



Commodity Exchange & Securities Trading Licenses in Nigeria: What You Need to Know Before You Start

Description

If you are planning to establish a **Commodity Exchange, commodities trading company, brokerage firm, securities trading business or investment platform in Nigeria**, there is one mistake you should avoid from the beginning:

Do not incorporate the company first and start asking about the SEC license afterwards.

That is how people create expensive problems for themselves.

In this article, I will explain the different regulatory licenses you may need, the difference between a Commodity Exchange and a commodities trading company, the applicable capital requirements, official SEC fees, key personnel requirements, the registration process and the common mistakes businesses make.

This is not just about filling SEC forms.

The real issue is whether your proposed business model fits into a regulated category and whether you have the corporate structure, capital, people, systems and compliance framework to satisfy the regulator.

First, Let's Clear Up the Confusion

I regularly see people use the words “**commodity exchange**”, “**commodity trading**”, “**brokerage**”, “**securities trading**” and “**investment platform**” as if they mean the same thing.

They don't.

They can trigger completely different regulatory requirements.

For example, a company that wants to operate an actual **Commodity Exchange** is not applying for the same registration as a company that merely wants to trade commodities for clients.

Similarly, a company buying and selling securities for clients is not necessarily a stock exchange.

The business model comes first.

The license follows the business model.

1. What Is a Commodity Exchange?

A Commodity Exchange is essentially an organised marketplace where commodities can be traded under established rules and market infrastructure.

Think of commodities such as:

- Agricultural products;
- Grains;
- Metals;
- Energy-related commodities;
- Solid minerals;
- Other eligible commodities.

But there is a major difference between **trading commodities** and **operating the exchange on which commodities are traded**.

If your company wants to establish the marketplace itself, you are looking at **SEC registration as a Commodity Exchange**.

And this is where some promoters get it wrong.

They think:

“We have registered a technology company. We have built the platform. Let’s launch.”

No.

If the platform performs a regulated capital-market function, technology does not remove the regulatory obligation.

2. Commodity Exchange vs Commodity Trader

This distinction is critical.

Business Model	Likely SEC Category
Operating a marketplace for commodity trading	Commodities Exchange
Trading commodities for clients	Commodities Broker
Trading commodities for own account	Commodities Dealer
Trading for clients and own account	Commodities Broker/Dealer
Providing collateral management services	Collateral Management Company
Operating regulated commodity warehouses	Warehousing Operator
Buying/selling securities for clients	Securities Broker/Dealer structure, depending on activities
Operating an organised securities market	Securities Exchange

The SEC separately recognises different categories of commodity-market operators.

This is why I always advise clients:

Don't tell your consultant, "I need a commodity license."

Tell your consultant exactly what you intend to do.

That is what determines the regulatory category.

3. What About Securities Trading?

"Securities trading license" is also a broad expression.

Depending on what the company intends to do, the appropriate SEC registration could involve:

- Broker;
- Broker/Dealer;
- Dealer;
- Investment adviser;
- Custodian;
- Clearing and settlement functions;
- Exchange or market infrastructure;
- Other applicable Capital Market Operator categories.

The SEC requires Capital Market Operators to register before commencing regulated operations.

So if somebody tells you:

"We are only connecting investors to sellers."

I would immediately ask:

How does the platform work?

Who receives the money?

Who executes the transaction?

Who holds the asset?

Who takes the commission?

Who is the counterparty?

Who settles the transaction?

Who keeps the records?

Who provides investment advice?

Those questions can completely change the regulatory position.

4. The Capital Requirement Has Changed

This is one of the most important developments businesses entering this space need to understand.

The SEC revised the minimum capital requirements for regulated capital-market entities.

For commodity-market intermediaries, the revised minimum capital includes:

Category	Revised Minimum Capital
Commodities Broker/Dealer	₦50 million
Commodities Broker	₦30 million
Commodities Dealer	₦20 million
Warehousing Operator	₦500 million
Collateral Management Company – Local/Regional	₦200 million
Collateral Management Company – National/International	₦500 million

These figures are **not the same thing as the cost of obtaining the license.**

That distinction is important.

If you require ₦50 million minimum capital, that does not mean:

₦50 million + SEC fees = license.

You still have:

- Incorporation and corporate structuring;
- Professional fees;
- SEC filing and processing;
- Sponsored individuals;
- Compliance systems;
- Office requirements;
- Technology;
- Accounting;
- Audit;
- Legal documentation;
- AML/KYC controls;
- Operational infrastructure;
- Regulatory reporting.

This is where many promoters underestimate the project.

5. What Does Commodity Exchange Registration Cost?

The official SEC fees for Commodity Exchange registration include:

Item	Official SEC Fee
Filing/Application Fee	₦100,000
Processing Fee	₦300,000
Registration Fee	₦10,000,000
Director's Fee	₦100,000
Sponsored Individual Fee	₦100,000 per individual

The published SEC service timeline for Commodity Exchange registration is **90 days**, subject to the application being properly presented and all regulatory requirements being

satisfied.

So when somebody tells you:

“The SEC license is ₦10 million.”

