Finance Regulatory Updates

JUNE 2026

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

REGULATORY UPDATES

A. Exposure Draft of the Guidelines on Ring-Fencing Operations of Closely Linked Entities in the Nigerian Financial System.

On 10 June 2026, the Central Bank of Nigeria (CBN) released an Exposure Draft of Guidelines on Ring-Fencing Operations of Closely Linked Entities in the Nigerian Financial System (the "Draft Guidelines").

For the purpose of the Draft Guidelines, a "closely linked entity" refers to an entity that directly or indirectly controls, is controlled by, or is under common control with another entity or over which significant influence is exercised.

The Draft Guidelines aim to establish clear operational and functional boundaries among closely linked entities within the financial system, prevent regulatory arbitrage arising from commingling of activities across different licence categories, strengthen consumer protection, and enhance transparency and financial stability while supporting innovation and fair competition within the financial services sector.

The key highlights of the Draft Guidelines include the following:

a. <u>Operational Independence:</u> Closely linked financial entities are now required to operate independently, with each entity maintaining its own dedicated board and governance structure, risk management system, capital and liquidity resources, management of critical functions, customer accounts and facilitation, business continuity arrangements, and where necessary separate data centres.

b. <u>Governance Requirement:</u> The Draft Guidelines place direct responsibility on the boards of closely linked entities to ensure the independence of their operations and have in place policies for ring fencing its operations. Cross directorship in closely linked entities will be limited to 20% of the total number of directors, while employees are generally prohibited from simultaneously serving across entities except where permitted under CBN Guidelines on Shared Services Arrangements for Banks and Other Financial Institutions in Nigeria, 2021.

c. Intra-Group Dealings: The Draft Guidelines impose significant restrictions on intra-group dealings. All intra-group transactions must be conducted at arm's length, properly documented, and reported to the CBN on a quarterly basis. Closely linked entities are not permitted to extend loans to each other, guarantee each other's obligations, or rely on capital or liquidity support from each other. Entities are further restricted from facilitating customer transactions and offering services outside the scope of their licence using the technology applications of closely linked entities.

Where a customer chooses to transact, or is referred to transact, through a closely linked entity, that entity must onboard the customer independently. This requires obtaining the customer's explicit consent, collecting the customer's Know Your Customer (KYC) information directly, and setting up a separate account, wallet, or other approved channel for the services provided.

d. Segregation of Customers' Funds: The Draft Guidelines specifically mandate that customer funds are fully segregated from those of other closely linked entities, and must not be used for intra-group lending, group obligations, servicing intra-group or external debt, proprietary trading, guarantees, collateral for external borrowing arrangements, or diverted for operational expenses.

e. Data Protection: Customers' data must be stored independently from data systems of closely linked entities. Entities must obtain explicit consent from customers before sharing data between closely linked entities, and such transfer must comply with the Nigeria Data Protection Act, 2023. A robust data governance framework must also be implemented.

f. Recovery and Resolution Planning: Entities must have and maintain a recovery and resolution plan that explains how the entity would restore viability and stability after a period of severe financial stress.

g. Consumer Protection: Entities are prohibited from advertising to consumers any services outside their permissible scope of their respective licence and must ensure that these services under each licence are distinctly presented to prevent any form of misrepresentation to consumers. Disclosures shall be made for related entities through which additional services are provided, and such disclosure shall include option of alternative choice where available.

h. Other requirements introduced by the Draft Guidelines are mandatory establishment of formal service level agreements for all shared services arrangements, incorporation of a non-operating holding company by promoters of closely linked entities, annual independent audits of shared services expenditure, and regulatory reporting to the CBN.

The practical implications of the Draft Guidelines are that financial groups, fintechs, payment service operators and other financial entities regulated by CBN will need to reassess and potentially restructure their operating models to reflect operational independence. They will also need to establish a separate governance structure, review customer onboarding models, assess shared service arrangements, segregate customer funds, and strengthen independent capital and liquidity positions.

