

24 June, 2024

# BICCON PUBLIC STATEMENT

## ...Addressing the Ongoing Legal Issues Involving Binance and the Implications for Nigeria's Blockchain Industry.

### Introduction

The Blockchain Industry Coordinating Committee of Nigeria (BICCoN) is the inter-community working group dedicated to fostering a collaborative, innovative, and secure blockchain ecosystem in Nigeria. It is constituted by leading blockchain organizations in the country—Blockchain Nigeria User Group (BNUG), Cryptography Development Initiative of Nigeria (CDIN), and Stakeholders in Blockchain Technology Association of Nigeria (SiBAN)—as well as independent stakeholders. BICCoN provides a unified voice for the blockchain industry. Our mission is to support the adoption of blockchain technology and ensure its sustainable growth by addressing both opportunities and challenges through a cooperative approach.

In recent weeks, the Nigerian blockchain community has been deeply concerned about the ongoing legal contention involving Binance, the world's largest cryptocurrency exchange, and the continued detention of its executive, Tigran Gambaryan. These developments have significant implications for the national interest, the reputation of Nigeria's blockchain industry, and our international collaborations.

We recognize the Nigerian government's legitimate need to protect national interests, including ensuring economic stability and regulatory compliance. However, it is also imperative for the Nigerian government to consider the broader implications of its actions, not only on the country's emerging industry but also other sectors. We believe that there is a need for a balanced approach that promotes trust and confidence in the process and encourages collaboration with stakeholders, including international partners.

### National Interest

We fully understand and respect the Nigerian government's responsibility to safeguard national interests, encompassing a wide array of critical areas such as national security, economic stability, regulatory compliance, and the protection of public resources. Ensuring that all entities operating within Nigeria or targeting the Nigerian market adhere to national



laws and contribute fairly to the country's tax revenues is fundamental to maintaining the integrity and sustainability of our economic system.

In this context, the actions taken by the Nigerian authorities reflect a commitment to upholding these critical aspects of national interest. However, it is equally important to balance these measures with a strategy that supports the growth and development of the blockchain industry, which has the potential to contribute significantly to Nigeria's economic and technological advancement.

## Industry Collaboration

It is important to highlight the critical role that collaboration with international entities plays in the growth and development of Nigeria's blockchain ecosystem. The blockchain industry is inherently global, and fostering strong relationships with international partners is vital for ensuring that Nigeria remains at the forefront of technological innovation and economic development in Sub-Saharan Africa.

The protracted regulatory issues involving Binance have had significant implications for the industry. The detention of Mr. Tigran Gambaryan and Mr. Nadeem Anjarwalla, who later escaped from the country, has already begun to have detrimental effects on the industry in Nigeria. These events have led to a chilling effect on investment, with a notable decline in foreign investments and collaborations with Nigerian web3 startups. It is noteworthy that these foreign investments and collaborations are crucial for fueling innovation, creating jobs, and driving economic growth in the country.

Moreover, collaboration with international entities extends beyond investment. It encompasses the sharing of knowledge, expertise, and best practices that are essential for the healthy development of the blockchain ecosystem. Nigerian law enforcement and regulatory bodies have significantly benefited from partnerships with global organizations. For instance, collaborations with firms like Elliptic have been instrumental in providing the tools and support necessary for law enforcement agencies and blockchain forensic firms to carry out their duties effectively. These partnerships enhance the ability of our agencies to combat financial crimes and ensure a secure environment for all stakeholders.

Additionally, Nigerian regulators stand to gain immensely from continued access to advanced tools and resources provided by international blockchain entities. Effective regulation of a rapidly evolving ecosystem like the cryptocurrency market requires sophisticated technologies and deep expertise. Taking deliberate steps to build and maintain strong collaborative relationships internationally will give ample room for Nigerian regulators to leverage these resources to enhance their oversight capabilities, therefore ensuring that the market operates in a fair, transparent, and secure manner.



The continued detention of Mr. Gambaryan and the attendant tensions are beginning to have ripple effects that threaten Nigerian chances at maintaining and consolidating these crucial collaborations. It is imperative to recognize that such actions could lead to a withdrawal of support from international partners, leaving local regulators, law enforcement, and private investigators without the necessary tools and expertise to effectively regulate the industry. This, in turn, could hinder the growth and development of the counter-terrorism efforts of the government and ultimately affect the broader economy.

