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Analyzing the Investments and Securities Act (2025): An Exposition into Regulatory Oversight and Digital Assset Regulation in Nigeria's Capital Market

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Abstract **Review Article**

The enactment of the Investments and Securities Act 2025 (ISA 2025) marks a significant milestone in the evolution of Nigeria's capital market regulatory framework. Repealing the Investments and Securities Act 2007, the new legislation introduces far-reaching reforms aimed at modernising securities regulation, strengthening investor protection, enhancing market integrity, and aligning Nigeria's capital market with international best practices. This article critically examines the legal innovations introduced by the ISA 2025, with particular emphasis on the the statutory recognition and regulation of digital and virtual assets. Adopting a doctrinal research methodology, the study analyses the provisions of the Act regulatory instruments, comparative international frameworks, and contemporary scholarly literature. It argues that the ISA 2025 represents a paradigm shift from a predominantly reactive regulatory regime to a proactive and technology-responsive framework capable of addressing emerging challenges associated with digital finance, fintech innovation, and increasingly sophisticated capital market activities. The article further contends, however, that the effectiveness of the reforms will ultimately depend on coherent institutional coordination, particularly between the SEC and the Central Bank of Nigeria, the issuance of clear subsidiary regulations, consistent enforcement, and a regulatory approach that balances investor protection with innovation. The study concludes that while the ISA 2025 significantly enhances Nigeria's capacity to regulate a modern capital market and improves its attractiveness to domestic and foreign investors, sustained implementation and regulatory coherence remain essential to achieving the Act's transformative objectives.

Keywords: Investments and Securities Act 2025; Securities and Exchange Commission; capital market regulation; digital assets; virtual assets; fintech; investor protection; financial market infrastructure; securities law.

1. Introduction

The effectiveness of every modern capital market is fundamentally dependent upon the existence of a coherent legal and institutional framework capable of promoting investor confidence, ensuring market integrity and facilitating efficient capital formation[1]. While economic factors undoubtedly influence the growth of financial markets, legal scholars have increasingly recognised that the quality of securities regulation constitutes one of the most significant determinants of capital market development. Experts have consistently argued that jurisdictions possessing stronger legal protection for investors generally exhibit deeper and more efficient financial markets because investors are more willing to commit capital where their proprietary interests are adequately protected by law.[2] Similarly, the development of modern securities markets is closely associated with the strength of legal institutions, regulatory accountability and corporate governance mechanisms capable of maintaining market discipline and investor confidence.[3] Consequently, securities legislation has evolved beyond merely regulating transactions to becoming an indispensable instrument for promoting economic growth, financial stability and sustainable investment.

The Nigerian capital market has consequently assumed increasing strategic importance within successive economic development policies of the Federal Government. Beyond serving as a mechanism for corporate financing, the market has increasingly functioned as a platform through which government finances critical infrastructure projects by issuing sovereign bonds and other debt instruments.[4] The ability of the capital market to perform these functions effectively, however, depends largely upon public confidence in the fairness, transparency and efficiency of its regulatory framework. Investors are more inclined to participate actively in financial markets where adequate disclosure standards, effective corporate governance and efficient regulatory enforcement minimise information asymmetry and reduce investment risks.[5]

Despite considerable legislative and institutional reforms since independence, Nigeria's capital market has experienced recurrent episodes of regulatory failure capable of undermining this confidence. The market collapse that occurred between 2008 and 2010 exposed significant structural deficiencies within Nigeria's securities regulatory framework, including weak supervisory mechanisms, ineffective enforcement, inadequate corporate governance practices, market manipulation and poor institutional accountability.[6] These regulatory shortcomings resulted in widespread investor losses, declining market capitalisation and reduced participation by both domestic and foreign investors. Similarly, it has been observed that the ineffective market surveillance, inadequate enforcement and weak institutional coordination as major contributors to the persistence of capital market crimes in Nigeria, including insider dealing, market manipulation, illegal public offerings and fraudulent investment schemes.[7]

The evolution of digital finance fundamentally transformed the nature of investment transactions worldwide. Technological innovations increasingly blurred the traditional distinction between conventional securities and digital investment products, thereby presenting regulators with unprecedented legal and institutional challenges.[8] In Nigeria, the increasing popularity of cryptocurrencies and

[1] Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer and Robert Vishny, 'Law and Finance' (1998) 106 *Journal of Political Economy* 1113.
[2] Ibid
[3] Mark J Roe, 'Legal Origins, Politics and Modern Stock Markets' (2006) 120 Harvard Law Review 460.
[4] George Abang Ekpungu, An Appraisal of the Legal Framework for Dispute Resolution in the Nigerian Capital Market (PhD Dissertation, Ahmadu Bello University, 2018) 18–25.
[5] Krishna G Palepu, Paul M Healy, Victor L Bernard and Erik Peek, Business Analysis and Valuation (1st edn, Thomson Learning 2007) 2.
[6] A.B Ahmed et al, 'Regulatory Failures and the Collapse of the Capital Market in Nigeria: Aligning Responsibilities with Accountability' (2015) 40 Journal of Law, Policy and Globalization 168.
[7] Ahmed Aliyu, 'Managing Capital Market Crimes: The Role of Nigeria's Securities and Exchange Commission' (2014) 19 IOSR Journal of Humanities and Social Science 56.
[8] Chidera Emmanuel Nnaji, 'Digital Assets and FinTechs in Nigeria: The Implication of the Investment and Securities Act 2025 (ISA 2025)' (2025) SSRN Electronic Journal 1–2. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6147966 accessed May, 2026.

other digital assets prompted the Securities and Exchange Commission to issue various administrative instruments, including the Statement on Digital Assets and their Classification and Treatment (2020), the Rules on Issuance, Offering Platforms and Custody of Digital Assets (2022), and subsequently the Accelerated Regulatory Incubation Programme (ARIP).[9] These regulatory interventions represented important efforts towards addressing technological innovation; nevertheless, they remained subordinate legislation lacking comprehensive statutory backing under the ISA 2007.[10] As a result, considerable uncertainty persisted regarding the legal status of digital assets, the regulatory jurisdiction of the SEC and the extent of investor protection available within Nigeria's emerging digital investment ecosystem.

