



A Framework on Accelerated Regulatory Incubation Program for the Onboarding of Virtual Assets Service Providers (VASPs) and other Digital Investments Service Providers (DISPs)



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I. Preamble

- A. The Securities and Exchange Commission (the Commission) is empowered by the Investments and Securities Act (ISA), 2007 to regulate and develop the Nigerian Capital Market.
- B. ISA Part VI: (Registration and Regulation of Capital Market Operators), Section 38 (1) prohibits any expert or professional from carrying on any activity in the Nigerian Capital Market except it is registered by the Commission and Section 38 (2&3), empowers the Commission to prescribe the conditions for registration and manner of application and fees.
- C. Consequently, the Accelerated Regulatory Incubation framework is to facilitate the onboarding of Entities that proposed to carry on virtual asset activities and whose applications have been filed with the Commission, and for other potential applicants that perform such activities.

II. Purpose and Objectives

- 1. The main purpose of ARIP is to accelerate the onboarding of Entities whose applications have been filed with the Commission, and for other potential applicants seeking to be registered with the Commission. This will enable qualified entities to obtain approval in principle from the Commission pending when the Digital Assets Rules become operational.
- 2. The ARIP will afford its participants the opportunity to receive guidance relating to the Commission's regulatory demands before becoming fully operational in the capital market.
- 3. It will also provide an opportunity for the Commission to further understand the digital asset business models in order to enhance its regulations to ensure it adequately address issues surrounding market integrity, investor protection and money laundering.

III. Definitions

4. For the purpose of the ARIP Framework the following terms are so defined:

Accelerated Regulatory Incubation Program	means a regulatory framework that facilitates the onboarding of potential capital market operators.
Applicant	means an entity that has completed and submitted an initial assessment form and is undergoing an eligibility assessment process.
Eligible Applicant	means an entity that has undergone an initial assessment process and cleared to submit an application into the ARIP.
Approval in Principle	means preliminary authorization given to eligible applicants to operate within the confines of the ARIP pending final registration by the Commission.
Digital investment services	means any investment service accessed and delivered through a digital channel.
Digital investment platform	means any platform that facilitates digital investment services.
Participants	means qualified applicants operating within the confines of ARIP
Qualified Applicant	means an eligible applicant that has been issued an approval in principle.
Virtual asset service provider (VASP)	has the same meaning as provided in the SEC Rules and Regulations.

IV. Applicability

5. The ARIP framework shall apply to Virtual Assets Service Providers (VASPs) and other digital investment service providers seeking the Commission's registration or have approached the Commission for registration, and shall include:
- a) virtual asset service providers and token issuers that carry on business activities in Nigeria or offer services to the Nigerian consumers;
 - b) platforms that facilitate offering, trading, exchange, custody and transfer of virtual/digital assets;
 - c) promoter/organizer, issuer, founder, purchaser or investor who participates in the formation, promotion, maintenance, organization, sale or redemption of an initial token offering;
 - d) persons carrying on and providing virtual asset services to Nigerians irrespective of the physical location from which the activities are carried out.
 - e) persons (individual or corporate) whose activities involve any aspect of Distributed Ledger Technology (DLT)-related and virtual/digital assets services. Such services include, but are not limited to reception, transmission and execution of orders on behalf of other persons, dealers on own account, portfolio management, investment advice, custodian or nominee services, etc.;
 - f) issuers or sponsors of virtual/digital assets, including foreign or non- residential;
 - g) unregistered digital investment platforms operating in the Nigerian Capital Market;
 - h) foreign or non-residential operators that actively target Nigerian investors directly or through their agents, through promotions, publications in Nigeria or direct e-mails to Nigerian addresses;

V. Eligibility

6. Entities who can apply into the ARIP shall:
- i) be incorporated and have an office in Nigeria and its Chief Executive Officer/Managing Director or its equivalent shall be resident in Nigeria;
 - j) be performing investments and securities business;
 - k) be seeking registration or have pending virtual asset related applications with the Commission.

