

SECURITIES INFORMATION DISCLOSURE AND LEGAL PROTECTION  
OF INVESTORS IN NIGERIA

By

Olayiwola Owoade OLADELE

*LL.B. (Hons.), LL.M. (Ife), LL.M. (Georgetown) Barrister of the Supreme Court of Nigeria*

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## **ABSTRACT**

This study examined the statutory and institutional framework for securities transactions, the theoretical bases for, and the regulatory approach to securities information disclosure in Nigeria. It also analysed and evaluated the relational role of mandatory information disclosure, corporate governance controls and anti-fraud provisions in the Nigerian securities regulation with a view to evaluating their efficacy in protecting informed and uninformed investors.

The study obtained primary information through the analysis of the Investments and Securities Act, 2004 (ISA), the Companies and Allied Matters Act and the Securities and Exchange Commission (SEC) Rules and Regulations. Other primary sources of information included judicial and quasi-judicial decisions, the listing requirements of the Nigerian Stock Exchange, company prospectuses, SEC Annual Reports and other official documents. A comparative analysis of statutes, rules, reports and judicial decisions of the United States, United Kingdom and the European Union was also done. Secondary data were obtained from published texts, law journals and opinions of securities scholars. Unstructured interviews of some purposively selected key officials of the SEC and the Nigerian Stock Exchange (NSE) clarified the information obtained from the primary sources.

The study found that the institutional and legal framework for securities transactions in Nigeria some of the key objectives of securities regulation, including investor protection. The study established that Nigeria combined a system of government and self regulations of her market through mandatory disclosure of information coupled with anti-fraud penal sanctions and a permissive system of internal

corporate governance controls. It also established that the information that the existing regulations required securities issuers and their agents to disclose were too complicated for retail uninformed investors. The retail investors usually did not read the disclosures. Even when they did, only those with expertise in law and finance could understand the disclosures because of their highly technical nature and content. Therefore, it could not be established that the disclosures had helped retail and non-expert investors to make informed investment decisions. The factors that persuaded these investors to invest were increase in the market prices of securities, fad, and perception of investment as savings. The study found that the anti-fraud provisions in the Nigerian securities law were vital, but the penal sanctions were too mild to deter sharp practices and protect investors. The study also found that a recently introduced code of corporate governance for public companies was adequate in content but was only persuasive and devoid of the binding force of law. Therefore no securities issuer could be prosecuted or sanctioned for not complying with its provisions. This contradicted the practice in major securities markets where similar provisions had been enacted as laws in response to fraud by securities issuers prompted by permissiveness.

The study concluded that the Nigerian securities information disclosure system protected informed investors, but did not make information available to uninformed investors in the form that they could understand for their investment decisions and protection. In addition, the sanctions for the violation of disclosure duty were too mild.