CBN Issues Circular on Market Structure Requirements, Data Localisation, Ultimate Beneficial Ownership Disclosure and Systemic Oversight Measures in the Nigeria Payments System

Background

On 15 June 2026, the Central Bank of Nigeria (the "CBN") issued circular PSS/DIR/PUB/CIR/001/004 on the introduction of market structure requirements, data localisation, ultimate beneficial ownership disclosure and systemic oversight measures in the Nigeria payments system (the "Circular").

The Circular applies to deposit money banks, microfinance banks, mobile money operators, switching and processing companies, payment terminal service providers, payment solution service providers, super agents and other licensed operators in the Nigerian payments ecosystem. It is driven by the CBN's concerns around market concentration, operational dependence, systemic importance, ownership transparency and the localisation of critical payment data.

Potential Implications

First, all deposit money banks, payment service providers and other financial institutions with digital payments footprints must disclose the ultimate beneficial ownership (UBO) of significant shareholders in accordance with applicable laws and regulations, maintain accurate and up-to-date UBO records, and make those records available to the CBN upon request. This reinforces the CBN's focus on ownership transparency and anti-money laundering (AML), countering the financing of terrorism (CFT) and counter-proliferation financing (CPF) controls in the payments ecosystem.

Second, all financial institutions and participants facilitating payments within Nigeria must ensure that payment transaction data generated within Nigeria are stored and managed in Nigeria in accordance with applicable Nigerian data protection laws and regulations. Affected financial institutions are required to comply with this requirement from 1 January 2027. This requirement may have material practical implications for payment operators that currently rely on foreign cloud infrastructure, offshore data centres or group-level technology arrangements. Key implementation issues may include migration costs, service reliability and the capacity of local data-centre infrastructure, including power and connectivity resilience.

Further regulatory guidance may be useful on the scope of "financial institutions and participants facilitating payments within Nigeria", particularly for international remittance operators, group-shared technology arrangements and offshore disaster-recovery infrastructure. The Circular also does not expressly state whether an international cloud provider's local availability zone in Nigeria would satisfy the requirement to store and manage payment transaction data in Nigeria.

Third, any licensed financial institution engaged in consumer issuing activities, whether individually or as part of a group of related entities, that holds more than 25% market share in consumer issuing within any rolling 12-month period must not hold more than 15% market share in merchant acquiring activities during the same period. The same restriction applies in reverse to any licensed financial institution engaged in merchant acquiring activities, whether individually or as part of a group of related entities, that holds more than 25% market share in merchant acquiring activities within any rolling 12-month period. Affected financial institutions are required to implement the market structure requirements by 31 December 2026, and all regulated entities must submit monthly market share returns in accordance with the prescribed templates and timelines.

The market structure requirements appear intended to reduce concentration risk across consumer issuing and merchant acquiring activities and promote a fair, competitive and resilient payments ecosystem. Implementation may require careful calibration so that the thresholds address concentration risk without constraining operators whose market share reflects scale, consumer adoption or product quality rather than anti-competitive conduct.

What Should Affected Operators in the Nigerian Payments Ecosystem Do?

Affected operators, including deposit money banks, microfinance banks, mobile money operators, switching and processing companies, payment terminal service providers, payment solution service providers, super agents and other licensed operators in the Nigerian payments ecosystem, should consider the following actions:

- Conduct a compliance gap assessment to identify changes required under the Circular, particularly in relation to data localisation, UBO disclosure, market-share thresholds and monthly market-share reporting.
- Map payment transaction data flows and confirm whether any payment transaction data generated within Nigeria are stored, processed, backed up or managed outside Nigeria.
- Develop a migration plan for any affected offshore hosting, cloud infrastructure, disaster-recovery or group-shared technology arrangements, with clear milestones before the 1 January 2027 deadline.
- Assess operational, cybersecurity, resilience and business-continuity risks associated with local storage or local hosting arrangements and implement appropriate mitigation measures.
- Review and update beneficial ownership records to ensure UBO records are accurate, complete and available for CBN review upon request.
- Assess corporate and shareholding structures, especially where offshore entities, holding companies, nominee arrangements, layered investment vehicles or complex ownership arrangements may affect UBO disclosure.
- Engage proactively with the CBN and industry stakeholders to stay informed of further guidance, implementation expectations and supervisory developments.

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