

AN APPRAISAL OF THE REGULATION OF DIGITAL BANKS IN NIGERIA

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Abstract: *The advent of the computer age saw industries across the world hopping on the Information and Communications Technology train in a bid to survive. The financial industry is no exception, having since incorporated Information and Communications Technology in its operations. Traditional financial institutions like banks now utilize technology to render financial services to their customers. Aside the traditional banks, a new class of banks called digital banks has emerged in recent times in Nigeria, examples include Kuda, Aladdin, and VBank. These banks operate without a physical banking hall and render their services digitally. Although digital banks were not originally included in Nigerian laws, these banks now have the backing of the principal legislation regulating banks in Nigeria: the Banks and Other Financial Institutions Act 2020, hence solidifying their place in the Nigerian financial sector. With the aim of evaluating the effectiveness of the extant legal framework for digital banks in Nigeria, this paper explored the evolution of banking in Nigeria, the emergence of digital banks, the pros and cons of such banks as well as the existing legal framework for digital banks in Nigeria. The research methodology adopted is the doctrinal research methodology and primary sources like statutes, guidelines and case laws as well as secondary sources like textbooks and journals were utilized. The paper found that the existing legal framework for digital banks in Nigeria is fragmented and does not sufficiently address the uniqueness of these banks. It recommended the development of a comprehensive legal framework for digital banks in Nigeria, which incorporates a licensing regime solely for digital banks.*

Keywords: *Banks, digital banks, banking, FinTech, business.*

Introduction

The turn of the 21st century saw the emergence of a new genus of banks in Nigeria different from the traditional banks. These banks operate without a physical banking hall and render banking services digitally (Sharma & Dubey 2022: 504). Known as digital banks, challenger banks or neo banks, these banks have grown astronomically in Nigeria. They come in different names, such as Kuda, Aladdin, VBank, Sparkle Opay, PalmPay and Moniepoint (Ajayi, 2021: 1). The appeal of digital banks mostly lay in the ease with which bank customers can access banking services at any time, day and from any location using internet connectivity.

However, a major disadvantage of these banks is that they offer limited services in comparison to traditional banks.

The emergence of digital banks in Nigeria has disrupted the traditional banking system, and made it inevitable for an overhaul of Nigeria's legal framework for banking (Ofodile, 2024: 348). Thus, it is laudable that the principal legislation on banking in Nigeria, the Banks and Other Financial Institutions Act (BOFIA) 2020 takes cognizance and validates these banks. Section 57 of BOFIA for instance, requires those who wish to carry on or are already carrying on specialized banking business or business of other financial institutions to acquire a licence to do so from Central Bank of Nigeria (CBN) irrespective of whether such businesses are conducted digitally, virtually or electronically. There is however, no licensing scheme entirely for digital banks in Nigeria and therefore, operators of these banks rely almost entirely on other species of banking licenses to operate, leaving a gasping vacuum for specialized regulation, management and supervision of digital banking in Nigeria. This paper examines the extant regulatory framework for digital banking in Nigeria, identifying the shortcomings inherent in the current system, and recommending ways to improve on the extant regulatory framework.

1. Conceptual Clarification

The words 'banks', 'banking business', 'FinTech' and 'digital banks/digital Banking' are recurrent in this paper and thus, their respective definitions are given below.

1.1 Banks

There is no universal meaning of the word 'bank' as its meaning varies depending on time and location. The following definitions however capture the meaning of banks in Nigeria. According to Ojukwu-Ogba a bank is "any entity duly incorporated under the Companies and Allied Matters Act and also licensed by the CBN to carry on the business of banking" (Ojukwu-Ogba, 2009). Oshio defines a banker as "a corporate body licensed or otherwise authorised by the State to operate as a bank and transact business as defined by its enabling statute or regulations" (Oshio 1995: 3). Finally, Muhammad defines a 'bank' as:

an incorporated body carrying on the business of receiving deposits on current account, savings account or other similar account, paying or collecting cheques, drawn by or paid in by a customer, provision of finance or such other business as the Governor may, by order published in the Federal Gazette, designate as a banking business (Muhammad 2015: 231).

A bank in Nigeria is thus, a corporate body duly licensed or authorised by the Nigerian government to operate a banking business.

