Financial Sector 2024 Round-up and 2025 Forecast

The State of the Financial Sector in 2024 and a 2025 Forecast

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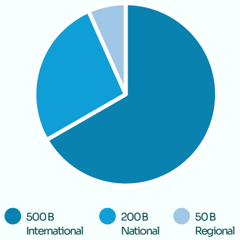
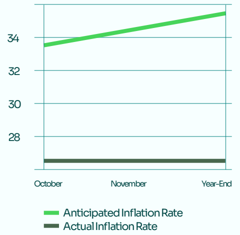
Nigeria's financial sector saw 30% growth in 2024, fueled by $6 billion in foreign investments. New CBN regulations mandate higher bank capital bases by 2026, prompting reforms like mergers and partnerships.

CBN's Capital Requirements for Banks by 2026



Nigeria's Inflation Rates: Anticipated vs. Actual (H2 2024)



In 2024, Nigeria's financial sector experienced remarkable growth and transformative developments, setting the stage for further progress in 2025. The sector recorded over a 30% increase in the first half of the year, driven by foreign capital inflows that doubled to $6 billion compared to 2023[1], largely due to the ease of currency controls that attracted portfolio investors, particularly from the UK and the Netherlands. The Central Bank of Nigeria (CBN) introduced new regulatory measures requiring banks with international operations to increase their capital base to N500 billion by 2026, while national and regional banks must raise theirs to N200 billion and N50 billion, respectively. These reforms aim to enhance balance sheet resilience, with banks exploring rights issues, mergers, and strategic partnerships to comply.

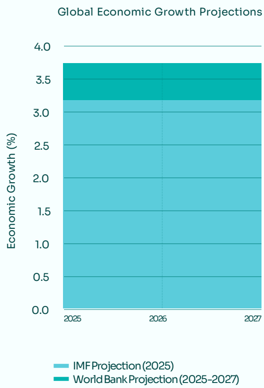
In the second half of 2024, Nigeria's financial sector faced a complex landscape characterized by both challenges and opportunities. Analysts anticipated that inflation would decrease to 26.72% by the end of the year, with an average of 30.96% for the fiscal year 2024.[3] However, Nigeria's inflation rate exceeded the anticipated 26.72% target, reaching 33.88% in October and 34.6% in November.

The CBN responded by raising the benchmark lending rate to 27.50% in November, marking the sixth consecutive rate in the year 2024 to address the persistent inflationary pressures and stabilize the economy.

More so, the CBN implemented measures to stabilize the economy, including tightening monetary policy and introducing the Electronic Foreign Exchange Matching System (EFEMS) to enhance transparency in the foreign exchange market and foster a more efficient foreign exchange market, thereby contributing to the overall stability of Nigeria's financial system.

Introduction

IMF predicts 3.2% global growth in 2025; World Bank anticipates 3.7% GDP growth for Nigeria from 2025 to 2027 with declining inflation.



The analysis covers 2024 financial sector developments, regulatory changes, and investments while identifying trends and challenges for 2025.

Additionally, while Nigerian banks were under pressure to strengthen their balance sheets, the fintech sector also flourished, with companies like Moniepoint Inc. achieving unicorn status following a $110 million Series C funding round, highlighting fintech's role in addressing infrastructure gaps and boosting financial inclusion across Africa. In summary, the second half of 2024 presented significant challenges for Nigeria's financial sector while offering opportunities for growth and stability through strategic reforms and policy measures.

Looking ahead to 2025, the outlook for Nigeria's financial sector remains cautiously optimistic. The CBN's initiatives are expected to enhance market transparency and efficiency, fostering a more stable financial environment. However, persistent inflation and exchange rate fluctuations may continue to pose challenges. The government's efforts to diversify the economy and attract foreign investment are anticipated to play a crucial role in shaping the financial landscape in the coming year.

The International Monetary Fund (IMF) projects global economic growth of 3.2% in 2025,[2] and the World Bank anticipates GDP growth averaging 3.7% annually from 2025 to 2027 with inflation gradually declining[4]. However, sustained reforms and effective policy implementation will be critical. In this outlook, we explore the key developments that shaped Nigeria's financial sector in 2024, highlighting critical regulatory changes, market performance, and key investments. We also provide insights into the emerging trends and challenges that are expected to influence the sector as we move into 2025.

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Notable Developments in the 1st Quarter of 2024.

Banking Sector Recapitalization Programme 2024

The CBN introduced the Banking Sector Recapitalization Programme 2024 as a regulatory measure to strengthen the resilience and stability of financial institutions while enhancing their ability to support Nigeria's economic growth. The programme requires banks to meet new minimum capital thresholds based on their license categories, with amounts ranging from ₦10 billion for regional non-interest banks to ₦500 billion for international commercial banks. Set to begin on April 1, 2024, with a compliance deadline of March 31, 2026, the initiative aims to position banks to absorb financial shocks, improve intermediation, and contribute to the realization of a US$1 trillion economy by 2030. This step underscores the CBN's commitment to fostering a robust and sustainable banking sector.

