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CBN Resets Nigeria's Fixed Income Market

New Framework, New System, and a New Structure.



Introduction

For decades, Nigeria's fixed-income market has served as a foundation of the country's capital markets, providing a venue for trading government securities, corporate bonds, and other debt instruments. At the heart of that ecosystem has been the FMDQ Group, which has facilitated trading, settlement, and price discovery for institutional investors, banks, fund managers and corporate issuers¹.

As part of a broader reform agenda aimed at enhancing transparency and efficiency, the Central Bank of Nigeria (CBN) announced a phased operational restructuring of the fixed-income market, commencing from November 2025². The reform letter, addressed to the Financial Markets Dealers Association (FMDA), outlines the objective of "strengthening market integrity, streamlining operations, and establishing a unified regulatory framework that ensures end-to-end visibility and supervisory oversight of fixed income transactions."³

This transition marks one of the most significant changes in Nigeria's fixed-income market structure in many years. As market participants weigh the opportunities, questions are mounting around how the new framework will differ from the existing one, what role FMDQ will retain, and what the change means for investors and issuers. In this Bulletin, we explain how the market currently operates, what the CBN's restructuring involves, the implications for clients and investors, plus actionable legal and strategic advice to stay ahead.

How the Fixed-Income Market Works

To fully understand the import of the CBN's initiative, it is helpful to walk through the existing market infrastructure and how trades move from execution to settlement.

In Nigeria, the market for bonds, treasury bills and other debt instruments has been serviced by private and semi-private infrastructure. The FMDQ Group for example plays a central role, it operates a vertically-integrated infrastructure:

¹ <https://fmdqgroup.com/about/>

² <https://nairametrics.com/2025/10/02/cbn-to-take-full-control-of-fixed-income-market-from-november-2025/>

³ <https://www.thecable.ng/cbn-to-take-control-of-fixed-income-settlement-trading-platform-by-december/>

its subsidiary, FMDQ Securities Exchange, provides the trading platform for bonds, treasury bills, corporate debt and other instruments⁴. After a trade is executed, clearance is handled by another FMDQ subsidiary, FMDQ Clear Limited acting as a central counterparty (CCP), meaning it interposes itself between buyer and seller, thereby reducing counterparty credit risk. (

The final step is settlement through the depository arm, FMDQ Depository Limited⁵, which holds securities in book-entry form and supports custodians and settlement agents. Custodians — typically banks or securities firms — hold investor accounts and interact with the depository; settlement agents coordinate cash movements and securities transfers. Common transactions like repos (short-term collateralised loans secured by bonds) and trust-deed-based bond issuances all rely on this chain: trade → CCP → depository → custodian → issuer/regulator. Because all these layers are inter-linked, any shift in one link—such as settlement or trading infrastructure—ripples across the chain and can affect legal documentation (e.g., ISDA/GMRA agreements for repos, bond trust-deeds), operational workflows and investor risk profiles.

Why this is important now

By migrating to CBN controlled trading and settlement, the economic and legal relationships that currently rely on FMDQ Clear, depository and custodians will need to be re-examined. Contracts (ISDAs, GMRA, trust deeds) may reference FMDQ infrastructure; if the infrastructure changes, contract terms and legal risk change too.

What the CBN Is Changing

On 29 September 2025 the CBN invited the FMDA to participate in a phased take-over of operational infrastructure in the fixed-income market. The reforms include⁶:

- i. **User Acceptance Testing (UAT):** scheduled for the second week of October 2025, to test the new settlement system.
- ii. **Pilot Phase:** a parallel run of the new infrastructure alongside the existing system to ensure operational continuity.
- iii. **Go-Live 1 (Settlement Process):** scheduled for 3 November 2025, the full migration of settlement activities to the CBN-managed system.
- iv. **Go-Live 2 (Trading Platform):** scheduled for 1 December 2025, when the trading environment will migrate to a CBN-managed platform

⁴ <https://fmdqgroup.com/wp-content/uploads/2024/10/FMDQ-Group-Profile-September-2024-Edition.pdf>

⁵ <https://fmdqgroup.com/about/>

⁶ <https://nairametrics.com/2025/10/02/cbn-to-take-full-control-of-fixed-income-market-from-november-2025/>

and the current operators (such as FMDQ) will shift to complementary roles.

Under this new model, the CBN will manage “end-to-end” settlement and trading infrastructure for fixed-income instruments, with the stated aim of achieving full transaction visibility and stronger supervision. The CBN stresses that rather than wholly eliminating the existing platforms, the reform is intended to streamline roles, reduce redundancy and enhance oversight⁷. This reform affects – among other things – how trades are cleared and settled, how custodians and settlement agents connect into infrastructure, and how counterparties manage risk during the migration phase.

The Case for Reform

Why is the CBN doing this? Many has justified the reform on several grounds:

- i. The fixed-income market underpins how the CBN manages liquidity, interest rates and monetary policy; by having direct access to data and settlement flows, policy transmission can be more effective.
- ii. A unified infrastructure promises improved transparency, fewer settlement breaks, and improved monitoring of market activity and risks⁸.
- iii. The existing structure, while functional, has been criticized for layered intermediaries, slower data flows and challenges in supervision. The CBN aims to reduce these frictions.

