

Five Critical Trends

Threatening Nigerian Cryptocurrency Exchanges in 2024



The cryptocurrency market in Nigeria has experienced significant growth, with Nigeria's volume of crypto transactions growing **9% year-over-year to \$56.7 billion between July 2022 and June 2023.**



This growth, however, has brought new oversight and vulnerabilities. Cryptocurrency exchanges, in particular, face emerging threats that could stall wider adoption. These threats range from operational disruptions during periods of market turbulence to high-profile cases of hacking-related thefts of customer funds.

Today, there are **18,142 cryptocurrencies, 460 crypto exchanges** and the market cap of cryptocurrencies amounts to **\$1.7 trillion**. Given the size of the industry and the impending regulatory push, it is clear that a globally coordinated approach to regulation is necessary.

Cryptocurrency regulations in Nigeria



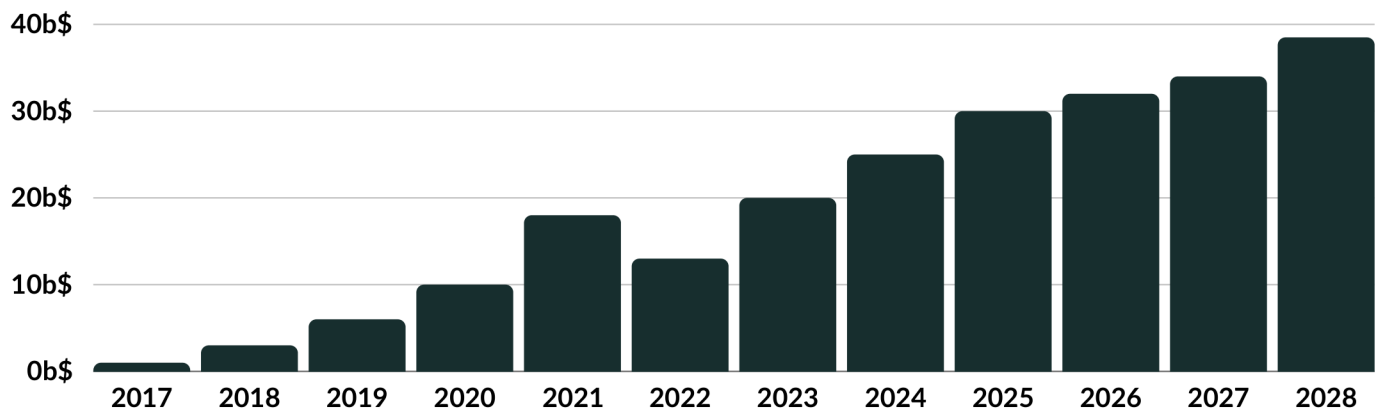
In **February 2021**, the CBN banned commercial banks in Nigeria from engaging in cryptocurrency transactions. However, in a significant policy shift, the CBN lifted restrictions on Nigerian banks facilitating cryptocurrency transactions in **December 2023**.

The new guidelines aim to establish minimum standards and requirements for establishing banking relationships and opening accounts for virtual asset service providers (VASPs) in Nigeria.

This change in stance aligns with the Nigerian Securities and Exchange Commission's efforts to establish a regulatory framework for digital assets. The lifting of the ban marks a departure from the bank's February 2021 decision, which prohibited banks and financial institutions from engaging in crypto-related activities due to concerns over money laundering and terrorism financing.

The policy reversal comes amid Nigeria's growing cryptocurrency market, driven by a young and tech-savvy population.