That is incomplete.

₦10 million is the **registration fee**, not necessarily the entire regulatory project cost.

6. And Then There Is the Human Element

This is where the process becomes interesting.

You cannot simply have a company, money and a nice website.

The SEC expects competent **sponsored individuals**.

For a Commodity Exchange, the SEC requires at least **four sponsored individuals**, including the Managing Director and Compliance Officer.

The regulator also considers relevant experience and supporting documentation.

The proposed sponsored individuals may have to go through:

- Police clearance;
- Pre-registration training;
- Examination;
- Registration interview;
- Verification of credentials;
- SEC scrutiny of employment history and experience.

And yes.

Your CV matters.

A lot.

7. The SEC Will Look Beyond Your CAC Documents

This is another area where promoters get surprised.

The SEC registration process is not simply:

CAC → SEC form → approval.

The regulator can examine:

- Corporate structure;
- Directors;
- Shareholding;
- Sponsored individuals;
- Experience;
- Business model;
- Compliance framework;
- Internal controls;
- Financial capacity;
- Physical office;
- Technology;
- Operational arrangements;
- AML/KYC framework;
- Policies and procedures;
- Relevant agreements;
- Books and records.

For Commodity Exchange applications, the SEC also requires physical inspection.

That is why I always tell clients:

Do not prepare for SEC registration as if you are preparing a CAC filing.

They are completely different exercises.

8. Your Business Plan Must Make Sense

One of the practical areas people underestimate is the business model.

Imagine you tell the SEC:

“We intend to establish a digital commodity exchange.”

Fine.

The next questions become:

How will it work?

What commodities?

Who can trade?

Who are the participants?

How are transactions matched?

How are prices determined?

How are trades confirmed?

How are commodities delivered?

Where are commodities stored?

Who operates the warehouse?

How are warehouse receipts issued?

How are disputes handled?

How are participants identified?

How do you prevent manipulation?

How do you manage conflicts?

How do you protect client assets?

How do you deal with default?

These are not academic questions.

They are operational questions.

9. Warehousing Is a Serious Part of Commodity Markets

You cannot build a credible commodity market while ignoring the physical commodity infrastructure.

The regulatory framework covers warehouses, collateral managers and electronic warehouse receipts in connection with commodity exchanges.

This is important because a commodity exchange is not simply an app.

There is a physical-world component.

If someone deposits 10,000 bags of agricultural produce into a warehouse and receives an electronic warehouse receipt, somebody must be responsible for:

- Verifying the commodity;
- Measuring it;
- Grading it;
- Storing it;
- Securing it;
- Maintaining records;
- Releasing it properly;
- Managing the warehouse receipt.

This is why the regulatory framework extends beyond the exchange itself.

10. The Biggest Mistake I See

People start with the license.

They should start with the business model.

A client may come to us and say:

“I need an SEC license for my investment platform.”

My first response is usually:

What exactly does the platform do?

Because there is a huge difference between:

“We provide information.”

and

“We execute trades.”

There is also a difference between:

“We introduce investors to opportunities.”

and

“We collect investors’ money and invest it.”

The technology may look identical to an ordinary person.

Regulatorily, they can be worlds apart.

11. What Documents Should You Expect?

Depending on the category, the application will typically require a substantial documentation package.

Area	Examples
Corporate	CAC documents, MEMART, shareholding information
Management	Directors' details and CVs
Sponsored Individuals	SEC forms, credentials, employment history
Compliance	Compliance policies and procedures
AML/KYC	AML/CFT and customer identification framework
Operations	Business plan and operational framework
Technology	Platform and technology documentation
Finance	Financial statements/capital evidence
Premises	Office information and inspection readiness
Governance	Board and management structures
Legal	Agreements, declarations and undertakings
Regulatory	SEC forms, fees and supporting documents

One of the common reasons applications get delayed is incomplete documentation.

A missing document may look like a small issue.

But regulatory applications are rarely delayed because of one big problem.

They are often delayed because of several small problems that were not properly addressed at the beginning.

12. How Long Does It Take?

The SEC's published service timeline for Commodity Exchange registration is **90 days**.

But let me add the practical Nigerian qualification.

A 90-day regulatory timeline does not mean you should budget only 90 days from the day you first think about the project.

There is a difference between:

Regulatory processing time

and

Project preparation time.

If your documents are incomplete, your sponsored individuals are not ready, your corporate structure is wrong, your office is not inspection-ready or your business model is unclear, you can lose considerable time before the application is in a position to move efficiently.

This is why preparation matters.

13. How We Approach These Applications

At ICA, I prefer to approach regulatory licensing as a **compliance project**, not merely a filing assignment.

The process should generally look like this:

Step 1 — Understand the Business

We first establish exactly what the client intends to do.

Step 2 — Map the Regulatory Category

We determine whether the activity falls under:

- Commodity Exchange;

- Commodities Broker;
- Commodities Dealer;
- Broker/Dealer;
- Securities Broker;
- Dealer;
- or another regulated category.

