



UDO UDOMA &  
BELO-OSAGIE

# FINTECH REGULATORY UPDATE:

THE CENTRAL BANK OF  
NIGERIA COMMENCES  
AML/CFT/CPF SUPERVISION  
PILOT SCHEME FOR SELECT  
VIRTUAL ASSET SERVICE  
PROVIDERS

On 31st March 2026, the Central Bank of Nigeria (“CBN”) issued a press release announcing the commencement of an AML/CFT/CPF Supervision Pilot Scheme (the “Pilot Scheme”) for a select group of Virtual Asset Service Providers (“VASPs”) in Nigeria. The Pilot Scheme forms part of the CBN’s broader risk-based supervisory approach and is intended to strengthen oversight of anti-money laundering, counter-financing of terrorism and counter-proliferation financing (“AML/CFT/CPF”) risks associated with virtual asset-related activities. The CBN is undertaking the Pilot Scheme pursuant to its mandate under the Money Laundering (Prevention and Prohibition) Act, 2022, the Central Bank of Nigeria Act 2007 (“CBN Act”), and the Banks and Other Financial Institutions Act, 2020 (“BOFIA”). The CBN’s implementation of the Pilot Scheme does not alter, replace or supersede the existing regulatory framework governing virtual assets in Nigeria or the mandates of other competent Nigerian authorities. We have set out below the key highlights and implications of the Pilot Scheme.



## Overview of the Pilot Scheme

The Pilot Scheme is designed by the CBN to develop a structured understanding of the AML/CFT/CPF risks, business models and operational practices of participating VASPs. It is also intended to support participating entities in strengthening their AML/CFT/CPF frameworks in line with emerging supervisory expectations, including the Financial Action Task Force (“FATF”) Recommendations 15 and 16. This is with a particular focus on: (a) Travel Rule preparedness; and (b) proliferation-financing controls.

In this regard, the Pilot Scheme appears to place particular emphasis on whether participating VASPs are able to implement systems and controls to facilitate compliance with the **Travel Rule** (that is, the transmission of prescribed originator and beneficiary information in connection with qualifying virtual asset transfers) and maintain adequate controls to identify, assess and mitigate risks associated with **proliferation financing**, including exposure to sanctioned persons, entities and jurisdictions. The CBN has described participation in the Pilot Scheme as a formal supervisory invitation for selected VASPs to engage with the CBN in a controlled and structured environment.

## Participating Entities

The following entities have been selected by the CBN to participate in the initial supervisory phase of the Pilot Scheme: cNGN, Flutterwave, Juicyway, KoinKoin, KuCoin, and Paystack. The CBN also noted that the Pilot Scheme has been structured in multiple phases, and that subsequent phases are already fully scheduled and are not open to external expressions of interest. This means that the CBN selects participating VASPs, and a VASP that has not been selected is not required to submit an expression of interest to the CBN to join the next phase of the scheme.



## Requirements During the Pilot Scheme

During the period of the Pilot Scheme, participating VASPs are required to: (a) submit monthly AML/CFT/CPF supervisory Key Performance Indicators (KPIs) using the prescribed CBN template; (b) participate in supervisory engagements with the CBN and the Nigerian Financial Intelligence Unit (“NFIU”), where applicable; and (c) undergo reviews covering: governance; customer onboarding; sanctions screening; transaction monitoring; cross-border activity; and demonstrate credible implementation plans for the FATF Travel Rule.

## No Licensing or Regulatory Approval Conferred

Participation in the Pilot Scheme is strictly supervisory and does not confer any regulatory status, approval, licensing right, or authorisation on participating entities. This is an important clarification in light of the evolving regulatory landscape for virtual assets in Nigeria and the possibility that market participants may seek to interpret engagement with the CBN as constituting regulatory approvals.

