

NAVIGATING NIGERIA'S REGULATORY APPROACH TO STABLECOIN

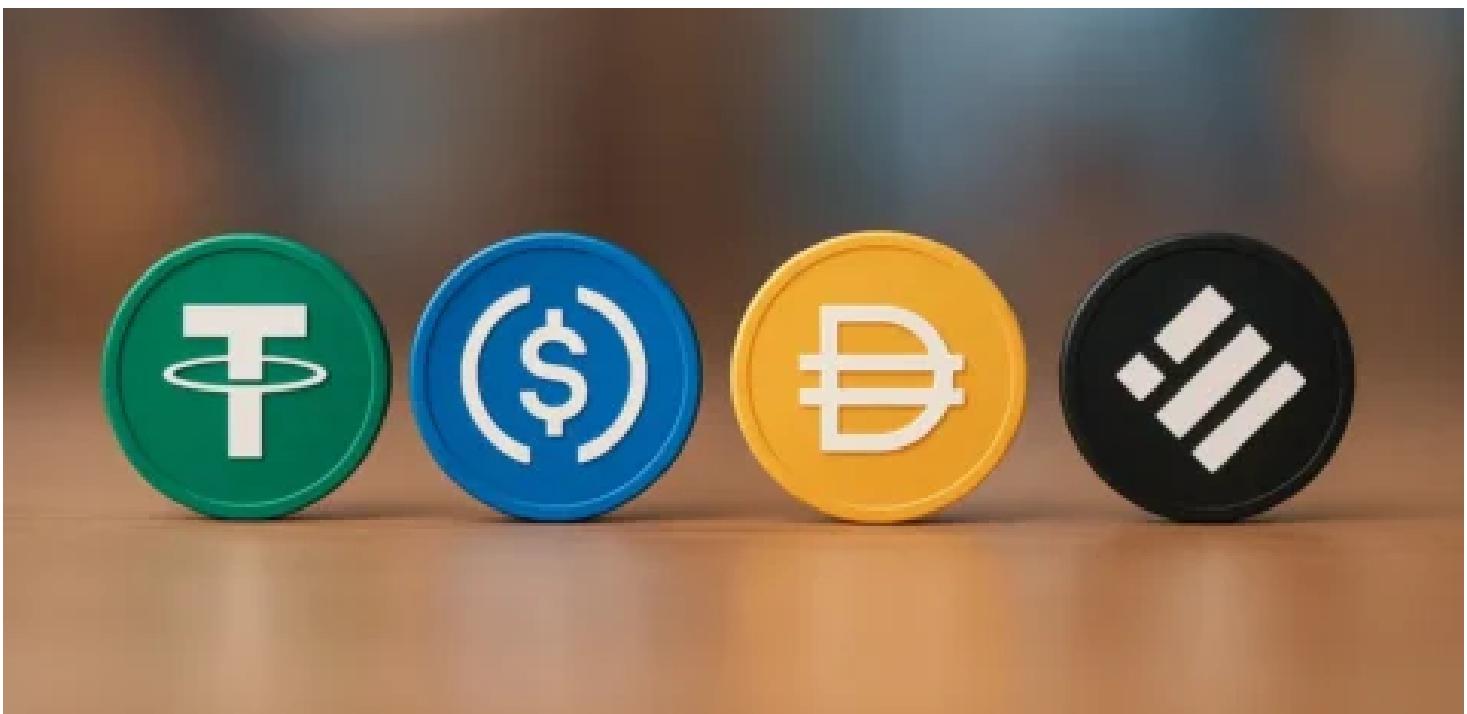
By: Tola Oshobi, SAN, Bamidele Olawale Adedipe, Christiana Nkechinyere Okechukwu



1. INTRODUCTION

The early skepticism surrounding cryptocurrencies is giving way to broader acceptance, with stablecoins playing a central role in this shift. Stablecoins are digital tokens that are designed to remain stable in value relative to a fiat currency (like the US dollar or Nigerian Naira) or a commodity (like Gold).¹ The appeal of stablecoins lies in their price stability and this has driven adoption for payments, remittances and savings especially in markets where local currencies are volatile. In Nigeria the combination of currency weakness, high inflation and robust crypto adoption has made stablecoins like Tether (USDT) and USD Coin (USDC) immensely popular. A 2024 report estimated that more than **26 million Nigerians** (roughly 12 % of the population) were already using stablecoins for remittances, savings and cross-border purchases.² Recognising this growth and the risks of an unregulated market, Nigeria has gradually pivoted from prohibiting crypto to building a regulatory framework for digital assets and, more recently, stablecoins.

