

annual report & accounts 2005



Securities &  
Exchange  
Commission

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## DIRECTOR GENERAL'S TRANSMITTAL LETTER

**The Honourable Minister of Finance,  
Federal Ministry of Finance,  
Central Business District,  
Abuja.**

Dear Honourable Minister,

I have the pleasure, once again, to submit to you the 2005 Annual Report and Accounts of the Securities and Exchange Commission. The report is the 26<sup>th</sup> report released by the Commission since its inception.

The report is a compendium of activities of the capital market and the Commission for the year ended 2005.

### THE NEW ISSUES MARKET

During the period under review, activities in the primary market increased considerably as banks accessed the equity market to raise capital and meet the Central Bank's directive for them to have a minimum of N25 billion capital base. The Federal Government, through the Debt Management Office (DMO), also boosted the bond market by its activity through auction on monthly basis.

While the aggregate volume and value of equities stood at 207 billion and N412.8 billion respectively, the value of bonds issued was N140 billion. Total new issues thus stood at N552.8 billion (Equities/Debtures/Government bonds). The eighteen month deadline given to the existing banks to meet up with their new statutory requirement ended in December, 2005 with twenty five (25) banks successful in the recapitalization exercise. Most of them utilized capital market facilities, either to raise additional funds or consummate mergers and acquisitions. The commission participated actively by ensuring speedy processing and by approving reduction in fees by charging a one (1) percent flat fee on the nominal values of the banks shares instead of their market values as registration fees for their transactions.

In terms of equity and debenture issues, the commission gave approval for the floatation of fifty (50) new issues involving forty three (43) companies with a volume of 207.13 billion worth N412.78 billion. This represents a 211.2 percent increase over a total value of N195.42 billion (inclusive of state government bonds) raised in 2004, while an aggregate of forty nine (49) issues, involving 46.82 billion ordinary shares were recorded. When added to the FGN bonds, the new issues figure for 2005 stood at N552.78 billion involving fifty seven issues.

### THE SECONDARY MARKET

As in the previous year, trading activities on The Nigerian Stock Exchange (NSE) improved significantly during the period under review. This is clearly an indication of the acceptance of the market by investors, Governments and the general public as an alternative and viable avenue for investment. The market, no doubt, remains the engine of growth for the economy. In addition, the vibrancy of activities is also attributed to the on-going federal government economic reform programme. Thus, market capitalization was boosted as new banks got listed on The Nigerian Stock Exchange. Also, as a result of the upward review of their minimum capital base from N2 billion to N10 billion, insurance companies patronized the market. All these and the vibrancy of the debt sector impacted positively on the aggregate market capitalization with an impressive 37.3 percent growth from N2, 112.5 billion in 2004 to N2, 900.1 billion in 2005.

The trading activities in terms of volume and value recorded significant improvements during the year. An Aggregate of 26.99 billion ordinary shares valued at N267.93 billion were traded in 2005 as against 19.21 billion ordinary shares worth N225.82 billion recorded in 2004. This showed increases of 38.97 percent and 16.43 percent in volume and value respectively. Increased trading activities can be attributed generally to the on going Federal Government economic reform programme, where new



# DIRECTOR GENERAL'S TRANSMITTAL LETTER

banks got listed on The Nigerian Stock Exchange and insurance companies also patronized the capital market as a result of the onward review of their minimum capital base ranging from N2.0billion to N10.00billion. The reactivation of the debt market is equally a positive pointer as the market became vibrant with the Federal Government floating bonds in series to the tune of N40 billion to finance long term developmental projects.

The increased awareness through the various enlightenment programmes of the Commission tremendously boosted trading activities within the review period. The programmes focused on the available opportunities in the capital market for investors, issuers etc.

## MARKET REGULATION

The Commission, during the period under review, intensified its oversight of the market through monitoring and market surveillance in order to ensure fair and transparent trading practices and professionalism. As a result off-site, on-site and target inspections of the operational activities of capital market operators were undertaken, with a view to ensuring their financial health and fitness to operate in the market.

The Commission also continued to employ the tools of registration, surveillance, investigation, enforcement and rules making to regulate market operators, issuers and the market place to ensure that they operated according to the rules of the market. The Commission investigated all breaches and malpractices and took appropriate actions on them.

A number of registered market operators were unable to maintain requirements for registration and hence ceased to operate in the market. Consequently, the number of companies seeking renewal of registration dropped from 186 capital market operators/consultants in 2004 to 146 in 2005. Enforcement and Legal actions were also instituted against erring market operators, while the Administrative Proceedings Committee (APC) deliberated on sixteen (16)

cases during the period. In furtherance of efforts at curbing criminal activities in the market, the Commission transferred some cases to the Economic and Financial Crimes Commission (EFCC). The Commission also met with the EFCC on the release of monies that were recovered in cases transferred to it by the SEC, with a view to remitting the monies to the owners. Intensive collaboration is now on with the EFCC for capital market matters.

The Commission also maintained surveillance over the trading activities of the stock/commodity exchanges. Efforts were geared towards ensuring full surveillance of the exchanges on-line and real time. Already, a Securities Market Analysis Research and Trading System (SMARTS) has been put in place for effective online real time monitoring of trading activities on the floor of the exchanges.

My Dear Honorable Minister, the Commission is poised more than ever before to ensure the emergence of a virile and efficient securities market that would play a significant role in the economic development of the country and the entire African Continent. In this vein, we wish to appeal to you for adequate funding in the area of market surveillance and Information Technology. Our staff have undergone foreign training on SMARTS but more needs to be done.

## CAPITAL MARKET DEVELOPMENT

In pursuance of its developmental functions, the Commission embarked on various developmental programmes and measures during the year under review. The tools of workshops, enlightenment campaigns, seminars etc were employed to educate and acquaint the general public with the activities of the Commission and the benefits derivable from investing in the Capital Market. These Programmes are:

### Public Enlightenment Campaigns

In Continuation of the state-wide public enlightenment campaign, the Commission in



## DIRECTOR GENERAL'S TRANSMITTAL LETTER

2005, conducted enlightenment programmes in Nassarawa and Benue states on "Opportunities in the Nigerian Capital Market for Industrial Development". The programmes were organized in collaboration with the state Governments.

### **Introduction of Capital Market Studies into Secondary Schools Curriculum.**

In line with the Commission's developmental role, efforts were geared towards the introduction of capital market studies into Secondary School Curriculum. In 2005, the Commission got approval from the National Council on Education for capital market studies to be infused into some carrier subjects (Government, Commerce, Mathematics, Economics and Agricultural Science). The infusion programme is being done in collaboration with the National Educational Research and Development Council (NERDC).

### **Introduction of Capital Market Studies into Tertiary Institutions.**

The Commission continued to support capital market programmes in tertiary institutions of learning and collaborated with the National Universities Commission to approve minimum requirements for capital market degree programmes in Universities.

### **Development of New Products.**

The Securities and Exchange Commission, in its effort, to kick-start the long awaited Mortgage-Backed Securities (MBS) Market, organized a national workshop on Mortgage-Backed Securities. The workshop was a follow-up on earlier ones and was aimed at stimulating the development and immediate implementation of resolutions on Mortgage-Backed Securities in the Country. The rules and regulations in respect of MBS, Real Estate Investment Trust and other new products were put in place.

### **INTERNATIONAL RELATIONS**

In pursuance of the provision of the Investments and Securities Act (ISA) 1999, the

Commission maintained positive relationship with counterparts abroad and the International Organization of Securities Commissions (IOSCO). The relationship has continued to attract mutual benefits as well as positioned the Commission as a leading member of IOSCO. In 2005, the Commission's activities centered largely on its involvement as an ordinary member of IOSCO and as secretariat of the Africa/Middle East Regional Committee (AMERC) of the global body.

In the period under review, an AMERC meeting was held in Nigeria, where I was elected the substantive chairman of the body. The meeting, which provided a forum for the region to state its position on regulatory issues and the need for better information exchange among members, was the first IOSCO meeting to be held in the country. The commission also participated at the 30<sup>th</sup> Annual conference of IOSCO held in Colombo, Sri Lanka, where issues relating to the IOSCO 2005 strategic direction were thoroughly discussed.

As part of the benefits derivable from membership of such global bodies, the Commission participated in a seminar training programme organised in Kampala, Uganda in 2005. The Commission also participated in the Emerging Markets Committee meeting and the Executive Committee meeting/conferences during the year.

In recognition of the need for cooperation, the commission entered into bilateral agreements with its counterparts in various countries. They are: China Securities and Regulatory Commission (CSRC), Capital Markets Authority (CMA), Uganda, and Capital Markets and Securities Authority (CMSA), Tanzania. The bilateral Memoranda of Understanding (MOU) were mainly aimed at fostering regulatory cooperation, information exchange and capacity building, amongst others, in line with global trends and requirements of IOSCO. Honorable Minister, may I use this medium to pay glowing tribute to the staff of the



## DIRECTOR GENERAL'S TRANSMITTAL LETTER

Commission whose hard work and commitment made it possible for the Commission to live up to its responsibilities, especially in the face of the enormous challenges of the economic reform programme and the role of SEC. The Commission is therefore poised to continue to motivate and reward committed members of staff to enable them contribute even more.

Lastly, I wish to place on record your untiring support, that of the Honorable Minister of state and the entire staff of the Ministry of Finance which have enabled us to render this positive report for 2005.

Thank you.

Yours Faithfully,



**Musa Al-Faki**  
Director-General



**Musa Al-Faki**  
Director General

## Our People



## BOARD OF DIRECTORS



**Chief John D. Edozien**  
Chairman



**Musa Al-Faki**  
Director General



**Mr. Suleiman A. Kwari**  
Executive Commissioner, Fin. & Admin



**Elder David Ogwu**  
Executive Commissioner, Operations

## BOARD OF DIRECTORS



**HRH. Igwe Frank O. Nweke**  
Commissioner



**Alh. Shaaba Lafiagi**  
Commissioner



**Alh. Mohammed Danjani Usman Auyo**  
Commissioner



**Hamidu Mahmud (Walin Mubi)**  
Commissioner



**Sir Kayode Otitoju**  
Commissioner



**Alh. J. I. Zarewa**  
Rep. Federal Min. of Finance



**Dr. Chidozie Emenuga**  
Rep. Central Bank of Nigeria





**Elder David Ogwu**  
Executive Commissioner, Operations

**Musa Al-Faki**  
Director General

**Suleiman A. Kwari**  
Executive Commissioner, Fin. & Admin.

# Section 1

## THE ECONOMY





## THE ECONOMY

The macro-economic framework for the year 2005 which, like that of the 2004, was designed to further reinvigorate the economy and consolidate previous achievements for sustainable growth and development. The 2005 rolling plan emphasized, among other things, Contributory Pension Scheme, New Health Insurance Scheme, support of the National Poverty Eradication Programme (NAPEP) and support for a new Social Assistance Programme targeted at the youths, women and the elderly.

The year 2005 continued with the implementation of the Federal Government's comprehensive reforms programme based on the National Economic Empowerment Development Strategy (NEEDS) blueprint.

The trade and tariff policies adopted during the year were geared towards integrating the 15 West African markets for goods, capital and labour to enable the community advance harmoniously as one region in search of sustainable economic growth and development. Hence, the Common External Tariff (CET) was adopted to end re-exportation and also to help simplify the nation's trade regime by bringing tariff trends down from 20% to 5% average.

During the period under review, the Export Expansion Grant, suspended by government due to malpractices by fraudulent individuals and organisations was repackaged and restored in 2005. It is believed that this will go a long way to help local manufacturers penetrate the highly competitive international market. Indeed, there was a boost in non-oil exports reaching an all time high level of N115.1 billion (US\$ 689.6 million) as at December 2005.

In the agricultural sector, the import duties on virtually all imported food items, which were increased in 2004, yielded result in 2005. Thus, Agriculture grew at 7%, with cassava production recording an increase of 4 million metric tonnes from 35 million metric tonnes to 39 million metric tonnes during the period under review.

The foreign exchange reserves also grew to US\$32 billion as at September, 2005 compared to US\$ 18 billion index in 2004 but slipped in October due to debt repayment to members of the Paris Club by the federal government.

The downstream oil sector witnessed a sharp increase in crude oil prices with international oil market prices, hitting \$70.80, during the year over 100 percent above the \$30 per barrel benchmark projected in the harmonised 2005 Appropriation

Bill. This led to a remarkable rise in the stock of externa reserves from \$16.96 billion in 2004 to \$28.28 billion in 2005. The reserves could finance 21.8 months of the country's import bills. The conservative budgeting by the government with respect to oil price resulted in the increase in government saving from US\$ 2.95 billion in 2004 to US\$ 11 billion in 2005.

In order to pave way for the privatisation of various companies emanating from the former National Electric Power Authority (NEPA), the Bureau of Public Enterprises (BPE) during the year under review established the National Electricity Regulatory Commission. The BPE also realised N43 billion from the sale of 24 public enterprises. This brought the total of its realisation, from direct privatisation and concessioning since 1999 to N80 billion.

As part of the reform programmes the government during the year under review, inaugurated the committee on the Review and Revision of Public Service Rules, Regulations and Procedures, and inaugurated the National Pension Commission. The public procurement Bill was also passed during the year while the Budget Monitoring and Price Intelligence Unit (BMPI) was centralised in the presidency.

Activities in the Dutch Auction System (DAS) by the CBN in the foreign exchange market was reviewed. This helped to reserve loss while allowing the official rate to be market determined.

The exchange rate of the naira to the dollar remained relatively stable during the year. It appreciated from N132.83 to US\$1 in 2004 to N129.64 to US\$1 in 2005. This could be attributed to government's tight fiscal and monetary stance as many banks shifted their focus from foreign exchange transactions to attend to the needed recapitalization of their banks through either mergers and acquisitions and/or public issues of their shares.

Inflation rate however rose from 9.4 percent in 2004 to 17.9 percent in 2005. This could be attributed to exports of food and cassava, which is a new phenomenon in the country's export business. The increase in price of crude oil in the international market also contributed to the rise in inflation during the period under review.

The year witnessed government's commitment to addressing the problem of high interest rate. Thus the CBN during the year reduced the Minimum

Rediscount Rate (MRR) which is the anchor of all interest rates in the economy, from 15 percent in 2004 to 13 percent in 2005.

In the year 2005, the nation was afforded a complete exit from the Paris Club as a result of the reform embarked upon. Thus a reduction of the nations debt burden from US\$35 billion to US\$5 billion was recorded. This was as a result of a successful negotiation to shed the country's US\$30 billion Paris Club debt burden through an unprecedented debt write-off of US\$18 billion by the Paris Club and buy back of the balance of the debt.

The year also witnessed the establishment and promotion of a robust primary debt market and an attempt to boost a liquidly secondary market for the management of federal government domestic debt.

The year witnessed a major event in the banking sector. The banking reforms programme resulted in the emergence of 25 strong banks from the hitherto

89 banks. The consolidation exercise also led to the inflow of US\$500 million in foreign direct investment into the sector. The reform of the insurance sector was also launched along similar lines.

During the year under review, the Nigerian Pension Commission also witnessed the licensing of 13 pension fund administrators and 4 custodians that will serve as operators in pension management.

The Securities and Exchange Commission during the year under review announced the increase in the capital base of the capital market operators, with a number of Three hundred and seventeen (317) operators out of seven hundred and eighty six market operators representing 48 percent have so far met the recapitalisation requirements.

The market during the year also recorded an impressive performance in line with the previous year. This can be attributed to the reforms in the banking sector and the attendant consolidation programme.



# Section 2

## **THE NIGERIAN CAPITAL MARKET**



## NEW ISSUES

The new issues segment of the capital market was significantly deepened in 2005, with the equities segment largely dominated by banks activities and the bond market, boosted by the Federal Government of Nigeria (FGN). The large entrance of banks into the market, which started in July 2004, was not unconnected with the Central Bank of Nigeria's decision to raise the capital base for banks to a minimum of N25.0 billion. While the aggregate volume and value of equities issued stood at 207.1 billion and N412.8 billion respectively, the value of bonds issued was N140.0 billion. Total new issues thus stood at N552.8 billion (Equities/Debentures/Government bonds).

The eighteen (18) months deadline given to the existing banks to meet up with their new statutory requirement ended in December, 2005 with twenty-five (25) banks successful in the recapitalization exercise. Most of them utilizing capital market facilities, either to raise additional funds or consummate mergers and acquisitions. The aggregate value of issues floated by the banks stood at N463.54 billion, exclusive of eight (8) issues aborted/cancelled along the line.

The bond market, which had remained moribund before 2003 due to the absence of the FGN bonds from the market for nearly two decades, continued to rebound as a result of the continuous issuance of the FGN bonds through the Debt Management Office (DMO), which had been auctioning FGN bonds on monthly basis. The DMO had auctioned seven (7) series of N20.0 billion each of the 2- FGN bonds for a total of N140.0 billion between July and December 2005. This is to set a benchmark for bond market development and to encourage others to access the market. Unlike the earlier N150.0 billion FGN bonds issued in 2003, the seven (7) series were largely oversubscribed, to the tune of N326.40 billion. Of this figure, however, only N178.30 billion had so far been allotted. The purpose of the bond issuance was to refinance part of the existing 91-days Treasury Bills in the domestic public debt portfolio with longer tenored funds of 2 and 3 years.

The DMO and the FGN bond issuance process was exempted from operations of the provisions of the Investment and Securities Act (ISA) as stated in the Investment and Securities (Exemption) order, 2005 Federal Republic of Nigeria Official Gazette No. 21 Vol. 92 dated 16 March, 2005.

In terms of equity and debenture issues, the Commission gave approval for the floatation of fifty (50) new issues involving forty-three (43) companies

with a volume of 207.13 billion worth N412.78 billion. This represent a 211.2 % increase over a total value of N195.42 billion (inclusive of state government bonds) raised in 2004, while an aggregate of forty-nine (49) issues, involving 46.82 billion ordinary shares were recorded. When added to the FGN bonds, the new issues figure (value) for 2005 stood at N552.78 billion, involving fifty-seven (57) issues. The issue proceeds were generally meant for business expansions, enhancement of information technology infrastructure, additional working capital, and meeting of statutory requirements as was the case for banks and insurance companies.

Analysis on sectoral basis showed that the "banking" sector was the highest in terms of the number, volume and value of issues floated during the year under review. These stood at thirty-six (36), 195.90 billion and N372.49 billion respectively as against nineteen (19) of 39.93 billion ordinary shares valued at N143.89 billion in 2004. The figures are inclusive of both the quoted and unquoted banks. Other sectors that raised substantial amounts in 2005 were the "Building Materials" sector (N17.22 billion), "Insurance" sector (including quoted and unquoted companies) (N6.17 billion), "Food, Beverages & Tobacco" sector (N6.00 billion) and "Conglomerate" sector (N5.45 billion).

