

REVOLUTIONIZING FINANCIAL SERVICES: THE FULL ROLLOUT OF OPEN BANKING IN NIGERIA



INTRODUCTION

Nigeria stands on the precipice of a transformative shift in its financial landscape with the full rollout of Open Banking scheduled for August 2025. At its core, Open Banking represents a paradigm shift toward customer-centric finance, enabling the secure sharing of customer-permitted financial data, such as account balances, transaction histories, and payment initiation capabilities, between banks and accredited Third-Party Providers ("**TPPs**"). This model operates on the principle of consent-driven data portability, empowering customers to leverage their financial information for personalized services while retaining control over its usage.

The innovative approach is primarily enabled by Application Programming Interfaces ("**APIs**"), which act as secure conduits for data exchange. The Central Bank of Nigeria (CBN), acting under its mandate to ensure financial system stability and deepen inclusion, spearheads this initiative through the CBN Regulatory Framework for Open Banking released in 2021 and the Operational Guidelines for Open Banking in Nigeria, issued in March 2023. This newsletter article will delve into the intricacies of this pivotal development, exploring its foundational concepts, the framework guiding its implementation, and the profound implications for financial institutions, FinTech companies, and consumers across Nigeria.

UNDERSTANDING THE OPEN BANKING FRAMEWORK FOR FINANCIAL SERVICES

Open Banking in Nigeria hinges on two pillars: secure data sharing and standardized interoperability. Under the CBN's framework, customers grant explicit consent for their data such as biodata, account details, and transaction histories, to be shared via APIs between API Providers (usually banks) and API Consumers such as FinTechs, retailers, or service bureaus.

The implementation of Open Banking is poised to deliver a multitude of benefits across the financial sector.

Key Benefits of Open Banking



Enhanced Financial Inclusion

- Leverages transaction data to assess creditworthiness.
- Opens access to loans, savings, and tailored products for underserved populations.



Boosts FinTech Innovation & Competition

- Standard APIs simplify integration.
- Empowers startups to build budgeting, investment, and payment tools.
- Spurs innovation across financial services.



Greater Consumer Control over Data

- Users control what data is shared, with whom, and why.
- Promotes transparency and trust.
- Helps users access better deals and manage money efficiently.



Improved Customer Experience

- View multiple accounts in one app.
- Faster loan applications and direct payments.
- Seamless, personalized financial services.



KEY HIGHLIGHTS OF THE FULL ROLLOUT IN AUGUST 2025

This significant development is built upon several key pillars designed to ensure a secure, interoperable, and customer-centric financial landscape.

1

Mandatory Data Sharing Requirements

- All banks must provide API-based access to customer-approved data.
- Standardization ensures smooth interoperability

2

Improved Regulatory & Security Standards

- High cybersecurity standards.
- Explicit customer consent required before data sharing

3

Oversight and Governance

- CBN to monitor compliance and issue directives.
- Independent committees will ensure fairness and transparency

4

Scope of Services and Participants

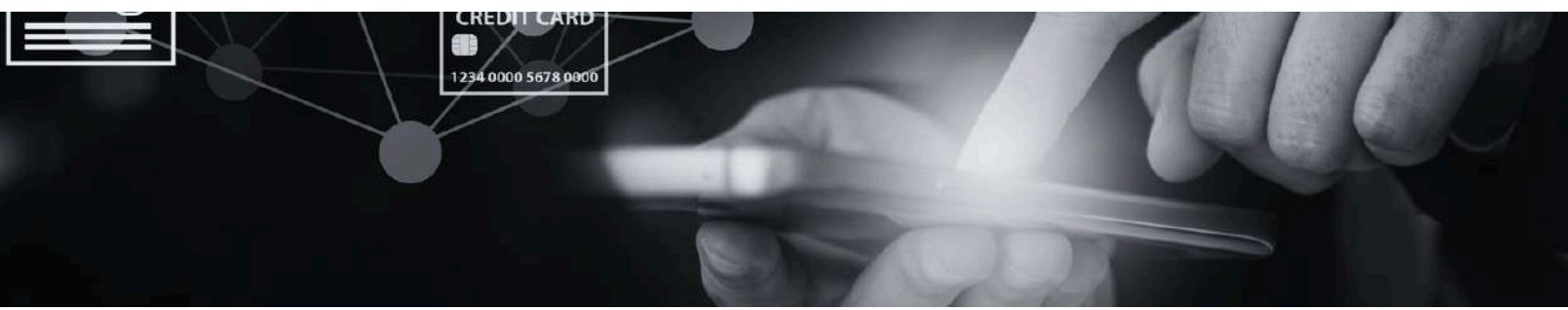
- Covers accounts, payments, credit, investments, and more.
- Includes banks, microfinance institutions, and licensed FinTechs.



