

CHAPTER ONE

INTRODUCTION

1.1. Introduction

Investment banking plays a central role in the growth and development of modern economies by facilitating capital formation, mobilising savings, and supporting corporate and government financing. Through activities such as securities issuance, underwriting, mergers and acquisitions, and advisory services, investment banking contributes significantly to the efficiency and stability of capital markets. Given its importance to economic development, investment banking activities are subject to extensive legal and regulatory control in order to protect investors, promote market integrity, and ensure financial stability.

In Nigeria, the investment banking sector operates within the broader framework of the capital market and has experienced periods of both growth and instability. While the market recorded significant expansion in the mid-2000s, this growth was followed by a major collapse in 2008, which exposed serious weaknesses in market regulation, corporate governance, and enforcement mechanisms. The events surrounding the 2008 stock market crash underscored the dangers of inadequate legal oversight and highlighted the prevalence of unethical practices such as insider trading and market manipulation.

In response to these challenges, Nigeria has continued to reform its legal and institutional frameworks governing investment banking. These reforms aim to strengthen regulatory oversight, align domestic practices with international standards, curb fraudulent and unethical conduct, and enhance investor protection. Central to these efforts are statutory

instruments such as the Investment and Securities Act, the Companies and Allied Matters Act, and the Banks and Other Financial Institutions Act, as well as the roles of regulatory bodies including the Securities and Exchange Commission, the Corporate Affairs Commission, and the Central Bank of Nigeria.

This chapter introduces the study by examining the context within which investment banking operates in Nigeria and the necessity for effective legal regulation. It comprises the introduction and background to the study, which provide the context and foundation for the research. It also sets out the statement of the problem and the research questions that guide the study. It further outlines the aim and objectives of the study, as well as the research methodology adopted in conducting the research. In addition, it defines the scope and limitations of the study and discusses the significance of the research. It concludes with an overview of the subsequent chapters and a general conclusion. The chapter sets the stage for a detailed examination of the evolution of these laws, the challenges associated with their implementation, and the extent to which recent reforms address past regulatory shortcomings.

1.2. Background to the Study

The Nigerian capital market functioned at its peak until it collapsed in 2008.¹ Between 2004 and 2007, the Nigerian stock market recorded a boom. This is largely because of the economic reforms that commenced in 2003, which led to the write-off of \$18bn in debts and created pension funds with the use of several billions of naira that were invested in Nigerian

¹ CUC Ikebodu, ‘_Mismanagement of Emerging Stock Markets; Analysis of the Role Played by _Legislative Infidelity’ A Norm of International Jurisprudence in N8.1 Trillion (\$60 Billion) Crash of the Nigerian Stock Market’ (PhD Thesis School of Law Golden Gate University 2011) 2.

securities. Unfortunately, within a space of nine months in the year 2008, the market witnessed a crash as investors lost about N6.96tn. The market capitalization of securities listed on the Nigerian Stock Exchange, which opened the year 2008 at N12.6tn, is said to have hit an all-time high of N13.5tn in March but fell to a record low of N6.54tn at the end of the year.² Within the Nigerian capital market, recent developments suggest that the Nigerian stock market crash of 2008 was as a result of criminal practices. Insider trading is one of such criminal practices.³ In view of the foregoing and with a pressing need to avoid further mishaps, it is important that the Nigerian capital market is effectively regulated. Furthermore, such regulation could be a means of economic development as it creates the medium to generate capital for projects that are beneficial to its inhabitants as well as achieving the necessary scale and sophistication to be relevant in the transformation of the economy and achieving national development aspirations.⁴

As Nigeria slowly but surely advances, the Law has also tried to reflect these advancements in the regulation of the domestic practice of Investment Banking. These advancements range from ensuring compliance with industry and global best practices, to prohibition of unscrupulous activities such as insider trading and other fraudulent practices and ultimately, the furtherance and promotion of Investor protection.

² Taiwo Ojoye, ‘Eleven years after stock market crash, investors neglect N129bn dividends’ *Punch* (14 May 2019) <<https://punchng.com/eleven-years-after-stock-market-crash-investors-neglect-n129bn-dividends/>> accessed 29 June 2025.

³ Eromosele Abiodun, ‘Preventing Insider Dealings in a Rebounding Stock Market’ *Thisday* (30 January 2013) <<https://allafrica.com/stories/201301300106.html>> accessed 29th June 2025.

⁴ SEC Nigeria, ‘Nigerian capital market master plan; 10-year plan 2015-2025’, Securities and Exchange Commission, 3.2.1

This long essay provides a critical exposition of the history, changes and innovations in the laws regulating Investment Banking in Nigeria. It examines the impact of the laws on the markets and Investors, foreign and local. It focuses mainly on the Investment and Securities Act of 2025 (ISA 2025) passed into law by the National Assembly in March 2025.

Other ancillary statutes like the Companies and Allied Matters Act (CAMA) 2020, the Banks and Other Financial Institutions Act (BOFIA) 2020 are also examined.

1.3. Statement of the Problem

Despite some quite recent laws and agencies, Nigeria still faces serious problems in the regulation of Investment Banking activities. One of such problems relates to compliance with regulation. Many regulatory changes have been carried out over the past two decades, and this has reflected a substantial influence on the cost, profitability, and viability of investment banks. This put a lot of burden on the financial infrastructure of investment banks as they strived to satisfy the IFRS 9 criteria. This, thus led to changes in their business and operational models, which the banks had to account for, thereby increasing costs and decreasing earnings.⁵ The regulatory policy places enormous pressure on banks to design acceptable models to satisfy the obligation, and the data requirements for compliance reporting are large, often creating difficulties.⁶⁷ The influence of regulatory compliance on

⁵ A Artamonov, 'Cross-border Application of OTC Derivatives Rules: Revisiting the Substituted Compliance Approach' *Journal of Financial Regulation* [2015] (1) 206.

⁶ A Owoeye, Investment banking activities in Nigeria: A Critical Discourse Analysis of problems and Prospects. <<https://www.researchgate.net/profile/Ayodeji-Owoeye->

⁷ [/publication/370355361_Investment_Banking_Activities_In_Nigeria_A_Critical_Discourse_Analysis_of_Problems_and_Prospects/links/682457e9026fee1034f80c59/Investment-Banking-Activities-In-Nigeria-A-Critical-Discourse-Analysis-of-Problems-and-Prospects.pdf?_tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmXPY2F0aW9uIiwicGFnZSI6InB1YmXPY2F0aW9uIn19](https://www.researchgate.net/publication/370355361_Investment_Banking_Activities_In_Nigeria_A_Critical_Discourse_Analysis_of_Problems_and_Prospects/links/682457e9026fee1034f80c59/Investment-Banking-Activities-In-Nigeria-A-Critical-Discourse-Analysis-of-Problems-and-Prospects.pdf?_tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmXPY2F0aW9uIiwicGFnZSI6InB1YmXPY2F0aW9uIn19)> accessed 30 June 2025.

Nigerian investment banks is likely to lead to systemic issues in the present financial atmosphere due to the economy's poor condition and development.⁸ Nigerian investment banks are new to the demand for high compliance expectations for fair customer service and top management responsibility. As such the regulators' rigorous enforcement programmes, which need more data, place operational difficulties on investment banks.⁹

Another problem is high rise in technological advancements in the course of the last two decades. In a rising economy like Nigeria, the influence of technological advancements on the investment bank is enormous. The investment banks' outdated physical infrastructure had a negative impact on its movement and expansion in the present digital age. This is as a result of banks continuing to embrace conventional infrastructure in terms of physical and technological needs, which therefore results in little or no change at all.¹⁰ In addition to the foregoing, the bridge between the old and new system is costing the investment banks a huge fortune. This infrastructure repair and upgrade has an effect on the business earnings. This is especially problematic in Nigeria, where third parties needed to create and implement updates are scarce, thus requiring investment banks to bring in expertise from abroad, which in itself is expensive.¹¹

Cyber risks are also problematic in investment banking activities. This poses a major issue in the Nigerian economy, because advanced fee fraud and other related offences is wreaking

⁸ Central Bank of Nigeria, Half Year Activity Report
<<https://www.cbn.gov.ng/Out/2019/FMD/Half%20Year%20Activity%20Report%202019.pdf>> accessed 30 June 2025.

⁹ Owoeye (n 6) 6.

¹⁰ M Arnold, *Investment Banking Current and Future Challenges and Changes*, (M Arnold, Investment Banking Current and Future Challenges and Changes, (2016) 'Deloitte Africa 2016). 17

¹¹ M Cunningham & S Moore, *Top 10 regulatory challenges*, (KPMG 2017) 23

havoc on the economy. In the event of an information technology system failure, the investment bank suffers financial loss, interruption, or harm to its reputation. Other times, there have been rapid adoption of new technology without sufficient testing, and this has potentially raised the likelihood of cyber risk and exposed the investment bank to cyberattack.¹²

¹² W Carlin & C Mayer, 'Finance, Investment, and Growth' *Journal of Financial Economics* [2003] (69) 191–226.

1.4. Research Questions

This research seeks to suggest answers to the following questions thus;

- i. What is the nature, scope and functions of investment banking?
- ii. How does investment banking differ from traditional (commercial) banking activities?
- iii. What constitutes the legal and regulatory frameworks of investment banking in Nigeria?
- iv. What are the challenges that confront the regulation of investment banking in Nigeria, and what are the impacts of the challenges?
- v. What strategies could be recommended to help address these challenges and foster an efficient regulation of investment banking in Nigeria?

1.5. Aim And Objectives

The aim of this long essay is to critically analyse the legal frameworks for the regulation of Investment Banking activities in Nigeria, identify the challenges which the regulations face, and their impact on the markets. In doing this, it seeks to achieve the following objectives:

- i. To examine the nature, scope and functions of Investment Banking.
- ii. To examine the differences between commercial banking and investment banking.
- iii. To evaluate the legal frameworks of Investment Banking in Nigeria.
- iv. To identify the challenges working against these regulatory frameworks and their impact on the financial market.

- v. To recommend strategies for legal reforms, policy measures and capacitybuilding to address identified challenges and improve the regulation of investment banking in Nigeria.

1.6. Research Methodology

This long essay adopts the doctrinal method of legal research. The doctrinal approach involves a systematic analysis and interpretation of existing legal rules, principles, and frameworks governing investment banking in Nigeria. It focuses on examining the content of statutes, judicial decisions, and legal doctrines in order to assess their effectiveness and relevance in regulating investment banking activities.

It relies on both primary and secondary sources of data. The primary sources consist of legislative enactments, judicial decisions, and authoritative legal instruments relevant to investment banking regulation in Nigeria. These include, but are not limited to, statutes such as the Investment and Securities Act 2025, the Companies and Allied Matters Act 2020, the Banks and Other Financial Institutions Act 2020, subsidiary legislation, regulatory guidelines, and relevant court decisions interpreting these laws. These primary materials form the legal foundation upon which the analysis in this study is based. Secondary sources are employed to provide scholarly insight, critical perspectives, and contextual understanding of the subject matter. These sources include textbooks, scholarly articles, law journals, published conference papers, and commentaries by legal scholars and practitioners. In addition, reputable online resources, reports from regulatory bodies, and other relevant publications are consulted where necessary to support and enrich the analysis.

The long essay adopts an analytical and evaluative approach, critically examining the adequacy of existing legal frameworks, identifying gaps and challenges in their implementation, and assessing their impact on investment banking practice and investor protection in Nigeria. The doctrinal method is considered appropriate for this study as it enables a comprehensive examination of the legal structures governing investment banking and facilitates informed recommendations for legal and regulatory reform.

1.7. Scope and Limitations of Study

This study focuses on Investment Banking in Nigeria, with particular focus on the legal frameworks thereof (acknowledging cross-border aspects where applicable). The study also focuses on the challenges which confront investment banking activities. The time frame emphasises developments from the 1900s through to present times, with attention to major legislative and economic milestones (such as the Investment and Securities Act of 2007 which has recently given way for the Investment and Securities Act of 2025). Essentially, the research covers both economic and legal (statutory and regulatory) dimensions of investment banking.

However, certain limitations are acknowledged. The study does not conduct its own largescale empirical survey of the regulation and the shortcomings of such regulation and investment banking activities, rather, it relies on secondary data (official reports, academic studies, news outlets) and targeted qualitative inquiries. Data limitations also pose a constraint as not all regulatory shortcomings of investment banking are reported and available statistics may understate the true scale. Access to confidential institutional data or government deliberations was also restricted. As a result, findings will depend on available

case studies and open-source data. The research focuses on the legal and regulatory context of investment banking and not delve deeply into the professional banking activities of experts. The study is also constrained by time and monetary resources, meaning that while it will aim for depth, exhaustive detail is beyond scope.

1.8. Significance of the Study

This research is important for various reasons.

First, it exposes the concept, meaning and scope of investment banking. While investment banking activities may have been ongoing in Nigeria for many years, not so many people are aware of the concept. For instance, many people know about the stocks and capital market, but have not come to realise and appreciate that the activities of capital market operators are but only one aspect of investment banking. Advisory, Trading & Brokerage and Asset Management are the other aspects (scope) of investment banking.

Secondly, the research is important because it helps to expose the differences between investment banking and commercial banking. There are Banks dedicated only to the performance of investment banking activities, just as there are others dedicated to only commercial and retail (traditional) banking activities. Notwithstanding, while there are Banks established to carry out both investment banking and commercial banking activities—called Universal Banks—there is much of a difference between both lines of banking activities, and this research exposes the differences.

Thirdly, this research is significant in the critical analysis of the legal frameworks of investment banking in Nigeria. It analyses the provisions of a principal Act, the Investment and Securities Act, 2025. This research also analyses the place of institutions established by

law to regulate the practice of investment banking and ensure compliance with the provisions of the principal Act.

Furthermore, this research exposes some of the challenges which confront the regulatory frameworks of investment banking in Nigeria as well as their implications on the market and investors, whether foreign or local.

Lastly, this research seeks to suggest or recommend strategies and policy measures and capacity-building to address identified challenges and improve the regulation of investment banking in Nigeria.

1.9. Chapter Overview

It was the aim of this chapter to introduce this research and its contents. The chapter gave a background to the study, some of the problems which the study aims to recommend solutions for, highlights some important questions which the research seeks to provide answers for, the general aims and objectives of the research, the scope and limitations of the study, as well as why the study is important.

Conclusion

As suggested above in the preceding paragraphs, it is the aim of this research/long essay to give a critical analysis of the regulatory frameworks of investment banking in Nigeria. This chapter focused on the background to the study and stated some of the problems facing the regulation of investment banking activities in Nigeria. This chapter also put forth some questions for which, answers would be attempted throughout the course of the research. These are the main aim and objectives of the research even as it is admitted that the study is not without certain limitations—limitations as to the availability of data, some of which,

may not state the true extents of certain facts, and others which may be government deliberations, and as such, not open to the public domain. Thus, the next chapter provides conceptual clarifications, and the history of global and indigenous investment banking.

