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A Conceptual Review of Systemic Risk Governance under Nigeria’s Investment and Securities Act 2025 (ISA 2025): Toward Alignment with Global Financial Stability Standards

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Abstract

This conceptual review critically examines systemic risk governance under Investment and securities Act 2025 (ISA 2025). The bill addresses the escalating complexity and potential for widespread of financial crisis in the nation’s markets. Systemic risk is a long identified as a catalyst that cause widespread market turmoil. It is particular acute in an economy that is rapidly evolving which is marked by financial innovation and previous instability. Despite global advances in macroprudential framework, there is a research gap concerning the translation and adaptation of these global standards in the emerging market like Nigeria.

The main objective of this review is to assess whether provisions of ISA 2025 are sufficiently aligned with the international principles for handling risk. Key research questions of this review include; How does ISA 2025 conceptualize and operationalize systemic risk mitigation in Nigeria’s capital markets? What theoretical and international regulatory frameworks inform the design of ISA 2025? The study employed a qualitative methodology, the review combines statutory analysis, comparisons with other regulatory commentaries, and international benchmarks to evaluate the scope and innovative aspects of ISA 2025.

The results indicated that ISA 2025 has significantly improve systemic risk oversight in Nigeria by expanding the monitoring powers of SEC, data sharing among institutions and extend regulations within private sector and digital asset markets. However, the lack of data infrastructure as well as inadequate regulatory resources pose concrete risk on how the law will be enforced and its overall impact. The study recommended that AI based risk analytics should be deployed in phases, formalisation of cross border cooperation, and robust ongoing monitoring to facilitate long term financial resilience. By bridging the gap between global regulatory theory and Nigerian’s reality market, this review provides actionable insights for managing systemic risk in frontier markets.

Keywords: systemic risk, Investment and Securities Act 2025 (ISA 2025), Capital Markets, Financial Innovation, Digital Assets, IOSCO

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Introduction

Systemic risk has been a pressing concern for financial regulators across the world. This risk represents the dangerous potential for the failure of one part of the financial system to trigger widespread of economic disruption. This type of risk is very common in the emerging markets like Nigeria. System risk thrives in the environment where there is rapid growth in the capital markets, increasing financial innovation, and past periods of market instability thereby create a fertile ground for

financial contagion ((Das et al., 2022; Liu, 2025) . The risk landscape has been further complicated due to growth in the complexity of modern financial instruments which include the emergence of digital assets and virtual assets. This type of situation demands robust regulatory frameworks that are capable of anticipating and mitigating systemic shocks be put in a place. Against this backdrop, Nigeria's **Investment and Securities Act 2025 (ISA 2025)** was signed into law on 31st march 2025 by President Bola Tinubu. This represents a landmark legislative response. The act is designed to



strengthen the financial system of Nigeria, align domestic regulations with global best practices, and enhance investor protection, and (Agboola, Abegunde, & Chukwudi, 2025; Cowrywise, 2025).

Background and Context

Capital market in Nigeria have evolved significantly since the investment securities Act 2007 came into effect. The act served as foundational but it created crucial gaps in regulatory oversight especially in the area of classes of emerging asset and management of systemic risk. Some of the challenges that accompanied 2007 act were fragmented regulatory authority, limited coverage for private capital vehicles (Such as private equity and venture capital funds), and weak enforcement mechanisms undermined the integrity of the market and investor confidence. The newly act ISA 2025 which repealed the 2007 act is meant to address these challenges. The Act has introduced a comprehensive overhaul that expand the power of securities and Exchange Commission (SEC). The enforcement authority of SEC has now been enhanced, alongside mandatory requirements for real time data transparency and robust mechanisms to facilitate interagency coordination (Udo Udoma & Belo-Osagie, 2025a; Coker et al., 2025). Part of provisions included in ISA 2025 is recognition of investment contracts and virtual/digital assets as securities thereby broadening the regulatory scope to encompass fintech innovations and digital asset service providers (Adekoya, 2025; Agboola et al., 2025).