Analysis by mode of offer showed that offer for subscription accounted for N305.22 billion from twenty-eight (28) issues, representing 55.22 percent of the total new issues by value, involving 159.09 billion ordinary shares. Other issues floated included eight (8) rights issues of 13.22 billion ordinary shares worth N50.14 billion, nine (9) private-placements of 30.87 billion ordinary shares amounting to N39.28 billion and two (2) debentures of 5.0 million ordinary shares valued at N6.94 billion. Three (3) supplementary offers were also approved from the oversubscribed issues earlier raised in 2004.

A quarterly review of the issues raised in value terms revealed that the third quarter was the most active, having posted N164.48 billion from fourteen (14) issues. The first quarter, with N156.14 billion from eighteen (18) issues, occupied the second position. The fourth quarter ranked third with N123.19 billion in eleven issues. The second quarter recorded N108.97 billion from fourteen (14) issues.

On individual company basis, Union Bank of Nig. Plc floated the highest issue value of N40.00 billion, while Inland Bank Plc was second with N24.00 billion. Others with substantial issue value were



Citizens Int'l Bank PLC (N22.50 billion), Ecobank Nig. PLC (N22.18 billion), ACB Int'l Bank PLC (N20.00 billion), and Allstates Trust Bank PLC (N20.00 billion). **Fidelity Bank Plc (N19.81 billion), First Interstate Bank Plc (N16.78 billion), First City Monument Bank PLC (N16.00 billion) and Prudent Bank PLC (N15.21 billion) were inclusive.** These issues, ten (10) in total, accounted for N216.48 billion, about 40 percent of the aggregate issue value during the reviewed year. However, the offer of Allstates Trust Bank PLC was later aborted.

Details of the issues are as follows:

## 1. INTERCONTINENTAL BANK PLC

The bank capitalized N5.928 billion, involving 0.988 billion ordinary shares of 50k each at N6.00 per share, from its over subscribed public offer of N16.50 billion which was earlier floated in November 2004. The offer was to enable the bank expand its branch network to 96 new locations, upgrade its information technology as well as provide robust working capital.

## 2. STANDARD TRUST BANK PLC

The bank offered for subscription 2.00 billion ordinary shares of 50k each at N7.00 per share, amounting to N14.00 billion. This is to enable it shore up its capital base in compliance with the N25.0 billion minimum capital requirement of the CBN. The net proceeds would be utilized as follows:

- International expansion (Ghana) – 10percent
- Branch expansion in Nigeria (20 branches) – 10percent
- Strategic acquisition (Banks) – 80percent

## 3. GLOBAL BANK PLC

The bank floated an offer for subscription of 3.32 billion ordinary shares of 50k each at N1.50 per share valued at N4.98 billion to enable the bank strengthen its capital base towards meeting the CBN minimum capital requirement. The net proceeds would be utilized as follows:

- Branch expansion (15 branches) – 20percent
- Information technology – 25percent
- Working capital – 55percent

## 4. EIB INTERNATIONAL BANK PLC

The bank, through an offer for subscription, issued 5.50 billion ordinary shares of 50k each at N1.80 per share, amounting to N9.90 billion. The issue was to enable the bank increase its shareholders funds and comply with the CBN's minimum paid up capital directives. The net proceeds were meant for the following:

- Information technology – 20percent
- Establishment of 18 branches – 20percent
- Working capital – 50percent
- E-banking project – 10percent

## 5. FIRST CITY MONUMENT BANK PLC

The bank issued for public subscription 4.00 billion ordinary shares of 50k each at N4.00 per share valued at N16.00 billion. The offer was meant to increase the bank's shareholders funds to ensure compliance with the N25.0 billion minimum capital base. The net proceeds from the offer will be utilized to finance development of new branches (18.75percent), information technology infrastructure upgrade (12.50percent), additional working capital (55.00percent) and implementation of branding activities post-consolidation (13.75percent).

## 6. CHARTERED BANK PLC

The bank floated for public subscription 2.50 billion ordinary shares of 50k each at N3.40 per share, amounting to N8.48 billion for enhancement of its working capital (50.0percent), twenty-five (25) branches network expansion (30.0percent) and upgrading of its information technology (20.0percent).

## 7. FIRST ATLANTIC BANK PLC

The bank floated 3.00 billion ordinary shares of 50k each at N2.40 per share valued at N7.20 billion to strengthen its capital base ahead of the envisaged consolidation with other banks. The net proceeds would be utilized as follows:

- Working capital – 60.0percent
- Upgrade of information technology – 30.0percent
- Branch network expansion – 10.0percent

## 8. JAPPAUL OIL & MARITIME SERVICES PLC

The company made a public offer for subscription of 0.60 billion ordinary shares of 50k each at N2.20 per share worth N1.32 billion. The offer will enable the company build adequate capacity to profitably explore the business opportunities in the Nigerian Maritime Industry offered by the recently promulgated Cabotage Law and local content policy in the Oil and Gas industry.



The net proceeds from the offer would be utilized as follows:

- Inshore fleet of Marine equipment – 11.28percent
- Oil field Marine support vessels – 49.96percent
- Acquisition of fabrication facilities – 14.51percent
- Land acquisition, jetty construction and infrastructure – 22.57percent
- Working capital – 1.68percent

## 9. NAL BANK PLC

The bank offered for subscription 4.00 billion ordinary shares of 50k each at N2.50 per share, amounting to N10.00 billion. This was to enable it finance branch upgrade and expansion (30.0percent), enhancement of information technology infrastructure (10.0percent), investment in gilt edge securities (40.0percent) and inter-bank trading (20.0percent).

## 10. ACB INTERNATIONAL BANK PLC

The bank made an offer for subscription of 25.0 billion ordinary shares of 50k each at N0.80 per share valued at N20.00 billion. The offer was to finance the following:

- Branch network/other strategic business expansion (85 branches) – 17.0percent
- Information technology/system upgrade – 5.0percent
- Process re-engineering – 3.0percent
- Incremental working capital for expansion in investments and risk asset creation – 75.0percent

## 11. GREAT NIGERIA INSURANCE PLC

The company floated for public subscription 0.80 billion ordinary shares of 50k each at N1.20 per share, amounting to N0.96 billion. This is to enable it expand branch network and enhance its underwriting capacity. The net proceeds in addition to a N0.12 billion offer for sale floated in the same period were meant for the following:

- Expansion of branch network – 6.75percent
- Information technology upgrade – 6.75percent
- Working capital – 24.63percent
- Investment securities – 61.87percent

## 12. INTERCITY BANK PLC

The bank floated 6.97 billion ordinary shares of 50k each at N1.90 per share, amounting to N13.24 billion. This was to ensure compliance with the N25.0 billion minimum capital requirement. Sixty-five percent (65.0percent) of the proceeds would provide the bank with

adequate working capital, information technology upgrade (15.0percent) and expansion of additional 30 new branch networks (20.0percent).

## 13. COOPERATIVE BANK PLC

The bank issued for public subscription 4.00 billion ordinary shares of 50k each at N1.50 per share valued at N6.00 billion. This was to enable it comply with the CBN requirement for recapitalization. The net proceeds from the offer would be utilized as follows:

- Information technology enhancement – 15.0percent
- Improvement of existing infrastructures – 10.0percent
- Branch expansion – 15.0percent
- Additional working capital – 60.0percent

## 14. PRUDENT BANK PLC

In order to ensure compliance with the CBN's minimum capital requirement directive, Prudent Bank Plc floated N15.21 billion worth of securities through offer for subscription and rights issue. The bank's offer for subscription involved 5.00 billion ordinary shares of 50k each at N2.00 per share worth N10.00 billion while the rights issue stood at 3.47 billion ordinary shares of 50k each at N1.50 per share valued at N5.21 billion. The net proceeds from the two (2) issues would be used as follows:

- Information technology upgrade and ATMs – 15.0percent
- Branch expansion (28 branches) – 15.0percent
- Working capital development – 65.0percent
- Human capital development – 5.0percent

## 15. GUARDIAN EXPRESS BANK PLC

In order to comply with the N25.0 billion minimum capital requirement, the bank offered 8.25 billion ordinary shares of 50k each at N1.20 per share valued at N9.90 billion. The proceeds from the offer were meant for the following:

- Strategic branch network – 20.0percent
- Deployment of information technology – 20.0percent
- Universal banking initiative – 20.0percent
- Working capital – 40.0percent

## 16. INLAND BANK PLC

The bank offered to the public for subscription 16.00 billion ordinary shares of 50k each at N1.50 per share worth N24.00 billion. The issue was undertaken to meet up with the on-going recapitalization of banks. The proceeds would be utilized as follows:

- Expansion of local network (30 branches)



# THE PRIMARY MARKET

- 10.87percent
- Establishment of foreign branches (3 branches) - 2.30percent
- Upgrading of information technology infrastructures - 8.03percent
- Corporate branding (Change of logo and image) - 2.35percent
- Investment in gilt edge securities - 26.45percent
- Working capital - 50.00percent

## 17. INVESTMENT BANKING AND TRUST CO. PLC

The bank issued its Initial Public Offer (IPO) of 2.629 billion ordinary shares of 50k each at N4.30 per share for a total value of N11.305 billion. The issue was undertaken as part of the bank's strategy for meeting the CBN's new minimum capital requirement. The proceeds will provide the bank with additional capital to support its enlarged operations. The bank got listed on the main board of The Nigerian Stock Exchange (NSE) in April, 2005.

## 18. LINKAGE ASSURANCE PLC

The company, in its move to take advantage of emerging opportunities in the nation's insurance market, planned to shore up its shareholders funds by floating 4.545 billion ordinary shares of 50k each at N1.10 per share, amounting to N5.00 billion for public subscription. The proceeds would be utilized to finance:

- Strategic business acquisition - 31.56percent
- Head office development/branch expansion - 20.00percent
- Working capital - 48.44percent

## 19. FIDELITY BANK PLC

The bank floated an Initial Public Offer (IPO), involving 6.925 billion ordinary shares of 50k each at N2.50 per share valued at N17.313 billion. Prior to this offer and the bank's listing by introduction in May 2005, a supplementary offer worth N2.50 billion was approved for the bank from its oversubscribed private placement of N2.49 billion in November 2004. The net proceeds from the IPO would be utilized in the following proportion:

- Branch expansion - 7.90percent
- Upgrading of information technology system - 12.64percent
- Investment in subsidiaries - 1.58percent
- Working capital, trade finance, corporate finance and project finance - 77.88percent

## 20. OMEGA BANK PLC

To achieve its consolidation plans, the bank floated through offer for subscription, 8.50

billion ordinary shares of 50k each at N1.50 per share valued at N12.75 billion. The net proceeds from the offer would be used for:

- Expansion of branch network (37 branches) - 25.0percent
- Information technology - 26.0percent
- Working capital enhancement - 49.0percent

## 21. MANNY BANK PLC

The bank floated for public subscription 6.00 billion ordinary shares of 50k each at N1.10 per share worth N6.60 billion in a move to comply with the CBN's directives of N25.0 billion minimum capital base. The proceeds from the offer were meant to finance the expansion of the bank's branch network (10 branches), enhancement of information technology (hardware and software) and additional working capital to take advantage of emerging opportunities in a universal banking environment.

## 22. TRADE BANK PLC

The bank floated an offer for subscription of 6.82 billion ordinary shares of 50k each at N1.10 per share, amounting to N7.50 billion. The issue was aimed at strengthening its capital base ahead of the envisaged consolidation with Afribank Nigeria Plc, to enable it comply with the CBN's directive. The proceeds was earmarked for the following:

- Working capital enhancement - 50.0percent
- Branch network expansion - 19.12percent
- Information technology - 26.42percent
- Human capital developments - 4.46percent

However, the issue was aborted due to the inability of the bank to meet the CBN's deadline of recapitalizing to a minimum of N25 billion.

## 23. ECOBANK NIGERIA PLC

The bank offered for subscription 4.80 billion ordinary shares of 50k each at N3.20 per share, amounting to N15.36 billion. This was meant to support the projected increase in the bank's market share and take advantage of emerging opportunities in the Nigerian financial markets. The proceeds from the offer would be utilized in the following proportions:

- Strategic Business Development - 60.0percent
- Upgrading of information and communication capacity - 07.0percent
- Expansion of branch network - 03.0percent
- Additional working capital - 30.0percent

## 24. ALLSTATES TRUST BANK PLC

The bank offered for public subscription 10.0



billion ordinary shares of 50k each at N2.00 per share, amounting to N20.0 billion. The offer was to enable the bank increase its shareholders' funds in order to comply with the CBN's recapitalization requirements. In order to facilitate compliance with the directives, the bank had also entered into merger discussions with Hallmark Bank Plc. The banking license of the bank was however withdrawn due to its inability to meet the CBN's December 2005 deadline, hence this issue was aborted.

## 25. DIAMOND BANK PLC

As part of its multi-pronged approach towards achieving the N25.0 billion minimum capital base, the bank made its Initial Public Offer (IPO), involving 1.0 billion ordinary shares of 50k each at N6.80 per share valued at N6.80 billion. The bank had earlier made a private placement before it was listed on The Nigerian Stock Exchange (NSE) in May, 2005. It had also executed MOU in respect of a proposed scheme of merger with Lion Bank of Nig. Plc. The offer proceeds would be utilized in the following proportion:

- 21 new branches - 19.46percent
- Enhancement of information technology - 27.00percent
- Consolidation/integration expenses - 26.56percent
- Additional working capital - 26.98percent

## 26. CITIZENS INTERNATIONAL BANK PLC

The bank sought to shore-up its shareholders' funds by N22.50 billion as it offered for subscription 15.0 billion ordinary shares of 50k each at N1.50 per share to enable it comply with the CBN's minimum capital base directive. The proceeds from the offer were meant to finance:

- Establishment of new branches - 40.0percent
- Upgrading of information technology - 20.0percent
- Additional working capital to support business and take advantage of emerging opportunities - 40.0percent

## 27. NFI INSURANCE PLC

The company offered for subscription 0.234 billion ordinary shares of 50k each at N0.90 per share valued at N0.211 billion. The offer was undertaken as part of the strategic plan to increase the company's working capital, expansion of its branch network, information technology, infrastructure upgrade and a strategic long-term investment (acquisition of real estate assets that will accommodate the company's head office as well as generate

significant income for the company).

## 28. UNION BANK OF NIGERIA PLC

The bank offered to its existing shareholders, by way of rights, 0.895 billion ordinary shares of 50k each at N20.0 per share valued at N17.90 billion and a public offer for subscription of 1.105 billion ordinary shares of 50k each at N20.0 per share worth N22.10 billion. The two offers, involving 2.0 billion ordinary shares, were capitalized at N40.0 billion. The net proceeds from the offers would be utilized in the following proportion:

- Information technology upgrades (hardware/software) - 29.36percent
- Branch expansion (23 branches) - 2.32percent
- Recapitalization of Union Bank Plc UK branch - 21.14percent
- Working capital including capacity building - 38.80percent
- Bank consolidation - 8.38percent

## 29. NEIMETH INTERNATIONAL PHARMACEUTICALS PLC

The company offered for public subscription 0.60 billion ordinary shares of 50k each at N2.50 per share, amounting to N1.50 billion. The net proceeds from the offer would be utilized for:

- Plant upgrade and expansion - 42.74percent
- Modernization of distribution network - 10.68percent
- Research and Development - 7.12percent
- Enhancement of information technology - 3.56percent
- Working capital - 28.50percent; and
- Repayment of bridging loan - 7.40percent

## 30. FIRST INTERSTATE BANK PLC

The bank simultaneously made a rights issue of 4.07 billion ordinary shares of 50k each at N0.70 per share valued at N2.81 billion and a private placement of 13.97 billion ordinary shares of 50k each at N1.00 per share, amounting to N13.97 billion. The total proceeds from the two (2) issues, which stood at N16.78 billion, were to enable the bank increase its shareholders funds to comply with the CBN's directive of N25.0 billion minimum capital base. The net proceeds from the offers would be utilized for the following:

- Investment in pension fund administration company - 3.11percent
- Investment in identified insurance company - 3.11percent
- Investment in identified primary mortgage institution - 6.22percent



## THE PRIMARY MARKET

- Recapitalization of IIIST ventures Ltd (Registrar/Stock broking firm) - 1.24percent
- Investment in new information technology (software and hardware) - 6.22percent
- Establishment of 40 new branches - 12.44percent
- Construction of head office - 12.44percent
- Other investment offshore (Sao tome, Equatorial Guinea and Angola) - 12.44percent
- Additional working capital - 45.89percent

### 31. UNION DICON SALT PLC

The company issued by way of rights 0.20 billion ordinary shares of 50k each at N5.00 per share, amounting to N1.00 billion. The issue was meant to provide additional working capital for importation of Bulk Food Grade Salt (47.0percent), upgrading of existing factory plants and machineries at Apapa and Port Harcourt (21.0percent) and repayment of short term facilities (32.0percent).

### 32. WEST AFRICAN PORTLAND CEMENT PLC

The company offered to its existing shareholders 1.286 billion ordinary shares of 50k each at N8.00 per share valued at N10.288 billion. The issue was undertaken to refinance investment in the Ewekoro new plant (59.0 percent) and improve its working capital (41.0 percent).

### 33. BENUE CEMENT PLC

Benue Cement PLC floated 1.98 billion ordinary shares of 50k each at N3.50 per share valued at NG.93 billion to its existing share holders. The proceeds of the issue would be used as follows:

- Part financing the expansion and upgrading of plant and machinery - 23.00percent
- Debt refinancing - 68.00percent
- Working Capital - 9.00percent

### 34. PZ INDUSTRIES PLC

The company offered to its existing shareholders by way of rights 363.02 million ordinary shares of 50k each at N15.00 per share valued at N5.445 billion. The net proceeds from the offer were meant to finance the following:

- Installation of in-house electricity generation plants - 38.46percent
- Construction of new depot and office building in eight (8) states and the FCT - 48.08percent
- Upgrading of various items for production plants - 13.46percent

### 35. INTERNATIONAL TRUST BANK PLC

The bank offered to its existing shareholders by way of rights 1.0 billion ordinary shares of 50k each at N0.55 per share valued at N0.55 billion. The net proceeds from the offer were to enable

the bank prepare towards its proposed consolidation.

### 36. ACCESS BANK PLC

The bank was given approval to capitalize N2.77 billion, involving 0.955 billion ordinary shares from its oversubscribed public offer worth N8.70 billion floated in October 2004. The bank issued a private placement of N0.452 billion (involving 0.156 billion ordinary shares of 50k each at N2.90 per share) and N1.94 billion (secured variable rate redeemable convertible debentures) in August and December 2005 respectively. In all, the bank floated about N14.00 billion in the market, arising from the various issues.

