IN-DEPTH

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In-Depth: Banking Regulation (formerly The Banking Regulation Review) is an annual survey of the most important developments in banking regulation in the most significant jurisdictions worldwide. It provides high-level insight across the gamut of the legal and regulatory requirements applicable to banks, including prudential regulation, rules governing the conduct of business, funding, control and transfers of banking business and much more.

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Summary

Introduction

The Nigerian banking sector plays a key role in the growth of the country and is therefore one of the most heavily regulated sectors in Nigeria. As the primary regulator of the banking sector, the Central Bank of Nigeria (CBN) develops and implements policies to ensure that the banking sector remains viable and drives efficiency in economic activities. As at March 2025, there are 26 commercial banks in the country.[1]

In 2024, the CBN implemented significant regulatory changes aimed at strengthening the financial system. One of the most impactful developments was the announcement of new minimum capital requirements for commercial, merchant, and non-interest banks through a circular issued on 28 March 2024. Under the new regime, the minimum paid-up share capital for different categories of banks was increased across board and banks were given until 31 March 2026 to comply, by exploring options such as fresh equity injections, mergers and acquisitions, and licence adjustments. This policy measure is the first regulatory-induced recapitalisation since 2005 and will remain the highlight of the Nigerian banking sector for the next 12 months leading up to the deadline. The highlights of the mandated recapitalisation are further discussed under the header 'Year in Review'.

Monetary policy saw a series of aggressive interventions by the CBN's Monetary Policy Committee (MPC) in 2024. The CBN also released, among others, the Reviewed Guidelines on International Money Transfer Services in Nigeria on 31 January 2024 (the Revised IMTO Guidelines), revising the regulatory framework for International Money Transfer Operators (IMTOs); the Revised Guidelines for Blacklisting for Banks and Other Financial Institutions (OFIs) in Nigeria (the Blacklisting Guidelines); and the Revised Regulatory and Supervisory Guidelines for Bureau De Change (BDC) Operations in Nigeria 2024 (the Revised BDC Guidelines) aimed at curbing illicit currency flows and enhancing transparency in the foreign exchange market. The highlights of these are further discussed under the header 'Year in Review'.

Year in review

Recapitalisation 2024 – spotlighting the capital raise by banks

On 28 March 2024, the CBN, in line with its duty to promote a safe, sound and stable banking system,[2] issued a circular titled 'Review of Minimum Capital Requirements for Commercial, Merchant and Non-Interest Banks in Nigeria' (the Recapitalisation Circular),-[3] wherein it announced an upward review of the minimum capital requirements for commercial, merchant and non-interest banks.[4] Accordingly, the minimum paid-up share capital for commercial banks operating at regional, national and international levels was increased from 10 billion naira, 25 billion naira and 50 billion naira[5] to 50 billion naira, 200 billion naira and 500 billion naira, respectively.[6] For national merchant banks, there was an increase from 15 billion naira[7] to 50 billion naira, while for regional and national non-interest banks an increase from 5 billion naira and 10 billion naira[8] to 10 billion naira and 20 billion naira, respectively.

In order to comply with the circular,[9] banks could inject fresh equity capital through private placements, rights issue and offer for subscription.[10] They could also consider mergers and acquisitions to ultimately form banks with regularised positions; or either upgrade or downgrade their operating licences to meet the requirements. All applicable banks were required to submit implementation plans to the CBN stating their preferred option by 30 April 2024.

All pending banking licence applications submitted before 1 April 2024 were allowed to maintain the old capitalisation requirements and comply with the new regulation before April 2026. However, new banking licence applications made after 1 April 2024 are bound by the new capitalisation requirements.

In compliance with the aforementioned capital requirements ahead of the 2026 deadline, a number of banks and financial holding companies have undertaken private placements or public offers, or both, for their banking subsidiaries. At the time of writing, the institutions that have undertaken private placements or public offers include Zenith Bank Plc, Ecobank Nigeria Limited, Jaiz Bank Plc, FCMB Group Plc, Fidelity Bank Plc, Sterling Financial Holdings Plc, Access Holdings Plc, First Bank Holdings Plc, Guaranty Trust Holding Company Plc and United Bank of Africa Plc.

Revised Guidelines for BDC Operations in Nigeria

On 22 May 2024, the CBN, in a bid to reform bureau de change operations in Nigeria, curtail illicit currency flows and improve transparency in the FX market, issued the Revised BDC Guidelines.[11] The Revised BDC Guidelines were issued pursuant to Section 56 of the Banks and Other Financial Institutions Act 2020 (BOFIA) 2020 and supersede the original 2015 Operational Guidelines for Bureau De Change in Nigeria (the 2015 Guidelines) and any other circular or guidelines on BDCs issued by the CBN.

The Revised BDC Guidelines introduced some notable changes. First, the Revised BDC Guidelines introduced two categories of BDC licences with new capital requirements – Tier 1 and Tier 2 BDC licences. Accordingly, existing BDCs were required to reapply for new licences based on the requirements of their preferred category of licences within six months of the effective date of the Revised BDC Guidelines,[12] while new applicants are required to meet the conditions for the grant of licences in accordance with their preferred category.

Further, the Revised BDC Guidelines contains an expanded list of 23 non-permissible activities for BDC operators, as opposed to seven items contained in the 2015 Guidelines. Some notable non-permissible activities include: (1) dealing in cryptocurrencies and other virtual assets; and (2) dealing in gold and other precious minerals, forwards, futures, options, derivatives and speculative transactions, among others. The Revised BDC Guidelines also introduce a more structured corporate governance framework for BDCs by requiring the appointment of independent non-executive directors (INEDs), specifying their modes of appointment and resignation, and mandating the separation of the executive director role from the chief executive officer, among other developments.