This expansion aligned with a global regulatory shift toward macroprudential supervision. It is a framework that give priority to the governance of systemic risk. The approach is strongly advocated by international organizations such as the International Organisation of Securities Commissions (IOSCO) and the International Monetary Fund (IMF) (Horsfall & Asolo, 2025; International Association of Insurance Supervisors, 2019). In addition, the act mandates the use of legal Entity Identifiers (LEIs) which serve as crucial tool to improve how transaction can be traced and increasing transparency which in turn help in detecting and managing systemic vulnerabilities (Udo Udoma & Belo-Osagie, 2025a; Adekoya, O. 2025)

Statement of the Problem/Gap

Despite that there are increased number of academic literatures on systemic risk regulation in developed economies, some of them lack in understanding how emerging markets like Nigeria adapt and implement systemic risk mitigation through legislative reforms. Existing analyses frequently overlook unique institutional dynamics in Nigeria and market structures especially in the area of how private capital funds and digital assets contribute to systemic risk. Moreover, the effectiveness of enhanced regulatory framework of ISA 2025 heavily depends on the enforcement capacity, interagency collaboration and infrastructural readiness. These are the areas that current studies have not yet sufficiently explored. This review aims to bridge these gaps by critically examining the provisions of ISA 2025, putting them in context with global regulatory standards, and

evaluating their potential to transform systemic risk governance in capital markets in Nigeria (Udo Udoma & Belo-Osagie, 2025b; Platinum & Taylor Hill, 2025).

Research Questions

1. How does a comprehensive conceptual analysis of provisions of ISA 2025 in respect of systemic risk mitigation within a global regulatory context.
2. What is the novel framework linking the legislative elements of the Act to systemic risk outcomes.
3. What are the theoretical and practical implications which include enforcement capacity and coordination risks?
4. What are the empirical strategies that can be employed to assess the impact of ISA 2025 on market stability and investor protection?

Purpose and Objectives

This review aims to:

1. investigate a comprehensive conceptual analysis of provisions of ISA 2025 in respect of systemic risk mitigation within a global regulatory context.
2. evaluate a novel framework linking the legislative elements of the Act to systemic risk outcomes.
3. assess theoretical and practical implications which include enforcement capacity and coordination risks.
4. analyse the empirical strategies that can be employed to assess the impact of ISA 2025 on market stability and investor protection

Hypotheses

Since this is a conceptual review, the researchers used propositions or guiding hypotheses rather than testable statistical hypotheses in order to frame hypotheses for critical analysis/discussion.

Ho₁- There is no significant relationship between the provisions of ISA 2025 and systemic risk mitigation within a global regulatory context.

Ho₂ – The legislative elements of ISA 2025 have no significant relationship with systemic risk outcomes

Ho₃- ISA 2025 has no significant theoretical or practical implications with respect to enforcement capacity and coordination risks.

Ho₄ – Empirical strategies cannot effectively assess the impact of ISA 2025 on market stability and investor protection.

Significance of the Review

Addressing these questions is crucial for advancing academic understanding as well as policy formulation in respect of systemic risk governance within frontier markets. This conceptual review will contribute by providing clarification on how ISA 2025 bridges existing regulatory gaps, aligns with global standards and introduces innovative mechanisms such as expanded SEC powers, mandatory legal Entity Identifiers ((LEIs) and digital asset regulation. It also highlights the risks involve in implementation, and provide foundation for

policymakers to give priority to capacity building and interagency coordination. In the end, this analysis will support ambition of Nigeria to deepen market integrity, attract investment and fostering sustainable economic growth (Coker et al., 2025; Adekoya, O., 2025).

Definition of Key Concepts

- a. **Systemic Risk:** This is the impacts that crisis in a financial institutions or part of the market could spread thereby leading to widespread instability or a collapse of the entire financial system. There are different perspectives on this, while some focus on the risks within individual institutions (microprudential) others focus on the vulnerabilities across the whole system (macroprudential) (IMF, 2010).
- b. **Mitigating Systemic Risk:** they represent actions or measures that regulators or supervisory take to prevent or contain system wide financial failures. This includes ensuring transparency, risk-identification, intervention when necessary and establishing of preventative measures (OICU-IOSCO, 2025).
- c. **Investment and Securities Act 2025 (ISA 2025):** This is a comprehensive and new legislative framework for governing of capital markets in Nigeria. Compared to the ISA 2007, the act has undergone several amendments/changes in its attempt to curb systemic risk by expanding the powers of Securities and Exchange Commission (SEC), enhanced data sharing and the creation of new interventional tools (Agboola et al., 2025). It is important to note that there are still some unclear areas in the scope of regulated entities such as shadow banking activities and the private capital funds. This reflects global debates that are ongoing across the world on regulatory perimeter (Udo Udoma & Belo-Osagie, 2025a).

