ANTI-MONEY LAUNDERING COMPLIANCE IN NIGERIAN FINTECH STARTUPS: LEGAL FRAMEWORKS, GLOBAL STANDARDS, AND LOCAL CHALLENGES

Ikechukwu Chime & Orabueze, Chiamaka Ifeatu
Department of Property Law, Faculty of Law, University of Nigeria, Enugu Campus
Department of Commercial and Corporate Law, Faculty of Law, University of Nigeria, Enugu Campus
Email: ike.chime@unn.edu.ng | chiamaka.orabueze@unn.edu.ng

Abstract

This study **examined** the legal and institutional frameworks governing Anti-Money Laundering (AML) compliance among fintech startups in Nigeria, assessed the alignment of domestic laws with global standards, and analyzed the practical compliance challenges within the Nigerian context. The analysis showed that although Nigeria had enacted the Money Laundering (Prevention and Prohibition) Act, 2022 and other regulatory guidelines to include fintech startups in AML obligations, implementation remained uneven due to institutional fragmentation, regulatory ambiguities, and technological deficits. The study also revealed that compliance was hindered by high operational costs, weak enforcement capacity, limited access to digital compliance tools, and low internal expertise within many startups. A comparative analysis of Kenya and Singapore illustrated more integrated and supportive regulatory models, including Kenya's dual-agency oversight and fintech-specific guidelines, and Singapore's use of regulatory technology and adaptive frameworks. Drawing lessons from these jurisdictions, the study recommended clearer legal directives, improved inter-agency coordination, enhanced compliance support for startups, investment in digital KYC infrastructure, and the professionalization of judicial and enforcement processes. The study contributed to knowledge by highlighting the tensions between global AML expectations and local regulatory realities, and by proposing context-sensitive reforms that balance financial integrity with innovation. Overall, it concluded that for AML compliance to be effective in Nigeria's fintech sector, legal reforms must be accompanied by institutional strengthening, technological adaptation, and strategic stakeholder collaboration.

Keywords: Anti-Money Laundering (AML), fintech startups, regulatory compliance, Nigeria

Introduction

The rapid growth of financial technology in Nigeria has revolutionized access to financial services, enabling faster, cheaper, and more inclusive platforms for transactions and savings. Fintech startups have introduced innovative products such as mobile payment systems, digital wallets, blockchain services, and peer-to-peer lending that caters to previously underserved populations. While these innovations have expanded financial inclusion, they have also raised regulatory concerns, particularly in relation to money laundering and financial crimes. The use of anonymized technologies and limited know-your-customer controls in some fintech platforms creates opportunities for illicit financial flows, thereby challenging the integrity of the financial system. Money laundering, broadly understood as the process of disguising the proceeds of illegal activities to appear legitimate, has become increasingly sophisticated in the

digital age. The financial technology space, due to its speed and scale, presents a unique vulnerability to such illicit practices. According to Ogbonna, while fintech companies serve as catalysts for financial development, they often lack the institutional compliance infrastructure found in traditional banks, making them easier targets for money launderers.[1] This has prompted international financial regulators to tighten Anti-Money Laundering obligations across jurisdictions, emphasizing transparency, traceability, and due diligence for all financial service providers. For instance, in Nigeria, the situation presents a complex landscape. While the Central Bank of Nigeria, the Nigerian Financial Intelligence Unit, and other regulatory agencies have established frameworks to monitor suspicious transactions, compliance remains inconsistent. As observed by Nwankwo, the fragmented nature of regulatory oversight and the absence of tailored guidelines for fintech startups hinder the effective implementation of Anti-Money Laundering measures.[2] Moreover, the pressure to align with international compliance standards, such as those set by the Financial Action Task Force, continues to expose the regulatory gaps and infrastructural limitations within Nigeria's domestic financial ecosystem.

