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FINTECH REGULATORY UPDATE

THE CENTRAL BANK OF NIGERIA ISSUES REGULATIONS FOR THE OPERATIONS OF NON-SECURITY VIRTUAL ASSETS IN NIGERIA





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The Nigeria's virtual assets ecosystem has seen significant regulatory change in recent years, including the Securities and Exchange Commission's ("**SEC**") rules on digital assets and the recognition of digital and virtual assets as securities under the Investments and Securities Act, 2025 ("**ISA**").

On the 5th November 2026, the Central Bank of Nigeria ("**CBN**") issued the *Regulations for the Operations of Non-Security Virtual Assets in Nigeria* (the "**Regulations**") pursuant to the Central Bank of Nigeria Act, 2007, Bank and Other Financial Institutions Act 2020, the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995, the Money Laundering (Prevention and Prohibition) Act, 2022, the Terrorism (Prevention and Prohibition) Act, 2022 and the Presidential Executive Order on Virtual Assets Coordination, 2026.

Overview

The Regulations establish a framework for the licensing, regulation, supervision and oversight of non-security virtual assets, including stablecoins, Deposit Money Tokens ("**DMTs**") and related virtual asset service providers (VASPs).

Rationale

The Regulations complement the position in the ISA by addressing the non-security segment of the digital and virtual assets market within the CBN's regulatory mandate over banking, payments systems, and foreign exchange. The CBN issued the Regulations in accordance with the provisions of its enabling statutes and the Presidential Executive Order on Virtual Assets Coordination, 2026, and to be read alongside it. The Regulations do not extend to virtual assets that are securities and defined by the ISA, which remain within the SEC's jurisdiction.

Key Highlights

Some of the key highlights of the Regulations include:

- the introduction of a licensing framework for stablecoins (Naira-referenced Class 1 stablecoins and foreign currency-referenced Class 2 stablecoins), Deposit Money Tokens and other designated tokens, together with related virtual asset service providers (VASPs);
- a prohibition on carrying on a regulated activity in or from Nigeria, or directing it at persons in Nigeria, without the relevant CBN licence or authorisation – this means the Regulations have extra-territorial reach to foreign issuers and providers whose tokens or services are made available to Nigerian persons;
- the introduction of five licence and authorisation categories, namely the Class 1 and Class 2 Issuer Licences, the Other Services Licence, the Other Services Authorisation (for existing SEC licensees) and an Approval to Extend Permitted Activities (for existing CBN-licensed financial institutions);
- introducing a requirement that issuers should be incorporated in Nigeria, and that foreign currency-referenced stablecoins should be offered in Nigeria only as Class 2 Stablecoins issued through a Nigerian-incorporated entity holding a Foreign Currency Issuer Licence, with prior Token Approval from the CBN;



- providing for a minimum paid-up capital of ₦10 billion for Class 1 issuers, ₦15 billion for Class 2 issuers and ₦1 billion for other non-security VASPs (additional to any SEC or other regulators' capital requirement), or such higher amount as the CBN may prescribe from time to time;
- detailed requirements on governance, fit-and-proper assessment, reserve management and redemption, safeguarding of customer assets, operational resilience, consumer protection and AML/CFT/CPF compliance, including Travel Rule obligations;
- a clear delineation from the SEC's remit, so that securities and investment products (including tokenised forms) which qualify as securities under the ISA remain outside the Regulations, with the CBN regulating only payment, settlement, foreign exchange and related aspects within its mandate;
- a transition regime requiring existing operators to apply for the appropriate licence or authorisation within 180 days from the commencement of the Regulations, failing which they must cease operations in Nigeria until licensed;
- introduced significant KYC, CDD, AML/CFT etc compliance obligations; and
- significant sanctions for non-compliance, including fines of not less than ₦100 million for undertaking a regulated activity without the required licence, plus daily fines for continuing contraventions.

Affected Entities

The Regulations will be of particular relevance to stablecoin issuers, virtual asset service providers, digital asset exchanges, custodians and wallet providers, virtual assets payment service providers and gateways, banks and other financial institutions, and foreign virtual asset operators serving Nigerian customers.

Notable Exemptions

The Regulations do not apply to:

- Central Bank Digital Currencies (CBDCs) issued by the CBN or the central bank of another jurisdiction;
- Securities and investment products, including security virtual assets, collective investment schemes and their tokenised forms, which remain subject to the ISA and SEC regulation. However, any related payment, settlement or foreign exchange activity within the CBN's mandate remains subject to the Regulations;
- Electronic money and stored-value products, including their tokenised forms, that are already regulated under applicable payments system laws, unless their functionality changes such that the CBN determines that authorisation under the Regulations is required;
- Bank liabilities that are neither deposits nor Deposit Money Tokens;
- Limited-network instruments, such as loyalty points, rewards, vouchers and similar products that cannot be exchanged for money or transferred to third parties; and
- Other tokens, products, arrangements or activities that the CBN specifically exempts or otherwise designates as outside the scope of the Regulations.



Compliance timeline and next steps

Existing operators must apply for the right licence or authorisation within **180 (one hundred and eighty) days** of commencement (the "**Transition Period**"). During the Transition Period, such existing operator may continue only at its existing scale and subject to the CBN's interim conditions, provided it registers with the CBN within 30 (thirty) days, complies with AML/CFT/CPF requirements from commencement, begins supervisory reporting within 60 (sixty) days or an earlier prescribed period, and submits a complete application within the Transition Period. Failure to submit within that period shall require cessation until the required licence or authorisation is obtained. Affected businesses should:

- Check whether their products and services fall within the Regulations and which licence applies;
- Compare their current capital and reserves with the new thresholds and plan any capital raising;
- Review ownership, governance, AML/CFT and disclosure arrangements; and
- Start preparing the application and speak to advisers early.

Please stay tuned to our social media handles as we will be publishing a series of analysis on the Regulations, which will set out our analysis. For more information about our Fintech team and any other practice group offerings, please visit our website at **www.uubo.org** or email us at **fintech@uubo.org.**

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