TITS BITS

Vol.127

# SEC'S DIRECTIVE ON TRANSMUTATION AND TENURE OF DIRECTORS IN PUBLIC COMPANIES AND CAPITAL MARKET OPERATORS

TOLG

for more articles from TOLG
Visit - www.tolegalgroup.com/resources

On the 19th of June, 2025, the Securities and Exchange Commission (SEC) issued a circular which became effective on July 1, 2025, directed at all Public Companies and Capital Market Operators, addressing two critical issues in corporate governance: the transmutation of Independent Non-Executive Directors (INEDs) into Executive roles and the tenure limits of directors within regulated entities.

The circular brought to light, a growing trend in the Nigerian corporate space where INEDs are being into Executive Directors (EDs), sometimes even into Chief Executive Officer (CEO) positions, within the same company or group structure.

The Commission firmly disapproves of this practice, citing its inconsistency with the independence required under the National Code of Corporate Governance (NCCG) and the SEC Corporate Governance Guidelines (SCGG). Public companies and capital market operators considered significant public interest entities are prohibited from transmuting INEDs into executive positions.

This is similar to the provision of the Central Bank of Nigeria's Guidelines, which also prohibits the re-designation of INEDs as Executive Directors or CEOs for banks and other financial institutions, recognizing that such moves compromise independence and objectivity and therefore jeopardize risk oversight and stakeholder protection.

Further, the Commission has imposed tenure limits on directors of significant capital market operators: 10 consecutive years in a single company and 12 years across a group structure. CEOs and Executive Directors exiting under these rules must observe a 3-year cooling-off period before becoming Chairman, with the Chairman role limited to a 4-year term.

These directives, now in force, reinforce the SEC's commitment to board independence, succession planning, and improved investor confidence aligning with broader regulatory trends across Nigeria's capital market sector.