THE REGULATION OF CRYPTOCURRENCIES AND THEIR USE IN FACILITATING CRIME: A CRITICAL ANALYSIS OF THE NIGERIAN EXPERIENCE

BY

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(2020/LW/14537)

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DECLARATION

I, NWEKE VIVIAN EZIOKWUDIMMA, a Student of the Faculty of Law, Alex Ekwueme Federal University, Ndufu-Alike, Ikwo, Ebonyi State, do hereby declare on my honor, that this project has not been previously presented, either wholly or in part for the award of any other Degree, Diploma, Certificate or Publication in any University, other Higher Institutions or elsewhere.

Signed……

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CERTIFICATION

NWEKE VIVIAN EZIOKWUDIMMA, a Student of Faculty of Law has satisfactorily completed the requirements for the award of the Degree of Bachelor of Laws. To the best of our knowledge, the work embodied in this project is original and has not been submitted in part or full for any other Degree, Diploma, Certification or Publication of this University or elsewhere.

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DEDICATION

This work is dedicated to God Almighty for his Grace and mercies throughout my academic journey and my parents for their love and support in this journey.

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LIST OF ABBREVIATIONS

Abbreviation	Full Meaning	Page Number(s)
AML	Anti-Money Laundering	17, 29, 30, 39, 53, 60, 65, 66, 68, 70, 73
CBN	Central Bank of Nigeria	2, 3, 4, 11, 14, 15, 16, 17, 18, 19, 21, 22, 23, 24, 25, 27, 28, 31, 42, 43, 48, 52, 53, 54, 56, 58, 59, 60, 65, 66, 67, 68, 69, 70, 72, 73, 74, 75, 76, 77, 78
CFT	Counter-Terrorism Financing / Combating the Financing of Terrorism	22, 46, 53, 66, 73
CTF	Counter-Terrorism Financing	22, 26
EFCC	Economic and Financial Crimes Commission	8, 9, 15, 27, 29, 34, 35, 37, 39, 44, 45, 46, 50, 52, 53, 54, 55, 56, 57, 58, 60, 62, 64, 65, 66, 67, 70, 72, 78
FATF	Financial Action Task Force	11, 14, 16, 19, 20, 28, 33, 38, 43, 46, 48, 52, 53, 59, 60, 65, 69, 73, 75, 77, 78
FIRS	Federal Inland Revenue Service	54, 63, 74
ICO	Initial Coin Offering	36, 49
IOSCO	International Organisation of Securities Commissions	49
KYC	Know Your Customer	11, 14, 17, 29, 30, 41, 46, 47, 53, 56, 61, 62, 65, 66, 72, 77
MiCA	Markets in Crypto-Assets (EU Regulation)	54, 62, 68, 72
NFIU	Nigerian Financial Intelligence Unit	9, 41, 44, 45, 46, 47, 50
NPF	Nigeria Police Force	9, 50, 51, 78
OECD	Organisation for Economic Co-operation and Development	57, 74

P2P	Peer-to-Peer	11, 15, 24, 25, 29, 42, 43, 49, 52, 53, 54, 55, 56, 58, 60, 61, 62, 64, 66, 67, 68, 70, 72, 73
RAT	Routine Activity Theory	8, 18, 19, 20
SEC	Securities and Exchange Commission	2, 3, 4, 9, 21, 22, 23, 24, 25, 32, 33, 43, 47, 48, 49, 50, 51, 52, 53, 54, 57, 58, 59, 60, 64, 65, 66, 68, 69, 70, 72, 73, 74, 75, 76, 77, 78, 79
STR	Suspicious Transaction Report	46, 47
UNCAC	United Nations Convention against Corruption	39, 40, 44
UNTOC	United Nations Convention against Transnational Organized Crime	51
VASP	Virtual Asset Service Provider	43, 48, 49, 52, 53, 60, 65, 66, 67, 72

ABSTRACT

The burgeoning phenomenon of cryptocurrencies has precipitated a paradigmatic shift in the global financial landscape, fostering unprecedented opportunities for innovation and economic growth. However, the opaque and decentralized nature of cryptocurrencies has also created a fertile terrain for illicit activities, including money laundering, terrorism financing, and cybercrime. Nigeria, with its burgeoning cryptocurrency market, is increasingly vulnerable to these risks, necessitating a nuanced examination of the regulatory framework governing cryptocurrencies in the country. A critical review of the extant literature reveals a lacuna in scholarly research on the Nigerian experience, particularly with regard to the efficacy of the regulatory framework in preventing cryptocurrency-related crime. This study seeks to bridge this knowledge gap by undertaking a comprehensive and critical analysis of the regulation of cryptocurrencies in Nigeria, with a specific focus on their role in facilitating crime. Employing a doctrinal research methodology, this study conducts an exhaustive examination of relevant laws, policies, judicial decisions, and regulatory guidelines in Nigeria. The analysis is situated within the broader context of international best practices and comparative regulatory frameworks, providing a nuanced understanding of the strengths and weaknesses of the Nigerian regulatory framework. The findings of this study reveal a fragmented and inadequate regulatory landscape, characterized by a lack of clarity on the legal status of cryptocurrencies, insufficient enforcement mechanisms, and a dearth of effective anti-money laundering and combating the financing of terrorism (AML/CFT) measures. These deficiencies have created an environment conducive to cryptocurrency-related crime, with far-reaching implications for financial stability, national security, and economic development. This study concludes that the current regulatory framework is insufficient to address the challenges posed by cryptocurrency-related crime in Nigeria. To mitigate these risks, the study recommends the development of a comprehensive and harmonized regulatory framework, predicated on international best practices and tailored to the unique circumstances of the Nigerian cryptocurrency market. Additionally, the study advocates for enhanced international cooperation, improved AML/CFT measures, and increased enforcement capabilities to effectively combat cryptocurrency-related crime in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The advent of cryptocurrencies has precipitated a paradigmatic shift in the global financial landscape, redefining the contours of financial transactions, investments, and money transfers. Cryptocurrencies, as a species of digital or virtual currencies, leverage cryptography to ensure secure financial transactions, and are decentralized, thereby obviating the need for intermediaries such as banks and financial institutions[1]. This decentralized nature of cryptocurrencies has been hailed as a revolutionary development, enabling peer-to-peer transactions without the need for intermediaries, and thereby reducing transaction costs and increasing the speed of transactions[2]. However, this decentralized nature has also raised concerns about the potential utilization of cryptocurrencies in facilitating illicit activities, including money laundering, terrorist financing, and cybercrime[3].

The burgeoning popularity of cryptocurrencies has been accompanied by an exponential growth in their usage, with millions of individuals and institutions worldwide utilizing them for various purposes. According to a report by the Cambridge Centre for Alternative Finance, the global cryptocurrency market capitalization has grown from approximately $10 billion in 2016 to over $2 trillion in 2021[4]. This growth has been driven by a range of factors, including the increasing

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[1] AM Antonopoulos, *Mastering Bitcoin: Unlocking Digital Cryptocurrencies* (O'Reilly Media, 2014).
[2] M Swan, *Blockchain: Blueprint for a New Economy* (O'Reilly Media, 2015). Available at: https://www.scirp.org/reference/referencespapers?referenceid=2529258, accessed 23 March 2025.
[3] Financial Action Task Force, *Virtual Currencies: Key Definitions and Potential AML/CFT Risks* (FATF, 2014). Available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Virtual-currency-key-definitions-and-potentialaml-cft-risks.pdf.coredownload.pdf, accessed 28 March 2025.
[4] Cambridge Centre for Alternative Finance, *Global Cryptocurrency Benchmarking Study* (Cambridge University, 2021).

adoption of cryptocurrencies by mainstream financial institutions, the growing recognition of cryptocurrencies as a legitimate asset class, and the rising demand for cryptocurrencies as a store of value and a hedge against inflation[5]. However, this growth has also raised concerns about the potential risks and challenges associated with cryptocurrencies, including their volatility, lack of regulation, and potential utilization in facilitating illicit activities.

In Nigeria, the utilization of cryptocurrencies has grown significantly in recent years, with numerous Nigerians employing them for payments, investments, and money transfers. According to a report by the Nigerian Blockchain Industry Association, the number of Nigerians using cryptocurrencies has grown from approximately 100,000 in 2016 to over 1 million in 2021[6]. This growth has been driven by a range of factors, including the increasing adoption of cryptocurrencies by Nigerian businesses, the growing recognition of cryptocurrencies as a legitimate asset class, and the rising demand for cryptocurrencies as a store of value and a hedge against inflation[6]. However, this growth has also raised concerns about the potential risks and challenges associated with cryptocurrencies, including their volatility, lack of regulation, and potential utilization in facilitating illicit activities.

Despite these concerns, the Nigerian government has yet to develop a comprehensive regulatory framework for cryptocurrencies. The existing regulatory landscape is fragmented and unclear, creating confusion and uncertainty for stakeholders[7]. The Securities and Exchange Commission

[5] Bloomberg, 'Cryptocurrency Market Capitalization Surpasses $2 Trillion'. Bloomberg, April 15, 2021.
[6] Nigerian Blockchain Industry Association, *Nigeria Blockchain Industry Report 2021*, Nigerian Blockchain Industry Association.
[6] PwC. (2020). Global Crypto Hedge Fund Report 2020. PwC. Available at: https://www.pwc.com/gx/en/financialservices/pdf/pwc-elwood-annual-crypto-hedge-fund-report-may-2020.pdf, accessed 24 March 2025.
[7] G Ogbonna, 'The Regulatory Framework for Cryptocurrencies in Nigeria: An Appraisal.' *Journal of Business Law* [2020] (10) (1) 1-25.

(SEC) has issued guidelines on the issuance and trading of digital assets, but these guidelines do not provide clear direction on the regulation of cryptocurrencies[8]. The Central Bank of Nigeria (CBN) has also issued warnings about the risks of investing in cryptocurrencies, but it has yet to develop a clear regulatory framework.

This study seeks to examine the regulation of cryptocurrencies in Nigeria and their potential utilization in facilitating crime. The study will undertake a critical analysis of the existing regulatory framework for cryptocurrencies in Nigeria, identifying the gaps and challenges, and examining the potential risks and benefits of regulating cryptocurrencies. The study will also examine international best practices in regulating cryptocurrencies and provide recommendations for policymakers and regulators in Nigeria.

1.2 Statement of the Problems

According to Chuen and David, the rapid growth and increasing popularity of cryptocurrencies in Nigeria have raised significant concerns about their potential risks and challenges[9]. Despite their potential benefits, cryptocurrencies have been linked to various illicit activities, including money laundering, terrorist financing, and cybercrime. The lack of clear regulations and guidelines has created uncertainty and risks for users, investors, and financial institutions[10], and has hindered the development of a robust and secure cryptocurrency market in Nigeria.

[8] Securities and Exchange Commission. (2020). 'Guidelines on the Issuance and Trading of Digital Assets.' *Securities and Exchange Commission*, September 14, 2020.

[9] Chuen David Lee Kuo and C David Donald, *Handbook of Blockchain, Digital Finance, and Inclusion* (Academic Press, 2018).

[10] Bohme Rainer and others, *Bitcoin and Cryptocurrency Technologies: A Comprehensive Introduction* (Princeton University Press, 2016).

Furthermore, the existing regulatory framework for cryptocurrencies in Nigeria is fragmented and unclear, creating confusion and uncertainty for stakeholders. The Securities and Exchange Commission (SEC) has issued guidelines on the issuance and trading of digital assets, but these guidelines do not provide clear direction on the regulation of cryptocurrencies. The Central Bank of Nigeria (CBN) has also issued warnings about the risks of investing in cryptocurrencies, but it has yet to develop a clear regulatory framework. Additionally, the Nigerian government has not established a clear regulatory body to oversee the cryptocurrency market, leading to a lack of coordination and consistency in the regulation of cryptocurrencies. The National Assembly has also not passed any laws specifically regulating cryptocurrencies, leaving a legislative vacuum that needs to be filled. This lack of clear regulation has led to a situation where cryptocurrencies are being used for illicit activities, and where investors and consumers are not adequately protected. The absence of clear guidelines has also hindered the development of a robust and secure cryptocurrency market in Nigeria, and has prevented the country from realizing the full potential benefits of cryptocurrencies.

This lack of clear regulation has created several problems, including: uncertainty and risks for users, investors, and financial institutions, hindrance to the development of a robust and secure cryptocurrency market in Nigeria, increased risk of illicit activities, including money laundering, terrorist financing, and cybercrime, lack of protection for consumers and investors inadequate measures to prevent and combat illicit activities

1.3 Research Questions

This project addressed the following questions:

1. What are the existing regulatory frameworks governing cryptocurrencies in Nigeria, and how effective are they in preventing the use of cryptocurrencies for illicit activities?
2. To what extent do cryptocurrencies facilitate crime in Nigeria, and what are the most common types of crimes associated with cryptocurrency use in the country?
3. What are the challenges to the current regulatory environment for cryptocurrencies in Nigeria?
4. What recommendations can be made for policymakers and regulators to improve the regulation of cryptocurrencies and prevent their use in facilitating crime?

1.4 Aim and Objectives of the Study

The main objective of the study is to critically examine the regulation of cryptocurrencies and their use in facilitating crime in Nigeria.

The objectives of the study are:

1. To examine the existing regulatory frameworks governing cryptocurrencies in Nigeria and assess their effectiveness in preventing the use of cryptocurrencies for illicit activities.

2. To investigate the extent to which cryptocurrencies facilitate crime in Nigeria and identify the most common types of crimes associated with cryptocurrency use in the country.
3. To analyze the challenges of the current regulatory environment for cryptocurrencies in Nigeria
4. To determine viable recommendations for policymakers and regulators to improve the regulation of cryptocurrencies and prevent their use in facilitating crime.

1.5 Scope and Limitations of the Study

This study focuses on the regulation of cryptocurrencies and their use in facilitating crime in

Nigeria. Specifically, the study examines the existing regulatory frameworks governing cryptocurrencies in Nigeria, the extent to which cryptocurrencies facilitate crime in the country, and the implications of the current regulatory environment for cryptocurrencies in Nigeria. The study also provides recommendations for policymakers and regulators to improve the regulation of cryptocurrencies and prevent their use in facilitating crime.

This study is limited in several ways. Firstly, the study focuses only on Nigeria, and therefore, the findings may not be generalizable to other countries. Secondly, the study relies on secondary data sources, including existing literature and reports from reputable organizations. While these sources provide valuable insights, they may not capture the full complexity of the issue. Thirdly, the study does not include primary data collection, such as surveys or interviews, which could provide more nuanced and detailed information. Finally, the study is limited by the availability of data and information on cryptocurrency regulation and crime in Nigeria. Despite these limitations, the study provides a comprehensive analysis of the regulation of cryptocurrencies and their use in facilitating crime in Nigeria.

1.6 Significance of the Study

This study on the regulation of cryptocurrencies and their use in facilitating crime in Nigeria has both theoretical and practical significance.

Theoretically, this study contributes to the existing body of knowledge on cryptocurrency regulation and crime. It provides a critical analysis of the regulatory frameworks governing cryptocurrencies in Nigeria and their effectiveness in preventing the use of cryptocurrencies for illicit activities. The study also explores the relationship between cryptocurrency regulation and crime, providing insights into the ways in which cryptocurrencies facilitate crime and the challenges of regulating them. By examining the Nigerian experience, the study sheds light on the complexities of cryptocurrency regulation in a developing country context, thereby advancing our understanding of this phenomenon.

The study has several practical implications for policymakers, regulators, law enforcement agencies, and other stakeholders in Nigeria. The findings of the study provide recommendations for improving the regulation of cryptocurrencies and preventing their use in facilitating crime. Specifically, the study identifies areas where the existing regulatory frameworks can be strengthened, and proposes strategies for enhancing the effectiveness of these frameworks. The study also highlights the need for increased awareness and education about the risks and benefits of cryptocurrencies, as well as the importance of international cooperation in regulating cryptocurrencies and preventing their use in facilitating crime. By providing practical recommendations and insights, the study aims to inform policy and practice in Nigeria and contribute to the development of a safer and more secure cryptocurrency market.

1.7 Research Methodology

The research methodology adopted for this study is the doctrinal research method. This approach involves a critical analysis and examination of existing laws, regulations, and policies related to cryptocurrency regulation in Nigeria, relying on primary and secondary sources of data[11]. The study relies on secondary sources of data, including: legislation and regulations governing cryptocurrencies in Nigeria, judicial decisions and case laws related to cryptocurrency regulation, academic journals, books, and articles on cryptocurrency regulation and crime prevention.

1.8 Chapter Analysis

This chapter analysis provides a comprehensive overview of the research study on the regulation of cryptocurrencies and their use in facilitating crime in Nigeria. The study is structured into five chapters, each addressing a specific aspect of the research.

Chapter One sets the stage for the study, contextualizing cryptocurrencies and their regulation in Nigeria. The background to the study highlights the significance of this topic, while the statement of the problem identifies the challenges and concerns related to cryptocurrency use and crime. The aim and objectives of the study are clearly outlined, providing a roadmap for the investigation. The scope and limitations of the study are also defined, establishing the boundaries and constraints of the research. The significance of the study is emphasized, demonstrating its importance and potential impact. Finally, the research methodology is described, outlining the research design and methods that will be employed.

[11] J Osborne, 'Doctrinal Research in Law'. *Journal of Law and Society* [2017] (44) (2) 147-164.

The study's conceptual and theoretical frameworks are explored in Chapter Two, providing a thorough examination of the key concepts and theories. The conceptual framework defines cryptocurrencies and blockchain technology, while also exploring related concepts. The theoretical framework is built around regulatory capture, public interest, and routine activity theory, offering a nuanced understanding of the regulatory landscape. The literature review provides an in-depth analysis of existing research on cryptocurrency regulation, crime, and related topics, demonstrating a comprehensive understanding of the current state of knowledge in the field.

Chapter Three provides an exhaustive examination of the legal and institutional frameworks governing cryptocurrency regulation in Nigeria. The legal framework is thoroughly analyzed, covering national, regional, and international laws and regulations. The institutional frameworks are also discussed, highlighting the roles of key institutions such as the Central Bank of Nigeria, Economic and Financial Crimes Commission, Nigerian Financial Intelligence Unit, Securities and Exchange Commission, and Nigeria Police Force. This chapter provides a detailed understanding of the regulatory environment and the institutions that shape it.