As the global financial ecosystem becomes increasingly interconnected, the importance of Anti-Money Laundering compliance has expanded beyond traditional banking institutions to include emerging sectors such as financial technology. In jurisdictions where regulatory systems are still evolving, fintech startups may inadvertently become conduits for illicit financial transactions if appropriate safeguards are not established. As highlighted by Adebayo, integrating effective Anti-Money Laundering mechanisms into the architecture of fintech platforms is essential to maintain market integrity and ensure investor confidence, particularly in developing economies.[3] Nigeria's integration into the global financial system has grown significantly in recent years, largely due to the rise of its fintech sector and increasing cross-border financial transactions. The country is seen as a regional leader in digital finance, with numerous startups attracting foreign investment and operating across multiple jurisdictions. However, this increased global exposure comes with heightened compliance expectations. As observed by Hassan, the internationalization of Nigerian fintech operations has placed pressure on domestic regulators to align with global standards, especially in light of the Financial Action Task Force's guidelines and mutual evaluation processes.[4] Given this context, this paper argues that Nigeria's current legal and policy frameworks for Anti-Money Laundering compliance in the fintech sector are insufficient to meet global expectations and safeguard the integrity of the financial system. The position advanced is that although Nigeria has adopted various laws and guidelines, fintech startups still face significant regulatory uncertainty, weak institutional support, and disproportionate compliance burdens. The argument is further made that unless these gaps are addressed through targeted legal reforms, practical support systems, and clearer policy direction, Nigeria

---

[1] K. A. Ogbonna, Fintech Innovation and Financial Crime: Legal Implications in Nigeria, Journal of Law, Technology and Development 6, no. 1 (2020): 55–70.

[2] C. J. Nwankwo, Regulating the Digital Finance Sector in Nigeria: Emerging Challenges in Anti-Money Laundering Enforcement, Nigerian Journal of Financial Regulation 7, no. 2 (2019): 88–104.

[3] R. O. Adebayo, Emerging Markets and Anti-Money Laundering Obligations: A Compliance Perspective on African Fintechs, African Journal of Banking and Finance Law 5, no. 1 (2021): 22–38

[4] T. M. Hassan, Global Integration and Regulatory Pressures: The Case of Nigerian Fintech and Anti-Money Laundering Standards, Journal of Comparative Financial Law 9, no. 2 (2022): 61–77.

risks undermining both its international commitments and the growth of its digital finance industry. This paper, therefore, calls for urgent attention to the structural and legal deficiencies that continue to frustrate effective Anti-Money Laundering compliance in Nigeria's fintech landscape.

Conceptual Clarifications

Money laundering remains a core threat to financial systems globally, particularly in emerging digital economies. It involves a series of financial operations used to disguise the illegal origins of funds and integrate them into the legal financial system. In the context of digital finance, money laundering tactics have become more complex and adaptable due to technological advancement. Uzochukwu defines money laundering as the concealment or disguise of the origins of illegally obtained money, typically through layers of financial transactions.[5] Adebayo describes it as the process of converting illicit funds into legitimate assets, often exploiting the gaps in emerging financial technologies.[6] Hassan asserted that with the emergence of digital currencies and mobile banking, money laundering has become more decentralized, making it difficult for regulators to detect.[4] Nwankwo emphasized that digital payment platforms, due to their anonymity and transaction speed, provide new channels for laundering criminal proceeds.[2] From this perspective, money laundering, when left unchecked in digital environments, weakens financial accountability and undermines investor confidence. It also distorts competition by allowing illicit actors to manipulate financial systems. Understanding this threat creates a basis for examining the mechanisms through which Anti-Money Laundering compliance is expected to respond to such risks. Anti-Money laundering compliance refers to the institutional and legal measures put in place to detect and prevent illicit financial activities within the financial sector. It involves processes such as customer verification, transaction monitoring, reporting obligations, and adherence to international standards. Ogbonna viewed AML compliance as the requirement for financial institutions to adopt preventive measures such as know-your-customer procedures, transaction reviews, and suspicious activity reports.[6] Oladimeji explained it as a comprehensive approach through which governments and private entities work to mitigate risks associated with financial crimes.[7] Ibrahim highlighted that AML compliance depends on robust regulatory enforcement, technical expertise, and institutional collaboration.[8] Okonkwo argued that weak implementation of AML guidelines in emerging economies makes such frameworks ineffective, particularly when financial innovations outpace legal reform.[9] AML compliance is thus a critical instrument for maintaining financial system integrity. Without effective compliance mechanisms, innovations in digital finance can be exploited for illicit purposes.

---

[5] B. S. C. Uzochukwu, Laundering Risks and Informal Finance in Sub-Saharan Africa, African Journal of Economic Security 4, no. 2 (2016): 91–108.