Recognizing these deficiencies, the National Assembly enacted the **Investments and Securities Act 2025**, which received presidential assent on 25 March 2025[11]. The Act repeals the Investments and Securities Act 2007 and introduces the most comprehensive reform of Nigeria's securities legislation in almost two decades. Unlike its predecessor, the ISA 2025 adopts a forward-looking regulatory philosophy designed to strengthen market integrity, promote financial stability, improve investor protection and modernise the legal framework governing Nigeria's capital market in response to contemporary global developments.[12] The Act significantly expands the enforcement powers of the Securities and Exchange Commission, establishes a more elaborate framework for financial market infrastructure, strengthens systemic risk regulation, expressly criminalises Ponzi and pyramid investment schemes and, perhaps most significantly, statutorily recognises digital and virtual assets as securities falling within the Commission's regulatory jurisdiction.[13]

These legislative reforms represent more than incremental amendments to existing securities legislation. Rather, they signify a paradigm shift in Nigeria's regulatory approach from reactive supervision towards proactive market regulation capable of responding to increasingly sophisticated financial products and investment practices.[14] The express recognition of digital assets and broader regulatory oversight collectively demonstrate an attempt to align Nigerian securities regulation with evolving international best practices while simultaneously addressing long-standing weaknesses identified within the domestic capital market.[15]

2.3 The Regulatory Philosophy Underpinning the Investments and Securities Act 2025

Traditionally, securities regulation has pursued three interrelated objectives: investor protection, market integrity and capital formation. These objectives are universally recognised and have informed the regulatory philosophy of securities markets across major jurisdictions. The International Organization of Securities Commissions (IOSCO) similarly identifies investor protection, the maintenance of fair, efficient and transparent markets, and the reduction of systemic risk as the core objectives of modern securities regulation. The Nigerian

[9] Ibid

[10] Olaniwun Ajayi LP, Impact of the Investments and Securities Act 2025 on Digital and Virtual Assets (April 2025) 1–4; see also Securities and Exchange Commission, Rules on Issuance, Offering Platforms and Custody of Digital Assets 2022.Available at olaniwunajayi.net/.well-known/sgcaptcha/?r=%2Fwp-content%2Fuploads%2F2025%2F04%2FIMPACT-OF-THE-INVESTMENTS-AND-SECURITIES-ACT-2025-ON-DIGITAL-AND-VIRTUAL-ASSETS-2-2.pdf&y=ipr:197.211.63.75:1784051801.021 accessed March, 2026.

[11] Ibid n 8

[12] Ibid n 10.

[13] Investments and Securities Act 2025, ss 3, 27, 42, 95, 196 and 357.

[14] Ajibola Foye, 'The Investment and Securities Act 2025: Modernizing Nigeria's Capital Market Framework' (2025) SSRN Electronic Journal 1–4 available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5388854 accessed February, 2026.

[15] Udo Udoma & Belo-Osagie, Overview of the Investments and Securities Act 2025: Key Changes for Private Equity and Venture Capital Funds in Nigeria (April 2025) 2–5.available at https://uubo.org/wp-content/uploads/2025/05/NIGERIA-OVERVIEW-THE-ISA-2025-UNPACKED-WHAT-IS-CHANGING-FOR-PRIVATE-CAPITAL-FUNDS-1-1.pdf accessed June, 2026.

legislature appears to have adopted these principles in designing the ISA 2025, particularly through provisions strengthening the supervisory powers of the Securities and Exchange Commission (SEC), expanding disclosure obligations, introducing systemic risk monitoring mechanisms and expressly recognising digital assets as securities.[16]

The principal weakness of the repealed ISA 2007 was not that it failed to regulate the capital market; rather, it failed to anticipate the unprecedented transformation of financial markets brought about by technological innovation. When the ISA 2007 was enacted, cryptocurrencies, blockchain technology, tokenised securities, decentralised finance (DeFi), crowdfunding platforms and virtual asset service providers had not yet emerged as significant participants within global financial markets. Consequently, the statutory definitions of securities, exchanges and capital market operators were framed largely around conventional financial instruments such as shares, bonds and debentures. This legislative approach gradually became inadequate as digital finance increasingly blurred the distinction between traditional securities and technology-driven investment products[17].

Recognising this regulatory gap, the SEC attempted to fill the vacuum through various administrative instruments, including the Statement on Digital Assets and their Classification and Treatment (2020), the Rules on Issuance, Offering Platforms and Custody of Digital Assets 2022, and subsequently the Accelerated Regulatory Incubation Programme (ARIP). These initiatives represented commendable regulatory innovation and demonstrated the Commission's willingness to adapt to emerging technologies. Nevertheless, because these measures were founded primarily upon delegated legislative authority rather than explicit statutory provisions, questions persisted regarding their legal certainty and the precise extent of the Commission's jurisdiction over digital assets. The ISA 2025 resolves this uncertainty by expressly classifying digital and virtual assets as securities and placing their regulation squarely within the statutory competence of the SEC.

