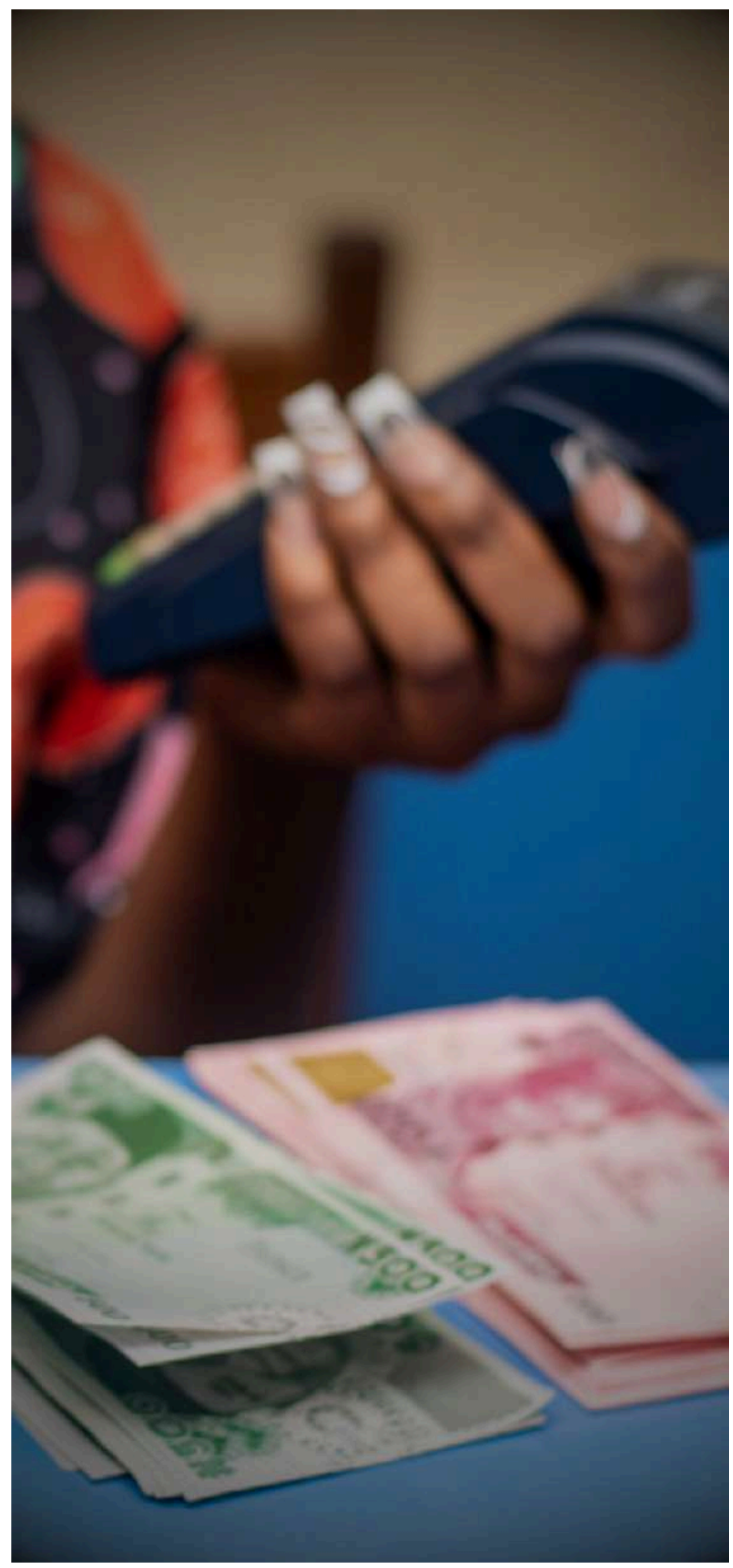
ANALYSIS OF CBN'S NEW REGULATIONS ON CASH MANAGEMENT AND DUAL CONNECTIVITY OF PAYMENT TERMINALS

