

SECURITIES AND EXCHANGE COMMISSION



Remarks

**Inauguration of the Capital Market
Master Plan Implementation Council (CAMMIC)**

Mounir Gwarzo

Director General, SEC Nigeria

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Abuja

1. Distinguished Ladies and Gentlemen, we are very honoured by your presence here for this very important event. This is a historic day for the entire capital market in Nigeria as we inaugurate the Capital Market Master Plan Implementation Council (CAMMIC). Let me use this opportunity to give an overview of our rationale for developing a master plan, what the master plan envisions for the capital market and the role this Council is expected to play in bringing our vision to reality. I will also highlight a number of the master plan initiatives that we have already started implementing and those we are going to be implementing over the next year and beyond.

Why We Needed a Master Plan

2. Nigeria had a semblance of a capital market well before independence. In 1946, the Colonial government issued its first loan stock of 300,000 pounds. Since then, the capital market has emerged and grown steadily. Without any guiding strategy document, we have been able to build quite a modest capital market that has supported growth of important domestic companies as well as helped Federal and State governments to raise funds. There were three major waves of growth fueled by policy and regulatory initiatives including the indigenization policy of the 1970s, the privatization policy of the early 1990s and the banking and insurance sector recapitalization exercises that began in 2004. Perhaps the real turning point was the devastating financial crisis of 2008 that rocked the market in which about 70% of stock market value was lost.

3. In order to weather the effects of the crisis, SEC took various reform measures to restore investor confidence and develop the market. These efforts have however not radically developed the market. Our market still trails others in terms of depth, breadth, size and liquidity. Everyone recognized that there was a need for a change in approach. In essence, we realized that we needed a strategic plan, a master plan document, to guide the market's development. Making master plan for capital market development is not a new practice. It has been tried elsewhere with appreciable successes. I will highlight only two examples from peer emerging markets.

Malaysia

4. At the turn of this century, Malaysia had a much smaller, shallow mono capital market dominated by equities with a very small debt market. Fast-forward 10 years, by 2010, Malaysia now has the 3rd largest local currency bond market in Asia and a stock market that essentially doubled in size within a decade from \$317 billion in 2001 to \$606 billion. Today Malaysia boasts of the world's most vibrant sukuk issuance market and is among the most prominent centers for Islamic finance on the globe. So successful was their first master plan that they have developed another master plan to guide the second phase of their market's development.

Brazil

5. For Brazil, since the launch of the Novo Mercado in the year 2000, hundreds of companies have been attracted to list on the BM&F Bovespa. Between 2003 and 2012, there were 131 initial public offerings (IPOs) amongst other public offerings. Brazil has diversified its market, built a vibrant domestic investor base and allowed the Brazilian Development Bank (BNDES), to play a crucial role in developing the domestic bond market.

Strategic Direction is Important

6. How were these two countries able to record such phenomenal success within only a decade? We have found that the common answer in both cases is the clarity of strategic thinking. Both countries had articulated master plan documents that launched a period of growth and enabled their markets to leapfrog their peers. We were therefore inspired by their examples to produce Nigeria's first Capital Market Master Plan which was launched in November 2014, expected to be implemented from 2015 to 2025.

What Does the Master Plan Entail?

7. The Master Plan was developed from the work of three industry-wide committees each tasked with a specific task of developing a blueprint for the growth of different market segments. I must commend the vision of the immediate past Director General of SEC for setting up these committees while

equally appreciating the chairpersons and members of the 3 committees for their excellent work.

- ◆ **Committee on Entire Capital Market:** This committee was chaired by Mr. Adedotun Sulaiman. Their work covered all major areas of the capital market and came up with the overall vision of the 10-year plan.
 - ◆ **Committee on Capital Market Literacy:** Mr. Ariyo Olushekun led this work-stream to produce a long term strategy document for financial inclusion, investor education, stakeholder-engagement and public enlightenment in Nigeria.
 - ◆ **Committee on Non-Interest Capital Market Products:** This committee worked on ways to deepen the non-interest capital market space in the country and improve familiarity of such products among Nigerians.
8. We have consolidated the reports from these three committees to produce the 10-year Capital Market Master Plan. The vision encapsulated within the Master Plan is *“to be Africa’s most modern, efficient and internationally competitive capital market that catalyzes Nigeria’s emergence as a top 20 global economy”*. We hope to achieve this by 2025, quite a daunting challenge, but certainly achievable with faithful implementation.

