

SYNTEGRAL LEGAL PRACTICE

LEGAL INSIGHTS ON THE CENTRAL BANK OF NIGERIA OPEN BANKING INITIATIVE

Authors



Tolulope Raji
Head, Capital Market



Precious Orowa
Senior Associate



Ifunanya Igwebuike
Associate Counsel

Introduction

The Central Bank of Nigeria's (CBN) Open Banking initiative is a forward-looking step aimed at transforming the country's financial landscape. It allows banks, fintechs, and other licensed institutions to securely share data, giving customers greater control over their financial information.

Open Banking empowers customers to grant third-party providers-controlled access to their financial information, driving tailored products, improved payment systems, and efficient credit services. Beyond driving competition and innovation, the initiative encourages transparency and collaboration across the sector. By adopting this global best practice, Nigeria is positioning itself as a strong player in the digital economy while widening financial access for individuals and businesses alike.

Q1. What is Open Banking?

Open Banking is a regulatory framework that enables banks and other financial institutions to securely share customer-permissioned data with licensed third-party providers through standardized APIs.

This allows customers to access innovative financial services, such as budgeting tools, alternative lending, and account aggregation, while retaining control over their data.

In other words, Open Banking is a system that allows third-party financial service providers to securely access customer financial data (with consent) using standardized APIs. It promotes innovation, transparency, and customer control in financial services.

Q2. Who regulates Open Banking in Nigeria?

The Central Bank of Nigeria (CBN) is the primary regulator of Open Banking in Nigeria. The CBN issues the regulatory framework, oversees compliance, and mandates the establishment of the Open Banking Registry (OBR).

Q3: What is the purpose of CBN's Open Banking Initiative?

The CBN's Open Banking Initiative aims to:

- Improve customer experience and financial inclusion
- Drive innovation and competition in the financial sectors
- Ensure secure and standardized data sharing
- Provide consumers more control over their financial data

Q4: What is the Open Banking Registry (OBR)?

The OBR is a central directory maintained by the CBN listing all authorized and registered participants in Nigeria's open banking ecosystem. It ensures that only accredited entities can securely access and share data, promoting transparency and trust.

Q5: Is customer consent required for data sharing?

Yes. Data sharing under open banking must be done with explicit customer consent, ensuring transparency and protecting user privacy.

Q6: What types of data are shared?

Data is categorized into access tiers (e.g., product data, profile data, transaction data). Each tier has specific sharing rules and security measures based on sensitivity. The types of data shared include, but are not limited to account information (balances, details), transaction history, payment data and other financial data necessary for the requested service.

Only the minimum necessary data for the specific service is shared, as per the principle of purpose limitation.

Q7: What are the benefits of Open Banking to consumers?

Consumers gain:

- Access to more personalized financial products and services
- Better control and transparency over their financial data
- Easier onboarding with financial platforms
- Improved access to credit through smarter scoring systems
- Enhanced competition among financial service providers, leading to better pricing and service quality

Q8: When does the data-sharing framework take effect?

Banks and third-party financial institutions will begin operational data sharing by August 2025, following the CBN's implementation schedule.

Q9: What areas of finance will benefit from Open Banking?

Open Banking will benefit multiple areas, including:

- Lending (richer credit profiles)
- Insurance (better policy pricing and claims)
- Pensions (easier access and management)
- Investments (consolidated portfolio management)
- Personal finance management (customized budgeting and advice)

SME business operations (integrated dashboards for cash flow, tax, and payroll

Q10: What are the security and privacy safeguards in place?

The CBN mandates:

- Strong authentication protocols
- Mandatory encryption of data in transit and at rest.
- Data privacy compliance (aligned with NDPA)
- Incident response mechanisms
- Strict access controls and registration with the OBR
- Regular audits and accountability structures
- Consumer rights to revoke consent and report breaches
- Clear transparency requirements for data usage and sharing

Q11: How does Open Banking benefit Nigerian consumers and businesses?

Consumers gain control over their financial data, access to personalized products, quicker loan approvals, and easier onboarding processes. Businesses benefit from improved customer insight, enhanced product innovation, partnerships with fintechs, and a broader customer base, especially in underserved areas.

Q12: What are the key regulations under the CBN Open Banking Framework?