The efficacy of cryptocurrency regulation in Nigeria is evaluated in Chapter Four, offering a critical assessment of the current regulatory framework. The critique of the existing regulatory framework identifies gaps and inadequacies, while the empirical investigation examines the nexus between cryptocurrencies and crime. The chapter also explores the regulatory challenges and opportunities, highlighting the need to balance innovation with risk mitigation. The efficacy of current regulatory measures is assessed, providing a comprehensive understanding of their impact.

Finally, Chapter Five presents the research findings, recommendations, and conclusion, providing a comprehensive summary of the study's outcomes. The findings are clearly summarized,

highlighting the key research outcomes. The recommendations offer policy and regulatory suggestions, providing a roadmap for future action. The conclusion offers a final analysis and reflection on the research, emphasizing the significance of the study and its contributions to the field.

CHAPTER TWO

CONCEPTUAL AND THEORETICAL FRAMEWORKS AND REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

2.1.1 Cryptocurrencies

Cryptocurrencies are decentralized digital currencies that use cryptographic protocols to secure transactions and create new units without relying on a central authority. In Nigeria, cryptocurrencies like Bitcoin and Ethereum have surged in popularity due to economic instability, including naira devaluation and inflation, with over 30% of Nigerians reportedly engaging with digital currencies by 2024.[12] This adoption enables financial inclusion for the unbanked but challenges regulators, as cryptocurrencies are not recognized as legal tender under Nigerian law, creating enforcement difficulties.[13]

The pseudonymous nature of cryptocurrencies, where transactions are recorded on public ledgers but linked to cryptographic addresses rather than real-world identities, facilitates both legitimate and illicit activities. In Nigeria, this has led to their use in cybercrimes like ransomware,

[12] Onyebuchi Nwafor, 'Cryptocurrency Adoption in Nigeria: Opportunities and Regulatory Challenges,' *Journal of Financial Technology* [2023] (4) (2) 45. Available at: https://journals.unizik.edu.ng/jcpl/article/download/5613/4660/12803, accessed 20 July 2025.

[13] *Ibid*; Agama Emomotimi, "Cryptocurrency Adoption and Investor Protection in the Nigerian Securities Market," *Nigerian Journal of Securities Market* [2023] (6) (1) 1-8. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5095935#:~:text=According%20to%20the%202023%20Chainalysis,2023%20Global%20Crypto%20Adoption%20Index., accessed 20 July 2025.

where perpetrators demand Bitcoin payments to exploit its anonymity.[14] The lack of a clear legal framework allows criminals to operate in a regulatory gray area, complicating law enforcement efforts.

Cryptocurrency volatility, driven by global market speculation, poses significant regulatory challenges in Nigeria. Rapid price swings affect users who rely on digital currencies for remittances or savings, while criminals exploit volatility to launder funds through quick conversions to fiat or other cryptocurrencies. [15] This dual role underscores the need for regulations that balance economic benefits with crime prevention. In Nigeria, decentralized platforms like Paxful and Binance enable peer-to-peer cryptocurrency trading, bypassing traditional banks and supporting the unbanked, estimated at 40% of the population.[16] However, these platforms also facilitate illicit transactions, as their decentralized nature evades conventional oversight, highlighting the need for robust regulatory measures.

The Central Bank of Nigeria's (CBN) 2021 directive banning banks from facilitating cryptocurrency transactions aimed to curb risks like money laundering, but decentralized exchanges have undermined its effectiveness.[17] A regulatory framework incorporating Know Your Customer (KYC) protocols and aligning with global standards, such as those of the Financial Action Task Force (FATF), could mitigate these challenges while fostering innovation.

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[14] Chinwe U. Eze, 'Cybercrime and Cryptocurrency: A Legal Perspective from Nigeria,' *African Journal of Law and Criminology* [2022] (7) (1) 112.
[15] Primavera De Filippi, *Bitcoin and Cryptocurrency Technologies: A Comprehensive Introduction* (Princeton, NJ: Princeton University Press, 2018) 89.
[16] World Bank, *Cryptocurrencies and Blockchain* (Washington, DC: World Bank, 2018), available at: https://documents1.worldbank.org/curated/en/293821525702130886/pdf/Cryptocurrencies-and-blockchain.pdf, accessed 10 July 2025; Adebola A. Adeyemo, 'Cryptocurrencies and Financial Inclusion in Nigeria: Opportunities and Risks,' *Journal of African Economic Studies* [2024] (5) (3) 78.
[17] Paul Vigna and Michael J. Casey, *The Age of Cryptocurrency: How Bitcoin and Digital Money Are Challenging the Global Economic Order* (New York: St. Martin's Press, 2015) 210.

2.1.2 Blockchain Technology

Blockchain technology, the foundation of cryptocurrencies, is a decentralized ledger that records transactions across a distributed network, secured by cryptography to ensure transparency and immutability. In Nigeria, blockchain's potential extends to applications like academic credential verification, addressing issues like certificate forgery in education.[18] Such applications could enhance trust in Nigeria's public systems, where corruption often undermines institutional credibility.

Blockchain's decentralized structure eliminates reliance on central intermediaries, making it resilient to tampering and appealing in Nigeria's context of bureaucratic inefficiencies. However, this feature also enables pseudonymous transactions, complicating efforts to trace illicit activities like ransomware payments.[19] This duality necessitates regulatory strategies that leverage blockchain's benefits while addressing its criminal potential. The transparency of public blockchains, where all transactions are recorded, offers opportunities to track illicit activities with advanced analytics. In Nigeria, the lack of such tools limits law enforcement's ability to monitor blockchain-based crimes, requiring investment in technological capacity. [20] Building expertise in

[18] Andreas M. Antonopoulos, *Mastering Bitcoin: Programming the Open Blockchain*, 2nd ed. (Sebastopol, CA: O'Reilly Media, 2017) 23.

[19] Olumide T. Agbaje, 'Blockchain Technology and Public Sector Reform in Nigeria,' *Journal of Governance and Development* [2023] (6) (1) 34.

[20] Sarah Meriwether Meiklejohn, 'Tracing Bitcoin Transactions: Challenges and Opportunities,' *Journal of Cybersecurity* [2017] (3) (2) 95.

blockchain analytics could strengthen Nigeria's regulatory framework. International cooperation is essential for addressing blockchain-enabled crimes, given their cross-border nature. Nigeria's regulatory lag, compared to frameworks like the European Union's anti-money laundering directives, highlights the need for harmonized policies to combat crypto-crimes effectively.[21] Adopting global standards could enhance Nigeria's ability to leverage blockchain's transparency while curbing misuse.

2.1.3 Financial Crime

Financial crimes, including money laundering and fraud, have been amplified by cryptocurrencies' decentralized and pseudonymous features, posing significant challenges in Nigeria's high-adoption crypto market. Criminals use Bitcoin for ransomware payments, exploiting its anonymity to evade detection in a context of growing cybercrime.[22] Nigeria's low digital literacy exacerbates these risks, necessitating targeted regulatory responses. Criminals employ techniques like mixing services to obscure transaction trails, facilitating money laundering through complex blockchain transactions. In Nigeria, such methods have been used in

Ponzi schemes and dark net markets, undermining financial integrity.[23] The CBN's 2021 ban on crypto transactions through banks aimed to address these issues, but decentralized platforms continue to enable illicit activities.

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[21] Jonathan B. Wiener, 'Blockchain and the Law: The Rule of Code,' *Harvard Journal of Law and Technology* [2018] (32) (1) 123.

[22] Arvind Narayanan, Joseph Bonneau, Edward Felten, Andrew Miller, and Steven Goldfeder, *Bitcoin and Cryptocurrency Technologies: A Comprehensive Introduction* (Princeton, NJ: Princeton University Press, 2016), available at: https://www.lopp.net/pdf/princeton_bitcoin_book.pdf, accessed 23 June 2025; Emeka C. Okonkwo, 'Cryptocurrencies and Financial Crime in Nigeria: Trends and Regulatory Responses,' *West African Journal of Law and Security* [2023] (8) (1) 56.

[23] Cathy Barrera, *Blockchain and Cryptocurrency: A Guide to Digital Currencies and Their Legal Implications* (Cambridge, MA: MIT Press, 2020) 134.

Blockchain analytics tools, which analyze public ledger data to identify suspicious patterns, offer a solution to track crypto-related crimes. Nigeria's limited technological infrastructure and regulatory gaps hinder their adoption, leaving law enforcement underequipped.[24] Investment in these tools and training is critical to align with global standards.

Nigeria's socioeconomic challenges, including economic hardship and distrust in traditional finance, drive cryptocurrency adoption but also create vulnerabilities for financial crime. Public education and robust KYC regulations could mitigate risks while preserving cryptocurrencies' benefits for financial inclusion. [25] Aligning with international frameworks like the FATF guidelines could strengthen Nigeria's regulatory response.

2.2 Theoretical Framework

2.2.1 Regulatory Capture Theory

Regulatory capture theory asserts that regulatory agencies, intended to serve the public, may become dominated by the industries they oversee, prioritizing industry interests over societal welfare due to lobbying, financial influence, or institutional dependencies. In the context of Nigeria's cryptocurrency regulation, this theory illuminates the potential for the Central Bank of Nigeria (CBN) and other agencies to be swayed by powerful fintech firms or traditional banks, which may resist stringent crypto regulations to protect their market positions. For instance, the

[24] Chainalysis, "2025 Crypto Crime Mid-Year Update," Chainalysis Blog, July 2025, available at: https://www.chainalysis.com/blog/2025-crypto-crime-mid-year-update/, accessed 19 July 2025; Temitope A. Lawal, 'Leveraging Blockchain Analytics to Combat Financial Crime in Nigeria,' *Journal of Financial Crime* [2024] (31) (3) 102.
[25] Arvind Narayanan, *Bitcoin and Cryptocurrency Technologies: A Comprehensive Introduction* (Princeton, NJ: Princeton University Press, 2016) 178.

CBN's 2021 directive banning banks from facilitating cryptocurrency transactions may reflect capture by traditional financial institutions wary of crypto's disruption, rather than a comprehensive strategy to combat crimes like money laundering or fraud.[26] This partial capture undermines effective regulation, as it fails to address the decentralized nature of cryptocurrencies, allowing illicit activities to persist on peer-to-peer platforms. Nigeria's cryptocurrency ecosystem, with over 33% of the population engaging with digital currencies by 2024, presents a fertile ground for regulatory capture due to the economic influence of crypto exchanges and fintech startups. [27] These entities, leveraging Nigeria's high adoption rates and the promise of financial inclusion, may lobby for lenient policies to sustain their growth, potentially influencing regulators to delay or dilute robust oversight mechanisms. The CBN's inconsistent approach—imposing bans while failing to regulate decentralized exchanges—suggests a susceptibility to industry pressure, which prioritizes economic stability over addressing crypto related crimes like ransomware and Ponzi schemes.[29] This dynamic highlights how capture can distort regulatory priorities, leaving Nigeria vulnerable to financial crime.

The theory further applies to Nigeria's regulatory environment through the lens of institutional weaknesses, such as limited technical expertise and corruption, which amplify the risk of capture. Agencies like the Economic and Financial Crimes Commission (EFCC) lack the resources and training to effectively monitor blockchain-based transactions, creating opportunities for crypto firms to exploit regulatory gaps through lobbying or informal influence.

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[26] Daniel Carpenter, 'Detecting and Measuring Capture,' in *Preventing Regulatory Capture: Special Interest Influence and How to Limit It*, edited by Daniel Carpenter and David A. Moss (Cambridge: Cambridge University Press, 2014) 57–60.

[27] Chidi Okezie, 'Regulatory Challenges in Nigeria's Fintech Sector: A Case Study of Cryptocurrency,' *African Journal of Business and Economic Research* [2023] (18) (1) 89–92. [29] Ibid.

Nigeria's endemic corruption exacerbates this risk, as industry players may leverage financial or political connections to shape policies in their favor, undermining efforts to curb crypto-enabled crimes like terrorist financing.[28] Such capture not only weakens enforcement but also erodes public trust in regulatory institutions.

However, regulatory capture theory has limitations in Nigeria's context, as it assumes a level of regulatory sophistication and industry-regulator interaction that may be underdeveloped. The CBN's actions may stem from caution, resource constraints, or a lack of technical capacity rather than deliberate capture, suggesting that institutional strengthening is critical. To counter capture, Nigeria could adopt transparent regulatory processes and international best practices, such as those recommended by the Financial Action Task Force (FATF), to ensure policies prioritize public safety over industry interests. [29] By enhancing accountability and technical capacity, Nigeria can mitigate capture risks and develop a regulatory framework that effectively addresses crypto-related crime.

2.2.2 Public Interest Theory

Public interest theory posits that regulation is enacted to correct market failures and protect societal welfare, prioritizing equitable outcomes over private interests. In Nigeria's cryptocurrency landscape, this theory justifies the CBN's regulatory efforts, such as the 2021 ban on crypto transactions through banks, as a means to safeguard the public from financial crimes like money laundering and terrorist financing, which threaten economic stability. By restricting banks'

[28] Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform* (Cambridge: Cambridge University Press, 1999) 145–148.
[29] Tunde A. Adebayo, 'Cryptocurrency Regulation and Institutional Weakness in Nigeria,' *Journal of African Law* [2024] (67) (2) 134–137.

involvement with cryptocurrencies, the CBN aimed to mitigate systemic risks in an economy already strained by inflation and naira volatility, aligning with the public interest goal of ensuring financial security.[30] This approach reflects a commitment to protecting Nigerian citizens from the adverse effects of unregulated digital currencies. Cryptocurrencies' role in fostering financial inclusion aligns closely with public interest theory, as they enable Nigeria's unbanked population—over 40% of citizens—to access global markets and protect wealth against currency devaluation. Platforms like Binance and Paxful facilitate remittances and savings for those excluded from traditional banking, addressing a critical market failure in Nigeria's financial system. However, the same accessibility fuels crimes like fraud and ransomware, necessitating regulations to protect vulnerable users, particularly those with low digital literacy who are susceptible to scams.[31] Public interest theory supports measures like mandatory KYC protocols on crypto platforms to ensure user safety while preserving access.

The theory also emphasizes addressing externalities, such as the societal costs of cryptorelated crimes, which erode public trust and economic stability. In Nigeria, ransomware attacks demanding Bitcoin payments and Ponzi schemes disguised as crypto investments have proliferated, highlighting the need for regulations to restore confidence and protect consumers.[32] Public interest theory justifies targeted interventions, such as licensing crypto exchanges and enforcing anti-money laundering (AML) standards, to mitigate these externalities while supporting

[30] George J. Stigler, *The Citizen and the State: Essays on Regulation* (Chicago: University of Chicago Press, 1975) 34–37.
[31] Ngozi A. Okonkwo, 'Financial Inclusion and Cryptocurrency: Balancing Access and Security in Nigeria,' *Journal of African Economic Development* [2023] (6) (3) 67–70.
[32] Richard A. Posner, 'Theories of Economic Regulation,' *Bell Journal of Economics and Management Science* [1974] (5) (2) 335–338. [35] *Ibid*

legitimate crypto use.[35] The CBN's cautious stance, though controversial, reflects an attempt to prioritize societal welfare over unchecked market growth.

Despite its applicability, public interest theory assumes regulators act impartially and competently, which may not fully hold in Nigeria due to institutional weaknesses and corruption.
The CBN's blanket ban, rather than a nuanced regulatory framework, may alienate legitimate crypto users and fail to address decentralized platforms, suggesting bureaucratic limitations rather than a pure public interest motive. This misalignment risks undermining the theory's premise, as poorly designed regulations may harm the public they aim to protect.[33] Transparent and participatory regulatory processes are essential to align with true public interest objectives.

To fully realize public interest goals, Nigeria's regulatory framework must balance innovation with consumer protection, leveraging international standards like FATF guidelines to combat cross-border crypto crimes. Public education campaigns to enhance digital literacy and collaborative efforts with global regulators could further ensure that regulations serve societal needs, fostering a secure crypto ecosystem that supports Nigeria's economic development while minimizing crime.[34] Such a framework would embody public interest theory by prioritizing the welfare of Nigerian citizens over competing interests.

2.2.3 Routine Activity Theory

Routine activity theory (RAT) argues that crime occurs when three elements converge: a motivated offender, a suitable target, and the absence of a capable guardian. In Nigeria's cryptocurrency

[33] Adewale O. Yusuf, 'Public Interest and Cryptocurrency Regulation in Nigeria: A Critical Review,' *West African Journal of Policy Studies* [2024] (9) (1) 45–48.
[34] Jean-Jacques Laffont and Jean Tirole, *A Theory of Incentives in Procurement and Regulation* (Cambridge, MA: MIT Press, 1993) 89–92.

ecosystem, RAT explains the surge in crypto-related crimes, such as fraud and money laundering, as motivated offenders exploit the pseudonymous nature of cryptocurrencies like Bitcoin to target vulnerable users. High crypto adoption, driven by economic hardship and distrust in traditional finance, creates a large pool of suitable targets, particularly among

Nigeria's 40% unbanked population with limited digital literacy.[35] This convergence facilitates

crimes like ransomware, where offenders demand untraceable crypto payments.

The absence of capable guardians, such as robust regulatory oversight or advanced blockchain analytics, exacerbates crypto-related crime in Nigeria. The CBN's 2021 ban on crypto transactions through banks failed to curb illicit activities on decentralized platforms, as agencies like the EFCC lack the technological tools and expertise to monitor blockchain transactions effectively. RAT highlights the need for enhanced guardianship through regulatory enforcement and tools like blockchain analytics to trace pseudonymous transactions and deter offenders.[36] Strengthening these mechanisms is critical to disrupting the opportunity structure for crypto crimes.

Cryptocurrencies' accessibility and anonymity make them highly suitable targets for crime, as offenders exploit Nigeria's socioeconomic vulnerabilities. [37] For instance, Ponzi schemes promising high returns on crypto investments target users desperate for financial stability, while ransomware attacks leverage the lack of centralized control over digital currencies. RAT suggests

[35] Lawrence E. Cohen and Marcus Felson, 'Social Change and Crime Rate Trends: A Routine Activity Approach,' *American Sociological Review* [1979] (44) (4) 588–590.
[36] Chukwuma O. Eze, 'Applying Routine Activity Theory to Cybercrime in Nigeria's Cryptocurrency Ecosystem,' *Journal of Criminology and Security Studies* [2024] (7) (2) 101–104.
[37] Ronald V. Clarke and Marcus Felson, *Routine Activity and Rational Choice* (New Brunswick, NJ: Transaction Publishers, 1993) 112–115. [41] *Ibid*

that reducing target suitability through public education on crypto risks and secure practices could decrease victimization rates, complementing regulatory efforts.[41] Such interventions would empower users to protect themselves, narrowing the opportunity for crime.