CHAPTER TWO

CONCEPTUAL CLARIFICATIONS, AND HISTORY OF GLOBAL AND INDIGENOUS INVESTMENT BANKING

2.1 Introduction

This chapter sets out to define certain terms which would be adopted through the course of this study, such as Bank/Banker, and investment banking. The chapter also differentiates between commercial and investment banking. It goes further to provide a history of both global and indigenous investment banking, as well as some key events which have shaped the current landscape of investment banking.

2.2. Conceptual Clarifications

The words —investment‖ and —banking‖ are terms which promise to appear frequently throughout this paper. Thus, before an analysis of investment banking services is done, it is very important to attempt to define and explain what these terms mean on their own as well as when put together.

Both at law and in common usage, Bank and Banker may mean the same thing. Nigerian laws have since confirmed this position. The Bills of Exchange Act 1990 defines Banker to include —a body of persons whether incorporated or not who carry on the business of banking‖¹³.

The Evidence Act¹⁴ also uses Bank and Banker interchangeably and provides in section 2 that "bank" and "banker" means any person, persons, partnership or company carrying on

¹³ Bills of Exchange Act 1990 ,s 2 (Interpretation Section).

¹⁴ Cap E14 Laws of the Federation of Nigeria 2004.

the business of bankers and also include any savings bank established under the Federal Savings Bank Act, and also any banking company incorporated under any charter heretofore or hereafter granted, or under any Act heretofore or hereafter passed relating to such incorporation.

On the other hand, investment according to the Oxford Learner's Dictionary means the act of investing money in something¹⁵.

The legal definition of investment according to the Black's Law Dictionary¹⁵ refers to the act of committing capital to an enterprise or undertaking with the expectation of deriving future income or profit. It involves placing funds into something with the intention of generating a return on that investment.

However, economists employ the use of the word somewhat differently than others would. Whenever Economists speak of investment spending, they refer to the purchases of new physical assets, like houses or machines, purchases that add to aggregate demand.¹⁶ In this long essay, investment means the buying of financial instruments (like bank products such as stocks and bonds) or other assets with the sole purpose of making income for the buyer through profit or generating more business opportunities in the future.¹⁷ In other words, investment banking is a type of banking that specialises in organizing large, complex

¹⁵ Oxford Learner's Dictionaries.

<https://www.oxfordlearnersdictionaries.com/definition/american_english/investment#:~:text=%2F%C9%AA n%CB%88v%C9%9Bstm%C9%99nt%2F,Topic%20Collocations> accessed 3 July 2025. ¹⁵ BA Garner (ed), Black's Law Dictionary (12th edn, Thomas West 2024). 956

¹⁶ th

FS Mishkin, *The Economics of Money, Banking and Financial Markets* (11 edn, Pearson India Education Services Pvt. Ltd 2019) 546.

¹⁷ Legal Information Institute, 'investment'

<<https://www.law.cornell.edu/wex/investment#:~:text=An%20investment%20is%20the%20purchase,more%20obusiness%20in%20the%20future>>. accessed 3 July 2025.

financial transactions such as corporate combinations (mergers) or the underwriting of initial public offering (IPO). These banks may function to raise money for corporations in a variety of ways, such as underwriting the issuance of new securities for a corporation, municipality, or other institution¹⁸. Simply put, investment banking deals with raising money for companies, governments, and provides avenues for institutional investors to make profit.

2.2.1 Nature and Scope of Investment Banking

As already established, investment banking deals with the raising of capital for companies, governments, and the provision of profit-making endeavours for retail and institutional investors.

The business of Investment Banking covers financial services which are offered by a company that stands as an intermediary in large and complex financial transactions. The services of an investment bank is usually employed when an infant company or a startup seeks to raise capital by issuing its shares to the public for the first time—an initial public offering (IPO)—and when a corporation merges with a competitor (often technically called a target).¹⁹ It also offers brokerage services or acts as financial adviser for large institutional clients such as pension funds and hedge funds.¹⁹ Examples of Global investment banks are Goldman Sachs, JPMorganChase, Morgan Stanley, Bank of America, Credit Suisse, HSBC, Citi, etc.

¹⁸ Julia Kagan, ‘_What Investment Bankers Do: A Guide to Investment Banking Explained’ <<https://www.investopedia.com/terms/i/investment-banking.asp>> accessed 3rd July 2025. ¹⁹

Marshall Hargrave’, ‘Understanding Investment Banks: Functions, Examples, and Key Roles’ <<https://www.investopedia.com/terms/i/investmentbank.asp#:~:>> accessed 3 July 2025.

¹⁹ ‘_What is an Investment Bank?’ <<https://econ.duke.edu/sites/econ.duke.edu/files/fileattachments/Investment%20Banking%20Demystified.pdf>> accessed 3 July 2025.

An investment bank raises capital (money, in the form of debt and equity) for companies and advises them on financing and merger alternatives. For example, let us imagine Ford wants to open a new car factory. Money, of course, will definitely be required to build the factory. At this point, because of how big the Ford company is, it becomes the job of an investment bank to advise Ford on the type of funds to raise. It is also the job of the investment bank to go to selected investors to raise the money. On another hand, suppose Ford wanted to buy another car manufacturer through an acquisition or a hostile takeover, perhaps to expand its business to Asia. An investment bank through its Analysts will make research on car manufacturers in Asia that Ford might be able to buy. It would then help Ford decide how much to pay, because determining a company's value is complicated, and not something the company has the expertise to carry out by itself.²⁰

While the foregoing tries to establish the basic nature of investment banking, a better understanding is guaranteed upon an exposition of the scope of investment banking.

The basic functions/scope of investment banking may include;

- i. Capital Markets: Here, Investment Banks stand as experts to help large corporations with the issuance of securities. This breaks the capital market into two broad classes: Equity Capital Markets (ECM) and Debt Capital Markets (DCM). Examples of the products which these experts help to issue are initial public offerings (IPOs), Seasoned Equity Offerings (SEOs) and private placements (on the part of ECM). For DCM, the products include Bonds, Loan syndications and Asset-Backed securities.

²⁰ *ibid.*

- ii. **Advisory:** Here, the expertise of investment bankers behoves them to advise large corporations on strategic transactions like mergers & acquisitions (M&A) i.e what assets of a company or even what company to buy, when to buy and how much to pay for it. These experts also help companies facing threats of liquidation bounce back to life with requisite advice on corporate restructurings.
- iii. **Trading & Brokerage:** The nature of investment banking may also move experts to buy assets or hold securities with the funds of institutional investors. These assets and securities are later sold when they appreciate and increase in value and the funds as well as the increment would be given back to such investors. Experts as a matter of fact gain their fees (usually called commission) from such funds.
- iv. **Asset Management:** As the name suggests, investment banks may help institutional investors purchase assets such as real estate, for example, which according to their informed and educated analysis would increase within a given period of time.

2.2.2 Differences Between Investment and Commercial Banking

Although we set out here to distinguish between commercial and investment banking, it must first be admitted that there is a point of convergence between these two banking services. The major similarity which both areas of banking share, is that they both offer financial services. The differences between them however, would then lie in the classification of these financial services which they offer. The classification could be as to the description of the financial service, the products in particular, and the clients for whom these services are offered.

Typically, when people hear the word bank, what they think about is commercial banks, and they may not be entirely wrong. Commercial banks accept deposits (of both money and assets), give loans (usually retail loans) and work with a broad category of clientele (small, medium and large scale businesses). On the other hand, investment banks provide services to large corporations and institutional investors, offering underwriting services for the issuance of securities (stock exchange listings), providing expertise for Merger & Acquisition (M&A) deals, or providing financing for large scale business projects.²¹

The following table clearly distinguishes both financial institutions from one another;

Commercial Banking	Vs	Investment Banking
Commercial banking is often referred to as —deposit taking, credit giving activityl. Commercial banks‘ main business is collecting money from families and corporations and lending them to borrowers	Description	Investment banks deal with a more complex set of operations: listing of firms on stock exchanges (IPOs), advisory in M&A deals and corporate restructurings, trading, and asset management
Accepting deposits, Lending money, Issuing bank cheques, Cash management, Treasury management	Services	Capital Markets (IPOs, SEOs, Private Placements), M&A, Restructurings, Trading and Brokerage, Asset Management
Retail clients, Small Corporate Clients, Medium and Large Corporate Clients	Clients	HNWI (high networkh individuals), Medium and Large Corporations, Institutional Investors, Hedge Funds, Private Equity Funds ²²

²¹ Sean Ross, ‘Investment Banking vs. Commercial Banking: Key Differences Explained’ <<https://www.investopedia.com/articles/professionals/091615/career-advice-investment-bankingvscommercial-banking.asp>> accessed 10 July 2025.

²² ibid.

Having established the above, it is now important to state that there are also financial institutions which combine these two types of banking activities as products to their customers. These institutions are called Universal Banks²³. A universal bank has the ability and the expertise to offer both commercial and investment banking activities, providing a one-stop-shop experience. Here, the question of conflicting interests may now arise; what if a universal bank which is currently underwriting the issuance of stocks of a particular company, gives out loans to other of its customers to enable them purchase the stocks of that company because the more the investors, the more the commission they stand to earn? This is a clear case of conflict of interests. The principles of Economics do not however support it hence the concept of Chinese Walls.²⁴ The concept of Chinese Walls operate in a firm as an invisible barrier or a wall (not physical but professional), to prevent confidential information from being shared even with other departments within the firm. Thus, in a universal bank, because of the concept of Chinese Walls, interactions are prevented, which could lead to a possible conflict of interest.

2.2.3 Financial Intermediation and Capital Markets (Equity and Debt Financing)

It is widely accepted that at each point in the economy, there exists individuals and organisations who need more financial resources than they can generate by themselves. At the same time, there are others who have more resources than they immediately need. It has been stated that within a society, the primary drivers of business are small and medium

²³ Kagan (n 7).

²⁴ ‘The Chinese Wall Defense to Law-Firm Disqualification’ University of Pennsylvania Law Review [1980] (128) 677.

enterprises, and they need funds to sustain their operations in order to facilitate economic growth.²⁵

The period before financial intermediation developed, anybody who needed to spend more money than he could presently provide for himself had to look for wealthy people whom he could borrow from. This was the operable system at the time. It was a system of direct or non-intermediated finance. This system was crude. Nevertheless, as crude as it was, the system probably satisfied the need of the time because financial requirements then were often limited to personal uses like marriages, burial ceremonies and minor commercial activities like farming, not large-scale businesses as is characterized by today's economic landscape.²⁶

However, due to the complexity of modern business transactions and the large need for financial resources, financial intermediation becomes very necessary. Financial intermediation involves the services of financial intermediaries who stand between lender and borrower. They usually ensure that lenders are not unbiased in their negotiations while they vouch for the prompt repayment of funds on the part of borrowers, thus putting their reputation on the line most times.

A financial intermediary is an institution or individual that serves as a —middleman‖ among various parties in order to make financial transactions possible. Examples of these financial intermediaries include commercial banks, investment banks, stockbrokers, insurance and

²⁵ World Bank Group, 'Small and Medium Enterprises (SMEs) Finance' <<https://www.worldbank.org/en/topic/smefinance>> accessed 1 August 2025.

²⁶ O Afolabi, *Monetary Economics* (Heinemann Educational Books (Nig) Plc 1991) 273.

pension funds, pooled investment funds, leasing companies, and stock exchanges.²⁷ Generally, the financial intermediary helps to facilitate the indirect movement of funds between lenders and borrowers as is seen in commercial banking.²⁸ In investment banking however, financial intermediation is more direct as investment banks often buy securities (equities and debts) for themselves first, and then sell to investors. This is different from commercial banking intermediation where the banks engage in retail loans by committing the savings of depositors to investors, illustrating a break in the channel between depositors (creditors) and borrowers (debtors).

The most common way by which investment banks function as financial intermediary is in the sale of capital market products—securities like equity and debt. Although the stock or capital market, like jurisprudential concepts, has not had a universal definition, it is accepted that there must be a minimum content by which it can be described.²⁹

The Blacks Law Dictionary³⁰ described the capital market thus; ‘a securities market in which stocks and bonds with long-term maturities are traded’. Murinde also defined capital markets similarly when he said:

Capital markets are markets for trading long term financial securities, including ordinary shares, long term debt securities such as debentures, unsecured loan stock and convertible

²⁷ [Financial Stability Board, Global Shadow Banking Monitoring Report \(2013\) 12](https://www.fsb.org/uploads/r_131114.pdf) <https://www.fsb.org/uploads/r_131114.pdf> accessed 10 July 2025.

²⁸ . Financial Stability Board (n 17) 12.

²⁹ The minimum content any definition ought to reflect of a stock or capital market are: a market that is organised; transacts in securities; only accredited and authorized persons are allowed to transact; and compliance with rules and bye-laws of the market. S Samiksha, ‘4 Main Features of Stock Exchange’ <www.yourarticlelibrary.com> accessed September 9 2016.

³⁰ BA Garner (ed.), Black’s Law Dictionary, (8th edn, U.S.: West Publishing Co, 2004) 989.

bonds. Government bonds and other public sector securities such as Treasury bills and gilt-edged stocks are also traded on capital markets.

Similarly, Al-Faki had this to say about Capital Markets;

—...it can be described as a network of specialised financial institutions, a series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long-term capital for investment in socio-economic development projects. It embraces all the arrangements that facilitate the buying and selling of securities.³¹

These products which are available in a Capital Market, are sold by a means known as —Public Offerings. This term has been defined by the Blacks' Law Dictionary as an offer of stocks and shares to the public from a company who is entering the Stock Market. According to Aguda, the offer is only produced after the regulator of securities has passed the offer and listed it to the public.³² As was stated by the Court in the case of *Blue-Chip Acquisition and Investment Co. Ltd v. Zenith Bank Plc & 3 Ors*,³³ —a public offer is an invitation to the general public to subscribe to the shares of the issuing company...||

³¹ M Al-Faki, 'The Nigerian Capital Market and Socioeconomic Development' Paper presented at the 4th Distinguished Faculty of Social Science Public Lecture, University of Benin, (26 July, 2006) pp. 9-16.

³² IN Abu and NA Aguda, 'Nigerian Capital Market: A Catalyst for Sustainable Economic Development' *Research Journal of Finance and Accounting* [2015] (6) (3) 60-66.

³³ [2005] 3 ISLR 72.

