

# HIGHLIGHTS OF THE KEY AMENDMENTS OF THE INVESTMENT AND SECURITIES ACT 2025

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## Article

The Investments and Securities Act, 2025 (“ISA 2025”) represents a major legislative reform, replacing the repealed Investments and Securities Act of 2007 (“repealed Act”). This ISA 2025 modernises Nigeria’s securities and capital markets framework in line with global best practices. The Act reinforces regulatory oversight, safeguards investor interests, and tackles evolving market challenges, promoting a transparent and efficient marketplace that mitigates systemic vulnerabilities.



The Act sets out clearer provisions on the composition and duties of the Board of the Securities and Exchange Commission (“SEC” or the “Commission”), the apex regulator of Nigeria’s capital market, thereby fostering greater transparency and accountability in its governance.

**This article aims to highlight the key amendments of the ISA 2025 and how it affects our clients.**

- **1. Powers and Functions of the Commission:** The Act brings a more structured and transparent approach to the Commission by dividing powers and functions into separate sections[1]. The regulatory authority of the Commission over market operations such as venture capital funds, the derivative market, National Savings Scheme, and collateral management companies in respect of warehouse receipts has also been expanded.
- **2. Introduction of Stringent Conditions for Appointment, Disqualification, and Resignation of the Commission’s Board Members:** The Act introduces stricter conditions for the disqualification of board members. The Act provides that a board member may be disqualified for reasons of medical incapacity, bankruptcy or if such person is a felon[2]. It further provides new procedures for resignation of members of the board and the manner through which vacancies on the board should be filled. Under the repealed Act, the President of the FRN was entitled to appoint the Director-General of the Commission and three commissioners. This power has now been expanded such that the President can now appoint the entire board of members upon the recommendation of the Minister of Finance.
- **3. Appointment of Chief Executives and Principal Officers of Securities Exchanges:** The Act mandates that all chief executives and principal officers of securities exchanges must receive prior written approval from the Commission 1.before they are appointed[3]. The Act further empowers the SEC to suspend or remove the chief executive and other principal officers of a securities exchanges for failure to comply with the securities laws[4].
- **4. Classification of Securities Exchanges:** The ISA 2025 classifies security exchanges into two broad categories – composite and non-composite security exchanges[5]. According to the Act:

- i. Composite Security Exchanges permits the listing, quotation and trading of all types of securities, commodities, and (or) financial products or instruments on its platform[6].*
- ii. Non-Composite Security Exchanges may be registered as a mono securities exchange specialising in a particular security, commodity, and (or) financial product or instrument, or an alternative trading system that brings together orders from buyers and sellers at a physical location or on the internet[7].*

[1] Section 3 & 4 ISA 2025 [2] Section 9 ISA 2025 [3] Section 29(1) ISA 2025

[4] Section 29(2) ISA 2025 [5] Section 27 ISA 2025 [6] Section 27(2) ISA 2025 [7] Section 27(3) ISA 2025

# HIGHLIGHTS OF THE KEY AMENDMENTS OF THE INVESTMENT AND SECURITIES ACT 2025

- **5. Regulation of Securities Exchanges and Exchange Holding Companies:** The Act empowers the SEC to regulate securities exchanges and their holding companies[8]. This includes issuing regulations and policies to oversee the listing processes, manage trading requirements, address potential conflicts of interest, and ensure corporate governance and administration. This new provision aims to strengthen the Commission's power to regulate exchanges, particularly self-regulatory exchanges. It is important to note that the Commission may exempt a security exchange from complying with such regulations and policies.
- **6. Responsibilities of Exchange Holding Companies:** Exchange holding companies are charged with the responsibilities of ensuring fair market operations, mitigating systemic risks, complying with regulatory directives, reporting financial and regulatory concerns, and prudently managing financial and operational risks. Exchange holding companies are also required to obtain the SEC's approval before disposing of significant assets, ensuring accountability in major trading.
- **7. Registration of Securities:** The Act mandates persons making available securities registered under the Act, or securities of a public company or listing such securities on a securities exchange outside Nigeria to seek the prior approval of the Commission[9]. Failure to obtain the requisite approval will attract punitive measures.
- **8. Offer of Securities:** The Act has expanded the categories of body corporate allowed to make an invitation to the public to include[10]:
  - a. an entity licensed by the Central Bank of Nigeria and empowered to accept deposits and savings from the public;*
  - b. collective investment scheme;*
  - c. government body or an agency of a government body, supranational body or such entity approved by the Commission to issue securities under the Act; and*
  - d. a free zone entity whose capital raising exercise has been approved by the Commission.*

The Act further provides that where an invitation is made to the public in breach of the provisions of the Act, every officer in default or any corporate entity making the invitation shall be separately liable to a penalty of at least 10% of the gross value of the securities or deposits received in the case of a body corporate or ₦2,000,000 in the case of an individual.

