

SECURITIES AND EXCHANGE COMMISSION



REMARKS OF THE DIRECTOR GENERAL SECURITIES AND EXCHANGE COMMISSION

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4TH NIGERIA INVESTOR DAY

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DG, SEC NIGERIA

1. It gives me great pleasure to send this message at the 4th Nigeria Investor Day. This event is already establishing itself as a flagship platform for information dissemination about the factors that make Nigeria such an enviable investment destination. My special commendation goes to the Association of Asset Custodians of Nigeria (AACN) for sustaining the momentum and taking initiative to attract further foreign investments into the country.

2. Indeed, Nigeria is the quintessential emerging economy: highest concentration of black people on earth, youthful population, largest economy in Africa, one of the 10 fastest growing economies in the world, growing middle class, rising rate of urbanization and an abundance of natural resources. At the Securities and Exchange Commission (SEC) we are well aware of the increasing attention Nigeria is generating among international investors. My remarks will therefore focus on the initiatives we are taking to reform the regulatory environment and make Nigeria the investment destination of choice.

Strengthening and Refocusing the SEC

3. Our strategy is to focus on the big issues as apex regulator while empowering market operators and trade groups to self-regulate. This will enable the SEC perform its roles more effectively and efficiently, especially because we are implementing a new organizational structure that streamlines our operations along the lines of the new strategic focus. Investors will begin to feel the impact of this restructuring through faster approval of transactions, less bureaucratic bottlenecks and more responsiveness to market feedbacks. Overall, investors can be assured of a more robust regulatory framework and a framework that supports market growth and innovation while ensuring zero tolerance for market infractions.

Restoring Investor Confidence

4. In addition to the push for more participation from foreign investors, we are prioritizing the emergence of a vibrant domestic investor base, especially

the return of retail investors to the market. Some of the steps we have taken to achieve this include reviewing and launching a new complaints management framework that ensures investor complaints are dealt with in a swift manner. Apart from greater roles for market operators and trade groups in resolving complaints, the dispute resolution mechanism will be further improved by strengthening the SEC's Administrative Proceedings Committee (APC) and the Investments and Securities Tribunal (IST). Additionally, the SEC Board has earmarked takeoff grant for the National Investor Protection Fund which will retribute investors for pecuniary losses due to malfeasance or bankruptcy of non-broker market operators registered by SEC.

Improving Corporate Governance

5. In 2011 SEC introduced a new Code of Corporate Governance that complies with international best practice. Unlike in most jurisdictions, we are making compliance to the Code mandatory and have developed a Corporate Governance Scorecard for public companies to measure compliance. The Scorecard is the first of its kind in Nigeria and was designed with support from the private sector arm of the World Bank – the International Finance Corporation (IFC). International investors can have more confidence in our market due to the strict disclosure requirements within the International Financial Reporting Standards (IFRS) and better governance standards to which Nigerian public companies adhere.

Strengthening Market Institutions

6. The minimum capital requirements for all market functions were reviewed and the deadline for full compliance is September 2015. This would lead to consolidation in the industry and produce stronger, better capitalized institutions. We have released Rules on Demutualization which provides a framework to guide the Nigerian Stock Exchange (NSE) in its drive to join the world's biggest exchanges as a demutualized entity. Investor access and

experience can therefore be expected to improve through better market infrastructure.

Supporting Product Innovation and Trading in Unlisted Securities

7. In the last few years new products have been introduced in the Nigerian capital market including Sukuk, ETFs, REITs and securities lending. Recently, we approved Rules on Securitization. We hope this will lead to the emergence of a vibrant asset-backed securities and mortgage-backed securities market in Nigeria. SEC has equally released Rules mandating the trading of public companies' unlisted securities exclusively on SEC-registered OTC platforms. Investors can therefore increase their exposure to Nigeria beyond quoted companies while enjoying the right price discovery and regulatory oversight of the OTC platforms registered by SEC (FMDQ and NASD).

Shortening the Clearing and Settlement Cycles and Reducing Transaction Costs

8. Nigeria is implementing Direct Cash Settlement with the goal of reducing the settlement cycle from T+3 to T+0. Important tasks to conclude to achieve this include the dematerialization of certificates which is among the major goals of the SEC for this year. We have also conducted a comprehensive transaction cost analysis of the entire market. We are looking at various measures to take in order to reduce transaction costs and make our market more attractive and competitive.

Responsive Rulemaking

9. SEC will continue to review its Rules to address areas of defect in the market. Already we are working on Rules covering areas like Fund/Portfolio Management, Unclaimed Dividends, Disclosure Requirements for Oil & Gas

companies, Commodities Trading, and FMDQ Short Term Notes. Investors can be assured of the SEC's commitment to maintain listening ears and review its policies and guidelines accordingly.

Implementing the Capital Market Master Plan

10. We worked on three 10-year strategy documents to guide the development of Nigeria's capital market. There are specific reports on the entire capital market, on financial literacy and on non-interest capital market products. SEC and the capital market community are advocating for ownership of this project at the highest levels. Implementation of the recommendations contained in the master plan will form the crust of our agenda for the next 5 years.

Conclusion

11. As you gear up for the animated discussions at this conference, I enjoin you all not to lose sight of the cardinal role of custodians in the financial system – that of upholding market integrity. Your role gives investors comfort thereby boosting their confidence. Since you play such a critical role in attracting investments into Nigeria, I urge you to continue improving your services beyond custody in keeping with global trends in the industry. You can all be assured of the SEC's commitment to partner with all relevant stakeholders to help investors better navigate current changes in order to be better placed to extract the abundant opportunities Nigeria offers.