



**REVISED MINIMUM CAPITAL REQUIREMENTS:**  
Compliance, Penalties, and Opportunities for Capital  
Market Operators

📍 LAGOS | ABUJA | CALABAR

## INTRODUCTION

The Nigerian capital market is undergoing a decisive phase of regulatory transformation following the issuance of the Guidelines on Revised Minimum Capital for Regulated Entities by the Securities and Exchange Commission (“SEC” or the “Commission”) on 18<sup>th</sup> March 2026.<sup>1</sup> These Guidelines, made pursuant to the Investments and Securities Act, 2025 (“ISA”) and applicable rules<sup>2</sup>, introduce a comprehensive overhaul of the capital framework applicable to all regulated Capital Market Operators (“CMOs”). The market has become increasingly complex, with greater institutional participation, new financial products<sup>3</sup>, and a shift toward digital and cross-border transactions. However, this growth has exposed structural weaknesses, particularly the financial vulnerability of CMOs. The existing capital regime is therefore no longer sufficient to address these evolving risks, hence the reason for the Revised Minimum Capital for Regulated Entities.

Accordingly, the SEC’s revision of minimum capital requirements reflects a broader regulatory objective to strengthen market integrity, enhance investor protection, and align Nigeria’s capital market with international prudential standards. Beyond higher capital thresholds, the reform signals a shift in managing risk, capital adequacy, and market participation.<sup>4</sup> This Article examines the revised capital requirements for CMOs and their potential implications for market consolidation and investor confidence.

## THE STRUCTURAL CONTEXT: WHY CAPITAL REFORM WAS INEVITABLE

Historically, Nigeria’s capital market operated with relatively low minimum capital requirements,<sup>5</sup> compared to the scale and complexity of licensed entities’ activities. While this approach may have encouraged market entry and participation, it also enabled firms to assume significant operational and market risks without maintaining sufficient financial reserves. As financial markets mature, the widening gap between firms’ capital bases<sup>6</sup> and their operational risk exposure has become increasingly significant. The expansion of portfolio management services<sup>7</sup>, the inclusion of proprietary trading<sup>8</sup> within brokerage activities, and the growth of alternative investment products has heightened risk complexity.

Moreover, recent global regulatory developments have underscored the need for robust capital bases as a fundamental element of financial stability. International norms, particularly those from bodies such as the International Organisation of Securities Commissions (“IOSCO”)<sup>9</sup> call for risk-sensitive capital frameworks that also account for the nature and scale of regulated activities. In this light, the SEC’s updated Guidelines may be understood as part of Nigeria’s ongoing efforts to implement these international best practices.

In addition, recent market developments have made it evident that regulators can no longer afford to take a passive stance. Incidents of market volatility, liquidity shortages and system failures have

<sup>1</sup> Article 1.1 of the Guidelines.

<sup>2</sup> Article 1.2 of the Guidelines.

<sup>3</sup> Such as the NASD Digital Securities Platform (N-DSP), Digital Sukuk Initiative, NLPC’s Personal Pension Plan, etc.

<sup>4</sup> Objectives of the Guidelines.

<sup>5</sup> The 2015 Minimum Capital for regulated capital market entities in Annex V of the Guidelines.

<sup>6</sup> “Capital Base” means the shareholders’ funds of a regulated entity, comprising qualifying capital components net of accumulated losses as determined in accordance with these Guidelines.

<sup>7</sup> Annex V of the Guidelines provides for the expansion in 3 Tiers with Tier 1 having 2 Levels.

<sup>8</sup> Annex V of the Guidelines in Dealer and Broker-Dealer regulated entities

<sup>9</sup> Objective e. of the Guidelines.

highlighted the vulnerability of firms operating with minimal capital. In several instances, inadequate capital buffers limited operators’ ability to respond to sudden market shocks, thereby worsening already adverse conditions. Accordingly, revisions to capital adequacy requirements should be seen as a proactive effort to address these structural weaknesses. The primary goal is to strengthen the market’s capacity to absorb shocks and maintain stability.<sup>10</sup> By imposing more rigorous capital standards, the SEC is steering the market toward greater resilience, enhancing investor confidence, and promoting long-term sustainability by ensuring that only suitable capitalized operators can participate.