[6] K. A. Ogbonna, Strengthening Anti-Money Laundering Compliance in Africa's Financial Systems, Journal of Law, Finance and Security 6, no. 1 (2018): 55–70.

[7] L. A. Oladimeji, Regulatory Tools for Effective Anti-jMoney Laundering Enforcement in Nigeria, Nigerian Review of Financial Compliance 5, no. 2 (2020): 29–46.

[8] A. S. Ibrahim, Compliance Dynamics in Anti-Money Laundering Regulation: A Focus on Nigerian Financial Institutions, African Journal of Law and Development 10, no. 1 (2021): 52–67.

[9] I. C. Okonkwo, Fintech, Compliance, and Regulatory Adaptation in Nigeria: An Assessment, Journal of African Legal Studies and Technology 11, no. 1 (2023): 61–80.

This concept is directly linked to the operations of fintech startups, which must comply with evolving AML expectations to ensure legitimacy and public trust.

Fintech startups refer to technology-driven firms that deliver financial services through digital platforms. These startups are often credited with improving access to financial services, reducing costs, and fostering innovation in the financial sector. Ezeani defined fintech startups as agile, technology-based firms offering services such as digital payments, online lending, and automated wealth management.[10] Mordi stated that fintechs are non-traditional financial service providers leveraging technology to deliver customer-centered products.[11] Umeora saw fintech startups as engines of financial inclusion that operate beyond the constraints of conventional banking.[12] Ajayi identified their key features as flexibility, speed, and data-driven service delivery, but also notes the regulatory ambiguity in which many operate.[13] Fintech startups, while transformative, are increasingly exposed to regulatory scrutiny due to their potential to enable anonymous and untraceable transactions. This necessitates a strong AML compliance posture and targeted regulatory engagement, especially in countries like Nigeria where institutional frameworks remain underdeveloped. Consequently, the concepts of money laundering, AML compliance and fintech startups are deeply interconnected in the context of Nigeria's evolving financial sector. Money laundering represents the threat, AML compliance represents the institutional defense, and fintech startups represent both the innovation and the potential vulnerability in the system. The focus of this paper is to argue that Nigeria's current legal and institutional arrangements are inadequate to address the unique risks posed by fintech innovations, and that strengthening AML compliance must be approached with legal clarity, strategic planning, and contextual sensitivity.

Legal and Regulatory Frameworks Governing AML in Nigeria

The legal and regulatory environment governing Anti-Money Laundering (AML) compliance in Nigeria has progressively evolved, particularly in response to the vulnerabilities introduced by technological innovations in the financial sector. Fintech startups, as part of the rapidly expanding digital economy, now operate under a complex regulatory structure that integrates national laws with international compliance standards. This framework has expanded to include statutory laws, regulatory guidelines, and institutional oversight mechanisms aimed at safeguarding the financial system from illicit transactions.

The Money Laundering (Prevention and Prohibition) Act, 2022 serves as the principal legislation providing the legal basis for AML regulation in Nigeria. This Act repeals previous AML laws and significantly strengthens the scope of compliance obligations for all financial entities, including digital finance operators. It broadens the definition of financial institutions to encompass fintech startups, thereby placing them under the same compliance scrutiny as

[10] E. O. Ezeani, Fintech Startups and the Digital Transformation of African Finance, Journal of African Business and Innovation 4, no. 1 (2017): 33–49.

[11] F. A. Mordi, Institutional Frameworks and Digital Financial Innovation in Nigeria, Public Policy Review 10, no. 1 (2018): 45–59.

[12] C. U. Umeora, Legal Innovations and Digital Finance: A Nigerian Perspective, Journal of Contemporary Law and Governance 7, no. 3 (2020): 22–39.

[13] S. T. Ajayi, Regulatory Ambiguity and Fintech Innovation in Nigeria: Challenges for Compliance, Nigerian Journal of Financial Technology Law 8, no. 2 (2022): 44–59.

conventional financial actors.[9] The law mandates the adoption of customer due diligence, record-keeping, transaction reporting, and the immediate reporting of suspicious activity to designated authorities. It also criminalizes non-compliance and establishes penalties for institutions that fail to implement adequate AML measures. Complementing the legislative foundation is the Central Bank of Nigeria's AML/CFT Guidelines, which function as a regulatory roadmap for implementing AML practices across all financial institutions. These Guidelines emphasize a risk-based approach to compliance and outline specific responsibilities such as Know Your Customer (KYC) procedures, Enhanced Due Diligence (EDD), and the identification of Politically Exposed Persons (PEPs).[8] The Guidelines also acknowledge the operational peculiarities of fintech platforms including remote onboarding and algorithmic transactions and recommend the adoption of real-time monitoring tools and automated risk scoring systems to strengthen compliance mechanisms.

