

# Investment and Securities Act 2025



The Investment and Securities Act is the legislative framework that empowers the Securities and Exchange Commission (SEC) to carry out its mandate as it relates to capital markets. Over the years, market dynamics, globalization, technological advancements, and emerging financial instruments have necessitated regulatory updates to keep pace with evolving challenges and opportunities. In a bold step towards modernizing Nigeria's financial markets, President Bola Ahmed Tinubu has signed the Investments and Securities Act 2025, ushering in a new era of regulation, transparency, and investor protection. This landmark legislation builds upon the foundation laid by the Investments and Securities Act of 2007, which initially restructured Nigeria's capital market framework. While the 2007 Act focused on strengthening SEC's regulatory authority, establishing the Investments and Securities Tribunal (IST), and improving market efficiency, the 2025 amendments go even further, addressing emerging trends such as digital assets, fintech innovations, stricter penalties for Ponzi schemes, enhanced oversight on virtual assets, refined legal structure for securities transactions, systemic risk management, and the regulation of commodities exchanges.



Here's a breakdown of the key amendments and additions in the Investments and Securities Act (ISA) 2025:

**1. Regulation of Digital Assets:** The Act formally recognizes virtual and digital assets (including cryptocurrencies) as securities, bringing them under the regulatory purview of the Securities and Exchange Commission (SEC). Virtual Asset Service Providers (VASPs), Digital Asset Operators (DAOPs), and Digital Asset Exchanges must now comply with SEC regulations.

**2. Classification of Securities Exchanges:** The Act introduces two categories of securities exchanges:

- Composite Exchanges – authorized to list all categories of securities and financial instruments.
- Non-Composite Exchanges – limited to specific types of securities or asset classes.

**3. Stronger Measures Against Ponzi Schemes:**

The amended Act imposes strict penalties, including imprisonment or fine (ten (10) years imprisonment or a fine of twenty million naira (N20,000,000) or both), on promoters of fraudulent investment schemes (Ponzi and pyramid schemes).

**4. Enhanced Regulatory Powers for SEC:** The SEC now has broader enforcement powers, allowing it to take proactive steps in regulating capital markets. These reforms strengthen Nigeria's financial credibility in international markets and further empowers the Commission to meet the standards of global bodies such as the International Organization of Securities Commissions (IOSCO).

**5. Alternative Funds for Sub-National Government:**

The Act allows state governments to raise funds from the capital market, giving them more flexibility to finance development projects. This provides an alternative funding option, reducing their dependence on federal allocations and commercial loans.

**6. Legal Framework for Commodities**

**Exchanges:** The Act establishes a comprehensive legal framework for the regulation of commodities exchanges and warehouse receipt systems, ensuring transparency and efficiency in Nigeria's commodities market.

**7. Systemic Risk Management:** Provisions have been introduced for the identification, monitoring, and mitigation of systemic risks in the capital market to prevent financial crises and instability.

**8. Expansion of Eligible Issuers:** The Act has further expanded the categories of eligible issuers to accommodate new innovations and financial offerings, including crowdfunding platforms for commercial and investment activities, thereby allowing for the introduction of new financial instruments and capital market products, all subject to SEC approval.

**9. Foreign Collective Investment Schemes:** The Act provides that foreign collective investment schemes targeting Nigerian investors must register with the SEC. It prohibits unregistered foreign collective investment schemes from inviting the public to subscribe to the scheme and create a remedy for investors who subscribe to such schemes in violation of the Bill.

**10. Expanded Scope of the Investor Protection Fund:** Securities exchanges are expected to establish and maintain a fund known as the Investor Protector Fund (IPF). An IPF is meant to compensate investors who lose money. The Act has further expanded the scope to cover investor losses linked to the deregistration of brokerage firms, extending beyond the current coverage of bankruptcy or negligence cases.

**11. Treatment of Unclaimed Dividends:** The Act has created a framework for the treatment of unclaimed dividends under the regulatory purview of the Commission.

**12. Increased Transparency in Securities Transactions:** The Act mandates the use of Legal Entity Identifiers (LEIs) for capital market transactions, enhancing transparency, tracking, and accountability.

**13. Strengthening the Investments and Securities Tribunal (IST):** The Act revises the composition, jurisdiction, and operational structure of the Investments and Securities Tribunal, ensuring more efficient resolution of capital market

disputes.

**14. Self-Regulatory Organisations and Trade Associations:** The Act vests the Commission with the authority to register and regulate Self-Regulatory Organizations in the Nigerian capital market. It goes on to expressly impose a higher responsibility on these bodies to act in the public interest to ensure the integrity of the market and the protection of investors.

## Conclusion

The Investments and Securities Act 2025 introduces sweeping reforms to enhance investor protection, market efficiency, and regulatory oversight. It aligns Nigeria's financial and capital markets with global standards, fostering sustainable economic growth and investor confidence.

