Use case: Inconsistencies in the Regulation of Financial Services Providers (FinTechs, Telcos, Traditional banks)

Team Diamond

Team members:

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Solution: Unified Financial Services Regulatory Framework (UFSRF)

Activities:

1. Establishment of a working group to address cross-sectional issues
2. Define core financial services and develop a common set of function-focused regulations
3. Conduct knowledge-sharing events (workshops, webinars) to build shared understanding and trust among regulators and providers.
4. Undertake joint examination and enforcement
5. Leverage SupTech/RegTech to provide inter-operable systems of monitoring and auditing

Output:

1. Unified guideline: Synchronized rules and clarity of standards among regulators for all financial service providers
2. Capacity building of regulatory bodies
3. Coordinated efforts of multiple regulatory agencies to detect, prevent and apply sanctions to non-compliant behaviour; harmonized examination and enforcement guidelines

Outcome:

1. Operational clarity: Financial service providers will know exactly what is required to comply.
2. Enhanced trust: Customers will feel safer using services across banks, telcos, and fintechs because protections and standards are consistent

Impact:

1. Reduced compliance breaches: With clearer rules, providers will avoid costly violations and penalties

Stakeholders

Regulators like the CBN, NCC, SEC, NAICOM, NDIC, and NITDA are directly affected, as they oversee different types of financial service providers.
Regional bodies like WAMI, WAMA, ECOWAS, FATF, PAPSS, NIBSS also play a crucial role.
The FSPs
The Users/ Consumers of Financial services

Risks

Regulator pushback;
Poor harmonization of regulatory agenda and priorities
Capacity gaps
Cybersecurity and data breach threats

Resources:

Funding for system integrations and regulatory capacity building
Sectorial experts
Technology experts
Legal experts

Activity 1

Define core financial services and develop a common set of function-focused regulation

Output

Unified guidelines; synchronized rules and clarity of standards among regulators for all financial service providers

Outcome

- Clarity as to regulatory requirements and jurisdictional responsibilities; operational clarity;
- Align KYC/ AML processes and create standardized data sharing/ DPI protocols

Impact

- Increased ability to spot and intervene in vulnerabilities and points of failure; harmonized regulatory approach;
- Consistent standards;
- Closed regulatory gaps; prevention of regulatory arbitrage

Activity 2

Undertake joint examination and enforcement

Output

- Coordinated efforts of multiple regulatory agencies to detect, prevent and apply sanctions to non-compliant behaviour
- Common examination and enforcement guidelines
- Risk-based Supervision
- Shared register of compliant and deviant behaviour

Outcome

- Improved ability to spot vulnerabilities and linkages that might allow for fraud to happen or slip though undetected
- Clearer insight into linkages and how they create gaps and vulnerabilities

Impact

- Closed regulatory gaps
- Prevention of regulatory arbitrage
- Enhanced regulatory coordination
- Consistent enforcement action

Activity 3

Conduct learning events

Output

Industry workshops and feedback sessions across sectorial actors

Outcome

- Development of a community of practice among regulators
- Shared learning experiences
- Capacity building of regulators

Impact

Greater capacity of regulators;

Activity 4

Leverage RegTech/SupTech to provide interoperable monitoring and auditing systems

Output

Deployment of technology to monitor and audit operations and compliance

Outcome

More efficient monitoring and better risk identification;
Clearer insight into linkages, vulnerabilities and points of failures

Impact

- Closed regulatory gaps;
- Coordinated fraud prevention;
- Greater ability to protect consumers
- Improved regulatory co-ordination

Context

- Where similar structures exist, participants are typically regulators of traditional financial service providers – i.e. legacy banking, stockbrokers, insurance
- Allows for regulatory blind spots to persist in “recognized” regulators
- Consequent regulatory arbitrage that supports fraudulent activity shopping around for fertile ground

Rationale

- Getting regulators in the same space to share learning, expertise, and resources
- Provide holistic view of systems and linkages, points of failures, and vulnerabilities
- Find areas of shared regulatory concern and provide regulatory clarity to service providers and consumers
- Find and frame shared overarching regulatory goals and risks e.g. system stability, consumer protection

Conclusion

In conclusion, **" Unified Financial Services Regulatory Framework (UFSRF)“** offers a practical path toward regulatory consistency across FinTechs, Telcos, and Banks.

By aligning rules and deepening collaboration, we can foster a more inclusive, innovative, and trusted financial ecosystem for all.