



A 2025 PLAYBOOK FOR PRIVATE CAPITAL IN NIGERIA: CHARTING CHANGE



**Folake-Elias
Adebawale**

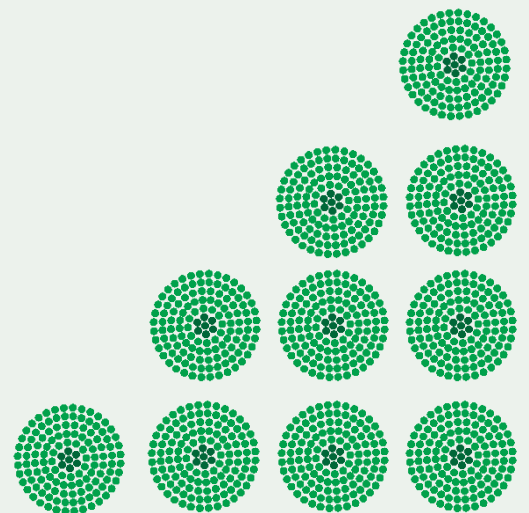


**Precious
Onyebuchi
David**



**Glory Ogueri-
Onyeukwu**

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Market Watch: Opening Plays

As African private capital markets emerge from a period of volatility, the first half of 2025 has signalled a phase of stabilisation and renewed investor focus. AVCA's H1 2025 Private Capital Report records that deal activity has held steady at 215 transactions, a modest 7% year-on-year decline from H1 2024, with deal values flat at US\$1.9 billion. Infrastructure and private debt were standout performers, while final close fundraising rose 18% year-on-year, driven by increased local LP participation. Yet the reported regional picture in H1 was uneven: West Africa marked its third consecutive half-year decline, dragged by lower FinTech volumes and falling valuations, even as infrastructure and energy investments showed promise. Investors and fund managers continue to adjust strategies in real time, reflecting shifting capital preferences, tighter diligence, and increasing pressure for profitability.

Context and Catalyst: Regulation in Motion

These shifts are unfolding against a backdrop of intensifying regulatory reform in Nigeria. In 2025, the legal landscape has been reshaped by the Investments and Securities Act 2025 (ISA 2025), four new tax reform Acts, and Central Bank of Nigeria (CBN) measures that have reconfigured liquidity, foreign exchange (FX) management, and bank capitalisation. Together, these instruments redefine how private capital is structured, regulated, and taxed in Nigeria. The ISA 2025 expands the Securities

and Exchange Commission's (SEC) oversight to include PE/VC funds, digital assets, and smart contracts. The new Nigeria Tax Act consolidates key tax legislation and introduces far-reaching reforms with phased implementation from 2025 to 2026. At the same time, the CBN's FX Matching System, stricter repatriation rules, and ongoing monetary tightening are challenging legacy structuring assumptions. For private capital, this is not simply a regulatory update, it is a systemic overhaul.

A Redrawn Game Plan: New Regulatory Boundaries

The ISA 2025 codifies a major shift: PE and VC funds are now deemed collective investment schemes (CISs) unless exempt. This removes the grey zone that previously insulated closed-ended or qualified-investor-only funds from statutory oversight.

For these funds, the rules of engagement have changed. Limited partnerships and contractual schemes may be used, but SEC approval is required. Offering documents must be pre-cleared. Managers must be registered. Investor disclosures must comply with statutory content and timing rules. Misstatements and omissions now attract not only administrative penalties, but personal liability and civil claims.

While these changes align with international principles of investor protection and market transparency, they also demand that Nigerian fund sponsors and managers rethink their strategies for fund lifecycles from inception - from structuring and registration, through fundraising and capital deployment, to exit and wind-down.

Tactical Headwinds: Fee Caps, Filings, and Fund Friction

Certain rules introduced by ISA 2025 have raised stakeholder concerns. The 2% cap on fees and expenses, as set out in Rule 560(c), may limit operational efficiency, particularly for first-time and early-stage funds. The cap includes non-discretionary costs such as custody and SEC supervision fees, which leaves insufficient margin for high-quality legal, tax, and audit services. In response, stakeholders propose more flexible models, including a 2% ceiling on management fees, and LP-disclosed but uncapped operational expenses. Similarly, the “no objection” filing requirement for sub-~~N~~\$5 billion funds may create some uncertainty where clarity is needed. With no formal timeline or consequences for SEC silence, first-time managers may be delayed - or deterred entirely. A defined auto-clearance window or streamlined self-certification model may better support innovation without compromising regulatory oversight.