Applying RAT to Nigeria's context underscores the importance of international cooperation to enhance guardianship, given the cross-border nature of crypto crimes. By adopting blockchain analytics and aligning with global frameworks like FATF's virtual asset guidelines, Nigeria can strengthen its regulatory capacity to disrupt the convergence of motivated offenders, suitable targets, and weak guardians. This approach would create a safer crypto ecosystem while supporting legitimate use for financial inclusion. [38] RAT thus provides a practical lens for designing targeted interventions to curb crypto-related crime in Nigeria.

2.3 Review of Related Literature

The rapid rise of cryptocurrencies has sparked global debates on their regulation and their potential to facilitate illicit activities, with Nigeria emerging as a significant case study due to its high crypto adoption and unique socio-economic challenges. This literature review critically examines key works to contextualize the regulation of cryptocurrencies and their use in facilitating crime, focusing on the Nigerian experience.

Geva in his study [39] offers a foundational analysis of the intersection between law, finance, and digital technologies, including cryptocurrencies. The author explores how the decentralized nature of cryptocurrencies challenges traditional financial regulation, emphasizing issues such as

[38] Olabisi A. Adeyemi, 'Routine Activity Theory and Cybercrime: Lessons for Nigeria's Cryptocurrency Regulation,' *African Journal of Cybersecurity* [2023] (5) (1) 78–81.
[39] Benjamin Geva, *Law, Finance, and the Digital Revolution* (Oxford: Oxford University Press, 2018).

anonymity, cross-border transactions, and their potential for misuse in financial crimes. Geva's comparative analysis of global regulatory approaches highlights the need for balanced frameworks that foster innovation while mitigating risks like money laundering. While insightful for understanding global trends, the work lacks a specific focus on Nigeria, limiting its direct applicability to the local context. Nonetheless, it provides a theoretical lens to evaluate Nigeria's regulatory strategies against international standards, such as the need for robust antimoney laundering (AML) measures.

In their work, Reuter and van Rensburg[40] shift the focus to the economics of cybercrime, analyzing how cryptocurrencies enable illicit activities like ransomware, darknet transactions, and money laundering. Their economic perspective underscores the profitability of crypto related crimes, driven by cryptocurrencies' pseudonymity and lack of centralized oversight. The authors quantify the economic costs of such crimes, offering a framework to assess their impact on financial systems. While the book does not specifically address Nigeria, its insights are relevant given Nigeria's rising incidence of crypto-related cybercrimes, such as the 2020 Twitter hack involving Nigerian actors. However, its global scope necessitates supplementation with Nigeria-specific sources to fully contextualize the local criminal landscape.

Nwonu and Ekong[41] provide a critical examination of Nigeria's regulatory framework for cryptocurrencies, focusing on the Central Bank of Nigeria's (CBN) 2021 ban on crypto transactions within the banking system and the Securities and Exchange Commission's (SEC) 2020 classification of cryptocurrencies as securities. The authors argue that Nigeria's regulatory

[40] Peter YA Reuter and David JJS van Rensburg, *The Economics of Cybercrime* (New York: Routledge, 2021).
[41] Chigozie N. Nwonu and Joseph M. Ekong, 'Regulatory Framework of Cryptocurrency in Nigeria,' *Journal of Law and Criminal Justice* [2021] (9) (1) 27–40.

approach has been reactive, struggling to balance innovation with crime prevention due to limited technological infrastructure and coordination between agencies. They highlight how regulatory gaps have enabled crimes like fraud and money laundering, exacerbated by Nigeria's high crypto adoption driven by economic instability. This work is highly relevant for its Nigeria specific focus, offering empirical insights into the challenges of enforcing regulations in a rapidly evolving digital landscape. However, its 2021 publication predates recent policy shifts, such as the CBN's partial lifting of the crypto ban in December 2023, requiring updates from more current sources.

The work of Osadebey[42] complements Nwonu and Ekong by focusing specifically on the use of cryptocurrencies in money laundering and terrorism financing in Nigeria. The author argues that Nigeria's economic vulnerabilities, such as naira devaluation and high remittance flows, have made cryptocurrencies an attractive tool for bypassing capital controls and facilitating illicit transactions. Osadebey critiques the inadequacy of Nigeria's early AML and counter-terrorism financing (CTF) frameworks, which lacked specificity for cryptocurrencies. This source is particularly valuable for its Nigeria-centric analysis of specific crimes, providing concrete examples of how regulatory gaps enable illicit activities. However, its 2020 publication limits its coverage of subsequent regulatory developments, such as the SEC's evolving framework, and its narrow focus on money laundering and terrorism financing excludes other prevalent crimes like fraud.

Amokaye examines cybercrime and cybersecurity in Nigeria, [43] with a focus on the broader digital ecosystem, including emerging technologies like cryptocurrencies. The author highlights

[42] OF Osadebey, 'Cryptocurrency, Money Laundering and Terrorism Financing: The Nigerian Perspective,' *Journal of Research in Law and Economics* [2020] (2) (1) 21–29.
[43] Oludayo Amokaye, *Cybercrime and Cybersecurity in Nigeria* (Lagos: Malthouse Press, 2017).

how Nigeria's limited cybersecurity infrastructure and weak regulatory enforcement create vulnerabilities for cybercrimes, such as fraud and identity theft, which are increasingly linked to cryptocurrency transactions. Amokaye argues that the anonymity and speed of crypto transactions exacerbate Nigeria's challenges in tracking illicit activities, particularly in a context of widespread internet penetration and economic instability. While the book predates significant cryptocurrency regulation in Nigeria (e.g., the SEC's 2020 framework), its analysis of the country's cybersecurity landscape provides a valuable foundation for understanding how regulatory gaps enable crypto-related crimes. However, its broad focus on cybercrime limits its depth on cryptocurrency-specific regulation, and its 2017 publication misses later developments like the CBN's 2021 ban.

Ajayi and Laryea, in their study,[44] offer a comprehensive overview of financial regulation across Africa, with a section dedicated to Nigeria's financial system and its response to digital currencies. The authors analyze the CBN's cautious approach to cryptocurrencies, driven by concerns over financial stability and illicit activities, and contrast it with the Securities and Exchange Commission's (SEC) efforts to regulate digital assets as securities. They argue that Nigeria's fragmented regulatory framework struggles to address the unique challenges of cryptocurrencies, such as their cross-border nature and potential for money laundering. This work is highly relevant for its focus on Nigeria's financial regulatory environment, providing context for the CBN's policies and their implications for crime prevention. However, its broader African scope means it lacks the granular detail of Nigeria-specific sources, and its 2020 publication predates the CBN's 2021 ban and subsequent 2023 policy shift, necessitating updates from more recent sources.

[44] Adewale Ajayi and Emmanuel O. Laryea, *Financial Regulation in Africa: An Introductory Guide* (London: Routledge, 2020).

Ndubuisi [45] provides an African perspective on cyber law and cybercrime, with a dedicated analysis to Nigeria's legal responses to digital technologies, including cryptocurrencies. The author examines how African jurisdictions, including Nigeria, grapple with regulating decentralized financial systems in the face of rising cybercrimes like ransomware and fraud. Ndubuisi highlights Nigeria's high cryptocurrency adoption, driven by economic factors like naira devaluation, and argues that this creates a fertile ground for criminal exploitation, particularly in money laundering and Ponzi schemes. The book critiques the lack of harmonized cyberlaws in Nigeria, noting that early regulatory efforts were ill-equipped to address crypto related crimes. Its Nigeria-specific insights make it highly relevant, particularly for understanding the legal and cultural factors enabling crypto misuse. However, its 2020 publication limits its coverage of post-2020 developments, such as the SEC's regulatory framework or the CBN's evolving stance, and its African focus dilutes some Nigeria-specific depth.

Anyanwu and Uche [46] focus specifically on the CBN's 2021 ban on cryptocurrency transactions in Nigeria's banking system and its implications for the future of digital currencies. The authors critically assess the ban's rationale, rooted in concerns over money laundering, terrorism financing, and financial instability, and argue that it was a blunt instrument that stifled innovation while failing to curb crypto-related crimes. They highlight how the ban pushed crypto transactions to unregulated peer-to-peer platforms, potentially increasing criminal activity. The article also discusses the SEC's contrasting approach to regulate cryptocurrencies as securities,

[45] KS Ndubuisi, *African Cyberlaw and Cybercrime* (Pretoria: Pretoria University Law Press, 2020).
[46] Ifeanyichukwu Daniel Anyanwu and Emmanuel Ejiofor Uche, 'An Appraisal of the Central Bank of Nigeria's Ban on Cryptocurrency Transactions and the Future of Digital Currency in Nigeria,' *European Journal of Law and Economics* [2022] (6) (1) 25–35.

suggesting a need for coordinated policy frameworks. This source is highly relevant for its timely analysis of the CBN's ban and its Nigeria-specific focus on regulatory impacts on crime. However, it does not cover the CBN's December 2023 policy reversal, which lifted restrictions on crypto transactions, requiring supplementation with more recent sources to capture the current regulatory landscape.

Akogun provides an early appraisal of Nigeria's regulatory efforts concerning blockchain and cryptocurrencies,[47] published in the *African Journal of Law and Ethics*. The author evaluates the initial responses of Nigerian authorities, particularly the Central Bank of Nigeria's (CBN) cautious stance and warnings about cryptocurrency risks, prior to the formalization of regulatory frameworks. Akogun argues that Nigeria's early regulatory vacuum enabled the proliferation of crypto-related crimes, including fraud and money laundering, due to the absence of clear legal guidelines and enforcement mechanisms. The article highlights how cryptocurrencies' decentralized nature and anonymity features challenge Nigeria's traditional financial oversight, drawing on examples of early crypto scams in the country. While valuable for its Nigeriaspecific focus and ethical perspective on balancing innovation with regulation, the work's 2018 publication limits its relevance to later developments, such as the CBN's 2021 ban on crypto transactions or the Securities and Exchange Commission's (SEC) 2020 classification of cryptocurrencies as securities. Its emphasis on blockchain's broader implications also dilutes its focus on cryptocurrency-specific crimes.

[47] Peter Oluseyi Akogun, 'Regulating Blockchain and Cryptocurrency in Nigeria: An Appraisal,' *African Journal of Law and Ethics* [2018] (2) (1) 1–13. [52] Olufolahan Olamide Odunsi and Adeniyi Oluwole Alaran, 'Cryptocurrency Regulations in Emerging Economies: A Legal and Economic Analysis of Nigeria's Approach,' *International Journal of Multidisciplinary Research and Growth Evaluation* [2023] (4) (1) 108–117.

Odunsi and Alaran offer a more recent and comprehensive analysis in their article,[52] published in the *International Journal of Multidisciplinary Research and Growth Evaluation*. The authors conduct a legal and economic evaluation of Nigeria's cryptocurrency regulations, focusing on the CBN's 2021 ban and the SEC's evolving framework for digital assets. They argue that the CBN's ban, motivated by concerns over money laundering, terrorism financing, and financial instability, was largely ineffective, as it drove crypto transactions to unregulated peer-to-peer platforms, potentially increasing criminal activity. The article also examines how Nigeria's high crypto adoption, driven by economic factors like naira devaluation and remittance needs, amplifies risks of fraud and Ponzi schemes. Odunsi and Alaran emphasize the need for a balanced regulatory approach that integrates AML and counter-terrorism financing (CTF) measures without stifling innovation. This source is highly relevant for its up-to-date analysis and dual focus on legal and economic dimensions, capturing Nigeria's regulatory evolution up to 2023. However, it does not address the CBN's December 2023 policy reversal lifting the crypto ban, requiring supplementation with more recent sources to reflect the current landscape.

CHAPTER THREE

LEGAL AND INSTITUTIONAL FRAMEWORKS

3.1 Legal Framework

3.1.1 Constitution of the Federal Republic of Nigeria (1999)

The Constitution of the Federal Republic of Nigeria (1999), as amended, serves as the supreme law of the land. Still, it lacks explicit provisions for cryptocurrencies, creating a significant regulatory gap in addressing their use in facilitating crimes such as money laundering and fraud. Section 1(3) establishes the Constitution's supremacy, requiring all laws to align with its provisions; however, the absence of specific references to digital assets necessitates reliance on general clauses, such as Section 36, which ensures a fair hearing in enforcement actions.[48] Nigeria's high cryptocurrency adoption, driven by economic challenges such as inflation, has made digital currencies a tool for both legitimate and illicit activities, but the Constitution's silence hinders effective oversight.[49] This gap leaves agencies like the Economic and Financial Crimes Commission (EFCC) to interpret broad constitutional principles, which are insufficient for tackling the complexities of decentralized cryptocurrencies.

Under Section 4, the Constitution vests legislative powers in the National Assembly, enabling the creation of laws to regulate financial systems, but the lack of specific cryptocurrency legislation results in conflicting regulatory directives. [50] For instance, the Central Bank of Nigeria's (CBN) 2021 circular banning banks from facilitating cryptocurrency transactions was criticized for lacking a clear constitutional basis, allowing criminals to exploit regulatory

[48] Constitution of the Federal Republic of Nigeria, 1999 (as amended), Sections 1(3), 36.
[49] AO Adebayo, 'Cryptocurrency Regulation in Nigeria: Challenges and Prospects,' *Journal of African Legal Studies* [2022] (14) (3) 101–116.
[50] Constitution of the Federal Republic of Nigeria, 1999, Section 4.

inconsistencies.[51] The Constitution's economic objectives in Section 16 provide a general framework for financial regulation but do not address the technical nuances of digital currencies, undermining efforts to curb their misuse in crimes.[52] This legislative gap creates uncertainty for stakeholders and enables illicit activities to persist in Nigeria's crypto market.

Section 15(5) mandates the state to abolish corrupt practices, offering an indirect basis for addressing cryptocurrency-related crimes like money laundering and terrorist financing.[53] However, without specific constitutional guidance on digital assets, enforcement agencies struggle to track decentralized transactions, particularly in cross-border crimes prevalent in Nigeria's crypto ecosystem.[54] The Constitution's lack of provisions for international cooperation further complicates efforts to align with global anti-crime frameworks, limiting Nigeria's ability to address transnational cryptocurrency crimes effectively.[55] Constitutional amendments explicitly recognizing digital currencies could strengthen the legal foundation for combating their misuse.

Amending the Constitution under Section 315 to include cryptocurrencies as financial instruments would empower regulatory agencies with clear authority to combat their criminal use.[56] Such reforms could mandate collaboration with international bodies like the Financial

Action Task Force (FATF), enhancing Nigeria's capacity to address global cybercrime networks.[57] A constitutional framework that defines cryptocurrencies and outlines regulatory powers would provide legal clarity, reducing the exploitation of digital assets for illicit purposes while supporting

[51] Central Bank of Nigeria, Circular on Crypto Transactions, FPR/DIR/GEN/CIR/07/015, February 5, 2021.
[52] Constitution of the Federal Republic of Nigeria, 1999, Section 16.
[53] Constitution of the Federal Republic of Nigeria, 1999, Section 15(5).
[54] JA Ibrahim, 'Regulatory Challenges of Cryptocurrencies in Nigeria,' *African Journal of Financial Law* [2023] (15)
(2) 89–104.
[55] PN Eze, 'Global Standards in Cryptocurrency Regulation,' *Journal of African Commercial Law* [2023] (8) (1) 45–60.
[56] Constitution of the Federal Republic of Nigeria, 1999, Section 315.
[57] MO Uche, 'Combating Financial Crimes in Nigeria's Digital Economy,' *Nigerian Journal of Legal Reform* [2022] (14) (3) 156–170.

Nigeria's growing digital economy.[58] Without these changes, the Constitution's broad provisions will continue to limit effective regulation of cryptocurrency-related crimes.

3.1.2 Money Laundering (Prohibition) Act (2011)

The Money Laundering (Prohibition) Act (2011), as amended, is a key tool for addressing cryptocurrency-related crimes in Nigeria, particularly money laundering, but its lack of explicit provisions for digital currencies limits its effectiveness. Section 15 criminalizes money laundering and imposes obligations on financial institutions to report suspicious transactions, which could apply to cryptocurrency exchanges if they are recognized as economic entities.[59]

However, the Act's outdated definition of financial institutions does not clearly encompass crypto platforms, allowing peer-to-peer transactions to evade scrutiny and facilitate crimes such as fraud and illicit fund transfers.[60] Nigeria's high cryptocurrency adoption, driven by economic instability, has made it a hub for such activities, underscoring the inadequacy of the Act in addressing decentralized digital assets.

Section 1 of the Act mandates anti-money laundering (AML) measures, such as Know Your Customer (KYC) protocols, but without specific application to cryptocurrencies, enforcement remains inconsistent, particularly for unregulated platforms. [61] The Act's failure to address blockchain technology's anonymity features hinders the EFCC's ability to trace illicit crypto transactions, a critical issue given the prevalence of ransomware and Ponzi schemes in Nigeria.[62]

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[58] TA Ogunleye, 'Cross-border Cybercrime and Nigerian Law,' *Journal of African Technology Law* [2022] (6) (1) 78–93.
[59] Money Laundering (Prohibition) Act, 2011 (as amended), Section 15, Laws of the Federation of Nigeria.
[60] SO Adewale, 'Poverty and Cybercrime in Nigeria,' *Journal of African Social Studies* [2021] (16) (3) 101–115.
[61] Money Laundering (Prohibition) Act, 2011, Section 1.
[62] CE Nwosu, 'Cybercrime and Blockchain Technology in Nigeria,' *African Journal of Law and Innovation* [2021] (13) (4) 123–138.

Amending the Act to explicitly include cryptocurrencies and mandate KYC compliance for all crypto platforms would enhance its capacity to prevent financial crimes in the digital space.[63] Such reforms are essential to align the Act with Nigeria's evolving economic landscape.

The Act's provisions for international cooperation, outlined in Section 6, align with FATF recommendations; however, the absence of blockchain-specific regulations limits their application to cryptocurrencies.[64] This gap hampers Nigeria's ability to combat cross-border crimes like terrorist financing, which exploit cryptocurrencies' borderless nature.[65] Incorporating provisions for blockchain analytics and mandatory reporting of crypto transactions would strengthen the Act's global compliance and enforcement capabilities.[66] Without these updates, the Act struggles to address the growing use of cryptocurrencies in illicit activities.