Review and Synthesis of Existing Literature

The Scholarly and regulatory literature on the regulation of systemic risk is broad and complex. It covers global standards, studies on how financial problems spread and specialised analyses which focuses on emerging markets. The global discourse on systemic risk governance have been shaped by foundational frameworks from international bodies such as the international Organisation of Securities Commission (IOSCO), the International Monetary Fund (IMF), and the International Association of Insurance Supervisors (IAIS) (OICU-IOSCO, 2025; IMF, 2010; IAIS, 2019). These frameworks emphasize the crucial role of integrated data systems for detecting risks, the necessity of coordination among regulators across different financial sectors as well as countries, and the adoption of dynamic regulatory responses that can be adapted to evolving market conditions.

Evidence from empirical studies carried out in relations to developed markets shown that the systemic risk emerges

through the deep interconnections of financial institutions and markets. These studies highlighted the importance of transparency and timely disclosure in order to prevent financial crisis from spreading (IMF, 2010). Furthermore, countercyclical capital buffers, stress testing, and circuit breakers are macroprudential tools that have proved to be effective in containing systemic shocks (OICU-IOSCO, 2025). The insights from the past studies have influenced legislative reforms across the world. They have encouraged regulators to expand their oversight functions beyond traditional banking by including areas such as shadow banking, private equity and digital asset markets (Das et al., 2022.; Zhang et al., 2024).

However, the significant gap in literature is the lack of adequate representation as regard to African contexts, particularly Nigeria, in systemic research. In spite of the rapid growth of the capital market in Nigeria, the academic and Policy analyses have largely focused on micro level market development. Thereby resulting to limited attention being given to systemic risk frameworks and the laws supporting them (Udo Udoma & Belo-Osagie, 2025b). Nevertheless, the recent introduction of ISA 2025 has presented a unique opportunity to bridge this gap. The Act provides a comprehensive legal framework with an explicit focus on the systemic risk by increasing the powers of regulatory authorities, improved data transparency and collaboration among agencies (Ofo, N. 2025; Marsfield LP, 2025).

This review brings together the global principles of managing systemic risk with specific adaption for Nigeria which is embedded within ISA 2025. For example, the mandatory requirement of Legal Entity Identifier (LEI) by the Act is in line with the focus of IOSCO on transaction tracking (ESRB, 2021; IOSCO, 2024). However, this is tailored to market structure in Nigeria where private capital funds and emerging fintech platforms play a growing role.

Furthermore, the provision of ISA 2025 provisions for overriding confidentiality agreements to facilitate data sharing among regulators reflect holistic systemic risk framework of IAIS, which underscores the importance of information flow in crisis prevention (IAIS, 2019).

Nonetheless, challenges still persist. The critical risks that could undermine the effectiveness of the Act was pointed out by literature as institutional capacity constraints, infrastructural deficits in data management and potential conflicts among regulatory bodies in Nigeria. In addition, new source of systemic risk has been introduced through rapid evolution of digital assets and blockchain technologies that demands continuous regulatory adaption. This is a challenge that need to be proactively addressed by regulators in Nigeria (Hryckiewicz et al., 2024; Arif et al., 2024)

In summary, the combination of above review of literatures has shown that ISA 2025 as a pioneering legislative instrument in systemic risk governance in Nigeria. It successfully integrates global best practices and at same time sensitive to local market realities. And also, the realization of full potential of the Act in safeguarding financial stability will

depend on the continuous capacity building and ongoing empirical research

Scope and Limitations of the study

This conceptual review specifically focuses on systemic risk mitigation particularly its application to the capital markets in the Nigeria as defined within the investment and securities Act 2025 (ISA 2025). The analysis excludes broader financial sector regulations, such as banking supervision, insurance regulation, and monetary policy frameworks. While these areas relate to systemic stability, they are however fall outside the legislative ambit of ISA 2025 and consequently outside the scope of this study. By intentionally narrowing its focus, this review aims to provide a deep and rigorous examination of systemic risk as address by ISA 2025 through capital market-specific provisions which include expanded powers of Securities and Exchange Commission (SEC), data transparency mandates, and intervention mechanisms.