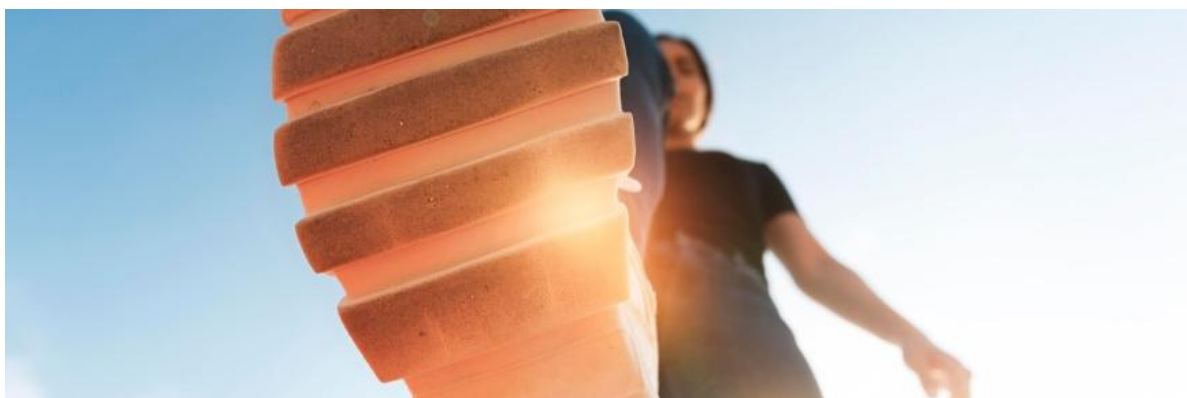


## Implications of the Pilot Scheme

The commencement of the Pilot Scheme has a number of implications for VASPs and the broader digital assets ecosystem in Nigeria. First, it signals CBN's continued active involvement in the oversight of VASPs in Nigeria. This is because prior to this Pilot Scheme, the CBN had issued the Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers (the "Guidelines") in January 2024, which apply to all financial institutions ("FIs") regulated by the CBN. The Guidelines relaxed the CBN's previous restrictions on FIs in relation to facilitating the settlement of crypto-related transactions and permitted FIs to open and maintain bank accounts, facilitate the settlement of virtual asset transactions, and provide banking services to VASPs, digital asset custodians, digital asset exchanges and other platform operators.

Second, the Pilot Scheme reinforces the expectation that VASPs should maintain robust AML/CFT/CPF controls, particularly in relation to onboarding, sanctions screening, transaction monitoring and cross-border activity. Third, the Pilot Scheme indicates that the FATF Travel Rule implementation is becoming a practical compliance priority for the CBN, especially as it relates to VASPs. Lastly, it suggests a more multi-agency and risk-based approach to the supervision of virtual asset-related activities in Nigeria.

---



## Next Steps for VASPs

While the Pilot Scheme currently applies only to selected entities, the issuance of the press release is instructive for the wider market as it signals the gradual formulation

of policies for a holistic regulation of the cryptoassets space and players in Nigeria. Relevant operators (including the selected VASPs) should, therefore, consider taking steps to:

- a) review their AML/CFT/CPF governance and compliance frameworks;
  - b) assess their Travel Rule readiness;
  - c) strengthen onboarding, sanctions screening and transaction monitoring controls; and
  - d) monitor further regulatory and supervisory developments relating to VASPs in Nigeria.
- 

## Conclusion

The CBN's commencement of the Pilot Scheme for selected VASPs marks a notable development in Nigeria's evolving approach to the oversight of virtual asset-related activity. While the Pilot Scheme does not create a new licensing framework or confer regulatory approval on participating entities, it clearly signals increased supervisory focus on AML/CFT/CPF compliance, financial stability and market integrity dimensions of virtual asset activities in Nigeria. For the wider market, it is a clear indication of the growing importance of demonstrable compliance, particularly in relation to Travel Rule implementation, governance, sanctions compliance and transaction monitoring. The commencement of the Pilot Scheme is a signal that there is going to be increased regulatory activities relating to virtual assets and digital assets transactions in the coming months.

---

### **Disclaimer**

*This update is intended for information purposes only and shall not be construed as legal advice on any subject matter in any circumstances. It does not and shall not be construed as creating any relationship, including a client/attorney relationship, between readers and our firm or any author or serve as legal advice. For more information about our Fintech team and any other practice group offerings, please visit our website at [www.uubo.org](http://www.uubo.org) or contact us directly at [fintech@uubo.org](mailto:fintech@uubo.org)*