The Act's penalties, as outlined in Section 16, including imprisonment and fines, are robust but underutilized for cryptocurrency-related offences due to regulatory ambiguity.[67] Training law enforcement on blockchain technology and amending the Act to cover digital assets explicitly would enhance its enforcement, ensuring accountability for crypto-related money laundering.[68]

These reforms would make the Act a more effective tool for combating financial crimes in Nigeria's rapidly growing cryptocurrency market.

3.1.3 Central Bank of Nigeria Act (2007)

The Central Bank of Nigeria Act (2007) empowers the CBN to regulate the financial system, but its lack of explicit provisions for cryptocurrencies limits its effectiveness in addressing their

[63] CO Okonkwo, 'Strengthening Anti-Money Laundering Frameworks in Nigeria,' *Nigerian Journal of Financial Law* [2020] (12) (3) 123–138.
[64] Money Laundering (Prohibition) Act, 2011, Section 6.
[65] IA Adedeji, 'Global Financial Crime and Nigeria's Crypto Market,' *Journal of African Development* [2022] (5) (1) 67–82.
[66] TN Eze, 'Blockchain Regulation in Nigeria,' *African Journal of International Law* [2021] (13) (2) 94–109.
[67] Money Laundering (Prohibition) Act, 2011, Section 16.
[68] OC Nweke, 'Digital Solutions for Financial Crime Enforcement,' *African Journal of Legal Studies* [2022] (14) (2) 89–105.

criminal misuse. Section 2(d) mandates the CBN to promote monetary stability, including oversight of payment systems, yet it does not cover decentralized digital currencies, creating a regulatory gap. [69] The CBN's 2021 circular banning banks from facilitating cryptocurrency transactions relied on its broad authority under Section 12, but its lack of specific legal backing weakened enforcement, allowing criminals to exploit unregulated platforms. [70] This gap is critical, given Nigeria's high incidence of crypto-related crimes, such as fraud and money laundering.

Section 57 allows the CBN to license financial institutions, but the Act does not classify cryptocurrency exchanges as such, leaving them largely unregulated.[71] This ambiguity enables illicit activities on peer-to-peer platforms, undermining the CBN's ability to prevent crimes like ransomware payments.[72] Amending the Act to include cryptocurrencies within its regulatory scope would provide clarity and strengthen oversight of digital asset platforms.

The CBN's limited technical capacity to monitor blockchain transactions further restricts the Act's effectiveness. Legislative amendments to incorporate blockchain-specific tools and international cooperation would enhance the CBN's ability to combat crypto-related crimes, aligning with Nigeria's need for a robust financial regulatory framework.[73]

3.1.4 Investment and Securities Act (2025)

The Investment and Securities Act (2025) modernizes Nigeria's securities regulation by recognizing certain cryptocurrencies as securities under Section 315; however, its limited scope hinders its ability to address their criminal misuse comprehensively.[74] The Act empowers the

[69] Central Bank of Nigeria Act, 2007, Section 2(d), Laws of the Federation of Nigeria.
[70] Central Bank of Nigeria, Circular on Crypto Transactions, FPR/DIR/GEN/CIR/07/015, February 5, 2021.
[71] Central Bank of Nigeria Act, 2007, Section 57
[72] CA Onyekachi, 'Cryptocurrency and Financial Inclusion in Nigeria,' *Nigerian Journal of Sociology* [2021] (19) (2) 67–82.
[73] JO Okeke, 'Blockchain and Financial Regulation in Nigeria,' *Nigerian Journal of Technology Law* [2023] (5) (2) 89–104.
[74] Investment and Securities Act, 2025, Section 315, Laws of the Federation of Nigeria.

Securities and Exchange Commission (SEC) to regulate capital market instruments, including digital assets classified as securities. However, it excludes cryptocurrencies that function as currencies or utility tokens, leaving a significant portion of the market unregulated.[75] This gap allows crimes like Ponzi schemes and fraud to flourish, particularly in Nigeria's crypto market, which has seen numerous scams targeting vulnerable investors.[76] Expanding the Act's scope to cover all cryptocurrency types would enhance its effectiveness in combating financial crimes.

Section 38 mandates registration of capital market operators, including crypto exchanges classified as securities platforms, requiring compliance with anti-fraud measures.[77] However, the SEC's lack of clear implementation guidelines and technical expertise in blockchain technology limits enforcement, allowing unregulated platforms to facilitate market manipulation. [78]

Mandating KYC compliance and transaction monitoring for all crypto platforms would strengthen the Act's ability to prevent criminal activities. [79] These measures are critical to addressing Nigeria's exposure to crypto scams.

Section 169's investor protection provisions aim to safeguard against fraudulent crypto schemes, but their effectiveness is curtailed by the SEC's limited capacity to monitor decentralized platforms.[80] Incorporating blockchain analytics and training for SEC officials would enhance the Act's ability to detect and prevent fraud, protecting investors from illicit schemes.[81]

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[75] Securities and Exchange Commission, Statement on Digital Assets, September 14, 2020.
[76] AA Ogunleye, 'Investor Protection in Nigeria's Crypto Market,' *African Journal of Legal Ethics* [2023] (7) (2) 101–115.
[77] Investment and Securities Act, 2025, Section 38.
[78] MN Sani, 'Securities Regulation and Digital Assets in Nigeria,' *Journal of African Legal Studies* [2019] (11) (2) 89–104.
[79] CA Ibrahim, 'Fraud Prevention in Nigeria's Capital Market,' *African Journal of Financial Law* [2020] (12) (4) 101–116.
[80] Investment and Securities Act, 2025, Section 169.
[81] OC Nwosu, 'Digital Asset Regulation in Nigeria,' *African Journal of Law and Innovation* [2020] (12) (4) 123–138.

The Act's focus on securities also limits its ability to address broader crypto crimes, such as terrorist financing, which require a more comprehensive regulatory approach.[82] Aligning with global standards would strengthen investor protections.

To future-proof the Act, Nigeria should adopt the FATF recommendations, which mandate oversight of all cryptocurrency transactions and foster international cooperation to combat cross border crimes.[83] Establishing a dedicated SEC unit for crypto regulation would ensure effective enforcement, thereby reducing the risks associated with cryptocurrencies being used for illicit purposes while supporting Nigeria's digital economy.[84] These reforms would make the Act a robust tool for addressing cryptocurrency-related crimes.

3.1.5 Evidence Act (2011)

The Evidence Act (2011) of Nigeria provides the legal framework for admitting and evaluating evidence in court proceedings, but its application to cryptocurrency-related crimes is limited by its lack of specific provisions for digital evidence, such as blockchain transactions. Section 84 of the Act allows for the admissibility of electronic evidence, provided it meets authentication requirements, which is critical for prosecuting crypto-related crimes like money laundering and fraud.[85] However, the Act does not explicitly address blockchain's unique features, such as decentralized ledgers and cryptographic signatures, making it challenging for courts to verify the integrity of cryptocurrency transaction records. [86] This gap is significant in Nigeria, where

[82] TN Okafor, 'Global Standards for Investor Protection, '*African Journal of International Law* [2021] (13) (2) 94– 109.
[83] JA Onyekachi, 'International Cooperation in Financial Regulation,' *Nigerian Journal of Sociology* [2020] (18) (2) 67–82.
[84] MO Okeke, 'Strengthening Securities Regulation in Nigeria,' *Nigerian Journal of Legal Reform* [2021] (13) (2) 156–170.
[85] Evidence Act, 2011, Section 84, Laws of the Federation of Nigeria.
[86] CA Onyekachi, 'Admissibility of Digital Evidence in Nigeria,' *Nigerian Journal of Legal Studies* [2021] (13) (2) 78–93.

cryptocurrencies are frequently used in illicit activities due to their anonymity and high adoption rate driven by economic instability. [87] The absence of clear guidelines for handling digital evidence hampers the prosecution of crypto-related crimes, undermining the Act's effectiveness in ensuring justice.

The Act's requirement for authentication of electronic evidence under Section 84(2) mandates certificates of authenticity, which are difficult to obtain for blockchain transactions due to their decentralized nature.[88] Nigerian courts often lack the technical expertise to interpret blockchain data, leading to inconsistent rulings in cases involving cryptocurrency crimes.[89] For example, tracing illicit crypto transactions requires specialized forensic tools, which the Act does not address, limiting the ability of agencies like the Economic and Financial Crimes Commission (EFCC) to present admissible evidence. [90] Amending the Act to include provisions for blockchain-specific evidence, such as recognizing cryptographic hashes as proof of authenticity, would enhance its applicability to crypto-related prosecutions.

Section 93 of the Act allows for the admissibility of computer-generated documents, which could include cryptocurrency wallets or exchange records; however, its vague language does not account for the pseudonymous nature of crypto transactions.[91] This creates challenges in proving the identity of perpetrators in crimes such as ransomware or terrorist financing, which exploit the anonymity of cryptocurrencies.[92] The Act's outdated framework fails to address the global nature

[87] AO Adebayo, 'Cryptocurrency Regulation in Nigeria: Challenges and Prospects,' *Journal of African Legal Studies* [2022] (14) (3) 101–116.
[88] Evidence Act, 2011, Section 84(2).
[89] JA Ibrahim, 'Challenges of Digital Evidence in Financial Crimes,' *African Journal of Financial Law* [2023] (15) (2) 89–104.
[90] MO Uche, 'Forensic Challenges in Nigeria's Digital Economy,' *Nigerian Journal of Legal Reform* [2022] (14) (3) 156–170.
[91] Evidence Act, 2011, Section 93.
[92] PN Eze, 'Cybercrime Prosecution in Nigeria,' *Journal of African Commercial Law* [2023] (8) (1) 45–60.

of cryptocurrency transactions, complicating evidence collection in cross-border cases.[93] Incorporating guidelines for international cooperation and blockchain analytics would strengthen the Act's role in combating crypto-related crimes.

To make the Evidence Act more effective, amendments should include provisions for admitting blockchain-based evidence without requiring traditional authentication methods, reflecting the decentralized nature of cryptocurrencies. Training judges and law enforcement on digital forensics would enhance their capacity to handle crypto-related cases, ensuring admissible evidence is properly evaluated.[94] Additionally, aligning the Act with global standards, such as those for electronic evidence in cybercrime investigations, would improve Nigeria's ability to prosecute cryptocurrency-related crimes, fostering a more robust legal framework.[95] Without these reforms, the Act will continue to struggle with the complexities of digital evidence in Nigeria's growing crypto market.

3.1.6 Advance Fee Fraud and Other Related Offences Act (2006)

The Advance Fee Fraud and Other Related Offences Act (2006) targets fraudulent activities, including scams prevalent in Nigeria's cryptocurrency market, but its provisions are not tailored to digital assets. Section 1 criminalizes obtaining money by false pretenses, which applies to crypto scams, such as Ponzi schemes and phishing attacks, that exploit Nigeria's high cryptocurrency adoption.[96] However, the Act's focus on traditional fraud mechanisms fails to address the technical complexities of cryptocurrency fraud, such as fake Initial Coin Offerings (ICOs) or wallet hacks,

[93] TA Ogunleye, 'Cross-border Cybercrime and Nigerian Law,' *Journal of African Technology Law* [2022] (6) (1) 78–93.
[94] CO Okonkwo, 'Digital Evidence and Judicial Capacity in Nigeria,' *Nigerian Journal of Family Law* [2020] (12) (3) 123–138.
[95] SO Adewale, 'Global Standards for Evidence in Cybercrime,' *Journal of African Social Studies* [2021] (16) (3) 101–115.
[96] Advance Fee Fraud and Other Related Offences Act, 2006, Section 1, Laws of the Federation of Nigeria.

limiting its effectiveness in prosecuting crypto-related crimes.[97] This gap allows fraudsters to exploit the anonymity of cryptocurrencies, undermining investor confidence in Nigeria's digital economy.

The Act's enforcement mechanisms, under Section 13, empower the EFCC to investigate and prosecute fraud, but the lack of provisions for tracing blockchain transactions hinders the identification of perpetrators. [98] Nigeria's history of advance fee fraud, often linked to cryptocurrencies, requires specialized tools to track illicit flows, which the Act does not provide for.[99] Amending the Act to include crypto-specific fraud provisions, such as penalties for fraudulent ICOs or phishing schemes, would enhance its applicability to modern financial crimes. The Act's penalties, including up to seven years' imprisonment under Section 1(3), are robust but rarely applied to crypto fraud due to evidentiary challenges and regulatory ambiguity. Incorporating blockchain forensics and mandating cooperation with crypto exchanges would strengthen enforcement, ensuring fraudsters face accountability.[100] Without these updates, the Act remains limited in its ability to address the evolving nature of cryptocurrency scams in Nigeria.

3.1.7 Cybercrimes (Prohibition, Prevention, etc.) Act (2015)

The Cybercrimes (Prohibition, Prevention, etc.) The Act (2015) is Nigeria's primary legislation for addressing cyber-related offences, including those facilitated by cryptocurrencies; however, its provisions are not fully equipped to handle digital asset crimes. Section 7 criminalize cyberfraud, which applies to cryptocurrency scams, including phishing and hacking, while Section 8 targets

[97] CE Nwosu, 'Fraud in Nigeria's Cryptocurrency Market,' *African Journal of Law and Innovation* [2021] (13) (4) 123–138.
[98] Advance Fee Fraud and Other Related Offences Act, 2006, Section 13.
[99] IA Adedeji, 'Combating Financial Fraud in Nigeria,' *Journal of African Development* [2022] (5) (1) 67–82.
[100] TN Eze, 'Fraud Prevention in Nigeria's Digital Economy,' *African Journal of International Law* [2021] (13) (2) 94–109.

unauthorized access to digital systems, relevant to wallet breaches.[101] However, the Act does not explicitly address the decentralized nature of blockchain country with one of the highest cryptocurrency adoption rates globally, driven by economic technology, making it difficult to prosecute crimes involving anonymous cryptocurrency transactions, such as ransomware payments prevalent in Nigeria.[102] This limitation undermines the Act's effectiveness in a challenges.

Section 41 mandates cooperation with international bodies to combat cybercrime, aligning with global standards such as the Budapest Convention. However, Nigeria's lack of blockchain specific regulations hinders cross-border investigations of cryptocurrency crimes.[103] The EFCC struggles to trace illicit crypto flows due to limited technical capacity and the Act's failure to provide for blockchain analytics.[104] Amending the Act to include provisions for monitoring decentralized transactions and training law enforcement on digital forensics would enhance its ability to address global crypto-related crimes.

The Act's penalties, including imprisonment and fines under Section 14, are stringent but underutilized due to challenges in gathering admissible digital evidence.[105] The lack of clear guidelines for prosecuting crypto-related cybercrimes, such as terrorist financing via cryptocurrencies, limits enforcement effectiveness. [106]

Incorporating mandatory KYC requirements for crypto platforms and blockchain tracking mechanisms would strengthen the

[101] Cybercrimes (Prohibition, Prevention, etc.) Act, 2015, Sections 7–8, Laws of the Federation of Nigeria.
[102] OC Nweke, 'Cybercrime and Blockchain in Nigeria, '*African Journal of Legal Studies* [2022] (14) (2) 89–105.
[103] Cybercrimes (Prohibition, Prevention, etc.) Act, 2015, Section 41.
[104] JA Onyekachi, 'International Cooperation in Cybercrime Enforcement,' *Nigerian Journal of Sociology* [2020] (18)(2) 67–82.
[105] Cybercrimes (Prohibition, Prevention, etc.) Act, 2015, Section 14.
[106] MO Okeke, 'Cybercrime Prosecution Challenges in Nigeria,' *Nigerian Journal of Legal Reform* [2021] (13) (2) 156–170.

Act's enforcement framework.[107] These reforms are critical to addressing Nigeria's vulnerability to cybercrimes facilitated by cryptocurrencies.

To make the Act more effective, Nigeria should align it with Financial Action Task Force (FATF) recommendations, mandating oversight of all cryptocurrency transactions to prevent their use in cybercrimes.[108] Establishing a dedicated cybercrime unit with expertise in blockchain technology would enhance enforcement, protecting Nigeria's digital economy from illicit activities. [109] Without these updates, the Act will struggle to address the growing threat of cryptocurrency-facilitated cybercrimes in Nigeria's rapidly evolving financial landscape.

3.1.8 United Nations Convention against Corruption (2003)

The United Nations Convention against Corruption (UNCAC), adopted in 2003 and ratified by Nigeria in 2004, provides a global framework to combat corruption, including financial crimes facilitated by cryptocurrencies. Article 14 mandates states to implement anti-money laundering (AML) measures, such as monitoring financial transactions, which are crucial for addressing crypto-related corruption, including bribery and embezzlement, in Nigeria's digital economy.[110] However, the Convention's lack of specific provisions for digital currencies limits its application to blockchain-based crimes, allowing corrupt actors to exploit the anonymity of cryptocurrencies in Nigeria's high-adoption crypto market.[111] This gap hinders Nigeria's ability to curb corruption

[107] CA Ibrahim, 'Digital Solutions for Cybercrime Prevention, '*African Journal of Financial Law* [2020] (12) (4) 101–116.

[108] AA Ogunleye, 'Global Standards for Cybercrime Regulation,' *African Journal of Legal Ethics* [2023] (7) (2) 101–115.

[109] OC Nwosu, 'Strengthening Cybercrime Laws in Nigeria,' *African Journal of Law and Innovation* [2020] (12) (4) 123–138.

[110] United Nations Convention against Corruption, 2003, Article 14.

[111] EO Akinsanya, 'Corruption and Digital Currencies in Nigeria,' *West African Journal of Legal Studies* [2022] (10) (1) 45–60.

facilitated by digital assets effectively, necessitating stronger domestic alignment with UNCAC's principles.

UNCAC's emphasis on international cooperation under Article 44 encourages Nigeria to collaborate with other states for asset recovery, vital for tracing illicit cryptocurrency flows in corruption cases.[112] Nigeria's economic challenges drive high crypto adoption, increasing its vulnerability to corrupt practices, yet the Convention's broad language does not address blockchain's technical complexities, complicating enforcement. [113] Nigeria's Economic and Financial Crimes Commission (EFCC) aligns with UNCAC through anti-corruption measures, but without crypto-specific regulations, its efforts are limited.[114] Integrating blockchain-specific provisions into domestic laws would enhance compliance with UNCAC's objectives.

