

# SECURITIES AND EXCHANGE COMMISSION



## **Developing and Regulating the Nigerian Capital Markets: Entrenching Best Practice and Unleashing Opportunities**

**REMARKS TO  
THE SOCIETY OF WOMEN ACCOUNTANTS OF NIGERIA (SWAN)  
ABUJA CHAPTER**

**Mounir Gwarzo  
Director General, SEC Nigeria**

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1. I am very delighted for the kind invitation to speak to this distinguished gathering of Nigeria's brightest women accountants. I wish to specifically commend the foresight and leadership of everyone who participated in putting together this platform for sharing experiences and exchanging ideas among professional women of like minds. Anyone who has followed the interesting story of how the Society of Women Accountants of Nigeria (SWAN) started must be impressed by the rapid growth your community has witnessed. I understand at the maiden meeting in Ibadan there were only 10 women in attendance.

2. Less than a year later when SWAN was inaugurated by the then Federal Commissioner for Finance, Major General Oluleye, on April 28<sup>th</sup> 1978, SWAN had only 38 members in total. Today, over 4,500 female accountants belong to this important arm of the Institute of Chartered Accountants of Nigeria (ICAN). Having your origin at the famous University of Ibadan, I am very proud that you still keep the intellectual foundations alive by inviting resource persons to your meetings to cover topical issues.

3. I am requested to cover key capital market trends with focus on what the Securities and Exchange Commission (SEC) is doing to stamp out corruption within the Nigerian capital market. However, I intend to speak more generally about the critical role capital markets play in a society, the important regulatory and development mandates of the SEC as apex regulator and also some specific initiatives we are implementing to enhance best practice across the entire market. I have therefore decided on the theme "Developing and Regulating the Nigerian Capital Markets: Entrenching Best Practice and Unleashing Opportunities".

4. One important message I would like each of you to take away from these remarks is that the capital market represents a vista of opportunities both for you as an individual, for your profession and also for the entire country. The SEC therefore exists to ensure that the market is soundly and optimally regulated, devoid of malfeasance and other illicit practices to unleash this potential.

5. It is instructive that the organizers of this event found it important enough to focus on the capital markets among the multitude of other topics that dominate contemporary national life. This is obviously a confirmation of the growing importance of capital markets and perceptions of the role they can play in enabling Nigeria actualize her amazing potential. You may all be aware that over the last decade and half Nigeria experienced unprecedented economic growth rates averaging above 7% per annum. Today as the largest economy in Africa, Nigeria is capable of enjoying double-digit growth rates if challenges of infrastructure deficit and access to finance for businesses are adequately addressed.

6. Capital markets are more suited to fixing infrastructure since they enable access to long term capital to match the long term nature of infrastructure investments. Beyond infrastructure finance, capital markets play more profound roles in a society. They are enablers of socioeconomic development because they hasten the rate of capital formation, foster a meritocracy and promote good corporate governance, innovation and entrepreneurship. In addition, capital markets broaden access to economic prosperity by allowing ordinary citizens participate in the successes of companies, they help accelerate wealth creation and wealth distribution by facilitating access to capital for small and medium scale enterprises (SMEs). Capital markets can equally catalyze housing finance which does not only provide shelter but also creates jobs and collateral for small businesses.

7. Because of these important roles capital markets can play, developing vibrant capital markets in Nigeria is actually an urgent national priority which the SEC is saddled with executing. Last year, we developed 3 well articulated master plans to guide the strategic development of Nigeria's capital market in 3 areas: one for the entire capital market, another for non-interest capital market products and the other one for capital market literacy. SEC is currently leading market-wide efforts to diligently implement these 3 master plans. We are targeting key efforts like dematerialization of share certificates, introduction of e-dividends, reduction of transaction costs, massive public enlightenment,

shortening of the settlement cycle, introduction of a corporate governance scorecard and enforcement of new minimum capital requirements to strengthen institutions participating in our market.