- Regulatory Framework (2021): Introduced the concept and rules.
- Operational Guidelines (2023): Defined roles (API providers, users, etc.), consent models, access tiers, and dispute mechanisms.
- Open Banking Registry (OBR): A CBN-managed directory of all registered participants.

Q13: Which financial institutions are affected by Open Banking in Nigeria?

All deposit money banks, payment service providers, credit bureaus, microfinance banks, mobile money operators, and licensed fintech. Essentially, any regulated entity offering digital financial services is impacted.

Q14: How does Open Banking API work, and who can access it?

Banks and licensed third parties use standardized APIs to share customer data (with consent). Access is granted based on customer authorization, participant registration on the Open Banking Registry and API tier (e.g., product, customer, transaction, or service level data).

·How it works:

- Customer grants consent via a secure portal.
- Bank APIs share data (e.g., balances, transactions) with authorized third parties.
- Fintech use this data to offer services (e.g., lending, budgeting apps).

·Who can access?

- Licensed fintech (CBN-approved).
- Businesses (with customer consent).
- Developers (via sandbox environments for testing).

Q15: What security measures protect customer data in Open Banking?

- Strong customer authentication (SCA)
- Customer consent management
- Data encryption and secure transmission
- Audit trails and logging
- Adherence to Nigeria Data Protection Act (NDPA)
- CBN-led compliance monitoring and risk management protocols

Q16: How can fintech and banks comply with CBN's Open Banking rules?

- Register on the CBN Open Banking Registry
- Implement standard API architecture
- Obtain explicit customer consent before data sharing
- Follow CBN's API and security guidelines
- Conduct periodic audits and submit compliance reports

Q17: What are the risks of Open Banking, and how are they managed?

Risks include:

- Data breaches

- Fraud and identity theft
- Operational risk from third-party failures
- System failures
- Regulatory gaps

Management strategies include:

- CBN-mandated security frameworks,
- Third-party risk assessments,
- Customer complaint redress systems, and
- Mandatory consent protocols

Q18: How does Nigeria's Open Banking compare with other countries (e.g., UK, EU)?

- Nigeria's model is consent-based like the UK's Open Banking and EU's PSD2.
- The CBN OBR mirrors the UK's FCA directory.
- Nigeria is among the first in Africa to formalize Open Banking.
- Compared to more mature systems, implementation is phased and still in its early adoption stage.

Aspect	Nigeria	UK/EU
Regulator	CBN	FCA (UK), EBA (EU)
Scope	Banks + fintechs	All payment providers (PSD2)
Consent	Explicit opt-in	One-time auth (EU)
Innovation	Early stage (since 2021)	Mature (APIs since 2018)

Nigeria's edge: Faster adoption due to mobile money dominance (e.g., USSD, agent networks).

Q19: What opportunities does Open Banking create for startups?

With access to real-time banking data via APIs, Nigerian startups can now:

- Build smarter credit scoring models
- Launch intuitive budgeting & saving apps
- Power seamless cross-border payments
- Offer SME tools like auto payroll & invoicing
- Create insurtech with dynamic, real-time premiums

Q20: What types of financial products are expected to emerge due to Open Banking?

The following categories highlight the types of products expected to emerge or expand due to open banking frameworks:

- Payment Initiation Services
- Account Aggregation Platforms
- Automated Budgeting and Personal Finance Management
- Instant loans and Enhanced Credit Scoring
- Multi-banking and SME Dashboards
- Personalized Overdraft and Lending Solutions
- Peer-to-Peer (P2P) Transfers and New Payment Technologies
- Customized Insurance and Loyalty Programs
- Management and Investment Tools
- Identity Verification and KYC Solutions
- International Remittance and Cross-Border Payments
- AI-Powered Financial Advice and Smart Advisers
- Utilities and Property Management Tools

Conclusion

In conclusion, the CBN's Open Banking initiative is a significant step in reshaping Nigeria's financial sector. Its true value lies in putting customers at the center of banking by giving them more control over their data and access to a wider range of services tailored to their needs. It encourages healthy competition between banks and fintech, leading to more innovative products, better payment systems, and easier access to credit for both individuals and businesses.

On a wider scale, the initiative strengthens Nigeria's position in the global digital economy by aligning with international standards and attracting investor confidence. Most importantly, it helps to bring more people and businesses into the financial system, promoting inclusion and supporting sustainable economic growth.

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