



# How to Obtain a Non-Interest (Islamic) Banking License in Nigeria ( 2026 Guide)

## Description

This comprehensive guide answers: **How to obtain a non-interest (Islamic) banking license in Nigeria**, directly based on Central Bank of Nigeria (CBN) official licensing guidelines and implementation requirements. It includes **clear-cut steps, requirements, costs, process flow, a timeline, tables, FAQs**, and **common misconceptions**. All data is backed by sources from the CBN and legal analyses.

## 1. Overview of Non-Interest Banking Licensing

- The CBN classifies **Non-Interest Financial Institutions (NIFIs)** under its guidelines for institutions offering non-interest financial services (especially Islamic banking) .
- Banks offering Islamic banking must follow Islamic commercial jurisprudence (Shariah law) and are regulated as **specialised banking institutions**.

## 2. License Categories & Capital Requirements

| License Type  | Minimum Capital Requirement | Geography                        |
|---------------|-----------------------------|----------------------------------|
| Regional NIFI | ₦10 billion                 | Up to 12 contiguous states + FCT |

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| <b>License Type</b> | <b>Minimum Capital Requirement</b> | <b>Geography</b> |
|---------------------|------------------------------------|------------------|
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|               |             |                                 |
|---------------|-------------|---------------------------------|
| National NIFI | ₦20 billion | All 36 states + Federal Capital |
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- The capital thresholds were revised in March 2024 and take effect April 2025 for new applications; existing NIFIs must comply by March 2026.

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### **3. Step-by-Step Process to Obtaining the License**

#### **Step 1: Application for Approval in Principle (AIP)**

Promoters must submit to the Governor of CBN:

- Cover letter by promoters
- Non-refundable application fee: ₦500,000
- Minimum paid-up capital deposit in escrow with CBN: ₦10 BN (Regional) or ₦20 BN (National)
- Feasibility/business plan: five-year financial projections, business model, risk management, Shariah governance, IT, HR, branch network
- Draft Memorandum and Articles of Association stating non-interest banking intention
- List of promoters, shareholders, directors, and key officers
- Proposed Shariah Advisory Committee (Advisory Committee of Experts) with their credentials for Islamic Banking
- Technical agreement with an existing reputable Islamic bank for at least 3 years

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## Step 2: Grant of Approval in Principle (AIP)

- CBN may grant the AIP valid for 6 months.
- Conditions include incorporation with CAC, securing premises, hiring management, IT setup, staff training in Shariah principles.

## Step 3: Preparation to Fulfill AIP Conditions

During the 6-month AIP period, promoters must:

- Register the company with CAC
- Appoint CBN-approved Board of Directors and management
- Secure operational infrastructure and offices
- Install IT/banking systems
- Recruit and train staff
- Establish Shariah Review & Compliance (SRC) Unit and appoint internal Shariah auditor

## Step 4: Submission for Final License

Not later than 6 months after AIP:

- Application to Director of Banking Supervision, CBN
- Non-refundable licensing fee: ₦5,000,000

- Certified true copies of CAC incorporation Certificate, MEMART, Status Report or Forms CAC 2/ CAC 7
- Evidence of capital deposit at CBN
- Final inspection report confirming operational readiness
- Governance and risk policies: AML, cybersecurity, Shariah compliance, corporate governance
- Details of Board/mgmt team as approved by CBN

#### **Step 5: Final License Issued & Commencement**

- Once CBN is satisfied, the final license is granted and operations may begin.
- At this point, registration with FIRS (Federal Inland Revenue Service) and SCUML (Anti-Money Laundering Unit) is required.

## **4. Requirements Summary**

### **Documents & Reports**

- Feasibility/business plan, MEMART, shareholder/director lists, Board governance
- Technical agreement with established Islamic financial institution
- Shariah advisory structure details

### **Financials**

- Application fee: ₦500,000
- Final license fee: ₦5,000,000
- Minimum paid-up capital escrow: ₦10 BN / ₦20 BN

## Organisational

- CAC registration
- Board of Directors (7–15 members; independent directors requirements per size)
- Shariah Review & Compliance (SRC) Unit and Internal Shariah Auditor
- IT infrastructure, staffing, office premises

## Regulatory

- Risk-weighted asset ratio (minimum 10 %) and Capital Adequacy Ratio per CBN mandates
- SCUML and FIRS compliance post-incorporation

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## 5. Timeline & Process Flow

- **Week 0–2:** Submission of AIP application
- **Week 1–8:** CBN review and issuance of AIP (if compliant)
- **Month 0–6:** Fulfill AIP conditions

- **Month 5-6:** Submit final license application
- **Month 7-8:** CBN conducts final inspection and issues license

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## 6. Frequently Asked Questions (FAQs)

### **Q1: What's the difference between Islamic bank and other non-interest banks?**

A: Islamic banks operate under Shariah law with a Shariah Advisory Board, offering Islamic modes like Musharakah, Murabaha, Ijarah. Other non-interest banks avoid interest but need no Shariah governance.

### **Q2: Can a conventional bank open an Islamic window instead?**

Yes. A conventional bank can operate a non-interest window or branch, following CBN's guidelines for windows, without needing full NIFI capital requirements.

### **Q3: What if I fail to meet AIP conditions within 6 months?**

The AIP lapses and you must reapply. No business operations may commence until final license is issued.

### **Q4: Can the name "Islamic Bank" appear in bank's branding?**

CBN prohibits the use of "Islamic" in the banking name unless approved; licensed institutions may use a uniform logo approved by CBN instead.

### **Q5: Are there penalties for non-compliance?**

Yes, under BOFIA and the Banks and Other Financial Institutions Act. Operating without license may attract heavy penalties.

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## 7. Common Misconceptions Addressed

- **Misconception:** Islamic banking is illegal in Nigeria.  
**Fact:** CBN regulates Islamic banking under non-interest guidelines per BOFIA & CBN Act 2007. No bank is registered as "Islamic Bank" unless within these special licensing categories.

- **Misconception:** Islamic banks offer charitable services only.  
**Fact:** Islamic banks are profit-seeking, offering profit-sharing products: no riba, just ethical, asset-backed transactions like Musharakah, Murabaha, Ijarah.
- **Misconception:** It's cheaper to start an Islamic bank than a conventional one.  
**Fact:** Capital requirements for national NIFI are ₦20 BN, vs ₦25 BN for conventional national commercial bank. The gap is narrowing but oversight and governance needs are significant .

## Category

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