The Nigerian Financial Intelligence Unit (NFIU) Act of 2018 further institutionalizes Nigeria's AML regime by establishing an autonomous agency responsible for collecting, analyzing, and disseminating financial intelligence.[7] The NFIU operates as the national center for intelligence related to money laundering and terrorism financing. All reporting entities, including fintech operators such as crowdfunding platforms and digital lending services, are legally required to submit Currency Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) to the NFIU. Failure to comply or submit timely reports may result in sanctions or criminal prosecution. Institutionally, AML enforcement in Nigeria involves multiple agencies with distinct yet overlapping mandates. The Central Bank of Nigeria oversees compliance for banks, payment service providers, and non-bank financial institutions. The Securities and Exchange Commission supervises fintech companies engaged in capital market operations such as investment crowdfunding and securities token offerings. The Economic and Financial Crimes Commission (EFCC) acts as the apex investigative and prosecutorial body for financial crimes.[4] While inter-agency coordination has improved in recent years, regulatory duplication and jurisdictional uncertainty persist, especially as new fintech models emerge faster than the legal system can adapt.

For fintech startups, compliance obligations under this multi-tiered regime include formal registration with relevant regulatory bodies, appointment of a compliance officer, creation of an AML internal control manual, staff training, and periodic compliance reporting.[3] Many of these startups, however, face structural and operational constraints. Limited access to legal expertise, high compliance costs, and ambiguity in regulatory interpretations make adherence difficult. Additionally, inconsistencies in licensing procedures and overlapping regulations can frustrate startups seeking full compliance. In practice, Nigeria's legal and regulatory framework for AML compliance reflects significant progress toward achieving financial transparency and institutional integrity. Yet, the challenges of enforcement, clarity, and accessibility continue to affect its effectiveness in the fintech sector. Many fintech operators have called for more flexible, adaptive and collaborative regulatory models that preserve innovation while maintaining robust safeguards against money laundering and illicit financial activities.

Global AML Standards and Expectations

The global fight against money laundering is driven by a combination of international norms, treaties, and soft-law recommendations developed by multilateral organizations and

intergovernmental bodies. These standards are designed to ensure financial transparency, integrity, and cooperation across jurisdictions, particularly in response to evolving threats from digital finance platforms, including fintech startups. Countries such as Nigeria are expected to incorporate these standards into their domestic legal frameworks to enhance their legitimacy in global financial transactions and avoid designation as high-risk jurisdictions. At the core of these global efforts are the recommendations of the Financial Action Task Force (FATF), which sets out a comprehensive set of forty recommendations to combat money laundering, terrorist financing, and proliferation financing. These recommendations cover issues such as customer due diligence, beneficial ownership transparency, record-keeping, and the establishment of financial intelligence units. The FATF also emphasizes the need for a risk-based approach to AML compliance, especially relevant to digital finance where transactions are often anonymized and cross-border. As Hassan notes, fintech firms operating in such environments must be vigilant in implementing robust KYC, transaction monitoring, and customer profiling mechanisms.[4]

In addition to the FATF, intergovernmental frameworks such as the Egmont Group and the Basel Committee on Banking Supervision play significant roles in shaping global AML standards. The Egmont Group, a network of financial intelligence units, enables cross-border sharing of financial intelligence and encourages best practices in suspicious activity reporting. The Basel Committee provides supervisory guidelines emphasizing due diligence and risk management within banks and financial intermediaries, now extended to fintech entities operating under similar models. Mordi observes that adherence to these frameworks helps create a uniform compliance culture and reduces regulatory arbitrage.[11] International best practices for fintech AML compliance include real-time transaction monitoring systems, API integration for customer data verification, and the use of artificial intelligence to detect suspicious patterns. Jurisdictions with robust fintech ecosystems, such as the United Kingdom, Singapore, and South Africa, have implemented regulatory sandboxes to allow startups to innovate within a controlled compliance environment. As Ajayi highlighted, these countries foster compliance without stifling innovation by encouraging collaborative relationships between regulators and innovators.[3]

