Coordinating Nigeria's Virtual Asset Regulation: The 2026 Executive Order and Emerging Framework

OALP Technology, Innovation and Fintech Newsletter

BACKGROUND

The regulatory treatment of virtual assets has long been complicated by their hybrid character: these assets may operate as a medium of exchange, a store of value, or an investment instrument, placing them within the overlapping mandates of the Central Bank of Nigeria (**CBN**) and the Securities and Exchange Commission (**SEC**). Over the years, both regulators have taken steps to engage with this space, though their approaches have differed.

The SEC, tasked with regulating investments, securities and the capital markets, first formalised its regulatory position in 2017, when it issued a Public Notice warning of the risks posed by virtual currencies. Following this, it published its 2020 Statement on Digital Assets, recognising that crypto-assets with the characteristics of investment products fall within its regulatory purview.

In 2021, following the CBN's directive restricting financial institutions (**FIs**) from dealing in cryptocurrencies, the SEC issued a press release halting the operation of its Statement on Digital Assets for institutions affected by the CBN letter. In 2022, the SEC issued the Rules on the Issuance, Offering Platforms, and Custody of Digital Assets (**Digital Asset Rules**), which was the first comprehensive framework for virtual assets in Nigeria, establishing a licensing regime for digital asset offering platforms, digital asset exchanges, digital asset custodians, and other Virtual Assets Service Providers (**VASPs**).

The CBN, responsible for regulating the financial system, similarly adopted a more cautious approach from the outset. In 2017, at the same time as the SEC, it issued a circular addressed to FIs warning of the risks associated with virtual currencies, followed by a 2018 Press Release addressed to the public emphasising that virtual currencies are not legal tender. In 2021, it issued a letter to all FIs expressly prohibiting them from dealing in cryptocurrencies. The CBN reversed course in December 2023 with the Guidelines on Operations of Bank Accounts for Virtual Asset Service Providers, which acknowledged the SEC's Digital Asset Rules and permitted banks and other FIs to open designated accounts for SEC-licensed VASPs, subject to compliance with prescribed requirements. The 2023 Guidelines did not, however, establish CBN's preferred guidelines or a licensing regime for VASPs engaged in payment, settlement or other non-investment activities.

On 17 July 2026, President Bola Ahmed Tinubu signed the Presidential Executive Order on Virtual Assets Coordination 2026 (the **Executive Order**), which came into effect immediately, with the stated objectives of (x) harmonising the regulation of virtual assets; (y) strengthening cooperation among the nation's financial, revenue and capital markets agencies; (z) protecting citizens from fraud; (xx) safeguarding the integrity of the financial system; and (yy) enabling responsible innovation.

KEY PROVISIONS OF THE EXECUTIVE ORDER UNPACKED

CBN Regulatory Sandbox

The Executive Order presents the CBN regulatory sandbox as part of the broader coordinated approach. The sandbox is a supervised environment for testing virtual asset innovations and evaluating their implications for monetary policy, financial system stability, market conduct, consumer protection, financial inclusion, and tax administration before wider market deployment.

In line with the Order's indication that further details would follow, the CBN launched the 2nd Cohort of its regulatory sandbox in August 2026, with applications running from 12 to 31 August 2026.[1] This cohort was designed to admit companies providing products or services in relation to digital assets that are fiat-backed or have a payment, settlement, or store of value function such as fiat-backed stablecoin payments, stablecoin issuance, virtual asset payments, digital wallet infrastructure, custody solutions, fiat on/off-ramp services, and payment-token exchanges. These are non-securities activities that ordinarily fall outside the SEC's purview.

Eligibility for application extends beyond CBN-licensed institutions to include entities licensed by other Nigerian financial regulators,[3] foreign-licensed institutions with solutions adaptable to Nigeria, VASPs operating in stablecoin issuance, virtual asset payments, exchanges, and custody, and startups and technology companies without financial licences.

