



Structuring Cross-border Acquisitions in the African Financial Sector: Key Legal and Regulatory Considerations



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INTRODUCTION

Cross-border acquisitions have become one of the defining features of Africa's evolving financial landscape. Regional banks, global investors, development finance institutions, and high-growth fintech companies increasingly regard acquisitions as a strategic tool for expanding their footprint, enhancing operational efficiency, and accessing new consumer markets.

Recently, transactions such as the attempted expansion of Access Bank Plc into South Africa through its proposed acquisition of Bidvest Bank,¹ the sustained multi-jurisdictional growth of Ecobank Transnational Incorporated,² Zenith Bank's proposed acquisition of Kenya's Paramount Bank,³ the pan-African expansion of UBA Group⁴ as well as other acquisitions by Fintechs, demonstrate the increasing appetite for regional integration. Development finance institutions such as International Finance Corporation (IFC) have also remained active, financing transactions across banking, payments, microfinance, and mobile money.

Despite this momentum, cross-border acquisitions in African financial markets remain structurally complex. The continent's regulatory ecosystem is highly fragmented; capital controls and FX policies vary across regions, and multiple regulators often assert concurrent jurisdiction over a single transaction. As a result, the success of any acquisition is shaped not only by commercial negotiation but by the acquirer's ability to navigate regulatory approvals, conduct rigorous due diligence, design optimal holding structures, and mitigate a range of legal, political, and financial risks. This article examines these considerations in detail.

¹ Access Bank, 'Access Bank Plc Signs Agreement To Acquire 100% Equity Stake In South African-Based Bidvest Bank'. [Link](#)

² Ecobank, 'Ecobank Transnational Incorporated Divests Its Stake in Ecobank Mozambique SA to Malawian Bank FDH Bank PLC in Strategic Realignment'. [Link](#)

³ BusinessDay, 'Zenith gets Kenyan nod for Full Takeover of Paramount Bank'. [Link](#)

⁴ UBA, 'UBA announces Strategic Expansion into Key Markets'. [Link](#)

UNDERSTANDING THE AFRICAN FINANCIAL SECTOR LANDSCAPE

Fragmented Regulatory Frameworks

The African financial sector is characterised by a highly fragmented regulatory landscape, with each jurisdiction maintaining its own set of supervisory authorities and legal frameworks for financial institutions. In most countries, the central bank remains the primary regulator of banks, microfinance institutions, and payment systems, setting prudential standards, capital adequacy requirements, and licensing conditions. Likewise, securities regulators oversee capital market operators and publicly listed entities, imposing disclosure obligations, takeover rules, and tender offer requirements.

National competition authorities monitor mergers and acquisitions for potential anti-competitive effects, while data protection authorities supervise compliance with privacy and data-handling regulations. Additionally, sector-specific regulators oversee insurance, pensions, and asset management, further adding layers to the supervisory environment.

This multiplicity of regulators creates a scenario where a single cross-border acquisition may require five or more approvals. For example, an acquisition of a payment company in Nigeria may require approvals from the Central Bank of Nigeria (CBN) for licensing and ownership approval, the Federal Competition and Consumer Protection Commission (FCCPC) for merger clearance, the National Information

Technology Development Agency (NITDA) for data protection compliance, and the Securities and Exchange Commission (SEC) if the entity is publicly listed.

In South Africa, a similar transaction would involve the South African Reserve Bank (SARB) for banking oversight, the Financial Sector Conduct Authority (FSCA) for prudential and market conduct supervision, and the Competition Commission for antitrust review. The overlapping jurisdictional requirements across African countries underscore the need for meticulous transaction planning and early engagement with all relevant regulators to prevent delays or non-compliance.



Regional Integration and Cross-Border Supervision

Regional integration efforts are gradually shaping cross-border M&A oversight, but harmonisation remains partial. The Common Market for Eastern and Southern Africa (COMESA) Competition Commission plays a central role in reviewing mergers that affect member states,⁵ particularly when turnover thresholds or cross-border operations are triggered.⁶

The West African Economic and Monetary Union (WAEMU), through the Central Bank of West African States (BCEAO), harmonises banking supervision across its francophone members, creating a consistent prudential framework for intra-union acquisitions. The East African Community (EAC) continues to develop shared financial market rules and cross-border supervisory guidelines to promote regional integration.⁷

Despite these initiatives, domestic regulators retain primary authority over acquisitions within their jurisdictions. This means that acquirers must first satisfy local regulatory requirements and then address regional obligations. Failing to do so can result in protracted approval timelines, additional compliance costs, and increased deal uncertainty. Effective cross-border structuring, therefore, requires a careful balance between domestic regulatory compliance and regional supervisory expectations.

