



BANKING AND CAPITAL MARKETS

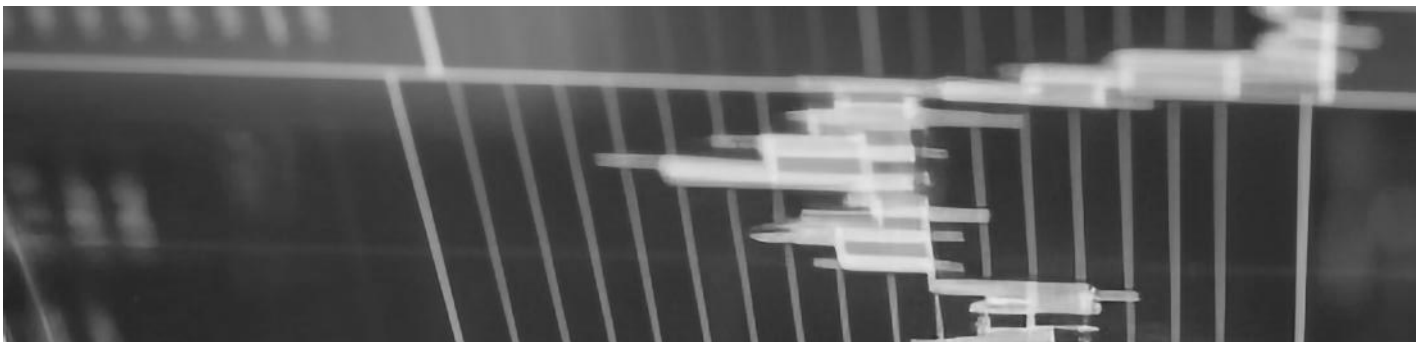
2024

HIGHLIGHTS

2025

OUTLOOK

F O R E W O R D



2024 was an eventful year for both the Banking and the Capital Markets segments of the Nigerian economy, with significant milestones attained. Although the year started off with commercial banks recording large profits as a result of the massive devaluation of the Naira following the CBN unification of the exchange rates¹ in the previous year, this high point quickly became less significant in the light of the new regulatory capital prescription by the CBN, with banks racing to meet their minimum capital requirement. The rapid devaluation of the Naira, and rising global inflation, with Nigeria recording an inflation rate of 34.60% as at November 2024² resulting in high import costs, increased pressure on local manufacturers and businesses and a reduction in investment inflows placed significant pressures on the Nigerian economy.³

Despite these macroeconomic pressures, the Nigerian banking sector has demonstrated remarkable resilience with NGN1.7 trillion raised as part of the Nigerian banking sector recapitalisation exercise⁴, and sustained growth in capital adequacy ratio. The capital raising exercise was further galvanized by a series of innovations within the Nigerian Capital Market, including the deployment of an electronic securities offering platform by the NGX, in furtherance of the SEC's rules on electronic offering of securities⁵ and the deployment of mobile applications by issuers

and other capital market operators, to facilitate ease of transactions.

Just like the banking sector, the Nigerian Capital Market also witnessed significant milestones despite the equities market starting the year with volatility, resulting in a NGN1.3 trillion loss for investors, a depreciation of 2.4% of the NGX All Share Index and a drop in market capitalisation from NGN55.357 trillion to NGN54.035 trillion in Q1 2024.⁶

Despite these early headwinds, the NGX's market capitalisation closed the year at a very strong high of NGN62.76 trillion, and the NGX All Share Index by over 37.65% annual growth. This recovery is attributable to significant activities within the equities market, which were driven partly by equity capital raising in the capital market, by a number of Nigerian commercial banks, in a bid to comply with the CBN's new recapitalisation requirements, and new entrants listing their shares on the NGX.

In addition to the equities market, the debt capital market fared relatively well in 2024, with several issuances on both the corporate and the public sector side. We also noted a shift from plain vanilla issuances towards bespoke transaction structures specifically tailored to address the peculiar commercial objectives of issuers.

1. Nigerian Banks forex revaluation gains estimated at N3.3 trillion, GTCO, Zenith Bank, Access Corp top list - [Nairametrics](https://nairametrics.com/2025/01/13/we-recomputed-november-2024-inflation-using-the-new-rebasing-and-this-was-the-result/)
2. <https://nairametrics.com/2025/01/13/we-recomputed-november-2024-inflation-using-the-new-rebasing-and-this-was-the-result/>
3. Naira loses 68% of its value in the official market since FX unification policy - [Nairametrics](https://punchng.com/recapitalisation-regulatory-shocks-bumper-profits-defined-banking-sector-in-2024/)
4. <https://punchng.com/recapitalisation-regulatory-shocks-bumper-profits-defined-banking-sector-in-2024/>
5. Securities and Exchange Commission (SEC) Rules on Electronic Offering 2019
6. <https://nairametrics.com/2024/12/01/nigerian-stocks-end-a-november-in-red-first-time-since-2018/>

F O R E W O R D



A key highlight of the year was the issuance of the United States Dollars denominated domestic bond by the FGN in Q3 2024, a first of its kind.

Beyond the market activities and trends, 2024 also brought a lot of regulatory reforms and actions on both the banking and the capital market side, with the CBN and the SEC publishing key guidelines touching on operational, economic, monetary policies, etc. We also saw more collaboration amongst the financial sector regulators, towards ensuring a transparent, investor friendly, and efficient financial market.

The foregoing activities in the sectors propelled by regulatory reforms and initiatives, culminated in making 2024 remarkable and we at Olaniwun Ajayi LP, were privileged to support our clients within these sectors in

navigating the challenges of 2024 and pushing innovative solutions to ensure they keep winning despite these hurdles. With the benefit of our front row seat on a number of these market defining deals and reforms, we have put together this Report to highlight the significant events of 2024 in the Banking and Capital Markets sub-sectors of the Nigerian financial services industry and also provide an insight into our outlook for these sub-sectors in 2025.



