

NIGERIA'S NEW VIRTUAL ASSETS REGULATORY FRAMEWORK:

What Every Virtual Assets Business Must Know After ISA 2025, NTAA 2025 and the NRS Guidelines

by; Ibezimako Wogu, Michael Okuwobi & Nzubechukwu Ginika



For nearly a decade, Nigeria maintained a paradoxical relationship with virtual assets. Although adoption grew rapidly and Nigeria became one of Africa's most active cryptocurrency markets, the legal framework remained fragmented, moving between regulatory caution, banking restrictions, limited recognition and experimentation. The result was a fast-growing market operating ahead of the laws designed to supervise it.

That position has changed substantially. The Investments and Securities Act, 2025 ("ISA 2025"), the Nigeria Tax Administration Act, 2025 ("NTAA"), and the Nigeria Revenue Service ("NRS") Guidelines on the Taxation of Virtual Assets now provide a more coherent framework for the recognition, supervision and taxation of virtual assets and virtual asset service providers. Together, these instruments mark a shift from debating whether virtual assets should be regulated to determining how they should be regulated.

For virtual asset businesses, compliance is no longer an emerging consideration. It is now a core operational obligation. This article examines the regulatory architecture, the businesses caught within the framework, the classification issues that determine regulatory treatment, and the practical obligations that now apply to VASPs operating in or targeting Nigeria.

The Evolution of virtual asset regulation in nigeria

The evolution of virtual asset regulation in Nigeria reflects a broader challenge faced by regulators globally how to manage financial technology risks without suppressing innovation. Early intervention focused largely on consumer protection, financial stability, illicit financial flows and the anonymity associated with some blockchain transactions.

As virtual assets evolved from speculative instruments into tools for investment, payments, fundraising, decentralised finance and digital commerce, regulatory silence became increasingly unsustainable. The ISA 2025 therefore represents a turning point by recognizing virtual and digital assets within Nigeria's capital market framework and giving the SEC a clearer statutory basis for oversight.

The NTAA and the NRS Guidelines add the tax dimension by establishing mechanisms for registration, reporting, disclosure, record keeping and taxation of income derived from virtual asset activities. The combined effect is a more integrated regulatory environment in which securities regulation, tax administration and anti-money laundering compliance increasingly operate together.

The New Regulatory Architecture: Who regulates What?

Virtual assets do not fit neatly within one regulatory category. Depending on their design and use, they may function as securities, payment instruments, stores of value, commodities or technology products. Nigeria's framework therefore operates through a multi regulator model. This includes;

a. Securities and Exchange Commission (SEC)

The SEC is the primary regulator where virtual assets have investment or capital market characteristics. Its mandate includes digital asset offerings, exchanges, custodians, intermediaries and other VASPs whose activities implicate investor protection, market integrity and orderly digital asset markets.

b. Central Bank of Nigeria (CBN)

The CBN's role is triggered where virtual assets intersect with payments, settlement systems, banking relationships, monetary policy or financial system stability. This is particularly relevant for stablecoins and other assets that function more like payment instruments than investment products.

c. Nigeria Revenue Service

The NRS now functions as a central tax administration pillar. Through the NTAA and the NRS Guidelines, virtual asset activities are subject to tax registration, transaction reporting, withholding, disclosure and record retention obligations. This gives tax authorities greater visibility into an ecosystem that was previously difficult to monitor.

These domestic obligations sit alongside international AML/CFT expectations, particularly those developed by the Financial Action Task Force (FATF). Customer due diligence, beneficial ownership identification, suspicious transaction monitoring, reporting obligations and the Travel Rule increasingly shape how VASPs structure compliance programmes. The practical implication is that virtual asset business may simultaneously face securities regulation, tax obligations, banking restrictions and AML/CFT requirements.

NIGERIA'S NEW VIRTUAL ASSETS REGULATORY FRAMEWORK:

Which Businesses fall within the Regulatory Net?

A major change under the new framework is that regulation is no longer confined to cryptocurrency exchanges. The regulatory net captures entities that issue, trade, custody, intermediate, administer or derive income from virtual asset activities.

At the core are VASPs, including exchanges, brokers, custodians, wallet providers, token issuers and marketplace operators. Depending on their activities, peer-to-peer platforms, custody infrastructure providers, tokenisation platforms, digital asset investment products and other intermediaries may also fall within regulatory oversight.

Foreign participants should be particularly cautious. Offshore incorporation does not necessarily remove a business from Nigerian regulation where the platform targets Nigerian users, earns revenue from Nigerian transactions or creates a sufficient economic connection with Nigeria. In the digital asset context, regulators are increasingly focused on economic participation rather than physical presence.

THE CRITICAL QUESTION: What Exactly is being Regulated?



Before determining the applicable regulator or obligations, the first question is what the relevant asset actually does. The regulatory treatment of a token should depend less on the fact that it exists on a blockchain and more on its economic function.

