such as controlled drugs and false documentation as in the *Silk Road Case*.

4.2.3 Money Laundering

Money laundering is easily explained as a process through which illegally obtained money is given an appearance of having originated from a legitimate source. It has been defined as ‘the techniques for hiding proceeds of crime including transporting cash out of the country, purchasing businesses through which funds can be channeled, buying easily transportable valuables, transfer pricing, and using underground banks’²⁶ More formal definitions for money laundering are seen in the 1988 Vienna Convention in Article 3(1) (b) which states that money laundering refers to:

²⁴ Omri Marian, ‘A Conceptual Framework for the Regulation of Cryptocurrencies’ *University of Chicago Law Review Dialogue* (2015) 82 <<http://scholarship.law.ufl.edu/facultypub/695>> accessed 15th November 2025.

²⁵ Fabian Schar, ‘Decentralised finance: On blockchain- and smart contract-based financial markets’ *Federal Reserve Bank of St. Louis Review* (2021) 53–74.

²⁶ Omri Marian (n24)

(i) The Conversion or transfer of property, knowing that such property is derived from any offence or offences established in accordance with sub-paragraph (a) of this paragraph, or from an act of participation in such offence or offences for the purpose of concealing or disguising the illicit origin of the property or assisting any person who is involved in the commission of such offence or offences to evade the legal consequences of his actions.

(ii) The concealment or disguise of the true nature, source, location disposition, movement, rights with respect to, or ownership of property knowing that such property is derived from an offence or offences established in accordance with sub-paragraph (a)... or from an act of participation in such offence or offences.²⁷ Sub-paragraph (a) criminalizes the various aspects of illicit traffic in narcotic drugs and psychotropic substances making the article circumscribed to just money laundering of proceeds of drug trafficking although the Palermo Convention of 2000 has expanded it to 'proceeds of crime'. Money Laundering is said to be done in three steps: (1) placement, where criminals inject dirty money into the financial system; (2) layering, where launderers transfer or convert dirty money to dissociate it from its illegal source; and (3) integration, where cleaned funds re-enter the financial system in a seemingly legitimate state.²⁸ Crypto-currencies, such as Bitcoin, add a layer of anonymity by allowing users to transfer value without the collection of any personally identifiable information as in the conventional financial system. Although Bitcoin transactions are stored on blockchain ledgers which functions as digital logs that serve to identify a sender and a receiver's digital identities, criminals possess the means to

²⁷ Punch Newspaper, 'Why US, Nigeria, others crack down on crypto currency kings' <<https://punchng.com/why-us-nigeria-others-crack-down-on-crypto-currencykings/#:~:text=Additionally%2C%20there%20have%20been%20instances,Najeem%20Anjarwalla%20and%20Tigran%20Gambaryan>> accessed 15th November 2025.

²⁸ LD Iyoyojie (n17)

modify their digital identity from using virtual private networks, proxy network addresses, by simply using another individual's account or even creating a fictitious pseudonymous online identity essentially making their activities untraceable. Bitcoins enablement of money laundering is through its protocol's anonymity, ease in transacting and flexibility of use. The inability to tie an identifiable user to a single Bitcoin address, tracking the placement, layering, and integration of laundered funds would be extremely difficult for Anti Money Laundering enforcement.

4.2.4 Cyber-extortion

Extortion has been defined as the act or practice of obtaining something or compelling some action by illegal means, as by force or coercion.²⁹ In this sense, it is effective blackmail, which itself has been defined as a threatening demand made without justification.³⁰ Blackmail has been described in *R v Clear*³¹ as “threats and conduct of such a nature and such an extent that the mind of an ordinary person of normal stability and courage might be influenced or made apprehensive so as to accede unwillingly to the demand.”

Cyber-extortion therefore follows as extortion or blackmail through the use of the internet. In *United States of America v. Digati*³², Anthony Digati put \$50,000 into a variable life insurance policy with New York Life Insurance Company and wanted a return of \$198,303.88. When the firm did not comply, he threatened to send out 6 million spam emails. He registered a website in February 2008 that contained New York Life's name to display false public statements about the company and increased his demand to \$3 million. He was charged in the U.S. District Court, Southern District

²⁹ *Black's Law Dictionary* (8th edn, Eagan: West 2014) 623

³⁰ Ruoke Yang, ‘When is Bitcoin a security under US securities law?’ *Journal of Technology Law & Policy* (2013) 101.

³¹ [1968] 1 QB 670

³² Unreported No. 10-mag-00451

of New York. Apparently cyber-extortion existed prior to the creation of the Bitcoin but its creation has seen cyber-extortion grow exponentially.