Finally, in addition to the approval-in-principle stage, the procedure for application and grant of a BDC licence now includes two substages; the grant of a provisional approval and, subsequently, a final licence.[13]

Revised Guidelines for blacklisting for banks and OFIs

On 8 March 2024, the CBN issued the Blacklisting Guidelines, which provide the procedures blacklisting terminated, dismissed or convicted staff of banks and other financial institutions on the grounds of fraud, forgery, dishonesty and other qualifying offences. This Blacklisting Guidelines supersedes the Review of Operational Guidelines for Blacklisting issued in 2016. Accordingly, all banks and OFIs were required to immediately comply with the provisions of the Blacklisting Guidelines. A notable inclusion in the Blacklisting Guidelines is the insertion of a provision that requires banks and OFIs to maintain a database with the CBN of blacklisted individuals (core and contract employees) and bars such individuals from holding employment in financial institutions. The objective of this novel requirement is to prevent fraudulent and discredited individuals from being recycled within the financial system.

Unprecedented Increase in the monetary policy rate

In a decisive move to curb inflation and stabilise the economy, the CBN's MPC has consistently increased the monetary policy rate (MPR) since February 2024, while also adjusting other monetary policy tools including the liquidity ratio (LR) and cash reserve ratio (CRR) of banks.[14] In February 2024, the CBN raised the MPR from 18.75 per cent to 22.75 per cent – a significant and unprecedented hike in the MPC's history. This was followed by further increases in March 2024, first to 24.75 per cent and them to 26.25 per cent. In November 2024, the MPR was raised again from 27.25 per cent to 27.5 per cent, marking a 25-basis point increase. These measures form part of the monetary transmission mechanism through which central banks across the globe use to influence aggregate demand in the economy.

Inflation stands at 23.18 per cent (as at 4 April 2025),[15] driven by rising transportation costs, exchange rate volatility, supply constraints, fiscal policy and money supply expansion. While these policy measures are expected to yield results over time, their effectiveness will largely depend on how well the two key inflationary drivers – the removal of the fuel subsidy and the floating of the exchange rate – are managed.[16]

Revised Guidelines on International Money Transfer Services in Nigeria

The CBN issued the Revised IMTO Guidelines[17] following the liberalisation of the FX market established by the original Guidelines for International Money Transfer Services in Nigeria of September 2014 (the 2014 Guidelines), which regulated the licensing and operational standards of IMTOs.[18]

The primary rationale for the licensing of IMTOs was to encourage personal remittances by Nigerians in the diaspora. Consequently, IMTOs were restricted from providing business-to-business (B2B) and business-to-customer (B2C) transfers, which were exclusively provided by authorised dealers as set out under the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995. However, the Revised IMTO Guidelines introduced notable changes. While IMTOs are now strictly limited to inbound transfers (that is, only remittances into Nigeria) – which must be settled on a willing-buyer-willing-seller basis through a bank account or cash,[19] diverging from the broader scope allowed under the 2014 Guidelines – their targeted user base has been expanded to include B2B and business-to-person (B2P) transactions. This means that licensed IMTOs can now process payouts to both individuals and business entities and are permitted to make payouts in naira, rather than foreign currency.

This regulatory shift has led to uncertainty regarding the distinct roles of authorised dealers in the Nigerian foreign exchange market.[20] Furthermore, among other critical updates,[21] IMTOs cannot buy FX from the domestic market; however, authorised dealers can continue to access FX from the domestic market.

Foreign exchange (FX) reforms

In 2024, the CBN, in a bid to improve operational efficiency of the Nigerian Foreign Exchange (FX) market (NFEM) rolled out several policies.

Removal of the spread on FX transactions

In keeping with the CBN's post-2023 efforts at the unification of the multiple FX rate windows[22] and liberalising the FX regime, the CBN by a circular issued on 8 February 2024 removed the 2.5 per cent cap spread on interbank FX transactions it had earlier imposed.-[23] The implication of this is that authorised dealers[24] may conduct transactions on a willing-buyer-willing-seller basis,[25] that is, authorised dealers would be able to sell the proceeds from the market to BDC operators and a wide range of buyers outside the market. Also, with more buyers and sellers able to participate, FX transactions can happen faster and with less friction.[26]

Introduction of the electronic FX matching system in the interbank FX market

On 2 October 2024, the CBN issued a circular titled 'Guidelines for the Electronic Foreign Exchange Matching System (EFEMS)' for the interbank FX market,[27] which introduced the EFEMS – an electronic matching system for foreign exchange transactions. The EFEMS is to serve as the platform for conducting all FX transactions in the NFEM. To commence the operation of the EFEMS, the CBN released the Guidelines for the EFEMS dated 25 November 2024 (the EFEMS Guidelines)[28] to set out the guidelines to regulate interbank FX trading on the EFEMS by market participants. The EFEMS was launched in December 2024. To further deepen operations and transactions in the NFEM, the CBN issued the Revised Guidelines for the NFEM dated 29 November 2024 to guide market participants on the regulatory framework governing FX transactions and activities in the NFEM.

Nigerian FX Code

As part of its FX reform agenda, the CBN launched the Nigerian Foreign Exchange Code (the FX Code),[29] to promote accountability, ensure compliance and engender transparency in the country's foreign exchange market. The FX Code, which was launched on the heels of the EFEMS, sets enforceable standards for ethical conduct and governance in the foreign exchange market.[30] The goal of the FX Code is to ensure that foreign exchange transactions accurately reflect available information and that market participants adhere to acceptable standards of behaviour, making the market fairer and more efficient.

