

## REORDERING THE RAILS: THE CBN'S JUNE 2026 PAYMENTS SYSTEM CIRCULAR AND THE LIMITS OF MARKET DOMINANCE



### INTRODUCTION

The Nigerian financial sector has grown astronomically over the last decade. From processing ₦19.92 trillion worth of transactions in 2014<sup>[1]</sup> to over N600.36 trillion in 2023, and N1.07 quadrillion in 2024<sup>[2]</sup>. The Central Bank of Nigeria's (CBN) **Industry Policy on Retail Cash Collection and Lodgement 2012**, set the direction, while the licensing reforms that followed (culminating in the 2020 New Licence Categorisation for the Payments System) opened the field to mobile money operators, switching companies, payment solution service providers and super agents.

This growth coincided with intense regulatory attention to Nigeria's financial integrity. Nigeria was placed on the Financial Action Task Force (FATF) "grey list" in February 2023<sup>[3]</sup>. The FATF grey list identifies countries that are actively working with the FATF to address strategic deficiencies in their financial systems to **counter money laundering, terrorist financing, and proliferation financing**. Nigeria spent close to two years addressing those deficiencies before exiting the list in October 2025. Despite the exit, the CBN continues to tighten and reinforce against these deficiencies. In March 2026, it issued a new Baseline Standard for Automated Anti-Money Laundering (AML) which sets a binding minimum standard for every automated AML transaction-monitoring systems deployed by banks and other regulated financial institutions. On 10 June 2026, it issued an Exposure Draft of the Revised Guidelines for the Licensing and Regulation of Financial Holding Companies in Nigeria, and an Exposure Draft of the Guidelines on Ring-Fencing Operations of Closely Linked Entities in the Nigerian Financial System, proposing, among other things, to establish clear operational and functional boundaries between closely linked entities, and to address the regulatory arbitrage arising from the commingling of activities across different licence categories.

It is against this backdrop that, on 15 June 2026, the CBN issued a circular titled **“Introduction of Market Structure Requirements, Data Localisation, Ultimate Beneficial Ownership Disclosure, and Systemic Oversight Measures in the Nigeria Payments System”** (the **“Circular”**). The objective of the Circular is to address competition policy, data governance, corporate transparency and prudential oversight.

This article sets out the key provisions of the Circular and analyses its interplay with the mandates of existing regulators whose territory it enters: the Federal Competition and Consumer Protection Commission (FCCPC), the Nigeria Data Protection Commission (NDPC) and the Corporate Affairs Commission (CAC), before turning to the commercial implications and recommendations.

## KEY PROVISIONS OF THE CIRCULAR

The Circular contains four substantive limbs.

- **Ultimate Beneficial Ownership Disclosure:** All deposit money banks, payment service providers and other financial institutions with digital payments footprints are required to disclose the Ultimate Beneficial Ownership (UBO) of significant shareholders in accordance with applicable extant laws and regulations, including Anti-Money Laundering, Combating the Financing of Terrorism and Counter-Proliferation Financing (AML/CFT/CPF) regulations. Institutions must maintain accurate and up-to-date UBO records and make such information available to the CBN upon request.
- **Data Localisation:** All financial institutions and participants facilitating payments within Nigeria must ensure that payments transaction data generated within Nigeria are stored and managed in Nigeria, in accordance with applicable data protection laws and regulations. Affected institutions must fully comply with this requirement effective 1 January 2027.
- **Market Structure Requirements:** The Circular provides that any licensed financial institution engaged in consumer issuing and merchant acquiring as defined in the Guidelines on the Operations of Electronic Payment Channels in Nigeria, 2024, whether individually or as part of a group of related entities, that holds more than 25% market share in consumer issuing activities within any rolling twelve-month period shall not hold more than 15% market share in merchant acquiring activities during the same period. Conversely, any licensed financial institution, whether individually or as part of group of related entities, that holds more than 25% market share in merchants acquiring activities within any rolling twelve-month period shall not hold more than 15% market share in consumer issuing activities during the same period.

All regulated entities must submit monthly market-share returns in accordance with prescribed templates and timelines, and affected institutions must achieve full compliance not later than 31 December 2026.

- **Compliance and Enforcement:** CBN reserves the right to monitor compliance and, where necessary, impose supervisory sanctions in accordance with applicable laws, regulations and guidelines.