Yewande Senbore

Partner, Finance & Capital Markets

| AT A GLANCE





PART
01

BANKING SECTOR TRENDS IN 2024



REGULATORY TRENDS

01 New Capital Requirement for Banks

02 Revised Guidelines for BDC Operations in Nigeria

03 Revised Guidelines for Blacklisting for Banks & OFIs

04 CRR Framework Implementation Guidelines

05 Unprecedented Increase in MPR

06 Guidelines on Management of Dormant Accounts, Unclaimed Balances and Other Financial Assets

07 Revised Guidelines on International Money Transfer Services in Nigeria

08 FX Reforms





NEW CAPITAL REQUIREMENTS FOR BANKS IN NIGERIA

As part of the CBN's efforts to enhance the resilience, solvency and capacity of Nigerian banks to support the growth of the Nigerian economy, the CBN in Q1 2024, issued a circular titled, Review of Minimum Capital Requirements for Commercial, Merchant and Non-interest Banks in Nigeria (the **Circular**), communicating an upward review of the minimum capital requirements for commercial, merchant, and non-interest banks in Nigeria.



The options for meeting the new capital requirements in the Circular are: (a) equity capital through private placements, rights issues, and/or offers for subscription; (b) mergers and acquisitions; or (c) upgrade or downgrade of licence authorisation.

As a result of the new recapitalisation policy, a number of banks and financial holding companies (to capitalise their banking subsidiaries), including Zenith Bank Plc, Ecobank Nigeria Limited, Jaiz Bank Plc, FCMB Group Plc, Fidelity Bank Plc, Sterling Financial Holdings Plc, Access Holdings Plc, First Bank Holdings Plc, Guaranty Trust Holding Company Plc and United Bank for Africa Plc, undertook capital raises in the equity capital markets in the course of the year, through rights issues to shareholders, private placements and/ or public offers, in compliance with the new minimum capital requirements ahead of the 2026 deadline.



REVISED GUIDELINES FOR BDC OPERATIONS IN NIGERIA

Against the backdrop of Nigeria's volatile FX market where the Naira faced persistent devaluation, the CBN issued the Revised Regulatory and Supervisory Guidelines for BDC Operations in Nigeria (the **BDC Guidelines**) to curtail illicit currency flows, and enhance the transparency of BDC transactions. Some key provisions of the BDC Guidelines include:



Capital Requirements

The BDC Guidelines introduced two categories of BDC licences with updated capital requirements. Tier 1 BDCs must maintain a minimum capital of NGN2 billion, while Tier 2 BDCs require NGN500 million.



Sourcing and Sale of Foreign Currency

BDCs can obtain foreign currencies from tourists, diaspora returnees, IMTOs, embassies, and authorised, as well as the FX market. The sale of such FX is, however, limited to specific purposes, such as personal travel allowance and payment of medical bills abroad.



Digital Integration with CBN

BDCs must integrate digitally with CBN systems, including VPN⁷ access to financial reporting systems,. This allows for real-time tracking of transactions, improved regulatory supervision and mitigates currency speculation and illegal transactions.



Prohibited Activities

The scope of prohibited activities for BDCs was expanded to include engaging in cryptocurrency trading, futures and derivatives, and international outward transfers.



External Audits and Corporate Governance

CBN now mandates external audits for BDCs, to strengthen governance, with restrictions on audit firm tenure to prevent conflicts of interest.

7. A VPN is a secure, encrypted connection that allows a user or an organization to access a network.



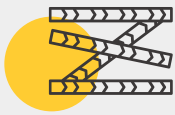
REVISED GUIDELINES FOR BLACKLISTING FOR BANKS AND OFIS IN NIGERIA

To ensure proper monitoring, and enhance the integrity of the activities of banks and financial institutions in Nigeria, the CBN on 8 March 2024, issued a circular to all Banks and OFIs (together, Financial Institutions) in Nigeria, intimating them of the Revised Guidelines for Blacklisting Banks and Other Financial Institutions in Nigeria (the **Blacklisting Guidelines**),⁸ a revision of the former operative guidelines⁹. Some provisions of the Blacklisting Guidelines are:



Centralized Database (Black Book)

The Blacklisting Guidelines require banks and OFIs to maintain a database with the CBN, of blacklisted individuals, and bars such individuals from holding employment in financial institutions.



Expanded scope of offences

The scope of offences triggering blacklisting have been expanded to include forgery, insider abuse, conflict of interest, breach of fiduciary duty, violation of banking regulations and laws and any offence under the AML/CFT/CPF Laws, etc.



Reporting Requirements

Banks and OFIs are to provide monthly returns of blacklisted individuals with evidence of compliance with the blacklisting procedure in the Blacklisting Guidelines.

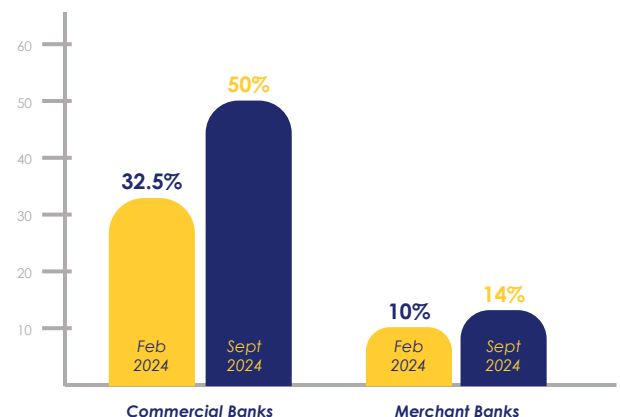


Independent Review Panel

The Blacklisting Guidelines introduces an Independent Review Panel to conduct second review of the decisions made by the DC of financial institutions. The decisions of the IRP shall supersede that of the DC of financial institutions.