The proceeds from the debt stock was to provide funding towards financing the development of long term infrastructural projects (45 percent) and supporting international trade activities (20 percent) as well as the development and maintenance of the bank's retail strategy (35 percent) while the privately placed equities would be utilized in the following proportion:

- Strategic business development - 40.0percent
- Information technology upgrade - 20.0percent
- Incremental working capital - 40percent

### 37. MAGNUM TRUST BANK PLC

The bank, in a bid to shore up its capital base in readiness for merger with four other banks to form Sterling Bank Plc, offered through private placement 6.00 billion ordinary shares of 50k each at N1.50 per share amounting to N9.00 billion. The proceeds would be utilized as follows:

- Information technology upgrade (software and hardware) - 19.86 percent
- Branch network expansion - 19.86 percent
- Additional working capital - 40.42 percent
- Completion of head office building - 19.86 percent

### 38. VALUCARD NIGERIA PLC

The company made a private placement of 46.45 million ordinary shares of N1.00 each at N8.00 per share valued at N371.60 million. The offer was embarked upon in order to admit VISA International into the shareholding of Valucard in a principal membership agreement that entitles Valucard to offer all VISA card products in the domestic financial market in Nigeria. The proceeds were meant to finance:

- New software platform - 35.0percent
- New hardware platform - 35.0percent
- Working capital - 30.0percent



## 39. AFRICAN PETROLEUM PLC

The company made a private placement of 36.69 million ordinary shares of 50k each at N40.00 per share worth N1.468 billion to finance branch network expansion, upgrade the existing information technology and enhance working capital.

## 40. WEMA SECURITIES AND FINANCE PLC

The company made a private placement of 0.30 billion ordinary shares of 50k each at N1.80 per share valued at N0.54 billion. The net proceeds from the offer would be utilized as follows:

- Expansion of branch network (Abuja and Port Harcourt) - 15.0percent
- Upgrading of information and communication technology system - 10.0percent
- Investment in venture capital - 25.0percent
- Working capital - 50.0percent

## 41. TROPICAL COMMERCIAL BANK PLC

The bank made a private placement of 8.0 billion ordinary shares of 50k each at N0.80 per share valued at N6.40 billion. The offer was a strategy to increase its shareholders' funds to a certain level as a prelude to merging with its intended partners who share similar vision, have complementary core competence and also to meet with the CBN's requirements. The net proceeds would be utilized as follows:

- Strategic branch expansion - 7.36percent
- Deployment of information technology - 1.64percent
- Corporate renewal project - 3.27percent
- Trade finance and project finance - 40.73percent
- Additional working capital - 47.00percent

## 42. ETERNA OIL AND GAS PLC

The petroleum marketing company made a private placement of 236.00 million ordinary shares of 50K each at N1.10 per share, amounting to N259.60 million. The issue was undertaken to enable the company finance the following:

- Working capital - 34.80 percent
- Retail distribution network development - 60.45percent
- Information technology infrastructure - 4.75percent

## 43. ECOBANK NIGERIA PLC

The bank made a private placement of 2.13 billion ordinary shares of 50k each at N3.20 per share, amounting to N6.82 billion. The net proceeds would be utilized in the following proportions:

- Strategic business development - 60.0percent
- Expansion of branch network - 7.0percent
- Information technology upgrade - 3.0percent
- Working capital enhancement - 30.0percent

## 44. CADBURY NIGERIA PLC

The company floated an irredeemable convertible loan stock (unsecured zero coupons) worth N5.0 billion at par by way of rights to its existing shareholders to finance the following:

- Installation of new sugar confectionary line - 58.0percent
- Installation of a new Bournvita Packaging line - 16.0percent
- Installation of additional chewing gum plants - 5.0percent
- Site acquisition and development of the West African manufacturing hub - 11.0percent
- Information technology infrastructure - 7.0percent
- Debt reduction (First Bank and Standard Trust Bank) - 3.0percent

## UNIT TRUST SCHEMES

Two (2) unit trust funds were floated during the year under review. The funds, managed by FSDH Asset Management Ltd and IBTC Asset Management Ltd respectively, involved 1,000.75 million units valued at N1.75 billion. Details of the offers are as follows:

### 1. CORAL GROWTH FUND

The fund manager (FSDH Asset Management Ltd) offered 0.75 million units (Initial Public Offer) at N1,000.00 per unit valued at N750.00 million. The proceeds from the offer would be invested in high quality, quoted equity and debt securities as well as investment-grade fixed income securities in Nigeria.

### 2. IBTC ETHICAL FUND

IBTC Asset Management Ltd issued 1.00 billion units of N1.00 each valued at N1.00 billion for public subscriptions. Seventy five (75) percent of the offer proceeds would be invested in quoted securities while twenty-five (25) percent was meant for investment in quality fixed income securities.

## OFFER FOR SALE

The Commission, during the reviewed year, approved two (2) offers for sale involving 0.28 billion ordinary shares valued at N1.11 billion. Details of the issues are:

1. **Nigerian Aviation Handling Company Plc:** In line with the privatization programme of the Federal Government of Nigeria, the company



offered 60 percent of its holdings for public subscription. This involved 0.18 billion ordinary shares of 50k each at N5.50 per share valued at N0.99 billion.

2. **Great Nigeria Insurance Plc:** As part of the strategic plan to reduce government holdings and encourage/increase private sector participation in the economy, Great Nigeria Insurance PLC also offered for sale to the public 0.10 billion ordinary shares of 50k each at N1.20 per share worth N0.12 billion. The offer was however aborted due to low level of subscription.

## REGISTRATION OF SECURITIES

During the year 2005, the Commission registered a total of eighty-eight (88) various categories of securities involving 259.81 billion ordinary shares worth N440.09 billion. The figures compared favourably with that of the previous year, except for the number of securities which was lower than the position in 2004. The number, volume and value of securities registered in 2004 stood at one hundred and six (106), 84.43 billion and N215.83 billion respectively.

Among the registered securities were twenty-six (26) bonus issues valued at N8.19 billion, ten (10) existing securities of N18.01 billion and two (2) offers for sale worth N1.11 billion. Others were all the approved new issues for the year. These included twenty-eight (28) offers for subscriptions (N305.22 billion), nine (9) private placements (N39.28 billion), eight (8) rights issues (N50.14 billion) two (2) debentures (N6.94 billion), and three (3) supplementary offers (N11.20 billion).

## PROCESSED OFFER DOCUMENTS

The Commission also received a total of nine eight (98) new applications involving 285.01 billion ordinary shares amounting to N447.90 billion. Seventy-five (75) of these applications involving 225.00 billion ordinary shares, valued at N389.76 billion, were processed and cleared; twenty (20)

were still under processing and three (3) others were cancelled as at the end of 2005. The value of applications under processing and those cancelled stood at N37.00 billion and N40.80 billion respectively.

The cleared applications included twenty-three (23) offers for subscription (N274.06 billion), seven (7) rights issues (N47.33 billion), twenty-three (23) bonuses (N7.50 billion), seven (7) private placements (N24.94 billion) and two (2) debentures (N6.94 billion). Others included two (2) supplementary offers (N8.43 billion), eight (8) existing securities (N17.83 billion), two (2) trusts of N1.75 billion and one (1) offer for sale valued at N0.99 billion.

## ALLOTMENT CLEARANCE

The Commission, during the year, received a total of fifty-one (51) allotment proposals involving N324.62 billion. Thirty-one (31) of these were issues raised in 2005 while the remaining twenty (20) were offered in the preceding year. In sum, a total of N227.51 billion was capitalized out of the N324.62 billion applied for, putting the aggregate subscription level at 70.09 percent.

## Issues Raised and Allotted in 2005

A look at the level of subscriptions of issues raised and allotted during the year revealed that five (5) issues were oversubscribed, five (5) fully subscribed, twenty (20) were undersubscribed while one (1) issue was aborted. These issues included sixteen (16) offers for subscription, one (1) offer for sale, five (5) rights issues, seven (7) private placements and two (2) debentures.

## Issues Raised in 2004 and allotted in 2005

The twenty issues of 2004 which were allotted in 2005 consist of eight (8) offers for subscription, six (6) rights issues, two (2) private placements, one (1) bond and three (3) supplementary offers. Eight (8) of these issues were oversubscribed, four (4) fully subscribed, four (4) undersubscribed while four (4) others were aborted.



### **Trading Activities on The Nigerian Stock Exchange**

Trading activities on The Nigerian Stock Exchange (NSE) in terms of volume and value recorded significant improvements during the year.

An aggregate of 26.69 billion ordinary shares valued at N262.93 billion were traded in 2005 as against 19.21 billion ordinary shares worth N225.82 billion recorded in 2004. This showed increases of 38.97 per cent and 16.43 per cent in volume and value respectively.

As in previous years, trading activities were dominated by the "Equities" sector. The sector accounted for 26.49 billion or 99.25 per cent of the aggregate transactions in respect of volume. The "Bond" sector accounted for 0.01 billion or 0.06 percent while the "Industrial Loan/Preference Shares" sector registered 0.19 billion or 0.70 per cent. The "Equities" Sector controlled N254.71 billion or 96.87 per cent of the aggregate turnover by value. The "Industrial Loan/Preference Shares" sector registered N0.17 billion or 0.07 per cent while the "Bond" sector recorded a trading value of N8.05 billion, which accounted for 3.06 per cent.

Quarterly analysis of trading statistics showed that the third quarter was the most active, as it witnessed a trading value of N81.16 billion during the year under review. The fourth quarter was the second most active, having recorded N75.67 billion. The second quarter, with N65.04 billion, was third while the first quarter was the least active at N41.06 billion.

In line with the patterns established in the previous years, the Lagos/Abuja/Kano/Port Harcourt/Yola/Benin on-line trading floors witnessed the bulk of activities on the exchanges, with a value of N262.927 billion. The Ibadan trading floor recorded N0.002 billion of the aggregate value of securities traded. There were however, no

more vibrant as the Federal Government, in its bid to finance long term developmental projects, floated bonds offered in seven series to the tune of N140 billion over a period of six months. This development impacted positively on the aggregate market capitalization with an impressive 37.3 per cent growth, from N2,112.5 billion in 2004 to N2,900.1 billion in the year under review.

The aggregate market capitalisation witnessed a decline in the first quarter of 2005 partly as a result of the uncertainties that surrounded the market at the early stage of the bank consolidation exercise. Some blue chip companies also witnessed decline in their prices. Thus, from January to March, a total of N182.2 billion was lost as market value dropped from N2,050.2 billion in January, to N1,868.0 billion in March.

The second quarter witnessed a rise in the prices of most equities especially in the "Banking" and "Petroleum" sectors as the market value appreciated by N118.8 billion. Besides, there was a new listing by introduction of Investment Banking and Trust PLC in the "Banking" sector. The bank contributed N29.9 billion to the aggregate market value at the close of business in April. Though there were significant price losses in May, the aggregate market value still appreciated by N45.9 billion as a result of the admission of two more banks on the daily official list of The NSE. The newly listed banks (Fidelity Bank PLC and Diamond Bank PLC) contributed a total of N72.2 billion to the aggregate market capitalisation. The month of June witnessed minimal appreciation of 2.3 per cent as the value rose from N2,032.7 billion in May to N2,080.2 billion in June.

Activities in the market were further boosted in the third quarter, with the commencement of the listing of the second Federal Government Bonds (in seven series) which lasted till the end of the year. The first of the series, worth N20.0 billion, issued in July, increased the market capitalization of the debt sector to N213.5 billion from N193.5 billion in the preceding month. Also in July, the share price appreciations in most sectors did not impact significantly on the aggregate market capitalisation as the "Petroleum" sector, which holds many blue chips, recorded price losses. The total market capitalisation of stocks on The NSE therefore closed July at N2,165.3 billion. However, the listing of the second in the series of the N20.0 billion Federal Government Bond coupled with more impressive equity price appreciations in August, boosted the aggregate market capitalization during that month. The market value closed August at N2,310.6 billion.

### **Market Capitalization**

Activities in the capital market were vibrant in 2005 due to the on-going federal government economic reforms. This vibrancy was noticed especially in the "Banking" and "Insurance" sectors. Thus, market capitalization was boosted as new banks also got listed on The Nigerian Stock Exchange. In the same vein, insurance companies' patronage of the capital market increased as a result of the upward review of their minimum capital base ranging from N2.0 billion to N10.0 billion. The debts sector became



## THE SECONDARY MARKET

as against the figure for July. Good trading results in equities on The NSE and the listing of the third and fourth Federal Government Bonds, worth N80.0 billion floated in September, saw the market capitalisation rising by N336.8 billion to N2,657.3 billion at the end of the month.

The fourth quarter also started on an upbeat note, as market value recorded a sharp increase reaching N2,892.6 billion in October, representing a gain of N235.3 billion or 8.9 per cent over the figure for September. The increase was as a result of price appreciation mainly in the "Insurance" sector as well as the admission of Great Nigeria Insurance PLC, as well as the listing of the fifth N20.0 billion Federal Government bond in series. In November, equities market value dipped by N125.9 billion (4.9 per cent) when compared with the figure recorded in October. This is in spite of the floatation of new issues by some blue chip companies in the month, among which was Union Bank Nigeria PLC. The slide in market capitalization was because most investors either dumped their shares for new shares in the blue chip companies or in preparation for the festive season. Moreover, some companies had their Annual General Meetings in the month and declared dividends, thus resulting in the marking down of their share prices. In spite of the issuance of Bond by the Federal Government, aggregate market value (i.e. equities and Govts) dropped by N105.9 billion to N2,786.7 billion in November. There was no significant price appreciation in December as many investors converted part of their investments to cash in preparation for the festivities. Consequently, market capitalization of equities only appreciated marginally by N71.5 billion, notwithstanding the three additional listings on the main board of The Nigerian Stock Exchange which jointly contributed a total of N60.1 billion to the market value. The seventh in the series of the Federal Government bond, which was listed during the month, enhanced the market value of the debt sector, thus pushing the aggregate market value to close the reviewed year at N2,900.1 billion.

As in the past, the "Equities" sector accounted for the bulk of the total market capitalization although accounting for a lower percentage than in the previous years as other sectors, especially the bond segment, were more active than hitherto. The first and second tier equities posted a total of N2,524.8 billion to represent 87.1 per cent of the overall market capitalization as against N1,926.4 billion or 91.2 per cent in 2004. The market value of the "Federal Government Development Stock" sector gained N180.7 billion or 119.1 per cent to stand at N332.4 billion. The sector recorded the second

highest market capitalization by accounting for 11.5 per cent of the aggregate market value. The "State loan/Local Government Bonds" sector also improved on its market capitalisation as its value which stood at N26.4 billion in 2004 rose by N6.7 billion or 25.4 per cent to N33.1 billion in the year under review. The "Industrial Loans and Preference Stocks" sector added 1.8 billion to stand at N9.8 billion in 2005 as against N8.0 billion recorded in the previous year. On the aggregate, the market capitalisation of debt securities stood at N375.3 billion as against N186.1 billion in the preceding year. This indicated a gain of N189.2 billion or 101.7 per cent.

A review on sectoral basis showed that the "Banking" sector remained the most capitalized as it posted N1,212.1 billion, with a liquidity ratio of 3.26 per cent. The sector's market value also represented 48.01 per cent of the aggregate equities market capitalization. The "Breweries" sector was the second with N409.4 billion, representing 16.22 percent of the total equities market value. Similarly, the "Food/Beverages and Tobacco" sector with a market value of N294.5 billion, occupied the third position and accounted for 11.67 per cent of the overall equities market value. The "Petroleum (Marketing)" sector with N247.8 billion was fourth on the table. The sector recorded 9.87 per cent of the overall equities market value.

The "Commercial/Services" sector occupied the twenty-fourth position by posting a N0.1 billion market value. The "Footwear" sector and the "Machinery (Marketing)" sector were on the twenty-fifth and twenty-sixth positions respectively.

The market capitalisation of the 50 most capitalised equities rose from N1,756.0 billion in 2004 to N2,315.3 billion in the year under review. In the same vein, the market value of the top twenty equities rose to N1,803.9 billion from N1,466.1 billion in the previous year. The top twenty represented 71.4 per cent of the total market capitalisation.

Analysis on individual company basis showed the Nigerian Breweries PLC lost N30.3 billion from its 2004 figure but retained the first position on the chart of the twenty most capitalized stocks. The company posted N293.4 billion to represent 16.5 per cent of the top twenty and 11.6 per cent of the total equities market capitalisation. First Bank Nigeria PLC gained N65.7 billion to displace Guinness Nigeria PLC from the second position. The bank had, during the year, consummated a merger



with FBN (Merchant Bankers) Ltd and MBC International Ltd, which further strengthened the bank and increased its number of outstanding shares. The Bank posted N160.1 billion against N94.4 billion in 2004. Union Bank Nigeria PLC moved up to the third position from the fifth in previous year, having gained N58.0 billion and thereby rising to N152.0 billion. The bank thus accounted for 8.4 per cent and 6.0 per cent of the top twenty and total market capitalization respectively.

With N113.3 billion as against N138.0 billion in 2004, Guinness Nigeria PLC occupied the fourth position. The breweries sector witnessed a general sharp fall in market prices during the year as most investors preferred other more active sectors (especially Banking). Intercontinental Bank PLC gained N71.2 billion to frog leap from the nineteenth in the previous year, to the fifth position in the year under review. The value of the bank appreciated to N99.2 billion from N28.0 billion in 2004 while Conoil PLC lost N13.3 billion from N53.9 billion in 2004. With N40.6 billion, the company occupied the twentieth position.

## Stock Index Performance

The All-Share Index of The Nigerian Stock Exchange (NSE) witnessed a marginal increase during the year under review, when compared with the position it attained at the close of the preceding year. The index, which closed 2004 at 23,844.5 points rose to 24,085.8 points as at December 31, 2005, representing 241.3 points or 1.0 per cent gain. A quarterly review showed that the index opened the first quarter at 23,073.8 points but depreciated to close the quarter at 20,685.4 points with a loss of 2,388.4 points or 10.4 per cent. It rose thereafter to close the second quarter at 21,564.8 points. By September 30, 2005, the index had risen to 24,635.9 points owing to increase in share prices during the period. It thereafter depreciated slightly to close the year at 24,085.8 points. The rally could be attributed to much firmer prices of equities towards the end of the year, among other factors experienced during the year.

