

ARTICLE SERIES

CENTRAL BANK OF NIGERIA LAUNCHES REGULATORY SANDBOX



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INTRODUCTION

In January 2021, the Central Bank of Nigeria (CBN) released the Framework for Regulatory Sandbox Operations (Framework), which established a regulatory sandbox for the Nigerian payments system.

The objectives of this sandbox, as stated in the Framework, includes but is not limited to, increasing the potential for innovative business models, reducing time-to-market for innovative products, increasing competition, ensuring appropriate consumer protection safeguards, and clearly defining the roles and responsibilities of stakeholders and supervisors in the Nigerian payments system, to name a few.

The Framework also clarified that the sandbox was open to existing CBN licensees and other local companies that intend to test an innovative payment service or product, offering non-regulated financial products deploying emerging technologies., whether or not covered by CBN regulations. As such, the sandbox is not restricted to entities within CBN's primary regulatory ambit.

SANDBOX FINALLY LAUNCHED

On December 13, 2022, the sandbox went live, with the CBN calling for applications via <https://sandbox.cbn.gov.ng>. The landing page introduces a four-stage application process and five criteria for eligibility of sandbox participants. These criteria include:

- Innovative product with clear potential to improve provision of financial services, enhance efficiency of financial institutions, or create new opportunities in the Nigerian economy;
- The proposed project will have transaction limits, in terms of value and volume for risk management and mitigation, during testing;
- Adequate and appropriate assessment to demonstrate usefulness and functionality of the product;
- Necessary resources to support testing in the sandbox;
- A business plan to show that the product can be successfully deployed after exiting the sandbox.

An intending applicant who can meet the above criteria should prepare for the application process. At the first stage, an application will be submitted through the link provided above. The application will be reviewed, subject to its completeness. If found complete, the application will be assessed to determine if it meets the above criteria. If this is the case, approval will be communicated and preliminary engagement for participating in the sandbox will commence.

While the launch of the sandbox may have taken a while, it promises to deliver a new vista of collaborative regulation and responsible innovation in the Nigerian fintech space.

As at November 2020, there were 73 fintech-related sandboxes across 57 jurisdictions globally. Most of them are located in the East Asia & Pacific, Europe & Central Asia.[1] Nigeria now joins this emerging club of forward-thinking regulatory landscapes and it is hoped that this will spur further growth in the fintech ecosystem.

[1] 'Key Data from Regulatory Sandboxes across the Globe' (World Bank)
<https://www.worldbank.org/en/topic/fintech/brief/key-data-from-regulatory-sandboxes-across-the-globe>
accessed 14 December 2022



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