This article reviews Nigeria's evolving regulatory landscape for stablecoins, drawing on the Securities and Exchange Commission's (SEC) rules, the Accelerated Regulatory Incubation Programme (ARIP) and the Investment & Securities Act 2025. It then compares Nigeria's approach with leading global frameworks — the United States' GENIUS Act, the European Union's MiCA regulation, Singapore's MAS stablecoin regime, Hong Kong's Stablecoin Ordinance, and Japan's revised Payment Services Act and considers how Nigeria can align its rules with international best practice.



1 Peterson K. Ozili , „Nigeria cNGN Stablecoin: everything you need to know about cNGN and eNaira CBDC” (20 April 2024) file:///C:/Users/HomePC/Downloads/ssrn-4806043.pdf accessed on 15th August 2025

2 Folake Balogun, Nigeria tops global stablecoin adoption as Africa's digital asset booms, Businessday 20 June 2025 <https://businessday.ng/technology/article/nigeria-tops-global-stablecoin-adoption-as-africas-digital-asset-booms/> accessed on 20th August 2025.

2. Defining Stablecoins and Their Types

Under the SEC's amended Rules on Digital Assets, a stablecoin is defined as "a virtual asset that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets, including one or more official currencies".³ The rules create a sub-category for fiat-referenced stablecoins, meaning tokens that reference one or more fiat currencies and are intended for use as a means of payment or store of value.⁴ This distinction mirrors frameworks elsewhere (such as the EU's division between e-money tokens and asset-referenced tokens) and provides clarity on which instruments fall under the SEC's jurisdiction.

Stablecoins can be classified by the assets backing them:

- a. Fiat collateralized: They are backed by traditional money like USD. For every stable coin, there ought to be an equal amount of real money held in a bank. E.g. Tether (USDT), USD Coin (USDC), True USD (TUSD) etc.
- b. Crypto collateralized: They are other cryptos like Ethereum that are held in a smart contract to back the stablecoin, often with extra collateral to manage price swings.
- c. Algorithmic stablecoins: everything here is controlled by codes. It reduces or increases the number of coins in circulation to keep the price steady. E.g. AMPL, the old Terra (LUNA).
- d. Commodity-Collateralized: this is backed by real asset like Gold. It is linked to the value of a commodity.⁵

Nigeria's regulatory focus is primarily on fiat-referenced stablecoins because they can substitute for local currency and influence monetary policy.



³ Clause 5.0. of the Amendments to the Rules on Digital Assets Issuance, Offering Platform, Exchange and Custody (Amended VASP Rules) 2025
⁴ Clause 5.0. of the Amendments to the Rules on Digital Assets Issuance, Offering Platform, Exchange and Custody (Amended VASP Rules) 2025

3. Stablecoin Adoption and the cNGN

Despite the nationwide prohibition on Banks to deal with cryptocurrency imposed in 2021, Nigeria remained an active player in the global crypto market. Stablecoins such as **USDT and USDC** dominated usage in the country because they offered faster remittances, reliable reserves, held greater value compared to the Naira, and were easily accepted worldwide. For many Nigerians, they provided a stable hedge against inflation and currency volatility.⁶

In **February 2025** the African Stablecoin Consortium, **(ASC)**, a coalition of banks , fintechs and blockchain firms – launched the **compliant Nigerian Naira (cNGN)**.⁷ The cNGN is fully backed by commercial-bank reserves, integrated with Know-Your-Customer (KYC) and Anti-Money-Laundering (AML) checks, and interoperable with multiple public blockchains. Unlike the eNaira, which is issued directly by the Central Bank of Nigeria (CBN), the cNGN is privately issued via participating banks and fintechs, making Nigeria the first African country to unveil a regulated Naira-pegged stablecoin.⁸



5 Emniece, Stablecoin: Adoption and challenges in Nigeria medium (May 17 2024) https://medium.com/%40enny_writes/stablecoin-adoption-and-challenges-in-nigeria-46f512c35a9f accessed 26th August 2025

6 This Is How Nigerians Quietly Ditched the Naira—for Stablecoins accessed on 15th August 2025

7 Sam Adeyemo, Naira-backed stablecoin cNGN debuts on local exchanges, Mariblock (6th February 2025) <https://www.mariblock.com/naira-pegged-stablecoin-cngn-launches-lists-on-exchanges/> accessed 26th August 2025.