However, this shift is also likely to reduce the operational independence of private-market infrastructure providers such as FMDQ, raising questions around future competitiveness, innovation and market access.

Risks & Concerns for Investors and Issuers

While the opportunities are substantial, this structural change also brings risk⁹:

- i. **Legal and contractual risk:** Many documents reference the current infrastructure (e.g., clearing by FMDQ Clear, settlement through FMDQ

⁷ <https://businessday.ng/life/article/cbn-moves-to-drive-transparency-in-fixed-income-market-through-phase-reform/>

⁸ <https://nairametrics.com/2025/10/02/cbn-to-take-full-control-of-fixed-income-market-from-november-2025/>

⁹ <https://proshare.co/articles/memo-to-the-market-how-not-to-build-the-fixed-income-market?menu=Market&classification=Read&category=Bonds%20%26%20Fixed%20Income>

Depository). With the change, counterparties may face ambiguity or the need for contract amendments.

- ii. **Operational migration risk:** Any significant system migration carries the risk of settlement delays, reconciliation errors, or liquidity stress—especially in high-volume repo and bond markets.
- iii. **Regulatory overlap & independence concerns:** The CBN entering trading/settlement operations raises questions because the Securities and Exchange Commission (SEC) is the statutory regulator of securities market infrastructure. Some analysts view the move as regulatory overreach.
- iv. **Perception risk:** Investors value market independence, clarity and rule-based operations. If the market appears overly centralised or subject to non-transparent policy intervention, risk premiums may rise, and participation may drop.
- v. **Smaller-participant risk:** While large banks and institutional participants are well-prepared, smaller brokers, fintechs or pension-fund intermediaries may find access and cost burdens increase, potentially reducing competition

Client Considerations

- i. **Governance and ownership structure of FMDQ:** The fact that FMDQ was partly bank-owned, partly member-owned, partly CBN owned and others, while regulated by the SEC means that its full transition to a complementary role under a CBN-led regime raises complex governance questions.
- ii. **Legal mandate ambiguity:** The Investment and Securities Act 2025 assigns regulation of fixed-income infrastructure to SEC, while CBN's mandate focuses on monetary policy and banking supervision. The reform blurs those lines, raising potential legal uncertainties.
- iii. **Collateral & liquidity mechanics:** Much attention covers settlement migration, but its important to explore whether intraday margining, collateral use and liquidity flows will have the same flexibility under the new model.
- iv. **Impact on foreign investors and exit risk:** Global investors closely watch governance, independence and infrastructure stability.
- v. **Disruption risk beyond timeline:** The focus should also be on the migration timeline.

Actionable Advice for Clients

To stay ahead, clients should consider the following:

- a. **Proactive Watch** on how the CBN, SEC, FMDQ and other regulators plays this out.
- b. **Contract inventory & amendment plan:** Identify all agreements (repos, ISDA/GMRA, bond trust-deeds, custody agreements) referencing FMDQ infrastructure. Priorities those at highest settlement risk or with upcoming maturities; plan for amendment or novation.
- c. **Operational readiness audit:** With your operations, treasury and risk teams, assess migration timelines, settlement dependencies, intraday liquidity requirements and fallback options.
- d. **Regulatory tracking & advocacy:** Monitor communications from CBN, SEC and FMDA for clarifications around roles, transitional rules, access fees, and governance changes. Consider engaging in market-participant forums.
- e. **Client communication & education:** For any issuer, asset-manager or intermediary clients, produce a simple mail or engagement explaining what the reform means, how you are supporting them and their next-steps.
- f. **Strategic business assessment:** For intermediaries (brokers, fintechs, and custodians), assess how your business model fare under a more centralized infrastructure: will your fees, access terms or operational burdens change? Plan for consolidation or partnerships if needed.

Looking Ahead

- i. Improved transparency and data may allow issuers and investors to negotiate better pricing, differentiate risk, and innovate new fixed-income products (e.g., structured repos, derivatives) in a clearer environment.
- ii. Intermediaries who move early to adapt may gain some competitive advantage.
- iii. Over time, if the migration is successful, borrowing costs for sovereign, sub-national and corporate issuers **may** decrease through lower settlement risk, but only if investor confidence holds.

Conclusion

The CBN's decision to assume operational control over settlement and trading in Nigeria's fixed-income market is not merely a technical upgrade, it is a structural pivot. For investors, issuers and intermediaries alike, the stakes are high: better transparency, stronger oversight and improved policy alignment are the promised gains; legal, operational and perception risks are the real challenges. The success of the reform will depend on how well the market adapts, how contracts are updated, how access is managed, and how transition risks are contained. As your legal partner, we are prepared to help you navigate this shift: reviewing your documentation, planning your operations, engaging counterparties, and communicating with your stakeholders.

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