FINANCIAL SECTOR QUARTERLY INSIGHT: Q1 2026 REVIEW AND OUTLOOK FOR Q2 2026

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Introduction

The first quarter (Q1) of 2026 marked a defining phase for the Nigerian financial sector with overlapping recapitalization programmes, intensified regulatory oversight, and rapid evolution within the fintech ecosystem. Across banking, insurance, pensions, and the capital markets, regulators and market participants are collectively driving a structural shift toward stronger capital bases, enhanced governance frameworks, and improved systemic resilience.

A central feature of this transition is the growing role of strategic consolidation and capital realignment, particularly within the banking and capital market segments. The recapitalization directives introduced by the Central Bank of Nigeria (CBN) and the revised capital threshold issued by the Securities and Exchange Commission (SEC) have not only accelerated capital raising efforts but have also catalyzed merger discussions, acquisitions, and broader restructuring initiatives across the industry.

At the same time, fintech operators continue to expand beyond their traditional focus on payments into broader financial service delivery. Recent acquisitions, license upgrades, and product expansion strategies point to the emergence of integrated platforms that combine payments, lending, and data-driven financial services. Parallel reforms across insurance, pensions, and the capital markets further reinforce the overarching regulatory objective of building a more resilient and globally competitive financial ecosystem.

This report reviews key developments in Nigeria's financial sector during Q1 2026, with particular emphasis on regulatory reforms, strategic mergers and acquisitions, and fintech-driven transformation. It also highlights the key trends and structural shifts expected to shape the sector in the months ahead.

Notable Developments in the Financial Sector in Q1 2026 – Regulatory and Policy Developments

The first quarter witnessed heightened regulatory activity across Nigeria's financial ecosystem. Key regulators, like the Central Bank of Nigeria (CBN) and Securities Exchange Commission (SEC), introduced significant policy reforms aimed at enhancing financial stability, strengthening market integrity, and improving consumer protection.

SEC Issues Sweeping New Minimum Capital Requirements for Capital Market Operators

On 16 January 2026, the Securities and Exchange Commission (SEC) issued a landmark circular revising the minimum capital requirements for all categories of capital market operators (CMOs), marking a significant overhaul of the regulatory framework under the Investments and Securities Act (ISA) 2025. The new thresholds substantially increase capital bases across the market. Broker-dealers are now required to maintain ₦2 billion (up from ₦300 million), dealers ₦1 billion (from ₦100 million), and registrars ₦2.5 billion (from ₦150 million).

Underwriters and clearing firms are set at ₦5 billion, while composite exchanges must maintain ₦10 billion. Other categories of operators, such as fintechs, Virtual Asset Service Providers (VASPs) and consultants, have also been increased accordingly.

Further to this, on 18 March 2026, the SEC issued additional directives requiring CMOs to submit board-approved recapitalization or license adjustment plans by 30 April 2026, ahead of the 30 June 2027 compliance deadline.

These plans are expected to outline capital positions, funding strategies and governance structures.

The Commission made it clear that operators unable to meet the new thresholds may need to consider strategic options, including consolidation, license downgrades or exit from certain market segments. It also emphasized that the reform is intended as a long-term structural measure, with capital verification strictly tied to audited financial statements.

CBN Issues a Circular Introducing Licensed BDCs into the Nigerian Foreign Exchange Market

On 10 February 2026, the Central Bank of Nigeria (CBN) issued a circular reintroducing licensed Bureau De Change (BDCs) into the Nigerian Foreign Exchange Market (NFEM), marking a shift from their earlier exclusion from the official FX window.

Under the new framework, BDCs are permitted to purchase foreign exchange from authorized dealer banks at market rates, subject to a weekly cap of $150,000 per operator.

The circular also introduces strict operational controls. BDCs are required to sell any FX purchased within 24 hours and are not permitted to hold positions, a move aimed at preventing speculation and hoarding. All transactions must be routed through licensed bank accounts, with cash transactions limited to 25%, and third-party dealings expressly prohibited.

In addition, the framework strengthens compliance requirements, mandating proper KYC checks by authorized dealers and timely electronic reporting of all transactions to the CBN.

Overall, the directive seeks to improve FX liquidity at the retail level while maintaining tighter regulatory oversight and market discipline.

