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Summary of key changes to the Investment and Securities Act 2025



May 2025 |



Introduction




The Investments and Securities Act (“ISA”) 2025 marks a significant milestone in Nigeria’s capital market regulation, coming into effect 18 years after the Investment and Securities Act 2007 (the “Repealed Act”). ISA 2025 was enacted in March 2025, as a significant move to align it with global best practices, market trends, deepen the legal and regulatory framework of the Nigerian capital market, and address issues not adequately addressed in the Repealed Act. This transformative step repeals ISA 2007, marking a new era in the governance of investment and securities in Nigeria.



Summary of key changes and potential impact

"The introduction of ISA 2025 brings key reforms that can enhance Nigeria's capital market and broader financial landscape. Some notable changes and their potential impact include:



	Summary	Potential Impact
 Recognition of virtual and digital assets as securities	Digital assets are gaining traction globally, with countries adopting them under regulatory oversight. Nigeria has joined this trend, legally recognising digital and virtual assets as capital market securities. Cryptocurrency, a form of virtual and digital assets was initially met with mixed reactions in the market, following the Central Bank of Nigeria (CBN)’s prohibition of banks and other financial institutions from processing or enabling crypto transactions in Nigeria. However, the landscape is evolving, opening new opportunities for virtual and digital assets like cryptocurrencies, digital tokens, etc.	<p>Financial inclusion – Virtual and digital assets can expand Nigeria's investors’ base, particularly among younger generations who widely adopt these new asset class. This can also create opportunities for fintech companies to engage with the capital market.</p> <p>Diversification - Virtual and digital assets expand investment options, allowing for portfolio diversification and increasing the capital market's appeal to investors.</p> <p>Virtual and digital assets exchanges – Recognising virtual and digital assets paves the way for specialised exchanges, potentially boosting Nigeria's capital market. In comparable markets like Malaysia, digital asset exchanges are operational and registered with the country’s securities commission.</p> <p>Market growth – Despite previous regulatory ambiguity, digital assets have thrived in Nigeria, with Statista projecting \$1.6 billion in crypto revenue by 2025. Recognising these assets as securities could potentially unlock even more growth.`</p>
 Recognition of investment contracts as securities	Investment contracts involve putting money into a project or business with the expectation of earning returns, typically generated by the efforts of others. Examples include crowdfunding and other ventures where investors do not directly control the operations.	<p>Recognising investment contracts as securities provides regulatory oversight, protecting investors through transparency, disclosure, and compliance. This development unlocks opportunities for:</p> <ul style="list-style-type: none">▪ Crowd funding activities and innovative business ventures.▪ Projects, Public-Private Partnerships (PPPs), and Infrastructure funds to raise long term funding for infrastructure development. Government (federal and state) can leverage investment contracts for PPPs.▪ Deepening the market through specialised securities exchanges for investment contracts. <p>With the Federal Government already exploring capital market options for infrastructure funding via PPPs, the recognition of investment contracts as securities is expected to boost infrastructural development, stimulate capital market and foster economic growth.</p>

	Summary	Potential Impact
 <p>Broadening the range of issuers eligible to make public offerings</p>	<p>The new amendments expand the definition of issuers to include crowdfunding platforms, collective investment schemes, free trade zone entities, and government agencies. These are now recognised alongside the existing issuers defined by the previous ISA, which include public companies and statutory banks.</p>	<p>With the new regulation, crowdfunding entities, collective investment schemes, and free trade zone entities can now raise funds from the public. This broader access to capital can foster innovation, economic growth, and more investment opportunities.</p>
 <p>Categorisation of securities exchanges into composite and non-composite</p>	<p>ISA 2025 allows securities exchanges in Nigeria to operate in either of two ways: as a composite securities exchange, securities exchanges that lists and trades all types of securities, commodities or financial instruments. (Similar exchanges in the Nigerian capital market include Nigerian Exchange Limited, FMDQ Securities Exchange Limited) or non-composite securities exchange.</p> <p>Non-composite securities exchanges can either specialise in the listing and trading of a particular security, commodity, or financial instrument (mono securities exchange) or operate as an electronic system that facilitates the trading of large volume securities (an alternative trading platform).</p> <p>Example of a mono securities exchange is a commodities exchange that lists and trades only agricultural products, digital assets exchanges that lists and trades only digital assets, etc.</p>	<p>Specialised exchanges, like mono exchanges, are expected to drive efficiency and productivity by focusing on specific areas such as derivatives, digital assets, or commodities. Exchanges like the Chicago Mercantile Exchange (CME) Group in the United States of America, London International Financial Futures and Options Exchange (LIFFE) in Europe), and other specialized exchanges demonstrate the benefits of specialisation.</p> <p>Alternative trading systems are also expected to provide institutional investors with a valuable tool for executing large trades outside traditional exchanges, without significantly impacting the market.</p>
 <p>Additional debt financial instrument to government and their agencies.</p>	<p>Non-interest financial instruments was included as part of the financing options available to federal government agencies; state and local governments including their respective agencies. This addition complements the existing options of bonds and promissory notes. The most widely known non-interest capital market instrument in Nigeria is Sukuk.</p>	<p>The market for Sukuk is still at its growing stage in Nigeria. This is expected to grow as federal government agencies, state and local government and their agencies are able to raise finance through non-interest financial instruments.</p> <p>With only two sukuk offerings made by State government in Nigeria, this update to the ISA aims to promote wider adoption of sukuk issuances and increase the potential for sukuk issuances from state and local government and their agencies.</p>
 <p>Regulations on registration of commodities exchanges and use of warehouse receipts</p>	<p>ISA 2025 provides regulation for commodities exchanges, warehouses storing commodities linked to an exchange and for the issuance of warehouse tradable receipts on a commodities exchange.</p>	<p>Commodities exchanges aim to achieve price transparency and discovery through liquid markets. However, Nigeria's commodities' market, remains underdeveloped, with most transactions occurring outside of the exchange (on the spot market). ISA 2025 provides a timely framework to unlock the market potential through:</p> <ul style="list-style-type: none"> ▪ Developing warehouse infrastructure and tradable receipts linked to exchanges, ▪ Standardising and regulating warehouses to attract market operators and investors, and ▪ Enabling banks to accept warehouse receipts as collateral, increasing financing access. <p>Effective commodities warehousing and tradable warehouse receipts are essential to a thriving commodities market ecosystem. Well-functioning commodities market ecosystem requires credibility among financial institutions. Without these, warehouse receipts schemes will be ineffective in supporting access to loans.</p>