The review of Nigeria's investment and securities Act (ISA 2025) is built on solid foundation. It significantly relies on the recent publication of the law, a highly authoritative commentaries issued by regulators and international comparative frameworks issued by bodies that are responsible for setting standard globally such as IOSCO, IMF, and IAIS. These sources provide a robust foundation for understanding how ISA 2025 fits into international best practices and for critically assessing its innovations and potential shortcomings (Platinum & Taylor Hill, 2025). Additionally, insights from specialised legal analyses and practitioner FAQ have been incorporated in order to understand the practical implications of the Act for market participants which include private equity, venture capital and emerging digital asset sectors (Udo Udoma & Belo-Osagie, 2025a, 2025b).

However, this review is limited by several important constraints. Firstly, ISA 2025 is a newly enacted act which its implementation is still at very early stage. Consequently, empirical data on the real-world impact of the Act on systemic risk mitigation, market behaviour and the outcomes of the enforcement are currently scarce or non-existent (Olaniwun Ajayi LP, 2025). This scarcity or non-existent of data limits the ability to conduct quantitative evaluation or draw causal inferences about the effectiveness of the regulatory reforms. Secondly, the constraints of institutional capacity within regulatory agencies in Nigeria particularly the SEC may affect the way provisions of ISA 2025 will be put into practice. The detailed assessment of these capacity issues is yet to be made available publicly (SEC Nigeria Circulars, 2025). Thirdly, the financial world is rapidly evolving especially in blockchain and digital assets. This introduces new dynamic systemic risk factors that may probably outpace the current legislative framework. It will require ongoing adaption beyond the scope of this review ((Haoran, Wenlong, & Siyu, 2024).

Finally, this review acknowledges the financial system in Nigeria is interconnected, though it does not extensively analyse the channels by which systemic risk spread through various sectors of the economic activity like banking, insurance or informal financial sectors. Future research could

expand on the scope that will incorporate these dimensions and provide a more holistic view of system risk governance in Nigeria (Martins-Wakwe & Gbadegeshin, 2025).

In summary, this review offers a focussed and conceptually rigorous analysis of framework of ISA 2025 for systemic risk mitigation within capital market in Nigeria. It recognises that the implementation is still at the early stage and there is need for further empirical and institutional research to validate and refine its regulatory impact

Roadmap of the Paper

This paper is structured into eight sections. Section I serves as introduction; Section II set the context for systemic risk provision of ISA 2025; Section III explore the theoretical foundations linking the Act to global standards; section IV develop Conceptual framework (Detection-Disclosure-Intervention-Prevention (DDIP)); Section V focus on critical analyse of theoretical and practical implications; section VI offer recommendations for the implementation and capacity building; section VII outline areas for future empirical researches; and section VIII conclude the review by summarising the contributions and emphasizing the role of ISA 2025 in regulatory evolution in Nigeria.

II. Legislative Context: Systemic Risk in ISA 2025

The approach of managing systemic risk within capital markets in Nigeria has been redefined by the Investment and Securities Act 2025 (ISA 2025). The Act through three key innovation introduces a comprehensive regulatory framework that addresses vulnerabilities in the systemic risk. Each innovation is designed to enhance early detection, coordinated response and proactive prevention of financial risk from spreading.

