NIGERIA'S DIGITAL ASSET REGULATORY RESET

SEC's 2026 Proposed Rules and What They Mean for Fintechs and VASPs

Background

The Securities and Exchange Commission (SEC) has released the proposed Rules on Digital and Virtual Assets Operations, Custody and Markets 2026 (the "**Proposed Digital Asset Rules**" or "**Proposed Rules**")[1] for public consultation.

If adopted, these rules will supersede the 2022 Rules on Issuance, Offering Platforms and Custody of Digital Assets (the "**2022 Rules**") and all prior SEC rules, guidelines, or circulars relating to the regulation of digital and virtual assets in Nigeria's capital market.

Key Highlights of the Proposed Rules

The Proposed Rules expand the 2022 Rules' five-part structure, which covered (i) the issuance of digital assets as securities; (ii) the registration of Digital Asset Offering Platforms ("**DAOPs**"); (iii) the registration of Digital Asset Custodians ("**DACs**"); (iv) the regulation of Virtual Asset Service Providers ("**VASPs**"); and (v) the regulation of Digital Asset Exchanges ("**DAXs**"), to a broader 18-part framework, including schedules. Key additions include:

1. Comprehensive Regulatory Provisions for Stablecoins

The Proposed Rules introduce a four-tier classification of stablecoins based on their reserve and collateral compositions. Stablecoins in each tier must be backed at all times by reserves equal to specified percentages of outstanding stablecoin liabilities:

(a) Tier 1 (Naira-backed stablecoins): 100% minimum reserve ratio, held in cash or Central Bank of Nigeria-approved instruments;

(b) Tier 2 (foreign currency-backed stablecoins): 120% minimum reserve ratio, held in the same reference currency or high-quality liquid assets denominated in that currency;

(c) Tier 3 (commodity-backed stablecoins): 100% minimum reserve ratio, supported by verifiable ownership, custody, valuation, insurance and audit arrangements acceptable to the SEC; and

(d) Tier 4 (crypto-backed stablecoins): 150% to 200% collateralisation, based on volatility, liquidity, concentration and collateral quality.

Algorithmic, non-auditable and unbacked stablecoins are listed as prohibited issuances, subject to any exceptional approval and safeguards the SEC may prescribe. Issuers must conduct quarterly stress testing, including scenarios of a 50% sudden redemption within 48 hours and a 30% crypto market decline within 24 hours.

2. Real-World Asset Tokenisation

The Proposed Rules create a new category called the Real-World Asset Tokenisation Platform ("**RATOP**") to govern the structuring, tokenisation and offering of digital assets representing tangible and intangible assets, including real estate, commodities, infrastructure, financial instruments, and IP or royalty streams. Eligible assets remain subject to SEC approval.

1.The 2026 Proposed Digital Asset Rules discussed below remain subject to formal adoption by the SEC. They do not yet have the force of law.

3. Decentralised Finance (DeFi)

The Proposed Rules adopt a substance-over-form approach. An activity will not be treated as fully decentralised merely because it is described as decentralised or conducted through smart contracts. Where an identifiable person or group controls protocol upgrades, administrative keys, user interfaces or governance mechanisms, registration and conduct requirements may apply.

4. Expanded Scope of Regulated Services

The Proposed Rules bring activities carried out by VASPs and other regulated entities in the digital and virtual assets ecosystem which were previously unaddressed or operating in grey areas, such as staking, validator services, lending and borrowing, yield products, peer-to-peer trading (P2P), over-the-counter trading (OTC), and automated market making, within regulatory scope. Several of these activities are subject to specific approval and operational requirements.

P2P and OTC trading require SEC approval, with P2P trading subject to controlled-environment requirements.[2] A DAX cannot deploy, operate or provide access to an automated market-making mechanism (AMM) unless the SEC has approved the AMM framework, and cannot deploy a fully autonomous or unsupervised AMM system.