4. Nigeria's Regulatory Evolution

Nigeria's journey toward digital asset regulation has unfolded in deliberate stages, reflecting both caution and ambition.

a. The first Step - Initial 2022 Rules

Nigeria's first step toward regulating digital assets came in May 2022, when the SEC issued rules on the Issuance, Offering Platforms and Custody of Digital Assets. These rules established licensing requirements for digital asset issuers, exchanges and custodians. Although they did not mention stablecoins specifically, they laid the groundwork for classifying digital assets and regulating crypto-asset service providers.

b. Accelerated Regulatory Incubation Program (ARIP) 2024 – A Regulatory Sandbox

In 2024 the SEC introduced the Accelerated Regulatory Incubation Programme (ARIP), a sandbox to onboard Virtual Asset Service Providers (VASPs) and Digital Investment Service Providers (DISPs). ARIP allows qualified entities to operate under temporary supervision while the SEC studies their business models and develops long-term regulations. Participation is open to token issuers, exchanges and other DLT platforms incorporated in Nigeria with a local office and resident chief executive. Entities may operate within ARIP for up to 12 months before applying for full registration. While ARIP has encouraged innovation, its high capital requirements and reporting obligations can deter smaller start-ups.⁹



⁸ Oge Okene, "cNGN: Nigeria's first regulated stablecoin explained, a new digital naira?" Business Day (20 February 2025) cNGN: Nigeria's first regulated stablecoin explained, a new digital naira? - Businessday NG accessed on 17th August 2025

c. Investments and Securities Act 2025

The **Investment & Securities Act (ISA) 2025** represents a landmark reform. The Act explicitly classifies **digital and virtual assets — including stablecoins — as securities** and grants the SEC broad powers to register and regulate virtual-asset exchanges and service providers.¹⁰ This legal clarity positions Nigeria as the first African jurisdiction to recognise stablecoins within securities law.¹¹ The ISA empowers the SEC to set disclosure standards, impose prudential requirements and enforce investor-protection rules for stablecoin issuers and intermediaries.

d. Amended Rules on Digital Assets Issuance, Offering Platform, Exchange and Custody (the Amended “VASP Rules ”)

Following the ISA 2025, the SEC amended its Rules on Digital Asset Issuance, Platforms, Exchange and Custody. These amendments:

- **Define stablecoins and fiat-referenced stablecoins** as noted above
- Recognise stablecoins as a subset of digital assets, meaning issuers must register as VASPs and comply with capital, governance and disclosure requirements.
- Specify that virtual-asset services include operating trading platforms, exchanging virtual assets for fiat or other assets, and other regulated functions.
- Require stablecoin issuers to adhere to strict compliance standards, including KYC/AML procedures and transparent reserve management, to foster market trust.

While these measures offer much-needed clarity, they also pose challenges; for instance, high entry costs, complex compliance obligations, cybersecurity risks and limited public awareness may slowdown adoption. Continued collaboration with industry and adjustments to the rules will be necessary to support innovation without compromising consumer protection.

5. Global Regulatory Benchmarks

Nigeria’s approach exists within a rapidly developing global landscape. Jurisdictions around the world are converging on core principles for fiat-backed stablecoins with authorised issuance, full reserve backing, safeguarding of assets, par-value redemption and prohibition on interest yet they differ in how they implement these principles and which authorities have oversight. Understanding these differences is essential for Nigeria’s regulators and market participants.

9 https://chambers.com/articles/overview-of-the-sec-s-amended-digital-assets-rules?utm_source=chatgpt.com accessed on 26th August 2025

10 Section 174 of the Investments and Securities Act 2025

11 Coinworld, “Nigeria Becomes First African Nation to Regulate Stablecoins Under 2025 Framework”

(25 July 2025) Nigeria Becomes First African Nation to Regulate Stablecoins Under 2025 Framework accessed on the 13th of August 2025

United States: GENIUS Act 2025

On **18 July 2025** the United States enacted the **Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act**, the country's first federal stablecoin law. According to the White House, the Act creates a federal regulatory system for payment stablecoins, requiring issuers to maintain 100% reserves of liquid assets such as U.S. dollars or short-term Treasuries and to make **monthly disclosures** of reserve composition. It prohibits deceptive marketing (e.g., implying government backing) and aligns federal and state frameworks. The World Economic Forum notes that only insured **depository institutions** (banks, credit unions) and **Fed-approved non-bank institutions** may issue stablecoins; issuers must hold reserves 1:1 and comply with the **Bank Secrecy Act**, including stringent AML/CFT measures. The Act also gives regulators power to freeze or seize stablecoins when necessary, reflecting U.S. concern about national security and illicit finance.

