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Effect of KYC and AML Regulations on Cryptocurrency Exchange Preference Among Nigerian Users

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About Article

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ABSTRACT

This study investigates the effect of the regulatory framework in Nigeria, specifically Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations, and their influence on users' preference between centralized exchanges (CEX) and decentralized exchanges (DEX) in Nigeria. Using a quantitative study design, a purposive sampling method was used to select 358 Nigerians with cryptocurrency trading experience. Using a structured, self-administered questionnaire. The data were analysed using binomial logistic regression in SPSS. Results revealed that AML sensitivity was positively correlated with the use of DEX such that sensitivity to AML policy is likely to significantly raise the odds of the user choosing a DEX over a CEX. Conversely, KYC conditions were negatively correlated with the choice of the CEX, where the stricter the KYC requirements, the lower the odds of the user choosing a centralized exchange. The model also estimated overall classification accuracy at 70.7%, indicating the predictive ability of these regulatory forces. The study concludes that AML and KYC frameworks are major impetuses of exchange choice and recommends a tiered KYC system, users' education, and the use of privacy-enhanced protocols. It also emphasized the importance of the bilateral process between regulators and industry players in the creation of evenly weighted mechanisms that maximize compliance as well as the participation and trust of the users.

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1. INTRODUCTION

Decentralized digital currency known as cryptocurrency, built on a peer-to-peer network also known as blockchain, is one of the most recent and exciting technical advancements in the financial sector. Blockchain is anticipated to start off the industrial and commercial revolution and promote economic development globally (Underwood, 2016). However, the rapid rise of cryptocurrencies has led to the formation of the two basic types of cryptocurrency exchanges: decentralized exchanges (DEX) and centralized exchanges (CEX).

DEXs are trading platforms that work without middlemen, letting users trade directly on the blockchain, retaining privacy and user sovereignty, and also enabling traders to purchase and sell digital assets without intermediaries, utilizing smart contracts and self-custody wallets for transactions (Mittal *et al.*, 2024). In contrast, CEXs function like traditional financial institutions by providing a structured and regulated platform for customers to buy, sell, and hold digital assets. According to Solowey and Schulp (2023), CEXs allow users to trade cryptocurrencies for fiat currencies, manage assets, coordinate sales via central limit order books, list or delist tokens, and allow or restrict trading. Xia *et al.* (2020) define CEXs as company-governed exchanges, whereas DEXs offer automated mechanisms for peer-to-peer trading.

In the Nigerian context, cryptocurrency adoption and popularity have continued to draw interest and attention from stakeholders and regulatory bodies, including the federal government, security agencies, central bank of Nigeria, development enthusiasts, practitioners of fintech enterprises, academics, and investors in Nigeria. The use of cryptocurrency, particularly among young Nigerians, is rapidly growing (Olorundare *et al.*, 2023). Despite regulatory concerns from the CBN and SEC, there has been a steady increase in the number of cryptocurrencies traded on P2P networks in Nigeria. Zimwara (2021) reported that in the first quarter of 2021, Nigeria's P2P bitcoin trade was worth $1.5 billion. Similarly, despite the attention it receives from the government and regulators, there are differences of opinion regarding regulation and how cryptocurrency affects the world's economies (Ogunode *et al.*, 2022).

KYC is a regulatory framework that requires financial institutions to do due diligence, collect data, and confirm users' identification to prevent fraud and money laundering (Rajput, 2013). In addition, AML measures prevent criminals from using cryptocurrency by closely watching and reporting suspicious activities. Although these rules need to be followed by all, DEX handles them with less supervision, as CEX is held accountable to strict regulations. Money laundering has been a significant concern for governments, law enforcement agencies, and financial companies worldwide (Subbagari, 2024). These laws do not only prevent the abuse of cryptocurrencies but also impose compliance requirements for exchanges and consumers. Recently, CEXs like Binance and KuCoin were sanctioned by the federal government for allegedly manipulating FX values, resulting in the arrest of Binance officials (Ademola, 2024).

