SECURITIES AND EXCHANGE COMMISSION

Transforming Africa through World Class Capital Markets

KEYNOTE ADDRESS AT

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1. It is an honour and pleasure to deliver a keynote address at this second edition of Africa Financial Summit. I wish to specially commend the Institute of International Finance (IIF) for this laudable initiative which bears testimony to the growing importance of Africa in the global financial system. The IIF has not only made Africa prominent on its agenda, it has been an enabler of the shift of financial globalization towards emerging markets. Starting as a body of 38 banks based mainly in developed countries in 1983, the IIF has grown to become the only global association of financial institutions with 470 members half of which are headquartered in emerging markets including members in 8 African countries. Through all the financial crises since its formation, the IIF has shown leadership, helping to shape the world of finance as we know it today. I particularly admire the important role the IIF is playing in pushing for the adoption of macro prudential regulation as well as best governance practices among financial institutions. My keynote address is entitled 'Transforming Africa through World Class Capital Markets'. The main message I hope to convey to this very distinguished audience is that African countries recognize the critical role capital markets can play in transforming society and are making conscious efforts to urgently develop world class capital markets.

2. World class capital markets are characterized by high levels of liquidity, depth, breadth and sophistication with a strong domestic investor base. They are innovative, transparent due to robust disclosure regimes, and efficient both in terms of price discovery and in the allocation of capital. World class capital markets serve as an important source of medium to long term capital for governments and businesses. However, world class capital markets do far more than provide access to capital. They are enablers of socio-economic development because they hasten the rate of capital formation, foster a meritocracy and promote good corporate governance, innovation and entrepreneurship. In addition, world class capital markets broaden access to economic prosperity by enabling the emergence of financially responsible citizens, accelerating wealth creation and wealth distribution, providing capital to small and medium scale enterprises (SMEs), and catalyzing housing finance.

3. Capital markets also contribute to macroeconomic and financial system stability by fostering the diversification of economies and raising their capacity to absorb volatile capital flows. The G20 acknowledges for example that domestic bond markets help countries to reduce reliance on foreign loans which reduces vulnerability to foreign exchange risk and eases external imbalances. It also lessens the need for large precautionary reserve holdings and improves the capacity of macroeconomic policies to respond to shocks by allowing country balance sheets to adjust more smoothly. This virtuous cycle,

fostered by capital markets, forms the basis for an ecosystem that supports growth and development. As markets develop and become more liquid, private equity (PE) and venture capital (VC) activities are spurred, leading to an efficient distribution of financial resources to the most productive and innovative businesses. These businesses that are nurtured by private equity could eventually get listed on exchanges thereby enhancing the depth of the capital market. The symbiotic relationship between capital markets and PE/VC stimulates entrepreneurship, encourages innovation, deepens the entire financial system and leads to the emergence of a knowledge-based economy.

4. Considering the immense benefits that world class capital markets bring, every economy, especially African economies, needs such markets. Africa needs developed capital markets to accelerate inclusive economic growth and to tackle infrastructure challenges. A diagnostic study of Africa's infrastructure needs led by the World Bank revealed that Africa needs to invest US$93 billion annually over the next decade to close this infrastructure gap. The African Development Bank (ADB) did a similar study for Nigeria this year and came up with an annual estimate of US$35 billion for infrastructure investment over the next ten years. McKinsey recently developed a National Integrated Infrastructure Master Plan (NIMP) for the Federal Government of Nigeria. The NIMP estimates total investment in infrastructure over the next 30 years at US$3.9 trillion. As you are well aware, Sub-Saharan Africa (SSA) has enjoyed over a decade of above 5% growth while being home to 6 of the world's 10 fastest growing economies. This impressive growth has occurred in spite of infrastructure challenges. One can only imagine how much faster Africa can grow if it had better infrastructure stock as according to the World Bank, the poor state of Africa's infrastructure cuts about 2 percentage points every year from GDP growth while reducing productivity by 40%.

5. Africa urgently needs deep capital markets that will complement banking sector finance by providing long term capital for growth and development. This is because the capacity of banks to provide funding is increasingly constrained by stringent capital requirements. For example, in Nigeria, banks' cash reserve requirements for public sector deposits was raised to 50% in August 2013. Internationally, banks are faced with similar constraints on capital in their bid to meet the requirements of Basel III. Last year, banks in the United States and Europe created loans worth US$2.2 trillion, and only half of what was raised through the bonds and equities markets in the two regions.

