

Navigating the New Era: A Strategic Guide to Nigeria's Enterprise Risk Management Mandate

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Introduction: A Regulatory Inflection Point

On June 14, 2024, the Securities and Exchange Commission (SEC) of Nigeria issued a directive that marks a profound shift from traditional compliance-based regulation to strategic, governance-led



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oversight¹. This new Enterprise Risk Management (ERM) mandate requires all Capital Market Operators (CMOs) to implement a robust, internationally aligned framework. This is not merely another compliance checklist; it is a strategic imperative designed to

future-proof institutions, fortify Nigeria's capital markets against systemic shocks, and enhance global competitiveness. As many risk experts note, in today's volatile markets, regulation acts more as a compass than a constraint.

The Core of the SEC's ERM Framework: What Has Changed?

The SEC's directive moves beyond tradition by embedding risk management as an enterprise-wide strategy, governance structure, and cultural ethos. CMOs are now required to develop a formal, board-approved ERM framework aligned with global standards like the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the International Organisation for Standardisation

(ISO 31000), and Financial Action Task Force (FATF) Recommendations.

The framework must be holistic and tailored to the entity's operational structure, business activities, and client demographics. Its core components, as stipulated, must include²:



A defined risk governance structure with clear roles and responsibilities, including the mandatory formation of a Board-level risk management committee.



Systematic processes for identifying, analysing, and prioritising risks that may impact the organisation's objectives.



Defined strategies to manage and mitigate identified risks.



Board-approved risk appetite and tolerance statements that guide strategic decision-making.



Continuous monitoring of risk factors and regular reporting to senior management and the board.



Organisational risk-awareness programmes to cultivate a pervasive risk culture.

¹ Securities and Exchange Commission, Nigeria. (2024, June 14). Implementation of Enterprise Risk Management. sec.gov.ng/implementation-of-enterprise-risk-management/

² Ibid., pp. 1-2. – Sections: "Overview of SEC's ERM Requirements" and "What Has Changed".

Key Expectations and Reporting Obligations for CMOs

The regulation introduces a new era of continuous accountability and proactive engagement. The submission of an annual Risk Profile by January 31st is a foundational first-level requirement³. Crucially,

CMOs must also adopt a dynamic stance, immediately assessing and reporting emerging threats and mitigation measures to SEC whenever triggered by specific events, including⁴:



The development and introduction of new products, business practices, or technologies (including new delivery mechanisms).



Significant institutional changes (e.g., in beneficial ownership or business strategy).



Awareness of new vulnerabilities and money laundering/terrorist financing/proliferation financing (ML/TF/PF) typologies in the marketplace.



Expansion into new geographic areas.



Changes in client classification.

This shifts the expectation from periodic, backward-looking reporting to real-time, data-integrated, and forward-looking risk intelligence.



³ Securities and Exchange Commission, Nigeria. (2024). Op. Cit.

⁴ Ibid. [SEC Notice] – Section: "What is Expected of Capital Market Operators".

Demystifying the Implications: From Compliance to Strategic Transformation

The directive’s implications are profound and multifaceted⁵:



Board Accountability as a Strategic Imperative: Boards now explicitly own risk appetite, mitigation, and whistleblowing systems. Oversight must be documented, testable, and auditable. Passive compliance is now tantamount to a regulatory breach.



Culture as the New Risk Capital: The SEC expects risk intelligence to be cultural, scalable, and measurable. Ethical risk behaviour, whistleblowing, and conduct are no longer just “HR issues” but are integral to an institution’s regulatory capital and reputation.



Operational & Structural Adjustments: This requires the integration of ERM into business units, development of risk appetite statements, and upgrading of internal controls and reporting lines.



Heightened Scrutiny on AML/CFT/CPF: There is a clear expectation for stronger anti-money laundering frameworks and robust KYC/transaction monitoring systems.

From Burden to Advantage: The Tangible Benefits of ERM Implementation

While implementing a mature ERM framework requires initial investment, the long-term benefits fundamentally strengthen both individual institutions and the entire market ecosystem, creating a clear competitive divide⁶:

Metric	Without ERM	With ERM 2.0
Investor Confidence	Volatile	Institutional-grade
Regulator Relationship	Strained, reactive	Transparent, trusted, supportive
Operational Continuity	Fragile	Anti-fragile, stress-tested
Access to Foreign Investment	Limited	Enhanced, risk-certified
Boardroom Credibility	Procedural	Strategic, forward-leaning

⁵ Kreston Pedabo. (2025). Op. Cit – Section: “Demystifying the Regulatory Implications”.

⁶ Ibid, pp. 3-4. – Section: “Building a Stronger CMO Ecosystem” and comparative table.

The net effect is powerful:

Stronger Governance: Embedded best practices in oversight and accountability.



Improved Resilience: Enhanced operational continuity and crisis readiness.



Global Alignment: Conformity with cross-border market standards is attractive to international investors.



Durable Trust: Higher investor confidence in Nigerian CMOs, translating into a lower cost of capital and improved access to sustainable financing.



Businesses are better able to holistically anticipate risks, seize opportunities to attain and maintain a competitive advantage, reduce losses, improve decision-making, and enhance stakeholder confidence, ultimately driving sustainable growth and long-term profitability.