INTRODUCTION

The Central Bank of Nigeria (**CBN**) recently sent out two important circulars, which address longstanding cash management inefficiencies and payment system vulnerabilities. The "*Circular on Revised Cash-Related Policies*" (effective 1 January 2026) eliminates deposit caps while imposing stricter withdrawal limits. The "Circular on Mandatory Dual Connectivity" (which has its deadline set for 11 January 2026) requires all Point of Sale (**POS**) terminals to link to both the Nigeria Inter-Bank Settlement System Plc (**NIBBS**) and Unified Payment Services Limited (**UPSL**).

These directives address persistent issues like those exposed during past naira redesigns, widespread POS outages, and security risks that have hampered economic fluidity. By revising cash policies and mandating dual connectivity for payment terminals, the CBN seeks to bolster digital adoption, enhance transaction reliability, and safeguard financial stability. Nigeria's payment ecosystem has grappled with cash hoarding, fraudulent encashment, and network failures, aggravated by events like the 2022-2023 naira redesign that led to acute shortages and black-market premiums. POS terminals, which have become vital for SMEs – handling over 40 per cent of retail transactions – frequently suffer downtime due to overreliance on single aggregators, like the NIBSS or UPSL. The CBN's response, through these two circulars issued respectively on the 2nd and 11th of December 2025, aims to rectify these challenges by promoting unrestricted deposits, curbing excessive withdrawals, and ensuring POS connectivity.

This article highlights the key provisions of the circulars and offers an in-depth analysis of their potential challenges, strategic opportunities, and implications for stakeholders, including individuals, Small and Medium Enterprises (SMEs), banks, and fintechs.



KEY PROVISIONS

Revised Cash-Related Policies: This circular sets out various policies. It liberalises cash deposits by scrapping all limits and excess fees for verified account holders, while also allowing lodgements via bank branches, ATMs or agents. It abolishes all previous caps, alongside excess fees on such deposits. This was a direct response to complaints from legitimate businesses stifled by prior caps. Account holders verified via Bank Verification Number, National Identity Number, and Know Your Customer Tier 3+ are to enjoy unrestricted cash deposits, accelerating fund circulation in the entire economy.