6. The number of active SSA stock exchanges has increased from 5 in 1989 (in South Africa, Nigeria, Kenya, Zimbabwe and Uganda) to 21 currently with a little less than a thousand listed companies. Johannesburg Stock Exchange (JSE)

accounts for 70% of combined capitalization of listed equities as at the end of 2012 while the Nigerian Stock Exchange (NSE) is the second largest stock exchange on the continent with capitalization of about US$74.2 billion. Stock Market Capitalization as percentage of GDP in most African countries is still low compared to other regions of the world signifying a lot of room for growth (except for South Africa and Zimbabwe at 159.3% and 109.3% of GDP respectively). The level of activity in African stock exchanges is equally low as average number of deals in a day is below ten thousand in Nigeria and less than two thousand in Kenya, although in South Africa daily number of deals usually exceeds a hundred thousand. The daily turnover ranges from less than US$0.5 million in Botswana and Swaziland, US$5 million in Kenya, US$28 million in Nigeria

to about US$1 billion in South Africa.

AFRICAN STOCK MARKETS DATA

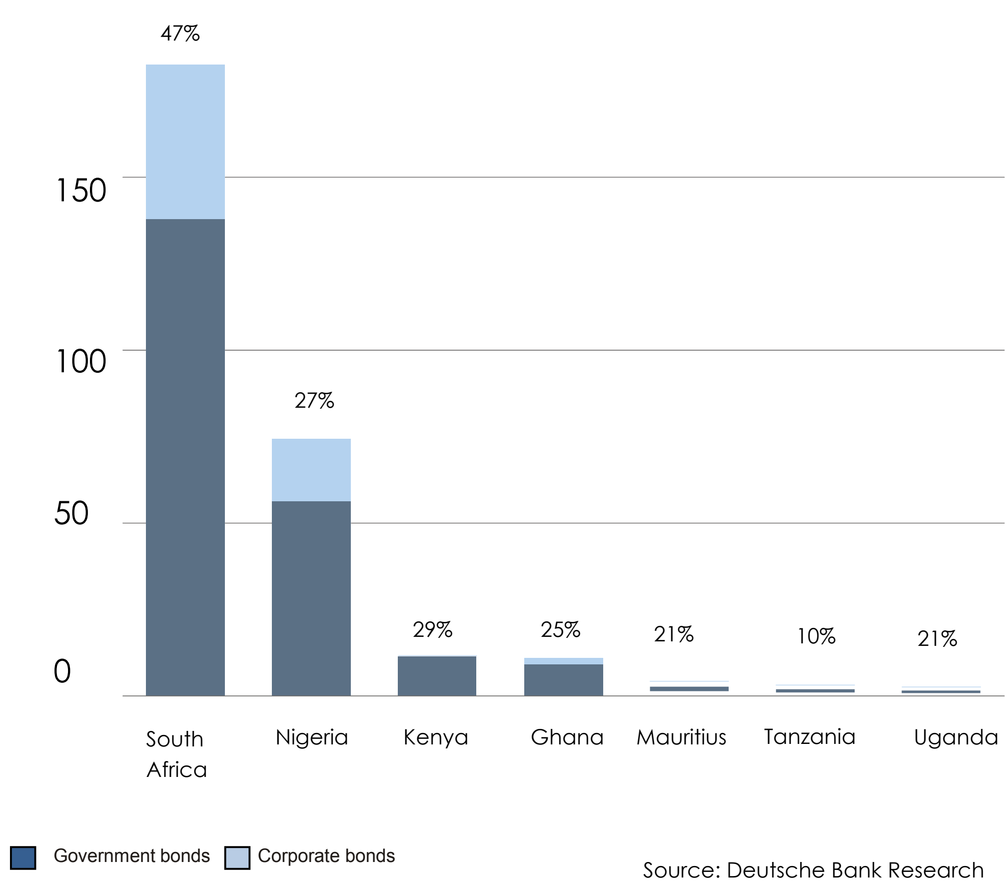
Country	Number of Listed Companies	Equities Capitalization ($millions) YTD 2013	Stock Market Cap (% of GDP) 2012	Average Weekly Trading Volumes ($'000) YTD 2013
Botswana	24	4,600	31.8	6,700
Cote d'Ivoire	37	7,800	31.7	4,400
Ghana	34	26,500	57.7	4,600
Kenya	57	22,800	55.2	38,000
Malawi	14	750	17.7	600
Mauritius	87	7,010	67.6	
Namibia*	27	133,00	1038	1,000
Nigeria	196	75,100	21.5	123,500
South Africa	403	612,300	159.3	3,854,000
Swaziland	5	200	-	500
Tanzania	17	1,800	6.4	2,300
Uganda	10	7,290	36.7	2,800
Zambia	20	3,030	14.5	600
Zimbabwe	76	11,820	109.3	8,200
Egypt	334	58,000	22.5	
Morocco	76	52,630	54.8	
Tunisia	59	8,890	19.5	

