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CBN RAISES THE CAPITAL BAR FOR NON-INTEREST BANKS: WHAT YOU NEED TO KNOW

In March 2024, the Central Bank of Nigeria (CBN) introduced new minimum capital requirements for Non-Interest Banks (NIBs), marking a decisive step toward strengthening the resilience of Nigeria's banking sector. These reforms are designed to ensure that NIBs maintain a solid capital base capable of supporting economic growth while remaining resilient to financial shocks. Here's everything you need to know.

Why is the CBN raising the capital bar now?

The revised capital framework is designed to ensure that non-interest banks maintain a robust equity base capable of supporting economic growth while absorbing financial and systemic shocks. It also reflects the regulator's objective of enhancing depositor protection, improving balance sheet strength, and aligning Nigeria's non-interest banking framework with international best practices.

How much capital is now required and who does it affect?

The CBN has adopted differentiated capital thresholds based on licence scope. National Non-Interest Banks are now required to maintain a minimum capital of ₦20 billion, while Regional Non-Interest Banks must meet a minimum capital requirement of ₦10 billion. These thresholds apply across the sector and represent a substantial upward review of prior requirements.

When must banks meet the new requirements?
Existing non-interest banks have until 31 March 2026 to comply with the new capital thresholds, providing a transition window for structured capital planning. New applicants, however, must meet the applicable minimum capital requirement in full at the point of licensing, with the entire amount fully paid up.

What counts as capital and what no longer does?
Only paid-up share capital and share premium will be recognised for compliance purposes. Other instruments, including Additional Tier 1 (AT1) capital, reserves, or hybrid instruments, are expressly excluded. For new applicants, the minimum capital must consist entirely of paid-up share capital, reinforcing the CBN's preference for core equity capital.

What does this mean for institutions planning to set up new non-interest banks?
The revised thresholds significantly raise the entry barrier and highlight the importance of early regulatory planning. Beyond capital adequacy, applicants must meet licensing conditions covering corporate governance, Shariah-compliant operational structures, fit-and-proper assessments of promoters and directors, risk management systems, and formal regulatory approvals from the CBN. Proper structuring from the outset has become more critical than ever.

How can existing banks respond to the new capital regime?
The CBN has outlined several strategic pathways, including raising fresh capital through private placements or rights issues, pursuing mergers or acquisitions to achieve scale, or rationalising operations by downgrading licence scope, for example, moving from national to regional authorisation. Each option carries distinct legal and commercial considerations.

What are the wider implications for the non-interest banking sector?
While the reforms may increase compliance costs and limit ease of entry, they are expected to encourage consolidation, enhance depositor protection, and strengthen the overall resilience of the sector. Over time, the policy is likely to foster more competitive and well-capitalised institutions.

Where do legal advisers fit into all of this?
The new requirements highlight the central role of legal advisers in navigating capital restructuring, licensing, regulatory compliance, and transaction execution. Legal support is particularly critical in structuring capital raises, conducting regulatory due diligence, negotiating mergers or acquisitions, and managing engagements with the CBN throughout the transition period.

What should institutions be doing right now?
With the 2026 compliance deadline approaching, existing operators should begin reviewing their capital structures and strategic options, while prospective entrants must incorporate the heightened capital thresholds into their market-entry planning. Early engagement with legal, financial, and regulatory advisers will be key to a smooth transition.

We will continue to monitor regulatory developments and share insights as the non-interest banking landscape evolves.

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