Finance Regulatory Updates

September 2025

This month, we examine recent regulatory and market updates issued by key regulators in the financial services sector.

We highlight the key insights from these updates and their likely impact on market participants.

REGULATORY UPDATES

A. CENTRAL BANK OF NIGERIA (CBN)

Circular on the Appointment and Announcement of Successors to Managing Directors

On 16 September 2025, the CBN issued a circular to commercial, merchant, non-interest, and payment service banks, classified as Domestic Systemically Important Banks (DSIBs), reinforcing the importance of succession planning under the Corporate Governance Guidelines for Commercial, Merchant, Non-interest, and Payment Service Banks in Nigeria, 2023.

Key provisions include:

a. DSIBs must obtain the CBN's prior approval for the appointment of a successor Managing Director/Chief Executive Officer at least six (6) months before the expiration of the incumbent's tenure; and

b. the appointment of the successor must be publicly announced not later than three (3) months before the planned exit of the incumbent.

This measure strengthens governance, ensures leadership continuity, and provides clarity to investors, depositors, and the market on planned leadership transitions.

B. SECURITIES AND EXCHANGE COMMISSION (SEC)

Draft Rules on Credit Enhancement Service Providers

On 26 September 2025, the SEC issued the proposed rules on Credit Enhancement Service Providers & Sundry Amendment to Existing Rules of the Commission (the "Proposed Rules"), aimed at regulating entities providing credit enhancement services in the Nigerian capital markets.

Credit enhancements are arrangements (such as guarantees or standby letters of credit) that improve the creditworthiness of an issuer or transaction, thereby making securities more attractive to investors.

Prior to now, the SEC had no dedicated category for Credit Enhancement Service Providers. As such, enhancements on deals have historically been provided by financial institutions or bespoke structures under their primarily regulators and were not recognised as registrable functions under the purview of the SEC.

The Proposed Rules aim to include these functions under the SEC's oversight with prudential standards allocated to this business line. We have set out a summary of the key highlights of the Proposed Rules:

a. New Operator Class: The Proposed Rules establish a clear framework for CESPs. Under the rules, CESPs means an entity registered by the Commission in accordance with the provisions of the Proposed Rules with the objective of providing credit enhancement services in the Nigerian capital markets. Accordingly, the Proposed Rules provide for an amendment to the definition of Capital Markets Operators to now include CESPs.

b. Scope and Eligibility: As stated above, the Proposed Rules apply to non-funded, contingent instruments issued to improve the credit quality of capital-markets securities. Eligible providers include Nigerian companies registered by the SEC, multilateral organisations, and entities regulated in the International Organisation of Securities Commissions jurisdictions.

c. Registration and Prudential Requirements: The registration of CESPs will follow a two-stage process comprising a "no-objection" phase (prior to incorporation) and final phase (to be obtained within six months of obtaining the no-objection).

Once registered, banks and insurance companies may rely on letters of good standing from the Central Bank of Nigeria or National Insurance Commission instead of duplicating the prudential requirements. International financial institutions are exempt from most prudential requirements, provided they meet prescribed minimum rating thresholds.

CESPs are also required to maintain: (i) a minimum paid-up capital of NGN 10,000,000,000.00 (Ten Billion Naira); (ii) at least 85% of their total assets in liquid form; (iii) a minimum local currency credit rating of "A"; and (iv) a leverage ratio not exceeding 10 times.

d. Risk Management and Governance: CESPs are to establish robust risk management frameworks and comply with the Nigerian Code of Corporate Governance and SEC Corporate Governance Guidelines. This includes maintaining a board credit committee (with at least 50% independent directors), and a board finance committee to oversee credit enhancement transactions and financial performance.

e. Limits and Restrictions: Nigerian-incorporated CESPs may not issue enhancements for purely foreign transactions, unless the assets or proceeds are linked to Nigeria (e.g., a Nigerian issuer or a Nigeria-focused project financed offshore). In addition, CESPs must obtain the SEC's prior approval for transactions involving related or associated parties. To mitigate conflicts of interest, CESPs are also prohibited from acting as advisers on transactions where they are also providing enhancements.

f. Transition Period: Existing providers must apply for registration within three (3) months of the commencement of the Proposed Rules. Please note that they are permitted to complete pending transactions, but may not undertake new ones until registered.

MARKET UPDATE

Central Bank of Nigeria Releases Decisions of the 302nd Monetary Policy Committee Meeting

On 23 September 2025, the CBN released the Monetary Policy Communique following the 302nd meeting of the Monetary Policy Committee (the "MPC").

The MPC reviewed global and domestic economic developments, implementing policy changes to balance economic recovery with macroeconomic stability.

The key decisions of the MPC are:

1. Monetary Policy Rate (MPR): reduced by 50 points to 27.00%;
2. Standing Facilities Corridor: adjusted to +250/-250 basis points around the MPR;
3. Cash Reserve Ratio (CRR): adjusted to 45.0% for Commercial Banks and while that of Merchant Banks remain unchanged at 16.0%. Also, a 75% CRR is to be introduced on non-Treasury Single Accounts public sector deposits; and
4. Liquidity Ratio: held steady at 30.0%.

The MPC stated that the decision to lower the MPR was based on the sustained disinflation recorded in the past five months, projections of declining inflation for the rest of 2025, and the need to support economic recovery efforts. The other decisions were predicated on improving the efficiency of the inter-bank market, strengthen monetary policy transmission and enhance liquidity management.

For additional information in respect of any of the updates provided above, please contact *temitope.sowunmi@moroomafrica.com*

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Key Contacts

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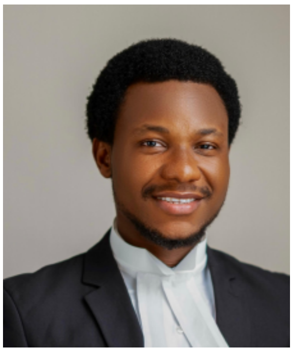

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