

Finance Regulatory Updates

December 2024

In this edition, we discuss important updates issued by key regulators in the financial services sector.

This month, the Central Bank of Nigeria (the “CBN”) and the Securities and Exchange Commission (the “SEC”) issued several guidelines and market updates.

We take a cursory look at the key points from these regulations and their impact on the relevant stakeholders.

CBN REGULATORY UPDATES

Circular on Over-the-Counter Cash Availability

In light of the festive celebrations, the CBN issued several circulars between November and December 2024 to address public concerns regarding cash availability nationwide, and ensuring efficient and optimal currency circulation.

Effective 1 December 2024, Deposit Money Banks are to ensure and implement efficient cash disbursement practices to all customers, whether over-the-counter, or through automated teller machines.

Members of the public are encouraged to report defaulting banks to the designated reporting channels as outlined in the Circular.

CBN Imposes Penalties for Improper Cash Disbursement by Deposit Money Banks

By the Circular dated 13 December, 2024, the CBN introduced stricter measures against Deposit Money Banks (DMBs) involved in the unauthorised distribution of mint Naira notes.

Key provisions include:

- a. Regular inspections at banking halls and automatic teller machines to ensure compliance with cash handling regulations.
- b. A fine of ₦150,000,000.00 per branch for the first offence, with stricter penalties for subsequent violations as prescribed under law.
- c. DMBs must enhance internal systems to prevent unauthorised cash distribution.

The measures aim to safeguard the integrity of Nigeria's financial system and improve cash circulation.

Circular on Cash-Out Limits for Agent Banking Transactions

By the [Circular](#) dated 17 December 2024, the CBN introduced measures targeting cash-out limits in respect of agent banking transactions. These measures are designed to standardise, prevent fraud, and generally regulate agent banking activities in Nigeria, which is in line with the CBN Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria, principals shall be wholly responsible and liable for all actions and omissions of their agents as it relates to agent banking services or matters connected therewith.

Principals of agents (being deposit taking financial institutions and/or Mobile Money Operators) are to ensure:

- a. Issuers, being banks and other licensed financial institutions, set a cash withdrawal limit of not more than ₦500,000.00 (Five Hundred Thousand Naira) each week per customer across all channels;
- b. agent banking terminals have a daily maximum limit of ₦100,000.00 (One Hundred Thousand Naira) per customer, with all agents restricted cumulatively, to a daily limit of ₦1,200,000.00 (One Million Two Hundred Thousand Naira);
- c. agent banking services are clearly delineated from merchant services, with agents applying a specific code for their operations;
- d. all transactions are processed through designated float accounts maintained by these principals; and
- e. report all transactions daily, including withdrawal limits, transaction details, and float account balances, to the Nigeria Inter-Bank Settlement System.

Sale of Foreign Exchange to BDCs to Meet Retail Market Demand for Eligible Transactions

By the [Circular](#) dated 19 December 2024, the CBN issued a directive announcing a temporary arrangement for Bureau De Change (BDC) operators to access the Nigerian Foreign Exchange Market (NFEM) for the purchase of foreign currency. This initiative is intended to address seasonal retail demand for foreign currency.

Under the directive, BDCs are permitted to purchase up to USD 25,000.00 weekly from authorised dealers. This arrangement will commence on 18 December 2024 and remain in effect until 30 January 2025.

BDC operators must adhere to specific conditions to participate in this process. They are required to fund their accounts in full before making purchase requests and can only transact with one authorised dealer per transaction. All transactions must comply with the prevailing NFEM rate, with a maximum allowable spread of 1% to promote pricing efficiency.

The CBN further emphasises that all transactions must adhere to established guidelines for eligible retail transactions, including compliance with Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) standards. Non-compliance or failure to meet these requirements may result in regulatory penalties.

This directive reflects the CBN's commitment to ensuring the stability and efficiency of the foreign exchange market during the festive season. BDC operators and authorised dealers are encouraged to comply with the outlined guidelines to facilitate seamless implementation.

SEC REGULATORY UPDATES

Annual Registration Renewal for Capital Market Operators (CMOs)

On 6 December 2024, the SEC issued a notice announcing the commencement of its annual registration renewal process for CMOs. This process is applicable to licensed entities, including Issuing Houses, Underwriters, Brokers, Dealers, Investment Advisers, and Custodians.

The renewal exercise is a regulatory requirement, ensuring that CMOs maintain their operational status in the Nigerian Capital Market. The process will officially begin on 1 January 2025 and must be completed not later than 31 January 2025.

CMOs without proof of valid registration will be penalised and may be excluded from carrying out capital market activities.

SEC Re-exposes Amendments to Rules on Digital Assets

On 16 December, 2024, SEC issued amendments to its Rules on Digital Assets Issuance, Offering Platforms, Exchange, and Custody. These amendments are designed to strengthen its regulatory oversight, improve market transparency, and ensure that the regulations are aligned with the evolving trends in the virtual assets' ecosystem. Below are the expanded and amended rules, along with their anticipated effects on the market.