3.2 Statutory Recognition and Regulation of Digital and Virtual Assets: A Paradigm Shift in Nigerian Securities Regulation

One of the most groundbreaking innovations introduced by the Investments and Securities Act 2025 (ISA 2025) is the formal incorporation of digital and virtual assets into Nigeria's securities regulatory framework.[18] Unlike the repealed Investments and Securities Act 2007 (ISA 2007), which neither defined nor expressly recognised digital assets as securities, the ISA 2025 adopts a comprehensive statutory approach that subjects qualifying digital investment products and their operators to the regulatory jurisdiction of the Securities and Exchange Commission (SEC). This reform represents a decisive departure from the previous legal regime and reflects the legislature's determination to modernise Nigeria's capital market in response to technological innovation, the rapid expansion of digital finance, and the increasing integration of blockchain-based investment products into the global financial system.[19]

The significance of this reform extends beyond the mere inclusion of digital assets within the statutory definition of securities. Rather, it represents a fundamental shift in Nigeria's regulatory philosophy from one that reacted to technological developments through administrative circulars and subsidiary legislation to one that provides a clear legislative foundation for regulating digital finance. As financial markets increasingly embrace tokenisation, distributed ledger technology (DLT), cryptocurrencies, stablecoins and decentralised investment platforms, legal certainty becomes indispensable for investor protection, market integrity and sustainable

[16] Ibid
[17] Ibid
[18] Chidera Emmanuel Nnaji, 'Digital Assets and FinTechs in Nigeria: The Implication of the Investment and Securities Act 2025 (ISA 2025)' (2025) SSRN Electronic Journal 1–2. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6147966 accessed May, 2026
[19] Ibid

innovation. The ISA 2025 therefore seeks to balance these competing objectives by providing statutory recognition of digital assets while simultaneously subjecting them to robust regulatory oversight.

Before the enactment of the ISA 2025, the legal status of digital assets within Nigeria's capital market remained uncertain. The ISA 2007 was enacted at a time when blockchain technology, cryptocurrencies and decentralised finance (DeFi) had not yet emerged as significant components of global financial markets. Consequently, the statutory definition of securities was framed primarily around conventional financial instruments such as shares, debentures, bonds, collective investment schemes and derivatives.[20] Although sufficiently broad to accommodate certain innovative financial products, the legislation did not expressly contemplate crypto-assets, tokenised securities or virtual investment contracts.

Although these regulatory initiatives demonstrated institutional responsiveness, they were vulnerable to criticism because delegated legislation cannot substitute for clear statutory authority. The absence of express legislative recognition of digital assets created uncertainty regarding both the scope of the SEC's jurisdiction and the enforceability of its regulatory interventions.[21] This uncertainty also discouraged institutional investment by creating ambiguity regarding the applicable legal framework governing digital asset transactions.

The regulatory uncertainty was further complicated by the divergent approaches adopted by Nigerian financial regulators.[22] While the SEC increasingly recognised digital assets as investment products deserving regulatory supervision, the Central Bank of Nigeria (CBN) maintained a cautious approach towards cryptocurrency transactions, particularly following its 2021 circular restricting financial institutions from facilitating cryptocurrency trading. The coexistence of these differing regulatory positions generated confusion among investors and market participants concerning the legal status of digital assets within Nigeria.[23]

The ISA 2025 fundamentally transforms this position by expressly recognising digital and virtual assets as securities where they possess investment characteristics falling within the regulatory competence of the SEC. Section 357 of the Act significantly expands the statutory definition of securities by incorporating digital assets, virtual assets and investment contracts capable of functioning as capital market products.[24] This provision effectively removes the ambiguity that existed under the ISA 2007 and establishes a clear legislative basis for the Commission's regulation of digital finance.

The importance of this statutory recognition lies in the legal certainty it provides. Rather than relying upon administrative interpretation, the SEC's jurisdiction now derives directly from the principal legislation enacted by the National Assembly. Consequently, issuers, investors and digital asset service providers are better able to determine their regulatory obligations with greater certainty, thereby promoting transparency and enhancing investor confidence. Equally significant is the Act's recognition that technological innovation should not determine whether an investment product is regulated. Instead, the legislation adopts a functional approach by focusing upon the economic characteristics of the investment rather than the technology through which it is created or transferred. This approach aligns with contemporary international regulatory practice, which increasingly emphasises the substance of financial transactions over their technological form.

The statutory recognition of investment contracts also constitutes a noteworthy innovation. By expressly including investment contracts within

[20] Investments and Securities Act 2007, s 315 (definition of "securities").

[21] Olaniwun Ajayi LP, Impact of the Investments and Securities Act 2025 on Digital and Virtual Assets (April 2025) 2–5.

[22] Udo Udoma & Belo-Osagie 2025, 'Nigeria Regulatory Update: Expansion of the SEC's Regulatory and Enforcement Framework 2–3.available at https://uubo.org/wp-content/uploads/2025/08/NIGERIA-REGULATORY-UPDATE-THE-SECS-EXPANDED-ENFORCEMENT-POWERS-UNDER-ISA-2025-WHAT-YOU-NEED-TO-KNOW.pdf accessed June, 2026.

