



A Call on the Nigerian Government to Responsibly Regulate Virtual Assets in Nigeria: A Press Release Issued by Blockchain Industry Coordinating Committee of Nigeria (BICCoN)

3 March 2024

Introduction

On 22 February 2024, it was reported in the media that Nigeria ordered telecommunications companies (telcos) and other internet service providers (ISPs) in the country to block access to virtual assets trading platforms.¹ Specifically, the Nigerian Communications Commission (NCC), the telecoms regulator, ordered telcos in the country to block access to the websites of Binance, Coinbase, Kraken, and a few others. At the time of writing, users in Nigeria either have no access to these websites or experience intermittent access. Apart from the order to block access to these virtual assets websites, two Binance executives have also been reportedly detained by the National Security Adviser (NSA). This detention was made by the Nigerian government on Monday 23 February 2024, after the meetings between the two Binance executives and the NSA with cybersecurity officers were deadlocked, following the executive's failure to meet the demands on the table.²

According to reports, Nigeria has taken the actions above due to the continued depreciation of the Naira to record lows in recent weeks, believing that Binance and other related virtual assets platforms enabled, caused, or contributed to the issues bedeviling Nigeria's foreign exchange market. At a press briefing after the 293rd Monetary Policy Committee meeting of Wednesday 27 February 2024, Governor of the Central Bank of Nigeria (CBN), Yemi Cardoso, disclosed that

¹ 'Nigeria restricts Binance, others access months after lifting ban', BusinessDay, <https://www.businessday.ng/business-economy/article/ncc-directs-telcos-to-block-binance-others-website/%3famp=1/>, February 21, 2024; 'Nigeria Moves to Block Access to Crypto Trading Platforms', Bloomberg, <https://www.bloomberg.com/news/articles/2024-02-22/nigeria-blocks-crypto-trading-restricts-access-to-binance-coinbase-kraken>, February 22, 2024; 'Nigeria blocks access to crypto exchanges in effort to curb currency slide', <https://www.ft.com/content/333309a5-196c-494a-8d68-506f6a19ba81>, Financial Times, February 22, 2024

² "EXCLUSIVE: Inside details of how Nigerian govt detained Binance executives', Premium Times, <https://www.premiumtimesng.com/business/business-news/672903-exclusive-inside-details-of-how-nigerian-govt-detained-binance-executives.html>, February 28, 2024

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over 26 billion United States Dollars (USD) was channeled through Binance in the last one year.³ Finally, statements credited to Bayo Onanuga, the Special Adviser on Information and Strategy to President Bola Tinubu, claimed that Binance may be slammed 10 billion USD by the Nigerian government over alleged illicit activities in the country.⁴ Binance has refuted the claim.⁵ Mr. Onanuga eventually clarified that this was only a speculation on his part.⁶ Meanwhile, the House of Representatives' Committee on Financial Crimes is also reportedly concluding investigations on Binance bordering on allegations of money laundering, terrorism financing, and other related matters.⁷

About BICCoN

The Blockchain Industry Coordinating Committee of Nigeria (BICCoN) was founded 28 January 2021 as an intercommunity working group, comprising three major blockchain bodies/communities in Nigeria:

- I. Blockchain Nigeria User Group (BNUG);
- II. Cryptography Development Initiative of Nigeria (CDIN);
- III. Stakeholders in Blockchain Technology Association of Nigeria (SiBAN);
- IV. Independent stakeholders who may not yet be affiliated with any of the three bodies/communities above.

Our mission is to provide an intercommunity approach to blockchain technology adoption towards achieving a more collaborative, innovative, and safer blockchain ecosystem.

1. The order by the Nigerian government to telcos and ISPs in the country to block access to virtual assets websites, including Binance.com, Coinbase.com, Kraken.com, etc.

It is our position that while the activities of virtual asset service providers (VASPs) may present risks to our financial system, proper regulation and enforcement is a more efficient and effective way to safeguard the financial system and secure the economy in

³ 'Over \$26bn funnelled through Binance without trace -CBN gov', The Punch, <https://punchng.com/over-26bn-funnelled-through-binance-without-trace-cbn-gov/>, February 24, 2024

⁴ 'Forex crisis: FG slams \$10 billion fine on Binance', Nairametrics, <https://nairametrics.com/2024/03/01/forex-crisis-fg-slams-10-billion-fine-on-binance/>, March 1, 2024

⁵ 'Binance says no intention of paying \$10billion fine to Nigeria', <https://guardian.ng/news/binance-says-no-intention-of-paying-10-billion-fine-to-nigeria/>, The Guardian, March 1, 2024

⁶ 'I Said Our Government May Impose Heavy Fines on Binance . . . I Never Said it Would Definitely Be \$10 Billion,' Says Nigerian Government Official', Bitcoinke, <https://bitcoinke.io/2024/03/nigeria-govt-may-impose-heavy-fines-on-binance/>, March 2, 2024

⁷ 'Reps to conclude investigation of terrorism financing, money laundering, others against Binance', The Vanguard, [Reps to conclude investigation of terrorism financing, money laundering, others against Binance - Vanguard News \(vanguardngr.com\)](https://vanguardngr.com/2024/03/01/reps-to-conclude-investigation-of-terrorism-financing-money-laundering-others-against-binance/), March 2, 2024

the long run. Of course, where the activities of any player constitutes real or potential threat to the financial system, regulators must, understandably, act to safeguard the system against fraud, scams, and other illicit activities.