4.3 CONCLUSION

This chapter explores the regulatory landscape of digital assets in both Nigeria and the United States, highlighting the approaches taken by each country. While the U.S. has established a multi-agency framework with defined roles for the SEC, CFTC, and FinCEN, Nigeria is still developing its regulatory structure. Key challenges such as taxation, criminal activity, money laundering, and cyber-extortion, intensified by the anonymity and ease of transacting with crypto-currencies, pose significant hurdles to effective adoption and implementation in both nations. By learning from the U.S. experience, Nigeria can benefit from consolidating oversight, implementing stricter AML and KYC regulations, and establishing clear dispute resolution mechanisms to foster investor confidence and mitigate risks in the burgeoning digital asset market.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY OF FINDINGS

In chapter one, the study finds that the foundation of Nigeria's digital-asset regulatory dilemma lies in the conflicting institutional philosophies of the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). Chapter One demonstrates that while the CBN's mandate focuses on monetary stability and the protection of the national payment system leading to restrictive regulatory actions such as the 2021 directive forbidding banks from engaging in crypto-related transactions the SEC pursues a modernized, market-friendly approach that recognizes digital assets as investment instruments capable of being regulated within capital-market structures. This divergence creates a structural tension that shapes every other aspect of Nigeria's regulatory landscape. The chapter also identifies the overarching problem of legal fragmentation, unclear regulatory boundaries, and the absence of a harmonized national strategy, which collectively complicate compliance and diminish investor confidence. The research questions and objectives developed in Chapter One further highlight the need to critically examine these institutional inconsistencies and the consequences they pose for Nigeria's evolving digital economy.

In chapter two, the study talks about how the conceptual uncertainty significantly contributes to regulatory confusion. The chapter clarifies that digital assets lack a universally accepted definition and may simultaneously resemble property, securities, or currency depending on the perspective adopted. This ambiguous character makes regulation inherently complex, as each classification triggers different legal regimes, regulatory responsibilities, and compliance obligations. Chapter Two reveals that the lack of terminological and conceptual alignment both globally and domestically

undermines Nigeria's ability to adopt consistent rules. It also highlights academic consensus that premature or overly rigid regulation can stifle innovation, particularly in emerging markets like Nigeria. The literature reviewed in Chapter Two emphasises the importance of regulatory systems that evolve in tandem with technological innovation, remain flexible, and incorporate comparative insights from other jurisdictions. These findings confirm that Nigeria must first achieve conceptual clarity before expecting effective enforcement.

In chapter three, the study finds that Nigeria's legal and institutional framework is fragmented, uneven, and marked by overlapping mandates. The chapter demonstrates that although several laws such as the CBN Act, the ISA 2025, the FCCPC Act, VAT Act, CITA, PITA, and the Capital Gains Tax Act apply to digital assets, their interaction is poorly coordinated. The ISA 2025 represents a major legislative breakthrough by formally defining and recognizing digital assets as securities in specific contexts, thereby reducing legal ambiguity. However, Chapter Three shows that the Act's potential impact is weakened by operational gaps: lack of inter-agency cooperation, insufficient regulatory expertise, unclear administrative rules, and inadequate enforcement capacity. The findings also show that Nigeria faces substantial tax-administration difficulties in the digital-asset sector, including challenges relating to valuation, anonymity of transactions, cross-border trading patterns, and poor record-keeping practices. Additionally, the chapter highlights the increasing intersection between digital assets and financial crimes such as money laundering, cyber-extortion, and illicit transfers prompting the need for sophisticated Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) mechanisms and investigative tools that Nigeria is yet to fully develop.

In chapter four, the study talks about the comparative analysis with the United States, provides valuable lessons for institutional coordination, supervisory clarity, and investor protection. The chapter shows that the U.S. regulates digital assets through a multi-agency model where the SEC, CFTC, FinCEN, IRS, and other bodies have clearly defined responsibilities. This structure demonstrates that effective regulation requires clear allocation of roles, robust Anti-Money Laundering / Know Your Customer (AML/KYC) systems, and detailed compliance guidelines. Nigeria's regulatory model, by contrast, lacks this clarity, resulting in interpretive conflicts and an environment where both regulators and market participants operate with uncertainty. Chapter Four further reveals that the absence of specialized dispute-resolution mechanisms and arbitration pathways in Nigeria leaves investors exposed when disputes arise, especially in cross-border crypto transactions. The U.S. model illustrates that systematic coordination among regulatory agencies, combined with market transparency and effective enforcement, substantially strengthens regulatory effectiveness offering Nigeria a blueprint for reform.