Prohibition of the use of foreign currency-denominated collateral for naira loans

On 8 April 2024, the CBN issued a letter titled 'The Use of Foreign Currency Denominated Collaterals for Naira Loans' (the Letter)[31] addressed to all banks prohibiting the use of foreign currency-denominated collateral by bank customers for obtaining naira loans, save in cases where the foreign currency collateral is a Eurobond issued by the federal government of Nigeria or guarantees of foreign banks, including standby letters of credit.-[32] The Letter noted the CBN's observations of the prevalent use of foreign currency as collateral by bank customers seeking naira loans and, in this regard, the CBN resolved to prohibit this practice, aiming to stabilise the financial market and ensure the prudent use of foreign currency within the economy. Consequently, all existing loans currently secured with dollar-denominated collateral, other than those highlighted above, were required to be wound down within a 90-day window, which expired on 7 July 2024.[33]

Corporate governance and oversight regulation of Nigerian banks

Across 2024, the CBN pursuant to its powers under the BOFIA 2020 took the following steps in respect of the corporate governance of some banks and OFIs to ensure transparency and operational efficiency in the sector.

The CBN dissolved the board and management of Union Bank, Keystone Bank and Polaris Bank

The CBN dissolved the board and management of Union Bank, Keystone Bank and Polaris Bank, citing infractions by these banks and their respective boards of Section 12(c), (f), (g), (h) of BOFIA 2020. These infractions included regulatory non-compliance, corporate governance failure, disregarding the conditions under which their licences were granted and involvement in activities that pose a threat to financial stability, among others.

The CBN revoked Heritage Bank Plc's banking licence

Following the CBN's earlier intervention in Heritage Bank Plc to improve the bank's financial performance, the CBN revoked the banking licence of Heritage Bank Plc.[34] This is in accordance with the CBN's mandate to promote a sound financial system in Nigeria and its powers under Section 12 of the BOFIA 2020. The CBN highlighted the failure of the bank's board and management to improve the bank's financial performance, thus constituting a threat to financial stability.[35] Accordingly, the CBN appointed the Nigeria Deposit Insurance Corporation (NDIC) as the liquidator of the bank in accordance with Section 12(2) of BOFIA.[36]

The CBN revoked the licences of approximately 4,173 BDCs

In February 2024, the CBN revoked the licences of 4,173 BDCs.[37] The affected BDCs were penalised for not observing at least one of the following regulatory provisions in the 2015 Guidelines: (1) payment of all necessary fees, including licence renewal, within the stipulated period in line with the 2015 Guidelines; (2) rendition of returns in line with the 2015 Guidelines; and (3) compliance with guidelines, directives and circulars of the CBN.

The regulatory regime applicable to banks

BOFIA 2020 is the principal legislation setting out the regulatory framework for banking activities in Nigeria.[38] It provides for the regulatory powers of the CBN over Nigerian banks.

The CBN restricts banking business to commercial banks,[39] merchant banks[40] and specialised banks, and the activities of these licensed banks are restricted to core-banking business.[41] Except as expressly permitted under BOFIA 2020, a licensed bank cannot hold direct or indirect interests in enterprises undertaking non-core banking business such as capital markets activities, pension administration and insurance. Promoters of banks that wish to undertake non-core banking financial services typically adopt a non-operating financial holding company structure, and non-core banking businesses are undertaken by other subsidiaries of the holding company.

Foreign financial institutions

Foreign financial institutions can provide offshore credit facilities to entities in Nigeria on a 'reach in' basis without the need to obtain a banking licence from the CBN. However, where a foreign bank wishes to establish physical presence and provide credit facilities in Nigeria, the bank will be required to incorporate a company in Nigeria and obtain a banking licence.[42] BOFIA 2020 also empowers the CBN to grant a licence to foreign banks to undertake domestic or offshore banking business within a designated free trade or special economic zone in Nigeria.[43] Foreign banks may also apply to the CBN for a licence to open and operate a representative office (typically licensed to only meet with potential clients, and to conduct research activities) in Nigeria.[44]

Conversely, any Nigerian bank wishing to open an offshore subsidiary must, inter alia, have been in sound financial condition (in terms of liquidity and capital adequacy) for at least the previous 12 months, and must have operated profitably for the previous two years, as reflected in the audited financial statements of the applying bank.[45]

Foreign exchange market

Authorised Dealers are required to render timely and accurate reports of all foreign exchange transactions by inputting details of consummated transactions into the CBN Forex Blotter reporting system via application programming interface (API) calls and recording by close of business on the transaction date.[46] Non-compliance with making timely reports may attract suspension from the forex exchange market. The introduction of the EFEMS[47] is expected to reduce speculative activities, eliminate market distortions and afford the CBN improved oversight capabilities, following compliance with the EFEMS Guidelines.[48] Following CBN's directive,[49] authorised dealers are to go live using the-Bloomberg BMatch from 2 December 2024, as recommended in the EFEMS Guidelines.