Source: World Bank Databank, WFE, Investing in Africa

*The Namibian Stock Exchange (NSX) is boosted by large dual listings. There are only 7 'non-dual listed stocks on the NSX with total capitalization of US$1.3 billion.

8. Domestic bond markets in Africa have recently seen significant growth but are still at a nascent stage of development and are dominated by government securities mostly of short maturities (except for South Africa and Nigeria who have yield curves of up to 26 and 20 years respectively). Government debt securities represent 89.2% of total outstanding local currency denominated bonds with the remaining 10.8% as corporate bonds. Overall, the outstanding stock of local currency bonds was 14.8% of GDP in 2010 far below the levels in other emerging and developed markets[1]. However, it is noteworthy that the trend is tending upwards across the major economies in SSA with South Africa, Nigeria, Kenya, Ghana, Mauritius and Uganda all having the total domestic bond stock as percentage of GDP above 20%.

Domestic Debt Market Capitalisation in US$ billion; and Shown as % of GDP



Source: Deutsche Bank Research

[1] Total domestic bond stock as percentage of GDP in Japan is almost 250%, 175% in the U.S., 110% in Malaysia, 102% in South Korea, 60% in Brazil and 50% each in China and Hong Kong.

Improved Business Climate in Africa

9. Reforms in Africa are making it easier to do business and increasing the attractiveness of the region. According to the World Bank's Doing Business Report 2013 between 2004 and 2012, 98% of sub-Saharan countries made at least 2 Doing Business reforms making it easier to do business in SSA than in any other region. The recently released 2014 edition of World Bank's Doing Business notes also that over the last 9 years the pace of reforms in Africa is 3 times the pace of reforms in high income countries and SSA has made the most reforms in enforcing contracts over the past 5 years than any other region.

Macroeconomic Stability

10. These reforms have obviously led to impressive growth, and improved macroeconomic/political stability in Africa. As noted earlier, GDP growth rates have been above 5% for the last ten years and are projected to accelerate in the medium term to almost 6%. Fiscal deficits have been maintained below 3% of GDP for all of the last ten years except 2010.

	2004-08	2010	2011	2012	2013	2014
Real GDP Growth	6.4	5.4	5.3	5.1	5.4	5.7
Oil Exporters	8.5	6.6	6.1	6.4	6.6	6.8
Fiscal Balance (% of GDP)	1.9	-3.9	-1.3	-1.7	-2.7	-2.9
Non Oil Exporters	-0.7	-4.6	-3.7	-4.5	-4.1	-3.2
Current Account Balance	0.6	-1.3	-1.7	-2.8	-3.5	-4.1
Non Oil Exporters	-5.1	-4.7	-5	-7.9	-7.8	-7.9
Foreign Exchange Reserves Coverage (*Months of Imports*)	4.8	4.2	4.5	4.7	4.9	5.1
Inflation (End period % change)	8.8	7.2	10.1	7.9	6.9	5.8

