# Crypto Risk and Opportunities in Nigeria : A New Banking Paradigm

**March 2025**

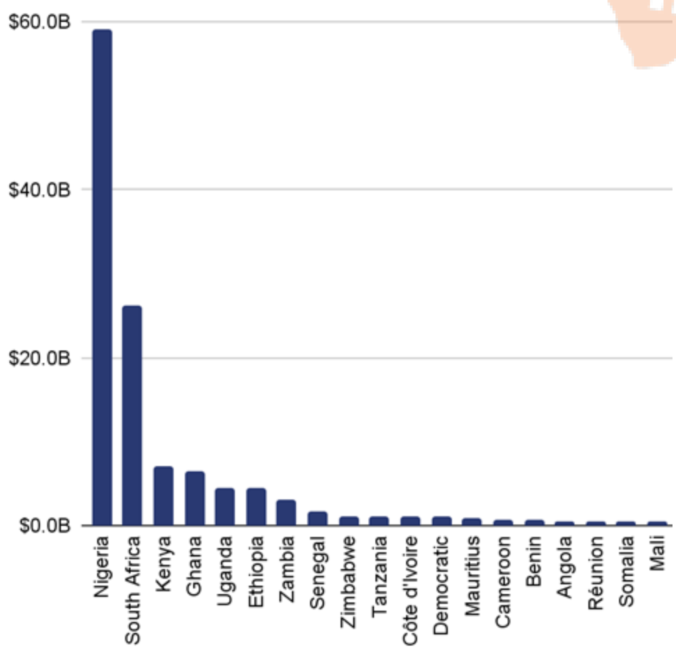
home.kpmg/ng

Chainalysis.com

# Crypto growing adoption rate

Crypto assets are transforming the financial landscape in Sub-Saharan Africa. Between July 2023 and June 2024, Chainalysis data revealed that Sub-Saharan Africa accounted for roughly $125B in on-chain value[1] , with Nigeria contributing $59B, as depicted in Figure 1 below.