5.2 CONCLUSION

The study analyses demonstrates that Nigeria stands at a policy inflection point: statutory advances such as the ISA 2025 provide an unprecedented legal basis for regulating digital assets, but statutory authority alone will not produce a safe, efficient market without coordinated institutional reform, operational rule making, and strengthened enforcement capacity. The principal implication for policy is that harmonization across monetary, capital markets, tax and consumer protection regimes is a necessary precondition for both market integrity and innovation. Practically, this requires a credible road map that sequences legal clarity, licensing and supervision, taxation guidance, and international cooperation while investing in public sector

capacity. Failure to reconcile overlapping mandates would perpetuate uncertainty, increase the risk of financial crime, and impair the state's ability to capture the economic benefits of digital assets. Conversely, a coordinated, risk-calibrated regulatory architecture grounded in clear statutory powers, operational guidance, proportionate AML/CFT safeguards, and accessible dispute resolution can harness Nigeria's high adoption rates into formal economic activity, improve investor protection, strengthen tax compliance, and position the country to participate meaningfully in the global digital asset economy.

5.3 RECOMMENDATIONS

The recommendations that follow derive directly from the findings and aim to reconcile regulatory coherence, consumer protection, and the promotion of innovation. They prioritize institutional clarity, enforcement capacity, tax administration, consumer safeguards, and international cooperation as mutually reinforcing elements necessary to convert statutory recognition of digital assets into a functioning, transparent market.

i. The CBN and SEC should adopt an inter-agency memorandum of understanding that defines a clear functional division of labour, information-sharing protocols, and joint supervisory mechanisms. The memorandum should specify which categories of digital assets fall under each regulator's primary remit, set thresholds for escalation to joint oversight (for example, systemic risk indicators or cross-border fraud), and create an operational channel for rapid exchange of suspicious transaction reports. Clarifying responsibilities will reduce regulatory arbitrage, speed enforcement actions, and enable targeted supervisory guidance while respecting the CBN's currency mandate and the SEC's capital markets remit.

ii. Nigeria should implement a proportionate, risk-based AML/CFT regime for Virtual Asset Service Providers (VASPs) aligned with Financial Action Task Force (FATF) standards, including mandatory KYC, suspicious activity reporting, and registration/licensing of exchanges and custodians. The requirement must be accompanied by tailored capacity-building for enforcement agencies and the judiciary so that investigations and prosecutions of crypto-enabled crime are effective. A calibrated licensing regime, combining entry requirements with continuing compliance obligations and graduated sanctions, will preserve market access for legitimate innovators while raising the operational costs of illicit actors.

iii. The Federal Inland Revenue Service (FIRS) and relevant tax authorities must publish sector-specific guidance on taxable events, valuation methodologies, record-keeping standards, and cross-border information exchange. Such guidance should translate the CGT and income tax amendments into operational rules that address: (a) when a disposal or taxable income event occurs in pseudo-anonymous transactions; (b) acceptable valuation approaches for capital gains and VAT computations; and (c) documentary evidence required to substantiate tax positions. Clear tax rules will reduce uncertainty, limit inadvertent non-compliance, and channel previously informal economic activity into the formal tax base.

iv. The SEC and the Investments and Securities Tribunal should institute streamlined dispute resolution and remedial pathways tailored to digital-asset disputes. This entails developing specialist panels, alternative dispute resolution procedures, and expedited injunctive mechanisms that reflect the cross-border and time-sensitive nature of digital-asset harms. Effective remedies and accessible dispute resolution will improve investor confidence, reduce litigation backlogs, and ensure practical recourse where exchanges or token issuers engage in misconduct.

v. Consumer protection measures must be strengthened through mandatory transparency and disclosure requirements for digital-asset products and intermediaries. Providers should be required to communicate succinct, standardized risk warnings, custody arrangements, liquidity profiles, and fees. Additionally, a consumer education programme led by FCCPC in partnership with industry associations should target common fraud vectors and safe custody practices. These measures will mitigate information asymmetry and reduce the vulnerability of retail participants.

vi. Lastly, Nigeria should pursue targeted international cooperation agreements and technical partnerships to improve cross-border tracing, asset recovery, and regulatory harmonization. Bilateral arrangements with jurisdictions hosting major exchanges, participation in FATF mutual evaluations, and technical assistance agreements will improve investigative reach and enable Nigeria to benefit from international best practice without ceding regulatory autonomy.

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