



Settlement at the Speed of Trust: Nigeria's Transition to T+1 Settlement And Why It Matters

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Introduction

Nigeria's capital market transitioned to a T+1 settlement cycle on 1 June 2026, representing a major milestone in the ongoing modernisation of its market infrastructure. In practical terms, this means that a qualifying trade executed on a trading day settles on the next business day, enabling buyers to receive securities and sellers to receive funds more quickly than under longer settlement cycles. By shortening the period between trade execution and settlement, the framework reduces counterparty exposure, improves liquidity and enhances market efficiency.

For years, Nigeria's capital market operated a T+3 settlement cycle, followed by a shift to T+2 introduced by the Securities and Exchange Commission (SEC) on 28 November 2025.¹ While T+2 reduced settlement time, a gap remained between trade execution and final settlement, exposing the market to counterparty risk, delayed liquidity access and operational inefficiencies. The transition is reshaping operational expectations for brokers, custodians, settlement banks and institutional investors, particularly in relation to funding certainty, settlement discipline, and post-trade compliance.

This article examines the regulatory and institutional framework supporting the transition, its practical implications for market participants, and the reasons the reform matters for market efficiency, risk management, liquidity and investor confidence.



Regulatory and Institutional Framework Governing the T+1 Settlement Cycle in Nigeria

The transition to T+1 is supported by a coordinated capital market framework involving regulators, market infrastructure providers, settlement banks, market intermediaries and investors, including:

a. Securities and Exchange Commission (SEC): The SEC is the apex regulator of Nigeria's capital market and provides the regulatory direction for the transition. Its T+1 circular applies to eligible equities and commodities transactions cleared and settled by CSCS and requires relevant stakeholders to align their systems, processes, controls and workflows with the new framework.

b. Central Securities Clearing System (CSCS): The CSCS functions as the central securities depository and clearing infrastructure for relevant market transactions, providing clearing, settlement and depository services.² It ensures that trades are cleared, netted, and settled on a delivery-versus-payment basis within one business day.

c. Nigerian Exchange (NGX): The NGX provides the organised trading platform through which listed securities are executed and facilitates the seamless transition of trades into the clearing and settlement process.

d. Central Bank of Nigeria (CBN): Although the CBN is not the capital market regulator for securities settlement, The CBN supports settlement speed through oversight of payment systems and regulation of settlement banks, ensuring the efficient movement of funds within the financial system.

e. Market Intermediaries: Brokers, Custodians, and Registrars: Brokers, custodians, registrars and settlement banks are responsible for ensuring operational readiness, timely trade processing and compliance with the accelerated settlement timeline.

² Link

Operational Implications for Market Participants

The transition to a T+1 settlement cycle significantly compresses the post-trade process, requiring market participants to complete confirmations, allocations, funding and settlement instructions and reconciliations within a shorter timeframe.

a. Brokers, Custodians, and Registrars

For brokers and dealing members, trade processing must become faster and more disciplined. Client orders must be confirmed faster, allocations completed same day, and funding secured earlier, often

requiring pre-funding or guaranteed liquidity arrangements. Custodians will need to strengthen securities verification, reconciliation with the central depository, and real-time monitoring of client positions.

b. Settlement banks

Settlement banks must ensure that cash availability and payment processing are executed within much tighter timelines, with increased dependence on reliable payment infrastructure, real-time processing and straight-through reconciliation.

c. Institutional and Foreign Investors

Institutional and foreign investors may need to adjust internal approval, funding, allocation and reconciliation processes to accommodate faster settlement timelines. This is particularly important for investors managing large portfolios or participating in cross-border transactions involving different time zones, custody chains or foreign exchange arrangements.



Why T+1 Matters for Nigeria's Capital Market



The transition to a T+1 settlement cycle is more than a technical change to post-trade processes. It represents an important step towards improving market efficiency, reducing risk and enhancing the overall attractiveness of Nigeria's capital market to domestic and foreign investors.

a. Reduction of Counterparty Risk

A shorter settlement cycle reduces the period between trade execution and settlement, thereby limiting the risk of a buyer failing to pay or a seller failing to deliver securities. This strengthens market stability and enhances confidence in the settlement process.

b. Improved Liquidity

Investors gain quicker access to their funds and securities, allowing them to reinvest capital more

rapidly and participate in additional investment opportunities without prolonged waiting periods. This accelerates capital circulation and supports deeper market activity.

c. Enhanced Market Efficiency

The new settlement framework encourages automation, real-time processing, and stronger integration across trading, clearing, and settlement systems. Market Infrastructure providers such as the CSCS become more critical in ensuring seamless, same-day processing and next-day finality.

d. Enhanced Global Competitiveness

From a global competitiveness perspective, jurisdictions with faster settlement cycles are more attractive to foreign investors. Faster

settlement aligns Nigeria's capital market with international standards, reducing friction for cross-border investment and improving investor confidence in market reliability. This is particularly important at a time when emerging markets are competing for foreign portfolio investment and seeking to reduce operational barriers to cross-border capital flows

e. Strengthened Market Confidence

The successful implementation of the framework reflects the commitment of regulators and market institutions to strengthening market infrastructure and improving overall market integrity. This, in turn, supports investor confidence and long-term market development.

