



Nigerian Regulatory Updates:

Amendment To The SEC
Rules In 2025: Key
Regulatory Shifts To The
Rules Affecting Private
Equity Funds And Collective
Investment Schemes



OVERVIEW

On 24th April 2025, the Nigerian Securities and Exchange Commission (“**SEC**”) introduced a series of new amendments to the SEC Rules and Regulations 2013 (as amended) (the “**SEC Rules**”), which was formally implemented in May 2025. These amendments to the SEC Rules (the “**Amendments**”) mark a notable shift in the regulatory landscape for Nigeria’s capital markets, particularly affecting Private Equity Funds (“**PE Funds**”) and Collective Investment Schemes (“**CIS**”). The SEC also issued an Interpretative Guidance Note on Rules 558, 560 (b), and 560 (c) of the April 2025 Amendments (the “**Guidance Note**”) in response to enquiries from the Private Equity and Venture Capital Association of Nigeria in October 2025.

In this update, Udo Udoma & Belo-Osagie’s Private Equity and Venture Capital team highlights the key changes introduced by the Amendments and reviews their practical implications for fund managers, investors, and other capital markets participants.

A. Investment Funds Under the Spotlight: Amendments to the Rules on PE Funds Rules and Rules on CIS

(1) Amendment to the Rules on PE Funds

The SEC has revised key aspects of the regulatory framework under the SEC Rules for PE funds, signalling a stronger focus on transparency, manager-investor alignment, and market discipline. Key amendments to the rules governing PE funds include:

1.1 Definition and Scope: The definition of PE Funds under Rule 557 of the SEC Rules set out below has been amended to include the underlined language:

A PE Fund means a type of CIS that invests primarily in private equity/unlisted companies, whether or not in an attempt to gain control of the company, based on a specified investment strategy, and defined investment horizon.

This amendment is important to guide capital market participants on the entities regarded as PE Funds under the SEC Rules and which are obligated to comply with the provisions applicable to PE Funds. Thus, in practical terms, an entity would only be regarded as a PE Fund under the SEC Rules if, in addition to being a CIS that primarily invests in equity of private companies and unlisted companies, it also exhibits the attributes as stated in the amended rule above.

1.2 Registration Thresholds: The amended Rule 558 raises the SEC registration threshold for private equity funds from ₦1 billion to ₦5 billion. As a result, only PE funds with a target size above ₦5 billion are now required to register with the SEC, easing the regulatory burden on smaller funds. PE funds with a target size of ₦5 billion or below are not required to register but must submit their governing documents to the SEC and obtain a “no objection” before raising capital. In addition, the SEC’s 2025 *Ease of Doing Business Document* requires such funds to submit a notarised compliance checklist executed by the boards of both the fund manager and the sponsor.



1.3 Restrictions on PE Funds: The amended Rule 560, which states restrictions applicable to investments by PE Funds, introduces new restrictions on such investments and the fees chargeable by PE Funds. In addition to the existing limitation that PE Funds can only solicit funds from qualified investors¹ (and not the general public), additional restrictions introduced by the Amendments include:

1.3.1 Investment Caps: The cap on the proportion of a PE Fund's assets that are investable in a single investment has been increased from 30% to 70%. This is significant for PE Funds as they can now deploy more capital into high-conviction investments, providing greater flexibility. As with any concentrated exposure, appropriate risk analysis remains essential to determine whether such increased concentration is prudent.

1.3.2 Fund Managers' Proprietary Interest Requirements: The Amendments introduce a minimum proprietary investment requirement for PE Fund managers seeking investment by pension fund administrators (PFAs). Where a PE Fund targets pension fund assets, the PE Fund manager must maintain a proprietary investment of at least 3% of the fund's size at all times. This requirement is reduced to 1% where a sovereign wealth fund or a multilateral development finance institution is an investor in the PE Fund. This requirement ensures that the fund manager's interests align with those of the investors, providing an added layer of protection for pension fund assets, particularly where public or development-focused capital is involved. It is important to note that the rule does not restrict the types of funds which PFAs may invest in; rather, it regulates the minimum capital commitment fund managers must retain in their own funds, which is consistent with the requirements in the Regulation on Investment of Pension Fund Assets (2025), which has been in force since 2017.