IMPLICATIONS OF THE ROLLOUT ON FINANCIAL INSTITUTIONS AND BUSINESSES

The full rollout of Open Banking in Nigeria carries significant and multifaceted implications for both established financial institutions and FinTech businesses, necessitating strategic adjustments and a keen focus on compliance across the board. These implications extend beyond mere technical and regulatory adjustments to encompass broader operational, strategic, and societal engagement.

- **Increased Operational Costs for Banks:** A significant implication for traditional banks is the potential increase in due to mandatory API integration, IT infrastructure upgrades, and enhanced cybersecurity measures required for Open Banking compliance.
- **Streamlined Data Access for FinTechs:** FinTech companies will significantly benefit from easier and faster access to customer-permitted financial data via standardized APIs, fostering rapid innovation in new products and services.
- **Increased Focus on Compliance and Risk Management:** All participants must ensure strict adherence to data privacy laws and robust cybersecurity protocols, meticulously implementing CBN's framework and guidelines to prevent breaches and avoid penalties.
- **Extensive Operational Adjustments:** Both banks and FinTechs will need to re-evaluate and adapt their business models, processes, and organizational structures to effectively leverage Open Banking opportunities and ensure seamless integration and service delivery.
- **Requirement for Multi-Channel Accessibility:** Businesses must ensure services are accessible across diverse gadgets, exploring solutions like USSD and agent-assisted models to serve citizens without advanced internet-enabled devices.
- **Consideration for Data Affordability:** Operators need to minimize data consumption for Open Banking applications and explore options like zero-rated access to address the cost of mobile data for low-income individuals.
- **Priority on User-Friendly Design:** There is an imperative to create intuitively designed applications with clear navigation, simple language, and robust error handling to ensure ease of use for all citizens.
- **Development of Robust Customer Support:** Financial institutions and FinTechs must ensure there exists an accessible and comprehensive customer support and grievance redressal mechanisms across multiple channels, including local languages, to assist users effectively.



OUTLOOK AND RECOMMENDATION

The impending full rollout of Open Banking in Nigeria represents a transformative moment for the nation's financial sector. This strategic move by the Central Bank of Nigeria is not merely a regulatory update but a fundamental shift designed to create a more dynamic, efficient, and inclusive financial ecosystem. By enabling secure and consented data sharing, Open Banking is poised to unlock unprecedented opportunities for innovation, foster healthy competition among financial service providers, and significantly advance the goals of financial inclusion across the country. It promises a future where financial services are more personalized, accessible, and responsive to the evolving needs of consumers and businesses.

Given this profound transformation, it is imperative for all participants in the financial sector to ensure strict adherence to the Central Bank of Nigeria's guidelines and security standards. Compliance is not just a regulatory obligation; it is foundational to building trust within the Open Banking framework and ensuring the integrity and security of financial data. Financial institutions and FinTech companies must prioritize investments in robust cybersecurity measures, data protection protocols, and transparent consent management systems to safeguard sensitive customer information. Proactive engagement with these standards will be crucial for sustainable success and for contributing to a secure Open Banking environment.



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