

ISA 2025 - Reinforcing investor confidence and modernising Nigeria's capital market framework

Brief history of regulation in Nigeria's capital market

Nigeria's journey in capital market regulation has evolved through several legislative milestones. The first attempt at formal regulation was the establishment of the Capital Issues Committee by the Central Bank of Nigeria (CBN) to oversee the issuance of company securities. This was subsequently codified with the Capital Issues Commission Act of 1973. In 1979, the Securities and Exchange Commission (SEC) was established under a new decree, through the SEC Act of 1979 and subsequent amendments in 1988, marking a more structured regulatory era. This was followed by the Investment and Securities Acts of 1999 and 2007. On March 29, 2025, President Bola Ahmed Tinubu signed into law the Investment and Securities Act (ISA) 2025, repealing the 2007 Act and establishing a more comprehensive legal framework for capital market activities in Nigeria.

In this report, we unpack the ISA 2025's principal reforms and assess their likely impact on investors, broker-dealers, and the broader Nigerian capital market.

What ISA 2025 Introduces

Broadened definition of "Securities."

The Act formally classifies virtual assets, digital tokens, and investment contracts as "securities." For the first time, cryptocurrencies (e.g., Bitcoin and Ethereum) and related digital-asset businesses—digital Asset Exchanges, Virtual Asset Service Providers (VASPs), and Digital Asset Operators (DAOPs)—fall squarely under SEC supervision. This landmark recognition provides Nigeria's digital-asset ecosystem with its inaugural regulatory framework.

Exchange classification & market infrastructure

ISA 2025 distinguishes "Composite Exchanges," which may list any security, from "Non-Composite Exchanges," which are limited to specific asset classes. Additionally, the law formalises licensing and oversight of Financial Market Infrastructures — Central Counterparties, Clearing Houses, and Trade Repositories—aligning Nigeria with international best practices.

Mandatory Legal Entity Identifiers (LEIs)

Furthermore, the Act mandates every market participant in the Nigerian capital market to obtain and use an LEI in all transactions, significantly

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improving transparency, traceability, and regulatory oversight. This universal identifier empowers regulators with a unified view of market activities and cross-border exposures.

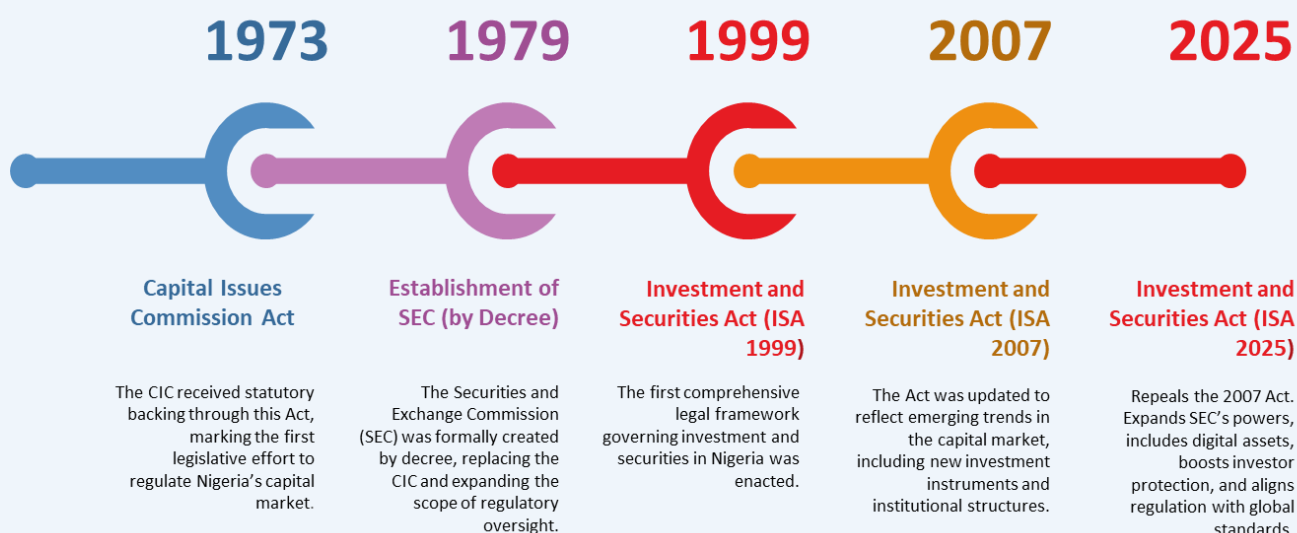
Enhanced investor protection

The ISA 2025 introduces new provisions on investor compensation through an enhanced Investor Protection Fund (IPF) and prohibits Ponzi schemes and illegal investment operations. Violations attract a minimum fine of ₦20 million or imprisonment for a term not less than 10 years.