[23] Ibid

[24] Investments and Securities Act 2025, s 357.

the definition of securities, the Act considerably broadens the range of investment arrangements falling within SEC supervision. This reform is particularly significant for innovative financing structures, including tokenised investments, crowdfunding arrangements, infrastructure financing vehicles and certain public-private partnership (PPP) investment models. As commentators have observed, the recognition of investment contracts has the potential to facilitate long-term capital mobilisation for infrastructure development while simultaneously enhancing investor protection through regulatory oversight.[25]

Beyond recognising digital assets themselves, the ISA 2025 establishes a comprehensive regulatory framework governing the institutions responsible for facilitating digital asset transactions. The legislation empowers the SEC to regulate Virtual Asset Service Providers (VASPs), Digital Asset Exchanges, Digital Asset Offering Platforms, custodians and other intermediaries participating in the digital asset ecosystem.[26]

This institutional approach represents one of the Act's greatest strengths. Effective regulation of digital finance cannot be achieved merely by regulating the assets themselves; rather, it requires supervision of the intermediaries through which those assets are issued, traded and safeguarded. By subjecting these entities to registration, licensing, disclosure and ongoing compliance obligations, the Act significantly strengthens investor protection while reducing opportunities for market abuse.

Moreover, the regulation of VASPs enhances Nigeria's compliance with evolving international standards concerning anti-money laundering (AML), counter-terrorism financing (CFT) and market integrity. Given the borderless nature of blockchain transactions, comprehensive regulation of intermediaries is increasingly regarded as indispensable to maintaining financial stability and preventing regulatory arbitrage.[27]

The Nigerian approach adopted under the ISA 2025 broadly aligns with the international trend towards statutory regulation of digital assets. However, important differences remain regarding the scope of regulatory jurisdiction. The European Union, through the Markets in Crypto-Assets Regulation (MiCA) (Regulation (EU) 2023/1114), establishes a harmonised regulatory framework governing crypto-assets not already regulated as financial instruments under existing EU financial legislation. MiCA adopts a risk-based approach by categorising crypto-assets according to their economic function, including asset-referenced tokens, e-money tokens and utility tokens, with each category attracting distinct regulatory requirements.[28]

The position in the United States remains comparatively fragmented. Rather than adopting comprehensive digital asset legislation, regulatory competence is determined principally by judicial interpretation of the Howey investment contract test established in *SEC v W J Howey Co*.[29] Where a digital asset satisfies the characteristics of an investment contract, it falls within the jurisdiction of the Securities and Exchange Commission; otherwise, it may fall under the regulatory authority of the Commodity Futures Trading Commission (CFTC).

By contrast, the ISA 2025 adopts a comparatively unified approach by placing

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[25] Udo Udoma & Belo-Osagie, Overview of the Investments and Securities Act 2025: Key Changes for Private Equity and Venture Capital Funds in Nigeria (April 2025) 2–5.available at https://uubo.org/wp-content/uploads/2025/05/NIGERIA-OVERVIEW-THE-ISA-2025-UNPACKED-WHAT-IS-CHANGING-FOR-PRIVATE-CAPITAL-FUNDS-1-1.pdf accessed June, 2026.

[25] Ibid

[26] Investments and Securities Act 2025, pts III–V; see also Olaniwun Ajayi LP, A Review of the Investments and Securities Act 2025 (7 April 2025). https://oal.law/a-review-of-the-investment-and-securities-act-2025/ accessed, April, 2026.

[27] Ajibola Foye, 'The Investment and Securities Act 2025: Modernizing Nigeria's Capital Market Framework' (2025) SSRN Electronic Journal 1–4 available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5388854 accessed February, 2026.

[28] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-assets [2023] OJ L150/40 (MiCA). Available at https://eur-lex.europa.eu/eli/reg/2023/1114/oj/eng accessed, July, 2026

[29] SEC v W J Howey Co 328 US 293 (1946).

digital assets and investment contracts within the statutory jurisdiction of the Nigerian SEC. While this promotes regulatory certainty, it also raises questions regarding institutional overlap with the Central Bank of Nigeria in relation to digital payment instruments and stablecoins.

3.2.5 Critical Appraisal

The statutory recognition of digital assets under the ISA 2025 represents one of the most progressive aspects of the legislation. By replacing administrative uncertainty with legislative certainty, the Act significantly enhances investor protection, strengthens market confidence and improves Nigeria's attractiveness as a destination for digital financial innovation. It also aligns Nigerian securities regulation with the global movement towards integrating digital finance within existing financial regulatory frameworks rather than excluding it altogether.

Nevertheless, certain concerns remain. First, the Act adopts a broad approach to the classification of digital assets without clearly distinguishing between investment tokens, payment tokens and utility tokens. This may create interpretative challenges where digital assets perform multiple economic functions simultaneously. Secondly, the expansion of the SEC's jurisdiction inevitably increases the likelihood of regulatory overlap with the CBN, particularly regarding stablecoins and payment-related digital assets. Finally, the effectiveness of the statutory reforms will ultimately depend upon the timely issuance of comprehensive subsidiary regulations and effective inter-agency coordination.[30]

Despite these concerns, the ISA 2025 unquestionably establishes the first comprehensive legislative framework for digital asset regulation in Nigeria. It moves beyond the fragmented administrative approach that characterised the previous regime and places Nigeria among the few African jurisdictions to provide express statutory recognition of digital assets within securities legislation. If implemented effectively, these reforms have the potential to enhance investor confidence, deepen market participation and position Nigeria as a leading digital finance hub on the African continent.[31]

