



HOW TO RAISE DEBT CAPITAL IN NIGERIA

A guide covering key debt instruments, end-to-end process stages, regulatory touchpoints, documentation, and indicative timelines

1. Introduction and Scope

This guide outlines the typical steps prospective issuers follow to raise funding in Nigeria's debt capital markets and highlights Intelligence Africa Ratings' (IA Ratings) role in supporting credible, investable issuance through independent credit analysis that strengthens investor confidence and helps issuers execute efficiently.

Intelligence Africa Ratings is a SEC-licensed pan-African credit rating agency that provides independent credit ratings and credit opinions to support investor decision-making and issuer access to debt capital markets.

Credit ratings are typically required for public debt issuance, and many institutional investors can only invest in rated instruments. Pension Fund Administrators require two ratings, making the rating requirement central to the transaction checklist. Issuers should therefore engage Intelligence Africa Ratings early to meet transaction requirements without delaying the timeline.

Debt issuance (e.g., bonds, commercial paper, sukuk, and select subnational instruments) is widely used to fund projects or refinance obligations, often providing longer-term, fixed-rate financing versus bank loans. As at year-end 2025, about ₦2.5 trillion of publicly issued debt was outstanding across 65 issuers, up from ₦1.8 trillion three years earlier. These figures exclude Federal Government of Nigeria (FGN) debt and Treasury bills but include state government issuances.

This guide highlights the key regulatory expectations, standard documentation, and post-issuance obligations of debt capital issuance in Nigeria to aid prospective issuers in transitioning from concept to funding without delays.

2. Regulatory Landscape and Key Market Infrastructure

Debt issuance in Nigeria is primarily governed by the Investments and Securities Act (ISA) and the Securities and Exchange Commission (SEC) Rules and Regulations. Depending on issuer type and instrument, additional regulators may be relevant (e.g., CBN for banks, NAICOM for insurers), and exchange rules apply where instruments are listed or quoted (issuance may require 'no objection'/consent prior to SEC approval where issuer is regulated).

- SEC Nigeria: primary regulator for offers of debt securities; approves offer documents and oversees market conduct.
- Exchanges/Platforms: Nigerian Exchange (NGX), FMDQ Securities Exchange and/or NASD OTC Security Exchange.
- Depository/Settlement: debt securities are commonly issued in digitalised form through market infrastructure (e.g., CSCS and/or relevant depositories).

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3. End-to-End Issuance Process (All Instruments)

The issuance process is presented in five phases. For each phase, the issuer should maintain a clear workplan, assign accountabilities, and control documents and approvals through a deal checklist.

