



UDO UDOMA &
BELO-OSAGIE



Regulatory Update:

**CBN Caps Stay Period for
Termination Rights and
Payment Obligations under
BOFIA at Two Business Days**



Introduction

On 1 July 2026, the Central Bank of Nigeria (“CBN”) issued a circular (Ref. FMD/DIR/PUB/CIR/001/029) titled *“Interpretative Guidance on the Practical Operation of Sections 34(2)(b) and 40(2) of the Banks and Other Financial Institutions Act, 2020”* (the “Circular”). The Circular clarifies that any suspension of payment or delivery obligations, and any suspension of termination rights, imposed by the Governor of the CBN under Sections 34(2)(b) and 40(2) of the Banks and Other Financial Institutions Act, 2020 (“BOFIA”) in relation to a failing or resolution-affected bank or financial institution regulated by the CBN will not exceed two business days from the date the Governor of the CBN issues the relevant written order or notice.

The Circular addresses a point that has remained unresolved since BOFIA was enacted in 2020 and has been a concern for counterparties trading derivatives, repos, securities lending transactions and other financial contracts with Nigerian banks and other CBN-regulated financial institutions.

Background: The Gap the Circular Fills

Sections 34(2)(b) and 40(2) of BOFIA allow the CBN, in a bank resolution context — that is, where the CBN is managing a failing or distressed bank in an orderly way — to suspend payment or delivery obligations and the exercise of termination rights under affected financial contracts. BOFIA, however, did not prescribe the maximum duration of that suspension.

That gap created uncertainty as to whether a suspension could extend for a prolonged, or even indefinite, period.

Statutory stay powers are common in bank resolution regimes and support orderly resolution. The issue in Nigeria was the absence of a clear timeline within which the suspension must lapse.

This uncertainty did not generally affect netting outside the resolution context. Within a resolution context, however, it undermined legal certainty, risk management and regulatory capital treatment for counterparties transacting with Nigerian banks and other CBN-regulated financial institutions, particularly under ISDA Master Agreements, ICMA Global Master Repurchase Agreements, and other financial contracts with close-out netting provisions.

Close-out netting depends on a counterparty’s ability to terminate, value and net exposures promptly following a default or insolvency-type event. An open-ended stay undermines the predictability on which netting opinions and capital treatment are based. This is the uncertainty that the Circular seeks to address.



What the Circular Does

The Circular explains the operational approach the CBN will adopt when suspending payment or delivery obligations, or termination rights, under affected financial contracts involving banks and other CBN-regulated financial institutions. For this purpose, an “Affected Contract” is any contract to which a bank or other financial institution is a party, and which falls within the relevant BOFIA provisions.

In substance, the Circular clarifies that the suspension of payment or delivery obligations and the exercise of termination rights under an Affected Contract will not exceed two business days from the date on which the Governor of the CBN issues the relevant written order or notice of suspension.

The Circular was issued by the CBN under its statutory powers in BOFIA and the Central Bank of Nigeria Act, 2007. It constitutes interpretative guidance with binding effect and takes immediate effect.

Implications for Netting and Financial Contracts

Alignment with international resolution standards

A short, fixed stay period aligns with the Financial Stability Board’s Key Attributes of Effective Resolution Regimes, which recommend that any temporary stay on early termination rights should not exceed two business days. It is also consistent with resolution frameworks in several key markets, where stay periods are typically capped at 48 hours or two business days.

Nigerian banks, other CBN-regulated financial institutions, and their counterparties can now rely on a defined limit rather than an open-ended stay, bringing BOFIA’s stay mechanics closer to international market expectations.

Netting opinions and ISDA/GMRA documentation

The Circular is relevant to legal opinions on the enforceability of netting in Nigeria, including Nigeria-facing opinions used by ISDA and ICMA participants. Nigerian netting analyses should now take account of the two-business-day cap alongside the relevant BOFIA provisions.

Capital and prudential treatment

A defined two-business-day stay period supports the robustness of netting arrangements relied on for regulatory capital purposes. It is consistent with Basel-style netting eligibility



criteria, which generally treat statutory stays as compatible with enforceable netting where the suspension is short and clearly bounded.

Commercial risk management

For counterparties transacting with Nigerian banks and other CBN-regulated financial institutions under ISDA Master Agreements, GMRA, GMSLA or similar bilateral contracts, the two-business-day cap provides a definite timeline to integrate into collateral, margining and exposure management processes.

Conclusion

The Circular provides welcome clarity for netting arrangements involving Nigerian banks and other CBN-regulated financial institutions. By capping the relevant stay period at two business days, it should support investor confidence, preserve access to positive netting opinions and strengthen the legal environment for repos, securities lending and derivatives involving Nigerian financial institutions.

Firms and counterparties with exposure to Nigerian banks and other CBN-regulated financial institutions may wish to update internal netting opinion trackers and risk matrices, and review standard form documentation for assumptions inconsistent with the two-business-day cap.

This regulatory update has been provided by Yinka Edu, Joseph Eimunjeze, Onyinye Okafor, Pamela Onah, and Ito Uwemedimo Etim of the Banking & Finance team at Udo Udoma & Belo-Osagie. For more information about our Banking & Finance practice group offerings, please visit our website at www.uubo.org or email us at financeteam@uubo.org.

DISCLAIMER: *This regulatory update is intended for information purposes only and should not be construed as legal advice. It does not create, and should not be construed as creating, a client-attorney relationship between any reader and our firm or any of the authors. The opinions expressed in this publication are those of the individual authors and may not reflect the views of the firm or any individual attorney. You should contact your attorney for advice on any particular issue or problem.*