Finance Regulatory Updates

AUGUST 2026

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

CENTRAL BANK OF NIGERIA (CBN)

Circular on Review of Discount Window Restrictions and Open Market Operations Participation Framework

On 12 August 2026, the CBN issued a circular reviewing the restrictions applicable to access to the Standing Lending Facility (SLF), also referred to as the Discount Window, as well as the framework governing Tenored Repurchase (Repo) Operations and participation in Open Market Operations (OMO).

The circular, which takes immediate effect, follows the CBN's review of market practices and developments in the foreign exchange, money and fixed-income markets. It also replaces certain restrictions previously imposed under the CBN's 2022 circular on access to the Discount Window and its 2019 framework on OMO auctions.

The key changes introduced by the circular include:

1. **Review of Discount Window Restrictions:** The CBN has adopted a differentiated approach to restrictions arising from an institution's access to the Discount Window:

    a. **Open Market Operations:** The existing restriction preventing institutions that access the Discount Window from participating in OMO auctions on the same day remains in force.

    b. **Foreign Exchange Transactions:** Restrictions on access to the Discount Window arising from participation in the Nigerian Foreign Exchange Market (NFEM) have been removed.

    c. **Government Securities Transactions:** Restrictions on access to the Discount Window arising from participation in primary auctions of Government securities have also been removed.

2. **Resumption of Tenored Repo Operations:** The CBN has lifted the suspension of Tenored Repo Operations. The Bank may therefore conduct repo operations across approved tenors ranging from four (4) to ninety (90) days. According to the CBN, this is intended to support effective liquidity management, improve money market functioning and enhance monetary policy implementation.

3. **Revised OMO Participation Framework:** The CBN has broadened participation in the primary and secondary OMO markets to all eligible investors through Deposit Money Banks (DMBs). Eligible investors include individuals, corporates and non-bank financial institutions, while DMBs will continue to submit bids and settle transactions on behalf of their customers.

The circular further provides that the volume, tenor and frequency of OMO issuances will continue to be determined by the CBN based on prevailing liquidity conditions and monetary policy objectives. OMO auctions will also continue to operate under the existing single-bid auction structure.

All banks, authorised dealers and other market participants are required to ensure strict compliance with the circular.

CBN Launches Cohort 2 of the Regulatory Sandbox Programme

The CBN released a press statement on the 11 of August 2026, stating that it has launched Cohort 2 of its Regulatory Sandbox Programme, inviting eligible innovators, financial institutions, Virtual Asset Service Providers (VASPs), fintechs and technology companies to apply.

Cohort 2 introduces two testing tracks:

1. **VASP Track:** For innovative virtual asset, stablecoin, payment, settlement, custody, wallet and related financial infrastructure solutions requiring supervised live testing.

2. **Data-Enabled Financial Services (Non-VASP) Track:** For innovations leveraging secure digital infrastructure and permission-based data sharing to improve financial inclusion, payments, credit, risk management and consumer outcomes.

The Sandbox allows eligible participants to test innovative products, services and business models within a controlled environment under CBN supervision. Participation does not constitute a licence or authorisation to operate outside approved testing parameters.

Applications opened on 12 August 2026 and will close on 31 August 2026.

SECURITIES AND EXCHANGE COMMISSION (SEC)

SEC Circular on Implementation of FATF Statements on High-Risk Jurisdictions Subject to a Call for Action and Jurisdictions Under Increased Monitoring

By a circular published on 14 August 2026, SEC directed all Capital Market Regulated Entities ("CMREs") to implement measures arising from the Financial Action Task Force ("FATF") statements issued following its February 2026 Plenary Session on jurisdictions presenting significant money laundering, terrorist financing and proliferation financing risks.

The directives were issued pursuant to the Investments and Securities Act, 2025 and the SEC AML/CFT Rules and Regulations and take immediate effect.

