

**A REVIEW OF THE ALTERATIONS,
MODIFICATIONS, AND INNOVATIONS
IN THE INVESTMENT AND SECURITIES
ACT 2025 – A COMPARATIVE ANALYSIS
WITH THE INVESTMENT AND
SECURITIES ACT 2007.**



Recently, the National Assembly of the Federal Republic of Nigeria repealed the Investments and Securities Act, No. 29, 2007 (ISA 2007) and enacted The Investments and Securities Act 2025 (ISA 2025) to establish the Securities and Exchange Commission (SEC) as the apex regulatory authority for the Nigerian capital market as well as to regulate the market to ensure capital formation, the protection of investors, maintenance of fair, efficient and transparent market and reduction of systemic risk; and for related matters.

The enactment of the ISA 2025 introduces significant changes and innovations to the legal framework of investment securities in Nigeria. This article therefore identifies and examines some of these changes and innovations to enable practitioners and stakeholders to update their knowledge of the rules guiding investments and securities in Nigeria.

Some of these changes and innovations have identified and discussed below as follows:

1. Categorization of Securities Exchanges for registration purposes

Under the **ISA 2007**, the SEC accepted registration of securities exchanges (without categorization) and also accepted registration of capital trade points. See **section 28 of the ISA 2007**.

However, the **ISA 2025** introduced a broad categorization of securities exchanges for ease of registration and to enhanced specialized operations.

Section 27 of the ISA 2025 provides two new categories of exchanges, namely: (i) composite securities exchanges; and (ii) non-composite securities exchange.

- **Composite Exchange:** This category of securities facilitates listing, quotation, and trading of all asset classes, e.g., securities, bonds, commodities, financial products, or instruments on its platform.
- **Non-composite Exchange:** This category of securities is subdivided into 2 and may be registered by the Commission as:
 - Mono Securities Exchange: which focuses on the listing, quotation, and trading of particular securities, commodities, or financial products or instruments;
 - Alternative Trading System (ATS): is an alternative trading system that allows trading activities either through physical locations or by trading on the internet. This is an alternative to traditional exchanges.

This section of the ISA 2025 also expands the market infrastructure to accommodate emerging asset types.

2. Expansion of entities eligible to make invitations to the Nigeria Public Market

Under **section 67 of the ISA 2007**, only a body corporate registered as a public company, statutory body, or bank established by an Act of the National Assembly is eligible to invite the public to acquire or dispose securities or to deposit money with any corporate entity for a fixed period (with or without interest).

However, the category of people that are eligible to make invitations to the public to acquire or dispose securities or to deposit money with any corporate entity for a fixed period (with or without interest)etc., has been expanded under **Section 95 ISA 2025**. They are:

- Body corporates registered as a public company (provided the securities are registered).
- Statutory bodies or banks established by an Act of the National Assembly.
- Entities licensed by the Central Bank of Nigeria (CBN) to accept deposits and savings from the public.
- Collective investment scheme.
- Government bodies or an agency of a government body, supranational body or such other entities, as may be approved by SEC.
- Free trade zone entities, whose capital raising exercise has been approved by SEC.

3. Expansive Definition of Securities

Under **section 315 of the ISA 2007**, the definition of securities was limited to (a) debentures, stocks or bonds shares, bonds, notes; right or option in respect of any such debentures, stocks, shares, bonds or notes; or commodities futures, contracts, options and other derivatives.

However, under **section 357 of the ISA 2025** "securities" was given a more expansive meaning to include **virtual and digital assets (such as cryptocurrencies)**, as well as **investment contracts**.

With the inclusion of virtual and digital assets and investment contracts as part of the securities recognized by the Commission, the legislature considered the need for regulation. Thus, they empowered SEC under **Section 355 (1)(n)** to make rules and regulations on matters relating to digital and virtual asset services and related activities from time to time. Essentially, this provision will ensure investor protection. This is an answer to the agitation by many stakeholders who had advocated under the last political administration for virtual and digital assets to be regulated rather than banned.

4. Separation of the Powers, Functions, and Objectives of the Commission (SEC)

Under the provisions of ISA 2007, the legislature only spelt out the functions and powers of SEC in section 13 and these were designed in a manner that sought to regulate the registration and operation of investment and security businesses in Nigeria.

However, ISA 2025 merged the objectives, functions and powers of SEC under the provisions of section 3 of ISA 2025, and these were designed to be more focused on protecting public interest. As expressly spelled out in the Act, the Commission will achieve this objective by protecting investors and maintaining fair, efficient and transparent markets; protecting the integrity of securities market against all forms of market abuse and insider dealing; prevent unauthorized illegal, unlawful, fraudulent and unfair trade practices relating to securities and investment.