CBN Issues Baseline Standards for Automated Anti-Money Laundering Solutions

On 10 March 2026, the Central Bank of Nigeria (CBN) issued the Baseline Standards for *Automated Anti-Money Laundering (AML) Solutions for Financial Institutions* in Nigeria, establishing detailed minimum requirements for the deployment and operation of automated AML/CFT/CPF systems across regulated entities.

The Guidelines set out specific baseline standards covering core components of AML systems, including customer identification and verification, customer risk profiling, transaction monitoring, sanctions and politically exposed persons (PEP) screening, and regulatory reporting. They further require that such systems ensure real-time data processing, seamless integration with existing banking infrastructure, and strict compliance with data protection and security obligations.

In addition, the CBN places emphasis on governance and system effectiveness, mandating financial institutions to maintain audit trails, ensure data integrity, and implement ongoing testing and validation of their AML solutions to enhance detection accuracy and reduce false positives.

The circular also introduces clear implementation obligations. Regulated institutions are required to conduct a gap analysis of their existing AML frameworks and submit a detailed implementation roadmap to the CBN within three months of the issuance of the Guidelines.

With respect to compliance timelines, Deposit Money Banks (DMBs) are required to achieve full implementation within eighteen (18) months, while Other Financial Institutions (OFIs) are given up to twenty four (24) months to comply, reflecting differences in operational complexity and technological capacity. The issuance marks a transition from largely manual AML processes to a technology-driven, risk-based compliance framework, reinforcing the CBN's commitment to strengthening financial crime detection and aligning Nigeria's AML/CFT regime with global standards.

CBN Issues Revised BVN Framework to Strengthen Fraud Controls

On 13 March 2026, the CBN issued a circular revising the regulatory framework for Bank Verification Number (BVN) operations, with a clear focus on strengthening fraud prevention, tightening identity management, and enhancing the integrity of customer data across the financial system. The revised framework reflects the CBN's broader push to reinforce Know-Your-Customer (KYC) processes and address emerging risks within Nigeria's rapidly evolving digital payments ecosystem.

Key Innovations Introduced Under the Framework include:

- **Minimum Enrolment Threshold:** BVN enrolment is now restricted to individuals aged 18 years and above, strengthening the credibility of identity data within the system.
- **Restriction on BVN Data Changes:** Customers are limited to a one-time change of their BVN-linked phone number, reducing the risk of identity manipulation and fraud.
- **Temporary Watchlist Mechanism:** Financial institutions may place BVNs linked to suspicious transactions on a temporary watchlist for up to twenty-four (24) hours, during which customers are contacted to verify transaction legitimacy, enabling faster fraud response.
- **Controlled Access to BVN Database:** Access to the BVN database is now restricted to CBN-licensed financial institutions, with any exceptions subject to regulatory approval, thereby enhancing data security and governance.
- **Enhanced Monitoring and Compliance Expectations:** The framework reinforces stricter obligations on financial institutions to strengthen transaction monitoring, customer due diligence, and internal fraud control systems.

The revised framework, which takes effect on 1st May 2026, underscores the CBN's commitment to building a more secure, reliable, and resilient financial ecosystem.

CBN Clarifies Framework on Dormant Accounts and Unclaimed Balances

On 12 March 2026, the Central Bank of Nigeria (CBN) issued a clarification circular on the management of dormant accounts and unclaimed balances, refining existing guidelines to improve transparency and customer access to funds.

The circular removes the requirement for affidavits when reactivating dormant accounts that have not been transferred to the Unclaimed Balances Trust Fund (UBTF), while retaining the requirement for funds already warehoused in the UBTF. It also mandates financial institutions to publish details of dormant accounts and unclaimed balances on their websites and through public disclosures.

The CBN further clarified that such disclosures do not violate data protection laws, as they are necessary for regulatory compliance and the protection of account holders. Overall, the directive reinforces transparency, strengthens accountability, and supports the recovery of unclaimed funds within the financial system.

CBN Issues Circular to all Banks, Financial Institution and Payment Service providers on Additional Functionalities for Instant Payment

On 12 March 2026, the Central Bank of Nigeria (CBN) issued a circular introducing tighter controls for Instant Payment (IP) services, as part of efforts to curb rising digital fraud.

The circular requires financial institutions to strengthen authentication and verification processes, including the use of multi-factor authentication, real-time transaction checks, and stricter identity validation using BVN and NIN. It also introduces liveness detection and tighter controls around device and account onboarding.

