

# The Architecture of Digital Sovereignty: Unfurling the Legal Applicability of Blockchain transactions in FinTech Regulations within the Nigerian Digital Marketplace: *A Motion Test*

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*Abstract — This discourse seeks to carefully appraise the legal ramifications of the "blockchain insurgency" within the Nigerian digital commerce set up, with particular emphasis on the efforts in fine-tuning the best regulatory framework as it applies to digital currencies in FinTech sector in the last decade. This also includes identifying the attendant impact on the usual way of doing business within the Nigerian digital marketplace. The Nigerian financial market has transitioned in its approach to blockchain transactions, with emphasis in this discourse on digital currencies, from a period of regulatory skepticism and outright prohibitions in the early part of the last decade, to one of structured engagement and deliberate brainstorming for progressive legal and policy development. This shift is codified primarily through the innovations drafted into the Investments and Securities Act (ISA) 2025 and the SEC Rules on Issuance, Offering Platforms, and Custody of Digital Assets.*

## I. THE PERISCOPE

The trajectory of the prevalence and applicability of blockchain and crypto currency transactions in Nigeria since the lifting of the ban in 2023 has been one gigantic step after the other in a decisive forward march motion. The impact of this advancement in Nigerian economy is thus the subject of the discourse in this article. This is tagged as the Motion Test of blockchain transactions in bringing about digital autonomy and implementing a new ease of doing business in Nigerian evolving digital space.

By applying the "Motion Test"—a novel analytical framework is necessary to stream across legal jurisdictional and practical operational classification. To this end, we reflectively contend for a vibrant transition from reactive prohibition to a more proactive, code-integrated regulatory approach, thereby judiciously exploring the metaphysics of digital trust, the evidentiary hurdles of distributed ledgers, and the commercialization of digital assets

and currencies as the threshold of a new economic era.

The Nigerian financial marketplace, historically characterized by a rigid adherence to centralized oversight of the Central Bank and allied institutions, has been profoundly unsettled by the rise of independent digital currency realities. This decade has witnessed a digital reformation that is as much an intellectual challenge as it is a fiscal one. The "Ambit of Reach" is further expressed by the dynamic definition of a "Digital Asset" as a digital representation of value that can be digitally traded, exchanged or transferred as a veritable instrument for payment for value or investment purposes as a form of digital security.

By Section 1 of the Securities and Exchange Commission (SEC) Act 2025, the Commission asserts a broadened jurisdictional oversight over all issuers of digital assets and high tech financial instruments within Nigeria or those targeting Nigerian residents. Likewise, Section 30 of the Money Laundering (Prevention and Prohibition) Act 2022 (MLPA), has formally expanded the frontiers of the definition of funds to include "Virtual Assets," and "digital representation of value" thereby inculcating them into the regulatory framework of the Special Control Unit Against Money Laundering (SCUML).

## II. THE AFRICAN EXPERIMENT

African economies, with Nigeria as the primary theater, have navigated a period where the velocity of technological innovation consistently outpaced the deliberate cadence of legislative intervention. The core of this crisis was not merely a regulatory deficit, but a fundamental ontological question: how does the

state define "value" when it is no longer tethered to physical bullion or sovereign fiat such as legal tenders, but exists as a decentralized cryptographic sequence? This insurgence represents a seismic shift from institutional trust to algorithmic consensus, requiring a radical reappraisal of the legal ambit that governs modern commerce.

In response to this fluidity, we propose this "*Motion Test*"—a critical legal lens through which the fluidal interconnected block of chained transactions interacts and metamorphose autonomously thereby creating value by way of digital assets and morphing same into newer transactional blocks in adaptation to the created transactions from the erstwhile existing block in a continuous chain reaction. Hence, in due consideration of the independent systems of blockchain transactions, can the movement of digital assets then be systematically categorized and governed within the sphere of our rudimentary financial reportage and compliance set up? This is indeed very doubtful all things considered. In fact, within the FinTech industry, blockchain is the bedrock for decentralized finance (DeFi), yet its legal ramifications remain fragmented.

