

A Brief Review of The Investments and Securities Act 2024: A New Era for Nigeria's Capital Market

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1.0 Introduction

On March 29, 2025, President Bola Ahmed Tinubu signed into law the **Investments and Securities Act (ISA) 2024**, repealing the Investments and Securities Act No. 29 of 2007. This legislative milestone signifies a pivotal advancement in Nigeria's financial sector, aiming to modernize the capital market, enhance investor protection, and align the nation's financial regulations with international best practices.

The ISA 2024 introduces comprehensive reforms designed to bolster the integrity, transparency, and efficiency of Nigeria's capital market. Key provisions include the expansion of the Securities and Exchange Commission's (SEC) regulatory powers, the inclusion of digital assets within the regulatory framework, and the implementation of measures to manage systemic risks.

By addressing existing regulatory gaps and embracing technological advancements, the ISA 2024 positions Nigeria to attract both domestic and international investments. The Act's enactment reflects a commitment to fostering a dynamic, inclusive, and resilient capital market that can contribute significantly to the nation's economic growth and development.

2.0 Objectives and Rationale

The enactment of the Investments and Securities Act (ISA) 2024 marks a pivotal advancement in Nigeria's financial regulatory landscape. This legislation is designed to modernize the capital market framework, enhance investor protection, and align Nigeria's financial regulations with international best practices.

a. Modernizing the Capital Market Framework

The ISA 2024 aims to update Nigeria's capital market regulations to reflect the dynamic nature of global financial markets. By incorporating provisions that address contemporary financial instruments and market practices, the Act seeks to create a more robust and

adaptable regulatory environment. This modernization is essential for attracting both domestic and foreign investments, thereby stimulating economic growth.

b. Enhancing Investor Protection

A core objective of the ISA 2024 is to bolster investor confidence by implementing stringent measures against fraudulent activities and ensuring transparency in market operations. The Act introduces stricter penalties for violations and enhances the enforcement powers of the Securities and Exchange Commission (SEC), thereby providing a safer investment climate for all market participants.

c. Aligning with International Best Practices

To position Nigeria as a competitive player in the global financial arena, the ISA 2024 aligns the country's regulatory framework with international standards. This includes adherence to guidelines set by the International Organization of Securities Commissions (IOSCO) and the adoption of practices that promote market integrity and investor trust. Such alignment is crucial for attracting foreign investment and integrating Nigeria's capital market into the global financial system.

d. Facilitating Economic Diversification and Growth

By strengthening the regulatory framework and promoting transparency, the ISA 2024 aims to facilitate economic diversification beyond the oil sector. A well-regulated capital market can mobilize resources for various sectors, including agriculture, manufacturing, and technology, thereby contributing to sustainable economic development.

3.0 Key Provisions and Reforms

The Investments and Securities Act (ISA) 2024 introduces significant reforms aimed at modernizing Nigeria's capital market, enhancing regulatory oversight, and aligning with international best practices. Below are the key provisions and reforms encapsulated in the Act.

a. Enhanced Regulatory Powers for the Securities and Exchange Commission (SEC)

The ISA 2024 significantly strengthens the regulatory authority of the SEC, positioning it to effectively oversee and regulate Nigeria's capital market. The Act ensures full conformity with the requirements of the International Organization of Securities Commissions' (IOSCO)

Enhanced Multilateral Memorandum of Understanding (EMMoU), enabling the SEC to retain its “Signatory A” status. This alignment enhances the overall attractiveness of the Nigerian capital market to global investors.

b. Inclusion of Digital Assets as Securities

Recognizing the evolving landscape of financial instruments, the ISA 2024 expands the definition of securities to include digital assets and investment contracts. This inclusion brings virtual assets, such as cryptocurrencies, under the regulatory purview of the SEC. Consequently, Virtual Asset Service Providers (VASPs) and Digital Asset Operators (DAOPs) are now subject to SEC regulations, promoting transparency and investor protection in the digital asset space.

c. Classification of Exchanges and Financial Market Infrastructures

The Act introduces a classification system for securities exchanges, distinguishing between Composite and Non-composite Exchanges. This classification aims to provide a structured framework for the operation and regulation of different types of exchanges, enhancing market efficiency and integrity.

d. Stricter Penalties for Fraudulent Schemes

To combat fraudulent investment schemes, the ISA 2024 imposes more stringent penalties on operators of Ponzi schemes and other illicit activities. This measure seeks to deter financial crimes and protect investors from fraudulent practices, thereby fostering a more secure investment environment.

e. Comprehensive Insolvency Provisions

The Act provides for comprehensive insolvency provisions, particularly concerning transactions facilitated through Financial Market Infrastructures (FMIs). These provisions aim to ensure the continuity and stability of financial markets during insolvency proceedings, thereby safeguarding the interests of investors and maintaining market confidence.

f. Management of Systemic Risk

The ISA 2024 introduces measures for monitoring, managing, and mitigating systemic risks within the capital market. By establishing frameworks for early detection and response to potential market disruptions, the Act seeks to enhance the resilience of Nigeria's financial system against systemic shocks.