VI. Application Steps

7. Participation in the ARIP shall encompass an Initial Assessment Phase and an Application Phase.
8. An applicant for ARIP shall first complete and submit an initial assessment form via the [SEC ePortal](#).
9. On receipt of an initial assessment submission, the Commission shall review and notify the applicant of its eligibility status.
10. Where the applicant is found eligible, the applicant shall be directed to complete and submit an application into the ARIP.
11. Where the application is cleared by the Commission, it shall issue an approval-in-principle (AIP) to the eligible applicant to operate in line with the ISA, 2007 and the Commission's Rules and regulations.
12. Qualified applicants shall operate within the ARIP for a period to be determined by the Commission.
13. The Commission may defer approval or reject applications to ensure the orderliness of the capital market.
14. Any decision by the Commission to deny admission into the ARIP shall be communicated with justification.

VII. Application Requirements

15. An Entity seeking to operate within ARIP shall file the following:
 - a. A sworn undertaking that;
 - i. the information or document that is furnished by the applicant to the Commission is not false or misleading nor does it contain any material omission;
 - ii. the applicant is not in the course of being wound up or otherwise dissolved;
 - iii. no receiver manager or an equivalent person has been appointed within or outside Nigeria, or in respect of any property of the applicant;
 - iv. the applicant has not, whether within or outside Nigeria, entered into a compromise or scheme of arrangement with its creditors, being a compromise or scheme of arrangement that is still in operation;
 - v. the applicant, applicant's directors, chief executive, controller, and any person who is primarily responsible for its operations or financial management are fit and proper, and that they:
 - a. have relevant experience and track record in managing a business;

- b. have not been convicted, whether within or outside Nigeria, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he/she acted fraudulently or dishonestly;
- c. have not been convicted of an offence under the securities laws or any law within or outside Nigeria relating to capital market;
- d. have not contravened any rules of a registered Exchange, registered clearing house, depository or a registered self-regulatory organization;
- e. have not contravened any provision made by or under any written law whether within or outside Nigeria appearing to the Commission to be enacted for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies or against financial loss due to the conduct of discharged or undischarged bankrupts;
- f. have not engaged in any business practices appearing to the Commission to be deceitful, oppressive or otherwise improper, whether unlawful or not, or which otherwise reflect discredit on his method of conducting business;
- g. have not engaged in or has been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgement; or
- h. have not engaged in or has been associated with any conduct that cast doubt on his ability to act in the best interest of investors, having regard to his reputation, character, financial integrity and reliability.

vi. there are no other circumstances which are likely to:

- 1. lead to the improper conduct of operations by the applicant or by any of its directors, chief executive, controller or any person who is primarily responsible for the operations or financial management of the applicant; or
- 2. reflect discredit in the manner it operates its business;

- b. An operational plan and a business model which has a clear or unique value proposition or will contribute to the overall development of the capital market;
- c. The rules of the entity it seeks to operate (as may be applicable) and make satisfactory provisions:
 - i. for the protection of investors and public interest;
 - ii. to ensure proper functioning of the entity;
 - iii. to promote fairness and transparency;
 - iv. to manage any conflict of interest that may arise;
 - v. to promote fair treatment of its users or any person who subscribes for its services;
 - vi. to promote fair treatment of any person who is hosted, or applies to be hosted, on its platform;
 - vii. to ensure proper regulation and supervision of its users, or any person utilizing or accessing its platform, including suspension and expulsion of such users or persons;

- viii. to provide an avenue of appeal against the decision of a financial technology service provider.

16. The application for ARIP shall be fill by the applicant through a registered solicitor or adviser...

17. Where an applicant is regulated by another sectoral regulator, the applicant shall submit to the Commission a "no objection" or approval letter from the relevant sectoral regulator when making an application into the ARIP.

