



₦7.5 Billion Question: SEC Opens The Capital Market to Free Trade Zone Entities

Introduction

In April 2026, the Securities and Exchange Commission (SEC) issued proposed rules governing the participation of Free Trade Zone Entities (FTZEs) in Nigeria's capital markets. A central feature of the framework is a minimum paid-up share capital requirement of ₦7.5 billion for FTZEs seeking to offer or issue shares.

The proposed rules are designed to strengthen investor protection and improve the quality of issuers entering the market. However, they also raise important questions around market access, capital structuring, and the future participation of

mid-sized FTZEs in public markets.

Key Eligibility Requirements

Under the proposed framework, FTZEs seeking to raise capital through public offerings must satisfy four (4) core conditions:

- **Valid regulatory licence:** The entity must hold a valid licence from a recognised free zone authority, including the Nigeria Export Processing Zone Authority (NEPZA).
- **Operational track record:** A minimum of three years of active operations, with at least two years within a free trade zone environment.



- **For the wider economy:** The proposed rules signal a policy shift toward integrating free zone businesses into the formal capital market ecosystem. This could improve transparency and capital formation. At the same time, regulators will need to balance investor protection with market inclusiveness to avoid constraining the growth of emerging FTZEs.

What This Means in Practice

The proposed framework is likely to accelerate:

- pre-listing restructuring activity
- M&A transactions among FTZEs
- capital raising through private markets prior to listing

For FTZEs, the key issue is no longer just eligibility—but how to structure their business and capital base to meet regulatory thresholds efficiently.

The Road Forward

The SEC’s proposed rules point toward a more structured and investor-ready FTZE segment within Nigeria’s capital markets. For businesses, the priority will be alignment: ensuring that capital structures, governance frameworks, and operational history meet regulatory expectations. FTZEs that begin early preparation will be better positioned to access the market when the rules take effect.

For guidance on structuring FTZEs for capital market participation, corporate restructuring, M&A transactions, and regulatory engagement, contact info@scp-law.com or visit www.scp-law.com.



- **Management competence:** Senior management must demonstrate relevant experience and capacity aligned with the entity’s core business.

- **Minimum capital threshold:** A ₦7.5 billion paid-up share capital requirement as a precondition for market entry.

Commercial and Market Implications

- **For FTZEs:** The proposed rules favour established entities with scale and operational history. While this may enhance credibility and investor confidence, it introduces a significant entry threshold for mid-sized and emerging FTZEs. Entities below the threshold may need to consider capital restructuring, private placements, strategic mergers, or partnerships to meet listing requirements.

- **For investors and capital markets:** The proposed framework could introduce a new class of issuers into the public market. FTZEs may be attractive because of their tax incentives, operational advantages, and growth potential. If well implemented, the rules could deepen market liquidity and expand investment options. However, the ₦7.5 billion capital threshold may limit the number and diversity of FTZEs able to list.