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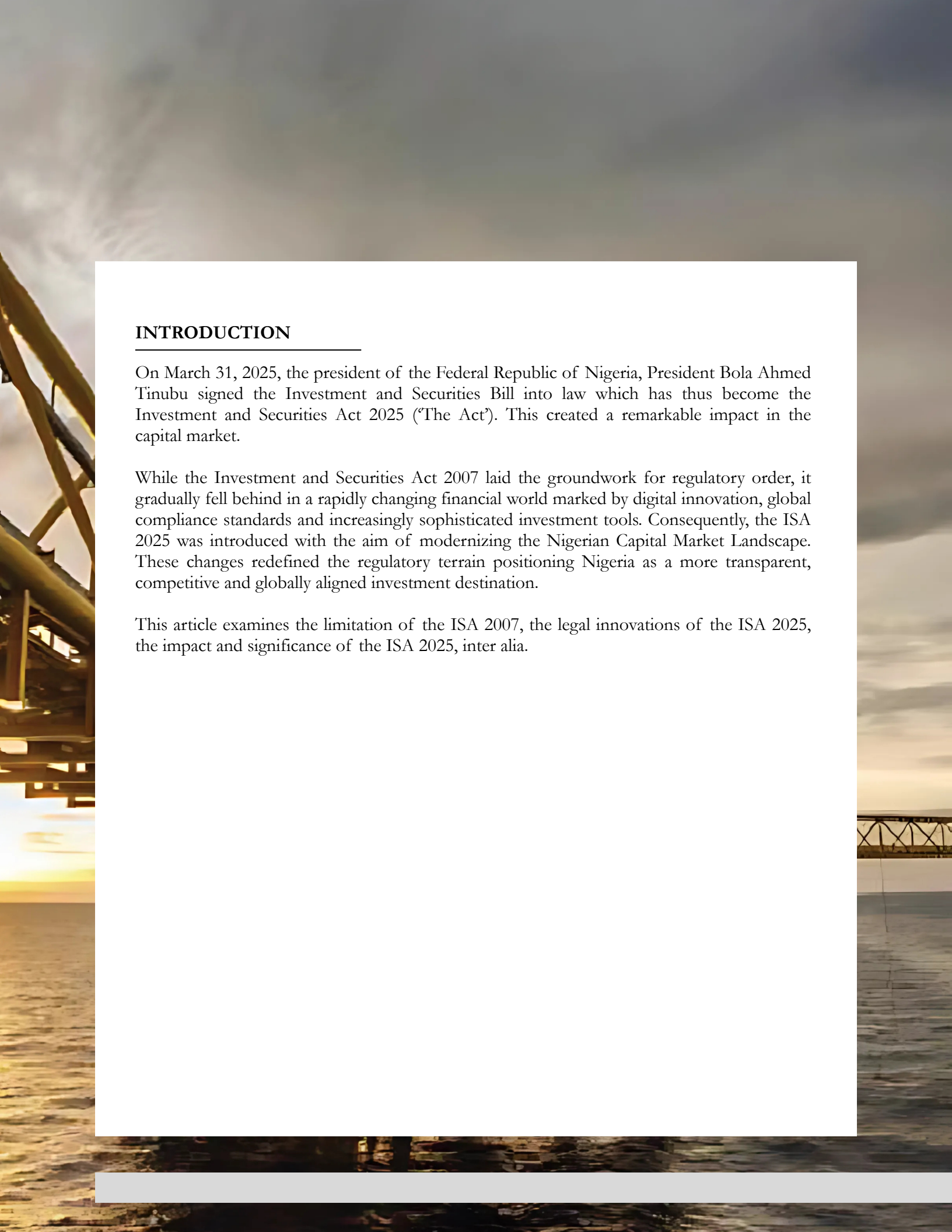
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A NEW ERA OF CAPITAL MARKETS REGULATION IN NIGERIA

EVALUATING THE LEGAL INNOVATIONS OF THE
INVESTMENT AND SECURITIES ACT 2025

INSIDE TOLG ADVISORS

The background of the page is a photograph of an offshore oil rig at sunset. The rig's complex metal structure is silhouetted against a sky with soft, orange and yellow light from the setting sun. The water in the foreground is dark and calm, reflecting the light from the sky. The overall mood is serene yet industrial.

INTRODUCTION

On March 31, 2025, the president of the Federal Republic of Nigeria, President Bola Ahmed Tinubu signed the Investment and Securities Bill into law which has thus become the Investment and Securities Act 2025 ("The Act"). This created a remarkable impact in the capital market.