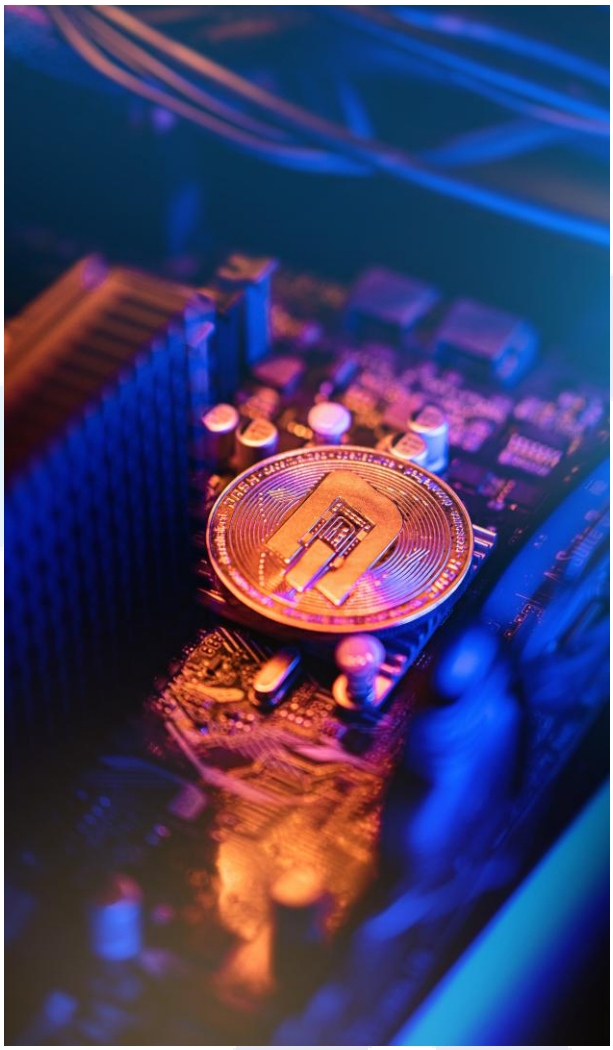
The sandbox is intended to serve multiple objectives, including enhancing collaboration with innovators,[2] promoting solutions that expand access to digital financial services, maintaining a secure and inclusive payments ecosystem, supporting controlled testing of virtual asset products involving financial services, and informing future supervisory, policy and licensing decisions. For innovators, participation in the sandbox offers early regulatory engagement, reduced uncertainty, product credibility and trust, improved understanding of compliance obligations and readiness for commercialisation.

Importantly, admission to the sandbox does not constitute a licence or regulatory approval to operate beyond the approved testing parameters, nor does it confer or substitute any other agency's registration or approval.

Virtual Asset Council

An innovation of the Executive Order is the establishment of the Virtual Assets Council (**VAC**) chaired by the CBN, with the SEC and Nigeria Revenue Service (**NRS**) as vice-chairs, and the Nigerian Financial Intelligence Unit (**NFIU**) and Office of the National Security Adviser (**ONSA**) as members. The VAC responds to concerns that regulatory agencies have historically operated in silos, with overlapping mandates in some areas and gaps in others creating vulnerabilities to financial crimes, cybersecurity threats and revenue leakage.

Importantly, the VAC is not a new substantive regulator. It does not usurp existing regulators or add to the existing multiple regulators; instead, it serves as a coordination agency, enabling the existing regulators to collaborate while retaining their respective statutory powers.



With this approach, virtual asset activities are not placed under a single regulator, which is appropriate given the diversity of business models in the sector and the specialised expertise that each regulator has developed.

The VAC's functions include (x) setting policy direction for the sector, (y) improving coordination among the regulatory authorities, and (z) developing a harmonised implementation framework to guide the regulatory authorities on giving effect to the Executive Order and to ensure its expedited implementation.