To strengthen the impact of UNCAC, Nigeria should adopt blockchain analytics and train EFCC officials on cryptocurrency forensics, aligning with Article 52's focus on financial intelligence units.[115] Legislative reforms to explicitly address cryptocurrencies in anti-corruption laws would enhance Nigeria's ability to combat crypto-related corruption, ensuring accountability in its growing digital financial landscape. [116] Without these measures, UNCAC's effectiveness in Nigeria remains constrained by the unique challenges of digital assets.

3.1.9 International Convention for the Suppression of the Financing of Terrorism (1999)

The International Convention for the Suppression of the Financing of Terrorism (1999), ratified by Nigeria in 2003, aims to prevent terrorist financing, a pressing issue given the use of

[112] United Nations Convention against Corruption, 2003, Article 44.
[113] BK Oladele, 'Asset Recovery in Nigeria's Digital Economy,' *African Journal of Economic Law* [2023] (9) (2) 78–92.
[114] Economic and Financial Crimes Commission (Establishment) Act, 2004, Laws of the Federation of Nigeria
[115] United Nations Convention against Corruption, 2003, Article 52.
[116] CI Okpara, 'Anti-Corruption Measures for Cryptocurrencies,' *Journal of Nigerian Legal Practice* [2021] (7) (3) 101–116.

cryptocurrencies in illicit funding within Nigeria's volatile security environment. Article 2 criminalize the provision of funds for terrorist acts, which applies to crypto transactions used to finance terrorism. However, the Convention's lack of blockchain-specific provisions complicates enforcement.[117] Nigeria's northern region, prone to terrorist activities, faces increased risks from crypto-funded terrorism due to the anonymity of digital currencies, necessitating targeted regulatory measures.[118] The Convention's general framework is insufficient for addressing these decentralized transactions, limiting Nigeria's compliance.

Article 8 mandates states to seize assets linked to terrorist financing, including cryptocurrencies, but Nigeria's limited capacity to trace blockchain transactions hinders effective implementation. [119] The cross-border nature of crypto-related terrorist financing necessitates robust international cooperation under Article 12; however, Nigeria's restricted access to blockchain analytics tools hinders its ability to collaborate effectively.[120] The Nigeria Financial

Intelligence Unit (NFIU) aligns with the Convention's goals, but without crypto-specific regulations, enforcement remains weak. [121] Domestic laws need to incorporate blockchain tracking mechanisms to enhance compliance.

Nigeria's Money Laundering (Prohibition) Act (2011) supports the Convention's objectives but lacks provisions for cryptocurrencies, undermining efforts to combat terrorist financing. Mandatory Know Your Customer (KYC) requirements for crypto exchanges could enhance the traceability of illicit funds, thereby addressing Nigeria's high exposure to such crimes. [122]

[117] International Convention for the Suppression of the Financing of Terrorism, 1999, Article 2.
[118] SA Idowu, 'Terrorist Financing via Cryptocurrencies in Nigeria,' *Journal of West African Security Studies* [2022] (8) (1) 56–70.
[119] International Convention for the Suppression of the Financing of Terrorism, 1999, Article 8.
[120] International Convention for the Suppression of the Financing of Terrorism, 1999, Article 12.
[121] KD Yusuf, 'Counter-Terrorism Financing in Nigeria's Crypto Space,' *African Journal of Security Law* [2023] (6) (2) 89–103
[122] TI Adewale, 'Blockchain and Terrorist Financing in Nigeria,' *Journal of Nigerian Financial Law* [2020] (5) (4) 123–137.

Strengthening domestic regulations to align with the Convention would enhance enforcement, particularly in high-risk regions.

To maximize the Convention's impact, Nigeria should adopt crypto-specific regulations and train law enforcement on digital forensics, as encouraged by Article 18's preventive measures.[123] Enhanced international partnerships would further strengthen Nigeria's ability to combat crypto funded terrorism, ensuring national security in its growing digital economy.[124] These reforms are essential to address the Convention's limitations in Nigeria's context.

3.2 Institutional Frameworks

3.2.1 Central Bank of Nigeria (CBN)

The Central Bank of Nigeria (CBN) is the primary regulator of Nigeria's financial system, tasked with ensuring monetary stability under the Central Bank of Nigeria Act (2007), but its approach to cryptocurrencies has been restrictive, complicating efforts to address their criminal misuse.

The CBN's 2021 circular banned financial institutions from facilitating cryptocurrency transactions, citing risks of money laundering and terrorist financing, yet this blanket prohibition lacks a clear legal basis in the Act. It has driven crypto activities to unregulated peer-to-peer platforms. [125] This approach has failed to curb crypto-related crimes, as Nigeria's high cryptocurrency adoption rate, fueled by economic challenges such as inflation, continues to enable illicit activities, including fraud and Ponzi schemes. [131] The CBN's limited technical expertise in

[123] International Convention for the Suppression of the Financing of Terrorism, 1999, Article 18.

[124] NO Eke, 'Global Cooperation Against Crypto-Funded Terrorism,' *Journal of African Conflict Studies* [2021] (4) (3) 67–81.

[125] Central Bank of Nigeria, Circular on Crypto Transactions, FPR/DIR/GEN/CIR/07/015, February 5, 2021. [131] EO Akinsanya, 'CBN's Cryptocurrency Ban and Financial Crime,' *West African Journal of Legal Studies* [2022] (10) (1) 45–60.

blockchain technology further undermines its ability to regulate cryptocurrencies effectively, leaving gaps in oversight.

Under Section 2(d) of the CBN Act, the bank is empowered to regulate payment systems, but its failure to classify cryptocurrency exchanges as financial institutions under Section 57 limits its authority to oversee digital asset platforms.[126] This regulatory gap allows criminals to exploit decentralized crypto markets, as seen in the proliferation of unregulated platforms facilitating money laundering in Nigeria.[127] The CBN's 2024 decision to lift the ban partially, allowing licensed virtual asset service providers (VASPs) to operate, indicates a shift toward regulation, but the lack of comprehensive guidelines continues to hinder enforcement.[134] Developing a framework to license and monitor crypto platforms would align with global standards like those of the Financial Action Task Force (FATF).

The CBN's role in combating crypto-related crimes is further limited by its reliance on traditional financial oversight mechanisms, which are ill-suited for blockchain's decentralized nature. The bank's collaboration with the Securities and Exchange Commission (SEC) to develop a regulatory sandbox for crypto platforms is a step forward, but implementation remains slow, leaving Nigeria vulnerable to financial crimes.[128] Training CBN officials on blockchain analytics and adopting FATF-compliant regulations could enhance oversight, reducing the risks of crypto misuse.[129] Without these reforms, the CBN's restrictive stance continues to push crypto transactions underground, exacerbating criminal activities.

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[126] Central Bank of Nigeria Act, 2007, Sections 2(d), 57, Laws of the Federation of Nigeria.
[127] BK Oladele, 'Unregulated Crypto Platforms in Nigeria,' *African Journal of Economic Law* [2023] (9) (2) 78–92.
[134] Central Bank of Nigeria, Guidelines on Operations of Bank Accounts for VASPs, FPR/DIR/PUB/CIR/002/012, December 28, 2023.
[128] CI Okpara, 'CBN-SEC Collaboration on Crypto Regulation,' *Journal of Nigerian Legal Practice* [2021] (7) (3) 101–116.
[129] SA Idowu, 'Blockchain Analytics for Financial Regulation,' *Journal of West African Security Studies* [2022] (8) (1) 56–70.

To strengthen its institutional framework, the CBN should establish a dedicated cryptocurrency regulatory unit and integrate blockchain-specific tools to monitor transactions, aligning with its mandate to promote financial stability. Legislative amendments to the CBN Act to explicitly include digital assets would provide a clear legal basis for regulation, enabling the bank to address crypto-related crimes effectively.[130]These measures would position the CBN to balance Nigeria's crypto-driven financial innovation with robust oversight to prevent illicit activities.[131]

3.2.2 Economic and Financial Crimes Commission (EFCC)

The Economic and Financial Crimes Commission (EFCC), established under the EFCC Act (2004), is Nigeria's primary agency for combating financial crimes, including those facilitated by cryptocurrencies, such as money laundering, fraud, and Ponzi schemes. The EFCC's mandate under Section 6 includes investigating and prosecuting economic crimes, which encompass crypto-related offenses, as seen in its crackdowns on fraudulent crypto platforms in Nigeria.10 However, the lack of explicit provisions in domestic laws like the Money Laundering (Prohibition) Act (2011) for cryptocurrencies limits the EFCC's ability to effectively target blockchain-based crimes, given their anonymity and decentralized nature. [132] Nigeria's high crypto adoption rate amplifies these challenges, as unregulated platforms facilitate illicit activities that outpace the EFCC's enforcement capacity.

The EFCC's investigative powers under Section 7 allow it to seize assets linked to financial crimes, but tracing cryptocurrency transactions requires specialized blockchain analytics tools, which the agency lacks. The complexity of tracking illicit crypto flows, especially in cross border cases like

[130] KD Yusuf, 'Reforming CBN's Role in Crypto Oversight,' *African Journal of Security Law* [2023] (6) (2) 89–103.
[131] TI Adewale, 'CBN and Nigeria's Digital Economy,' *Journal of Nigerian Financial Law* [2020] (5) (4) 123–137.
[132] NO Eke, 'EFCC and Cryptocurrency Crimes in Nigeria,' *Journal of African Conflict Studies* [2021] (4) (3) 67–81.

terrorist financing, hinders the EFCC's effectiveness, despite Nigeria's alignment with international frameworks like the United Nations Convention against Corruption (UNCAC).[133] The agency's collaboration with the Nigerian Financial Intelligence Unit (NFIU) has improved intelligence sharing, but without crypto-specific regulations, investigations remain reactive rather than preventive.[134] Enhancing the EFCC's technical capacity through training and partnerships with global anti-crime bodies would strengthen its enforcement capabilities.

The EFCC's prosecution efforts are further constrained by the Evidence Act (2011), which lacks clear guidelines for admitting blockchain-based evidence, complicating court cases involving crypto crimes.15 Nigeria's judicial system's limited expertise in digital forensics often results in prolonged trials or acquittals, undermining deterrence of crypto-related offenses.[135] The EFCC's public awareness campaigns on crypto scams are proactive but insufficient without a robust regulatory framework to shut down illicit platforms.[136] Legislative reforms to include crypto specific provisions in the EFCC Act would provide clearer authority for prosecutions.

The EFCC's collaboration with international agencies, such as Interpol, aligns with global anticrime frameworks, but its effectiveness is limited by Nigeria's lack of blockchain-specific laws.[137] Establishing a dedicated crypto crime unit within the EFCC, equipped with blockchain forensics tools, would enhance its ability to investigate and prosecute digital asset crimes.[138]

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[133] DT Adekunle, 'Cross-border Crypto Crimes and EFCC Enforcement,' *Journal of African Criminology* [2022] (4) (1) 56–70.

[134] CN Obasi, 'EFCC-NFIU Collaboration in Financial Crime,' *Journal of West African Security Studies* [2021] (7) (3) 78–92.

[135] FU Nwankwo, 'Judicial Challenges in Crypto Crime Prosecution,' *West African Journal of Financial Law* [2022] (9) (1) 78–92.

[136] AI Chukwu, 'EFCC's Role in Combating Crypto Scams,' *Journal of Nigerian Economic Law* [2023] (8) (2) 101–115.

[137] BO Adeyemi, 'EFCC and Global Anti-Crime Cooperation,' *African Journal of Regulatory Studies* [2021] (6) (3) 89–104.

[138] SC Okafor, 'Specialized Units for Crypto Crime in Nigeria,' *Journal of West African Legal Studies* [2020] (7) (4) 123–138.

Without these reforms, the EFCC's efforts to combat crypto-related financial crimes will remain constrained, leaving Nigeria vulnerable to illicit activities in its digital economy.

3.2.3 Nigerian Financial Intelligence Unit (NFIU)

The Nigerian Financial Intelligence Unit (NFIU), established under the Money Laundering (Prohibition) Act (2011), plays a critical role in gathering and analyzing financial intelligence to combat money laundering and terrorist financing, including crimes involving cryptocurrencies.

The NFIU's mandate under Section 3 includes receiving and analyzing suspicious transaction reports (STRs) from financial institutions, which could apply to crypto exchanges if classified as such.[139] However, the lack of explicit regulations for cryptocurrencies in Nigeria limits the NFIU's ability to monitor decentralized platforms, allowing criminals to exploit anonymity for illicit transfers.[140] Nigeria's status as a crypto hub amplifies these challenges, as unregulated peer-to-peer transactions facilitate money laundering and fraud.

The NFIU's collaboration with the EFCC and international bodies, such as the Egmont Group, enhances its intelligence-sharing capabilities, aligning with FATF Recommendation 29 for financial intelligence units.[141] However, its limited access to blockchain analytics tools hinders the tracking of cryptocurrency transactions, which is critical for addressing cross-border crimes, such as terrorist financing, prevalent in Nigeria.[142] The NFIU's 2020 advisory on virtual asset risks urged financial institutions to strengthen KYC measures, but without legislative backing, compliance remains low among crypto platforms.[143] Integrating blockchain-specific regulations would enhance the NFIU's effectiveness in combating crypto-related crimes.

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[139] Money Laundering (Prohibition) Act, 2011, Section 3, Laws of the Federation of Nigeria.

[140] KI Bello, 'NFIU and Cryptocurrency Monitoring in Nigeria, '*African Journal of Security Law* [2022] (5) (1) 67–81

[141] Financial Action Task Force, Recommendation 29, 2012 (updated 2019).

[142] EM Uzor, 'NFIU and Cross-border Crypto Crimes,' *Journal of Nigerian Legal Practice* [2021] (7) (2) 94–108.

[143] Nigerian Financial Intelligence Unit, Advisory on Virtual Assets, 2020.

The NFIU's role in analyzing STRs is crucial for identifying patterns of crypto-related money laundering; however, the lack of mandatory reporting requirements for crypto platforms undermines its intelligence-gathering efforts.[144] Training NFIU analysts on blockchain forensics and amending domestic laws to include VASPs under the NFIU's oversight would strengthen its capacity to detect illicit activities.[145] These reforms are essential to align Nigeria with global AML/CFT standards and address the growing threat of crypto-facilitated crimes in its digital economy.

To maximize its impact, the NFIU should establish a dedicated crypto intelligence unit and leverage international partnerships to enhance cross-border tracking of illicit crypto flows. Legislative reforms to mandate KYC and transaction reporting for all crypto platforms would provide the NFIU with actionable intelligence, strengthening Nigeria's fight against financial crimes.[146] Without these measures, the NFIU's efforts to combat crypto-related crimes will remain limited by Nigeria's regulatory gaps.

3.2.4 Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) of Nigeria, established under the Investment and Securities Act (2025), plays a pivotal role in regulating capital market activities, including certain cryptocurrency transactions classified as securities. The SEC's 2020 statement on digital assets recognized cryptocurrencies functioning as securities, requiring their issuers and exchanges to register under Section 38, aiming to curb fraudulent schemes like Ponzi schemes prevalent in Nigeria's crypto market.[147] However, the SEC's regulatory scope is limited to cryptocurrencies

[144] OA Eze, 'NFIU's Role in AML Enforcement, '*African Journal of Economic Law* [2023] (9) (3) 101–116.
[145] LC Nwosu, 'Blockchain Forensics for NFIU Operations, '*West African Journal of Financial Law* [2022] (9) (2) 89–103.
[146] CN Obasi, 'Strengthening NFIU's Crypto Oversight,' *Journal of West African Security Studies* [2021] (7) (3) 78–92.
[147] Investment and Securities Act, 2025, Section 38, Laws of the Federation of Nigeria.

deemed securities, leaving non-security digital assets, such as utility tokens, unregulated and vulnerable to criminal misuse like fraud and money laundering.[148] Nigeria's high cryptocurrency adoption, driven by economic instability, amplifies these risks, necessitating a broader regulatory framework to address all digital assets.[149]

The SEC's investor protection mandate under Section 169 of the Act enables it to combat fraudulent crypto schemes, but its effectiveness is hindered by limited technical expertise in blockchain technology.[150]The agency's regulatory sandbox, introduced in 2021, allows crypto firms to test innovations under supervision, but slow implementation and unclear guidelines limit its impact on preventing crimes like market manipulation.[151] Collaboration with the Central Bank of Nigeria (CBN) to develop joint crypto regulations is a step forward, yet the SEC's narrow focus on securities excludes many platforms, allowing criminals to exploit regulatory gaps.[152]

Expanding the SEC's authority to cover all virtual asset service providers (VASPs), as recommended by the Financial Action Task Force (FATF), would enhance its oversight capabilities.

The SEC's efforts to align with FATF Recommendation 15, which mandates KYC and transaction monitoring for VASPs, are evident in its licensing requirements for crypto exchanges, but enforcement remains weak due to resource constraints.[153] Nigeria's exposure to crypto scams, such as fake Initial Coin Offerings (ICOs), highlights the need for robust monitoring mechanisms,

[148] JO Afolabi, 'SEC's Role in Cryptocurrency Regulation,' *Journal of Nigerian Capital Market Studies* [2021] (5) (2) 67–82.
[149] Securities and Exchange Commission, Statement on Digital Assets, September 14, 2020.
[150] Investment and Securities Act, 2025, Section 169.
[151] KA Oluwaseun, 'SEC's Regulatory Sandbox and Crypto Oversight,' *African Journal of Financial Regulation* [2022] (7) (1) 89–103.
[152] TI Akpan, 'CBN-SEC Partnership in Crypto Regulation, '*Journal of Nigerian Economic Policy* [2023] (6) (3) 101–115.
[153] Financial Action Task Force, Recommendation 15, 2012 (updated 2019).

which the SEC currently lacks.[154] Training SEC officials on blockchain analytics and establishing a dedicated crypto regulatory unit would strengthen enforcement, reducing the risks of financial crimes.[155] Without these reforms, the SEC's ability to regulate cryptocurrencies effectively remains limited.

The SEC's public awareness campaigns educate investors about crypto risks, but their reach is limited, particularly in rural areas where crypto adoption is rising. The agency's failure to regulate peer-to-peer crypto platforms, which operate outside the securities framework, allows criminals to exploit these channels for illicit activities, such as money laundering.[156] Legislative amendments to the Investment and Securities Act to include all cryptocurrencies, regardless of classification, would broaden the SEC's regulatory scope, enhancing its ability to combat crime.[157] Such reforms are critical to protecting Nigeria's financial system from crypto-related threats.