The GENIUS Act contrasts with Japan's conservative approach, which restricts issuance to licensed banks, trust banks and registered money-transfer agents. By permitting non-bank issuers that meet prudential standards, the U.S. framework aims to balance innovation with safety and to cement the dollar's role in digital finance.

European Union: MiCA

The EU's **Markets in Crypto-Assets Regulation (MiCA)**, fully enforceable from **December 2024**, is the world's most comprehensive crypto-asset regime. MiCA distinguishes between **asset-referenced tokens (ARTs)**, which are backed by baskets of assets, and **e-money tokens (EMTs)** pegged to a single fiat currency. Only EU-authorised **e-money or credit institutions** may issue EMTs, and ART issuers must be EU-based and obtain regulatory approval. The framework requires issuers to hold **sufficient, low-risk reserves**, provide daily updates on supply and reserves, and allow redemption at par at any time. Daily issuance caps may apply if a token becomes "significant", reflecting EU concerns about systemic risk.

MiCA's extraterritorial scope means that any stablecoin offered to EU residents or traded in the EU is subject to its rules. Marketing unlicensed stablecoins to EU audiences is prohibited, and service providers may not list non-compliant tokens. These strict requirements aim to protect consumers, preserve financial stability and prevent regulatory arbitrage.

United Kingdom: Emerging Regime

The United Kingdom has not yet finalised its stablecoin rules, but it is moving quickly. In April 2025 HM Treasury published a near-final draft statutory instrument to bring fiat-backed stablecoin issuance into the regulatory perimeter, and in May 2025 the Financial Conduct Authority (FCA) issued CP25/14, a consultation paper on proposed rules for stablecoin issuance and custody. The UK intends to require issuers to be established in the UK, meet prudential and conduct standards, and safeguard reserve assets, but its regime may be less extraterritorial than MiCA. As a global financial centre, the UK aims to balance competitiveness with robust consumer protection.

Hong Kong: Stablecoin Ordinance 2025

Hong Kong's **Stablecoin Ordinance**, passed on **21 May 2025** and effective from 1 August 2025, establishes one of the most stringent licensing regimes. Any person issuing a stablecoin referencing the Hong Kong Dollar (HKD) must obtain a licence from the **Hong Kong Monetary Authority (HKMA)**. Issuers must maintain **minimum paid-up capital of HK\$25 million, HK\$3 million in liquid capital** and excess liquid capital equal to 12 months of operating expenses. Stablecoins must be **fully backed by high-quality, highly liquid assets**, segregated from the issuer's other assets; the HKMA expects over-collateralisation and permits only cash, short-term government securities and similar instruments in the reserve. Holders have an absolute right to redeem at par within one business day. The ordinance prohibits the offering or advertising of stablecoins except by licensed entities, and unlicensed activity can result in heavy fines and imprisonment. Importantly, the law applies to HKD-referenced stablecoins issued outside Hong Kong, underscoring its extraterritorial reach.

Singapore: MAS Stablecoin Framework

Singapore's Monetary Authority (MAS) finalised its **stablecoin regulatory framework** in **August 2023**, with rules set to apply once relevant legislation is enacted. The framework covers **single-currency stablecoins (SCS)** pegged to the Singapore dollar or any **G10 currency** and issued in Singapore. It imposes requirements for **value stability** (restricting reserve composition, valuation, custody and audit), **capital adequacy** (minimum base capital and liquid assets), **redemption at par within five business days**, and **disclosures** about stabilisation mechanisms and holders' rights. Only issuers that satisfy all requirements may apply to label their tokens "MAS-regulated stablecoins"; misrepresenting a token as MAS-regulated is subject to financial penalties or imprisonment. MAS views stablecoins as a bridge between fiat and digital asset ecosystems, emphasizing their potential to support innovation while safeguarding value.

Japan: Payment Services Act 2023

Japan was the first major jurisdiction to enact a comprehensive stablecoin regime. Amendments to the **Payment Services Act** that took effect in **June 2023** stipulate that **only licensed banks, trust banks and registered money-transfer agents may issue stablecoins**. This reflects Japan's emphasis on systemic stability over rapid innovation. Unlike the U.S. approach, which allows Fed-approved non-banks to issue stablecoins, Japan confines issuance to traditional financial institutions, ensuring that reserves and redemption obligations are overseen by prudential regulators. This cautious stance has slowed yen-pegged stablecoin adoption but provides a strong guarantee of solvency and consumer protection.