	Summary	Potential Impact
 <p>Regulations on registration of commodities exchanges and use of warehouse receipts</p>		<p>Developed markets showcase the potential for commodities exchanges to expand into exchange-traded commodities and derivatives (e.g., Chicago Mercantile Exchange, etc.).</p> <p>ISA 2025 is a crucial step towards unlocking Nigeria's commodities market potential, driving growth and development. By facilitating securitization, it is expected to transform the market from a spot market to a more sophisticated and efficient securitised market.</p>
 <p>Enhanced regulatory power</p>	<p>The updated ISA enhances the regulatory powers and capacity of the Securities and Exchange Commission (SEC) in several areas including:</p> <ul style="list-style-type: none"> ▪ Provisions for financial market infrastructures (FMIs): It includes requirements for the registration and regulation of financial market infrastructures. It further introduces insolvency provisions specifically designed for FMIs addressing their unique structures, operations, transactions and associated risks. ▪ Approval of corporate restructuring: It gives the SEC authority to approve corporate restructuring by public companies including conversions, carve-outs, spin-offs, and acquisitions or disposals of assets that significantly alter these companies' direction. ▪ Management of systemic risks: ISA 2025 enhances the SEC's ability to manage systemic risks within the financial markets. ▪ Unlawful schemes ban: The ISA imposes stringent penalties for engaging in unlawful schemes. ▪ Penalties for non-compliance: The ISA also includes penalties for market participants who fail to comply with regulations. ▪ Expanded jurisdiction: The jurisdiction of the investment and securities tribunal has been expanded to cover a broader range of investment disputes. <p>These reforms aim to protect investors, reduce systemic risks, and ensure a fair, efficient, and transparent market.</p>	<p>The changes are designed to bolster the SEC's oversight capacity, ensuring market stability and investor protection.</p> <p>In addition, with the ISA bolstering the Commission's powers, it is likely to lead to increased coordination with regulators such as CBN, National Pension Commission (PENCOM), other financial regulators and market participants to promote market development and stability.</p> <p>These changes are expected increase investor confidence and higher market participation.</p>

Conclusion

The ISA 2025 reforms hold great promise for Nigeria's capital market. As the ISA 2025 reforms take shape, enhanced SEC collaboration with other regulators is crucial to the management of systemic risk and financial stability. This is expected to drive regulatory consistency, reduce costs, and boost investor protection.

Collaboration with key regulators such as the CBN, National Pension Commission, and other financial regulators, will be instrumental in implementing ISA 2025 reforms. These collaborations are expected to be instrumental in promoting wide adoption of warehouse receipts as loan collateral; registration of issuers of investment contracts; ensuring regulatory clarity for virtual and digital assets; and enabling regulated entities (such as banks, pension funds administrators) to participate in virtual and digital assets.

To ensure market awareness, targeted awareness programs are crucial for the widespread market adoption of the ISA 2025 initiative and effective implementation.

The effective implementation of ISA 2025 will also require clear rules, updated policies, strategic planning. With the conclusion of the Revised Nigerian Capital Market Master Plan (2015 – 2025) approaching, now is the time to refresh the roadmap by incorporating new initiatives and trends. By doing so, Nigeria's capital market can unlock growth, transparency, and increased participation.

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Acknowledgments

We would like to thank Fatimo Adeniyi, Lorretta Nnajim, Caroline Oluwadare and Elvis Nwana for their important contributions to this publication.




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