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FROM REGULATORY SILOS TO COORDINATED OVERSIGHT:

THE EVOLUTION OF NIGERIA'S VIRTUAL ASSETS REGULATORY FRAMEWORK AND THE 2026 PRESIDENTIAL EXECUTIVE ORDER

Introduction

Nigeria's approach to the regulation of virtual assets has undergone a significant transformation over the past decade. What began as a largely cautionary stance, characterized by regulatory warnings and restrictions on the interaction between virtual assets and the formal banking system, has progressively evolved into a more sophisticated framework involving the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), the Nigerian Financial Intelligence Unit (NFIU), tax authorities and other relevant institutions. The significance of the Executive Order lies principally in its attempt to address a structural problem that has become increasingly apparent: virtual assets do not fit comfortably within the traditional boundaries of a single regulator. A digital asset may have characteristics resembling a security, a commodity, a payment instrument, an investment product or a store of value. Similarly, a single virtual asset business may simultaneously undertake activities involving trading, custody, payments, settlement, investment and financial intermediation.

The signing of the Presidential Executive Order on Virtual Assets Coordination, 2026, by President Bola Ahmed Tinubu, GCFR, on 17 July 2026, therefore represents an important development in this regulatory journey. Rather than creating virtual asset regulation from a clean slate, the Executive Order appears to build upon years of regulatory experimentation and institutional responses to the rapid growth of cryptocurrencies, digital assets and blockchain-based financial products in Nigeria.

The resulting regulatory question is therefore no longer simply who regulates virtual assets? Rather, it is which regulator regulates which aspect of a virtual asset activity, and how should those regulators interact?

The answer appears to be moving towards coordinated, functional regulation.

This article examines that evolution, tracing Nigeria's regulatory journey from the CBN&'s initial restrictive position, through the SEC's early classification framework and its landmark 2022 Rules on Digital Assets, to the CBN's subsequent reopening of banking channels for Virtual Asset Service Providers (VASPs), and finally to the coordinated regulatory architecture contemplated by the 2026 Executive Order.

1.0 The Early Regulatory Position: CBN's Cautionary Approach to Virtual Assets

Nigeria's initial regulatory response to virtual assets was predominantly driven by concerns relating to financial stability, money laundering, terrorism financing, consumer protection and the absence of a formal regulatory framework. As early as January 2017, the CBN issued a circular to banks and other financial institutions concerning virtual currency operations. The approach was fundamentally cautionary. Financial institutions were warned about the risks associated with virtual currencies and were required to ensure that appropriate controls were in place in their dealings with customers involved in virtual currency transactions.

The CBN's position became considerably more restrictive in February 2021 when it directed banks and other financial institutions to identify persons and entities transacting in cryptocurrencies and to close accounts associated with such activities. The underlying policy concern was not necessarily that cryptocurrency itself had been declared illegal in Nigeria, but rather that regulated financial institutions should not facilitate activities perceived to present heightened money laundering, terrorism financing and financial stability risks.

This distinction remains important. The CBN's 2021 position was principally directed at the relationship between regulated financial institutions and cryptocurrency transactions. It did not, in itself, amount to a comprehensive statutory prohibition on Nigerians holding or using cryptocurrencies. The regulatory environment at the time nevertheless created significant uncertainty for businesses operating within the digital asset ecosystem. The effect was to create a practical separation between the emerging virtual asset economy and the formal banking system.

1.1 The Securities & Exchange Commission's Early Intervention: Digital Assets as Potential Securities

The SEC's regulatory intervention was grounded in the recognition that some digital assets could possess the economic characteristics of securities and therefore fall within the Commission's statutory mandate. In September 2020, the SEC issued its Statement on Digital Assets and Their Classification and Treatment. The Commission adopted a substantive, rather than purely technological, approach to classification. Its position was broadly that virtual crypto assets would be regarded as securities unless the issuer or sponsor could demonstrate otherwise. The significance of this approach was considerable. It meant that the fact that an instrument was created or transferred using blockchain technology would not, by itself, determine its legal classification. The focus was instead on the substance and economic characteristics of the asset. The SEC distinguished between different categories of virtual assets, including crypto assets,digital asset offerings such as Distributed ledger technology , utility or non-security tokens, security tokens etc. Security tokens, for example, could be treated in the same manner as traditional securities where they represented interests in companies, underlying assets, earnings streams or entitlements to dividends or interest.

