

BANKING & FINANCIAL SERVICES

1. CBN Introduces Enhanced Credit Stress Testing Requirements for Banks

Prior to the recent conclusion of the Central Bank of Nigeria's (CBN) 24-month recapitalization programme, which ended on 31 March 2026, the CBN introduced an additional regulatory requirement targeted at strengthening the resilience of financial institutions, particularly those as it relates to lending.

On 6 March 2026, the CBN issued a directive mandating banks, effective 1 April 2026, to conduct comprehensive assessments of their capital positions under adverse credit scenarios. This directive requires institutions to clearly outline their execution methodologies, demonstrate regulatory compliance, and evaluate the capital implications arising from such stress conditions.

This development builds upon the existing Guidelines on Stress Testing for Nigerian Banks issued by the CBN in March 2019. The recent directive does not restrain the applicability of the 2019 framework; rather, it serves as a complementary measure designed to strengthen risk management practices and

enhance supervisory oversight.

Under the new directive, banks are required to evaluate the resilience of their loan portfolios over a 12-month horizon using simulated adverse scenarios. The CBN has indicated that this exercise is intended to quantify the potential impact on key risk indicators, including Non-Performing Loans (NPLs), loan loss provisions, and Capital Adequacy Ratios (CAR).

For more information, click [here](#).

Comment

The introduction of enhanced stress testing requirements underscores a critical shift in regulatory focus, from capital adequacy in absolute terms to capital resilience under stress conditions. In essence, it is no longer sufficient for banks to maintain strong capital buffers; those buffers must also demonstrate robustness in the face of deteriorating credit environments. The CBN's approach reflects a forward-looking regulatory stance with a focus on safeguarding financial system stability amid evolving macroeconomic uncertainties, ensuring that banks are better prepared to absorb credit risks.

2. NGX Records First Commercial Paper Listing as Dangote Cement Lists ₦119.87bn Issuance

On 18 February 2026, Dangote Cement Plc became the first company to list Commercial Papers on the Nigerian Exchange (NGX), marking a significant development in Nigeria's short-term debt market. The NGX admitted Series 1 and Series 2 Commercial Papers valued at a combined ₦119.87 billion under Dangote Cement's ₦500 billion Commercial Paper



Issuance Programme, following the introduction of NGX's formal CP listing framework in late 2025.

The issuance comprises a ₦19.95 billion Series 1 CP with a tenor of 181 days and an implied yield of 17.50%, alongside a ₦99.92 billion Series 2 CP with a 265-day tenor and an implied yield of 19.00%. Both instruments were issued at a discount and are redeemable at par upon maturity. Admission to trading on NGX enhances transparency and secondary market visibility for instruments traditionally traded in the FMDQ/OTC market.

This landmark transaction reflects the growing sophistication of Nigeria's domestic debt capital market, providing corporates with an exchange-based funding option while expanding investment choices for institutional investors. By complementing established FMDQ/OTC platforms, the NGX framework broadens market infrastructure, supports price discovery, and contributes to a more resilient and diversified capital market ecosystem.

Dangote Cement's CP listing highlights NGX's product diversification drive, positioning the Exchange as a multi-asset funding platform for liquidity, transparency, and deeper capital markets.

For more information, click [here](#).¹

Comment:

This development strengthens Nigeria's debt market by introducing an exchange-listed option alongside the established FMDQ/OTC Commercial Paper market. While FMDQ has been central to CP growth and standardisation, the NGX framework enhances transparency, disclosure and price discovery. Crucially, exchange listing expands opportunities for investors by improving visibility and accessibility to short-term debt instruments, supporting more efficient pricing, and enabling broader participation, including retail and institutional investors within regulated market infrastructure. The coexistence of both platforms broadens corporate funding options, deepens market liquidity, and promotes a more resilient, integrated short-term debt market.

