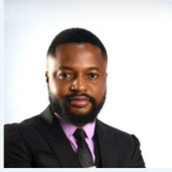
Acacia Solicitors

ARTICLES

Contact Person



DOLAPO ALAO ESQ
MANAGING PARTNER
dolapo.alao@acaciasolicitors.com

Taiwo Kehinde
Mosunmola ESQ
ASSOCIATE
taiwo.kehinde@acaciasolicitors.com

Open Banking and the Future of Nigerian Fintech

For years, financial services operated largely within institutional boundaries. Customers had their bank accounts with one institution, investments with another and perhaps a fintech account somewhere else. These platforms often operated independently, making it difficult for customers to have a complete picture of their finances.

Open banking is changing that model. Basically, open banking allows customers to authorise the sharing of their financial data between banks, fintechs and other authorised third-party providers through Application Programming Interfaces (APIs). Instead of financial institutions operating as isolated systems, open banking creates an ecosystem where data can move securely between participants with the customer's consent. For Nigeria's fintech sector, this could be transformative.

From Closed Banking to Connected Finance
The significance of open banking lies in what can be done with financial data when it becomes more accessible and interoperable.

A customer may have a current account with one bank, a savings product with another institution and an investment account with a fintech. Traditionally, the customer would have to move between different platforms to understand their overall financial position.

With open banking, these services can potentially be connected through APIs. A fintech could use authorised financial information to provide customers with a consolidated view of their finances, identify suitable financial products or develop more personalised services.

This moves financial technology beyond simply putting traditional banking services on a mobile phone. It creates the possibility of building financial services around the customer rather than around the institution

Why This Matters for Nigerian Fintechs

Nigeria already has a vibrant fintech ecosystem. The next phase of growth may therefore depend less on creating another standalone financial application and more on creating services that can communicate with the financial infrastructure that already exists.

Open banking can create opportunities in areas such as payments, lending, personal financial management, credit scoring, wealth management and financial advisory services.

For example, access to authorised transaction data could allow a fintech to develop a more informed picture of a customer's financial behaviour. This could potentially improve credit assessment and enable financial products to be tailored more closely to individual needs.

The opportunity is particularly important for underserved consumers and small businesses. Better access to financial information can support more informed lending decisions and create products that respond to actual financial behaviour rather than relying solely on traditional forms of assessment.

The Central Bank of Nigeria's Regulatory Framework for Open Banking in Nigeria was designed to promote innovation, expand financial products and services and deepen financial inclusion. The framework covers areas including payments and remittances, credit, deposit taking, personal financial management, credit scoring, mortgages and leasing.

The Regulatory Foundation

The future of open banking in Nigeria cannot be separated from regulation.

The Central Bank of Nigeria issued its Regulatory Framework for Open Banking in Nigeria on 17 February 2021. The framework establishes principles for data sharing across the banking and payments ecosystem and provides requirements relating to APIs, data access, technical design and information security.[2]

It also recognises different categories of participants, including providers, consumers, fintechs and developers, and places responsibilities on participants regarding risk management, customer consent, data protection and operational arrangements.

This is important because open banking is not simply about making data available.

It is about determining who can access the data, what they can access, why they can access it, how they can use it and who bears responsibility when something goes wrong.

That is where the legal framework becomes critical.

The Data Protection Question

The biggest opportunity created by open banking is also one of its biggest risks: data.

Financial data is highly sensitive. Transaction histories can reveal a person's income, spending patterns, financial commitments and broader economic behaviour. If such information is improperly accessed, shared or exposed, the consequences can be significant.

The CBN framework therefore places emphasis on customer consent, security and data protection. It also provides different categories of financial data with corresponding levels of risk. Personal information and financial transaction data, for example, are treated as high risk, while profile, analytics and scoring information are classified as high and sensitive risk.[2]

For fintechs, this means that innovation cannot come at the expense of privacy.

A successful open banking ecosystem will require strong cybersecurity, clear consent mechanisms, responsible data governance and effective allocation of liability between banks, fintechs and other participants.

This is also why lawyers will have an increasingly important role in fintech. The future will require professionals who understand not only financial regulation but also data protection, technology contracts, cybersecurity, consumer protection and commercial risk.

Open Banking Could Change Competition

Open banking could also change the competitive structure of financial services.

When customers can move their financial information between institutions with their authorisation, traditional financial institutions may have to compete more aggressively on customer experience, pricing and product quality.

At the same time, banks can use open banking to collaborate with fintechs rather than viewing them solely as competitors.

The result could be a more interconnected financial ecosystem in which banks provide infrastructure and regulated financial services while fintechs build innovative products and customer experiences on top of that infrastructure.

Standard Bank's discussion on the potential of African fintechs similarly highlights the importance of technology driven innovation and collaboration in unlocking the continent's financial potential.[3]

What the Future Could Look Like

The future of Nigerian fintech is likely to be increasingly shaped by interoperability, real time data, artificial intelligence and personalised financial services.

This aligns with broader global banking trends. Temenos identifies AI, cloud native platforms, composable architecture, real time intelligence and digital payments as important forces reshaping financial services.[4] Open banking fits naturally within this broader transformation because accessible and interoperable data provides the foundation upon which many of these technologies can operate.

Imagine a financial platform that does not simply tell you your account balance but analyses your financial position across authorised accounts, identifies recurring expenses, compares available financial products and helps you make better financial decisions.

That is the larger promise of open banking.

The fintech of the future may not be defined by having another banking application. It may be defined by how effectively it connects different parts of a customer's financial life.

1

2

Conclusion

The success of open banking in Nigeria will ultimately depend on trust. Fintechs need access to data to innovate, but customers need confidence that their data will not be abused. Banks need to participate in the ecosystem, but they also need assurance that their systems and customers will be protected. Regulators need to encourage innovation while ensuring that financial stability, consumer protection and data privacy are not compromised.

Open banking therefore presents Nigeria with an opportunity to build a financial system that is more connected, competitive and customer focused. But technology alone will not deliver that future. The real opportunity lies at the[i] intersection of technology, regulation, data and trust.

For Nigerian fintechs, open banking may be the infrastructure that enables the next generation of financial innovation. The question is no longer whether financial services will become more connected. It is whether Nigeria can build the legal, technological and institutional framework necessary to make that connected future safe, inclusive and commercially sustainable.

End Notes

1.Central Bank of Nigeria, Regulatory Framework for Open Banking in Nigeria (2021).
2.Davidson Oturu, 'Open Banking in Nigeria and Emerging Opportunities for Fintechs and Financial Institutions' (Proshare, 27 February 2021).
3.Standard Bank CIB, Blue Space, Episode Six.
4.Temenos, Technology Trends Redefining Banking (2026).

1
2