## KEY FEATURES OF THE REVISED CAPITAL FRAMEWORK

At the core of the new framework is a significant increase in minimum capital requirements of entities licensed, registered, or otherwise regulated by the SEC and applicants seeking new registration with the SEC. These increases materially alter the operating landscape. For instance, brokers and dealers are now required to maintain a minimum capital of NGN2 billion, while fund and portfolio managers may be subject to thresholds ranging from NGN2 billion to NGN10 billion, depending on the scale and nature of their operations.<sup>11</sup> The revisions are designed to align capital requirements with the risk profiles of different operators.

Another feature is the redefinition of Qualifying Capital.<sup>12</sup> The Guidelines stipulate that only fully paid-up capital, unencumbered and capable of absorbing losses on a going-concern basis, will be recognized. Qualifying capital components include fully paid-up ordinary share capital and irredeemable preference shares that are subordinated to creditors and free of mandatory dividend obligations. They also comprise share premium from fully paid-up capital issued for cash or other eligible consideration, as well as retained earnings derived from audited profits, net of any unrealised gains, all subject to verification by the Commission.<sup>13</sup> Non-qualifying items include revaluation reserves and unrealised gains, borrowed funds or shareholder loans, client monies and assets held in custody, contingent and deferred tax assets, as well as any capital that is encumbered or subject to liens, charges, or pledges.<sup>14</sup>

The Guidelines provide multiple pathways for compliance. Operators may raise capital through eligible instruments such as cash deposits, quoted equities, units of collective investment schemes, investment-grade bonds, and certain unquoted securities traded on Commission-recognised OTC platforms, all subject to verification and valuation.<sup>15</sup> Non-cash instruments are valued as of the close of business on the transfer date, using official closing prices for quoted securities, the latest published net asset value for collective investment units, market prices for bonds, and prescribed valuation and liquidity criteria for eligible unquoted securities.<sup>16</sup>

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<sup>10</sup> Section 3(2)(d) of the Investments and Securities Act (ISA) 2025 to “contribute to the reduction of systemic risk and promote financial stability.”

<sup>11</sup> Annex V of the Guidelines.

<sup>12</sup> Article 2 of the Guidelines.

<sup>13</sup> Article 3.1 of the Guidelines

<sup>14</sup> Article 3.2 of the Guidelines

<sup>15</sup> Article 5.1 (a-d) of the Guidelines.

<sup>16</sup> Annex I of the Guidelines.

CMOs may meet compliance requirements through mergers, acquisitions, or other business combinations, subject to prior notification to the Commission, compliance with applicable SEC rules on mergers and acquisitions, and the issuance of a formal “No Objection” by the Commission.<sup>17</sup> Alternatively, operators can choose to scale down their operations and apply for a downgrade of their license to align with their capital capacity.<sup>18</sup> Collectively, the higher capital thresholds, stricter definitions of qualifying capital, and flexible compliance options underscore the breadth of the reform.

### COMPLIANCE OBLIGATIONS: TIMELINES, REQUIREMENTS, AND PRACTICAL REALITIES

The revised capital framework imposes clear and structured compliance obligations on all CMOs, with a deadline of 30<sup>th</sup> June 2027. This provides operators with a defined timeline to support strategic planning and implementation.<sup>19</sup> However, this transitional period is not without immediate obligations. One of the most critical requirements is submitting a Board-approved capitalization or scale-back registration plan to the SEC on or before 30<sup>th</sup> April 2026.<sup>20</sup> The plan must clearly outline the operator’s current capital position, the applicable regulatory threshold, and the proposed strategy for achieving compliance. The requirement for Board approval is significant, as it elevates capital compliance from a regulatory obligation to a matter of strategic corporate governance. This ensures accountability at the highest level of the organisation, thereby strengthening accountability and strategic alignment. In practice, preparing a credible capitalization plan may be a complex exercise. Firms must undertake a thorough assessment of their financial position, identify viable funding sources, and develop realistic implementation timelines.

The Guidelines also provide that CMOs are required to maintain the prescribed capital base at all times and to notify the SEC immediately of any capital impairment.<sup>21</sup> This reflects a shift towards a dynamic and proactive regulatory approach, in which capital adequacy is continuously monitored rather than assessed at periodic intervals.