## COMMENTARIES AND ANALYSIS

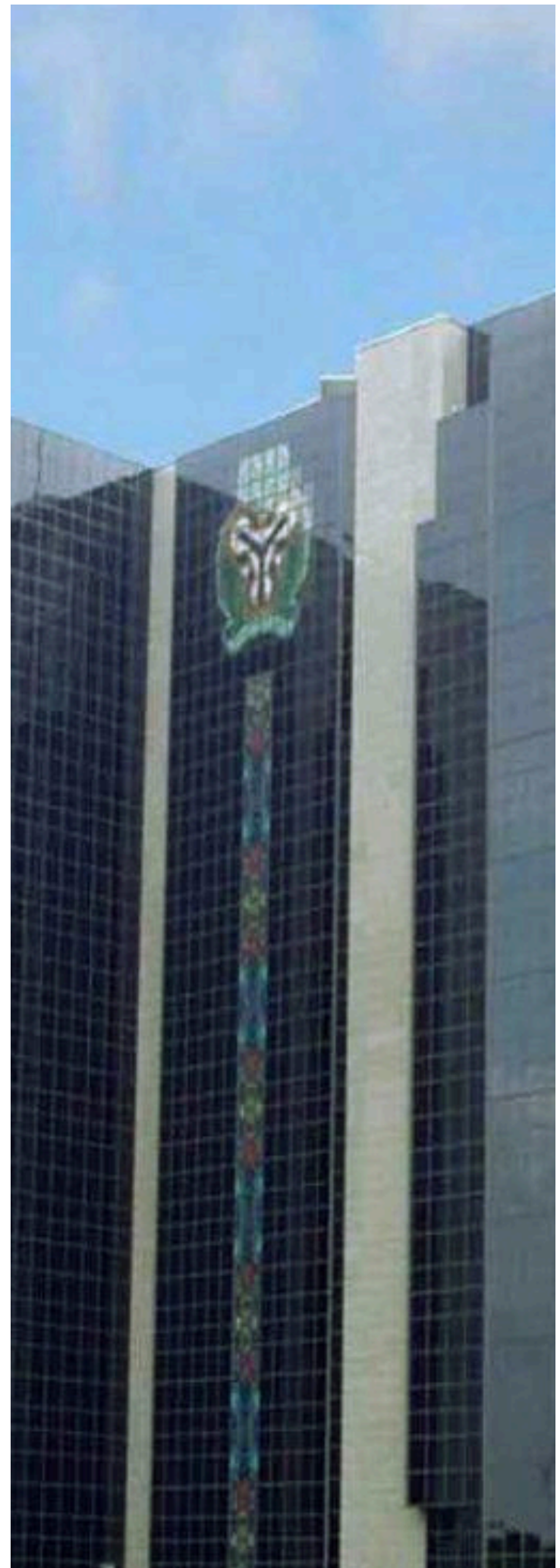
The foregoing provisions stipulate the new CBN's approach to the regulation of the market concentration, ultimate beneficial ownership and data governance. However, some aspects of these provisions require further analysis which is set out below:

### 1. Market Concentration and the Overlap with the FCCPC

One can deduce that CBN has issued this market concentration directive pursuant to its powers under Section 65(1) of Banks and Other Financial Institution Act (BOFIA) 2020 which places it as the primary regulator for competition in the banking sector, and by Section 65(2) expressly states that references to the FCCPC in the Federal Competition and Consumer Protection Act (FCCPA) shall be construed as CBN in matters relating to mergers.

On the other hand, the CBN position on the market concentration appears to be at variance with the FCCPA that sets up the FCCPC as the primary regulator of competition and anti-trust matters in all sectors in Nigeria, as well as FCCPC's Abuse of Dominance Regulations 2022, which has a different approach to market concentration and dominance. The Abuse of Dominance Regulations treat a market share of 40% or more as merely indicative of dominance, but do not restrict dominant operators' level of participation in other segments of the market, although there are sanctions for abuse of market dominance.

Accordingly, an operator holding for instance, 30% of consumer issuing and 20% of merchant acquiring market share would breach the CBN's thresholds but still sit comfortably within the FCCPA's definition of dominant. This divergence creates a real prospect that an affected institution, compelled to divest or restructure to comply, could challenge the Circular on the grounds that CBN exceeded their mandate and the Circular is not in compliance with FCCPA.



It is unclear whether the CBN in issuing this Circular complied with Section 105(5) of the FCCPA that require sector regulators to enter into collaboration agreements with the FCCPC for the regulation of competition within their sectors or whether it relied solely on its powers granted under Section 65 of the BOFIA 2020. It should, however, be noted that Section 104 of the FCCPA establishes the supremacy of the FCCPA over any other law and by extension, any regulator, where it relates to competition and consumer protection matters. This position was upheld by the Federal High Court in the recent case of United Bank for Africa Plc v. FCCPC (Suit No. FHC/ABJ/CS/1972/2025).

A second observation concerns the mechanics of identifying the 25%/15% thresholds. The Circular fixes these numerical thresholds but does not say how “market share” is measured, whether by transaction volume, value, cards issued, merchants onboarded, or otherwise. Until the CBN specifies how the line is drawn, an operator may find it difficult to determine its compliance with the numerical thresholds.



