

## SEC's New Capital Regime – Differentiated Treatment of PE and VC Managers and Market Implications



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On 16 January 2026, the Securities and Exchange Commission (“SEC”) issued Circular No. 26-1 (the “Circular”), introducing a revised and tiered framework for minimum capital requirements applicable to fund and portfolio managers.

This update examines the implications of the new framework for Nigeria’s private capital ecosystem, with particular focus on the differentiated treatment of private equity (“PE”) and venture capital (“VC”) fund managers, the resulting impact on market entry and innovation, and the potential for increased consolidation and platform-building activity within the sector.

While the Circular represents a significant regulatory shift for the broader asset management industry, its most notable feature for private capital is the explicit separation of PE and VC managers into distinct capital categories for the first time. This signals a more nuanced regulatory approach to scale and risk, while also reshaping competitive dynamics, structuring considerations and growth pathways across the market.

### **What Has Changed for Fund and Portfolio Managers?**

The SEC has replaced the previously uniform capital threshold with a tiered, activity-based framework for fund and portfolio management services. The key tiers affecting private capital managers are summarised below.

#### **Tier 1 – Full Scope Portfolio Managers**

This covers managers whose activities involve:

- a. the management of collective investment schemes or alternative investment funds (including private equity, venture capital and infrastructure funds) with Net Asset Value (“NAV”) exceeding ₦20 billion;
- b. the provision of discretionary or non-discretionary private portfolio management services with Assets under Management (“AuM”) in excess of ₦20 billion; and/or
- c. exposure to foreign instruments of up to 40% of NAV.

Fund or portfolio managers falling within this category are now required to maintain a minimum capital of ₦5 billion, increased from ₦150 million. Notably, where a manager’s NAV or AuM exceeds ₦100 billion, the SEC requires the manager to maintain a minimum capital equivalent to at least 10% of NAV or AuM.

## Tier 2 – Limited Scope Portfolio Managers

This covers managers whose activities involve:

- a. the management of collective investment schemes with pooled funds not exceeding ten (10) times the applicable minimum capital, resulting in a maximum NAV of ₱20 billion;
- b. the provision of discretionary or non-discretionary private portfolio management services with AuM not exceeding ₱20 billion; and
- c. exposure to foreign instruments capped at 20% of NAV.

Fund and portfolio managers falling within the Tier 2 (Limited Scope) category are now required to maintain a minimum capital of ₱2 billion, increased from ₱150 million.

## Tier 3 – Alternative Investment Fund Managers

**Private Equity Fund Managers:** ₱500 million (up from ₱150 million)

**Venture Capital Fund Managers:** ₱200 million (up from ₱20 million)

The introduction of separate minimum capital thresholds for PE and VC managers represents a clear regulatory distinction between the two strategies. While both fall within the alternative investment category, the SEC has calibrated **higher capital expectations for PE managers relative to VC managers**, reflecting differences in typical fund size, transaction scale and risk exposure.

However, although the VC threshold is lower in absolute terms, the increase is significantly steeper relative to its previous baseline.

All affected entities are required to comply by **30 June 2027**, subject to transitional arrangements at the SEC's discretion.

### SEC Circular Treatment of Private Equity vs Venture Capital – at a glance

Dimension	Private Equity (PE)	Venture Capital (VC)
New minimum capital	₱500 million	₱200 million
Previous minimum capital	₱150 million	₱20 million
Relative increase	~3x	~10x
Typical fund size	Larger, mature funds	Smaller, early-stage funds
Deployment pattern	Larger ticket sizes	Incremental, staged investments
Leverage	More common (portfolio level)	Typically limited or none
Impact of increase	Absorbable for scaled managers	Material for early-stage and first-time managers





## Potential Effects of the Changes

### Stronger Institutionalisation

By aligning capital requirements with perceived scale and risk, the SEC is reinforcing financial resilience and investor confidence. This approach is likely to favour **well-capitalised PE platforms** and established VC managers with strong sponsor backing.

