

The Rising Trend of Online Forex Trading in Nigeria The Rising Trend of Online Forex Trading in Nigeria The Rising Trend of Online Forex Trading in Nigeria The Rising Trend of Online Forex Trading in Nigeria

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Table of Contents

Executive Summary	3
Methodology	4
Introduction	5
Chapter 1: Overview of Forex Trading	6
Global landscape of Forex trading	7
Trends in Nigeria's foreign exchange market	8
Chapter 2: Key Players and Drivers	9
Central Bank of Nigeria (CBN) and regulatory framework	10
Forex trading platforms and its demand	10
Drivers influencing participation in the forex market	11
Chapter 3: Threats to Mainstream Participation	13
Forex scam	14
Knowledge gap	16
Market volatility	16
Chapter 4: Measures to Maximize Opportunities in Mainstream Forex Trading	17
VPN/Proxy server use	20
Anti-virus software	20
Back-up data	20
Complex password	20
Chapter 5: Recommendations	21
Conclusion	23

Executive Summary

Forex trading (FX trading) is a global financial concept that involves the exchange of one currency for another, usually for commercial reasons. This whitepaper examines the key drivers, threats and opportunities in the forex trading ecosystem in Nigeria.

This report is based on empirical data gathered from a survey on the perception of users of forex trading platforms. A total of 1,254 respondents were part of the survey.

Chapter 1 presents an overview of the global trading landscape and deep dives into the Forex trading ecosystem in Nigeria; identifying the trends within the trading ecosystem.

In chapter 2, the report examines the key players in the Forex trading ecosystem with a particular focus on major regulatory bodies and their role in regulating the activities of Forex trading platforms. Further, the chapter elaborates on the key factors driving its increasing popularity amongst Nigerians.

The third chapter focuses on the threats to the mainstream participation of Nigerians in Forex trade. One of the biggest threats identified are Forex trading scams. Here, the report analyzes the scam experiences of respondents on forex trading platforms and how fraudulent online trading offers affect their overall perception of online forex trading.

In the fourth chapter, we identify some of the untapped opportunities in Forex. We discussed the security of transactions on forex trading platforms. Further, this chapter critically analyzes some of the methods respondents identified to maximise opportunities on the trading platforms and how this influences their choice of trading platforms.

This whitepaper concludes with some evidence-based recommendations on how to reduce forex trading scams and improve the security of trading platforms.

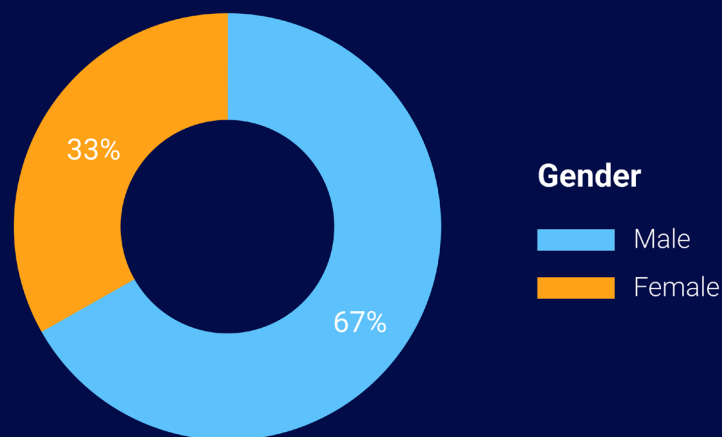


Methodology

This whitepaper is based on empirical data gathered from a survey by OctaFX on the perception of users of forex trading platforms. A total of 1,254 respondents were part of the survey comprising 410 females (33%) and 844 Male (67%). 49% of respondents who participated in the survey reported 1-3 years experience of trading forex while 40% of the respondents had 3-5 years experience and 11% of them had more than 5 years experience of trading forex.

The gender and age distribution of the respondents in the survey showed that the majority (67.3%) of those who access forex trading platforms are male and respondents within ages 21 -35 years constitute (92.3%) of the forex traders. The least proportion (0.3%) of the respondents falls within the age group 41 and above. This is traceable to the quest to attain economic leverage and financial freedom early in life among young people. The least proportion (0.3%) of the respondents falls within the age group 41 and above; traceable to the level of risks people are willing to bear at that age as predicated on past experiences and family responsibilities, among other factors.

Figure 1: Gender representation



Source: OctaFX Research

This report further explored gender analysis and female participation in the Forex trade using a Chi-square test (otherwise referred to as a test of independence statistic) analysis. From analysis, it can be inferred that male traders are more susceptible to forex scams relative to their female counterparts. This was achieved by conducting an independent statistical analysis of the relationship between the gender of the respondents and their experience of the Forex scam.

To support the primary data from the survey results, secondary data comprising books, articles, and press releases on forex trade were analysed.

Introduction

Nigeria's financial sector has grown exponentially through a rising interest in forex trading. According to a 2021 report, there are approximately [300,000 retail forex traders in Nigeria](#), and there has been a substantial rise (46%) in female traders over the past couple of years. In Nigeria, trading in the forex market reached an all-time high of 300% growth in March 2020. This growth in momentum is considerably due to increased mobile penetration in the country and growing interest from the young population in Nigeria.

On the other hand there is evidence from the survey result that interest in forex can be explained to be as a result of the need for an additional stream of income and desire to make "easy money". About 42% of the survey respondents identified the promise of "easy money" and "large returns" as the motivating factor for engaging in forex trading.