1.2 Banking Business

BOFIA has made a fine attempt at describing extensively what banking business in Nigeria entails. Section 131 of the Act describes the banking business thus:

the business of receiving deposits on current account, savings deposit account or other similar account, paying or collecting cheques, drawn by or paid in by customers; provision of finance consultancy and advisory services relating to corporate and investment matters, making or managing investments on behalf of any person whether such businesses are conducted digitally, virtually or

electronically only or such other business as the Governor may, by order published in the Gazette, designate as banking business.

In Nigeria, banking business thus, entails all services or activities contained in section 131 of BOFIA. It is noteworthy that the law recognizes digital banking, an innovation stemming from the proliferation of FinTech in Nigeria over the years.

1.3 FinTech

The word 'FinTech' is a combination of the words 'financial' and 'technology'. Lu, defines 'FinTech' as "the application of internet technology and innovation in financial activities such as payment, lending, wealth management and insurance" (Lu 2017: 273). Ukwueze on the other hand, defines FinTech thus:

Financial technology (FinTech) in its broadest sense connotes the application of technology in the provision of financial services. The term is used to refer to a process as well as entities involved in the process (Ukweze 2021: 5).

Conclusively, FinTech is the use of technology to render financial services.

1.4 Digital Banks/Banking

According to PricewaterhouseCoopers (PWC), a 'digital bank' is defined as a bank, which primarily delivers banking services through the internet or other forms of electronic channels without the presence of physical branches (PWC 2019). Sharma and Dubey defined digital banking also known as e-banking, online banking or internet banking as "a system which enables banking transactions like payments, deposits, withdrawals of cash virtually with the help of internet rather than physically visiting the bank branches" (Sharma & Dubey 2022: 504). To Sujana, digital banking includes:

all kinds of online/internet transactions for various purposes. They may include booking movie tickets, online shopping, using e-commerce websites to do transactions and using internet-banking services to make payments via transfers like NEFT transfers (Sujana 2018: 334).

Put in a nutshell, digital banking is the rendering of banking services digitally or electronically without a physical banking hall.

2. Brief History of Banking in Nigeria

Modern banking in Nigeria dates back to 1892 when the African Banking Corporation, which was based in South Africa, set up a branch in Nigeria (Igweike 2005: 1). Many other banks sprang up in subsequent years, but due to weak institutional and regulatory framework, many of them failed (Adeniji 1981: 1). Following the Structural Adjustment Programme (SAP) in 1986, many more banks and other financial institutions emerged heightening competition amongst banks in Nigeria, which led to banks incorporating technology in their operations to have a competitive edge (Njoku 2024: 93). This paved way for the rise of electronic banking and FinTech in Nigeria. Indeed, by 1989, the defunct Societe Generale Bank launched Automated Teller Machines (ATMs) for the first time in Nigeria (Jegede 2014: 2). This achievement and the subsequent proliferation of FinTech solutions to the banking public metamorphosed the Nigerian banking system from the traditional banking to electronic banking, leading to the emergence of the new genus of digital banks (Samuel-Ogbu 2022: 133).

In 2017, ALAT established by Wema Bank became the first digital bank to be launched in Nigeria. Other digital banks have since emerged, some of the most prominent being Opay, PalmPay, Moniepoint and Kuda.

The 2020 Covid-19 pandemic as well as the cash crises and poor bank network issues witnessed by Nigerians in the first quarter of 2023 as a result of the poor circulation of the redesigned naira notes, are some of the factors that have boosted the popularity and patronage of digital banks in Nigeria (Fabunmi, 2023).

3. Digital Banks in Nigeria

A good number of 'digital banks' in Nigeria are FinTech companies that have obtained the requisite CBN licence to render digital banking services (PWC 2021: 9, 16). Some commercial banks have digitalized their services too, creating a digital arm of the bank to render these services. Examples of both categories of digital banks in Nigeria include:

a) ALAT

Established by Wema Bank, this digital bank was launched in 2017. Its digital App known as 'ALAT' allows the bank's customers access banking services like opening a savings account, scheduling bill payments, getting a free ATM card as well as transferring funds. In 2017, the App won the award for the 'Best Mobile Banking App' while the bank won the award for the 'Best Digital Bank' at the World Finance Digital Banking Awards 2017 (Tsanis, 2019).

