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# OPEN BANKING IN NIGERIA: THE LEGAL FRAMEWORK AND PRACTICAL IMPLICATIONS

## INTRODUCTION

In February 2021, the Central Bank of Nigeria (CBN) released the “Regulatory Framework for Open Banking in Nigeria,” (“the Framework”)<sup>1</sup>. The Framework was followed by the “Operational Guidelines for Open Banking in Nigeria” (the Guidelines)<sup>2</sup> released by the CBN in March 2023, over two years after<sup>3</sup>.

Despite these developments, the momentum around the adoption of open banking began to slow down after 2023. However, the April 2025 announcement<sup>4</sup> by the CBN that open banking would officially launch by August 2025 has reignited interest and enthusiasm across various industries.

This article explores the concept of open banking, its regulatory framework, and the benefits and risks associated with its implementation in Nigeria.

## THE CONCEPT OF OPEN BANKING

Open banking is a banking approach that gives third-party financial service providers access to customer data with the customer’s explicit consent. The system works by integrating Application Programming Interfaces (APIs), which gives the third-party service providers access to customer data from conventional banking systems<sup>5</sup>. An API is a set of rules or protocols that enables software applications to communicate with each other to exchange data, features and functionality. This data-sharing ecosystem enhances the development of tailored financial products and services, and it promotes convenience, competition, and access to credit. This allows customers to benefit from a broad system of fintech services built around their data rather than relying on a single bank’s limited digital services. Such services include personal finance and budgeting

<sup>1</sup> Central Bank of Nigeria, *Regulatory Framework for Open Banking in Nigeria* (2021)

<sup>2</sup> Central Bank of Nigeria, *Operational Guidelines for Open Banking in Nigeria* (2023)

<sup>3</sup> Damilola Aina, ‘CBN Issues Guidelines on Open Banking’ (*Punchng.com*, 9 March 2023) <<https://punchng.com/cbn-issues-guidelines-on-open-banking/>> accessed 22 July 2025

<sup>4</sup> M Oladunmade, ‘Nigeria’s Open Banking to Launch in August After Four-Year Wait’ (*Techcabal’s Website*, 29 April 2025) <<https://techcabal.com/2025/04/29/cbn-launches-open-banking/>> accessed 24 July 2025

<sup>5</sup> What is Open Banking and How Does it Work? (*Stripe.com*, 21 April 2025) <<https://stripe.com/resources/more/open-banking-explained>> accessed 22 July 2025.

tools, credit scoring and alternative lending, smart payments and check our solutions and buy now, pay later (BNPL) services.

The CBN's Operational Guidelines for Open Banking in Nigeria categorises the parties involved in open banking into API Providers (such as commercial banks or fintechs acting as data holders), API Consumers (such as fintech apps, and credit scoring platforms), and Customers<sup>6</sup>. An API Provider (AP) is an entity that holds customer data or can perform banking transactions, and exposes APIs for authorized third parties to access with the customer's consent. An API Consumer (AC) on the other hand is an entity that uses APIs provided by an API Provider (AP) to access customer data or perform financial services after obtaining customer consent. Lastly, a Customer is the individual who owns the data and must provide permission for it to be released in order for such data to be used for financial services.

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## REGULATORY FRAMEWORK FOR OPEN BANKING IN NIGERIA

The regulatory framework for open banking in Nigeria is structured around two pivotal documents issued by the Central Bank of Nigeria (CBN), which are the Regulatory Framework for Open Banking in Nigeria (2021) (the "Framework") and the Operational Guidelines for Open Banking in

Nigeria (2023) (the "Guidelines"). The Framework established broad principles and enabling rules for open banking in Nigeria and introduced open banking as a policy mechanism aimed at enhancing financial innovation, promoting competition, and increasing financial inclusion through the secure and consent-based exchange of customer financial data between banks and licensed third-party providers. It further mandates the use of standardised APIs for the transmission of data, ensuring security and regulatory oversight<sup>7</sup>. The Framework also explicitly requires all data handlers to comply with applicable privacy legislation, particularly the Nigeria Data Protection Regulation (NDPR) 2019 (which was the privacy legislation in force at the time).

To give practical effect to the Framework, CBN issued the Guidelines in March 2023. These Guidelines provide detailed procedural rules on participation, API architecture, data classification, customer consent, and dispute resolution. A significant feature

<sup>6</sup>Guidelines, para 4.1

<sup>7</sup>Framework, para 4.1

introduced by the Guidelines is the Open Banking Registry (OBR), which is to be maintained by CBN and will contain up to date information on all registered stakeholders in the ecosystem<sup>8</sup>. Registration with the OBR is mandatory for all APs and ACs, and entities must use their Corporate Affairs Commission (CAC) registration number as a unique identifier.

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The Guidelines also obligate stakeholders to implement security frameworks aligned with international standards and maintain sound corporate governance cultures.

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The Guidelines further establish technical requirements, mandating the use of secure API standards. These standards are aimed at fostering a technologically consistent and secure environment for data sharing.

The Guidelines also reinforce Customer protection through robust consent management provisions. Customers must give prior, informed, and explicit consent before any data is shared<sup>9</sup>. The guidelines lay out what details a bank or data provider must show a customer before asking for their permission to share data. If they do not present that information properly, the customer's consent does not count as valid. Participants are also required to maintain audit trails and records of consent in a manner that ensures transparency and accountability. These measures support the broader principles of data minimisation, purpose limitation, and individual autonomy as enshrined in the NDPR.