### III. THE MOTION TEST

As earlier foreshadowed, this Motion Test is a scrutiny of the adaptation of digital assets and currencies within the scope of the Nigerian economy. Motion Test evaluates whether a digital asset behaves as a commodity, a security, or a payment instrument. If an asset moves like a security, it falls under the stringent custody rules of the Securities and Exchange Commission (SEC); if it functions as a medium of exchange, it enters the orbit of the Central Bank. To better elucidate on this spectrum of the discourse, The "Motion Test" functions as a tri-partite filter to determine which regulatory regime is equipped and prepared to monitor, evaluate and assess a specific digital manifestation:

The Securities Motion: Where a digital asset is determined to be an "investment contract", applying the principle often mirrored from the United States Supreme Court *Howey Test* but implemented and municipally provided for in Rule 4.0 of the SEC Digital Asset Rules to the effect that the issuer must file an initial assessment and Rule 5 which then proceeds to mandate the registration for any asset deemed a security. This classification effectively

subjects the Assets to the disclosure requirements of the ISA 2025, ensuring that "independent currencies" are not utilised as veils for unregulated public offers.

The Payment Motion (The CBN Guideline): While the Central Bank of Nigeria (CBN) initially prohibited bank-led crypto transactions in February 2021, the CBN Circular of December 2023 (FPR/DIR/PUB/CIR/002/003) effectively lifted this ban, as a matter of necessity in the light of the expanding use of digital currency around the world, thereby permitting banks to open settlement accounts for Virtual Asset Service Providers (VASPs). This motion is governed by the CBN Guidelines on Operations of Bank Accounts for VASPs, which requires strict adherence to Section 11 of the MLPA 2022 regarding Customer Due Diligence (CDD). The obvious attempt made by this section is to at least demystify the identity of customers utilizing these assets. These steps have brought about a diversity in the system of banking in Nigeria, expanding the frontiers to digital exchanges across banking operations and API integration for fintech concerns.

The Jurisdictional Motion: Following the principle in *Narayana v. S.C.C.N. Ltd* (2005) 15 NWLR (Pt. 949) 581 on the transition from territorial physical assets to extra-territorial digital assets within decentralized machineries and cascading same against the backdrop of the broader reach of the Federal High Court jurisdiction as provided for in Section 251 of the 1999 Constitution of the Federal Republic of Nigeria (As amended), the "situs" of a digital transaction is increasingly viewed through the lens of the "Target Market" rule rather than territorial jurisdiction. However, where the "motion" of value impacts a Nigerian resident, Nigerian law attaches as a matter of course. The current legal struggle is finding the "Metaphysical Threshold" where these digital motions translate into enforceable property rights but on a municipal and a global space. As we witness the industrialization of leisure through the tokenization of sporting assets, the law must bridge the gap between digital "possession" via private keys and the judicial requirement for "control" cannot be over-emphasized.

### IV. EVIDENTIARY ADMISSIBILITY: FROM CODE TO COURTROOM

The most significant hurdle in blockchain litigation is the translation of immutable ledgers into admissible evidence. Section 84 of the Evidence Act 2011 (as amended in 2023) is the irrefutable gatekeeper. In

*Kubor v. Dickson (2014) 4 NWLR (Pt. 1345) 534*, the Supreme Court emphasized that computer-generated evidence must strictly comply with the conditions of Section 84(2). For blockchain records, this requires a witness to testify that the distributed network was operating properly and that the data was generated in the ordinary course of business.

The 2023 Amendment: The Evidence (Amendment) Act 2023 further expanded the definition of a "document" and "computer," ostensibly making room for smart contracts and hash-based records. However, practitioners must be wary of the decision in *Omisore v. Aregbesola (2015) 15 NWLR (Pt. 1482) 205*, which cautions that the mere tendering of an electronic record does not equate to the proof of its contents. The person who is producing the document in evidence, must then be ready to speak to its credibility and operational framework, which may inevitably prove herculean for most witnesses under cross-examination when it comes to testing the immutability of records gleaned from blockchain ledgers as it then becomes a question of how does a Nigerian judge admit a transaction hash as "original" when there is no central registrar due to the fact that it is a product of "Decentralized Authenticity"?

#### V. THE REGULATORY FIREWALL: COMPLIANCE AS AN ETHICAL MAXIM

To facilitate these transactions while mitigating systemic risk, Nigeria has begun implementing regulatory "firewalls" by way of sophisticated systems designed to tether the ethereal veins of blockchain transactional mobility to the bedrock of our municipal laws. The implementation of Virtual Asset Service Provider (VASP) registrations and strict Anti-Money Laundering (AML) protocols signifies a viable attempt to localize responsibility within a decentralized ecosystem. However, this creates a paradox: the state is attempting to centralize a fundamentally decentralized system.

