



LICENSING REQUIREMENTS FOR ASSET MANAGEMENT COMPANIES IN NIGERIA

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INTRODUCTION

Asset management companies are integral components of Nigeria's investment ecosystem. They invest pooled funds of capital on behalf of their clients and develop the capital through diverse investments in various asset classes such as stocks, bonds, real estate, and master limited partnerships.¹

The Securities and Exchange Commission ("SEC") is the primary regulator of asset management companies in Nigeria. This is in line with section 3(3)(f) of the Investment and Securities Act 2025 ("ISA"). SEC's key mandate or objectives are: (i) to protect investors, (ii) maintain fair and efficient markets, and (iii) ensure the integrity of the Nigerian capital market.²

To achieve these objectives, the ISA requires all capital market operators³ to register with SEC.⁴ Given the nature of their functions as fund or portfolio managers, asset management companies are capital market operators.⁵

It is unlawful to operate as an asset management company in Nigeria without the authorisation of SEC. Such unauthorised operations may attract regulatory sanctions such as fines or even imprisonment.⁶

Accordingly, obtaining the requisite licence is not only a badge of trust for asset management companies from the viewpoint of investors and the public, it is also a legal duty. The subsequent parts of this article examine the licensing requirements for asset management companies in Nigeria.

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Corporate Affairs Commission Registration

All entities which desire to carry on the business of asset management must be incorporated with the Corporate Affairs Commission. The Memorandum and Articles of Association of such companies are required to clearly indicate that they would be providing asset management services.

Minimum Paid-Up Capital Requirement⁷

The minimum paid-up capital requirement for asset management companies is dependent on the tier under which the company is categorised.⁸ For instance, for Tier 1 asset management companies,⁹ the minimum paid-up capital requirement is ₦5 billion. For Tier 2¹⁰ asset management companies, the minimum paid-up capital requirement is ₦2 billion. For Tier 3¹¹ asset management companies, the minimum paid-up capital requirement is ₦500 million¹² and ₦200 million respectively.¹³

Fidelity Insurance Bond

A company desiring to obtain an asset management licence must provide evidence of a Fidelity Insurance Bond covering at least 20% of its minimum paid-up capital. A Fidelity Insurance Bond is a type of business insurance that offers an employer protection against losses that are caused by its employees' fraudulent or dishonest actions.¹⁴

Sponsored Individuals

The company is required to have at least 3 sponsored individuals. These sponsored individuals will include the Managing Director¹⁵ and a Compliance Officer who shall be responsible for monitoring the company's compliance with all applicable laws. The sponsored individuals must be registered with SEC and partake in a pre-registration training and examination. They are also required to submit the following documents – copies of duly executed employment letters, curriculum vitae, copies of credentials including valid means of identification, work/resident permit (for aliens) etc.

Filing, Execution and Submission of Required Forms

As part of the registration process, the company would be required to provide certain information to SEC. The SEC forms¹⁶ required for registration are: (i) Form *SEC 3 (Application form for registration of broker/dealer, corporate investment adviser, fund/portfolio Managers, and other corporate entities)*; (ii) Form *SEC 2 (Application form for registration of sponsored individuals)*; (iii) Form *SEC 2D for Application form for fit and proper persons (Sponsored Individuals, Directors/Partners)* for registration in the capital market; and (iv) Form *SEC 2B2 (Application form for transfer/change of status of registered individuals)*, where applicable.

Evidence of Payment of Fees¹⁷

The company must provide evidence of payment of the following fees: Filing/Application fee (₦100 thousand), Processing fee (₦300 thousand), Registration fee (₦10 million), Director's fee (₦100 thousand) and Sponsored Individual fee (₦100 thousand for each potential sponsored individual).

Submission of other Supporting Documents¹⁸

The company would also be required to submit several other documents including its constitutional documents, statement of share capital, return of allotment, particulars of directors etc. These documents must be certified by CAC. In addition, the company must provide a detailed profile, the names and addresses of its subsidiaries, business plans, account statements of not less than 3 months, information on company's client base, 3 sworn undertaking signed by a director and secretary confirming information provided to SEC as true, undertaking to keep proper record, render returns and abide by SEC Rules and ISA etc.