A token used mainly as a medium of exchange raises different considerations from a token representing an investment interest, entitlement to revenue or participation in a decentralised protocol. The NRS Guidelines recognise this by classifying virtual assets into categories such as cryptocurrencies, stablecoins, security tokens, utility and governance tokens, NFTs and sovereign digital currencies.

The NTAA's functional test (as contained in Paragraph 2 of the Fifth Schedule) is therefore important. Not every virtual asset automatically falls within SEC jurisdiction merely because it is digital. The decisive issue is whether the asset has the characteristics of an investment instrument and creates an expectation of profit derived from the efforts of another person.

LICENSING, REGISTRATIONS AND COMPLIANCE REQUIREMENTS FOR VASPS

Nigeria's framework is built on a simple principle: market participation must be accompanied by regulatory accountability. Under the ISA 2025 and the SEC Rules on Issuance, Offering Platforms and Custody of Digital Assets and Accelerated Regulatory Incubation Program (ARIP) framework, entities providing virtual asset services in or to Nigeria are required to register with the SEC where their activities fall within the regulated perimeter. The framework applies to Nigerian operators and may extend to foreign entities actively targeting Nigerian investors.

SEC Registration and Capital Requirements

- Incorporate as a legal entity with the Corporate Affairs Commission and maintain a physical operating presence in Nigeria, where required.
- Register with the SEC as a Capital Market Operator where the applicant operates as an exchange, custodian, broker, dealer, intermediary or other regulated VASP.
- Meet prescribed capital adequacy requirements. For VASPs, SEC registration currently requires minimum paid-up capital of ₦500 million, reflecting the regulator's emphasis on financial soundness, governance and investor protection.
- Pay the applicable SEC application or processing fee.
- Provide the required documentation package, including business plans, risk management frameworks, corporate records, ownership and governance information, and any other documents requested by the SEC to assess the applicant's operational readiness.
- Provide evidence of relevant compliance registrations, approvals or clearances, including proof of registration or clearance with AML/CFT bodies such as the Nigerian Financial Intelligence Unit, where applicable.

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NIGERIA'S NEW VIRTUAL ASSETS REGULATORY FRAMEWORK:

Governance, AML/CFT and Technology Controls

- Demonstrate adequate governance arrangements, including fit-and-proper directors and key management personnel with appropriate competence and integrity.
- Establish AML/CFT and KYC frameworks covering customer onboarding, beneficial ownership verification, transaction monitoring and suspicious activity detection.
- Maintain technology, cybersecurity and risk management systems capable of safeguarding client assets and ensuring operational resilience.
- Commit to continuing record-keeping, reporting and disclosure obligations prescribed by the SEC and other applicable regulators.

Tax Registration, Reporting and Remittance

- Register for tax purposes, obtain a Tax Identification Number and integrate valid Tax IDs into onboarding where required.
- Maintain transaction records sufficient to support tax reporting, regulatory audits and customer-level reporting obligations.
- Deduct, collect and remit applicable taxes, stamp duties and VAT where required, and file prescribed returns within applicable timelines.

Cross-Border Businesses: The Biggest Compliance Blind Spot

For many virtual asset businesses, the greatest compliance risk is the assumption that operating offshore means operating outside Nigerian law. The NTAA and NRS Guidelines points otherwise, offshore incorporation no longer guarantees regulatory insulation.

The relevant question is not only where a business is incorporated, but whether it actively targets Nigerian users, derives revenue from Nigerian transactions or has a significant economic connection with Nigeria. Where those links exist, regulatory, tax and reporting obligations may arise even without a physical presence.

Looking Ahead: The Future of Virtual Asset Regulation in Nigeria

Nigeria has made important progress, but the current framework is better understood as the beginning of regulatory consolidation rather than the final position. Important questions remain, especially around the boundary between SEC and CBN oversight, the treatment of stablecoins, decentralised finance, decentralised autonomous organisations and algorithmic protocols.

The likely direction, however, is clear. Nigeria will increasingly regulate virtual assets according to the risks they present and the economic functions they perform. Classification, governance, disclosure, tax transparency and AML/CFT controls will therefore remain central to the compliance burden.

The success of this framework will not be measured by the volume of rules enacted, but by the certainty those rules create. If regulators coordinate effectively and apply the framework proportionately, Nigeria has an opportunity to become a leading regulated digital asset market in Africa. If uncertainty persists, legitimate businesses may struggle to invest, scale and build compliant products.

For VASPs, the practical message is immediate: regulatory readiness must now be built into corporate structure, product design, onboarding, custody arrangements, tax reporting, cybersecurity and governance from the outset. Compliance is no longer ancillary to virtual asset operations in Nigeria; it is a condition for credible market participation.

When it comes to early adoption, invisible technologies are often the hardest to relate with. It takes a lot of time and understanding to gain a narrative that becomes viable.

This is the challenge with virtual assets.

Contact Us

 **Hermon Legal Practitioners**

 **Hermon Legal Practitioners**

 **@Hermonlaw**

 **hermon@hermonlaw.com**

 **hermonlaw.com**

 **Penthouse Suite, Theodolite House, 306
Ikroodu Road, Anthony, Lagos**

 **+234-818-8210-444**