Range of new minimum capital thresholds

Carbon acquires Vella Finance and Launches AI-Powered SME Banking Platform

Carbon, a leading Nigerian digital bank, acquired fintech startup Vella Finance and launched a revolutionary AI-powered SME banking platform. This new platform offered innovative features such as AI-driven transaction insights, low-interest loans, automated income splitting, and sub-accounts for better financial management. Chijioke Dozie, co-founder of Carbon, emphasized the strategic importance of the acquisition, highlighting Vella's innovative approach to SME banking. Vella's customers transitioned to Carbon Business, ensuring seamless integration. This development marked a significant milestone for SME banking in Nigeria, as it leveraged cutting-edge AI technology to address long-standing challenges faced by small businesses. By improving access to financial tools and simplifying business banking, Carbon fostered entrepreneurship and drove economic growth in the region.

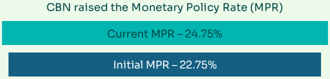
Notable Developments in the 1st Quarter of 2024.

CBN Tightens Monetary Policy with Key Adjustments at 293rd MPC Meeting

At its 293rd Monetary Policy Committee (MPC) meeting on February 27, 2024, CBN made key adjustments to its monetary policy. The CBN raised the Monetary Policy Rate (MPR) by 400 basis points, increasing it from 18.75% to 22.75%. The asymmetric corridor was adjusted to +100/-700 basis points, while the Cash Reserve Ratio (CRR) was raised from 32.5% to 45%. However, the Liquidity Ratio was kept at 30%.

These measures were aimed at curbing inflation, reducing excess liquidity, and stabilizing the economy. The rate hikes were expected to increase borrowing costs but were seen as necessary to control inflation and strengthen the financial system. The adjustments were part of CBN's efforts to maintain macroeconomic stability.

CBN raised the Monetary Policy Rate (MPR)



CBN Raises MPR and Adjusts Monetary Policy at 294th MPC Meeting

At its 294th Monetary Policy Committee (MPC) meeting on March 26, 2024, the CBN increased the Monetary Policy Rate (MPR) by 200 basis points, raising it from 22.75% to 24.75%. CBN also adjusted the asymmetric corridor to +100/-300 basis points. The Cash Reserve Ratio (CRR) was retained at 45%, and the Liquidity Ratio remained at 30%.

The MPR was made to further address inflationary pressures and manage liquidity in the economy. The committee aimed to tighten financial conditions while maintaining adequate liquidity for banking operations. These measures reflect the CBN's continued efforts to stabilize the economy and control inflation.

45%
Cash Reserve Ratio (CRR)

30%
Liquidity Ratio

Notable Developments in the 1st Quarter of 2024.

CBN Approves Revised Service Charter to Enhance Customer Experience

The CBN approved an updated service charter to improve customer experience and operational transparency. This review follows the Business Facilitation Act of 2022 and includes commitments to enhanced accessibility, responsiveness, and the introduction of a new grievance redress system. With these updates, CBN aims to streamline its services, ensuring efficiency, accountability, and improved service delivery to the public.

Additionally, the Charter outlines clear procedures for addressing service failures, ensuring customers can seek redress through any of our service channels. The newly revised service document outlines a comprehensive list of services offered by the Bank and their respective service standards. The Service Charter also includes a standardized Customer Complaints Form to report service failures and a mechanism to address such issues.

CBN Sells N161.5 billion in Treasury Bills Amid Strong Investor Demand

The CBN sold N161.5 billion in Treasury Bills (NTBs) at its March 13, 2024, auction. Investor demand was strong, with the 364-day bills attracting the highest subscriptions, signalling interest in higher returns and longer maturities. The sale reflects the CBN's strategy to curb inflation, stabilize exchange rates, and foster a balanced economic environment. Investors' diversified demand across various maturities indicates confidence in Nigerian sovereign instruments, with market expectations for stable interest rates and cautious outlooks on future economic volatility.

Notable Developments in the 2nd Quarter of 2024.

NDIC Secures Court Order to Wind Down 96 Microfinance and Mortgage Banks

The Nigeria Deposit Insurance Corporation (NDIC) has successfully obtained court orders to wind down 96 out of 183 microfinance and primary mortgage banks whose licenses were revoked by CBN in May 2023. NDIC's Managing Director, Bello Hassan, confirmed this development at a seminar for Federal High Court judges, emphasizing the corporation's commitment to fulfilling its mandate of protecting depositors and ensuring the stability of the financial system. Hassan also highlighted the judiciary's key role in expediting these cases to enhance legal processes in bank liquidations.

CBN Increases Benchmark Interest Rate to 26.25%

The CBN raised the benchmark interest rate by 150 basis points to 26.25% following the 295th Monetary Policy Committee (MPC) meeting.