18. An application into the ARIP shall be made online on the appropriate Form via the SEC ePortal and shall be accompanied by the following:

- i. Form SEC 2 and 2D – (A minimum of 4 Sponsored Individuals who shall be principal officers including Managing Director and Compliance Officers).
- ii. A copy each of the following corporate documents duly certified by the CAC;
 - a) Certificate of Incorporation (original to be sighted);
 - b) Memorandum and Articles of Association which shall include the power to perform the specified function;
 - c) CAC Form(s) showing Statement of Share Capital, Return of Allotment, and particulars of Directors;
- iii. Latest audited accounts or audited statement of affairs of the company in the case of a new company;
- iv. Tax Identification Number and Clearance Certificate;
- v. Valid means of identification (including NIN and BVN) of the sponsored individuals;
- vi. A sworn undertaking that the applicant will be able to operate an orderly, fair and transparent market in relation to the securities that are offered or traded, on or through its platform;
- vii. Evidence of registration with Nigerian Financial Intelligence Unit (NFIU);
- viii. Sworn undertaking to keep proper records and render returns as may be specified by the Commission from time to time, signed by a director or the company secretary;
- ix. Sworn undertaking by a director or the company secretary, to abide by SEC Rules and Regulations and Investments and Securities Act No.29 of 2007 as may be amended from time to time;

19. The Commission may require such other documents as it considers necessary for the ARIP.

VIII. Operations Fee

20. ARIP applicant shall:

- a. pay a non-refundable processing fee of ₦2,000,000.00 (Two Million Naira, only)
- b. show evidence of required shareholder fund.;
- c. Current Fidelity Bond covering at least 25% of the required shareholder fund;
- d. Notwithstanding the provisions of 'b' above, the Commission may at any time impose additional financial requirements for ARIP participants commensurate with the nature, operations and risks posed by the participants' business operations.

IX. Records and Reporting Requirements (on-site and off-site monitoring)

21. ARIP participants shall submit to the Commission the following:
 - a. Weekly and monthly trading statistics (where applicable) and all reporting requirements.
 - b. Quarterly financials as well as compliance reports to demonstrate its compliance with conditions imposed by the Commission
 - c. Key issues arising from misconduct, fraud or operational incident reports and, if any, measures taken by the Participant to address such incidents;
 - d. Actions or steps taken to address customer complaints, emergent risks, or other issues relevant to Commission's assessment of applicable regulatory requirements; and
 - e. Any other relevant matters.
22. ARIP participants shall be subject to the Commission's onsite and off-site inspection, audit and monitoring and shall make such periodic reports and returns as may be specified by the Commission.
23. The Commission may require ARIP participant to furnish it, at such time and in such manner as it may direct, with such information as the Commission may reasonably require for the proper discharge of its functions under this framework.
24. ARIP participant shall make its premises, systems, books and records readily available to the Commission, or its officers or any person appointed by the Commission for inspection, audit and other supervisory purposes.

X. Controls, Conditions and Restrictions

25. ARIP participants shall incorporate appropriate safety measures to identify and manage potential risks and mitigate the consequences of failure, such as undisclosed risk of financial loss or other undisclosed risks to customers, investors and market participants.
26. Participants shall put in place a risk management framework which shall form part of an operational plan.
27. The operational plan shall address, at minimum, the integrity, conduct, and investor protection requirements applicable to the applicant during ARIP period.
28. Specifically, the controls shall require compliance with applicable rules and regulations regarding the prevention of money laundering including travel rules, counter-terrorism financing, counter- proliferation financing and other illicit activities as contained in the AML/CFT/CPF Law.
29. Qualified Applicants shall:
 - a. not conduct any other securities and/or investment business except as presented to the Commission;
 - b. not carry out promotional activities such as any notice, circular, letter or other

- c. written or electronic medium of communication either publicly or privately;
- c. not provide information that is incomplete, untrue or misleading;
- d. not grow their customer base by more than 10% from point of entry into the ARIP.

30. Applicants who meet the requirements of the Commission shall transition to registration.
31. Applicants who do not meet the requirements of the Commission may apply to be considered under the existing Regulatory Incubation programme.
32. The Commission shall not consider concurrent or separate applications by the same applicant unless the filings from the applicant as set out in the applications are materially different from each other.

