GOLDSMITHS

REGULATORY UPDATE

THE CBN FRAMEWORK FOR NON-SECURITY VIRTUAL ASSETS

A Foreign Licence No Longer Suffices for the Nigerian Market

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The Central Bank of Nigeria (CBN) has issued the Regulations for the Operations of Non-Security Virtual Assets in Nigeria (the Regulations), which took effect on 5 November 2026. This introduced a risk-based licensing regime for stablecoins, Deposit Money Tokens and Virtual Asset Service Providers (VASP), and brought a significant part of the virtual asset market under the direct supervision of the CBN. For businesses operating in or targeting the Nigerian market, authorization to operate abroad is not a substitute for authorization in Nigeria.



The Legal Position

Under the Regulations, no person may carry on a regulated virtual asset activity in or from Nigeria, or direct such an activity at persons in Nigeria, without CBN authorization.

Coverage depends on the economic substance, function and risk characteristics of the token or activity concerned. The name given to a token, its legal form, its marketing description and its underlying technology do not decide its legal position simpliciter.

The Regulations also apply regardless of physical presence. A provider need not maintain an office or personnel in Nigeria to fall within their scope. An activity directed at persons in Nigeria is covered, and a foreign licence does not substitute for a CBN licence.

Capital Requirements

The minimum paid-up capital depends on the activity undertaken. Issuers of Naira-referenced stablecoins (Class 1 Stablecoins) are required to maintain paid-up capital of ten billion naira. Issuers of foreign currency-referenced stablecoins (Class 2 Stablecoins) are required to maintain paid-up capital of fifteen billion naira. Other service providers are required to maintain paid-up capital of one billion naira. A provider that also holds a licence from the Securities and Exchange Commission (SEC) must meet the CBN requirement in addition to SEC requirement.

Classification and Licensing

The threshold question for any business in this sector is classification, that is, whether its asset is a security or a non-security. The answer determines which regulator licenses the business. A business must make this determination first. Where the position is uncertain, a classification opinion must be sought from the Bank before dealing in the asset.

The Non-Security Virtual Asset licenses that may be obtained from the CBN include the following:

a. Naira-Referenced Issuer License (Class 1) which authorises the issuance of Naira-referenced Stablecoins with Token approval from CBN.

b. Foreign Currency Issuer License (Class 2) which authorises the issuance of foreign currency referenced Stablecoins with Token approval from the CBN.

c. Other Service Authorisation which permits a person that holds a SEC license for securities-related virtual asset service services to provide one or more non-issuance services specified by the CBN.

d. Other Service License which permits a person who does not hold a SEV license to provide one or more non-issuance services specified by the CBN.

e. Approval to Extend Permitted Activities permits a financial institution licensed by the CBN to undertake one or more Non-Security Virtual Asset payment activities as an extension of its principal license.

The Regulations also restrict how foreign currency-referenced stablecoins may reach the Nigerian market. Such a stablecoin may be offered in Nigeria only through a Nigerian-incorporated holder of a Class 2 licence.

The Transition Period

Existing operators are afforded a transition period, of 180 calendar days of commencement of the Regulations to apply for the appropriate license from the CBN. In the of the transition, these operators may continue operations only at their existing scale subject to CBN's interim conditions provided it registers with CBN within 30 days and begins supervisory reporting within 60 days or an earlier period that may be provided by CBN. Operators who fail to submit to CBN must cease operations until the applicable license or authorisation is obtained.

Implications for Operators in the Nigerian Virtual Asset Market

Foreign Authorisation carries no weight in Nigeria; offshore platforms can no longer rely on a licence obtained elsewhere. Any platform that directs its services at persons in Nigeria, whether through local-currency pricing, targeted marketing or local payment channels, risks falling within the Regulations irrespective of where it is incorporated or licensed. Such platforms must now assess their Nigerian exposure and, where necessary, seek CBN authorisation.

Substance prevails over form because coverage turns on economic substance, function and risk, the scope for structuring around the Regulations is considerably narrowed. Products will be assessed by what they do and the risks they carry, not by how they are named, packaged or marketed. Businesses that have relied on descriptive labels or novel technical architecture to remain outside regulation should reassess their position.

Capital Thresholds will now shape market participation. The paid-up capital requirements are substantial, particularly for stablecoin issuers. They will determine which businesses can credibly enter or remain in the market, and will call for early planning on funding, shareholder support and corporate structure. Smaller operators may need to consider partnerships, restructuring or a narrower service offering.

Dual regulation is now a practical reality. A provider holding an SEC licence must also satisfy the CBN's capital requirement. Businesses whose activities straddle both regimes should expect higher compliance cost and complexity, and should plan for engagement with two regulators rather than one.

Foreign Stablecoin Issuers must localize. A foreign currency-referenced stablecoin may be offered in Nigeria only through a Nigerian-incorporated Class 2 licence holder. Foreign issuers must therefore establish a local licensed entity. This is a structural decision with commercial, tax and governance consequences.

The transition window Is already running for existing operators; time is a critical constraint. The registration and reporting deadlines are short, continued operation is limited to existing scale, and failure to apply for a licence within 180 calendar days of commencement requires an operator to cease operations until it is licensed.

The Way Forward

Businesses in this sector should treat the regulations as an immediate compliance priority and take the following steps:

Classify every asset and activity: Each token and activity should be assessed on its economic substance, function and risk, and categorised as a security or a non-security. Where there is genuine doubt, a classification opinion should be sought from the CBN so as to obtain the necessary regulatory clarity prior to applying for a license or authorisation from the CBN.

Map the Nigerian Footprint: Operators, including those based abroad, should identify every way in which their services are directed at persons in Nigeria and assess whether those activities fall within the Regulations.

Test Capital Readiness: Businesses should determine the applicable paid-up capital threshold, measure it against their current position, and plan any recapitalisation early. Those holding or seeking SEC licence should plan for the cumulative requirement.

Settle the Corporate Structure: Foreign currency-referenced stablecoin issuers should decide, without delay, whether to incorporate locally or to work through an existing Nigerian-incorporated Class 2 licence holder.

Observe the Transition Timetable: Existing operators should set-up a compliance tracker for the 30-day registration, 60-day reporting and 180-day application deadlines, confirm that operations remain within existing scale, and prepare the licence within the stipulated.

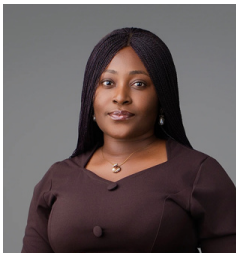
Build Compliance and Governance Infrastructure:Businesses should put in place the compliance, reporting and record-keeping arrangements needed for ongoing supervision by CBN.

Please note that the contents of this Article are for general guidance on the Subject Matter. It is NOT legal advice.

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