In addition, customers must now be given more control over their accounts, including the ability to opt in or out of instant payments and set transaction limits, with safeguards to prevent unauthorized changes. The CBN also imposes temporary restrictions on newly activated accounts and devices to reduce fraud risks during the initial period.

All institutions are required to comply with these measures by 1 July 2026.

CBN issues Guidelines on the Operations of Automated Teller Machines in Nigeria

On 13 March 2026, the Central Bank of Nigeria (CBN) issued the Guidelines on the Operations of Automated Teller Machines (ATMs) in Nigeria, introducing a revised regulatory framework governing ATM deployment, operations, and processing across the financial system.

The Guidelines prescribe minimum standards across key operational areas, including ATM deployment and density, technology and security requirements, interoperability, transaction processing, and consumer protection. Notably, all ATM transactions involving Nigerian card issuers are required to be processed and settled within Nigeria through domestic switching and settlement arrangements, with a prohibition on routing local transactions outside the country.

A central feature of the framework is the introduction of ATM deployment thresholds. Card issuers are required to maintain a defined ATM-to-card ratio, with a phased implementation timeline requiring at least 30% compliance by 2026, 60% by 2027, and full compliance by 2028. This is aimed at improving access to cash, particularly in underserved areas, and addressing longstanding issues of ATM congestion and uneven distribution.

Reps Advance Bill to Establish Fintech Regulatory Commission

Nigeria's House of Representatives advanced a bill proposing the establishment of a dedicated Fintech Regulatory Commission during the review period.

The proposed commission would provide a sector-specific regulatory framework for the country's rapidly expanding fintech ecosystem, which currently falls under various regulators, including the CBN, SEC, Federal Competition and Consumer Protection Commission (FCCPC), and others.

Proponents of the bill argue that a unified fintech regulator would reduce regulatory arbitrage, streamline licensing, and create a more coherent policy environment for digital financial innovation. The bill remains at an advanced legislative stage and is expected to continue gaining traction through Q1 2026 and into Q2 2026.

Regulatory Enforcement Actions and Investor Protection Measures

During the review period, the Securities and Exchange Commission (SEC) intensified its enforcement efforts to uphold market integrity and protect investors, taking decisive action against non-compliant and fraudulent operators. Notably, the SEC revoked the registration of Kensington Agro Trading Limited, effectively barring it from participating in any capital market activities, while also issuing public warnings against unregistered investment platforms, including Voya Investment Management (VIM), Tunbosayo Okekunle, Strategic Alpha Fund (TOSAF), and Aurum Bot.

These entities were found to have made misleading claims of regulatory approval and to exhibit characteristics of fraudulent schemes. The Commission reiterated the importance of due diligence, urging investors to verify the registration status of investment platforms, and emphasized that engagement with unregistered operators exposes investors to significant financial risk. Collectively, these actions underscore the SEC's commitment to sanitizing the market, strengthening regulatory oversight, and safeguarding the investing public.

Notable Developments in the Financial Sector in Q1 2026 – Banking and Financial Institution

Early Q1 2026 was defined by the final stages of the CBN's recapitalization exercise, significant merger completions, and strategic corporate activities across the banking landscape.

Bank of Industry (BOI) secures Center Bank of Nigeria (CBN) approval for non-interest banking

The Bank of Industry (BOI) secured approval from the Central Bank of Nigeria (CBN) to operate a non-interest banking window, marking a notable expansion of its financing model.

The approval allows BOI to offer ethical, asset-backed financing that does not rely on interest, instead using risk-sharing structures aligned with non-interest (Islamic) finance principles.

This move is expected to widen access to funding, particularly for underserved segments such as MSMEs, manufacturers, and agribusinesses that may prefer or require non-interest financing options. It also positions BOI to mobilize new sources of capital and deepen its role in supporting Nigeria's industrial and inclusive growth agenda.

Zenith Bank Plc secures regulatory approval from **Kenyan authorities to acquire 100% of Paramount Bank Limited**

In the commercial banking space, Zenith Bank Plc secured regulatory approval from Kenyan authorities to acquire 100% of Paramount Bank Limited, marking a significant step in its East African expansion strategy.