b) OPay

Founded by the Norwegian browser company known as Opera Norway AS Group, OPay Digital Services Limited is a company that operates across Africa, Asia and Latin America in countries like Egypt, Mexico, Nigeria, and Pakistan. It was founded in Nigeria in 2018. It is a mobile-based FinTech company rendering digital banking services like payments, transfers, loans, and savings amongst other services. There are currently over 35 million registered OPay app users and 500,000 agents in Nigeria who utilize the services of the company (Asheolge, 2023).

c) GoMoney

Launched in 2018, it allows for peer-to-peer payment and integrated third-party service. Its services include funds transfer, splitting of bills amongst people, expense tracking, bills payment, access to loans amongst others. The bank was developed by GO Financial Services Ltd in collaboration with Sterling Bank Plc. It has an App known as 'GoMoney' (Dada 2020).

d) Kuda

Founded in 2019, it is the first bank to be licensed by CBN as a mobile-only bank. Originally known as Kudimoney, it has risen to prominence; as at 2022, its value was put at \$500 million, making it the seventh most valuable bank in Nigeria. The bank has an App known as 'Kuda', is famed for not charging banking fees, and pride itself as 'The Bank of the Free' until 2022 when it began charging a fee on deposits (Adesanya 2022).

e) PalmPay

Launched in Nigeria and Ghana in 2019, PalmPay is a FinTech company, duly licensed in Nigeria by the CBN to provide mobile money services. It seeks to redefine payment

experiences for consumers and businesses in Africa by making financial services more accessible and affordable. The company has reportedly provided over 5 million customers with convenient and affordable digital payments. It has an App called 'PalmPay' with which it renders its financial services (Alimi, 2024).

f) Sparkle

Sparkle targets Nigeria's retailers, Small and Medium-Sized Enterprises (SMEs) and individuals. It was launched by Sparkle Microfinance Bank in 2019 and offers banking services like funds transfer, access to loans, opening savings account, and bill payments. The bank's App is known as "Sparkle" (Oloruntade, 2024).

g) Rubies

This is a fully digital banking platform that offers banking services for free. It targets FinTech companies, SMEs, and quasi-financial institutions. Its unique features include access to free debit cards with any preferred name, ability to transfer money via bluetooth and ability to personalize one's account number. It was launched by Rubies Microfinance Bank in June 2019 and has an App also known as 'Rubies' (Techpoint, 2020).

h) Vbank

This bank was launched by VFD Group, the owners of VFD Microfinance Bank in 2020. The bank has an app known as the 'V'. Besides the usual banking services, the App allows customers of the bank to receive and send money without an account number, send money to multiple beneficiaries simultaneously and to invest. In the same year it was launched, the bank reportedly returned 400% in investment (Rufus 2022).

i) Mintyn

This was launched by Finex Microfinance Bank Ltd in 2020. Mintyn Online Bank offers banking services free of charge to its customers. These services include funds transfer, savings, and bill payments. It has an App known as 'Mintyn' (Mintyn 2024).

j) Aladdin

Founded in 2020, this digital bank combines banking and commerce, offering banking services like opening of savings account, money transfers, making payments, access to loans and trading amongst others to its customers. The bank targets SMEs in Africa who are increasingly conducting their businesses online. The bank's app is known as 'Aladdin Finance' (Techcabal 2022).

k) Moniepoint

The company obtained its Micro-Finance Bank (MFB) license from CBN in February 2022 and currently helps over 1.5 million businesses with banking, payments processing, access to loans and business management tools. Moniepoint Microfinance has set its sight on rendering banking services to small and medium-sized businesses in Nigeria. In 2022, Moniepoint MFB was awarded as the most inclusive payment platform in the country by CBN. The bank operates the largest distribution network for financial services in Nigeria, and over 33 million people in Nigeria use their ATM cards on Moniepoint POS terminals monthly (Agogbua et al, 2024: 62).

There are different pros and cons of digital banks in Nigeria. These include the issue of cost effectiveness. Digital banks have eased bank charges associated with traditional banking in Nigeria (Iwedi, 2023: 12). For instance, Kuda, which used to pride itself as "the bank of the

free” until 2022, rendered its services free, and still currently, renders some of its services free (Mogaji, 2022). Furthermore, the operational costs of digital banks are less than that of traditional banks and this is due to the absence of a physical infrastructure and smaller manpower required to run such banks (Odu, 2021: 4). Another advantage is the issue of time saving. Digital banks have helped reduce the time spent in accessing banking services in Nigeria. People no longer have to wait in long queues at bank premises to access banking services (Odu, 2021: 5). Furthermore, electronic banking is known to deliver faster than traditional banking. This also means that digital banking has become more convenient than the traditional banks. Digital banks allow bank customers to access banking services every day (including on non-working days for traditional banks and public holidays) and at any time without the hassles of visiting banking halls. Additionally, bank customers can now access banking services from digital banks at any time of the day from any location (Odu, 2021: 6).