## Share Price Movement

Analysis of equity price gains on individual Company basis revealed that Nestle Nigeria PLC posted the highest price gain of N37.38 or 24.98 per cent, as the Company's share price appreciated to N187.00 as at December 30, 2005 from 149.62 recorded in the previous year. Asnaka Cement Plc, with a gain of N11.70, ranked second, having moved from N22.50 registered in the preceding year to N34.20. First Bank of Nigeria Plc settled for the third position

with N8.40 gain. Other quoted Companies with significant price appreciations during the year were Flour Mills Nigeria Plc (N8.39), Capoa & D'Alberto Plc (N8.10), Nigerian Bottling Company Plc (N7.61) and Cadbury Nigeria Plc (N6.52).

Nigeria International Fund Plc (100&par) recorded the highest depreciation of N275.46, sliding from N7,172.97 in the previous year to N6,897.51 in 2005. Nigeria Energy Sector Fund Plc shed N128.00 to occupy the second position. Texaco Nigeria Plc, with a N49.02 price loss took the third position. This is followed by African Petroleum Plc (N33.18) and Conoil Plc (N32.25) which occupied the fourth and fifth positions respectively. This development was partly as a result of decline in prices of some blue chip Companies during the consolidation of the Banking Sector in the reviewed year.

## ANALYSIS OF FINANCIAL STATEMENT OF QUOTED COMPANIES THAT HELD THEIR ANNUAL GENERAL MEETINGS (AGM) BETWEEN JANUARY-DECEMBER, 2005.

A number of quoted companies held their 2005 Annual General Meetings during the reviewed period. Seventy one (71) annual reports and accounts of quoted companies were available for analysis. Of this figure, fifty nine (59) companies recorded increases in their assets, while twelve (12) recorded losses. In terms of liabilities, forty-nine (49) companies posted increases in their liabilities while twenty-two (22) recorded decreases. The increase in liabilities is attributable to the corresponding increase in the companies' assets. In the same vein, fifty eight (58) companies posted increases in their networth, while thirteen (13) recorded losses. Turnover and profitability also recorded impressive growth during the year under review. In essence, fifty-six (56) companies registered increases in turnover, while fifteen (15) posted losses. Forty seven (47) companies recorded increases in their Profit After Tax (PAT), as against twenty four (24) which recorded losses.

Further analysis of the financial statements showed that the aggregate assets for the seventy-one (71) companies, which stood at N1, 506.61 billion, rose to N1, 849.92 billion. This represented an increase of 22.8 per cent. The remarkable achievement is partly attributed to the new issues raised by some of the quoted companies, including banks, during the period. The new funds were among other things meant for branch expansion and information technology upgrade. Consequently, the rise in



## THE SECONDARY MARKET

Assets also impacted positively on the aggregate net worth as it appreciated by 57.6 per cent to N300.48 million from N190.77 million in the preceding year.

The aggregate turnover grew to N6,721.61 billion in 2004 from N5,455.08 billion recorded in the preceding year. This represents a 23.3 per cent increase. This may be attributed to SEC public enlightenment programme, which increased awareness and confidence in the Nigerian capital market which many companies accessed during the year to expand their business. In the same vein, the aggregate Profit After Tax (PAT), which stood at N35.92 billion in the previous year, appreciated to N49.29 billion in 2004, representing 37.22 per cent increase.

### ANALYSIS OF TOP FIVE (5) COMPANIES BY:

**Net worth:** In line with the established pattern, Union Bank of Nig. Plc registered the highest net worth of N41.62 billion in 2004, an 11.02 per cent increase over N37.49 billion posted in 2003. Intercontinental Bank Plc recorded a networth of N36.3 billion to settle for the second position. The bank had in the previous year recorded N11.3 billion as networth. Afribank Nigeria Plc, with N25.0 billion, was third, while Wema bank plc came fourth, having posted N24.3 billion. West African Portland Cement Company (WAPCO), with N23.4 billion, came fifth.

**Turnover:** In terms of turnover, Nigerian Breweries Plc registered the highest, having recorded N73.6 billion as against N62.0 billion in the previous year 2003. Conoil Plc, with N60.0 billion, came second while African Petroleum plc was at the third position with N58.1 billion.

Union Bank of Nigeria Plc recorded N48.2 billion to rank fourth while Texaco Nigeria Plc posted N42.4 billion, settling at the fifth position.

**Profit After Tax:** Although the banking sector witnessed some uncertainties during the early period of the recapitalisation exercise with investors not being sure of the banks that would survive the reforms, banks still recorded the first and the second highest PAT. Thus, Union Bank Nigeria plc, with a PAT of N8.9 billion, occupied the first position. This represents N0.7 billion or 8.5 per cent increase over N8.2 billion posted in the previous year. This was followed by Intercontinental bank plc with N6.1 billion.

Nigerian Breweries Plc came third with a profit after tax of N5.1 billion. Fourth on the list was UBAPlc which declared N4.9 billion, while Nestle foods plc, with N3.8 billion, came fifth. Most of the companies, owing to their outstanding performances, issued bonuses and dividends to their shareholders.

# Section 3

## THE COMMISSION AND ITS FUNCTIONS





## SECURITIES AND INVESTMENT SERVICES

During the year 2005, the Commission registered fifty-two (52) applications in respect of public offers/private placements valued at N413.9 billion and cleared forty eight (48) allotments. Additionally, twenty-six (26) bonus issues were approved valued at N8.2 billion and nine (9) existing securities valued at N18.1 billion.

These figures compared favorably to year 2004 when the Commission registered forty-two (42) applications in respect of public offers/private placements valued at N188.94 billion and cleared forty-five (45) allotments valued at N12.2 billion and thirteen (13) existing securities valued at N11.4 billion.

The 219 percentage increase for the public offers/placements in 2005 over 2004 was made possible following the CBN directive for banks to capitalize to the tune of N25 billion by the end of December, 2005. The policy propelled 36 bank offers for N372.5 billion or 90 per cent of the total funds registered by the Commission.

The Commission issued directives/circulars aimed at supporting the Nigerian Banking Consolidation and enhancing the integration of the market.

These circulars included the downward review of fees for banks involved in the consolidation programme by way of Mergers and Acquisitions from the existing fee based on market value to 1 % of the nominal value of securities.

To stem the tide of abuse in public offers advertisements, the Commission issued comprehensive guidelines on advertisement materials to issuing houses for compliance by the issuer companies.

The Commission granted an extension of allotment period from six (6) weeks to seven (7) weeks for banks issues to enable CBN conduct capital verification exercise on banks raising fresh funds from the market.

Additionally, in its commitment towards protecting investors and the financial system, the Commission directed all Issuing Houses, Receiving Bankers and Issuers to transfer all subscription monies not verified by the CBN and the basis of allotment approved by the Commission to CBN.

The Commission in collaboration with CBN directed that bank(s) desiring to raise funds from the capital market after September 2005 were to wait till 2006. This was meant to ensure that the banking consolidation terminated on schedule.



**Ms. Daisy Ekineh**

Director/HOD, Securities and Investment Services

## REGISTRATION OF CAPITAL MARKET OPERATORS

The Investment and Securities Act No: 45 of 1999 section 8(f) empower the Commission to register and regulate Corporate and Individual Capital Market Operators as defined in section 30 of the act. Below is the detail of the registration activities in 2005.

### Fresh Applications for Registration

A total of Two Hundred and Twelve (212) fresh applications for various functions were received within the period under review, and these applications were processed accordingly.

### Companies/Firms Registered Within the Period under Review

A total of One Hundred and Thirty Seven (137) companies that had met the minimum requirement for registration were invited for a meeting. Their applications were considered and approval granted. See APPENDIX I for the list.

### Pre-Registration Inspection Visit

Pre-registration inspection visits were conducted by the Commission and a total of 75 companies had met the minimum requirements for pre-registration inspection.

### Renewal of Registration

One Hundred and Forty six (146) companies renewal of registration were processed, concluded, and approval granted within the period under review. These had been accurately captured on Capital Market Operators list (CMO)

### Fresh Applications: Additional Individual(s) and Functions

Within the period under review, a total of Sixty Six (66) applications were received, these applications were treated accordingly.

### Amendment of Registration Information

A total of thirty (30) applications for amendment of registration information were received and the amendment were effected accordingly.

#### January – December, 2005

Month	No. Of Renewals	No. of Additional Sponsored Individuals/Additional Function Registered
Jan.	8	
Feb.	22	15
March	7	-
April	18	-
May	13	13
June	20	-
July	10	-
August	11	14
Sept.	19	12
Oct.	9	-
Nov.	3	24
Dec.	6	
Total	146	78

Please see APPENDIX II for the list.

**Mr. Bolaji Bello**  
Deputy Director/H.O.D. Registration



# APPENDIX I

## REGISTRATION OF CAPITAL MARKET OPERATORS

### FEBRUARY

S/N	NAME OF FIRM	FUNCTION REGISTERED
1.	Pilot Securities Ltd	Broker Dealer & Investment Adviser
2.	Taiwo Ajala & CO	Solicitors
3.	Sa'id Sanusi & CO	Solicitors
4.	Eric Oju & CO	Solicitors
5.	Kayode & CO.	Solicitors
6.	Paragon Investment Management	Fund Managers
7.	Oceanic Bank Int. PLC	Receiving Bankers, Underwriter & Corporate Investment Adviser
8.	Zenith Registrars Ltd	Registrars
9.	A.U Mustapha & CO	Solicitors
10.	Wole Olufon & CO	Solicitors
11.	Peter Oliver & CO.	Reporting Accountant

### FEBRUARY

12.	Paul Usoro & CO	Solicitors
12.	Babatunde Sobamowo & CO.	Reporting Accountant
14.	Metro Pole Practice	Solicitors
15.	Ugboaga Martins & CO.	Reporting Accountant
16.	Consolidated Discount Ltd	Fund Managers, Invest. Adviser & Trustees
17.	C.V.C Ihekweazu & CO.	Solicitors
18.	Olubamiji Esho & CO	Reporting Accountant
19.	Enitan & Okoye	Solicitors
20.	George Ikoli 7 Okagbue	Solicitors
21.	Olalade & CO.	Solicitors
22.	Folodun, Adewunmi & CO.	Reporting Accountant
23.	Pyramide Securities	Broker Dealer

### MARCH

24.	OGR Invest. 7 Trust Ltd	Corporate Invest. Adviser
25.	Dele Dina & CO.	Reporting Accountant
26.	Kingsway Securities Ltd	Sub-Broker
27.	Kunle Oshianike & CO.	Reporting Accountant
28.	Adewuyi Adetunji & CO.	Reporting Accountant
29.	Oluranti Fasenu & CO.	Reporting Accountant
30.	Gabe Fasoto & CO.	Reporting Accountant

31	D. N Ofori & CO.	Reporting Accountant
32	Abugu & CO.	Solicitors
33	Ijewere & CO	Reporting Accountant
34	Philips Consulting	Corporate Investment Adviser
35	Adewale Adesokan & CO.	Solicitors
36	Nasir Salau & CO	Solicitors
37	Chibuzo N. Ziggy Azike & CO.	Solicitors
38	Aloba Awomola & CO.	Reporting Accountant
39	T.I Oromigbo Okpoko & CO.	Solicitors
40	Kenna & Associates	Solicitors

## MAY

41	E.S.O Onwionoko & CO.	Reporting Accountant
42	Chao Hill Advisory Partners	Issuing House & Fund portfolio Manager
43	Biye Durojaiye & CO	Solicitors
44	J.O Abbas & CO.	Solicitors
45	Lambeth Trust & Investment Company	Broker Dealer
46	Compera Advisory Services	Individual Invest. Adviser
47	ANP Registrars Ltd	Registrars
48	Crossrock Law & CO.	Solicitors
49	Real Laam Enterprises	Individual Sub-Broker
50	Emerging Capital Ltd	Broker Dealer
51	G.M Ibru & CO.	Solicitors
52	Yusuf D. Jengwe & CO	Solicitors
53	Gresham Asset Management Ltd	Sub-Broker, Fundportfolio Managers & Corporate Invest. Adviser
54	Atlass Portfolio Ltd	Brokers
55	Aims Asset Management Ltd	Fundportfolio Managers
56	Gbenga Biobaku & CO	Solicitors
57	Gab Anna Chambers	Solicitors
58	Ideal Securities & Invest.	Fund Portfolio Manager, Broker Dealer & Corporate Invest. Adviser
59	C.O Toyin Pinheiro & CO.	Solicitors



# APPENDIX I

## REGISTRATION OF CAPITAL MARKET OPERATORS

60.	Ikeji & CO.	Solicitors
61	Guardian Express Bank PLC	Receiving Bankers
<b>JULY</b>		
62	Abdullahi Yahaya & CO	Solicitors
63	Y.C Maikyau & CO.	Solicitors
64	Circular Trust Ltd	Portfolio Managers
65	Ayodeji Odu & CO.	Solicitors
66.	Musa Yakubu & CO.	Solicitors
67	Regal & Partners	Solicitors
68.	Marine Partners	Solicitors
69	Malachi Fund / Asset	Fund Managers
70	Edith N. Nnacheta	Solicitors
71	G.G Securities & Invest. Ltd	Portfolio Managers
72	Ita Enang Associates	Solicitors
73	Northbridge Invest. & Trust	Issuing House & Fund Managers
74	Country Chambers	Solicitors
75	Maaji & CO.	Reporting Accountants
76	Umar & Imhanohe	Solicitors
77	Yobe Invest. & Securities Ltd	Broker Dealer
78	Fatnet Financial Adviser Services	Individual Adviser
79	John Yakubu & CO.	Solicitors
80	Lola Oyeyemi & CO	Solicitors
81	Hedge Securities & Invest. CO.	Broker Dealer
82.	Jemide & Associates	Solicitors
83	Shelong Investment	Broker dealer
84	SIAO Partners	Reporting Accountant
85	Alade Agbabiaka & CO.	Solicitors
86	Ofoegbu U.S & CO.	Solicitors
87	Oditan Legal Pract. & Arb.	Solicitors

## AUGUST

88	F Osoka & CO.	Solicitors
89	Projuris (Lawyers)	Solicitors
90	Trades Trust & Invest.	Broker Dealer & Trustees
91	Nmarkwe & Associates	Solicitors
92	Steve Adehi & CO.	Solicitors
93	Adebola Onibalusi & CO.	Solicitors
94	Abraham & CO.	Solicitors
95	Mbanugo Udenze & CO	Solicitors
96	Osita Aboloma & Associates	Solicitors
97	Solola & Akpana	Solicitors
98	S.A Nwakohu & Associates	Solicitors
99	Wizetrade Capital & Asset Management	Broker Dealer
100	Agali, Shinnaba, Ogono & CO.	Solicitors
101	Femi Alemode & CO.	Solicitors
102	Matrix Solicitors	Solicitors
103	Wema Securities & Fin.	Invest. Adviser, Fund Portfolio Manager & Issuing House
104	George Andrews & Partners	Reporting Accountant
105	Babington Ashaye & CO.	Reporting Accountant/Auditors

## SEPTEMBER

106	Femi Okunnu & CO.	Solicitors
107	Dushola Adekanola & CO.	Invest. Adviser & Reporting Accountant
108	Tayo Tiwo & CO.	Solicitors
109	Adebayo Osho & CO.	Solicitors
110	Peninsula Asset Management Invest.	Broker Dealer
111	Yusuf O. Al & CO.	Solicitors
112	Layi Babatunkle & CO.	Solicitors
113	Samuel Adebayo Adetifa & CO.	Reporting Accountant & Auditors
114	Wema Bank PLC	Receiving Bankers
115	Sola Akinyede & CO.	Solicitors
116	Dele Odunowo & CO.	Reporting Accountant
117	I.I. Sambo & CO.	Solicitors
118	AADUM & Company	Estate Valuers



# APPENDIX I

## REGISTRATION OF CAPITAL MARKET OPERATORS

119	Mart Investment Ltd	Corporate Invest. Adviser
120	Isama Isama & CO	Reporting Accountant

### NOVEMBER

121	Chris O. Okunowo & CO.	Solicitors
122	Oceanic Registrars LTD	Registrars
123	Ajunwa & CO.	Solicitors
124	Oceanic Trustees Ltd	
125	Aliance Lega	Solicitors
126	Investment Masters & Trust	Broker Dealer
127	Rickey Tarfa & CO.	Solicitors
128	Skylimit Investment Ltd	Corp. Sub-Broker
129	S.E. Aruwa & CO.	Solicitors
130	Adenekan Dosumu & Akinrin	Solicitors
131	Cousins & CO.	Reporting Accountant
132	Okunade	
133	Chris O. Okunowo	Solicitors
134	Oceanic Registrars Ltd	Registrars
135	Oceanic Trustees Ltd	Trustees
136	Ajunwa & CO.	Solicitors
137	Okunade Olorundare & CO.	Solicitors

**RENEWAL OF REGISTRATION**

JANUARY-DECEMBER, 2005

**January, 2005**

S/N	Company Name	Function
1.	FIS Securities Ltd	B/D
2.	First Interstate Bank Pic	I/H, RB
3.	Philip Ndubuisi Umeh & Co.	Solicitors
4.	Corporate Diamond Sec. & Inv. Ltd	Registrar
5.	Cooper Flemming Stockbrokers	B/D
6.	African Petroleum Pic	Registrars
7.	Spring Trust & Securities Ltd	B/D
8.	Oluyomi Olawore & Co.	Solicitors

**February**

9.	Standard Trust Bank Pic	B/D
10.	Quantum Securities Ltd	B/D
11.	RDO Oyediran Faleye Oke & Co.	R/A & CO
12.	Integrated Trust & Inv. Ltd	B/D
13.	Lilian Esiri & Co.	Solicitors
14.	Golden Securities Ltd	B/D
15.	NAL Assets Mgt. & Trustees Ltd	Portfolio Manager/Trustee
16.	Haruna Yahaya & Co.	R/A
17.	EIB Trustees Ltd	Trustee/Portfolio Manager
18.	Mayfield Investment Ltd.	B/D
19.	Global Credit Rating Co.	R/A
20.	Partnership Investment Co. Ltd	IH, B/D
21.	V. U. Obi & Co.	Solicitors
22.	Diamond Bank Pic	IH/RB & Trustees
23.	First Registrars-Nig. Ltd	Registrars
24.	Maxifund Investment & Sec. Ltd	B/D & Investment Adviser
25.	Ighodalo Ighodalo & Co	R/A
26.	A. Adegoke & Co.	Solicitors
27.	Lynac Securities Ltd	B/D
28.	Tomil Trust Ltd	B/D
29.	Dynamic Portfolio Ltd	BD, IH
30.	Oyelami Soetan Adeleke & Co.	R/A