Implementation Challenges and Key Considerations

a. Operational Readiness

The shortened settlement timeline requires brokers, custodians, settlement banks and investors to complete trade confirmations, allocations, funding and reconciliations within a much tighter timeframe. Market participants who continue to rely on manual processes or outdated systems may experience operational difficulties, particularly high-volume trading days or periods of market volatility. As a result, greater automation and process efficiency have become increasingly important.

b. Liquidity and Funding Constraints

Faster settlement means investors and intermediaries have less time to arrange funds for transactions. This may create liquidity pressures, especially for institutional investors and market participants that rely on the proceeds of previous trades to finance new positions. Firms should therefore review liquidity buffers, pre-funding arrangements, client funding timelines and escalation protocols for failed or delayed funding.

c. Technology and Infrastructure Requirements

The success of the new framework depends largely on the reliability of technology, market

infrastructure, and the ability of participants to process transactions efficiently. Automated systems, real-time reconciliation and straight-through processing are becoming increasingly essential because delays or system failures could have a more immediate impact on settlement outcomes under T+1.

d. Cross-Border Transactions

Foreign investors may face additional challenges where transactions involve jurisdiction operating under different settlement cycles. Variations in settlement timelines, funding arrangements foreign exchange conversion and custody procedures may require adjustments to internal processes to ensure the timely completion of transactions.

e. Market Education and Stakeholder Coordination

A successful transition requires continuous collaboration among regulators, exchanges, clearing institutions settlement banks and market participants. Ongoing stakeholder engagement, investor education and staff training will be important in ensuring that all participants understand and adapt effectively to the new settlement environment.

f. Balancing Efficiency with Stability

While faster settlement enhances efficiency and reduces counterparty exposure, it is equally important to ensure that operational readiness and investor protection are not compromised. The long-term success of the reform will depend on achieving an appropriate balance between speed, market stability and regulatory oversight.



Conclusion

Nigeria's transition to a T+1 settlement cycle represents a significant step in the continuing modernisation of its capital market infrastructure. Beyond reducing settlement timelines, the reform has important implications for market efficiency, liquidity, investor confidence, risk management and regulatory compliance.

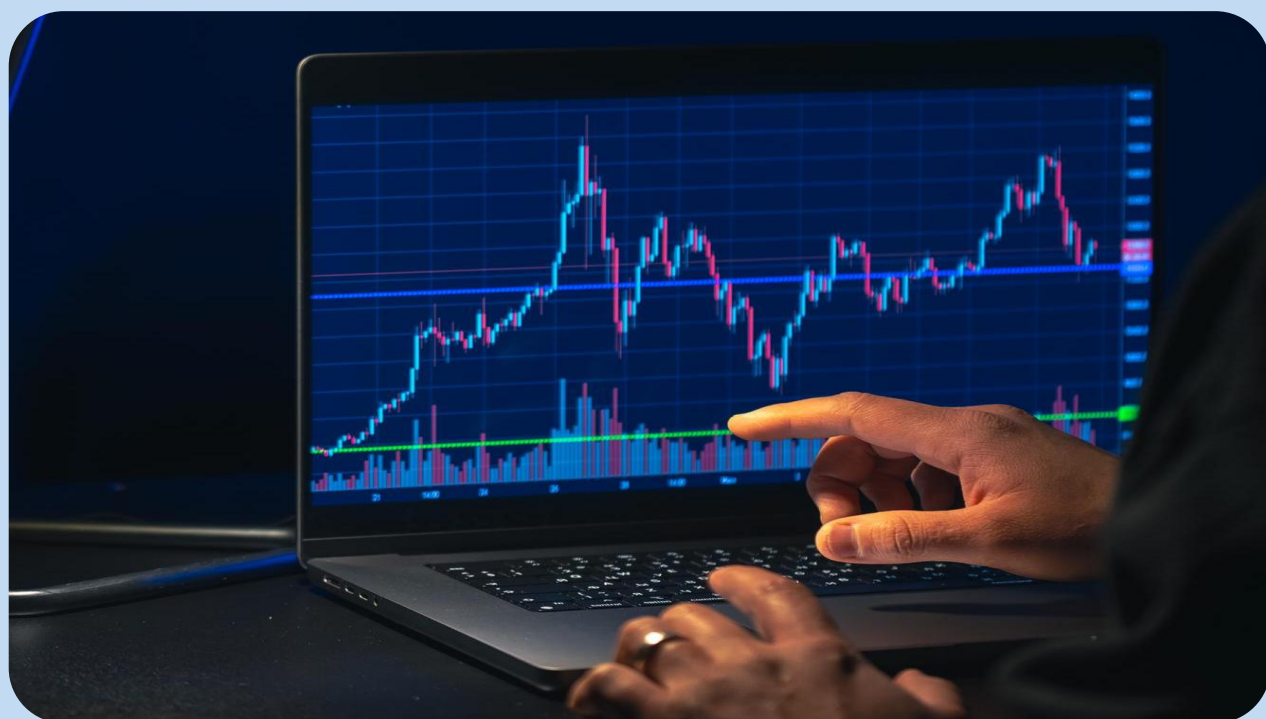
While the framework offers significant benefits, its long-term success will depend on the ability of regulators, market infrastructure providers and market participants to adapt to the demands of a faster settlement environment. Continued investment in technology, operational readiness, stakeholder collaboration and regulatory oversight will be critical to ensuring that the benefits of the reform are fully realised.

As Nigeria's capital market continues to evolve, T+1 positions the market for greater efficiency, resilience and credibility, reinforcing its attractiveness to both domestic and international investors.

What Market Participants Should Do Now

Market participants should treat T+1 as more than a settlement timetable change. They should review and update operating manuals, client onboarding documents, custody arrangements, funding protocols, trade allocation processes, reconciliation controls, technology resilience measures and service-level arrangements with key counterparties.

For further enquiries, reach out to **contact@strenandblan.com**



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