

# SECURITIES AND EXCHANGE COMMISSION



## Remarks

**20<sup>TH</sup> PEARL Annual Awards Night**

**Mounir Gwarzo**

**Director General, SEC Nigeria**

Sunday 29<sup>th</sup> November, 2015

Abuja

1. Distinguished Ladies and Gentlemen, it is a sincere pleasure to be here. I am particularly delighted to participate in this milestone 20<sup>th</sup> edition of the Pearl Awards. It is indeed heartwarming to note the remarkable progress Pearl Awards has made since it was first instituted in 1995. Over the last two decades, you have contributed to the enhancement of the capital market's growth, vibrancy and development.
2. Pearl Awards has been leading the way in rewarding corporate excellence in Nigeria. True to the letters of your acronym, Pearl Awards rewards Performance, Earnings, Returns and Leadership. In March this year I was pleased to host the Pearl Awards Board of Governors, led by the Chairman – Alhaji U.F. Abdullahi in Abuja. It was a fruitful meeting during which I urged the inclusion of corporate governance and corporate social responsibility metrics in evaluating companies for the awards.
3. A growing body of research is showing the positive impact adherence to governance practices can have on company performance. Even where companies have similar financial performance indices, investors have been known to prefer those companies with better governance practices, even willing to pay a premium for it. It was therefore very gratifying to hear that Pearl Awards has in fact already reviewed the evaluation template to incorporate corporate governance compliance level by firms.

4. This should not be viewed as a minor adjustment but rather as a fundamental shift in the way corporate performance is viewed. We look forward to those companies that will emerge winners of the award today and they should really be proud of themselves because it shows that in addition to superior financial performance, they have gone ahead to distinguish themselves on critical aspects relating to corporate governance and corporate social responsibility.
5. Because of the positive correlation between corporate governance and capital market development, Pearl will be doing its bit in promoting market development by maintaining corporate governance practices in evaluations for awards. Let me therefore specially commend the entire leadership of Pearl Awards for this decision.
6. As apex regulator of the capital market with a mandate to develop the market, SEC will continue to support all efforts aimed at making our markets fairer, more efficient and more transparent. That is why we pledged our support for Pearl Awards. In fact, SEC was the earliest government agency to endorse Pearl Awards (in 2003) and till date we continue to show support for your programmes and initiatives.
7. I made one pledge when the Pearl Board of Governors visited me in Abuja. I had assured members that having completed the SEC Corporate Governance Scorecard, we would be launching it before the year ends. I am delighted to inform you that we kept our word as the Scorecard was finally unveiled on

Thursday 26<sup>th</sup> November, 2015 by the very distinguished Chief Olusegun Osunkeye.

8. I am sure corporate governance enthusiasts are excited by this development. The Scorecard, which we developed with support from the International Finance Corporation (IFC), is the first of its kind in Africa which mandates compliance with certain corporate governance principles and boosts the level of disclosure. In addition, the scorecard will be a useful tool for Pearl Awards in terms of enabling measurement of the level of compliance.
9. One aspect of corporate governance and rewarding corporate performance that gets very little attention is the potential impact on Nigeria's competitiveness. We believe the more companies get listed, the higher the standards they submit themselves to. One way to boost our Nation's competitiveness ranking is to ensure that all the major companies in the major sectors of our economy get listed. This will ensure they operate under greater market scrutiny and better governance standards which will in turn elevate the competitiveness of the entire economy.
10. In the light of this, we believe government has immense benefits to derive from taking ownership of the listing agenda. In a number of peer emerging markets, government takes the lead in mandating the listing of companies on domestic exchanges. Today, with over 4,500 listed companies, India has more listed companies than any other country in the world (including the US, the UK and China). This is thanks to a

deliberate government policy starting in the early 1990s to mandate companies operating in strategic sectors of the Indian economy to get listed.

11. Even within our country, an overwhelming percentage of the companies listed on the Exchange got listed as a result of one government policy or the other (e.g. indigenization in 1970s, privatization in 1980s and 1990s and banking/insurance consolidation in 2004 to 2007). We believe Nigeria has a unique opportunity under current conditions to emulate those policies especially in the context of government's drive to diversify its revenue base, boost tax collection and plug leakages. We could for example bring out a policy that requires a company to get listed either:
  - a. To benefit from government contracts and patronage of a specified amount; or
  - b. We may even require companies that have attained a certain size either based on turnover or market share, to get listed on an exchange; or
  - c. Specific companies that need periodic renewals of their operating licenses could be required to be listed on an exchange as a pre-condition for the license renewal.
12. These are only a few of the ideas government can adopt to ensure the success of our listing campaign to deepen and broaden the Nigerian capital market. We understand that not every company must be listed on the Nigerian Stock Exchange; indeed, some companies may not be willing or ready to go through the rigors of listing on a Stock Exchange. That is why we

have licensed alternative platforms (the NASD and the FMDQ) so that companies that are not listed on the NSE can have other platforms on which to list or raise capital, over-the-counter. We have already issued out Rules that mandate trading of public company securities exclusively on SEC registered platforms. So companies really should have no excuse to still be operating outside of these organized platforms. They should be happy to have their securities tradable on any platform under the SEC's regulatory purview.

13. Like I pointed out earlier, this is good for government and it is good for the entire economy. Because in most countries, listed companies are the most compliant with payment of taxes because the greater scrutiny they attract make illicit financial flows like trade mis-invoicing, abusive transfer pricing and tax evasion more difficult. Additionally, getting all these companies in telecommunications, upstream oil and gas and other sectors will allow millions of Nigerians to participate in the success of these companies which is exactly the goal of financial inclusion.
14. Distinguished Guests, Ladies and Gentlemen, as we click glasses to celebrate today's outstanding performers, I see room for optimism about the future of our capital market and our country, particularly in light of our continued determination to implement the 10-year Capital Market Master Plan. Earlier this year, we set for ourselves a number of targets for implementation within the Master Plan. At our Thursday event, I reported on the progress we have achieved so far as all of

them have been successfully concluded or almost concluded including:

- a. E-Dividend
  - b. Dematerialization (over 85% completed)
  - c. Direct Cash Settlement (to take off fully on 2<sup>nd</sup> January 2016)
  - d. Unclaimed Dividends
  - e. Robust Public Enlightenment
  - f. Corporate Governance Scorecard
  - g. National Investor Protection Fund (NIPF)
  - h. Recapitalization
  - i. Stronger Regulator and Zero Tolerance for Infractions
  - j. More Outreach on Non-Interest Capital Market
15. We are pleased with the level of support and ownership of the project we continue to receive from the highest levels. Because of the ambitious Master Plan goals we have set for next year, let me use this medium to solicit for your support to achieve them. The areas we are looking at include:
- a. The listing agenda
  - b. Greater support for SMEs (both for easier listing requirements and other sources of funding like crowdfunding)
  - c. Reduction of Transaction Cost
  - d. Introduction of Unified Licensing across money and capital markets
  - e. Strengthening commodities exchange to support government's agriculture policies

f. Deepening non-interest products and collective investment schemes

g. Demutualization of the NSE

It will be a very busy year for which your support will be most welcome.

Thank you for listening and I wish you all a delightful evening.