**Figure 1:**
Sub-Saharan Africa – Countries by cryptocurrency value received, July 2023 – June 2024



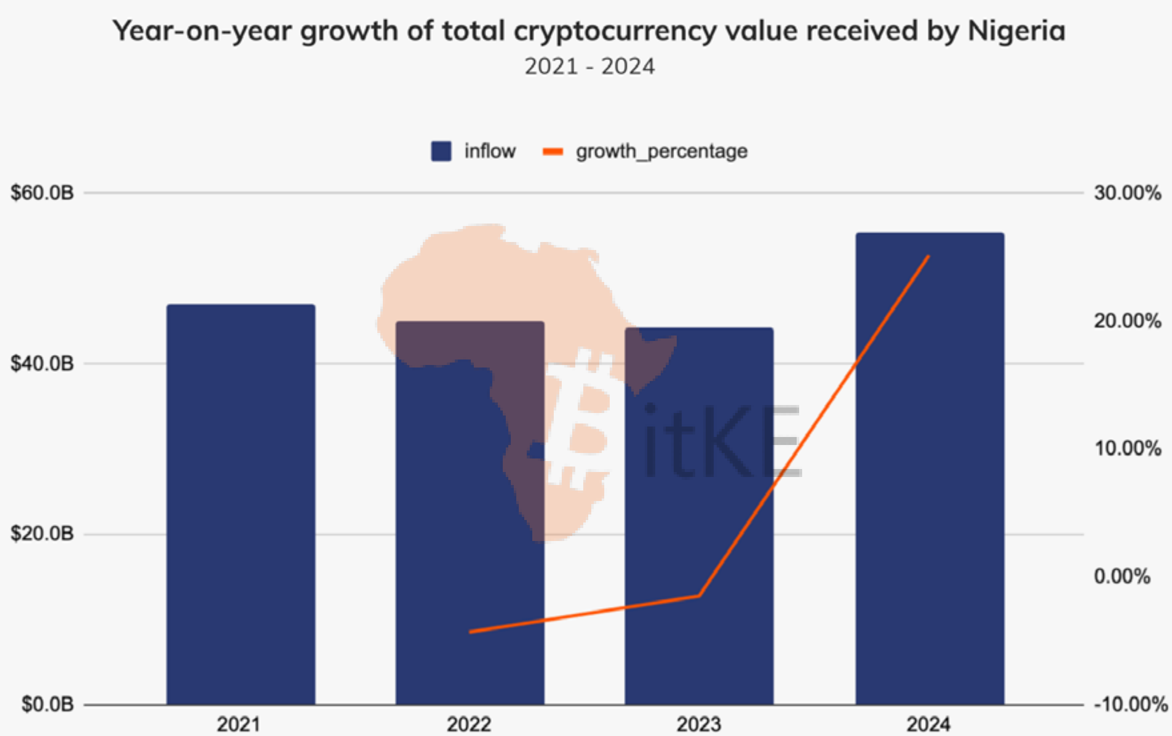

*Source: Chainalysis*

**Nigeria's leading position in the Sub-Saharan Africa region is likely influenced by the populace's use of crypto to combat economic challenges, as 85% of the total crypto value received by Nigeria's local exchanges was through smaller denomination retail and professional sized transactions (under $1M). This signals the real-world utilization of crypto, especially in the day-to-day transactions, rather than as an investment alternative.**

[1] On-chain value in this publication refers to the total value of assets recorded and transferred directly on a blockchain.

Notwithstanding Nigeria's leading position in the Sub-Saharan Africa region, crypto transaction inflows have experienced slight fluctuations between 2021-2023, with minor dips in consecutive years. However, 2024 saw a notable rebound, with inflows rising by approximately 25% YoY, as reflected in Figure 2.

**Figure 2:**
Year-on-year growth of total cryptocurrency value received by Nigeria: 2021 - 2024 (Jan - Dec)




*Source: Chainalysis*

Further to the above Figure, the decline in crypto value received from $47.0B in 2021 to $45.0B in 2022 aligns with the broader market trends during that time. Similarly, the subsequent rise from $44.3B in 2023 to $55.4B in 2024 reflects a wider market rebound. Local factors such as the fines[2] amounting to ₦1.31B by CBN on six (6) commercial banks in Nigeria for reportedly contravening its circular on cryptocurrency in 2022 and then the devaluation of Naira in 2024 may have also impacted the adoption patterns.

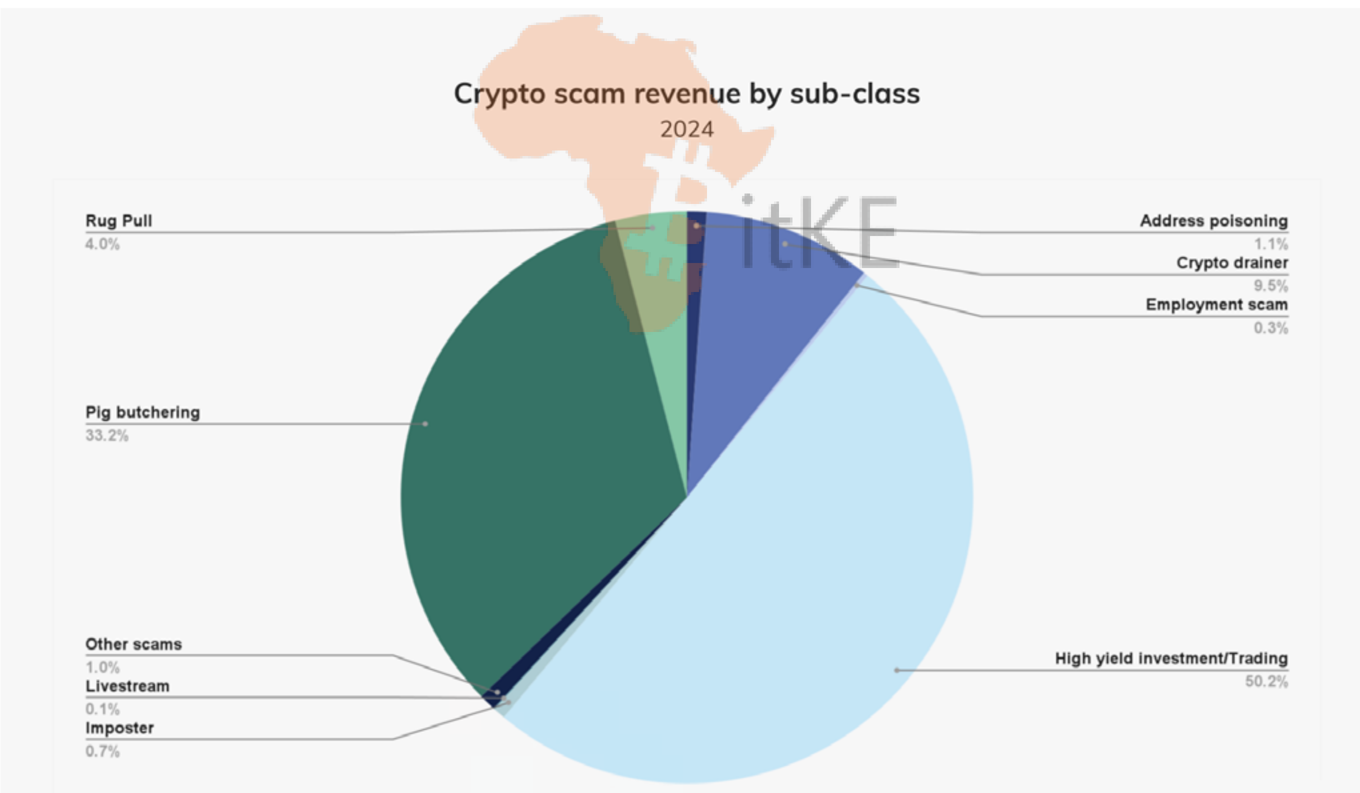
Additionally, the high costs associated with cross-border transactions via traditional finance channels may have driven many Nigerians (both domestic and in the diaspora) to leverage crypto for a faster and more cost-effective remittance alternative.