Rising Influence of Fintech and Digital Regulation

Africa's financial sector is no longer dominated solely by traditional banking institutions. Fintech companies, mobile money operators, digital lenders, and payment service providers constitute a rapidly expanding segment of the market. This evolution has introduced novel regulatory considerations that are critical in structuring cross-border acquisitions.

Acquirers must address cross-border data governance, ensuring that personal and financial data is handled in accordance with local privacy laws, such as Nigeria's Nigeria Data Protection Act (NDPA), South Africa's Protection of Personal Information Act (POPIA), and Kenya's Data Protection Act. Cybersecurity risk assessments are increasingly important, particularly when acquisitions involve technology platforms that handle large volumes of customer funds or sensitive personal data. Integrating digital ID systems, Know Your Customer (KYC) processes, and third-party cloud infrastructure into the post-acquisition business model has become a standard requirement for regulators, reflecting the shift towards a digitally integrated financial ecosystem. Consequently, fintech and digital finance acquisitions demand both compliance with traditional financial regulation and adherence to emerging digital and data governance frameworks.

⁵ COMESA, 'Member States'. [Link](#)

⁶ Lex Africa, 'COMESA publishes important new Competition Regulations'. [Link](#)

⁷ EAC, 'EAC Financial Sector Development and Regionalisation Project'. [Link](#)

DEAL STRUCTURING OPTIONS IN CROSS-BORDER ACQUISITIONS

Share Acquisitions

Share acquisitions remain the dominant structure for cross-border transactions in Africa's financial sector, primarily because they allow the incoming investor to obtain ownership either in full or fractionally of the entity's licence, infrastructure, customer base, technology platforms, and goodwill without disrupting operations. However, a number of jurisdiction-specific complexities accompany this route. Change-of-control thresholds differ significantly across African markets, and many regulators, including the Central Bank of Nigeria and the South African Reserve Bank, require prior written approval before any transfer of significant shareholding can occur.

Regulators also apply stringent fit-and-proper standards to incoming shareholders, directors, and beneficial owners, assessing financial stability, governance culture, risk management capacity, and, in some cases, geopolitical exposure.

Asset Acquisitions

Asset acquisitions serve as a viable alternative where the target entity carries legacy liabilities, non-performing assets, or unresolved regulatory breaches. This structure enables an investor to isolate valuable components of the business, such as loan books, customer portfolios, branch networks, technology platforms, or specific licences, without assuming the entirety of the predecessor's obligations. In practice, asset acquisitions are frequently utilised in distressed banking resolutions, microfinance restructuring, or selective acquisition of digital finance assets.

However, this structure presents notable challenges. Customer consent requirements and contract novation processes can be lengthy, particularly in markets with strong consumer protection rules. Additionally, certain assets, most notably banking licences, cannot be transferred and may require approval or a fresh licensing process with the relevant authorities. Regulators may also impose pre-approval requirements even for non-share acquisitions if the transaction has the effect of altering control, transferring regulated activities, or materially impacting customers. For this reason, asset deals often require the same regulatory engagement and approval timelines as full share acquisitions.

Use of HoldCo or SPV Structures

It is increasingly common for investors to structure acquisitions through holding companies or special purpose vehicles (SPVs), either onshore within the target's jurisdiction or offshore in tax-efficient locations. These structures provide flexibility for multi-investor participation, optimise acquisition financing, enable ring-fencing of risks, and facilitate future exits. Funding arrangements within the HoldCo may involve shareholder loans, convertible notes, preference shares, or other hybrid instruments designed to manage tax exposure and capital structure efficiently. However, SPV-based structures must be carefully aligned with local tax and regulatory requirements. Regulators increasingly scrutinise offshore vehicles to ensure transparency, prevent profit shifting, and maintain oversight over the true beneficial owners of regulated institutions.

M&A Transactions (Business Combinations and Merger)

Mergers are another important structuring option, particularly for investors seeking full integration rather than mere ownership. In a merger, two entities legally combine into a single organization, allowing the acquirer to consolidate operations, streamline regulatory licences, unify governance structures, and leverage economies of scale.

M&A structures are often used when:

- the acquirer and target possess complementary strengths (e.g., one entity has a strong licence while the other has superior technology or capital);
- regulators encourage consolidation to strengthen financial system stability;
- the parties aim to eliminate duplicate infrastructure, reduce operational costs, or expand into new regions through a single combined entity.

Mergers, however, require extensive regulatory oversight. Approval is typically needed from multiple authorities, including central banks, competition regulators, and securities regulators (for listed entities). The process can be lengthier than share or asset purchases, as it often involves public disclosures, creditor notifications, employee consultations, and integration plans submitted to regulators.