However, we believe that ordering the blockage of the websites of the affected VASPs in the manner it was done “overnight” does not and will not help Nigeria build the much-needed trust and confidence in the financial system. In the recent past, Nigeria has taken similar reactionary actions but at best such reactionary actions only help achieve respite, not the long-term solutions that our financial system really needs for sustainable national economic growth and development. Based on available data, Nigeria’s present action may—once again—gradually push virtual assets adoption and transactions underground, a place that largely impairs efficient and effective supervision, monitoring, and investigations. Besides, denying citizens access to websites that have not been criminalized by any legislative instrument is simply undemocratic and unconstitutional. Such draconian actions are inconsistent with the norms of a democratic society. While they may bring temporary reprieve, they erode trust and confidence, quickly.

We believe that adopting more open multi-stakeholder engagements regarding the risks and threats of the activities of VASPs in the country would benefit all stakeholders better, including the government and the members of the public. Binance.com, Coinbase.com, Kraken.com, etc are centralized digital assets exchanges that can be efficiently and effectively regulated, ensuring transparency, integrity, and efficiency in the sector. At a time when other jurisdictions, including South Africa, have introduced regulatory frameworks that recognize and integrate virtual assets in their financial system, Nigeria needs to become more innovative with regulation. Merely blocking or shutting down websites may end up having another aftermath of the AbokiFX episode where the vacuum in price discovery in the FX market had to be eventually filled by other platforms, including Binance P2P.

Therefore, we appeal to the Federal Government to reconsider its stance and possibly review its decision by directly engaging VASPs in the country towards adopting a more collaborative and transparent approach to the challenges presently being faced by the country.

2. The detention of two foreign Binance executives by the NSA

We acknowledge the critical role that the NSA plays in Nigeria’s national security infrastructure and why the use of virtual assets for illicit activities in Nigeria deserves attention by the NSA. As a coordinating body for all security and enforcement agencies

and adviser to the President of the Federal Republic of Nigeria⁸, the NSA is well-positioned to coordinate the efforts of our law enforcement agencies to support intelligence towards preventing and combating acts of terrorism in Nigeria.⁹

We understand the sensitivity of the allegations against Binance, and acknowledge that investigations and other legal processes must be concluded.

In carrying out their statutory duties, we urge the NSA and the law enforcement agencies to observe the rule of law and due process in order to safeguard the integrity of the process. Besides, it is important that we do not send the wrong message to observers, including the international community, given the sensitivity of the matter.

We urge Binance—as well as other VASPs in Nigeria—to fully comply with the applicable laws and regulations in the country. Binance must demonstrate good faith. Particularly as a major player in the virtual assets industry, Binance should address the issues and ensure that it resolves all matters.

3. The over 26 billion USD disclosed by the CBN to have been channeled through Binance in the last one year

According to the CBN Governor, Olayemi Cardoso, “[i]n the last one year, more than \$26 billion have been funnelled through Binance without trace.” This figure is \$2 billion more than Nigeria's annual diaspora remittances.

As industry stakeholders, we understand that centralized digital assets exchanges typically implement know your customer (KYC) policies in order to check against money laundering, terrorism financing, and other illicit transactions through their platforms. From publicly available knowledge, Binance is no exception, particularly so in most recent years, including the last one year referred to by the CBN Governor. Besides, cryptoanalysis tools are available for the CBN and other relevant agencies for the purpose of tracing transactions. This is indeed one of the benefits of the blockchain.

Therefore, the (public) impression that \$26 billion is untraceable or has disappeared because it is related to virtual assets is untenable. We believe that what the CBN Governor was trying to point out is that the huge funds did not pass through the traditional channels where the CBN has direct supervision. For direct supervision, this is a function of regulation. As industry stakeholders, we have continued to advocate for policy and

⁸ Section 1 of the National Security Agencies Decree, 1986 (INSTRUMENT NO. NSA 1) transferred the functions of the Coordinator on National Security to the NSA.

⁹ Section 4(c), Terrorism (Prevention and Prohibition) Act, 2022

regulatory frameworks that will help Nigeria ensure that it does not continue to push virtual assets underground.