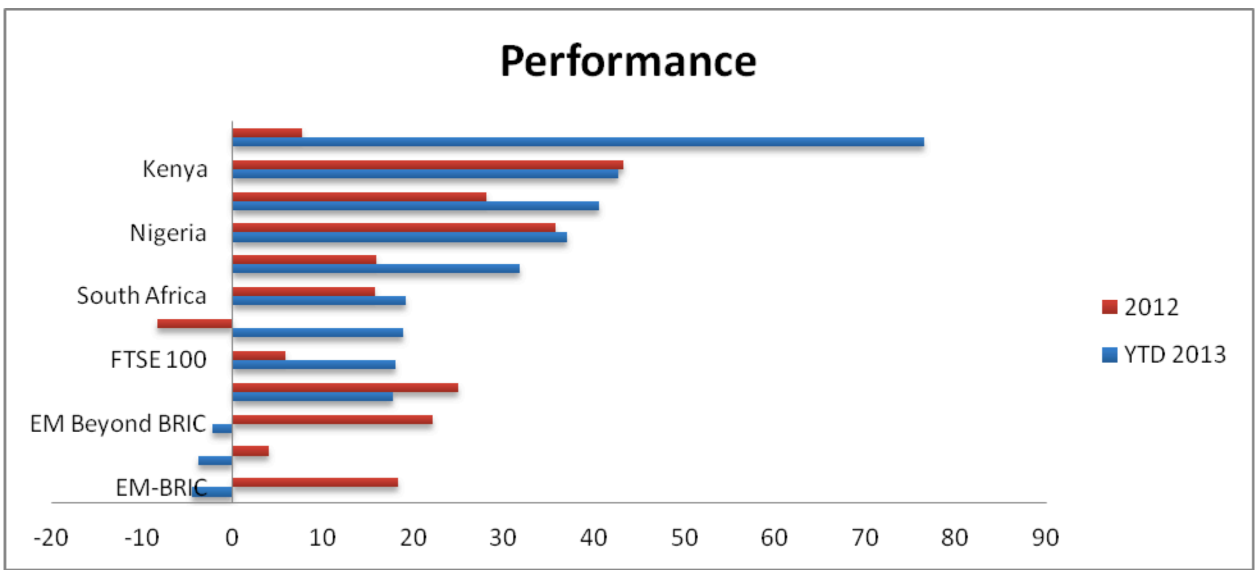
Source: IMF

African Capital Markets

11. The stable investment environment has led to significant private capital inflow into SSA economies with capital markets serving as important entry points. According to the IMF, SSA received about US$11 billion in portfolio equity inflows in 2012 out of about US$50 billion of total private capital inflow into the region last year. A growing portion of these inflows (about US$7 billion in 2012) targets sovereign bonds issued by SSA countries. The portion targeting sovereign bonds is expected to jump to US$10 billion this year according to the World Bank. That is why the desire to tap international bond markets is growing in Africa leading more countries to get rated; the number of countries with a recognized

sovereign rating in SSA has increased from 10 in 2003 to 21 currently and so far 13 of them have issued dollar-denominated Eurobonds of varying amounts. The Eurobonds issued by SSA countries have generally enjoyed high demand with many of them being many times oversubscribed (Zambia's was 15 times oversubscribed; Rwanda's 7 times, Namibia's 5 times, Nigeria's 2.5 times). African countries are benefiting from this historically low borrowing cost sometimes paying lower yields than crisis hit Euro Area countries.

12. Emerging Markets currencies, stocks and bonds have underperformed so far in the year, especially following Ben Bernanke's surprise announcement about the possibility of tapering. In contrast, sub-Saharan Africa's equities have shown remarkable resilience in the face of capital flow reversals with impressive year-to-date (YTD) growth in major SSA indices. Nigeria, Kenya and Ghana are among the 10 best performing stock markets YTD in the world and Ghana Stock Exchange with YTD index appreciation of about 76% is currently the best performing stock exchange in the world.