1.3.3 Fee Caps: The Amendments introduce limits on management and performance fees that can be charged in relation to PE Funds. Specifically, Management fees and expenses payable to the fund manager cannot exceed 2% of the total amount raised in Nigeria, while performance fees are capped at 20% of the amount raised in Nigeria. These limits aim to ensure that the fees charged by fund managers are reasonable and in line with industry standards, thereby protecting investors from excessive charges. The Guidance Note further clarified that the 2% cap on the total management fees and expenses applies only to the fees and expenses of the fund manager and not to expenses incurred at the fund level.

1.4 Conflict of Interest Policy: The amendment to Rule 561 of the SEC Rules expands the general requirements for the contents of an information memorandum to be filed alongside an application for authorisation and registration of a private equity fund. Specifically, it introduces a mandatory conflict of interest policy. This new requirement is aimed at ensuring that fund managers proactively disclose and manage any potential conflicts between their interests, those of the investors, and the portfolio companies.

1.5 Reporting Requirements: The amendment to Rule 562 of the SEC Rules clarifies that the semi-annual reports listed are not exhaustive; rather, they are a minimum requirement, and fund managers must still comply with any additional reporting obligations agreed with the investors. This ensures more transparency and

¹ A Qualified Investor is an institutional investor, or high net worth individual as defined under the Commission's rules.



responsiveness to investor needs, unlike the previous version, which did not make this obligation explicit (although this was routinely done in practice).

- 1.6 Valuation Requirements:** The amendment to Rule 563 of the SEC Rules introduces a more robust and transparent process for valuation of PE Funds. Unlike the previous rule, which focused solely on determining fair value, the amended rule now requires fund managers to value assets “*in good faith*” using appropriate methods approved by the PE Fund’s advisory board. It also mandates that all valuations be properly documented, with supporting data retained for at least 7 (seven) years after the PE Fund’s termination. In addition, the valuation methods must be reviewed annually by the PE Fund’s external auditor, and the valuation policy must be disclosed in the PE Fund’s information document. This laudable amendment goes beyond defining fair value. It introduces governance, oversight, documentation, and accountability into the valuation process, thereby enhancing transparency, strengthening investor protection, and ensuring robust, auditable valuation practices.

(2) Amendment to the CIS Rules

The amendments to the CIS rules strengthen disclosure and reporting obligations for CIS operators, directly impacting other alternative investment fund structures.

- 2.1 Approval and Filing Requirements for Trust Deed Amendments:** The amendments to Rules 466 and 533 require a fund manager to obtain the consent of the trustees and the SEC’s approval before amending a fund’s trust deed for collective investment schemes and real estate investment schemes, respectively. Following approval, an executed copy of the amended trust deed must be filed with the SEC within 7 (seven) working days. Where unitholder ratification is required, the amended deed must be filed within 7 (seven) working days of such ratification, and the unitholders’ meeting must be held within 2 (two) months of the SEC’s approval. These changes introduce clear and predictable timelines for both fund managers and unitholders.
- 2.2 Timeline for Closed-Ended CIS Offer Process:** The amendment to Rule 450(B) specifically addresses the timeline for post-clearance filings with the SEC. The period within which executed offer documents must be submitted to the SEC has been extended from 5 (five) to 10 (ten) working days following SEC clearance. The requirement to convene a completion board meeting remains optional. This amendment is limited to administrative timelines after SEC clearance. It is intended to provide fund managers with additional time to finalise and submit executed documentation, thereby reducing procedural pressure without weakening regulatory oversight.
- 2.3 Registration and Filing Requirements for Open-Ended CIS:** The amendments to Rule 450(C) introduce two key changes for open-ended CIS. First, the registration statement now requires a “*schedule of scheme set-up costs*” in addition to any other documents required by the SEC. Second, the timeline for filing executed scheme documents has been extended from 3 (three) working days to 10 (ten) working days after SEC approval, and before operations and marketing can commence. This gives fund managers additional time to finalise the necessary documentation. Both changes aim to streamline the process and ensure that all required information is thoroughly reviewed and disclosed.