To mitigate these risks and promote a thriving blockchain ecosystem, BICCoN urges the Nigerian government to prioritize constructive dialogue that will lead to a healthy conclusion of the matter. By doing so, Nigeria will be reassuring investors, stakeholders, and the international community, beyond the blockchain industry, of its commitment to fostering a stable and innovative environment. Such an approach will not only help resolve the current issues but also lay the foundation for sustainable growth and long-term success in the blockchain industry and other relevant sectors of the economy.

## Impact on Investments

Nigeria has historically been seen as a promising frontier for blockchain and cryptocurrency investments, given its young, tech-savvy population and a strong demand for financial innovation. However, the ongoing situation with Binance has significantly impacted this perception, creating a sense of uncertainty and risk that is deterring potential investors.

One of the immediate consequences of this challenge, to crown previously demonstrated hostile actions against the industry, is the noticeable decline in investments in Nigerian web3 startups. Investors are wary of regulatory instability and the potential for abrupt legal actions that could jeopardize their investments. The blockchain industry, as well as the technology industry generally, thrives on a foundation of trust and predictability, and recent events have shaken this foundation. Startups that were once poised to attract significant funding now find themselves struggling to secure financial backing which is crucial for their growth and development.

Moreover, the investment community is closely monitoring how Nigeria handles the situation with Binance as an indicator of the broader regulatory environment for blockchain and technology in the country. Investors seek assurance that their investments will be protected and that they will be operating in a stable and supportive regulatory framework. The perception of Nigeria as a hostile environment for blockchain enterprises and technological innovation generally can have long-term negative effects, potentially diverting investments to other more predictable and stable markets.



The repercussions are not limited to foreign investors alone. Domestic investors and entrepreneurs within Nigeria are also feeling the impact. The uncertainty created by the situation has made it more challenging for local startups to raise capital, stifling innovations and slowing the progress of promising projects. This has adversely affected job creation and economic growth, as startups are a key driver of employment and technological advancement.

Furthermore, the broader economic implications are significant. Reduced investment in the blockchain and the technology sector, which includes financial technology (FinTech), translates to fewer opportunities for technological advancements that can benefit various sectors of the economy, from finance to supply chain management to defence information systems. As recognized in the National Blockchain Policy, blockchain technology holds the potential to revolutionize many aspects of the Nigerian economy, making processes more efficient, transparent, and secure. However, without adequate investment, these advancements are unlikely to materialize, putting Nigeria at a competitive disadvantage in the global digital economy.

BICCoN believes that the Nigerian government should address issues proactively. By taking steps to resolve the current legal challenges fairly and transparently, the government can restore confidence among investors and the international community. This includes ensuring that any legal and regulatory actions are proportionate, justified, and in line with the rule of law and international best practices.

Moreover, fostering a dialogue with key stakeholders, including international investors, blockchain companies, and regulatory bodies, can help to create a more predictable and supportive environment for investment. Clear communication of regulatory expectations and consistent enforcement of laws can provide the stability that investors seek.

## Support for Law Enforcement

The blockchain and cryptocurrency sectors offer numerous benefits, but they also present unique challenges, particularly for law enforcement. The complexity and anonymity of blockchain transactions can make it difficult for authorities to track and prevent illicit activities such as money laundering, fraud, and other financial crimes. Effective law enforcement in this domain requires sophisticated tools, technologies, and international collaboration.

We believe Nigerian law enforcement agencies have benefited and are still benefiting greatly from partnerships with global entities that provide specialized tools and expertise. For example, collaborations with companies like Elliptic and Chainalysis have equipped Nigerian authorities with the necessary resources to monitor blockchain transactions and detect



suspicious activities. These partnerships have been instrumental in enhancing the capacity of local law enforcement to mitigate the risks associated with the use of cryptocurrency.

The continued detention of Binance executives puts these valuable partnerships at risk. The actions taken by the Nigerian government, regardless of the veracity or otherwise of the charges, have sent a concerning message to the global community. International partners may perceive Nigeria as a hostile environment, which could lead to a withdrawal of support and collaboration. This potential loss of international cooperation would severely hamper the ability of Nigerian law enforcement to effectively combat terrorism financing and other financial crimes.