3. SEC Revises Minimum Capital Requirements for Capital Market Entities

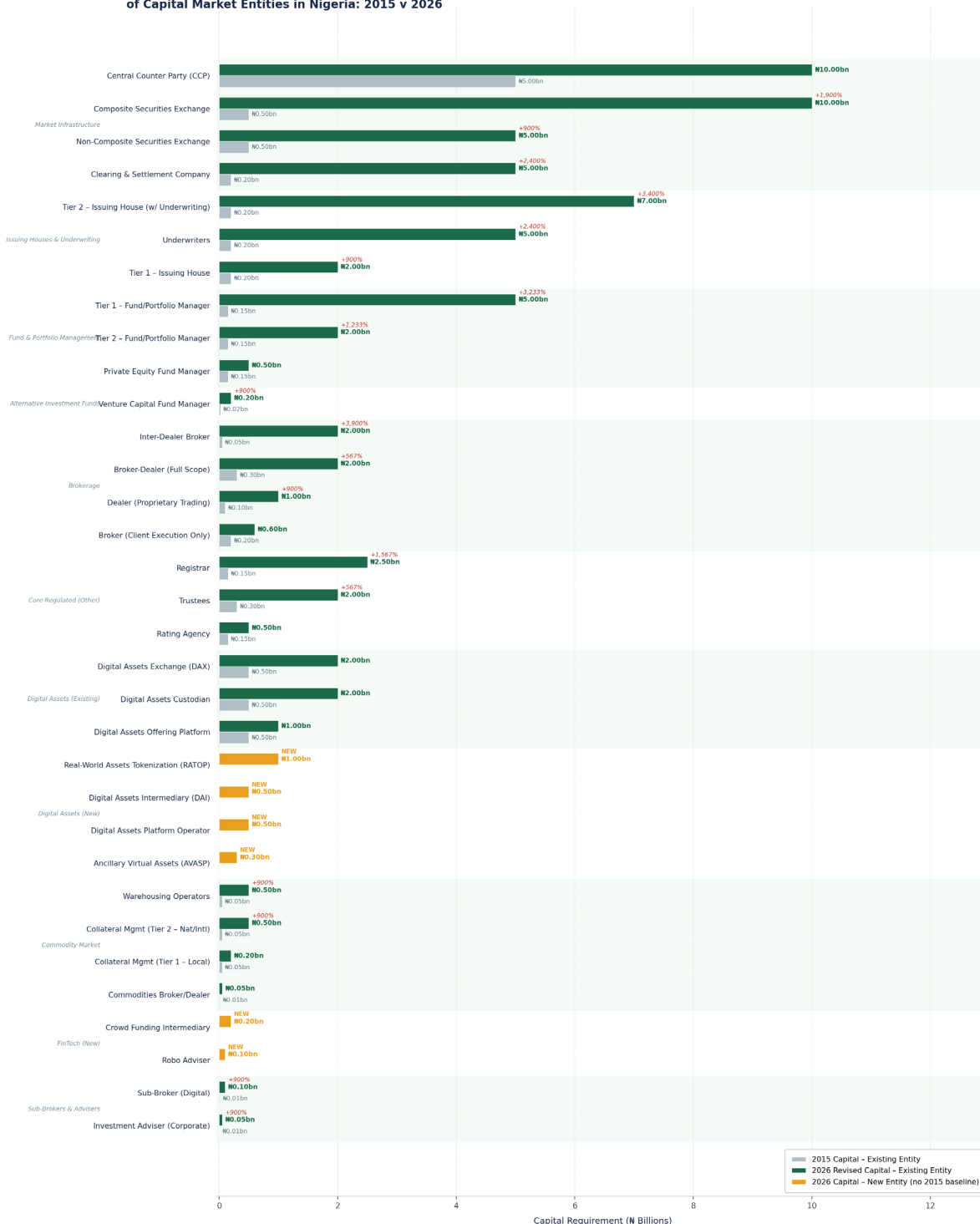
On 16th January 2026, the Securities and Exchange Commission (SEC) issued Circular No. 26-1, made pursuant to the Investment and Securities Act (ISA) 2025, which substantially increased the minimum capital requirements for existing capital market entities. The Circular also introduced the capital base requirements for six new entities, namely:

1. Real-World Assets Tokenization;
2. Digital Assets Intermediary;
3. Digital Assets Platform Operator;
4. Ancillary Virtual Assets (AVASP);
5. Crowd Funding Intermediary; and
6. Robo Adviser

A cursory look at Circular No. 26-1 reveals significant increases across board, from the last SEC recapitalisation exercise. The chart below shows comparative percentage increases in minimum capital requirements for the designated capital market entities between 2015 and 2026. Notably, Tier 1 Fund/Portfolio Managers are now required to maintain a capital base of ₦5 billion (up from ₦150 million), while Tier 2 managers must hold at least ₦2 billion.

Shortly after the release of the Circular, there were industry-wide concerns pertaining to the requirement for fund/portfolio managers with NAV/AUM of more than ₦100 billion to have

A Chart Showing Percentage Increases in Minimum Capital Requirements of Capital Market Entities in Nigeria: 2015 v 2026



a capital base that is equivalent to 10% of AUM; thus imposing on said fund/portfolio managers obligations which exceed the capital base of several systemic financial institutions. However, following feedback from market participants, SEC clarified that the additional capital requirement for the said entities is 0.1% (as opposed to 10%), significantly reducing the anticipated compliance burden.

All regulated entities are required to achieve compliance by June 30, 2027. The Commission may, on a case-by-case basis, consider transitional arrangements upon application.

For more information, please click [here](#) and [here](#).

Comment:

The recapitalisation exercise is set to drive market consolidation in the industry, particularly amongst smaller entities, while creating opportunities for stronger institutions to expand their market share, and also strengthen investor confidence. Entities with weaker balance sheet sizes might need to consider capital raising, restructuring, or other options in order to remain competitive. Furthermore, the inclusion of digital asset service providers signals SEC's intent to further formalize and regulate emerging segments, while other reforms demonstrate a shift towards risk-based supervision and enhanced market stability. Therefore, market participants should proactively assess their capital position and engage early with the SEC on transitional arrangements ahead of the June 2027 deadline.

4. CBN Issues Directive Restricting Further Credit to Large Borrowers with Non-Performing Loans

In a bid to promote a sound and stable financial system, safeguard depositors' funds, and curb credit abuse within the Nigerian banking sector, the Central Bank of Nigeria (CBN), by a circular dated 12 March 2026, directed all banks and other financial institutions to refrain from granting additional credit facilities to large borrowers whose existing exposures have been classified as Non-Performing Loans (NPLs) in the Credit Risk Management System (CRMS) or by any licensed private credit bureau.

The Circular applies to borrowers whose total exposure constitutes at least 10% of a bank's shareholders' funds unimpaired by losses, in line with clause 3.2(d) of the Prudential Guidelines for Deposit Money Banks in Nigeria, 2010. It further extends to customers with aggregate exposures across multiple banks that exceed the applicable single obligor limit, thereby capturing system-wide credit concentration risks.

Importantly, the scope of the directive goes beyond a restriction on the grant of additional loan facilities. It also covers other forms of direct and contingent credit exposures, including bankers' acceptances, confirmations, letters of credit, performance bonds, and advance payment guarantees. Hence, affected borrowers

are effectively restricted from accessing both funded and non-funded credit support within the banking system.

This directive is consistent with CBN's previous regulatory approach to addressing credit risk and enforcing discipline among borrowers. In 2014, CBN introduced a similar measure prohibiting loan defaulters from further access to credit facilities within the banking system. The current directive reinforces this position, particularly in relation to large-ticket borrowers whose exposures pose heightened systemic risks.

For more information, click [here](#).

Comment:

Although the directive may appear stringent, it is, in substance, a prudent and preventive regulatory measure. The policy mitigates the risk of additional debt accumulation and limits the potential for systemic spread of risk within the banking sector. It protects not only banks and depositors but also borrowers themselves, by discouraging the build-up of unsustainable obligations across multiple institutions. Ultimately, the directive promotes credit discipline, enhances risk management practices, and contributes to the overall stability and resilience of the financial ecosystem.

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