In addition, the unclear laws surrounding cryptocurrency make it more difficult for Nigeria's cryptocurrency market (Akhihiero 2024). However, digital asset control is just starting to take shape in Nigeria (Arop, 2023). Unlike some other nations, Nigeria has not introduced wide-ranging laws on digital currencies and how they are used. The tightened controls for cryptocurrency in Nigeria have dulled the earlier excitement about a unified policy and clear regulations from the CBN and SEC (Osazuwa *et al.*, 2024). Such uncertainty can interfere with interactions between users and exchanges. Similarly, Nigeria's cryptocurrency market has been specifically influenced by changing international legislation, which makes it more difficult for users to decide between trading on DEX or CEX. However, numerous regulations for cryptocurrencies are only catching up to the industry's growth, which gives criminals the opportunity to exploit these loopholes (Uzougbo *et al.*, 2024; Popoola *et al.*, 2024).

This study intends to analyze the link between regulatory frameworks and user choices for DEX or CEX in Nigeria. By evaluating the effect of KYC and AML rules. Existing research, like Agama (2021), Onyekwere *et al.* (2023), Ebizie *et al.* (2022), Nwosu (2022), Adebayo *et al.* (2024), and Irmiya *et al.* (2023), has explored the adoption of cryptocurrency in Nigeria and its regulatory framework, but no study has examined how the regulatory framework influences user choice of exchanges in Nigeria. Bridging this gap is crucial for understanding how the regulatory framework influences user choice of exchange.

2. LITERATURE REVIEW

2.1. Cryptocurrency exchange

People initially traded Bitcoin directly with one another because there was no marketplace for it. However, this changed in 2010 when Bitcoinmark*et al*lowed investors to trade Bitcoin for US dollars. Initially, the exchange struggled to generate significant trade volume, as users were wary of the operation and concerned about the security of their currencies (Hunter, 2024). By mid-2011, following a rise in scams on PayPal, many Bitcoin enthusiasts began to turn to exchanges like Mt. Gox, which launched in Shibuya, Tokyo, Japan, and quickly gained popularity. Mt. Gox managed the majority of Bitcoin transactions, peaking at over 70 percent (Cryptohopper, 2025). Even though Mt. Gox introduced the model for major cryptocurrency exchanges, its sudden success and fall taught a lesson on the need for regulations and transparency (Bitget, 2024). In addition, while these platforms played a crucial role in the market's inception, they displayed vulnerabilities to security breaches and regulatory laws.

The evolution of the cryptocurrency market and new innovations in its ecosystem have led to the rise of both centralized exchanges (CEXs) and decentralized exchanges (DEXs) (Hägele, 2024). playing important roles in determining crypto adoption and have made these platforms become central to its global recognition. has made the cryptocurrency sector grow from a niche among tech enthusiasts to a significant worldwide financial ecosystem (Bouri *et al.*, 2019).

Cryptocurrency exchanges do not only enable users to buy, sell, and trade digital assets but also serve as the primary gateway for converting fiat currencies into cryptocurrencies and vice versa. While some platforms provide fiat-to-crypto transfers, others are restricted to crypto-only exchanges (Xie *et al.*, 2023). Moreover, the consistent increase in both transaction number and volume on these platforms highlights their significance

within the digital currency ecosystem. In May 2021, centralized exchanges reported a monthly trading volume of over $4 trillion, but decentralized exchanges crossed $200 billion (Hägele, 2024).

2.2. Centralized exchange

Modern centralized exchanges like Coinbase, KuCoin, Bybit, MEXC, and Binance have several core attributes and use cases, which involve allowing users to buy and sell cryptocurrency, store their cryptocurrencies, and organize sales with central limit order books, which match willing buyers and sellers at the best price. CEXs also maintain the capacity to list or delist tokens. However, recent research indicates that CEXs are vulnerable to market manipulation, including "wash trading" or fabricated transactions in cryptocurrency trading, in addition to hacking and custodial risks (Cong *et al.*, 2021).