The approval, granted by Kenya's Competition Authority, clears a key hurdle for the transaction and reflects a broader trend of Nigerian banks expanding into new African markets. The deal is expected to strengthen Paramount Bank's capital position and support its compliance with evolving regulatory requirements in Kenya.

For Zenith Bank, the acquisition provides an immediate entry into Kenya's banking market, allowing it to scale operations more quickly than through a greenfield approach. It also signals a strategic shift toward geographic diversification, as Nigerian banks increasingly deploy newly raised capital to drive regional growth.

The European Bank for Reconstruction and Development launch its first investment in the Country.

Nigeria also recorded a major milestone in development finance, with the European Bank for Reconstruction and Development (EBRD) launching its first investment in the country.

The Bank provided a $100 million trade finance facility to Access Bank Plc under its Trade Facilitation Programme, aimed at strengthening the bank's capacity to support import and export activities.

The facility will enable Access Bank to issue guarantees to foreign counterparties and extend trade-related financing to local businesses, including pre-export and post-import activities. It is also expected to deepen trade links and improve access to international markets for Nigerian firms.

Beyond funding, the partnership includes technical support and capacity-building initiatives, reflecting a broader effort by the EBRD to strengthen financial institutions and promote private sector-led growth in Nigeria.

CBN Confirms 31 Banks Compliant Ahead of March 31, 2026 Recapitalization Deadline

The banking sector recapitalization programme introduced by the Central Bank of Nigeria (CBN) in March 2024 continued to gain momentum as the 31 March 2026 compliance deadline approached. The policy, which revised minimum capital requirements across different license categories, was designed to strengthen the resilience of Nigerian banks and position the industry to support larger-scale economic activity.

By 12th March 2026, the CBN confirmed that 31 banks had met the new capital thresholds applicable to their respective license categories, while a number of others remained in the final stages of regulatory verification. The exercise has driven significant capital formation within the sector, with total funds raised estimated at approximately ₦4.05 trillion.

The recapitalization process has been marked by a mix of rights issues, private placements, and strategic investments. Tier-1 institutions such as Access Holdings Plc, Zenith Bank Plc, and Guaranty Trust Holding Company Plc have led the exercise, leveraging strong investor demand to bolster their capital bases. Similarly, other players including Fidelity Bank Plc and FCMB Group Plc have actively pursued capital raising initiatives to meet the revised thresholds.

Beyond regulatory compliance, the programme has had broader market implications. The strong level of domestic participation reflects sustained investor confidence in the banking sector, while the scale of capital raised is expected to enhance banks' capacity to support credit expansion, infrastructure financing, and cross-border operations.

Monetary Policy Developments

26.5%

At its 304th Meeting held on 23 and 24 February 2026, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) signaled a slight shift in direction by cutting the Monetary Policy Rate (MPR) by 50 basis points to 26.5%, while leaving other key parameters unchanged.

The move suggests a more balanced approach, easing slightly to support economic activity, while still keeping an eye on inflation and exchange rate pressures.

The Committee also stressed the need to sustain ongoing reforms in the foreign exchange market and improve how monetary policy decisions flow through the economy. Taken together with the ongoing recapitalization programme, this points to a broader effort by CBN to enhance stability within the financial system while carefully easing policy conditions.

Unity-Providus Bank Merger Integration Advances

The proposed merger between Providus Bank and Unity Bank gained significant traction in the first quarter of 2026, progressing into its final stages following key regulatory approvals and shareholder consent. With integration already underway, the transaction is nearing completion, pending final court sanction.

The merger is closely aligned with the Central Bank of Nigeria's recapitalization drive, with the combined entity expected to meet and exceed the minimum capital requirement for a national banking license. This positions the new institution among those that have successfully responded to the heightened regulatory thresholds ahead of the March 2026 deadline.

Beyond regulatory compliance, the transaction reflects a broader shift within the banking sector, where consolidation is emerging as a practical pathway for mid-tier institutions to strengthen capital bases, achieve scale, and remain competitive.