CRR FRAMEWORK IMPLEMENTATION GUIDELINES

In a bid to boost the capacity of Nigerian banks to plan, monitor and align their records with the CBN, the CBN issued a circular on 2 February 2024, introducing a modified mechanism for the implementation of CRR for Nigerian banks (the **CRR Guidelines**). The CRR Guidelines also provides for penalties for banks failing to meet the minimum loan-to-deposit ratio, and introduced weekly debits, a deviation from the daily debits previously implemented.



8. [Revised Guidelines for Blacklisting Banks and Other Financial Institutions in Nigeria, \(Central Bank of Nigeria\).](#)

9. Review of Operational Guidelines for Blacklisting of Banks and Other Financial Institutions in Nigeria, 2016



UNPRECEDENTED INCREASE IN MPR

As a result of rising inflation, the CBN continued with its stance on maintaining a tight monetary policy in its attempt to temper the inflationary pressures and foster a stable economic environment. In 2024, the CBN increased the MPR, a record six times, with the MPR starting at 22.75% in February and reaching 27.5% by November 2024¹³.

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GUIDELINES ON THE MANAGEMENT OF DORMANT ACCOUNTS, UNCLAIMED BALANCES, AND OTHER FINANCIAL ASSETS IN FINANCIAL INSTITUTIONS IN NIGERIA (DORMANT ACCOUNT GUIDELINES)

The Dormant Account Guidelines which revised the former guidelines¹⁰ issued in October 2015, operationalises Section 72 of the BOFIA¹¹ and standardises the management of dormant accounts, unclaimed balances and financial assets (**Assets**), and outlines the procedure for the administration of these Assets in Nigeria. Eligible Accounts under the Dormant Account Guidelines are dormant account balances that have remained with the Financial Institutions for a period of ten (10) years and beyond, and they include a variety of financial assets. Under the Dormant Account Guidelines, Assets that have become dormant in Eligible Accounts are to be managed as provided for in guidelines, and finally transferred to the CBN's UBTF Pool Account pending any re-activation of such dormant accounts, and/or reclaim of such Assets. The Dormant Account Guidelines excludes accounts subject to litigation, a judgement debt for which the judgement creditor has not claimed the amount of judgement award and the case is still active in court, accounts under investigation by a regulatory authority or law enforcement agency and encumbered accounts including, collateral and liens, from the application of the Dormant Account Guidelines, for the purpose of determining Eligible Accounts.

10. Guidelines on Management of Dormant Accounts and Other Unclaimed Funds by Banks and Other Financial Institutions in Nigeria, 2015.

11. Section 72 of BOFIA provides for the timeline within which a savings or current account may be declared dormant and the procedure to be adopted by Financial Institutions in handling the balances in such dormant accounts including reporting requirements to the CBN.



REVISED GUIDELINES ON INTERNATIONAL MONEY TRANSFER SERVICES IN NIGERIA

Following the unification of the FX markets in 2023, and in a bid to promote efficient price discovery mechanisms and boost the ease of doing business for IMTOs among others, the CBN on 31 January 2024, issued the Reviewed Guidelines on International Money Transfer Services in Nigeria (**IMTS Guidelines**), a revision of the former guidelines issued on 26 September 2014.

Some key provisions of the IMTS Guidelines include the provision of criteria for overseas partnerships, the delineation of the scope of activities permitted and prohibited for IMTOs, the approved modes of disbursement for inbound transfers, the registration process for licensing (including the requirement for an annual renewal of IMTO licences), share capital requirements, prohibited institutions¹² (these are basically institutions prohibited from operating as IMTOs), etc.

FX REFORMS

In addition to the regulatory trends above, the following FX reforms were implemented in 2024:



Removal of the Spread on FX Transactions

In a circular titled "**Removal of the Spread on Foreign Exchange Transactions**," published on 8 February 2024 and directed to all Authorised Dealers,¹³ the CBN removed the spread on FX transactions at the interbank market, thereby removing any restrictions on the sale of interbank proceeds, i.e. funds resulting from transactions between Authorised Dealers in the interbank FX market.

The removal of this restriction is aimed at providing more flexibility to Authorised Dealers in the usage or disposal of the money they receive from currency exchanges with other banks. The adjustment by the CBN was also predicated on a need to ensure that Authorised Dealers can conduct transactions on the NAFEM on the basis of the "willing buyer willing seller" model. The circular also encouraged dealers to adhere strictly to ethical standards in their dealings by maintaining transparency and ensuring appropriate price disclosures.

12. The IMTS Guidelines prohibits banks and financial technology companies from acting as IMTOs. Banks are however allowed to act as agents of IMTOs.

13. Refers to any bank licenced under the Banks and Other Financial Institutions Act, and such other specialise bank and issued with licence to deal in foreign exchange.



Introduction of the Electronic FX Matching System in the Interbank FX market



To further broaden its FX related reforms, the CBN in Q4 2024, released its circular on the Introduction of the EFEMS in the Interbank FX market (the **EFEMS Circular**), with an implementation date of 1 December 2024. Under the EFEMS Circular, Authorised Dealers are directed to conduct all FX transactions in the interbank FX market on the EFEMS approved by the CBN, which system would allow for swift and transparent conclusion of transactions. The EFEMS is expected to check FX market distortions, eliminate speculative activities, instill transparency and be easily accessible to the public.

The CBN intends to publish real time prices and buy/sell orders data from the system and in collaboration with the Financial Market Dealers Association, publish rules for EFEMS, which will be supplemented by revised market operating guidelines for the FX market, all aimed at providing guidance to market participants. Market participants will also be guided by the Nigerian FX Code (**Code**), a draft of which the CBN published on 3 October 2024, and which has been analysed below.

Nigerian FX Code

The Code is grounded on six principles namely: ethics, governance, execution, information sharing, risk management and compliance, confirmation and settlement processes, and applies to all market participants including banks and OFIs licenced by the CBN. The Code draws on principles and best practices adopted in other jurisdictions. It is aimed at enhancing market transparency, promoting economic stability, establishing clear regulatory guidelines for all FX transactions and creating a more structured and predictable FX environment, which is intended to address previous market inefficiencies and provide a robust framework for both authorised dealers and market participants.