The proposed framework is likely to increase compliance and operational costs, necessitate significant investments in technology infrastructure, and require a comprehensive review of existing intra-group arrangements, particularly as many affected institutions currently rely on the technology platforms and licences of related entities to facilitate the provision of services beyond the scope of their respective licences. Critically, the prohibition on using a related entity's technology platform or licence to offer services beyond the scope of an entity's own licence effectively dismantles the informal umbrella-licence arrangements that many financial groups and fintechs currently rely on — where one group entity's broad licence or technology stack quietly enables affiliated entities to provide services they are not independently licensed to offer.

Stakeholders are invited to submit comments to the CBN not later than 9 July 2026.

B. Exposure Draft of the Revised Guidelines for Licensing and Regulating Financial Holding Companies in Nigeria.

On 10 June 2026, the CBN issued an Exposure Draft of the Revised Guidelines for Licensing and Regulating Financial Holding Companies in Nigeria. The proposed revisions build upon the existing Guidelines for the Licensing and Regulation of Financial Holding Companies issued in 2014, which was introduced to mitigate the risks associated with the conduct of non-banking activities by banking groups.

Over the years, however, the CBN has identified regulatory gaps and emerging risks within the existing framework that necessitate a more robust operational and supervisory oversight for financial holding companies (HoldCo). These Draft Revised Guidelines aim to address these gaps and align with evolving market developments.

The key revisions include:

S/N	Provision	2014 Guidelines	2026 Draft Guidelines
1	Holding Company Structure Model	Structural tiers within the HoldCo were limited to a maximum of two - parent and intermediate Hold Co.	Same structural tiers, however, where needed a third tier may be permitted by the CBN (where mandated by host country laws).
2	Structural Models	No explicitly defined models. Subsidiaries of a financial HoldCo were permitted to hold direct equity interests in offshore subsidiaries.	Established two defined models: Under the first model, the parent HoldCo holds direct equity investments in all Nigerian subsidiaries, while an intermediate HoldCo may be established to hold equity investments in foreign subsidiaries.

S/N	Provision	2014 Guidelines	2026 Draft Guidelines
			In the second model, the parent HoldCo directly holds equity investments in all subsidiaries, provided that such subsidiaries are exclusively financial institutions.
3	HoldCo Structure Notification	No formal requirement to notify the CBN of structural preference.	Existing HoldCo must notify the Director, Banking Supervision of their chosen structure within six (6) months' of the guidelines' effective date. Once approved, the structure must be maintained for a minimum of five (5) years before any change may be sought.
4	Minimum Capital Requirement	HoldCo was required to maintain paid-in capital exceeding the combined minimum regulatory capital of its subsidiaries.	HoldCo must now maintain a minimum regulatory paid in capital (the sum of paid up capital and share premium) that exceeds the combined minimum regulatory capital of all its subsidiaries by at least 20%.
5	Corporate Governance Requirement	No express limit on the proportion of a subsidiary's board that may be composed of HoldCo directors.	Directors of a HoldCo who also serve on a subsidiary board must not exceed 20% of that subsidiary's total board membership. Employees of an HoldCo are precluded from appointment as a non-executive director in any of its subsidiaries.
6	Interlocking / Concurrent Directorship	No express restriction on a director simultaneously serving on the boards of multiple group entities.	A director may serve concurrently on the HoldCo board and the board of no more than one subsidiary.

S/N	Provision	2014 Guidelines	2026 Draft Guidelines
7	Permissible Shared Services	Broader scope of shared services allowed, including compliance, internal control, risk management, and other functions across the group.	Scope of shared services narrowed to only facilities, legal, information communication technology (ICT), and any other service specifically prescribed by the CBN. Compliance, internal control, risk management, and similar functions must now be independently operated by each subsidiary. Additionally, the HoldCo and its subsidiaries must make quarterly returns on shared services arrangements covering the services shared, the provider, the beneficiary, and cost of the services.
8	Intra Group Transactions	Existing prohibitions on intra-group transactions still subsist.	Extensive and tightened regulations on intra group transactions, including prohibition of HoldCo from engaging in any transaction with its subsidiaries, pledging its subsidiaries as collateral, or engaging in shared services except at arm's length.