Key points to note include:

a. **High-Risk Jurisdictions Subject to a Call for Action:** CMREs are required to apply specific measures in relation to the Democratic People's Republic of Korea ("DPRK"), Iran and Myanmar. These include terminating correspondent banking relationships with DPRK financial institutions, restricting or refusing certain business relationships and transactions connected to the DPRK, refusing to process or facilitate transactions with Iranian financial institutions, and applying enhanced due diligence and increased transaction monitoring to relationships and transactions connected to Myanmar.

b. **Jurisdictions Under Increased Monitoring:** The FATF identified Algeria, Angola, Bolivia, British Virgin Islands, Bulgaria, Cameroon, Côte d'Ivoire, Democratic Republic of the Congo, Haiti, Kenya, Lao PDR, Lebanon, Monaco, Namibia, Nepal, South Sudan, Syria, Venezuela, Vietnam and Yemen as jurisdictions under increased monitoring.

c. **Mandatory Subscription to Nigeria's Sanctions (NigSac) Alerts:** All CMREs that have not subscribed to NigSac Alerts system are required to do so immediately. The SEC states that subscription is mandatory to facilitate timely access to terrorist financing and proliferation financing designations and support the implementation of Targeted Financial Sanctions.

d. **Reporting of Suspicious Transactions:** CMREs are required to promptly report any unusual or suspicious transactions to the Nigerian Financial Intelligence Unit.

e. **Immediate Effect and Sanctions:** The circular takes immediate effect. Failure to comply constitutes a violation of the Investments and Securities Act, 2025 and the SEC AML/CFT Rules and Regulations and may attract regulatory sanctions, including fines, suspension of operations or revocation of registration.

Proposed Rules on Digital and Virtual Assets Operations, Custody and Markets

On 20 August 2026, SEC published its Proposed Rules on Digital and Virtual Assets Operations, Custody and Markets for public comments (the "Proposed Rules").

The Proposed Rules seek to establish a comprehensive regulatory framework for digital and virtual asset activities constituting investments and securities business in Nigeria. The framework covers the issuance and offering of digital and virtual assets, tokenisation, trading, custody, transfer and settlement, as well as investment, advisory and other financial services relating to such assets.

The Proposed Rules will apply to relevant digital and virtual asset activities carried out in Nigeria and may also apply to persons that provide services to persons resident in Nigeria or target Nigerian investors or the Nigerian market, whether directly, indirectly or through digital channels. The Proposed Rules are also intended to supersede the SEC's 2022 Rules on Issuance, Offering Platform and Custody (the "Existing Rules") and other prior SEC rules, guidelines and circulars relating to digital and virtual assets.

Key provisions of the Proposed Rules are stated below:

1. Registration and Accelerated Regulatory Incubation Programme: The Proposed Rules prohibit any person from conducting a digital or virtual asset business or targeting persons resident in Nigeria without obtaining the relevant registration, approval or authorisation from the SEC.

Applicants are generally required to be incorporated in Nigeria and maintain appropriate governance, compliance, risk management, technology, cybersecurity and operational arrangements. Except where otherwise approved by the SEC, applicants are expected to undergo the Accelerated Regulatory Incubation Programme ("ARIP") before full registration.

An approval-in-principle under ARIP does not constitute full registration as a capital market operator and generally permits an entity to operate only within the scope approved by the SEC.

2. Virtual Asset Service Providers (VASPs) and Client Protection: VASPs may only provide services for which they have been registered or authorised. The Proposed Rules cover a broad range of services, including digital asset transfers and settlement, wallet-related services, staking, lending and borrowing, yield-generating arrangements, portfolio management, advisory and distribution services

Regulated entities are required to act honestly, fairly and transparently, provide adequate information on the risks and terms of their products and services, maintain appropriate governance and internal controls, and comply with applicable AML/CFT/CPF and sanctions requirements.

3. Digital Asset Custody: The Proposed Rules impose significant requirements on entities that hold or control client digital assets, private keys or other means of access. A Digital Asset Custodian must maintain adequate governance, technology, cybersecurity and key management controls. Client assets must also be segregated from the custodian's proprietary assets and generally cannot be used, pledged, lent or otherwise encumbered without the required disclosure, consent and regulatory permission.

Importantly, a custodian must generally maintain not less than 80% of client digital or virtual assets in cold storage, subject to any different percentage prescribed by the SEC.

4. Digital Asset Issuance and Offerings: The Proposed Rules require SEC approval or, where applicable, a no-objection before a digital asset may be issued, offered or distributed to the public in Nigeria.

