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Regulatory Alert!

CBN introduce New Rules on Data Localisation, Beneficial Ownership Disclosure & Market Concentration in the Nigerian Digital Payments Ecosystem

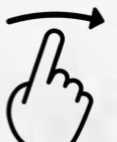
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EXECUTIVE SUMMARY

On 15 June 2026, the Central Bank of Nigeria (CBN) issued Circular No. PSS/DIR/PUB/CIR/001/004 (the Circular) through the Payments System Supervision Department, signed by its Director, Dr. Rakiya O. Yusuf. The Circular introduces three sweeping categories of obligations applicable to virtually all participants in Nigeria's digital payments industry:

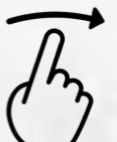
- **Data Localisation:** All payment transaction data generated within Nigeria must be stored and managed within Nigeria by 1 January 2027.
- **Beneficial Ownership Disclosure:** All covered institutions must disclose the identities of their ultimate beneficial owners (UBOs) in alignment with AML/CFT obligations.
- **Market Concentration Limits:** No single institution may simultaneously control more than 25% of card issuing and more than 15% of merchant acquiring (or vice versa) within the same 12-month period.



REGULATORY CONTEXT

The Circular follows a period of intensified regulatory activity by the CBN under Governor Oluyemi Cardoso, marked by successive reforms to the payments, banking, and data governance landscape. The June 15 Circular is materially significant for several reasons:

- It operationalises Nigeria's data sovereignty commitments under the Nigeria Data Protection Act 2023 (NDPA) and CBN's own data governance framework within a payments-specific context.
- It reinforces anti-money laundering and counter-terrorism financing (AML/CFT/CPF) compliance by extending UBO disclosure requirements – long applicable to corporate registration – to the payments oversight regime.
- It introduces structural market regulation, targeting systemic concentration risk in the card issuing and merchant acquiring segments of the payments value chain.



KEY PROVISIONS OF THE CIRCULAR

1. Data Localisation Mandate

The Circular mandates that all financial institutions and participants facilitating payments within Nigeria must ensure that payments transaction data generated within Nigeria is stored and managed within Nigeria, in accordance with applicable data protection laws and regulations.

Critical compliance details:

- Compliance deadline: 1 January 2027 (approximately six months).
- Scope: all payments transaction data — this goes beyond personal data and extends to transactional metadata, settlement records, and processing logs generated on Nigerian payment infrastructure.
- Legal alignment: compliance must be consistent with the Nigeria Data Protection Act 2023, the CBN Data Protection Guidelines, and all other applicable data governance instruments.



- CBN has reserved the right to impose supervisory sanctions for non-compliance, including fines and regulatory actions.

Practical implication: Institutions that currently utilise offshore cloud infrastructure, cross-border data processing agreements, or multi-jurisdictional data pipelines will need to conduct a full data flow audit and migrate to locally compliant infrastructure. Contractual arrangements with foreign technology vendors must also be reviewed and renegotiated where necessary.

2. Beneficial Ownership Disclosure

All covered institutions must disclose their ultimate beneficial owners — that is, the natural persons who ultimately own or exercise control over the institution, particularly where significant shareholding is involved. Key compliance parameters:

- The obligation is tied to Nigeria's AML/CFT/CPF framework, aligning disclosure requirements under payments oversight with those under the Companies and Allied Matters Act 2020 (CAMA), the Money Laundering (Prevention and Prohibition) Act 2022, and CBN's own AML/CFT Guidelines.

- Institutions must maintain updated, accurate, and accessible UBO registers and make these available to the CBN upon request.
- Failure to comply will expose institutions to regulatory sanctions and potential designation under financial crime watchlists.

Practical implication: Fintech startups and payment companies with complex holding structures, nominee shareholders, or foreign investment vehicles must urgently review and regularise their ownership records at CAC and with the CBN. This requirement also has significant due diligence implications for investors, acquirers, and counterparties.

3. Market Concentration Limits

The Circular introduces structural market rules to guard against excessive concentration in two key payment segments:

- Any institution controlling more than 25% of the card issuing market cannot simultaneously hold more than 15% of the merchant acquiring market, and vice versa.

- All affected institutions must submit monthly market share returns to the CBN.
- Compliance with the market structure rules is required by 31 December 2026.

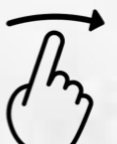
Practical implication: This targets dominant players, typically large commercial banks and their payment subsidiaries who straddle both the issuing and acquiring sides of the card ecosystem. Institutions approaching these thresholds must model their market position, plan for structural separation where required, and prepare board-level governance papers to support their compliance strategy.

Note on Data Contracts with Foreign Vendors: Institutions relying on offshore cloud or SaaS providers for payments data processing should immediately review their contractual arrangements. Standard cloud service agreements with providers such as AWS, Google Cloud, Microsoft Azure, and others typically default to data hosting in foreign jurisdictions. Migration to local or Nigerian-operated infrastructure requires advance planning and contract amendment.

HOW ENEBELI & PARTNERS CAN ASSIST

Our FinTech & Data Protection and Corporate Commercial Practice Groups are equipped to advise clients on all aspects of compliance with the June 15 CBN Circular. Our services include:

- Regulatory compliance gap analysis and internal audit support.
- Data flow mapping and localisation strategy advisory.
- Beneficial ownership restructuring, documentation, and CAC filings.
- Drafting and reviewing technology vendor contracts for data sovereignty compliance.
- Board and management advisory memoranda on market concentration risk.
- Representation before the CBN in enforcement or regulatory inquiry proceedings.
- Training and sensitisation workshops for compliance teams and boards.



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Info@goenebeli.com | 08022557029

www.goenebeli.com