Challenges of the Digital Asset Framework under the Investment and Securities Act 2025

Notwithstanding the significant innovations introduced by the Investment and Securities Act 2025 (ISA 2025), the regulation of digital assets continues to present complex legal, institutional and technological challenges. While the Act undoubtedly fills the regulatory vacuum that existed under the repealed ISA 2007 by expressly recognising digital and virtual assets as securities[32], the effectiveness of the new framework will ultimately depend on the capacity of the Securities and Exchange Commission (SEC) and other relevant institutions to respond to the unique characteristics of digital asset markets. Unlike conventional securities, digital assets are decentralised, borderless, technology-driven and capable of instantaneous transfer across jurisdictions. These characteristics complicate regulatory supervision and require a multidisciplinary approach that extends beyond traditional securities regulation.

Consequently, although ISA 2025 significantly enhances investor protection through statutory recognition, licensing requirements and enhanced enforcement powers, several practical and legal challenges continue to threaten the effectiveness of the framework[33]. These include

[30] Chidera Emmanuel Nnaji, 'Digital Assets and FinTechs in Nigeria: The Implication of the Investment and Securities Act 2025 (ISA 2025)' (2025) SSRN Electronic Journal 2–4. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6147966 accessed May, 2026

[31] See generally The Investments and Securities Act 2025: A New Era for Nigeria's Capital Market (SSRN Working Paper, 2025), concluding that the Act's integrated framework positions Nigeria as a potential leader in digital finance regulation in Africa.

[32] Mosun Oke et al, *How the ISA 2025 Reshapes the Nigerian Virtual Asset Market* (2025) 2–3. Available at https://topeadebayolp.com/wp-content/uploads/2025/04/How-the-ISA-2025-Reshapes-the-Nigerian-Virtual-Asset-Market.pdf accessed, June 2026.

[33] Folake Elias-Adebowale and others, *Overview of the Investments and Securities Act 2025: Key Changes for*

overlapping regulatory mandates, cybersecurity vulnerabilities, inadequate consumer protection, anti-money laundering and counter-terrorism financing (AML/CFT) concerns, and the difficulties associated with enforcing regulatory decisions across national boundaries.

Regulatory Overlap and Institutional Coordination

Perhaps the most immediate challenge confronting the implementation of ISA 2025 is the persistence of overlapping regulatory responsibilities among Nigeria's financial regulators. Although the Act expressly places digital assets within the jurisdiction of the SEC, digital asset transactions frequently involve issues extending beyond securities regulation. Depending on their structure and use, digital assets may simultaneously implicate payment systems regulation, banking supervision, foreign exchange control, data protection, taxation and anti-money laundering compliance. Consequently, the regulatory responsibilities of institutions such as the Central Bank of Nigeria (CBN), the Nigerian Financial Intelligence Unit (NFIU), the Economic and Financial Crimes Commission (EFCC), the Nigeria Data Protection Commission (NDPC) and the Federal Competition and Consumer Protection Commission (FCCPC) inevitably intersect with those of the SEC.

This multiplicity of regulators creates the risk of regulatory duplication, inconsistent policy implementation and jurisdictional conflicts. The uncertainty experienced during the period preceding ISA 2025 illustrates this problem[34]. While the SEC had publicly indicated its intention to regulate certain categories of digital assets as securities, the CBN adopted restrictive measures limiting the involvement of financial institutions in cryptocurrency-related transactions. Although these measures pursued different regulatory objectives, they generated considerable uncertainty among investors, exchanges and fintech companies regarding the applicable legal framework. Such inconsistencies undermine regulatory confidence and discourage legitimate investment within the sector.[35]

ISA 2025 undoubtedly provides greater clarity by expressly recognising digital assets as securities under section 357 and assigning primary supervisory responsibility to the SEC.[36] Nevertheless, statutory recognition alone does not eliminate institutional overlap. Effective regulation will require sustained cooperation among regulatory agencies through information-sharing mechanisms, harmonised policy development and coordinated enforcement strategies. Without such cooperation, overlapping mandates may result in inconsistent compliance obligations, regulatory arbitrage and unnecessary compliance costs for market participants.

Cybersecurity Risks

Another significant challenge concerns cybersecurity. Unlike traditional securities markets, digital asset transactions rely almost entirely on digital infrastructure, distributed ledger technology and internet-based platforms. Consequently, exchanges, custodians and digital wallet providers remain vulnerable to hacking, ransomware attacks, phishing schemes, malware, insider compromise and sophisticated cyber intrusions. The loss of digital assets resulting from cybersecurity breaches may occur almost instantaneously and, owing to the irreversible nature of many blockchain transactions, recovery may prove impossible.

These risks have profound implications for investor protection. Investors may suffer substantial financial losses despite full compliance with securities regulation if digital asset platforms lack adequate cybersecurity safeguards. Accordingly, investor confidence depends not only upon legal regulation but equally upon the technological resilience of

Private Equity and Venture Capital Funds in Nigeria (2025) 2–4.

[34] Mosun Oke et al, *How the ISA 2025 Reshapes the Nigerian Virtual Asset Market* (2025) 2–3. Available at https://topeadebayolp.com/wp-content/uploads/2025/04/How-the-ISA-2025-Reshapes-the-Nigerian-Virtual-Asset-Market.pdf accessed, June 2026.

[35] Ibid

[36] Investment and Securities Act 2025, s 357.

digital asset service providers.