Expanded and Amended Rules

1. The SEC's amendments now include a broader range of activities under its regulatory oversight. In particular, it now governs:

- a. Cross-chain transfer services**, which involve transferring assets across different blockchain networks.
- b. On/off-chain order transmissions**, which regulate the transfer of instructions for transactions that occur within and outside the blockchain.
- c. Placement and distribution of virtual assets**, ensuring that these processes are carried out in a transparent and compliant manner.
- d. Advisory and portfolio management services** related to virtual assets, which had previously been unregulated.

These changes significantly broaden the scope of activities that fall under SEC's oversight, ensuring that more participants in the digital asset ecosystem are regulated. By doing so, the SEC aims to protect investors from the complexities and risks associated with emerging virtual asset technologies.

2. **Issuers** of digital securities, stablecoins, and cryptocurrencies must now meet more rigorous compliance standards, including:

a. A **minimum capital threshold** of ₪500,000,000.00 for entities wishing to issue digital assets. This capital requirement ensures that only financially stable and responsible entities can enter the market.

b. The prohibition of **anonymity-enhanced cryptocurrencies**, such as privacy coins, which pose challenges for regulatory oversight and potentially facilitate illegal activities.

c. Issuers are also required to maintain full transparency in their operations, including detailed disclosures on their business models and financial standing.

These updated compliance requirements aim to enhance market stability and credibility, ensuring that only entities with sound financial practices are able to issue digital assets. The prohibition of anonymity-enhanced cryptocurrencies is intended to mitigate the risks posed by assets that are difficult to trace or regulate.

3. The SEC also introduced new rules to oversee the advertising and promotional activities related to digital assets. These include:

a. All **digital asset advertisings** must receive pre-approval from the SEC to ensure that they are truthful, accurate, and in line with regulatory standards.

b. Influencers and individuals promoting digital assets must **disclose paid endorsements**, ensuring that their promotional activities are transparent and not misleading to potential investors.

These rules are designed to protect investors from misleading advertising and promotional practices, which have been a growing concern in the rapidly expanding digital asset market. By requiring pre-approval and full disclosure, the SEC aims to promote ethical marketing and safeguard investors from deceptive tactics.

4. The SEC launched the **Accelerated Regulatory Incubation Program (ARIP)** to provide a more flexible and phased approach to regulating Virtual Asset Service Providers (VASPs). Under this program:

a. VASPs can now receive **provisional approval** for up to **12 months**, during which the SEC will evaluate their business models and assess any potential risks.

T b. his provisional period allows VASPs to operate under close regulatory scrutiny while the SEC gains a better understanding of their operations before granting full operational status.

The ARIP is intended to encourage innovation in the virtual asset space while providing the SEC with time to closely monitor the activities of new entrants into the market. It provides a pathway for businesses to grow and refine their operations while ensuring compliance with regulatory standards.

Circular to Public Companies on the Publication of Periodic Returns on Websites

By a circular dated 17 December 2024, the SEC issued a reminder to all public companies on the obligation to publish all periodic returns on their respective websites.

For context, public companies are mandated to simultaneously file and publish their returns with the SEC, and on their websites. This is to allow the public seamlessly access this information, ensuring sound investment decisions, and to promote shareholder engagement.

Failure to comply with this may result in penalty of not less than ₱100,000.00 and a further sum of ₱5,000.00 per day for every day that the violation continues.

Exposure of Sundry Amendments to Rules and Regulations

On 19 December 2024, the SEC released a series of proposed amendments to its rules and regulations, aimed at enhancing market efficiency, transparency, and compliance. These amendments focus on the annual and quarterly reporting requirements, miscellaneous rules, and SEC's fees on market deals. We have set out a summary of the proposed changes:

1. Amendment to Rule 39 – Annual Report

The SEC has proposed an amendment to Rule 39, which governs the submission of Annual Reports. This proposed change seeks to strengthen the disclosure requirements for market participants. The amendment will ensure that annual reports provide more detailed, accurate, and timely information, enhancing transparency and allowing investors to make more informed decisions. By improving the clarity of these reports, the SEC aims to promote greater trust in the financial markets.

2. Amendment to Rule 41 – Quarterly Report

In addition, amendments have been proposed to Rule 41, which deals with Quarterly Reports. The proposed changes focus on increasing the frequency and depth of disclosures, ensuring that investors have access to up-to-date financial and operational information. By adjusting the timelines for these reports, the SEC aims to align with global best practices and enhance the responsiveness of the market, making it easier for investors to track the performance of market participants on a more regular basis.

3. Amendment to Part N – Miscellaneous Rules

The SEC has also introduced amendments to Part N, which contains various miscellaneous rules that apply to market participants. These changes are designed to clarify existing provisions related to general market conduct and compliance. By updating these rules, the

Circular to Fund/Portfolio Managers on the Payment of Supervisory and Regulatory Fees

By a [Circular](#) dated 31 December 2024, the SEC notified all registered Fund/Portfolio Managers that going forward, their Supervisory and Regulatory Fees shall be paid quarterly.

In this regard, fees are required to be paid not later than the last day of the succeeding month following the end of each quarter.

For additional information, please contact us on info@famsvillelaw.com.

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