Cybersecurity

The Cybercrimes (Prohibition, Prevention, etc.) (Amendment) Act 2024 (the Cybercrimes Amendment Act) was enacted on 28 February 2024 as an improvement to the Cybercrimes (Prohibition, Prevention, etc.) Act 2015. To prevent fraudulent and illegal activities, the Cybercrimes Amendment Act requires banks, among others, to obtain the National Identification Number (NIN) of their customers in addition to other valid documents before issuing credit cards, debit cards and related electronic devices. Banks are to ensure the inclusion of minimum requirements contained in the Risk-Based Cybersecurity Framework and Guidelines for Deposit Money Banks and Payment Service Banks, 2024[50] when planning their respective cybersecurity programmes. These minimum standards include the establishment of cybersecurity governance and oversight, outlining the responsibilities of a bank's board of directors, senior management, chief information security officer and other relevant risk management control functions.

Other than the CBN, the following statutory bodies also exercise regulatory oversight on Nigerian banks:

1. the Nigeria Deposit Insurance Corporation (NDIC);[51]
2. the Corporate Affairs Commission (CAC);[52]
3. the Financial Reporting Council of Nigeria (FRCN);[53]
4. the Securities and Exchange Commission (SEC);[54] and
5. the NGX, which regulates companies (including banks) that are listed on the NGX.

Prudential regulation

Relationship with the prudential regulator

While some countries have separated their financial regulators along the lines of licensing, prudential regulation and consumer protection, in Nigeria, all roles are primarily performed by the CBN. The 2011 CBN Supervisory Intervention Framework for the Nigerian Banking Sector complements the CBN's 2010 Prudential Guidelines for Deposit Money Banks (DMBs) in Nigeria, both of which underscore the adoption of a risk-based supervisory approach.[55] The CBN's website sets out all the prudential guidance notes currently in force, characterised by the licence type of each financial institution.[56] DMBs are now required to comply with Basel III guidelines and reporting templates released by the CBN.-[57]

Adequacy assessment

The CBN mandates[58] all banks licensed to carry out banking business in Nigeria to submit monthly reports in compliance with Basel III Guidelines not later than five working days after the end of the preceding month.[59] Failure to comply with this obligation puts a bank at risk of having its banking licence revoked.[60] Furthermore, the CBN's

Framework for the Regulation and Supervision of Domestic Systemically Important Banks 2014 (the D-SIB Framework) mandates that banks classified as domestic systemically important banks (D-SIBs) maintain a minimum capital ratio of 15 per cent (CAR)[61] and set aside an additional surcharge of 1 per cent of their respective minimum required CAR.[62] All other DMBs that are not D-SIBs must maintain a minimum of 10 per cent of the total risk-weighted assets as capital funds on an ongoing basis. With respect to a holding company group, its minimum capital adequacy ratio shall not be less than the capital ratio requirement of any banking subsidiary within the group. In this regard, the reference subsidiary shall be that with the highest minimum capital requirement. The CBN may require higher levels of minimum capital after taking into consideration the results of the Supervisory Review Process of Internal Capital Adequacy Assessment Process (SRP/ICAAP).

Any DMB designated as a systemically important bank that fails to comply with the D-SIB Framework or any other CBN-specified standards and requirements applicable to systemically important banks will be liable for a fine of not less than 5 million naira, and an additional penalty of 200,000 naira for each day that the failure persists.[63] The CBN in exercising its regulatory oversight function under BOFIA 2020 may also dissolve the board and management of banks for non-compliance with regulatory requirements.[64] Where the financial position of a DMB becomes precarious, the NDIC may, after consulting with the CBN, take over management of the bank to salvage the bank's operations by the creation of a bridge bank.[65] Further details are set out below.

Regulatory capital and liquidity

The prudential standards for regulatory capital and liquidity for Nigerian banks are modelled on Basel III Guidelines. They can be found on the CBN's website in the following guidelines (along with their reporting templates and guidance notes):

1. Guidelines on Regulatory Capital for Group Capital Adequacy and Solo Capital Adequacy (Revised Regulatory Capital Guidelines);[66]
2. Guidelines on Leverage Ratio;[67]
3. Guidelines on Liquidity Monitoring Tools;[68]
4. Guidelines on Large Exposures;[69]
5. Guidelines on Liquidity Risk Management and Internal Liquidity Adequacy Assessment Process;[70] and
6. Revised Guidelines on the SRP/ICAAP.[71]

Local regime divergence from Basel III

The CBN has identified areas of national discretion or deviation from Basel III Guidelines, some of which include:

1. permitting banks in Nigeria to employ short-term subordinated debt as a third tier of capital;
2.

lowering risk weight to claims on and claims guaranteed by sovereigns or central banks in domestic currency if funded in that currency;

3. giving preferential treatment of claims to banking institutions with maturity of three months or less; and
4. imposing criteria for non-internationally active banks using standardised approach.[72]

Consolidated supervision

The CBN mandates banks to report on capital adequacy on both a stand-alone basis and consolidated basis every month and quarter. Capital adequacy on a standalone basis takes into consideration a bank's global operations, including its foreign subsidiaries and overseas branch operations, on a standalone basis, and investments in the capital instruments of subsidiaries, which are consolidated in the consolidated financial statements of the banking group, are deducted from the corresponding capital instruments issued.

Liquidity

The CBN sets out the minimum liquidity ratio benchmarks for the banking sector in its Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for fiscal years 2022/2023 (the MCFT Policy Guidelines). Under the current guidelines, the CBN requires that banks maintain minimum liquidity ratios as follows:

1. DMBs: 30 per cent;
2. merchant banks: 20 per cent; and
3. non-interest banks: 10 per cent.

Minimum capital requirements

The CBN requires banks to hold total regulatory capital amounting to Tier 1 capital[73] and Tier 2 capital[74] net of regulatory adjustments. The required regulatory capital is measured against risk-weighted assets of the bank. The CBN has released specific guidance notes on the calculation of capital requirements for credit, market and operational risks.[75] The CBN's mandated recapitalisation is extensively discussed under the header 'Year in Review', above.