The foreign exchange market in Nigeria has received lots of attention largely because of its impact on various sectors of the economy. Due to the nature of trade, fraudulent traders have created various measures for taking advantage of people's interests by plotting ways to scam them. The quest to earn more income or gain financial freedom has made many victims of fraudulent money-making schemes such as Ponzi schemes which come in various shades and forex scams due to a lack of knowledge of its technicalities and salient variables to watch out for on different forex platforms.

Studies investigating the perception of traders about the different forex platforms and forex scams across gender classification and years of experience are scarce. It is in view of this that this study uses empirical data to understand the perception of Nigerians on forex trade. Predominantly, this report provides evidence that the perception of the respondents regarding Forex trading is predicated on their experience of fraudulent offers. Many Nigerians have fallen victims to such fraudulent acts.

A survey was designed to collect responses from a sample size of 1254 participants, selected through random sampling. 83% of the survey respondent signified that they had been victims of forex scams from as low as ₦1000 and as high as ₦150,000 and above. A significant proportion (76.2%) of the respondents perceived that fraudulent offering affects their online behaviour and general attitude to forex. The result from the survey has called for a renewed commitment by OctaFX to support forex traders in overcoming the challenges that come with trading, making effective trading decisions and achieving investment goals by providing an optimal set of both analytical and financial instruments.

As expected, like in other business activities, expertise and knowledge of forex trading is dependent on the years of experience an individual has gained. The report highlights the growing demand for privacy and security measures, including the indicators forex traders analyse when selecting a forex trading platform. The desire to earn "quick" money is among the top-most reasons why many respondents have been victims. The report concludes by presenting a series of recommendations that policymakers, the government, the Central Bank of Nigeria, and forex traders can implement to improve the forex trading process and gradually improve the perception of Nigerians towards forex trading.

Chapter 1

Overview of Forex Trading



Overview of Forex Trading

The need for financial security has seen individuals engage in forex transactions. These traders are mainly attracted to the likelihood of making huge profits, however, the risk generally associated with forex trading is high.

Global Landscape Of Forex Trading

With over 170 currencies traded daily, the global forex market, which is the world's largest financial market in terms of value, trading volume and liquidity is valued at approximately \$2.4 quadrillion with an average of \$6.6 trillion worth of transactions carried out daily.

Figure 2: Most traded currency pairs

Most Popular Forex Pairs



USD/EUR
24%



USD/JPY
17.8%



USD/GBP
9.3%



USD/AUD
5.2%



USD/CAD
4.3%



USD/CNY
3.8%



USD/CHF
3.6%

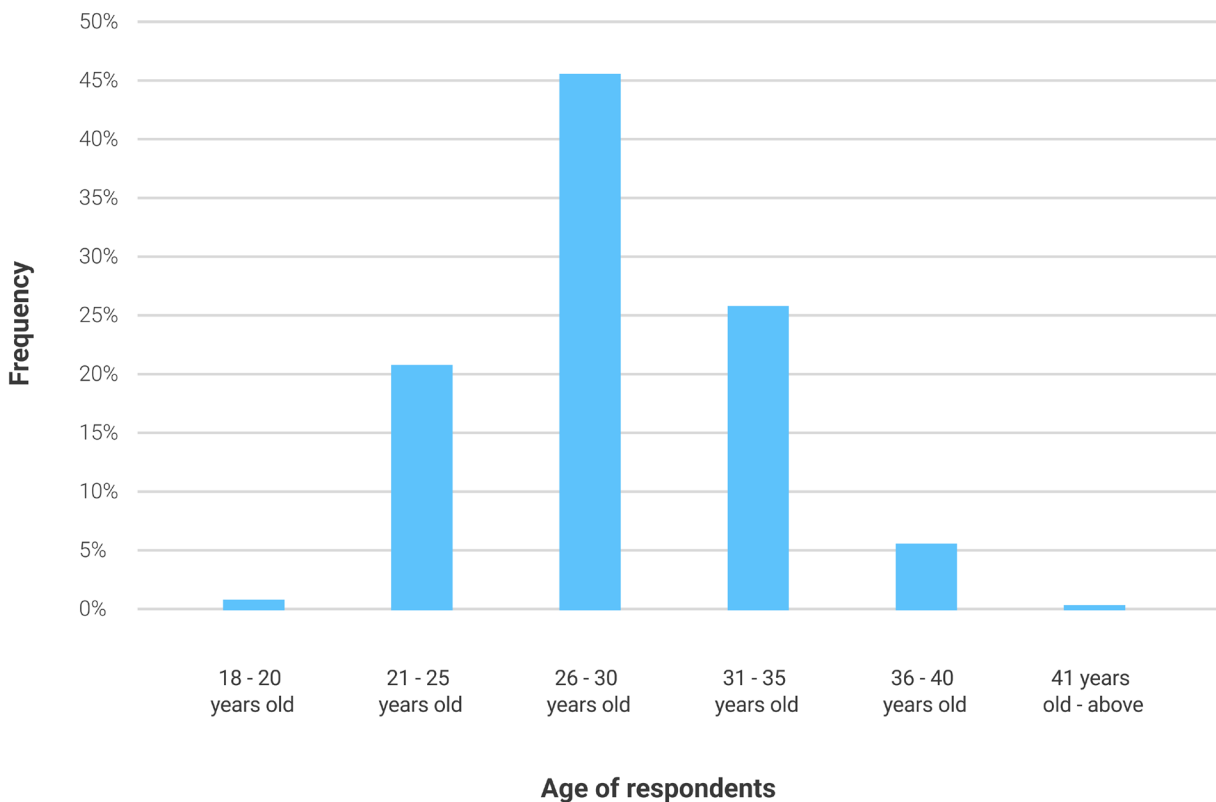
Source: compareforexbrokers.com

Trends In Nigeria’s Foreign Exchange Market

Nigeria’s forex market has witnessed increased participation in recent times, with transactions of different currency pairs worth millions of naira carried out daily. [The commonly traded pairs in Nigeria’s forex market](#) include EUR/USD, USD/JPY, GBP/USD, and USD/CHF.