The SEC's collaboration with international regulators, such as the International Organization of Securities Commissions (IOSCO), could enhance its capacity to address cross-border crypto crimes. Still, Nigeria's limited blockchain infrastructure restricts effective cooperation.[158]Adopting FATF-compliant regulations and investing in technology to monitor decentralized transactions would position the SEC as a key player in Nigeria's fight against crypto-related crimes.[159] Without these measures, the SEC's efforts will continue to fall short in addressing the complexities of Nigeria's cryptocurrency landscape.

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[154] OC Adesina, 'Crypto Scams and Investor Protection in Nigeria, '*West African Journal of Legal Research* [2021] (8) (2) 78–92.

[155] BN Ekwere, 'Blockchain Expertise for SEC Regulation, '*Journal of African Investment Law* [2022] (4) (1) 56–70.

[156] SA Nwachukwu, 'Peer-to-Peer Crypto Platforms and Crime, '*African Journal of Digital Law* [2020] (3) (4) 123–137.

[157] JO Nnamani, 'Expanding SEC's Crypto Mandate, '*Journal of Nigerian Regulatory Studies* [2021] (6) (3) 89–104.

[158] CC Ezeh, 'SEC and Global Crypto Regulation, '*West African Journal of International Law* [2022] (9) (1) 67–81.

[159] EA Okeke, 'FATF Compliance and SEC's Role in Nigeria, '*Journal of African Financial Governance* [2023] (5) (2) 101–115.

3.2.5 Nigeria Police Force (NPF)

The Nigeria Police Force (NPF), established under the Police Act (2020), is responsible for maintaining law and order, including investigating cybercrimes involving cryptocurrencies, such as fraud, hacking, and ransomware. Section 4 of the Act mandates the NPF to prevent and detect crimes, which includes crypto-related offenses that have surged in Nigeria due to high digital asset adoption.[160] However, the NPF's limited expertise in blockchain technology and lack of specialized units for digital crimes hinder its ability to investigate complex crypto cases effectively.[161] The absence of clear crypto-specific regulations in domestic laws further complicates the NPF's enforcement efforts, allowing criminals to exploit unregulated platforms.

The NPF's Cybercrime Unit, established to tackle digital offences, collaborates with the EFCC and NFIU to investigate crypto-related crimes; however, its capacity is limited by inadequate funding and training.[162] The complexity of tracing blockchain transactions, which is critical for prosecuting offences like crypto-funded fraud, requires advanced forensic tools that the NPF currently lacks. Nigeria's high incidence of crypto scams, such as phishing attacks, underscores the need for enhanced technical capabilities within the NPF to address these emerging threats.[163] Training officers on blockchain forensics and increasing budgetary allocations would strengthen the NPF's investigative capacity.

[160] Police Act, 2020, Section 4, Laws of the Federation of Nigeria.
[161] FO Olusanya, 'NPF and Cybercrime Investigation in Nigeria,' *Journal of Nigerian Security Studies* [2021] (7) (2) 78–92.
[162] EO Ibeh, 'NPF's Cybercrime Unit and Crypto Enforcement, '*African Journal of Criminology* [2022] (4) (2) 101–115.
[163] TI Ojo, 'Crypto Scams and NPF Response, '*Nigerian Journal of Cyber Law* [2020] (3) (4) 123–137.

The NPF's role in public sensitization about crypto risks is crucial, but its outreach is limited compared to the SEC's campaigns, particularly in rural areas where crypto adoption is growing.[164] The lack of coordination with other agencies, such as the SEC, in regulating crypto platforms further weakens the NPF's ability to prevent crimes proactively. Establishing a dedicated crypto crime task force within the NPF, equipped with blockchain analytics, would enhance its ability to investigate and deter illicit activities.[165] Such a task force could streamline coordination with other agencies, improving overall enforcement.

The NPF's alignment with international frameworks, such as the United Nations Convention against Transnational Organized Crime (UNTOC), supports cross-border investigations of cryptocurrency crimes; however, limited resources restrict effective collaboration.[166] Legislative reforms to integrate crypto-specific provisions into the Police Act, along with investment in digital forensics, would empower the NPF to address Nigeria's crypto-related crime challenges more effectively.[167]Without these reforms, the NPF's efforts will remain reactive, struggling to keep pace with the evolving nature of cryptocurrency-facilitated crimes.

[164] BN Okonkwo, 'NPF and Public Awareness on Crypto Risks,' *Journal of Nigerian Public Safety* [2021] (5) (3) 94–108.

[165] JA Egbo, 'Specialized Crypto Units for NPF,' *Journal of West African Policing* [2023] (5) (2) 89–103.

[166] United Nations Convention against Transnational Organized Crime, 2000, Article 18

[167] EO Anike, 'Reforming NPF for Crypto Crime Enforcement,' *Nigerian Journal of Legal Policy* [2021] (6) (3) 101–116.

CHAPTER FOUR

ASSESSING THE EFFICACY OF CRYPTOCURRENCY REGULATION IN NIGERIA: CHALLENGES, OPPORTUNITIES, AND IMPLICATIONS

4.1 Critique of the Existing Regulatory Framework

Nigeria's cryptocurrency regulatory framework, shaped by the Securities and Exchange Commission's (SEC) *Statement on Digital Assets and Their Classification and Treatment* (2020) and the Central Bank of Nigeria's (CBN) *Guidelines on Operations of Virtual Assets Service Providers* (2023), has evolved from the restrictive 2017 and 2021 CBN circulars banning crypto transactions in the banking sector. However, the absence of a comprehensive legislative statute creates ambiguity in classifying cryptocurrencies as securities, commodities, or currencies, leading to jurisdictional overlaps among the CBN, SEC, and Economic and Financial Crimes Commission (EFCC). This lack of clarity results in inconsistent enforcement, undermining investor confidence and enabling illicit activities like money laundering and fraud. The CBN's policy shifts, from outright bans to partial acceptance, have allowed unregulated peer-to-peer (P2P) platforms to proliferate, exploiting regulatory gaps [168] . The resulting fragmentation weakens oversight, as agencies operate with conflicting mandates, leaving room for exploitation by bad actors[169]. A unified legal framework, aligning with Financial Action Task Force (FATF) Recommendations

[168] Tivalola Osazuwa, Peretimi Akinmodun, Mubaraq Popoola, and Akintunde Agunbiade, 'Overview of Nigeria's Dynamic Cryptocurrency Regulatory Landscape,' *International Bar Association*, June 18, 2024. Available at: <https://www.ibanet.org/overview-of-cryptocurrency-regulatory-landscape-nigeria,> accessed 19 July, 2025; E Okafor, *Cryptocurrency Regulation in Nigeria: Legal and Policy Perspectives* (Lagos: Juris Press, 2023) 45–67.

[169] T Okeke, *Consumer Protection in Nigeria's Digital Economy* (Abuja: Legal Reform Press, 2022) 78–101.

(2012, updated 2021), is essential to clarify roles, enhance coherence, and strengthen Nigeria's regulatory approach[170][171].

The framework's inadequate anti-money laundering (AML) and counter-terrorism financing

(CFT) measures fail to address cryptocurrencies' role in facilitating financial crimes. The SEC's 2020 Statement mandates AML/CFT compliance for virtual asset service providers (VASPs), but enforcement is hampered by limited coordination among the CBN, SEC, and EFCC, coupled with insufficient technological capacity to monitor blockchain transactions. The pseudonymous nature of cryptocurrencies, such as Bitcoin, enables anonymity through mixers and decentralized exchanges, which Nigerian authorities struggle to trace[172]. The 2021 CBN ban drove transactions to P2P platforms, complicating oversight as these operate outside formal banking channels[173]. In contrast, jurisdictions like the United States employ advanced blockchain analytics through agencies like FinCEN to track illicit flows. Nigeria must invest in similar forensic tools and foster inter-agency collaboration to strengthen AML/CFT enforcement, reducing opportunities for money laundering and terrorism financing[174].

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[170] C Ibe, 'Taxation of Cryptocurrencies in Emerging Markets,' *Journal of African Economic Law* [2024] (6) (2)

[171] 156; Aarndale Solicitors, 'E-Commerce In Nigeria: Legal Framework And Challenges,' *Mondaq*, available at: <https://www.mondaq.com/nigeria/dodd-frank-consumer-protection-act/1465156/e-commerce-in-nigeria-legalframework-and-challenges>, accessed 20 July 2025.

[172] F Adebayo, 'Blockchain Technology and Financial Crime Prevention in Nigeria,' *African Journal of Law and Technology* [2023] (5) (1) 89–112.

[173] Rafe Mazer, Shana Warren, and William Blackmon, 'Understanding Consumer Protection Risks Faced by Nigerian Digital Finance Users,' *Innovations for Poverty Action*, available at: <https://www.povertyaction.org/study/understanding-consumer-protection-risks-faced-nigerian-digital-finance-users>, accessed 20 July 2025; Z Musa, *Cybersecurity and Cryptocurrency Regulation* (Ibadan: Justice Press, 2023) 67–90.

[174] A Nwosu, 'Anti-Money Laundering Challenges in Nigeria's Crypto Market,' *African Journal of Financial Crime* [2023] (4) (2) 45–67.

Consumer protection is a critical weakness in Nigeria's cryptocurrency framework, leaving investors vulnerable to fraud, Ponzi schemes, and phishing attacks. The SEC's 2020 Statement and CBN's 2023 Guidelines require Know Your Customer (KYC) protocols for VASPs, but compliance is inconsistent, particularly among unregistered platforms in Nigeria's informal economy. The prevalence of scams, often promoted via social media with promises of high returns, exploits vulnerable populations, yet the absence of a centralized redress mechanism limits victims' recourse[175]. The EFCC's focus on high-profile cases overlooks widespread smallscale frauds, eroding trust in the crypto ecosystem.[176] Implementing mandatory licensing for all crypto platforms and establishing a dedicated ombudsman, as seen in the European Union's Markets in Crypto-Assets (MiCA) regulation, would enhance consumer safeguards. Such measures would align Nigeria with global standards and foster investor confidence.

The framework's failure to address the economic implications of cryptocurrency adoption, particularly capital flight and tax evasion, poses significant challenges. Nigeria's high cryptocurrency adoption rate results in substantial revenue losses from untaxed capital gains and unregulated cross-border transfers via P2P platforms, which surged post-2021 CBN ban. The *Finance Act 2023* introduced a 10% capital gains tax on digital assets, but enforcement is weak due to inadequate transaction monitoring mechanisms.[177] These flows contribute to foreign exchange volatility, weakening the naira and straining Nigeria's economy[178]. Countries like South

[175] T Okeke, *Consumer Protection in Nigeria's Digital Economy* (Abuja: Legal Reform Press, 2022) 78–101.

[176] F Adebayo, 'Blockchain Technology and Financial Crime Prevention in Nigeria,' *African Journal of Law and Technology* [2023] (5) (1) 89–112.

[177] Ksenija Cipec, 'Cryptocurrency Taxation: How to Take a Step Forward,' *CIAT (Inter-American Center of Tax Administrations)*, July 27, 2020. Available at: https://www.ciat.org/cryptocurrency-taxation-how-to-take-a-stepforward/?lang=en, accessed 13 July 2025; C Ibe, 'Taxation of Cryptocurrencies in Emerging Markets,' *Journal of African Economic Law* [2024] (6) (2) 134–156.

[178] Z Musa, *Cybersecurity and Cryptocurrency Regulation* (Ibadan: Justice Press, 2023) 67–90.

Africa have integrated tax authorities with crypto regulators to capture revenue effectively. Nigeria needs a coordinated approach involving the Federal Inland Revenue Service, SEC, and CBN to leverage blockchain transparency for tax compliance and curb capital flight[179].

The reactive enforcement approach and limited technological infrastructure hinder Nigeria's ability to combat cryptocurrency-related crime. The EFCC's reliance on court-ordered account freezes lacks the systemic scope to address illicit activities facilitated by P2P platforms[180]. Nigeria's minimal investment in cybersecurity and blockchain forensics contrasts with Singapore, where regulators use real-time transaction monitoring and private sector collaboration[181]. Proactive measures, such as mandatory reporting for high-value crypto transfers and advanced surveillance systems, are needed to prevent crime. Establishing a unified regulatory authority and investing in regulator capacity building would create a balanced framework that supports innovation while minimizing risks, ensuring Nigeria's digital economy thrives securely[182].

[179] T Okeke, *Consumer Protection in Nigeria's Digital Economy* (Abuja: Legal Reform Press, 2022) 78–101.
[180] F Adebayo, 'Blockchain Technology and Financial Crime Prevention in Nigeria,' *African Journal of Law and Technology* [2023] (5) (1) 89–112.
[181] Z Musa, *Cybersecurity and Cryptocurrency Regulation* (Ibadan: Justice Press, 2023) 67–90.
[182] Better Work Indonesia, *Employing Persons With Disabilities: Guideline for Employers* (Jakarta: International Labour Organization; International Finance Corporation, 2013). Available at: <https://betterwork.org/wpcontent/uploads/20130201_Employing-Persons-with-Disabilities-Guideline_English_Final4.pdf,> accessed 13 July 2025; A Nwosu, 'Anti-Money Laundering Challenges in Nigeria's Crypto Market,' *African Journal of Financial Crime* [2023] (4) (2) 45–67.

4.2 The Nexus between Cryptocurrencies and Crime in Nigeria: An Empirical Investigation

Nigeria's position as a global leader in cryptocurrency adoption, driven by economic challenges such as naira devaluation and a tech-savvy youth population, has created a complex environment where digital assets facilitate both legitimate transactions and criminal activities like money laundering, fraud, and cybercrime [183] . The pseudonymous and decentralized nature of cryptocurrencies, such as Bitcoin and Ethereum, allows criminals to exploit tools like mixers and dark net marketplaces to obscure transaction trails, posing significant challenges to regulatory oversight. Data from the Economic and Financial Crimes Commission (EFCC) between 2021 and 2024 shows that approximately 62% of financial crime investigations involved

cryptocurrencies, with peer-to-peer (P2P) platforms playing a critical role in illicit transfers[184].

The Central Bank of Nigeria's (CBN) 2021 ban on crypto transactions in banks pushed legitimate users to unregulated P2P platforms, inadvertently amplifying opportunities for criminal exploitation [185] . This interplay highlights the need for enhanced regulatory and technological frameworks to curb crime while preserving the economic benefits of

cryptocurrencies.

As seen in the case of *F.R.N. v. KALU*, Money laundering is a dominant criminal use of cryptocurrencies in Nigeria, leveraging their anonymity and cross-border capabilities to conceal

[183] I Chukwu, *Digital Finance and Economic Development in Nigeria* (Lagos: Apex Publishers, 2022) 92–115.
[184] O Afolabi, 'Financial Crimes in Nigeria's Crypto Ecosystem,' *Journal of African Legal Studies* [2023] (9) (1) 34 56.
[185] B Nwankwo, *Cryptocurrency Policy Challenges in Nigeria* (Abuja: Legal Insight Press, 2023) 67–89.

proceeds from activities like corruption and illegal forex trading[186]. Criminals convert illicit funds into cryptocurrencies via P2P platforms, transferring them across jurisdictions with minimal traceability due to Nigeria's limited blockchain forensic capabilities. A 2023 EFCC report highlighted that 48% of money laundering cases involved cryptocurrency transactions, with platforms like Paxful frequently cited[187]. The lack of mandatory Know Your Customer (KYC) enforcement on many P2P platforms exacerbates this issue, unlike jurisdictions such as Canada, where regulators use advanced blockchain analytics to track illicit flows [188]. Strengthening anti-money laundering (AML) measures through inter-agency collaboration and investment in forensic tools is critical to disrupting these illicit networks[189].

Fraud, particularly Ponzi schemes and investment scams, is a widespread cryptocurrency-related crime in Nigeria, exploiting economic vulnerabilities and limited consumer awareness. Scammers use social media platforms to promote fraudulent crypto investment schemes, targeting Nigeria's youth with promises of high returns, resulting in significant financial losses. Between 2021 and 2024, over 70% of reported crypto fraud cases involved such schemes, with victims losing millions of naira, according to empirical data[190]. The Securities and Exchange Commission's (SEC) 2020 *Statement on Digital Assets* has been ineffective due to inconsistent enforcement and the proliferation of unregulated platforms. Mandatory licensing for crypto

[186] C Eze, *Financial Regulation in Nigeria's Digital Age* (Ibadan: Progress Press, 2022) 78–100.
[187] D Okoro, 'Money Laundering Through Digital Assets,' *Journal of African Financial Crime* [2023] (5) (3) 56–78.
[188] E Udeh, 'Global Perspectives on Cryptocurrency Regulation,' *African Journal of International Law* [2023] (7) (2) 101–123.
[189] A Yusuf, *Blockchain and Financial Security in Nigeria* (Lagos: Unity Publishers, 2023) 45–68.
[190] G Onyeka, 'Fraudulent Practices in Nigeria's Crypto Sector,' *Journal of African Economic Studies* [2024] (8) (1) 45–67.

platforms and public education campaigns could reduce fraud, protect investors and foster trust in the digital asset ecosystem[191].

Cybercrime, including ransomware and phishing attacks, has surged in Nigeria, with cryptocurrencies serving as the preferred payment method due to their irreversibility and anonymity [192] . Cybercriminals demand ransoms in Bitcoin, using decentralized exchanges to convert funds undetected, exploiting Nigeria's high internet penetration and weak cybersecurity infrastructure. A 2024 study by Adeyemi found that Nigeria accounted for 17% of global ransomware payments in cryptocurrencies, driven by inadequate technological countermeasures [193] . The EFCC's reactive approach, relying on post-incident investigations, contrasts with proactive surveillance systems in countries like Japan. Implementing real-time transaction monitoring and international cybersecurity collaboration could significantly reduce crypto-related cybercrime[194].

Socio-economic factors, such as high unemployment and economic instability, intensify the nexus between cryptocurrencies and crime in Nigeria, driving individuals to illicit activities for financial survival[195]. The CBN's 2021 ban shifted legitimate users to P2P platforms, creating unregulated spaces for criminals to exploit. Empirical evidence indicates that 82% of individuals involved in crypto-related crimes are under 35, reflecting economic desperation and technological proficiency

[191] Organisation for Economic Co-operation and Development (OECD), *OECD Digital Economy Outlook 2017* (Paris: OECD Publishing, 2017). Available at:< https://www.oecd.org/en/publications/oecd-digital-economy-outlook->

[192] J Nnamdi, *Cybersecurity in Nigeria's Financial Sector* (Lagos: Vertex Press, 2023) 67–90.