Nigeria's alignment with these global standards has been partial and inconsistent. While laws such as the Money Laundering (Prevention and Prohibition) Act, 2022 and the operationalization of the Nigerian Financial Intelligence Unit show progress toward FATF requirements, significant gaps remain in implementation, enforcement, and technological adaptation. Uzochukwu noted that although Nigeria has adopted a risk-based approach in principle, most fintech startups lack the institutional maturity to implement these standards effectively.[5] Furthermore, regulatory frameworks remain siloed, and technological integration across agencies remains low. Nigeria's commitment to global AML frameworks has been tested by capacity constraints, legal fragmentation, and a nascent compliance culture among fintech firms. The challenge lies in harmonizing international norms with local realities particularly balancing financial innovation and security. Until Nigeria fully internalizes the principles of global AML compliance, fintech startups will continue to operate in an environment of legal uncertainty and reputational risk.

Practical Compliance Challenges Faced by Nigerian Fintech Startups

In recent years, Nigeria has emerged as one of Africa's leading hubs for digital financial services, fueled by rapid fintech innovation. However, this growth has also exposed critical compliance challenges related to Anti-Money Laundering (AML) obligations. Fintech startups, which operate on lean structures and innovative technology, face unique barriers in aligning with both local regulations and global standards. The following eight challenges illustrate the depth of the problem:

- **Regulatory ambiguity and overlapping mandates**: Fintech startups face fragmented supervision from the Central Bank of Nigeria (CBN), the Nigerian Financial Intelligence Unit (NFIU), the Securities and Exchange Commission (SEC), and the Economic and Financial Crimes Commission (EFCC). This overlapping oversight creates compliance fatigue and confusion, often causing unintended breaches and delays.[13]

- **Cost of compliance and limited legal expertise**: Many startups lack the financial and human capital required to implement AML systems effectively. As Adebayo explains, outsourcing compliance advice is often adopted but lacks financial sustainability, impairing effective AML monitoring.[3]

- **Technology-related vulnerabilities**: The fintech model relies on cryptocurrencies, mobile wallets, and peer-to-peer platforms all susceptible to anonymity-driven money laundering. Hassan warns that inadequate infrastructure in Nigerian fintechs leaves them vulnerable to sophisticated laundering techniques.[4]

- **Gaps in enforcement and weak supervision**: Enforcement is often reactive and understaffed, weakening deterrence and leading startups to comply only minimally. Mordi attributed this to a shortage of skilled personnel and insufficient coordination among agencies.[11]

- **Lack of access to global compliance tools**: Many effective AML tools such as international sanctions lists and KYC databases remain out of reach for most Nigerian startups. Uzochukwu wrote that this limited access undermines risk-based decision-making and reduces the accuracy of customer due diligence.[5]

- **Inconsistent licensing and regulatory delays**: Licensing processes are opaque and prolonged, pushing many fintechs into informal operational spaces where compliance obligations are unclear. Oladimeji observed that this gray market reduces incentives for voluntary compliance.[7]

- **Insufficient staff training on AML protocols**: Without continuous training, staff rarely recognize red-flag behaviors. Ibrahim highlights that non-specialist employees handling complex transactions often operate without adequate AML knowledge.[8]

- **Low levels of public trust and poor data integrity**: Customers frequently withhold or fabricate data due to fears of fraud or privacy breaches. This practice undermines KYC processes and obstructs reliable transaction monitoring. Okonkwo emphasized that lack of accurate onboarding data severely weakens the AML framework.[9]

- Each of these challenges demonstrates not just regulatory failure but also technological, institutional, and cultural barriers. Bridging this divide requires enforcement strength, regulatory clarity, and targeted compliance support systems.

Local Realities vs. Global Expectations

The compliance environment for fintech startups in Nigeria reveals significant friction between globally accepted Anti-Money Laundering (AML) expectations and the practical realities of implementing such standards in developing economies. While international AML norms are generally framed from the perspectives of high-capacity jurisdictions, countries like Nigeria must contend with systemic limitations, institutional constraints, and evolving financial ecosystems. These divergences create notable tensions and compliance dilemmas for Nigerian fintech startups, as outlined below.

