UDO UDOMA & BELO-OSAGIE

SEC's Guidelines on Revised Minimum Capital Requirements for Capital Market Operators

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Background

In our January 2026 update on Circular No. 26-1 which was issued by the Securities and Exchange Commission (the "**SEC**" or the "**Commission**") on 16th January 2026 (the "**January 2026 Circular**"), we highlighted the significant revisions to the minimum capital requirements applicable to regulated capital market entities in Nigeria, focusing on fund and portfolio managers, private equity fund managers, and venture capital fund managers. Our previous article update can be found here.

At that time, the SEC had indicated that transitional arrangements might be considered on a case-by-case basis, but detailed guidance had not yet been issued. On 18th March 2026, the SEC published its Guidelines on Revised Minimum Capital for Regulated Entities (the "**Guidelines**"), providing guidance on what constitutes the minimum capital requirements, and the operational and procedural framework within which all capital market operators ("**CMOs**") are expected to plan and implement their recapitalisation. The Guidelines provide transitional guidance to both licensed managers and supervisory teams in planning orderly compliance, maintaining continuity of oversight, and reducing the risk of unnecessary market disruption or licence attrition during the transition period.

This update summarises the key provisions of the Guidelines and sets out the required action points for fund managers and private capital participants.

Key Capital Requirements for Fund Managers and Private Capital

In addition to setting out the components of the minimum capital base for a capital market operator (which is discussed below), the Guidelines made a significant amendment to the revised

minimum capital requirements applicable to fund managers and private capital participants, as set out in the January 2026 Circular.

Under the January 2026 Circular, full-scope Tier 1 fund and portfolio managers are required to maintain a minimum capital of ₦5 billion. However, where a fund or portfolio manager has a Net Asset Value ("**NAV**") or Assets under Management ("**AuM**") exceeding ₦100 billion, such managers are required to hold a minimum capital equivalent to 10% of their NAV/AuM.

This requirement has been revised under the Guidelines. The Guidelines introduce a subdivision within the full-scope Tier 1 category. Under the first sub-division, fund and portfolio managers with a NAV/AuM between ₦40 billion and ₦250 billion are required to maintain a minimum capital of ₦5 billion. In contrast, under the second sub-division, those with NAV/AuM exceeding ₦250 billion are now required to maintain a higher minimum capital of ₦10 billion.

We should mention that the January 2026 Circular and the Guidelines refer interchangeably to NAV and AuM as triggers for capital thresholds, without defining either term or clarifying their interaction. For private equity and venture capital funds, this raises particular concerns at different stages of the fund lifecycle because a manager outside its investment period may continue to manage a fund with a large original commitment size, but with materially reduced NAV, no remaining callable capital, and no ability to make new investments.

In such circumstances, treating the manager as managing the full committed fund size for capital adequacy purposes may not be consistent with the manager's underlying prudential risk profile or with the regulatory intent. Clearer guidance is required on whether returned or non-callable capital may be excluded from AuM calculations, and how lifecycle considerations are intended to be addressed for purposes of proportionate and stable supervisory application.

Qualifying and Non-Qualifying Capital

The Guidelines introduce clear rules on what constitutes a capital base. Only "qualifying capital" may be used to determine compliance. Qualifying capital is defined as capital that is fully paid-up, freely available, unencumbered, and capable of absorbing losses on a going-concern basis. The following components qualify as capital for these purposes:

a) fully paid-up ordinary share capital;
b) fully paid-up irredeemable preference shares that are subordinated to all creditors, and carry no mandatory dividend obligations (see Note below);
c) share premium arising from fully paid-up capital issued for cash or other eligible consideration; and
d) retained earnings arising from audited profits, net of unrealised gains.

We should mention that the inclusion of irredeemable preference shares under the Guidelines as a qualifying capital component is inconsistent with the provisions of the Companies and Allied Matters Act 2020 (as amended) ("**CAMA**"). Section 147 of the CAMA prohibits the issuance of irredeemable preference shares by Nigerian companies. Under the CAMA, all preference shares must be redeemable. Accordingly, this category of qualifying capital cannot currently be utilised by Nigerian-incorporated CMOs, which means that component under the Guidelines is redundant.

The following are expressly excluded from qualifying capital:

(a) revaluation reserves and gains from asset revaluation;
(b) unrealised or fair value gains not crystallised in cash;
(c) borrowed funds, shareholder loans, or other debt instruments;
(a) client monies, client assets, or securities held in custody or trust;
(b) contingent assets and deferred tax assets; and
(c) any capital subject to a lien, charge, pledge, or encumbrance.