The need for ease in forex trading and digitization of the market, has seen an influx of young Nigerians trading online. According to the survey by [OctaFX](#), the youths (18 - 35 years old) account for 93.7% of the respondents trading on forex platforms.

Figure 3: Age representation



Source: OctaFX Research

Chapter 2

Key Players and Drivers



Key Players and Drivers

There is a need for stakeholders to collaborate to provide easy to use trading platforms for forex traders. In a dynamic market like forex, the key players are the regulatory bodies and forex platforms.

Central Bank of Nigeria and Its Regulatory Framework

The [CBN](#) has been tasked with overseeing the activities of the financial (forex) markets in Nigeria. It does this through guidelines, manuals, directives, and circulars that regulate financial (forex) transactions.

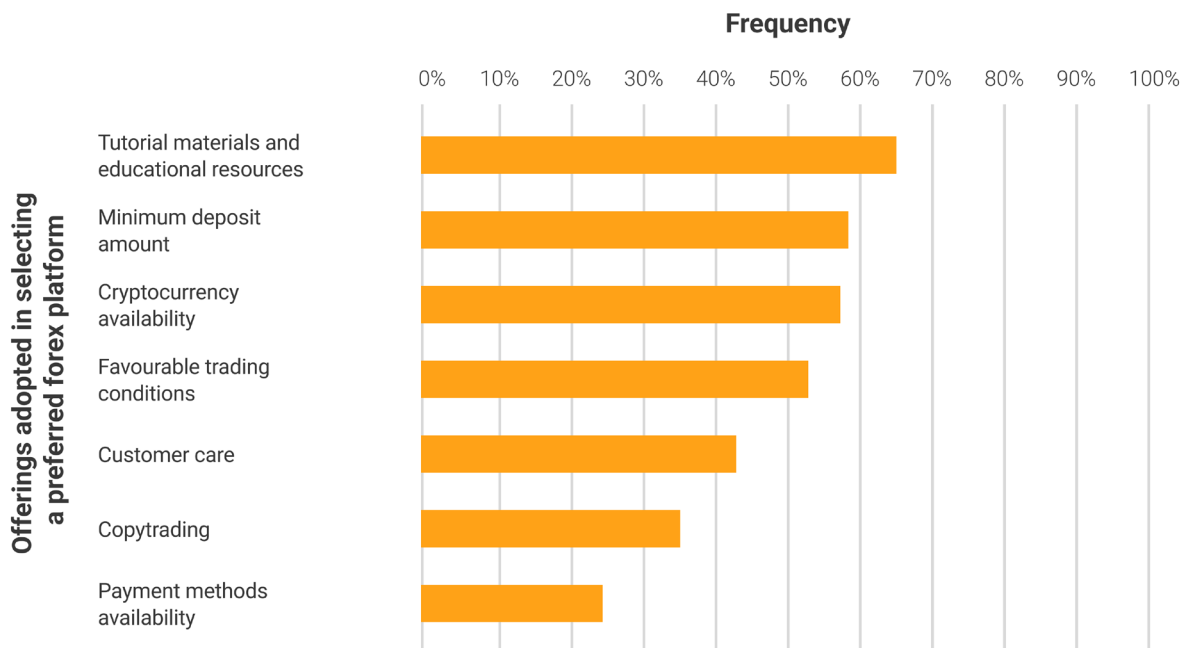
Forex Trading Platforms and Its Demand

With the influx of young Nigerians into online forex trading, a good example of a platform that provides easy to use trading features for beginners and experts alike is [OctaFX](#). The platform is a key player in the Nigerian forex market landscape.

Forex platforms often adopt a range of offerings that influence traders when selecting their preferred trading platform. The analysis of data from the survey conducted by OctaFX showed that 65% of respondents prefer a forex trading platform with tutorial materials and educational resources.

The survey also placed minimum deposit amount and cryptocurrency availability as the second (57%) and third (56%) offerings that platforms use to drive traders to use their platforms. Other offerings include favourable trading conditions, reliable customer care, and copytrading while payment methods availability is the least offering forex traders are inclined to on any forex trading platform with 24%.

