Finance Regulatory and Market Updates

June 2025

This month, we examine recent regulatory and market updates issued by key regulators in the financial services sector. These updates reflect ongoing efforts to strengthen market integrity, enhance corporate governance, safeguard the financial system, and improve the overall business environment in Nigeria.

REGULATORY UPDATES

A. CENTRAL BANK OF NIGERIA (CBN)

CBN Recapitalisation of Banks Programme: Routine Transitional Guidance such as Temporary Restriction on Dividends and Benefits, Issued for Select Institutions

In April 2024, the CBN launched a recapitalisation programme, mandating all Nigerian banks to raise their minimum capital by 2026.[1] This move echoes earlier regulatory interventions, such as the 2004 bank reforms, but with greater alignment to global standards (Basel III), and a focus on long-term sector resilience.

By May 2025, banks had submitted their recapitalisation plans and following its review of those submissions, the CBN issued transitional guidance on 17 June 2025. This guidance introduced temporary regulatory measures for selected banks and form part of the CBN's broader supervisory oversight during the implementation phase of the recapitalisation exercise.

The CBN announced that certain banks would be subject to temporary restrictions on dividend payments, profit-sharing, and other discretionary benefits. These restrictions apply to institutions that have not yet met the revised capital thresholds, or whose submitted plans raise concerns about viability, timelines, or overall credibility. According to the CBN, these measures are not intended to be punitive. Rather, they are designed to help ensure affected institutions retain capital during the transition period and strengthen their overall financial footing.

The approach is targeted and supervisory in nature, and does not constitute a sector-wide policy. It is important to note that the banks under this restriction have not been disclosed to the public.

Impacted banks will be required to retain earnings and suspend discretionary payouts, in the short term. This may reduce their financial flexibility, but will support capital retention and balance sheet strengthening in the long term.

This guidance reflects the CBN's efforts to instill discipline and forward-looking oversight in the recapitalisation process.

1 https://www.cbn.gov.ng/Out/2024/CCD/Recapitalization_MARCH_2024.pdf

B. SECURITIES AND EXCHANGE COMMISSION (SEC)

Circular to all Public Companies and Significant Public Interest Capital Market Operators on the Transmutation of Independent Non-Executive Directors and the Tenure of Directors.

In line with global governance trends targeting accountability in critical sectors, and to set a firmer foundation for long-term institutional integrity, the SEC, by its circular dated 19 June 2025, outlined measures to strengthen board independence, improve accountability, and objectivity. These key measures are highlighted as follows:

1. Ban on the Transmutation of Independent Non-Executive Directors (INEDs): INEDs of public companies and Capital Market Operators[2] are now prohibited from converting into executive roles (e.g., Executive Directors or Chief Executive Officers), within the same company, or group. As contemplated under Nigeria's corporate governance rules, INEDs are appointed to provide objective and independent oversight in order to protect the interest of shareholders. As such, the prior practice of conversion undermined this independence.

2. Tenure Limit of Directors: To promote board refreshment and enhance succession, the tenure of directors of all Capital Market Operators considered as significant public interest entities[3] shall be limited to a maximum of ten (10) consecutive years (where serving in the same company), and twelve (12) consecutive years (where serving within the same group structure), respectively.

   In addition, a Chief Executive Officer or Executive Director who steps down after reaching the tenure limits must wait three (3) years to be eligible for an appointment as Chairman. If appointed, Chairpersons are limited to four (4) years in that role.

The affected entities are explicitly required to comply with the tenure and governance provisions of the circular and all years already served by current directors will count toward the new tenure limits. Companies are expected to take these rules into account in ongoing, and future board appointments, and succession planning processes.

2 Persons licensed by the SEC to perform specific capital market functions.
3 A Capital Market Operator whose operations are of systemic importance, have significant investor exposure, or serve a critical infrastructure function.

MARKET UPDATES

A. Nigeria Deposit Insurance Corporation (NDIC) Seeks Stakeholder Input on the International Association of Deposit Insurers (IADI) Core Principles

On 3 June 2025, the NDIC called for feedback from relevant stakeholders (being regulated entities, financial market participants, and the general public), on the ongoing revision of the IADI Core Principles for Effective Insurance Systems launched by IADI in May 2025.

For context, the IADI Core Principles are a set of internationally recognised standards designed as a guide to be used by jurisdictions, to determine how deposit insurance systems operate to protect depositors, and maintain financial stability. By comparing their systems against these standards, they can identify weaknesses or gaps and find ways to improve them.

This development is part of a broader regulatory drive to enhance financial system stability, especially in light of the CBN's ongoing bank recapitalisation programme and evolving prudential oversight. As such, aligning with IADI standards will reinforce Nigeria's commitment to protecting depositor funds in the event of bank failure, promoting public confidence in the banking system, improving crisis management and resolution frameworks for failing institutions, and positioning Nigeria's deposit insurance system more credibly within international markets.

The feedback provided is to support the NDIC's self-assessment and compliance review, with submissions due not later than 30 June 2025.

B. Nigeria and Rwanda Sign Landmark Double Taxation Agreement

On 27 June 2025, Nigeria and Rwanda signed a landmark Agreement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. It was signed by Nigeria's Minister of Finance, Wale Edun, and Rwanda's Minister of Finance and Economic Planning, Yusuf Murangwa.

Framed as a strategic milestone aligned with Nigeria's recent passage of four tax reform bills, this agreement marks a significant milestone towards deepening economic cooperation and promoting private sector-led growth across Africa, and is targeted at:

- eliminating double taxation risks and providing tax certainty for investors;
- simplifying tax administration and aligning both countries with global standards;
- enhancing transparency, reducing loopholes, and preventing fiscal abuse.

This treaty adds to Nigeria's ongoing tax and financial sector reforms and reflects a coordinated effort to strengthen Africa-led investment frameworks. For dealmakers and corporate advisers, it presents new room for cross-border tax planning, transaction efficiency, and strategic positioning across two increasingly collaborative economies.

For additional information in respect of any of the updates provided above, please contact *temitope.sowunmi@famsvillelaw.com*.

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