However, there are also disadvantages associated with digital banking in Nigeria. These include the issue of data security because sensitive information is usually required from bank customers on Know-Your-Customer (KYC) and Customer Due Diligence (CDD) basis, which raises data security concerns as such information, can get into the wrong hands in the event of a data breach or cyber-attack (Singh, 2007). This is especially worrisome due to the spate of cybercrimes in the country (Eze, 2021: 63).

There is also the issue of technology and internet network failure. The use of electronic devices and the internet is dependent on their efficiency and stability. Electronic devices used for digital banking can malfunction at thus, posing a threat to digital banking. Internet network failure is common in Nigeria, which poses a challenge to digital banking (Aidonjio, 2022: 195). Moreover, a person has to have internet data to access the internet, and this may not always be feasible due to the poor purchasing power of the average Nigerian (Okechukwu, 2023: 27).

Apart from the above, digital banking does not promote the interpersonal banker/customer relationship associated traditional banking, which is fostered when bank customers and bankers physically meet and interact in banking halls. As a result of this limitation, the services rendered by digital banks are limited in comparison to traditional banks. For instance, cash deposit is not within the range of services rendered by traditional banks. Furthermore, enrolment for Bank Verification Number (BVN) cannot be done in digital banks in Nigeria.

4. Licensing of Digital Banks in Nigeria

There is no licensing scheme exclusively for digital banks in Nigeria. Thus, anyone who desires to undertake banking business (including banking business conducted digitally) in Nigeria is to apply to the CBN Governor for a banking licence, which may or may not be granted (section 3(3) BOFIA). According to section 12 of BOFIA, even where a licence is granted to authorize banking services, it can be revoked for various reasons. Consequently, due to the lack of specialized licences for digital banks, companies desiring to render digital banking services in Nigeria apply for the following three classes of licences: Finance Company Licence; Microfinance Bank Licence; or (c) Payment Service Banks Licence (Apori & Ebri, 2021).

4.1 Finance Company Licence

A Finance Company Licence enables the licensee to provide services like fund management, asset finance, debt securitization and granting of consumer loans to companies and individuals but the licensee is not allowed to receive deposits (CBN Revised Guidelines 2014, para. 2). To obtain this licence, an application is to be made to the CBN Governor who may or may not grant the licence (ibid, para. 3). If the licence is granted, CBN may at any time vary or revoke any condition of such licence or impose additional conditions. The licence is renewable within the first quarter of each year failure of which attracts severe sanctions, including revocation.

4.2 Microfinance Bank Licence

A Microfinance Bank Licence (MFB Licence) is preferred for companies wishing to render digital banking services in Nigeria (Ajayi, 2021: 6). It allows the licensee to receive deposits and grant loans to its customers but the licensee cannot purchase or sell foreign currency or remit funds internationally (CBN Guidelines for MFB 2020, para.2). There are four categories of MFBs and their capital requirement range from ₦50, 000,000 (Fifty Million Naira) to ₦5, 000,000,000 (Five Billion Naira) (ibid, para. 3).

Application for MFB licence is made to the CBN Governor who may or may not grant the licence. It is noteworthy that an application for MFB licence is in three stages: pre-licensing presentation; approval-in-principle; and final licence (ibid, para.4.2). The licence may be revoked for submission of false information/data during and/or after the processing of the application for licence, use of proxies or disguised names to obtain a licence to operate as an MFB, and engaging in non-permissible activities.

4.3 Payment Service Banks Licence

A Payment Service Banks (PSBs) Licence allows the licensee to accept deposits from its customer. However, the licensee cannot grant loans to its customers. This licence is only granted to already established banking agents, licensed telecommunication companies and existing FinTech companies. To obtain this license, a capital requirement of ₦5, 000,000,000 (Five Billion Naira) is required (CBN Guidelines on PSB 2020, para. 4).