**March**

31.	HNB Trustees	VC
32.	Udo-Udoma Belo-Osagie	Solicitors
33.	Three Stars Investment Ltd	B/D



## APPENDIX II

### REGISTRATION OF CAPITAL MARKET OPERATORS

34.	Trade Link Securities Ltd	B/D
35.	Legal Resources Alliance	Solicitors
36.	City Securities Ltd	Trustees/ Registrar
37.	JUBA Securities Ltd	IH, B/D, Registrars

#### April

38.	Tidelity Union Sec. Ltd	I/H, B/D
39.	Springboard Trust & Inv. Ltd	I/H, B/D
40.	FIRST Ventures Ltd	
41.	David-M. Mando	Solicitor
42.	Sulaimon & Co	R. Accountant
43.	Tran. & Trust Co. Nig. Ltd	I/H, B/D
44.	Sigma Sec. Ltd	B/D
45.	Ton Ukponi & Co	Solicitor
46.	Emmanuel Adeyemo Ogunlowi & Co	R. Accountant
47.	Aina Blankson & Co	Solicitor
48.	Idowu Sofola & Co	Solicitor
49.	Otunola Adebayo & Co	R. Accountant
50.	Pivot Trust & Inv. Co. Ltd	B/D
51.	Olanwun Ajayi & Co	Solicitor
52.	Spiropoulos Adiele Okpara & Co	R. Accountant
53.	Greenwich Trust Ltd	I/H, B/D
54.	Pannel Kerr Foster	R. Accountant
55.	Sec. Tran. & Trust Co. Nig. Ltd	B/D

#### May

56.	Lead Securities & Inv. Ltd	I/PM, B/D
57.	Valmon Sec. Ltd	B/D
58.	Stanwal Sec. Ltd	B/D
59.	Maninvest Asset Mgt. Ltd	I/H, B/D
60.	Akindele (Legal Practitioners)	Solicitor
61.	BG L Ltd	I/H
62.	EBN Securities Ltd	B/D
63.	Akinlawon & Ajomo	Solicitor
64.	LB Securities Ltd	B/D

65.	Finimal Finance Co., Ltd	I/H, B/D
66.	I.C. The & Co	Ind. Inv. Adviser
67.	Icon Stockbrokers Ltd	I/H, B/D
68.	Uwensuyi Edosamwan	Solicitor

#### June

69.	Badewole & Co	Solicitors
70.	Afribank Inter. Ltd	I/H, R/B
71.	Premium Sec. Ltd	B/D, I/H, I/A & F.Mgr.
72.	Eurocom Sec. Ltd	B/D
73.	Horwath Dafinone	Corp. I/A, R/A
74.	Aminu Ibrahim & Co	R. Accountant
75.	Professional Stockbrokers Ltd	B/D
76.	Oladapo Opaleye & Co	
77.	Valueline Securities & Inv. Ltd	B/D
78.	Resort Securities & Trust Ltd	B/D, I/H
79.	Austen Peters & Co	Solicitors
80.	Century Securities Ltd	B/D
81.	Davandy Fin. & Sec. Ltd	B/D & I/H
82.	Chuma Anosike & Co	Solicitors
83.	The Lawsmiths	Solicitors
84.	Punuka Chambers	Solicitors
85.	Pqreto Funds & Sec. Ltd	Corp. Inv. Adviser
86.	Excel Securities Ltd	B/D
87.	Kundilla Fin. Services Ltd	B/D
88.	First Trustees Nig. Ltd	IA, FP.Mgr

#### July

89.	Pareto Funds & Sec. Ltd	Corporate invest. Ad
90.	Excel Sec. Ltd	Broker Dealer
91.	Kundilla Fin. Services Ltd	Broker Dealer
92.	Capital Trust Brokers Ltd	Broker Dealer
93.	FSDH Assets Management Ltd	I/P, P.Mgr, & I/Adviser



## APPENDIX II

### REGISTRATION OF CAPITAL MARKET OPERATORS

94.	Royal Exchange Assurance Nig. Plc	Trustees
95.	Aluko & Oyeboade	Solicitor
96.	Chris Ogunbanjo & Co.	Solicitor
97.	Capital Bancorp Ltd	I/H & Broker Dealer
98.	Stanbic Equities Ltd	Broker Dealer

#### August

99.	Cutix Plc	Registrars
100.	Midas Stockbrokers Ltd	Broker Dealer
101.	Vision Trust & Investment Ltd	Broker Dealer
102.	Adamawa Securities Ltd	Broker Dealer
103.	Jackson Etti & Edu	Solicitor
104.	Ardejumo Ekiyola & Ezeani	Solicitor
105.	Manna Securities Ltd	Broker Dealer
106.	Nigerian Inter. Securities Ltd	Broker Dealer
107.	NUB International Bank Ltd	I/H, R/B, F/P.Mgr
108.	Balogun Badejo & Co	R/Accountant
109.	Wema Registrars Ltd	Registrars

#### September

110.	Summa Guaranty & Trust Co. Ltd	I/H, B/D
111.	Associated Discount House	F/PMgr.
112.	Great Africa ca Sec. Ltd	Broker Dealer, I/H
113.	ValueLine Sec. & Inv. Ltd	I/H, B/D
114.	Forto Asset Mgt. Ltd	I/H, B/D

115.	Pinefield Inv. Sec. Ltd	B/D
116.	Union Trustees Ltd	Trustees, F/P.
117.	Belfry Investments & Sec. Ltd	B/D
118.	BSD Securities Ltd	B/D
119.	PSI Securities Ltd	B/D
120.	Mainland Trust Ltd	B/D
121.	Mountain Inv. & Sec. Ltd	B/D
122.	Kinley Securities Ltd	I/I house, B/D
123.	AIL Securities Ltd	B/D
124.	Koya & Kuti	Solicitor
125.	Altrade Securities Ltd	B/D
126.	Ernst & Young	R/Accountant
127.	Bank of the North Trustees & Corp	P/M
128.	Rona Chart Investments Co. Nig	Corp. Inv. Advisor

## October

129.	ESL Securities Ltd	B/D & Registrars
130.	Denham Mgt. Ltd	B/D, I/H, I/A, F/P.Mgr
131.	Salami & Salami	Spl.
132.	Nigerian Inter. Bank Ltd	B/D, I/H, I/A, R/B, F/P.Mgr
133.	Acho Ochoroma & Associates	Sol.
134.	Bostlink Inv. Ltd	B/D
135.	Wema Trustees Ltd	Trustees
136.	IRW Stockbrokers	B/D
137.	Rostrum Inv. Sec.(Prixis Sec. Ltd	B/D



## APPENDIX II

### REGISTRATION OF CAPITAL MARKET OPERATORS

#### November

138.	Asset Resource Mgt. Ltd	I/H, Inv. Adv. PM
139.	UTB Trustees Ltd	Trustees
140.	Lurotimi Williams & Co	Solicitor

#### December

141.	Fountain Sec. Ltd	B/D, I/H
142.	Rotimi Omotosho & Associate	RIA
143.	Rivtrust Sec. Ltd	B/D
144.	Lighthouse Trustees Ltd	Registrars
145.	Crane Sec. Ltd	B/D
146.	Omas Inv. & Trust Co. Ltd	B/D

The growth and development of the Capital Market depends a great deal on a good legal framework that is resilient, dynamic and in conformity with international best practices. Thus, the regulatory environment, which effectively protects investors, promotes fairness, efficiency, and transparency is a pre-requisite to the development of the Capital Market.

The Investment and Securities Act no.45, 1999, was promulgated with these ideals and objective. Similarly, the Commission is poised towards achieving zero tolerance in the Market by imposing and enforcing necessary sanctions and penalties against erring operators engaged in illegal market activities.

## 1.0 SUMMARY OF CASES TREATED

During the period, the Commission investigated a total number of 1616 complaints within the period under review and the breakdown is as follows:-

➤ outstanding complaints brought forward from 2004	1011
➤ New complaints received in year 2005	- 605
➤ Total	<b>1616</b>

## (A) COMPLAINTS AGAINST STOCKBROKERS

(a) Cases brought forward	440
(b) New complaints	- 241
<b>Total</b>	<b>= 681</b>

## (B) COMPLAINTS AGAINST REGISTRARS

(a) Cases brought forward	571
(b) New complaints	- 364
<b>Total</b>	<b>935</b>

## (C) RESOLVED CASES - 211

## (D) CASES TRANSFERRED FOR ENFORCEMENT AND COMPLIANCE - 123

## (E) CASES TRANSFERRED TO INTERIM MANAGEMENT TEAM (THOMAS KINGSLEY SECURITIES) - 18

## (F) OPERATORS SUSPENDED - 38

## 2.0 RESOLVED CASES

The Commission closed two hundred and eleven (211) cases after the complaints have been satisfactorily resolved. The cases resolved include complaints against Stockbrokers and Registrars as well as Miscellaneous Matters.

## 3.0 CASES TRANSFERRED FOR ENFORCEMENT AND COMPLIANCE

The Commission observed that incessant complaints by investors against operators with regards to illegal and unauthorized sale of shares have been on the increase. As a result, all pending complaints were reviewed and appropriate penalties were imposed against erring operators and enforcement action taken against them. Consequently, one hundred and twenty three (123) cases, (114 representing complaints against forty-four operators and 9 other complaints) were forwarded for enforcement action.

## 4.0 OPERATORS SUSPENDED

Following the Commission's decision to the effect that operators who have become recalcitrant and have remained non-challant in the resolution of complaints received against them from investors should be suspended from the market, the following thirty-eight operators were slated for suspension during the period.

**Mr. Moses A. Isiaku**  
Deputy Director/HOD Monitoring & Investigation





# INVESTIGATION

- 1) Perfecta Investment limited.
- 2) ESL Securities limited.
- 3) Davandy Finance and Securities limited.
- 4) Prominent Securities Limited
- 5) Resano Securities Limited
- 6) De-Canon Investment Limited
- 7) Nova Finance & Securities Limited
- 8) Yobe Investment & Securities Limited
- 9) AAA Stockbrokers Limited
- 10) Heritage Investment & Securities
- 11) ML Securities Limited
- 12) Valueline Securities & Investment Limited
- 13) Gidauniya Investment & Securities Limited
- 14) Crossworld Securities Limited
- 15) Kingsway Securities Limited
- 16) Equator Finance & Securities Limited
- 17) CentrePoint Investment Limited
- 18) UIDC Securities Limited
- 19) GTI Capital Limited
- 20) Nigerian Stockbrokers Limited
- 21) Riverside Trust Limited
- 22) Mayfield Investment Limited
- 23) Transglobe Investment & Finance Co Limited
- 24) Cashville Investment & Securities Limited
- 25) Prudential Securities Limited
- 26) Rostrum Investment & Securities Limited
- 27) Apex Securities Limited
- 28) Forte Asset Management Limited
- 29) MacLaine Trust & Securities Limited
- 30) BSD Securities Limited
- 31) First Equities Securities Limited
- 32) IRW Stockbrokers Limited
- 33) Options Securities Limited
- 34) Capital Express Securities Limited
- 35) Marriot Securities Limited
- 36) Morgan Trust & Asset Management Limited
- 37) Topmost Finance & Securities Limited
- 38) Calyx Securities Limited

While noting the above, it is worthy to state that the list was drawn based on the following criteria:

- Number of complaints against an Operator
- Value of shares involved in the complaints
- Period of preliminary investigation
- Non-compliance with the Commission's directive that the shares should be sold within a time frame

The Operators concerned were also invited to attend a meeting with the Commission to discuss the unethical/unprofessional dealings with their Clients.

## 5.0 ANALYSIS OF THE VARIOUS COMPLAINTS ARE TABULATED AS FOLLOWS: -

### NATURE OF VIOLATION (STOCKBROKERS ACTIVITIES)

Mis	Unauthorized /Fraudulent sale of shares	Non-Issuance of Cert.	Non-Receipt of Bonus/ Dividend Warrant	Nonlodgment /purchase of shares	Non-remittance of sale proceeds	Irregularities by Commercial banks	Total
75	367	-	-	108	98	57	681

### NATURE OF VIOLATION(REGISTRARS ACTIVITIES)

Mis	Unauthorized /Fraudulent sale of shares	Non-Issuance of Cert.	Non-Receipt of Bonus/ Dividend Warrant	Nonlodgment /purchase of shares	Non-remittance of sale proceeds	Non-verification of share certificates	Total
177	201	164	-	-	-	245	935

## 6.0 MONEY LAUNDERING

The Money Laundering Act, 2004 gave the commission among other regulatory institutions, the responsibility to monitor money laundering activities as they relate to the ambit of the various regulatory bodies. Based on the foregoing, the Commission, (in May, 2003) created a Money Laundering Unit for monitoring money laundering activities in the Nigerian capital market.

At inception, the Unit circulated to all Capital market operators the provisions of the Money Laundering (Prohibition) Act, 2004. The 19 Settlement Banks were also requested to forward trading Accounts of all Capital Market Operators banking with them.

## 7.0 ANALYSIS OF MONEY LAUNDERING RETURNS RECEIVED IN 2005

From June 2005 to date, the commission received a total number of one hundred and seventy four thousand and sixteen (174016) reports that relate to sections 2, 6 and 10 of the Money Laundering (Prohibitions) Act, 2004. The reports are from sixteen (16) Banks and one (1) Discount House.

The reports concerning capital market activities were analyzed and forwarded to the Nigerian Financial Intelligence Unit (NFIU). The banks were advised to forward only reports relating to capital market activities.

The breakdown of the returns is presented in the table below:



## INVESTIGATION

PERIOD	MANDATORY DISCLOSURE (SEC.10)	SUSPICIOUS TRANSACTION (SEC.6)	FOREIGN EXCHANGE TRANSACTION (SEC 2)	TOTAL
JUNE,2005	269	2	221	492
JULY,2005	269	2	637	908
AUG,2005	2285	95	539	2919
SEPT,2005	50895	339	518	51752
OCT,2005	31533	262	446	32241
NOV,2005	43786	84	506	44576
DEC,2005	40672	447	9	41128
<b>TOTAL</b>	<b>169,709</b>	<b>1,431</b>	<b>2,876</b>	<b>174,016</b>

- Total report on suspicious transactions (STRs) - 1,431
- Total report on cash transactions (CTRs) - 169,709
- Total report on Foreign Exchange transactions - 2,876

### 8.0 ANALYSIS OF INITIAL PUBLIC OFFERS (IPO)

In compliance with section 10 of the money laundering (Prohibitions) Act, the Initial Public Offers (IPOs) of the following companies have been analyzed and forwarded to the NFIU

FIRM	DATE OF OFFER	SHARE PRICE	NUMBER OF SUBSCRIBERS ANALYSED	REPORT TO NFIU
QANDO Nig plc	2005	97.50	59,696	261 INVESTORS WITH 1M & ABOVE IN THE COMPANY
FCMB	2005	4	18,345	390 applicants with 50,000 and above
STANDARD TRUST	2005	7	10,000	169 applicants with 50,000 units and above
INTERCONTINENTAL BANK PLC	2004	6	55,985	2184 applicants with 50,000 units & above
EIB INTERNATIONAL BANK PLC	2005	1.80	1,163	23 applicants with 50,000 and above.

## 9. TARGET INSPECTION

The Commission conducted Target inspection of the under-listed firms with a view to resolving outstanding complaints against the operators, assess the market operators' compliance with the provisions of Money Laundering (prohibitions) Act and know your customer requirements (KYC).

- City Finance Ltd
- Omas Investment & Trust Company Ltd
- IMB Investment & Trust Company Ltd
- IMB International Bank (Registrars Department)
- Afribank International Bank Plc
- Circular Trust Ltd
- AAA Stockbrokers Ltd
- Asset Plus Securities Ltd
- Falcon Securities Ltd
- Reward Investment & Trust Ltd
- Prudential Securities Ltd
- Viva Securities Ltd
- Wema Registrars Ltd

## 10. MAJOR COMPLAINTS

The major complaints involving transaction in large sum of money received by the Commission within the period under review are as follows:

1. Aswani Industries Plc (Suspected Fraud Of N40 Billion)
2. Maj. General Moh'd Shuwa & Goodlak Nig. Ltd (On Behalf Of Blue Marine). Petition over alleged fraudulent sale of majority shares of IMB International Bank Plc.
3. Louis Olisa & Onior, Grace Obiagie Vs Moiten Trust & Kingsley Obika (Alleged Fraudulent sale of stocks).
4. Benjamin Maluchukwu Ochogu Vs. City Securities Limited
5. S. A. Ogunleye Vs Tidoo Securities Limited.
6. Sanni Bakko Vs Registrar AP PLC.
7. Estate of Alhaji Ibrahim Khalil Vs Prominent Securities Limited
8. Jos International Breweries Vs Afribank International Limited.

9. F.O. Peter Vs City Code Trust Limited, Cashcraft Limited & ALL Securities Limited.
10. Mr. Ndu Micheal Vs Lombard Assets Management Limited.
11. Alleged Unauthorised Sale of CCNN Shares Belonging to Kebbi State Government
12. Ellipet Nigeria, Asset Plus Securities Limited (Fraudulent Transfer of 150,000 units of FSB International Bank Plc and 401,453 units of First Bank Plc shares by Mr. Jim Oguguo, Union Homes Savings and Loans Limited)
13. Thirty-Five complaints against Prudential Securities Limited
14. Five Complaints against VIVA Securities Limited
15. Ten Complaints against APEX Securities Limited
16. Twelve Complaints against AAA Stockbrokers Limited.

## 11. CASES HANDED OVER TO THOMAS KINGSLEY SECURITIES INTERIM MANAGEMENT TEAM (IMT)

The following cases against Thomas Kingsley Securities Ltd were handed over to the Interim Management Team for further action.

- Dr. M.C. Adeoti Vs Thomas Kingsley Securities Ltd
- Alhaji Rasaki Arowolo
- Elder Eteng Lting
- Engr. Raymond S. Ugoh
- F.O. Fagborongbe
- Opara N Patricia
- Dr. U.O. Okpara
- Isafiade Oluyomi Olatinyo
- FSB International Bank
- Nzebulam J. Zenithar
- Oyo State Government
- Tony Ezenna
- Gloria Ukaegbu
- Adetola Olufumilade Ayodele
- Patrick U. Okpara
- Pastor James Umoh
- Ayo Akinsomi & Partners
- Salihu Paiko and Family



## 12. CASES RECEIVED FROM EFCC

The Economic and Financial Crimes Commission (EFCC) had vide a letter dated May 4, 2005 forwarded the under listed cases to the commission for investigation and necessary action.

- Estate of Engr. Nse Edem Asuquo Vs Gidauniya Investment
- I.E. Otuyemi Vs Kapital Securities Limited
- Chief Isaac C. Dimakunne Vs Afrique Securities Limited
- Friday S. Akpan Vs NAL Registrars Limited
- Alhaji A. I. O. Ijaoba Vs Asset Plus Securities Limited.