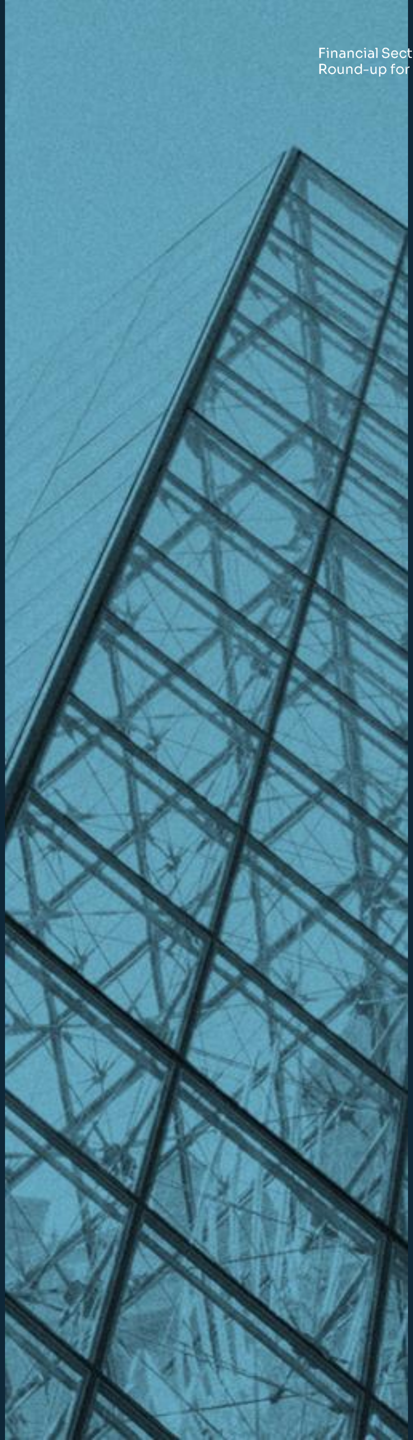
Access Bank's Bid for Bidvest Bank Collapses; South African Sale Restarts

Access Bank's proposed acquisition of a controlling stake in South Africa's Bidvest Bank collapsed in early 2026 after the parties failed to satisfy all conditions precedent, particularly regulatory approvals, before the contractual long-stop date of January 26, 2026.

Although the transaction had progressed for over a year following its announcement in December 2024, it ultimately lapsed due to the inability to conclude multi-jurisdictional regulatory processes within the agreed timeline.

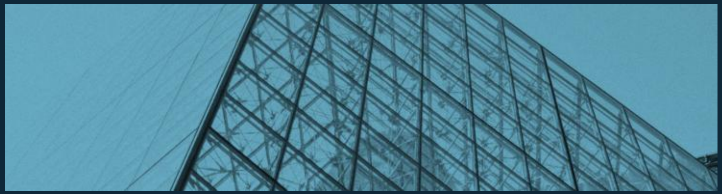
The outcome depicts the execution challenges associated with cross-border banking transactions, where approval timelines across different regulatory environments can materially affect deal completion.

Following the termination of the agreement, Bidvest confirmed that it has relaunched the sale process for the bank, as part of its broader strategy to exit non-core financial services operations.



Notable Developments in the Financial Sector in Q1 2026 – FinTech and Digital Financial Services

The first quarter of 2026 saw transformational activity in Nigeria's license upgrades, and new product launches are reshaping how financial infrastructure is owned and operated.



CBN Upgrades Fintech and MFB Licenses to National Status

In January 2026, the Central Bank of Nigeria (CBN) formally upgraded the license status of several leading fintech companies and microfinance banks to the national level, reflecting the scale of their operations across the country. Beneficiaries of this upgrade include OPay, Moniepoint, Kuda, PalmPay, and Paga, all of which now operate nationwide.

The move does not convert these institutions into commercial banks, but it formally recognizes their expanded reach and places them under stricter regulatory expectations. In particular, national microfinance banks are now subject to higher capital requirements, alongside enhanced compliance and supervisory standards.

The CBN also emphasized the need for a physical presence in key locations, reinforcing the importance of customer support, dispute resolution, and service delivery, especially for segments of the population that still rely on in-person interactions.

Flutterwave Acquires Mono in Landmark Open Banking Deal

In January 2026, Flutterwave announced the acquisition of Mono, a Nigerian open banking infrastructure provider, to strengthen its data and payment capabilities.

Mono's platform enables secure access to customer-permissioned financial data and supports account verification and account-to-account payments. The acquisition allows Flutterwave to deepen its service offering by integrating payments, identity verification, and data-driven risk tools within a single ecosystem.