- **Tensions between innovation and regulation**: One of the most pronounced challenges is the inherent tension between fostering innovation and enforcing compliance. Fintechs in Nigeria thrive on rapid iteration, minimal bureaucracy, and flexible product deployment qualities that often clash with the slow, procedure-heavy requirements of AML regulation. International compliance models, such as those recommended by the Financial Action Task Force (FATF), often presume stable regulatory institutions and established digital infrastructure, which are not always present in Nigeria. As highlighted by Okonkwo, fintechs are caught between meeting international expectations and maintaining operational agility.[9]

- **Enforcement discrepancies across traditional banks vs. fintechs**: In practice, regulatory scrutiny and enforcement mechanisms tend to be more robust for traditional banks than for fintech companies. Commercial banks, due to their long-established relationship with the Central Bank of Nigeria and other regulators, are subjected to periodic inspections, mandatory reporting, and structured internal compliance reviews. In contrast, fintech startups, particularly those in the peer-to-peer lending or cryptocurrency space, often operate under light-touch or outdated regulations. Ajayi noted that while banks have integrated compliance systems and dedicated departments, many fintechs lack the institutional memory or infrastructure to comply at the same level, leading to an uneven enforcement landscape.[13]

- **Local socio-economic factors and institutional weaknesses**: Socio-economic realities in Nigeria further complicate AML compliance. A large percentage of the population operates within the informal economy, often without traceable financial histories or verifiable identification documents. These gaps create substantial challenges for fintechs attempting to implement Know Your Customer (KYC) protocols or monitor transaction histories. Moreover, endemic issues such as corruption, poor record-keeping and inadequate access to reliable data hinder the effectiveness of compliance systems. According to Hassan, even when suspicious activity is reported, weak institutional coordination and a lack of prosecutorial follow-through reduce the deterrent effect of regulation.[4]

- **Compliance burden in low-capacity regulatory environments**: While global AML frameworks advocate for proactive compliance, many Nigerian regulators lack the technical, financial, and human resources needed to monitor and enforce fintech operations effectively. The Central Bank of Nigeria and the Nigerian Financial Intelligence Unit often face delays in gathering transaction data or responding to flagged activities due to inadequate ICT infrastructure and staffing shortages. Uzochukwu argued that this low-capacity regulatory environment places disproportionate pressure on

fintechs to self-regulate, even when they lack the tools or guidance to do so effectively.[5] For these reasons, aligning global AML norms with local conditions in Nigeria requires more than mere legislative transposition. It demands institutional strengthening, regulatory innovation, and a context-sensitive approach that takes into account the specific limitations and opportunities within Nigeria's fintech ecosystem. Without these adjustments, the gap between local realities and global expectations will continue to undermine the effectiveness of AML compliance in Nigeria's rapidly evolving financial sector.

Comparative Insight

The global fintech landscape reveals a range of regulatory approaches to Anti-Money Laundering (AML) compliance. While Nigeria continues to grapple with institutional limitations and fragmented enforcement, other jurisdictions have made significant progress in integrating technology-driven compliance models into their regulatory ecosystems. A comparative review of Kenya and Singapore offers practical lessons that Nigeria could adapt to improve the effectiveness of its own AML frameworks, particularly in the context of fintech startups.

- **Kenya: A dual-agency approach under the Capital Markets Authority (CMA) and Central Bank of Kenya (CBK)**: Kenya has emerged as one of the leading fintech ecosystems in sub-Saharan Africa, driven by mobile money innovations such as M-Pesa. Regulatory responsibility for AML compliance in fintechs is shared between the Capital Markets Authority and the Central Bank of Kenya. The CBK issued the National Payment System Regulations (2014) and more recently, the CBK Licensing and Oversight Guidelines for Digital Credit Providers (2022), which include provisions for Know Your Customer (KYC), transaction monitoring, and reporting obligations. A key feature of Kenya's approach is its effort to bring digital lenders and mobile-based financial services within a supervised regulatory net. According to Mbote, the regulatory clarity and sector-specific guidelines have helped to build trust and reduce money laundering risks in Kenya's digital finance space.[14] Moreover, the country's 2019 amendments to the Proceeds of Crime and Anti-Money Laundering Act strengthened the powers of the Financial Reporting Centre, enhancing its capacity to enforce compliance and conduct risk assessments.