The Nigerian Capital Market performs the unique function of making funds available for economic growth and development.³⁴ The stock market gives investors an opportunity to invest in government bonds as well as companies securities and benefit from profits made in such investments.³⁵ Furthermore, it serves as a medium through which large and small businesses access equity and debt capital directly, thus reducing their dependence on bankbased financing.³⁷ All of these functions which the capital market performs are carried out by investment banks, acting as financial intermediaries.

2.3 History of Investment Banking

Investment banking is rich in history which dates back as far as the 19th century, having roots in Securities Trading and Merchant Banking. The industry has experienced several setbacks such as the 1929 Wall Street Crash, also known as Black Tuesday, leading to the Great Depression. This setback exposed the need for firmer regulations which saw the enactment of the Glass-Steagall Act of 1933 and the establishment of the Securities and Exchange Commission in the United States. With these regulations, the industry continued to grow until another significant setback in 1987; the Black Monday Stock Market Crash, leading to a collapse in stock prices around the world. These happenings have shaped the industry into what it now is, even as efforts are still in place to balance risk and regulation.

2.3.1 The Stock Market Crash Of 1929 and the Effect of the Glass-Steagall Act Of 1933

In the history of investment banking, the stock market crash of 1929 remains a very important occurrence which presents a good understanding of the contemporary practice of

³⁴ YH Bhadmus, *Bhadmus on Corporate Law Practice* (Chenglo Ltd, 2009) p. 383.

³⁵ J Akintola, and others, *Nigerian Investment Laws and Business Regulations Vol 1*, (Learned Publishments Ltd 2002) 35. ³⁷

E Ferran and L Chan Ho, *Principles of Corporate Finance Law*, (2nd Edn, Oxford University Press 2014) 59.

investment banking both in the United States, as well as other jurisdictions reasonably close to it in terms of industry practice.

The Wall Street crash of 1929, otherwise known as the Great Crash, was a major stock market crash in the United States which started in October 1929 and led to a sharp decline in the prices on the New York Stock Exchange (NYSE), lasting through 1933. This event is most remarkable because, as the most devastating crash in the Country's history, it drastically reduced the confidence which was once had in the US banking system, and because it marked the beginning of the worldwide Great Depression that lasted through 1939.³⁶ Like other stock market crashes, the stock market crash of 1929 followed a period of —plenty, in the sense that all sectors of the economy—particularly the stock market—experienced a boom which every individual and industry did not want to miss out on. The stock market had been on a nine-year run which saw the Dow Jones Industrial Average³⁷ increase ten times its value, peaking at 381.17 on September 3, 1929.

The —Roaring Twenties, as the decade after the first World War was called, had been a time of wealth and excess.⁴⁰ A large portion of the profits from the previous decade had been invested in speculation⁴¹, as well as in stocks—many people were no longer satisfied with the —low interest rates on bank deposits, so they committed their sums to stockbrokers. Even commercial banks did not want to miss out on the great returns which the stock market was offering, thus they committed bank deposits to the stock market. Consequently, the

³⁶ Gary Richardson, 'Stock Market Crash of 1929' <<https://www.federalreservehistory.org/essays/stockmarket-crash-of-1929>>

³⁷ The Dow Jones Industrial Average (DJIA), Dow Jones, or simply the Dow, is a [stock market index](#) of 30 prominent companies listed on [stock exchanges](#) in the United States. It represents the sum of the share prices of the 30 prominent companies which it covers. Tim Vipond, 'what is the Dow Jones Industrial Average (DJIA)?' <[24](https://corporatefinanceinstitute.com/resources/equities/dow-jones-industrial-average-djia/#:~:text=The%20Dow%20Jones%20Industrial%20Average%20(DJIA)%2C%20also%20commonly%20referred,York%20Stock%20Exchange%20(NYSE).>></p></div><div data-bbox=)

prices in the stock market continued to increase rapidly. Irving Fisher, an economist is known to have proclaimed shortly before the crash that *"Stock prices have reached what looks like a permanently high plateau"*.⁴² It was a period of optimism; the war had ended and many people, including families and companies explored means to become and stay prosperous. All of these increased the frenzy in the stock market, but it was the beginning of another trouble.

With rapidly shifting focuses into the stock market, other sectors began to suffer. The agricultural sector became depressed from overproduction and the fall in prices, which forced many farmers into debt. Factory owners resorted to dropping production and firing staff, thus reducing demand even more. In light of these happenings, the Federal Reserve warned about excessive speculations, but still, it was widely believed that the stock market

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'America gets depressed by thoughts of 1929 revisited' *The Times*
<<https://www.thetimes.com/article/america-gets-depressed-by-thoughts-of-1929-revisited-vl7lgg9kvw5>>
accessed 22 October 2024. ⁴¹

In finance, this refers to the buying of assets with the hopes that it would become more valuable within a short period. <<https://corporatefinanceinstitute.com/resources/career-map/sell-side/capitalmarkets/speculation/>> accessed 29th July 2025.

⁴²

Edward Teach, 'The Bright Side of Bubbles'
<https://web.archive.org/web/20080922002302/http://www.cfo.com/article.cfm/9059304/c_9064230>
accessed 30 July 2025.

would continue to rise forever.⁴³ True to this warning, on March 25, 1929, a small crash occurred because investors panicked and began to sell stocks at a very fast pace, exposing the shaky position of the market.⁴⁴

The panic selling intensified in mid-October and occasioned a sharp, unexpected decline in stock prices in the afternoon of 23rd October, an hour before the market closed for the day,

recording a 4.6% drop in market value.⁴⁵ By July 8th 1932, the stock market had lost 90% of its pre-crash value. The crash wiped out the savings of many depositors at commercial banks. Commercial banks were blamed for carrying out the activities of investment banking.⁴⁶ Therefore the US Congress, in 1933, enacted the Banking Legislation otherwise known as the Glass-Steagall Act.⁴⁷ The Act functioned to separate the activities of commercial banking and investment banking, and then prohibit both from carrying the functions of the other. The Act also encouraged commercial banks to use their funds for lending instead of investing it in stocks.⁴⁸ Another important feature of the Act is that it led to the establishment of the Federal Deposit Insurance Corporation (FDIC).⁴⁹ The function of this corporation is to provide federal insurance on bank deposits. This guarantees the security of depositor's savings. Member banks of the Federal Reserve System had to buy

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'Timeline: A selected Wall Street Chronology'
<<https://web.archive.org/web/20080923040829/http://www.pbs.org/wgbh/amex/crash/timeline/timeline2.html>> accessed 30th July 2025.

44 Ibid.

45

Harold Bierman, 'The 1929 Stock Market Crash' <<https://eh.net/encyclopedia/the-1929-stock-marketcrash/>> accessed 30July 2025.

46

Mishkin (n 5).

47 Ibid.

48

Reem Heikal, 'Glass-Steagall Act of 1933: Definition, Effects, and Repeal'
<<https://www.investopedia.com/articles/03/071603.asp>> accessed 30th July 2025. 49

Ibid.

FDIC insurance for their depositors. The purchase of this insurance made banks subject to regulations imposed by the FDIC.⁵⁰

2.3.2 The Stock Market Crash Of 1987 and the Effect of the Gramm-Leach Bliley Act of 1999

Earlier, we saw that one major contributing factor to the stock market crash of 1929 was intense panic sales. Something similar was at play in the stock market crash of 1987, which affected the world significantly.

Today, 19th October, 1987 is called Black Monday. It is the biggest one-day percentage drop in the US stock market history. That day, stock markets around the world crashed, but the event did not happen all at once.⁵¹ The Dow Jones Industrial Average dropped by 22.61 per cent, putting an end to the bull market which had run from August 1982. The loss suffered by the New York Stock Exchange (NYSE) amounted to more than 500bn dollars in market capitalisation.⁵²

Some reasons for the crash are examined below.

1. **Overvaluation of Stock Prices:** Just like the crash of 1929, a major reason for the crash of 1987 was that stocks were grossly overpriced. This overvaluation saw the run of a bull market which had been overdue for correction since 1982.⁵³ From 1982

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Timeline: A selected Wall Street Chronology (n34).

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'Black Monday Market Crash' <<https://corporatefinanceinstitute.com/resources/equities/black-monday/>> accessed 4 August 2025.

⁵²

'Global Financial Markets Crash on Black Monday' <<https://www.goldmansachs.com/ourfirm/history/moments/1987-black-monday>> accessed 4th August, 2025. ⁵³

Adam Hayes, 'Black Monday: Stock Market Crash Causes and Impact' <<https://www.investopedia.com/terms/b/blackmonday.asp>> accessed 3 November 2025.

until the crash, stock prices more than tripled in value.³⁸ More interestingly, in 1987 alone, the value of the stock market increased by 44%.³⁹ This gave stock prices more value than they should ordinarily have, hence the need for a correction which came by way of a crash.

2. **Automated or Program Trading:** With the rise of computers in the 1980s, the trading of stocks began to adopt a technological approach. Once automated, trading takes human decision-making out of the equation. Software made it possible to execute buy and sell orders in response to the market condition depending on the instructions imputed.⁴⁰ Thus because of these models, more buy orders were generated when prices were rising and conversely more sell orders were generated when prices began to drop.⁵⁷ This leads to the next major cause.
3. **Panic Sales:** This was also a major cause of the crash of 1929, but this time program trading facilitated the panic sales. As prices began to drop and reach the sell order thresholds of many firms which were engaged in automated or program trading, there was a domino effect across all stock exchanges. Thus the automatic sales caused many other investors to panic and continue to sell. As sales accelerated, the fall in prices became all the more rapid.

Meanwhile, the Glass-Steagall Act of 1933 was still in force. In spite of the prohibitions which the Act effected, financial innovation and the desire for profits moved both banks and other financial institutions to evade the intentions of the Glass-Steagall Act and invade each

³⁸ Camille Van Vyve, 'Stories of crises and recoveries: Black Monday'

<https://www.easyvest.be/articles/en_US/Post/market-crash-recovery-black-monday> accessed 3 November 2025.

³⁹ *ibid.*

⁴⁰ *ibid.*

⁵⁷

Hayes (n 44).

other's territories.⁴¹ Investment banks developed money market mutual funds and cash management accounts with which they began to engage in the traditional business of issuing deposit instruments. On the other hand, bank holding companies began to underwrite previously prohibited classes of securities because they were allowed to do so by the loophole in section 20 of the Act, which the Federal Reserve used in 1987. Seeing this, commercial banks commenced the business also. The loophole allowed affiliates of commercial banks to carry out underwriting activities as long as the revenue was not more than a specified amount, which initially was 10% but was later increased to 25% of the total revenue of the affiliate.⁴² In January 1989, the Federal Reserve allowed JPMorgan, a commercial bank holding company, to underwrite corporate debt securities, and in September 1990, to underwrite stocks. This privilege was later extended to other bank holding companies. Banks were also allowed to engage in some real estate and insurance activities.

The restrictions brought about by the Glass-Steagall Act put American banks at a competitive disadvantage relative to foreign banks. Because of this, bills to overturn the Glass-Steagall Act surfaced in almost every Congress session in the 1990s. Other events like the merger between Citicorp (the second largest bank in the US) and Travelers Group (owners of the third largest securities firm in the US), intensified the pressure to abolish the Glass-Steagall Act.⁴³ These events led to the erosion of the Glass-Steagall Act in 1999. To replace it was the Gramm-Leach Bliley Financial Services Modernisation Act 1999. The Gramm-Leach Bliley Act allows securities firms and insurance companies to purchase banks,

⁴¹ Mishkin (n 5) 302.

⁴² *Ibid.*

⁴³ Van Vyve (n 45) .

and allows commercial banks to underwrite insurance, securities and engage in real estate activities.⁴⁴ Under this Act, States retain oversight of insurance activities while the Securities and Exchange Commission (SEC) has control over the sale of securities.

2.4. The Stock Market Crash of 2008

The crash of the Capital Market in Nigeria in 2008 is in focus here. The causes of this crash are no different than what caused the earlier studied crashes. One thing noticeable from the analysis of market crashes is that they always perform at their peak before a correction is effected by way of a crash. This is not to say it is bad for markets to boom or flourish. Instead, many times, this peak performance is as a result of gross overvaluation of stocks within the market.

Between 2004 and 2007, the Nigerian capital market recorded a boom. The market capitalisation of securities listed on the Nigerian Stock Exchange, which opened the year 2008 at N12.6tn, is said to have hit an all-time high of N13.5tn in March but fell to a record low of N6.5tn at the end of the year.⁴⁵⁴⁶

Like other market crashes, the Nigerian capital market crash was caused by a number of factors like;

- a. The global financial crisis of late 2007 which was an economic meltdown having a ripple effect on Nigeria's economy and other economies around the world.
- b. Overvaluation of stock prices due for a correction.

⁴⁴ Mishkin (n 5) 303.

⁴⁵ Taiwo Ojoye, 'Eleven years after stock market crash, investors neglect N129bn dividends' *Punch* (14 May

⁴⁶) <<https://punchng.com/eleven-years-after-stock-market-crash-investors-neglect-n129bn-dividends/>> accessed 29 June 2025.

- c. Nigeria's lack of, or poor regulation which allowed unethical practices to continue unsupervised.

2.5 Emergence of Indigenous Investment Banks

In Nigeria, the evolution of investment banking is a tale which has had many variations beginning with the emergence of Merchant Banks in the 1960s and extending through policy shifts, high economic performances, regulatory reforms and the need for specialised financial services.

Before investment banking, what was operable in Nigeria was Merchant Banking.

According to history, merchant banking formally kickstarted with the registration of Philip Hill (Nig) Ltd on 14th September 1960 and Nigeria Acceptances Limited (NAL) on 25th November 1960. They both remained the only licensed merchant bankers for the larger part of the 1960s.⁴⁷ In 1969, both firms merged under the NAL name and dominated the sector until 1973 when other institutions began to enter the field.⁴⁸ Merchant banks were different from commercial banks in the sense that they provided large scale corporate finance, underwriting services, and offered advisory services rather than retail banking for the general public.⁶⁵ Merchant Banks were established to provide financing for traders i.e merchants.⁴⁹

⁴⁷ National Open University of Nigeria, 'Nigerian Financial System' <<https://nou.edu.ng/coursewarecontent/ECO724%20Nigerian%20Financial%20System.pdf>> accessed 4 November 2025.

⁴⁸ *ibid.* ⁶⁵ Monetary Policy Department of the Central Bank of Nigeria, 'Nigerian Financial System at a Glance'

<<https://www.cbn.gov.ng/out/2017/ccd/the%20nigerian%20financial%20system.pdf>> accessed 4 November 2025

⁴⁹ 'Atedo Peterside: Father of Investment Banking in Nigeria' <<https://www.jarushub.com/atedo-petersidefather-of-investment-banking-in-nigeria/>> accessed 3 November 2025.