For compliance purposes, only qualifying capital that appears in the CMO's audited financial statements will be recognised, provided that the audited accounts are not older than 9 (nine) months from the date of submission. The Commission may require interim audited or updated financial statements if deemed necessary.

Modes of Capitalisation

CMOs may achieve the required capital base through several means, including:

(a) cash injection;
(b) transfer of quoted equity securities or units of collective investment schemes, valued at the official closing price or latest published NAV respectively;
(c) bonds issued by Federal, State, or Local Governments, supranational institutions, or investment-grade corporate issuers; and
(d) unquoted securities actively traded on Commission-recognised OTC platforms, subject to prescribed liquidity and valuation criteria.

Compliance may also be achieved through mergers, acquisitions, or other business combinations, subject to prior notification to the Commission, compliance with applicable SEC merger rules, and the issuance of a formal "No Objection" by the Commission.

Regulated entities that determine, following their self-assessment, that they are unable or unwilling to meet the revised thresholds for their current registration category may submit proposals to downgrade or scale back their registered functions.

Compliance Timeline and Key Deadlines

All affected entities are required to comply with the revised minimum capital requirements on or before 30th June 2027. Failure to meet the prescribed thresholds within this timeline may result in regulatory sanctions, including suspension or withdrawal of registration.

All existing CMOs were to send their board-approved capitalisation (or downgrade/scale-back) plans to capitalbase@sec.gov.ng by the 30th of April 2026.

The capitalisation plan was required, at a minimum, to have stated the current capital position of the CMO; the applicable minimum capital requirement; proposed method(s) of capitalisation; the CMO's funding sources; the CMO's implementation milestones and timelines; key risks and proposed mitigants; and evidence of board approval and accountability framework.

Practical Implications

The Guidelines do not alter the substantive capital requirements introduced by the January 2026 Circular, but they provide essential operational clarity on what counts as capital, how compliance may be achieved, and what evidence must be filed. Several points are particularly noteworthy for fund managers.

a. The exclusion of borrowed funds, shareholder loans, and all encumbered or contingent assets significantly narrows the range of instruments that may contribute to the required capital base. Fund managers who had anticipated meeting the requirements through intra-group loans or convertible instruments will need to reassess their recapitalisation plans.

b. The tiered structure for fund and portfolio managers introduces an important threshold effect. Managers whose NAV + AuM is approaching or currently around the ₦250 billion boundary between Tier 2 and Tier 1 would have to consider whether their fund strategy and size trajectory will cause them to move between tiers during the compliance period.

c. The downgrade pathway offers a meaningful option for smaller or emerging managers who determine that achieving the required capital for their current registration category is not commercially viable. Any such decision should, however, be carefully evaluated against the commercial and reputational implications of operating with a more limited registration scope.

d. The SEC will conduct capital verification before approving compliance and may undertake routine, risk-based, or for-cause verification at any time. CMOs should therefore ensure that their capitalisation evidence is robust, current, and capable of withstanding regulatory scrutiny.

What Fund Managers Should Be Doing Now

In light of the Guidelines, in addition to meeting the 30th April 2026 deadline, fund managers and private capital participants should prioritise the following immediate steps:

a. conduct a self-assessment of current capital position against the applicable revised minimum capital requirement, applying the qualifying and non-qualifying capital rules set out in the Guidelines;

b. evaluate the available modes of capitalisation and identify suitable funding sources, having regard to the valuation and documentation requirements prescribed in the Guidelines;

c. consider whether restructuring, recapitalisation, partnership arrangements or a downgrade of registered functions is appropriate, and commence any required regulatory or corporate processes at the earliest opportunity; and

d. for managers planning new fund launches or registrations, confirm that the revised minimum capital requirements will be met prior to submission.

Conclusion

The publication of the Guidelines represents a significant step towards the implementation of the revised minimum capital framework introduced by the SEC and provides clarity on the January 2026 Circular. With the 30th June 2027 deadline for recapitalisation only a year away, fund managers and private capital participants must promptly assess their current position, identify their preferred compliance pathway, and take the necessary steps to meet the minimum capital requirement within the stipulated timeline.

The full implications of the Guidelines will vary by scale, structure, and strategy. We recommend that affected entities seek legal and regulatory advice tailored to their specific circumstances at the earliest opportunity.