FX trading automation

In linewith its efforts to modernise the banking sector and ensure compliance with international best practices, the CBN encouraged the adoption of automated foreign exchange (FX) trading platforms by banks.[76] This move aims to enhance transparency, reduce operational risks and improve liquidity management in the FX market. Banks are required to integrate these platforms with their internal systems for better regulatory reporting and real-time monitoring of FX positions.

Foreign-currency denominated collateral

The CBN’s stance on foreign-currency denominated collateral is extensively discussed under the header ‘Year in Review’, above.

Conduct of business

In addition to BOFIA 2020, banks must also comply with the following:

1. CAMA 2020;
2. the NDIC Act, 2023;
3. the Foreign Exchange (Monitoring and Miscellaneous) Act Cap F34 LFN 2004;
4. the Financial Reporting Council of Nigeria (Amendment) Act 2023;
5. the CBN Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing Regulations;
6. the CBN Customer Due Diligence Regulations;
7. the CBN Corporate Governance Guidelines;
8. the Code of Conduct in the Nigerian Banking Industry;
9. the Money Laundering (Prevention and Prohibition) Act, 2022;
10. the Nigeria Data Protection Act, 2023 (‘NDPA’);
11. Nigeria Data Protection Regulation 2019; and
12. supervision circulars and guidelines released from time to time by the CBN.

In a bid to ensure a stable financial system and consumer protection, the CBN has heavily sanctioned several DMBs during the period in review.[77] This shows the CBN's commitment to strengthening the country’s financial system and further reiterates its plans to sanction defaulting banks where there is regulatory non-compliance.

Funding

Nigerian banks primarily raise funds to carry out their activities from customer deposits. In addition, Nigerian banks access funding from the capital market through the issuance of bonds and other financial instruments,[78] and they access loans from development finance institutions,[79] foreign institutional (impact) lenders and international banks, the proceeds of which are typically on lent to customers and used to fund other activities. They also source their funds from trading in securities (particularly treasury bills and other government-backed securities) and from interest on moneys lent to customers.

Further, the CBN is empowered under the CBN Act to lend money to Nigerian banks facing liquidity issues on terms and interest rates that it deems fit.[80] The MCFT Guidelines, inter alia, outline specific liquidity provisions and ratios to be observed by financial institutions, subject to any subsequent variations as communicated from time to time by the CBN via circulars and communiqués. The liquidity provisions are to ensure that banks maintain adequate and sufficient liquidity to meet the financial obligations of their operations. On 17 September 2024, the CBN published the MCFT Guidelines for Fiscal Years 2024–2025, but this was temporarily suspended on 20 September 2024.[81] However, the CBN retains the liquidity ratio at 30 per cent in the Monetary Policy Communiqué No. 155 published on 26 November 2024.[82]

Control of banks and transfers of banking business

Control regime

For regulations on the change of control regime of banks, see under the headers 'Year in Review' ans 'Prudential regulation'. CAMA 2020 also provides certain disclosure and notification requirements generally applicable to private and public companies. For instance, every person with significant control over, or who is a substantial shareholder in, a Nigerian company (including a bank) is required to make disclosure of that control or shareholding to the company. Pursuant to CAMA 2020, the CAC issued the Persons with Significant Control (PSC) Regulations, 2022 (the PSC Regulations), for companies to file a notice of particulars of PSCs at the CAC, before it can file its annual returns at the CAC.[83]

The ownership and control of the holding company are also regulated by the CBN CG Guidelines, which provide that CBN prior written approval shall be obtained and no director, shareholder or agent of the FHC shall enter into any agreement resulting in a change in the control of the FHC, the transfer of shareholding of 5 per cent and above in the FHC, or an increase in shareholding to 5 per cent or more in the FHC. Provided that CBN's prior approval and no objection shall be sought and obtained, before any acquisition of shares of an FHC by an investor (including through the capital market), that would result in equity holding of 5 per cent and above. Furthermore, subsidiaries of an FHC are prohibited from acquiring shares in its FHC or other subsidiaries, or both, within the group.[84]

Transfers of banking business

Although BOFIA 2020 provides that the business combination provisions of the Federal Competition and Consumer Protection Act (FCCPA) (contained in Sections 92(1), (2) and (3), 94 and 98) shall apply to business combinations involving banks or other financial institutions, Section 65(3) provides that references to the FCCPC under the aforementioned sections shall be construed as reference to the CBN. BOFIA 2020 also provides that the FCCPA shall not apply to any function, act, financial product or financial services issued or undertaken and any transaction by a bank or other financial institution licensed by the CBN. Further to the foregoing, and following the announcement of the Nigerian banking sector recapitalisation programme and the 31 March 2026 deadline for banks in Nigeria to comply with the revised CBN minimum capital requirements, the banking scene in 2024 recorded a significant merger with the CBN's approval of the merger of Unity Bank and Providus Bank[85] involving the synchronisation of both banks' branches nationwide, digital platforms and business operations in general. To bolster the merger, CBN approved a 20-year tenured loan to the tune of 700 billion naira to facilitate the settlement of Unity Bank's obligations to CBN and other stakeholders and ultimately enhance the recapitalisation of the new entity whose new name is yet to be announced.

We anticipate that Nigerian banking sector is likely to see more CBN approval processes for mergers and acquisitions in compliance with the new CBN circular on banks recapitalisation.