Moreover, the sophisticated tools and technologies provided by international partners are not easily replaceable. These tools are essential for tracking and analyzing blockchain transactions, identifying illicit activities, and ensuring compliance with regulatory standards. Without easy access to such resources, Nigerian authorities would face significant challenges in maintaining the same level of oversight and enforcement, which could lead to an increase in undetected criminal activities.

Additionally, the expertise and training provided by international partners play a crucial role in building the capacity of local law enforcement agencies. Continuous education and training on the latest developments in blockchain technology and financial crime prevention are essential for staying ahead of criminals, who are constantly evolving their tactics. The current situation threatens to disrupt these educational initiatives, leaving Nigerian law enforcement less prepared to tackle emerging threats.

BICCoN strongly believes that maintaining and strengthening these international partnerships is vital for the security and integrity of Nigeria's financial system. The detention of Mr. Gambaryan, a former U.S. federal agent with extensive experience in financial crime compliance, is a particularly troubling development. His expertise and cooperation, we believe, could have been an invaluable asset in assisting Nigerian authorities with their enforcement efforts. Instead, his detention undermines the potential for such collaborative efforts.

## Regulatory Tools and Resources

The regulation of blockchain technology and cryptocurrency is a complex and evolving challenge that requires sophisticated tools and resources to be effective. Nigerian regulators are still making efforts to find their way around this, just as their counterparts in other jurisdictions have.



Regulators, such as the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC), play a crucial role in ensuring the stability and integrity of the financial system, as well as the Nigerian Financial Intelligence Unit (NFIU), Economic and Financial Crime Commission (EFCC). These regulators/lead agencies in CFT rely on advanced technologies and analytical tools to monitor cryptocurrency transactions, enforce compliance, and detect illicit activities. Access to these tools is essential for maintaining a robust regulatory framework that can adapt to the fast-paced nature of the cryptocurrency market.

One of the significant impacts of the legal actions against Binance is the potential disruption of access to these vital tools and resources. International companies specializing in blockchain analytics and compliance are instrumental in providing regulators with the necessary technology and expertise. For instance, tools from companies like Chainalysis and Elliptic enable regulators to trace the flow of digital assets, identify suspicious transactions, and ensure that cryptocurrency exchanges adhere to anti-money laundering (AML) and combating the financing of terrorism (CFT) regulations.

The detention of Binance executives and the subsequent strain on international relationships could lead to a withdrawal of these critical resources. Without the support and cooperation of global technology providers, Nigerian regulators may find it challenging to maintain the same level of oversight and enforcement. This could result in regulatory gaps that may be exploited by bad actors, which may undermine the overall security of the financial system.

Moreover, the expertise provided by international partners extends beyond just technology. Continuous training and knowledge transfer are essential components of effective regulation. Nigerian regulators have benefited from ongoing educational initiatives that keep them abreast of the latest developments in blockchain technology and regulatory best practices. The current situation threatens to disrupt these educational efforts, potentially leaving regulators less equipped to handle emerging challenges.

## **A Call for Balanced Resolution**

We are acutely aware of the delicate balance that must be struck between upholding national interests and fostering a vibrant, collaborative, and innovative environment. The prevailing issue underscores the urgent need for a balanced and fair resolution that considers the perspectives and needs of all stakeholders involved.

Firstly, it is essential to recognize that the actions taken against Binance and its executives, particularly the detention of Tigran Gambaryan, have significant implications for Nigeria's international reputation and its relationship with the global blockchain community. The continued detention and legal battles create an atmosphere of uncertainty and risk that can deter potential investors and partners. This situation not only affects Binance but also has a



broader impact on Nigeria's ability to attract and retain investment in its burgeoning tech and blockchain sectors.

A balanced resolution must start with a commitment to transparency and due process. Ensuring that legal proceedings are conducted fairly and openly will help rebuild trust and demonstrate Nigeria's adherence to international legal standards. This approach is crucial for maintaining Nigeria's credibility as a reliable partner for international businesses and investors. It is vital to show that the country is committed to upholding the rule of law while also being open to constructive dialogue and resolution.