CBN's Sale of FX to BDCs to meet Market Demand for Invisible Transactions

In Q3 2024, the CBN issued a circular approving the sale of foreign currency to BDCs to enable the CBN meet the rising demand for invisible transactions within the NAFEM. This decision aligns with CBN's objective to achieve an appropriate market determined exchange rate for the Naira amidst the on-going reforms in the NAFEM and to curtail the FX rate distortions within the parallel market. Consequently, the CBN announced that the sum of US\$20,000 is to be sold to each BDC at the rate of N1,450/\$, a rate which represented the lower band of the trading rate at the NAFEM as at the previous trading day. The CBN had also in subsequent circulars dated 6 September 2024 and 24 September 2024 increased the rate to N1,590/\$ and mandated BDCs to ensure that the rate at which the BDCs sell to eligible end-users does not exceed a 1% margin¹⁴ above the rate at which the FX was purchased from the CBN.



PROHIBITION ON THE USE OF FOREIGN CURRENCY DENOMINATED COLLATERAL FOR NAIRA LOANS

By a letter dated 8 April 2024 and titled, "The Use of Foreign Currency Denominated Collaterals for Naira Loans" addressed to all banks (the Letter), the CBN prohibited the use of foreign currency as collateral for Naira denominated loans, except for collaterals such as Eurobonds issued by the FGN or guarantees from foreign banks, including standby letters of credit.

The CBN in the Letter mandated all Financial Institutions to ensure that all existing foreign currency secured loans, other than those exempted, be wound down within a 90-day window. The CBN also warned that banks who fail to comply with this requirement will risk having their foreign currency secured loans risk-weighted at 150% for the computation of their capital adequacy ratio.

14. This was reduced from the 1.5% margin rate previously stipulated by the CBN in its earlier issued circular dated 18 July 2024



PART

02

IMPACT OF THE BANKING SECTOR REGULATORY TRENDS



IMPACT

Without doubt, the CBN in 2024 intensified its regulatory oversight of the banking sector, aiming to achieve financial stability and boost transparency. The regulatory trends discussed in this report, had noteworthy impact on the Banking Sector, and further led to some regulatory actions.

01

At the beginning of the year, as a result of non-compliance with the provisions of the BOFIA and other regulatory infractions, the CBN dissolved the board and management of Union Bank, Keystone Bank and Polaris Bank. These infractions include, non-compliance with regulatory requirements, wrong corporate governance practices and breach of the conditions of their banking licence, etc. The dissolved management of each bank was quickly substituted with new executives who were charged to manage the bank's affairs. This swift replacement of executives by the CBN prevented a run on these institutions and potential consequences for the broader financial system.

02

In June 2024, the CBN revoked Heritage Bank Plc's banking licence following the CBN's earlier intervention in the bank to improve the bank's financial performance and appointed the NDIC as the bank's liquidator. The CBN's actions demonstrate regulatory commitment to maintaining financial system integrity, protecting depositors, and preventing potentially systemic financial risks through proactive management intervention.

03

The introduction of the Independent Review Panel in the Blacklisting Guidelines helps to ensure fairness and impartiality.

04

Whilst the immediate impact of the prohibition of the use of foreign currency as collateral for Naira loans was the replacement by borrowers of the collateral hitherto provided in support of their borrowings with naira denominated collaterals and restructurings of the loans in other instances. The prohibition aims to foster a firmer and sustainable banking environment in Nigeria, deepen liquidity for FX, have a positive influence on loan structuring, strengthen risk assessment and management frameworks, and ultimately contribute to a more robust economy.



05

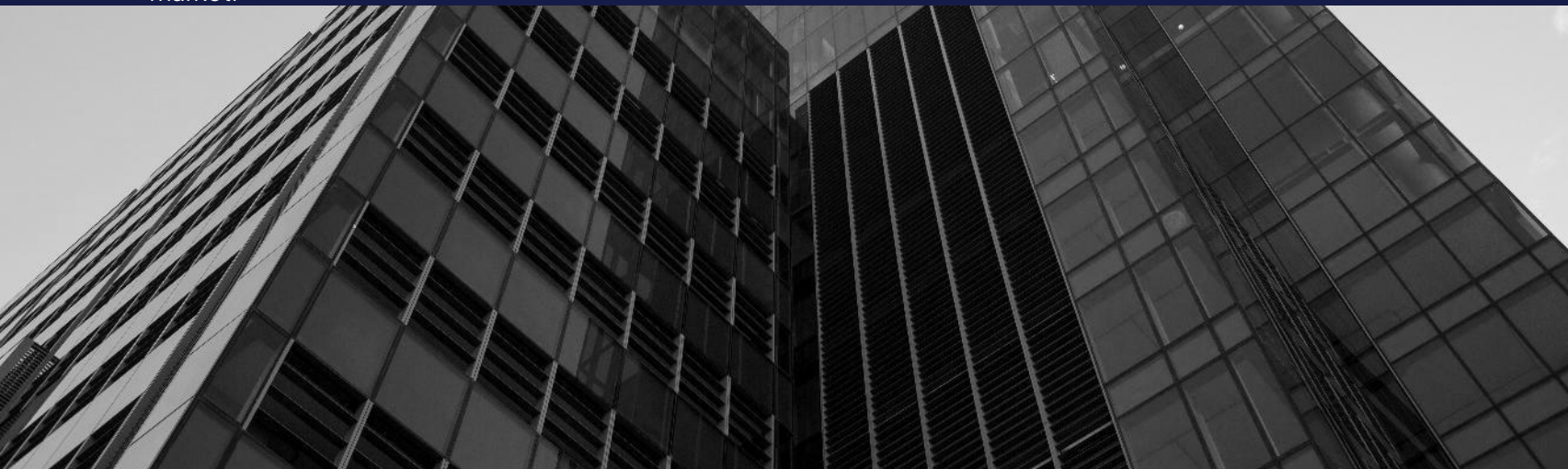
The CBN's MPR hikes had mixed effects on the banking sector, investors and businesses. As a result of the increased costs of borrowing, the banking sector has seen a reduction in loan applications, while businesses are exploring alternative sources of funds such as commercial papers, corporate bonds, etc. and investors continue to benefit from higher returns on their investments.