New controls also apply to DAX trading models. Under Rule 15(10), a DAX cannot operate more than one trading model without prior SEC approval and must submit a detailed regulatory perimeter assessment for each additional model. Derivative swaps, perpetual swaps, contracts for difference, leveraged tokens, margin-based swaps, and synthetic exposure products are also prohibited unless the SEC gives prior approval.[3]

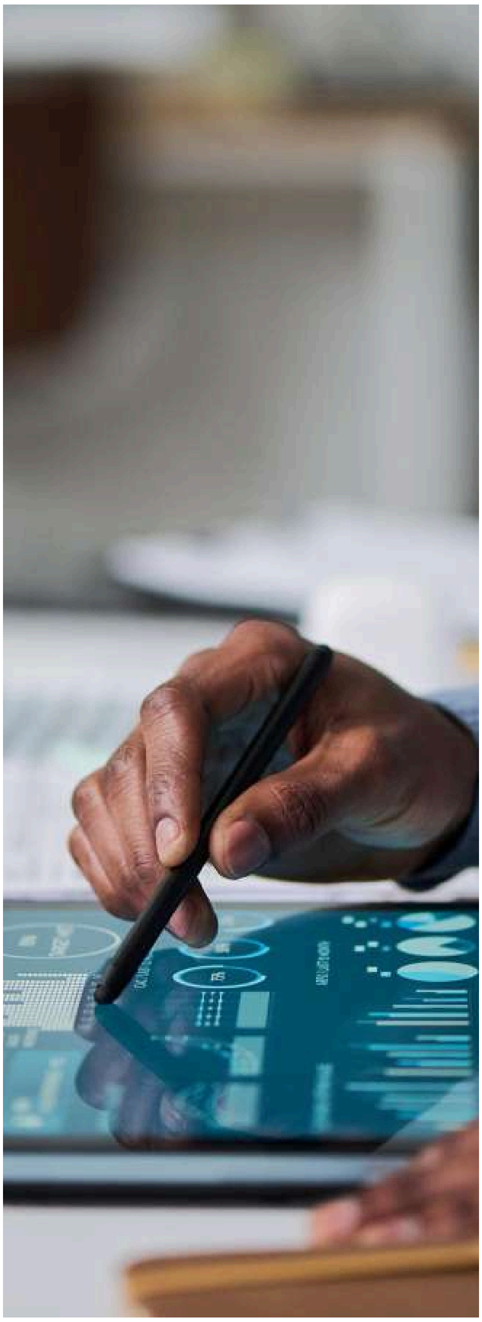
5. Introduction of Digital Asset Platform Operators

The Proposed Rules introduce Digital Asset Platform Operators ("**DAPOs**") as a platform category for issuance-side, asset-referenced and tokenisation functions. A DAPO may, where authorised by the SEC, operate infrastructure for the issuance, offering, tokenisation, minting, redemption, administration or lifecycle management of digital or virtual assets.

2. Rules 15(1)(b) and 15(16) of the Proposed Digital Asset Rules.
3. Rule 15(10)(d) of the Proposed Digital Asset Rules.

6. Accelerated Regulatory Incubation Programme and Approval-in-Principle Timeline

The Proposed Rules re-establish the Accelerated Regulatory Incubation Programme ("**ARIP**") as the pre-registration assessment and supervisory framework, providing a structured pathway for new entrants. Under this programme, eligible entities may operate on an approval-in-principle ("**AIP**") basis for up to two years, during which they must demonstrate compliance readiness before obtaining full registration.



Entities seeking registration under the Proposed Rules must be incorporated in Nigeria, have a registered office in Nigeria, and have their Chief Executive Officer, Managing Director or equivalent principal officer resident in Nigeria.[4]

Notwithstanding the general ARIP route, the SEC may permit an applicant to bypass ARIP and proceed directly to formal registration where the applicant is:

(i) an existing capital market operator adding digital or virtual asset functions and able to demonstrate capacity;

(ii) a fully registered, licensed or authorised digital or virtual asset service provider in an IOSCO-member jurisdiction seeking to carry on the same or substantially similar regulated activity in Nigeria; or

(iii) a subsidiary of a duly licensed financial institution that has obtained any required prior approval or no-objection from its primary regulator, has been incorporated specifically for the digital asset service, and has established independent governance, risk management, compliance, and operational structures.[5]

7. Capital Requirements

Schedule I of the Proposed Rules revises minimum capital standards for digital asset entities:

(a) DACs and DAXs: ₦2 billion each;

(b) DAOPs, DAPOs, and RATOPs: ₦500 million each; and

(c) VASPs (general licence): ₦200 million.