Rules of Engagement – Pension Allocation and Foreign Fund Marketing

Another area of potential regulatory tension is the proprietary investment threshold for pension-backed funds, which currently appears to be aligned with the National Pension Commission (PenCom) Guidelines. These thresholds were repeated in SEC Rules (made pursuant to the previous iteration of the ISA) without capturing the full range of carve-outs, such as those for DFI-backed or pan-African vehicles. If these limits are replicated in regulations made pursuant to the ISA 2025 without reference to PenCom’s evolving regulatory position, fund managers could face regulatory

misalignment and overlapping compliance burdens, especially when seeking pension allocations.

Furthermore, foreign fund marketing restrictions, codified under the ISA 2025, will now include steep penalties and potential civil liability. Without clear carve-outs on reverse enquiry principles or digital outreach exemptions, managers targeting only professional investors may unintentionally fall within scope. Without clear SEC guidance, the risk of inadvertent non-compliance could, conceivably, sideline qualified cross-border capital that would otherwise be deployed into the Nigerian market.

FX Plays – Capital Controls and Currency Strategies

Alongside ISA 2025, fund managers must now navigate a dramatically different currency policy regime. The CBN’s Electronic Foreign Exchange Matching System (EFEMS) and revised repatriation rules, including 90-day and 180-day windows for oil and non-oil exporters, respectively, are designed to improve transparency and liquidity. However, they also introduce friction into traditional fund structuring, especially for offshore capital inflows, exits, and dividend flows. Hedging strategies, diaspora investment channels, and localised project finance may soften some of this impact, but fund sponsors must now treat currency risk as a core operational factor, integrating it into capital allocation decisions, waterfall mechanisms and investor relations. FX strategy is now an integral part of fund architecture.

Strategic Advances – Digital Assets, Tokenisation, and the Compliance Edge

ISA 2025 offers explicit statutory recognition of digital and virtual assets, formally classifying them as securities. This cements and extends earlier SEC rulebooks on cryptoassets, blockchain platforms, and tokenised instruments.

For fund managers investing in digital infrastructure or crypto-related ventures, the implications are immediate. Startups operating in this space must now comply with new SEC licensing regimes. Tokenisation of fund interests may require prior SEC approval, and portfolio valuation, fundraising, and exit planning must now factor in regulatory timelines and compliance friction. While these developments open the door to regulated innovation, they also raise the bar for operational, legal, and financial discipline.

The Tax Offensive – Structuring for the New Fiscal Regime

In July 2025, Nigeria's tax regime was overhauled via the consolidated Nigeria Tax Act, which centralises Value added tax (VAT), Capital gains tax (CGT), Companies Income Tax (CIT), and Stamp Duty frameworks. While most CGT reforms will take effect from 1 January 2026, their impact will be felt immediately in deal structuring and investor strategy. Most notably, indirect asset and share transfers will be taxed, CGT may rise from 10% to 30%, pending legislative finalisation, and pass-through treatment is excluded for "specialised or alternative schemes", which includes most PE and VC funds, unless structured as partnerships or other flow-through vehicles. Funds must now reassess their tax assumptions and may

need to reconfigure their structures in anticipation of these changes. Tax planning is transaction-critical from day one, and tax considerations must be embedded in every stage of deal architecture - from structuring to exit.

From Playbook to Endgame: Lessons, Line-Ups, and What Comes Next?

2025 has marked a structural pivot for private capital in Nigeria. Macroeconomic headwinds, monetary tightening, and far-reaching legal and regulatory reforms, from the ISA 2025 to tax consolidation and FX restructuring have redrawn the regulatory terrain. What is emerging is not just a new set of rules but an entirely different field of play.

For fund managers, investors, transaction advisers, and regulators, the focus must now shift from reaction to recalibration and strategy. The statutory recognition of private equity and venture capital funds as regulated schemes, the expansion of disclosure and liability regimes, the enforcement of fee caps, and the potential tax implications for indirect exits collectively demand a more deliberate and strategic approach to fund structuring, governance, and compliance.

Dealmakers negotiating transaction documents must now anticipate regulatory scrutiny. Investor communications must reflect evolving filing thresholds and marketing restrictions. Fund architecture must build in FX risk and tax exposure from the outset.

In this endgame phase of regulatory transformation, legal strategy must be proactive, not defensive. The playbook has

changed - and so too must the 'game sense' of all market players. Timely legal guidance is no longer a post-closing safeguard, it is central to getting capital effectively deployed, protected, and repatriated. Success in this new environment requires clarity, coordination, and strategic execution.