8. As the Nigerian capital market grows in size, depth, liquidity and sophistication, the regulatory role of the SEC becomes even more necessary and impactful. The overriding objective of our regulation is to protect the investor and ensure that the markets are fair, orderly, transparent and built on integrity. Being a leading member of the International Organization of Securities Commissions (IOSCO), SEC strictly adheres to the Principles of Securities Regulation. The entire regulatory architecture spans from: registration (of both securities and market participants), surveillance, inspection, investigation, to rulemaking, compliance and enforcement. I would like to talk briefly around the regulatory processes and organization put in place by SEC to detect, investigate, eradicate and stamp out illicit practices within the Nigerian capital market.

a. **Registration:** Starting from our registration function, we ensure that only fit and proper persons or institutions who meet up with strict minimum standards are allowed to operate within the Nigerian capital market. Upon satisfying our stringent registration requirements, they are issued a license which can be revoked or suspended by the SEC in the event of malfeasance or infractions by the operator or sponsored individual.

b. **Inspections/Surveillance:** We do not rest on our oars after simply registering a market participant or a company's securities. SEC carries out target, routine, off-site and on-site inspections of capital market operators or issuers to ensure that nothing improper is allowed to occur or continue to occur. Similarly, we conduct surveillance on secondary market trading of securities to prevent infractions like price manipulation, pump and dump and other unacceptable gimmicks.

c. **Investigation:** SEC has recently released rules on investor complaints management which ensure that trade groups are more involved in resolving

complaints. All legitimate complaints of investors are investigated by the SEC to ascertain the veracity of claims made.

d. **Dispute Resolution:** The capital market boasts of a robust dispute resolution mechanism that is practically unmatched within the financial system in Nigeria. Following complaints, all parties meetings are arranged by the SEC and unresolved cases can be forwarded to the quasi-judicial Administrative Proceedings Committee (APC) of SEC which gives fair hearing to all parties in a case. There is also the Investments and Securities Tribunal (IST) which adjudicates capital market litigations in Nigeria.

e. **Compliance with Anti-Money Laundering/Counter Terrorism Financing (AML/CFT) Regime:** As you accountants are very much aware, the topic of illicit financial flows is a problem attracting the attention of governments all across the world. SEC has been an active participant in the Financial Action Taskforce (FATF) which has led to the successful delisting of Nigeria from the grey list. We ensure the capital market is not used as a conduit for illicit financial flows by mandating regulatory filings on specific AML/CFT transactions and conducting regular inspections to ensure compliance.

f. **Code of Conduct for Operators:** There is a minimum standard of acceptable ethical conduct we require for market participants. This is critical to entrenching best ethical standards within the capital market. We have consequently developed robust and specific Code of Conduct for various market functions including for Rating Agencies, Registrars, Underwriters, etc.

g. **Enforcement:** Where decisions are reached by the SEC or the APC, we have a very robust enforcement mechanism that ensures such decisions are adhered to. SEC innovatively partners with law enforcement like the Office of the Attorney General of the Federation, EFCC and the Nigeria Police Force to ensure our enforcement actions are tougher and swifter. Through this we have been more effective in sealing up the premises of illegal capital market operators and also effecting the arrest of suspects.

**h. Instilling Best Governance and Transparency Practices:** You are all familiar with the benefits of transparency of financial statements. SEC was at the forefront of the efforts for adopting the International Financial Reporting Standards (IFRS) by publicly listed companies. This has been an area of great collaboration with accountants and one which the SEC is continually willing to explore. In addition to international best practice in financial reporting, SEC has made Nigeria one of the few countries in the world where compliance with the Code of Corporate Governance is mandatory. Soon we are launching the Corporate Governance Scorecard to make compliance even more appealing for companies.

9. In rounding up my remarks, I would like to focus on a few areas of opportunity within the capital market for young female accountants. As you can see, the capital market is being positioned to play increasingly important roles in the national economy. It will therefore be good for your career to consider areas in which you can insert yourself to be a part of that group that makes the capital market a more vibrant enabler of socioeconomic advancement. We register and regulate reporting accountants, financial advisers, rating agencies and other functions where accountants are prominent. These are all great areas for young women to consider if they want to have a greater impact. As the nation gears up to further the goals of financial inclusion and financial literacy, female accountants are going to be in demand whether as financial planners or financial advisers to help enable others save and invest their monies. SEC is willing to play a very facilitative role here, providing a level playing field, sponsoring training programs and going into partnerships with organizations such as yours to boost financial inclusion.

10. I enjoin and challenge you all to look beyond the walls of your profession and reach into even further frontiers. There are opportunities out there needing your skills as an accountant and a woman who really wants to make a difference. The capital market offers you that opportunity to contribute immensely to economic growth while participating in deepening best ethical and governance practice in our country. Thank you for listening.