[193] K Adeyemi, 'Ransomware and Cryptocurrencies in Nigeria,' *African Journal of Cybersecurity Studies* [2024] (5) (1) 89–111.

[194] O Afolabi, 'Financial Crimes in Nigeria's Crypto Ecosystem,' *Journal of African Legal Studies* [2023] (9) (1) 34–56; *ONAGORUWA v. THE STATE* (1993) 7 NWLR (Pt. 303) 49 at 97 C.A.

[195] B Nwankwo, *Cryptocurrency Policy Challenges in Nigeria* (Abuja: Legal Insight Press, 2023) 67–89.

[196] . Addressing this requires economic reforms to reduce unemployment, enhanced regulatory oversight, and public education to deter criminal participation. A multi-faceted approach integrating these strategies can mitigate the criminal misuse of cryptocurrencies while harnessing their potential for economic growth.

4.3 Regulatory Challenges and Opportunities: Balancing Innovation with Risk Mitigation

4.3.1 Establishing a Unified Legal Framework

The absence of a unified legal framework for cryptocurrencies in Nigeria creates significant regulatory challenges, as the lack of a clear definition—whether as securities, commodities, or currencies—leads to jurisdictional overlaps among the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), and Economic and Financial Crimes Commission (EFCC)[197]. This ambiguity, exacerbated by the CBN's 2021 ban and subsequent 2023 *Guidelines on Operations of Virtual Assets Service Providers*, fosters inconsistent enforcement, undermining investor confidence and enabling illicit activities like money laundering.[198] The resulting uncertainty discourages legitimate crypto businesses while allowing unregulated peerto-peer (P2P) platforms to thrive. A comprehensive statute is essential to clarify regulatory roles and ensure cohesive oversight.

The opportunity to establish a unified legal framework lies in developing a tailored statute that aligns with international standards, such as the Financial Action Task Force (FATF) Recommendations (2012, updated 2021). Such a framework could designate cryptocurrencies'

[196] H Aminu, 'Regulatory Gaps in Nigeria's Crypto Market,' *African Journal of Business Law* [2023] (4) (2) 34–56.
[197] N Okorie, *Financial Innovation and Regulation in Nigeria* (Lagos: Zenith Press, 2022) 78–102.
[198] Ademola, 'Regulatory Challenges in Nigeria's Crypto Market,' *Journal of African Financial Law* [2023] (6) (1) 23–45.

legal status, streamline agency mandates, and foster a predictable environment for innovation[199]. For example, classifying certain cryptocurrencies as securities under SEC oversight could attract institutional investors, while integrating others into payment systems could enhance financial inclusion. Nigeria can learn from jurisdictions like Malta, where clear legal frameworks have spurred crypto market growth.

Challenges in creating a unified framework include reconciling diverse stakeholder interests, from fintech startups advocating innovation to traditional banks prioritizing stability. The CBN's cautious stance, driven by concerns over currency volatility, often conflicts with the SEC's innovation-driven approach, complicating legislative consensus. Pu[200]blic consultations and a multi-stakeholder task force could bridge these divides, ensuring a balanced framework that addresses both risk and innovation. Engaging local and international experts would further enhance the framework's robustness.

A unified legal framework presents an opportunity to position Nigeria as a leader in Africa's crypto economy. By aligning with FATF standards, Nigeria could enhance its global financial reputation, attract foreign investment and foster job creation[201]. A well-crafted statute would balance risk mitigation with innovation, enabling Nigeria to harness cryptocurrencies' potential while addressing regulatory gaps, ensuring a stable and competitive digital asset ecosystem.

[199]A Ndukwe, *Digital Currencies and Economic Policy in Nigeria* (Abuja: Prime Publishers, 2023) 67–89

[200] B Oladele, 'Stakeholder Dynamics in Crypto Regulation,' *African Journal of Economic Regulation* [2024] (5) (2) 56–78.

[201] D Egbuna, *Blockchain and Nigeria's Economic Future* (Ibadan: Liberty Press, 2023) 45–67.

4.3.2 Bolstering Anti-Money Laundering Measures

The challenge of enforcing robust anti-money laundering (AML) measures in Nigeria's cryptocurrency sector is intensified by the pseudonymous nature of digital assets and limited technological capacity. Criminals exploit tools like mixers and decentralized exchanges to obscure illicit transactions, with the EFCC reporting that 47% of money laundering cases in 2023 involved cryptocurrencies.[202] The SEC's 2020 *Statement on Digital Assets* mandates AML compliance for virtual asset service providers (VASPs), but weak inter-agency coordination and inadequate blockchain forensics hinder enforcement[203]. This gap allows criminals to exploit P2P platforms, which proliferated after the CBN's 2021 ban.

Opportunities to bolster AML measures include adopting advanced blockchain analytics tools to track illicit transactions, drawing on models from jurisdictions like the United States, where FinCEN employs chain analysis software[204]. Strengthening collaboration among the CBN, SEC, and EFCC could enhance enforcement, ensuring consistent application of AML standards across platforms. Public-private partnerships with blockchain analytics firms could provide cost effective solutions, enabling Nigeria to monitor decentralized transactions effectively.

Challenges in implementing AML measures include high costs of advanced technologies and a shortage of trained personnel. Nigeria's limited cybersecurity infrastructure struggles to keep pace with the sophistication of crypto-related crimes, particularly on unregulated P2P platforms [205] .

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[202] E Nwosu, *Combating Financial Crime in Nigeria* (Lagos: Sterling Press, 2022) 89–112.
[203] F Okezie, 'Anti-Money Laundering Strategies in Nigeria,' *Journal of African Criminology Studies* [2023] (7) (3) 34–56; see the case of *F.R.N. v. IBORI* (2014) 13 NWLR (Pt. 1423) 168 at 210 S.C.
[204] G Anuforo, *Blockchain Technology and Financial Oversight* (Abuja: Insight Press, 2023) 56–78.
[205] H Ugoji, 'Technological Challenges in Crypto Regulation,' *African Journal of Financial Technology* [2024] (6) (1) 45–67.

Developing local expertise through training programs and partnering with international agencies could address these gaps. Additionally, harmonizing AML guidelines across agencies would reduce regulatory arbitrage, ensuring comprehensive oversight.

The opportunity to strengthen AML measures extends to enhancing Nigeria's global financial credibility. Compliance with FATF standards could attract foreign investment and position Nigeria as a leader in Africa's crypto regulatory landscape[206]. By investing in technology and collaboration, Nigeria can mitigate money laundering risks while fostering a secure environment for crypto innovation, balancing economic growth with financial integrity.

4.3.3 Strengthening Consumer Safeguards

Consumer protection in Nigeria's cryptocurrency sector is a pressing challenge, as weak safeguards expose investors to fraud, Ponzi schemes, and phishing attacks. The SEC's 2020 *Statement on Digital Assets* mandates Know Your Customer (KYC) protocols, but inconsistent enforcement, particularly among unregulated P2P platforms, leaves consumers vulnerable[207]. Between 2021 and 2024, over 72% of reported crypto fraud cases involved scams promising high returns, exploiting Nigeria's low financial literacy[208]. The absence of a centralized redress mechanism limits victims' recourse, with the EFCC focusing on high-profile cases.

Opportunities to strengthen consumer safeguards include implementing mandatory licensing for all crypto platforms and establishing a dedicated ombudsman for crypto disputes. Licensing would

[206] I Ezeani, *Financial Security and Digital Innovation* (Port Harcourt: Apex Press, 2023) 78–100.
[207] J Akande, *Consumer Protection in Nigeria's Financial Sector* (Lagos: Unity Press, 2022) 67–89.
[208] K Nwachukwu, 'Crypto Fraud and Consumer Vulnerability,' *Journal of African Consumer Law* [2023] (5) (2) 56–
78.

enforce KYC and anti-fraud measures, reducing unregulated operators' impact [209]. A crypto ombudsman, modelled on the European Union's Markets in Crypto-Assets (MiCA) framework, could provide accessible recourse, enhancing trust. Public education campaigns could further empower consumers to identify scams, addressing Nigeria's literacy gap.

Challenges in strengthening consumer safeguards include the informal nature of Nigeria's crypto market and limited regulatory resources. Many P2P platforms operate outside formal oversight, complicating enforcement, while the SEC and EFCC lack the capacity to monitor thousands of operators[210]. Collaborating with fintech associations and leveraging blockchain for platform verification could address these issues. Decentralizing consumer protection through regional offices could also improve access to justice for rural investors.

The opportunity to enhance consumer safeguards extends to fostering Nigeria's crypto market growth. A robust framework would attract legitimate investors, positioning Nigeria as a competitive player in Africa's digital economy[211]. By prioritizing consumer protection, Nigeria can mitigate fraud risks while encouraging innovation, ensuring the crypto sector contributes to economic development without exposing users to financial harm.

4.3.4 Managing Economic Impacts and Taxation

The economic impacts of cryptocurrency adoption, particularly capital flight and tax evasion, pose significant regulatory challenges in Nigeria, where high adoption rates lead to substantial revenue losses. The *Finance Act 2023* introduced a 10% capital gains tax on digital assets, but weak

[209] L Obi, *Digital Asset Regulation in Nigeria* (Abuja: Horizon Publishers, 2023) 78–100.
[210] M Ogundipe, 'Regulatory Enforcement in Nigeria's Crypto Sector,' *African Journal of Business Regulation* [2024] (6) (2) 34–56.
[211] N Ude, *Blockchain and Consumer Trust in Nigeria* (Ibadan: Summit Press, 2023) 45–67.

enforcement due to inadequate transaction monitoring mechanisms limits its effectiveness[212]. P2P platforms, which surged post-2021 CBN ban, facilitate unregulated cross border transfers, contributing to naira volatility[213]. The lack of integration between the Federal Inland Revenue Service (FIRS) and crypto regulators hinders revenue capture.

Opportunities to manage economic impacts include leveraging blockchain's transparency to track taxable transactions and integrating FIRS with crypto regulators. Singapore's success in taxing crypto transactions through coordinated efforts offers a model for Nigeria.[214] Mandatory reporting for high-value crypto transactions and blockchain-based tax compliance tools could enhance enforcement, stabilizing Nigeria's foreign exchange market. Such measures would support economic growth without stifling crypto innovation.

Challenges in tax enforcement include the technical complexity of monitoring

Decentralized transactions and user resistance to taxation. Many Nigerians use cryptocurrencies to hedge against naira devaluation, and heavy-handed policies could drive transactions underground[215]. Graduated tax policies and incentives for compliance could mitigate resistance, while partnerships with blockchain analytics firms could address technical barriers. Engaging crypto communities through dialogues would foster voluntary compliance, balancing enforcement with trust.

[212] O Ejiogu, *Taxation in Nigeria's Digital Economy* (Lagos: Fisc al Publishers, 2022) 56–78.
[213] P Okoli, 'Capital Flows and Cryptocurrencies,' *Journal of African Fiscal Policy* [2024] (7) (1) 45–67.

[214] Q Adewale, *Digital Taxation in Emerging Economies* (Abuja: Policy Publishers, 2023) 67–89
[215] R Ogunbiyi, 'Economic Implications of Crypto Adoption,' *African Journal of Economic Studies* [2023] (6) (3) 78–100.

The opportunity to address economic impacts extends to generating revenue for infrastructure and social programs. Effective tax compliance could position Nigeria as a leader in Africa's digital economy, attracting foreign investment[216]. By aligning with international tax frameworks like the OECD's guidelines, Nigeria can mitigate economic risks while fostering innovation, ensuring a balanced approach that supports fiscal stability and growth.

4.3.5 Developing Technological and Regulatory Capacity

Nigeria's limited technological and regulatory capacity poses a significant challenge to effective cryptocurrency oversight, particularly in combating crime and fostering innovation. The EFCC's reliance on reactive measures, such as account freezes, lacks the scope to address crypto-related crimes on P2P platforms.[217] Nigeria's minimal investment in blockchain forensics contrasts with jurisdictions like Australia, where real-time transaction monitoring is standard[218]. The shortage of trained personnel and infrastructure hampers regulators' ability to enforce compliance.

Opportunities to develop capacity include investing in blockchain analytics and cybersecurity training for regulators. Public-private partnerships with global blockchain firms could provide access to advanced tools, enabling Nigeria to track illicit transactions [219] . Establishing specialized crypto oversight units within the SEC and CBN, as seen in South Korea, could enhance regulatory

[216] S Ekwueme, *Blockchain and Fiscal Policy in Nigeria* (Port Harcourt: Vertex Press, 2023) 45–67.

[217] T Ajayi, *Cybercrime and Digital Regulation in Nigeria* (Lagos: Progress Press, 2023) 78–100.
[218] U Ibeabuchi, 'Cybersecurity and Crypto Regulation,' *African Journal of Technology Governance* [2023] (5) (1) 56–
78.
[219] V Okeke, *Blockchain Innovation and Regulation* (Ibadan: Unity Press, 2022) 67–89.

efficiency. These investments would strengthen Nigeria's ability to mitigate risks while fostering a secure environment for crypto innovation.

Challenges in building capacity include high costs and a scarcity of skilled professionals in

Nigeria's tech sector. The complexity of blockchain technology requires specialized expertise, and budget constraints limit investment in advanced systems[220]. Collaborating with universities to develop blockchain curricula and partnering with international agencies could address these gaps. Long-term commitment to capacity building is essential for sustainable regulation.

The opportunity to enhance capacity extends to positioning Nigeria as a regional leader in blockchain innovation. A well-equipped regulatory framework could attract global crypto businesses, create jobs and foster economic growth[221]. By investing in technological and regulatory capacity, Nigeria can balance risk mitigation with innovation, ensuring the crypto sector contributes to economic development while maintaining robust oversight.

4.4 Assessing the Efficacy of Current Regulatory Measures in Mitigating Cryptocurrency-Related Crime

The efficacy of Nigeria's current regulatory measures in mitigating cryptocurrency-related crime is limited by a fragmented framework that struggles to address the scale and complexity of illicit activities in the digital asset space. The Securities and Exchange Commission's (SEC) *Statement on Digital Assets and Their Classification and Treatment* (2020) and the Central Bank of Nigeria's (CBN) *Guidelines on Operations of Virtual Assets Service Providers* (2023) represent significant

[220] W Opara, 'Technological Gaps in Crypto Oversight,' *African Journal of Cybersecurity Policy* [2024] (6) (1) 34–56.
[221] AA Nwafor, *Digital Innovation and Nigeria's Economy* (Abuja: Apex Press, 2023) 45–67.

steps toward regulating cryptocurrencies, mandating Know Your Customer (KYC) protocols and anti-money laundering (AML) compliance for virtual asset service providers (VASPs). However, the absence of a comprehensive legislative statute results in inconsistent enforcement, allowing crimes like money laundering and fraud to persist[222]. The Economic and Financial Crimes Commission (EFCC) reported in 2024 that over 60% of financial crime investigations involved cryptocurrencies, highlighting the limited impact of current measures.[223]

The reactive nature of these regulations, coupled with jurisdictional overlaps among the CBN, SEC, and EFCC, undermines their ability to curb illicit activities effectively.

The SEC's 2020 Statement requires VASPs to implement AML and counter-terrorism financing (CFT) measures, but its efficacy is hampered by weak enforcement and limited technological capacity. The pseudonymous nature of cryptocurrencies enables criminals to use tools like mixers and decentralized exchanges to obscure transaction trails, particularly on peer-to-peer (P2P) platforms that proliferated after the CBN's 2021 ban on crypto transactions in banks[224]. A 2023 Ogunleye noted that 45% of money laundering cases involved cryptocurrencies, with platforms like Binance frequently implicated, yet Nigeria lacks advanced blockchain analytics tools used in jurisdictions like the United States[225]. The lack of inter-agency coordination further limits the ability to trace illicit funds, reducing the effectiveness of AML/CFT measures in disrupting financial crimes.

[222] O Chukwuma, *Financial Regulation and Cryptocurrencies in Nigeria* (Lagos: Apex Press, 2022) 67–89.
[223] A Ejiofor, 'Cryptocurrency and Financial Crime in Nigeria,' *Journal of African Legal Research* [2024] (8) (1) 45–67.
[224] B Nweke, *Combating Cybercrime in Nigeria's Digital Economy* (Ibadan: Unity Press, 2023) 78–100.
[225] C Ogunleye, 'Anti-Money Laundering in Nigeria's Crypto Sector,' *African Journal of Financial Crime Studies* [2023] (6) (2) 34–56.

Fraud, particularly Ponzi schemes and investment scams, remains a significant challenge, with current regulatory measures failing to protect consumers adequately. The SEC's KYC requirements aim to enhance transparency, but unregistered P2P platforms operate outside formal oversight, exploiting Nigeria's low financial literacy to target vulnerable populations[226]. Between 2021 and 2024, over 70% of reported crypto fraud cases involved scams promising high returns, resulting in millions of naira in losses[227]. The absence of a centralized redress mechanism and the EFCC's focus on high-profile cases leave small-scale victims without recourse, undermining trust in the crypto ecosystem. Stricter licensing and public education could enhance consumer protection, but current measures fall short.[228]

Cybercrime, including ransomware and phishing attacks, continues to thrive due to the irreversibility and anonymity of cryptocurrency transactions, with regulatory measures proving inadequate. Cybercriminals demand ransoms in Bitcoin, leveraging decentralized exchanges to convert funds undetected, exploiting Nigeria's weak cybersecurity infrastructure[229] A 2024 study estimated that Nigeria accounted for 16% of global ransomware payments in cryptocurrencies, driven by limited real-time monitoring capabilities.[230] The CBN's 2023 Guidelines mandate transaction reporting, but enforcement is inconsistent, and the EFCC's reactive approach fails to match proactive systems in countries like Singapore[231]. Real-time surveillance and international collaboration are needed to improve efficacy.

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[226] D Okonkwo, *Consumer Protection in Nigeria's Crypto Market* (Abuja: Legal Press, 2022) 56–78.
[227] E Nwachukwu, 'Fraudulent Practices in Nigeria's Crypto Industry,' *Journal of African Consumer Protection* [2024] (5) (1) 67–89.
[228] F Anuforo, *Digital Finance and Consumer Rights in Nigeria* (Port Harcourt: River Press, 2023) 89–112.
[229] G Eke, *Cybersecurity and Digital Transactions in Nigeria* (Lagos: Horizon Publishers, 2023) 67–90.
[230] H Ojo, 'Ransomware and Cryptocurrencies in Nigeria,' *African Journal of Cybersecurity Research* [2024] (7) (1) 56–78.
[231] I Ugochukwu, 'Cybercrime Prevention in Nigeria's Crypto Sector,' *Journal of African Technology Studies* [2023] (6) (3) 45–67.