Figure 4: Offerings adopted by platforms in influencing traders' choice

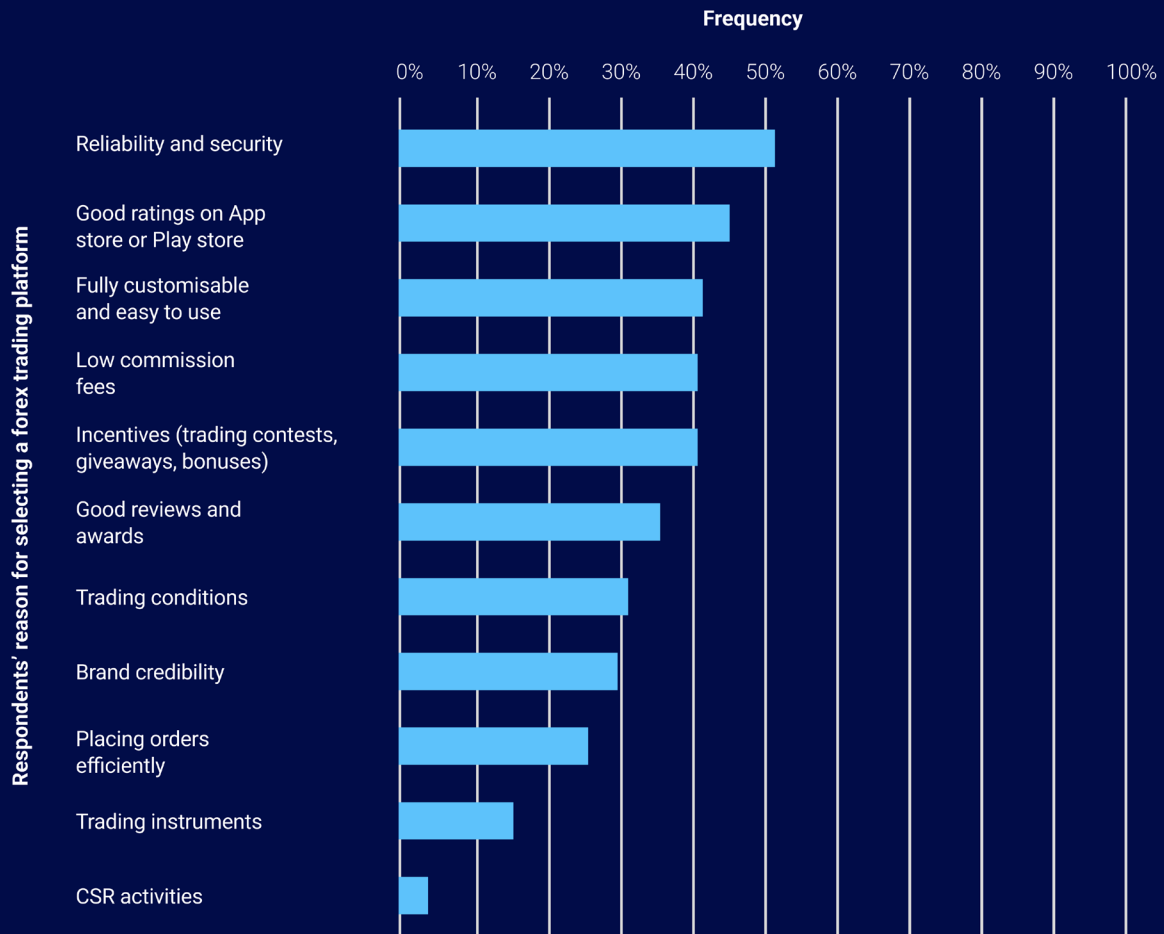


Source: OctaFX Research

Drivers Influencing Participation in the Forex Market

Forex traders have different motivations for using online platforms for their transactions. The analysis shows that 52% of the respondents highlighted reliability and security as the most preferred combination that influences their participation in forex and selecting a trading platform. Good rating on App store and Play store, intuitive user-interface, low commission fees, trading incentives, and brand credibility are other factors that motivate respondents to trade forex. CSR activities by the trading platform have the least influence on respondents' participation, with only 4% highlighting it as a driver for participation.