These provisions collectively aim to create a more robust, transparent, and investor-friendly capital market in Nigeria.

4.0 Implications for Stakeholders

The enactment of the Investments and Securities Act (ISA) 2024 heralds significant changes for various stakeholders within Nigeria's capital market. By introducing comprehensive reforms, the Act aims to enhance market integrity, foster investor confidence, and align Nigeria's financial regulations with international best practices. Below is an analysis of the Act's implications for key stakeholder groups:

a. For Investors

For investors, the ISA 2024 offers a more secure and transparent investment environment. The Act enhances investor protection by imposing stricter penalties on fraudulent activities and expanding the regulatory oversight of the Securities and Exchange Commission (SEC). By including digital assets within the definition of securities, the Act provides a legal framework for investing in cryptocurrencies and other virtual assets, thereby broadening investment opportunities. These measures are expected to boost investor confidence and attract both domestic and foreign investments.

b. For Market Operators

Market operators, including brokers, dealers, and fund managers, will need to adapt to the enhanced regulatory framework established by the ISA 2024. The Act's provisions on the classification of exchanges and the regulation of digital assets necessitate compliance with new operational standards. While these changes may require adjustments in business practices, they also present opportunities for innovation and growth within a more structured and resilient market.

c. For Policymakers

For policymakers, the ISA 2024 serves as a tool to strengthen Nigeria's financial system and promote economic development. By aligning the country's capital market regulations with global standards, the Act positions Nigeria as a more attractive destination for investment. The legal recognition of digital assets and the emphasis on market transparency and investor protection reflect a commitment to fostering a dynamic and inclusive financial ecosystem.

These implications underscore the transformative impact of the ISA 2024 on Nigeria's capital market, offering a more robust framework for investment and economic growth.

5.0 Challenges and Considerations

While the Investments and Securities Act (ISA) 2024 introduces significant reforms aimed at modernizing Nigeria's capital market, its successful implementation faces several challenges. Addressing these considerations is crucial to realizing the Act's full potential.

a. Effective Implementation and Enforcement

The ISA 2024 grants enhanced powers to the Securities and Exchange Commission (SEC) to oversee a broader range of financial instruments, including digital assets. However, the effective enforcement of these provisions requires substantial resources, including skilled personnel, technological infrastructure, and adequate funding. Ensuring that the SEC can effectively monitor compliance and enforce regulations is essential to maintain market integrity.

b. Balancing Regulation with Innovation

The inclusion of digital assets under the SEC's regulatory purview aims to protect investors and ensure market stability. However, overly stringent regulations could stifle innovation and deter participation in emerging financial technologies. Striking a balance between safeguarding the market and fostering innovation is a delicate task that requires continuous dialogue with industry stakeholders.

c. Stakeholder Engagement and Capacity Building

Transitioning from the repealed ISA 2007 to the new legal framework necessitates extensive stakeholder engagement. Market operators, investors, and other participants need to understand the new regulations to ensure compliance. The SEC has indicated its commitment to engaging with stakeholders to facilitate a seamless transition. However, sustained efforts in education, training, and capacity building are essential to equip all parties with the necessary knowledge and skills.

d. Addressing Systemic Risks

The ISA 2024 introduces measures to monitor and mitigate systemic risks within the capital market. Implementing these measures requires robust risk assessment frameworks and real-

time monitoring systems. Developing such capabilities is a complex endeavor that involves coordination among various regulatory bodies and market participants.

Addressing these challenges is vital to ensure that the ISA 2024 achieves its objectives of enhancing investor protection, promoting market integrity, and fostering economic growth.

6.0 Conclusion

The enactment of the Investments and Securities Act (ISA) 2024 represents a transformative milestone in Nigeria's capital market evolution. By repealing the outdated ISA 2007, the new legislation introduces a modernized legal framework that aligns with international best practices, thereby enhancing the country's financial regulatory landscape.

Key reforms under the ISA 2024 include the expansion of the Securities and Exchange Commission's (SEC) regulatory powers, the inclusion of digital assets within the definition of securities, and the implementation of measures to manage systemic risks. These provisions aim to bolster investor protection, promote market transparency, and foster innovation within the financial sector.

The Act's alignment with global standards, such as the International Organization of Securities Commissions' (IOSCO) Enhanced Multilateral Memorandum of Understanding (EMMoU), enhances the attractiveness of Nigeria's capital market to both domestic and international investors.

While the ISA 2024 presents significant opportunities, its successful implementation will require concerted efforts from all stakeholders, including policymakers, market operators, and investors. Continuous engagement, capacity building, and adherence to the new regulatory framework are essential to realize the full benefits of the Act.

In conclusion, the ISA 2024 lays a solid foundation for a more robust, transparent, and inclusive capital market in Nigeria. Its comprehensive reforms are poised to drive sustainable economic growth, enhance investor confidence, and position Nigeria as a competitive player in the global financial arena.