1. The pilot phase of the sandbox launched in March 2026, before the Executive Order was issued. That phase focused on understanding Anti-Money Laundering, Counter-Financing of Terrorism, and Counter-Proliferation Financing (AML/CFT/CPF) risks, business models, and operational practices of VASPs, and aimed to foster participating entities' demonstration of alignment with the Financial Action Task Force (FATF) standards. It admitted fintech entities and VASPs such as Flutterwave, Paystack, and KuCoin (https://techcabal.com/2026/04/01/cbn-launches-crypto-aml-pilot-flutterwave-paystack/).
2. In relation to this objective, the CBN asserted that information provided by applicants to the sandbox may be considered by the CBN in conjunction with other relevant authorities, including those responsible for securities regulation, financial intelligence, tax administration, national security, and data protection, where appropriate.
3. This would include companies operating in the insurance and pension sectors which are licensed by the Nigerian Insurance Commission or the National Pension Commission, as applicable.

Virtual Asset Office

Complementing the VAC is the Virtual Asset Office (**VAO**), which functions as the Council's operational arm, with its secretariat housed at the CBN. The VAO is tasked with managing day-to-day coordination of information sharing, applications, and reporting among the relevant authorities. An integrated supervisory technology platform will support this coordination by providing the relevant agencies with visibility across the ecosystem while preserving each agency's ownership and control of its respective data.

Properly implemented, the VAO could reduce duplication in regulatory engagement, improve information flows between agencies, and provide businesses with a more coherent process for navigating regulatory requirements that span multiple agencies.

Taxation of Virtual Assets

The Executive Order signalled that the NRS would issue a tax policy for virtual assets, with the objective of providing clarity on the application of Nigeria's tax laws to virtual assets, promote certainty for taxpayers and service providers, strengthen compliance, and ensure that the sector contributes appropriately to national revenue.

On 31 July 2026, the NRS delivered on this with the release of the Guidelines on the Taxation of Virtual Assets (the **Taxation Guidelines**). The Taxation Guidelines classify virtual assets into categories such as cryptocurrencies and exchange tokens, stablecoins and payment tokens, security and investment tokens, utility and governance tokens, and non-fungible tokens, for the purpose of determining the taxes payable on each virtual asset, such as income tax on disposal gains, value added taxes and stamp duties.[4]

The Guidelines also distinguish between taxable events (such as sales, conversions, and receipt of staking or mining rewards) and non-taxable events (such as mere holding of virtual assets following acquisitions, wallet-to-wallet transfers, staking lock-ups, tokenisation of real-world assets and minting of non-fungible tokens).[5] The Taxation Guidelines also provide for taxpayer obligations such as tax registration, remittance of taxes, and penalties for non-compliance with the Taxation Guidelines.[6]

Virtual Assets White Paper

The Executive Order notes that the Federal Government is finalising a comprehensive Virtual Assets White Paper, intended to set out the country's long-term policy direction and implementation priorities.

The White Paper is expected to serve as a roadmap for stakeholders. As of the date of writing this Article, there is no update on this White Paper.

Regulatory Mandates

Importantly, the Executive Order does not create a new regulator or transfer powers between existing regulators. Each institution retains its statutory mandate and independence. The Order only seeks to ensure coordination among the independent regulators.

The Executive Order states that registration of VASPs will follow the nature of the activity and the asset involved in their operations. Securities-related activities will be registered with the SEC, while payment, settlement, custody, and related services involving non-security virtual assets will be registered with the CBN. In the event that regulatory responsibility is not easily ascertainable, the VAC will handle the matter, most likely by determining the appropriate regulatory authority.

This framework is intended to minimise regulatory gaps and ensure that virtual asset activities are subject to appropriate regulatory oversight.