Strengthened SEC enforcement.

Most importantly, with the ISA 2025, the SEC gains strengthened authority to issue binding regulations, conduct on-site inspections, demand data from telecom and fintech firms, and impose tougher sanctions—including fines and license revocations—thereby elevating market integrity and compliance standards.

Figure 1: Timeline of regulatory developments in the investment space



Source: SEC, CardinalStone Research

What's next for the Nigerian capital market?

The ISA 2025 marks a major milestone for Nigeria's capital markets, significantly enhancing investor protection and market accessibility.

One standout provision is the recognition of cryptocurrencies and virtual assets, enabling both retail and institutional investors to access blockchain-based products under regulatory oversight and reducing counterparty risk. This is supported by the IPF and mandatory compensation mechanisms introduced in response to past failures like the more recent CBEX Ponzi collapse, where investors allegedly lost over ₦1.3 trillion.

The Act also mandates the use of LEIs for all transactions, improving transparency and limiting the use of shell entities. Broker-dealers and

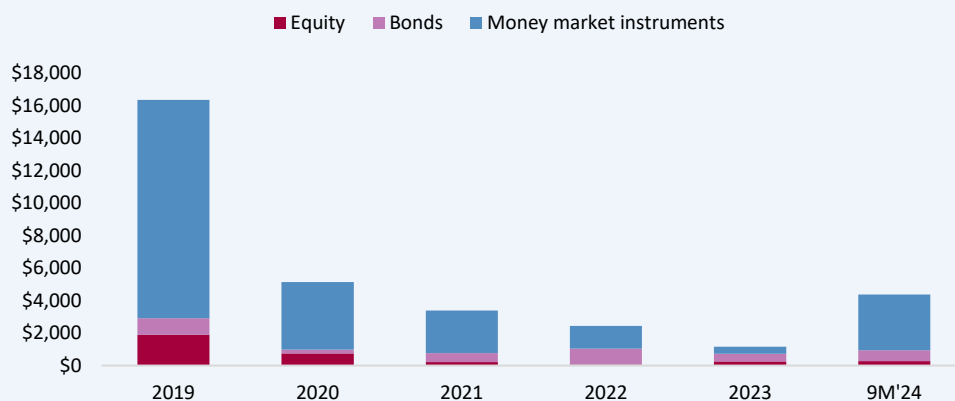
investment houses face tighter compliance requirements, especially around KYC/AML systems and internal controls, but also gain new opportunities to innovate. With tokenised securities, digital tokens, and warehouse receipt commodities now formally recognised, firms can diversify offerings and revenue streams.

Stronger SEC enforcement powers—including access to telecom and fintech data—should accelerate market abuse investigations and boost operational transparency.

At a macro level, ISA 2025 enables state and local governments to raise capital more flexibly via bond markets. Commodity exchanges and warehouse receipt systems also gain legal backing, unlocking new funding avenues for agriculture, mining, and other real assets. The Act imposes criminal penalties—up to N20 million in fines or 10 years in prison—for Ponzi and pyramid schemes, enhancing market integrity.

Importantly, the Act aligns Nigeria's capital market with global best practices, with a view to fostering cross-border participation, attracting foreign capital, and promoting long-term liquidity and stability for all market players.

Figure 2: Capital importation recovering from 2023 lows (\$'million)



Source: NBS, CardinalStone Research

Overall, successful implementation will hinge on coordinated industry engagement. The SEC, NGX, FMDQ, and other bodies will need to step up engagement, awareness, and compliance oversight. Financial institutions and capital market operators must also align internal systems with the new requirements while clearly communicating changes to investors and clients.

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