Figure 5: Reasons adopted by Respondents in selecting preferred trading platform

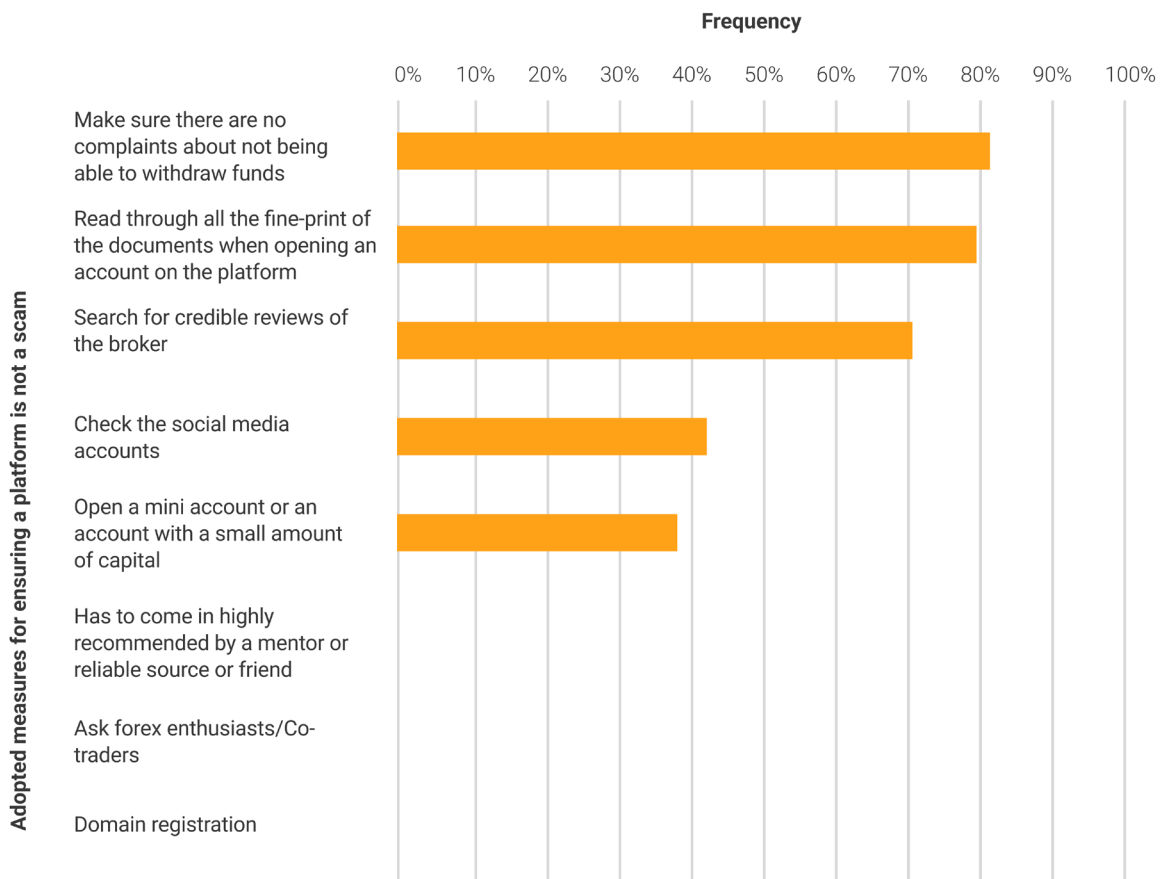


Source: OctaFX Research

Securing one's investment is critical and is a major driver for engaging in forex trading, knowing that one's investment or funds is safe. The majority (82%) of the respondents affirmed that they make sure there are no complaints about the withdrawal of funds on a trading platform before they transact. While domain registration of the platform recorded the least with 0.1% each.

Analysis of data showed significant evidence that traders' ability to ensure that a platform is not a scam drives them to want to trade on such a forex trading platform. In view of this, it can be inferred that once a trader can ascertain a platform is not a scam, it drives their participation in forex trading.

Figure 6: Measures adopted in ensuring a trading platform is not scam



Source: OctaFX Research

Chapter 3

Threats to Mainstream Participation



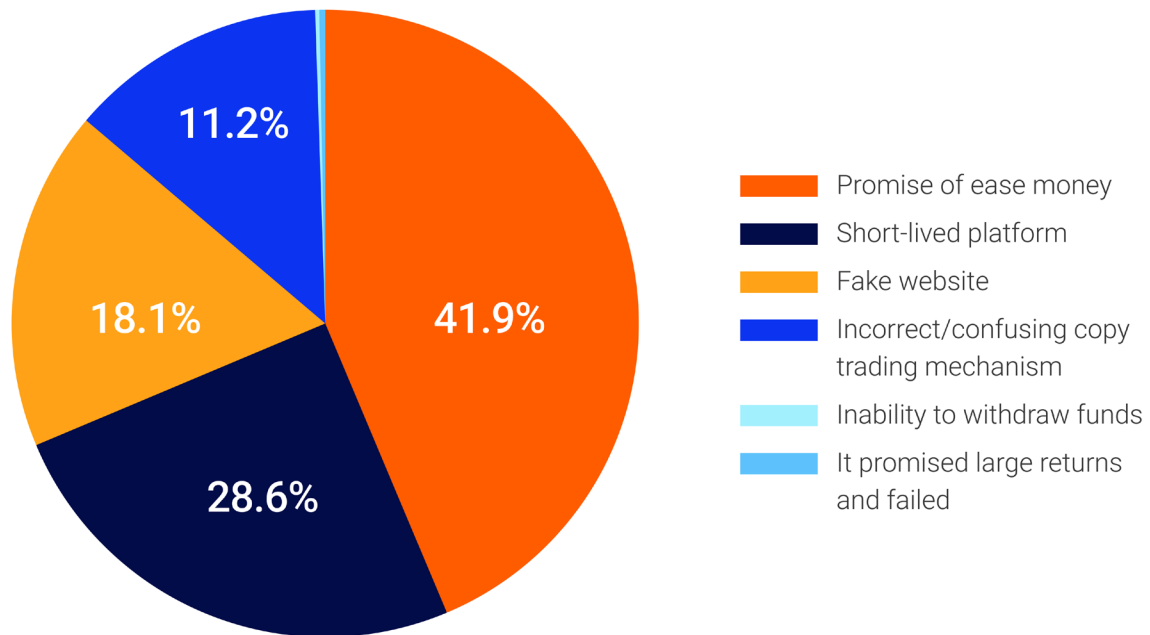
Threat to Mainstream Participation

The Nigeria Forex market has seen immense growth in both the number of traders and trading activities in recent years, thanks to the emergence of online trading, which paved the way for more participation beyond the traditional alternative which has existed for several decades. However, various threats associated with the fast-growing financial market continue to act as barriers to widespread adoption, some of which include the following;

Forex Scam

The increase in forex scam has been a major threat to mainstream participation on forex trading platforms. The analysis of data on the experience of forex scams by respondents shows that the majority (82.4%) had experienced at least one of several types of forex scams. It was discovered that a significant proportion (41.9%) of the respondents fell prey to scammers due to their expectation of easy money. In comparison, only a few proportions (11.2%) experienced scam due to 'incorrect/confusing copy trading mechanism,' while a much fewer proportion (0.1%) experienced scam due to 'failed promises of large returns.' This, however, implies that most Nigerian forex traders lack adequate trading knowledge.

