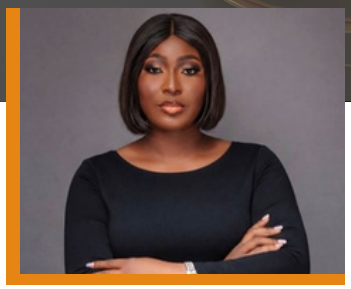
STABLECOINS COME UNDER CBN RULES: LICENCES REQUIRED, YIELD BANNED, RESERVES RING-FENCED

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SYNTEGRAL LEGAL PRACTICE

The Central Bank of Nigeria (CBN) has released the Regulations for the Operations of Non-Security Virtual Assets in Nigeria (the Regulations), bringing stablecoins and related virtual asset services under one detailed framework. The Regulations govern the issuance, distribution, exchange, custody, transfer, redemption and settlement of non-security virtual assets, including Naira-referenced stablecoins, foreign currency-referenced stablecoins and Deposit Money Tokens (DMTs). They are issued under the CBN Act 2007, the Banks and Other Financial Institutions Act 2020 and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995, and in line with the Presidential Executive Order on Virtual Assets Coordination, 2026.

For fintech companies, exchanges, wallet providers, banks, peer-to-peer (P2P) platforms and businesses that settle trade in stablecoins, the framework brings long-awaited regulatory clarity. It also brings substantial capital, reserve and compliance obligations, and it reaches foreign operators whose services are directed at persons in Nigeria.

Who Needs a Licence?

No person may carry on a regulated activity in or from Nigeria, or direct it at persons in Nigeria, without the relevant CBN licence or authorisation (Sections 2.1.1 and 6.1). What a business needs depends on what it does:

1. **Issuing Stablecoins:** A Naira stablecoin requires a Class 1 Naira-Referenced Issuer Licence, with minimum paid-up capital of ₦10 billion. A stablecoin referenced to a foreign currency requires a Class 2 Foreign Currency Issuer Licence, with minimum paid-up capital of ₦15 billion (Sections 15.1 and 15.2). Issuers must be incorporated in Nigeria, and a foreign licence or a local partner is not a substitute. The Regulations are clear that there is no offshore exemption (Sections 6.5 and 15.3).

2. **Providing Other Virtual Asset Services:** Exchange, custody, wallet, transfer and on-ramp or off-ramp services require an Other Services Licence or, for businesses already licensed by the Securities and Exchange Commission (SEC), an Other Services Authorisation. Existing CBN-licensed institutions may apply for an Approval to Extend Permitted Activities. The minimum paid-up capital is ₦1 billion, and for SEC licensees this is in addition to their SEC capital (Sections 16.1 and 16.2).

3. **Tokenising Bank Deposits:** Only deposit money banks licensed by the CBN may issue DMTs, and only with the CBN's prior written approval. A DMT is a direct claim on the bank and must match an existing Naira deposit (Sections 39.1 and 41).

Virtual assets that qualify as securities remain under the SEC. A business whose activities cross both areas may need approvals from both regulators (Section 4).

What Has Changed?

The Regulations introduce several requirements that will shape how stablecoin products are designed and run. The key changes are outlined below:

1. **Some Tokens Are Banned Outright:** Algorithmic stablecoins, tokens backed mainly by other virtual assets, tokens linked to sanctioned persons and tokens that cannot be redeemed at par may not be issued, offered or traded in Nigeria (Section 2.2). The CBN will look at what a token does, not what it is called (Section 3.3).

2. **No Interest or Yield for Holders:** An issuer must not pay or arrange interest, yield or any other return to a person simply for holding its stablecoin, and it cannot use an exchange, wallet provider or distributor to do so indirectly (Sections 13.3 and 27.7). A stablecoin is treated as a payment instrument, and stablecoins may not be presented as bank deposits or as covered by NDIC insurance (Section 2.7).