Sources: Bloomberg, MSCI, WFE

13. Because of Africa's impressive growth story and the continuously improving business environment, the continent is well capable of attracting a lot more financial inflows than it currently does. This is unfortunately limited by the lack of depth in SSA markets. Lack of sufficient depth, breadth and liquidity are the major challenges facing African capital markets with the exception of South Africa. Another challenge African capital markets face is the absence of a strong and vibrant domestic investor base. These are challenges that policymakers are well aware of and have been implementing reforms to tackle

them. For example, some SSA countries are learning from Egypt who established a separate exchange for SMEs, the Nilex, which lists high growth SMEs, nurtures them and prepares them for listing on the bigger Cairo Stock Exchange. This can prove to have a significant impact on depth and diversification of listings. Other countries like Mauritius have implemented reforms that have reduced transaction costs while opening up the economy. Today Mauritius is considered among the world's most open economies to foreign ownership. Efforts to build and develop deep capital markets in Africa are widespread, championed by regulators who belong to the International Organization of Securities Commissions (IOSCO). Nine of the 20 members of IOSCO's Africa Middle East Regional Committee (AMERC) are based in SSA and they employ best practice in their regulatory activities. IOSCO, being the global body of securities market regulators, has developed a set of high-level global standards in the form of 38 principles 8 of which take into account the lessons learnt from the global financial crisis. In general, the 38 principles of IOSCO are designed to achieve the three objectives of investor protection; advancement of fair, efficient and transparent markets; and reduction of systemic risk. Today, 95% of the global securities market is regulated following these principles and in pursuance of those three objectives. The IOSCO objectives and principles do not only provide a set of internationally recognized methodology for regulation, oversight and enforcement but are also used as basis for country evaluation by important organizations such as the G20, the Financial Stability Board (FSB), the World Bank and the International Monetary Fund (IMF).

14. Please permit me to be more specific about the kinds of reforms being implemented across African capital markets to address the challenges we have identified, using Nigeria as a case study. The Securities and Exchange Commission (SEC) of Nigeria constituted a committee in September 2008 to conduct a diagnostic study on the Nigerian capital market to identify its weaknesses and make recommendations on ways to address those weaknesses. The Committee submitted its report tagged "The Nigerian Capital Market: Making World Class Potential a Reality" which clearly defined our vision of building a world class capital market in Nigeria which is "*efficient, transparent, innovative and attractive to investors both local and foreign while contributing to and facilitating the growth and development of Nigerian and African economies*".

Building Market Integrity through Robust Enforcement Regime

15. Integrity is an indispensable quality of the kind of market we are bent on building in Nigeria because investors will not risk their funds in a market that lacks integrity. The SEC under my stewardship has shown zero tolerance for wrongdoing and acts that are improper. One of our earliest actions to instill discipline and clean up the market in 2010 involved our intervention to replace the management of the Nigerian Stock Exchange (NSE) with a more professional management that is currently leading the reform efforts in the exchange. We also instituted legal proceedings against 260 persons and institutions for various forms of offenses showing that we do not only frown at corruption but also take action wherever we perceive it. We rely on a tested enforcement framework that includes a specialized court, the Investment and Securities Tribunal (IST), which has jurisdiction over capital market cases. As part of our dispute resolution mechanism, we have a quasi-judicial Administrative Proceeding Committee (APC) which we recently strengthened to include among others, a retired judge in the membership. The APC is an important dispute resolution body in our market that gives all sides to a matter fair hearing. We have leveraged partnership with law enforcement agencies in Nigeria to set up a police desk within our head offices, also having dedicated prosecutors from the office of the Attorney General of the Federation to handle criminal elements of our cases. Thanks to this innovative enforcement framework and observable market integrity both domestic and foreign investors are showing renewed confidence in our market. In the first 8 months of this year, foreign investors staked about US$5 billion on transactions on the NSE but account for just 51% of the turnover during the period implying that domestic investors are also showing confidence in the market.

Adherence to Global Best Standards

16. The kind of world class capital market that is emerging in Nigeria must belong to a global community of other markets therefore we take an uncompromising stance toward global best standards and practices. As the apex regulator we lead by example ensuring we adhere to regulatory best practice as a signatory 'A' member of IOSCO and also as Chair of the Africa Middle East Regional Committee (AMERC) of IOSCO. Our listed companies use the International Financial Reporting Standards (IFRS) in their accounting and are also mandated to state the level of their compliance with the new code of corporate governance which we issued in 2011. We are also looking at adopting the Global Investment Performance Standards (GIPS) for our fund management industry to meet up with international performance measurement standards.