Figure 7: Forex Scam Experience

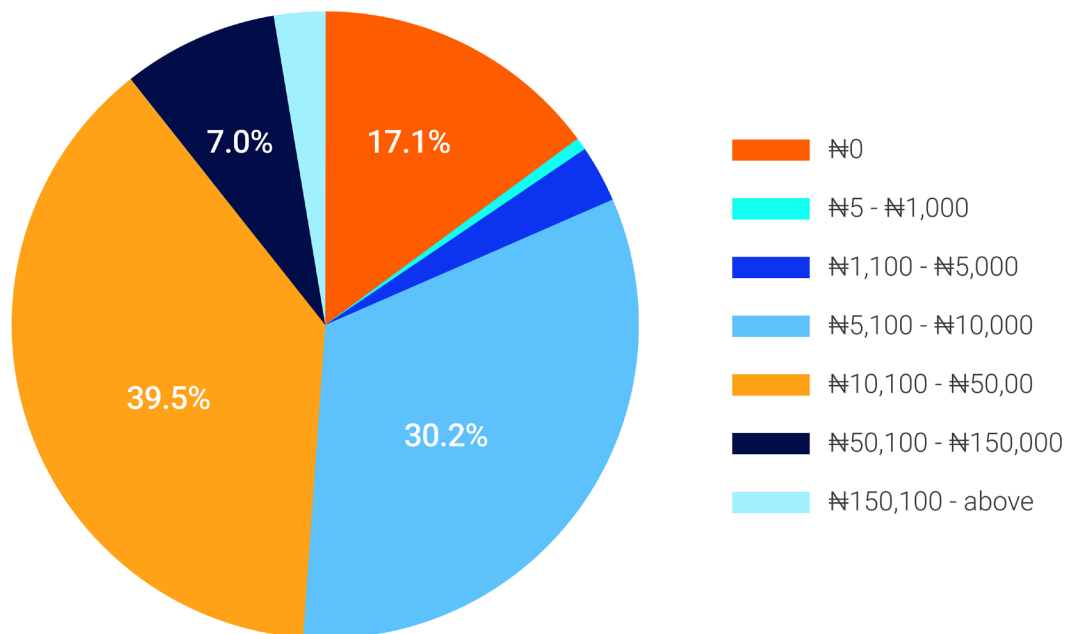


Source: OctaFX Research

Analysis of data showed that gender and number of years trading forex has a significant impact on the traders likelihood to fall victim to scam. It was inferred that the male respondents are more susceptible to scam.

Losing money to scammers in trading forex is inevitable when the trader does not have adequate knowledge of the market. Majority (69.7%) of the respondents surveyed affirmed that they have been scammed of money between N5,100 - N50,000, while only a few (2.5%) have been scammed to the tune of N150,100 and above. In contrast, only a few proportion (17.1%) of the respondents have never experienced any form of scam in their years of trading forex. This also goes to show that despite profound likeness for making 'easy money,' most Nigerian traders are cautious of the amount they trade on forex platforms.

Figure 8: Amount lost to fraudulent offers on trading platforms



Source: OctaFX Research

It is safe to say that the experience of scam and amount lost can have a lasting impression on how traders react to platforms and forex generally. From the analysis, 76.2% affirmed that a forex scam affects their online behaviour and general attitude to forex while 23.8% said otherwise. The survey showed significant evidence that the gender of the respondents is of little significance to how they react to financial platforms and forex generally.

Furthermore, there are avenues or channels through which scammers leverage to get their victims especially as related to forex trading. As gathered from the analysis, emails (74%) tops the list of places fraudulent offers are seen. Other channels perceived to show fraudulent forex offers as gathered in the survey are advertising, blogs, influencers, SMS, phone calls, whatsapp/ telegram with instagram (0.4%) as the least place leveraged to show fraudulent offerings.

Knowledge Gap

The lack of adequate knowledge of forex is associated with the experience a trader has trading. From the analysis, it is established using the binary logistic regression analysis that the number of years trading forex really affects traders’ behaviour to forex and also how they fall prey to scammers. This implies that the number of years trading forex which helps to build experience has greater odds of affecting individuals’ knowledge of how to improve their online security and safety of their funds.

Market Volatility

Uncontrollable factors also contribute to the threats limiting mainstream participation in the Nigeria forex market. One of such factors is volatility, which essentially refers to the price fluctuations of traded assets. This frequently transient event can either boost profit potentials or result in loss. Hence, the role of acquiring relevant knowledge of forex trading, especially in the areas of understanding market volatility, as well as tracking and analysing market trends, cannot be underplayed. However, based on the analysis, using a chi-square test, it is apparent that a significant proportion of male respondents (92.54%) are relatively more knowledge-seeking than their female counterparts (85.37%) when it comes to learning how to improve their online security and safety of funds.

Figure 9: Chi-square Test Analysis of knowledge to improving their Online Security and the Safety of their Funds.

