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CBN APPROVES LAUNCH OF OPEN BANKING IN NIGERIA, EFFECTIVE FROM AUGUST 2025

Introduction

In April 2025, the Central Bank of Nigeria (CBN) officially approved the launch and implementation of open banking beginning in August. This approval comes 4 years after the CBN first introduced the Regulatory Framework for Open Banking in Nigeria in February 2021 ("the Framework") and two years after the CBN issued the Operational Guidelines for Open Banking in March 2023 ("the Guidelines").

This pioneering move makes Nigeria the first African country to adopt open banking, marking a significant milestone in the evolution of Nigerian's financial sector.

What is Opening Banking?

Open banking is a banking system that allows customers to authorize regulated financial institutions to access their personal financial data, including account balances, transaction histories, and spending patterns through standardized Application Programming Interfaces (APIs). This system recognises customers as rightful owners of their financial data and grants them the right to authorise service providers to access this data for tailored financial services and products. Open Banking promotes financial transparency, foster innovation, and improve customer experience by enabling seamless and secure data sharing across banks and other financial institutions.

Key Aspects of Open Banking in Nigeria

- **Customer Ownership, Control and Consent:** Customers retain full ownership and control over their financial data and can grant, monitor and revoke access at any time, ensuring privacy and data security.
- **Standardized API Usage:** All participating financial institutions in the open banking ecosystem must use the standardized CBN-specified API to facilitate secure and consistent data sharing, promoting interoperability across the banking ecosystem.

- Central Registry and Authentication: A central registry called the Open Banking Registry (OBR) is established pursuant to the Guidelines to provide regulatory oversight over all participants in the open banking ecosystem, ensuring that only licensed institutions can access customer data.
- Independent Oversight Committees: In response to industry concerns about centralizing control of the open banking ecosystem under the Nigerian Interbank Settlement System (NIBSS), the CBN has established independent oversight committees comprising financial experts to ensure effective implementation and governance of open banking, without direct CBN control.
- Data Categorization and Access Control: The Framework categorizes data into four categories - Product Information and Service Touchpoints (PIST), Market Insight Transactions (MIT), Personal Information and Financial Transaction (PIFT), and Profile, Analytics, and Scoring Transaction (PAST).

Opportunities for Financial Institutions and Service Providers

The rollout of open banking in Nigeria presents significant opportunities for financial institutions and service providers. First, it offers a path to expanding the credit market. Since many banks and non-bank financial service providers will have access to more robust and comprehensive financial data, they are able to make better-informed credit assessments and credit decisions.

Also, financial institutions will be encouraged and able to develop more personalized financial products and services that better meet the unique needs of each customer, by analyzing customer spending patterns, income flows, and financial behavior, service providers can offer tailored solutions.

Finally open banking will also create an innovative and competitive financial environment in Nigeria. By lowering the barriers to entry for non-bank financial service providers such as FinTechs and encouraging collaboration across the financial ecosystem, open banking will drive banks and even non-bank financial service providers to develop products and services that are tailored to the unique financial needs of their customers.

Implications for Customers of Banking Services

For customers, open banking promises greater control, choice, and convenience in financial service delivery. Customers will be able to authorize and revoke access to their

financial data, compare service offerings more easily, and benefit from more customized and competitively priced products.

Conclusion

The approval and upcoming launch of open banking marks a transformative milestone in Nigeria's financial services sector. As implementation approaches, stakeholders, particularly financial institutions and service providers must to review their systems, assess compliance obligations, and strategically position themselves to leverage the opportunities presented by open banking.

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