06

The provisions of the IMTS Guidelines had mixed effects on existing business arrangements, and partnership contracts entered into between IMTOs and their contract counterparties. This has triggered a review/restructuring of existing contractual arrangements between IMTOs, and counterparties and in some cases, termination.

07

Ahead of the issuance of the BDC Guidelines, the CBN in March 2024, revoked the licenses of approximately 4,173 BDCs, reducing the total number of licensed BDCs from 5,960 to 1,517. This was in a bid to ensure that only serious players remain in the market.





MARKET TRENDS



01 Mergers And Acquisitions Within The Banking Sector

02 Decrease In The Ratio Of NPLs

03 Stronger CAR

04 Diminution in the derivatives market





MERGERS AND ACQUISITIONS WITHIN THE BANKING SECTOR

In August 2024, the CBN approved the merger of Unity Bank and Providus Bank along with a NGN700 Billion Loan from the CBN to aid the new banking entity.¹⁵ This move was propelled by the revision of the minimum capital requirements for commercial, merchant and non-interest banks.

In the press release by the CBN, the apex bank noted that the financial support provided would be necessary to strengthen the stability of Nigeria's financial system and avoid potential systemic risks. This was the first merger in the Nigerian banking scene since the Access Bank and Diamond Bank merger in 2019.

Also in 2024, some Nigerian banks with international licences explored mergers and acquisitions in their efforts to expand and solidify their presence across Africa. This included Access Bank Plc which received approval for about 4 acquisitions across Africa in 2024 alone, for the acquisition of National Bank of Kenya, the acquisition of Finance Trust Bank in Uganda, the acquisition of African Banking Corporation (Tanzania) Limited in September 2024¹⁶, the acquisition of 100% stake in Bidvest Bank, Johannesburg in December 2024 and other banks signifying their intention to expand their foreign presence.



DECREASE IN THE RATIO OF NPLs

As at the end of January 2024, the Nigerian banking industry NPL ratios stood at 4.15%, and subsequently decreased to 3.9% in June 2024²¹. According to the CBN's Economic Report, the NPL as quality but October 2024 stood at 4.80% below the prudential threshold of 5%. It should however be noted that the reduction in the NPL ratio is not necessarily on account of improvement in credit quality but may also be attributable to the decline in lending activities, and the inability of businesses to access loans due to the increased costs of borrowing.

STRONGER CAR

Amongst the Tier 1 commercial banks, the average CAR as at June 2024 stood at 21.52%, well above the regulatory threshold of 15%, implying that the banking sector is well placed to respond to credit and operational risks, thus supporting a healthy economy. With the increased capital requirement, it is expected that the full year figures will show an even stronger CAR.

15. CBN approves Unity, Providus bank's merger - Daily Trust

16. Access Bank Satisfies Legal Requirements on Acquisition of BancABC Tanzania Company



DIMINUTION IN THE DERIVATIVES MARKET

As gleaned from the FMDQ'S financial markets monthly reports, whilst a few months experienced highs, there was a decline in the FX derivatives market monthly turnover. In October 2024 however, the FX derivatives market recorded an 83.19% increase in its monthly turnover from the September 2024 figures.¹⁷

This increase was attributed to the 98.08% increase in FX Swaps reflecting a heightened demand for hedging against FX movements in the price of goods and services. This increase in FX Swaps offset the 15.63% decline in FX Forwards transactions, as businesses shifted their hedging strategies to swaps due to the immediate benefits and flexibility it offered, while the FX Futures transactions remained inactive during the period. A similar increase was experienced in August with an increase of 16.47%.¹⁸

17. CBN approves Unity, Providus bank's merger - Daily Trust

18. Access Bank Satisfies Legal Requirements on Acquisition of BancABC Tanzania Company



PART
03

NIGERIAN CAPITAL MARKETS TRENDS IN 2024



REGULATORY TRENDS

01 SEC Framework on the Banking Sector Recapitalisation Programme

02 SEC encouraging SEOs Listings on the NGX

03 Regulatory Interventions on Commercial Paper Issuances

04 Electronic Securities Offering

05 Proposed New Rules on The Issuance and Allotment Of Private Companies' Securities





SEC FRAMEWORK ON THE BANKING SECTOR RECAPITALISATION PROGRAMME

Following the CBN's announcement of the new minimum capital requirement for Nigerian banks, the capital market witnessed some regulatory interventions. As earlier highlighted in this Report, one of the few permissible avenues of raising capital to meet the CBN minimum capital requirement is equity capital raise via either private placements, rights issues, and/or offers for subscription.

On this premise, and given that the equity capital market was largely inactive prior to the release of the Circular, the SEC unveiled a framework in June 2024 (the SEC Framework) with the following objectives:

01
To assist banks, holding companies, and market participants in navigating the recapitalisation program effectively.

02
To ensure an efficient, transparent capital-raising process that protects stakeholders' interests.

03
To ensure full disclosure of material facts in compliance with the ISA and other relevant regulations.

04
To guide banks, holding companies, and capital market operators in filing applications for capital raises or mergers and acquisitions.

The SEC Framework highlighted the relevant capital raising options to be considered by the banks, which mirrored the provisions of the CBN's recapitalisation circular.

It also provided clear guidelines and procedures for banks seeking to meet the CBN recapitalisation minimum requirement, specifically encouraging distribution electronically and given the speed of approval by the SEC of the various bank-related issuances, the SEC Framework appeared to have served its purpose.

