



An Overview of the Investments and Securities Act 2025: Regulatory Implications



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Major Highlights of the New ISA, 2025

Enhanced regulatory powers of SEC

Recognition and regulation of Digital Assets and Derivatives market

Registration and regulation of Online Forex trading activities, platforms and intermediaries

Stringent measures against Ponzi /Pyramid Schemes and other illegal investments schemes

Strengthening of Legal framework for Commodity Exchange

Expansion of Investor Protection Fund to cover investors' pecuniary loss arising from revocation or cancellation of registration of a dealing member firm.

Strengthening of IST- re-emphasizing its exclusive jurisdiction over capital market matters, enhanced powers, and expanded composition of the Tribunal

Provides greater flexibility on raising of funds from capital market by federal government agencies, states, local governments and their agencies.

THE ISA 2025 COMPRISES 18 PARTS AND 358 SECTIONS WITH 4 SCHEDULES

PARTS WITH LITTLE OR NO CHANGES

- PART III: STAFF OF THE COMMISSION
- PART IV FINANCIAL PROVISIONS
- PART VI REGISTRATION AND REGULATION OF CAPITAL MARKET OPERATORS
- PART VII INSPECTIONS AND INVESTIGATIONS
- PART XIV- INVESTOR PROTECTION FUND

PARTS CONTAINING NEW PROVISIONS AND SUBSTANTIAL MODIFICATIONS

- PART I ESTABLISHMENT, OBJECTIVES, FUNCTIONS, AND POWERS OF THE SECURITIES AND EXCHANGE COMMISSION
- PART II: ESTABLISHMENT OF THE GOVERNING BOARD OF THE COMMISSION
- PART V REGISTRATION & REGULATION OF SECURITIES EXCHANGES, FINANCIAL MARKET INFRASTRUCTURES & OTHER SROs
- PART VIII - MANAGEMENT OF SYSTEMIC RISK
- PART IX - REGULATION OF SECURITIES
- PART X- CONDUCT OF SECURITIES BUSINESS
- PART XI: TRADING IN SECURITIES
- PART XII – MERGERS, TAKE OVERS AND CORPORATE RESTRUCTURING
- PART XIII – COLLECTIVE INVESTMENT SCHEMES
- PART XV — COMMODITIES EXCHANGES AND WAREHOUSE RECEIPTS
- PART XVI: ISSUANCE OF SECURITIES
- PART XVII: ESTABLISHMENT, JURISDICTION, AUTHORITY AND PROCEDURE OF THE INVESTMENTS AND SECURITIES TRIBUNAL
- PART XVIII: MISCELLANEOUS

PART I - ESTABLISHMENT, OBJECTIVES, FUNCTIONS, AND POWERS OF THE SECURITIES AND EXCHANGE COMMISSION



Defining the SEC's objectives has given the Commission a clear focus and would catalyze the articulation of a robust vision to drive its regulatory activities.