Although ISA 2025 empowers the SEC to license and supervise digital asset operators[37], the Act contains limited express provisions concerning minimum cybersecurity standards applicable to licensed entities. Much of the operational detail is expected to emerge through subsidiary legislation and regulatory guidelines issued by the Commission. This approach provides regulatory flexibility but also creates uncertainty during the transitional period before comprehensive technical standards are prescribed.

Furthermore, cybersecurity regulation requires expertise extending beyond the traditional competence of securities regulators. Effective supervision therefore necessitates collaboration between the SEC and institutions responsible for national cybersecurity policy, digital infrastructure protection and data governance. Investment in technological capacity, real-time surveillance systems and specialised digital forensic capabilities will therefore become indispensable if the SEC is to regulate increasingly sophisticated digital asset markets effectively.[38]

Cross-Border Enforcement

Perhaps the greatest long-term challenge confronting the regulation of digital assets is cross-border enforcement. Unlike traditional securities markets, digital asset transactions frequently occur across multiple jurisdictions simultaneously. A digital asset may be issued in one country, traded through an exchange located in another jurisdiction, stored on decentralised blockchain infrastructure and purchased by investors located across several continents. Such transactions present unprecedented jurisdictional complexities for securities regulators.

The SEC's enforcement powers under ISA 2025 are necessarily territorial. Although the Commission possesses extensive authority to investigate violations occurring within Nigeria and to regulate licensed operators, its ability to enforce regulatory decisions against foreign entities remains constrained by prinsciples of international law and state sovereignty. Fraudulent operators may therefore establish offshore platforms targeting Nigerian investors while remaining beyond the practical reach of domestic regulatory enforcement.

Effective cross-border regulation consequently depends upon international regulatory cooperation. Participation in information-sharing arrangements, mutual legal assistance mechanisms and cross-border supervisory agreements enables regulators to investigate misconduct, trace illicit assets and coordinate enforcement activities across jurisdictions. IOSCO's Multilateral Memorandum of Understanding and the recommendations of the Financial Action Task Force provide valuable frameworks for such cooperation.[39]

Nevertheless, significant challenges remain. Differences in national regulatory approaches, inconsistent legal classifications of digital assets and varying enforcement priorities frequently impede effective international collaboration. Nigeria must therefore continue strengthening bilateral and multilateral regulatory partnerships while ensuring that domestic legislation remains sufficiently flexible to accommodate future developments in global digital asset regulation.[40]

The challenges identified above demonstrate that ISA 2025 should be viewed as the beginning rather than the culmination of Nigeria's digital asset regulatory framework. The Act successfully establishes the legal foundation for regulating digital assets by recognising them as securities and extending the supervisory jurisdiction of the SEC to previously unregulated activities. However, investor protection in digital asset markets ultimately depends upon far more than statutory recognition. It requires effective

[37] Investments and Securities Act 2025 ss 26, 61, 357; Tope Adebayo LP (n 34) 3–4.
[38] Ibid n 34
[39] International Organization of Securities Commissions (IOSCO), Policy Recommendations for Crypto and Digital Asset Markets (2023). Available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf accessed, April, 2026
[40] Onyeka Christiana Aduma et al, 'An Analysis of the Expanded Powers of the Securities and Exchange Commission under the Investment and Securities Act 2025' (2025) 2(2) Nnamdi Azikiwe University Journal of Law and Clinical Legal Education 38–47.

inter-agency cooperation, sophisticated technological infrastructure, comprehensive cybersecurity standards, robust AML/CFT compliance mechanisms and sustained international regulatory collaboration.

Accordingly, while ISA 2025 represents a remarkable legislative achievement and significantly strengthens Nigeria's investor protection framework, its long-term effectiveness will depend upon the ability of regulators to adapt continuously to technological innovation and emerging financial risks. The experience of more mature jurisdictions further demonstrates that digital asset regulation is an evolving process rather than a completed legislative project. This comparative experience therefore provides valuable lessons for Nigeria's continuing regulatory development.

Furthermore, ISA 2025 demonstrates a commendable commitment to aligning Nigeria's capital market with emerging international regulatory developments. The recognition of Virtual Asset Service Providers (VASPs), Digital Asset Exchanges and other digital market intermediaries reflects the growing acceptance that digital finance has become an integral component of modern securities markets rather than a temporary technological phenomenon.[41] In this respect, the Act positions Nigeria among the relatively few African jurisdictions that have adopted a comprehensive statutory approach to digital asset regulation instead of relying exclusively on administrative directives or fragmented regulatory interventions.[42]

However, legislative recognition alone cannot guarantee effective investor protection[43]. The comparative experiences of the European Union, the United Kingdom[44] and Singapore[45] demonstrate that successful digital asset regulation requires an integrated ecosystem comprising clear legislation, specialised regulatory expertise, advanced technological infrastructure, effective inter-agency cooperation and continuous regulatory adaptation[46]. While ISA 2025 establishes the statutory foundation for such a framework, much of its practical effectiveness depends upon subsidiary regulations yet to be developed by the SEC. Consequently, the Act functions primarily as an enabling statute whose ultimate success will be determined by regulatory implementation rather than legislative drafting.

The Act also adopts an appropriate balance between regulatory flexibility and statutory certainty. Rather than attempting to regulate every conceivable technological development through detailed legislative provisions, ISA 2025 establishes broad regulatory principles while empowering the SEC to develop detailed operational standards through subsidiary legislation. This legislative technique recognizes the rapidly evolving nature of blockchain technology and digital finance.[47] Excessively detailed statutory regulation risks becoming obsolete as technological innovation outpaces legislative amendment. By contrast, empowering the SEC to issue responsive regulations enables the regulatory framework to evolve alongside market developments.

