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CLIENT ALERT:

CBN OPENS NEW SANDBOX TRACK FOR VIRTUAL ASSETS AS NIGERIA TIGHTENS CRYPTO REGULATION

INTRODUCTION

Following the establishment of the Virtual Asset Council and the introduction of the Nigeria Revenue Service's ("NRS") virtual asset tax framework, the Central Bank of Nigeria's ("CBN") dedicated Virtual Asset Service Provider ("VASP") Sandbox signals a new phase in Nigeria's approach to crypto regulation. These developments, taken together, reflect an emerging effort by the Federal Government and its regulatory agencies to move towards a more coordinated framework for the supervision, taxation and development of Nigeria's digital asset ecosystem.

Against this backdrop, the Central Bank of Nigeria ("CBN") on 12th August 2026, officially commenced the second cohort of its Regulatory Sandbox Programme, featuring a newly designed dual-track framework that explicitly includes virtual assets and data-enabled financial services. The programme supports the introduction of secure and innovative financial products that are open to performing live tests under the CBN's supervision.[1]

The Programme invites applications from innovators pioneering products in the virtual asset sector and data-driven financial services, with applications set to close on 31st August 2026. This milestone solidifies a major regulatory shift toward harmonising and formalising the digital asset landscape in Nigeria.

THE DUAL STRUCTURE OF THE SANDBOX PROGRAMME

According to the CBN, the programme has a dual structure that encompasses the following, namely:

1. **Virtual Asset Service Provider (VASP) Track:** This track focuses on innovations within the virtual asset sector and specifically targets players in that space that offer virtual asset services, stablecoin payments, wallet infrastructure and custody solutions.

2. **Data-Enabled Financial Services Track:** This track focuses on innovations that deploy digital infrastructure and use data to accelerate financial inclusion, credit infrastructure, risk management and operational excellence in financial services.

The programme welcomes applications from innovators operating within the two tracks, with eligibility for the programme premised on innovation, supervised live testing, consumer benefits, governance and risk management.

KEY CONSIDERATIONS FOR PROSPECTIVE APPLICANTS

Applicants must demonstrate that their solutions are sufficiently developed for controlled live testing and that relevant risks have been assessed and mitigated. They must also have appropriate AML/CFT/CPF controls, consumer safeguards and the technical capacity to meet the CBN's reporting and incident-notification requirements.

[1] Regulatory Sandbox- Cohort 2 https://sandbox.cbn.gov.ng/ accessed 12 August 2026

Approved participants will operate within defined testing parameters, and they must also maintain appropriate cybersecurity, data protection and incident response arrangements.

Importantly, Sandbox admission does not constitute a permanent licence or approval to operate beyond the approved testing parameters, nor does it replace any registration, authorisation or approval required from another regulator.

LOCATING THE SANDBOX WITHIN THE WIDER REGULATORY PUZZLE FOR VIRTUAL ASSETS

The Sandbox's second cohort does not exist in isolation; it is one piece of a rapidly assembling regulatory puzzle for Nigeria's digital asset space. On 17th July 2026, President Bola Ahmed Tinubu signed the Presidential Executive Order on Virtual Assets Coordination, 2026, which took immediate effect. The Order does not create a new regulator or strip any agency of its existing statutory powers. Rather, it establishes a Virtual Asset Council, chaired by the CBN, with the Nigerian Revenue Service ("NRS") and the Securities and Exchange Commission ("SEC") serving as vice-chairs, and the Nigerian Financial Intelligence Unit and the Office of the National Security Adviser as members, to harmonise coordination among the agencies that oversee different facets of the virtual asset ecosystem. Under this arrangement, the SEC retains oversight of virtual assets classified as securities, while the CBN supervises payment, settlement, custody and other services involving non-security virtual assets, with the Council resolving cases where jurisdiction is unclear.

Shortly after, on 31st July 2026, the NRS issued its Guidelines on the Taxation of Virtual Assets (Information Circular No. 2026/21), made pursuant to the Nigeria Tax Act, 2025 and the Nigeria Tax Administration Act, 2025. The Guidelines set out registration, reporting and record-keeping obligations for taxpayers, VASPs, peer-to-peer marketplace operators and tax practitioners, and classify virtual assets into distinct categories for tax purposes. Individual gains attract personal income tax at rates of up to 25%, while corporate gains are taxed at the standard 30% rate; a 10% withholding tax applies to income from staking, mining, airdrops and decentralised finance activities, and eligible token-to-fiat transfers attract a 1.5% stamp duty, with stablecoin sales exempted from the 1% withholding tax that applies to other token transfers.

Read together, the Executive Order, the NRS Guidelines and the CBN's Cohort 2 Sandbox reveal a deliberate, multi-agency strategy rather than a series of disconnected interventions. The Sandbox gives the CBN a controlled environment in which to observe and shape innovation in virtual asset services; the Executive Order supplies the coordinating architecture through which the CBN, SEC, NRS and other agencies share information and resolve jurisdictional overlap; and the NRS Guidelines close the fiscal gap by ensuring that gains and income generated within, or facilitated by, that innovation are captured within Nigeria's tax net. For businesses operating in, or intending to enter, the virtual asset space, this means that regulatory engagement can no longer be approached agency-by-agency: participation in the Sandbox, structuring of token-related transactions and tax compliance obligations must now be considered holistically, as pieces of the same coordinated framework.

CONCLUSION

The commencement of the second cohort of the programme further consolidates efforts by the Federal Government through its agencies, including the Securities and Exchange Commission, the

Nigerian Revenue Service and the newly established Virtual Asset Council, to promote regulatory coordination and alignment within the virtual asset and broader financial services ecosystem.

Against this backdrop, the CBN's Cohort 2 Sandbox provides innovators with a structured opportunity to test emerging virtual asset and data-enabled financial solutions under regulatory oversight, while enabling the CBN to gain practical insights that may inform future supervisory, policy and licensing approaches.

Our Telecommunications, Media and Technology (TMT) practice group monitors regulatory and policy developments affecting Nigeria's technology, digital financial services and virtual asset ecosystem. For further inquiries or clarification on how the CBN Regulatory Sandbox may affect your business or proposed innovation, please contact our team.

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