[2] CBN hits banks with N1.31bn fine for flouting directive on crypto accounts | TheCable

# There are several opportunities for the crypto economy in Nigeria, but they do not come without risks.

As crypto adoption continues to grow, bad actors are also leveraging its underlying technology for illicit gains. Crypto-related scams and fraud have always been and continue to be a global challenge, with crypto scam revenues reaching $10B in 2024, a conservative estimate that will likely increase as crypto scam revenue data is updated overtime. Of the $10B crypto scam revenue, pig-butchering[3] and high-yield investment scams accounted for 83.4% of the crypto scam revenue in 2024, as shown in Figure 3

**Figure 3:**
Breakdown of Crypto scam revenue in 2024




*Source: Chainalysis*



[3] Pig Butchering – This is a type of cryptocurrency investment scam that involves long-term social engineering and psychological manipulation. The scam derives its name from the farming practice of "fattening up a pig before slaughter," which reflects how fraudsters build trust with victims before defrauding them.

KPMG Chainalysis

**The persistence and increase in crypto scam revenues suggests a concerning trend that would impact financial crimes across regions worldwide.**

**For financial institutions, this signals a fundamental shift in legacy financial crime typologies, thus, challenging traditional financial monitoring systems.**



## Evolution of policy landscape

The policy landscape for crypto assets has undergone significant evolution, particularly as it relates to the intersection of crypto assets and traditional financial institutions.

At the early stages of crypto adoption, various jurisdictions, including Nigeria, leaned towards restricting and/or prohibiting access to the traditional banking channel for crypto services and users. However, these prohibitions often had unintended consequences, pushing crypto activities into opaque, less regulated channels and concentrating risk in unregulated crypto intermediaries with weaker compliance frameworks.

However, there has been a shift from blanket prohibitions to a more nuanced understanding of crypto asset risks and opportunities.

In practice, this has led to global standard setting bodies, such as FATF, highlighting the need for risk management and mitigation, as well as national authorities putting in place clear guidelines for banks to manage their crypto-related risks.

Notable examples include South Africa, United Arab Emirates and Singapore, among other jurisdictions, permitting commercial banks to engage with crypto firms under robust oversight.

Nigeria followed a similar trajectory. Below is a pictorial timeline of key regulatory events that have shaped Nigeria's stance on crypto assets.

# Crypto regulatory timeline

## 2017

**12 January 2017**

The CBN issued circular to banks and other FIs prohibiting them from dealing/trading in virtual currencies

## 2018

**28 February 2018**

The CBN published a press release where it stated that virtual currencies are neither legal tender nor licensed/regulated by the CBN, and therefore not protected by law

## 2020

**14 September 2020**

The SEC stated that unless demonstrated otherwise, virtual crypto assets will be treated as securities

## 2021

**5 February 2021**

The CBN issued a Circular reminding banks and other FIs on its 2017 prohibition circular.

**11 February 2021**

The SEC clarified that its statement did not contradict the CBN Circular.