3. **Full Reserve Backing:** Issuers must maintain one-to-one reserve backing plus a two per cent overcollateralisation buffer, and may not mint new tokens until matching reserves have been received (Sections 24.3 and 24.4). Class 1 issuers must keep at least 20 per cent of the reserve pool as a non-interest-bearing cash deposit with the CBN (Section 24.25). Reserves cannot be used for operating expenses, lending, staking or as collateral (Section 13.4), and must be reconciled daily and independently attested every month (Sections 24.5 and 24.42).

4. R**edemption at Par by the Next Business Day:** Every holder has an enforceable right to redeem at par. A valid request must be paid by the end of the next Business Day, without a fee for standard redemptions (Sections 23.2 to 23.4).

5. **Form M and Form NXP for Stablecoin Trade Payments**: Cross-border virtual asset transactions are treated as foreign exchange transactions (Section 11.10.2). Payment for imported goods in a foreign currency stablecoin must be supported by a valid Form M and made only to the foreign supplier or its service provider. Export proceeds received in stablecoins must reference the Form NXP, and holding those proceeds on-chain in a wallet "shall not constitute repatriation" (Section 11.10.5). Splitting or rerouting payments to avoid these rules is prohibited (Section 11.10.15).

6. **Tighter Rules for P2P Platforms:** Platforms that match buyers and sellers need the CBN's express approval (Section 10.2.2). They must verify every customer and confirm that the name and BVN on the Naira account match the customer before releasing tokens (Section 10.3.3). Travel Rule requirements and extra checks on unhosted wallets also apply (Sections 26.14 and 26.15).

7. **Closer Supervision of Large Stablecoins:** A stablecoin will be designated as systemic once its circulating supply exceeds ₦500 billion for 30 consecutive days, or it is used by more than five million people in Nigeria (Section 3.6). Its issuer faces real-time reserve reporting, stress testing and recovery planning (Section 17.8).

What Should Existing Operators Do Now?

Businesses already operating in this space may continue only at their existing scale while they regularise (Section 54.1). They must:

- Comply with anti-money laundering, counter-terrorist financing and counter-proliferation financing requirements from commencement;
- Register with the CBN within 30 days;
- Begin supervisory reporting within 60 days; and
- Apply for the relevant licence within 180 calendar days.

An operator that misses the 180-day deadline must stop the activity until it is licensed. The deadlines run from the commencement date the CBN specifies in the issuing instrument, so operators should confirm that date rather than count from when the Regulations began circulating (Section 56.1).

The penalties for non-compliance are significant and may extend to directors and senior management (Section 51.1). Operating without a licence attracts a fine of at least ₦100 million plus ₦1 million for each day the breach continues, misuse of reserves attracts up to ₦500 million per breach, and paying a prohibited yield attracts a fine of twice the amount paid.

Why This Matters

By bringing stablecoins within a clear supervisory framework, the Regulations are expected to:

- Give operators and investors regulatory certainty;
- Protect holders through ring-fenced reserves and guaranteed redemption at par;
- Bring stablecoin trade payments within Nigeria's foreign exchange rules; and
- Strengthen safeguards against money laundering and other illicit flows.

For new entrants, the path into the market is now clearer, but it calls for serious capital and strong compliance from day one.

Conclusion

The CBN's Regulations mark a significant step in bringing virtual assets into Nigeria's regulated financial system. They place stablecoin issuance and related services on a defined footing, with firm emphasis on reserve integrity, redemption, consumer protection and foreign exchange discipline. For businesses in this space, the immediate task is to understand how the Regulations apply to their activities and to begin the licensing and compliance work early.

Reference

- Central Bank of Nigeria, Regulations for the Operations of Non-Security Virtual Assets in Nigeria (2026).
- Unini Chioma, "'Stablecoin Holders Must Not Receive Interest Or Yield' – CBN Introduces New Regulations, Mandates Form M For Import Payments", TheNigeriaLawyer, 7 November 2026. Available at: https://thenigerialawyer.com/stablecoin-holders-must-not-receive-interest-or-yield-cbn-introduces-new-regulations-mandates-form-m-for-import-payments/

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