According to Aspris *et al.* (2021), the infrastructure maintained by CEXs in cryptocurrency markets is comparable to that observed in traditional equity markets, with analogous protocols and regulations for transaction execution that support the process of price discovery and liquidity provision. Additionally, there are also other CEXs like Binance that provide P2P transactions to their consumers. where they operate as escrow

Sulaimon (2024) reports that Ray Youssef, the CEO of NoOnes, a leading cryptocurrency platform in Nigeria, asserts that peer-to-peer transactions are estimated to be valued at $500 billion in Nigeria alone. Even so, as the number of users for P2P trading in Nigeria on Binance and similar exchanges increases, issues with regulatory compliance remain. According to The Guardian in 2025, Binance processed transactions worth $21.6 billion while reportedly not complying with anti-money laundering rules. Similarly, the company acknowledged it had 386,256 active users in Nigeria by early 2024 and brought in $35.4 million in net income in 2023. However, it failed to file the expected tax documents with Nigeria (The Guardian, 2025).

2.3. Decentralized exchange

As a consequence of the obvious drawbacks found in CEX, the DEX idea was proposed (Lo & Medda, 2020). The idea behind DEX, as described by Dai (2020), was to allow users to control their money and digital keys when using peer-to-peer platforms. On October 26, 2020, Uniswap, with its V2 version, became the first DEX to reach a daily trading volume of more than $1 billion (DefLlama, 2023).

In terms of quantity, DEXs have outnumbered their centralized counterparts; as of October 2023, there were approximately 500 DEXs and approximately 300 CEXs (CoinGecko, 2023). Due to the introduction of Uniswap V3, one of the most popular DEXs available today, DEXs saw a proportionately higher increase in their share of trading volume on cryptocurrency markets during the bull run of 2021 than the centralized exchanges (Hashemseresht & Pourpouneh, 2022). This happened because of the surge in the meme coin narrative of the bull season, where tokens like Shiba Inu went parabolic.

Recently the emergence of decentralized platforms like pump.fun for Solana, four.meme and flap for the BNB chain, and Ethervista for Ethereum has increased the use of DEX by allowing users to create tokens automatically with just a click and lower fees. The success of platforms like pump.fun is evidenced by their ability to facilitate the launch of over 4 million tokens and manage a volume of more than 23 billion dollars within a 313-day period (Cordoba Otalora & Themistocleous, 2024). This technological breakthrough reduces the constraints usually associated with token launching, such as high prices, technical complexities, and reliance on centralized intermediaries (Taherdoost, 2024; Hussain *et al.*, 2022).

2.4. Regulatory framework in Nigeria

All around the world, governments and finance authorities are developing laws to reduce the risk of crypto-related money laundering and fraud. Examples of key rules in cryptocurrencies are KYC and AML, which require users to verify their identities and exchanges to keep an eye out for suspicious transactions. KYC & AML is a vital method for preventing financial crimes, obligating institutions and trading platforms to demand the identity of customers and anti-money laundering that is required to report a suspicious transaction (Arasa, 2015). Similarly, AML functions provide real-time abuse detection by logging transaction collections on a compared ledger that may get instant reviews of suspected transactions (Malhotra *et al.*, 2021).

In Nigeria, regulatory measures have included various circulars from the Central Bank of Nigeria (CBN) and recommendations from the Securities and Exchange Commission (SEC) aimed at supervising the cryptocurrency market. These actions have impacted how exchanges work and the amount to which users participate in them. Despite such improvements, traditional KYC/AML approaches are still inefficient. Excessive identity verification stages drive up compliance costs, slow onboarding processes, and upset consumers and financial institutions (Parate *et al.*, 2023).

Furthermore, KYC and AML regulations are strictly enforced on centralized exchanges, which typically operate without tight regulatory monitoring or registering in the country they operate in, demanding users to produce personal identity before trading. While it increases security and compliance, it also inhibits consumers seeking privacy, pushing them onto decentralized exchanges (De Filippi, 2016). However, for Dex, such regulations most likely cannot be implemented. Most DEX trading platforms do not have a designated governing body to which these laws can be applied. Management in most of the DEX platforms is mostly handled jointly by tiny anonymous ownership of governance tokens with no such single regulating body (Benson *et al.*, 2023). Therefore, it is practically impossible to implement these regulations.