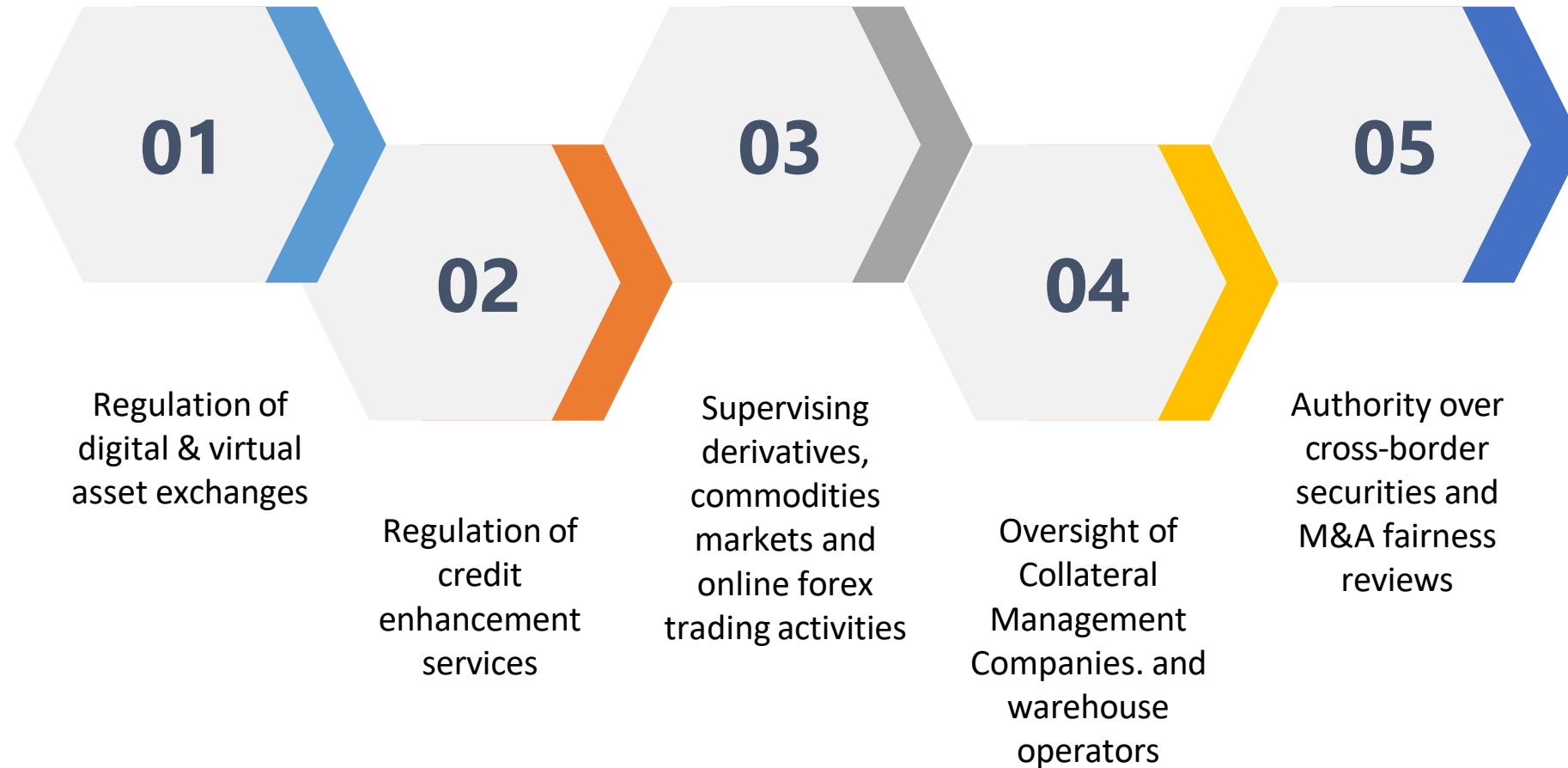
Unlike Section 13 of the repealed ISA 2007 which merged the powers and functions of SEC and did not provide clear regulatory objectives for the SEC, the ISA 2025 delineates/separates the objectives, functions and powers of the SEC for clarity. Some of the objectives of SEC are;

- act in the public interest having regard to the protection of investors and the maintenance of a fair, efficient and transparent market;
- protect the integrity of the securities market against all forms of market abuse and insider dealing;
- prevent unauthorized, illegal, unlawful, fraudulent and unfair trade practices relating to securities and investments;
- contribute to the reduction of systemic risk and promote financial stability;
- ensure the development of the capital market and facilitate capital formation for economic development; and
- pursue such other objectives as may be related to those stated above.

SEC's OBJECTIVES & EXPANDED SEC FUNCTIONS – PART 1, SECTION 3



Expanded functions include:



Strengthened SEC mandate



Enhanced Powers of SEC include

- Compel audit data and telecom/internet records
- Establishment of National Confiscation Wallet & Multi-Party Combination Wallet
- Domestication of private keys
- Obtain testimony of persons on oath
- Collaborate with relevant authorities in respect to identity management
- Enter & seize property, seal premises and seek an order of forfeiture.