5. Establishment and operation of a Financial Market Infrastructure and modification of insolvency law rules.

This is a new provision that was introduced in the ISA 2025. **Section 41** of the Act makes provision for the establishment, registration, regulation, and operation of a Financial Market Infrastructure (FMI). This section of the Act requires any person who is desirous of operating a financial market infrastructure to first obtain a certificate of registration from the Commission. The Commission may revoke such approval or order the FMI to cease operations by issuing a written notice if it determines it is necessary to protect the interest of the public, investors or counterpart. This action would only follow after the FMI has been afforded an opportunity to be heard. Any violation of this provision will result in a penalty as provided under the Act.

Section 45 of ISA 2025 exempts market contracts and related actions, financial market infrastructure, cleared client contracts, collateral transfers, etc., from general insolvency laws if insolvency proceedings are initiated against an FMI member.

6. Filing of Annual and periodic reports with the Commission/Corporate responsibility of public companies

Under ISA 2007, specifically, under **section 60**, registered public companies are required to file their audited financial statements and other periodic returns annually but no sanction was imposed for failure to comply.

However, the current provision under **ISA 2025 (section 88)**, imposes sanction for failure to file annual and periodic reports with SEC. The sanction for violation is a penalty of not less than N5,000,000.00 (Five Million Naira) only and a further penalty of N25,000.00 (Twenty-Five Thousand Naira) per day or every day the violation continues.

7. Treatment of Unclaimed Dividend of Public Companies

The ISA 2025 now includes a new provision for unclaimed dividends of public companies. **Section 93** of the Act sets out a legal framework for managing unclaimed dividends within SEC's regulatory authority which shall be administered in accordance with rules and regulations made pursuant to the Act.

8. Prohibition of transactions in non-dematerialized securities

Section 122 of ISA 2025 provides that all securities to be transacted in the secondary market shall be in dematerialized form. This provision ensures that the securities traded in the secondary market are in a digitalized form to enhance security, efficiency, and ease of transfer. This law was not contained in ISA 2007.

In addition, **Section 123 of ISA 2025** makes it mandatory for every entity involved in a financial transaction to own and disclose a Legal Entity Identifier (LEI) in every securities transaction it is involved in, for the accuracy of financial data and systemic risk management. Also, this LEI must be obtained from an authorized issuer.

Note: Legal Entity Identifier means a code that uniquely identifies every distinct entity or structure that is a party to a financial transaction.

9. SEC's Oversight on Public Companies

The ISA 2025 establishes the power of the Commission to control the restructuring of public companies. By the provisions of **section 140 (1) of the Act**, all public companies are now mandated to obtain prior approval from the Securities and Exchange Commission before engaging in mergers, takeovers, conversions, compromises, arrangements, or corporate restructuring. This requirement ensures that such corporate actions are conducted in a fair and transparent manner, and ensures that all shareholders are treated fairly and given sufficient information regarding the transaction.

10. Expansion of the classes in which to invest Collective Investment Scheme Funds

The category or classes of investments that the funds and assets of a collective investment scheme can be put under **section 171 of ISA 2007** has been expanded under **Section 168 ISA 2025** to include new classes such as:

- **SUKUK:** This refers to investment certificates or notes that evidence proportionate interest in ownership of tangible assets, usufructs, and services or investment in the assets of particular projects or special investment activity that adhere to the principle of Shariah. It is popularly known as "Islamic or Shariah-compliant Bond". As a component of Islamic finance, Sukuk is a non-interest-based investment and financing instrument but its application is not restricted to Muslims as it conforms to ethical standards and justice.

This innovation expands financing options with the inclusion of non-interest instruments like Sukuk.

- Money market instruments.
- Real estate investment, private debt registered with the commission.
- Commodities and derivatives traded on a securities exchange.
- Equity and debt securities of private companies, small and medium enterprises.
- Infrastructure projects, real estate investment projects, and companies.
- Etc.

11. Warehouse Receipts

The ISA 2025 introduces the concept of Warehouse Receipts to serve as legal proof of commodity ownership or proof of proprietary rights in the commodity. It would also serve as a negotiable instrument evidencing the ownership of stored commodities. **Section 246 (1) of ISA 2025** states that: “a warehouse receipt drawn and issued shall be first proof of the holder having proprietary rights in the commodities.” **Section 357 of ISA 2025** further recognizes a warehouse receipt as a “tradeable instrument.”

This Warehouse Receipt system covers registration of warehouses, insurance of warehouses and commodities, issuance of warehouse receipts, trading of warehouse receipts, and licensing of warehouse operators. Furthermore, **section 248 (1)** of the Act provides that where a warehouse receipt is issued on commodities, it shall be traded on a commodity exchange where such commodities are listed on the exchange of trading.

The legal recognition of warehouse receipts empowers farmers and traders to leverage their stored goods as collateral, enhancing access to financing.

Please note that the foregoing is not exhaustive of the changes and innovations introduced by the ISA 2025.



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