However, the absence of explicit regulation for DEXs generates ambiguity, restricting their popular acceptance among some crypto enthusiasts. The World Economic Forum (2021) highlights the benefits of DeFi, as well as its acute challenges, including regulatory gaps, security concerns, and scalability limitations. Overall, the regulatory environment might impact user choices, with compliance-driven people opting for CEXs and privacy-focused consumers choosing DEXs.

2.5. Theoretical framework

The study hinges on institutional theory, originally

propounded by Meyer and Rowan (1977). Through institutional isomorphism and more subtle points, DiMaggio and Powell (1983) added significantly to the theory, which was further examined by Scott (2001). By using institutional theory, we consider how organizations and the social world generally are shaped by rules, behaviours, and organizational structures that remain unchanged over time (Lawrence & Shadnam, 2008). The theory tries to explain what rules and standards organizations have to obey if they want to receive support and legitimacy. (Scott & Meyer, 1983). It stresses that legal rules, regulations, and cultural traditions help determine the choices people and organizations make.

As well, institutions are aimed at steering individuals in the direction of a particular target (Lammers *et al.*, 2014). Identity verification and anti-money laundering regulations act as rules created by governments that guide the way consumers use exchange services. With the rules in place, institutions such as the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC) create coercive pressures that drive users to compliant platforms, particularly centralized exchanges (CEX), which are frequently required to implement stringent identity verification and reporting measures for these exchanges to follow.

The theory also takes into account moral and mimetic factors (Bhuiyan *et al.*, 2023), which can influence trade decisions. Additionally, it addresses normative pressures arising from societal expectations related to safety, legitimacy, and financial accountability, which increase the likelihood that customers will trust regulated services. Regulation aims to make sure services remain protected, ethical, and accountable, so users trust the businesses that are managed by regulation. Additionally, when users are unsure about the cryptocurrency ecosystem, they often imitate the choices made by people or influencers who like certain exchanges. According to Scott (2008), institutions are created from basic regulatory, normative, and cultural-cognitive elements that control and direct social life.

In the Nigerian context, customers may pick CEXs or DEXs depending on their perspective toward alignment with or resistance to institutional influences, particularly in areas where the regulatory environment is changing or unknown. However, the theory highlights that not all parties will comply (Burdon & Sorour, 2020). According to Hägele (2024), not all exchange adheres to the regulatory standards imposed on them, some deliberately shift their activities offshore where there are little to no regulations.

Thus, this theory can be used to explore compliance and resistance in consumers' attitudes towards regulations in Nigeria's developing cryptocurrency market.

2.6. Empirical review

In 2022, Pandey studied cryptocurrency exchanges like Uniswap, PancakeSwap and Binance to investigate methods for collecting data and evaluate their overall effectiveness. The study looked into both on-premise resources and third-party tools to find out what they each provided. Using the collected data, the research analyzed how exchanges manage pricing, fees and various trading pairs. Results suggested that in-premise resources offer speed and flexibility but are tedious to administer. Third-party resources, however slower and expensive, work successfully when relevant data is available. In addition, it becomes apparent from the analysis that Binance has better usability and fee structures but is not as transparent and easy to use as Uniswap and PancakeSwap.

Applying a doctrinal research method to study the policies and rules concerning crypto-exchange in Nigeria. Abdullahi (2024) focused on understanding the legal environment of cryptocurrency in Nigeria when blockchain was first established. It looked at laws like the Investment and Securities Act and rules made by the SEC for digital assets. The study examined their ability to regulate transactions in digital assets connected to blockchain technology. The results revealed that existing laws do not meet the requirements of blockchain platforms. The research pointed out areas where laws and regulations are not clearly organized. It suggested that regulation should mix established laws, smarter codes, and algorithms.