- **Singapore: A tech-forward AML compliance model led by the Monetary Authority of Singapore (MAS)**: Singapore is internationally recognized for its sophisticated and forward-looking approach to financial regulation. The Monetary Authority of Singapore (MAS) has developed a comprehensive AML framework that balances strict compliance with innovation. Through the Payments Services Act (2019), the MAS consolidated licensing and AML oversight of fintechs into a unified legal structure. Importantly, Singapore's model incorporates the use of regulatory technology (RegTech) to improve compliance efficiency. Fintech startups are encouraged to use artificial intelligence and machine learning tools for real-time monitoring, identity verification, and suspicious transaction flagging. As noted by Lim, the MAS also collaborates with industry players

---

[14] P. K. Mbote, Kenya's Approach to Digital Finance Regulation: Balancing Innovation and Financial Integrity, East African Journal of Financial Law 7, no. 1 (2021): 36

to develop sandboxes and provide regulatory guidance tailored to fintech growth, which helps to reduce compliance burdens without compromising AML objectives.[15]

- **Lessons for Nigeria**: From these two jurisdictions, Nigeria can draw several instructive lessons. First, Kenya demonstrates the value of clear, fintech-specific regulatory guidelines that eliminate ambiguity and promote proactive compliance. Nigeria's current AML framework, while robust in content, lacks the coherence and specificity needed for fintech operations. Second, Singapore illustrated how technological integration and regulatory flexibility can improve compliance outcomes. Rather than relying solely on punitive measures, the MAS model emphasizes regulatory support and collaborative innovation, an approach that could benefit Nigeria's developing fintech sector.

Furthermore, both jurisdictions show that institutional coordination is critical. Kenya's harmonized role between the CBK and CMA contrasts with Nigeria's fragmented regulatory landscape, where multiple agencies operate in silos. Nigeria could benefit from a streamlined oversight mechanism, perhaps through a centralized digital finance compliance agency or by enhancing the mandate of the Nigerian Financial Intelligence Unit. Comparative insight underscores the need for Nigeria to adopt a more tailored, technology-enhanced, and coordinated approach to AML compliance. By contextualizing global standards within local realities and drawing on successful international models, Nigeria can build a more resilient and innovation-friendly regulatory environment for its growing fintech sector.

Recommendations

To address the regulatory, institutional, and technological challenges confronting Anti-Money Laundering (AML) compliance in Nigeria's fintech sector, there is an urgent need for coordinated and forward-looking reforms. The following recommendations are offered to strengthen AML enforcement without undermining innovation or financial inclusion. First, harmonizing and clarifying fintech AML regulatory obligations is essential. Fintech startups currently face overlapping and sometimes contradictory obligations from multiple regulators, including the Central Bank of Nigeria, the Securities and Exchange Commission, and the Nigerian Financial Intelligence Unit. A unified compliance framework possibly through a dedicated fintech AML directive or through amendments to existing laws would reduce ambiguity, improve adherence, and foster a more predictable regulatory environment. Second, institutional coordination among regulatory bodies must be strengthened. The effectiveness of AML compliance depends on seamless information-sharing, coherent enforcement, and unified oversight. Establishing a joint task force or inter-agency platform focused on fintech AML issues could enhance operational synergy, reduce regulatory duplication, and ensure a more strategic response to emerging laundering threats within digital finance.

Third, compliance support mechanisms should be provided for fintech startups. Unlike established banks, most fintech firm's particularly new entrants lack the resources or legal expertise to implement comprehensive AML systems. Regulatory sandboxes, legal advisory programs, and capacity-building partnerships would enable startups to innovate responsibly while staying within legal bounds. These forms of support have proven effective in other jurisdictions and can be adapted to Nigeria's regulatory landscape. Fourth, the promotion of

---

[15] S. Y. Lim, Fintech Compliance in Asia: The Evolving Role of Regulatory Technology, Journal of Financial Regulation and Compliance 28, no. 4 (2020): 570.

