

REGULATORY ALERT

CIRCULAR ON THE INTRODUCTION OF MARKET STRUCTURE REQUIREMENTS, DATA LOCALISATION, ULTIMATE BENEFICIAL OWNERSHIP DISCLOSURE, AND SYSTEMIC OVERSIGHT MEASURES IN THE NIGERIA PAYMENTS SYSTEM BY THE CBN DATED 15TH OF JUNE 2026

22nd of June 2026

Introduction

On the 15th of June 2026, the Central Bank of Nigeria (CBN) issued a circular introducing new requirements relating to data localisation, ultimate beneficial ownership (UBO) disclosure, market concentration, and systemic oversight within the Nigerian payments' ecosystem (the "Circular").

The Circular applies to a wide range of participants in the payments industry, which includes:

- Deposit Money Banks (DMBs)
- Microfinance Banks (MFBs)
- Mobile Money Operators (MMOs)
- Payment Service Providers (PSPs)
- Switching and Processing Companies
- Payment Terminal Service Providers (PTSPs)
- Payment Solution Service Providers (PSSPs)
- Super agents, and other licensed operators.

The Circular is aimed at fostering a more transparent, competitive, resilient, and secure payments ecosystem in Nigeria, while ensuring that critical payment infrastructure remains subject to effective regulatory oversight. To achieve this objective, the Circular introduces a number of key compliance requirements for regulated entities.

Key Highlights of the Circular

1. Data Localisation

The Circular introduces a significant change being the requirement for all payment transaction data generated within Nigeria to be stored and managed within Nigeria.

In effect, the CBN has directed that all payment transaction data generated within Nigeria must be stored and managed in Nigeria. All Financial Institutions and participants facilitating payments within Nigeria shall ensure that payments transaction data generated within Nigeria are stored and managed in Nigeria and in compliance with the local data protection laws and regulations. Full compliance is required by 1 January 2027.

In practical terms, this means that payment operators can no longer rely solely on foreignhosted - environments for storing Nigerian payment transaction data. Any institution processing payments in Nigeria must ensure that the relevant transaction records are stored and maintained within Nigeria in accordance with applicable Nigeria Data Protection laws and regulations.

This requirement is intended to amongst other things, improve data sovereignty, improve regulatory oversight, strengthen consumer protection, enhance fraud investigations and financial crime monitoring, improve operational resilience; and protect Nigeria's critical payment infrastructure.

2. Disclosure of Ultimate Beneficial Owners (UBOs)

The Circular also introduces stricter ownership transparency requirements.

All institutions with digital payment operations must disclose the UBOs of significant shareholders in line with AML/CFT regulations, maintain accurate and up-to-date ownership records that can be made available to CBN upon request. We note however that the Circular does not impose the submission of same to CBN. This requirement is not entirely new as it is consistent with the Guidance on Ultimate Beneficial Ownership of Legal Person and Legal Arrangements 2023 (the "Guidelines").

Taken together, the Circular and the Guidelines reinforce CBN's commitment to ownership transparency within the financial services sector. The measure is intended to strengthen corporate governance, support anti-money laundering and counter-terrorism financing efforts, facilitate regulatory oversight, and enable the CBN to identify the individuals who ultimately own or exercise control over payment service providers and other regulated entities within the payments ecosystem.

3. New Market Concentration Rules

The CBN is also introducing measures aimed at preventing excessive concentration within the payments ecosystem.

Under the new framework in the Circular:

- Any licensed financial institution holding more than 25% market share in card issuing activities may not hold more than 15% market share in merchant acquiring activities during the same period.
- Similarly, any institution holding more than 25% market share in merchant acquiring activities may not hold more than 15% market share in card issuing activities.

The intention is to prevent any single operator from dominating multiple critical segments of the payments value chain.

Affected institutions are required to achieve compliance by 31 December 2026 and will be required to submit monthly market share returns to the CBN.

Compliance and Enforcement

The CBN as the apex financial regulator has indicated that compliance with the Circular will be subject to ongoing supervisory monitoring and regulatory oversight.

What Does This Mean for Financial Institutions in Nigeria

- Payment transaction data generated in Nigeria is stored on infrastructure located in Nigeria
- The Nigerian data must be accessible to CBN and Nigerian regulators within Nigeria.
- Critical payment records should not be stored exclusively offshore
- Disaster recovery and backup arrangements may also need a Nigerian component, depending on how CBN interprets "stored and managed in Nigeria".

For new Entrants, CBN would scrutinize:

- Data architecture
- Hosting arrangements
- Cloud infrastructure
- Disaster recovery sites
- Cybersecurity controls
- Whether critical switching infrastructure is located in Nigeria
- Ultimate Beneficial Ownership i.e. disclosure of full ownership chain up to UBO.



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The Authors



Adedamola Victor Kuforiji

Senior Associate

Kuforijiv@berkeleylp.com

T: +234 802 637 4652



Adaeze Yvonne Emezie

Associate

emeziea@berkeleylp.com

T: +234 802 110 9150