However, there was a turning point in the early 1970s with the enactment of the Nigerian Enterprises Promotion Decree of 1972. This enactment facilitated the indigenisation of the economy by prescribing minimum equity shares for Nigerians. The oil boom also heightened the demand for corporate financing and long-term investment. Thus more merchant banks were licensed and indigenous ownership began to surge.

The transition from merchant banking to indigenous investment banking was slow but steady and visible. One example of indigenous banks is the First City Merchant Bank which was established in 1982 and later changed to First City Monument Bank as we know it today. This was the first Nigerian bank set up without government or foreign support.⁵⁰ These institutions expanded the scope of merchant banking into corporate advisory, underwriting of debt and equity capital markets and asset management, which is what investment banks do. Essentially, in Nigeria, indigenous investment banking is built on the shoulders of merchant banking, regulatory reforms and economic liberty to create a locally owned financial intermediation scheme.

Today, the major investment banks in Nigeria include, Stanbic IBTC Capital, Chapel Hill Denham, FBNQuest, Afrinvest (West Africa) Limited, and United Capital.

2.6. Conclusion

It has been the aim of this chapter to provide conceptual clarifications by exposing the nature and functions of investment banking, highlight the differences between commercial and investment banking, give the history as well as key events in global investment banking and

⁵⁰ TW Oshikoya and K Durosinmi-Etti, *Frontier Capital Markets and Investment Banking: Principles and Practice from Nigeria* (Routledge 2019).

show how indigenous investment banks emerged in Nigeria. Thus, the next chapter examines the Nigerian legal and institutional frameworks for investment banking.

CHAPTER THREE

THE NIGERIAN LEGAL AND INSTITUTIONAL FRAMEWORKS FOR INVESTMENT BANKING

3.1 Introduction

This chapter sets out to give a brief overview of Nigeria's legal environment as it relates to investment banking. More importantly, it analyses the indigenous legal and institutional frameworks for the regulation of investment banking activities. Simply put, the chapter analyses the key legislations which provide regulations for investment banking activities as well as some of the agencies established to ensure compliance with the various legislations.

3.2. Overview of the Legal Environment

The daily activities or transactions carried out in investment banking are regulated by institutions set-up by the government to efficiently manage the affairs of the industry through a regulatory framework. A regulatory framework has been described as a system or pattern of rules, procedures and principles put in place to guide a system.⁵¹ This entails that regulations or laws are placed to provide guidelines for how the daily activities of market operators should be carried out. Also, even more than just laws, it entails that institutions are established to ensure that these market operators adhere strictly to the guidelines laid down by the laws enacted by lawmakers.

The rationale behind the regulation of securities is to achieve a well-structured and organised market, safeguard investors, promote market transparency, and maintain confidence in the

⁵¹ C Nwude, 'The Impact of Capital Market Regulation on the Nigerian Economy'. *Zenith Economic Quarterly*, vol. 2 issue 11, (2007) pp.36-43.

financial system. The International Organization of Securities Commissions (IOSCO) for example, has identified three core objectives of modern securities regulations. These are: protection of investors, ensuring that markets are fair, efficient, and transparent; and the reduction of systemic risks.⁵²

During colonial times, the need for a financial system that can make funds available from the public sector to run the local administration, prompted the establishment of a formal Capital Market in Nigeria by the British Government.⁷⁰ Thus the basic infrastructure for the operation of such a financial system was set up, pending the development of an organised private sector.⁵³

In pursuance of the above necessity, the colonial government enacted the Government and Other Securities (Local Trustees Powers) Act of 1957. This law specified the types of securities in which trust funds may be invested. In addition, the colonial government set up the Professor Barback committee⁵⁴ to examine the ways and means of fostering a securities market in Nigeria, which subsequently led to the promulgation of the General Loan and Stock Act and the Local Loan (Registered Stock and Securities) Act all of 1957 on the committee's recommendations. The Federal Government in 1962, established the —Capital Issues Committee, as the first purely Government Regulatory Agency set up to oversee the aspect of Public Issue in the Stock Exchange. The committee was established to examine

⁵² Adeleke, Azeez Babatunde & Afuape, Deborah Simisola, 'An Overview of the Legal Frameworks for Public Offering of Securities in Nigeria'. *Postgraduate School Journal LASU* vol. 1 No.2, [January 2025] 12.

⁷⁰ PJ Fawei, 'An Analysis of The Roles of Regulatory Agencies in The Nigerian Capital and Stock Market'. *Ajayi Crowther Law Journal* p.4.

⁵³ EB Osaze, *Capital Markets – African & Global. Nigeria: The Book House Company* [2007] Chap. 4, p. 55-63.

⁵⁴ The committee recommended, among others, the creation of facilities for dealing in shares, the establishment of rules regulating share transfer and measures for encouraging savings and issues of securities of government and other organizations.

applications from companies seeking to raise capital from the capital market and recommend the timing for such issues in order to prevent the industry from being clustered, which could overstretch the market's capacity.⁵⁵

Going further, an increase in the level of the Nation's economic activities led to the establishment of the Capital Issues Commission, to take over the activities of the Capital Issues Committee. This time however, the mandate of the Commission was to regulate the pricing of securities for the protection of investors who were not considered sophisticated.⁵⁶

Moreover in 1979, the commission was changed to the Securities and Exchange Commission (SEC) but its mandate was still the determination of prices of securities to be offered to the public. The commission was also given more powers to regulate and develop the capital market.⁵⁷

Nine years after the SEC was established, the Securities and Exchange Commission Decree No. 29 of 1988 was reviewed and to it was added more provisions geared towards correcting the previous arrangements for investor protection.⁷⁶ In a bid to further strengthen the pursuit of investor protection, a seven-man panel was headed by Chief Dennis Odife to review the capital market. Based on the recommendations of this panel, the Investments and Securities Act (ISA)⁵⁸ was enacted. This act was reviewed and gave way for the Investments and Securities Act of 2007.

⁵⁵ A Oteh, 'The History of Capital Market Regulation in Nigeria: Timeline of Regulatory Intervention in Nigeria', at the Nigeria at 50 Investment Forum October 28, 2011; 0846 hrs, Omole, Lagos, Nigeria accessed at www.proshareng.com on 11/09/2014.

⁵⁶ Osaze (n4).

⁵⁷ Ibid. ⁷⁶

Ibid.

⁵⁸ Decree No. 45 of 1999 promulgated on 26th May, 1999. This Act also repealed the Securities and Exchange Commission Act of 1998.

The foregoing is but a brief history of the regulatory frameworks of investment banking in Nigeria. It is the aim of this chapter to examine the key legislations regulating investment banking in Nigeria, as well as some regulatory bodies established to ensure compliance with the provisions of their peculiar legislations.

3.3 Key Legislations Regulating Investment Banking The

key legislations to be examined here are:

1. The Investments and Securities Act (ISA) 2025.
2. The Companies and Allied Matters Act (CAMA) 2020.
3. The Banks and other Financial Institutions Act (BOFIA) 2020.

3.3.1 The Investments and Securities Act (ISA) 2025.

The Investment and Securities Act (ISA) 2025 is Nigeria's primary legislation governing the capital market, and, by extension, Investment banking activities in the country. It repealed the ISA 2007 and maintains the tenure of the Securities and Exchange Commission (SEC), the apex regulatory authority for the Nigerian capital market, saddled with ensuring the protection of investors and reducing systemic risk.⁵⁹ This amendment is a comprehensive overhaul which modernises Nigeria's securities and capital markets framework in line with industry and global best practices, while providing clarity around the functions of the Securities and Exchange Commission.⁶⁰ The Act also confers on the commission a stronger authority in the enforcement of the intentions of the legislature. The actual powers of the SEC would be examined later in this chapter, but for now, this part focuses on how the ISA

⁵⁹ Section 1(1) & 3(1) ISA 2025.

⁶⁰ Dentons ACAS-LAW _A review of the key amendments in the Investments and Securities Act 2025' <<https://www.dentonsacaslaw.com/en/insights/articles/2025/may/7/key-amendments-in-the-investment-andsecurities-act>> accessed on 5th November, 2025.

regulates investment banking in Nigeria, and the functions which this new Act was passed into law to perform.

3.3.1.1 The Act Strengthen The Regulatory Powers of The SEC

A very significant provision of the ISA 2025 is that it expands the regulatory powers of the SEC over capital market operators, as well as digital asset service providers and imposes heavy penalties on operators violating the provisions of the Act.⁶¹ Amongst other things, the extent of the powers granted to the commission by virtue of section 4 of the ISA, empowers them to place directors of public companies on probation, appoint independent directors, remove officers of public companies and mete out strict administrative sanctions on deviant market operators.⁶² The conferment of this power is primarily geared towards the protection of the interests of investors whether foreign or domestic. Particularly for foreign investors, it gives them a certain level of confidence in the Nigerian capital markets, knowing there is a proactive regulatory body established to ensure that their interests (investments in this case) are safeguarded and should anything go wrong, they can effectively seek redress.

Part of the regulatory functions of the commission is the power to register companies or persons seeking entry into the capital market as operators or to establish securities exchange. Whichever category they fall under, they must be registered in accordance with the provisions of the Act. By virtue of sections 61 and 26, where a person carries out investments and securities business or establishes a securities exchange without being duly registered as provided by the act, he is liable to five years imprisonment or to a fine of

⁶¹ Yvonne Ezekiel, 'A review of the Investments and Securities Act 2025' <<https://www.mondaq.com/nigeria/securities/1607978/a-review-of-the-investment-and-securities-act-2025>> accessed on 5th November, 2025.

⁶² Dentons (n14).

5,000,000 and 10,000,000 for carrying on investments and securities business and establishing a securities exchange respectively.

3.3.1.2 The Act Provides a Classification for Securities Exchange

For easy registration and operation, section 27 of the Act provides a classification of securities exchanges. The section provides thus —a securities exchange may be registered by the commission as a – (a) composite securities exchange; or (b) non-composite securities exchange.l

While Non-composite Exchanges are limited to particular classes of assets such as commodity or derivatives market, a Composite Exchange permits the listing and trading of all categories of securities and products.⁶³ The purpose of this classification is to ensure better segmentation of the market, allowing for easy specialisation for market operators and a clearer regulatory oversight for the commission. Overall, it makes it easier for both companies and individuals to navigate the market.

3.3.1.3 The Act Recognises Digital or Electronic Assets

By virtue of the amendment, the act now recognises digital and electronic assets as securities.⁶⁴ This recognition is first provided in section 3(b) of the ISA where the Act expressly mandates the commission to register and regulate the exchange of digital and virtual assets. Digital assets are electronic currencies which could be traded and also serve as a means of exchange. It is already a legal tender in many economies of the world. This innovation in the Nigerian capital market brings Virtual Assets Service Providers (VASPs),

⁶³ Ezekiel (n13).

⁶⁴ Section 357 of the Act gave examples of securities to include virtual and digital assets.

Digital Assets Operators (DAOPs) and Digital Asset Exchanges under the regulatory purview of the SEC.⁶⁵ While regulating virtual and digital assets, Nigeria aims to prevent fraudulent scheming and facilitate participation in financial technology (FinTech).

3.3.1.4 The Act Criminalises Ponzi Schemes And Unlawful Investment Practices

Unlawful investment practices or ponzi schemes, by whatever name called, are identified by the Act as insider dealing or insider trading. In section 3 of the ISA, it was provided that one of the objectives of the SEC is to —protect the integrity of the securities market against all forms of market abuse and insider dealing.¶ Section 357 of the ISA defines an insider to include anybody who is connected with a company to the extent that he has sensitive information which ordinarily should have been published but withheld by the company. Such a person could be a Director, Employer, Employee, Shareholder or be of any other designation which makes him privy to sensitive information. The ISA goes further in the section to define insider dealing or insider trading as, —the buying or selling of securities by an insider and occurs when a person or group of persons who being in possession of confidential, non-public and price sensitive information utilises such information to buy or sell securities for his or its benefit or for the benefit of any other person.¶ This type of dealing is unethical and has been prohibited by section 137 of the ISA. It provides that — a person who is an insider shall not buy or sell, or otherwise deal, directly or indirectly in any securities if he has material non-public information in relation to those securities. Section 139 provides the punishment for insider trading: for individuals, (2)(i) provides that he is liable to a term of imprisonment not less than five years or to a fine of not less than 10,000,000 naira or an amount equivalent to four times the profit gained or loss avoided; for

⁶⁵ Ezekiel (n13).

a body corporate, to a fine not less than 50,000,000 naira or an amount equivalent to four times the profit gained or loss avoided in the transaction.

In order to effectively prevent insider trading, the ISA provides that when any public company is formed, or in the case of a private company converted to a public company, such company is expected to publish a prospectus as long as it aims to invite the public to purchase or subscribe to its shares. A prospectus in company law, is a written document used to inform the public of the important details concerning an offering of securities, like stocks, bonds etc.⁶⁶ This definition has been granted judicial credibility in cases like *Andrews v Mockford*⁶⁷ and the 19th century ruling by **Kindersley VC** in *New Brunswick and Canada Railway Co. v Muggeridge*⁶⁸ where it was established that the issuers of prospectuses must input every detail without omitting any fact that could affect the advantages of the investment.

Furthermore, the content of the prospectus must be as prescribed in section 103(2)(c)(i-vii). This information relates to; (i) the number and description of the securities to which the prospectus relates, (ii) the name of the issuer, the date of its incorporation and the number of the issuer's issued securities and where the issue price of any securities is to be paid by instalments, the amounts paid and unpaid on those issued securities, (iii) the general nature of its main business or the proposed main business of the issuer, (iv) the names, addresses and occupation of the directors or proposed directors, (v) the names and addresses of capital market operators to the issue, (vi) the name of the securities exchange, if any, of which the brokers and issuing houses to the issue are members or participants, and (vii) particulars of

⁶⁶ See section 357 ISA, 2025.

⁶⁷ [1896] 1 QB 377.

⁶⁸ [1932] 1 KB 442.

the time and place at which copies of the registered prospectus and form of application for the shares to which it relates may be obtained. By section 103(4) anybody who files a prospectus in contravention of (2) commits an offence and is liable to a fine of not less than 5,000,000 naira, or to a term of imprisonment not less than three years or both.

However, more care is required even after publishing a prospectus in line with the prescribed content. This duty of care urges a person or a company to not publish any prospectus containing a false statement whether fraudulent, negligent or innocent. Such misstatements could render a person liable either in civil or criminal law as provided by sections 113 and 114 respectively.