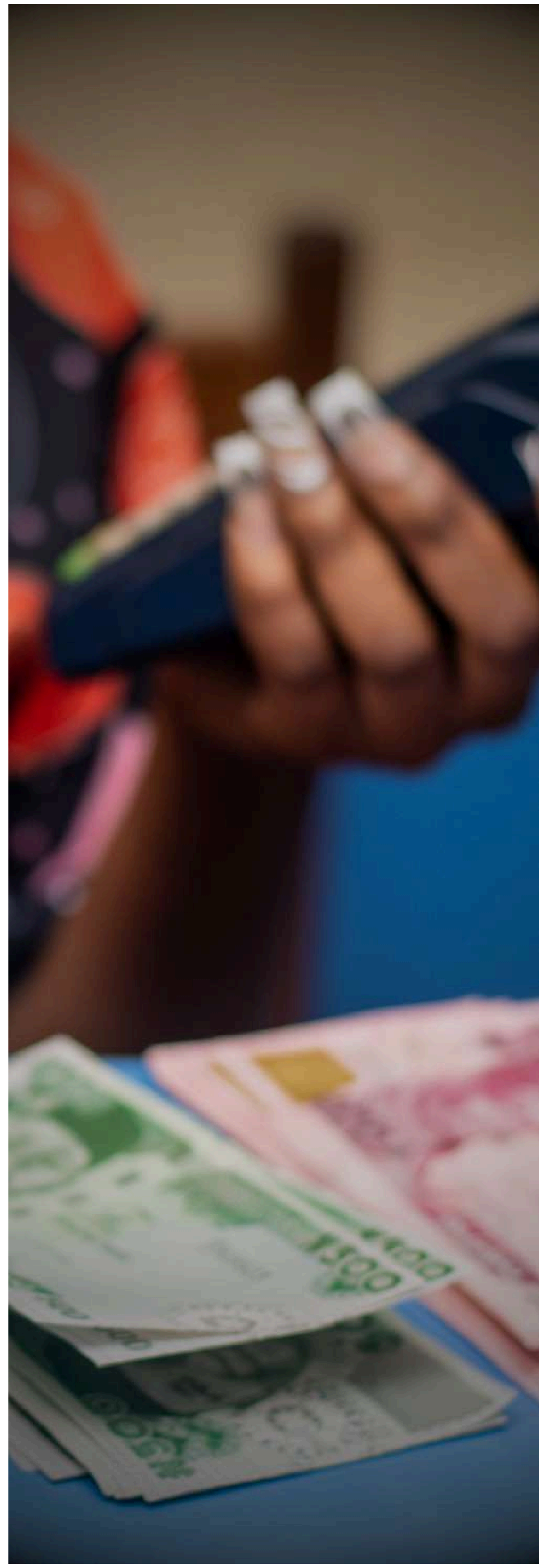
The policy limits the weekly withdrawal for individuals to N500,000 and N5,000,000 for businesses. Cumulative weekly withdrawals above these limits will attract an excess withdrawal fee of 3-5 per cent on the excess amount withdrawn. These penalty fees are to be shared on a 40-60 per cent basis between the CBN and the bank/financial institution involved. Additionally, ATM withdrawal limits shall be capped at N100,000 per customer, subject to a maximum of N500,000 weekly. Noteworthy is that cash withdrawals from ATMs and POS devices form part of the cumulative weekly limit. The circular also reforms ATM operations, ending discriminatory exclusions of denomination, i.e. all naira denominations are now dispensable at ATMs.

A limit on over-the-counter encashment of third-party cheques was retained at N100,000. Account holders should note that any withdrawal via this means forms part of the cumulative weekly limit, with no exceptions.

Reporting and internal ledger requirements are also highlighted in the circular. Banks shall render monthly returns to designated supervisory departments on: cash withdrawal transactions above the specified limit; and cash deposits.

The circular, however, highlights exemptions for certain accounts/entities from excess withdrawal fees. Those exempted include revenue-generating agencies of federal, state and local governments; and accounts of microfinance banks and primary mortgage banks with commercial and non-interest banks.

It is noteworthy that the exemption of embassies, diplomatic missions, and aid/donor agencies from specific cash policies will no longer apply. To ensure the proper enforcement of these policies, the CBN has put certain mechanisms in place, including mandatory quarterly audits and non-compliance fines of N10 million per breach. Banks must also deploy real-time KYC scanners and integrate APIs for limit tracking, notifying customers via SMS/USSD 24 hours before they hit their limit.



Mandatory Dual Connectivity for Payment Terminals: The CBN, through its Director of Payment System Supervision, issued the pivotal circular of 11 December 2025. This directive mandates all financial institutions, acquirers, processors and Payment Terminal Service Providers (**PTSPs**) to implement dual connectivity for every POS terminal.

This policy addresses chronic single-channel bottlenecks that have plagued Nigeria's payment ecosystem, causing frequent outages, failed transactions worth billions of naira, and revenue losses for MSMEs that rely on POS for a significant portion of their retail volumes amid a surge in electronic payments in 2025. By requiring active links to both the NIBSS and UPSL – the nation's two licensed Payment Terminal Service Aggregators (PTSAs) – the directive ensures failover resilience, stabilising the trillion-valued monthly transaction flows and advancing the cashless economy vision.

The directive is that all POS transactions, whether from physical terminals or electronic channels, must maintain active dual connections to NIBSS and UPSL, with routing systems configured for automatic failover – seamlessly switching platforms upon detecting downtime. This eliminates reliance on a single aggregator, a root cause of widespread disruptions that erode merchant confidence and consumer trust in digital payments. Systems must log all failover events for audit trails, enabling real-time monitoring and post-incident analysis to prevent recurrence.