This new regulatory shift carries several practical consequences for financial holding companies and their subsidiaries. The restriction on shared services means subsidiaries will lose the cost efficiencies of centralised compliance and risk management, forcing them to build standalone teams. Boards will face a talent crunch due to the new limits on interlocking directorships and the ban on HoldCo employees serving as non-executive directors of subsidiaries.

The more consequential implication, however, concerns board oversight. The 20% cross-directorship cap combined with the prohibition on HoldCo employees serving as non-executive directors of subsidiaries effectively severs the informal information channel through which most HoldCo boards currently maintain real-time visibility into subsidiary operations. Under the existing model, shared directors and seconded employees function as a live intelligence layer carrying operational context upward to the HoldCo board that formal reporting structures rarely capture with the same speed or granularity. The Draft Guidelines replace that with arm's-length reporting and formal governance mechanisms, which are structurally slower and more curated.

The result is that the HoldCo's formal independence from its subsidiaries increases on paper, while its actual supervisory capacity over those subsidiaries may diminish in practice. For HoldCo boards, this represents a governance architecture problem, and will require deliberate investment in management information systems, board reporting frameworks, and subsidiary assurance mechanisms to compensate for the loss of the informal oversight channel.

Stakeholders are invited to submit comments to the CBN not later than 9 July 2026.

C. Circular on the Introduction of Market Structure Requirements, Data Localisation, Ultimate Beneficial Ownership Disclosure, and Systemic Oversight Measures in the Nigeria Payments System.

On 15 June 2026, the CBN issued a circular introducing market structure requirements, data localisation obligations, ultimate beneficial ownership (UBO) disclosure requirements and systemic oversight measures for participants in the Nigerian payments ecosystem.

The circular applies to Deposit Money Banks, Microfinance Banks, Mobile Money Operators, Switching and Processing Companies, Payment Terminal Service Providers, Payment Solution Service Providers, Super Agents and other licensed operators within the Nigerian payments sector.

The key provisions of the circular are discussed below:

a. Mandatory UBO Disclosure: all Deposit Money Banks, Payment Service Providers and other financial institutions with digital payment presence are required to disclose the UBO of significant shareholders in accordance with applicable law including Anti-Money Laundering, Combating the Financing of Terrorism and Counter-Proliferation Financing requirements, and maintain accurate and up-to-date records for inspection by the CBN. The circular does not define "significant shareholders" for this purpose. Pending clarification from the CBN, the most defensible working assumption is the 5% shareholding threshold under existing CBN regulations, though institutions should not treat this as settled. .

b. Market Structure Requirements: The circular imposes concentration limits across the consumer issuing and merchant acquiring segments. As defined in the extant Guidelines on the Operations of Electronic Payment Channels in Nigeria, "consumer issuing" is broader than card issuing alone and captures wallet-based and account-to-account payment flows — meaning operators whose primary exposure is not card-based may still be caught. Any institution that controls more than 25% of the consumer issuing market within a rolling 12-month period is prohibited from holding more than 15% market share in merchant acquiring during the same period, and the restriction applies in reverse for institutions exceeding 25% in merchant acquiring. The effect is that no single institution may dominate both ends of the consumer payment value chain simultaneously.

To ensure compliance, all regulated entities are required to submit monthly market share returns using templates prescribed by the CBN, meaning exposure would most likely be visible to the regulator on a rolling basis rather than only at periodic audit. Affected institutions are required to achieve full compliance by 31 December 2026.

c. <u>Data Localisation:</u> With effect from 1 January 2027, all payment transaction data generated within Nigeria must be stored and managed in Nigeria, in accordance with applicable Nigerian data protection laws. The circular does not define "payment transaction data," nor does it clarify what "stored and managed in Nigeria" requires in practice. On the face of it, the obligation appears to extend beyond retaining copies locally, to encompass the governance and processing framework around that data as well. This will have significant implications for institution currently relying on offshore cloud infrastructure or regional processing hubs.