3.3.2 The Companies and Allied Matters Act (CAMA) 2020

In Nigeria the Companies and Allied Matters Act (CAMA) 2020, is the principal act governing the birth or formation of a company, its composition, its management, allotment of shares and its winding up. The enactment of this statute represents a transformative shift in Nigeria's legal and regulatory framework for corporate governance as it seeks to modernise Nigeria's corporate laws, provide ease of business, and create a secure environment for both foreign and local investors.⁶⁹ Because of this enactment in 2020, according to the —World Bank Ease of Doing Business Index, Nigeria was ranked 131 out of 190 countries having moved up 15 places from its previous 146th position in the 2019 report.⁷⁰ The main relation this Act has to the regulatory framework of investment banking is the fact that any company seeking to enter into the Nigerian capital market as a market

⁶⁹ OC Aduma, —Analysing the impact of the innovative provisions of CAMA 2020 on the growth and development of business in Nigeria. (Awka Capital Bar, 2024).

⁷⁰ Minerva Legal, —World Bank Group Ranks Nigeria' <<https://mlpng.com/doing-business-2020-world-bankgroup-ranks-nigeria/>> accessed 6th November, 2025.

operator, has to first be registered by the Corporate Affairs Commission (CAC) which is an establishment of the CAMA. The CAC is the executive or administrative body established to carry out the mandate of the CAMA. Its functions also extend to taking disciplinary actions against companies who violate the provisions of the CAMA.

What are the key provisions of this Act as they relate to investment banking?

3.3.2.1 Incorporation of Companies

In company law, only corporations can raise capital for projects through the sales of stocks, like shares and debentures. Thus in order for a business to be regarded as a corporation, it must be registered by the Corporate Affairs Commission (CAC), in accordance with the procedure laid down by the CAMA. Therefore, by virtue of section 18 of CAMA⁷¹, in order to be qualified to raise capital by the sale of shares, —any two or more persons may form and incorporate a company by complying with the requirements of this Act in respect of registration of such company. Section 36 CAMA lists the requirements for the registration of a company. By virtue of section 42, the effect of registration/incorporation of a company is made known. Registration makes the entity being registered, a body corporate, making it capable of exercising the powers granted to a company by section 43, for example, have all the powers of a natural person of full capacity, enjoy the right to sue and be sued, exercise the power to hold land, etc. It therefore also goes without saying, (as we shall see under BOFIA) that an investment bank must be a company duly incorporated by the CAC in line with the provisions of CAMA.

⁷¹ Companies and Allied Matters Act, 2020.

3.3.2.2 Public Offering of Shares

The CAMA allows companies to publicly offer shares for sale but subject to the guidelines and procedures as laid down by the ISA 2025. However, a private company is exempt from this leverage granted by the CAMA to issue shares to the public. By virtue of section 22, a private company shall restrict the sale of its shares. By virtue of subsection 5 of same section, a private company shall not, unless authorised by law, invite the public to— (a) subscribe for any shares or debentures of the company; or (b) deposit money for fixed periods or payable at call, whether or not bearing interest. As such, a private company is only allowed to sell shares to its members (usually not exceeding 50 persons).⁷² This position of the law was established and applied in the case of *Blue-Chip Acquisition and Investment Company Ltd v Zenith Bank Plc & 3 Ors*⁷³, where the court attempted a definition of a public offer of shares. The court stated thus:

—A public offer is an invitation to the general public to subscribe to the shares of the issuing company. Such an offer can only be undertaken by public limited liability companies. Most importantly, the public issue of securities is one of the most effective means of raising large amounts of long-term capital by companies. However, this method of raising long-term finance is only available to a public company.¶

However, the CAMA provided a contingency, the happening of which, would allow a private company to sell shares to the public. This is simply known as a conversion or reregistration

⁷² Section 22(3).

⁷³ [2005] 3 ISLR 72.

of a company. Thus by virtue of section 56 CAMA, a private company has to be converted to, or in essence re-registered as, a public company in order for it to be legally capable to carry out a public offer of shares. This action is to be taken by a special resolution made by the members of that company during a meeting. The application for conversion or re-registration must be in line with the requirements laid down by the same section.

3.3.3.3 Protection of Investors

Like the ISA 2025, the CAMA also seeks to further the interests of investors, both foreign and local, and provide a safe landscape for investment opportunities. In this context, we are looking at minority shareholders in a company. These are investors, also members of a company, who by virtue of the number of shares they have, are regarded as minority shareholders.

In a company, the decisions are usually made by the board of directors. This is known as corporate democracy and it empowers the directors of the company to be responsible for the day-to-day decision making of the company. Usually, the directors have the most percentage of shares in the company, hence the system is known as majority rule. The supremacy of this concept was laid down in the landmark case of *Foss v Harbottle*⁷⁴. The rule in that case expands the powers of the directors from mere decision making and confers the right to approach court for any remedy, solely on the directors. Thus only the directors, acting for the company, can sue to remedy a wrong or ratify an irregular conduct done in the course of a company's affairs. The Nigerian judicial system also adopted this position when in the case of *Okon v Udi*⁷⁵, it was stated that the general principle is that a proper plaintiff in the action

⁷⁴ (1843) 67 ER 189.

⁷⁵ (2006) All FWLR (Pt.328) 717.

for wrong done to the company is prima facie the company itself. This position is duly incorporated into the CAMA. In section 341, it provided that subject to the provisions of this Act, where an irregularity is made in the course of a company's affairs or any wrong is done to the company, only the company can sue to remedy that wrong and only the company can ratify the irregular conduct.

In focus here are the investors who are members (minority shareholders) of that company. The Act also seeks to protect them. In section 343 it provides instances where member(s) of the company may take action in court to remedy any wrong done, particularly against themselves (minority shareholders). This is needed because, sometimes, the directors may fashion policies which work in the interest of the majority shareholders, much to the detriment of the minority shareholders. These policies will stand many times because the minority shareholders do not have a say in the governance of the company. However fortunately, by section 343, upon application of any member, the court may prevent the company or its officers by injunction or by a declaration from—

- (a) entering into any transaction which is illegal or ultra vires;
- (b) purporting to do by ordinary resolution any act which by its articles or this Act required to be done by special resolution;
- (c) any act or omission affecting the applicant's individual rights as a member;
- (d) committing fraud on either the company or the minority shareholders where the directors fail to take appropriate action to redress the wrong done;
- (e) where a company meeting cannot be called in time to be of practical use in redressing a wrong done to the company or to minority shareholders;

(f) where the directors are likely to derive a profit or benefit, or have profited or benefited from their negligence or from their breach of duty; and

(g) any other act or omission, where the interest of justice so demands.

It becomes quite clear that the CAMA, with its regulatory framework, not only aims to achieve a better structured investment arena. Also, it aims to provide a market framework which is safe and protected for investors.

3.4.3 The Banks and Other Financial Institutions Act (BOFIA) 2020

In recent years, Nigeria's finance sector has undergone significant changes. The Banks and Other Financial Institutions Act (BOFIA) 2020 was enacted to replace the older Banks and Other Financial Institutions Act (BOFIA) 1991. With this enactment, Nigeria seeks to put banks and other financial institutions within Nigeria in line with modern trends like, more digitalised operations, systemic risk, financial technology (FinTech), resolution frameworks and enhanced regulatory oversight.⁷⁶ When merged with investment banking, the regulatory framework becomes profound as investment banking must find its way, though not only through the capital markets but, through corporate finance as well as the laws governing these sectors, banks and other financial institutions included.

How does the BOFIA regulate investment banking?

3.4.3.1 Provision of Licensing & Definition for other Financial Institutions

In section 3 BOFIA, the act laid down the licensing framework for banks, and in section 57, it regulates —specialised banks and other financial institutions (OFIs)‡. Section 57(1)

⁷⁶ Olayinka Alao, 'BOFIA 2020; What's new?' <<https://www.mondaq.com/nigeria/financialservices/1122226/bofia-2020-whats-new?utm>> accessed on 6th November, 2025.

provides that, without prejudice to Chapter A of the Act, no person shall carry on specialised banking or business of other financial institutions in Nigeria unless it is a company incorporated in Nigeria and holds a valid licence under the Act. Further in subsection 2, the act defines —business of other financial institutions to include activities such as investment management, export finance, debt administration, private ledger services, etc., and further clarifies that businesses may be conducted digitally, virtually or electronically.

By this definition, we understand that investment banking activities such as investment management, project finance, etc now come under the licensing/regulatory framework of the BOFIA. Therefore an investment bank in Nigeria must be properly licensed or stand to bear regulatory sanctions. Also, FinTech and digital platforms which carry out certain investment banking activities now fall under the regulatory framework of the BOFIA.⁷⁷

3.4.3.2 Provision of Regulatory Oversight

The BOFIA significantly strengthened the regulatory powers of the Central Bank of Nigeria (CBN) and gave it wide discretionary powers to intervene in failing institutions, supervise the activities of banks and OFIs. It also has the power to appoint observers. By virtue of section 6, the powers of the CBN extends over the openings/closings of branches as well as the establishment of representative offices outside Nigeria.

For investment banking operations, this suggests a heightened regulatory scrutiny, as the decisions of the board concerning investment banking activities such as capital commitments

⁷⁷ Ugochukwu Mbakogu, ‘A review of the banks and other financial institutions 2020’ <<https://www.alp.company/resources/banking-financial-market/review-banks-and-other-financial-institutionsact-2020?utm>> accessed 6th November, 2025.

and digital and virtual services now fall under the administrative oversight of the CBN.⁷⁸ Banks and OFIs are thus expected to ensure strong corporate governance and compliance frameworks.

3.4.3.3 Resolution & Recovery Mechanism

The BOFIA provides a resolution mechanism for distressed banks/OFIs. For example, in Part 4, the Act introduced schemes for intervention such as business transfer, acquisition of shares by the CBN. In addition, Part 9 establishes the Banking Sector Resolution Fund. As can be found in sections 102-132, the Act establishes a Credit Tribunal for the enforcement and recovery of eligible loans.

This mechanism becomes crucial because investment banks often carry out complex deals, provide large credit or underwriting services and could face the risk of banks/OFIs failing. This mechanism thus boosts confidence in the financial system and even reduces systemic risk.⁷⁹ As much as this mechanism would protect investors in the long run, it aims to protect banks and OFIs from failing and helps to keep them in business for as long as possible.

3.4.3.4 Harmonisation of FinTech, Digital Banking and Investment Banking Activities

Section 2 BOFIA expressly classified operations carried out —digitally, virtually and electronically— as falling within the definition of OFIs. This is important considering the growth of digital platforms, FinTech investment banking operations such as online capital raising, digital investment advisory and media-application fund managers. These emerging institutions, in order to maintain a better regulated investment banking landscape, have to be

⁷⁸ Emmanuel Ifeanyi Ogbuka, ‘the most important provisions of the banks and other financial institutions act 2020’ <<https://www.tekedia.com/the-most-important-provisions-of-banks-and-other-financial-institutions-actbofia-2020-nigeria/?utm>> accessed on 6th November 2025.

⁷⁹ Mbakogu (n29).

licensed under BOFIA 2020, and must comply with the CBN directives on digital transactions, cybersecurity, AML/CFT (Anti-Money Laundering/ Combatting Financing of Terrorism).⁸⁰

3.5 REGULATORY INSTITUTIONS AND THEIR FUNCTIONS

The Regulatory Institutions to be examined here are;

1. THE SECURITIES AND EXCHANGE COMMISSION (SEC)
2. THE CORPORATE AFFAIRS COMMISSION (CAC)
3. THE CENTRAL BANK OF NIGERIA (CBN)
4. NIGERIAN EXCHANGE GROUP (NGX)
5. FINANCIAL REPORTING COUNCIL OF NIGERIA (FRCN)
6. NATIONAL DEPOSIT INSURANCE CORPORATION (NDIC)
7. FEDERAL HIGH COURT (FHC)

3.5.1 The Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) was established pursuant to section 1(2)(a) of the Investments and Securities Act (ISA) 2025 as a body corporate with perpetual succession and a common seal. By section 3 ISA, it is the apex regulatory authority for the Nigerian capital market. It was established to carry out all functions as may be assigned to it by the ISA. The functions of the Commission have been enumerated in section 3 of the ISA. However some authors have summarised them to two basic functions or roles. In reality, all the many roles of the Commission are geared towards achieving these two. These functions

⁸⁰ Simon Ejokema Imoisi, 'Legal and Institutional Framework for Regulation of Financial Technology (FINTECH) in Nigeria' <https://aspjournals.org/ajbi/index.php/ajbfi/article/download/25/27/41?utm_> accessed on 6th November, 2025.

are basically to (1) protect the interest of investors, thereby increasing confidence in the capital market and (2) to ensure orderly and equitable dealings in securities business, which achieves a proper organisation and structure for the financial market.⁸¹

According to section 3 ISA, some of the functions include; (a). regulate investments and securities businesses in Nigeria; (b). register all securities to be offered to the public for sale or subscription; ©. register stock exchanges, commodities exchanges and capital trade points (which are mini exchanges); (d). register clearing and settlement companies, custodian and depositories; (e). register all operators in the market such as stockbrokers, registrars, issuing houses, investment adviser, portfolio managers and capital market consultants such as solicitors, accountants, estate valuers, etc; (f). register all securities traded on the exchanges; (g). regulate mergers, acquisitions and all forms of business Combinations; (h). regulate collective investments schemes including pension funds, venture capital and other rotating savings schemes.

In the performance of its duties, the SEC carries out supervision on the activities of capital market operators to be sure they comply with industry best practices and are not involved in unscrupulous dealings. To be sure of this, the Commission often requests information on how capital market operators run their business. The Commission also carries out surveillance over exchanges to forestall violations of market regulations as well as trading practices that can cause disruptions to the balance of the market.⁸² Thus the regulatory frameworks and enforcement mechanisms of the SEC strives to maintain an environment which drives innovation while safeguarding stakeholders' interests.

⁸¹ Osaze (n4).

⁸² *ibid.*

3.5.2 The Corporate Affairs Commission (CAC)

The Corporate Affairs Commission (CAC) is a body corporate, established by virtue of section 1 of the Companies and Allied Matters Act (CAMA) 2020. It is the mandate of the CAC to administer the provisions of the CAMA and perform all the functions saddled upon it.⁸³ The CAC, according to Prof Emiola, is _bestowed with very wide and multidimensional functions and powers which are summarily regulatory, supervisory, and judicial in nature over the formation, incorporation, registration, management, and winding up of companies.⁸⁴

Section 8(1) of CAMA 2020 enumerates the functions of the CAC and they are to;

(a) administer this Act, including the registration, regulation and supervision of— (i)

the formation, incorporation, management, striking off and winding-up of companies,

(ii) business names, management and removal of names from the register, and

(iii) the formation, incorporation, management and dissolution of incorporated trustees ;

(b) establish and maintain a company’s registry and office in each State of the Federation

suitably and adequately equipped to perform its functions under this Act or any other

law ;

(c) arrange or conduct an investigation into the affairs of any company, incorporated trustees

or business names where the interest of shareholders, members, partners or public so

demands ;

⁸³ Section 8 CAMA 2020.