While the Investment and Securities Act 2007 laid the groundwork for regulatory order, it gradually fell behind in a rapidly changing financial world marked by digital innovation, global compliance standards and increasingly sophisticated investment tools. Consequently, the ISA 2025 was introduced with the aim of modernizing the Nigerian Capital Market Landscape. These changes redefined the regulatory terrain positioning Nigeria as a more transparent, competitive and globally aligned investment destination.

This article examines the limitation of the ISA 2007, the legal innovations of the ISA 2025, the impact and significance of the ISA 2025, inter alia.

THE LIMITATIONS OF THE ISA 2007

The Investment and Securities Act 2007 was a landmark statute in its time, providing a unified legal framework for Nigeria's capital market. It gave the Securities and Exchange Commission (SEC) its regulatory backbone, standardized market operations and introduced critical investor protection measures. However, as global finance evolved, many of the provisions of the ISA 2007 became redundant. Some of the limitations of the ISA 2007 include:

1. Inadequate provision for Emerging Financial Instruments

One of the most glaring limitations of the ISA 2007 was its inability to anticipate and regulate emerging financial technologies and instruments. Thus, with the rise of digital finance, instruments like cryptocurrencies, tokenized assets, and blockchain-based securities became mainstream in many jurisdictions. The ISA 2007, however, lacked any framework for their recognition or regulation.

2. Weak Enforcement Powers and Regulatory Tools

While the ISA 2007 gave the SEC supervisory authority, its enforcement mechanisms were outdated, cumbersome, and reactive. The SEC had limited access to digital surveillance tools and faced challenges in imposing timely sanctions or freezing illicit transactions. This emboldened some operators to engage in market manipulation, insider trading, and unregistered investment schemes with minimal fear of swift retribution.

3. Rigid Governance and Disclosure Requirements

It is worthy to note that, although the ISA 2007 mandated certain disclosure and governance obligations for listed companies, these were often minimal, outdated, or poorly enforced. This weakened investor trust, particularly among foreign investors accustomed to stronger disclosure regimes in other markets.

4. Limited Support for Innovation and Financial Technology (FinTech)

The 2007 Act offered little to no support for innovation hubs or fintech-driven platforms, including crowdfunding, peer-to-peer lending, and digital exchanges. As other jurisdictions moved swiftly to create sandboxes and dynamic licensing regimes to test new financial technologies, Nigeria lagged behind. This created a disconnect between the regulatory framework and the direction in which financial services were heading, discouraging innovation and limiting the growth of digital financial services.

5. Lack of Mandatory Global Compliance Standards

In a global market, alignment with international compliance protocols is essential. The ISA 2007 did not incorporate requirements such as the use of Legal Entity Identifiers (LEIs), a key transparency tool for identifying entities involved in financial transactions. Without LEIs and similar mechanisms, Nigeria's market lacked the interoperability needed for cross-border regulatory collaboration and systemic risk monitoring. This placed Nigerian institutions at a disadvantage in global financial reporting and due diligence processes.

THE LEGAL INNOVATIONS OF THE ISA 2025

As a result of the inadequacies of the ISA 2007, the Investments and Securities Act, 2025 was introduced to bridge the gap created by some of these inadequacies. Key innovations of the ISA 2025 include:

1. Expanded Regulatory Powers of the SEC

The Investments and Securities Act 2025 significantly strengthens the regulatory authority and operational independence of the Securities and Exchange Commission (SEC), reinforcing its capacity to oversee Nigeria's dynamic capital markets. This shift aligns with international best practices, particularly the IOSCO Principles, which emphasize the need for securities regulators to possess adequate autonomy, resources, and enforcement capabilities. Section 1 of the ISA Act 2025 provides that "except as otherwise provided in this Act, the Commission shall be independent in the performance of its functions and objectives under this Act"

2. Inclusion of Digital and Virtual Asset Entities

Section 3(3)(b) of the ISA Act 2025, now empowers the Securities and Exchange Commission ("the Commission") to regulate emerging players such as virtual asset service providers, digital asset exchanges, and operators of blockchain-based platforms. This inclusion ensures that activities involving cryptocurrencies and other digital instruments are brought under formal regulatory oversight and in consonance with the provisions of the ISA 2025.

3. Regulation of Online Forex Trading

Section 3 (3)(o) of the Act provides that the 'Commission shall register and regulate online forex trading activities, platforms and intermediaries'. This aims at addressing a previously under-regulated space that had become susceptible to fraud and investor abuse.