- 2.4 Administrative Charges:** The amendment to the Schedule I, Part D, Others of the SEC Rules introduces a new administrative charge for the cost of advert materials, set at ₦20,000 per submission. This reflects a change in the fee framework requirements.
- 2.5 Requirements for Supplementary Shelf Prospectus:** The amended rules introduce changes affecting the offer period and subsequent issuances for infrastructure funds and other alternative investment schemes offered solely to qualified investors. First, such schemes are no longer subject to the standard 28-working-day maximum offer period. Instead, they are required to state their specific offer period in the offering document. Additionally, a new requirement has been introduced under paragraph 3 (iii) of the General Rules for CIS, which mandates that these schemes must now disclose that no subsequent series of the fund may be issued until at least 70% of the proceeds from the previous issuance have been deployed in line with the fund's investment objective and policy. While this amendment provides greater flexibility for schemes targeted at qualified investors, it also enhances investor protection by preventing premature new issuances. By requiring substantial deployment of existing capital before raising additional rounds, the rule promotes accountability, transparency, and alignment with the fund's stated investment strategy.
- 2.6 Filing Fees for Portfolio Products, Proxy Materials, and CIS Communications:** Under Part C of the SEC Rules (*Securities, Registration Fees for Units/Securities and Others*), a new flat filing fee of ₦100,000 has been introduced for the submission of application documents for portfolio products, creating a standardised cost framework for fund managers and promoters. Additionally, under Part D (*SEC Fees on Market Deals*), the previous uniform filing fee of ₦500,000 for proxy materials has been revised and split into ₦500,000 for company-related proxy materials and ₦50,000 for CIS-related materials, reflecting the typically lower complexity and investor exposure of CIS filings.

(3) Amendment to Rule 450; Enhanced Oversight of the CIS

The amendment to Rule 450 introduces a new sub-rule (9), aimed at improving transparency and accountability in the operations of CIS. Key updates under this new sub-rule include:

- 3.1 Monthly Investment Statement to Unitholders:** Fund managers are now required to provide each unitholder with an electronic investment statement within 2 (two) weeks after the end of each month. The statement must include a concise unaudited financial summary (comprehensive income, financial position, cash flow, and changes in equity), of the scheme's yield with month-on-month comparison, units held, unit price, and a detailed breakdown of all inflows and outflows, including expenses, capital gains or losses, and accrued income. While this enhances investor confidence through timely and transparent reporting, it also increases the compliance burden on fund managers to produce accurate monthly statements.
- 3.2 Mandatory Website Disclosures by Fund Managers:** Fund managers are now required to disclose on their websites the daily bid and offer prices of each scheme under management, calculated in accordance with the SEC Rules. They must also provide detailed information about each scheme, including the parties involved, the scheme's risk profile, and relevant tax considerations. Additionally, the annual Total Expense Ratio (TER) for each scheme must be disclosed for the last 5 (five) accounting years, presented in ascending order. Fund managers must also disclose for each scheme: the scheme's yield performance over the past five years; approved fund documents, including any amendments; unitholders' rights; distribution frequency; audited financial statements for the past five years; the SEC-approved initial or updated prospectus; and any SEC



approvals affecting the scheme, including changes to the parties involved in the scheme. Additionally, Fund managers may now issue an annual three-page updated prospectus, subject to SEC approval, showing the scheme's 1-, 5-, and 10-year total return performance against its benchmark, with a disclaimer that past performance does not guarantee future results. These amendments increase compliance and operational demands, necessitating periodic updates and close coordination with auditors, custodians, and trustees. At the same time, however, they enhance transparency, strengthen investor confidence, and improve fundraising potential by making key performance information more accessible.

CONCLUSION

In conclusion, the Amendments to the SEC rules represent a maturing of Nigeria's capital markets regulatory framework. By tightening obligations for fund managers and reinforcing the SEC's supervisory powers, the updated rules provide a clearer and more robust environment for capital formation and investor protection. For private equity and venture capital firms, the implications are two-fold: greater legitimacy and opportunity on one hand, and stricter compliance and operational expectations on the other. As the SEC moves toward more active oversight and investor-focused governance, fund managers, sponsors, and advisers must adapt quickly and strategically to remain aligned with the evolving regulatory landscape.

Disclaimer: This update is authored by Christine Sijuwade, Aanuoluwapo Odunaike, Glory Ogueri-Onyeukwu, and Yaknse Ekanem 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. The opinions expressed in this publication are the opinions of the individual authors and may not reflect the opinions of Udo Udoma & Belo-Osagie or of any individual attorney. You should obtain professional advice with respect to its contents and with relation to their relevance to any issue or problem. For more information about our Private Equity and Venture Capital and any other practice group offerings, please visit our website at www.uubo.org, or email us pemateam@uubo.org or at uubo@uubo.org.