Fit and Proper Assessment

Prior to being licensed, SEC would evaluate the company to ensure that it is competent to operate as an asset management company. Where SEC is satisfied with the company's application, it would issue the company with a registration certificate.

CONCLUSION

Asset management companies are required to renew their registration with SEC on an annual basis and in any event no later than 31st January of every year.¹⁹ The licensing regime for asset management companies in Nigeria is rigorous, reflecting the critical role these institutions play in safeguarding investors' funds and maintaining the stability of the capital market.

For prospective asset management companies, compliance with these requirements is not merely procedural but foundational to sustainable operations within the Nigerian financial ecosystem. Compliance not only secures legal recognition but also builds credibility with clients and regulators.



- i Asset Management Explained: key Roles and Benefits <https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/asset-management/> accessed 8 January 2026.
- ii <https://home.sec.gov.ng/about/our-role/who-we-are/> accessed 17 September 2025.
- iii Section 357 Investment and Securities Act 2025 defines "capital market operator" as any persons, individual or corporate, duly registered by the Commission to perform specific functions in the capital market.
- iv Section 61 (1) Investment and Securities Act 2025
- v A type of Capital Market Operator recognised by SEC.
- vi Section 61 (4) Investment and Securities Act 2025
- vii <https://sec.gov.ng/for-investors/keep-track-of-circulars/revised-minimum-capital-mc-for-regulated-capital-market-entities/#:~:text=5,.be%20determined%20by%20the%20Commission.accessed> 28 February 2026.
- viii Section 5 of Circular Number 26-1 January 16, 2026, gives affected entities until June 30, 2027, to achieve compliance with the new minimum paid-up capital requirement. While Section 6 allows SEC to consider transitional arrangements were justified upon application and on a case-by-case basis.
- ix These are companies involved in the management of (i) Collective Investment Schemes (CIS) and Alternative Investment Funds above N20 billion Net Asset Value (NAV) (ii) Discretionary and Non-Discretionary Private Portfolio Management Services above N20 billion Assets under Management (AuM) and (iii) have exposure to foreign instruments up to 40% of the NAV. Where the Asset Management company has a Net Asset Value/ Asset under Management (NAV/AuM) of more than N 100 Billion, it is mandated to have a minimum of 10% of the NAV/AuM as capital.
- x These are companies involved in the management of (i) Collective Investment Schemes (CIS) with limited pooled fund of not more than N20 billion on Net Asset Value (NAV) (ii) Discretionary and Non-Discretionary Private Portfolio Management Services of not more than N20 billion and (iii) have exposure to foreign instruments of not more than 20% of the NAV.
- xi These are Alternative Investment Fund Managers such as Private Equity Fund Manager or Venture Capital Fund Manager.
- xii This applies to Private Equity Fund Managers
- xiii This applies to Venture Capital Fund Managers
- xiv James Chen 'Fidelity Bond: Definition, Types and Uses' <https://www.investopedia.com/terms/f/fidelity-bond.asp> accessed 17 September 2025
- xv Sponsored individual is an employee of a registered Capital Market Operator (CMO) whom the SEC authorises to perform regulated functions—such as dealing in securities, advising clients, managing portfolios, underwriting issues, or custodianship.
- xvi <https://home.sec.gov.ng/about/resources/forms/application-forms-for-cmos/> accessed 17 September 2025.
- xvii <https://home.sec.gov.ng/about/resources/checklists/individual-registration-requirements-for-each-cmo/fundportfolio-managers-registration-requirements/> accessed 17 September 2025.
- xviii Ibid.
- xix Ibid.

Babalakin &Co. is a Firm with a broad experience on the subject of Investment and Asset Management and all matters related to it. If you have any questions or would like information on the issues discussed, please contact:



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