Commendably, in May 2022, the Securities and Exchange Commission (SEC) issued a regulatory framework on digital assets in Nigeria's investments and securities sector. In June 2023, the Federal Government of Nigeria approved the National Blockchain Policy. In that policy, Nigeria recognized cryptocurrencies or digital assets and directed the CBN, SEC, and other regulators to adopt a risk-based approach to crypto adoption in the country. Also, the Money Laundering (Prevention and Prohibition) Act, 2022 recognizes virtual assets and requires VASPs to embrace anti-money laundering (AML) compliance. Nigeria also recognized digital assets under the Capital Gains Tax as amended by the Finance Act 2023. Though in December 2023, the CBN finally lifted the restriction on banks and other financial institutions facilitating crypto-related transactions, the CBN effectively and absolutely—albeit questionably—deferred to the SEC. We say *albeit questionably* because a number of VASPs do not offer products or services in the investments & securities market. Meanwhile, the SEC is yet to operationalize its regulatory framework on digital assets in Nigeria.

Evidently, there is an obvious gap in implementation of our policies and regulations. We believe that regulators, law enforcement agencies, and other stakeholders should be collaborating to close this gap. And this calls for multi-stakeholder collaboration. If Nigeria is able to address this, we believe that the CBN will not find itself in a position where tracing \$26 billion on a centralized exchange is a major challenge.

4. The 10 billion USD reportedly imposed by the Nigerian government over Binance's alleged illicit activities in the country

We acknowledge that the Nigerian Government, through its relevant agencies, has the authority to impose fines under applicable laws and regulations. At the time of writing, Bayo Onanuga already clarified that he “never said Binance had been informed about the fines or that it would definitely be \$10 billion”, therefore it need not be overflogged.

At BICCoN, we only appeal to the Nigerian government to adhere to the rule of law and due process, especially considering that the actions of the Nigerian government may directly impact foreign investments in the country. Investors, local and foreign, want a business and regulatory climate that is clear, certain, and transparent. We must avoid any draconian actions or authoritarian impositions inconsistent with the letters and spirit of our laws.

5. The blockchain industry's self-regulatory approach for consumer protection, investor safety, and national interest

• Self-regulatory measures to check against bad actors

We condemn the activities of bad actors in the nascent virtual assets sector. At BICCoN, we stand against the use of virtual assets for any illicit activity, including money laundering, terrorism financing, fraud, and scams. As industry stakeholders, we will immediately embark on some house cleaning.

First, the leadership of BICCoN has decided to work closely with our member bodies to introduce and implement a Code of Conduct for VASPs in the Nigerian market. VASPs who voluntarily identify with BICCoN would be required to sign and adopt the Code of Conduct. Implementation and monitoring mechanisms will be put in place. With support from the government and regulators, we believe that we can help address a number of challenges in our industry.

Second, we strongly encourage all foreign players in the Nigerian market to identify with local blockchain communities and become active participants. CDIN, BNUG, and SiBAN are our member organizations. In the coming months, we shall be inviting other cooperative communities who identify with BICCoN's goals and objectives. We dissociate ourselves from rogues in our industry.

In light of recent developments, we urge regulators to adopt a collaborative and forward-thinking approach to regulation, one that balances the need for oversight with the imperative to nurture innovation. Specifically, we call for the following measures:

• Enabling Licensing Framework

We urge regulators to create a conducive environment for legitimate Virtual Assets Service Providers (VASPs) to operate legally in Nigeria. Establishing an active licensing framework will bring VASPs under effective regulatory control, thereby reducing the prevalence of illicit activities in the virtual assets industry.

• Streamlined Regulatory Requirements

The Rules on Issuance, Offering Platforms, and Custody of Digital Assets 2022 issued by the SEC should be amended to make it more innovation-friendly and operationalizable. This includes reducing the financial requirements to encourage compliance and participation from a broader range of operators, particularly local platforms.

- **Risk-based Approach**

We advocate for the adoption of a risk-based approach to cryptocurrency regulation in the country, as is recommended by the Financial Action Task Force (FATF). This approach will allow regulators to focus resources on identifying and mitigating the highest-risk activities while fostering responsible innovation in the digital asset ecosystem in the country.

While sanctions may provide temporary remedy, they are not a comprehensive solution to addressing illicit activities in the cryptocurrency space. Heavy-handed enforcement measures risk driving legitimate service providers underground, where bad actors can continue to operate with impunity. Instead, we must focus on creating a regulatory environment that incentivizes compliance and responsible behavior.

6. Availability of industry stakeholders for a dialogue with the CBN, SEC, NSA, and other relevant agencies in Nigeria

It is imperative to recognize that the vast majority of virtual assets users and service providers in Nigeria operate with integrity and adhere to regulatory requirements even in the absence of direct regulation. These individuals and entities are playing a vital role in driving innovation, fostering economic growth, and expanding financial inclusion across the country.

As the blockchain industry's intercommunity working group, we are available for a dialogue with the Nigerian government, regulators, law enforcement agencies, and other relevant stakeholders.

This is beyond crypto. It is about the future of our dear nation, and the trust and confidence we place on it.



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Lucky Uwakwe
Chairman