PART II ESTABLISHMENT OF THE GOVERNING BOARD OF THE COMMISSION

This part established the governing board of the Commission which shall be responsible for the policy and general administration of the affairs of the Commission. The Act expanded the membership of the board from nine to ten by including a representative of the National Pension Commission (PENCOM).

PART V- REGISTRATION AND REGULATION OF SECURITIES EXCHANGES, FINANCIAL MARKET INFRASTRUCTURES AND OTHER SELF REGULATORY ORGANISATIONS

Part V of the Act provides for the registration and regulation of securities exchanges, financial market infrastructures and other Self-Regulatory Organizations.

It prohibits the establishment of an exchange without prior registration with the Commission, and a contravention of this provision attracts a term of imprisonment of not less than five years or a fine of Ten million or both.

In addition, the Act provides that a securities exchange may be registered by the Commission as a composite or non-composite security exchange, which is a new development from the previous Act of 2007.

Inspections & Investigations – Part VII



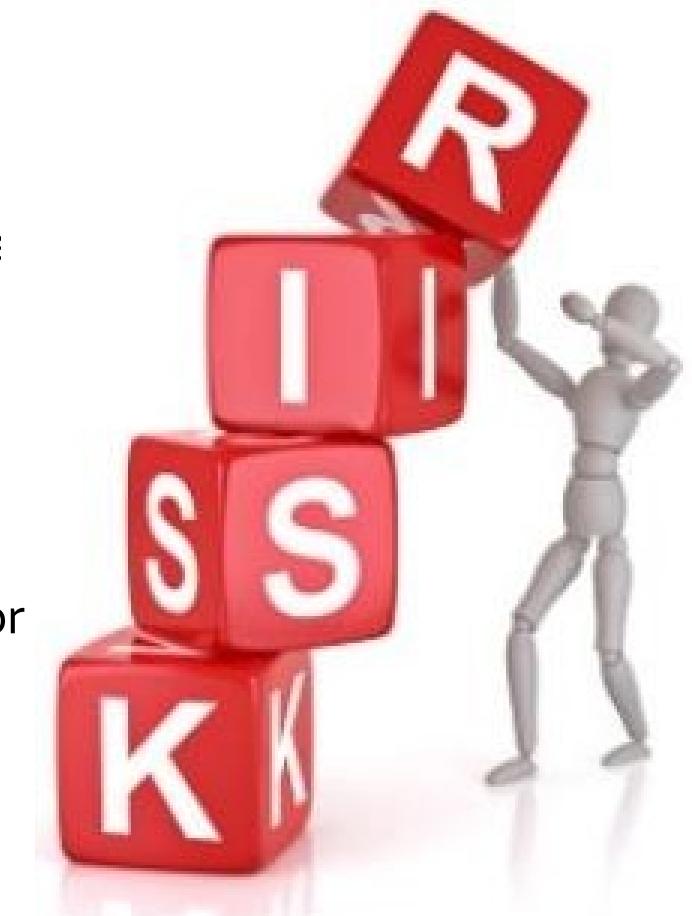
- Shift from “capital market operators” to more inclusive term “regulated entities”
- Empowers SEC to conduct routine and special inspection/ investigation of regulated entities
- Authority to seek third-party information beyond regulated entities
- Control and management of failing regulated entities



PART VIII - MANAGEMENT OF SYSTEMIC RISK

A new part on the management of systemic risk has been introduced covering the following broad themes:

- monitoring, management and mitigation of systemic risk in the Nigerian capital market;
- arrangements with other regulators on information required from entities regulated by other regulators;
- sharing of information between financial sector regulatory authorities or government agencies; and
- use of a Legal Entity Identifier to provide for proper monitoring of systemic risks.



PART IX - REGULATION OF SECURITIES



B — CORPORATE RESPONSIBILITY OF PUBLIC COMPANIES

The disclosure requirement of quarterly earning forecasts by listed public companies has been expunged from the new Act. However, companies are still mandated to file annual and other periodic reports with the Commission, and to put internal control measures in place in their companies.