The CBN also maintained the Cash Reserve Ratio (CRR) at 45%, the Asymmetric corridor at +100/-300 basis points, and the liquidity ratio at 30%. This rate hike is part of efforts to curb inflation, which reached 33.69% in April 2024, with the Governor noting improvements in food and core inflation.

CBN revises Regulatory and Supervisory Guidelines for Bureau de Change (BDC) Operations

The CBN issued new Regulatory and Supervisory Guidelines for Bureau de Change (BDC) Operations on 22 May 2024, replacing the Revised Operational Guidelines for Bureau de Change in Nigeria issued in November 2015. The Guidelines took effect on 3 June 2024 and govern the licensing and operation of BDCs in Nigeria, with provisions affecting fintech companies.

Key Highlights

Prohibition on Fintechs Owning BDCs

Payment Service Banks (PSBs), Payment Service Providers (PSPs), Mobile Money Operators (MMOs), and International Money Transfer Operators (IMTOs) are prohibited from owning BDCs, either directly or indirectly.

BDCs as Cash-out Points for IMTOs

BDCs can act as cash-out points for IMTOs, facilitating the conversion of foreign currency into Naira, though they are prohibited from facilitating outbound international currency transfers.

Digitalisation of BDC Operations

BDCs are required to digitalise their operations, with provisions for digital payments and transfers to customers' Naira accounts or prepaid Naira cards for non-residents.

The Guidelines suggest increased collaboration between BDCs and fintech companies, particularly IMTOs, providing potential opportunities for fintechs while requiring strict adherence to regulatory limits.

CBN Withdraws the Cybersecurity Levy

The CBN's withdrawal of the cybersecurity levy, which was to be imposed on electronic transactions, followed concerns raised by stakeholders. The levy, part of the Cybercrime (Prohibition, Prevention, etc.) Amendment Act of 2024, was intended to fund the National Cybersecurity Fund, administered by the Office of the National Security Adviser (ONSA). After further review, the apex bank rescinded its circular, citing the need for more consultation.

Key Highlights

CBN Revokes Heritage Bank’s License

The CBN revoked the banking license of Heritage Bank Plc due to persistent financial challenges and non-compliance with banking regulations. Despite previous supervisory interventions, the bank's management failed to improve its financial performance, posing a threat to financial stability. Following the revocation of Heritage Bank's license, the Nigeria Deposit Insurance Corporation (NDIC) has listed the bank's assets, including its head office and branches, for sale. This is part of the liquidation process. The NDIC has also started reimbursing depositors with balances up to N5 million. The liquidation aims to recover funds and protect depositors.

Consequently, the Nigeria Deposit Insurance Corporation (NDIC) was appointed as the bank's liquidator. This action underscores the CBN's commitment to maintaining a sound financial system in Nigeria. The revocation aims to protect depositors and uphold public confidence in the banking sector.

Wema Bank Receives Regulatory Approval for N40 Billion Rights Issue

Wema Bank has successfully concluded the first tranche of its recapitalization exercise by securing all necessary regulatory approvals for its N40 billion rights issue. This initiative, launched in December 2023, aims to strengthen the bank's capital base in compliance with the CBN’s directive for banks to enhance their financial positions.

The rights issue was approved by both CBN and the Securities and Exchange Commission (SEC), marking a significant milestone in Wema Bank's capital raise program. This development underscores Wema Bank's commitment to maintaining its commercial banking license with national authorization and its dedication to meeting the capital requirements set by the CBN. The bank plans to complete the entire capital raise process within 12 to 18 months, aiming to position itself as a leading financial institution in Nigeria.

Key Highlights

Fidelity Bank Commences N127 Billion Capital Raise

Fidelity Bank embarked on a significant capital-raising initiative to generate ₦127.1 billion, combining a rights issue and a public offer to strengthen its capital base in compliance with the CBN's revised minimum capital requirement of ₦500 billion for banks with international authorization. The rights issue involved offering 3.2 billion ordinary shares of 50 kobo each at ₦9.25 per share to existing shareholders on the basis of one new share for every 10 ordinary shares held as of January 5, 2024. Simultaneously, the bank launched a public offer of 10 billion ordinary shares of 50 kobo each at ₦9.75 per share to the general public. The funds raised were directed towards supporting the bank's strategic initiatives, including enhancing its digital infrastructure, expanding its regional presence, diversifying its earnings base, and improving product distribution channels. Fidelity Bank also utilized the proceeds to improve customer service capabilities and advance its technological transformation agenda.

The application period for the rights issue and public offer, which ran from June 20 to July 29, 2024, saw strong participation. To accommodate oversubscriptions, the bank received regulatory approval from SEC to extend the offer period and issue an additional 8.2 billion shares, raising the total shares issued to 21.4 billion.

This initiative significantly reduced Fidelity Bank's gap in meeting the ₦500 billion capital threshold.