⁸⁴ A Emiola, *‘Nigerian Company Law’* Emiola Publishers, Nigeria, [2001] 54.

- (d) ensure compliance by companies, business names and incorporated trustees with the provisions of this Act and such other regulations as may be made by the Commission ;
- (e) perform such other functions as may be specified in this Act or any other law ; and
- (f) undertake such other activities as are necessary or expedient to give full effect to the provisions of this Act.

As to the above functions, Orojo is of the opinion that it is the intention of lawmakers that the powers of the Commission be far reaching to regulate existing as well as future institutions while fostering and supervising the growth of the economy and the capital markets.⁸⁵

Put in investment banking perspective, the CAC oversees matters relating to allotment and transfer of shares; conversion from private to public company in order to raise funds;⁸⁶ alteration of company shares; and several others.

3.5.3 The Central Bank of Nigeria (CBN)

Within Nigeria's financial market, the Central Bank of Nigeria (CBN) carries out the very important role of overseeing and regulating the lending and payment for financial services.⁸⁷

As the foremost regulatory body, the CBN possesses the power to grant licenses to banks and other financial institutions as empowered by the BOFIA 2020.⁸⁸ This power therefore demands that banks and OFIs within Nigeria compulsorily obtain their licenses from the CBN and adhere strictly to the directives issued by Nigeria's apex bank. By virtue of section

⁸⁵ JO Orojo, *Company Law and Practice in Nigeria*, 5th ed LexisNexis Publishers [2008] 367.

⁸⁶ Section 56.

⁸⁷ Imoisi (n32).

⁸⁸ Section 3 Banks and Other Financial Institutions Act, 2020.

5 BOFIA, the CBN has the power to revoke a banking license if it is satisfied that such organisation does not meet the conditions it imposed for the maintenance of a banking license.

Another power of the CBN allows it to oversee complex investment banking transactions like restructurings, reorganisation, merger and disposal of companies.⁸⁹

Overall, the regulatory powers of the CBN allows it to cover aspects of finance like Capital adequacy requirements, Risk management practices, Corporate governance standards, Antimoney laundering measures. With these regulatory frameworks, the CBN aims to maintain a well structured and fortified banking sector that can overcome economic shocks and protect the interests of depositors and investors alike.⁹⁰

3.5.4 Nigerian Exchange Group (NGX)

The Nigerian Exchange Group (NGX) formerly known as Nigerian Stock Exchange was established in Lagos in 1961 and is now automated as a trading platform for the sale and purchase of listed securities.⁹¹

Although the ISA 2025 does not outrightly define —stock exchange‖ it provides definitions for —securities exchange‖ which in the context of a stock exchange, is workable. By virtue of section 357, —securities exchange or registered exchange‖ means an organised facility which maintains and provides an infrastructure — (a) for bringing together buyers and sellers of securities, virtual assets, commodities, or financial products or instruments; (b) for

⁸⁹ Section 7 BOFIA 2020.

⁹⁰ Davies Ngere Ify, ‘_About the central bank’ <<https://www.withinnigeria.com/piece/2024/11/25/about-the-central-bank-of-nigeria/>> accessed 6th November, 2025.

⁹¹ Fawei (n3).

matching bids and offers for securities, virtual assets, commodities, or financial products or instruments of multiple buyers and sellers; and (c) whereby a matched bid and offer for securities, virtual assets, commodities, or financial products or instruments constitutes a transaction;

Thus in simpler terms according to Orojo, the stock exchange is —a market for the sale and purchase of securities.⁹² A marketplace where products like shares, bonds, treasury bills, etc are sold. As a market, the stock exchange provides important trading facilities for corporations and governments to raise capital for projects through investors who, through allotment of the stocks purchased, become co-owners of the corporations they buy into.⁹³ This is for the ultimate good of the economy.

The NGX operates within a regulatory framework that ensures the transparency, fairness and safety of the capital market. It works in tandem with the SEC to oversee the activities of capital market operators within the capital market, setting guidelines that govern their operations and transactions.⁹⁴

3.5.5 FINANCIAL REPORTING COUNCIL OF NIGERIA (FRCN)

The Financial Reporting Council of Nigeria (FRC or FRCN) is a statutory body mandated with setting and enforcing standards of financial reporting, auditing, and corporate

⁹² Orojo (n37).

⁹³ Fawei (n3).

⁹⁴ *ibid.*

governance in Nigeria. The FRCN influences how companies like investment banks interact with auditors and regulators.⁹⁵

This council was established in 2011 by the Financial Reporting Council of Nigeria Act, 2011 (as amended). Its powers allow it to develop accounting and auditing standards, register and supervise auditors and spearhead their internal control.¹¹⁵ How does the FRCN regulate investment banking?

3.5.5.1 The council ensures a minimum standard of accounting quality:

It should be noted that investment banking utilises audited financial statements when dealing in certain transactions like underwriting of securities, Mergers&Acquisitions (M&A) advisory, and valuations. As such, the directives issued by the FRCN influence the authenticity and reliability of the financial statements used in investment banking activities.⁹⁶

3.5.5.2 The council increases the standard of corporate governance and the market reputation:

The FRCN publishes the Nigerian Code of Corporate Governance. This code raises the minimum expectations and standard of work ethics expected of investment banks concerning transparency, disclosures and risk management. The adoption of the code by regulators (including the CBN) establishes a single yardstick or benchmark for quality corporate governance across all firms in the financial sector.

⁹⁵ Section 2, Financial Reporting Council of Nigeria Act, 2011. ¹¹⁵ *ibid.*

⁹⁶ *ibid.* ¹¹⁷Isaac Anyaogu, ‘Nigeria gives businesses four years to adopt eco-friendly reporting standards’ <<https://www.reuters.com/world/africa/nigeria-gives-businesses-four-years-adopt-eco-friendly-reportingstandards-2024-03-22/?utm>> accessed on 7th November, 2025.

3.5.5.3 Alignment with International Best Practices:

The standard being set in the Nigerian finance sector by the Council aims to help Nigeria meet investor expectations in global capital markets. This makes the job easy for investment banks carrying out cross-border investment banking operations. It makes the investment sector in Nigeria attractive to foreign investors.¹¹⁷

3.6.6 National Deposit Insurance Corporation (NDIC)

The National Deposit Insurance Corporation (NDIC) helps to maintain confidence and stability in the Nigerian financial sector. The NDIC is an independent body, and its mandate is to provide insurance safety for the deposits (whether investments or customer savings) in the possession licensed banks and OFIs within Nigeria.⁹⁷

The NDIC's deposit insurance scheme helps to safeguard the deposits made by Nigerian investors or banking customers in the event that a bank or OFI becomes insolvent or in the event of a stock market crash. It ensures that innocent customers or investors who are only looking to save or earn more money for themselves, do not go empty-handed and lose confidence in the financial sector. History has shown us what it looks like to lose the investments and savings of customers to a stock market crash. In the United States, before the first market crash of 1929, there was no mechanism in place to safeguard the investments and savings of customers and investors, hence so many of these persons had to go empty handed and with shattered confidence in the financial sector of the United States. This was what led to the establishment of the Federal Deposit Insurance Corporation (FDIC) in 1933 in the United States.

⁹⁷ Mbakogu (n29).

Moreover, the corporation collaborates closely with the Central Bank of Nigeria (CBN) and other relevant authorities to monitor the activities of insured institutions, ensuring compliance with established guidelines and prudential standards. In addition, NDIC plays a vital role in the resolution of distressed or failed financial institutions. Whenever a bank or OFI faces insolvency, the NDIC helps, with various schemes, to facilitate mergers, takeovers, or restructurings in order to help such institutions get back on their feet.⁹⁸ With these measures, the NDIC helps to reduce confusion in the financial sector and promote investor protection and confidence.

3.6.7 The Federal High Court (FHC)

The Federal High Court (FHC) was established by section 249 of the Nigerian Constitution.¹²⁰ Section 251 bestows on it exclusive jurisdiction in civil causes and matters— (c) connected with or pertaining to banking, banks, other financial institutions, including any action between one bank and another, any action by or against the Central Bank of Nigeria arising from banking, foreign exchange, coinage legal tender, bills of exchange, letters of credit, promissory notes and other fiscal measures. The foregoing is quite clear as to how the FHC regulates investment banking activities. To the exclusion of other courts, the constitution grants it the power to settle disputes relating to banks and other financial institutions under which category, investment banking finds itself.

Also, both the ISA and the CAMA provide that the FHC is saddled with the responsibility of hearing matters relating to applications for the winding up of a company.¹²¹ In essence it is the FHC which can give an order as to the winding up of a company upon application of the

⁹⁸ Imoisi (n32).

company itself, or its creditors. By section 732, CAMA provides that the Chief Judge of the FHC as directed by the National Assembly has the power to make rules of court stating guidelines for the effective enforcement of the provisions of the Act as they relate to winding up.

While the FHC has exclusive jurisdiction over matters relating to disputes arising from banks and OFIs in general, there is need for a body which adjudicates on matters relating to disputes in the capital market as well as against the SEC. Thus the ISA in section 314

¹²⁰ 1999 Constitution of the Federal Republic of Nigeria (as amended).

¹²¹ Section 81 ISA and section 570 CAMA. Section 570 provides thus; — the Court having jurisdiction to wind up a company is the Federal High Court within whose area of jurisdiction the registered office or head office of the company is situate.

established the Investment and Securities Tribunal (IST), to exercise powers as may be granted to it by the Act.

By section 326, the IST has exclusive jurisdiction to adjudicate on matters relating to disputes arising from complaints against the SEC. Its jurisdiction also covers disputes between capital market operators and any other person, whether their clients or other selfregulatory bodies.

Conclusion

This chapter examined the statutory and institutional regulatory frameworks which governs investment banking activities within Nigeria. It also established that as much as the legal and institutional mechanisms seek to organise the financial sector within Nigeria, it also seeks to provide a safe and protected investment platform for investors, making the investment climate attractive to both domestic and foreign investors. Accordingly, the next chapter

examines the challenges, implications and impact of investment banking on the financial market.

CHAPTER FOUR

CHALLENGES, IMPLICATIONS AND IMPACT OF INVESTMENT BANKING ON THE FINANCIAL MARKET

4.1 Introduction

The previous chapter focused on analysing the key legislative enactments and the agencies established alongside, for the regulation of investment banking activities in Nigeria. This chapter focuses on the challenges which bedevil the activities of investment banks in Nigeria. The chapter also focuses on implications and the impacts which an effective regulation of investment banking has on both investors and the financial market.

4.2. Challenges and Loopholes of Regulations

The legal frameworks for the regulation of investment banking in Nigeria is bedevilled by a series of challenges and loopholes as may be already deducible from the previous chapter. These challenges and loopholes undermine the efforts of lawmakers to achieve a wellstructured and investor friendly financial market in Nigeria. It is the aim of this chapter

to expose some of these challenges and loopholes. This chapter also focuses on the positive impacts of the legal and regulatory frameworks of investment banking on investors (foreign and domestic) as well as the financial market in Nigeria.

4.1.1 Multiplicity of Regulatory Agencies

This is one of the challenges facing the effective regulation of investment banking in Nigeria. Particularly in Nigeria where not so many people care about the provisions of the law, it would do so much good if all the regulatory frameworks of the financial market can be found in one law document. Having such regulatory frameworks scattered in various legislations would lead to confusion for a good number of the masses who are not only illiterate, but uninterested and apathetic in knowing what the law says.

In Nigeria, under the Investments and Securities Act (ISA), the Securities and Exchange Commission (SEC) governs the sale of securities. However, as we saw in the previous chapter, other regulatory institutions exist such as the Corporate Affairs Commission (CAC), the Central Bank of Nigeria (CBN), the Nigerian Exchange Group (NGX) and others, acting under their own enabling statutes to regulate the financial sector in Nigeria. The presence of multiple regulators can lead to inefficiencies such as delays in the approval process and increased compliance costs. Having multifarious Agencies can also lead to various and inconsistent interpretations of the provisions of the law as to their duties and functions. This lack of harmonization undermines investor confidence, highlighting the need for a clearer

delineation of responsibilities among Nigeria's regulatory bodies to enhance the efficiency of capital market regulation.⁹⁹

4.1.2 Overlapping Mandates

This challenge is one which usually arises from the multiplicity of regulatory agencies as discussed above. If the Agencies were not so many, then the problem of overlapping mandates would not arise. For example, in times when banks and OFIs are faced with winding up, both the Banks and Other Financial Institutions Act (BOFIA) 2020 and the National Deposit Insurance Corporation (NDIC) Act provide that the CBN and the NDIC respectively, are to help out with transactions like mergers, restructurings and so on. When two or more regulatory agencies work together like this, it is very easy for politics and power-play to set in. In such situations, there is usually confusion as to who should do what and who should handle what.

4.1.3 Enforcement and Compliance Issues

The benefits of the enforcement of laws and policies in the capital market cannot be overemphasized. This is because effective enforcement will mitigate and reduce the fraud and foul play at the market, discourage directors or officers of companies from sharp practices and insider trading, misleading/falsified disclosure, or fraud.¹⁰⁰ In essence, enforcement will achieve the organisation and the structure which lawmakers already envisaged for the Nigerian Financial Sector.

⁹⁹ EO Nwosu, —*Legal and institutional frameworks for capital market regulation in Nigeria: Recasting the Agendas Beyond Compliance-based regulation.* (Journal of Financial Crime, 2021), 28(2).

¹⁰⁰ L Hail & C Leuz, —International differences in the cost of equity capital: Do legal institutions and securities regulation matter? (Journal of Accounting Research 2006), 44, 485.

Thus, one of the major shortcomings in the regulation of investment banking in Nigeria, is the inability of the SEC and other supporting agencies to properly exercise their powers and functions in the formulation and execution of capital market policies.¹⁰¹ Some of these have been traced to the inadequacy of capacity and capability particularly of the Securities and Exchange Commission to implement the provisions of the Investment and Securities Act and effectively exercise its authority over market operators, exchanges, self-regulatory organizations, and other market participants, especially as the market grew very rapidly in size and complexity.¹⁰²

However, with the amendment to the ISA 2025, the enforcement powers of the SEC are now expanded. In the performance of its duties, the SEC now has the power to carry out critical supervision on the activities of market operators. The Commission can now often make requests for information on how capital market operators run their business. This amendment is indeed a timely one, but this is just on paper. One has to hope that the Commission will actually utilise these reinforced powers given to it by the National Assembly to the latter and maintain an environment which drives discipline while safeguarding investors.