Step 3 — Review the Corporate Structure

We examine the CAC structure before regulatory submission.

Step 4 — Review the Capital Position

We determine the applicable minimum capital and how it will be demonstrated.

Step 5 — Identify the Sponsored Individuals

The right people must be identified early.

Step 6 — Prepare the Compliance Architecture

This includes the relevant policies, procedures, governance and operational documentation.

Step 7 — Prepare the SEC Application

Forms, supporting documents and regulatory fees are compiled.

Step 8 — Regulatory Engagement

We manage correspondence, queries, clarifications and follow-up with the Commission.

Step 9 — Inspection and Readiness

The company must be prepared for physical and regulatory scrutiny where applicable.

Step 10 — Post-Registration Compliance

Approval is not the end.

It is the beginning.

14. Don't Forget Annual Compliance

This is another Nigerian business habit I strongly discourage.

Some companies celebrate when they obtain the license and forget about it afterwards.

That is dangerous.

Capital Market Operators have continuing regulatory obligations, including annual renewal and other reporting and compliance requirements.

So you should budget for **ongoing compliance**, not just initial licensing.

A regulatory license is not something you put in a frame and forget about.

15. A License Is Not a Shield Against Regulatory Enforcement

This is important.

Getting registered does not mean the regulator will leave you alone.

The SEC continues to monitor registered operators and can take enforcement action where an operator fails to comply with applicable requirements.

The lesson is simple:

Registration gives you permission to operate within the regulatory framework.

It does not give you permission to ignore the framework.

Commodity Exchange & Securities Trading: Quick Comparison

Issue	Commodity Exchange	Commodity Broker	Commodity Dealer	Broker/Dealer
Operates marketplace	Yes	No	No	No
Trades for clients	Exchange framework	Yes	No	Yes
Trades own account	Depending on function	No	Yes	Yes
Minimum capital	Applicable SEC requirement	₦30m	₦20m	₦50m
Sponsored individuals	Minimum 4	Category-specific	Category-specific	Category-specific
SEC registration	Required	Required	Required	Required
Physical inspection	Applicable	Applicable	Applicable	Applicable
Annual compliance	Yes	Yes	Yes	Yes

Frequently Asked Questions

1. Do I need an SEC license to operate a commodity trading business?

If the activity falls within a regulated capital-market function, SEC registration is required before commencing operations.

The exact registration depends on what the business actually does.

2. Is a Commodity Exchange the same as a Commodity Broker?

No.

A Commodity Exchange operates the marketplace and related infrastructure.

A Commodity Broker trades commodities on behalf of clients.

3. Can I operate a Commodity Exchange with only CAC registration?

No.

Where the proposed activity falls within the SEC-regulated Commodity Exchange function, CAC incorporation does not substitute for SEC registration.

4. What is the minimum capital for a Commodity Broker?

The revised minimum capital is **₦30 million**.

5. What is the minimum capital for a Commodity Broker/Dealer?

The revised minimum capital is **₦50 million**.

6. What is the minimum capital for a Commodity Dealer?

The revised minimum capital is **₦20 million**.

7. How much is the official SEC registration fee for a Commodity Exchange?

The official SEC registration fee is **₦10 million**, in addition to the applicable filing, processing, director and sponsored-individual fees.

8. How many sponsored individuals does a Commodity Exchange need?

The SEC requires at least **four sponsored individuals**, including the Managing Director and Compliance Officer.

9. Does SEC inspect the company?

Yes.

Commodity Exchange applicants should expect physical inspection as part of the regulatory process.

10. Can a fintech or technology company apply?

Yes, where its proposed activity falls within an appropriate regulated category.

But being a technology company does not automatically remove capital-market regulation.

The regulator looks at what the platform actually does.

11. Can one company obtain multiple SEC registrations?

Potentially, yes, depending on the applicable rules and eligibility requirements.

However, the company must satisfy the requirements applicable to each function.

12. Is getting the license the end of the process?

No.

In my experience, that is where the real work starts.

You now have regulatory reporting, renewal, governance, compliance monitoring and continuing obligations to operate within the SEC framework.

My Final Advice

If you are considering entering the Nigerian commodity or securities market, **don't start by asking, "How much is the license?"**

Start with:

"What exactly am I trying to do?"

That question can save you millions of naira.

Because the wrong regulatory classification can lead to the wrong corporate structure, wrong capitalisation, wrong personnel and ultimately a completely wrong application.

And in Nigeria, correcting a regulatory mistake after you have spent money is usually much more expensive than getting the structure right from day one.

The market is growing.

Technology is changing how commodities and securities are traded.

But the regulator is also becoming more sophisticated.

Minimum capital requirements have changed. Regulatory scrutiny is increasing. Compliance obligations are becoming more demanding.

Do not build the business first and look for compliance afterwards.

Build the business **around the regulatory framework from the beginning.**

That is the safer route.

And after more than 15 years working around regulatory compliance, this is one lesson I can confidently give any promoter:

A regulatory license is not paperwork. It is a business structure.

If the structure is wrong, the paperwork will not save you.

Category

1. Industry Insights