CBN Restores Eyowo Microfinance Bank's Licence

CBN reinstated the operating licence of Eyowo Microfinance Bank (MFB) after the bank successfully met regulatory requirements. Eyowo's licence was revoked in September 2023, along with those of 178 other financial institutions, due to non-compliance with CBN's minimum capital and governance standards. Following extensive efforts to address these issues, including meeting the minimum capital threshold and improving governance, CBN's decision highlights its focus on maintaining stability in the microfinance sector and fostering compliance to drive economic development.

Notable Developments in the 3rd Quarter of 2024.

CBN Raises Interest Rate by 50 Basis Points, from 26.25% to 26.75%

At the 296th meeting of the Monetary Policy Committee (MPC) held on July 22-23, 2024, the CBN decided to raise the Monetary Policy Rate (MPR) by 50 basis points, increasing it from 26.25% to 26.75%. This adjustment also involved modifying the asymmetric corridor around the MPR, which was changed from +100/-300 to +500/-100 basis points. The committee opted to maintain the Cash Reserve Ratio for Deposit Money Banks at 45% and for Merchant Banks at 14%. Additionally, the Liquidity Ratio was kept at 30%. These measures reflect the CBN's ongoing efforts to manage inflation and ensure economic stability.

Senate Passes Amendment to Finance Act 2023

The Nigerian Senate has amended the 2023 Finance Act, raising the windfall levy on banks' foreign exchange revaluation gains from 50% to 70%. This levy applies to profits generated from foreign exchange transactions. Banks failing to remit the levy by December 31, 2024, face fines of 10% of the withheld levy annually and interest at the CBN's discount rate. The amendment shifts the timeline to profits from June 2023, following the CBN's forex policy unification, and extends its application through the 2025 financial year.

Notable Developments in the 3rd Quarter of 2024.

Nigeria's $500 Million Domestic Dollar Bond Oversubscribed by 180%

In August 2024, Nigeria launched its first-ever dollar-denominated domestic bond, aiming to raise $500 million. The five-year bond, offering a 9.75% interest rate, was met with significant investor interest, resulting in an oversubscription of 180% and total commitments reaching $900 million.

The bond issuance is part of a broader $2 billion program registered with SEC, intended to fund critical sectors of the economy, including energy and infrastructure. The government has the option to accommodate additional subscriptions up to the program's full $2 billion limit.

This strategic move aims to attract foreign currency held by Nigerians abroad and international investors, thereby stabilizing the naira and bolstering the domestic economy. Finance Minister Wale Edun highlighted the bond as a landmark for Nigeria's domestic market, reflecting investor confidence in the country's economic reforms

CBN Approves Unity-Providus Merger, to Await SEC/FCCPC Approval

The CBN approved the merger between Unity Bank and Providus Bank as part of their efforts to comply with the new recapitalization requirements set by the apex bank. The merger aimed to bolster the capital base of both banks, ensuring they remained competitive and resilient in Nigeria's evolving financial landscape.

While the CBN's approval marked a significant milestone, the transaction was still subject to final clearances from the SEC and the Federal Competition and Consumer Protection Commission (FCCPC). These approvals were necessary to ensure compliance with securities regulations and competition laws.

The merger was a strategic move to pool resources, improve liquidity, and meet the regulatory capital thresholds mandated by the CBN. Analysts viewed this development as a proactive response to the challenges of recapitalization, with both banks leveraging the opportunity to enhance their operational efficiency and expand their market presence.

Notable Developments in the 3rd Quarter of 2024.

MTN Liquidates Visafone, Recognizes $18 Million Loss Years After Spectrum Battle

MTN Nigeria announced the liquidation of its subsidiary, Visafone Communications Limited, several years after acquiring it in a high-profile spectrum acquisition deal. The telecommunications giant disclosed a financial loss of $18 million in connection with the subsidiary's closure.

Visafone, once a major player in Nigeria's Code Division Multiple Access (CDMA) sector, was acquired by MTN in 2016 to secure its valuable 800 MHz spectrum for 4G LTE deployment. The acquisition was part of MTN's strategic efforts to enhance broadband penetration and strengthen its position in Nigeria's competitive telecommunications market.

However, the liquidation decision stemmed from operational and market challenges faced by Visafone, including dwindling CDMA technology relevance and an inability to achieve sustainable profitability. Despite MTN's significant investment, the subsidiary struggled to integrate effectively into MTN's operations or contribute meaningfully to its financial performance.

The $18 million loss, recognized in MTN's financial statements, reflects the residual liabilities and write-offs associated with Visafone's liquidation process. Industry analysts noted that while the liquidation signalled a financial setback, MTN's focus on leveraging the acquired spectrum for its LTE services had yielded significant long-term benefits for its core business.

Notable Developments in the 3rd Quarter of 2024.

SEC to License Crypto, Virtual Assets Providers

SEC announced its intention to license crypto and virtual asset service providers (VASPs) as part of efforts to regulate the growing digital assets market. This move aligns with SEC's mandate to ensure transparency, investor protection, and market integrity in the rapidly expanding digital financial ecosystem.