4.1.4 Corruption and Malpractices

According to Osioma, corruption is often said to be rare in Botswana, widespread in Ghana and systemic in Nigeria.¹⁰³ According to Igbinovia, corruption refers to all forms of bribery,

¹⁰¹ PJ Fawei, —An Analysis of The Roles of Regulatory Agencies in The Nigerian Capital and Stock Market. (Ajayi Crowther Law Journal 2016) p.1

¹⁰² ibid

¹⁰³ BC Osioma, —Combatting Fraud and White-Collar Crime: Lessons from Nigeria. (paper presented at 2nd Annual Fraud and Corruption Summit, Held at Zanzibar, Republic of Tanzania)

abuse of office and nepotism, any favour done in expectation of material or nonmaterial gain or even in reward of an earlier deed.¹⁰⁴ Corruption is the driving force of many unethical behaviours both by government officials and even private citizens. It is the bedrock of the challenges facing the regulation of investment banking in Nigeria. In consideration here are unethical practices like insider trading. Insider Trading is a form of white-collar crime committed by people who must have attained a position of authority and trust. —Insider trading¹⁰⁵ or —insider dealing¹⁰⁶ are phrases used interchangeably to describe the use of inside information that is price sensitive and has not been made available to the public about a company or securities to make a profit or avoid loss through trading activity.¹⁰⁵

The impact of insider trading is far reaching. Insider trading erodes the investors' trust in the markets, leading to a significant decline in their confidence to invest. Only few cases of insider trading are reported and publicised, but we can see an example of insider trading which was reported in Nigeria early in 2025. In April 2025, the Oyo State High Court convicted Olaniyan Gbenga Amos for operating an online investment fraud through Detorrid Heritage Investment Limited. He was found guilty of obtaining money by false pretence and was sentenced to 63 years imprisonment.¹⁰⁶ When company officials engage in insider trading, they betray the trust of investors, especially in both prosperous and challenging economic times, where investors' funds are crucial to keeping companies afloat. This breach of trust drives investors away from the market, ultimately resulting in decreased market

¹⁰⁴ PE Igbinovia, —The Criminal in All of Us: Whose Ox have We not Taken?! An Inaugural Lecture Delivered at the University of Benin on Thursday, 27 November, 2003, 35.

¹⁰⁵ J Armour, —Principles of financial regulation. (Oxford University Press, 2016) 10.

¹⁰⁶ Matthew Ogune, **'Serial investment fraudster bags 63 years in Ibadan'**

<<https://guardian.ng/news/nigeria/metro/serial-investment-fraudster-bags-63-years-in-ibadan>>accessed 23rd September 2025.

liquidity.¹⁰⁷ Sources even have it that the 2008 stock market crash in Nigeria might have been caused by criminal practices, of which insider trading is one.¹⁰⁸

However, in a bid to curb insider trading in Nigeria, the ISA criminalises and provides punishment for insider trading. Sadly enough this will still not put an end to it.

4.1.5 Cyber-Related Risks

As identified in the first chapter of this long essay, cyber risks pose one of the most significant challenges of investment banking especially in this age where Artificial Intelligence (AI) has penetrated every sphere of human life. These days, technology is being used to perpetrate various forms of cybercrimes and malicious acts like trafficking, intellectual property infringement and internet scams, narrowing it down to challenges which investment banking faces. Researchers at the University of Groningen describe cybercrime as behaviour wherein a technological device is the primary means, and the offender's aim is to access information or exploit the internet for malicious purposes. The common ways in which this technological challenge poses threats are advanced fee fraud and phishing.

Advanced fee fraud, mostly known as ‘419’, is the most common type of cybercrime in Nigeria. It is simple and it is targeted at unsuspecting victims in a bid to convince them to pay a sum of money upfront, usually disguised as investment deposits, processing fees, or clearance costs, accompanied with an untrue promise that a much larger financial reward

¹⁰⁷ E Gailard, —Insider trading: The laws of Europe, the United States, and Japan. I (Kluwer Law International, 1992).

¹⁰⁸ Eromosele Abiodun, ‘Preventing Insider Dealings in a Rebounding Stock Market’ *Thisday* (30 January 2013) <<https://allafrica.com/stories/201301300106.html>> accessed 29th June 2025.

would be earned at a later date. Once the payment is made, the fraudsters disappear, leaving victims in financial distress.¹⁰⁹ The method of operation is now different from what it was many years ago when letters and faxes were being used. The Nigerian legal system however frowns against such and criminalises fraud by whatever described; whether obtaining by false pretences¹¹⁰, or advanced fee fraud.¹¹¹

In May 2025, the Federal High Court in Port Harcourt sentenced three men, Rex Akah Kinikachi Kelvin, Kennedy Chinedu Eleyi-Waltar, and Chris Orji to 90 months imprisonment each for impersonation and online fraud via Telegram, with their gadgets and a vehicle forfeited to the government.¹¹²

Phishing, on the other hand, is also very common and similar to advanced fee fraud. In this case, phishing occurs when a criminal poses as a trusted institution such as a bank, government agency, or well-known business to deceive individuals into revealing confidential information like passwords, credit card numbers, or bank details.¹¹³ In many cases, scammers create counterfeit websites that look identical to real ones, tricking unsuspecting users into entering personal data or clicking malicious links that install harmful software. In Nigeria, phishing is specifically recognized and criminalized under the

¹⁰⁹ Solomon Gwom, ‘A Focus on Advanced Fee Fraud in Nigeria: Nature, Prevalence and the Urgent Need for Enforcement of Relevant Laws’

<https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3421734> accessed 23 september 2025.

¹¹⁰ Section 419 Criminal Code Act CAP C38 Laws of the Federation of Nigeria, 2004.

¹¹¹ Section 1(3) Advance Fee Fraud and Other Fraud-Related Offences Act 2006, and the Cybercrimes (Prohibition, Prevention, etc.) Act 2015.

¹¹² Obinna Nwaoku, ‘Three Convicted of Internet Fraud sentenced to 90 months imprisonment.’ <<https://guardian.ng/news/nigeria/metro/three-convicted-of-internet-fraud-sentenced-to-90-monthsimprisonment/>> accessed on 23rd September, 2025.

¹¹³ ‘What is phishing?’ <<https://www.proofpoint.com/us/threat-reference/phishing>> accessed 29 October 2025.

Cybercrimes (Prohibition, Prevention, etc.) Act 2015. Section 32(1) of the Act provides that any person who knowingly or intentionally engages in computer phishing shall be liable on conviction to three years imprisonment or a fine of one million naira or both. Sadly, this provision will still not put an end to such unscrupulous acts.

4.2 Implications For Both Domestic and Foreign Investors

Flowing from the legal and institutional frameworks for the regulation of investment banking in Nigeria as examined in the previous chapter, it is important to highlight some of the implications of these regulations for domestic and foreign investors.

4.2.1 Legal Certainty and Positive Investment Climate

Although the legal and institutional frameworks for the regulation of investment banking has not fully realised its desired quality, it is not entirely wrong to state that with what we have currently, there could still be clarity and predictability of legal and institutional rules. This can be achieved only when the rules are consistent and are properly enforced. With all of these, investors are able to study the rules and observe the business environment of the nation. They are able to assess the risks associated with the market, and know the implications of whatever decisions before they even make them. Thus, investors need clear guidelines on capital requirements, foreign exchange and the allocation of profits.

On the other hand, the investment climate would experience a positive upgrade. The climate becomes stable, and the transparent regulatory environment becomes attractive, pulling foreign and local investors into the Nigerian capital market. In this climate also, systemic risks and fraud risks are also reduced, boosting the confidence which investors have in the market.

4.2.2 Investor Protection and Dispute Resolution Mechanisms

The previous chapter of this work focused on examining some of the various statutory and institutional frameworks established to regulate investment banking in Nigeria. These regulations are established for two main purposes. To protect investors and to boost economic growth through a well structured and organised financial market.

The law provides that companies seeking to perform business as banks or OFIs should as a matter of necessity obtain a license. This ensures that the capital investments and or savings of investors and customers are not being handled by unknown people who can easily run away with funds after obtaining the trust of investors.

Furthermore, the regulations criminalise insider trading and other corrupt practices. After making sure that market operators are mandatorily licensed, regulations still go further to criminalise the act of using confidential or sensitive information to manipulate the trade of stocks in order to gain more profit than normal or avoid too much loss than normal. The liquidity of the financial market is well accounted for, and it all adds up. Thus if certain market operators gain more than usual, then, logically and mathematically, somebody (usually innocent investors) loses more than is normal and vice versa.

Still in furtherance of investor protection, the regulations also established mechanisms for the resolution of disputes. Whenever disputes arise in the capital market, and they are bound to, disputing parties can resort to the Investments and Securities Tribunal or the Federal High Court. It is thus one of the implications of the regulatory frameworks to achieve investor protection.

4.3 Impact on Financial Market Development

4.3.1 Role in Capital Mobilization and Economic Growth

Capital mobilization is simply the movement of money (capital) into an investment scheme in furtherance of a project. This movement which often happens on a large scale is never going to be possible without a capital market, and in turn, a capital market is never going to be functional without regulations guiding how it facilitates the mobilization of money in and out of the market. It is often said that the capital market of any nation determines the pulse of its economy. Thus, even though Nigeria's regulatory frameworks are not as advanced as those of the United Kingdom or the United States of America, we have to start from somewhere at least. With consistency and proper enforcement of the rules we have currently, the capital market in Nigeria is sure to facilitate economic growth.

4.3.2 Risk Exposure and Regulatory Oversight

Regulations aim to manage, but not eliminate, various risks in capital markets, such as credit risks, market risks, risks in liquidity and operational risks in general. In the example of a systemic risk, the CBN guidelines help to prevent a domino effect in the event of financial distress to the market. It does this by ensuring that banks maintain a liaison to absorb losses. These liaisons are usually insurance houses or even the NDIC itself whose job is to provide insurance for market operators to ensure that the investment funds or savings of customers are not lost.

Regulations also prevent excessive speculations¹¹⁴ in order to prevent market manipulation. If investors or operators begin to expect too much from the market, they tend to go any

¹¹⁴ Part of what led to the stock market crash of 1929.

lengths to gain as much profit or avoid as much loss, hence they commit one criminal act or another.

Thus, in light of the foregoing, regulations exist to provide oversight. Regulatory oversight forces compliance with already established guidelines. For example, the CBN mandates the licensing and supervision of banks in order to ensure compliance with capital requirements and operational guides.

Also, regulations ensure disclosure and transparency. Companies, whether listed or not, must publish memorandums and articles periodically. In the case of a company listed in the stock exchange, they must publish audited reports which help investors to better assess risks.

An investor, as a matter of principle, is supposed to know what he is getting himself into.

Finally, for erring companies and operators alike, regulations provide penalties for noncompliance with laid down guidelines. The SEC for example, penalizes the abuse of the market (insider trading and other criminal practices) in order to protect investors.

4.4 Comparative Analysis With Selected Jurisdictions

There are various approaches to the regulation of the securities market. A global survey by Howell Jackson & Stavros Gadinis, on regulatory approaches concluded that there are three models of securities regulation namely: —Government led Modell exemplified by France, Germany and Japan, —Flexibility Modell typified by the United Kingdom, Australia and Hong Kong and the —Cooperation Modell, as practiced in the United States and Canada.¹¹⁵

¹¹⁵ JK Gakeri, —Regulating Kenya's Securities Markets: An Assessment of the Capital Markets Authority's Enforcement Jurisprudencel, *International Journal of Humanities and Social Science* Vol. 2 No. 20 [Special Issue – October 2012] 265.

In the following paragraphs, we shall examine and compare the approaches practiced in the United Kingdom and the United States of America.

4.4.1 Overview of Institutional Practices in The UK & USA

4.4.1.1 The United Kingdom (UK)

The United Kingdom has recorded significant success in building a London-based global securities market using a regulatory approach that self-consciously rejects many features of the US model.¹¹⁶ In the United Kingdom, the State Treasury is responsible for the overall institutional structure of regulation in the field of financial stability, and the legislation which governs it.

The Financial Services and Markets Act (FSMA) laid down the statutory framework for the regulation of the financial markets, and provides for the establishment of the Financial Services Authority (FSA), which later gave way for the Financial Conduct Authority (FCA) in 2013, as the single statutory regulator directly responsible for the regulation of deposit-taking, insurance and investment businesses. While FSMA 2023 is relevant for recent reforms and amendments, the FSMA 2000 is still the cornerstone of the UK's financial regulatory framework.¹¹⁷ The FCA is an independent non-governmental body, funded by market participants, accountable to the Treasury and, through it, to the Parliament. Although the members of its board are all appointed by the Chancellor of the Exchequer, the FSA is not subject to the executive authority of the Treasury. The FSMA mandates the FCA to pursue four objectives (a) to maintain confidence in the UK financial system; (b) to promote

¹¹⁶ Fawei (n3)

¹¹⁷ Adeleke, Azeez Babatunde & Afuape, Deborah Simisola, 'An Overview of the Legal Frameworks for Public Offering of Securities in Nigeria'. *Postgraduate School Journal LASU* vol. 1 No.2, [January 2022].

public understanding of the financial system; (c) to secure an appropriate degree of protection for consumers while recognising their own responsibilities; and (d) to reduce the scope for financial crime.¹¹⁸

Before the enactment of the FSMA, the responsibility for the regulation of financial matters was shared by several organisations, namely the Bank of England, the Securities and Investments Board (which became the FSA), Self-Regulating Organisations (SROs), the Department of Trade and Industry Insurance Directorate, the Building Societies Commission, the Friendly Societies Commission and the Registry of Friendly Societies. Till date, these bodies still play significant roles in the regulation of the financial market either by making sure companies meet the standard capital requirement, or by safeguarding the integrity of the market.¹¹⁹ The purpose of creating a single regulator was to produce a more coherent and cost-effective approach to regulation, and to remove the scope for duplication, gaps and inconsistency that had affected the old system. The above described old regime of capital market regulation in the United Kingdom shares almost all basic features of the present Nigerian capital market regulatory regime. Notable is the fact that the challenges that the UK old regime posed are common with the present regulatory challenges in the Nigerian capital market, which therefore implies a serious need for a positive change.

The FSA acquired its responsibility for supervising banks, listed money market institutions and related clearing houses from the Bank of England, and the regulatory and registration functions from the SROs (including the listing function of the London Stock Exchange). The fact that FSA assumed all of the listing regulatory functions formerly performed by the LSE

¹¹⁸ Ibid.