The first two cases mentioned above, were already being handled as they had an existing investigating by the commission, following complaints which were lodged by the complainants.

In the matter of Engr. Nse Edem Asuquo, prior to the receipt of the case from EFCC, the Commission had commenced investigation. An all parties meeting was convened twice with a view to resolving the matter to no avail. Gidauniya Investment has started restituting the shares to the estate.

The complaint of I.E. Otuyemi Vs Kapital Securities Limited has been pending in our records before the EFCC letter of May 4, 2005. Investigation into the matter is on-going. Investigation in respect of all the cases is continuing.

## 13. COMPLAINTS AGAINST MORIBUND STOCKBROKING FIRMS

The Commission has observed the incessant complaints against operators who have gone under and whose dealing licenses have been transferred to other operators in the market. Action is in progress regarding this. Prominent among these Operators are the following:-

- i. Eagle Stockbrokers Limited
- ii. ML Securities Limited
- iii. Kapital Securities Limited

## 14. COMPLAINTS AGAINST HOUSES INVOLVED IN THE BONKOLANS SCAM

The Commission has been inundated with complaints against Gosord Securities Limited, Sikkon Securities Limited and Akitorch Securities Limited, who were suspended from the market and against whom certain investors have suffered untold hardship. Some investors are just realizing that these houses are no longer in operation.

The operators were directed by the Commission's Administrative Proceedings Committee to repurchase all illegally transacted shares.

Section 8(F) of the ISA No.45 of 1999 empowers the Commission to register and regulate corporate and individual capital market operators as defined in section 30 of the Decree (now Act).

In furtherance of the provisions of the Act and relevant rules and regulations, the Securities and Exchange Commission adopted the twin tools of off and on-site inspection to monitor the operators in the capital market. The Commission also reviews the accounts of public companies and returns on the utilization of offer proceeds to ensure compliance with laid down guidelines, rules and regulations.

## A. OFF-SITE INSPECTION

A total number of 1,362 quarterly returns were received during the year. The details are as follows:

Broker Dealer	565
Issuing House	195
Registrar	113
Portfolio Managers	106
SRO (NSE)	1
Trustees	95
Audited Accounts	102
Investment Adviser	76
Utilization of Issue Proceeds	109
	<b>1362</b>

Out of 1,362 returns, 1296 were analyzed and about 1,046 letters containing various observed lapses were communicated. The rate of response has been satisfactory.

The balance of 66 were also analyzed but not finalized and have been carried over to 2006.

## PENALTIES

A total of 114 market operators were penalized during the year 2005 for late submission and in some cases non-submission of quarterly returns.

## UTILIZATION OF OFFER PROCEEDS

The following 49 listed issues submitted returns on utilization of issue proceeds.

- 1 InterCity Bank plc
- 2 Linkage Assurance
- 3 Oando Plc
- 4 FCMB Plc
- 5 Alpgam Inv. Plc

- 6 Niger Insurance Plc
- 7 First Atlantic Bank Plc
- 8 Intercontinental Bank Plc
- 9 Gulf Bank Plc
- 10 First Bank Plc
- 11 Aiico Insurance Plc
- 12 Lasaco Assurance
- 13 Conoil Plc
- 14 Zenith Bank Plc
- 15 Cooperative Dev. Bank
- 16 Guaranty Trust Bank
- 17 Standard Alliance
- 18 InterCity Bank Plc
- 19 Prudent Bank Plc
- 20 Trade Bank
- 21 Royal Exchange Assurance
- 22 Linkage Assurance
- 23 Nem Insurance
- 24 Manny Bank
- 25 Afri Bank Plc
- 26 Evans Medical
- 27 Acen Insurance Com.
- 28 IMB International Bank
- 29 All State Trust Bank
- 30 Afex Bank plc
- 31 A.G. Leventis Plc
- 32 IPWA Plc
- 33 Inland Bank Nig. Plc
- 34 Julipic
- 35 FSB Int. Bank Plc
- 36 African petroleum
- 37 Wema Sec. & Fin. Plc
- 38 Lion Bank Plc
- 39 SCAO Nig. Plc
- 40 Omega Bank Plc
- 41 CAP Plc
- 42 Liberty Bank Plc
- 43 Arbico plc
- 44 Alogam Inv. Plc
- 45 Prestige Assurance Plc
- 46 Nal Bank Plc
- 47 UAC Plc
- 48 Briscoe Nig Plc
- 49 Oceanic Bank

The returns were analyzed and observed lapses were communicated. From the review of returns it was observed that there were minor deviations between what was proposed in the offer documents and the actual expenditure.

## ON-SITE INSPECTION

A total of **fifteen (15)** operators covering **Twenty One (21)** registered functions were inspected in **ten (10)** on site inspections during the year. Out of the **fifteen (15)** inspections, **seven (7)** were target



inspections, **five (5)** routine inspections and the remaining **three (3)** were inspections on utilization of offer proceeds.

## Target Inspections

### OPERATORS

1. Springboard Trust and Investment Limited
2. Wema Registrars Ltd
3. AAA Stockbrokers Limited
4. Circular Trust Limited
5. Omas Securities Inv. & Trust Limited
6. Resort Securities Limited
7. Bank of the North Trustees

### FUNCTIONS

- Broker/Dealer
- Registrar
- Broker/Dealer
- Portfolio Managers
- Broker/Dealer
- B/Dealer & Issuing/House
- Trustees

### Routine Inspection

1. City Securities Limited - Broker/Dealer & Registrar
2. Icon Stockbrokers Limited - B/Dealer & Issuing/House
3. IBTC Plc - B/D, I/A, P/M & I/H
4. BGL Limited - Issuing/House
5. Kakawa Discount House - P/Manager & Issuing House

### Utilization of Offer Proceeds

Inspections for verification of utilization of offer proceeds for the following companies were conducted during the year.

1. Lion Bank Plc
2. Guaranty Trust Bank Plc
3. Yobe State Revenue Bond

### Annual General Meetings

During the year under review representatives of the Commission attended the Annual General Meetings of quoted companies listed below in observer status capacity to monitor the conduct and procedures of the meetings.

- Manny Bank Plc
- Intercity Bank Plc
- Jos International Breweries Plc
- Inland Bank Plc
- FSB International Bank Plc
- Centre Point Bank Plc
- Nipco Plc
- Okomu Oil Palm Plc
- Omega Bank Plc
- Trans International Bank Plc
- Niger Insurance Plc
- Ashaka Cement Plc
- Julius Berger Plc
- Zenith Bank Plc
- First Bank of Nig. Plc
- United Nigeria Textiles Plc
- Dumez Nigeria Plc
- Chartered Bank Plc
- Nem Insurance Plc
- PZ Industries Plc
- AP Plc
- Lion Bank Plc
- Albarka Air Plc
- Chellarams Plc
- Scoa Nig Plc
- Afprint Plc
- Regent Bank Plc

### Highlights of AGMs

- Complaints by shareholders on non-receipt of notice of the Annual General Meetings within statutorily prescribed period (21 days).
- Some companies failed to publish list of shareholders with unclaimed dividends along with their financial statements
- The general conduct of the annual general meetings were generally orderly

### REVIEW AND ANALYSIS OF PUBLISHED ACCOUNTS OF PUBLIC COMPANIES

The Commission has continued its efforts in the review and analysis of the financial statements of public companies, in order to ensure that public companies are constantly monitored to forestall sudden liquidation with attendant negative effect on investors.

A total of fifty-two (52) audited financial statements were received within the year and observed lapses were communicated. Most of the companies have responded.

#### Highlights of the analysis include:

- A major issue observed was the non-compliance with disclosure requirements as contained in statement of accounting standards number 15 on non-banking and other financial institutions. Arising from this observation, the Commission is still in the process of developing comprehensive disclosure requirements for the guidance of operators and auditors.



# MERGERS, TAKEOVER AND BUSINESS COMBINATION

The Investment and Securities Act No.45 of 1999, section 8(o) empowers the Commission to approve and regulate the activities of Mergers and Acquisitions and all forms of Business Combinations.

In furtherance of the provisions of the Act and the Rules and Regulations, the Commission processed several merger applications during the year.

## APPLICATIONS RECEIVED AND PROCESSED

### 1. STERLING BANK PLC.

The banks involved in the merger resulting in the above Bank originally consisted of EIB International Bank Plc, Magnum Trust Bank Plc, NBM Bank Limited, Prudent Bank Plc, and Trust Bank of Africa Limited.

The initial application was aborted and reconstituted with EIB International Bank and Prudent Bank breaking away while NAL Bank Plc and Indo-Nigeria Bank Plc were incorporated into the group. Subsequently, a new application comprising of NBM bank limited, NAL bank Plc, Indo-Nigeria Bank Plc, Magnum Trust Bank Plc and Trust bank Of Africa Ltd was filed.

#### Processing Stage.

Formal approval was granted to the merger on 19<sup>th</sup> December 2005. Post-Approval documentation is yet to be completed.

### 2. UNITED BANK FOR AFRICA PLC

The Banks involved in the merger include United Bank for Africa Plc (UBA) and Standard Trust Bank Plc (STB).

The Merger was granted formal approval on July 14, 2005. The Bank is now due for Post-merger inspection.

### 3. IBTC CHARTERED BANK PLC

The initial merger application involved Investment Banking and Trust Company Plc and Bond Bank.

The application was aborted after Approval-In-Principle had been granted to the scheme on 24<sup>th</sup> May, 2005 and a new application involving IBTC Plc, Chartered Bank Plc and Regent Bank Plc was subsequently filed.

The merger was granted formal approval on December 12, 2005.

### 4. INTERCONTINENTAL BANK PLC

The merger proposal resulting in the above bank involved Intercontinental Bank Plc, Equity Bank of Nigeria Limited, Gateway Bank Plc and Global Bank Plc, was filed.

Formal approval was granted to the merger on October 6, 2005.

### 5. ACCESS BANK PLC

The merger application involving Access Bank Plc, Capital Bank International Limited and Marina International Bank Limited, was jointly filed.

Formal approval was granted to the merger on 5<sup>th</sup> October, 2005. The Bank is now due for post-merger inspection.

### 6. EQUITORIAL TRUST BANK LIMITED

The merger application involving Equatorial Trust Bank Limited and Devcom Bank Limited was filed.

**Mr. U. S. Mohammed**  
Director/HOD Mergers & Takeover

## MERGERS, TAKEOVER AND BUSINESS COMBINATION

### Processing Stage

Formal approval was granted to the merger on 5<sup>th</sup> December 2005

#### 7. SKYE BANK PLC

The initial application resulting in the above bank involved Prudent Bank Plc and FIB International Bank Plc.

The application was aborted after Approval-In-Principle had been granted. A new application was then filed incorporating Bond Bank Plc and Reliance Bank Plc.

### Processing Stage

Formal approval was granted to the merger on 20<sup>th</sup> December 2005. A subsequent merger application was filed to incorporate Cooperative Bank in the group and Formal approval has also been granted.

#### 8. FIRST CITY MONUMENT BANK PLC "FCMB"

The merger proposal involved Co-operative Development Bank Plc "CD8" and First City Monument Bank Plc "FCMB".

### Processing stage

Formal approval was granted to the merger on 17<sup>th</sup> November 2005.

A subsequent application incorporating Nigeria-American Bank Limited was filed and has also been granted approval.

#### 9. AFRIBANK NIGERIA PLC,

The initial merger application involved Afribank Nigeria Plc, NNB International Bank Ltd, Afribank International (Merchant Bankers) Ltd and Trade Bank Plc.

NNB International Bank Ltd and Trade Bank Plc later opted out of the merger scheme leaving Afribank Nigeria Plc and Afribank International (Merchant Bankers) Ltd to continue with the scheme.

Formal Approval was granted to the merger on 29<sup>th</sup> December 2005

#### 10. OCEANIC BANK INTERNATIONAL PLC

The merger proposal involved Oceanic Bank International Plc and International Trust Bank Plc.

Formal approval was granted to the merger on 2<sup>nd</sup> December, 2005

#### 11. FIRST INLAND BANK PLC

The merger proposal involved First Atlantic Bank Plc and Inland Bank Plc

Formal approval was granted to the merger on 8<sup>th</sup> November, 2005

#### 12. SPRING BANK PLC

The initial merger application involved Citizens International Bank Plc, Guardian Express Bank Plc and ACB International Bank Plc.

The initial proposal was discontinued and a new application incorporating three other banks, Omega bank Plc, Fountain Trust Bank Plc and Trans International Bank Plc was filed.

Formal approval was granted to the merger on 30<sup>th</sup> December, 2005.

#### 13. UNITY BANK PLC

The merger application involved Intercity Bank Plc, First Interstate Bank Plc, Tropical Commercial Bank, Centrepoint Bank Plc and Societe Bancaire Nigeria Plc.

Formal approval was granted to the merger on December 19, 2005.

#### 14. FIDELITY BANK PLC

The initial merger proposal involved Fidelity Bank Plc and FSB International bank Plc, but was later changed to incorporate Manny Bank Plc.

The merger was granted formal approval on 19<sup>th</sup> December, 2005.

#### 15. PLATINUM HABIB BANK PLC

The merger proposal involved Platinum Bank Plc and Habibi Nigeria Bank Plc.



## MERGERS, TAKEOVER AND BUSINESS COMBINATION

The merger was granted formal approval on 13<sup>th</sup> December, 2005.

### APPLICATIONS UNDER PROCESSING

1. **PROPOSED MERGER OF FIRST INLAND BANK PLC, IMB INTERNATIONAL BANK PLC AND NUB INTERNATIONAL BANK LIMITED**

#### **Resultant Bank**

The resultant bank will be First Inland Bank Plc.

#### **Processing Stage**

Approval-in-Principle was granted to the merger on the 30<sup>th</sup> December, 2005.

2. **PROPOSED MERGER OF UNITY BANK PLC, NNB BANK INTERNATIONAL PLC, BANK OF THE NORTH LIMITED AND NEW AFRICA BANK PLC**

#### **Resultant Bank**

The resultant bank shall be UNITY Bank Plc.

#### **Processing Stage**

The banks were granted Approval-In-Principle on 30<sup>th</sup> December, 2005.

### OTHER ISSUES

#### **POST-MERGER INSPECTIONS:**

##### **(i) CHEVRON NIGERIA LIMITED**

A Post merger inspection of the company was carried out on the 17<sup>th</sup> March 2005 and the report has been compiled and is being considered.

##### **(ii) LEXINGTON INSURANCE COMPANY LIMITED**

A post-merger inspection was carried out on the company and the report has been compiled and is being considered.

## APPLICATIONS RECEIVED IN 2005

### 1. ACQUISITION OF LYNAC SECURITIES LTD BY DBL SECURITIES LTD

An application dated March 3, 2005 was received in respect of its acquisition of Lynac Securities Ltd. The application was reviewed, processed and approved.

### 2. TAKEOVER OF LION BANK OF NIG PLC BY DIAMOND BANK PLC

An application dated August 11, 2005 was received for the takeover of Lion Bank Nig Plc. The application was reviewed, processed and approved.

### 3. TAKEOVER OF LEAD BANK PLC AND NATIONAL BANK PLC BY WEMA BANK PLC

An application dated October 27, 2005 was received from Intercontinental Capital Markets Ltd, Lead Bank Plc, FCMB Capital Markets Ltd and Greenwich Trust Ltd on behalf of Wema Bank Plc, Lead Bank Plc and National Bank Plc for the takeover of National Bank Plc and Lead Bank Plc. The transaction involving National Bank was concluded while the one involving Lead Bank was aborted.

### 4. ACQUISITION OF DOMINIUM BUILDING SOCIETY LTD BY DIAMOND BANK PLC

Diamond Bank Nig Plc via a letter dated October 12, 2005 informed the Commission of its intention to acquire Dominion Building Society Ltd. The Commission then requested the Bank to forward its application.

### 5. ACQUISITION OF SHARES FROM THE SHAREHOLDERS OF CONTINENTAL TRUST BANK LIMITED (CTB) BY UNITED BANK FOR AFRICA PLC (UBA)

The Commission received an application dated December 29, 2005 on behalf of UBA and CTB in respect of the above transaction. The application was reviewed, processed and approved.

### 6. ACQUISITION OF MIDAS BANK LIMITED BY FIRST CITY MONUMENT BANK PLC

The application for the acquisition of 100 percent shares in Midas Bank Ltd by First

City Monument Bank Plc was received on December 30, 2005. The application was reviewed, processed and approved.

### 7. NOMINAL TRANSFER OF SHARES OF UNION MERCHANT BANK LTD TO UNION BANK PLC

An application dated Dec 16, 2005 in respect of the nominal transfer of shares in Union Merchant Bank Limited to Union Bank Plc was received. The Commission conveyed a "No Objection" approval via a letter dated December 29, 2005 to Union Bank of Nigeria Plc for the above transaction.

### 8. TAKEOVER OF UNIVERSAL TRUST BANK PLC AND BROAD BANK PLC BY UNION BANK PLC

An application dated Dec 16, 2005 was received in respect of the takeover of Universal Trust Bank Plc and Broad Bank Nig Plc by Union Bank Plc. The application was reviewed, processed and approved.

## APPLICATIONS IN PROGRESS

### 9. TRANSFER OF SHARES OF NIGERIAN EMBROIDERY LACE MANUFACTURING COMPANY

The necessary documents and fees in respect of the transfer of 78.46 percent shares of the company to Jupiter Asset management Ltd is yet to be forwarded to the Commission. A reminder dated Dec 13, 2005 was sent to the company and response is still being awaited.

### 10. TRANSFER OF SHARES OF GLOBE SPINNING MILLS NIG PLC

The outstanding documents in respect of the transfer of 90,000,000 ordinary shares of the company to Majestic Management Ltd is yet to be forwarded to the Commission. A reminder dated Dec 14, 2005 was sent to the company and response is still being awaited.

### 11. ACQUISITION OF MOBTEL BY HARTHILL FINANCE LIMITED

A reminder dated Dec 14, 2005 was sent to the company to forward the necessary documents in respect of the acquisition of the company by Harthill Finance Ltd.



# ACQUISITIONS

Response is still being awaited.

## 12. TRANSFER OF SHARES OF CLARIANT NIG LTD

The company is yet to forward outstanding documents in respect of the transfer of 840,000,000 ordinary shares of the company held by Mrs. Boyo to Clariant International Ltd. A reminder dated Dec 14, 2005.

## 13. OANDO PLC ACQUIRES GAS LINK

The outstanding documents and fees in respect of the acquisition of 51percent interest in Gas Link Nig Plc is yet to be forwarded to the Commission. A reminder dated December 14, 2005 was sent to the company and response is still being awaited.