6. Convergence and Divergence

Despite differing approaches, there is a growing consensus on core prudential standards. A comparative analysis by Morgan Lewis notes that regulators across the U.S., EU, UK and Hong Kong are increasingly aligned in requiring:

- A. Authorisation and supervision** – issuers must obtain licences from competent authorities and meet conduct and solvency standards.
- B. Full reserve backing** – stablecoins must be backed 1:1 by high-quality, liquid assets.
- C. Safeguarding of assets** – reserve assets must be segregated and protected against issuer insolvency.
- D. Par-value redemption rights** – holders can redeem tokens at face value at any time.
- E. No interest** – issuers cannot pay interest on stablecoins.

Areas of divergence include extraterritorial reach, who may issue stablecoins and how reserves may be invested. For example, MiCA restricts issuance to EU institutions and captures any stablecoin offered to EU residents, while the GENIUS Act allows approved non-bank issuers but confines regulation to U.S. users. Hong Kong's law applies even to HKD-referenced tokens issued abroad, and Japan limits issuers to banks and trust banks.

7. Lessons for Nigeria and Recommendations

Nigeria's regulatory journey demonstrates a willingness to embrace innovation while prioritising financial stability. Recognising stablecoins as securities and mandating issuer registration under the SEC sets Nigeria apart in Africa. However, global experience offers several lessons:

- A. Reserve backing and disclosures** – Nigeria's rules currently require compliance with KYC/AML but do not specify reserve standards. Global best practice emphasises full backing with low-risk assets, regular audits and public disclosures. Mandating transparency on reserve composition and redemption processes would enhance trust and prevent “run” scenarios.
- B. Redemption rights** – Nigeria should guarantee par-value redemption within a defined timeframe. Both MAS and HKMA require redemption within five and one business day respectively. Clear redemption obligations reassure holders and align stablecoins more closely with money-like instruments.
- C. Scope and licensing** – ARIP's sandbox and the ISA have brought issuers under SEC oversight, but there is still ambiguity about cross-border offerings. Nigeria could follow MiCA's lead by capturing any stablecoin offered to Nigerian residents and restricting foreign unlicensed tokens, preventing regulatory arbitrage.

