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OPEN BANKING: NIGERIA'S BOLD STEP TOWARDS AFRICAN FINANCIAL INNOVATION



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Two years following the release of the CBN's operational guidelines on the Open Banking Initiative, Nigeria becomes the first African country to implement the policy. Set to launch on August 1, 2025, this initiative breaks down traditional banking silos and enables seamless data sharing between banks, fintech firms, and other licensed financial service providers.

With the Central Bank of Nigeria's (CBN) approval, users can consent to having their financial data (including account balances, transaction histories, and spending patterns) accessed by financial institutions, and may even authorize transactions carried out on their behalf. Open banking technology operates through secure application programming interfaces (APIs) that allow authorized third-party providers (TPPs), such as fintech firms and financial institutions, to access a customer's financial data, with explicit consent, directly from their bank. These APIs facilitate real-time data sharing, enabling TPPs to offer personalized services like account aggregation, seamless payments, and credit scoring without requiring customers to manually share login credentials.

Nigeria's open banking policy will be overseen by an independent committee of bankers and employees of financial institutions, without any interference from the CBN. Only CBN-licensed and supervised entities will have access to this data, provided they deploy strong encryption and authentication protocols to protect against unauthorized use. Customers, through a Consent Management Framework tied to customers' Bank Verification Numbers (BVNs), will retain full control over which third parties can access their data, for what purpose, and for how long, with the power to revoke access at any time. This system fosters interoperability in innovation while ensuring security and the primacy of user consent to data-sharing.

A more interconnected financial system will stimulate innovation in the fintech space; Companies can now leverage shared data to develop tailored solutions for payments, lending, and wealth/asset management. This would, in turn, enhance credit accessibility, as lending fintechs gain better insights (gleaned from borrowers' financial data) into financial behaviors to determine creditworthiness and create a credit score for borrowers. All of these lessen the reliance on collateral-based lending, which aligns with the CBN's cashless policy of digital transactions and avoiding informal financial practices. For customers, open banking offers greater control over their financial data, enabling them to share it securely with preferred TPPs for personalized services. However, this also necessitates heightened financial literacy to ensure users understand their rights and the risks involved in data sharing.

This policy marks a transformative milestone for the nation's financial landscape. As the first African country to embrace this initiative, Nigeria is positioning itself as a leader in digital finance. While the policy presents immense opportunities for economic growth, innovation, and inclusion, its success hinges on effective regulation, industry collaboration, and a reinforced data privacy framework.
