



**Client Update:**  
**Revised Guidelines for the  
Nigerian Foreign Exchange  
Market (NFEM)**



## Introduction

The Central Bank of Nigeria (CBN) in a circular dated 29 November 2024, issued the Revised Guidelines for the Nigerian Foreign Exchange Market (“NFEM”) (the “Guidelines”), marking a significant shift in how foreign exchange transactions are to be conducted in Nigeria. This development comes as part of the CBN’s strategy to consolidate all windows within the official foreign exchange market and deepen the overall market structure.

The CBN has introduced the Guidelines to deepen the market, streamline its operations, and enhance transparency for participants. These revised Guidelines supersede previous regulatory frameworks and consolidate all FX windows into a

unified official market.

The new Guidelines supersede the following prior regulations:

- **Press Release:** Operational Changes to the Foreign Exchange Markets (June 14, 2023)
- **Circular:** Establishment of Investors’ & Exporters’ FX Window (Ref: FMD/DIR/CIR/GEN/08/007, April 21, 2017)
- **Guidelines:** Revised Guidelines for the Operation of the Nigerian Inter-Bank Foreign Exchange Market dated 15 June 2016.

On this wise, all market participants<sup>1</sup> are now required to comply exclusively with these updated provisions.

<sup>1</sup> Financial Institutions licensed by the CBN to deal in foreign exchange.

# Why these Guidelines Matter

The CBN has taken this step to enhance governance, address inefficiencies, and eliminate market distortions. These updates are crucial for fostering transparency, improving

liquidity, and ensuring a functional FX market that serves the needs of businesses, individuals, and financial institutions.

## Key Updates in the New Guidelines

### 1. Unified Participation

- **Authorized Dealers<sup>2</sup>** are the sole facilitators of FX transactions in the NFEM and are required to ensure compliance with regulatory frameworks, conduct due diligence, and adopt transparent pricing practices.
- **Licensed Bureaux de Change (BDCs)<sup>3</sup>** are permitted to purchase FX from Authorized Dealers within monthly limits set by the CBN to meet their customers' needs.
- **Unlicensed intermediaries** are strictly prohibited, and all transactions must be conducted with Authorized Dealers or licensed BDCs.

### 2. Eligible Transactions

- Trade-backed transactions (visible and invisible) as defined in the FX Manual that meet regulatory requirements are allowed.<sup>4</sup>

- Documentary requirements must be verified by Authorized Dealers before transactions are settled and records must be meticulously maintained for auditing purposes.

### 3. Pricing Framework

- All FX pricing shall be centralized through the **Electronic Foreign Exchange Matching System (EFEMS)<sup>5</sup>** for transparency and consistency.
- All customer transactions conducted outside the EFEMS shall be guided by the prevailing NFEM rate at the time of execution.
- Transaction rates will be published daily on the CBN website. Moreover, negotiation of FX rates outside the market is prohibited.

<sup>2</sup> Financial Institutions authorized by the CBN to participate in the Nigerian Interbank FX market.

<sup>3</sup> Bureaux de Change (BDCs) operators licensed under the revised guidelines (ref FPRD/DIR/PUB/CIR/002/010 issued on May 22, 2024)

<sup>4</sup> Appendix 1 of the Foreign Exchange Manual 2018 issued by the Central Bank of Nigeria (CBN) defines invisible and visible transactions in the context of foreign exchange (forex) management.

<sup>5</sup> Electronic Foreign Exchange Matching is an electronic matching system, which will serve as the platform for conducting all FX transactions in the FX Market.

#### 4. Interbank Market Reforms

The new Guidelines introduce stricter rules for inter-bank trading:

- Trading between Authorized Dealers is allowed only within established credit limits.
- Market Makers<sup>6</sup> must provide daily two-way quotes in line with liquidity standards.
- All interbank transactions must be conducted on the EFEMS platform to ensure compliance with the Nigeria FX Code.<sup>7</sup>

#### 5. Enhanced Reporting Requirements

To improve oversight and market monitoring:

- Authorized Dealers must report transactions to the CBN within 10 minutes of completion, whether through EFEMS or other authorized channels.

- Banks and BDCs are required to submit daily reports through designated portals, with a strong push for adopting real-time reporting technologies.

#### 6. Implications for stakeholders

- Businesses and individuals engaging in FX transactions are advised to transact only with Authorized Dealers or licensed BDCs.
- Market participants must ensure all necessary documentation for FX transactions is accurate, complete, and readily available for verification.
- Familiarize yourself with the EFEMS system for pricing transparency and avoid any dealings outside the authorized FX market framework.

## Looking Ahead

The CBN's commitment to fostering a functional and transparent FX market is evident in these updates. By consolidating and simplifying market

guidelines, the regulator aims to build confidence and create a robust FX ecosystem.

<sup>6</sup> An institution mandated to continuously provide two-way quotes for the minimum order size limit. These financial institutions mandated to continuously provide two-way quotes for currency pairs. This means they are required to actively offer both bid and always ask prices for specific currency pairs, ensuring liquidity and facilitating efficient trading.

<sup>7</sup> The Nigeria Foreign Exchange (FX) Code Issued by the Central Bank of Nigeria (CBN) in October 2024.

# About Stren & Blan Partners

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Stren & Blan Partners is an innovative and dynamic Law Firm with a compelling blend of experienced lawyers and energetic talents. We are focused on providing solutions to our client's business problems and adding value to their businesses and commercial endeavours. This underpins our ethos as everything we do flows from these underlying principles.

Stren & Blan Partners is a full-service commercial Law Firm that provides legal services to diverse local and multinational corporations. We have developed a clear vision for anticipating our client's business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

## Authors



**Ozioma Agu**

Partner

[OziomaAgu@strenandblan.com](mailto:OziomaAgu@strenandblan.com)



**David Olajide**

Associate

[DavidOlajide@strenandblan.com](mailto:DavidOlajide@strenandblan.com)



# Stren & Blan Partners

[www.strenandblan.com](http://www.strenandblan.com)  
[contact@strenandblan.com](mailto:contact@strenandblan.com)  
[@strenandblan](https://www.instagram.com/strenandblan)

+234 (0)702 558 0053  
3 Theophilus Orji Street, Off Fola Osibo  
Road, Lekki Phase 1, Lagos, Nigeria