Nevertheless, this flexibility also presents certain risks. Excessive reliance upon subsidiary legislation may create temporary uncertainty during periods in which implementing

[41] Douglas W Arner, Jànos Barberis and Ross P Buckley, 'FinTech, RegTech and the Reconceptualization of Financial Regulation' (2017) 37 *Northwestern Journal of International Law and Business* 37

[42] United Nations Economic Commission for Africa, *Towards the Regulation of Digital Finance in Africa* (2023).

[43] IOSCO, *Policy Recommendations for Crypto and Digital Asset Markets* (November 2023). Available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD734.pdf accessed May, 2026.

[44] Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-assets (MiCA). Available at https://eur-lex.europa.eu/eli/reg/2023/1114/oj/eng accessed May 2026

[45] Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Measures for Digital Payment Token Services* (2023). https://www.chp.law/articles/updates-on-proposed-regulatory-measures-for-digital-payment-token-services accessed, March, 2026

[46] FATF, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers* (2021).

[47] Douglas W Arner, Jànos Barberis and Ross P Buckley, 'The Evolution of Fintech: A New Post-Crisis Paradigm?' (2016) *Georgetown Journal of International Law*, 1271.

regulations remain incomplete or inconsistent.[48] Investors and market participants require predictable regulatory standards capable of guiding investment decisions and commercial operations. Accordingly, the SEC should ensure that implementing regulations are issued promptly, following extensive stakeholder consultation and in accordance with internationally recognised regulatory standards. Regulatory certainty remains indispensable for investor confidence and sustainable capital market development.[49]

Another area requiring continued attention is institutional coordination. Digital asset transactions frequently transcend the traditional boundaries of securities regulation by implicating banking supervision, payment systems regulation, cybersecurity, taxation, anti-money laundering compliance and consumer protection. Consequently, the effectiveness of ISA 2025 depends upon close cooperation among the SEC, the Central Bank of Nigeria, the Nigerian Financial Intelligence Unit, the Economic and Financial Crimes Commission, the Nigeria Data Protection Commission and other relevant agencies. Fragmented regulation may produce conflicting compliance obligations, increase regulatory costs and undermine investor confidence. A coordinated regulatory architecture supported by formal information-sharing agreements and joint supervisory mechanisms would significantly enhance the effectiveness of the Act.

Investor education also deserves greater emphasis within Nigeria's emerging digital asset framework.[50] While ISA 2025 considerably strengthens disclosure obligations and regulatory oversight, disclosure alone cannot eliminate the risks associated with complex digital financial products.[51] Many retail investors possess limited technical understanding of blockchain technology, decentralised finance, smart contracts and token economics. Consequently, effective investor protection requires sustained public education initiatives capable of improving financial literacy alongside legal regulation[52]. The SEC should therefore expand its investor awareness programmes by collaborating with educational institutions, fintech associations and professional organisations to promote informed participation in digital asset markets.

Similarly, technological capacity remains essential to effective regulation. Digital asset markets operate through highly sophisticated technological systems characterised by algorithmic trading, blockchain networks and real-time digital transactions. Conventional investigative techniques may therefore prove inadequate for detecting emerging forms of market manipulation, insider dealing, cyber-enabled fraud and other complex financial misconduct.[53] The SEC must therefore invest significantly in specialised digital forensic capabilities, blockchain analytics, artificial intelligence and advanced market surveillance technologies if it is to regulate digital assets effectively. Without corresponding technological investment, the expanded statutory powers conferred by ISA 2025 may prove difficult to exercise effectively.[54]

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48 Organisation for Economic Co-operation and Development, *OECD Regulatory Policy Outlook 2021* (OECD Publishing 2021). Available at https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/10/oecd-regulatory-policy-outlook-2021_c5274577/38b0fdb1-en.pdf accessed June, 2026

49 Howell E Jackson and others, *Financial Regulation: Law and Policy* (3rd edn, Foundation Press 2024).

50 International Organization of Securities Commissions, *Objectives and Principles of Securities Regulation* (2017); Organisation for Economic Co-operation and Development, *OECD Recommendation on Financial Literacy* (OECD Legal Instruments 2020). https://www.iosco.org/library/pubdocs/pdf/ioscopd561.pdf accessed May, 2026

51 Howell E Jackson et al, *Financial Regulation: Law and Policy* (3rd edn, Foundation Press 2024).

52 Organisation for Economic Co-operation and Development, *OECD Recommendation on Financial Literacy* (OECD Legal Instruments 2020); European Securities and Markets Authority, *Trends, Risks and Vulnerabilities Report* (2023). Available at https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0461 accessed May 2026

53 Financial Action Task Force, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers* (2021). Available at https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-rba-virtual-assets-2021.html accessed June 2026

54 Douglas W Arner, Jànos Barberis and Ross P Buckley, 'FinTech, RegTech and the Reconceptualization of Financial Regulation' (2017) 37 *Northwestern Journal of International Law and Business* 371. . Available at https://rpc.cfainstitute.org/sites/default/files/-