Bello *et al.* (2025) carried out a comprehensive literature review to explore the potential of blockchain technology in improving Know Your Customer (KYC) and Anti-Money Laundering processes within the financial sector. Following stringent inclusion and exclusion procedures, thematic analysis was done to examine how blockchain technology influences strategy and performance. The present research examined existing literature on blockchain and KYC/AML, as well as emerging trends in cryptocurrencies, and identified the challenges hindering blockchain implementation, including regulatory and technological obstacles. Exploring key areas like identity verification, fraud detection, and blockchain's incorporation into regulatory compliance. The findings revealed that blockchain has potential for boosting efficiency and security in compliance operations.

Nummelin (2022) conducted research to examine the risks and advantages of centralized versus decentralized exchanges and services. Data was gathered through a user survey in a cryptocurrency chat group and interviews with representatives from both centralized and decentralized exchanges. The study found that Individuals with an appetite for high-risk/reward-style speculation can use decentralized exchanges and services to gain access to cryptocurrencies and utilities that have not yet been adopted by the mainstream user base. The study concludes that centralized exchanges and services are more beginner friendly and secure than decentralized exchanges and services. However decentralized exchanges provide much greater trading opportunities to users who have the necessary experience and risk appetite. the report gives practical insights for those navigating the decentralized sector of finance.

Hägele (2024) performed an in-depth study on cryptocurrency exchanges, looking particularly at the dispute between centralized and decentralized exchanges. The research analyzed findings from January 2019 to September 2023, focusing on comparing DEXs and CEXs regarding decentralization, user control, censorship resistance, liquidity, advanced features, and stability. KYC and AML become important factors when deciding on exchange choice. The report underscored the growing emphasis on pricing research, particularly on automated market makers (AMMs). However, the study indicates that the current trends are not just restricted to how

CEXs and DEXs determine the price; among these topics are front-running in decentralized markets, finding the best way to order transactions, estimating profits for liquidity providers, and handling issues such as stopping fake tokens and ensuring fair regulation of cryptocurrency exchanges.

Despite several studies investigating the legal framework regulating cryptocurrency exchanges, particularly in respect to KYC and AML compliance. There is little to no research assessing how these regulations impact customers' decisions between centralized and decentralized exchanges. Most current work focuses on institutional, technical, or policy-level assessments, often missing the behavioural and decision-making components from the user viewpoint. Bridging this gap is critical for understanding regulatory frameworks as a catalyst for a user's cryptocurrency exchange choice.

2.7. Conceptual framework

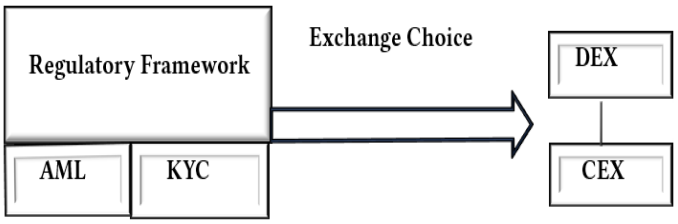

Figure 1. Conceptual framework
Source: Researcher's conceptual framework (2025)

3. METHODOLOGY

This study adopts a quantitative research design using survey-based primary data to investigate the effect of Nigeria's regulatory framework. specifically Know Your Customer (KYC) and Anti-Money Laundering (AML) policies on users' choice between centralized exchanges (CEX) and decentralized exchanges (DEX).

3.1. Population and sampling technique

The target population consists of Nigerian residents who engage in cryptocurrency trading. Due to the sensitivity of the work and the accessibility of respondents. A purposive sampling technique was used to select respondents with relevant experience in trading cryptocurrency. The non-probability sampling technique employed was appropriate for locating respondents with some familiarity with or direct experience of KYC/AML policies.

358 participants were involved in this research. The sample was deemed sufficient on the basis of feasibility and ethics and in an effort to have credible information without compromising the findings validity.

3.2. Data collection instrument

A structured and self-administered questionnaire was created and sent out using Google Forms as primary data was collected. In order to guarantee content validity, before administration, the questionnaire was assessed by knowledgeable specialists in the field of cryptocurrency and research methodology. A pilot test was also conducted on 20 respondents and appropriate changes done to bring about clarity and relevance.