## 14. ACQUISITION OF 40PERCENT EQUITY IN ETERNA OIL AND GAS PLC BY LENUX INTEGRATED RESOURCES LTD

Lenux Integrated Resources Ltd is yet to regularize the acquisition of 47percent equity in the company. A reminder dated Dec 14, 2005 was sent to the company and response is still being awaited.

## 15. TRANSFER OF SHARES OF MEDICUS INDUSTRIES LTD

The outstanding documents and fees in respect of the transaction is yet to be received. A reminder dated December 14, 2005 was sent to the company and response is still being awaited.

## 16. ACQUISITION OF SOCIETE D' ETUDES DE MONTAGES (SDEM) ERECTORS NIG

The necessary documents and fees are still being awaited in respect of the acquisition of the company by Global Energy company Ltd. A reminder dated Dec 14, 2005 was sent to the company and response is still being awaited.

## 17. DIVESTMENT OF 70percent STAKE IN ARM LTD BY GUARANTY TRUST BANK PLC

The last communication with the company was on Dec 21, 2005 to forward the necessary documents and fees in respect of its

divestment in ARM Ltd. Response is still being awaited.

## FINALIZED APPLICATIONS

### ACQUISITION OF CENTRAL INSURANCE COMPANY LTD

The commission, via a letter dated March 17, 2005, granted its approval to the acquisition of 51 percent interest in Central Insurance Company Limited by UBA Capital & Trust Ltd.

### CHANGE IN SHAREHOLDING AND OWNERSHIP STRUCTURE OF COUNTERS TRUST SECURITIES LTD

The commission, via a letter dated May 19, 2005 conveyed its 'no objection' approval for the transfer of 90,226,572 ordinary shares or 100percent of Counters Trust Securities Ltd to First Discount House Asset Management Ltd ( FSDH ) and 1 ordinary share to Mr Rilwan Bello Osagie.

### ACQUISITION OF R. S. INDUSTRIAL LTD

The Commission communicated a 'no objection' approval dated September 14, 2005 to the company for the acquisition of 7,862,000 ordinary shares of the company by Pansona Investment Ltd.

### HBM GENERAL SUPPLIES LTD

A 'no objection' letter dated July, 2005 was sent to the company for the acquisition of 2,100,000 ordinary shares of the company by Pansona Investment Ltd.

### LYNAC SECURITIES LTD

The commission conveyed its 'no objection' approval to the acquisition of 25,000,000 ordinary shares of the company by DBL Securities Ltd via a letter dated July 2005.

### TAKEOVER OF LION BANK OF NIG PLC BY DIAMOND BANK PLC

The Commission, via a letter dated November 11, 2005 conveyed its 'no objection' approval to the takeover of Lion Bank of Nig Plc by Diamond Bank Plc.

### NOMINAL TRANSFER OF SHARES OF UNION MERCHANT BANK LTD TO UNION BANK PLC

The Commission conveyed a 'no objection' approval

via a letter dated December 29, 2005 to Union Bank of Nigeria Plc for the above transaction.

### **TAKEOVER OF UNIVERSAL TRUST BANK PLC AND BROAD BANK PLC BY UNION BANK PLC**

The Commission conveyed a 'no objection' approval via a letter dated December 29, 2005 to Union Bank Plc in respect of the above transaction.



### THE NIGERIAN CAPITAL MARKET AND SOCIO-ECONOMIC DEVELOPMENT

#### INTRODUCTION

The pursuit of material well-being of man has remained at the heart of economics and politics virtually throughout history. Academic interest from one generation to the other is epitomised by the work of classical economists such as Adam Smith, David Ricardo, Karl Marx and Thomas Malthus, among others, who carried out extensive research work aimed at the improvement of the living conditions of man. Latter day economists such as Simon Kuznebis, Raul Prebisch, Joseph Stiglitz, Jan Tinbergen, Gunnar Myrdal, R.O Ekundare, etc, have also focused attention on the issue.

In this era of globalisation, it has indeed become even more topical, for countries to focus on and pursue policies that promote economic growth and development. It is for this reason that in Niger a, for example, we have had the Structural Adjustment Programme (SAP), Vision 2010, Millennium Developmental Goals (MDGs), National Economic Empowerment Development Strategy (NEEDS), State Economic Empowerment Development Strategy (SEEDS), and various development plans.

Distinguished members of the academic community, you will agree with me that one lecture is insufficient to examine the role of the capital market in the socio-economic development of Nigeria. I will, however, attempt to bring out some salient points and identify some issues that I hope will provoke this community to become more interested in the pursuit of research in the capital market and in its relationship with the economic development of Nigeria. This paper, therefore, will focus on the role of the capital market in the economic development of Nigeria.

#### ECONOMIC GROWTH & DEVELOPMENT

Economic growth is the increase in the value of goods and services produced by an economy. It is conventionally measured as the percent rate of increase in real Gross Domestic Product (GDP). The real GDP per capita of an economy is often used as an indicator of the average standard of living of individuals in that economy.

Economic development, on the other hand, is a sustained increase in living standards that implies increase in per capita income, better education and health as well as environmental improvement.

Government policies have always targeted continuous and sustained economic growth and development so that Nigeria can belong to the league of the developed nations. Economic development process must provide for legal and institutional adjustments to give incentives for innovations, for investments, for efficient production and distribution system for goods and services.

Traditional economists have made essentially used economic growth and economic development synonymously. But economic development is seen as a complex multi-dimensional concept involving the improvement in human well-being. The use of Gross Domestic Product (GDP) has, however, been criticised as being a narrow measure of economic welfare. Critics say that it does not take into account non-economic issues such as more leisure time, access to health and education, environmental factors, freedom and social justice. Economic growth, it must be noted, is a necessary but not a sufficient condition for economic development.

#### THE FINANCIAL MARKET AND ECONOMIC GROWTH

The financial market can be defined as a medium through which funds are mobilized and channelled efficiently from savers to users of funds. It functions through the interplay of individuals, institutions and instruments. It performs the important function of providing the needed finance for the provision of essential goods and services to bring about economic growth and development. The financial market consists of two major segments-the money market and the capital market. While the money market provides finance on short-term basis to individuals, businesses, enterprises, governments and their agencies, the capital market, on the other hand, provides finance to corporate bodies, governments and their agencies on medium to long-term basis.

#### THE CAPITAL MARKET

The capital market can be defined as a network of specialised financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long-term capital for investment in socio-economic developmental projects. It embraces all the arrangements that facilitate the buying and selling of securities. The capital market is divided into two segments: The Primary Market and the Secondary market.



## The primary market

The primary market provides the avenue through which governments and corporate bodies raise fresh funds through the issuance of securities. It is otherwise known as the new issues market. Fresh funds can be raised through a combination of ways. These include public offers, rights issues, private placements, etc.

## The secondary market

The secondary market provides investors the opportunity to buy or sell securities that were earlier issued in the primary market. The secondary market can be organised or unorganised. An organised market is a stock market with physical location, trading in designated (quoted) securities. Example of this is The Nigerian Stock Exchange. An unorganised market has no physical trading location but transactions are conducted mainly through telephone calls and the computer. It is otherwise called an Over-the Counter Market (OTC). The OTC trades in unquoted securities.

The distinguishing factor between the two segments is that in the primary market, the funds raised from investors go to the issuing entity, while in the secondary market, the proceeds from the transactions go to investors.

## Available Investment Opportunities in the Nigerian Capital Market

There are a lot of investment opportunities available in the Nigerian capital market. They include:

- ⇒ Investment in Equities
- ⇒ Investment in Debentures
- ⇒ Investment in Bonds
- ⇒ Investment in Collective Investment Schemes like
- ⇒ Unit Trust,
- ⇒ Real Estate Investment Trust,
- ⇒ Venture Capital,
- ⇒ Investment in Mortgage-backed securities, etc.

## Institutions in the Nigerian Capital Market

The Nigerian Capital Market is composed of a lot of players performing various functions. The participants are categorised into two major groups:

### A) Regulators

Statutory/Apex regulator: Securities and Exchange Commission (SEC)  
Self Regulatory Organisations (SRO) e.g. the Nigerian Stock Exchange (NSE) and the Abuja Commodities and Securities Exchange (ACSE)

### B) Operators/consultants

- Issuing Houses
- Stock Brokers
- Registrars,
- Trustees
- Portfolio/fund managers, etc.

## The Securities and Exchange Commission (SEC)

The SEC is the apex regulatory body of the Capital Market. It is a statutory body and a parastatal under the purview of the Federal Ministry of Finance. The SEC is empowered statutorily to regulate and develop the Nigerian capital market. Its regulatory activities are geared towards the protection of investors. The Federal Government approved the establishment of SEC in April 1978 although the enabling Decree was promulgated in 1979. This Decree was amended in 1988. In 1996, another panel headed by Chief Dennis Odife was established with comprehensive terms of reference to review the Nigerian capital market. The acceptance of the recommendations of this panel led to the enactment of the Investment and Securities Act (ISA) No. 45 of 1999 which is the current and main legal instrument that empowers the SEC to regulate the Nigerian capital market.

The SEC, according to Section 8 of the ISA is empowered to:

- Regulate investment and securities business in Nigeria,
- Register and regulate Securities Exchanges, Capital Trade Points, Futures, Options and Derivative Exchanges, Commodities Exchanges and any other recognized investment exchanges;
- Register securities to be offered for subscription or sale to the public;
- Render assistance in all aspects including funding as may be deemed necessary to promoters and investors wishing to establish Securities exchanges and Capital Trade



- points;
- Prepare adequate guidelines and organize training programme and disseminate information necessary for the establishment of Capital Trade Points;
- Register and regulate corporate and individual Capital Market operators as well as capital market advisers and consultants, such as solicitors, accountants, engineers, surveyors etc;
- Register and regulate the working of Venture Capital funds and Collective Investment Schemes including mutual funds;
- Facilitate the establishment of nation-wide system for securities trading in the Nigerian Capital Market in order to protect investors and maintain fair and orderly markets;
- Protect the integrity of the securities market against abuses arising from the practice of insider trading;
- Act as a regulatory apex organization of the Nigerian capital market including the promotion and registration of self-regulatory organizations and capital market trade associations to which it may delegate powers;
- Review, approve and regulate mergers, acquisitions and all forms of business combinations;
- Conduct research into all or any aspect of the securities industry;
- Perform such other functions and exercise such other powers not inconsistent with the Act as are necessary and expedient for giving full effect to the provisions of this Act.

### The Roles of the Capital Market

The capital market performs a lot of roles in the development of an economy. Some of the roles are listed below:

- Provides opportunities for companies to borrow funds needed for long-term investment purposes.

- Provide avenue for the marketing of shares and other securities in order to raise fresh funds for expansion of operations, leading to increase in output/productivity.
- Provide facilities that enable foreign businesses to offer their shares to the Nigerian market. In other words, the Nigerian public has the opportunity to invest and participate in the ownership of foreign businesses.
- Encourages inflow of foreign capital when foreign companies or investors invest in domestic securities.
- Provides opportunities for government to finance projects aimed at providing essential amenities for socio-economic development.
- Government can also use the capital market to carry out its privatisation exercise by offering its shareholdings in state-owned enterprises to members of the public through the stock exchange.
- Through its allocating mechanism, the capital market ensures an efficient and effective distribution of scarce financial resources for the optimal benefit to the economy.
- Provides employment opportunities for the ever growing labour force.
- Encourages transparency and good accounting/management practices, by ensuring that companies disclose relevant and adequate information to enable potential investors and shareholders make well informed decisions.
- Creates an avenue for the populace to participate in the corporate sector of the economy and share in its wealth through ownership of securities;
- Reduce the over reliance of the corporate sector on short-term financing for long-term projects;
- Provide needed seed money for venture capital development which could serve as a vehicle for industrial development.

### PERFORMANCE OF THE NIGERIAN CAPITAL MARKET

A review of the performance of the Nigerian capital market will obviously highlight its roles.

#### 1. NEW ISSUES

The contribution of the new issues market to the national economy may be assessed through a comparison of new issues with some economic indicators such as **the Gross Fixed Capital Formation (GFCF)** during a given period. **Capital formation** is defined as investment in fixed assets, which in part is financed with monies raised through the capital market. Thus,



new issues contribute to the stock of capital in an economy and invariably to economic development. The size of the new issues market is a major source of funds for the acquisition of fixed assets in the economy.

The increasing awareness and utilization of the Nigerian Capital Market by many corporate entities and government in the last 25 years have boosted new issues activities. The reasons for this development may not be far fetched. One reason is the low cost of raising funds in the capital market in comparison to that of the money market (banks). The cost of raising funds in the capital market is usually below ten percent (10%), while that of the money market, as we all know, has been fluctuating and risen as high as 35 % a few years ago.

From the table attached (Table 5), annual total new issues before 1989 was below N1 billion. From 1989-1996, it hovered between N1 billion N10 billion. From 1997, it crossed the N10 billion mark. As at 2003, the figure was over N180 billion. It rose to N522.8 billion in 2005.

With the recently concluded minimum of N25 billion recapitalisation exercise for banks, majority of banks had to resort to the capital market for fresh capital. They include Zenith Bank, Guaranty Trust Bank, Oceanic Bank, Omega bank, just to mention a few. A total of N372.5 billion fresh funds was raised by banks in 2005 out of which N136.4 billion was allotted as at December 2005.

In comparing the total new issues with the Gross Fixed Capital Formation (GFCF), total new issues in 1981 represented 2.5% of GFCF for that year. In 1991, the contribution of new issues to GFCF rose to 4.1% and later rose again to 8.2% in 2001. It recorded its highest performance in 1990 and 2003 with performance of 24.8% and 30.6 % respectively. The reasons for these exceptional performances may not be far fetched. The further deregulation of interest rate in the money market in 1989 may have acted as a catalyst in bolstering activities in the new issues segment of the capital market. This may be responsible for the high performance recorded in 1990. The Federal Government's floating of N150 billion bonds in year 2003 also obviously contributed to the superlative performance of that year.

## 2. MARKET CAPITALISATION

From the table on market capitalisation (Table 6), the total market capitalisation before 1988 was below N10 billion. From 1988-1994 it was between N10 billion N67 billion. It continued to improve, as can be seen from the 1995 figure. From there, the recorded annual figures were in hundreds of billions. As at 2003, it had reached over N1.3 trillion and N2.9 trillion in 2005.

In comparison with Gross Domestic Product (GDP), market capitalization in 1986 was N6.8 billion. It represents 9.8 percent of GDP for that year, which stood at N69.1 billion. In 1987, the percentage of market capitalization to GDP fell to 7.9 percent, only to continue the downward trend thereafter. The figure stood at 6.1 percent in 1990. Ten years later (2000), market capitalization, as percentage of GDP was 10.4%. The percentage continued to rise up to 18.9 by 2003 and 27.4 in 2005.

In proffering explanation to the market capitalisation-GDP percentage change for some of the years, one can say that for the 1991 figure, the percentage of market capitalization to the GDP, which rose to 7.4 percent, was probably due to the positive impact of the windfall of the Gulf War on the economy. The figure fell again in 1992 to stand at 5.9 percent. The fall may be understood, given the political situation of that year. The uncertainty resulting from the presidential election conducted that year may be given as a reason for the lull experienced on the stock exchange. The restoration of peace, when the military took over power may have caused activities to boom again on the stock exchange as can be evidenced by the rise of the percentage of market capitalization to the GDP from 5.9 percent in 1992 to 10.6 percent in 1996. The restoration of democratic government, with the attendant dividend, certainly, has positively impacted on the percentage figure as it stood at 18.9 percent and 27.4 percent in 2003 and 2005 respectively. The observed growth was largely achieved due to the increase in new listings, bonus issues and firm equity prices. It must be noted that there is a positive correlation between increased market capitalisation and improved corporate governance and efficiency of companies.



## 3. STOCK INDEX

The NSI All-Share Index, with its base point of 100 in 1984, has grown tremendously over the years. For instance, it grew from 127.3 points in 1985 to 513.8 points in 1990. As at 2003, it was 20,128.9 points reaching 24,085.8 points in 2005 (See Table 4).

In terms of percentage change, it rose from its base year by 27.3 percent in 1985 and to 28.7 percent in 1986, only to fall to 16.5 in 1987. Thereafter, it was an upward swing, rising to 57.9 percent in 1990. It experienced a downward trend from 1990 to 1993. There was a brief rise from 1993 to 1995. In fact, 1995 had the highest ever recorded percentage rise of 130.9 percent. The percentage change began from 1996 to fall to the point of recording negative percentage change in three subsequent years (1997-1999). Thereafter, it began to rise again.

## 4. TRADING VALUE:

In analysing the value of transactions on The NSE (see Table 3), it was observed that from 1961 1990, government stocks dominated trading value with a percent range between 58.91 99.5. Thereafter, industrial securities began to dominate.

In terms of the overall value, from 1961 1975, the annual value of transactions on the exchange was below N100 million. From 1976 to 1994, the annual value was between N100 million N600 million. From 1995, the value crossed the N1 billion mark. Trading value was N120 billion and N262.9 billion as at 2003 and 2005 respectively.

## 5. THE TURNOVER RATIO

The turnover ratio of transactions on the NSE has not been impressive over the years. In 1980, it was at 11.5 percent (see Table 6) in fact, except for year 1984, 1986, 1989, and 1992, where it experienced a little rise, it remained dismal up to 2003 at 8.9 percent. The turn over ratio however rose to 11.6 percent in 2004 but dropped to 10.1 percent in 2005.

## 6. NUMBER OF LISTED SECURITIES:

The number of securities listed on The NSE has recorded an appreciable increase over the years. On the main board of the exchange (see Table

2), the number of equities increased from 3 in 1961 to 13 in 1971, an increase of 333.3 percent. The figure increased to 93 in 1981 an increase of 615.4 percent. As at 2001 it had increased to 178 an increase of 91.4 percent. It stood at 198 in 2005. On the second-tier securities market (SSM), there was only one security listed as at the time it was introduced in 1985. Ten years later, the number had increased to 20, representing an increase of 1,900 percent. This was after it had fallen from 23 in 1993. As at year 2005, the figure had fallen again to 16 equities.

On the aggregate, the total number of securities increased from 8 in 1961 to 60 in 1971, 194 in 1981, 239 in 1991 and 261 in 2001 an increase of 550%, 223.3%, 23.2%, and 9.2% respectively over the ten year span of comparison. The figure increased further to 288 in 2005.

Increased securities listing, you will agree with me, indicate that more companies have become public, with the attendant positive contributions.

