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CBN Regulations on Non-Security Virtual Assets in Nigeria:

What Issuers, VASPs and Financial Institutions Need to Know



Regulatory Update

Introduction

On November 5, 2026, the Central Bank of Nigeria (CBN) issued the Regulations for the Operations of Non-Security Virtual Assets in Nigeria (the "Regulations")[1] Pursuant to the Central Bank of Nigeria Act, 2007, the Banks and Other Financial Institutions Act (BOFIA), 2020, the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995, the Money Laundering (Prevention and Prohibition) Act, 2022 and the Terrorism (Prevention and Prohibition) Act, 2022, and in accordance with the Presidential Executive Order on Virtual Assets Coordination, 2026.[2]

The implementation of the Regulations establishes a risk-based framework for the licensing, regulation, supervision and oversight of Non-Security Virtual Assets, including Naira-referenced and foreign currency-referenced stablecoins, Deposit Money Tokens (DMTs) and related Virtual Asset Service Providers (VASPs).[3] It introduces new licence categories, minimum capital thresholds, full reserve-backing and redemption rules, detailed AML/CFT/CPF and Travel Rule obligations, and an administrative penalty regime. Existing operators have 180 calendar days from commencement to apply for the appropriate licence or authorisation.[4]

In light of the above, this insight provides an overview of the regulatory context and the Regulations' key implications for market participants.

Nov 5, 2026	180	4
Issuance Date	Calendar Days	Token Classes
The day the Regulations were made.	Transition window for existing operators to apply.	Categories recognised within the framework.

Regulatory Objective

While the CBN recognises that virtual assets, stablecoins, and tokenised payment instruments present significant opportunities for innovation in payments, remittances, settlement, and digital commerce, their growing adoption also introduces risks to financial stability, monetary policy, consumer protection, financial integrity, operational resilience, and foreign exchange management. Accordingly, the Regulations seek to support responsible innovation while protecting holders from issuer insolvency, reserve mismanagement, redemption denial, and fraud; preserving the effectiveness of the CBN's monetary policy and capital-flow monitoring tools; and enabling effective enforcement of AML/CFT/CPF requirements.[5]

Importantly, the Regulations do not extend to virtual assets that constitute securities, investment contracts or other capital market products, which remain within the jurisdiction of the Securities and Exchange Commission (SEC).[6] Regulatory responsibility follows the nature of the instrument and the activity, with the CBN regulating Non-Security Virtual Assets and the payment, settlement, remittance, foreign-exchange, and custody services provided in relation to them. Put simply, the CBN regulates tokens used to make payments, and the SEC regulates tokens held as investments.[7] A business that does both will need approval from both regulators,[8] and anyone unsure which category a token falls into must ask the CBN for a classification opinion before dealing in it.[9]

Scope and Applicability

The Regulations apply to any person performing a Regulated Activity in or from Nigeria, directed at persons in Nigeria, or which has, or is reasonably likely to have, a material effect on the Nigerian payments system, financial system or foreign exchange market, whether or not that person maintains a physical presence in Nigeria.[10] Specifically, they apply to:

i

Stablecoin issuers,

including foreign issuers whose tokens are offered, marketed, distributed or made available to persons in Nigeria;

ii

Distributors & platforms

market access providers, exchanges, conversion providers and trading platforms;

iii

Wallets, custodians

wallet service providers, custodians and reserve asset custodians;

iv

Payment service providers

payment gateway, merchant-acquiring, stored-value, remittance, clearing and settlement service providers, and payment system infrastructure providers;

v

Banks issuing DMTs

Deposit Money Banks issuing DMTs and CBN-licensed financial institutions extending their activities to virtual asset payments;

vi

Agents & P2P operators

agents, intermediaries and operators of Platform-Facilitated Peer-to-Peer (P2P) services.

The Regulations do not apply to the eNaira or other Central Bank digital currencies, investment tokens regulated by the SEC (although any payment or foreign exchange element of those transactions remains with the CBN), ordinary e-money, and loyalty points or vouchers that can only be used within a closed network.[11] The CBN will determine regulatory treatment by reference to the economic substance, function and risk characteristics of a token or activity, rather than its name, legal form or underlying technology.[12]

What Stakeholders Should Know?

The Regulations raise several important compliance and practical implications for market participants, including the following:

a. Classification of Regulated Tokens:

The Regulations recognise four categories of tokens within the regulatory framework: (i) Class 1 Stablecoins[13] (Naira-Referenced Stablecoins); (ii) Class 2 Stablecoins (Foreign-Currency-Referenced Stablecoins); (iii) Deposit Money Tokens (DMTs); and (iv) Other Designated Tokens.[14] Class 1 Stablecoins are digital tokens designed to maintain a stable value equivalent to one Naira and are backed by eligible reserve assets denominated in Naira. Class 2 Stablecoins, on the other hand, are digital tokens designed to maintain a stable value against a foreign currency, such as the US Dollar, and may be used for cross-border payments, remittances and trade transactions, subject to applicable foreign exchange requirements. Unlike Class 1 Stablecoins, Class 2 Stablecoins are not intended for ordinary domestic payments denominated in Naira, except as permitted under the applicable foreign exchange framework.