That said, considering the SEC's position as the primary regulator of public companies in Nigeria, business combinations (such as mergers and takeovers), involving banks that are public companies, will also fall within the regulatory purview of the SEC in addition to that of the CBN.[86] Sections 142 to 148 of the Investments and Securities Act 2025 and Amendment to the Rules on Mergers, Take-Overs, And Acquisitions (Review For Fairness Of Mergers, Take-Overs And Acquisitions) which was issued in August 2021 regulate takeovers that govern any proposed takeover bid for a Nigerian bank that is a public company. Additionally, the SEC in furtherance of its commitment to supporting the CBN's recapitalisation programme has released an external memorandum detailing the capital raising options available to banks, documentation requirements, checklists of information, indicative timelines and applicable fees instrumental to the procedures necessary for banks to comply with, among other things.[87]

Additionally, where a bank is publicly quoted on the NGX, the Rulebook of the Exchange, 2015 states that the NGX's consent to the merger must also be obtained.

Outlook and conclusions

In 2024, the CBN implemented significant regulatory changes aimed at strengthening the financial system. As described above, the policy direction of the CBN continued to be reformative with a focus on evidence-based monetary policy, limited CBN fiscal intervention, increased regulatory oversight of fintechs and IMTOs and liberalising the FX markets through a willing-buyer-willing-seller market.[88] Furthermore, we expect to see more CBN interventions targeted at ensuring the convergence of rates between the NFEM and the BDC and to boost market liquidity.[89]

The ongoing efforts at complying with the regulatory-induced recapitalisation will remain the highlight of 2025, as banks explore the equity injections, mergers and acquisitions and licence adjustments towards meeting the 31 March 2026 deadline. While some financial institutions have commenced the initial phases of some of these steps, particularly equity injection, the expectation is that the market will witness more volumes of mergers and acquisitions and other capital raise transactions in the months leading up to the deadline.

The expectation is that the CBN will continue to adopt fiscal interventions that are critical for the stabilisation of the inflation rate and the naira and that ultimately ensure less volatility in the financial markets.

Endnotes

1 www.cbn.gov.ng/supervision/Inst-DM.html (accessed on 1 April 2025). ^ Back to section

2 Section 9 of BOFIA 2020. ^ Back to section

3 CBN Recapitalisation Policy 2024: Meaning, Purposes, and Implications, available at: https://www.mondaq.com/nigeria/financial-services/1470566/cbn-recapitalisation-policy-2024-meaning-purposes-and-implications (accessed on 14 March 2025). ^ Back to section

4 Issued by a circular titled 'Circular to all Commercial, Merchant and Non-Interest Banks; and Promoters of Proposed Banks: Review of Minimum Capital Requirements for Commercial, Merchant, and Non-Interest Banks in Nigeria' dated 28 March 2024, with reference number FPR/DIR/PUB/CIR/002/009. ^ Back to section

5 ibid. ^ Back to section

6 Sections 5, 6 and 7 of the CBN Scope, Conditions & Minimum Standards for Commercial Banks Regulations No. 01, 2010. ^ Back to section

7 Section 5 of the CBN Scope, Conditions & Minimum Standards for Merchant Banks Regulations, 2010. ^ Back to section

8 CBN Scope, Conditions & Minimum Standards for Specialized Institutions Regulations No. 03, 2010. ^ Back to section

9 All applicable banks are required to comply with the new capitalisation requirements by 31 March 2026. ^ Back to section

10 However, banks are to note that shareholder's funds and additional tier (AT1) capital are not eligible capital for meeting the capital requirement. This, in no way affects the minimum capital adequacy ratio (CAR) to be maintained by banks. ^ Back to section

11 Regulatory and Supervisory Guidelines for Bureau De Change Operations in Nigeria 2024, https://www.cbn.gov.ng/Out/2024/FPRD/Revised%20Regulatory%20and%20Supervisory%20Guidelines%20for%20Bureau%20De%20Change%20Operations%20in%20Nigeria.pdf, (issued 23 February 2024) (accessed on 14 March 2025). ^ Back to section

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13 Regulatory and Supervisory Guidelines for Bureau De Change Operations in Nigeria 2024 Regulatory and Supervisory, https://www.cbn.gov.ng/Out/2024/FPRD/Revised%20Regulatory%20and%20Supervisory%20Guidelines%20for%20Bureau%20De%20Change%20Operations%20in%20Nigeria.pdf (issued 23 February 2024) (accessed on 14 March 2025). ^ Back to section

14 CBN hikes interest rate to 27.5%, cites surging inflation, https://www.channelstv.com/2024/11/26/just-in-cbn-increases-interest-rate-to-27-5-per-cent/ (accessed on 19 March 2025). ^ Back to section

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24 Authorised Dealers are banks licensed under BOFIA 2020 and such other specialised banks licensed to deal in foreign exchange. ^ Back to section

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36 NDIC Commences Liquidation of Heritage Bank Plc, https://ndic.gov.ng/ndic-commences-liquidation-of-heritage-bank/ (accessed on 18 March 2025). ^ Back to section

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38 Other relevant enactments include the Central Bank of Nigeria (Establishment) Act 2007, the Nigeria Deposit Insurance Corporation Act 2023 and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, Cap F34, Laws of the Federation of Nigeria, 2004. ^ Back to section

39 A holder of a commercial banking licence has the authority to, inter alia: take deposits; maintain current and savings accounts; provide finance and credit facilities, retail banking, treasury management, and custodial and financial advisory (incidental to commercial banking services) services; and deal in foreign exchange. ^ Back to section

