



## SEC to Ease Crowdfunding Regulations for MSMEs

The Securities and Exchange Commission (SEC) has announced plans to relax crowdfunding regulations, aiming to provide greater access to capital for Micro, Small, and Medium Enterprises (MSMEs). Crowdfunding is an innovative online fundraising strategy that was initially developed to help artists and creative professionals secure funding for their projects through public contributions, typically facilitated via social media platforms. According to SEC, this initiative addresses existing concerns over regulatory limits on fundraising while mitigating the effects of high interest rates on borrowing. The proposed updated regulations are expected to be released by the first quarter of 2025, marking a key development in Nigeria's capital market framework.

### Impact on Key Stakeholders

#### 1. MSMEs

- **Alternative Funding Access:**

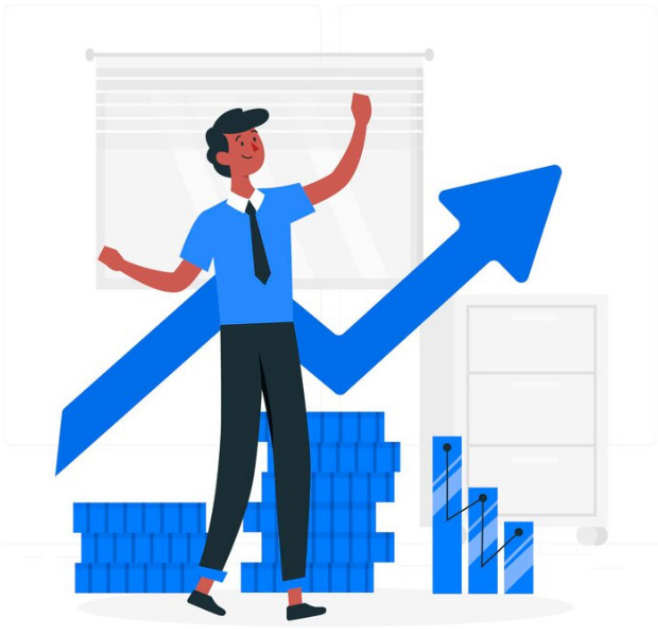
The eased regulations are likely to offer smaller firms more flexible fundraising options, potentially decreasing their dependence on high-interest loans.

- **Growth Opportunities:**

With improved access to capital, MSMEs could expand operations, boost production, and explore new markets.

- **Lower Barriers to Fundraising:**

The current regulations limit firms with less than



two years of operations from raising more than ₦100,000,000.00 (\$61,000) annually. The proposed easing of these regulations could provide newer businesses with earlier access to capital, unlocking growth opportunities.

## 2. Investors

- **New Investment Channels:**

Crowdfunding platforms may offer investors more opportunities to participate in early-stage businesses, with the potential for significant returns.

- **Portfolio Diversification:**

Relaxed crowdfunding rules could encourage investors to diversify their portfolios, by incorporating start-ups and MSMEs to enhance long-term strategies.

## 3. FinTech Platforms

- **Increased Platform Activity:**

Crowdfunding platforms could experience higher transaction volumes as more businesses seek capital through these channels.

- **Growth in FinTech Sector:**

The anticipated demand for crowdfunding services may foster further growth within Nigeria's financial technology ecosystem.

- **Opportunities for New Services:**

Platforms could introduce innovative services—such as campaign management tools and investor matchmaking—to meet evolving market needs.

## 4. The Economy

- **Stimulating Economic Activity:**

Improved access to capital for MSMEs is likely to spur economic activity, increasing production and generating employment opportunities.

- **Attracting Investments:**

A more dynamic crowdfunding environment may attract both local and international investors, contributing to economic growth.

- **Strengthening Financial Resilience:**

By expanding financing options beyond traditional loans, Nigeria's economy may become more resilient to financial shocks and better equipped for sustainable growth.

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The proposed changes to crowdfunding regulations introduce new legal considerations for MSMEs, FinTech platforms, and investors. With these evolving regulations, it becomes crucial to understand how to align business operations, manage compliance, and optimize fundraising strategies. For ongoing updates on the status of these regulatory changes and strategic advice tailored to your needs, visit [www.scp-law.com](http://www.scp-law.com) or contact us directly at [info@scp-law.com](mailto:info@scp-law.com).