The transaction was structured to preserve Mono's operational independence, with no immediate changes to its leadership or day-to-day activities. Overall, the deal reflects a broader shift within the fintech sector toward vertical integration and the development of more comprehensive, bank-linked financial solutions.

Paystack Acquires Ladder Microfinance Bank to Enter Lending

In January 2026, Paystack acquired Ladder Microfinance Bank, marking a significant step beyond its core payments business. With this move, Paystack now has the regulatory backing to operate in the lending and deposit space.

The newly rebranded Paystack Microfinance Bank will run as a separate entity but is expected to work closely with Paystack's existing platform. In the immediate term, the focus will be on supporting businesses with access to credit, particularly for working capital and day-to-day operations.

More broadly, the acquisition reflects a growing shift in the fintech space, where companies are moving beyond payments to offer more complete financial services, using their existing customer data and relationships to deepen their offerings.

Mastercard to Acquire BVNK in USD 1.8 Billion Stablecoin Deal

USD 1.8 B

On 17 March 2026, Mastercard announced a definitive agreement to acquire BVNK, a stablecoin infrastructure provider, in a deal valued at up to USD 1.8 billion, including contingent consideration.

Although BVNK is not a Nigerian entity, the transaction is notable for its broader implications. BVNK's infrastructure facilitates the movement of value between fiat and digital assets across multiple jurisdictions, supporting enterprise-grade stablecoin payments on a global scale.

The acquisition signals a clear shift toward the mainstream adoption of stablecoin-based payment systems within traditional financial networks. For Nigeria, it highlights an emerging area of regulatory focus, as authorities, particularly the CBN and SEC, continue to consider appropriate frameworks for digital assets and their integration into the financial system.

Trove Finance Acquires UCML Securities Limited

Trove Finance has acquired UCML Securities Limited, bringing its brokerage operations fully in-house and rebranding the entity as Innova Securities Limited, which will operate as its licensed broker-dealer.

Founded in 2018, Trove previously relied on third-party broker-dealers to provide Nigerian investors with access to local and international equities. This acquisition marks a strategic shift toward greater operational control, enabling direct oversight of trade execution, compliance, and customer experience.

Although the financial terms were not disclosed, the transaction strengthens Trove's operational autonomy and scalability. To ensure continuity, key UCML personnel have been retained, while existing customer accounts will be migrated in phases and new users onboarded under the new structure.

Moniepoint Acquires Orda Africa

Moniepoint has acquired Orda Africa, a cloud-based restaurant management platform, in a move that expands its footprint into the food service sector. Following the deal, Orda will be integrated into Moniepoint's business management platform, Moniebook, and rebranded as "Moniebook for Restaurants."

The acquisition is part of Moniepoint's broader push to move beyond payments and offer a more complete set of tools to businesses. By bringing Orda into its ecosystem, the company is looking to better support restaurant operators with both financial services and day-to-day business management solutions.

MTN Group's Proposed Fintech Expansion

MTN Group is accelerating its shift from a traditional telecom operator to a platform-driven tech company, with fintech at the centre of its new Ambition 2030 strategy.

The Group has reorganized its business into three pillars, connectivity, fintech, and digital infrastructure, signalling a stronger push into financial services. This follows a solid 2025 performance, with over 300 million subscribers and fintech transactions exceeding $500 billion.

MTN is now exploring acquisitions in payments, lending, and remittances, while expanding credit offerings in Nigeria, where airtime and data loans are gaining traction. The company is also rethinking expansion, favouring a lighter, fintech-led entry into new markets over capital-heavy telecom rollouts, highlighting the growing convergence between telecoms and financial services in Africa.

PayPal's Return to Nigeria Through Paga

A major highlight of the quarter is the return of PayPal to Nigeria through a partnership with Paga, a move that significantly improves access to cross-border payments for Nigerian users.

Through the integration, users can now link their PayPal accounts to Paga wallets, making it possible to receive international payments. The partnership reflects a broader shift in strategy, with global platforms like PayPal increasingly collaborating with local fintechs instead of building standalone infrastructure.

By leveraging Paga's existing rails, PayPal has been able to re-enter the market more efficiently.

There were some early hiccups, including account restrictions and verification issues, but both companies have since moved to address these through improved support.