### Divergent Structuring Responses

The impact of the revised framework is likely to differ materially between PE and VC managers.

1. PE managers may respond through offshore fund structures, co-management models or platform consolidation.
2. VC managers, particularly emerging ones, may have fewer structuring options and face greater pressure to delay launch, consolidate or operate as advisers rather than licensed managers.
3. **M&A and Platform Opportunities Created by the Revised Framework**

The revised thresholds are likely to accelerate consolidation and to create new opportunities for mergers, acquisitions and platform-based growth within the fund management industry.. This effect is expected to be more pronounced in venture capital, where smaller fund sizes and lean operating models are common.

Well-capitalised managers may seek to acquire or combine with smaller managers that are unable to meet the new thresholds independently. Such transactions could allow for capital pooling, shared infrastructure and regulatory compliance at scale, while preserving investment teams and sector expertise.

The framework may also accelerate the development of multi-strategy or multi-vehicle platforms, where PE and VC strategies are housed within a single regulated entity or group structure. In this context, capital aggregation, shared governance and centralised compliance functions may become increasingly attractive.

For sponsors and investors, the new environment may present opportunities to back consolidation plays, succession transactions or platform builds within the Nigerian private capital market.

## Implications for the Venture Capital Ecosystem

The revised framework has specific implications for Nigeria's venture capital ecosystem, which plays a critical role in financing startups, innovation and early-stage enterprises.

1. the 10-fold increase in minimum capital represents a significant hurdle for first-time and emerging VC managers, who typically rely on sponsor capital, track record and networks rather than balance-sheet strength.
2. higher entry thresholds may slow the formation of new VC funds, particularly those focused on niche sectors, underserved regions or early-stage innovation. Over time, this could narrow the diversity of capital available to startups and SMEs.
3. reduced VC manager formation may affect the pipeline of investible businesses for later-stage PE funds, potentially weakening the broader private capital value chain.

While the differentiation between PE and VC signals regulatory awareness of differing risk profiles, the scale of the increase for VC managers raises questions about whether additional flexibility, phased implementation or alternative pathways may be required to preserve innovation and long-term ecosystem growth.

### Ways forward?

Possible ways forward under the revised framework include phased compliance for Tier 3 managers, particularly venture capital managers facing steep capital increases; a substance-based assessment of capital adequacy during the transition period, including recognition of sponsor-backed or group-supported structures where governance is robust; proportionate supervisory expectations that reflect differences in scale, deployment pace and leverage between private equity and venture capital strategies; and clear guidance on licence migration and platform or consolidation structures as managers scale or combine.

### Key Takeaways

The SEC's revised capital framework introduces a more differentiated approach to regulating private capital, explicitly distinguishing between private equity and venture capital managers.

While the framework strengthens institutionalisation and investor protection, it also reshapes entry dynamics and competitive balance.

PE managers with scale and sponsor backing may be better positioned to absorb the changes, while VC managers - particularly early-stage and first-time entrants - face higher relative barriers.

Fund managers, sponsors and ecosystem stakeholders should therefore assess capital, structuring and growth strategies early, well ahead of the June 2027 compliance deadline.

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**Disclaimer:** *This update is authored by Folake Elias-Adebowale, Ozofu 'Latunde Ogiemudia, Christine Sijuwade and Aanuoluwapo Odunaike, of Udo Udoma & Belo-Osagie's Private Equity and Venture Capital Team. It is intended for information purposes only and shall not be construed as legal advice on any subject matter in any circumstances. It does not and shall not be construed as creating any relationship, including a client/attorney relationship, between readers and our firm or any author or serve as legal advice. For more information about our Private Equity and Venture Capital team and any other practice group offerings, please visit our website at [www.uubo.org](http://www.uubo.org), or email us [peteam@uubo.org](mailto:peteam@uubo.org) or at [uubo@uubo.org](mailto:uubo@uubo.org).*