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THE REGULATORY FRAMEWORK FOR THE OPERATION OF OTHER FINANCIAL INSTITUTIONS (OFIS) IN NIGERIA

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On 13 November 2020, the Banks and other Financial Institutions Act (2020) (“**BOFIA**” or “**the Act**”) was signed into law by President Muhammadu Buhari. The Act repealed the extant BOFIA (1991), and now constitutes the primary legislation that regulates the operations of entities defined as “Other Financial Institutions” (**OFls**) under the Act.

Section 57(2) of the Act defines the business of OFIs to include: *“the business of a discount house; bureau de change; credit bureau; finance company or money brokerage; International Money Transfer Services; mortgage refinance company; mortgage guarantee company; credit guarantee; financial holding company or payment service providers; and businesses whose objects include factoring, project financing, equipment leasing, debt administration, private ledger services, investment management, local purchases order financing, export finance, and such other business as the Bank may, from time to time, designate regardless of whether such businesses are conducted digitally, virtually or electronically only.”*

This provision makes up for the gaps in the extant Act which constrained the Central Bank of Nigeria (“**CBN**”) to regulate financial service providers deemed to be OFIs through sporadic guidelines, thereby posing a legal risk to these institutions and stifling growth and innovation. By this repeal, the Act defines key players in the financial services industry (including Fintech companies) which come under its purview, and effectively expands the scope of the CBN’s licensing and supervisory powers over these specialised institutions.