4. Power to Sanction Fraudulent Schemes:

Section 196 (1) of the Act empowers the commission to enter and seal up all prohibited schemes. It further empowers the commission to obtain an order of the court or tribunal to freeze and forfeit all assets of such scheme to the federal government of Nigeria. In addition to, any promoter or an operator of any entity engaged in a prohibited scheme commits an offence and are liable on conviction to a fine off not less than N20 million or imprisonment of 10 years or both (See Section 196(2)). Importantly, the SEC is now empowered to directly sanction individuals or entities promoting illegal investment schemes, such as Ponzi or pyramid schemes, for example the recent CBEX Ponzi scheme. This development equips the Commission with tools to act swiftly against financial fraud and protect unsuspecting investors.

5.Enhanced Regulatory Oversight Under the ISA 2025

In a bid to reinforce investor protection and promote sound corporate governance practices, the Investments and Securities Act 2025 significantly extends the oversight powers of the Securities and Exchange Commission (the "Commission") over public companies and other market participants. Specifically, the Commission is now empowered to:

a. Intervene in Management and Control of capital market operators, public companies and regulated entities (see section 3(4)(a)): *Where a public company is found to have engaged in conduct prejudicial to its shareholders or in breach of governance standards, the Commission may intervene directly in its management. This includes entering company premises and implementing corrective actions as deemed necessary.*

***b. Appoint Independent Directors into the boards of public companies (see section 3(4)(b)):** In the context of such intervention, the Commission may appoint independent directors to the board of the affected public company to safeguard investor interests and restore governance integrity.*

***c. Discipline Directors and Officers (Section 3 (4)(d)):** The Commission may place directors on probation for an appropriate period or remove any individual connected to misconduct or managerial impropriety within the company.*

These enhanced powers mark a shift towards more proactive regulatory enforcement and signal a heightened expectation of accountability and transparency among public companies.

6. Repositioning of the Investments and Securities Tribunal under the ISA 2025

The Investments and Securities Act 2025 introduces a series of structural and jurisdictional reforms aimed at elevating the status and effectiveness of the Investments and Securities Tribunal (the “IST” or “Tribunal”) as a key forum for resolving capital market disputes. Key developments under the Act include:

a. Expanded Membership and Expertise: The Tribunal’s membership has been increased from 10 to 12 members, allowing for the inclusion of additional professionals with significant expertise in capital markets alongside legal practitioners (Section 315). This move is intended to reinforce the Tribunal’s standing as a specialist forum with both legal and market-specific competence.

b. Revised Appointment Process of members of the Tribunal: The authority to appoint members of the Tribunal has been reassigned from the Minister of Finance to the President of the Federal Republic of Nigeria, who will act on the Minister’s recommendation (Section 316).

c. Expanded Jurisdiction of the IST: The Act also delineates the Tribunal’s original and appellate jurisdictions more clearly, ensuring a comprehensive legal framework for the adjudication of capital markets-related disputes (Section 326).

7. Redefining Securities Exchange

The Investments and Securities Act 2025 also introduces a significant reform by redefining securities exchanges into two distinct categories. Thus, a securities exchange may be registered by the commission as composite and non-composite exchanges (Section 27).

***a. Composite securities exchanges** are authorized to list, quote, and trade a broad range of instruments, including financial instruments, commodities, and all types of securities, commodities or financial products or instruments on its platform and shall perform such functions as may be prescribed by the Commission (Section 27 (2)).*

***b. Non-composite securities exchanges**, by contrast, may be registered by the Commission as a mono securities exchange which specializes in the listing, quotation and trading of a particular security, commodity, or financial product or instrument. facilitating the matching of buy and sell orders either physically or through electronic platforms (Section 27(3) (a)).*

CHALLENGES OF THE ISA 2025

The Investment and Securities Act 2025 aims to modernize Nigeria's capital markets framework and align it with global standards. However, while the Act introduces laudable reforms, it still poses major challenges, some of which include:

1. Jurisdictional Conflicts between Regulatory Bodies

With the Act granting broader powers to the Commission particularly in unregulated areas like Digital Assets notably Cryptocurrencies and Nonfungible Tokens (NFTs), it could raise potential disputes with other regulators such as the Central Bank of Nigeria (CBN) who regulates fintech and other virtual currencies. This could lead to regulatory ambiguity resulting in uncertainty and misunderstanding between regulators, businesses and investors.

2. Enforcement Restrictions

Although the Act gives the Commission stronger investigative and punitive powers, there are still challenges in the way of its ability to effectively implement the rules throughout Nigeria, including slow court procedures, a dearth of specialist capital market tribunals, and limited technical skills, particularly in tracking infractions involving digital assets.

3. Difficulty in Transitioning

Transitioning from the ISA 2007 to the new ISA 2025 might be difficult for market operators as it would take a while to adopt the new rules under the Act. Furthermore, implementation may be delayed and confusion regarding applicable procedures may arise in the interim due to pending rules from the Commission, guidelines, or interpretations.