3.3. Data analysis techniques

The collected data was coded and analysed using Statistical Package for the Social Sciences (SPSS) .Using binomial logistic regression to model the influence of KYC/AML perceptions on the likelihood of choosing a CEX versus a DEX.

3.3.1. Mathematical model

Let the dependent variable (Y) represent the user's exchange preference:

Y = {1: DEX, 0: CEX}

The Binomial logistic regression model is expressed as:

$$\log\left(\frac{P(Y=1)}{1-P(Y=1)}\right) = \beta_0 + \beta_1 \text{AML} + \beta_2 \text{KYC} + \varepsilon_i$$

Where:

Y = Exchange choice (dependent variable)
P(Y=1) is the probability of choosing DEX
P(Y=0) is the probability of choosing CEX
β_0 is the intercept
β_1, β_2 = Coefficients for KYC and AML respectively
ε = Error term

4. RESULTS AND DISCUSSION

Hypothesis (H01): $\beta_1 = \beta_2 = 0$

AML and KYC regulatory concerns do not have a statistically significant effect on users' exchange choice between decentralized exchanges (DEX) and centralized exchanges (CEX).

Table 1. Classification Table[a]

	Observed		Predicted
			Percentage Correct
Step 1	Exchange Choice	Centralized Exchange (CEX)	62.0
		Decentralized Exchange (DEX)	76.4
	Overall Percentage		70.7

a. The cut value is .500

Source: Researcher's SPSS output (2025)

Based on the results from the classification tables, logistic regression correctly found 62.0% of CEX users and 76.4% of DEX users, giving an overall classification accuracy rate of 70.7%. The results suggest that the model using AML and KYC as predictors is adequate for determining user choice between DEXs or CEXs. The substantially greater prediction accuracy for DEX users shows that these users' choices are more strongly impacted or explained by the regulatory factors included in the model.

Table 2 highlight further evidence on the influence of AML and KYC. The coefficient for AML is positive (B = 0.050, p = .020), indicating that as user concern or sensitivity toward AML regulations increases, the likelihood of choosing a decentralized exchange also increases. The odds ratio (Exp(B) =

Table 2. Variables in the equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	AML	.050	.021	5.369	1	.020	1.051
	KYC	-.182	.026	50.565	1	.000	.833
	Constant	4.002	.622	41.336	1	.000	54.683

a. Variable(s) entered on step 1: AML, KYC.

Source: Researcher's SPSS output (2025)

1.051) suggests that for every unit increase in AML perception, the odds of choosing DEX over CEX increase by approximately 5.1%. This relationship is statistically significant, as the p-value is below the 0.05 threshold.

On the other hand, the KYC variable has a negative coefficient (B = -0.182, p = .000), which implies that higher concerns or aversion toward KYC requirements are associated with a greater likelihood of choosing a decentralized exchange. The odds ratio of 0.833 suggests that for every unit increase in KYC strictness perception, the odds of choosing DEX increase (since lower odds of choosing CEX correspond to higher odds of DEX preference). The result is highly statistically significant (p < .001), providing strong grounds to reject the null hypothesis Therefore, based on both the statistical significance of the predictors and the classification performance of the model, the study rejects the null hypothesis and concludes that AML and KYC regulations significantly affect users' exchange choice.

4.1. Discussion of findings

This paper investigates how regulatory frameworks, especially Anti-Money Laundering (AML) and Know Your Customer (KYC) requirements, influence users' choice between centralized exchanges (CEX) and decentralized exchanges (DEX). The results from binomial logistic regression analysis show that both AML and KYC are statistically significant predictors of exchange choice.

The results suggest that a higher sensitivity to AML regulations can dramatically increase a user's probability of selecting a DEX over a CEX. These findings agree with existing research (Dai, 2020; Hägele, 2024; Xiong *et al.*, 2024), which found that users that are wary of governmental surveillance and want financial privacy would prefer decentralized platforms that provide greater anonymity and low-level oversight. What this means, in essence, is that since DEXs are not as strict when it comes to enforcing AML measures, users tend to be drawn to them.