Issuers must prepare and file a whitepaper containing full and clear disclosure of material information relating to the issuer, the digital asset, investor rights, the offering structure, technology, risks, custody, settlement and other relevant matters. A legal opinion on the classification and regulatory treatment of the digital asset is also required. Digital asset offerings must generally be conducted through a registered Digital Asset Offering Platform or another SEC-approved arrangement.

5. Real-World Asset Tokenisation: The Proposed Rules introduce a framework for platforms involved in the tokenisation of real-world assets, including assets such as real estate, commodities, infrastructure projects, financial assets and intellectual property or royalty streams, subject to SEC approval and applicable conditions.

Before a tokenised asset is offered, the platform must ensure appropriate due diligence on the underlying asset, including ownership, title, valuation, encumbrances and the legal enforceability of investor rights.

Each tokenisation project is also required to have an independent legal opinion confirming, among other things, valid title or enforceable rights in the underlying asset and the legal enforceability of the relevant investor rights.

6. Digital Asset Exchanges (DAXs): The Proposed Rules establish detailed requirements for DAXs, including requirements relating to trading models, listing standards, client asset protection, settlement and market surveillance.

DAXs are prohibited from engaging in or facilitating market abuse, including wash trading, spoofing, layering, price manipulation, artificial trading volumes, insider trading and front-running. They must maintain systems capable of monitoring and detecting suspicious or abnormal trading activity.

Client digital assets must be appropriately segregated, and a DAX is generally prohibited from using client assets for proprietary trading, lending, staking, rehypothecation or other unauthorised purposes.

7. Stablecoins and Asset-Referenced Tokens: The Proposed Rules introduce specific requirements for stablecoins and other digital assets designed to maintain a stable value.

The proposed reserve requirements vary depending on the type of stablecoin. These include 100% reserves for Naira-backed stablecoins, 120% reserves for foreign currency-backed stablecoins, 100% reserves for commodity-backed stablecoins, and 150% to 200% reserves for crypto-backed stablecoins, depending on relevant risk factors.

Stablecoin issuers would also be required to maintain adequate liquidity, conduct periodic stress tests and comply with reserve attestation, financial reporting and incident reporting requirements.

8. Minimum Capital Requirements: The Proposed Rules prescribe significant minimum capital requirements for regulated digital asset operators, including:

a. ₦2 billion for a Digital Asset Exchange and Digital Asset Custodian;
b. ₦500 million for a Digital Asset Platform Operator, Digital Asset Offering Platform and Real-World Asset Tokenisation Platform; and
c. ₦200 million for a Virtual Asset Service Provider.
d. A current fidelity insurance bond covering at least 25% of the applicable minimum paid-up capital is also required

Comparison of the Existing Rules and the Proposed Rules

Regulatory Area	The Existing Rules	Proposed Rules
Scope	The existing framework is organised around digital asset issuance, DAOPs, DACs, VASPs and DAXs.	The Proposed Rules cover issuance, offering, tokenisation, lifecycle management, trading, custody, transfer, settlement, investment, advisory and other financial services relating to digital and virtual assets.

Regulatory Area	**The Existing Rules**	**Proposed Rules**
Scope	The existing framework is organised around digital asset issuance, DAOPs, DACs, VASPs and DAXs.	The Proposed Rules cover issuance, offering, tokenisation, lifecycle management, trading, custody, transfer, settlement, investment, advisory and other financial services relating to digital and virtual assets.
Territorial reach	The Existing Rules cover persons providing relevant services and expressly extend to foreign or non-residential operators that actively target Nigerian investors.	The Proposed Rules apply to persons operating in Nigeria, providing services to persons resident in Nigeria or targeting Nigerian investors or the Nigerian market, directly, indirectly or through digital channels.
ARIP	The Existing Rules do not establish the same comprehensive ARIP framework found in the Proposed Rules.	ARIP would operate as a pre-registration assessment and supervisory framework, with approval-in-principle, restricted scope and enhanced supervision.
Foreign operators	Foreign/non-residential operators targeting Nigerian investors are within the existing framework.	Foreign entities may potentially be registered or authorised where regulatory equivalence, supervisory cooperation and specified localisation, reporting, governance and client-protection requirements are satisfied.
Multi-function operations	The Existing Rules are structured around distinct categories such as VASP, DAX, DAC and DAOP.	The Proposed Rules expressly permit multi-function registration, subject to separate approval for each function and adequate capacity and conflict-management arrangements.