Under the new regulatory framework, all crypto and virtual asset operators in Nigeria will be required to register with SEC to provide services legally. The licensing process aims to introduce strict compliance measures to address concerns such as fraud, money laundering, and other financial crimes commonly associated with digital assets.

In its statement, SEC emphasized the importance of a regulatory framework that balances innovation with risk management. By licensing VASPs, SEC seeks to build investor confidence and foster responsible innovation in the crypto space while supporting Nigeria’s transition to a digital economy.

BOI Secures Landmark €1.425BN Loan to Boost Financing for Nigerian Businesses

The Bank of Industry (BOI) has secured a landmark €1.425 billion loan aimed at boosting financing opportunities for Nigerian businesses. The loan, which represents a significant boost to the bank’s capital base, is designed to support businesses in critical sectors including manufacturing, agriculture, and infrastructure, in alignment with Nigeria's economic diversification agenda.

This loan agreement is part of BOI's ongoing efforts to improve access to finance for Nigerian entrepreneurs and businesses, particularly those in sectors identified as key to the country’s growth and development. The financing will be used to enhance the bank's ability to offer both short-term and long-term loans at competitive rates to small and medium-sized enterprises (SMEs) and large corporations.

Notable Developments in the 3rd Quarter of 2024.

SEC Nigeria Grants Approval-in-Principle to Busha Digital and Quidax Technologies as Digital Assets Exchanges

SEC granted approval-in-principle to Busha Digital and Quidax Technologies to operate as digital asset exchanges. This milestone marks a significant step in Nigeria's journey toward regulating the burgeoning digital assets market and fostering a safer, more transparent ecosystem for crypto trading.

The approval-in-principle signifies the SEC's initial endorsement of these platforms, allowing them to offer digital asset trading services under regulatory supervision. This development aligns with SEC Nigeria's strategic efforts to establish a robust regulatory framework for digital assets, ensuring investor protection and adherence to global standards.

Busha Digital and Quidax Technologies, both key players in Nigeria's crypto space, will be required to meet stringent requirements, including operational guidelines, reporting standards, and compliance with anti-money laundering (AML) and Know Your Customer (KYC) protocols.

In its statement, SEC emphasized that the approval-in-principle is a preliminary stage, with the exchanges expected to fulfill additional conditions before obtaining full licenses. These conditions are designed to ensure that licensed platforms uphold the highest standards of integrity and security in their operations.

The loan was secured through a consortium of international financial institutions, underscoring confidence in Nigeria's economic prospects and BOI's ability to manage and disburse funds effectively. The partnership reflects the growing recognition of Nigeria's potential as an investment destination, especially in light of its vast consumer market and ongoing structural reforms.

Notable Developments in the 3rd Quarter of 2024.

Nigerian Fintech, Rise Acquires Kenyan Investment Platform, Hisa

In a significant development within the African fintech space, Nigerian fintech company Rise has acquired Hisa, a leading Kenyan investment platform. This acquisition marks a strategic move by Rise to expand its reach and solidify its presence across the African continent.

Hisa, founded in Kenya, offers users access to investment opportunities in stocks, bonds, and other financial assets, providing a platform for individuals to grow their wealth in the capital markets. The platform's user-friendly interface and innovative features have attracted a large customer base in Kenya, making it one of the leading investment platforms in East Africa.

The acquisition by Rise, which has rapidly grown its influence in Nigeria's fintech ecosystem, is aimed at enhancing its suite of services and enabling it to offer more comprehensive investment solutions to its growing customer base across the continent. By acquiring Hisa, Rise intends to tap into Kenya's fast-growing financial services market and expand its product offerings, which are expected to include mobile savings, investments, and loans tailored for the African market.

Notable Developments in the 3rd Quarter of 2024.

CBN Reduces Cybersecurity Levy to 0.005% on Electronic Transactions

In a move aimed at easing the financial burden on businesses and individuals engaging in electronic transactions, the CBN has reduced the cybersecurity levy from 0.5% to 0.005% on all electronic transactions. The adjustment is a part of the bank's efforts to promote digital financial services while still ensuring a sustainable contribution to the National Cyber Security Fund (NCF).

The levy, initially set at 0.5%, was imposed to fund the country's efforts in combating cybercrime and enhancing the security of digital financial platforms. The CBN had previously introduced the cybersecurity levy under the Cybercrime (Prohibition, Prevention, etc.) Amendment Act 2024, which was designed to bolster the nation's cyber defenses by providing financial support to initiatives aimed at securing online platforms and reducing digital fraud.

The reduced rate of 0.005% is expected to ease the financial strain on businesses and individuals conducting online transactions, encouraging more participation in the digital economy. This revision comes in response to feedback from industry stakeholders and concerns about the impact of the original levy on the growth of electronic payment systems in the country.