OBSERVATIONS AND ISSUES ARISING FROM THE EXECUTIVE ORDER

FIs' Participation in the CBN Sandbox

The CBN Regulatory Sandbox eligibility criteria extend to CBN-licensed institutions, including banks and other FIs. However, the CBN's 2023 Guidelines on Bank Accounts for VASPs prohibit FIs from trading virtual assets on their own accounts. This raises a question: can an FI participate in the sandbox to test virtual asset products without breaching the 2023 Guidelines? If so, does sandbox participation suspend or carve out the prohibition during the testing period? And what happens post-sandbox if the FI seeks to commercialise a virtual asset product? These questions will require clarification as the sandbox progresses.

4. *Paragraph 5.0 of the Taxation Guidelines.*
5. *Paragraph 7.0 of the Taxation Guidelines.*
6. *We kindly refer you to our article on the Guidelines on the Taxation of Virtual Assets for more comprehensive details on the provisions of the Taxation Guidelines.*

Hybrid Business Models

The Executive Order allocates regulatory responsibility based on the nature of the activity: securities-related activities to the SEC, and payment, settlement, and custody services involving non-security virtual assets to the CBN. This is a reasonable principle, but many VASP business models do not fit neatly into one category. A platform that offers both token trading (potentially securities-related) and fiat on/off-ramp services (payment-related) may need to engage with both regulators.

The VAC is tasked with resolving cases where responsibility cannot be readily determined, but the process for doing so is not yet clear. For hybrid platforms, questions remain: will they require dual registration? Will the VAC issue consolidated guidance? How will the sandbox processes of the CBN and SEC interact?

Where an entity intends to provide both payment and securities-related services, it may be required to engage with both regulators to obtain the applicable licences. This may increase compliance costs through dual registration fees, separate reporting obligations, and parallel legal and advisory expenses, potentially undermining the objective of regulatory coordination under the Executive Order. These are key gaps that the forthcoming Harmonised Implementation Framework might address.

CBN Sandbox Operational Framework

The CBN provides information on objectives, eligibility, tracks, and eligible activities on its website regarding Cohort 2 of its sandbox. However, it does not appear to publish detailed operational guidelines comparable to the SEC's framework for participants of its Regulatory Incubation (**RI**) program and Accelerated Regulatory Incubation Program (**ARIP**). It is possible that detailed operational parameters will be communicated to admitted participants; nonetheless, potential market participants may seek greater clarity on the requirements surrounding the CBN Regulatory Sandbox.

The CBN's Central Role

A notable feature of the Executive Order is the positioning of the CBN at the centre of the coordination framework: the VAC is chaired by the CBN, and the VAO is domiciled at the CBN. This is significant given that the SEC has historically been the more active regulator in the VASP space, having issued the comprehensive Digital Asset Rules in 2022 and established its own sandbox, the RI program, and the accelerated onboarding program for VASPs, the ARIP, with extensive guidelines on both initiatives. The CBN, by contrast, only recognised VASPs in late 2023 with its Guidelines on Bank Accounts for VASPs, addressed to FIs.

While the rationale for this structure is not stated in the Executive Order, it could be attributable to the CBN's broader mandate over monetary policy and financial system stability, or the view that payment and settlement services, which form a significant portion of VASP activity, fall more naturally within the CBN's remit.

CONCLUSION

The Executive Order represents a commendable effort to address one of the longstanding challenges in Nigeria's virtual asset space, that is, regulatory coordination. By establishing the VAC for policy direction and institutional coordination, the VAO for day-to-day operational matters, and an activity-based allocation of regulatory responsibility, the Executive Order provides the institutional architecture that has been lacking in the virtual assets ecosystem. The Order and its ensuing developments, including the CBN Regulatory Sandbox and the Taxation Guidelines, point towards a regulatory environment that offers greater clarity for market participants.

Looking to the future, stakeholders anticipate the publication of the Harmonised Implementation Framework, which will be critical in operationalising the coordination architecture. Greater clarity on the CBN Regulatory Sandbox's operational parameters and its interaction with the SEC's RI program and ARIP would also be welcome. Finally, the release of the Virtual Assets White Paper will be important in understanding the Federal Government's longer-term policy direction for the sector. We look forward to seeing how these developments will unfold.

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