

# SECURITIES AND EXCHANGE COMMISSION



## Opening Remarks

**The 2<sup>nd</sup> International Conference on Islamic Finance**

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**SEC Nigeria**

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## Protocol

1. Distinguished conference participants, Ladies and Gentlemen, it is a sincere pleasure to present these brief remarks on behalf of the Director General of the Securities and Exchange Commission (SEC) who is unavoidably absent. Because of the high importance he and the SEC place on non-interest finance matters, he had planned to personally attend but for a mix-up with schedules of preplanned engagements. He sends his apologies and has asked me, as Supervising Executive Commissioner for Operations, to represent him.
2. Let me begin by congratulating all the partner institutions organizing this second edition of the International Conference on Islamic Finance. I particularly commend Metropolitan Skills Limited, the International Institute of Islamic Banking and Finance (IIIBF) of the Bayero University, Kano, the Islamic Finance Institute of Southern Africa (IFISA) and the Islamic Finance Council UK for this great initiative. The SEC is always willing to support initiatives like this, especially those that provide a platform for the exchange of ideas on a matter that is of critical importance for our country.
3. Non-interest finance is a gold mine that remains largely untapped in Nigeria and no one would argue against the fact that it is an area of immense opportunity for the country, particularly under existing constraints. Unacceptable level of unemployment, slower GDP growth, massive infrastructure deficit and other challenges are coinciding with falling oil

revenues and significant budgetary constraints. These are challenges that present a remarkable opportunity to diversify both the economy and the sources of funding. Non-interest finance is certainly among such alternative sources.

4. Investors worldwide are increasingly allocating their resources into Islamic finance products. By the end of 2014, total assets under management in the global Islamic finance industry surpassed \$2 trillion. Additionally, a large pool of funds exists domestically with a demonstrated appetite for non-interest products.
5. Nigeria is endowed both in terms of demographics and resources to become a major global Islamic finance market. Malaysia, Saudi Arabia, UAE, Kuwait and Qatar are the top 5 largest Islamic finance markets in the world, in that order. They account for the highest sukuk issuances and contribute more than half of the total assets under management in the industry. However, with over 80 million Muslims, Nigeria is home to far more Muslims than all the 5 countries put together. In addition, Nigeria has a larger economy than them, with the exception of Saudi Arabia. There is therefore no reason why Nigeria should not be a major player in the global Islamic finance market.

**What we have done:**

**i. The Non-Interest Capital Market Products Master Plan**

6. To harness this potential, proper strategic planning is imperative. That is why at the SEC we set up an industry-wide Committee of experts in 2013 to produce a 10-year master plan on non-interest capital market products. Their

recommendations have been incorporated into the broader capital market master plan which we have begun implementing.

7. Our goal is to boost non-interest capital market product innovation so that the segment can be at least a quarter (25%), in size, of the overall market capitalization. We intend to build a strong regulatory regime for non-interest products, encourage stakeholders in the non-interest capital market and ensure the emergence of Nigeria as a prominent non-interest capital market hub both at the regional level and globally. A copy of the master plan is downloadable from our website [www.sec.gov.ng](http://www.sec.gov.ng).

#### **ii. Building the Right Regulatory Regime**

8. Over the years, SEC has taken a leading role in deepening the non-interest finance space in Nigeria. Particularly, we developed very robust rules on Sukuk issuance which have already enabled the Osun State government to issue Nigeria's first ever Ijarah Sukuk. The award-winning issuance was oversubscribed to show the degree of appetite for such products in the country. We have also developed and issued rules on Islamic fund management which is enabling the development of ethical indexes as well as supporting the activities of ethical fund managers.

#### **iii. Deepening Capacity**

9. Part of the reasons why we support and encourage initiatives like conference is because they are essentially capacity building programmes. A lot has been said about the dearth of

skills and capacity in the area of Islamic finance in Nigeria. We believe all stakeholders should participate in reducing that capacity gap. In our own bit, we have introduced regional workshops targeting potential issuers and bringing world class experts in the field to speak to them about the feasibility and benefits of issuing non-interest finance products in Nigeria. We concluded a very successful one last month in Kano while we are currently planning similar roundtable events in Sokoto, Kebbi and other regions of the country. Going forward, we are considering modalities for setting up a Sharia Advisory Council as a body of experts to advise SEC and the market on non-interest product applications.

**iv. Dedicated Capital Market Committee's Sub-Committee on Non-Interest Products and Inter-agency Collaboration**

10. The SEC leads a market-wide committee of capital market stakeholders that meets quarterly to discuss on ways to move the market forward. As a testament to our strong interest to deepening the Islamic finance space, we have a standing CMC Sub-Committee that coordinates our collective efforts for that segment of the market. In particular the Sub-Committee is working with:
  - a. **CBN:** To obtain liquidity status for non-interest products (especially the sukuk)
  - b. **PenCom:** To finalize guidelines specifying non-interest products as investible assets in order to attract a substantial part of the N4.7 trillion of pension assets into non-interest or ethical products

- c. **FMDQ:** To boost liquidity of non-interest products by supporting the platform to enable secondary market trading of non-interest products. At our last CMC meeting, we were informed that FMDQ has already set up a non-interest products desk.
  - d. **DMO:** SEC is also in discussions with the DMO to see if the Federal Government can issue a sovereign sukuk to provide a benchmark for other categories of issuers.
11. As part of Master Plan implementation, expected to run from 2015 to 2025, we would continue to make non-interest capital market the priority it is. It is important not only in tackling Nigeria's unemployment and infrastructure problems but also as a tool to boost financial inclusion. Our doors are always open for any suggestions and collaborations on moving the market forward. I hope that this edition of the conference will not only deepen the capacity of participants but would come up with actionable steps to improve the regulatory framework and boost product innovation. The SEC will be delighted to share in the conference outcome.

Thank you for your kind attention and I wish you all very fruitful deliberations.