# Cryptocurrency Versus The Nigerian Central Bank

The Central Bank of Nigeria (CBN) has adopted a cautious and unfavorable stance toward cryptocurrencies in Nigeria. The CBN warned banks and other financial institutions from trading in cryptocurrencies in a statement it released in January 2017, noting the possible hazards to customers and the financial system. The bank also cautioned that cryptocurrency transactions are not legal tender because no physical assets back them.

Despite this caution, the use of cryptocurrencies has increased in Nigeria, partly due to the nation's high inflation rates and lack of confidence in the conventional banking system. In a study by Chainalysis, a company that analyzes blockchains, Nigeria came in third place after South Africa and Kenya in terms of the size of the Bitcoin market in Africa.

The CBN has taken action to control the usage of cryptocurrencies in Nigeria further. The bank declared in February 2021 that it would collaborate with Nigeria's Securities and Exchange Commission (SEC) to create rules for using cryptocurrencies there. These rules aim to safeguard consumers from fraud and other risks related to cryptocurrencies while also giving reputable businesses a framework to participate in the market.

Numerous Nigerians are still optimistic about cryptocurrencies' future despite the CBN's warning and regulation attempts. Some people think that cryptocurrencies' decentralized and safe character could offer a useful alternative to the established banking system, especially in Nigeria, where trust in banks is low. In addition, the Nigerian government is investigating the use of cryptocurrencies and blockchain technology for several programs, including supply chain management, voting, and digital identity. These initiatives are being taken into consideration to aid with security and transparency issues in these industries.

## More About The Crypto Usage In Nigeria

The use of cryptocurrencies is expanding in Nigeria, mostly due to high inflation rates and a lack of confidence in the traditional banking system, despite the CBN's cautious stance on the industry's growth. It would be interesting to see how the Nigerian government and its people adjust to this new technology in the future. However, the CBN and the SEC are trying to set legislation for the usage of cryptocurrencies in the nation.

The advent of bitcoin exchanges in Nigeria is one intriguing phenomenon. Users can purchase, sell, and trade cryptocurrencies on these exchanges, such as Quidax and Binance, giving both individuals and companies a platform to engage in the cryptocurrency market. It's crucial to remember that these exchanges operate in a legal gray area and are not recognized by the CBN.

Another phenomenon is Nigeria's increased interest in initial coin offerings (ICOs). In an ICO, a business raises money by creating and offering digital tokens to investors in exchange for cryptocurrencies. While ICOs have generated controversy across the globe because of their links to fraud and scams, they have become more common in Nigeria as a means for startups and business owners to raise money.

The Central Bank Digital Currency (CBDC), a digital rendition of the naira, the nation's official currency, has also been under development by the Nigerian government. Since 2019, the CBN has been working on "Project CBN," but it has not yet been launched. Utilizing CBDC is a step toward embracing blockchain and cryptocurrency technology. In addition to these advancements, Nigeria is home to a burgeoning community of cryptocurrency specialists and fans. People and organizations are working in this community to spread knowledge and increase awareness of the potential of cryptocurrencies and blockchain technology.