

Beyond the Numbers II:

Qualifying Capital and the New
Compliance Architecture under
the SEC's 2026 Guidelines



Introduction

The Securities and Exchange Commission (SEC or the Commission) issued Circular No. 26-1 on January 16, 2026 (the Circular), which revised the minimum capital requirements (MCR) applicable to all categories of capital market operators (CMOs).¹ Our earlier article, *Beyond the Numbers: Strategic Navigation of the 2026 SEC Revised Minimum Capital Requirement for Regulated Entities*, mapped those thresholds, highlighting the increases ranging from 200% to over 3,900%, and outlined the strategic pathways available to CMOs to comply in light of the 18-month window ending June 30, 2027.²

On March 18, 2026, the SEC issued the Guidelines on Revised Minimum Capital for Regulated Entities (the Guidelines), which provide a compliance framework. The Guidelines prescribe what counts as capital, how it must be computed, and what evidence and filings are required. The Circular set the bar; the Guidelines determine how it must be cleared. This article, the second in our *Beyond the Numbers* series, examines what qualifies as capital, how it must be computed, and the compliance framework operators must now navigate.

Defining Capital Base

The Guidelines provide a clear and restrictive definition of **"Capital Base"**. By limiting the capital base to qualifying components net of accumulated losses, the SEC moves beyond nominal balance sheet figures to focus on capital that is genuinely available and capable of absorbing losses. This ensures that the capital structure of regulated entities represents real, unencumbered value rather than mere accounting entries.

“The shareholders' funds of a regulated entity, comprising qualifying capital components net of accumulated losses as determined in accordance with these Guidelines.”

Qualifying Capital Components

Qualifying Capital is defined as “**capital that is fully paid-up, freely available, unencumbered, and reserves capable of absorbing losses on a going-concern basis.**”⁴ The Guidelines further prescribe four qualifying components of capital base, subject to verification by the Commission as follows:⁵

01

Fully paid-up ordinary share capital

02

Fully paid-up irredeemable preference shares; only where the shares are non-redeemable, subordinated to all creditors, and carry no mandatory dividend obligations

03

Share premium arising from fully paid-up capital issued for cash or other eligible consideration

04

Retained earnings arising from audited profits, less any unrealised gains

While the SEC notably differs from the Central Bank of Nigeria (CBN),⁶ by including retained earnings as capital, it is important to note that retained earnings must derive from audited profits, and any unrealised components must be deducted. Rather than an outright exclusion, the SEC has taken a more measured approach, permitting retained earnings only to the extent they are real, audited, and cash-crystallised.

Non-Qualifying Capital and Exclusions

The Guidelines expressly exclude the following from qualifying capital:⁷

01 Revaluation reserves and gains from asset revaluation

02 Unrealised or fair value gains not crystallised in cash

03 Borrowed funds, shareholder loans, or other debt instruments

04 Client monies, client assets, or securities held in custody or trust

05 Contingent assets and deferred tax assets

06 Any capital subject to lien, charge, pledge, or encumbrance

The logic behind the above exclusions is consistent and clear: capital must be permanent, unencumbered, and genuinely available to absorb losses. Assets that are borrowed, notional, pledged, or held for clients fail that test.

Computation of Capital Base

The starting point for every CMO is a rigorous audit of its balance sheet against the Guidelines, to identify qualifying components and establish its actual capital base. The Guidelines prescribe a computation methodology in Annex III, which is simply the summation of all qualifying capital components, then a deduction of accumulated losses.⁸

Annex III Formula

**Σ Qualifying Capital
Components**

-

**Accumulated
Losses**

=

**Capital
Base**

The SEC has added further discipline to this process: only qualifying capital reflected in audited financial statements no older than 9 months will be recognised for compliance purposes.⁹ The Commission also retains the right to require updated or interim audited accounts at any time.¹⁰

The practical implication of this is that a CMO whose audited accounts are approaching or have exceeded the 9-month threshold will need fresh accounts before it can demonstrate compliance with the capitalisation plan and the actual filing. Finance and legal teams must therefore plan the timing of audits, capital injections, and filing in an integrated sequence.

The Compliance Architecture

The Guidelines establish a structured compliance process with two distinct deadlines: April 30, 2026, and June 30, 2027.

April 30, 2026

First, CMOs are required to submit a board-approved capitalisation plan, or a downgrade/scale-back plan, to capitalbase@sec.gov.ng on or before April 30, 2026.¹¹ The Guidelines prescribe minimum content requirements¹² that collectively require an operator to account for, among other things, where it stands, where it needs to go, and how it will get there.