C - TREATMENT OF UNCLAIMED DIVIDENDS OF PUBLIC COMPANIES

The ISA 2025 confers powers upon the Commission to create a framework as appropriate for the treatment of unclaimed dividends which fall under the regulatory purview of the SEC.

E- INVITATION TO PUBLIC

The Act restricts invitation to the public to specified entities and expands the categories of issuers as a key step towards the introduction of a wide range innovative products and offerings as well as the facilitation of Commercial and investment business activities, as may be approved by SEC.

PART X- CONDUCT OF SECURITIES BUSINESS

Part X prohibits certain cash transactions. It also mandates Securities dealers to issue contract notes, provides for the contents of contract note and stipulates the obligation of Securities dealers to give priority to clients' orders.

Part X further introduces provisions on the use of a **Legal Entity Identifier**- Every party to a transaction in the Nigerian capital market shall have a Legal Entity Identifier and disclose it in every securities transaction in which it is involved for accuracy of financial data and risk management.





Part XI – Trading in Securities

Part XI prohibits- False trading and market rigging transactions, false or misleading statements, Fraudulently inducing persons to deal in securities, Dissemination of illegal information and dealing in securities by insiders.

- New provisions were inserted to replace Sections 114 and 115 of the repealed ISA 2007. The ISA 2025 has also significantly altered the penalties for insider trading & market manipulation by making them more stringent.
- In addition, adequate incentives/protection is created for whistle blowers:
 - Person(s) who provide information for successful prosecution or imposition of penalty would be paid from monies received as penalties and recovered sums, up to but not exceeding 10% of such amounts.
 - No person shall directly/indirectly take reprisal action or subject an employee to detriment because he has provided information, co-operated, testified or otherwise assisted in an investigation.

PART XII - MERGERS, TAKE OVERS AND CORPORATE RESTRUCTURING



- Due to the establishment of the Federal Competition and Consumer Protection Commission, most of the anti-trust provisions in the repealed ISA 2007 have been deleted in the ISA 2025. Consequently, Part XII of the new Act has only 10 sections, as against 34 sections in the repealed ISA 2007.
- The only provisions on mergers that have been retained are in relation to public companies and these allow the SEC to make determinations as to the fairness of transactions.
- The Commission, in granting approval, is mandated to consider whether all shareholders are fairly, equitably and similarly treated and given sufficient information regarding the transaction.

PART XIII – Collective Investment Schemes

- The Act in this part makes provisions for the regulation of collective investments schemes. It re-emphasized the meaning and types of collective investments schemes, the duties of managers of a scheme, requirements for administration of collective investments schemes, liability for material misstatements, liabilities of trustees and custodians under the scheme, duties, appointments and termination of appointment of trustees or custodians and registration of Real Estate Investment Company. This reinforces investor protection and public confidence.

Prohibited Schemes- Ponzi/ Pyramid Schemes

- The Act provides for prohibition of Ponzi/pyramid schemes as well as other illegal investment schemes and empower the Commission to enter and seal up all prohibited schemes and obtain an Order of Court to freeze and forfeit all assets of such scheme to the Federal Government of Nigeria after deduction of costs incurred in this regard. The promoter(s) and operator(s) of any entity engaged in a prohibited scheme also commit an offence and are liable upon conviction to a fine of Twenty Million Naira or imprisonment for a term of 10 years or both.

PART XIV- INVESTOR PROTECTION FUND

- The Act in this part makes provisions for investor protection fund. It mandates an exchange to establish and maintain a fund to be known as Investor Protection Fund. The Act provides strict objectives of the fund to now include compensating investors who suffer pecuniary loss arising from revocation or cancellation of registration of a dealing member firm.
- The tenure of a member of the board is for a term of three years and may be re-appointed for a further term of three years and no more .
- A claim for compensation under IPF shall be made within six years unless the Commission determines otherwise.



PART XV– COMMODITIES EXCHANGE AND WAREHOUSE RECEIPTS

- There were no provisions on commodities trading in the repealed ISA 2007.
- The new provisions on the subject matter are very innovative and aim to bring the entire Commodities ecosystem fully within the scope of regulation, in order to ensure that trading in commodities is done in an effective, fair and transparent manner.