Additionally, cross-border mergers may trigger dual-jurisdiction regulatory reviews, making early engagement with both home and host supervisors essential. For fintech mergers, technology integration, cybersecurity controls, and data-migration assessments also form part of the approval process.

Despite these complexities, M&A transactions can offer significant strategic benefits, creating stronger institutions capable of competing regionally, improving capital adequacy, expanding digital infrastructure, and achieving deeper market penetration across multiple African jurisdictions.



Joint Ventures (JV) and Strategic Minority Acquisitions

Joint ventures and minority acquisitions **offer alternative pathways for foreign investors** seeking to enter politically sensitive or highly regulated markets.

In jurisdictions where foreign ownership is restricted or where regulators prefer phased entry, investors may acquire a minority stake with board representation, governance rights, and an option to increase their equity later. This approach also allows foreign acquirers to leverage the local expertise, market knowledge, and regulatory goodwill of domestic partners.

Such structures are particularly prevalent in the fintech ecosystem, where rapid innovation, evolving regulatory frameworks, and technology-driven risks encourage collaborative models. A JV or minority stake enables the investor to manage exposure, align incentives, and gradually expand control as regulatory certainty improves.



REGULATORY APPROVAL FRAMEWORK

Central Bank Approvals

Central banks serve as the primary gatekeepers for acquisitions involving banks, microfinance institutions, mobile money operators, and payment service providers. Their approval processes focus on assessing the financial strength, governance standards, ownership structure, and long-term viability of the acquiring entity. Many central banks require a detailed post-acquisition business plan, evidence of capital adequacy, and confirmation that the transaction will not introduce systemic risks.

In most African jurisdictions, central bank consent must be obtained before closing, and failure to do so can result in severe sanctions, forced unwinding of the transaction, or refusal to recognise the new owners. The approval process can be extensive, requiring disclosures on beneficial ownership, funding sources, management changes, and risk management frameworks.

Securities and Capital Markets Approvals

Ordinarily any securities transaction should go to the Securities regulators of individual countries especially where it concerns securities of public companies. Thus, where the target is a listed entity, securities regulators introduce an additional layer of oversight. For private companies, the rules are sometimes relaxed. Investors acquiring significant shareholdings may be required to launch a mandatory takeover offer, adhere to minimum pricing rules, and ensure equitable treatment of minority shareholders. Ongoing disclosure obligations continue post-acquisition, and insider trading rules apply strictly during negotiations.

Many African markets such as, Nigeria, Kenya etc., impose a mandatory bid threshold, **often around 30% ownership**, after which an acquiring shareholder must make an offer to all remaining shareholders.

This framework seeks to protect market integrity and prevent creeping acquisitions that disadvantage minority investors.



Competition (Merger Control) Approvals

Competition authorities assess whether a proposed acquisition may substantially lessen competition within the market. In Africa, merger control filings may be required not only in the jurisdiction of the target entity but also in other countries where the combined group generates revenue. In addition to national competition regulators, the Common Market for Eastern and Southern Africa (COMESA) Competition Commission (CCC) exercises jurisdiction over mergers involving parties operating in its 21-member states, as its merger control rules apply even when parties lack a physical presence in member states, provided revenue thresholds are met.

This broad jurisdictional reach means that an investor may be required to file a single transaction with several national authorities and the COMESA Competition Commission. The timing, documentary requirements, and filing fees vary widely, making regulatory planning crucial.

Data Protection and Cybersecurity Approvals

Financial sector acquisitions now intersect significantly with data protection and cybersecurity regulation. Regulators increasingly scrutinise cross-border data flows, cloud hosting arrangements, digital identity systems, and reliance on third-party vendors. Acquirers must demonstrate that customer data will remain protected, that cybersecurity risks have been assessed, and, where applicable, that data protection impact assessments have been conducted.

Fintech acquisitions are particularly affected, as their operational models depend on sensitive customer information, API integrations, and cloud-based systems. Compliance with national data protection laws is essential and, in many cases, forms a central consideration in regulatory approval.



DUE DILIGENCE IN CROSS-BORDER FINANCIAL ACQUISITIONS

Regulatory Compliance Review

Regulatory compliance is the heart of due diligence in financial sector acquisitions. Investors must assess the target's historical compliance with prudential guidelines, reporting obligations, consumer protection rules, and AML/CFT standards. Unresolved regulatory sanctions, capital adequacy breaches, or adverse supervisory findings can materially affect deal valuation and may require remedial undertakings as a condition of approval.



Financial and Loan Book Analysis

A thorough review of the target's financial health, particularly its loan portfolio, is essential. High non-performing loan ratios, inadequate provisioning, liquidity mismatches, or exposure to foreign currency risks can significantly undermine the target's value. The acquirer must understand the true quality of the loan book, stress-test the balance sheet, and evaluate funding sources and off-balance-sheet commitments.