SEOs LISTINGS ON THE NGX

As part of its drive to further strengthen the Nigerian Capital Market, the DG of SEC, Dr. Emomotimi Agama, on September 17, 2024,¹⁹ stated that the listing of SEOs on the NGX would foster democratization of their operations and inclusiveness and wealth creation for citizens. He also emphasized the willingness of the SEC to offer incentives to encourage SEOs to list on the NGX and reassured stakeholders of the SECs focus on enhancing market inclusivity and leveraging technology to improve the capital markets as well as encouraging investments amongst qualified individuals.

19. [Aderonke Oni: The Cable, September 19 2024](#)



REGULATORY INTERVENTIONS ON COMMERCIAL PAPER ISSUANCES

PenCom vide a circular dated 23 October 2024 issued a directive to all LPFAs to immediately suspend further investments in commercial papers. This directive followed concerns regarding the absence of a regulatory framework from the SEC for the issuance of commercial papers. Consequently, PenCom instructed LPFAs to halt investments in commercial papers until SEC provides proper guidelines for their issuance.

In another circular dated 4 December 2024, PenCom lifted its restriction on LPFAs investing in commercial papers, following the SEC's exposure of the Proposed New Rules on Issuance of Commercial Papers and amendments to Rule 8 (Exemptions) (**Draft CP Rules**). The Draft CP Rules aim to bring the involvement of non-bank IPAs within regulatory boundaries, thereby addressing PenCom's earlier concerns. Some provisions of the SEC Draft Rules include provisions relating to the minimum operating history of an issuer, minimum shareholders funds to be maintained by an issuer and the issuer's debt-to-equity ratio, default status of the Issuer, the Issuer's investment grade credit rating among others.

The FMDQ following the registration of a pioneer non-interest commercial paper programme in Q3 2024 on the FMDQ, issued the Commercial Paper Registration and Quotation Rules in November 2024, which contains provisions on required documentation, eligibility criteria of an issuer, quotation process and particularly, provisions on non-interest commercial papers structured in accordance with Shari'ah principles.

ELECTRONIC SECURITIES OFFERING

July 2024 saw the launch of NGX Invest, an innovative securities offering digital platform developed by the NGX to revolutionize how public offerings and rights issues are conducted in Nigeria. The platform streamlines the process of investing in securities by offering secure, easy-to-navigate account setups, and simple identity verification. The e-offering platform was approved by the SEC and its launch coincided with the CBN's recapitalisation directive to banks. Thus, the SEC in the SEC Framework encouraged banks and their holding companies to undertake the capital raising exercise through a registered e-offering platform provided by a securities exchange.

This platform significantly aided banks in their capital raises by broadening investor participation. The innovation aligns with the SEC's proactive approach to developing the Nigerian capital market by embracing digital innovation and the SEC has noted that the e-offering platform has been pivotal to the success of the recapitalisation exercises carried out so far by banks, enabling the raising of over NGN 1.7 trillion.²⁰

20. Busola Aro, 21 November 2024, Recapitalisation: Banks raised N1.7trn through e-offerings, says SEC DG, The Cable, accessible at Recapitalisation: Banks raised N1.7trn through e-offerings, says SEC DG | TheCable



PROPOSED NEW RULES ON THE ISSUANCE AND ALLOTMENT OF PRIVATE COMPANIES' SECURITIES

The amendment of Section 67 of the ISA through the Business Facilitation (Miscellaneous Provisions) Act 2022 paved a way for private companies to issue securities to the public. In furtherance of this significant development, the SEC unveiled the exposure draft of the "Proposed New Rules for the Issuance and Allotment of Securities by Private Companies" on May 7, 2024 for stakeholder comments and input (the Proposed Rules). On 9 December 2024, following comments received from stakeholders, the SEC re-exposed the Proposed Rules to the public.

The Proposed Rules apply to debt securities issued by private companies via public offerings, private placements, book building, and other SEC-approved methods. It also covers exchanges and platforms that admit these securities for trading or information purposes and registered capital market operators engaged in issuing and allotting debt securities of private companies.

With regard to private companies with existing debt securities held by qualified investors, the Proposed Rules provide that such securities must be registered with the SEC within three months of the SEC's issuance of the Proposed Rules. Other provisions of the Proposed Rules include (x) the limitation on the number of issuances by limiting private companies to a maximum of three (3) debt securities issuances within a one-year period and the total amount of such issuances, shall not exceed an aggregate of NGN15 billion, and (y) the requirement that debt securities issued under the Proposed Rules shall only be sold to qualified investors, as defined under the SEC Rules.





MARKET TRENDS

01 Equity Capital Market

02 Government borrowing in the Debt Capital Markets

03 New Listings on the NGX

04 Increase in NGX Market Capitalisation

05 Delisting of companies





MARKET TRENDS

EQUITY CAPITAL MARKET

The Nigerian equity capital market experienced a surge in activity in 2024 with transactions surging by 44% in the first seven months of 2024.²⁹ As reported by the NGX, total equities transactions reached NGN3.095 trillion in the first seven months of 2024, compared to NGN2.154 trillion during the same period in 2023. This trend was primarily fuelled by the CBN's recapitalisation directive to banks issued in March 2024 which ushered in a number of capital raises undertaken by banks to comply with the CBN directive.³⁰

GOVERNMENT BORROWING IN THE DEBT CAPITAL MARKET

In 2024, there was a notable increase in federal government borrowing, with FGN Bonds accounting for over NGN5 trillion of the listings in the debt capital markets.

Notably, in Q3 2024, the Federal Government of Nigeria issued its first ever foreign currency denominated domestic bonds in the Nigerian capital market, which was largely oversubscribed.

NEW LISTINGS ON THE NGX

There were a number of new listings on the NGX in 2024, by first time issuers. Between January and August 2024, a total of 12 companies listed on the NGX to raise capital from the investing public. Notably, the NGX recorded over NGN12 trillion in the value of listings in 2024 largely driven by FGN bonds and corporate listings.