XI. Termination/Removal

33. The Commission may terminate participation in the ARIP if at any time the Participant:
- a. is found no longer fit to participate in the process;
 - b. has breached any restrictions or conditions imposed on the participant;
 - c. has breached the ISA, Rules and Regulations of the Commission or other relevant law;
 - d. deviates from its operational plan;
 - e. any other reason the Commission deems fit.
34. The Commission may, in addition to any other enforcement action, withdraw or suspend an approval to participate in the ARIP at any time before the end of the ARIP period:
- (i.) if the Participant:
- a. Fails to implement any required safety measure or controls;
 - b. Submits false, misleading or inaccurate information, or has concealed or failed to disclose material facts in the application;
 - c. Contravenes any applicable law;
 - d. Is undergoing or has gone into liquidation;
 - e. Breaches data security and confidentiality requirements;
 - f. Carries on business in a manner detrimental to customers, investors, or the public at large;
 - g. Fails to effectively address any defects, flaws or vulnerabilities in the product, service or solution which gives rise to recurring service disruptions or fraud incidents; or
- (ii.) Without prejudice to paragraph 34 (i) above, the Commission may withdraw approval of a participant in ARIP before the end of the ARIP period.
35. Any decision by the Commission to suspend or withdraw approval to participate in the ARIP shall be in writing and with reasons for terminating or withdrawing the approval. Prior to making this decision, the Commission shall give the applicant an opportunity to be heard.

XII. ARIP Operational Plan

36. An ARIP applicant shall submit an operational plan along with the application and it shall include the following:
- a. A full description of the business including the product, service or business model and the type of technology or infrastructure utilized;
 - b. Information on existing/target customers;
 - c. A Risk Management Framework, clearly stating key risks and how they will be controlled and mitigated including insurance cover; Investor protection and data protection measures deployed;
 - d. A description of how ARIP participant will ensure that their customers fully understand the risks;
 - e. A description of how communications with customers will be handled before and during the ARIP period including how the participants will deal with queries, feedback and complaints;
 - f. A clear exit plan if registration is not achieved, including how the participant will fulfil its obligations to its customers.

XIII. Transitioning to Registration

37. At expiration of ARIP period, participants are expected to seamlessly transition to registration. The Commission shall take any of the following decisions:
- a. Grant successful Participant a formal registration approval to operate in the Nigerian capital market subject to compliance with all applicable existing Rules and Regulations;
 - b. Adopt new regulations, guidelines or notices pursuant to Section 38 (2&3), of the ISA, 2007, based on insights gained from the ARIP, where there is need for a broader regulatory reform (for example, amendment or the design and adoption of a new regulation to govern a specific class of business model or innovation that is not adequately addressed under existing regulation); or
 - c. Issue a denial of permission for the participant to operate in Nigeria under prevailing Rules and Regulations.
38. The Commission may organize training and examination of Sponsored individuals and successful candidates will proceed for registration interview.
39. The ARIP framework is not intended and cannot be used as a means to circumvent applicable Rules and Regulatory requirements.

XIV. Penalties/Sanctions

40. ARIP participants who fail to comply with any of the stipulated requirements shall be liable to a penalty of not less than ₦5,000,000 (Five Million Naira, only) at the first instance and further ₦200,000 (Two Hundred Thousand Naira, only) for every day of default. Other administrative sanctions as provided for in the Commission's Rules and Regulations may also apply depending on the severity of the violation(s).
41. A penalty of not less than ₦20,000,000 (Twenty Million Naira, only) shall immediately apply to all commercialized VASPs operating trading, offering and custody platforms without due authorization or registration by the Commission.
42. A penalty of not less than ₦10,000,000 (Ten Million Naira, only) shall immediately apply to all other digital investments platforms including crypto brokers/dealers, advisers, market makers etc. operating without due authorization or registration by the Commission.
43. Appropriate sanctions including suspension from capital market activities shall apply to entities who fail to comply with the Rules and regulations of the Commission.

XV. Confidentiality

44. It is the responsibility of the applicant or participant to take measures to protect its intellectual property where necessary.
45. Applicants shall clearly mark "Confidential" on all intended non-public information submitted to the Commission or shared in connection with the ARIP.
46. The Commission shall treat all "confidential" information received from an Applicant and/or Participant in connection with an ARIP as such, and shall not disclose such information to third-parties unless required to do so by law or allowed in writing by an Applicant and/or Participant.

For inquiry, please contact us at:

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