This approach established an important principle that continues to underpin Nigeria's regulatory philosophy: **regulation should follow economic substance and function rather than technological form.** The SEC's position became particularly relevant following the CBN's February 2021 circular. The two regulatory positions initially appeared to create tension. The SEC subsequently clarified that it did not consider its regulatory framework to be inconsistent with the CBN's need for both regulators to engage and better understand the risks associated with digital assets. The episode was an early demonstration of the central problem that the 2026 Executive Order now seeks to address: the virtual asset ecosystem frequently crosses the boundaries between capital markets regulation and financial system regulation.

1.2 The 2022 SEC Rules: The First Comprehensive Regulatory Framework

The next major milestone came in May 2022, when the SEC introduced its Rules on Issuance, Offering Platforms and Custody of Digital Assets. The Rules represented a decisive move away from regulatory uncertainty towards formal oversight of relevant digital asset activities. The framework established regulatory requirements covering key participants in the digital asset ecosystem, including Digital Asset Offering Platforms (DAOPs), Digital Asset Custodians (DACs), Virtual Asset Service Providers (VASPs) and Digital Asset Exchanges (DAXs). It also addressed the issuance of digital assets that qualify as securities. The Rules applied broadly to platforms facilitating the trading, exchange and transfer of virtual assets, as well as persons whose activities involved various Distributed Ledger Technology (DLT)-related and virtual digital asset services. These included activities such as receiving and transmitting orders, dealing on own account, portfolio management, investment advice and custodial or nominee services.

The framework was significant for several reasons.

First, it formally acknowledged that virtual assets had become sufficiently important to warrant dedicated regulatory treatment within Nigeria's capital market.
Secondly, it introduced registration and compliance obligations for relevant operators, thereby creating a pathway for legitimate businesses to operate within a regulated environment.
Thirdly, it reinforced the principle that regulatory treatment should be based on the nature of the asset and the activity being undertaken.

The SEC Rules did not, however, resolve every regulatory question. A digital asset exchange could, for example, facilitate trading in an asset that qualifies as a security while also providing custody and transfer services. Another platform could deal in non-security virtual assets but nevertheless raise issues concerning payment systems, financial crime, taxation and monetary policy.
The 2022 Rules were therefore an essential foundation, but they also highlighted the limitations of a predominantly single-agency regulatory framework.

1.3 The CBN's Shift: From Restriction to Regulated Banking Access

A significant change occurred in December 2023, when the CBN issued its Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (VASPs). The Guidelines represented an important shift in regulatory philosophy. The CBN expressly acknowledged the growing need to regulate VASPs and recognized developments at the international level, including the Financial Action Task Force (FATF) approach to the regulation of VASPs. The CBN also recognized that the legal and regulatory environment had changed since its 2021 restriction. In particular, the Money Laundering (Prevention and Prohibition) Act 2022 recognized VASPs within the broader framework of financial institutions, while the SEC had established its own regulatory framework for digital assets and VASPs in 2022.

The new Guidelines therefore superseded the earlier 2017 and 2021 CBN circulars on the subject and provided a framework governing the banking relationships between financial institutions and VASPs. The shift was not, however, an unrestricted endorsement of cryptocurrency. Banks and other financial institutions remained prohibited from holding, trading or transacting in virtual currencies on their own account. The regulatory philosophy had therefore evolved from "restrict the banking relationship" to "permit the banking relationship within a controlled regulatory framework." This represented a fundamental change. The Nigerian regulatory environment was gradually moving from prohibition-by-exclusion towards regulation-by-supervision.

Instead of attempting to isolate the virtual asset industry from the formal financial system, the emerging framework sought to bring relevant operators within a controlled compliance environment. This development also reinforced the importance of AML/CFT obligations, customer due diligence, transaction monitoring and regulatory reporting as set out under the CBN's Anti-Money laundering , Combatting the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions) Regulations, 2022.

1.4 From the SEC Rules to the 2026 Executive Order: The Need for Coordination

The history of Nigeria's virtual asset regulation demonstrates a gradual expansion in regulatory participation. The SEC is concerned with digital assets that fall within the capital market and securities regulatory perimeter. The CBN has concerns relating to monetary policy, financial stability, payment systems and the banking relationships of VASPs. The NFIU has an interest in financial intelligence and suspicious transactions. Tax authorities are concerned with the taxation of digital asset transactions and businesses, while national security institutions may be concerned with illicit finance and other systemic risks. This multi-dimensional character of virtual assets explains the rationale behind the 2026 Executive Order. The Order's most consequential feature is arguably the creation of a coordinated institutional framework involving the Virtual Asset Council, chaired by the CBN, with the NRS and SEC as Vice-Chairs, and including the NFIU and the Office of the National Security Adviser. Importantly, the Council does not appear to be intended to operate as a "super-regulator." Instead, the framework seeks to preserve the statutory mandates of existing institutions while establishing a mechanism through which those mandates can operate in a more coordinated manner. This is potentially a significant departure from the traditional regulatory model. Under the emerging framework, regulatory responsibility is expected to follow the function of the activity. Securities-related virtual asset activities remain within the SEC's regulatory perimeter. Payment, settlement, custody and related financial activities involving non- security virtual assets may fall within the CBN's jurisdiction, while AML/CFT, tax and national security considerations are addressed through the relevant institutions. For operators, this means that regulatory compliance can no longer be viewed as a single-license exercise. A business may need to undertake a comprehensive regulatory perimeter analysis covering the nature of its asset, its business model, custody arrangements, payment flows, exchange activities, investment services, AML/CFT obligations, tax exposure and data protection responsibilities.