On the other hand, KYC requirements showed a negative relationship with the choice of CEX, suggesting that the stricter the KYC requirements, the lower the probability of users choosing centralized exchange. This is in line with other studies (Caliskan, 2020; Trozze *et al.*, 2023) that have argued that identity verification is invasive or cumbersome and can act as a deterrent to parts of the user engagement. Many users seem to perceive DEXs as more user-friendly alternatives due to the absence or leniency of KYC procedures. Furthermore, the 70.7% classification accuracy represents further evidence in support of the predictive relevance of these regulatory variables, making the model very robust in explaining user behaviour in the cryptocurrency exchange ecosystem.

Taken together, these findings highlight an important policy implication: while AML and KYC regulations are important tools that should help promote transparency in the cryptocurrency ecosystem, preventing illicit activity and creating an environment of market integrity, they evoke incentives for users to move toward decentralized platforms that run outside of formal regulatory oversight. This result implies that the regulatory frameworks need to be balanced and adaptive so as not to compromise compliance standards but yet not alienate legitimate users. Regulators may need to consider user experience and preferences more carefully to maintain engagement within the regulated exchange environment and curb the expansion of unregulated financial activities.

5. CONCLUSION

The study explored how AML and KYC regulations influence Nigerian cryptocurrency user's selection of cryptocurrency exchange. Utilizing logistic regression to test how important these factors are and to what extent these factors impact exchange choice among Nigerian cryptocurrency users. Results indicate that the AML and KYC regulations have a substantial impact on cryptocurrency users when choosing which exchange to use. However, though adoption of DEX is positively associated with AML, KYC has a negative coefficient indicating that greater concerns or aversion against KYC requirements are associated with higher probability of switching to a decentralized exchange. On the one hand, the research finds that regulatory concerns are a key reason why customers choose one exchange platform over another.

RECOMMENDATIONS

Based on these findings, the following recommendations are made:

i. Nigerian regulatory bodies like the Central Bank of Nigeria (CBN) and the Nigerian Financial Intelligence Unit (NFIU) should take a more flexible and inclusive direction to crypto regulation. Rigorous enforcement of AML and KYC will probably drive users to unregulated platforms. The regulatory strategies must be balanced, ensuring compliance as well as making accessibility an attractive option.

ii. Implementing Tiered KYC: Low Volume/Low Risk should require levels of review appropriate to the risk posed by low-volume or low-risk transactions; High Volume should require more stringent levels of review for high-volume transactions, and higher-volume users should require very high levels of review for higher-risk transactions. This approach is

particularly good for inclusion, especially for small-scale users and informal sector participants.

iii. Centralized exchanges operating in Nigeria should collaborate with regulatory agencies in educating the public on the merits of complying with regulatory bodies. This awareness campaign can be spread on social networks using crypto-related language that is common among users.

iv. Technology Innovation: Exchanges in Nigeria should further examine the application of privacy-preserving technology, e.g., zero-knowledge proofs or blockchain-based identity solutions, which could enable user privacy while complying with KYC/AML rules.

v. Collaborative regulation would entail a multiparticipant dialogue between the CBN, SEC, EFCC, NDIC, fintech operators, and blockchain developers for the production of a regulatory framework that is consistent with Nigeria's digital economy objectives and that makes minimal space for regulatory evasion.

vi. Support for Local Exchanges: The Nigerian government should provide regulatory clarity to locally owned and operated cryptocurrency exchanges.

By adopting these recommendations, Nigeria can strengthen its oversight of the crypto ecosystem without discouraging participation or innovation, ensuring that regulation supports both security and financial inclusion.

FURTHER STUDIES

Future research should extend the model to include further variables, including perceived security, transaction costs and user experience that may also affect exchange choice. Regulatory changes over time can be studied longitudinally to learn how they affect user behaviour. Furthermore, interview or focus group qualitative research would add to understanding of the reasons for particular exchange preferences. Further studies across different regions or across different regulatory jurisdictions would similarly help generalize findings and give a wider global perspective as regards how regulation affects crypto exchange adoption

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