1. Expansion of Monitoring Powers.

One of the core elements of ISA 2025 is the significant enhancement of the supervisory power of the securities and Exchange Commission (SEC). The Act mandates all participants in the capital market which include entities that were previously not regulated such as private equity (PE) and venture capital (VC) funds to report portfolio exposures real time, counterparty risks and interconnection among the various parties (Udo Udoma & Belo-Osagie, 2025a, 2025b). This expansion reflects a recognition that systemic risk is not only about traditional financial institutions but also extends to shadow banking and private capital vehicles which have grown substantially in evolving financial landscape in Nigeria. The requirement of the Legal Entity Identifiers (LEIs) further strengthens the capability of the SEC to track complex networks of transactions, identify concentration risks, and assess them in greater detail, and at a timely moment. This proactive surveillance framework ensures that sources of emerging systemic risk are not overlooked by aligning with global macroprudential supervision principles (Marsfield LP, 2025; Fayemi, 2025; Agboola et al., 2025)

2. Cross Institutional Coordination

ISA 2025 in respect of systemic risk governance in Nigeria addresses a critical historical bottleneck such as fragmentation of regulatory data and limited interagency cooperation. Section 82(3) of the Act explicitly overrides agreements that bother on confidentiality and non-disclosure agreements. It gives power to the SEC to share sensitive risk-related information with the Central Bank of Nigeria (CBN) and relevant international regulatory bodies (Udo Udoma & Belo-Osagie, 2025a; IAIS, 2019). This legislative provision represents a transformative step which enable a more integrated and holistic oversight architecture. It is essential for tracking the spread of financial risk across banking, securities and fintech sectors. These enhanced data sharing capabilities are very crucial for proper coordination of crisis management and early warning systems particularly within a financial landscape which is characterised by increasingly complex cross sectoral interdependencies. The recommended innovation by the IAIS and IOSCO mirrors international best practices where regular collaboration among regulators is encouraged in order to effectively mitigate systemic shocks (Agboola et al., 2025; Marsfield LP, 2025).

The suggested innovation by the IAIS and IOSCO reflects the existing best practices in several countries, where regulation collaboration is an important requirement to counter the vicissitudes of the system (Agboola et al., 2025; Marsfield LP, 2025)

3. Dynamic Intervention Toolkit

Security and Exchange Commission (SEC) is equipped with a robust set of intervention provisions under ISA 2025. The Act will provide a good means of tackling and containing systemic disruptions. Among these powers are; the authority to impose trading halts or circuit breakers of securities that are exhibiting extreme volatility or distress, to mandate forced divestments of concentrated asset holdings that appear to be systemic risks, and during the period of heightened market risk market intermediaries will be required to capital buffer (Agboola et al., 2025; Platinum & Taylor Hill, 2025).

This dynamic toolkit enables regulators to actively managing crises rather than engaging in passive monitoring hence reducing the likelihood of the spread of risk and market panic. The enforcement of the provision also introduce stringent penalties for the operators of fraudulent schemes and other market abuses such as a fine of ₦20 million and ten years imprisonment condition. All these measures are direct strategies to fend off endemic issues of Ponzi schemes as well as other predatory practices which have historically threatened to undermined market confidence in Nigeria (Igbozurike, 2025; Marsfield LP, 2025).

Integration with Global Standards and Local Realities

This tripartite approach which includes expanded monitoring, enhanced coordination, and dynamic intervention, reflect the established methodology of international Monetary Fund(IMF) for assessing systemic risk. The approach advocates for comprehensive surveillance, information

sharing and timely regulatory action which serve as financial stability (IMF, 2010). However, ISA 2025 also tailors these principles to vulnerabilities of unique market in Nigeria which include the prevalence of informal investment schemes and the rapid growth of fintech platforms. The Act seeks to deter misconduct and at the same time reinforcing systemic resilience by embedding severe punitive measures alongside advanced supervisory tools (Ezekiel, 2025; Marsfield LP, 2025).

III. Theoretical Foundations

A. Alignment with Global Frameworks

The Investment and Securities Act 2025 (ISA 2025) represents a significant advancement in regulatory architecture of Nigeria by specifically integrates principles of systemic risk mitigation that closely align with global standards. Operationalization of IOSCO's principle is central to this alignment which mandates that securities regulators implement robust framework that can identify, monitor and mitigate systemic risks that could destabilise financial markets (OICU-IOSCO, 2025).

A core pillar of ISA 2025's systemic risk strategy is Macroprudential Supervision. The Act mandates stress testing for some crucial market intermediaries like broker-dealers, custodians, and collective investment schemes. This measure ensure that these entities can withstand adverse market shock thereby reducing the chance of widespread financial problems. The design of stress testing framework aims at capturing liquidity shocks, counterparty defaults, and volatility in the market. Thereby reflecting international best practices that emphasize forward-looking risk assessment rather than reactive enforcement (Erasmus, 2025).