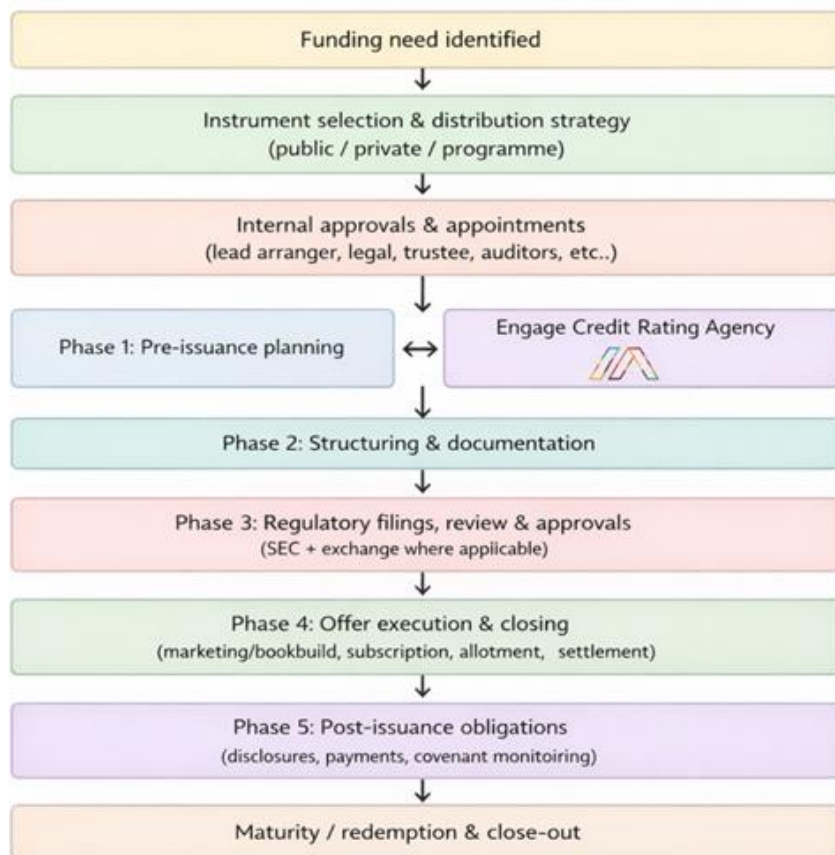


Figure 1: Indicative end-to-end issuance process flow.

Phase 1: Pre-Issuance Planning, Internal Approvals and Credit Ratings

Objective: prospective issuer should establish issuance rationale, select instrument, confirm eligibility, secure internal approvals, and appoint transaction parties.

- Management defines funding objective, and select appropriate instruments and route to market (e.g., bond/CP/sukuk; public offer, private placement, or programme).
- Eligibility is confirmed, including corporate status, financial reporting readiness, and any restrictions under existing debt.
- Required approvals are obtained, including board resolution and where applicable shareholder approvals authorising the issuance and key parameters.
- Key transaction parties are appointed, including issuing house/lead arranger, legal advisers, auditors/reporting accountant, registrar, trustee (bonds/sukuk), rating agency (Intelligence Africa Ratings), paying/receiving agents; Shariah advisors for sukuk.

Indicative timeline (Phase 1)

Typically 2–6 weeks, depending on issuer readiness and complexity; longer for first-time issuers or sukuk. Intelligence Africa Ratings typically issues the credit rating report and accompanying credit announcement within 2–3 weeks, helping to ensure the rating process does not delay the issuer’s filing timetable.



Phase 2: Due Diligence, Structuring and Documentation

Objective: prospective issuers are expected to complete due diligence, finalise terms, prepare compliant disclosure and transaction documents.

- Conduct business, financial and legal due diligence.
- Deal terms are finalised, including issue size, tenor, pricing approach, covenants, security, events of default, and the redemption profile.
- The relevant disclosure document is prepared, such as a prospectus (for a public bond or sukuk) or an information memorandum (IM)/programme memorandum (CP or private placement).
- Key transaction documents are drafted and agreed, which typically include a trust deed (bonds/sukuk), agency agreements, underwriting/placement documents, legal opinions, auditor comfort letters, and consents. For sukuk, SPV/asset contracts and Shariah certification are also completed.

Indicative timeline (Phase 2)

Typically 4–8 weeks (or longer) depending on drafting cycles, due diligence findings, and structuring complexity.

Phase 3: Regulatory Filings, Review and Approvals

Objective: prospective issuer should secure SEC approval (and exchange/platform approvals where applicable) prior to launch and resolve regulator comments efficiently.

- The SEC application package is prepared and submitted (forms, draft offer document, resolutions, financials, ratings, consents, and key agreements).
- Regulator comments and queries are addressed.
- Where relevant, exchange listing is progressed in parallel, noting that this is often dependent on SEC-cleared documents.
- Following SEC approval, signing and closing readiness sessions are held, and executed documents and the launch pack are finalised.

Indicative timeline (Phase 3)

SEC review timelines depend on completeness and complexity; in practice, review cycles are often in the 4–8 week range once a complete filing is submitted, subject to regulator queries and document revisions.

Phase 4: Offer Execution – Marketing, Subscription, Allotment and Closing

Objective: The issuing house/arranger should place the securities with investors, complete allotment, settle funds and securities, and achieve listing/quotation where applicable.

- The offer is launched by opening the offer/placement window and conducting roadshows and investor engagements, particularly for bonds and sukuk.
- Where a bookbuild is used, arrangers collect bids or indications, set final pricing, and confirm allocations.
- Subscriptions are compiled and allotment is completed. Where the offer is oversubscribed, allocations follow the stated pro-rata approach.
- Where required, SEC clearance of allotment is obtained and allotment results are published as applicable.
- Settlement is completed by crediting investors' accounts in digitized form, refunding excess subscription monies (where relevant), and remitting net proceeds after fees.

Indicative timeline (Phase 4)

Public offers commonly run up to 10 working days; private placements/CP series are often shorter (e.g., up to 5 working days). Settlement typically follows shortly after offer closes.