June 30, 2027

The second deadline is the final compliance deadline for all applicable categories.¹³

Three Pathways to Compliance

Capital Injection

Cash or eligible non-cash instruments subject to valuation under Annex I.

Business Combination

Merger or acquisition subject to prior SEC notification and a formal No Objection.

Downgrade / Scale-back

Strategic downgrade or scaling back of currently registered functions.¹⁴

These pathways are broadly consistent with those anticipated in our earlier article,¹⁵ now confirmed with specific regulatory conditions attached.

Importantly, compliance is not a one-time event; every CMO must maintain its applicable Capital Base at all times, and any capital impairment or breach must be reported to the Commission immediately, together with a remedial action plan.¹⁶

Filing, Documentation and Verification

Once compliance is achieved, CMOs must file the necessary documents through the Commission's designated electronic portal, supported by verifiable evidence.¹⁷ The documentation requirements vary by mode of capitalisation,¹⁸ but all filings must include the following:¹⁹

01

**Memorandum and
Articles of Association**

02

**CAC-certified board and
shareholder resolutions**
authorising the relevant
capital action

03

**CAC Certificate of
increase in share capital**

04

Current CAC Status Report

The Commission will conduct capital verification before any approval is granted and may undertake routine, risk-based, or for-cause verification at any time thereafter. **Operators should note that insufficient documentation is as likely to derail approval as a failure to meet the MCR threshold.**

Transitional Arrangements: New and Pending Applicants

The Guidelines draw a clear distinction between three categories of prospective operators. Those applying for registration from January 16, 2026, onwards must meet the revised MCR as a precondition for registration with no transitional relief.²¹ Those with applications pending as of January 16, 2026, must submit board-approved compliance plans and meet the revised MCR by June 30, 2027.²² Those whose applications had been pending for at least 12 months as of January 16, 2026, are deemed lapsed and must file new applications that meet the revised MCR.²³

01

New applicants from Jan 16, 2026

Must meet the revised MCR as a precondition for registration with no transitional relief.

02

Applications pending as of Jan 16, 2026

Must submit board-approved compliance plans and meet the revised MCR by June 30, 2027.

03

Applications pending ≥ 12 months (as of Jan 16, 2026)

Are deemed lapsed and must file new applications that meet the revised MCR.

Notable Differences Between the Circular and the Guidelines

A detailed examination of the Guidelines, particularly Annexure V, which restates the revised MCR for CMOs, reveals some cogent variations highlighted below:

a. **Restructured Thresholds and MCR for Fund and Portfolio Managers:**

This is the most substantial variation. The Circular created two tiers of managers: Tier 1, comprising managers with a Net Asset Value/Asset Under Management (NAV/AuM) above ~~₹~~20 billion, who are required to maintain an MCR of ~~₹~~5.00 billion; and Tier 2, comprising managers with a NAV/AuM of not more than ~~₹~~20 billion, who are required to maintain an MCR of ~~₹~~2.00 billion. Notably, when a Tier 1 manager's NAV/AuM exceeds ~~₹~~100 billion, it must maintain a minimum capital of 10% of its NAV/AuM.²⁴

The Guidelines restructure Tier 1 into two levels: Level 1, comprising managers with a combined NAV+AuM of between ~~₹~~40 billion and ~~₹~~250 billion, who are required to maintain an MCR of ~~₹~~5.00 billion; and Level 2, a new category absent from the Circular entirely, comprising managers with a combined NAV+AuM above ~~₹~~250 billion, who are required to maintain an MCR of ~~₹~~10.00 billion.²⁵ Tier 2 has been correspondingly redefined to cover managers with a NAV+AuM of not more than ~~₹~~40 billion, as opposed to the ~~₹~~20 billion in the Circular, at an MCR of ~~₹~~2.00 billion.²⁶

This reclassification implies that Managers previously sitting just above the ~~₹~~20 billion Tier 1 entry point now fall within Tier 2, facing a lower MCR of ~~₹~~2.00 billion. Those above ~~₹~~250 billion face a new fixed floor of ~~₹~~10.00 billion in place of the variable 10% obligation. All fund and portfolio managers are advised to re-examine their tier classification against the Guidelines rather than the Circular.

b. **Reversal of Tier Labels for Issuing Houses and Collateral Management Companies:**

There is no actual change in the MCR for both categories; however, the tier numbering has been inverted. The Guidelines now re-label the higher-capital, wider-scope operation as Tier 1 in both cases.²⁷

Conclusion

Together, they represent the most comprehensive capital adequacy framework the Nigerian capital market has seen, one that goes beyond setting thresholds to regulating the quality, computation, and verification of capital itself.