Implementation Governance: Role of the CAMMIC

9. I have made it very clear from the moment I was entrusted with the responsibility of serving as Director General of the SEC that implementing the Master Plan will be my only agenda. I am delighted that the capital market community has shown remarkable commitment to this goal as well. The Master Plan ensures the right level of governance to guarantee implementation success.
10. It proposes the setting up of an Implementation Council, the CAMMIC, which will be at the apex of the implementation architecture. Day to day coordination of the Master Plan implementation will be done by the SEC and we have set up a vibrant project management team (PMT) for this purpose. The PMT will also coordinate works of different Technical Committees across all the initiatives, in addition to serving as CAMMIC's secretariat.
11. The PMT will leverage the knowledge and wealth of experience from a Technical Adviser who will advise on various initiatives the PMT will coordinate. We have chosen Ms. Daisy Ekineh to serve in this capacity. She is often referred to as 'the capital market encyclopedia' due to her long years of experience in SEC rising to become Executive Commission, Operations and even acting as Director General for over 5 months.
12. As you may have noticed, a key success factor for our implementation efforts is the composition of the Council. We

have therefore chosen the best of the best among Nigerians in the right positions and with the right exposure and experience to make up this important Council. It will be chaired by Mr. Tola Mobolurin, and will benefit from the experience and influence of key government officials including Dr. Josheph Nnanna, Deputy Governor in charge of Financial System Stability at the Central Bank of Nigeria; Mrs. Chinelo Anohu-Amazu, the DG of PenCom; and Mr. Mounir Gwarzo, SEC DG. Other members include chairmen of the Capital Market Committees of both chambers of the Federal legislature; Sen. Isiaka Adeleke and Hon. Tajudeen Yusuf.

13. Also among the membership of CAMMIC are Mr. Oscar Onyema, CEO of the Nigerian Stock Exchange, as well as very outstanding members from the private sector and capital market community such as Mrs. Hajara Adeola, Prof. Koyinsola Ajayi, Mr. Ariyo Olushekun, Mr. Dotun Sulaiman and Mr. Ayoleke Adu. We have also included Mr. Balama Manu as replacement for Dr. Mahmoud Isa-Dutse who has become the Permanent Secretary, Ministry of Finance.
14. The CAMMIC will basically have three major roles, to:
 - a. Provide strategic guidance to the capital market community in the implementation of the Master Plan.
 - b. Engage in high-level advocacy to advance the goals outlined in the Master Plan. Particularly engaging the Executive, the National Assembly, the Judiciary, State

governments and government agencies to facilitate implementation of Master Plan initiatives; and

- c. Ensure National ownership of the Capital Market Master Plan and give prominence to capital market issues in national conversations and consciousness

2015: Year 1 Implementation So Far

15. We are here today to inaugurate the CAMMIC which itself is a major deliverable within the Master Plan. In addition to that, other important Master Plan initiatives that we have been implementing since the beginning of this year include:

- ◆ **Strengthening the Regulator:** This became an immediate priority. We set out to strengthen the SEC to function more effectively as apex regulator. Areas of weakness in both human and material capacity were identified. We are currently working on addressing these capacity deficits with plans to bring in very experienced and highly motivated personnel to man key areas of our operation including Office of the Chief Economist, Strategy, Surveillance, Market Infrastructure, Risk Management and Security. As required in the Master Plan, we are determined to make SEC a reference point when it comes to capacity. To boost efficiency in our work we are aiming to upgrade the ICT infrastructure across the Commission. We have conducted a far-reaching assessment of the ICT need and are currently developing a clear roadmap of the level of investments required.

- ◆ **E-Dividends:** E-dividends bring so many benefits to the investor. Long identified as an important initiative, implementation witnessed little progress. However, having been emphasized in the Master Plan, we made it a priority to complete this initiative. I am delighted to note that about 90% of this project has been completed with great support from the CBN and NIBSS. We have launched a portal that enables both banks and registrars to share information about investors and boost efficiency of the E-dividend process. Training was also conducted for users of the portal.
- ◆ **Dematerialization:** This is another critical initiative that will boost market security and efficiency. We have collaborated closely with CBN and NIBSS as well as with the Registrars to ensure share certificates are dematerialized. Having attained a record 80% level of compliance from registrars, we are confident that very soon we can really say that the Nigerian securities market is 100% dematerialized. We appreciate NIBSS for their commitment to this project as demonstrated in their presentation to the CMC yesterday.
- ◆ **Direct Cash Settlement:** Implementing direct cash settlement has been hugely successful as well. Being dependent on the success of dematerialization and access to the robust BVN database, we will soon be able to fully launch this initiative. Mr. Ade Bajomo, Executive Director at NSE and his team on this technical committee

have done an amazing job so far and we commend them.