Phase 5: Post-Issuance Obligations and Ongoing Compliance

Objective: the issuer is expected to maintain compliance with offer terms, covenants, disclosure requirements, and investor protection standards throughout the life of the instrument, this may also include minimum credit rating requirements.

- Use of proceeds: Proceeds are deployed as disclosed, post-issue utilisation reports are prepared within required timelines, and periodic updates are provided until proceeds are fully utilised where required.
- Periodic disclosure: Audited annual accounts and periodic financial statements are submitted as required by the SEC and exchange/platform rules.
- Covenant compliance: Compliance certificates and required information are provided to the trustee (for bonds/sukuk), and relevant parties are notified promptly of any potential breaches.
- Timely payments: The paying agent is funded for coupon/profit distributions and principal repayments, and redemption mechanics and notices are managed for early redemption where applicable.
- Credit rating surveillance: Intelligence Africa Ratings will monitor and update ratings (it has issued), as required and communicate any rating changes to relevant stakeholders, in line with standard surveillance practice.
- Default management: If distress arises, the trustee and/or regulators are engaged early and required bondholder consent processes are followed for any restructuring.

4. Practical Timeline (Illustrative)

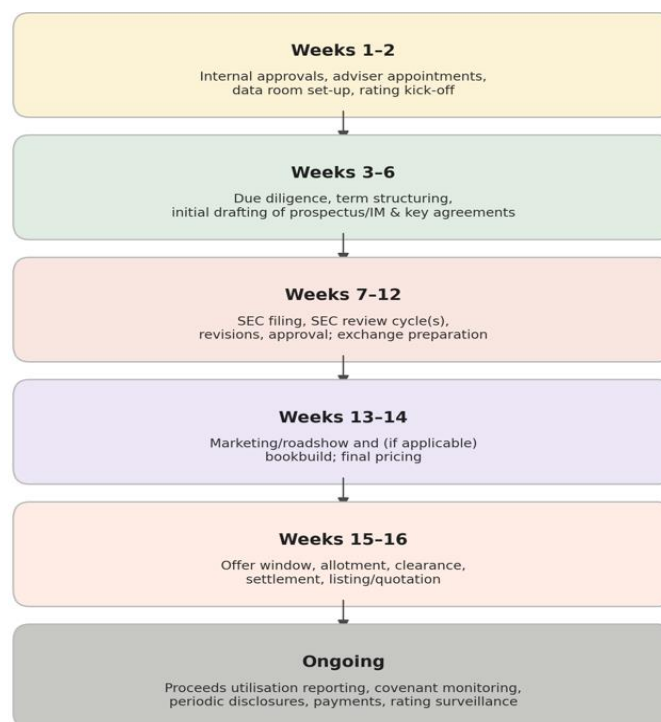


Figure 2: Debt Issuance timeline (indicative)

5. Document Checklist (Illustrative)

Illustrative document checklist (actual requirements depend on instrument and offer method):

- Board (and where required, shareholder) resolutions authorising issuance and transaction documents.
- Offer document: Prospectus (public) or Information Memorandum/Programme Memorandum (private/CP).
- Audited financial statements (typically 3 years) and interim accounts (where applicable).
- Credit rating report from Intelligence Africa Ratings.
- Trust deed and trustee appointment (bonds/sukuk).



- Registrar appointment and paying/receiving agent arrangements.
- Underwriting agreement (if applicable) / placement agreements / subscription agreements.
- Legal opinions; auditor comfort letter / reporting accountant report (where required).
- Consents from parties named in offer document (credit rating agencies, auditors, advisers, trustee, registrar, etc.).
- Sukuk-specific: Shariah certificate, SPV documentation, and underlying asset contracts (lease/partnership/purchase undertakings).

6. Why Credit Ratings Matter in Debt Issuance

A credit rating is an independent opinion on the relative likelihood that an issuer (or a specific debt instrument) will meet its financial obligations in full and on time. In debt capital markets, ratings help investors compare risk across issuers and instruments, and they support more efficient capital allocation by making credit risk easier to price and monitor. In Nigeria, a public issuance must obtain a long-term investment grade rating (at least BBB-) from a SEC-registered rating agency (e.g. Intelligence Africa Ratings). If an issuer's stand-alone credit is weak, such issuer may consider enhancement (e.g. guarantees) to achieve a higher rating.