Gender	Do you know how you can improve your online security and the safety of your fund		Chi-square	P-value
	No	Yes		
Female	60 (14.63%)	350 (85.37%)	16.035	0.001
Male	63 (7.46%)	781 (92.54%)		

Source: OctaFX Research

Chapter 4

Measures to Maximise Opportunities (Participation) in Mainstream Forex Trading

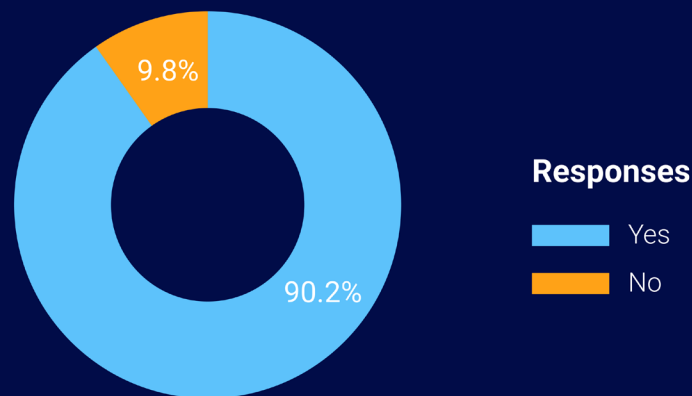


Measures to Maximise Opportunities (Participation) in Mainstream Forex Trading

The increase in Forex scams call for an urgent need to consider the factors that can lead to mainstream participation in Forex trading. The analysis of data on the highest amount of money respondents have been scammed shows that a larger proportion (39.5%) are within the category N10,100 - N50,000 and only a few (2.5%) have been scammed to the tune of N150,100 and above. This implies that the majority of young people who engage in forex trading online are cautious of the amount they trade on the platforms and the level of risk they undertake. A good proportion (17.1%) of the respondents reported they have never been scammed in their forex trading experience. Forex scams will be around for as long as the Forex market exists. As schemes are evolving, scammers are always somewhere nearby, seeking ways to steal money.

Improving knowledge of online security and the safety of funds has now become critical in online forex trading. Majority (90.2%) of the respondents surveyed affirmed the need to improve their knowledge in this respect so as to get the best of forex trading while (9.8%) reported contrariwise.

Figure 10: Knowledge of how to improve their online security and safety of fund



Source: OctaFX Research

Analysis of data above shows significant evidence that people are willing to participate in Forex and want access to information that can improve their knowledge of online security and safety of funds.

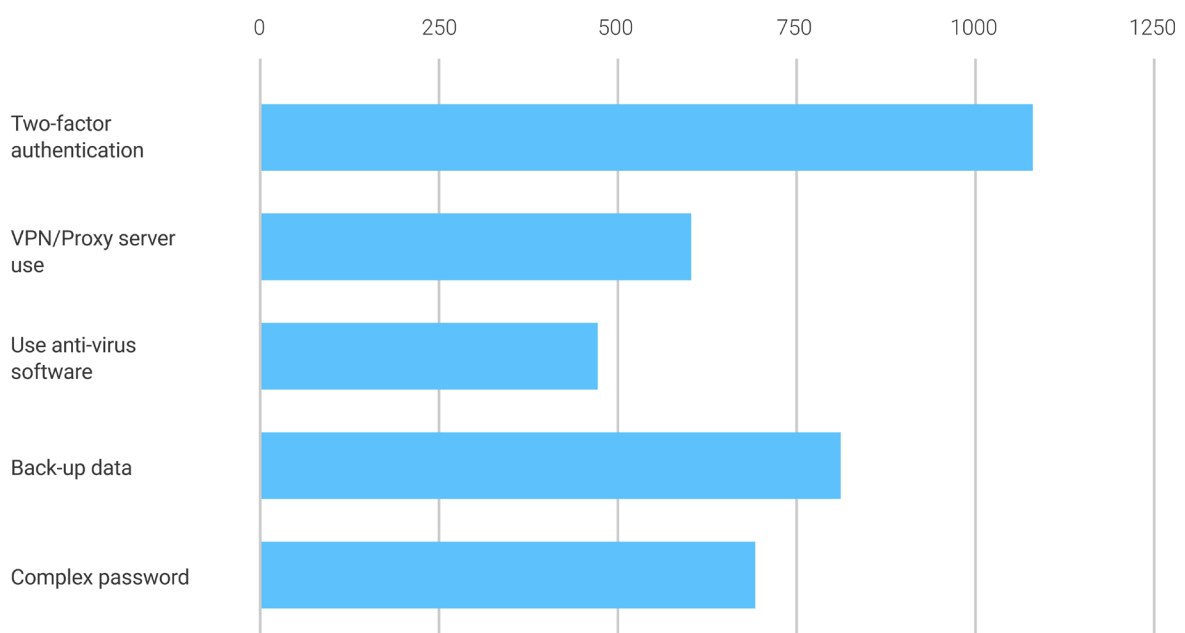
Figure 11: Gender breakdown of knowledge on how to improve their online security and safety of fund

Gender	Do you know how you can improve your online security and the safety of your fund	
	No	Yes
Female	60 (14.63%)	350 (85.37%)
Male	63 (7.46%)	781 (92.54%)

Source: OctaFX Research

Broadly, the factors that can guarantee safety of personal information and financial protection in forex trading include the use of VPN/proxy server use, anti-virus software, backup data and complex password. The survey showed that applying multiple protection methods while trading on Forex trading platforms is common among users. The use of a singular protection method was perceived as extremely risky by the respondents as evident in the proportion who adopted only the use of anti-virus software, and VPN/Proxy server use respectively during a trading session on a forex platform.

Figure 12: Methods for financial protection in Forex Trading



Source: OctaFX Research

VPN/Proxy server:

The need to keep private information secured in forex trading has increased the use of VPN/Proxy servers for privacy matters. VPN/Proxy servers are important for protecting users' privacy online and encrypting all internet traffic. Although the use of a VPN/Proxy server was identified by 48% of the survey respondent as one of the most frequently used measures for keeping personal data protected for users of forex trading platforms, there are concerns associated with it. Many brokers decline to trade with VPNs or proxies and go as far as [canceling the trader's profits if known that a VPN is used](#). Despite this limitation, the VPN server has an important role in forex trade. By using VPN/Proxy Service, forex traders can replace their real IP address with a virtual address to avoid disclosing their location.