The Regulations also recognise DMTs, which represent Naira-denominated deposit liabilities of licensed deposit money banks, and Other Designated Tokens, being non-security virtual assets that the CBN may designate for regulatory purposes.

b. Prohibited Tokens and Activities:

Certain tokens are banned outright in Nigeria. These include algorithmic stablecoins (which rely on computer code rather than real reserves to hold their value), tokens backed mainly by other cryptocurrencies, tokens linked to sanctioned persons, and so-called stablecoins that holders cannot cash in at face value.[15] Issuers and service providers are also prohibited from paying or facilitating interest, yield or other returns to holders, and stablecoins must not be represented as bank deposits or as covered by the Nigerian Deposit Insurance Corporation (NDIC) deposit insurance scheme.[16]

c. New Licensing and Authorisation Regime:

No person may carry on a Regulated Activity without a licence or authorisation from the CBN.[17] The framework provides five principal licensing and authorisation routes: (i) a Naira-referenced Issuer Licence (Class 1); (ii) a Foreign Currency Issuer Licence (Class 2); (iii) an Other Services Licence for persons without an SEC licence; (iv) an Other Services Authorisation for SEC-licensed entities seeking to provide specified non-issuance services; and (v) an Approval to Extend Permitted Activities for eligible CBN-licensed financial institutions.[18] Issuers must be Nigerian companies with a staffed office and a compliance officer based in Nigeria.[19] Licensing happens in two stages: approval in principle, followed by a final licence, and the specific token must also be approved before launch.[20] A foreign licence or an arrangement with a Nigerian intermediary is insufficient.[21]

d. Minimum Capital Requirements:

Class 1 Licensed Issuers must maintain minimum paid-up capital of ₦10 billion,[22] Class 2 Licensed Issuers: ₦15 billion,[23] and providers of Other Non-Security Virtual Asset Services: ₦1 billion.[24] For SEC licensees and holders of an Approval to Extend Permitted Activities, the CBN capital is additional to, and cannot be counted towards, SEC or Principal Licence capital.[25] Required capital must be held as cash in a designated account at the CBN or as Federal Government securities subject to a lien in favour of the CBN, and is separate from reserves, customer assets and operational liquidity.[26]

e. Reserve Backing and Redemption:

Every stablecoin must be fully backed at all times by safe assets held in a Reserve Pool[27], plus an extra 2% buffer.[28] At least 40% of that pool must be in cash or assets that can be quickly converted to cash.[29] Class 1 issuers must also keep at least 20% of the pool on deposit with the CBN and spread the rest across at least three banks, with no more than 30% at any one bank.[30] Class 2 issuers must maintain separate Operational Liquidity in Nigeria of US$10 million, 15% of Nigeria-linked outstanding liabilities, and the value of 30 days of stressed Nigerian redemption and payment obligations.[31] For users, the key protection is that they can cash in their stablecoins at face value, free of charge, by the end of the next business day after a valid request.[32]

f. Platform-Facilitated Peer-to-Peer (P2P) Services:

No separate licence category is available for P2P services. A P2P operator must hold an Other Services Licence, Other Services Authorisation or Approval to Extend Permitted Activities and obtain the CBN's express approval for the P2P service[33]. Providers must verify that the name and BVN on the Naira payment account match the verified customer before releasing tokens,[34] apply enhanced due diligence to business users, and must not facilitate conversion between Naira and Class 2 Stablecoins without express CBN approval.[35]

g. Cross-Border and Foreign Exchange Controls:

Cross-border virtual asset transactions would be treated as foreign-exchange transactions and are subject to the same eligibility, documentation, reporting and settlement requirements as equivalent foreign currency transactions.[36] Import payments in Class 2 Stablecoins must be supported by a valid Form M,[37] while export proceeds held on-chain will not be treated as repatriated until converted and credited to the exporter's domiciliary account.[38] Capital inflows received in virtual assets will not qualify for an electronic Certificate of Capital Importation until converted into Naira through an Authorised Dealer.[39]

h. AML/CFT/CPF and Travel Rule Obligations:

Issuers and service providers must have a board-approved anti-money laundering programme,[40] verify customers' identities, including their NIN and BVN for individuals,[41] monitor transactions using blockchain analytics tools,[42] screen against the UN and Nigerian sanctions lists,[43] and report suspicious transactions to the NFIU within 24 hours.[44] For transfers of US$1,000 or more, the identity details of the sender and recipient must travel with the transfer, known as the "Travel Rule".[45] Issuers must also be able to freeze, block and cancel their tokens where required by law.[46]

i. Deposit Money Tokens:

Only CBN-licensed banks may issue DMTs, and only with the CBN's prior written approval.[47] A DMT is simply a digital form of an existing Naira bank deposit, so it is treated as a deposit claim against the bank and can be cashed in at face value.[48] Transfers of DMTs between banks must settle through the CBN's Real-Time Gross Settlement System or another approved channel.[49]

j. Enforcement and Penalties:

The CBN may impose significant administrative penalties, including a fine of not less than ₦100 million, plus not less than ₦1 million for each day of continued contravention, for carrying on a Regulated Activity without a licence; fines of between ₦250 million and ₦500 million per breach for encumbering reserves; not less than ₦50 million per breach for AML/CFT/CPF failures; and not less than ₦500 million, with referral for criminal prosecution, for fraudulent misrepresentation.[50] The CBN may also suspend or revoke licences,[51] publish the names of unauthorised operators, and direct financial institutions to take specified lawful measures in relation to transactions involving such operators.[52]

k. Transitional Arrangements:

Existing operators must register with the CBN within 30 days of commencement, comply with AML/CFT/CPF requirements from commencement, begin supervisory reporting within 60 days, and submit a complete licence application within 180 calendar days.[53] Operators may continue only at their existing scale, subject to interim conditions, and must cease operations if no application is submitted within the transition period.

Minimum capital requirements

₦10bn

Class 1 licensed issuers

Minimum paid-up capital for Naira-referenced stablecoin issuers.

₦15bn

Class 2 licensed issuers

Minimum paid-up capital for foreign-currency-referenced issuers.

₦1bn

Other services

For Other Non-Security Virtual Asset Services providers.

Conclusion

The Regulations mark a significant shift in Nigeria's approach to virtual assets, moving from a largely restrictive posture to a comprehensive framework that permits the issuance and use of stablecoins and tokenised deposits within strict prudential, consumer protection and financial-integrity safeguards. The high capital thresholds, full reserve-backing requirements and Nigerian incorporation and substance rules are likely to reshape the market and favour well-capitalised, locally established operators.

Accordingly, stablecoin issuers, virtual asset service providers, P2P platforms, banks and other financial institutions currently operating in, or targeting, the Nigerian market should promptly assess their activities against the Regulations, determine the appropriate licensing route, and begin preparing for the registration and application deadlines under the transition period. Market participants should seek guidance from qualified legal and regulatory professionals to ensure compliance with the Regulations and related requirements of the CBN, the SEC and other competent authorities.

Conclusion



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For further information on the issues discussed in this update, contact our legal team at counsel@kennalp.com

Conclusion

1. Central Bank of Nigeria, Regulations for the Operations of Non-Security Virtual Assets in Nigeria (5 November 2026), Circular No PSP/DIR/PUB/CIR/001/004
2. Ibid, pt 1 (Legal basis)
3. Ibid, pt 1 (Scope)
4. Ibid, section 54
5. Ibid, pt. 1 (Introduction and Objectives)
6. Ibid, section 4.1
7. ibid s 4.1.
8. ibid s 4.3.
9. ibid s 4.5.
10. Ibid, pt.1. (Applicability)
11. ibid pt 1 (Exclusions).
12. ibid pt 1 (Principles of Interpretation).
13. Stablecoins are cryptographic virtual assets designed to maintain a stable value relative to a specified referenced asset, including a fiat currency, through reserve backing, collateralisation, or other stability mechanisms, and issued under the authority of a private entity. Ibid, s. 1 (definition of Stablecoins)
14. Ibid, s. 3
15. ibid s 2.2
16. Ibid, s. 2.7
17. Ibid s. 2.1
18. ibid s 9.6.
19. ibid ss 7.1, 7.3.
20. ibid ss 8.5, 8.6.
21. ibid s 6.5.
22. Ibid, s. 15.1
23. Ibid, s. 15.2
24. Ibid, s. 16.1
25. Ibid, s.16.2, 16.3
26. Ibid, s.17.1, 17.3
27. Reserve pool means the aggregate of eligible reserve assets maintained by a licensed issuer to back its stablecoins in circulation. Ibid, s.1 (definition of 'Reserve Pool')
28. ibid ss 24.2, 24.4.
29. ibid s 24.12.
30. ibid ss 24.25, 24.35, 24.37.
31. ibid s 11.3.1.
32. ibid ss 23.2–23.4.
33. Ibid, s. 10.2
34. Ibid, s. 10.3.3
35. Ibid, s. 10.6.2
36. Ibid, s. 11.10.2
37. Central Bank of Nigeria, Foreign Exchange Manual (4th edn, May 2026), Memorandum 4 describes Form M as an application to import goods (visible trade transactions).
38. Central Bank of Nigeria, Regulations for the Operations of Non-Security Virtual Assets in Nigeria (5 November 2026), Section 11.10.5
39. Ibid, 11.10.7
40. ibid s 26.2.
41. ibid s 26.3.4.
42. ibid s 26.7.
43. ibid s 26.8.
44. ibid s 26.9.1.
45. ibid s 26.14.3.
46. ibid s 26.18.
47. ibid ss 41.1, 41.2.
48. ibid ss 40.1, 40.2, 42.3.
49. ibid ss 43.3, 43.6.
50. Ibid, s. 51.1
51. Ibid, s. 14.1, 14.6
52. Ibid, s.52.6
53. Ibid, s. 54.1



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