ISA2025 complements macroprudential oversight by strengthens its controls through revised custodian liability rules. These reforms prevent the shifting of risk by ensuring proper risk management practices and holding custodians accountable as regards to the safeguard of the assets of their clients (Udo Udoma & Belo-Osagie, 2025a, 2025b). By tightening the responsibilities of custodian, the Act reduces operational risks that could escalate into systemic events and thereby reinforcing market confidence and investor protection.

IAIS's holistic systemic risk framework serve as part of source that ISA 2025 heavily draws from, it diverges in important respects to accommodate unique market structure in Nigeria. ISA 2025 give priority to market liquidity risks over institutional solvency concerns unlike the focus of IAIS on insurance-sector solvency (IAIS, 2019). This shift is rational considering that the capital markets in Nigeria are predominantly equity-based and with liquidity constraints which become a greater threat to the systemic stability compared to solvency problems as which is common in insurance sector. The management of liquidity risk as emphasis by the Act reflects a pragmatic adaptation of global doctrines to local realities as an underlying characteristic of the regulators necessary design in context (Atoyebi, 2025).

B. Conceptual Advancements

Beyond alignment, Conceptual framework has been introduced by ISA 2025 that advance systemic risk governance in emerging markets. The formal recognition of regulated systemic interdependence as a legal doctrine is a key innovation.

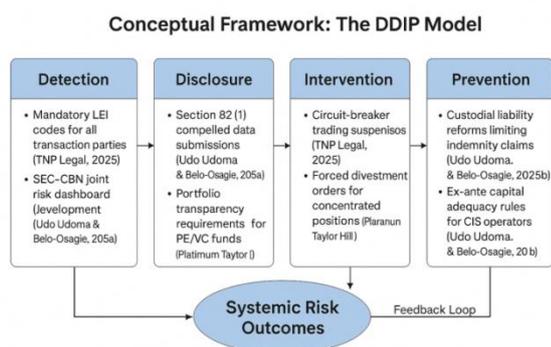
This concept acknowledges that connections among private funds particularly private equity, venture capital, and collective investment schemes can constitute as a way for shocks to spread across the financial system (Udo Udoma & Belo-Osagie, 2025a, 2025b; IMF, 2010).

ISA 2025 has moves beyond traditional institution-centric regulation and now focus more on dynamic and network-based understanding of systemic risk by treating these interconnected private funds as systemic actors subject to enhanced oversight. This approach differs from activity based regulatory model of European Union which focuses primarily on the nature of financial activities rather than the systemic implications of how the institutions are liked. The model of Nigeria favours institutional monitoring which is tailored to its concentrated financial environment where a relatively small number of market participants can exert great influence on the stability of market.

This doctrinal evolution is very significant because it enables regulators to identify and mitigate systemic vulnerabilities arising from complex interdependencies, such as common asset holdings, leverage, and counterparty exposures within networks of private capital net. It also facilitates regulators to be proactive in intervention such as enhancement of disclosure requirements as well as capital buffers for systemically important funds which can reduce the risk of cascading failures (Elias-Adebowale et al., 2025; Erasmus, 2025).

IV. Conceptual Framework

The DDIP Model



Researchers' compilation: 2025
The DDIP Model is adapted.

V. Critical Analysis

A. Theoretical Implications

The Investment and Securities Act 2025 (ISA 2025) has redefined the scope and authority of regulator of capital market regulator; the Securities and Exchange Commission

(SEC) in Nigeria. The role of SEC before ISA 2025 was largely confined to overseeing conventional securities markets (stocks, bonds, and mutual funds) within a relatively narrow institutional boundary. However, with recent signing of ISA 2025 the roles of SEC have been explicitly expanded which include what are often called "shadow banking" activities. This expansion of jurisdiction has brought private equity, venture capital funds, and digital asset service providers under their regulatory umbrella (Udo Udoma & Belo-Osagie, 2025a, 2025b; Martins-Wakwe & Gbadegeshin, 2025).