Anti-virus software:

Viruses, malware, spyware, and ransomware can all be detrimental. Among the most popular forex trading software and security are MetaTrader 4 and MetaTrader 5 (developed by MetaQuotes) along with cTrader (Spotware). Top brokers offer the software, and since 2005, MetaQuotes have dominated the forex software space with MetaTrader 4 retaining a 55% market share. From the survey, 37% of participants identified the use of anti-virus software on all forex trading platforms as the most preferred form of financial protection for users of forex trading platforms. Installing antivirus software has been proven as an effective defence, especially against hackers.

Back-up data:

It is important for forex traders to archive important information to avoid the risk of losing all data. The use of backup data was identified by 64% of the survey respondents as one of the most frequently used measures for financial protection for users of forex trading platforms. OctaFX allows registered users to access all data including account number and trader password via email after the account is opened. In cases where users lose the email, they can restore their access data from their [Personal Area](#)

Complex password:

The use of password generators like Lastpass, Norton, and Dashlane is recommended in securing your account from hacking. It is important to create complex and lengthy passwords containing letters, numbers, and special characters and be at least 12 characters long. From the survey, 54% of participants identified the use of complex passwords on all forex trading platforms as the most preferred form of financial protection for users of forex trading platforms.

Chapter 5

Recommendations



Recommendations

Verify or double-check the source of your information. When you receive information from a brokerage firm via email, text message, or perhaps come across it on any social media platform, be sure that you are not being spammed and that the company's signature is accompanied. This is very important, especially when the information requires you to take immediate action. When in doubt, you can carry out further research about the information or reach out to the customer representative of the particular brokerage site to be very sure.

Avoid downloading applications from an unofficial app store, or third-party platform or using pirated software. While this may come with great risk, a trader may compromise on many things, including security, data, money, or other valuable assets.

Keep your account credentials confidential. Information such as login details or backup data is not meant to be shared with anyone and must be treated with the highest level of confidentiality. In other words, you should not give up your account credentials, PIN, or confirmation code to anyone, including a brokerage representative.

Do not share or grant access to your account to any third party, even if they mean well. Be completely in charge as it will help you minimise the risk of exposure or falling into the wrong hands.

Do not enable "remember password" on any of your devices. Doing so may expose you to great risk if the device gets stolen or accessed by a random user. As a preventive measure, ensure to always check and analyse your permission set to be sure it is not compromised, shared or stored by third parties without your knowledge.

If it feels "too good to be true," then don't bother. Most scams are presented with offers that are logically unrealistic yet convincing. Consequently, you should consult professionals if you ever find it hard to figure out the ingenuity of a brokerage site or its offering.

Activate basic VPN. While the use of a VPN is not mandatory, using a basic VPN can help encrypt the traffic from your device, making it hard to get hacked or accessed by third parties at any point in time.

Traders must be security conscious and aware. Activate your spider sense and be sure not to make any uninformed decision, especially when it has to do with sharing your data with third parties.

Avoid the use of public Wi-Fi or any other public network when logging in to important accounts. Doing otherwise can create a gateway for hackers to access your device and eventually, gain control of your private accounts.

Do not agree to save your bank cards or related credentials with any online store or website. When purchasing a product or service online, it is highly important to ensure the site you are using is reliable and secured.

Conclusion



Conclusion

Unemployment, increase in internet penetration, minimal transaction costs, market liquidity and volatility remain the key drivers influencing the continuous increase in participation in Forex trade. Our analysis has shown that young people within the age category 21 to 35 years are more involved in Forex trading of which the male gender is dominant when this is classified across gender lines. Further, this report has provided evidence that gender and the number of years of trading forex significantly affect the likelihood of respondents' change in online and general behaviour and attitude to forex trading, with the number of years of trading having a more prominent effect (greater odd) of affecting the change in behaviour.

The absence of regulation for online forex trading can be attributed to the fact that it is an emerging market that has only gained more popularity over the past 3 years due to the pandemic. The CBN is no doubt the biggest player in Nigeria's forex market with the legal power to control other players and the framework of the market itself. In addition, international bodies like South Africa's FSCA and the UK's Financial Conduct Authority (FCA) have a strong influence on the forex market.

There is evidence that fraudulent offers are mostly received via emails, advertising, blogs, Influencers, and SMS and this significantly affects people's online behaviour and attitude toward Forex trading. Given this, OctaFX implores other forex trading platforms to prioritise safeguarding the information of users. From our 11 years of experience in forex, we have observed that the first step in safeguarding users from being victims of scam is by securing their personal information.

The use of tutorial materials and educational resources, minimum deposit amount, availability of cryptocurrency and favourable trading (i.e. profitable) were among the main drivers that influences the selection of forex trading platforms. Further, given the lucrative nature of forex amidst a pool of traders with a minimal level of experience, companies like OctaFX have made the process of opening an account seamless with a simple sign-up form and valid email address. To limit financial risk, the platform limits users' trading to only what they have deposited in their account as capital and provides compensation for beginners.

As Nigerians continue to engage in forex trading amidst the cases of fraud and scams, it is recommended for forex traders to use platforms like OctaFX that provide a combination of security and protection methods to trade safely because a single measure cannot guarantee protection. From the survey result, a combination of the use of two-factor authentication, VPN/ Proxy server use, backup data and complex passwords is top on the list of measures that can be taken for financial protection on all forex trading platforms and OctaFX provides them.