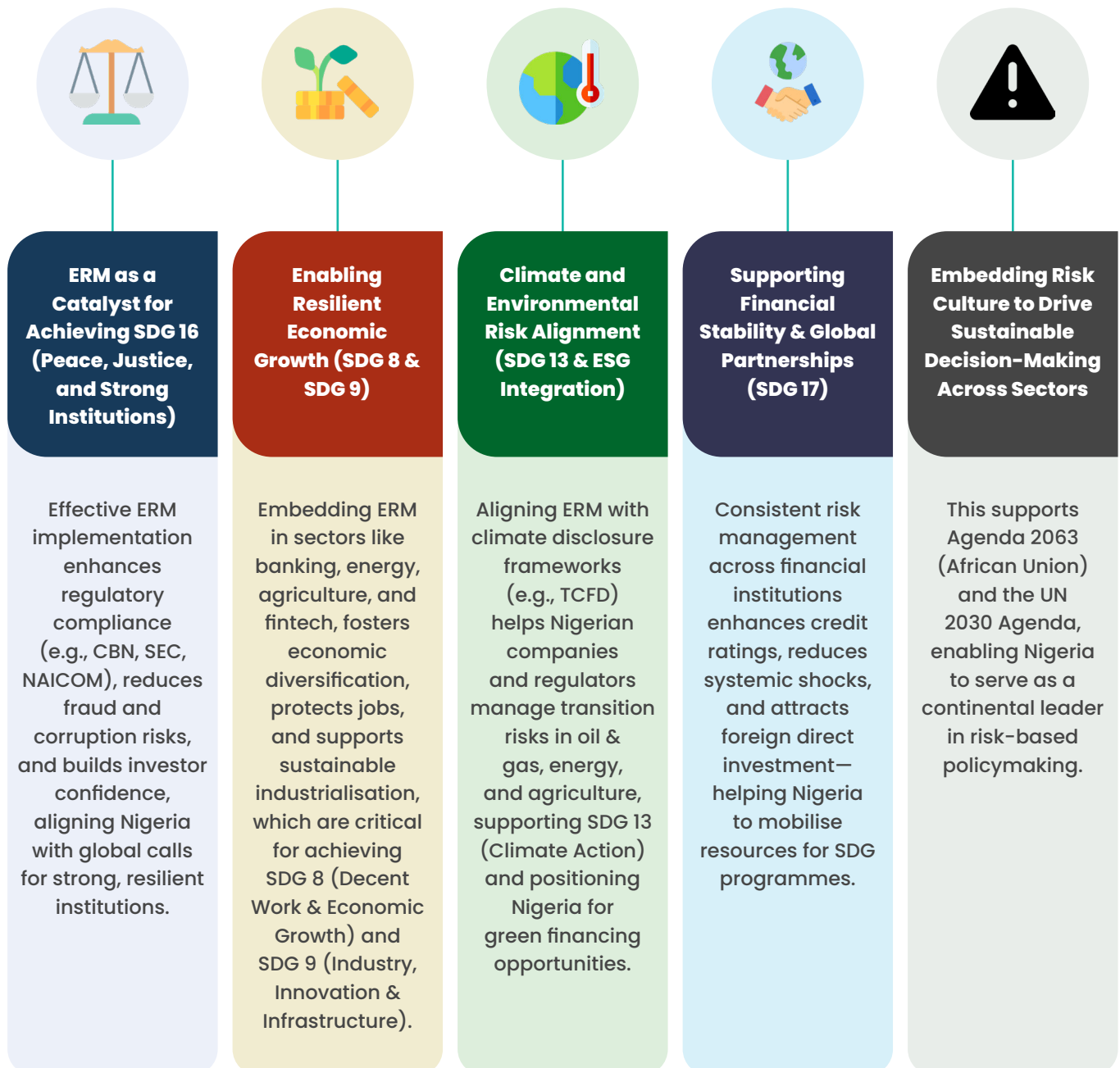


On the global stage, by embedding ERM into regulatory and corporate governance structures, Nigeria not only safeguards its economic and institutional resilience but also advances its commitments under the UN 2030 Sustainable Development Agenda; particularly in building strong institutions (SDG 16), fostering sustainable economic growth (SDG 8 & 9), and driving climate action (SDG 13)⁷.



⁷ UN SDG Progress Reports: Nigeria's current SDG implementation gaps. Op. Cit.

Specifically, the adjoining schematic shows how strong ERM practices support Nigeria's role in achieving global SDG targets.



A Pathway to Transformation: Next Steps for CMOs

For CMOs navigating this transition, a structured approach is critical⁸:

01

Immediate Actions (0–6 months): Secure board approval of an ERM policy, establish a risk governance committee, and draft the inaugural annual risk profile.

02

Medium-Term (6–18 months): Integrate ERM into strategic planning and capital allocation, build data-driven risk dashboards, and train staff on risk culture metrics.

03

Long-Term (18+ months): Position the institution as a risk-certified entity attractive to global investors and leverage ERM maturity for tangible cost-of-capital advantages.

Conclusion: A Call for Proactive Leadership

The SEC's ERM directive is a structural realignment of Nigeria's capital markets. CMOs that view this mandate merely as a compliance obligation risk higher supervision, reputational damage, and strategic obsolescence in a market moving towards risk-based competitiveness.

Those who embrace it as an opportunity to build a resilient, risk-intelligent organisation will be best positioned to navigate future volatility, attract investment, and secure long-term market leadership. In this new regulatory regime, the early movers signal credibility; the latecomers display risk. The time for strategic action is now, and the Kreston Pedabo ERM team is available to provide invaluable support⁹.

This alignment with national and international risk governance standards is a key step in meeting the expectations of both local regulators and global development financiers^{10 11}.



⁸ Ibid., p. 5. – Section: "Pathway to Transformation – 6-Stage Roadmap".

⁹ Ibid., p. 5. – Section: "Call to Action".

¹⁰ CBN & SEC ERM Guidelines (2021/2022): How mandatory ERM adoption aligns with global ESG expectations. Op. Cit.

¹¹ DFI Insights (World Bank, AfDB): Calls for stronger risk governance as a condition for sustainable investment. Op. Cit.

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