



Regulatory Update:

ROUTING REMITTANCES THROUGH REGULATED CHANNELS - THE CBN'S NEW DIRECTIVE TO IMTOS

Introduction

Nigeria's diaspora remittance inflows are one of the largest in sub-Saharan Africa, consistently contributing billions of dollars annually to gross foreign exchange inflows. Despite this, informal channels and pricing opacity have historically diverted a material portion of these inflows away from the Nigerian Foreign Exchange Market ("NFEM"), thereby weakening the Central Bank of Nigeria's ("CBN") ability to monitor and price the market accurately. In January 2024, the CBN took an important step to address these structural weaknesses by issuing the Revised Guidelines for International Money Transfer Services in Nigeria (the "IMTO Guidelines") to establish the licensing framework for CBN-licensed international money transfer operators ("IMTOs"), set conduct standards, prescribe permissible and non-permissible activities, and introduce specific bank account requirements designed to channel remittance flows through the regulated banking system.

The CBN has now moved to reinforce the requirements in the IMTO Guidelines through a new circular titled *"Measures to Further Deepen Diaspora Remittances and Compliance"* dated 24th March, 2026 (the "Circular") with an effective date of 1st May, 2026. The Circular reinforces and sharpens specific operational requirements on the routing of remittance proceeds through designated settlement accounts and the use of market-determined pricing. We will, in this update, highlight the key requirements of the Circular and the potential impact on IMTOs' operations in Nigeria.



Mandatory Naira Settlement Accounts

The Circular requires all IMTOs to open Naira settlement accounts with authorised dealer banks (“ADB”) of their choice and to ensure that every transaction arising from their international money transfer operations flows exclusively through those accounts.

Disbursements to beneficiaries and any related settlements must be processed only through the settlement accounts.

The CBN, however, permits IMTOs to exercise operational flexibility, as an IMTO may designate existing accounts as its settlement accounts or open new accounts for that purpose. In addition, an IMTO may operate accounts across multiple ADBs in line with their business strategy. This flexibility, however, does not dilute the core requirement that no remittance proceeds may flow outside the settlement account structure.

Restrictions on Account Credits



The Circular restricts the types of inflows that may be credited to settlement accounts to only remittance flows and the proceeds of foreign exchange conversions by an IMTO or its agents with authorised market participants in the NFEM. These are the amounts that may be credited to the settlement accounts. This is designed to prevent an IMTO commingling remittance proceeds with funds from other sources and to maintain a clean audit trail for regulatory review.

Notification to the CBN

Each IMTO is required to advise the Director of the CBN's Trade and Exchange Department of the list of designated settlement accounts and to keep that list updated regularly. This notification requirement creates a formal link between each IMTO's operational infrastructure and the CBN's oversight machinery, enabling the regulator to conduct targeted monitoring without relying solely on periodic returns.



Interbank Transfers from Settlement Accounts

To promote market efficiency and improve pricing outcomes, ADBs are permitted by the Circular to process foreign currency transfers from IMTO settlement accounts to other ADBs and to approved market participants, such as licensed bureaux de change operators. This provision is intended to deepen liquidity in the NFEM by ensuring that foreign currency received through remittance channels does not migrate to parallel markets.

All IMTOs are directed to observe real-time market prices from the Bloomberg BMATCH platform and to use those prices as guidance when pricing transactions with customers and ADBs. The Circular identifies 3 (three) expected outcomes from this requirement, thus: (a) improved price discovery; (b) reduced information asymmetry between IMTOs and their banking partners; and (c) greater participation in the NFEM. This is a significant operational expectation, particularly for smaller IMTOs that may not currently subscribe to institutional pricing infrastructure such as Bloomberg BMATCH.



Bloomberg BMATCH as a Pricing Reference



Consideration for ADBs

ADBAs acting as agents for IMTOs, or as the banks of record for settlement accounts, should conduct a review of their existing IMTO relationships to ensure that the account structures in place meet the requirements prescribed in the Circular. ADBs should also ensure that their own compliance teams are familiar with the restriction on settlement account credits and the authority to process interbank foreign currency transfers from those accounts to other ADBs and approved market participants.



Contextualising the Circular with the IMTO Guidelines

The IMTO Guidelines already contain bank account requirements for IMTOs. Section 3.7 of the IMTO Guidelines requires IMTOs to hold customer funds intended for remittance in a designated account domiciled with the agent ADB. Such an account is required to be maintained separately from all other accounts operated by IMTOs. IMTOs are also required under the IMTO Guidelines to maintain complete and accurate accounting records and to produce, on request, all documents pertaining to account activity, including bank statements, deposit slips, and reconciliations. The Circular is now meant to operationalise these requirements with greater specificity.

Furthermore, the IMTO Guidelines listed several activities that IMTOs are prohibited from undertaking, including the purchase of foreign exchange from the NFEM for settlement purposes. This prohibition sits alongside the directive contained in the Circular to use NFEM-based pricing and to restrict account credits to remittance flows and authorised foreign currency conversion proceeds, thereby ensuring that IMTOs operate on inbound remittances only.

The IMTO Guidelines require IMTOs to, among other things: (a) make payments to customers only in Naira; and (b) use the prevailing exchange rate on the day the transfer is received and at the prevailing rate in the NFEM. The Circular's directive to use Bloomberg BMATCH as a real-time pricing reference is, therefore, a measure introduced by the CBN to ensure IMTOs' compliance with these exchange rate obligations. IMTOs are now expected to demonstrate, through observable pricing input, that the rates they offer customers and their banking partners are anchored to the NFEM.

AML, CFT and CPF Obligations

The Circular provides that IMTOs must maintain acceptable standards and comply with anti-money laundering, combating the financing of terrorism, and countering proliferation financing ("AML/CFT/CPF") requirements. This reiterates the detailed AML/CFT/CPF requirements contained in the IMTO Guidelines, which require IMTOs to adopt risk-based

policies, implement internal controls, render statutory reports to the CBN and the Nigeria Financial Intelligence Unit, and periodically assess the compliance measures of their agents. The new settlement account structure, with its restricted credit inflows and mandatory CBN notification, directly reinforces this AML framework by closing the channels through which layered or unverifiable funds might otherwise pass through the formal remittance system.

Record-Keeping and Sanctions

The Circular requires all IMTOs to maintain adequate records of related transactions for regulatory review and audit purposes. This requirement sits within the existing record-keeping obligations under the IMTO Guidelines, which require transaction information to be retained for a minimum of 5 (five) years after a transaction or as may be determined by the CBN from time to time. The Circular, however, frames this obligation in the context of demonstrable compliance with the new settlement account regime. IMTOs should, therefore, ensure that their management information systems are capable of producing settlement account statements and reconciliations that align, on a transaction-by-transaction basis, with the disbursement and remittance flow data reported in periodic returns.

Conclusion

The Circular will take effect on 1st May, 2026. IMTOs and ADBs should consider this effective date as a firm operational target, ensuring that settlement account structures, pricing systems, and internal controls are in place and fully aligned with the requirements of both the Circular and the IMTO Guidelines. The consequences of non-compliance are significant. IMTOs that fail to comply risk financial penalties, suspension from money transfer operations, withholding of corporate approvals, and outright revocation of their licence. ADBs are equally exposed and may face, among other things, fines and administrative sanctions for defaults on their obligations under the regulatory framework. Hence, the need for all parties to ensure strict compliance with the CBN-prescribed operational requirements.

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