

THE SECURITIES AND EXCHANGE COMMISSION'S PRESS RELEASE ON CRYPTOCURRENCIES

The Securities and Exchange Commission ("SEC") has through a Press Release dated 11 February 2021, clarified its earlier statement on the Classification of Cryptocurrencies in line with the Central Bank of Nigeria's ("CBN") ban on trading in these digital assets.

CBN had through a circular dated February 5, 2021 prohibited dealing in cryptocurrencies or facilitating payments for cryptocurrency exchanges. SEC reiterated that it recognizes that digital assets may have the full characteristics of investments as defined in the Investments and Securities Act 2007, and trading in such assets falls under its regulatory purview, except proven otherwise.

However, in its capacity as the regulator of the banking system, CBN has identified certain risks, which if allowed to persist, will threaten investor protection as well as the stability of the financial system, both of which are key mandates of SEC and CBN respectively.

Nevertheless, SEC stated that there is ongoing and extensive engagement with CBN to further analyze and better understand the identified risks to enable adequate and appropriate mitigation of such risks, should such securities be permitted in the future.

To this end, SEC has provided the following clarifications on the implementation of its Capital Market FinTech Strategy:

1. For the purpose of admittance into the SEC Regulatory Incubation Framework, the assessment of all persons (and products) affected by the CBN Circular of February 5, 2021 has been put on hold, until such persons are able to operate bank account(s) within the Nigerian banking system.
2. The planned implementation of the SEC Regulatory Incubation Guidelines for FinTech firms will, however, continue for the benefit of those who intend to introduce innovative models for offering capital market products and services.¹

SEC assured all concerned that it will continue to monitor developments in the digital asset space, and will further engage all critical stakeholders with a view to creating a regulatory regime that enhances economic development as well as the promotion of a safe, innovative and transparent Capital Market.

¹ <https://sec.gov.ng/press-release-on-cryptocurrencies/>