Despite this, the move is a notable step forward – opening up access to foreign earnings and strengthening Nigeria's participation in the global digital economy

Notable Developments in the Financial Sector in Q1 2026 – Capital Markets

Nigeria's Capital Market to adopt T+1 Settlement Cycle.

Nigeria's capital market is set to transition to a T+1 settlement cycle effective 29 May 2026, marking a significant upgrade in market infrastructure.

Under the new framework, securities transactions will be settled one business day after the trade date, replacing the current T+2 cycle. This means investors will receive securities and funds faster, improving the speed and efficiency of market transactions.

The reform, driven by the Central Securities Clearing System (CSCS) in collaboration with market regulators, is expected to reduce settlement risk, enhance liquidity, and align Nigeria's capital market with global best practices.

More broadly, the move signals a continued effort to modernize the market's operational framework and strengthen investor confidence, particularly among institutional and foreign participants.

Treasury Bills Issuances

The Central Bank of Nigeria (CBN) remained active in the treasury bills market during the first quarter of 2026, conducting auctions in February and March as part of its liquidity management strategy.

The February auction was particularly strong, with total subscriptions reaching approximately ₦4.28 trillion, more than three times the ₦1.15 trillion offered, highlighting robust system liquidity and strong investor demand. Demand was largely concentrated on the 364-day tenor, reflecting a clear preference for longer-dated instruments.

In March, the CBN followed up with a **₦400 billion treasury bill offer**, which also recorded solid investor participation. Although smaller in size, the auction maintained the trend of strong demand, particularly for longer tenors, even as yields began to moderate slightly due to sustained oversubscription.

Overall, activity across both auctions' points to a highly liquid market environment, with investors continuing to favour government securities as a safe and attractive investment option.

The Financial Sector Outlook for in Q2 2026

Banking Recapitalization Conclusion and Post-Deadline Landscape

With the 31st March 2026 recapitalization deadline now reached, attention is shifting to the CBN's final position on compliance across the banking sector. A definitive regulatory update or status report is expected to clarify which institutions have met the new capital thresholds and how outstanding cases will be resolved.

The completion of the exercise is likely to reshape the industry, resulting in a smaller pool of stronger, better-capitalized banks. This is expected to influence lending capacity, competitive dynamics, and overall investor confidence in the sector.

Monetary Policy Direction and Macroeconomic Outlook

Focus will turn to the Monetary Policy Committee (MPC) meeting scheduled for 19th and 20th May 2026, which will be critical in shaping interest rate direction, liquidity conditions, and inflation management.

The MPC's policy stance will have direct implications for borrowing costs, credit expansion, and investment activity across the financial system.

SEC Recapitalization Plans Submission and Capital Market Consolidation

Capital market operators are required to submit board-approved recapitalization plans to the Securities and Exchange Commission (SEC) by 30 April 2026, outlining their proposed compliance strategies, funding sources, and implementation timelines as mandated under SEC's Revised Minimum Capital Guidelines issued in March 2026. With a compliance deadline of 30 June 2027, the transition is expected to be gradual.

However, Given the scale of the capital increases across the market, the reforms are expected to drive consolidation, particularly among smaller operators. Firms unable to meet the new thresholds are likely to explore options such as mergers, strategic investment, or license restructuring, as the SEC moves to strengthen market resilience and investor protection.

Market Infrastructure Reforms and T+1 Settlement Transition

The anticipated transition to a T+1 settlement cycle by May 2026 is expected to enhance market efficiency, reduce settlement risk, and improve liquidity within Nigeria's capital markets.

This reform aligns Nigeria with global market standards and may support increased participation from both domestic and foreign investors.

Fintech Ecosystem Evolution

Following recent transactions such as the Flutterwave-Mono, Paystack-Ladder MFB and Moniepoint-Orda deals, the Nigerian fintech landscape is entering a new phase of vertical integration and product-led expansion. The CBN's upgrade of major fintechs to national license status will increase regulatory obligations but also enable these players to deepen operations across underserved geographies.

Also, the House of Representatives' bill to establish a Fintech Regulatory Commission, if advanced to law, would further reshape the fintech regulatory architecture. Investors and stakeholders should monitor developments in open banking and digital lending, as these will be key determinants of competitive positioning.

Digital Assets and Stablecoin Regulation

The Mastercard-BVNK transaction and the broader global trend of stablecoin integration into mainstream payment infrastructure will continue to influence the Nigerian regulatory conversation. The CBN and SEC will need to develop clear frameworks for the issuance, use, and oversight of stablecoins and tokenized deposits in Nigeria's payment and capital markets ecosystem.