Please read **<u>here</u>** for our analysis on the data localisation requirements.

d. <u>Systemic Oversight:</u> the CBN has indicated that it will actively monitor compliance and may impose supervisory sanctions where necessary. Read alongside the market structure and UBO requirements, this signals a shift toward closer, ongoing supervision of large or fast-growing payment operators – including, potentially, the kind of recurring reporting obligations and heightened regulatory engagement typically associated with systemically important institutions.

D. CBN Sanctions Designations

On 24 June 2026, the CBN issued a circular directing banks, payment service banks, and all other CBN-regulated financial institutions to immediately implement sanctions designations issued by the Nigeria Sanctions Committee (NIGSAC) and the U.S. Office of Foreign Assets Control (OFAC) pursuant to Executive Order 13224 (as amended). The Circular took immediate effect and required regulated institutions to conduct sanctions screening and submit a compliance report to the CBN within forty-eight (48) hours of the date of the Circular, that is, by 26 June 2026.

Given that the compliance window expired on 26 June 2026, going forward, the focus shifts to ongoing obligations: maintaining accurate and current sanctions screening across all customer relationships and transaction flows, ensuring documentation of all actions taken is audit-ready for CBN off-site review or on-site examination, sustaining enhanced monitoring for terrorism financing indicators in line with the typologies identified in the Circular, and filing Suspicious Transaction Reports with the Nigerian Financial Intelligence Unit promptly for any confirmed or attempted matches identified on a continuing basis.

The list of designated individuals and entities can be accessed on the CBN website.

MARKET UPDATES

A. Nigeria Payments System Vision 2028

On 1 June 2026, the CBN launched the Nigeria Payments System Vision 2028 (PSV 2028), a forward-looking strategic framework setting out to consolidate existing progress, address emerging risks, and position Nigeria's payment system to operate effectively within an increasingly digital, interconnected, and globalised financial landscape. PSV 2028 builds on the foundation established under the Payments System Vision 2025 (PSV 2025) and its predecessor, Payments System Vision 2020 (PSV 2020), both of which catalysed significant growth in digital payment adoption, financial inclusion, and payments infrastructure.

Before 2007, Nigeria was a predominantly cash-based economy in which over 60% of adults were excluded from formal financial services. The CBN's launch of PSV 2020 in 2007, followed by the Cashless Nigeria initiative in 2012, marked the beginning of a sustained shift toward electronic payments. PSV 2025 built on this foundation, driving expansion of instant payments, institutionalising the Bank Verification Number (BVN) as the backbone of digital identity, and strengthening regulatory oversight of payment service providers. Between 2020 and 2023, formal financial inclusion rose from 56% to 64%, BVN enrolments surpassed 66 million, and dispute resolution timelines for card and web transactions shortened considerably.

Notwithstanding these gains, the CBN has identified continuing challenges that the PSV 2028 is designed to address, including inadequate digital infrastructure, low financial literacy and exclusion levels, rising cybersecurity and fraud risks, and a fragmented regulatory environment, all of which continue to hinder the growth and resilience of Nigeria's digital payments ecosystem.

Key Highlights

a. <u>Guiding Principles and Strategic Themes</u>

The PSV 2028 rests on six guiding principles — interoperability, security, inclusion, innovation, trust, and collaboration. It structures these principles around five thematic pillars: (i) infrastructure, interconnectivity and interoperability; (ii) digital inclusion, consumer protection and financial literacy; (iii) innovation, digital assets and emerging technologies; (iv) cross-border payments and CBDC integration; and (v) regulation, risk management and cybersecurity.

b. <u>Expected Outcome/Targets.</u>

The PSV 2028 sets out detailed, measurable targets across seven outcome areas, reflecting the strategic goals of each of the vision's thematic pillars. Some of these are discussed below:

- on system performance and reliability, the CBN expects licensed operators to adopt a 99.999% system uptime benchmark, achieve a 95% transaction success rate with a chargeback-to-volume ratio of no more than 1%, and maintain response times of no more than 30 seconds for customer-facing channels and 10 seconds for switch-to-issuer communications;

- on interoperability and standards, the CBN will, by this year, review industry compliance with the 2025 deadline for full ISO 20022 migration, with the ultimate goal of achieving 100% interoperability across all licensed payment service providers;

- on financial inclusion, the vision targets an increase in formal financial inclusion to 95% by 2028, with a deliberate outreach to underserved regions;

- on cross-border payments, the CBN aims to enable functional cross-border payments via card and account-to-account rails, support fintech-led cross-border wallets within regulated foreign exchange liquidity frameworks and require CBN observer-node participation in blockchain networks operating approved stablecoins; and

- on innovation and emerging technologies, the CBN requires that all digital identification and payment systems adhere to privacy-by-design principles guaranteeing user consent and data rights, positions Nigeria to lead in Regulatory Technology (RegTech), Supervisory Technology (SupTech), and Artificial Intelligence (AI) compliance with a view to exporting its digital payment frameworks internationally, and seeks, through multi-stakeholder collaboration, to ensure that 95% of financially active adults possess verified National Identification Number (NIN) – Bank Verification Number (BVN) digital identities for secure access to digital financial services.

PRACTICAL IMPLICATIONS FOR MARKET STAKEHOLDERS.

The PSV 2028 signals a decisive shift from access-driven to usage-driven regulation. The CBN is no longer satisfied that Nigerians hold financial accounts; it now requires evidence that those accounts are being actively used, and it intends to hold payment operators accountable for that gap. For market participants, this reframes compliance from a box-ticking exercise into a performance obligation measured against concrete, published targets on uptime, transaction success rates, inclusion penetration, and fraud reduction. The per-stakeholder implications are set out below.

a. Deposit Money Banks (DMBs: The PSV 2028 establishes a fully interconnected payments ecosystem, using open Application Programming Interfaces (APIs) and ISO 20022 standards to drive industry-wide interoperability. This framework shifts market advantage away from proprietary infrastructure ownership toward customer experience, innovation, and embedded finance. While the initiative offers banks/DMBs clear paths to streamline cross-border payment flows and lower regional settlement costs, capitalising on these benefits will require institutions to significantly upgrade their internal liquidity management frameworks. Market participants must proactively address existing data gaps, as the uniform data standardisation required by the PSV 2028 does not yet exist across the industry. It is also worth noting that, contrary to the "level playing field" framing, full interoperability and open API mandates are likely to entrench large, well-capitalised DMBs in the near term.

b. Switching and Processing Companies: Given their position as critical infrastructure providers, switches and processors sit at the center of the infrastructure and interoperability targets with a push towards less than 10-second switch-to-issuer response times, 99.999% uptime, and full ISO 20022 localization with a certification roadmap. The focus on industry-wide data management and real-time analytics will also expand their role from mere payment facilitators to strategic infrastructure providers responsible for transaction monitoring, financial crime prevention, complaint management, and regulatory reporting.

c. <u>Fintechs, Mobile Money Operators (MMOs), and Super Agents:</u> The PSV 2028 centres Fintechs, MMOs, and Super Agents as pillars of financial inclusion and digital trust, rather than mere distribution or customer acquisition channels. As inclusion targets become increasingly usage-driven rather than access-driven, these participants will be assessed on their ability to convert access into sustained, active usage — requiring investment in service reliability, identity verification frameworks, and transparent dispute resolution mechanisms.

d. <u>Payment Solution Service Providers (PSSPs) and Payment Terminal Service Providers (PTSPs):</u> PSSPs and PTSPs are expected to play an increasingly important role in building a fully interoperable and omnichannel payments ecosystem that integrates cards, Quick Response Code (QR), Unstructured Supplementary Service Data (USSD), Near Field Communication (NFC), and other digital payment channels. These providers will also be required to incorporate security-by-design principles into payment devices and infrastructure, support biometric Point of Sale (POS) deployment and offline payment capabilities, and comply with enhanced interoperability, Open API, and ISO 20022 requirements. Consequently, PSSPs and PTSPs are likely to face increased certification, technology upgrade, and compliance obligations, with their commercial success increasingly dependent on close integration with banks, mobile money operators, and payment switches.

