SECURITIES AND EXCHANGE COMMISSION

Opening Remarks at the
Media Presentation of the New Rules of the Commission

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Ladies and gentlemen of the Press, I am delighted to welcome you to this media briefing on the new rules just issued by the Securities and Exchange Commission.

Rule making is one of the regulatory tools employed by the Commission to regulate activities in the Nigerian Capital Market. The other tools include Registration, Monitoring, Investigation and Enforcement.

As you are well aware, the instruments traded in the market are intangible and this is one of the rationales for regulation. It is also important to note that financial markets do not, for obvious reasons, tend towards equilibrium. As a result of this, they cannot be left to their own devices. Rule making is therefore employed by the Commission to ensure transparency and efficiency in the capital market.

The Commission is empowered under section 313 of the Investments and Securities Act (ISA) 2007 to, from time to time, make rules and regulations for the purpose of giving effect to the provisions of the Act.

It is a well known fact that in financial markets, periodic crisis bring forth regulatory reforms. It was as a result of this that the Commission in September 2008 constituted some industry-wide committees with the objective of repositioning the market for greater efficiency and international competitiveness. One of such committees was the Dotun Sulaiman Committee on the Review of the Capital Market Structure and Processes. The committee submitted its report in March 2009 and the implementation of the accepted recommendations has since commenced.

The rules being presented today are in furtherance of the implementation of the recommendations of that committee and in fact with these new rules, about 95% of the rule-based recommendations of the committee have been implemented.

The present amendments which comprise 23 new rules and 8 amendments to existing rules, cover a wide range of issues in the market.

This is the first time the Commission is making a media presentation on its amended rules. The purpose of this is to reach out to the investing public through the press to increase awareness of regulatory developments and responses to market dynamics. The dynamic nature of the capital market therefore requires that rules must be changed from time to time to meet the challenges arising from such market dynamism.

Some of the key provisions in the new rules include the following:

1. The requirement for approval by the Commission of appointment of Executive Directors of market operators. This is to ensure that only fit and proper persons run the affairs of market institutions.

2. The rule on validity of accounts submitted to the Commission requires that it should not be more than 9 months for corporate bodies and not more than 12 months for governments and supranational bodies.

3. The requirement to make underwriting of issues the discretion of the issuer has made underwriting of issues in the market no longer mandatory.

   However where an issue is underwritten, the underwriting commitment by a single underwriter shall not be more than 3 times its shareholders fund for equity offering and not more than 4 times for fixed income securities.

4. Issuers are now required to list their securities not more than 30 days after allotment clearance (where the issuer had stated in its prospectus that the securities would be listed).

5. Another key amendment relates to a reduction in the cost of issuance.

6. Separate rules have now been issued for corporate bonds. Before now, the same rules that apply to equity also applied to corporate

bonds. The new rules now issued are specifically to guide issuance of corporate bonds.

7. Also new rules have been issued for the regulation of money market funds.

8. One major new rule just issued is rule 234 C which is in furtherance of the anti competition powers of the Commission under section 128 of the ISA. The section empowers the Commission to order the breakup of a company where its business practices are capable of restraining competition or creating a monopoly in its line of business.

   The new rules therefore provide details of those practices that would be considered by the Commission as substantially preventing or lessening competition in the company's line of business. This will help to check companies using their dominant position to cause a restraint on competition.

9. Finally the new rules require public companies to make additional financial reporting such as quarterly reports, half yearly report and to file annual reports with the Commission in accordance with the requirements of sections 60 – 65 of the ISA.

Ladies and gentlemen these new rules are part of the efforts to transform the Nigerian Capital Market into a more efficient and internationally competitive market with high level of integrity and investor confidence.

It is our hope that these efforts will further strengthen the market and restore the confidence of both local and foreign investors.

Thank you.