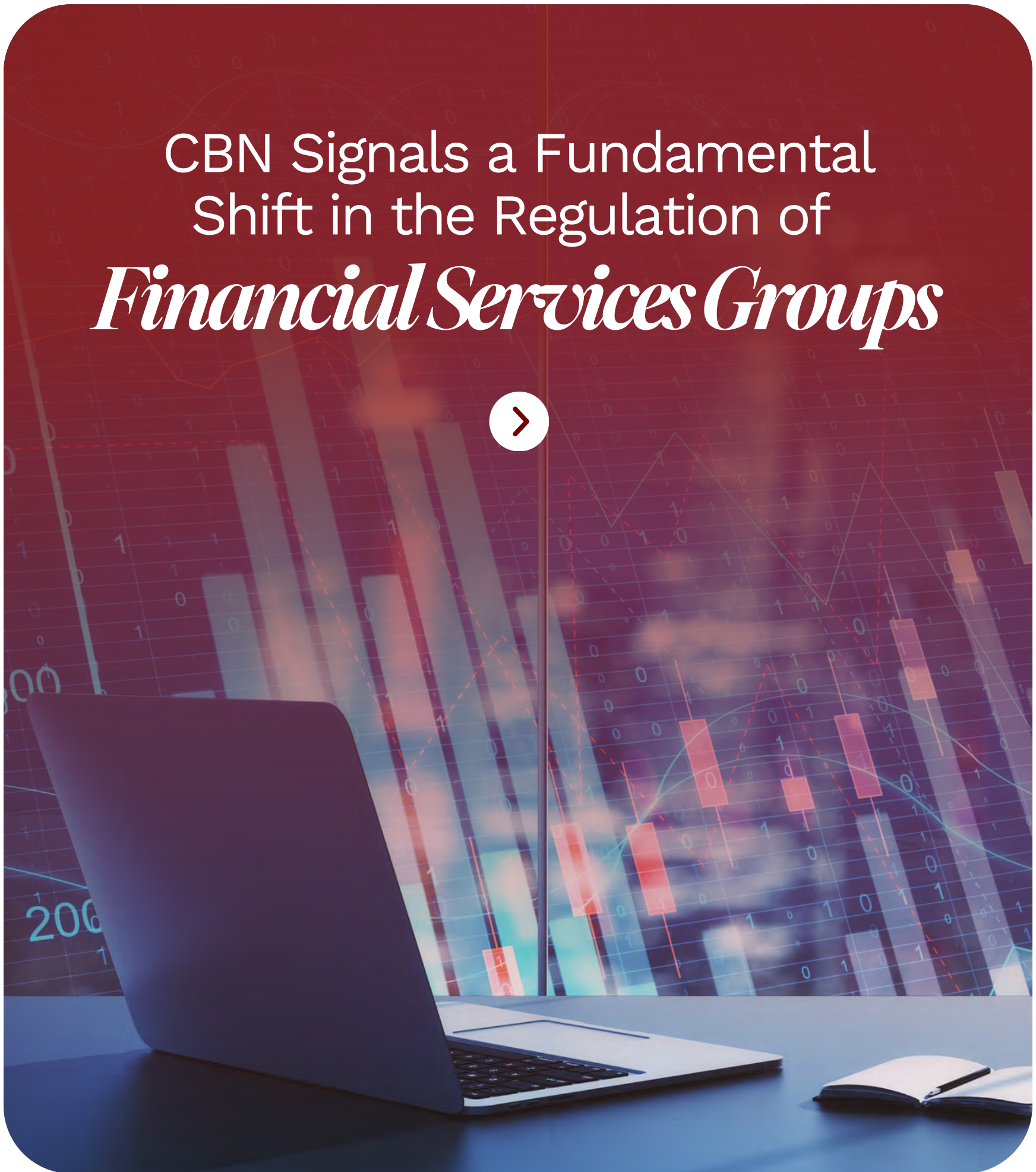


CBN Signals a Fundamental Shift in the Regulation of *Financial Services Groups*



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The Central Bank of Nigeria (CBN) has published for consultation its **Exposure Draft of the Guidelines on Ring-Fencing Operations of Closely Linked Entities in the Nigerian Financial System**. While the Guidelines are not yet in force, they signal a significant shift in the CBN's regulatory expectations for financial services groups operating multiple licensed entities.

At first glance, the draft appears to focus on ring-fencing and governance. However, its implications extend much further. If adopted in their current form, banking groups, fintech groups, payment service providers and other financial institutions with multiple regulated entities may need to revisit their group structures, operational models and transaction planning.



Among other things, the draft proposes:

- greater operational, legal and financial independence between closely linked regulated entities;
- tighter controls around intra-group transactions, funding arrangements and shared services;
- enhanced restrictions on customer onboarding across group entities, including express customer consent requirements;
- stricter segregation of customer funds and customer data; and
- a stronger preference for regulated entities to operate under a non-operating holding company structure, with the alternative being a merger of closely linked regulated entities in certain circumstances.



The proposals are likely to be relevant not only for ongoing operations, but also for future investments, acquisitions, restructurings and joint ventures involving CBN-regulated businesses. Transaction structures that have historically relied on integrated group operations, shared infrastructure or cross-selling arrangements may require a different level of regulatory analysis if these proposals are ultimately adopted.

Although the Guidelines remain in draft form, this is an opportune time for financial institutions, investors and transaction advisers to begin assessing how the proposed framework could affect existing group structures and strategic growth plans, while also considering whether any aspects of the draft warrant comments during the consultation process.



We will publish a more detailed analysis
of the draft Guidelines and their
practical implications in due course.

**For more information
or assistance, please
contact us at
info@aelex.com**

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