B. Nigeria Foreign Exchange Manual (4th Edition)

The CBN issued the Fourth Edition of the Foreign Exchange Manual (the **"2026 FX Manual"**). The 2026 FX Manual came into effect on 1 June 2026, and replaced the Revised Foreign Exchange Manual, 2018 (the **"2018 FX Manual"**).

It significantly updates, modernises, and restructures Nigeria's foreign exchange (FX) regulatory regime to align with evolving domestic and global market conditions, and introduces measures to enhance transparency, strengthen governance, and promote consistency in FX market practices.

Some of these changes are summarised below:

S/N	Area	2018 FX Manual/Prior Practice	2026 FX Manual
1	Eligible Transactions	Did not include digital platforms and technology services.	Formally integrates fintech, Software as a Service (SaaS), subscription platforms, and digital economy businesses as eligible transactions.
2	Personal Travel Allowance/Business Travel Allowance	The 2018 Manual, supplemented by the CBN's 2024 cashless directive, prohibited cash disbursement of Personal Travel Allowance (PTA) and Business Travel Allowance (BTA).	25% of the PTA and BTA may now be disbursed in physical foreign currency cash while the remaining 75% must be disbursed through electronic channels such as debit or credit cards.

S/N	Area	2018 FX Manual/Prior Practice	2026 FX Manual
3	FX Forwards & Swaps	Tenors for forwards and swaps by Authorised Dealers were restricted to three (3) years, with an allowable extension of up to five (5) years.	Authorised dealers may now freely negotiate or determine tenors for forwards and swaps subject to any restrictions by the CBN.
4	Down Payments on Capital Goods Imports	Permitted advance payments capped at 15% of the Free on Board (FOB) value of physical imports.	The permissible advance payment threshold for physical imports has been increased to 30% of the FOB value of the goods.
5	Domiciliary Account FX Lending	Banks could lend against domiciliary account balances without a requirement that the borrower had underlying FX receivables.	Lending of domiciliary funds now restricted to customers with foreign currency receivables only.
6	Pan African Payment and Settlement Systems (PAPSS) Transactions	No dedicated FX framework for PAPSS.	Simplified KYC and AML documentation permitted for PAPSS transactions up to US$2,000.00 per month for individuals and US$5,000.00 per month for corporates. Authorised Dealer Banks may source FX through the official FX market.
7	Technology Company Remittances	No dedicated remittance framework for technology companies.	Nigerian technology companies (excluding gambling, adult entertainment, drugs, and weapons) may remit funds to parent companies, subject to specific requirements.

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

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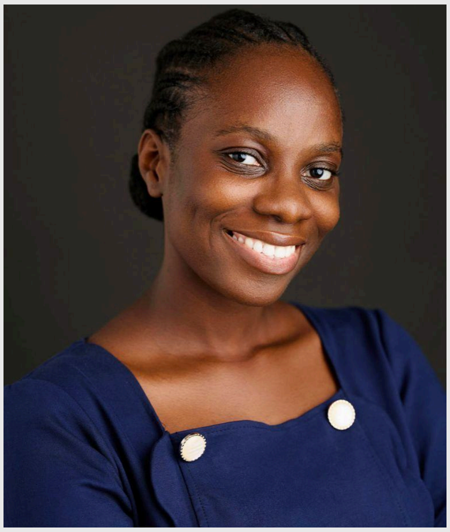

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