## 2022

**11 May 2022**

The SEC issues new rules on issuance, offering platforms and custody of digital assets

## 2023

**11 September 2023**

Despite the CBN ban, Chainalysis publishes a study noting that Nigeria's crypto transaction volume had a 9.0% year-on-year (YoY) growth rate, making it one of only six(6) countries to achieve YoY growth between June 2022 and July 2023

**23 December 2023**

The CBN issues circular/guidelines on VASPs, more than six(6) years after it published its 2017 prohibition circular

It is interesting to note that despite Nigeria's 2017 and 2021 circular restricting banks from engaging with the crypto ecosystem, Chainalysis data indicates that the industry has shown remarkable resilience and consistent growth, particularly after 2021. Even with the banking restrictions in place, centralised exchanges emerged as the predominant vehicle for crypto flows, mirroring a global trend.

Recognizing this resilience, Nigerian regulators have begun shifting toward a structured engagement model, balancing risk mitigation with financial innovation as evidenced by the Central Bank's guidelines on Virtual Asset Service Providers (VASPs), as well as Nigeria's SEC Accelerated Regulatory Incubation Program (ARIP).

This is a positive development, recognising that banks' robust risk management infrastructure, when properly adapted and refined for crypto assets, can actually enhance financial integrity through stronger AML controls and real-time transaction monitoring. The integration of traditional banking services with crypto firms creates a symbiotic cycle – banks gain exposure to technological innovation while bringing their institutional risk management expertise to the sector.

# Navigating crypto ecosystem

As crypto adoption increases, financial institutions, especially banks, find themselves navigating a complex terrain, whether they directly interact with the ecosystem or not. Given that Nigeria has high crypto adoption, it is not unlikely that crypto related transactions may have been moving through the banking channels in order to achieve this, often in ways that are not readily discernible to the traditional AML controls.

*The question, therefore, is not about whether or not banks should engage with crypto, but rather it is about how they should manage their crypto exposure, while leveraging the opportunities therein.*

Traditional risk monitoring frameworks were built for a financial system where value moved through intermediaries with clear counterparties. Crypto changes this dynamic. Pseudonymity, the speed of on-chain transactions, and the use of intermediaries with varying degrees of regulatory oversight make conventional risk assessment and monitoring inadequate.

The same blockchain technology, which is also the underlying technology for cryptocurrency transactions offers unprecedented capabilities for risk management. The immutable, transparent nature of blockchain transactions, when properly leveraged, provides real time visibility into financial flows that far exceeds traditional monitoring capabilities.

In line with the Central Bank guidance, banks are now empowered to manage such risks more effectively. From conducting a risk assessment to directly onboarding licensed crypto businesses as customers, banks today have the ability to leverage advanced technologies such as blockchain analytics to determine their direct and indirect exposures to crypto. By incorporating on-chain metrics in their assessment, they are able to develop a comprehensive view of counterparties, delivery channels and even transaction patterns. At the same time, collaboration among banks, regulators, and VASPs in sharing intelligence, building technical capacity, and developing new standards for risk management will be key.

By integrating blockchain analytics into their compliance frameworks, forward thinking banks and other financial institutions would enhance their ability to detect illicit finance, expand into new financial services, and position themselves at the forefront of an increasingly digital financial system.

[4] Peer-to-peer (P2P) in cryptocurrency is a method of buying and selling cryptocurrencies directly between users without the involvement of a centralised exchange or intermediary.

# Contact us

**Saheed Olawuyi**
**Partner & Head,**
Forensic Services
KPMG West Africa
**E:** saheed.olawuyi@ng.kpmg.com

**Oluwaseun Odeku**
**Partner and Lead, Regulatory Compliance**
Forensic Services
KPMG West Africa
**E:** oluwaseun.odeku@ng.kpmg.com

**Philip Adiamah**
**Financial Services, Africa & UAE**
Chainalysis
**E:** philip.adiamah@chainalysis.com

**Arushi Goel**
**Policy, Middle East & Africa**
Chainalysis
**E:** arushi.goel@chainalysis.com

## Contributors

Emanuele Pasqualucci
Bright Anyanwu
Oluwafemi Atolagbe
Goodness Opaleye
Toyosi Sulaimon
Diebo Gillis-Harry
Diane Seo

This article is a collaboration between KPMG and Chainalysis, aimed at supporting the evolving crypto asset ecosystem in Africa. By combining deep regulatory expertise with advanced blockchain analytics, we provide insights to help navigate risks, enhance compliance, and strengthen market integrity. Please reach out to KPMG and Chainalysis for further discussion.