International cooperation also remains indispensable. The inherently borderless character of digital asset markets renders purely domestic regulation insufficient. Nigerian investors routinely transact through foreign exchanges and decentralised platforms operating beyond the territorial jurisdiction of domestic regulators. Consequently, effective investor protection requires active participation in international regulatory cooperation mechanisms, including the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding, Financial Action Task Force (FATF) initiatives and bilateral supervisory arrangements with foreign securities regulators. Such cooperation would facilitate information sharing, coordinated investigations, asset recovery and cross-border enforcement against fraudulent operators targeting Nigerian investors.[55]

From a comparative perspective, Nigeria's regulatory framework compares favourably with many developing jurisdictions that continue to rely upon fragmented administrative guidance.[56] Nevertheless, it remains less comprehensive than the European Union's Markets in Crypto-Assets Regulation (MiCA), which contains detailed statutory provisions governing stablecoins, prudential requirements, consumer disclosures and cross-border licensing[57]. Likewise, the United Kingdom and Singapore[58] have developed sophisticated institutional mechanisms that combine regulatory flexibility with strong supervisory engagement and innovation support through regulatory sandboxes. Nigeria's long-term competitiveness within the global digital economy will therefore depend upon its ability to progressively refine ISA 2025 through responsive regulations and institutional capacity building.[59]

Ultimately, ISA 2025 strikes a generally appropriate balance between innovation and investor protection. The legislation avoids the extremes of either prohibiting digital asset activities or permitting an entirely unregulated market. Instead, it adopts a measured regulatory approach that recognises digital assets as legitimate financial instruments while subjecting market participants to licensing, disclosure, supervision and enforcement mechanisms designed to preserve market integrity. This balanced approach is consistent with contemporary international regulatory trends and reflects an appreciation that innovation and investor protection should complement rather than undermine one another.

Notwithstanding these achievements, the Act should be regarded as the beginning rather than the culmination of Nigeria's digital asset regulatory journey. As blockchain technology, decentralised finance, tokenised securities and artificial intelligence continue to transform global financial markets, regulatory frameworks must evolve correspondingly.[60] ISA 2025 provides the legal foundation upon which such evolution may occur, but its enduring success will ultimately depend upon effective implementation, institutional collaboration,

/media/documents/article/rf-brief/rfbr-v3-n4-1.pdf accessed, June, 2026.

55 International Organization of Securities Commissions (IOSCO), Objectives and Principles of Securities Regulation (IOSCO 2017). Available at https://www.iosco.org/library/pubdocs/pdf/ioscopd561.pdf accessed April, 2026

56 African Development Bank, *African Economic Outlook 2024* (African Development Bank Group 2024) ch 4 available at https://www.afdb.org/sites/default/files/documents/publications/african_economic_outlook_aeo_2024_0.pdf accesed, June 2026

57 Philipp Maume and Mathias Fromberger, 'Regulation of Crypto-assets under MiCA' (2024) *European Company and Financial Law Review*.

58 Financial Conduct Authority, *Regulatory Sandbox* (FCA); Monetary Authority of Singapore, *FinTech Regulatory Sandbox Guidelines* (revised 2022). Available at https://www.mdpi.com/2674-1032/4/2/26 accessed, June 2026

59 Organisation for Economic Co-operation and Development, *Recommendation of the Council on Agile Regulatory Governance to Harness Innovation* (OECD Legal Instruments 2021); available at https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0464 accessed June 2026

60 Douglas W Arner, Ross P Buckley and Dirk A Zetzsche, 'FinTech and RegTech in a Nutshell, and the Future in a Sandbox' (2017) 23(1) *Research Foundation Briefs* 1. Available at https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/rf-brief/rfbr-v3-n4-1.pdf accessed, June, 2026.

technological preparedness and sustained regulatory innovation.

Recommendations

To strengthen the effectiveness of the digital asset framework established under ISA 2025, the following measures are recommended:

1. The SEC should issue comprehensive implementing regulations addressing licensing standards, custody arrangements, prudential requirements, stablecoin regulation, cybersecurity obligations and governance standards for digital asset service providers.
2. A formal inter-agency coordination framework should be established between the SEC, the CBN, the NFIU, the EFCC, the NDPC and other relevant agencies to eliminate regulatory overlap and promote consistent supervision of digital asset activities.
3. The SEC should strengthen its technological capacity by investing in blockchain analytics, artificial intelligence, digital forensic capabilities and real-time market surveillance systems to improve the detection of digital asset-related misconduct.
4. Investor education programmes should be significantly expanded to improve financial literacy, particularly regarding the risks associated with cryptocurrencies, tokenised securities, decentralised finance and other emerging digital investment products.
5. Nigeria should deepen international regulatory cooperation through active participation in IOSCO initiatives, FATF implementation mechanisms and bilateral agreements with foreign securities regulators to improve cross-border enforcement and asset recovery.
6. The regulatory framework should remain technology-neutral and adaptive, allowing the SEC to respond promptly to emerging innovations without requiring frequent legislative amendments.

Conclusion

In conclusion, the ISA 2025 represents a landmark reform in Nigeria's capital market by providing, for the first time, a coherent statutory framework for the regulation of digital assets. Its recognition of digital assets as securities, expansion of the SEC's supervisory jurisdiction and emphasis on investor protection significantly enhance the credibility and competitiveness of Nigeria's capital market. Nevertheless, the Act is fundamentally an enabling framework whose effectiveness will depend upon robust implementation, institutional capacity, technological sophistication and sustained regulatory innovation. If these complementary measures are pursued diligently, the ISA 2025 has the potential not only to strengthen investor protection but also to position Nigeria as one of Africa's leading jurisdictions for responsible digital asset regulation.