Cryptocurrency market growth in Nigeria



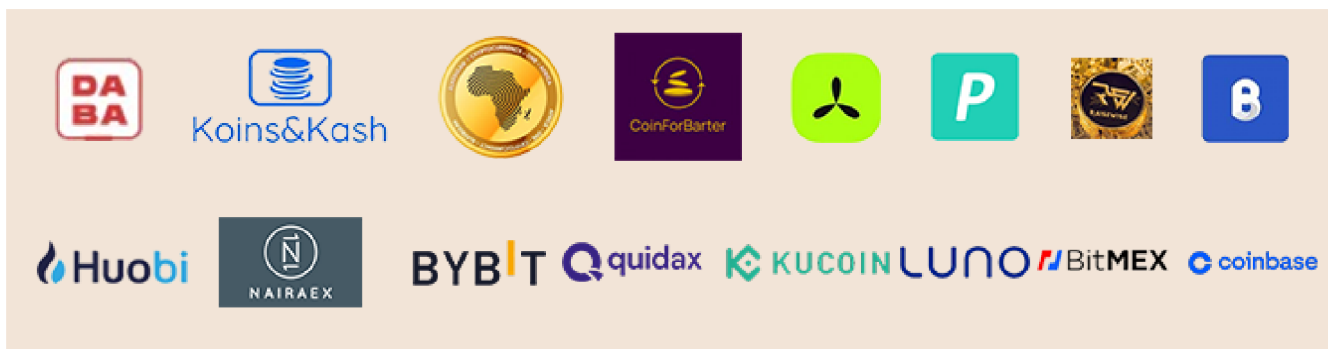
The Cryptocurrencies market in Nigeria is projected to grow by **23.79% (2023-2027)** resulting in a market volume of **US\$38.5m in 2027**. Nigeria's growing interest in cryptocurrencies was noticeable, but it jumped to the forefront during the crypto market crash in **April 2022** when a Google Trends data analysis by **CoinGecko** indicated Nigeria to be one of the **most crypto-curious nations**.

These factors present a unique set of challenges and opportunities for cryptocurrency exchanges operating in Nigeria. The tightening of global and local regulations, coupled with the rapid market growth, means that exchanges must navigate a complex landscape to ensure compliance and secure their operations.

Chapter 3:

Intensifying Competition

Nigeria has been a significant player in the cryptocurrency market, with a total cryptocurrency transaction volume amounting to **\$400M**, ranking third after the **United States and Russia according to 2020 estimates**.

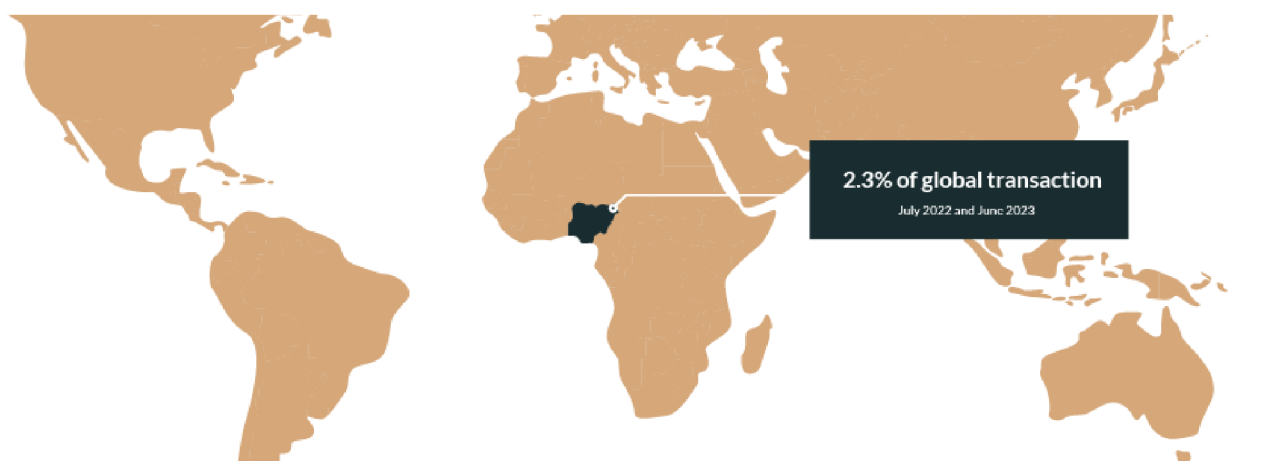


Early Nigerian exchanges like **Luno and NairaEx**, which account for a combined **6,130,000** active users, are now facing an influx of regional challengers. The competition is intensifying as more players enter the market, offering various services and features to attract users.

How overseas players are targeting Africa's most promising market

Overseas players are increasingly targeting Africa's cryptocurrency market, recognizing its growth potential. The Sub-Saharan Africa region, which includes Nigeria, accounted for **2.3% of global transaction** volume between **July 2022 and June 2023**. Nigeria, in particular, ranks second overall on the Global Crypto Adoption Index.