digital Know Your Customer (KYC) tools and real-time monitoring technologies is crucial. Many compliance lapses result not from intentional violations but from technological limitations or the inability to access global AML infrastructure. Nigeria must invest in digital identification systems, biometric authentication, and API-enabled transaction monitoring tools that allow startups to detect and report suspicious activities efficiently and in real time. Finally, building judicial and enforcement capacity to handle fintech-related AML cases is vital. Compliance must be backed by credible and timely sanctions, which require well-trained investigators, prosecutors, and judges with a firm grasp of both digital finance operations and money laundering schemes. Dedicated training, institutional funding, and legal reform could enable Nigeria's judiciary and law enforcement agencies to uphold AML obligations with greater precision and professionalism. Communally, these recommendations seek to recalibrate the AML compliance landscape in Nigeria's fintech sector by addressing both systemic deficiencies and startup-specific needs. When implemented, they can facilitate better alignment with global norms while supporting innovation and financial inclusion at the local level.

Contribution to Knowledge

This paper contributes to the growing body of literature on financial regulation by offering a legal-policy perspective on Anti-Money Laundering (AML) compliance within Nigeria's fintech sector. By examining the country's statutory and institutional frameworks, it highlights the evolving regulatory environment in which fintech startups operate and the specific obligations they face. The paper also identifies the critical mismatch between international AML standards and Nigeria's domestic implementation capacity, especially in terms of legal clarity, technological infrastructure, and institutional coordination. In doing so, the study draws attention to the need for regulatory approaches that are not only globally aligned but also contextually grounded. This perspective is particularly important for emerging economies like Nigeria, where the expansion of digital finance must be balanced against structural constraints and governance challenges. Furthermore, the paper advances discourse on regulatory innovation by underscoring the importance of adaptive legal tools, fintech-specific compliance support, and cross-agency collaboration. These insights can inform both future policy design and academic inquiry into how low- and middle-income countries can respond effectively to the dual imperatives of financial innovation and financial integrity.

Conclusion

The dynamic growth of fintech startups in Nigeria has introduced new dimensions to the country's financial ecosystem, particularly in relation to Anti-Money Laundering (AML) compliance. This paper has examined the existing legal and institutional frameworks governing AML practices, the roles of regulatory agencies, and the obligations imposed on fintech firms. It has also highlighted the compliance challenges these startups face in navigating complex regulations that are often designed for more established financial institutions. A key insight from the discussion is the pressing need for risk-based, innovation-friendly, and enforceable AML strategies. The tension between encouraging financial inclusion and preventing illicit financial flows must be carefully managed through legal reforms, institutional collaboration, and the deployment of supportive technologies.

Addressing compliance challenges cannot rely solely on punitive enforcement but must include proactive regulatory engagement and support tailored to the unique structure and limitations of fintech startups. Eventually, achieving effective AML oversight in Nigeria's fintech sector requires a careful balance between safeguarding the integrity of the financial system and nurturing technological innovation. Bridging the gap between global standards and local realities is not only a matter of legal harmonization but also one of strategic investment in institutions, digital tools, and human capital. If pursued with clarity and foresight, these measures can ensure that Nigeria's digital finance sector remains both competitive and compliant in the evolving global economy.

FOOTNOTES

1. I. C. Okonkwo, *Fintech, Compliance, and Regulatory Adaptation in Nigeria: An Assessment*, Journal of African Legal Studies and Technology 11, no. 1 (2023): 64.
2. S. T. Ajayi, *Regulatory Ambiguity and Fintech Innovation in Nigeria: Challenges for Compliance*, Nigerian Journal of Financial Technology Law 8, no. 2 (2022): 49.
3. T. M. Hassan, *Digital Currency and the Evolving Threat of Cyber-Laundering*, Journal of Cyber Law and Regulation 9, no. 3 (2021): 72.
4. B. S. C. Uzochukwu, *Laundering Risks and Informal Finance in Sub-Saharan Africa*, African Journal of Economic Security 4, no. 2 (2016): 93.
5. P. K. Mbote, *Kenya's Approach to Digital Finance Regulation: Balancing Innovation and Financial Integrity*, East African Journal of Financial Law 7, no. 1 (2021): 36.
6. S. Y. Lim, *Fintech Compliance in Asia: The Evolving Role of Regulatory Technology*, Journal of Financial Regulation and Compliance 28, no. 4 (2020): 570.