To this end, FinTech entities must navigate the "Firewall" posed by the MLPA 2022, the tenacious oversight of the SEC Rules along with other legislative and judicial rules. Equally, as a checkmate to fraud, Section 44 of the Cybercrimes (Prohibition, Prevention, etc.) Act (as amended in 2024), provides for the forfeiture of assets reasonably suspected to be proceeds of cyber-enabled fraud. The Supreme Court in *Jonathan v. FRN (2019)* upheld the legality of

interim forfeiture orders *in rem*, a principle now being applied avidly to digital wallets and crypto-exchange holdings.

The legal ramifications of the above are significant, particularly concerning the notion of "coming to Equity with Clean Hands" of smart contracts. Thus, where a self-executing code results in an inequitable outcome, the legal practitioner must determine whether to rectify the algorithm or uphold the "code as law." Rather than psyching the machine as a mind layer in such contracts, a viable integrated system is required as a reliable interface. This necessitates an evolution in our Law of Evidence, ensuring that distributed ledger data is recognized as primary evidence in commercial disputes.

Furthermore, the regulation of blockchain in FinTech must address the "insurgence" of private currencies without stifling the "revolution" of efficiency. The National Information Technology Development Agency has made room along these lines for a National Blockchain Policy. Their role is to ensure "Interoperability" securing blockchain systems seamless exchange of data within a safe connected mechanism. The existing systems are often reactive, responding to market volatility rather than shaping it. A robust intellectual solution involves a move toward "Innovative Sovereignty"—a proactive technical and jurisprudential philosophy where the Nigerian legal regime in its dynamics resonates with the blockchain code creating a mutually beneficial symbiotic loop. The law operates to provide the ethical boundaries contractual backgrounds, while the technology provides the immutable execution.

#### VI. PROFFERING THE "INNOVATIVE SOVEREIGNTY" SOLUTION

The fiscal reality in our present Fintech Ecosystem yet sets the pace for an attempt at re-settling an "unsettled" reality, which thus readily poses the query, with the prevailing arrangements and all the requisite rules and behavioral distinction, heralding the move toward "Code-Integrated Regulation." The viability of these workable tendencies of integrated regulations in realities are as follows:

Statutory Clarity: The ISA 2025 should be further supplemented by a "Digital Assets Recognition Act" to resolve the ambiguity between possession and legal ownership of private keys.

**Judicial Specialization:** The establishment of a specialized "Digital Commercial Division" within the Federal High Court to handle complex blockchain disputes, mirroring the speed of the "Motion Test."

**Inter-Agency Symbiosis:** It is essential that to attain a more integral system of digital asset proficiency, the Ambit of Reach of blockchain operations is advisably to be regulated mutually by all relevant stakeholder regulators in a synchronized approach. This suggests that it would be of more operational value where the SEC's broad jurisdiction under ISA 2025 interacts cogently with the CBN's oversight mechanism governing "Electronic Money" thereby creating inter-sectional regulatory unified result and preventing any cases of regulatory "clashes" in digital transactions.

**Fiduciary Realignment:** Legal Practitioners specializing in Tech laws and other CMOs must adopt blockchain-based auditing tools to satisfy the transparency requirements of the Copyright Act 2022 and the MLPA 2022 amongst others.

Without these alignment and proposed steps, the commercialization of digital assets remains a shadow economy. The goal is to create a secure environment where digital value is not just transacted, but legally anchored, providing a blueprint for African economic leadership in the 21<sup>st</sup> century.

## VII. CONCLUSION

The path forward requires a transition from managing an insurgence to architecting a new legal reality. The "Motion Test" should be adopted not just as an analytical tool, but as a statutory standard that provides clarity to innovators and protection to investors. By integrating blockchain insurgence into our legal machinery, addressing jurisdictional fluidity, characterization of assets, and evidentiary admissibility challenges, Nigeria ensures that the "Metaphysical Threshold" of its digital economy is not a void of lawlessness, but a bastion of Jurisprudential Resilience, ensuring that the Nigerian FinTech industry remains the premier global laboratory for regulated digital innovation.

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