DATA LOCALISATION: WHAT THE NEW PAYMENTS CIRCULAR MEANS FOR BANKS & FINTECHS

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INTRODUCTION

Nigeria's digital payments sector grew faster than the regulatory architecture that has been built around it. Electronic transaction volumes have increased, mobile money adoption has grown and a few switching, processing and payment solutions providers are at the center of how money moves around the country. The Central Bank of Nigeria concluded that this growth created risks that its rules were not designed to deal with and in June 2026, issued a new circular focusing on data localisation, market concentration & ownership transparency in the payments sector titled “Introduction of Market Structure Requirements, Data Localisation, Ultimate Beneficial Ownership Disclosure, and Systemic Oversight Measures in the Nigeria Payments System” (the “Circular”). The Circular is issued by the CBN Payments Systems Supervision Department and was sent out to deposit money banks, microfinance banks, mobile money operators, switching and processing companies, and other licensed participants in the digital payments sector. It imposes three different sets of obligations with their own compliance timelines and real implications for how banks & fintechs structure technology, ownership and market activity in Nigeria going forward.

1. DATA LOCALISATION – PAYMENT TRANSACTION DATA MUST BE STORED IN NIGERIA FROM 1 JANUARY 2027

All entities that process payments within Nigeria are required from 1st January 2027 to store and manage payment transaction data generated in Nigeria within Nigeria in accordance with Nigerian data protection laws. The requirement hits hardest institutions that already use offshore cloud infrastructure or cross-border data processing arrangements.

For many of them, full compliance will mean new local data centre relationships/renegotiated cloud contracts and a planned data migration/migration plan. The requirement has been framed by the CBN as regulatory visibility, consumer protection and lowering operational risk of offshore data storage. It supplements, not replaces, obligations imposed by the Nigeria Data Protection Act 2023.

2. MARKET STRUCTURE LIMITS – CONCENTRATION CAPS ON CARD ISSUING AND MERCHANT ACQUIRING

The Circular introduces concentration limits intended to prevent a small number of dominant operators from controlling multiple critical functions within the payments value chain. An institution with more than 25% of the card-issuing market cannot also own more than 15% of the merchant-acquiring market - and this is in reverse.

Affected institutions are required to submit a monthly market share report to the CBN, which must be in full compliance by 31st December 2026 (this is earlier than the data localisation deadline & should be treated as an earlier priority for institutions assessing exposure under the circular).

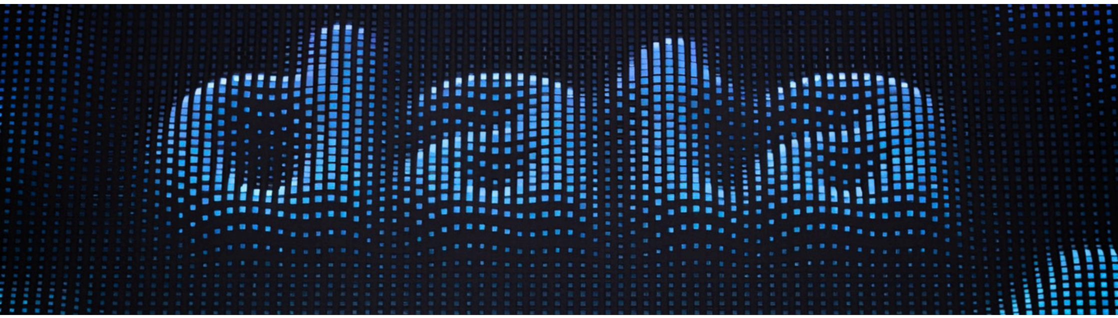
3. ULTIMATE BENEFICIAL OWNERSHIP DISCLOSURE

Affected institutions are required to submit a monthly market share report to the CBN, which must be in full compliance by 31st December 2026 (this is earlier than the data localisation deadline & should be treated as an earlier priority for institutions assessing exposure under the circular).

4. ENFORCEMENT

The CBN said it will monitor compliance with this Circular closely and may levy supervisory sanctions against institutions that do not meet its requirements under applicable laws, regulations and guidance. For an industry that has so far exercised relatively light-touch oversight of things like data residency and ownership transparency in particular, this is one of those more consequential infrastructure and governance initiatives the CBN has made over the last few years in the payments space.

WHAT BANKS AND FINTECHS SHOULD DO



- Audit current data hosting/cloud infrastructure arrangements to identify payment transaction data stored/processed outside Nigeria and determine migration to local hosting requirements.
- Get early on with cloud providers/local data centre operators - the industry - scale migration is likely to be huge so capacity and implementation slots are not to be taken for granted closer to the deadline.
- Map your institution's current market share in card issuing, merchant purchasing and switching to see if the concentration limits apply to you and build a monthly market share report capability before the deadline.
- Update ultimate beneficial ownership disclosures of significant shareholders based on information filed with the CAC as compared to information reported to the CBN.
- Define clear internal compliance ownership for the circular now - three different obligations with three different deadlines.

CONCLUSION

This Circular reflects a general trend in Nigerian financial regulation through 2025/2026: more scrutiny of ownership structures, more insistence on data sovereignty and increased regulatory attention on concentration risk in systemically important sectors. For banks, fintech and payment service providers operating within Nigeria - with foreign ownership or offshore infrastructure dependencies - the real question is not whether these requirements apply, nor how quickly compliance can be applied across what are, in almost all cases, major technology and governance shifts.

Please note that the contents of this article are for general guidance on the subject matter only. It does not constitute legal advice. For guidance tailored to your organisation's specific circumstances, please contact info@goldsmithsllp.com.

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