Regulatory Area	The Existing Rules	Proposed Rules
VASP activities	VASPs cover trading, exchange, transfer and other DLT-related services, including portfolio management, investment advice, custody and nominee services.	The Proposed Rules expressly regulate additional activities including lending, borrowing, placement, distribution, portfolio management and advisory services, with more detailed conduct requirements.
Custody	The Existing Rules contain custody requirements and allow a DAOP to appoint a registered DAC or provide custody itself subject to DAC requirements.	Any person holding or controlling client digital assets, private keys, seed phrases or other access mechanisms may be deemed to be providing custody.
Cold storage	The Existing Rules require appropriate secured storage but do not contain an express percentage of cold-storage requirement.	DACs must maintain at least 80% of client digital/virtual assets in cold storage, subject to any alternative percentage prescribed by the Commission. Proposed Rules
Digital asset issuance	The Existing Rules provide for initial assessment, whitepaper submission and SEC determination of whether the token constitutes a security.	The Proposed Rules establish categories including ARTs, ABTs and other digital assets and require prior approval or no-objection for public issuance, offering or distribution.
Whitepaper	The Existing Rules prescribe detailed whitepaper disclosure requirements and require a legal opinion on whether the tokens are securities.	The Proposed Rules retain the whitepaper requirement but require a legal opinion on the classification and regulatory treatment of the digital asset and permit the Commission to determine the applicable regulatory category.

Regulatory Area	The Existing Rules	
Real-world asset tokenisation	The Existing Rules do not establish a standalone RATOP framework.	The Proposed Rules establish a specific framework for Real-World Asset Tokenisation Platforms covering real estate, commodities, infrastructure, financial assets, intellectual property and royalty streams, among others.
Legal opinion for tokenisation	The Existing Rules require legal opinions concerning the securities status of tokens.	Every tokenisation project would require an independent legal opinion confirming title or enforceable rights, encumbrances, investor rights and applicable law.
DAX listing	The Existing Rules impose general obligations concerning fairness, transparency, risk warnings and user protection.	DAXs must establish Commission-approved listing standards and conduct due diligence on the asset, issuer, project, technology, token economics, liquidity, governance, legal status and risks.
Market abuse	The Existing Rules contain general requirements concerning fair dealing and appropriate controls.	The Proposed Rules expressly identify wash trading, spoofing, layering, price manipulation, artificial volume creation, insider trading and front-running as prohibited market conduct and require market-surveillance systems.
Settlement	The Existing Rules address transaction handling and record keeping but do not contain the same detailed settlement framework.	The Proposed Rules prescribe requirements relating to settlement finality, reconciliation, failed settlement, reversals, wallet compromise and other settlement risks.

Regulatory Area	The Existing Rules	Proposed Rules
Stablecoins	The Existing Rules do not contain the detailed stablecoin reserve regime.	The Proposed Rules establish differentiated reserve ratios, liquidity requirements, stress testing, concentration limits, reserve attestations and redemption requirements.
Foreign-issued stablecoins	The Existing Rules do not contain the same detailed recognition regime.	Foreign-issued stablecoins would require SEC recognition or authorisation before being used by a DAX or other regulated platform for specified Nigerian capital-market activities.
Minimum capital – DAX	The Existing Rules prescribe a minimum capital requirement of ₦500 million.	The Proposed Rules prescribe a minimum capital requirement of ₦2 billion.
Minimum capital – DAC	The Existing Rules do not provide for the specific minimum capital requirement.	The Proposed Rules prescribe a minimum capital requirement of ₦2 billion.
Minimum capital – DAOP	The Existing Rules prescribe a minimum capital requirement of ₦500 million.	The Proposed Rules prescribe a minimum capital requirement of ₦500 million.
Minimum capital – VASP	The Existing Rules do not provide a specific standalone minimum capital figure to the general VASP category.	The Proposed Rules provide for ₦200 million.

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

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