## 2. Data Localisation and the Overlap with the NDPC

The NDPC administers the Nigeria Data Protection Act 2023 (NDPA), Nigeria’s principal data-protection legislation. Crucially, the NDPA imposes no localisation requirement as it does not require Nigerian-generated data to remain in Nigeria. It however regulates cross-border transfer of personal data from Nigeria which can only occur where the recipient is subject to a law, binding corporate rules, and contractual clauses affording adequate protection[4], or where a contractual necessity, a legal claim or a public interest demands it[5]. Its default is that data may lawfully leave Nigeria on conditions, not that it must stay.

The Circular's localisation mandate is therefore not drawn from the NDPA but from an historical line of CBN measures namely the Revised Regulatory Framework for Bank Verification Number (BVN) Operations (2021), which requires BVN data to be stored "within the shores of Nigeria" and not routed abroad without CBN consent; the Point-of-Sale Guidelines and the Critical National Information Infrastructure Order 2024, which designates the BVN, National Identification Number and Nigeria Inter-Bank Settlement System (NIBSS) databases as critical national infrastructure which must remain within Nigeria. The Circular essentially consolidates that decade-long approach and extends it to all payments transaction data.

### **3. Ultimate Beneficial Ownership and the Existing Disclosure Regime**

The UBO disclosure requirement obliges institutions with digital payments footprints to disclose the ultimate beneficial ownership of significant shareholders, to maintain accurate and up-to-date records, and to produce that information to the CBN on request. The provision is expressly tied to the AML/CFT/CPF framework, situating it within Nigeria's broader anti-money-laundering architecture and its post-grey-list transparency commitments.

What is notable is that this is not a new obligation in Nigerian law as it is a sector-specific reinforcement of an existing one. Beneficial ownership disclosure is already mandatory for all companies under section 119 of the Companies and Allied Matters Act 2020 (CAMA), which together with the CAC's Persons with Significant Control Regulations 2022, require: (i) a person acquiring significant control to notify the company within seven days; (ii) the company to notify the CAC within one month; and (iii) the CAC to maintain a register of persons with significant control[6].

The Circular's UBO requirement thus layers a sector-specific duty on the general corporate-law regime and reinforces the strong desire of CBN to enforce transparent ownership of financial institutions in Nigeria.

## **RECOMMENDATIONS**

With the compliance windows fast approaching (31 December 2026 for market structure and 1 January 2027 for data localisation), affected institutions should:

- (a) Conduct a general compliance audit to identify and measure their current level of compliance with the Circular requirements;
- (b) Based on the outcome of the audit, and where its market share across consumer issuing and merchant acquiring sectors exceeds the specified thresholds, plan a considered divestment or separation;
- (c) Identify the affected data that need to be repatriated back to Nigeria by the 1 January 2027 deadline, and engage local cloud and data hosting vendors to secure local capacity to avoid a year-end capacity crunch; and

(d) Where necessary, approach the CBN for clarifications on sections of the Circular which remain unclear, such as the methodology for determining market share. Also, if they are unable to conclude any required restructuring within the compliance windows, then they should consider approaching CBN for extensions.

In all this, early engagement with CBN is crucial for obtaining clarity and guidance and avoiding sanctions for non-compliance.



## CONCLUSION

The Circular institutionalises competition and transparency discipline in Nigeria's payments system. It treats market concentration, opaque ownership and data sovereignty as one connected risk. By the data localisation requirement in particular, CBN has gone a step further in protecting Nigeria's data integrity and emphasizing the data sovereignty of Nigeria and its data subjects.

If consistently implemented, and supported by the inter-regulatory coordination, the Circular has the potential to reshape the payments sector materially through a wave of restructuring and segment divestitures among dominant operators, a redistribution of share toward mid-tier players, and a gradual tightening of ownership and data-governance standards. Whether that potential is realised will depend, above all, on the consistency of its enforcement.

## END NOTES

1. 2018: Nigerian banking system did ₦80.4 trillion in inter-bank transfers – Available at <https://techpoint.africa/news/nigerian-banking-system-did-%e2%82%a680-4-trillion/> accessed on 3 July 2026
2. Nigeria's instant payment transactions hit N1.07 quadrillion in 2024 – Available at <https://www.vanguardngr.com/2025/01/nigerias-instant-payment-transactions-hit-n1-07-quadrillion-in-2024-nibss/> accessed on 3 July 2026
3. "Nigeria placed on FATF grey list" – Available at <https://techcabal.com/2023/02/27/nigeria-placed-on-fatf-grey-list/> accessed on 30 June 2026.
4. Section 41(1) of the NDPA,
5. Section 43 of the NDPA
6. That register — the Beneficial Ownership Register — is publicly accessible at [bor.cac.gov.ng](http://bor.cac.gov.ng).



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