Technology and IP Audit

For fintechs and digital financial institutions, the technology audit is as critical as financial due diligence.

Investors must verify ownership of software, APIs, and proprietary technology, assess cybersecurity resilience, and confirm that core systems meet regulatory standards. Particular attention should be paid to digital KYC tools, AML automation, and reliance on third-party cloud providers.

Legal and Contractual Due Diligence

Legal due diligence encompasses customer contracts, loan agreements, vendor relationships, employment obligations, insurance policies, and any pending litigation. The objective is to identify existing and potential liabilities, assess contractual risks, and determine the extent of obligations that will transfer to the acquirer.



TRANSACTION DOCUMENTATION CONSIDERATIONS

Shares Disposal Agreements

The documents governing the acquisitions or disposal of shares in a cross-border transaction are Share Purchase Agreement (SPA), Investment Agreement, Transaction Implementation Agreement among others. Given the regulatory complexities of financial sector transactions, these agreements often include detailed conditions precedent tied to regulatory approvals, extensive warranties on compliance and governance, long-stop provisions to accommodate approval timelines, and mechanisms for price adjustment or escrow in case of unresolved liabilities.

Shareholders' Agreement

Where the acquisition results in shared ownership, a shareholders' agreement sets out governance rights, board representation, reserved matters, and exit mechanisms. For minority or phased investments, this document ensures alignment with local partners while providing protections such as veto rights, tag-along and drag-along provisions, and information rights.

Regulatory Undertakings

Regulators may require formal undertakings from acquirers, including commitments to inject capital, enhance governance structures, overhaul compliance frameworks, or restrict dividend payments until stability is achieved. These undertakings are incorporated into transaction documents to provide enforceability.



KEY LEGAL RISKS AND MITIGATION STRATEGIES

Currency and Foreign Exchange Risks

Currency volatility is a significant risk in African cross-border transactions. Countries such as Nigeria, Ghana, Kenya, and Ethiopia frequently adjust exchange controls, impose repatriation restrictions, or experience sharp currency depreciation. These risks affect acquisition pricing, debt service obligations, and the ability to repatriate returns. Investors often rely on hedging, offshore payment structures, and multi-currency arrangements to mitigate FX exposure. However, with the full implementation of Pan African Payment and Settlement System (PAPSS) architecture into the Central Bank of African States, some barrier to trade and investment will be reduced or totally phased out among participant African countries.

Political and Sovereign Risks

Political dynamics ranging from regulatory unpredictability to macroeconomic instability play a major role in shaping M&A outcomes. Sudden policy shifts, nationalisation concerns, or changes in government can affect regulatory approvals and post-acquisition operations. Mitigation tools include political risk insurance, stabilisation clauses, phased acquisition models, and diversification across markets.

Regulatory Breaches by Target Companies

Acquirers may inherit liabilities arising from historical regulatory breaches, including AML deficiencies, consumer protection violations, or capital adequacy lapses.

Investors manage these risks through indemnities, escrow arrangements, remediation plans, and detailed warranties in transaction documents. It is also increasingly common for regulators to require formal remediation commitments as part of the approval process.

Post-Acquisition Capital Injection Risks

Many regulators require immediate recapitalisation of acquired institutions, particularly where the target's financial position is weak. Capital injection expectations affect valuation, funding structure, and post-acquisition integration plans. Acquirers must anticipate these requirements early and factor them into pricing models and SPA negotiations.

CONCLUSION

Cross-border acquisitions in Africa's financial sector offer strong opportunities for growth, market expansion, and deeper regional integration.

However, these transactions also come with challenges. Different regulatory requirements, political considerations, and technology-related risks mean that investors must plan carefully, understand the rules in each jurisdiction, and carry out thorough due diligence before committing.

As financial markets across the continent continue to develop, the success of cross-border deals will increasingly depend on how well investors prepare, engage with regulators, and work closely with experienced legal advisers who understand both local and regional dynamics. With the right guidance and a well-structured approach, these acquisitions can strengthen financial institutions, improve customer services, and contribute to broader economic development across Africa.

About Stren & Blan Partners

Stren & Blan Partners is a leading Nigerian commercial law firm with dedicated practices in Asset Recovery, Fraud Investigation & Enforcement, and Financial Services.

Our team has extensive experience representing international clients in cross-border fraud matters and works closely with law enforcement agencies, regulatory bodies and international counsel to achieve effective recoveries.

For enquiries regarding digital fraud recovery or asset tracing in Nigeria, please contact our Asset Recovery and Fraud Investigation team.

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