The expansion has challenged the traditional separation between prudential regulation (how banks are being supervised/regulated which focuses on their financial health) and conduct regulation (focusing on market behaviour). By regulating private funds and digital assets (which are often complex and not very transparent) the Act blurs these lines which necessitates a hybrid regulatory approach that combines systemic risk oversight with protecting individual investor. This shift emphasizes macroprudential supervision across non- bank financial intermediaries as a way of dealing with whole systemic risks put Nigeria in line with global trends (OICU-IOSCO, 2025; IMF, 2010).

Furthermore, ISA 2025 also introduces a novel regulatory enforcement paradigm by empowering the SEC to impose administrative fines without requiring a prior court conviction. Although that would certainly result in the regulator being a leaner and swifter force in penalising misconduct, it also poses a theoretical question of due process as well as the appropriate degree of regulatory effectiveness and legal fairness. There is latent concern of relationship of conflict of interest in a situation where SEC is the sole administrator of investigator, prosecutor and adjudicator. This could invite judicial scrutiny and market scepticism if not managed very carefully (Agboola et al., 2025; Platinum & Taylor Hill.,2025).

B. Practical Limitations

There are several practical limitations that could hinder the effectiveness of framework of systemic risk mitigation of ISA 2025 despite the theoretical advancements. Some of the limitations are:

1. **Enforcement Capacity:** while the Act gives more power to SEC, the budget of the Commission to carry on systemic risk monitoring still remains small. The Current estimates of budget of SEC for 2025 suggests that only about **12%** is allocated to systemic risk functions. This may be grossly insufficient to support the task which include sophisticated data analytics, stress testing, and supervisory activities (Agboola et al., 2025; Platinum & Taylor Hill.,2025). The gap in funding maybe a risk which will likely undermining ability of the SEC to truly operationalize the ambitious mandates of the Act especially in the area of monitoring complex private fund structures and emerging digital asset markets.

2. **Data Infrastructure Gaps:** While ISA 2025 mandates the use of Legal Entity Identifiers (LEIs) in order to improve transparency and the transactions to be traceable, however centralised, interconnected system to store LEI- tracked transactions is absent. This will alimit the capability of SEC to perform real time risk aggregation and contagion analysis . Without robust data infrastructure and seamless integration among regulatory agencies, detecting systemic stress signals earlier may be compromised and weakening preventive interventions (Das, Kalimipalli, & Nayak, 2022; Horsfall & Asolo, 2025)
3. **Coordination Risks:** among the function of the Act is to improve interagency collaboration by allowing data sharing among the SEC, the Central Bank of Nigeria (CBN), and international bodies. Overlapping mandates among the interagency and situation where agencies are operating independently by avoiding sharing information with each other may be a challenge to the coordination. Past experiences have suggested that bureaucratic inertia and disputes over jurisdiction could delay critical crisis responses. And thereby reducing the timeliness and effectiveness of regulatory interventions. To make systemic risk effective, the governance will entail evident guidelines, coordinated task forces and shared accountability mechanism that will curb these risks. (Adio-Moses, Abiodun, & Fasaanu, 2020; Erasmus, 2025)
4. **Legal and Market Reception Risks**
The expanded regulatory reach and enforcement powers of SEC might not be welcomed by the market players, especially the private funds managers and digital asset operators who are not accustomed to be governed under such a close supervision. The possibility of legal challenges in the area regarding the unilateral imposition of fines by SEC, could generate uncertainty and probability slow down the adoption of compliance measures. For the provision of the Act to be translated into tangible market stability benefits, there is need to build stakeholders trust through transparent rule making, consultations and capacity building initiatives (Coker et al., 2025; Udo Udoma & Belo-Osagie, 2025b).

VI. Recommendation

The study recommended the following:

1. Implementation Roadmap

For the ambitious provisions of ISA 2025 to be translate into effective systemic risk mitigation, Nigeria will need a deliberate and technology driven implementation roadmap. This roadmap should give utmost priority to the development of advanced analytical capabilities and fostering international regulatory cooperation that will enable Nigeria to keep pace with her evolving financial environment.