Strengthening Primary Markets to Increase Breadth and Depth

17. To deepen and broaden any market a vibrant primary market must be maintained. We have reformed the primary segments of both the domestic debt market and the equities markets. In the debt market we got technical support from a Resident Bond Advisor who was sponsored through the Efficient Securities Markets Institutional Development (ESMID) program, which is hosted by the International Finance Corporation (IFC). We were able to review and streamline the entire bond issuance process including rules on book-building and shelf registration. The IFC, a triple-A rated private sector arm of the World Bank, which issued its naira-denominated 'Naija Bond' worth $50 million early this year, has filed for medium term notes (MTN) of US$1 billion and the ADB has equally applied for a US$1.5 billion MTN program. Both shelf programs will not be constrained by the earlier two-year expiry period for shelf programs as our recent reforms have done away with such restrictions. We are also seeing a growing interest among corporations, two and half times more has been raised in the corporate bond market between 2010 and 2013 than all the funds ever raised from 1960 to 2009 in nominal terms. State governments have also been active issuers in the Nigerian bond market raising money to help them cover infrastructure gaps and provide other dividends of democracy to the electorate. One standard Nigeria sets for the world in this regard is that we conduct pre-issuance and post-issuance inspections to ascertain that funds raised are used for the purpose specified in the prospectuses. This goes a long way in curbing embezzlement thereby promoting good public governance. In the primary segment of the equities market our goal has been to diversify the market to make it more representative of our country's GDP. Important sectors making up our GDP such as Agriculture, Oil & Gas and Telecommunication are not proportionally represented among listed equities. We have therefore rolled out new listing rules that take into consideration the peculiar concerns of companies in sectors such as upstream oil & gas and telecommunication to attract more listings from them. Following the successful privatization of power generation and distribution companies in Nigeria, our listing-advocacy also targets these newly privatized entities that are in need of funds for investment to solve Nigeria's energy challenges. Listing these companies is certainly a good way to raise funds but also guarantees that Nigerians participate in the progress and success of the industry. If this happens we hope to have a much deeper and broader market capable of giving investors the desired diversification they need. In fact, the NSE has an elaborate strategy to target these sectors for listings with the hope of raising market capitalization to US$1 trillion by 2016.

Enabling Product Innovation

18. Product innovation is the hallmark of world class capital markets. In Nigeria we amended our rules and introduced new ones to open up spaces for new products to spring up. The last four years have therefore seen the introduction of products such as exchange trade funds (ETFs), real estate investment trusts (REITs), Sukuk and securitization, which is soon to kick-off. The 4 products hold great significance for Nigeria at this stage of our development. REITs for example could help catalyze the development of Nigeria's real estate market especially to close the housing deficit we currently have estimated at about 17 million units. Securitization equally holds a lot of promise for infrastructure finance and Nigeria can certainly benefit from it to close the huge deficits earlier noted. The Sukuk, Islamic equivalent for bonds, is capable of attracting savings from the Muslim population of Nigeria who constitute about half of Nigeria's 170 million people and also capital from the Gulf region all of which could be channeled to finance infrastructure and other social amenities. ETFs on the other hand are attractive to retail investors because of their special features such as low-expense ratios, tax efficiency and diversification. As we strive to attract retail investors to the market, products like ETFs will come in handy.

Boosting Liquidity

19. We have taken important steps that will surely boost liquidity in our market. We introduced market making and securities lending while allowing short selling. Already these efforts are bearing fruit as average daily turnover has increased about 20% since the introduction of market making in September 2012. Our efforts are not only focused on public exchanges to enhance liquidity of securities. We have licensed two new trading platforms: The National Association of Securities Dealers (NASD) platform which will enable the trading of unlisted securities in an organized manner and the Financial Markets Dealers Association platform (FMDQ) which will host primarily bond trading. Apart from bringing over-the-counter (OTC) trading under the SEC's regulatory oversight, both platforms will go a long way in boosting liquidity as important secondary trade-points.