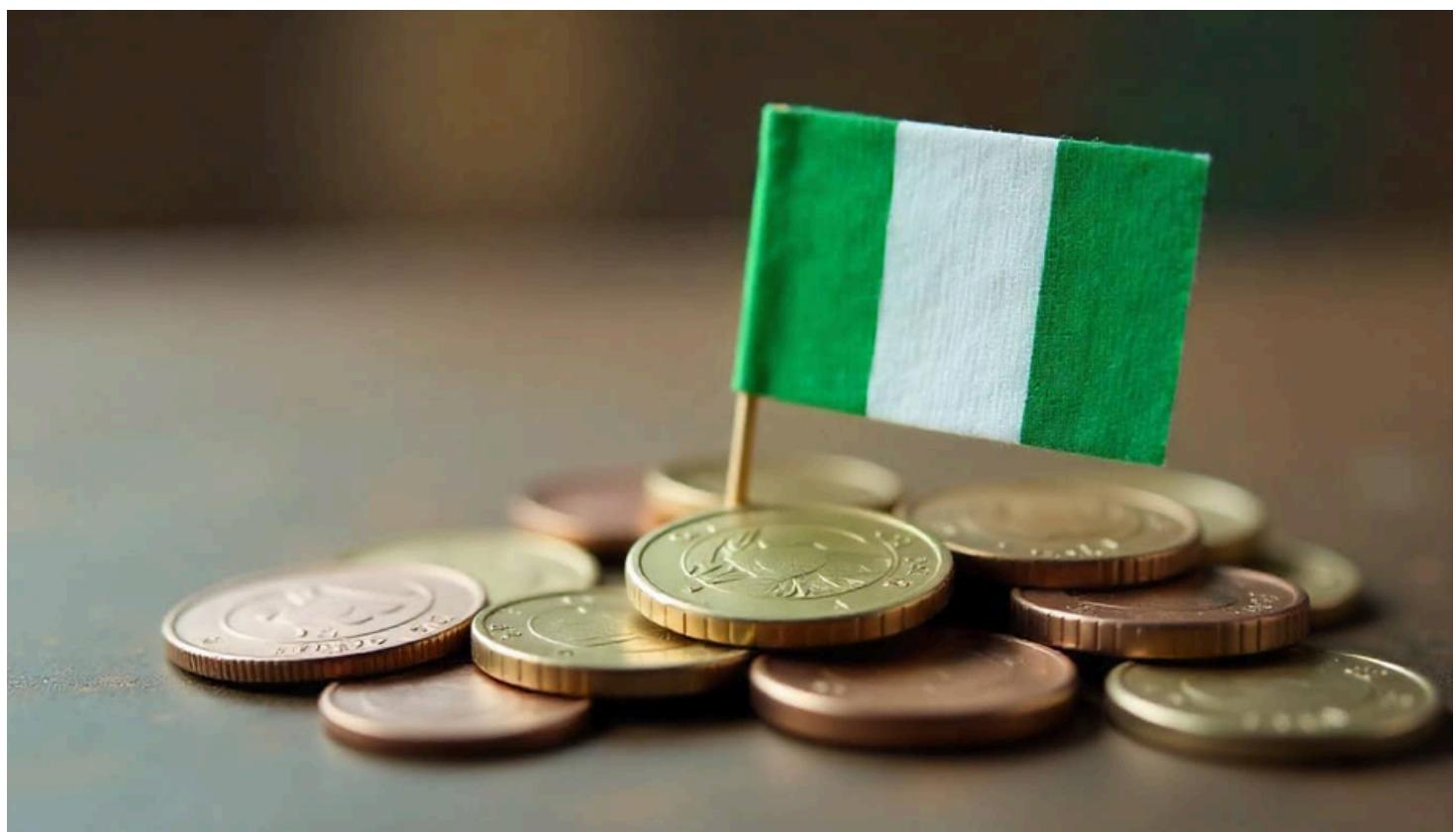
D. Coordination between regulators – The GENIUS Act aligns state and federal frameworks, while the FSB urges cross-border cooperation and information sharing. Nigeria's success will depend on coordination between the SEC and the CBN, especially given the implications on monetary policy.

E. Supporting innovation – High capital thresholds and complex procedures may deter start-ups and exclude local innovation. Sandboxes such as ARIP should be calibrated to encourage participation from smaller players while ensuring adequate consumer protection. Singapore's approach of labelling compliant tokens ("MAS-regulated stablecoins") could incentivize issuers to meet higher standards.

F. Public awareness and education – Adoption will remain limited if consumers do not understand stablecoins or trust issuers. Regulators should collaborate with industry to educate users on risks, rights and redemption processes.

8. Conclusion

Nigeria has made significant strides in regulating stablecoins, moving from prohibition to a structured framework that recognises these digital tokens as securities and subjects issuers to licensing and oversight. By incorporating definitions for stablecoins and fiat-referenced tokens, establishing a regulatory sandbox, and empowering the SEC to regulate virtual-asset service providers, Nigeria stands at the forefront of African crypto regulation. However, to ensure that stablecoins contribute to financial inclusion and economic growth rather than undermine monetary policy, Nigeria must refine its rules in line with global best practices: enforce full reserve backing and redemption rights, increase transparency, align cross-border scope, and foster coordination among regulators. In doing so, Nigeria can leverage stablecoins to support innovation and protect consumers, while maintaining the integrity of its financial system.



Babalakin & Co is a firm with broad experience on the subject of Information Technology, Technology and Telecommunication and all matters encompassing it. If you have any questions or would like information on the issues discussed, please contact:



Tola Oshobi, SAN

Partner

toshobi@babalakinandco.com



**Olawale Bamidele
Adedipe**

Associate
adedipe@babalakinandco.com



**Christiana Nkechinyere
Okechukwu**

Trainee Associate
cokechukwu@babalakinandco.com

—OFFICE LOCATIONS—

LAGOS OFFICE

1261A Adeola Hopewell Street
Victoria Island, Lagos State.
(+234)2012718700, 2718806, 2718808,
2718711, 27188004, (+234)2702802

ABUJA OFFICE

4, River Benue Street,
Off Ibrahim Babangida Boulevard,
Maitama District, Abuja.
(+234) 9-2780930, 2780933-9

PORT HARCOURT OFFICE

3, Williams Jumbo Street,
Old GRA, Port Harcourt
Rivers State.
(+234)703506876