First time issuers who listed their shares on the NGX include, Transcorp Power Plc (with a listing of NGN1.8 trillion), Aradel Holdings Plc (with a listing of over NGN3 trillion), and Haldane McCall Plc. (with a listing valued at NGN13.17 billion). Notably,

INCREASE IN NGX MARKET CAPITALISATION

The NGX market capitalisation and All Share Index saw significant growth in the course of the year, driven by increased trading activities, including the CBN's recapitalisation exercise. Although the NGX market capitalisation saw a dip in at the start of 2024 with a figure of NGN40.92 trillion, by 31 December 2024, this figure had risen to NGN62.76trillion.

Overall, the NGX ASI closed 2024 at 102,920.40 basis points, recording an annual growth of c.37%.

DELISTING OF COMPANIES

In 2024, over fifteen (15) companies were delisted from the NGX, either due to a corporate restructuring, operational challenges, non-compliance with the rules among others. Some of these companies are Flour Mills Nigeria Plc, Union Bank of Nigeria Plc, GSK Consumer Nigeria Plc, Goldlink Insurance Plc, ASO Savings & LLoans Plc, Medview Airline Plc etc.

29. Emmanuel Ochayi, September 2024, Banks' Recapitalisation Drives 44% Surge In Nigeria's Equity Market, Prime Business Africa, accessible at Banks' Recapitalisation Drives 44% Surge In Nigerian Equities Market

30. Ibid



PART

03

2025 OUTLOOK AND PROJECTIONS



BANKING



MORE CAPITAL RAISES IN THE BANKING SECTOR

Ahead of the 2026 deadline for compliance with the new minimum capital requirement for Nigerian banks, we foresee more banks approaching the market via rights issues, public offers, or private placements and combinations of these in 2025. As a result, we envisage that the equity capital market would remain active throughout the year.



ACQUISITIONS & MERGERS BETWEEN BANKS AND FINTECHS

Mergers and acquisitions were critical to the last recapitalisation exercise in 2005 and is expected to feature prominently in the current regime. It is worth stating that the earlier recapitalisation exercise carried out by the CBN in 2005 produced a wave of mergers and acquisitions in Nigeria's banking industry, subsequently reducing the number of commercial banks in Nigeria from 85 to 29.

We expect the CBN's ongoing recapitalisation exercise to continue to drive a surge in strategic partnerships among banks, and between banks and FinTechs in Nigeria; with the partnerships between banks and FinTechs not only driven by the recapitalisation exercise, but also by the need for the banks to increase their market share through strengthening of their digital presence due to the wide reach that such digital capabilities affords them.

These collaborations will likely focus on key areas like mobile payments, digital lending, and personalized financial management, and overall, propel the repositioning of Nigerian banks in the changing and competitive financial services landscape. In 2025, we expect to see more banks explore mergers as a viable option towards complying with the CBN's minimum capital requirement.



TIGHTENING OF MONETARY POLICIES

Given the CBN's unprecedented monetary policies to tackle persistent inflation, raising the MPR to 27.25% by Q4 2024, introducing higher CRRs and liquidity controls for banks, to manage the systemic excess liquidity that fuels inflationary pressures, and in view of the state of the economy, we anticipate that the CBN may continue its cautious approach to monetary policy, potentially maintaining elevated MPR levels, while closely monitoring inflation trends and seeking to strike a balance between controlling price pressures and supporting economic growth.



INCREASED COLLABORATIONS BETWEEN NIGERIAN BANKS AND DFIS

In 2024, Nigeria's Financial Institutions collaborated more with DFIs to bridge gaps left by traditional banking and private capital, particularly for high-impact projects.

This development was originally propelled by the COVID-19 pandemic and sustained by the rise in impact investments, both of which have magnified the need for sustainable capital supplied by DFIs to support various sectors in Nigeria, including infrastructure, climate action, and SMEs.

Following recent significant strides within the sustainable finance sector, this trend is expected to continue in 2025, with a projected boost in investments in green infrastructure and renewable energy projects and regulatory reforms that align with Nigeria's climate objectives, as well as expanded financing for SMEs and micro-enterprises to foster job creation, economic inclusion as well as gender inclusion.



STABILITY OF THE FX MARKET

As an offshoot of the numerous FX reforms that occurred in 2024, we envisage that the FX market will witness some stability in the coming year. At the 59th edition of the annual banker's dinner organized by the Chartered Institute of Bankers of Nigeria, the governor of the CBN highlighted FX market stability as a core priority for year 2025.



INCREASED ENFORCEMENT OF EXISTING REGULATIONS

In 2025, the CBN is expected to intensify efforts towards enforcement of existing regulations, emphasizing compliance with thresholds, circulars and frameworks introduced in 2024 towards maintaining financial stability and mitigating systemic risks in the financial system.



CAPITAL MARKETS



MORE DEBT CAPITAL RAISES BY THE FGN, AND SUB-NATIONALS

As we approach 2025, projections indicate a continued trend of increased debt capital raises by both the FGN and corporates, possibly also, sub-national entities. This trajectory is driven by several factors which include:

revenue constraints and debt reliant revenue strategies exacerbated by factors such as volatile oil prices, inflation and consequent increase in government recurrent spendings, production challenges and rising need for capital intensive infrastructure; and



opportunities for sustainable instrument issuances. This increase is expected to support the country's economic stability and meet its infrastructural needs.



PUBLIC ISSUANCE OF SECURITIES BY PRIVATE COMPANIES

In 2025, we anticipate the issuance of substantive rules to regulate private companies seeking to offer securities to the public for subscription, and we believe that the Proposed Rules will drive further drive activities within the equity capital market with the possible introduction of innovative instruments, which will further deepen the Nigerian Capital Market.



