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NAVIGATING THE NEW FRONTIER: RISK, OVERSIGHT, AND COOPERATION UNDER NIGERIA'S INVESTMENTS AND SECURITIES ACT 2025

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1. INTRODUCTION

Nigeria's capital market has arrived at a new regulatory era defined by intelligence-driven supervision, systemic risk awareness, and deeper collaboration between the Securities and Exchange Commission (SEC) and the entities it oversees. The Investments and Securities Act 2025 (ISA 2025) has reshaped the investments and securities governance framework by making risk avoidance central to what regulators do, as well as ensuring market integrity as its major objective.

SEC no longer wait for crises to erupt. Its supervisory posture is forward-leaning, data-enabled, and preventive. For capital market operators (CMOs), risk management is no longer a peripheral function, it must be embedded into the fabric of organisational decision-making; governance structures, compliance systems, internal controls, and day-to-day operations.

Transparency, readiness, and accountability have become not just regulatory expectations but competitive differentiators. Firms that align early, invest in robust systems, and internalise risk intelligence position themselves for durability and trust in an increasingly complex market.

ISA 2025 draws from global standards by demanding stronger operational safeguards, modernised controls, and a proactive approach to identifying vulnerabilities before they escalate. The age of superficial or check-the-box compliance is over. Sustainable success now rests on genuine risk awareness, disciplined governance, and the capacity to adapt to dynamic regulatory expectations.

2. GLOBAL ALIGNMENT: THE IOSCO IMPERATIVE

The repealed ISA brings Nigeria closer to the regulatory temperament of International Organization of Securities Commissions (IOSCO) jurisdictions, where confidence is built not by rigid rules but by a balanced, risk-aware ecosystem.

As digital innovations accelerate and capital moves more freely across borders, markets that cling to inflexible oversight often struggle to manage shocks or inspire long-term trust. Countries that transitioned to a more adaptive, intelligence-led model have shown that credible governance attracts deeper investment and equips regulators to respond quickly when pressures arise. With ISA 2025, Nigeria adopts this philosophy, signaling that its market is ready to operate with the sophistication and transparency expected on the global stage.

3. THE RISK-BASED SUPERVISORY FRAMEWORK AND ITS BENEFITS

Whereas the previous regime operated largely as a rules-based system, the new Act formally introduces a Risk Based Supervision (RBS) framework. Under RBS, market operators are required to continuously identify, assess, monitor, and mitigate exposures across all relevant domains i.e. operational, market, liquidity, governance, technological, conduct, and compliance risk. This framework moves supervision beyond a procedural, box-ticking orientation and embeds risk consciousness into the daily operations and decision-making of every institution. Importantly, Section 3(2)(d) of ISA 2025 reinforces this paradigm shift by mandating the SEC to proactively reduce systemic vulnerabilities and uphold market stability through intelligence-driven supervisory tools including risk matrices, early-warning indicators, and other analytical techniques.

The Act's integration of Financial Action Task Force (FATF) standards deepens this framework. Requirements around transparent beneficial ownership and ongoing AML/CFT monitoring give regulators clearer visibility into market participants and their operations. This level of granularity allows the SEC to tailor its supervisory approach focusing on the entities and activities that pose the greatest potential harm.

Global practice has demonstrated the effectiveness of this model. For instance, under a risk-based regime, a CMO that exhibits earnings volatility or rising investor complaints, would not simply be noted in passing; it would prompt closer engagement, targeted reviews, and corrective measures. This is to ensure that supervision is not only more responsive, but more protective of market integrity and investor confidence.

4. PRINCIPAL REFORMS IN ISA 2025

The Act introduces targeted, yet far-reaching reforms across enforcement authority, individual accountability, and the perimeter of regulated activities, collectively reinforcing the transition to a more disciplined, risk-attuned market.

a. **Formalizing RBS and Strengthening Enforcement:** Sections 82–84 give the SEC a more assertive supervisory posture. The Commission can compel information disclosure, issue binding directives, and collaborate seamlessly with other regulators when systemic concerns arise. Section 83(1) is particularly consequential: it empowers the SEC to mandate "such measures as may be deemed necessary," including trading suspensions where immediate intervention is justified. For example, if early-warning indicators reveal a looming liquidity shortfall, the SEC has clear authority to step in swiftly under this provision, and take corrective steps.

b. **Elevating Individual Accountability:** The new Act also sharpens the focus on the people at the helm of market institutions. Directors, officers, and sponsors bear direct responsibility for governance and compliance lapses, with stiff penalties designed to deter neglect. Section 89 is a good example. This section obliges public companies to