The CBN emphasized that the levy would continue to be collected on all electronic transactions, and the proceeds would be directed towards the National Cyber Security Fund, which is administered by the Office of the National Security Adviser (ONSA). The funds will be used to support Nigeria's efforts to enhance cybersecurity infrastructure, train personnel, and develop policies to combat cyber threats.

Notable Developments in the 3rd Quarter of 2024.

Sterling HoldCo Finalizes $50M Capital Raise Through Private Placement

Sterling HoldCo successfully finalized a $50 million capital raise through a private placement, marking a significant milestone in its efforts to strengthen its financial position and support its strategic expansion plans. The capital raise was aimed at bolstering the company's operational capabilities and enhancing its investment portfolio in various sectors.

The private placement involved the issuance of new shares to selected institutional and accredited investors. The funds raised will be directed towards various growth initiatives, including expanding Sterling HoldCo’s existing portfolio, enhancing technological infrastructure, and increasing its market share in key sectors of the economy.

In a statement, Sterling HoldCo highlighted that the capital raise was part of its broader strategy to solidify its presence in the market and improve its long-term shareholder value. The company expressed confidence that the additional capital would support its expansion plans and facilitate its efforts to deliver strong financial performance in the coming years.

Sterling HoldCo finalized the $50 million capital raise through a private placement as part of its efforts to meet the recapitalization requirements set by CBN. This move was aligned with the CBN’s regulatory mandates to ensure financial institutions maintain adequate capital levels for stability and risk management.

Notable Developments in the 4th Quarter of 2024.

CBN Raises Interest Rate By 50 Basis Points To 27.25%

At its 297th meeting held on September 23-24, 2024, the Monetary Policy Committee (MPC) of the CBN unanimously decided to raise the Monetary Policy Rate (MPR) by 50 basis points, increasing it from 26.75% to 27.25%. The committee also maintained the asymmetric corridor around the MPR at +500/-100 basis points and raised the Cash Reserve Ratio (CRR) for Deposit Money Banks by 500 basis points to 50.00%, up from 45.00%. For Merchant Banks, the CRR was increased by 200 basis points to 16% from 14%. The Liquidity Ratio remained unchanged at 30.00%. The MPC noted a moderation in headline inflation in July and August 2024 and observed the relative stability in the exchange rate across market segments, attributed to the tight monetary policy. This stability was expected to boost confidence, providing a more predictable economic environment and allowing for medium- to long-term planning.

CBN Signs MOUs with Host Countries to Regulate Nigerian Banks' Subsidiaries Abroad

The CBN has signed Memoranda of Understanding (MOUs) with several host countries to regulate the operations of Nigerian banks' subsidiaries operating outside the country. This move aims to strengthen the oversight of Nigerian banks' activities abroad and ensure that they comply with both local and international financial regulations. The agreements will enhance the supervisory powers of the CBN over the foreign branches, ensuring that they align with global financial standards while contributing to the growth and stability of the Nigerian financial sector. The MOUs also aim to improve cooperation between the CBN and regulatory bodies in the host countries to foster a more stable and transparent banking environment.

Notable Developments in the 4th Quarter of 2024.

United Bank of Africa to Raise N239.4bn Through Rights Issue

United Bank for Africa (UBA) has announced its plans to raise N239.4 billion through a rights issue, as part of efforts to strengthen its capital base and meet regulatory capital requirements. The bank is set to offer its existing shareholders the opportunity to purchase additional shares at a discounted price. This move aims to enhance UBA's financial stability, support its strategic growth initiatives, and ensure its compliance with the Central Bank of Nigeria's recapitalization guidelines. The rights issue is expected to boost the bank's capital position, providing it with the necessary resources to expand its operations and enhance shareholder value.

Moniepoint to Acquire a Commercial Bank License

Moniepoint, a leading Nigerian fintech company, has announced plans to acquire a commercial bank license from the CBN. This strategic move aims to expand Moniepoint's service offerings, including deposits, loans, and other traditional banking products. The decision follows Moniepoint's successful $110 million funding round in October 2024, which included investments from Google, Development Partners International, Lightrock, and Verod Capital. This funding has propelled Moniepoint's valuation to over $1 billion, achieving "unicorn" status. The new capital will support the company's growth and the development of an integrated platform offering digital payments, banking, foreign exchange, credit, and business management tools.

Notable Developments in the 4th Quarter of 2024.

CBN Sets New Guidelines for Interbank FX Trading Via EFEMS

The CBN has introduced new guidelines for interbank foreign exchange (FX) trading through its Electronic Foreign Exchange Matching System (EFEMS), effective December 2, 2024. These guidelines include a minimum transaction value of $100,000 for interbank FX trades, with incremental trades set at a minimum of $50,000. The trading platform designated for these transactions is Bloomberg's BMatch, and trades will be conducted from 9:00 AM to 4:00 PM West Africa Time on business days. Only authorized dealer banks licensed by the CBN are permitted to participate in these transactions, and they must report completed trades to the CBN within 10 minutes. These new measures are aimed at enhancing transparency, efficiency, and compliance within Nigeria's foreign exchange market.