INCREASE IN CORPORATE LISTINGS

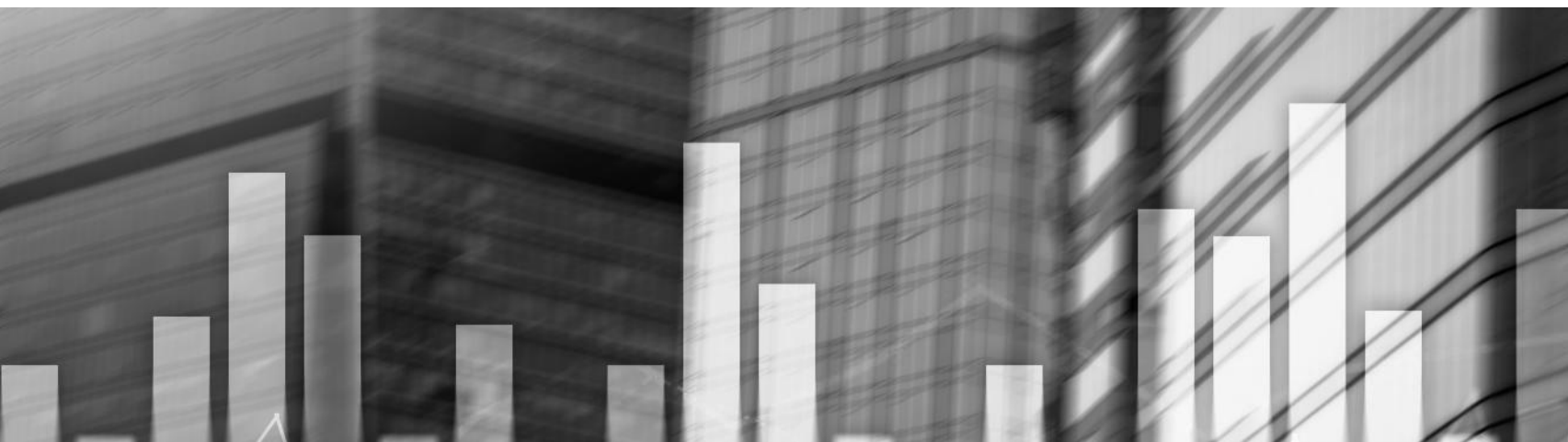
The SEC's announcement of its intention of implementing new measures to simplify the process for companies seeking to list their shares on the NGX, as part of efforts to drive the CBN's \$1 trillion economy is expected to serve as an incentive for increased corporate listings in 2025, particularly, given the key role of the capital markets in Nigeria's economic growth.



NGX ISSUING OF REVAMPED CORPORATE LISTING RULES

The NGX recently announced its intention to revamp the listing rules, as part of a broader strategy to strengthen the secondary aspect of the capital market by increasing liquidity and market stability.

The review of the listing rules is also aimed at ensuring alignment with global best practices, which will invariably attract listings on the NGX, enhance retail investors participation and foreign capital inflow.



ASSENT TO THE INVESTMENT AND SECURITIES ACT (REPEAL AND ENACTMENT) BILL 2024

A new dawn is in the wake for the regulation of securities offering and capital market operations in Nigeria as the Senate in December 2024 approved the Investment and Securities (Repeal and Enactment) Bill 2024 (the Bill) for its third reading.

The Bill which seeks to repeal the seventeen (17) year old ISA is poised to drive diversification and align the capital market in Nigeria with global best practices. Notably, the Bill seeks to tighten the regulation of investment and securities in Nigeria, particularly in derivatives, systematic risk management, financial market infrastructure and Ponzi scheme platforms.



CONCLUSION

Without any doubt, 2024 was a year of significant transformation and adaptation across the Nigerian financial landscape. The banking sector, faced challenges from currency depreciation, monetary policy adjustments, inflation, and regulatory reforms, which are envisaged to continue into 2025, while the capital markets, driven by the CBN recapitalisation exercise and regulatory support of the SEC, saw increased activity. These factors have resulted in strategic shifts, including collaborations, innovative product development and technological advancements in both the capital markets and banking sector.

Looking ahead to 2025, further capital raises, mergers, and digital integration are anticipated in the banking sector, while the capital market is projected to experience growth in equity issuances, corporate listings and debt capital raises.

The trends highlighted in this report underscore the dynamic nature of the financial services industry in Nigeria and its continuous evolution in response to economic and regulatory forces and we at Olaniwun Ajayi LP are poised to support our clients in navigating the journey through 2025.



GLOSSARY OF TERMS

ABBREVIATION	MEANING
AML/CFT/CPF Laws	Anti-Money Laundering, Countering the Financing of Terrorism and Countering Proliferation Financing laws
BDC	Bureau De Change
BOFIA	Banks and Other Financial Institutions Act 2020
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CIS	Collective Investment Schemes
CRR	Cash Reserve Requirement
DC	Disciplinary Committee
DFI	Development Finance Institution
DG	Director General
EFEMS	Electronic Foreign Exchange Matching System
FGN	Federal Government of Nigeria
FX	Foreign Exchange
IMTOs	International Money Transfer Operators
IPAs	Issuing and Placing Agents
IRP	Independent Review Panel
ISA	Investments and Securities Act 2007 (as amended)
LPFAs	Licensed Pension Fund Administrators
MPR	Monetary Policy Rate



GLOSSARY OF TERMS

ABBREVIATION	MEANING
NAFEM	Nigerian Foreign Exchange Autonomous Market
NDIC	Nigeria Deposit Insurance Corporation
NGN	Nigerian Naira
NGX	Nigerian Exchange Limited
NPL	Non-Performing Loan
OFIs	Other Financial Institutions
PenCom	National Pension Commission
SEC	Securities and Exchange Commission
SEOs	State-Owned Enterprises
SMEs	Small and Medium-sized Enterprises
UBTF	Unclaimed Balances Trust Fund
USD	United States Dollars
VPN	Virtual Private Network



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