To obtain this licence, an application is to be made to the CBN Governor who may or may not grant the licence. Just like MFBs, the application for PSB Licence is in three stages: pre-licensing presentation, approval-in-principle and final licence (ibid, para. 6). Conclusively, this licence can be revoked for failure to comply with the provisions of BOFIA, the PSB guidelines as well as other circulars and guidelines issued by the CBN and upon voluntary liquidation by the bank (ibid, para 15).

5. Regulation of Digital Banks in Nigeria

There are different legislations and institutions saddled with the responsibility of regulating digital banks in Nigeria. This paper examines these legislations and institutions.

5.1 Legislations

5.1.1 Banks and Other Financial Institutions Act, 2020

This is the primary legislation on banking in Nigeria, alongside the Central Bank Act, 2007. Section 1 of the Act, empowers the CBN to supervise and regulate banks and other financial institutions in Nigeria. Section 2 (1) of the Act provides that no person shall carry on any banking business in Nigeria except it is a company duly incorporated in Nigeria and holds a valid banking licence issued under the Act. The Act recognizes that banking business in recent years has grown to encompass banking business conducted digitally, virtually or electronically (see section 131 BOFIA).

5.1.2 Central Bank of Nigeria Act, 2007

The Act establishes the Central Bank of Nigeria (CBN), which is the chief regulator of banking and other financial institutions in Nigeria. The CBN thus, regulates digital banks and digital banking in Nigeria. Anyone who desires to operate a digital bank in Nigeria must obtain any of the three banking licences from CBN: Finance Company Licence, the Microfinance Bank Licence or the Payment Service Banks Licence.

The CBN Act provides for the powers, functions and management of the CBN amongst other things. By section 6(1) of the Act, the CBN is managed by a Board of Directors, which is responsible for the policy and general administration of the bank. The board is made up of the CBN Governor as the chairman, four Deputy Governors, the Permanent Secretary of the Federal Ministry of Finance, five Directors and the Accountant-General of the Federation. Sections 39 and 41 of the Act, empowers the CBN to act as a bank to the federal, state and local governments as well as to other banks in Nigeria. The principal objectives of the bank are to ensure monetary and price stability, issue legal tender currency in Nigeria, maintain external reserves in order to safeguard the international value of the legal tender currency, promote a sound financial system in Nigeria, and act as a banker to give economic and financial advice to the federal government (section 3 CBN Act).

Section 33(1)(b) of the Act, empowers the bank to issue guidelines to any person or institution under its supervision. It is on this premise that the CBN Governor issued several guidelines that regulate digital banks in Nigeria. These include:

- a) Guidelines for the Regulation and Supervision of Microfinance Banks 2020, which provides for the permissible and non-permissible services of MFBs, categories of MFBs (Tier 1, Tier 2, State MFBs and National MFBs) and their respective minimum capitals, ownership and licensing requirements of MFBs conditions for revocation of such license etc.
- b) Guidelines for Licensing and Regulation of Payment Service Banks 2020, which provides for the structure of PSBs, its permissible and non-permissible activities, licensing requirements, revocation of license, corporate governance, risk management.
- c) Revised Guidelines for Finance Companies in Nigeria 2014, which provides for the permissible and non-permissible services of Finance Companies, its licensing requirements, revocation of licence, source of funds, supervision and compliance, prudential requirements, risk management etcetera.
- d) Guidelines on Electronic Banking in Nigeria 2003, containing guidelines on digital banking and payment services in Nigeria with regards to ICT standards, monetary policy, legal guidelines as well as the regulation and supervision of digital banking and payment services in the country.

5.1.3 Nigeria Deposit Insurance Corporation Act, 2023

This Act establishes the Nigeria Deposit Insurance Corporation (NDIC) to insure all deposit liabilities of banks and other financial institutions in Nigeria, supervise banks to reduce potential risk of failure and check unsound banking practices, ensure timeous and efficient resolution of failing and failed institutions and liquidate banks that do not respond to failure resolution measures (sections 2 & 3).

By section 7 of the Act, the NDIC has a governing body known as the Board of Directors, which comprises of a chairman, managing director, two executive directors, a representative from the CBN and the Federal Ministry of Finance respectively, and six other members from each of the six geo-political zones of Nigeria. Its functions as stipulated in section 3 of the NDIC Act are as follows:

- a) insuring all deposit liabilities of licensed banks and such other financial institutions so as to engender confidence in the Nigerian banking system;
- b) giving assistance to insured institutions in the interest of depositors, in case of imminent or actual financial difficulties of banks particularly where suspension of payments is threatened, and avoiding damage to public confidence in the banking system;
- c) guaranteeing payments to depositors, in case of imminent or actual suspension of payments by insured institutions up to the maximum as provided for in section 20 of the Act;
- d) assisting monetary authorities in the formulation and implementation of policies so as to ensure sound banking practice and fair competition among insured institutions in the country;
- e) pursuing any other measures necessary to achieve the functions of the Corporation provided such measures and actions are not repugnant to the objects of the Corporation.