40 A merchant banking licence permits, inter alia: the taking of deposits (not below 100 million naira per tranche); providing finance and credit facilities; dealing in foreign exchange; acting as an issuing house or otherwise arranging issuance of securities; and providing custodial, underwriting and treasury management services. ^ Back to section

41 Such as receiving deposits on current accounts, savings accounts or other similar accounts, paying or collecting cheques drawn by or paid in by customers, the provision of financial consultancy and advisory services relating to corporate and investment matters, making or managing investments, advancing loans (however, BOFIA 2020 prohibits banks, specialised banks and other financial institutions from granting any unsecured advance, loan or credit facility without the CBN's written approval, except where the advance conforms with the CBN's collateralisation regulation), issuing letters of credit and bank guarantees, and the general provision of finance.Core-banking business is pursuant to the current banking model in Nigeria. See the CBN 'Regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010'. In October 2010, the CBN changed the Nigerian banking model from a universal banking model, (under the Universal Banking Guideline 2000), which hitherto allowed licensed banks to engage in non-core banking financial activities, to a core-banking model. ^ Back to section

42 Currently, four of the licensed commercial banks in Nigeria are owned or operated by foreign or international bank groups: Citibank Nigeria Limited, Ecobank Nigeria Limited, Stanbic IBTC Bank Plc and Standard Chartered Bank Limited. The South African group FirstRand Bank Limited also owns one of the merchant banks in Nigeria, Rand Merchant Bank Nigeria Limited. ^ Back to section

43 Section 8(2) of BOFIA 2020. ^ Back to section

44 This is subject to the approval-in-principle and final approval as stipulated in the CBN Guidelines for the Regulation of Representative Offices of Foreign Banks in Nigeria 2023 – Paragraphs 4.1 and 4.2 of the CBN Guidelines for the Regulation of Representative Offices of Foreign Banks in Nigeria 2023. Available at: https://www.cbn.gov.ng/Out/2023/FPRD/CIRCULAR%20ON%20GUIDELINES%20FOR%20REPRESENTATIVE%20OFFICES-combined.pdf (accessed on 26 January 2024).- ^ Back to section

45 The circular is titled 'Circular to all Banks on Offshore Expansion' and dated 7 October 2008, with reference number REF: BSD/DIR/CIR/GEN/02/014. ^ Back to section

46 Issued by a circular titled 'Circular to all Authorised Dealers on Mandatory Reporting of Foreign Exchange Transactions'; and dated 26 February, 2024; with reference number FMD/DIR/CON/035/141. Conversely, under the Revised Guidelines for the Nigeria Foreign Exchange Market (NFEM) 2024, paragraph 6.0 requires Authorised Dealers to record all foreign exchange transactions on a processing system and report to the CBN within 10 minutes of the transaction. ^ Back to section

47 Issued by a circular titled 'Circular to Authorised Dealers: Introduction of the Electronic Foreign Exchange Matching System (EFEMS) in the Interbank Foreign Exchange Market'; and dated 2 October 2024; with reference number FMD/DIR/PUB/CIR/001/020. ^ Back to section

48 Issued by a circular titled 'All Banks in the Interbank Foreign Exchange Market: Guidelines for the Electronic Foreign Exchange Matching Systems (EFEMS)'; and dated 25 November, 2024; with reference number FMD/DIR/CON/OGC/038/151. ^ Back to section

49 Issued by a circular titled 'All Banks in the Interbank Foreign Exchange Market: Implementation of the Bloomberg BMatch System for Foreign Exchange Trading'; and dated 25 November, 2024; with reference number FMD/DIR/CON/OGC/038/150. ^ Back to section

50 Issued by a circular titled 'Letter to All Banks and Payment Service Banks: Issuance of Risk-Based Cybersecurity Framework and Guidelines for Deposit Money Banks and Payment Service Banks'; and dated 31 May 2024, with reference number BSD/DIR/PUB/LAB/017/008. ^ Back to section

51 Established pursuant to the new Nigeria Deposit Insurance Corporation Act 2023 (NDIC Act 2023) is responsible for insuring all deposit liabilities of licensed commercial banks and providing assistance to insured institutions in the interest of depositors in cases of financial difficulty. In the event of revocation of the licence of any DMB, customers are statutorily permitted to claim, from the insured funds, a maximum of 500,000 naira. The NDIC Act 2023 repealed the NDIC Act No. 16, 2006. ^ Back to section

52 Established pursuant to CAMA 2020, it is responsible for the incorporation of all corporate entities in Nigeria, including banks and other financial institutions. ^ Back to section

53 Established under the Financial Reporting Council of Nigeria Act of 2011 (as amended by the FRCN Amendment Act, 2023) and supervised by the Federal Ministry of Industry, Trade and Investment, it is responsible for developing and enforcing compliance with accounting, auditing, corporate governance and financial reporting standards by public interest entities, including banks and other financial institutions. ^ Back to section

54 Established under the Investment and Securities Act 2007 (ISA), it regulates capital market activities and public companies in Nigeria (while a licensed bank will not in the ordinary course of its banking activities fall within the regulatory purview of the SEC, where such a bank is a public company or its affiliate undertakes capital market activities, the bank or the relevant affiliate will fall within the SEC's purview). ^ Back to section

55 The risk-based supervisory approach is a continuous process of updating risk assessments through on-site and off-site examinations of financial institutions to create an early warning system so the CBN can anticipate and deal with emerging issues. This approach results in the CBN producing a composite risk rating for financial institutions ranging from 1 (low risk) to 4 (high risk). ^ Back to section

