WHAT THE INVESTMENT & SECURITIES ACT 2025 WILL MEAN FOR YOUR BUSINESS

BUSINESS ADVISORY, CAPITAL MARKETS AND INVESTMENT

The Investment and Securities Act 2025 (ISA 2025), signed into law by President Bola Ahmed Tinubu in March 2025 is the most comprehensive reform of Nigeria's capital market legislation in nearly two decades. It repealed the Investment and Securities Act 2007 and provides for a new restructured framework to accommodate new asset classes and to significantly expand the enforcement powers of the Securities and Exchange Commission (SEC) so as to align Nigeria's capital markets with world standards.

This article highlights six changes that are important to public companies, issuers, capital market operators including virtual/digital assets businesses in Nigeria.

1. THE SEC IS NOW THE PRIMARY AUTHORITY FOR APPROVING M&A INVOLVING PUBLIC COMPANIES

The SEC now has the primary authority to approve mergers and acquisition of public companies. The Investments and Securities Act (ISA) 2025 in Nigeria reasserts the Securities and Exchange Commission's (SEC) primary jurisdiction over public company mergers and acquisitions, following the disruption of its previous monopoly by the 2018 FCCPA. This legislation establishes a complex, dual-regulatory environment requiring simultaneous compliance for both SEC and FCCPC approvals. Advisors must recalibrate transaction strategies to navigate parallel filings and heightened regulatory coordination.

2. DIGITAL AND VIRTUAL ASSETS ARE NOW FORMALLY REGULATED SECURITIES

The new ISA 2025 classifies virtual and digital assets including cryptocurrencies, tokenised securities and digital investment contracts, as securities regulated by the SEC. For FinTechs, operators of digital assets and Virtual asset Service Providers (VASPs), who have been mired in the grey area between CBN and SEC regulatory authority now have clear regulatory certainty as to their classification and the regulatory authority to be subject to in respect of licensing and their business activities. Operators must register and satisfy capital requirements and adhere to disclosure and investor protection obligations as all registered capital market operators are obligated to do.

3. CROWDFUNDING INTERMEDIARIES ARE NOW FORMALLY RECOGNISED

The Securities and Exchange Commission (SEC) set the framework for crowdfunding in Nigeria by way of its 2021 Rule on Crowdfunding. This is now complemented by the Investments and Securities Act (ISA) 2025 which consolidates Nigeria's crowdfunding landscape.

The new law converts former regulatory guidelines into statutory law, creating a more robust legal framework for intermediaries and the protections for micro-investors. Platforms enabling raising equity or debt for retail investors should consider their registration status, operating terms and investor agreements in the light of the new legislative framework.

4. THE SEC CAN NOW APPOINT DIRECTORS TO PUBLIC COMPANIES

In an unprecedented expansion of its regulatory powers under the ISA 2025, the SEC can nominate independent non-executive directors to the boards of directors of public companies where it has intervened or taken regulatory action. This is material enforcement capability that the ISA 2007 did not provide for. It suggests the legislature intends to give the SEC real corporate governance intervention powers, not just ability to issue financial sanctions.

5. PONZI AND PYRAMID SCHEMES ARE NOW EXPLICITLY CRIMINALISED

Ponzi and pyramid schemes become explicitly criminalised under ISA 2025 which allows the SEC to seal prohibited investment schemes and obtain court orders to forfeit scheme assets to the Federal Government. Enhanced whistleblower protections and financial reward mechanisms are introduced to encourage early reporting of market misconduct.

Enhanced scrutiny under this provision represents a material compliance risk for investment platforms and digital asset businesses whose products resemble collective investment structures and which should be assessed in relation to existing product design and marketing materials.

6. LEGAL ENTITY IDENTIFIERS ARE NOW MANDATORY FOR CAPITAL MARKET TRANSACTIONS

Historically, the Legal Entity Identifier (LEI) has been a 20-character alphanumeric global standard for uniquely identifying separate corporate entities participating in international financial markets. In Nigeria, the Central Bank of Nigeria (CBN) was the primary driver for the standard, mandating LEIs for commercial banks and some financial institutions in cross-border capital remittances and trade settlements. This framework is substantially expanded by the Investments and Securities Act (ISA) 2025, where the use of LEIs is written into federal statute for the broader capital markets. The ISA 2025 has made it a mandatory requirement for all corporate participants including domestic securities issuers, publicly listed companies and capital market operators to obtain and maintain an active LEI for all Nigerian capital market transactions.

WHAT CAPITAL MARKET PARTICIPANTS NEED TO DO

- Public companies contemplating or planning to make M & A deals should revise their regulatory strategy to involve the SEC as the primary approving authority.
- Digital asset operators/VASPs should review their products against ISA 2025 definition for a security and apply for SEC registrations where their products meet the requirements.
- Crowdfunding platforms should review their registration status/investor agreements/disclosure documentation against the ISA 2025.
- All entities that engage in Nigerian capital markets transactions should apply for an LEI as soon as possible if they are yet to obtain it.
- Investment banks, fund managers and stockbrokers should check their registration and compliance status with ISA 2025 new definitions and revised operator requirements.

ISA 2025 is not an incremental update of Nigerian capital market regulation but a structural reform. Changes in approval authority, statutory recognition of digital assets, new SEC enforcement powers and mandatory LEI, all require targeted actions by affected businesses. The businesses that move first to assess and resolve their positions within the new framework will bear the least compliance risk as SEC enforcement activities under ISA 2025 evolve through the remainder of 2026.

Please note that the contents of this article are for general guidance on the subject matter only. It does not constitute legal advice. For guidance tailored to your organisation's specific circumstances, please contact info@goldsmithsllp.com

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