Strengthening Market Capacity and Institutions

20. Capacity is a challenge that must be addressed all across Africa. In Nigeria we have taken a multi-faceted approach to the issue. To build capacity among operators, we have decided to strengthen the Nigerian Capital Markets Institute (NCMI) to turn it into the premier learning institution in Africa on capital markets. We also undertake various stakeholder engagements to raise capacity among our market participants. This year such engagements include an infrastructure roundtable organized in collaboration with our Ministry of National Planning and

also a bond market conference hosted in conjunction with the IFC. On investor education we have developed special programs that leverage information technology and the new media to propagate our message as we also leverage Nigeria's creative industry (Nollywood) to produce movies to pass across our message of financial literacy and financial inclusion. We sponsor a program "Eye on Nigeria's Capital Market" aired monthly on CNBC Africa with each edition focusing on a topical issue within the Nigerian market. More broadly we are part of the financial literacy steering committee along with the Central Bank of Nigeria (CBN) and other financial market authorities. We believe a more informed investor is a protected investor as he/she is less likely to be defrauded.

21. A developed capital market is characterized by strong institutions that have the right infrastructure to enable smooth operations in the market. You are already familiar with our efforts to strengthen the NSE and we are pleased with the technology transformation being implemented by the exchange including the roll out of the new trading engine the X-GEN which is the most robust trading platform on the continent with capability for trading in bonds, equities, ETFs, commodities and derivatives. The same sort of ICT transformation is going on in our Central Securities Clearing System (CSCS) which has deployed the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system to enhance transactions in the market and reduce settlement period. Our goal is to have all institutions participating in our market become strong and independent. This informed our decision to raise minimum capital requirements for all functions within the market.

Broadening the Domestic Investor Base

22. A vibrant capital market is buoyed by a strong domestic investor base and Nigeria has taken clear steps to grow institutional investor groups with reforms in the insurance and pension industries. Nine years after Nigeria started reforming her pension industry the system has already mobilized more than US$22 billion of pension assets. The fund management industry has also boomed with a variety of collective investment schemes (CIS). The Nigerian CIS industry has current net asset value of about US$940 million with only 0.14% of the population as unit holders. Raising the penetration rate to 5% of the population could raise the NAV to about US$47 billion. Certainly the CIS industry in Nigeria, which has developed a roadmap to become a multi-billion dollar industry by 2018, could grow to rival the pension fund industry in terms of size. As many of you are aware, Nigeria has successfully established a sovereign wealth fund (SWF) with seed capital of $1 billion which is expected to catalyze US$3 for every dollar

invested. The SWF is also expected to unlock critical sectors such as infrastructure and healthcare because of its strategic investment approach.

23. These reform efforts are already bearing fruit turning the market's fortunes around and significantly boosting its competitiveness going forward. Since the onset of our reforms the NSE's equities market capitalization has more than doubled from US$33.32 in February 2009 to US$74.8 billion presently. The measures we have already put in place are boosting liquidity as average daily trading volumes have increased 20% since September 2012. We now have a growing domestic bond market that now attracts significant interest internationally following the addition of Nigeria's FGN Bonds to the Barclay's and JP Morgan emerging markets bond indices. There is also increased interest from State Governments and corporates who are becoming prolific issuers. Confidence in general has returned to the market evidenced by increasing participation of domestic investors led by a rising institutional investor base. Our market is clearly on the path to becoming world class and we are not relenting. To consolidate on our successes we have set up three industry Committees to develop 10-year master plans that will be monitored at least quarterly by the market-wide 'Capital Market Committee (CMC)' which is chaired by the SEC. The deliverables of the three Committees are a master plan for the entire capital market, one for Islamic finance and another for financial literacy. These master plans will chart the course for our market's development for the next decade as we note that internationally producing master plans has been an effective way to increase the chances of achieving desired results.

24. In conclusion, let me summarize the key messages that I have been trying to convey to you. Firstly I showed how capital markets are critical to the functioning of a modern economy because of the key functions they play which are not just limited to raising cheap medium to long term finance but also the promotion good corporate governance, enablement of wealth creation and wealth distribution, the enhancement of social cohesion and the maintenance of financial system stability. We also looked at the current level of development of African capital markets, the challenges they face and the important roles they can play to tackle Africa's key challenges such as inadequate depth and liquidity. Lastly I focused on our reform efforts in Nigeria which largely mirror similar reforms across the continent and will ultimately herald the emergence of world class capital markets in Africa. This is an outcome that forums like this can help facilitate and I thank you for creating time to participate in it. I wish you all a most fruitful time.