PART XVI- ISSUANCE OF SECURITIES

A. FEDERAL GOVERNMENT AGENCIES, STATE, LOCAL GOVERNMENTS & THEIR RESPECTIVE AGENCIES.

Modification of S. 223(1)(b) of the repealed ISA 2007, which places restrictions on raising of funds from the capital market, to allow for greater flexibility. Now with the ISA 2025, Sub- nationals are empowered to issue General obligation debt securities and Project-tied debt securities.

The ISA 2025 similarly modifies the provisions of the S 224(3)(c)(ii) of the repealed ISA 2007 to ensure the enforcement of the issuance of guarantees for loans by guarantors.

B – ISSUANCE OF DEBT SECURITIES BY BODY CORPORATE & SUPRANATIONAL BODIES

New provisions are created for issuance of debt securities by Body Corporates and Supranational Bodies- The Act provides that no company whether local or foreign, supranational body or other approved entity would be able to issue debt securities to the public without the prior review and approval of the Commission.

PART XVII: ESTABLISHMENT, JURISDICTION, AUTHORITY AND PROCEDURE OF THE INVESTMENTS AND SECURITIES TRIBUNAL

The Act expands and reinforces provisions relating to establishment, jurisdiction, authority, powers and procedure of the Investments and Securities Tribunal (IST)

The Composition of the IST is expanded from 10 to 12 members; the functions of the Minister are made clearer; vacancy, constitution of the Tribunal, qualification and appointment of the Chief Registrar, powers as well as the jurisdiction of the Tribunal have been slightly modified to enhance the effectiveness of the Tribunal.

ENHANCED POWERS

Exclusive original and appellate jurisdictions segregated.

Power to enforce its judgement

Power to commit any person for contempt.



PART XVIII: MISCELLANEOUS

- 14 days pre-action notice to be served upon the SEC before any kind of action is commenced against it at the IST or other courts.
- More stringent “Omnibus penalty provision” for contraventions of the Act (For civil violations- not less than One Million Naira & further sum of N20,000 per day, and for criminal violations- Not less than One Million Naira or 2 years imprisonment or both).
- Stringent penalties on each of the under listed violations:
 - (1) willful obstruction or interference with the SEC in the discharge of its functions;
 - (2) destruction of any record required by the SEC for the discharge of its functions;
 - (3) Giving false or misleading information or document to SEC;
 - (4) Failure to comply with any directive of the SEC;
 - (5) Engaging in a practice or business which operates or would operate as a fraud;
- New provisions empowering a legal practitioner employed by the SEC to prosecute or defend **criminal matters** in the name of and on behalf of the SEC, subject to the consent and power of the Attorney General of the Federation.



PART XVIII: MISCELLANEOUS Con'td

- New provisions on removal of Directors/ officers of regulated entities and cancellation of registration in furtherance of investor protection or in public interest (S.351).
- New definitions are provided for the novel concepts/terms used in various parts of the Act , while some definitions from the repealed ISA 2007 were retained or modified.
- On the list of items in respect of which the SEC may make rules, the following additions were made:
 - prescribing the manner for regulating securitization transactions in Nigeria
 - concerning derivatives, derivatives markets or business,
 - concerning digital and virtual assets services and related activities.
 - prescribing the treatment of unclaimed monies that remain unpaid after 24 months or other prescribed period, after their payment date.

REGULATORY IMPLICATIONS



Stronger compliance obligations for Regulated entities and market participants



Heightened accountability through broader investigation reach



Improved adjudication through a more capable Tribunal



Robust deterrent framework for market infractions

Conclusion



The ISA 2025 represents a significant advancement in the legal and regulatory framework governing our capital markets. It positions the SEC as a proactive, enforcement-driven regulator equipped to navigate emerging market dynamics. The continued support and strategic guidance of the Management and Board of the Commission will be critical to ensuring the effective implementation of this landmark legislation.

Thank you for listening



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