

Nigeria has witnessed unprecedented growth in the use of financial technologies (FinTech) due to the continuous investment in new financial solutions to meet the financial needs of the ever-growing Nigerian population. The growth in FinTech has facilitated open banking – a practice that allows banks and financial institutions to share personal data with non-financial institutions using Application Programming Interface (APIs).

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## **Data Privacy and Protection Risks in Nigeria's Open Banking Framework**



## Introduction

Nigeria has witnessed unprecedented growth in the use of financial technologies (FinTech) due to the continuous investment in new financial solutions to meet the financial needs of the ever-growing Nigerian population. The growth in FinTech has facilitated open banking – a practice that allows banks and financial institutions to share personal data with non-financial institutions using Application Programming Interface (APIs). Open banking, just like other FinTech solutions, poses the risk of a personal data breach. To mitigate against this risk, the Central Bank of Nigeria's (CBN) Regulatory Framework on Open Banking in Nigeria 2021 (the "Framework") provides the baseline requirements and standards for the exchange of data and services among participants in the financial services.



## The Juxtaposition of Open Banking Framework and Data Interoperability and Portability

Open banking is a banking practice that allows banks and financial institutions to share the data of customers with non-financial institutions with the use of an Application Programming Interface (API) with the prior consent of the customers. The purpose of this data sharing is to enable non-financial institutions to render improved financial services. Open banking in Nigeria is regulated by the Framework.

One of the aims of the Framework is to provide an enabling regulatory environment for the provision of innovative and customer-centric financial services through the safe utilization and exchange of data and related services. The Framework outlines the baseline requirements and standards for the exchange of data and services among participants in the financial sector, for example, it categorizes the type of data that may be exchanged through open banking and corresponding API that may be implemented by or used by participants; and requires API to be in line with common banking API standard.



The bedrock of open banking is data interoperability and data portability. Interoperability is the ability of various digital services to cooperate and interact with one another. It allows different payment systems and financial services to work together to enable transactions and data sharing across different platforms and providers. Interoperability allows third-party service providers to access financial transaction data from banks.

On the other hand, data portability is the right of a data subject to transfer his/her data from one data controller or processor to another data controller or processor.



Data portability allows data subjects to move, copy or transfer personal data easily from one data controller to another data controller in a safe and secure way, without affecting its usability. This is important because it allows customers to switch providers more easily and access their data and information across different platforms and services. An example of data portability is when a data subject or an individual signs up to use a service with his/her data with another service provider i.e., when an individual signs up on Facebook with his data already lodged with Gmail, he is simply asking Gmail to port his data to Facebook.

Considering the portability and interoperability of data, we cannot rule out the risks of data privacy and protection of such information being shared. In Nigeria, the use, transfer, storage, etc. (the "Processing") of data is governed by the provisions of the Nigeria Data Protection Regulation 2019 (the "NDPR") and it is important to note that the NDPR similarly provides data subject with the right of Data portability in Art 3(15) of the NDPR as long as the data processor will be doing so in line with the specific task to be carried out. It is also very important that the data subject's prior consent is obtained before sharing personal data under the Framework.



## Conclusion

In summary, the CBN Open Banking Framework is a regulatory initiative designed to promote innovation and competition in the financial services by enabling data sharing and payment services through APIs. One of the goals is to provide more efficient and customer-friendly services. However, to ensure compliance with data protection and privacy laws, all information shared pursuant to the Framework should be in accordance with the NDPR, particularly with respect to the rights of data subjects and the obligations of data controllers and data processors.