### ENFORCEMENT AND PENALTIES: THE COST OF NON-COMPLIANCE

The effectiveness of any regulatory framework is determined by the strength and consistency of its enforcement mechanisms, and the revised capital guidelines are no exception. Under the ISA 2025, the SEC is vested with broad enforcement powers to ensure compliance, including the authority to impose sanctions on operators that fail to meet the prescribed requirements.<sup>22</sup> Non-compliance with the revised capital thresholds may give rise to a range of regulatory actions. These include the imposition of monetary penalties, restrictions on operational activities, suspension of licences, and, in severe instances, revocation of licences. Although the Guidelines do not provide an exhaustive list of sanctions, the Commission is expressly authorized to deploy the full extent of its enforcement powers when there is a breach.

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<sup>17</sup> Article 5.2 (a-c) of the Guidelines.

<sup>18</sup> Article 5.3 of the Guidelines.

<sup>19</sup> Article 1.4 of the Guidelines. The transitional provisions require existing CMOs to comply with the revised capital requirements by 30<sup>th</sup> June 2027. From 16<sup>th</sup> January 2026, compliance with the new requirements will become a precondition for the registration of all new CMOs. Applicants with pending registrations as of that date must submit board-approved plans demonstrating how they will meet the revised minimum capital requirement by 30<sup>th</sup> June 2027. However, applications that have remained pending for at least 12 months as of 16<sup>th</sup> January 2026 will be deemed lapsed, requiring affected applicants to submit fresh applications under the new capital regime.

<sup>20</sup> Article 9.1 of the Guidelines. The Board-approved capitalisation plan shall be submitted to [capitalbase@sec.gov.ng](mailto:capitalbase@sec.gov.ng)

<sup>21</sup> Article 7.2 and 7.3 of the Guidelines.

<sup>22</sup> Article 1.2 of the Guidelines.

The SEC also retains the discretion to verify reported capital positions through various supervisory mechanisms, including routine examinations, risk-based inspections, and forensic audits for monitoring, mitigating, and managing systemic risk in the capital market.<sup>23</sup> These reviews underscore a critical principle of the new regime, that compliance must be both substantive and demonstrable. Operators are expected to maintain adequate capital levels and ensure robust documentation, transparent reporting practices, and strong internal control and governance frameworks.

### STRATEGIC OPPORTUNITIES IN A RESTRUCTURED MARKET

While the revised capital requirements undoubtedly impose significant compliance obligations<sup>24</sup> it also creates a range of strategic opportunities for operators who can adapt effectively. The new regime necessitates a reassessment and realignment of existing business models. Operators may choose to focus on core competencies, exit underperforming segments, and identify new areas that are better aligned with the regulatory framework. As firms adjust to these requirements, an immediate market-wide effect is the increased likelihood of market consolidation. Smaller or undercapitalized operators may face challenges in meeting the revised thresholds, thereby driving mergers and acquisitions across the capital market.<sup>25</sup>

Over time, this could lead to a more efficient market structure characterized by fewer but more capable operators. Higher capital thresholds, coupled with stricter regulatory oversight, are likely to strengthen investor confidence and improve perceptions of market integrity. As confidence grows, the market may attract increased participation from both local and foreign investors, potentially boosting liquidity and supporting the introduction of more sophisticated financial instruments and products. While the revised capital requirements impose significant compliance obligations, they also present a range of strategic opportunities for operators that are able to adapt effectively. Operators may choose to focus on core competencies, exit underperforming or high-risk segments, and identify new areas for growth that are better aligned with the regulatory framework. This process of rationalization and streamlining is likely to result in more efficient, better-governed, and more sustainable institutions.

### CONCLUSION

The introduction of the revised minimum capital requirements marks a significant milestone in the evolution of Nigeria’s capital market. For operators, the immediate priority is to manage the transition in a manner that ensures compliance while preserving long-term viability. This will require careful planning, strategic discipline, and, where necessary, fundamental adjustments to business models, ownership structures, and operations. From a regulatory standpoint, successful implementation will depend on a process that is transparent, consistent, and responsive to prevailing market realities. Continuous dialogue will be essential in identifying practical challenges, minimizing unintended disruptions, and ensuring that the objectives of the reform are effectively translated into measurable outcomes.

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<sup>23</sup> Section 84(1) of the Investment and Securities Act, 2025

<sup>24</sup> Article 1.4 of the Guidelines.

<sup>25</sup> Article 5.2 of the Guidelines provides that CMOs may achieve compliance through mergers, acquisitions, or business combinations.

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