¹¹⁹ Adeleke (n19).

has removed the potential for conflict of roles on the part of LSE, particularly in light of pressures to relax listing standards, and has recognised that statutory regulators can better weigh public interest arguments than a profit seeking exchange.¹²⁰

Unlike Nigeria and the United States where the stock exchange is responsible for assessing the eligibility of an issuer to be listed whilst the regulator is responsible for information disclosed to the market by the issuer, all responsibilities for primary market regulation in the UK lie with the UK Listing Authority (UKLA), a division of the FCA which is the competent authority responsible for admission of securities to the official list. Prior to the setting up of the FCA, the LSE was a private limited company, and was the Competent Authority for Listing in the UK. In 2000, the LSE transferred its role as the UK Listing Authority to the FSA and became a public limited company.¹²¹ Notwithstanding the transfer of the listing functions, the Exchange has continued to set its own requirements for companies quoted on its trading boards, including the right to decide whether or not to admit a listed security to trading and to make and enforce its own rules.

4.4.1.2 THE UNITED STATES OF AMERICA (USA)

The United States is one of the nations that laid down public regulation on securities markets very early, which was around the 1920s.¹²² However, neither the executive branch nor the legislature is involved in the day-to-day regulation of the securities market. They are also not involved in the establishment of rules governing the operation of the securities market and

¹²⁰ Ibid.

¹²¹ James Chen, 'London Stock Exchange (LSE) Definition, History, and Major Events,' <<https://www.investopedia.com/terms/l/lse.asp>> accessed on 9th November, 2025.

¹²² Gakeri (n17).

Self- Regulatory Organizations (including the exchanges) and neither do they have any power of direction over the regulatory authority.¹²³

The regulatory approach presently adopted in the United States is the collaborative or cooperation model.¹²⁴ By this model, the SEC as well as the Investment Company Industry collaborates to ensure that market rules are made and complied with while maintaining investor confidence.¹²⁵ In the first part of the twentieth century, most state Laws subjected brokers and dealers to public oversight and required that securities be registered with a public agency before they were sold. In 1933 and 1934, partly in response to the market crash of 1929 and the ensuing Great Depression, the United States Congress created a national regulatory agency called the Securities and Exchange Commission¹²⁶ to enforce newly enacted securities laws. The regulatory function is performed by the Commission which is an independent statutory body set up by statute. The commission's independence extends to its rule making functions for the capital market. However, the Commission will consult the Secretary of the Treasury if the proposed changes to rules filed with the Commission by registered securities associations primarily concern conduct relating to transactions in government securities. It is worthy of note that there is no statutory requirement for the Commission to consult the Secretary of the Treasury on other changes to the rules proposed by the Self-Regulatory Organizations.

¹²³ _Who regulates US Stock markets?' <<https://groww.in/blog/who-regulates-us-stock-markets>> accessed on 9th November, 2025.

¹²⁴ Gakeri (n17).

¹²⁵ Ibid.

¹²⁶ Peter Gratton, _Securities and Exchange Commission (SEC): What it is and How it works', <<https://www.investopedia.com/terms/s/sec.asp>> accessed on 9th November, 2025.

The Securities and Exchange Commission is composed of five presidentially-appointed Commissioners with the approval of the Senate. The President designates one of the Commissioners as Chairman, who is the Commission's top executive.¹²⁷ The Commissioners meet to discuss and resolve a variety of issues brought to their attention by staff of the Commission. The meetings are open to the public and the media unless the discussion pertains to confidential subjects, such as whether to begin an enforcement investigation. The five divisions of the commission are the corporate finance division, market regulation division, investment management division, division of economic and risk analysis, and enforcement division.¹²⁸ The Securities and Exchange Commission has the duty of administering the provisions of four securities statutes. The Securities Act of 1933, The Securities Exchange Act of 1934, The Investment Company Act of 1940, the Investment Advisor's Act of 1940, and the Trust Indenture Act of 1939. The Commission's primary concern is maintaining fair and orderly markets and protecting investors from fraud. Two types of firms come under the Commission's jurisdiction, which are all corporations that sell securities to the public; and securities broker/dealers and other securities markets intermediaries. To enable investors to make informed investment choices, the Commission also has statutory authority over financial accounting standards.¹²⁹

The United States capital market regulatory regime shows an adequacy of capital market laws which are administered by the SEC. As shown above, the regulatory functions of the

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ EV Murphy, —Who Regulates Whom and How? An Overview of U.S. Financial Regulatory Policy for Banking and Securities Markets, *Congressional Research Service*, [2013].

Investment Company Industry is more of an oversight function. This puts the SEC in a position as the chief regulator of the capital market with both legislative and executive powers.

From the foregoing, it is evident that Nigeria tends to favour the cooperation model of securities regulation. The Nigerian situation is however much different from that of the US, as the regulatory agencies in the capital market are multiple, which brings about overlap of regulatory functions. It is therefore ironic that our system does not produce as much result because a —cooperation model should actually be easier in practice when there are multiple agencies who would have to —cooperatell with themselves towards producing better results when it comes to securities regulation. Nigeria is therefore faced with the decision of either concentrating regulatory functions in a single agency or providing a better system where these multiple agencies can learn to work together cooperatively and appreciate themselves.

CONCLUSION

This chapter aimed to expose some of the challenges which confront the proper administration of the regulatory frameworks of investment banking in Nigeria. Also, this chapter featured the impacts and implications which the statutory and institutional regulatory frameworks of investment banking have on investors on the one hand, and the financial market, in extension, the economy on the other hand. Moving further, this chapter visited the institutional practices of jurisdictions such as the United Kingdom and the United States of America highlighting the options Nigeria has if it should continue with the —cooperation model of securities regulation. Accordingly, the next chapter summarises the findings from

chapters one to four proffers recommendations and provides a final conclusion to the long essay.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This research sought to provide answers to the following questions thus;

- i. What is the nature, scope and functions of investment banking?
- ii. How does investment banking differ from traditional (commercial) banking activities?

- iii. What constitutes the legal and regulatory frameworks of investment banking in Nigeria?
- iv. What are the challenges that confront the regulation of investment banking in Nigeria, and what are the impacts of the regulatory frameworks therefor?
- v. What strategies could be recommended to help address these challenges and foster an efficient regulation of investment banking in Nigeria?

In the course of writing this long essay, answers were provided to the above questions and the answers would be suggested in subsequent paragraphs.

The findings of the study indicate the following:

1. Investment banking is a type of banking that specializes in organizing large, complex financial transactions such as corporate combinations (mergers) or the underwriting of initial public offering (IPO). These banks may function to raise money for corporations in a variety of ways, such as underwriting the issuance of new securities for a corporation, municipality, or other institution. In simple words, Investment banking deals with raising money for companies, governments, and provides avenues for institutional investors to make profit.
2. The basic functions/scope of investment banking may include;
 - i. Capital Markets: Here, Investment Banks stand as experts to help large corporations with the issuance of securities. This breaks the capital market into two broad classes; Equity Capital Markets (ECM) and Debt Capital Markets (DCM). Examples of the products which these experts help to issue are initial

public offerings (IPOs), Seasoned Equity Offerings (SEOs) and private placements (on the part of ECM). For DCM, the products include Bonds, Loan syndications and Asset-Backed securities.

- ii. **Advisory:** Here, the expertise of investment bankers behoves them to advise large corporations on strategic transactions like mergers & acquisitions (M&A) i.e what assets of a company or even what company to buy, when to buy and how much to pay for it. These experts also help companies facing threats of liquidation bounce back to life with requisite advice on corporate restructurings.
- iii. **Trading & Brokerage:** The nature of investment banking may also move experts to buy assets or hold securities with the funds of institutional investors. These assets and securities are later sold when they appreciate and increase in value and the funds as well as the increment would be given back to such investors. Experts as a matter of fact gain their fees (usually called commission) from such funds.
- iv. **Asset Management:** As the name suggests, investment banks may help institutional investors purchase assets such as real estate, for example, which according to their informed and educated analysis would increase within a given period of time.

- 3. In Nigeria, a handful of statutes and institutions constitute the legal framework for the regulation of investment banking activities. They are; Investments and Securities Act 2025, the Companies and Allied Matters Act (CAMA) 2020, the Banks and Other Financial Institutions Act (BOFIA) 2020. Some of the Regulatory Institutions

are; the Securities and Exchange Commission (SEC), the Corporate Affairs Commission (CAC), the Central Bank of Nigeria (CBN), the Nigerian Exchange Group (NGX), the Financial Reporting Council of Nigeria (FRCN), the National Deposit Insurance Corporation (NDIC), the Federal High Court (FHC). The primary functions of these statutory and institutional regulators are surmised into two; (1) they function to promote investor protection and (2) they function to ensure a well structured and organised financial market which puts the Nigerian financial market in line with global and international best practices.

4. The regulation of investment banking is bedevilled by a series of challenges and loopholes which undermine the efforts of lawmakers to achieve a well-structured and investor friendly financial market in Nigeria. Some of these challenges include multiplicity of regulatory agencies, overlapping mandates, enforcement and compliance issues, corruption and malpractices and cyber-related risks. Some of the impacts of the statutory and institutional frameworks for regulating investment banking are as follows; (1) it ensures legal certainty and a positive investment climate, (2) it provides investor protection and dispute resolution mechanisms. On another hand, particularly for the financial market and the Nigerian economy by extension, it plays a crucial role in capital mobilization and economic growth, and lastly, it provides risk exposure and regulatory oversight for the Nigerian capital market.

5.2 Recommendations

After examining the regulatory frameworks governing investment banking in Nigeria and the challenges confronting them, it becomes necessary to propose certain measures which, in the view of this writer, could significantly improve the trajectory of the Nigerian financial markets if effectively implemented.

5.3.1 Better Tailored Legal Frameworks

Although the Nigerian legal system has taken significant leaps and has made innovations in the regulation of investment banking activities, more can still be done. For example, since the world has rapidly taken a turn towards automation, this should also reflect more in our regulatory frameworks. The areas of financial technology (FinTech) and the recognition of digital assets which are novel in Nigeria, require more laws on their subject matter in order to cover more grounds in the shift towards technological advancements.

The agencies responsible for FinTech and the recognition of digital assets in Nigeria are the CBN and the SEC respectively. Thus, aligning the SEC's digital asset recognition rules with that of the CBN's automated payment system regulations is a start towards tailoring our legal frameworks for the better.

5.3.2 Promoting Inter-agency Coordination

As has been stated earlier, one of the main challenges posed on the regulatory frameworks of investment banking is the existence of multiple regulatory agencies. The existence of these agencies makes for an overlap in mandates, making it hard for their duties to be effectively carried out. The recommendation here is thus; that since Nigeria favours the —cooperation model of securities regulation, it should completely adopt the American system of securities regulation and concentrate all the powers of regulation in one agency

which is the SEC. That way, the problem of overlapping mandates and lack of cooperation is reduced or put to an end. On the flip side, another solution is to create mechanisms by which cooperation between the various regulatory agencies is fostered and strengthened. By these mechanisms, the agencies are better coordinated. They learn to appreciate their individual roles and cooperate effectively with themselves.

5.3.3 Strengthening Institutional Capacity

Strengthening institutional capacity is also a solution which would promote the regulation of investment banking activities. This suggests that the regulatory agencies be upskilled in accordance with the requirements of global best practices. For example, the international organisation of securities commission (IOSCO) has published guidelines over and over again in a bid to achieve a well-structured securities market in many jurisdictions of the world. It would be an upskill if Nigerian regulators imbibe the most recent guidelines to that effect. An upskill would go a long way in educating these regulators on how best to carry out their duties effectively.

Furthermore, as a way of strengthening institutional capacity, agencies should be made to adopt more technological skills. If data analytics skills and the use of artificial intelligence is incorporated, market surveillance and risk monitoring become very easy.

5.3.4 Enhancing Investor Education and Transparency

The Nigerian financial market is often regarded as unsophisticated and lacking in depth. The simple reason is the general lack of awareness as to capital market operation and the

protection available for investors who venture into the market.¹³⁰ As result of this, many people tend to deliberately avoid the financial market and perceive the risk of investing and losing their money. It is therefore recommended that both capital market operatives and investors be kept abreast with the innovations of the financial market as well as the best practices by which a financial market should be operated. In addition, the financial market is urged to provide a mechanism by which potential investors are educated on the rights available for their protection if they eventually decide to invest in the market. This would also go a long way in promoting transparency in the market, because by educating investors on how to invest and the protection available to them, transparency in the market is being promoted. Investors become satisfied that there is no hidden information which would be detrimental to their interests.

5.3 Conclusion

A very vast knowledge of the law is not required, to come to an appreciation of the dynamism and the omnipotence of the law as a whole. Contrary to what many may think or know, Law is not limited to only the regulation of the criminal justice system or the enforcement of one contractual right or another. It cuts across so many other frontiers, many which have been in existence for as long as Man cares to remember, and others—a few—which are novel. The point is that, even if novel, the law has a regulatory part to play in every frontier or aspect of society.

¹³⁰ O Akpomudje, 'Legal Regulation of The Capital Market in Nigeria: Analysis and Prospects for Reform' (PhD Thesis Faculty of Law Lancaster University 2017).

Furthermore, when we talk about the area of Capital or Stocks Market, the Law has roles to play. Capital Market is but one aspect of a larger umbrella called Investment Banking. From the Glass-Steagall Act of 1933 enacted shortly after the Stocks Markets crash of 1929 to the Gramm-Leach Bliley Act of 1999, to the Investments and Securities Decree of 1979 in Nigeria, now the Investments and Securities Act of 2025, Investment Banking activities have always been regulated by law.

In Nigeria, there are a number of regulatory institutions established by law to ensure strict compliance with prescribed industry practices and to effect penalties whenever the interests of Investors are compromised. A few of these institutions saddled with the responsibility of ensuring efficient corporate governance are: (1) the Corporate Affairs Commission (CAC), without which, companies may not be registered and may not obtain legal personality. (2) The Securities and Exchange Commission (SEC) empowered to register and clear Companies seeking to invite the public to purchase or subscribe to their shares. (3) the Central Bank of Nigeria (CBN) whose role, amongst others, is to promote a sound financial system in Nigeria and to act as Banker to the federal republic, and other equally important institutions examined in the course of this long essay.

These regulatory frameworks are very often bedevilled by challenges which often limit their supremacy; cause people to lose their investments and profits, and ultimately hinder the growth of the capital market and the economy as a whole.

However, these challenges can be reduced; if rules are better tailored to meet the actual regulatory needs of the market, a bit more consistency is applied in the enforcement of the regulations, if institutions and agencies responsible for regulating the market can learn to

cooperate with themselves, or, better still, concentrate the regulatory powers in a single agency, and if investors can be taught to be more sophisticated.

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