



# Boardroom Rules Reset: What Public Companies and Capital Market Operators should know about SEC's new Guidance on Director Tenure and Appointments

## Introduction

On 7 July 2025, the Securities and Exchange Commission (SEC) issued a Guidance Note to Capital Market Operators and Public Companies on the Circular Regarding Board Appointments and Director Tenure. This follows the earlier 19 June 2025 Circular on Transmutation of Independent Non-Executive Directors and Tenure of Directors. Together, these circulars raise governance expectations for board composition, independence, and succession planning for affected entities.

## Who Falls Within the SEC's New Governance Framework?

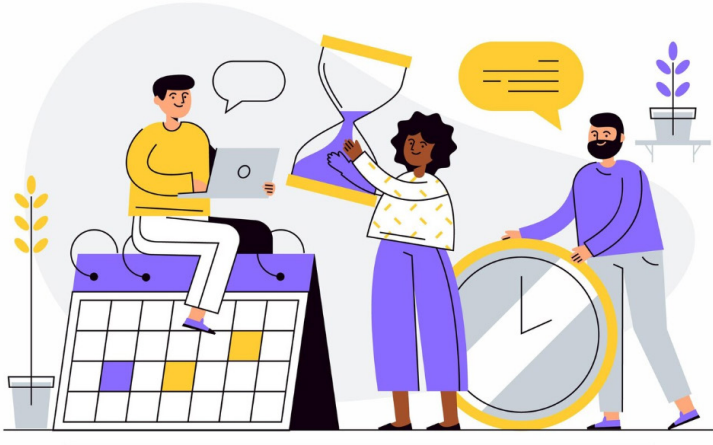
The Guidance Note applies to specific categories of regulated entities, namely:

- **Capital Market Operators (CMOs) classified as Significant Public Interest Entities (SPIEs):**

These are CMOs identified by the SEC as having systemic importance, substantial investor exposure, or providing critical infrastructure services within the capital market.

- **CMOs operating Financial Market Infrastructure (FMI):**

This includes entities responsible for core capital market functions such as trading, clearing, settlement, or data services, e.g., securities exchanges, central



securities depositories, clearing houses, and trade repositories.

#### • **Public Listed Companies (PLCs):**

All PLCs are covered by the new guidance regardless of whether they operate FMI.

#### • **Voluntary Adoption by Non-Designated Entities:**

Private companies and CMOs not designated as SPIEs are not subject to these rules but may adopt them as governance best practice.

## Key Governance Requirements

### 1. No Conversion of INEDs to Executive Directors:

Independent Non-Executive Directors (INEDs) may not transition into executive roles within the same company or group. This rule, which is now mandatory for FMIs designated as SPIEs and PLCs, is intended to preserve board independence and prevent conflicts of interest in board oversight.

### 2. Director Tenure Limits:

- Directors may serve for a maximum of 10 consecutive years in a single entity.
- A cumulative 12-year cap applies across entities within the same group.
- All prior years served will be counted when calculating tenure.

### 3. Cooling-Off Period for Former Executives:

Former CEOs and Executive Directors who have reached the 10- or 12-year limit must observe a mandatory 3-year cooling-off period before being

eligible for Chairperson roles in the same company. Following the cooling-off period, their tenure as Chair is limited to a maximum of 4 years.

## 4. Mandatory Succession Planning and Regulatory Disclosure:

SPIEs and other CMOs are required to maintain succession plans that reflect these governance expectations. They must also notify the SEC of any significant board changes, including director transitions or tenure-related exits.

## Implications for Stakeholders

### • **Investors:**

Strengthened governance rules may reduce entrenchment risk and build investor confidence through more transparent board dynamics.

### • **Public Companies and CMOs:**

These rules formalise leadership renewal processes, promote oversight independence, and support regulatory clarity in board structure reviews.

### • **Capital Market Governance:**

The adoption of these standards is expected to promote board professionalism, attract institutional capital, and support long-term stability across Nigeria's capital markets.

## Complying with the New Regime: What Boards Must Now Prioritise

Boards and company secretariats must take proactive steps to ensure alignment with the SEC's expectations. This includes reviewing existing board composition, auditing tenure records across group entities, enforcing cooling-off policies, and updating succession plans.

For regulatory support or advisory on compliance readiness, please contact us at [info@scp-law.com](mailto:info@scp-law.com) or visit [www.scp-law.com](http://www.scp-law.com).