The educated, crypto-aware population and the eagerness for innovative wealth-generating opportunities attract overseas players.



Pressure to match top global exchange features

The best cryptocurrency exchanges offer low fees, a large range of crypto availability, staking rewards, built-in wallets, educational resources, and more. Nigerian exchanges are under pressure to match these features to stay competitive.

For instance, Binance, a global player, has seen a sharp rise in its share of all cryptocurrency activity in Africa. To keep up, Nigerian exchanges must continually innovate and improve their offerings to meet the evolving needs and expectations of their users.

Crypto Currency	Transaction fee
Ethereum Classic:	\$0.00023
Bitcoin SV:	\$0.0005
Bitcoin Gold:	\$0.00063
Reddcoin	\$0.00089
Vertcoin	\$0.002
Bitcoin Cash	\$0.0025
DOGE:	\$0.242

Cryptocurrencies with lowest transaction fees

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Chapter 4:

Tapping into Mobile Commerce

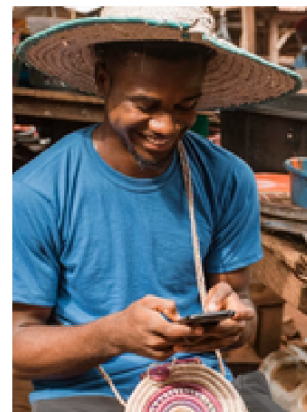
Many leading exchanges lack full-featured mobile apps

Despite the rapid growth of the cryptocurrency market, many leading exchanges still lack full-featured mobile apps. This gap presents a **significant opportunity** for new entrants to the market, particularly in regions like Nigeria where mobile usage is high. Confronting these competitive threats is only one half of the equation. Building consumer trust and participation is equally vital for sustainable growth.



Massive opportunity from owning mobile crypto trading in Nigeria

Nigeria is rapidly becoming the central hub of cryptocurrency activity in Africa. With a growing number of internet users, currently estimated at over **100 million**, and a high level of mobile penetration, there is a massive opportunity for exchanges that can effectively tap into mobile crypto trading.



Benefits range from an expanded target audience to reduced churn risks

Mobile crypto trading apps offer numerous benefits. **They provide** safety, portability, and flexibility, handling most crypto use cases, including buying, storing, swapping, spending, managing, and trading.

These apps can help exchanges expand their target audience and reduce churn risks by offering a convenient and user-friendly platform.

Additional potential revenue from in-app advertisements and premium features

In-app advertisements and premium features can serve as additional revenue streams for mobile crypto trading apps. With the right strategy, these features can enhance the user experience while also contributing to the profitability of the exchange.

A strong mobile presence is critical to compete as internet penetration grows across Africa, especially on phones and tablets

As internet penetration grows across Africa, a strong mobile presence is becoming increasingly critical for competitiveness. The number of internet users in Africa is projected to reach close to **700 million by 2025**. Exchanges that can establish a strong mobile presence will be well-positioned to capture a significant share of this expanding market.

Chapter 5:

Participating in emerging self-regulatory bodies to signal best practices

Emerging self-regulatory bodies are playing an increasingly important role in the cryptocurrency industry. Participating in these bodies can help Nigerian exchanges signal their commitment to best practices. These bodies can help establish standards of conduct, promote trust and quality in the industry, and provide a platform for resolving disputes.

Proactive consumer education buffers and community support

Proactive consumer education is crucial in the cryptocurrency industry. By educating consumers about the risks and benefits of cryptocurrencies, exchanges can help users make informed decisions. This can also help build trust and foster a sense of community among users

Conclusion

Executing these critical priorities will shape the trajectory of Nigerian exchanges in 2024 and beyond. By focusing on regulatory compliance, consumer education, and community support, exchanges can build trust and secure their position in the market.

Recommendations for Strategically Positioning Platforms to Thrive

To thrive in the evolving cryptocurrency landscape, Nigerian exchanges need to strategically position themselves.

This involves leveraging strategic marketing techniques, building a strong brand image, and creating a user-friendly platform.

Exchanges also need to stay up-to-date with the latest regulations, implement robust security measures, and foster a sense of community among users.

By doing so, they can achieve market dominance and secure their position in the ever-evolving cryptosphere.

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