4.Rule 2(1) of the Proposed Digital Asset Rules.
5.Rule 2(2)(j) of the Proposed Digital Asset Rules.

Separately, the Guidelines on Revised Minimum Capital for Regulated Entities, issued by the SEC on 18 March 2026 (the "**Capital Requirements Guidelines**"), prescribe a set of minimum capital thresholds for regulated capital market operators.

Under the Capital Requirements Guidelines, the minimum capital requirement for DAXs and DACs is set at ₦2 billion each, and for DAPOs at ₦500 million (consistent with the Proposed Rules). However, the minimum capital requirement for DAOPs and RATOPs is set at ₦1 billion each, which is double the figure in the Proposed Rules (₦1 billion vs. ₦500 million). These discrepancies are material.

Whether these divergences reflect drafting oversight, a deliberate policy decision, or an intention to reconcile before adoption remains unclear. Market participants face uncertainty until the SEC clarifies.

In addition, the omission of Digital Asset Intermediaries ("**DAIs**") and Ancillary Virtual Asset Service Providers ("**AVASPs**") is notable. The Proposed Rules define and regulate DAXs, DACs, DAOPs, DAPOs, RATOPs, and VASPs. While brokerage, dealing and advisory functions typically associated with DAIs are partly addressed under the VASP framework,[6] the Proposed Rules do not establish a separate DAI licence or prescribe dedicated registration, conduct or capital requirements for DAIs.

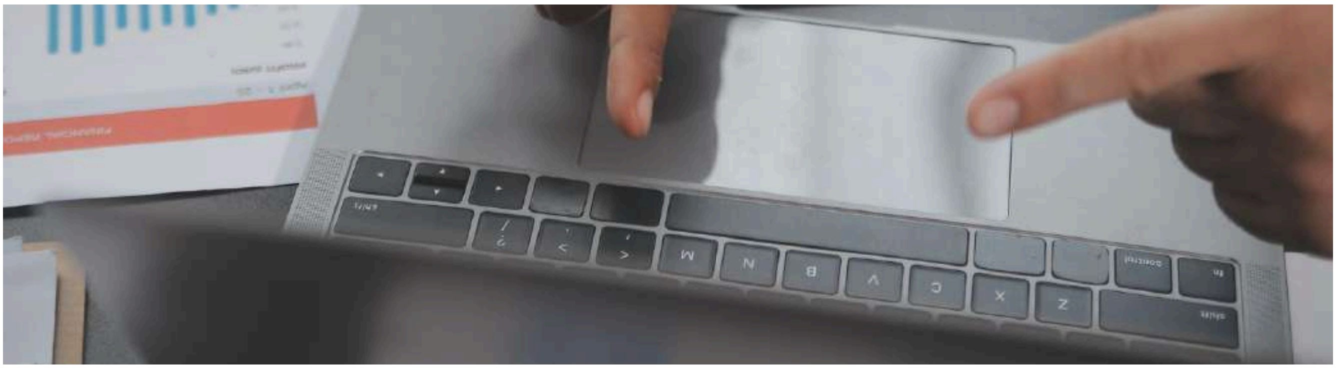
Similarly, the Proposed Rules do not define AVASPs or prescribe a dedicated licence classification, registration pathway or capital threshold for ancillary or supporting service providers.

The Capital Requirements Guidelines, by contrast, list DAIs as a standalone category with a ₦500 million minimum capital requirement and AVASPs with a ₦300 million requirement. Whether the SEC intends for intermediary and ancillary service provider functions to be absorbed into the VASP licence under the Proposed Rules, or whether DAIs and AVASPs will be introduced as distinct categories before adoption, is unclear.

6.Rule 4 of the Proposed Digital Asset Rules.