CBN Raises Interest Rate to 27.50%

At the 298th meeting of the Monetary Policy Committee (MPC) held on November 25th and 26th, 2024, the CBN decided to raise the Monetary Policy Rate (MPR) by 25 basis points, increasing it to 27.50% from 27.25%. The Committee also retained the asymmetric corridor around the MPR at +500/-100 basis points. Additionally, the Cash Reserve Ratio (CRR) for Deposit Money Banks was maintained at 50.00%, while Merchant Banks' CRR remained at 16%. The Liquidity Ratio was also retained at 30.00%. This decision is part of the CBN's continued efforts to address inflation and maintain financial stability in the country

Notable Developments in the 4th Quarter of 2024.

MTN Nigeria Raises N75.18 billion in Oversubscribed Commercial Paper Issuance

MTN Nigeria successfully raised N75.18 billion through its commercial paper issuance, which was oversubscribed. The issuance aimed to bolster the company's working capital and strengthen its financial position. With strong investor demand, the offering was significantly over-subscribed, highlighting confidence in MTN Nigeria’s financial health and growth prospects. The funds raised will be used for general corporate purposes, enabling the company to continue its expansion and maintain operational flexibility in a competitive market. This move is part of MTN's ongoing strategy to optimize its capital structure and support its business objectives in Nigeria.

CBN Fines 29 Banks ₦15 Billion for AML and CTF Violations

In November 2024, the CBN imposed a fine of ₦15 billion ($9 million) on 29 banks for violations of anti-money laundering (AML) and counter-terrorism financing (CTF) regulations. The announcement was made by the CBN Governor, Olayemi Cardoso, during the 2024 Bankers' Night in Lagos. This action underscores the CBN’s ongoing commitment to enforcing strict compliance with financial regulations.

The fined banks were instructed to address the root causes of their violations and rectify the structural flaws that facilitated these failures. The CBN emphasized the importance of collaboration across the industry to tackle systemic risks, ensuring that all financial institutions uphold their regulatory obligations to prevent threats to Nigeria's financial system.

Notable Developments in the 4th Quarter of 2024.

CAC Strikes Off Dormant Companies for Failing to File 10-Year Annual Returns

In November 2024, the Corporate Affairs Commission (CAC) of Nigeria struck off several dormant companies for failing to file their annual returns for a consecutive period of 10 years. This move is part of the CAC's effort to streamline the business registration process and ensure that only active and compliant businesses remain registered.

The decision highlights the importance of maintaining up-to-date records with the CAC as part of the legal requirements for companies operating in Nigeria. The affected companies will no longer be listed in the CAC's database, making it more difficult for them to operate or access business-related services. This action underscores the CAC’s commitment to enforcing regulatory compliance and maintaining the integrity of Nigeria's corporate sector.

Bitcoin Surges Above $100,000 for the First Time

In November 2024, Bitcoin, the world’s leading cryptocurrency, surpassed the $100,000 mark for the first time, marking a significant milestone in its journey. The surge is attributed to growing institutional adoption, increased demand from retail investors, and broader acceptance of digital assets in mainstream finance.

This surge comes amid a favorable regulatory environment and greater investor confidence in the cryptocurrency market. Bitcoin’s performance is being viewed as a potential indicator of continued bullish trends for other cryptocurrencies as well. The $100,000 milestone has sparked widespread discussions among financial analysts, with many speculating that the rally could continue, signaling a potential paradigm shift in the way traditional assets are valued.

As Bitcoin reaches new heights, the implications for the global financial system and its impact on the future of digital currency adoption remain a topic of interest.

Notable Developments in the 4th Quarter of 2024.

CBN Issues Nigeria Foreign Exchange Code Book and Introduces Electronic Foreign Exchange Matching System

On October 2nd, 2024, the CBN issued the Nigeria Foreign Exchange (FX) Code Book and introduced the Electronic Foreign Exchange Matching System (EFEMS) in the interbank foreign exchange market. The initiative is part of the CBN's efforts to enhance the transparency, efficiency, and stability of the country's FX market.

The FX Code Book provides a framework for best practices, setting out principles for market conduct, ethics, and governance in the foreign exchange market. It aims to improve investor confidence by ensuring fair play, mitigating risks, and establishing a more predictable trading environment.

The EFEMS, a digital platform, aims to streamline the process of matching foreign exchange trades in the interbank market, reducing manual interventions and ensuring a more automated, transparent, and efficient process for executing FX transactions. This development is expected to boost liquidity, enhance market integrity, and foster a competitive trading environment in Nigeria's foreign exchange market.

What Should Stakeholders Expect in 2025?

