Regulatory Update: SEC Issues New Corporate Governance Directives to Curb Boardroom Rotations and Preserve Independence[1]

On 19th June 2025, the Securities and Exchange Commission (the "SEC") released a circular directed at Public Companies and Capital Market Operators in Nigeria. The SEC has raised concerns over an emerging trend in Nigeria's corporate governance landscape, where Independent Non-Executive Directors (INEDs) are being converted to Executive Directors (EDs), and elevated to the role of Chief Executive Officer (CEO), within the same entity or group structure.

The SEC described the practice as a worrying trend that undermines the independence and objectivity expected of INEDs. This shift compromises the ability of formerly independent directors to exercise unbiased judgment; a cornerstone of good corporate governance as stipulated in the *National Code of Corporate Governance* and the *SEC Corporate Governance Guidelines*.

As a result, the SEC has ordered an immediate halt to the transposition of INEDs into EDs in public companies and significant public interest capital market operators. The directive, effective immediately, forms part of the SEC's broader push to reinforce governance standards and restore integrity in Board appointments.

Additionally, exercising its powers under the *Investments and Securities Act* 2025, the SEC has imposed new tenure limits on directors of capital market operators deemed to be of significant public interest.[2] Under the new rules:

1. Directors may serve a maximum of **10 consecutive years in a single company**, and no more than **12 consecutive years within the same group**.
2. CEOs or EDs who retire after hitting the tenure cap will not be eligible for appointment as Chairman until after a **3-year "cool-off" period**.

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1 See, Circular to all Public Companies and Capital Market Operators on the Transmutation of Independent Non-Executive Directors and Tenure of Directors dated 19th June 2025 available at <https://sec.gov.ng/circular-to-all-public-companies-and-capital-market-operators-on-the-transmutation-of-independent-non-executive-directors-and-tenure-of-directors/> accessed on 23rd June 2025.

2 See, Section 355(r)(iv) of the Investments and Securities Act 2025.

3. Even after the cool-off period, such appointments can only last for a **maximum of 4 years**.

The SEC emphasised that all public companies and affected market operators must incorporate these changes into their Board appointments and succession planning processes immediately. Importantly, any years already served by current directors will count toward the new tenure limits.

The SEC reiterated that these measures are aimed at strengthening Board independence, enhancing corporate accountability, and protecting investor interests.