4. Low Public Awareness

Many retail investors as well as some market operators are still not aware of the new rules under the Act, which could lead to inadequate utilization of the advantages of the Act. This could also make some investors susceptible to fraud particularly when unlicensed individuals masquerade as regulated operators.

RECOMMENDATIONS

To prevent disputes between regulatory bodies, the Commission and the CBN could consider issuing joint circulars to clarify their roles and streamline the responsibilities of each body. This could be done by developing a Memorandum of Understanding defining boundaries and stating the extent to which each body could operate. Additionally, to strengthen enforcement, the Commission could invest in staff training to ensure that employees of the Commission are abreast of digital assets and fintech services. The compliance team should also be empowered to oversee enforcement in capital market companies whilst working in collaboration with law enforcement agencies.

Furthermore, the Commission should consider implementing a grace period of six (6) months to one (1) year for regularization and to enable easy transitioning for market operators experiencing difficulty adopting the new ISA 2025. This could be done by issuing a circular, detailing deadlines and how to undergo filings in the interim, a customer service team should also be available to address questions from market operators and provide clarification where necessary. Conclusively, market operators should be directed to update retail investors and colleagues via e-mails or newsletters informing them of the new rules under the Act to drive public awareness.

CONCLUSION

The Investment and Securities Act 2025 represents a major shift in Nigeria's capital market regulation environment. By addressing the shortcomings of the Investment and Securities Act 2007, and the implementation of progressive reforms, such as expanded SEC authority, digital asset regulation, and the reorganization of the Investments and Securities Tribunal, the new Act brings Nigeria closer to global standards and contemporary financial realities. However, the challenges posed by the Act should be addressed effectively to ensure its goals are achieved seamlessly.

The country could maximize the advantages of the ISA 2025 through effective investor education, clear transitional instructions, capacity-building within the SEC, and strategic cooperation among regulatory bodies. By doing so, the nation would establish its capital market as a respectable and competitive center within the international financial system, in addition to enhancing investor trust and market integrity.

This Article was written by the Energy Power & Natural Resources, Infrastructure & Project Finance and Real Estate Teams at TOLG Advisors.



SUJIMOTO

SUJIMOTO SERIES 1 PRIVATE NOTE ISSUANCE EXERCISE

We are pleased to announce our role as Transaction Counsel in connection with the N5,000,000,000 Series 1 Private Note Issuance Exercise under the N50,000,000,000 Private Note Programme of Sujimoto Holdings.

Congratulations to our Real Estate Team.



VITTAS NIGERIA INTERNATIONAL LIMITED SERIES 2 PRIVATE NOTE ISSUANCE EXERCISE

We are pleased to announce our role as Transaction Counsel in connection with the N198,000,000 Series 2 Private Note Issuance Exercise under the N10,000,000,000 Private Note Programme of Vittas Nigeria International Limited.

We are proud to be one of the few law firms in Nigeria to advise on such significant transactions for tech firms in 2025.

Congratulations to our Advisory Team.

TOLG QUARTERLY TGIF HANGOUT

In line with the Firm's commitment to fostering a culture of energy, fun, and sophistication, a dedicated day was set aside for staff to unwind and connect over lively music, engaging games, and delightful cuisine. The relaxed setting provided an opportunity for team members to recharge and strengthen interpersonal bonds, reinforcing a positive and collaborative work environment.



TOLG KNOWLEDGE SHARING SESSION AND ASK ME SERIES WITH MO

The Firm held an engaging and intellectually enriching Knowledge Sharing Session, which commenced with a lecture titled “The Nigerian Economy in 2025 – The Journey So Far” delivered by Mr. Iteoluwakiishi Adesanya. This was followed by the “Ask Me Series,” expertly moderated by our Global Chairman, Mr. Michael Orimobi. Together, these thought-provoking sessions offered staff the opportunity to broaden their perspectives and deepen their expertise across various practice areas.



TOLG HEALTH AND FITNESS SESSION

The Firm hosted a health talk session, beginning with an enlightening lecture on healthy living, delivered by Dr. Oyeka Obilo. The session offered staff valuable insights and practical knowledge to support their overall well-being. This was followed up by a team fitness workout session, which encouraged physical activity, team bonding, and reinforced the importance of maintaining a healthy lifestyle.



WORKERS' DAY CELEBRATION

In celebration of Workers' Day, TOLG Advisors hosted a wellness-focused event which commenced with a guided fitness session conducted by a certified instructor. The day concluded with a lively barbeque evening, offering staff the opportunity to unwind, connect, and enjoy a delicious spread of spicy beef, chicken, and chips. The event served to deepen team camaraderie while reinforcing the firm's ongoing commitment to promoting a healthy, inclusive, and engaging work culture.