This gap creates additional uncertainty for entities that may fall within the intermediary or ancillary service provider classification. It is important that the SEC harmonise the capital requirements schedule across the Proposed Rules and the Capital Requirements Guidelines before final adoption, to ensure regulatory certainty and avoid conflicting compliance obligations.

The Capital Requirements Guidelines required existing Capital Market Operators to submit board-approved capitalisation plans by 30 April 2026 and meet the revised capital requirements by 30 June 2027.



Multi-function operators may register for and carry on more than one regulated activity but must satisfy the capital requirement for each function independently. For example, an operator registered as both a DAX and a DAC must meet each threshold separately, so the combined minimum capital obligation for both functions would be ₦4 billion. The Proposed Rules also permit further prudential safeguards for DAXs using related-party custody arrangements, and a DAX operating an additional trading model may be required to maintain a capital buffer of at least 50%.

Qualifying capital must be fully paid-up, freely available, and unencumbered. Revaluation reserves, borrowed funds, client monies, and contingent assets are excluded.

Practical Implications

For fintech founders, the capital increases may drive partnership and acquisition strategies, but may also delay entry for new market entrants. A startup previously needing ₦500 million for a DAX now faces ₦2 billion; if it also provides custodial services, it must capitalise a separate DAC at ₦2 billion for that function. For compliance officers, activities previously in grey areas, such as P2P trading, yield products and staking, now require explicit SEC approval. The ARIP pathway offers a two-year runway, but capital and governance requirements remain substantial.

The Proposed Rules introduce a layered fee structure that adds to these costs. Beyond minimum capital, Schedule I prescribes supervisory fees, token issuance fees and registration fees.

Supervisory Fees		
VASP	**Quantum of Adjusted turnover**	**Timeline**
DAXs under ARIP	0.015%	Payable monthly or at such frequency as may be prescribed by the Commission.
Fully registered DAXs	0.025%	Payable quarterly or at such frequency as may be prescribed by the Commission.
Any other ARIP entity	0.0075%	Payable monthly or at such frequency as may be prescribed by the Commission.
Any other fully registered entity	0.015%	Payable quarterly or at such frequency as may be prescribed by the Commission.

Token issuance fees	
Whitepaper filing with a legal opinion	₦2.5 million
Token issuance (fees shall be payable as follows):	• + 0.275% on the first ₦500 million of token value, • 0.225% on the next ₦500 million and • 0.15% thereafter.

Fees Payable			
A. Application and Registration Fees			
Category	**Registration Fees**	**Processing Fee**	**Application Fee**
DAX/DAC/DAPO/DAOP/RATOP	₦30 million	₦100 thousand	₦300 thousand
VASP	₦15 million	₦100 thousand	₦300 thousand
B. ARIP Fees			
Initial Assessment Fees		₦200 thousand	
ARIP Application Fee		₦2 million	

There is also the question of the uncertain legal status of the December 2024 exposure draft. The draft, intended to take effect on 30 June 2025, was circulated widely and informed compliance planning across the industry, but was never officially gazetted or formally adopted by the SEC. This created a genuine legal ambiguity. While some market participants took the view that the December 2024 draft became operative by implication through constructive adoption, industry reliance, or by the passage of its stated effective date, others maintained that an SEC rule cannot acquire the force of law without explicit promulgation, and that exposure drafts, no matter how widely circulated or relied upon, remain consultative documents unless and until formally enacted.

The Proposed Rules' express statement that it *"shall supersede the Rules on Issuance, Offering Platform, and Custody issued in 2022 and all prior Commission's Rules, Guidelines or Circulars relating to regulation of digital and virtual assets in the capital market"* supports the view that the SEC does not consider the December 2024 proposed amendments to have ever attained legal force. The supersession language identifies the 2022 Rules, and not the December 2024 draft, as the operative instrument being replaced.

> The practical consequence is that compliance officers should conduct a careful review of any product, service, or activity launched or modified in reliance on the December 2024 draft, and assess exposure under both the 2022 Rules and the anticipated 2026 framework.