5.1.4 Companies and Allied Matters Act, 2020

The Companies and Allied Matters Act (CAMA) 2020 provides for the incorporation of companies, trustees of certain communities, bodies and associations, and registration of business names. The Act establishes the Corporate Affairs Commission (CAC), which is charged with regulating the formation and management of companies, businesses and trustees of bodies in Nigeria. By section 8 of the Act, the functions of the Commission include:

- a) to administer the Act, including the registration, regulation and supervision of (i) the formation, incorporation, management, striking off and winding up of companies, (ii) business names, management and removal of names from the register, and (iii) the formation, incorporation, management and dissolution of incorporated trustees;
- b) to establish and maintain a company's registry and office in each State of the Federation suitably and adequately equipped to perform its functions under the Act or any other law;
- c) to arrange or conduct an investigation into the affairs of any company, incorporated trustees or business names where the interest of shareholders, members, partners or public so demands;
- d) to ensure compliance by companies, business names and incorporated trustees with the provisions of the Act and such other regulations as maybe made by the Commission;
- e) to perform such other functions as may be specified in the Act or any other law; and

- f) to undertake such other activities as are necessary or expedient to give full effect to the provisions of the Act.

Judging from the functions of the CAC, it also regulates the formation and management of digital banks in Nigeria. A digital bank cannot operate in Nigeria unless it is first incorporated as a company under the Companies and Allied Matters Act, and then licensed by the CBN (Apori & Ebri, 2021). In addition, the CAC wields regulatory powers over digital banks especially with respect to certain statutory filings required to be made by them (chapters 14, 15 and 16 of the Act). Other legislations regulating digital banks in Nigeria include the Cybercrimes (Prohibition, Prevention, Etc) Act 2015, which seeks to curb cybercrimes in Nigeria, and the Financial Reporting Council of Nigeria (FRCN) (Amendment) Act, 2023, which establishes the FRCN with the responsibility of enforcing compliance with accounting, auditing, corporate governance and financial reporting standards in Nigeria (section 8). The National Office for Technology Acquisition and Promotion (NOTAP) on the other hand, regulates the inflow of foreign technology in Nigeria, while the National Communication Commission (NCC) regulates telecommunications, including internet connectivity.

6. Problems with the Extant Legal Regime for Digital Banks in Nigeria

It is commendable that the government has taken steps to regulate digital banks and digital banking, which was not originally envisaged in Nigeria's banking laws. BOFIA 2020 clearly accommodates digital banking, and the CBN governor's guidelines are indispensable in the regulation of digital banks and digital banking in Nigeria. There are however some grey areas in the extant legal framework for digital banks in Nigeria. They include:

- a) Absence of licensing scheme solely for digital banks. Currently, there is no such thing as a digital bank licence. Companies that desire to operate as a digital bank must obtain a Microfinance Bank Licence, a Finance Company Licence or a Payment Service Banks Licence, each of which allows a limited scope of banking services.
- b) Absence of a single comprehensive law for digital banks in Nigeria. Although BOFIA 2020 now regulates banking services conducted electronically, virtually or digitally, and the CBN guidelines tend to make up for areas not covered by the law, the legal framework for digital banking in Nigeria remains fragmented and incomplete.

Conclusions

The paper examined the legal framework on regulation of digital banking in Nigeria. It noted the progress made in incorporating digital banking into the mainstream of the Nigerian banking system by the amendment of BOFIA 2020, and the numerous CBN guidelines. However, the paper observed some shortcomings with the extant legal framework for digital banking regulation, by the absence of both a specialized licencing regime, and a comprehensive single legislation dealing with the digital banking in Nigeria. The paper therefore recommends that a licensing scheme be developed solely for digital banks in Nigeria. In other words, there should be a licence or licences solely for digital banks. This will help accommodate the peculiarities associated with such banks. The presence of a comprehensive law that addresses the uniqueness of digital banks will also help to enhance the regulation of digital banks in Nigeria.

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