• Phase 1 (2025–2026): AI-Driven Exposure Mapping Tools should be deployed

Equipping the securities and exchange commission (SEC) with cutting edge artificial intelligence (AI) , machine learning technologies to map portfolio exposures and counterparty in real time should be the initial phase that should be focused. These tools will help the commission in performing their roles with greater speed and precision than traditional methods especially in identifying concentration risks, interdependence and emerging systemic vulnerabilities. Usage of AI by the Commission will facilitate stress testing scenarios, predictive analytics and enhance the proactive intervention capacity of the regulator.

- AI – driven systems are indispensable for managing large volumes of diverse data efficiently, given the complexity of private equity, venture capital, and digital asset markets now under SEC oversight.

Phase 2 (2027–2028): Cross-Border Data-Sharing Protocols should be established

The second phase must be to structure data-sharing agreements and procedures between the SEC, Central Bank of Nigeria (CBN) and other concerned international regulatory authorities. These protocols of systemic risk information will enable seamless exchange. And it will promote synchronized monitoring and upheaval resistance in a global financial system which is also eventually connected. The growing integration of Nigeria with international capital markets, the transnational nature of digital assets and fintech platforms is crucial for cross-border cooperation. Systemic risk monitoring will effectively transcend national boundaries when data formats are standardised, joint analytical frameworks and privacy safeguards.

2. Capacity Building

Personnel of regulatory bodies and market participants will need to develop robust capacity building which is vital for meeting the heightened demand of system risk framework of ISA 2025. This will involve technical training, partnership with institutions and designing of educational initiatives that will cultivate expertise in macroprudential regulation and advanced risk analytics

SEC-FSB Technical Assistance Partnership for Stress Testing

The SEC should partner international bodies such as the Financial Stability Board (FSB) for technical assistance and knowledge exchange . Collaborations can focus on refining and developing stress testing methodologies which is tailored to market structure in Nigeria including scenarios that involve volatility of digital asset and private funds. Such partnerships will help SEC to build in-house expertise, enhance their regulatory toolkits, and align their supervisory practices in Nigeria with global standards. And it would improve the credibility and effectiveness of systemic risk oversight.

• **Lagos Business School Executive Programs on Macroeprudential Regulation**

Executive education programs must be developed in collaboration with institutions such as Lagos Business School as a way of promoting a culture of systemic risk awareness regulatory excellence. These programs will be aimed at SEC officials, market intermediaries and policymakers. They would provide training for the participants on macroprudential principles, regulatory technology (RegTec), and crisis management. Navigating the complexities of modern financial markets and implement of provision of ISA 2025 will require that stakeholders are equipped through Continuous professional development.

Nigeria can put into operation systemic risk framework of ISA 2025 by implementing phased roadmap and investing in capacity building in a manner that is both technologically sophisticated and institutionally sustainable. These recommendations address current limitations identified in enforcement capacity and data infrastructure. Thereby position the SEC to fulfil its expanded mandate and safeguard financial stability in a rapidly evolving market environment.

VII. Future Research

The enactment of Investment and Securities Act 2025 (ISA 2025) in Nigeria has opened multiple avenues for researchers and policy makers who are aiming at deepening their understanding of systemic risk governance in the emerging market. Future research should adopt both empirical and comparative approaches that will assess the Act in respect of effectiveness, implementation challenges, and implications of broader regulatory.

1. Empirical Studies

- Event Analysis of ISA 2025's Impact of ISA 2025 on NSE Liquidity Metrics
- Compliance Cost Surveys of Nigerian Private Equity (PE) Funds

2. Comparative Analyses

- Comparison with Financial Sector Regulation Act of South Africa
- Blockchain-Based System Risk Monitoring Pilots

VIII. Conclusion

ISA 2025 has positioned Nigeria as a regulatory trail blazer in the emerging markets, having translated theories related to systemic risk into implementable mandates.

The Act has constitutionally safeguarded the independence of SEC (Agboola et al., 2025) while it imposes personal liability on fund managers (Udo Udoma & Belo-Osagie, 2025a, 2025b). It has also achieved nuanced balance between market freedom and stability imperatives. The realisation of potential benefits of the Act will depend on the successful implementation which could establish Lagos as a leading financial hub in Africa as well as a global blueprint for systemic risk governance in frontier economies. Addressing institutional capacity shortfalls through sustain investment and

international collaboration will also go along to bring realisation of the potential into reality.

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