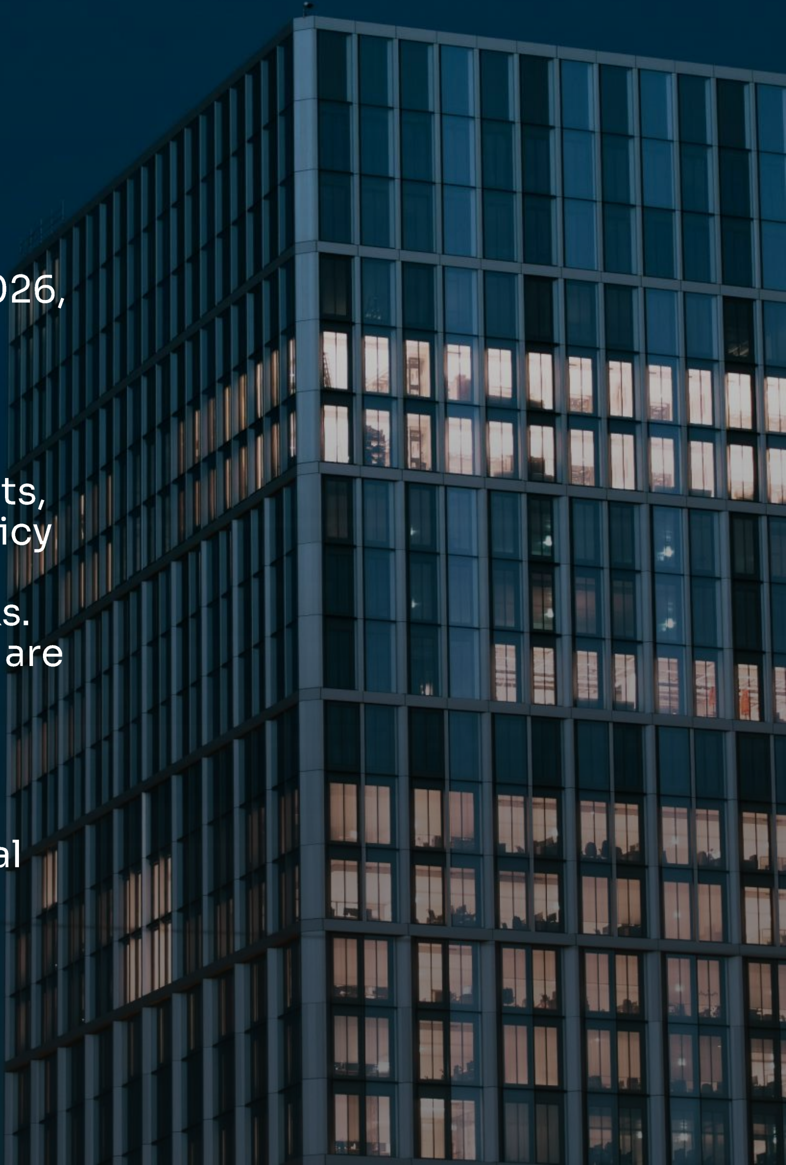
Stakeholders in digital assets and fintech should track regulatory pronouncements closely, as Nigeria's approach to digital currency governance will significantly affect market access and product design in this segment.

Conclusion

Nigeria's financial sector in Q1 2026 reflects a period of significant transition, marked by the near completion of the Central Bank of Nigeria's (CBN) banking recapitalization exercise and parallel reforms across the capital markets and broader financial system. These developments signal a deliberate regulatory push toward strengthening market resilience, improving investor confidence, and positioning the sector for sustainable growth.

At the same time, the fintech ecosystem continues to expand beyond traditional payments, with increasing activity in lending, digital banking, and integrated financial services. Strategic acquisitions, license upgrades, and product innovation are reshaping the competitive landscape while deepening financial inclusion and enhancing service delivery across the market.

Looking ahead to Q2 2026, attention will centre on post-recapitalization adjustments, market consolidation, and key regulatory developments, including monetary policy direction and evolving digital asset frameworks. Together, these factors are expected to shape the next phase of growth, competition, and regulatory alignment within Nigeria's financial sector.



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