Moreover, a balanced approach should involve active engagement and collaboration with the global blockchain community. This means leveraging the expertise and resources available through international partnerships to address regulatory and compliance challenges. Rather than resorting to punitive measures that could isolate Nigeria from the global community, the focus should be on building bridges and fostering cooperative solutions. Such collaboration can help enhance Nigeria's regulatory framework, making it more robust and effective in managing the complexities of the cryptocurrency market.

BICCoN also believes that the government should take proactive steps to reassure both local and international stakeholders of its commitment to a fair and balanced approach. Clear communication and ongoing dialogue with industry players, investors, and international partners are essential. This includes outlining the steps being taken to resolve the current situation and the measures in place to prevent similar issues in the future.

## We Recommend

To address this issue and foster a conducive environment for the blockchain industry in Nigeria, BICCoN offers the following recommendations, aimed at balancing national interests, supporting the growth of the industry, and ensuring a fair and transparent resolution:

### 1. Engage in Constructive Dialogue

We recommend that the Nigerian government and regulatory bodies engage in open and constructive dialogue with Binance and other relevant stakeholders in the cryptocurrency sector. This approach can help address concerns on both sides and work towards mutually beneficial solutions. Constructive dialogue should focus on understanding the specific issues at hand, such as regulatory compliance, financial stability, and the impact on the national currency, while also considering the broader implications for the industry and the economy.

### 2. Ensure a Fair Legal Process



It is crucial to uphold the principles of justice and due process in handling the case against Binance and its executives. We recommend that the authorities ensure that all legal proceedings are transparent, fair, and adhere to international best practices.

### **3. Facilitate Industry Collaboration**

To foster a thriving blockchain ecosystem, we recommend that the government actively seek collaboration with both local and international blockchain communities, regulatory bodies, and technology providers.

### **4. Promote Investor Confidence**

The ongoing situation has led to uncertainty among investors, both local and international. We recommend that the Nigerian government take steps to reassure investors by clearly communicating its commitment to a fair and transparent regulatory environment. This can include public statements, policy updates, and demonstrating a willingness to resolve disputes amicably.

### **5. Enhance Regulatory Capabilities**

To effectively regulate the cryptocurrency market, Nigerian authorities need access to advanced regulatory tools and resources. We recommend that the government prioritize securing these tools through international partnerships and investments in technology. Providing regulators with the necessary training and resources will enable them to monitor and manage the industry more effectively, ensuring compliance and preventing illicit activities.

### **6. Address Market Concerns**

We recommend that the government address specific market concerns that have been raised concerning peer-to-peer trading, such as the reported impact on the naira and the allegations of rate manipulation. Conducting thorough investigations and providing transparent findings can help clarify the situation and build trust among stakeholders. Implementing targeted regulatory measures will address these concerns without unduly disrupting the market.

### **7. Develop a Clear Regulatory Framework**

Finally, we recommend that the Nigerian government work towards developing a clear and comprehensive regulatory framework for the cryptocurrency industry. This framework should guide compliance, taxation, and consumer protection, while also



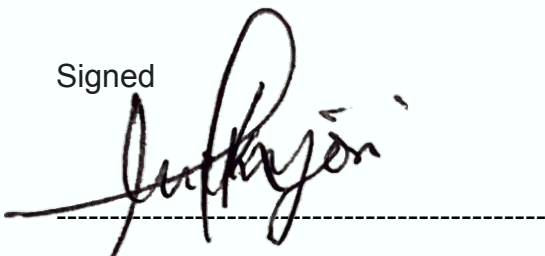


promoting innovation and growth. A well-defined regulatory environment can attract more businesses and investors, contributing to Nigeria's economic development.

We acknowledge what the SEC is doing in this regard and urge a speedy conclusion of the amendments to the Rules on Issuance, Offering Platforms, and Custody of Digital Assets. Meanwhile, we commend the SEC's introduction of the Framework on Accelerated Regulatory Incubation Program (ARIP) for the Onboarding of Virtual Assets Service Providers (VASPs).

In conclusion, BICCoN believes that these recommendations can help resolve the current challenges in a fair and balanced manner, thereby fostering collaborations that will empower Nigeria to create a supportive environment for the blockchain industry to thrive. This approach will not only address immediate concerns but also pave the way for sustainable sectoral growth and innovation in the future.

Signed



**Mr. Lucky Uwakwe**  
Chairman



**Kue Barinor Paul, Esq.**  
Public Relations Officer