In 2025, Nigeria's financial sector is poised for a transformative year, marked by advancements in key areas such as bank recapitalization, mergers and acquisitions, and greater financial inclusion. The regulatory landscape will continue to evolve, with a stronger emphasis on cryptocurrency oversight and compliance measures. Additionally, environmental, social, and governance (ESG) financing is expected to play a more prominent role, fueling both growth and stability in the market. These developments signal a dynamic period of growth and modernization for the financial services industry in Nigeria.

1. Advancements in Bank Recapitalization:

Significant progress is expected in the implementation of the CBN's Banking Sector Recapitalization Programme 2024, as banks actively work towards meeting the March 2026 compliance deadline. This initiative will drive a wave of activity, including mergers, acquisitions, and equity investments, as institutions align with new capital thresholds. The recapitalization will not only enhance the financial stability of banks but also position them to provide larger-scale credit, crucial for economic growth.

2. Deepened Financial Inclusion:

Building on the momentum from 2024, financial inclusion initiatives are likely to expand, particularly in underserved and rural areas. Innovations leveraging digital platforms, mobile technology, and AI-driven solutions will be critical in delivering financial products to marginalized communities. Partnerships between traditional financial institutions and fintechs are expected to play a pivotal role in bridging the gap for the unbanked population.

3. Stronger Regulatory Oversight:

The CBN will continue to intensify its monitoring and supervisory activities, ensuring compliance with recapitalization guidelines, anti-money laundering (AML) standards, and risk-based capital adequacy ratios. Heightened regulatory oversight will foster greater confidence in the system, safeguard depositor interests, and strengthen the resilience of financial institutions to withstand economic and geopolitical shocks.

What Should Stakeholders Expect in 2025?

4. Surge in Mergers and Acquisitions (M&A):

The financial sector is poised for a significant rise in M&A activity, driven by recapitalization pressures and strategic growth ambitions. Smaller banks are expected to pursue mergers to meet capital requirements, while larger institutions will likely acquire weaker entities to expand their market share. In the fintech ecosystem, startups will seek partnerships, consolidations, or acquisitions to scale operations and attract global investments. Additionally, cross-border M&A deals are projected to grow, positioning Nigeria as a strategic financial hub in Africa. These consolidations will not only create stronger institutions but also foster innovation and competition in the sector.

5. Cryptocurrency Regulation and Innovation:

Cryptocurrency will continue to gain prominence in 2025, with Nigeria expected to introduce comprehensive regulatory frameworks to govern its use. These policies will enable banks and fintechs to develop compliant crypto-based products, such as custodial wallets, decentralised finance (DeFi) platforms, and cross-border payment solutions. The adoption of blockchain technology for transparency in transactions will likely increase. Additionally, the eNaira is expected to undergo significant enhancements, positioning it as a viable competitor to private cryptocurrencies and accelerating the adoption of digital currencies in Nigeria's economy.

6. Enhanced Compliance and Regulatory Frameworks:

To ensure stability and resilience, the CBN will reinforce compliance measures across the sector. Stricter regulations around AML, Know Your Customer (KYC), consumer protection, and capital adequacy will be enforced. These measures will create a safer and more transparent financial environment, reducing systemic risks while attracting local and international investments.

7. Emphasis on Sustainability and ESG Financing:

As environmental, social, and governance (ESG) considerations take center stage globally, Nigerian banks and financial institutions are likely to integrate sustainable financing solutions into their portfolios. This includes funding for renewable energy projects, green infrastructure, and climate adaptation initiatives. Collaborations with international development agencies may also accelerate Nigeria's ESG adoption.

Conclusion: Reflecting on 2024 and Looking Ahead to 2025

The financial sector in 2024 laid a strong foundation for transformation, marked by key regulatory developments and innovative strides. The launch of the Banking Sector Recapitalization Programme 2024 by the CBN demonstrated a commitment to bolstering financial stability and enabling institutions to weather economic challenges. Fintech innovations, investments in digital infrastructure, and emerging interest in cryptocurrency further defined the year, showcasing Nigeria's growing prominence in the global financial landscape.

As we look ahead to 2025, the sector is poised for dynamic growth and consolidation. Stakeholders should prepare for a surge in Mergers and Acquisitions (M&A), driven by recapitalization efforts and strategic expansions. Additionally, the expected clarity on cryptocurrency regulation will open new avenues for digital asset innovation and blockchain adoption. The push for sustainable finance, coupled with advancements in technology and stronger regulatory frameworks, will further shape the financial ecosystem.

With these developments, 2025 promises to be a transformative year for Nigeria's financial sector, one that balances innovation, compliance, and inclusivity to foster long-term growth and resilience. Stakeholders must remain agile, collaborative, and forward-thinking to capitalize on these opportunities and navigate emerging challenges.

ENDNOTE

ENDNOTE

01 Nigeria's capital inflow more than doubles to $6bn in first half of year By Reuters.

02 H2 2024 Macroeconomic and Financial Market Outlook

03 International Monetary Fund

04 World Bank

About
Stren & Blan Partners

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.

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