The Guidelines also obligate stakeholders to implement security frameworks aligned with international standards and maintain sound corporate governance cultures.<sup>10</sup> Participants must conduct regular vulnerability assessments, penetration tests, and incident response drills, while also maintaining up-to-date business continuity and disaster recovery plans. Additionally, all transmitted data must be encrypted, access controls enforced, and periodic security audits conducted. These measures aim to mitigate the increased cybersecurity risks posed by the expanded data-sharing environment of open banking.

In addition to the documents released by the CBN, the Nigeria Data Protection Act 2023 (NDPA) also forms a crucial legal backbone for the adoption of open banking. The Act codifies the rights of data subjects and the obligations of data controllers and processors, aligning with the customer-centric and consent-necessitated design of open banking.

<sup>8</sup>Guidelines, para 6.0

<sup>9</sup>Guidelines, para 11

<sup>10</sup>Guidelines, appendix II

The Act provides that consent must be expressly, freely and unambiguously given, mirroring CBN's requirement that customers must approve the type, purpose, and duration of data sharing<sup>11</sup>. Also, sections 24 and 27 impose duties on Data Controllers and Data Processors to adopt measures ensuring data accuracy and limited retention, all of which are operationally important in an open banking environment<sup>12</sup>.

Furthermore, the data security provisions of the NDPA require participants to implement safeguards against data breaches and, where breaches occur, to notify both the Nigeria Data Protection Commission (NDPC) and affected individuals<sup>13</sup>.

These obligations align with CBN's requirement for incident response protocols and disaster recovery plans. Finally, the rights granted to data subjects under the NDPA require APs and ACs to offer transparent, user-friendly tools for customers to manage their data, reinforcing both accountability and trust<sup>14</sup>.

## IMPLICATIONS OF THE IMPLEMENTATION OF OPEN BANKING

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The most critical implication of open banking is the handling of sensitive financial data. In line with Nigerian data protection laws and regulations, third party access to a customer's information must comply with strict standards on consent, data storage, processing, and breach notification. APs and ACs may face liability for unauthorised access, inadequate safeguards, or failure to comply with data subject rights.

Open banking also enables real time access to transaction history as well as income and spending patterns, creating alternative ways to assess a customer's creditworthiness. This has huge implications for **lending** and **Small and Medium Enterprise (SME) financing**.

## CHALLENGES SURROUNDING OPEN BANKING

While open banking promises significant benefits, its implementation in Nigeria is not without challenges, some of which are addressed below:

<sup>11</sup>NDPA, s 26

<sup>12</sup>NDPA, ss 24; 27

<sup>13</sup>NDPA, ss 39 - 40

<sup>14</sup>NDPA, ss 34 - 38



1. **Data Privacy and Protection:** One of the most pressing concerns is data privacy and protection. Open banking relies on the seamless sharing of sensitive financial data across institutions, which raises legitimate fears about unauthorised access, data breaches, and potential misuse. Although the Nigeria Data Protection Act (NDPA) provides a legal framework for safeguarding personal data, enforcement is inconsistent and many emerging fintechs lack the capacity to implement robust data governance structures.
2. **Cybersecurity Threats:** The expansion of digital interfaces and APIs inherently increases the attack surface for malicious individuals. Since it is not a level playing field, disparities in technical expertise and infrastructure between large banks and emerging fintechs open the entire open banking system up to vulnerabilities. A single weak link in the open banking chain could compromise customer trust and the integrity of the entire ecosystem.
3. **Digital Illiteracy:** Open banking is still a new concept in Nigeria, thus customer awareness and trust may be challenging. Many customers are unfamiliar with how their data is used or what rights they have. Without proper education and transparency, customers may be reluctant to grant consent for data sharing or may do so without fully understanding the implications. The low digital literacy levels and prevalent fraud in the banking system also aggravate this challenge.
4. **Technical and Infrastructural Constraints:** The success of open banking depends on reliable internet connectivity, modern IT infrastructure, and interoperable systems, all of which remain uneven across Nigeria. These limitations can delay implementation timelines and create a two-tier ecosystem where only well-resourced players can fully participate. This undermines the inclusive objectives of open banking.
5. **Regulatory Coordination and Compliance:** Open banking operates at the intersection of multiple regulatory domains, including banking, data protection, cybersecurity, competition and customer protection. The lack of harmonisation between these legal regimes can lead to uncertainty, conflicting obligations, and regulatory lapses. While the CBN has made commendable efforts by issuing the Framework and Guidelines, collaboration with other regulatory bodies such as the National Information Technology Development Agency (NITDA) and the Nigerian Communications Commission (NCC) is essential to ensure coherent and comprehensive oversight.

## CONCLUSION

As Nigeria moves towards a cashless and more digital economy, open banking holds immense promise. It is poised to support micro-lending, credit scoring for informal workers, and enhance access to investment and insurance products. By enabling secure data sharing, it can drive innovation, increase competition, and improve access to financial services for millions of Nigerians. However, its success depends on robust regulation, strong customer protection, and active collaboration between banks, fintechs, and regulators. As the framework continues to evolve, legal practitioners, regulators, and industry stakeholders must pay close attention to the balance between innovation and risk, ensuring that the benefits of open banking are realised without compromising the security and rights of the customer.

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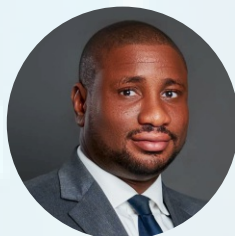
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