- ◆ **Unclaimed Dividends:** We issued out directives to Registrars mandating the return of all unclaimed dividends older than 15 months in their custody (including those that are statute barred) to the paying companies in line with the provisions of CAMA. So far, we have seen about 98% compliance with this directive, the 2% non-compliance is due to reconciliation issues between registrars and the companies. This, along with the E-dividend scheme, will put a stop to the growth in quantum of unclaimed dividends. We are also proposing a structure that ensures unclaimed dividend monies are kept in trust and invested in the market.
- ◆ **Non-Interest Capital Market:** This is an area in which Nigeria has huge potential, capable of replacing Malaysia as the hub of Islamic finance in the emerging world. We have intensified activities in this regard, organizing regional workshops targeting potential issuers of Sukuk as well as working with both CBN and PenCom on ways to strengthen non-interest finance in Nigeria.
- ◆ **Robust Public Enlightenment:** This is a continuous exercise in which we reach out to investors through all available media outlets sensitizing them about various market issues. Over the last 4 months we have embarked on widespread enlightenment on issues like E-dividend, dematerialization, direct cash settlement, ponzi schemes, etc. The

advertisements ran in all states of the Federation in all the major languages in Nigeria as well as pidgin and English. To have maximum impact on the E-Dividend scheme, in a couple of days, we are rolling out another round of advertisements to sensitize investors on steps to take.

- ◆ **Corporate Governance Scorecard:** The Scorecard was unveiled earlier today and represents just one aspect of our overall focus on deepening best governance practices in Nigeria.
- ◆ **National Investor Protection Fund:** The NIPF was launched this morning. It is a major step towards attracting investors back to the market. Like I earlier pointed out, within the next 3 to 4 weeks the first set of investors to be compensated will be announced. In line with the NIPF rules, we had to await the Verification Committee's inauguration to begin compensating investors.
- ◆ **Zero Tolerance for Infractions:** The Master Plan emphasizes the need to rid our market of all forms of infractions. We have been very detailed in moving to achieve this. We now have a stronger enforcement posture, we have revamped our rulemaking and also reconstituted a stronger SEC APC.

2016: Year 2 Implementation

16. After inauguration, we have identified key initiatives in the Master Plan that will be prioritized for next year some of which

will require significant advocacy work by the Council. The initiatives include:

- ◆ **Reduction of Transaction Costs:** A robust transaction cost analysis that compares our cost structure with those of 23 other jurisdictions is guiding our attempt to reduce both implicit and explicit transaction costs across the board.
- ◆ **Introduction of a Unified Licensing Model:** We are coordinating with the CBN for joint regulation of investment banks who will have access to liquidity through the CBN discount window.
- ◆ **Encouraging listing of companies:** Efforts will be expedited to attract listings especially from upstream oil & gas as well as telecommunication and agricultural sectors. CAMMIC's influence may prove critical in this endeavour.
- ◆ **Adoption of GIPS for Nigerian Fund Managers:** In line with the CIS strategy document, we are supporting FMAN to ensure joins other leading markets in the world in adopting global best standards in measuring performance of CIS funds. This will attract the best fund managers to Nigeria.
- ◆ **Demutualization of the NSE:** The NSE has already nominated advisers for its demutualization exercise. The entire market will support the NSE to ensure it is successful. CAMMIC may be called upon to lend its influence in addressing contentious issues around the percentage of government ownership.
- ◆ **Strengthening Commodities Exchanges:** We currently have two commodities exchanges operation an

electronic warehouse receipt system. We need more advocacy for the successful passage of the Warehouse Receipt Bill.

- ◆ **Easing listing requirements for SMEs:** A lot of fiscal incentives will be needed to make listing on the Alternative Securities Market (ASeM) more attractive. Some of our proposals in this will require the blessings of the Federal Executive Council (FEC). We are also working on other funding sources for SMEs like Crowdfunding.
17. These are just some of the major initiatives we will be focusing on in 2016. It is going to be a very busy year. Let me reiterate again our full commitment to faithfully implement this Master Plan. To my fellow members of the CAMMIC, I give you my commitment and dedication that your work will not be in vain. We shall support you in any way possible to ensure that this important National assignment is hugely successful so that Nigeria can indeed have the kind of capital market capable of facilitating socioeconomic development.
 18. Let me again most sincerely appreciate the Honourable Minister of Finance, the Permanent Secretary, Ministry of Finance and our very special guests for honouring this invitation. I would also once again specially thank members of the CAMMIC for accepting to serve on this Council.
- Thank you.