56 CBN Prudential Guidelines, https://www.cbn.gov.ng/search.html?q=Prudential+Guidelines (accessed on 25 January). ^ Back to section

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58 Revised Guidelines on Supervisory Review Process Of ICAAP, https://www.cbn.gov.ng/Out/2021/BSD/7.%20REVISED%20GUIDELINES%20ON%20SUPERVISORY%20REVIEW%20PROCESS%20OF%20ICAAP.pdf (accessed on 25 January 2025). ^ Back to section

59 Circular on Basel III Implementation by DMBS in Nigeria, https://www.cbn.gov.ng/Out/2021/BSD/Circular%20on%20Basel%20III%20Implementation%20by%20DMBS%20in%20Nigeria.pdf (accessed on 25 January 2025).- ^ Back to section

60 Section 12 of the Central Bank of Nigeria Act. ^ Back to section

61 See Section 3.2, Paragraph 27-Table 1 and Section 6.4, Paragraph 96 – Table 2 of the CBN Guidelines on Regulatory Capital issued in September 2021. ^ Back to section

62 Section 6 of the CBN's Framework for the Regulation and Supervision of Domestic Systemically Important Banks 2014. ^ Back to section

63 Section 70 of BOFIA 2020. ^ Back to section

64 For example, the CBN in January 2024 dissolved the board and management of Union Bank, Polaris Bank and Keystone Bank for non-compliance with regulatory requirements and for the involvement in activities that pose a threat to their financial stability. See https://www.cbn.gov.ng/out/2024/ccd/cbn%20dissolves%20the%20board%20%26%20management%20of%20union%20bank%2C%20keystone%20bank%20and%20polaris%20bank.pdf (accessed on 25 January 2025). ^ Back to section

65 For example, following the failure of the defunct Skye Bank, the NDIC, in consultation with the CBN, incorporated Polaris Bank as a bridge bank, withdrew Skye Bank's operating licence and transferred its assets and liabilities to Polaris Bank. ^ Back to section

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69 Guidelines on Large Exposures, https://www.cbn.gov.ng/out/2021/bsd/5.%20guidelines%20on%20large%20exposures%20(lex).pdf (accessed on 25 January 2025). ^ Back to section

70 Guidelines on Liquidity Risk Management and Internal Liquidity Adequacy Assessment Process, https://www.cbn.gov.ng/Out/2021/BSD/6.%20GUIDELINES%20ON%20LIQUIDITY%20RISK%20MANAGEMENT%20AND%20ILAAP.pdf (accessed on 25 January 2025).- ^ Back to section

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73 Tier 1 capital is made up of common equity capital and additional tier 1 capital net of regulatory adjustments applicable. Under the Revised Regulatory Capital Guidelines, Tier 1 capital alone suggests a going concern. ^ Back to section

74 Tier 2 capital comprises gone-concern capital. The CBN has determined certain instruments may be included in Tier 2 capital; these instruments are contained in the Revised Regulatory Capital Guidelines. ^ Back to section

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76 'Nigeria's central bank to automate FX trades by December', https://www.reuters.com/world/africa/nigerias-central-bank-automate-fx-trades-december-2024-10-04/ (accessed on 25 January 2025). ^ Back to section

77 On 14 January 2025, the CBN sanctioned nine DMBs with a total fine of 1.35 billion naira for not making cash available via their automated tellermachines, https://punchng.com/yuletide-cbn-fines-nine-banks-n1-35bn-for-atm-cash-scarcity/ (accessed on 22 January 2025). Similarly, there were reports of CBN and the Securities and Exchange Commission jointly imposing fines of 1.5 billion naira as penalties within the first half of 2024 on banks for foreign exchange infractions and other non-compliance issues, https://punchng.com/cbn-ngx-fine-10-firms-for-infractions/ (accessed on 22 January 2025). ^ Back to section

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80 Section 42(2) of the CBN Act. For instance, DMBs got 5.38 trillion naira from CBN as liquidity demand in the first five days of July 2024, https://businessday.ng/news/article/banks-weekly-borrowing-from-cbn-jumps-to-n5-38trn-on-liquidity-demand/ (accessed on 29 January 2025). ^ Back to section

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83 A PSC, according to the PSC Regulations, is a natural person who holds or controls at least 5 per cent of a company's shares, directly or indirectly. ^ Back to section

84 The CBN CG Guidelines also provide that all services between an FHC and its subsidiaries shall be guided by Service Level Agreements (SLAs) or shared services arrangements, or both, in line with the CBN Guidelines for Shared Services Arrangements for Banks and Other Financial Institutions issued by the CBN on 26 May 2021. ^ Back to section

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86 The UBN majority acquisition and the subsequent merger between UBN and TTB were also subject to the regulatory approval of SEC, given the status of UBN as a public company at the time of the acquisition. UBN has now converted to a private limited liability company post the merger and acquisition, which was undertaken by way of a scheme as provided under CAMA 2020. ^ Back to section

87 https://sec.gov.ng/wp-content/uploads/2024/06/FRAMEWORK-ON-BANKING-SECTOR-RECAPITALISATION-PROGRAMME-%E2%80%93-2024-.pdf (accessed on 30 January 2025). ^ Back to section

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89 CBN - Personal Statement of MPC Members, https://www.cbn.gov.ng/Out/2025/CCD/PERSONAL%20STATEMENTS%20OF%20MPC%20MEMBERS%20FEBRUARY%202025%20MEETING%20AND%20COMMUNIQUE.pdf (accessed on 4 April 2025). ^ Back to section

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