- **9. Recognition of Virtual Assets and other Classes of Securities:** The Act expanded the definition of securities to include virtual assets, digital assets, distributed ledger technology offers, tokens and products, effectively recognising them as instruments tradeable on securities exchanges[11]. The Commission had previously issued a number of rules on virtual assets providers and the Act has now proceeded to formally recognise such assets as securities and a class of investments. The Act also classifies investment contracts such as warrants and option agreements as securities under Nigerian law.
- **10. Unclaimed Dividends of Public Companies:** The Act provides that unclaimed dividends of public companies shall be treated in accordance with the rules and regulations made under the Act. Although these rules are yet to be enacted by the SEC, the Act prescribes stringent penalties for non-compliance with the rules and regulations on unclaimed dividends enacted pursuant to the Act.
- **11. Sanctions Against Ponzi and Unauthorised Investment Schemes:** The ISA 2025 explicitly prohibits Ponzi schemes and unregistered investment platforms to safeguard the public from unscrupulous operators and protect investors from potential losses. Under the repealed ISA 2007, enforcement efforts against such schemes were hampered by the absence of a clear statutory basis for classifying them as illegal activities. However, under the ISA 2025, the SEC is now empowered to prevent and sanction such illegal schemes. This legislative stance is particularly impactful given the prevalence of social-media-based Ponzi schemes in Nigeria.

# HIGHLIGHTS OF THE KEY AMENDMENTS OF THE INVESTMENT AND SECURITIES ACT 2025

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The ISA 2025 further grants the Commission the power to combat Ponzi schemes and fraudulent investments, ensuring stricter enforcement. The oversight powers granted to the Commission include the ability to temporarily appoint independent directors for public companies and place executives of public companies on probation.

- **12. Insolvency and Market Integrity Protections** – The Act establishes a dedicated framework designed to deal with the insolvency of financial market infrastructures<sup>[12]</sup>. The Act also prioritises financial market infrastructure laws and proceedings over general insolvency laws, ensuring that market operations remain stable even during insolvency proceedings<sup>[13]</sup>. This legal clarity mitigates systemic risks and reinforces capital market stakeholders' confidence during turbulent periods. Additionally, it protects assets tied to margin contributions, collateral arrangements, and default fund contributions from legal challenges under insolvency laws. During an insolvency proceeding, principles relating to property disposition and priority of payment are exempted from some capital market transactions such as market contracts, contributions made by members to a financial market infrastructure, e.g., a clearing house, to cover potential losses, etc.
- **13. Legal Entity Identifier:** The Act introduces the concept of a legal entity identifier for every entity involved directly or indirectly in securities transactions to enable the Commission monitor and minimise systemic risks arising from the activities of the parties in a securities transaction and their counterparties<sup>[14]</sup>.
- **14. Capital Market Operators vs Regulated Entities:** While the repealed Act limited the Commission's investigative powers to capital market operators, ISA 2025 extends the Commission's power to conduct routine and special inspection and investigation to all regulated entities, including associated persons of such regulated entities. Section 77 of the Act also allows the Commission to take control of the affairs of a regulated entity that is failing.
- **15. Commodities Exchange** – The Act formally introduces the concept of a commodities exchange and mandates all commodity exchanges to be registered by the Commission. Part XV of the Act which deals with commodities exchange and warehouse receipts grants the Commission the power to prescribe the minimum share capital, rules and regulations of a commodity exchange, grant approval of the appointment and removal of principal officers of a commodity exchange, among other oversight functions over the activities of a commodity exchange.
- **16. Mergers and Takeovers** – In line with the Federal Competition and Consumer Protection Act, granting the Federal Competition and Consumer Protection Commission (FCCPC) the power to regulate mergers, the ISA 2025 limits SEC's regulatory powers over mergers to public companies only. The merger provisions under the Act reflects the current position as contained in the Commission's rules and regulations.

## CONCLUSION

The future of the Investment and Securities Act 2025 represents a bold step toward a more inclusive, technologically advanced, and globally competitive Nigerian capital market regulatory landscape. The Act reflects a deliberate policy shift toward enhanced transparency, accountability, and adaptability to emerging financial innovations, including virtual assets and digital securities. These measures align Nigeria's capital market with international standards and strategically position it for sustainable growth.

As a law firm, our responsibility extends beyond understanding the letter of the law; we stay informed about market developments, anticipate regulatory trends, and serve as trusted advisors navigating this evolving legal landscape.