The transition from 'Beyond the Numbers' to within the rules is now fully underway. The April 2026 planned deadline is the first concrete test, and non-submission is itself a compliance failure. CMOs that have not yet conducted a rigorous audit of their qualifying capital, engaged their auditors on the nine-month financial statements rule, and settled on a capitalisation pathway are already behind.

"The Circular asked how much; the Guidelines answer how and on whose terms."

1. Securities and Exchange Commission, 'Revised Minimum Capital (MC) for Regulated Capital Market Entities' (Circular No. 26-1, 16 January 2026).
2. Nimma Jo-Madugu, Okenna Onyelu and Adedayo Atoyebi, 'Beyond the Numbers: Strategic Navigation of the 2026 SEC Revised Minimum Capital Requirement for Regulated Entities' (BusinessDay, 5 February 2026) <https://businessday.ng/news/legal-business/article/beyond-the-numbers-strategic-navigation-of-the-2026-sec-revised-minimum-capital-requirement-for-regulated-entities/> accessed April 12, 2026.
3. Securities and Exchange Commission, 'Guidelines on Revised Minimum Capital for Regulated Entities' (18 March 2026) (the Guidelines), cl 2 (Interpretation).
4. Securities and Exchange Commission, 'Guidelines on Revised Minimum Capital for Regulated Entities' (18 March 2026) (the Guidelines), cl 2 (Interpretation).
5. Guidelines, cl 3.1.
6. Central Bank of Nigeria, 'Review of Minimum Capital Requirements for Commercial, Merchant and Non-Interest Banks in Nigeria' (Circular FPR/DIR/PUB/CIR002/009, 28 March 2024).
7. Guidelines, cl 3.2.
8. Guidelines, Annex III (Capital Base Computation Template).
9. Guidelines, cl 4.1.
10. Guidelines, cl 4.2.
11. Guidelines, cl 9.1.
12. Guidelines, cl 9.2; Annex IV (Capitalisation Plan — Minimum Content Requirements). The prescribed contents are: current capital position; applicable MCR; proposed capitalisation method(s); funding sources; implementation milestones and timelines; key risks and mitigants; and board approval and accountability framework.
13. Guidelines, cl 9.3.
14. Guidelines, cl 5.1–5.3.
15. Nimma Jo-Madugu, Okenna Onyelu and Adedayo Atoyebi, 'Beyond the Numbers: Strategic Navigation of the 2026 SEC Revised Minimum Capital Requirement for Regulated Entities' (BusinessDay, 5 February 2026) <https://businessday.ng/news/legal-business/article/beyond-the-numbers-strategic-navigation-of-the-2026-sec-revised-minimum-capital-requirement-for-regulated-entities/> accessed April 12, 2026.
16. Guidelines, cl 7.2–7.3.
17. Guidelines, cl 8.1.
18. Guidelines cl 6.2; Annex II (Documentation Matrix by Mode of Capitalisation). The matrix sets out specific requirements for each mode: increase in paid-up share capital; cash injection; and transfer of quoted securities or CIS units. Each mode requires audited accounts or management accounts attested by an external auditor, together with mode-specific evidence of the capital transaction.
19. Guidelines, cl 6.1.
20. Guidelines, cl 8.2.
21. Guidelines, cl 1.4(b).
22. Guidelines, cl 1.4(c).
23. Guidelines, cl 1.4(d).
24. Circular No. 26-1 (January 16, 2026).
25. Guidelines, Annex V (March 18, 2026).
26. Guidelines, Annex V (March 18, 2026).
27. Guidelines, Annex V (March 18, 2026).

Contributors



Nimma Jo-Madugu
Partner, Banking & Finance



Sonia Onyia
Associate, Banking & Finance



Adedayo Atoyebi
Associate, Banking & Finance



CONTACT US

LAGOS

KENNA Place
8, Ogunyemi Road, Palace Way, Oniru
PO Box 73002, Victoria Island, Lagos

ABUJA

1st Floor, Novare Central
Plot 502 Dalaba Street,
Wuse Zone 5, FCT 900285, Abuja

ENUGU

Michael Place
3, Emmanuel Ngwu Street,
Thinker Corner,
400211 Enugu State.

+234 811 395 1052, +234 811 395 1053
counsel@kennalp.com