1.5 From the SEC Rules to the 2026 Executive Order: The Need for Coordination

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1.6 The Future of Virtual Asset Regulation in Nigeria

The 2026 Executive Order may therefore represent the beginning of a more mature phase of virtual asset regulation in Nigeria. The creation of a Virtual Asset Office and an integrated supervisory technology platform could be particularly significant if properly implemented. One of the most persistent challenges facing innovative businesses is regulatory uncertainty: the inability to determine which regulator has primary jurisdiction or whether multiple approvals are required. A coordinated framework could introduce a practical "no wrong door" approach, whereby an operator approaching one regulator is directed efficiently to the appropriate regulatory authority where its activities fall within another institution's mandate. The proposed Harmonised Implementation Framework will therefore be critical. It should provide clear criteria for classifying virtual assets and activities, identify areas of concurrent jurisdiction, establish inter-agency referral mechanisms and provide predictable timelines for regulatory decisions. The proposed CBN regulatory sandbox is similarly important. Virtual assets and blockchain technologies evolve rapidly, often faster than traditional legislative and regulatory processes. A sandbox can provide regulators with an opportunity to observe emerging business models in a controlled environment before determining the appropriate regulatory treatment. However, sandbox participation should remain a bridge to regulation, rather than a substitute for regulation. Operators should not assume that admission into a sandbox constitutes unrestricted authorisation to conduct commercial activities.

Conclusion

Nigeria's virtual asset regulatory journey reflects a broader transition from caution and regulatory uncertainty towards structured supervision and, increasingly, regulatory coordination. The CBN's early approach was primarily risk-focused, reflecting concerns around financial stability, money laundering and terrorism financing. The SEC subsequently introduced a securities-based framework that recognised the investment characteristics of certain digital assets. The SEC's 2022 Rules then established a more comprehensive framework for digital asset offerings, exchanges, custodians and VASPs. The CBN's 2023 Guidelines subsequently marked a shift towards permitting regulated banking relationships with VASPs, subject to appropriate safeguards. The 2026 Presidential Executive Order represents the next stage in that evolution. Its principal innovation may not be the creation of another layer of regulation, but the attempt to create a mechanism through which existing regulatory mandates can operate collectively. The emerging model is one of coordinated regulatory pluralism: the SEC remains central to securities-related digital assets and activities; the CBN retains its role over banking, payment, settlement and relevant financial activities; the NFIU addresses financial intelligence concerns; tax authorities address the fiscal dimension; and national security institutions contribute to the management of illicit finance and systemic risks.

The ultimate success of this framework will depend on implementation. If the Executive Order results in clear regulatory classification, predictable licensing pathways, effective information sharing and reduced duplication, it could significantly improve Nigeria's attractiveness as a destination for responsible blockchain and digital asset innovation. If, however, coordination simply adds another administrative layer without clearly allocating jurisdiction, the industry may continue to experience the same uncertainty that has characterised its regulatory history. The central lesson from Nigeria's regulatory evolution is therefore clear: virtual assets cannot be effectively regulated by asking only which regulator has jurisdiction? The more appropriate question is which aspect of the activity requires regulation, and how can the relevant regulators work together? The 2026 Executive Order appears to provide an institutional answer to that question. It signals a potential transition from a regulatory environment characterised by agency- specific interventions and jurisdictional uncertainty to one founded on coordinated oversight, functional regulation and shared supervisory intelligence. For businesses operating or seeking to operate in Nigeria's virtual asset ecosystem, the practical message is equally clear. The regulatory future will require more than obtaining a single license or registration. Operators will need to understand the full regulatory perimeter of their business, identify every regulated activity within their operating model and build a compliance framework capable of satisfying multiple, interconnected regulatory expectations. The next chapter of Nigeria's virtual asset regulation will therefore not be defined merely by the strength of individual rules. It will be defined by how effectively the country's regulators work together to oversee an ecosystem that, by its very nature, refuses to remain within traditional regulatory boundaries.

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