The implementation timeline for compliance is set at 30 days from the issuance of the directive, which is 11 January 2026. Acquirers and PTSPs must complete integration immediately, followed by periodic redundancy and failover tests. NIBSS and UPSL are tasked with collaborating on bi-weekly tests and quarterly full-system drills, submitting dashboards and results to CBN for oversight. Non-compliance could result in regulatory sanctions, including potential terminal deactivation.

COMMENTARIES AND ANALYSIS

The revised cash policies ease deposit burdens by removing cumulative limits and excess fees. This will unleash trillions of naira in idle cash to boost SME sales and growth, while tightening withdrawals across all channels. This strategic pivot will promote digital payments amid Nigeria's fintech boom, fostering a digital economy boost through accelerated liquidity recirculation and reduced reliance on physical currency.

Despite the positive impact of digitalising the economy, cash-reliant SMEs face potential liquidity strains from cash withdrawal caps – causing inventory crunches in high-turnover sectors. However, relevant stakeholders/regulators can introduce solutions such as QR codes and invoice financing to mitigate this issue.

The policy also delivers anti-money laundering (**AML**) benefits via granular tracking, real-time KYC, and monthly reports to the CBN. The banks will also significantly benefit from reduced operational and cash-handling costs, including a reduction in the use of bullion vans.

Rural areas with a high percentage of unbanked populations experience policy challenges, like vendor squeezes and cap disruptions. Some practical solutions to this include USSD expansions (*737#), and solar POS pilots – which have proven effective in similar situations, such as India's rural Unified Payments Interface (**UPI**) rollout, which

boosted inclusion and banking coverage by over 30 per cent. The provisions of this policy align with cashless policy trends globally, but success hinges on robust enforcement, quarterly audits, public adaptation and zero-fee transfers.

In trying to comply with the directive on dual POS connectivity, financial institutions and payment service providers are likely to face high costs for system upgrades and bi-weekly/quarterly testing to enable NIBSS-UPSL dual links. Smaller operators would be stressed with the tight 30-day deadline, with a higher risk of insolvency for PSPs where extensions or subsidies are not granted.

POS agents and MSMEs risk temporary service disruptions during rollout, but will gain in the long run from reduced downtime, preventing sales losses during outages or peak periods such as Christmas. Consumers benefit indirectly through reliable transaction success. However, rural agents with legacy hardware are likely to struggle more, requiring targeted hardware subsidies. Possible solutions include the government/CBN and major stakeholders, e.g. commercial banks, incentivising the upgrade of such aged hardware by providing recent equipment at subsidised rates to support the efficient application of the policy nationwide.

Furthermore, this policy fosters NIBSS-UPSL competition, which could potentially lead to the lowering of fees by possibly 1.5-2 per cent in the long-term while improving CBN oversight through mandated tests, dashboards, and data for forex/AML modelling.

CONCLUSION

The circulars fundamentally aim to strengthen Nigeria's financial ecosystem by promoting digital velocity, curbing cash hoarding and money laundering, and ensuring the payment system's resilience. While imposing some restrictions, these revisions balance customer accessibility (unlimited deposits and failover uptime) and stability goals, including AML tracking, cost reductions (bank savings), and outage elimination.

Although stakeholders face short-term strains such as liquidity squeezes for cash-reliant SMEs, upgrade costs, and rural exclusion risks, the policies' safeguards, like exemptions for government revenues, quarterly audits, and agent expansions, mitigate challenges, fostering long-term digital GDP growth and global alignment with a cashless/digitalised economy.

Businesses and individuals should prepare for the new regulations coming into effect by optimising digital channels, upgrading POS fleets, completing KYC Tier 3+, preloading wallets of mobile money platforms/fintech applications, diversifying to USSD/QR transfers, and monitoring CBN portals for compliance. Regulators could extend rural deadlines and subsidise hardware to maintain Nigeria's fintech leadership in Africa and globally.

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