7. Common Debt Instruments and When They Are Used

7.1 Corporate Bonds

Corporate bonds are medium to long term debt securities typically used to raise funding for refinancing, capital expenditure, expansion, or strategic initiatives. They may be issued via public offer or private placement and may be structured under a Shelf/ Programme to enable multiple series over time.

- Typical tenor: Typically, 2–10 years, subject to market appetite and issuer profile.
- Payment profile: Prospective issuers usually pay a periodic coupon (fixed or floating) with principal redemption often structured as a bullet repayment at maturity (other amortising profiles are possible).

7.2 Sukuk (Islamic Bonds)

Sukuk are Shariah-compliant securities representing proportionate ownership interests in an underlying asset or project. They avoid interest payments and instead distribute returns linked to asset performance (e.g., rental or profit-sharing).

Sukuk can diversify an issuer's investor base by attracting Shariah-sensitive capital and strengthen use of proceeds discipline through linkage to tangible assets or projects.

- Typical tenor: Tenor is generally comparable to conventional bonds (often 3–10+ years) but should be aligned to asset/project life and the underlying Shariah structure.
- Payment profile: Returns are distributed through Shariah-compliant cashflows (e.g., rentals under Ijarah Sukuk or profit-sharing under Musharaka Sukuk) and are structured to resemble periodic distributions, with principal repayment at maturity or via agreed amortisation.

7.3 Commercial Paper (CP)

Commercial paper is a short-term unsecured promissory note used for working-capital and liquidity management. CP is often issued under a programme (with multiple series) and placed primarily with institutional investors and high-net-worth individuals.

- Typical tenor: Typical tenor is 30–364 days and is often issued in multiple series under a programme.
- Payment profile: Commercial paper is commonly issued at a discount and redeemed at par at maturity; programmes may be rolled over through successive series, subject to liquidity planning and investor appetite.

7.4 State Government (Subnational) Bonds

State Government bonds are medium to long-term debt securities issued by subnational governments (states and, in some cases, agencies) to finance infrastructure, budget support, and strategic development projects. Repayment is often supported by an Irrevocable Standing Payment Order (ISPO), a legal instruction that enables automatic deductions (typically from statutory allocation flow from Federal Government) to service debt, strengthen payment discipline and investor confidence.



- Typical tenor: Typical tenor is often 3–10+ years, depending on project profile, approvals, and investor appetite.
- Payment profile: Subnational bonds typically pay periodic coupons (fixed or floating) with principal repaid as a bullet at maturity or amortised for project-linked structures.

7.5 Subordinated Debt and Capital Notes (e.g., Tier 2 Instruments)

Subordinated debt (including regulatory capital notes for financial institutions) can be used to strengthen capital buffers and meet prudential requirements where applicable.

- Typical tenor: Tenor is typically medium to long term (often 5–10+ years) and may include call options subject to regulatory approval for regulated issuers.
- Payment profile: Instruments typically pay periodic coupons (fixed or floating) with principal repaid at maturity; some structures may include loss-absorption or conversion features depending on regulatory rules.

7.6 Green, Social, Sustainability and Sustainability-Linked Bonds

These are purpose-driven debt instruments. For green, social and sustainability bonds, the proceeds are earmarked for clearly defined eligible environmental and/or social projects. For sustainability-linked bonds, the proceeds can be used for general corporate purposes, but the bond's financial terms, such as the coupon, are linked to the issuer meeting pre-agreed sustainability performance targets.

- Typical tenor: similar to conventional bonds (often 3–10+ years), depending on issuer profile and investor demand.
- Payment profile: These instruments are typically coupon-bearing with principal repaid at maturity; sustainability-linked structures may include step-up/step-down features tied to KPI performance.

7.8 Asset-Backed Securities and Receivables-Backed Notes

Asset-backed securities (ABS) and receivables-backed notes finance pools of cashflow generating assets (e.g., mortgages, loans, receivables, leases) and are typically structured through an SPV that issues notes to investors.

- Typical tenor: Tenor depends on underlying asset cashflows and can range from short to medium term, often with amortising repayment profiles aligned to collections.
- Payment profile: Payments are commonly amortising and funded by collections from the underlying receivables, supported by a defined cashflow waterfall and credit enhancement (e.g., overcollateralisation, reserves, guarantees) where used.



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