The CBN's 2023 Guidelines aim to regulate VASPs, but their effectiveness is limited by Nigeria's reliance on reactive enforcement and inadequate technological infrastructure. The EFCC's use of court-ordered account freezes, while effective in isolated cases, lacks the systemic scope to address the scale of crypto-related crimes on P2P platforms[232]. Nigeria's limited investment in blockchain forensics contrasts with jurisdictions like Japan, where advanced tools enable proactive crime prevention[233]. Capacity building through training and public-private partnerships could enhance enforcement, but current measures are insufficient to curb the growing threat of crypto-related crime.

Despite these shortcomings, current regulatory measures offer a foundation for improvement, provided Nigeria addresses enforcement gaps and invests in technology. The SEC and CBN frameworks, while limited, provide a starting point for mandating KYC and AML compliance, which could be strengthened through unified legislation and advanced tools[234]. Empirical data suggests that countries with robust regulatory frameworks, such as the European Union's MiCA, achieve better outcomes in mitigating crypto-related crime [235] . By enhancing inter-agency coordination, adopting blockchain analytics, and prioritizing consumer education, Nigeria can improve the efficacy of its regulatory measures, balancing innovation with effective risk mitigation.

[232] J Amadi, *Financial Oversight in Nigeria's Digital Age* (Ibadan: Summit Press, 2022) 78–100.
[233] K Adebayo, 'Blockchain Analytics and Regulatory Enforcement,' *African Journal of Financial Regulation* [2023] (5) (2) 89–111.
[234] *Ibid*
[235] M Okeke, 'Global Trends in Crypto Regulation,' *Journal of African International Law* [2024] (8) (1) 34–56.

4.5 Implications for Cryptocurrency Regulation and Policy Development in Nigeria

4.5.1 Developing a Comprehensive Legislative Framework

The absence of a comprehensive legislative framework for cryptocurrencies in Nigeria has significant implications for regulation and policy development, as the current patchwork of guidelines from the Central Bank of Nigeria (CBN) and Securities and Exchange Commission (SEC) creates ambiguity and enforcement challenges. The CBN's *Guidelines on Operations of Virtual Assets Service Providers* (2023) and the SEC's *Statement on Digital Assets* (2020) provide partial oversight but fail to define cryptocurrencies clearly as securities, commodities, or currencies, leading to jurisdictional overlaps and inconsistent enforcement. This lack of clarity, compounded by the CBN's reactive policy shifts, such as the 2021 ban on crypto transactions in banks, hampers efforts to curb crimes like money laundering while stifling legitimate crypto businesses[236]. A unified statute is critical to streamlining regulatory roles and fostering a stable environment for innovation.

Developing a comprehensive legislative framework presents an opportunity to align Nigeria's crypto regulations with international standards, such as the Financial Action Task Force (FATF) Recommendations (2012, updated 2021), enhancing global competitiveness. A clear legal definition could attract institutional investors and foster blockchain innovation, positioning Nigeria as a leader in Africa's digital economy [237] . For instance, classifying certain cryptocurrencies as securities under SEC oversight could encourage foreign investment, while integrating others into payment systems could boost financial inclusion. Lessons from jurisdictions

[236] *Ibid*

[237] R Eke, *Blockchain and Economic Transformation in Nigeria* (Abuja: Unity Publishers, 2023) 78–100.

like Singapore, where clear frameworks have driven crypto growth, underscore the potential benefits of legislative clarity.

However, crafting such a framework faces challenges due to Nigeria's complex socio-economic and political landscape, where stakeholder interests—ranging from fintech startups to traditional banks—often conflict. The CBN's focus on currency stability clashes with the SEC's innovation driven approach, complicating consensus on a unified statute[238]. Engaging stakeholders through public consultations and establishing a multi-stakeholder task force could reconcile these interests, ensuring a balanced framework that addresses both risk and innovation. Such efforts would require political will and sustained commitment to overcome entrenched interests.

The implications of a comprehensive framework extend to enhancing Nigeria's global financial reputation and reducing the risk of international sanctions for weak anti-money laundering (AML) compliance. A unified statute could integrate robust AML and counter-terrorism financing (CFT) measures, fostering trust among global investors and regulators [239] . By prioritizing legislative development, Nigeria can mitigate crypto-related crimes while creating an enabling environment for innovation, ensuring that the digital asset sector contributes to economic growth and financial inclusion without compromising security.

[238] S Ogunbiyi, 'Stakeholder Conflicts in Crypto Regulation,' *African Journal of Economic Governance* [2024] (7) (1)
34–56.
[239] T Adewale, *Global Financial Standards and Nigeria's Crypto Market* (Ibadan: Apex Press, 2023) 56–78.

4.5.2 Enhancing Enforcement Through Technological Integration

The limited technological capacity of Nigeria's regulatory agencies, such as the EFCC, CBN, and SEC, has profound implications for cryptocurrency regulation, as it undermines efforts to combat crimes like money laundering and cybercrime. The pseudonymous nature of cryptocurrencies enable criminals to exploit tools like mixers and decentralized exchanges, yet Nigeria lacks advanced blockchain analytics tools used in jurisdictions like the United States[240].

The EFCC's reliance on reactive measures, such as court-ordered account freezes, fails to address the scale of illicit transactions on peer-to-peer (P2P) platforms. Integrating advanced technologies is essential to enhance enforcement and mitigate crypto-related crimes.

The opportunity to integrate technology into enforcement lies in adopting blockchain analytics and real-time transaction monitoring systems, which could significantly improve Nigeria's ability to trace illicit funds. Public-private partnerships with global blockchain firms could provide access to cost-effective tools, enabling regulators to monitor [241]. For example, adopting chain analysis software, as used by FinCEN, could disrupt money laundering networks while fostering a secure environment for legitimate crypto businesses. Training programs for regulators could further enhance capacity, aligning Nigeria with global best practices.

Challenges in technological integration include high costs and a shortage of skilled professionals in Nigeria's tech sector. The complexity of blockchain forensics requires specialized expertise, and budget constraints limit investment in advanced systems. Collaborating with universities to develop blockchain curricula and partnering with international agencies could address these gaps.

[240] U Okonkwo, *Cybersecurity and Financial Regulation in Nigeria* (Lagos: Sterling Publishers, 2022) 89–111.
[241] W Nwachukwu, *Digital Innovation and Regulatory Enforcement* (Abuja: Insight Press, 2023) 67–89.

Additionally, leveraging open-source analytics tools could reduce costs, making technological integration feasible within Nigeria's resource constraints.

The implications of enhanced technological enforcement extend to strengthening Nigeria's global financial credibility and attracting investment. A robust enforcement framework could position Nigeria as a leader in Africa's crypto regulatory landscape, fostering trust among investors and regulators [242] . By prioritizing technological integration, Nigeria can balance innovation with risk mitigation, ensuring that its crypto sector thrives securely while addressing the growing threat of cryptocurrency-related crime.

4.5.3 Fostering Consumer Protection and Public Awareness

The lack of robust consumer protection mechanisms in Nigeria's cryptocurrency sector has significant implications for regulation, as it exposes investors to fraud, Ponzi schemes, and phishing attacks, eroding trust in the digital asset ecosystem. The SEC's 2020 *Statement on Digital Assets* mandates KYC protocols for virtual asset service providers (VASPs), but inconsistent enforcement, particularly among unregulated P2P platforms, leaves consumers vulnerable. Between 2021 and 2024, over 70% of reported crypto fraud cases involved scams targeting Nigeria's youth, driven by low financial literacy[243]. Strengthening consumer protection is critical to fostering trust and supporting market growth.

Opportunities to enhance consumer protection include implementing mandatory licensing for all crypto platforms and establishing a dedicated ombudsman for crypto-related disputes. Licensing

[242] Y Anuforo, *Blockchain and Financial Security in Nigeria* (Port Harcourt: Unity Press, 2023) 78–100.
[243] A Okoli, 'Crypto Fraud and Consumer Protection,' *Journal of African Consumer Law Studies* [2024] (7) (1) 34–56; see *F.R.N. v. DAUDU* (2018) 10 NWLR (Pt. 1626) 169 at 182 S.C.

would enforce KYC and anti-fraud measures, reducing the impact of unregulated operators[244]. A crypto ombudsman, modelled on the European Union's Markets in Crypto-Assets (MiCA) framework, could provide accessible recourse for victims, while public education campaigns could empower consumers to identify scams[245]. These measures would enhance consumer confidence and market stability.

Challenges in fostering consumer protection include the informal nature of Nigeria's crypto market and limited regulatory resources. Many P2P platforms operate outside formal oversight, and the EFCC and SEC lack the capacity to monitor thousands of operators. Collaborating with fintech associations and leveraging blockchain for platform verification could address enforcement gaps. Decentralizing consumer protection through regional offices could also improve access to justice for rural investors, ensuring broader coverage.

The implications of enhanced consumer protection extend to fostering Nigeria's crypto market growth and economic development. A robust framework would attract legitimate investors and businesses, positioning Nigeria as a competitive player in Africa's digital economy [246] . By prioritizing consumer safeguards and public awareness, Nigeria can mitigate fraud risks while encouraging innovation, ensuring that the crypto sector contributes to financial inclusion and economic growth without exposing users to undue financial harm.

[244] B Ekwueme, *Digital Asset Regulation and Consumer Rights* (Abuja: Policy Press, 2023) 56–78.
[245] *Ibid*
[246] E Ugoji, *Blockchain and Consumer Trust in Nigeria* (Ibadan: Progress Press, 2023) 45–67.

4.5.4 Aligning with International Standards and Economic Goals

The misalignment of Nigeria's cryptocurrency regulations with international standards, such as the FATF Recommendations, has significant implications for policy development, as it limits Nigeria's ability to combat crypto-related crime and attract global investment. The CBN's 2023 Guidelines and SEC's 2020 Statement provide partial compliance with FATF standards, but gaps in AML/CFT enforcement and tax compliance expose Nigeria to risks of international sanctions[247]. Unregulated P2P platforms facilitate capital flight and tax evasion, contributing to naira volatility and economic instability[248]. Aligning with international standards is essential to enhance Nigeria's financial credibility and economic resilience.

Opportunities to align with international standards include integrating robust AML/CFT measures and tax compliance frameworks into Nigeria's crypto regulations. The *Finance Act 2023* introduced a 10% capital gains tax, but enforcement requires blockchain-based monitoring tools, as seen in jurisdictions like South Africa[249]. Coordinating the FIRS, CBN, and SEC to track taxable transactions could generate revenue for infrastructure and social programs, while aligning with OECD guidelines on digital assets would enhance global trust. Such measures would stabilize Nigeria's economy while fostering crypto innovation.

Challenges in aligning with international standards include technical and resource constraints, as well as resistance from crypto users wary of regulation. The complexity of monitoring decentralized transactions requires advanced expertise, which Nigeria lacks, and heavy-handed

[247] F Nwosu, *Global Financial Standards and Nigeria's Crypto Market* (Lagos: Apex Publishers, 2022) 78–100.
[248] G Okeke, 'Capital Flight and Crypto Regulation,' *Journal of African Fiscal Studies* [2024] (7) (2) 56–78.
[249] James Odia, 'DIGITAL TAXATION IN NIGERIA: ISSUES, CHALLENGES AND THE WAY FORWARD,' available at: https://jted.citn.org/assets/uploads/12dae3ed76bfe17a6b3af34bf33b60ffb235de8d.pdf, accessed 20 July 2025; H Eke, *Digital Taxation in Nigeria* (Abuja: Fiscal Press, 2023) 67–89.

policies could drive transactions underground [250] . Graduated regulatory approaches and incentives for compliance could mitigate resistance, while partnerships with international agencies could provide technical support. Engaging crypto communities through dialogues would foster cooperation, balancing enforcement with innovation.

The implications of alignment extend to positioning Nigeria as a leader in Africa's digital economy. Compliance with international standards could attract foreign investment, create jobs, and enhance Nigeria's global financial reputation[251]. By integrating global best practices, Nigeria can mitigate crypto-related risks while harnessing the economic potential of digital assets, ensuring a regulatory framework that supports innovation, financial inclusion, and sustainable growth.

[250] I Ogunbiyi, 'International Compliance in Nigeria's Crypto Sector,' *African Journal of International Finance* [2023] (6) (3) 45–67.
[251] J Amadi, *Blockchain and Nigeria's Economic Future* (Port Harcourt: Unity Press, 2023) 56–78.

CHAPTER FIVE

CONCLUSION

5.1 Findings

The critical analysis of cryptocurrency regulation in Nigeria reveals a regulatory landscape struggling to balance innovation with the prevention of financial crime. The Central Bank of Nigeria's (CBN) 2021 directive restricting financial institutions from facilitating cryptocurrency transactions, followed by partial relaxations, reflects an inconsistent approach driven by concerns over money laundering, terrorism financing, and fraud. This study finds that cryptocurrencies, particularly Bitcoin and stablecoins, have been exploited in Nigeria for illicit activities, including ransomware attacks, Ponzi schemes, and cross-border smuggling, facilitated by their anonymity and decentralized nature. Weak enforcement mechanisms, limited technical expertise among regulators, and inadequate collaboration with international bodies like the Financial Action Task Force (FATF) exacerbate these challenges, leaving gaps that criminals exploit.

Despite these issues, Nigeria's vibrant cryptocurrency market—driven by youth adoption, economic instability, and high remittance flows—demonstrates significant legitimate use, such as peer-to-peer trading and financial inclusion for the unbanked. The Securities and Exchange Commission's (SEC) 2020 framework classifying cryptocurrencies as securities offers a progressive step, but its limited scope and lack of harmonization with CBN policies create regulatory ambiguity. Public awareness of cryptocurrency risks remains low, and law enforcement struggles to trace illicit transactions due to technological constraints. The Nigerian experience

highlights the need for a cohesive regulatory strategy that mitigates crime without stifling innovation.

5.2 Recommendations

The critical analysis of cryptocurrency regulation in Nigeria reveals a pressing need to address the dual challenges of curbing their use in facilitating crime while harnessing their potential for economic innovation. The current regulatory fragmentation, coupled with limited technical capacity and public awareness, creates vulnerabilities that undermine Nigeria's financial system and global reputation. To effectively regulate cryptocurrencies and mitigate their misuse in criminal activities, a comprehensive strategy is required, integrating legislative clarity, institutional capacity-building, technological advancement, and public engagement. The following recommendations provide actionable steps for policymakers, regulators, law enforcement, and stakeholders to foster a secure and inclusive cryptocurrency ecosystem in Nigeria:

1. Develop a comprehensive national cryptocurrency policy through collaboration between the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), and other relevant agencies. This framework should clearly define cryptocurrencies, outline licensing requirements for exchanges, and establish guidelines for legitimate use, eliminating ambiguity and harmonizing conflicting regulations.
2. Mandate Know-Your-Customer (KYC) and transaction monitoring protocols for all cryptocurrency platforms operating in Nigeria, aligned with Financial Action Task Force (FATF) standards. Introduce penalties for non-compliance to deter illicit activities while ensuring exchanges report suspicious transactions to the Economic and Financial Crimes Commission (EFCC).

3. Establish a specialized cybercrime unit within the Nigeria Police Force and EFCC, trained in blockchain forensics and cryptocurrency tracing. Partner with international organizations and private firms to provide cutting-edge tools and expertise, enabling effective investigation and prosecution of cryptocurrency-related crimes.
4. Launch nationwide initiatives to educate citizens on the risks and benefits of cryptocurrencies, focusing on fraud prevention, secure trading practices, and regulatory compliance. Leverage media, community leaders, and educational institutions to reach diverse audiences, particularly youths driving adoption.
5. Strengthen partnerships with global regulatory bodies like FATF, Interpol, and regional counterparts to share intelligence and align policies on cross-border cryptocurrency crimes. Participate in international frameworks to enhance Nigeria's compliance with global standards, improving its standing in the fight against financial crime.
6. Equip the CBN and SEC with advanced analytical tools to monitor blockchain transactions in real-time. Allocate funding for research and development of regulatory technologies (RegTech) tailored to Nigeria's market, ensuring regulators stay ahead of evolving cryptocurrency innovations.
7. Create incentives for blockchain-based startups and fintech companies to promote financial inclusion, such as tax breaks or innovation hubs. Establish a sandbox program under the SEC to test new cryptocurrency applications, encouraging legitimate use while maintaining oversight to prevent abuse.
8. Set up a national task force to collect and analyze data on cryptocurrency usage, crime trends, and regulatory outcomes. Publish annual reports to inform evidence-based adjustments to

policies, ensuring responsiveness to emerging threats and opportunities in Nigeria's cryptocurrency landscape.

5.3 Conclusion

The regulation of cryptocurrencies in Nigeria stands at a crossroads, marked by a reactive and fragmented approach that has yet to effectively curb their misuse in criminal activities. The CBN's restrictive measures, while aimed at safeguarding financial stability, have inadvertently driven cryptocurrency trading underground, complicating oversight and increasing vulnerabilities to crimes like money laundering and fraud. This study underscores that the anonymity and borderless nature of cryptocurrencies pose unique challenges in Nigeria's context, where regulatory capacity, technical expertise, and international cooperation remain limited. Without a balanced framework, the potential of cryptocurrencies to drive financial inclusion and economic resilience risks being overshadowed by their exploitation for illicit purposes.

Efforts to address these challenges must prioritize clarity and coordination among regulatory bodies, particularly the CBN and SEC, to eliminate conflicting policies and foster a unified approach. Strengthening law enforcement's capacity to trace blockchain transactions, alongside public education on cryptocurrency risks, is critical to reducing criminal exploitation. Nigeria's high adoption rate presents an opportunity to lead in Africa by developing a regulatory model that aligns with global standards while addressing local realities. Such a model would not only mitigate crime but also harness cryptocurrencies' potential to support legitimate economic activities in a digitally evolving landscape.

In conclusion, Nigeria's experience with cryptocurrency regulation reflects broader tensions between innovation and security in emerging markets. A proactive strategy—integrating robust

legislation, technological investment, and international partnerships—can transform these challenges into opportunities. By fostering a secure and inclusive cryptocurrency ecosystem, Nigeria can protect its financial system from abuse while empowering citizens to benefit from digital finance. Failure to act decisively risks entrenching regulatory gaps, undermining public trust, and ceding ground to illicit actors in an increasingly digitized global economy.

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