What Market Participants Should Do Now

a. map current products against expanded regulatory categories to identify applicable registrations;

b. model the capital gap between current holdings and the applicable minimum requirement, and explore permitted capitalisation modes, including cash, quoted securities, collective investment scheme units, bonds, mergers and acquisitions;

c. assess board composition, governance, and record-keeping against enhanced standards;

d. engage legal counsel to map exposure under both the 2022 Rules and the anticipated 2026 framework;

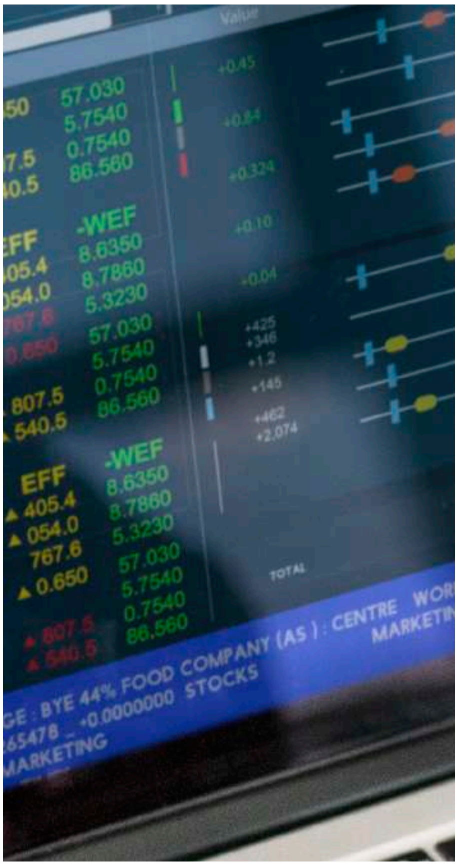
e. segregate client fiat funds from proprietary funds in designated client accounts with licensed financial institutions and ensure that client fiat funds are not used for proprietary trading, operational expenses, lending, or any unauthorised purpose;

f. ensure that any transfer or settlement service clearly defines, documents and discloses settlement finality, settlement timelines, failed settlement procedures and reversal procedures;

g. confirm that each DAX market model is within its approval scope: DAXs may operate multiple spot market models, but each additional model, including OTC, P2P, AMM and any other off-order-book model, requires separate SEC approval;

h. verify that any foreign-issued stablecoin to be listed, traded, custodied, settled or promoted in Nigeria is recognised by the SEC, and that its issuer has appointed a local representative and provided evidence of regulatory authorisation; and

i. prepare for prompt compliance with lawful freezing, seizure, preservation, confiscation, forfeiture, or recovery directions, including transfer of relevant assets to the National Digital Assets Confiscation Wallet where required.



Conclusion

The 2026 Proposed Rules represent Nigeria's most comprehensive digital asset regulatory framework to date. The public consultation period has now closed, with the SEC's final rules being awaited. Market participants should use this interim period to plan and finalise product mappings, address capital shortfalls, reconcile compliance programmes against the 2022 Rules and the anticipated 2026 framework, and prepare operationally for prompt implementation once the rules are formally adopted.

Authors

Ajibola Asolo
Partner

E: Ajibola.Asolo
@aluko-oyebode.com

Orinari Horsfall
Senior Associate

E: Orinari.Horsfall
@aluko-oyebode.com

Aaron Alasa
Senior Associate

E: Aaron.Alasa
@aluko-oyebode.com

Imadenobiejeh Adejumo
Associate

E: Imadenobiejeh.Adejumo
@aluko-oyebode.com

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If you are not the intended recipient(s), please contact Aluko & Oyebode via telephone (+234 201 4628360) or e-mail (ao@aluko-oyebode.com). For further information about Aluko & Oyebode, please visit our website at www.aluko-oyebode.com.

Lagos

1, Murtala Muhammed Drive
(formerly Bank Road)
Ikoyi, Lagos, Nigeria

T: +234 201 462 8360 -71
E: ao@aluko-oyebode.com
W: www.aluko-oyebode.com

Port Harcourt

3rd Floor, Plot 173,
Sani Abacha Road
GRA Phase III, Port Harcourt
Rivers State, 234
Nigeria

T: +234 703 192 260

Abuja

Plot 1348A, Agulu Lake Street
Maitama, Abuja, Nigeria