## CONTRIBUTION OF THE CAPITAL MARKET TO SOCIO-ECONOMIC DEVELOPMENT

The Nigerian Market has grown tremendously since its inception in 1961, particularly between 1972 and 1978, thanks to various government measures to foster its growth. The most significant of these measures was the indigenisation exercise carried out through the Nigerian Enterprises Promotion Acts of 1972 and 1977. These Acts marked the first and second major steps by the Federal Government to indigenise the economy and resulted in the tripling of the number of listed securities and shareholders in the Nigerian Stock Market.

Today, we hear about globalization and a single world market. This phenomenon means different things to different people. In serious countries, it is about enhancing their local enterprises, such that they can be seen on the drivers' seats of the emerging competitive and rapidly changing world. In this way, they ensure that their people will not be the hewers of wood, the drawers of water, on-lookers and only consumers in the emerging world trend.

Empirical studies conducted by staff of international agencies such as the World Bank and the International Finance Corporation (IFC) linked development of an economy to development of its capital market. For instance in the research conducted by Ross Levin of the



World Bank, a ranking of 38 countries (Nigeria inclusive) showed that countries that had relatively liquid stock markets in 1976 tended to grow much faster over an 18 year period than countries with less liquid stock markets.

From the research conducted by the IFC, it was concluded that stock markets were more important to the development process of developing countries than in the developed/industrial countries. The research discovered that with regards to financing of corporate investments, issuing of securities was responsible for a greater part of the sources of finance in developing countries than in developed countries (such as the United States).

On a general note, the capital market is very vital to the growth, development and strength of any country. It supports government and corporate initiatives, finances the exploitation of new ideas and facilitates the management of financial risk. This is why it must receive more attention as we continue to reform the economy.

Some contributions of the Nigerian capital market to socio-economic development of the country are discussed below

## 1. ENCOURAGING SAVINGS CULTURE AND DEVELOPMENT OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) THROUGH COLLECTIVE INVESTMENT SCHEMES (CIS)

Collective Investment Schemes include Unit Trusts, Real Estate Investment Trusts, Venture Capital, Pension Funds, Community Savings Schemes such as Esusu etc. These are becoming increasingly popular around the world.

There is no gainsaying that Collective Investment funds hold substantial investible capital, pooled from a large mass of contributors. A large proportion of the funds held is usually invested in varied capital market instruments (debt and equity).

Some of the contributions of Collective Investment Schemes are that they foster the economic growth and development of the communities where they are established, promote capital formation and foster economic development. In addition, they also foster an improved flow of Foreign Direct Investment, enhance free flow of information, promote public participation and enhance the liquidity of

the market.

As at April, 2003, there were 17 authorised unit trust schemes in the country

## 2. FINANCING OF GOVERNMENTS' SOCIO ECONOMIC INFRASTRUCTURAL PROJECTS

Some state governments, in the last five years, have come to the market to source for funds to finance their developmental projects. These states came for different purposes. For example, Yobe state raised N2.5 billion in 2001 to finance urban roads, houses and drainage improvement; Ekiti state raised N4 billion in 2002 to finance the construction and rehabilitation of some of its urban and rural roads, establishment of palm plantations, rural electricity and expansion of water projects; Lagos state raised N15 billion in 2003 to refinance short-term facilities obtained from banks to fund developmental projects. Others include Cross River State, which raised N4 billion to upgrade and expand Obudu Ranch Resort; Akwa Ibom raised N6 billion to finance infrastructural development, Delta raised N5 billion to finance market, healthcare, water, and education; and Edo State raised N1 billion to finance development of Ogbia Riverside housing estate. There is no doubt that these projects, which are mainly targeted at infrastructure, will further accelerate the socio-development of their respective states.

## 3. PRIVATISATION OF STATE OWNED ENTERPRISES (SOEs)

Privatisation of SOEs started in the late 1980s as part of the implementation of the Structural Adjustment Programme (SAP). The exercise was in phases. The first phase lasted between 1989-1993, while the second phase is between 1999 to date. Among the SOEs slated for privatisation in the second phase are NITEL, NEPA, and the four refineries.

In analysing the total number of SOEs privatised from 1989-2001, a total of 45 SOEs were privatised. Out of this number, 30 were through share floatation, 9 were both share floatation and core investor, 2 were through private placement to staff, and 4 were through core investor only. A total of N25.6 billion was realised from the exercise.

There are many benefits that can be derived from privatisation of these SOEs through the capital market. Some of the benefits are that the



capital market provides credibility and transparency to the privatisation exercise; and it gives visibility and prestige to the privatised entities as it attracts mass participation. In addition to the afore mentioned, privatisation through the capital market has also impacted greatly on the various capital market indices such as number of listings, market capitalisation, All-shares index, market turnover and liquidity.

#### 4. ATTRACTING FOREIGN INVESTMENT

Foreign investment flow can be attracted into an economy in various ways. Among the various methods are floatation of a sovereign bond; domestic companies directly accessing the global capital markets for funds through the issuance of Global Depository Receipts (GDRs); investment by foreign institutional investors and individuals; commitment of new funds by existing foreign investors; and foreign firms establishing subsidiaries or entering into joint venture arrangements with the locals.

In order to attract the free flow of foreign investment into the country, the Federal Government, early in 1999, reviewed some of the foreign investment regulations that were considered as impediments to free flow of foreign investment in the country. The measures taken include the repeal of the Exchange Control Act 1962 and the Nigerian Enterprises Promotion Decree of 1989. For example, in 1995, the Commission (SEC) organised a national conference centred on attracting foreign investment into Nigeria. Since then, there has been tremendous improvement in the free flow of foreign investment into the country. For instance, United Bank for Africa (UBA) plc has already issued a global depository receipt to expand its operations; and as a result of the ongoing privatisation exercise through the capital market, a lot of foreign capital has been pumped into the economy.

#### 5. DEBT RESCHEDULING

Even before the debt forgiveness now extended to Nigeria, the government had recognised the important role the capital market places in rescheduling of the nation's debt obligations. For example, the Federal Government issued the N150 billion bond in tranches. One of the objectives was to raise funds from the public and others to finance the accumulated domestic debts. This has the tendency of stimulating

economic growth and stability. Issuance of bonds can also be used by the government to finance its budget deficits. Other benefits of issuing bonds include the following:

- the cost of bond floatation is cheaper than money market interest rates.
- it offers governments breathing space, as they will not be obligated to pay interest on the bond until the specified period of time, usually twice a year. It is more tolerable than bank interest charges that are high and payable immediately.
- It is consistent with the long term nature of government expenditures. Most government investments in infrastructures are not self liquidating, and banks by their nature, lend long and borrow short. The use of money market funds will create a dislocation in the maturity transformation practice in the money market. Also, Government in the past had resorted to other means to finance budget deficit e.g. printing of more currency, with its inflationary and economic distortion effects. Thus, it has the potential of reducing inflationary trend in the economy.

#### RECENT DEVELOPMENTS TOWARD AN EFFECTIVE STOCK MARKET

The Nigerian stock market has witnessed a lot of developments since its inception. Some of the developments targeted towards an efficient stock market are outlined below:

##### 1) The Automated Trading System

In 1997, The Nigerian Stock Exchange was facing a great challenge of the ever-growing volume of transactions on one hand and ensuring the transparency in transactions on the other. The need for an efficient market place where price determination is effective and transparent, became of increasing concern. The call-over system had by then been stretched. There was need for a speedy transformation of the system. As a result, the Automated Trading System (ATS) was introduced.

The ATS is one of the most outstanding innovations in the securities market in Nigeria. It works on the queuing system where all brokers have equal access to information available for purchase or sale of securities. Every dealer member inputs his clients request on a computer



system. Matching is then done automatically by the system in a transparent manner. This system has led to price discovery, where prices of securities are transparently determined by taking into cognizance the conventional factors used globally in determining prices of securities e.g. demand and supply etc. Price discovery has led to the creation of a more efficient securities market by eliminating price manipulation, which was the order of the day in the days of the call-over-system. The ATS has also eliminated the rigorous waiting time of the past where months were counted before clients got their securities disposed.

The ATS is effectively interfaced with the automated Clearing Depository and Settlement System (CDS) of the CSCS. This has facilitated a T+3 (transaction day + 3 days) settlement cycle. This simply means that the clients will have access to the investments and/or dispose their investments within four days of transaction period. In fact, the T+3 transaction cycle is well above the emerging markets standard, which stipulates T+5 transaction cycle. Impact of this in securities transaction and the efficiency of the Nigerian capital market needs not be over stated. This is indeed a clear impact of electronic technology on the Capital Market.

## ii) The Central Securities Clearing System (CSCS)

To achieve the gains of the ATS, The Nigerian Stock Exchange commissioned the CSCS in 1997 as a subsidiary. It commenced full operations on 14 April, 1999.

The CSCS was conceived as primarily a settlement arena for the achievement of the T+3 settlement cycle. It is interfaced with the ATS and automatically receives data relating to trades as they occur for settlement.

The CSCS is also responsible for dematerialization of Share Certificates of quoted companies into the central depository. This has created an atmosphere of easy handling of securities during transactions and also eliminated loss of these certificates through theft, fire or other hazards on the part of the investor.

## iii) On-Line Trading

The advent of the ATS created a greater challenge to The NSE. Initially, there was the

need to harmonize securities trading nationwide. It was this that led to the linkage of some branches of the exchange that had large daily transactions to the Central server at the Customs House, Lagos. Abuja, Kano, Yola and Port Harcourt branches are now fully integrated to the main trading platform.

## (iv) Remote Trading

As part of its resolve to create an efficient market, The NSE in late 2004, introduced Remote Trading.

Remote Trading is a system where brokers trade from the comfort of their offices. Their computers are connected to the main trading machine through one of the safest connection device, fibre optics. This efficient system does not allow for information to filter to unauthorized users. It guarantees safe delivery of data from the main frame of the Trading Machine to the computers in the offices of these brokers.

## v) The Trade Alert

In late 2004, The NSE proposed the introduction of the Trade Alert as a means of protecting the securities market against ever increasing threats from fraudsters. It is expected to become effective before the end of 2006.

The Trade Alert has been commented and sanctioned by the Securities and Exchange Commission as an encouraging effort towards creating a transparent market place. This device is a novelty, as The NSE is the first to introduce it as a checking device. The Trade Alert, when subscribed to by an investor, sends a notice on the investors mobile cell-phone indicating elaborately all transactions taking place in his account at the CSCS. The objective of the Trade Alert include, among others includes stopping unauthorized trades before they happen. Arising from comments by stakeholders, the Trade Alert is being fine tuned.

## vi) Establishment of the Abuja Securities and Commodities Exchange (ASCE)

The ASCE is an organized market that is to provide facilities for trading in commodities and securities. Commodities are products or raw materials such as petroleum, cocoa, rubber, palm oil, palm kernel, cotton, groundnut, soybeans, solid minerals, etc. Transactions in commodities are to be made through contracts,



which have finite lives and delivery date. Actual trading is expected to commence before the end of 2006.

## Vii) Promotion of Capital Trade Points (CTPs)

CTPs are mini-exchanges that are expected to provide market place for the buying and selling of securities of small enterprises that could not be quoted on a regular exchange like The Nigerian Stock Exchange. The amounts of funds that can be raised are, however, very limited. Among the objectives of CTP is to attract local and small companies to make use of the market to raise funds at relatively low cost and through a much simplified process; and to bring capital market activities closer to the grassroots. Efforts are being made in this direction by the Commission in conjunction with the promoters for the takeoff of the CTPs soon.

## OTHER DEVELOPMENTS

### i) Establishment of the Nigerian Capital Market Institute (NCMI)

The SEC Training School was recently upgraded into a capital market institute known as the Nigerian Capital Market Institute (NCMI). The NCMI was established to bridge the knowledge gap in the capital market by providing specialised courses to stakeholders. Without a crop of highly professional operators and regulators, the capital market objective of contributing to the development of the Nigerian economy will be almost an impossible task. With the establishment of the NCMI, there is no doubt that the knowledge base of stakeholders in the capital market will improve, to confront present and future challenges.

### ii) Introduction of Code of Corporate Governance for public companies

The Code of Corporate Governance for public companies was introduced in 2003. The Code essentially provides for the conduct of the affairs of companies. It deals with issues concerning Board of Directors, shareholders, Audit committees, etc. The code is expected to enhance corporate discipline, transparency and accountability. The code is not mandatory. However, appropriate sanctions will be applied when necessary.

In the spirit of the NEEDS programme of the Federal Government, all public companies have been directed to report their level of compliance

with the code in their Annual reports and Accounts and prospectuses (whenever issued). One of the Commission's operations departments (Office of the Chief Accountant) has been charged, among others, with the responsibility of monitoring public companies' compliance with the code.

### iii) Promotion of housing development through the issuance of Mortgage-Backed Securities (MBS)

The problem of inadequate housing facilities to accommodate the ever growing population in Nigeria, particularly in urban cities (like Lagos, Abuja, Ibadan, Port-Harcourt, etc) is a serious concern for the government and indeed the private sector. The mortgage industry is being steered to sustainably deliver affordable mass housing with the active participation of the private sector as past experience has shown that the solution to the housing need of Nigerians does not lie with government only. It requires the involvement of the private sector. The recent collaboration of the Commission with the Mortgage Banking Association of Nigeria (MBAN), the umbrella organisation for all mortgage institutions in the country is an indication of the desire of private housing initiative to rise to the occasion.

Mortgage-Backed Securities (MBS) are securities based on a pool of underlying mortgages. These are based on mortgages that are guaranteed by a government agency for payment of principal and a guarantor for timely payment. Some of the benefits of MBS are that they provide cheap funds to real estate developers, leading to more affordable housing. They can be used as collateral; they enhance liquidity of the financial market; they provide higher yield than government/corporate bonds and their risks are relatively manageable. Housing developers are expected to in no distant time, to seek for funds from the capital market through the issuance of MBS.

### iv) Promotion of tourism development

The capital market has also been in the forefront in the promotion of the tourism industry. For instance, the Commission, in conjunction with the Nigerian Tourism Corporation, in the bid to stimulate interest in financing the tourism industry through the capital market organized an enlightenment workshop in this direction. The effort yielded fruit as the Cross Rivers State Government, in its quest to upgrade and expand



the Obudu Ranch Resort to international standard, floated a Redeemable Tourism Development Bond worth N4.0 billion.

#### INTERNATIONAL COMPARISON OF STOCK MARKET PERFORMANCE

In assessing the size of the stock market within an economy, the value of its market capitalization is compared with the economy's Gross Domestic Product. In some countries, the size of market capitalization is larger than that of the Gross Domestic Product. Comparing Nigeria's performance with that of some emerging/developing countries, one can see sharp differences. For instance, in 1989, Taiwan's market capitalization of US \$237.0 billion was 160.5% of the Gross Domestic Products of US \$147.7 billion. In 1991, Malaysia's market capitalization was 76.8% the size of its Gross Domestic Product. In 1992, Chile's market capitalization was 78.3 percent of its GDP. From the table provided (Table 1), the highest performance Nigeria has ever recorded was in year 2005, with N2,900.1 billion, representing 27.4 percent of the GDP. However, the trend seems encouraging, taking into cognisance the figures from year 2000.

In terms of trading volume and value, Taiwan has had one of the largest among emerging markets. In 1992, it recorded US \$22241 billion in trading which represented about 40.1 percent of the trading value of all emerging markets and 4.1% of the trading volume of the world's stock markets. Indeed, Taiwan ranked 5<sup>th</sup> in transactions value after the United States (US \$2,678.5 billion), Germany (US \$892.0 billion), Japan (US \$635.3 billion) and the United Kingdom (US \$383.0 billion). Other markets with over US \$100 billion trading values included France (US \$125.1 billion), and South Korea (US \$116.1 billion). The statistics for other emerging markets are: Thailand (US \$72.1 billion), Mexico (US \$44.0 billion), Malaysia (US \$21.7 billion), India (US \$20.6 billion) and Brazil (US \$20.5 billion). Nigeria, with (US \$0.023 billion) was among the least active markets by trading value.

In Nigeria, the equity turnover is less than 1% compared to more active markets like Korea where the equity turnover ratio at the end of 1992 was 12.4%, Taiwan, 7.4 percent and 6.4 percent in Thailand. The Nigerian situation is influenced by the 'buy and hold' attitude of Nigerians and the significant block shareholding of foreign investors.

As at the end of 1992, the United States had the highest number of listings of 7,014 companies followed by India with 6,700 companies and Japan 2,118 companies. Nigeria had only 251 securities (including equities, industrial loans and bonds).

#### PROBLEMS/CHALLENGES FOR THE NIGERIAN CAPITAL MARKET

In the Nigerian capital market (like most African countries, where a substantial percentage of investors' holdings are hardly traded), the market float or turnover is still very low. In addition, with the over 120 million people, a large proportion is still ignorant of the nature and benefits of the capital market. The SEC has been making much effort in this regard through its series of investor education programmes such as state enlightenment programmes, specialised seminars, workshops, conferences, etc (including what I am doing here today). The efforts of the Commission are not enough as the task requires that all hands must be on deck in ensuring that the awareness level is greatly improved. It will require the use of Government machineries, Non-Governmental Organisations (NGOs) and members of the academic community to actually carry out the awareness campaign to the level required. I challenge this community to be involved in this effort.

Another problem facing the Nigerian Capital market is the formulation of appropriate economic policies and sustenance of political stability. The economic revolution of the Nigerian economy will be predicated on a number of factors, among which are the formulation of capital market friendly economic policies (for example tax and other concessions on capital market transactions and for quoted companies especially those in the second tier) sustenance of political stability is a sine quo as well as a strong private sector-led economy having low unemployment, low inflation rate and a stable exchange rate.

Among the biggest challenges of the Nigerian Capital Market is the creation of a highly liquid market in which investors can buy and sell with relative ease, where large transactions are consummated without significant changes in prices. This becomes necessary, given the backdrop that well informed international investors generally consider the level of a market's liquidity before investing in such a market. They will only consider a market which



provides ease of entry and exit.

In comparison with capital markets of developed economies, the depth of the Nigerian capital market still needs further developing. There are not enough investment outlets in the market. This can be improved through the introduction of new products such as derivatives (options, futures, etc.), and Mortgage-Backed Securities (MBS). The appropriate legal framework needs to be put in place for the smooth introduction and operation of these new products. There is therefore the need to further empower the regulatory institutions (such as SEC) to enable them check and nip in the bud any perceived or potential irregularity that may arise as a result of the introduction of such new products.

### PROSPECTS OF THE NIGERIAN CAPITAL MARKET

The prospect of the Nigerian Capital Market is very bright. It has, among others, the potential to attract more foreign capital into the economy. For example, in year 2003, the Nigerian stock market was adjudged by the International Finance Corporation (IFC) as one of the most rewarding in terms of return on investment. A capital market that is perceived by foreign investors as vibrant, well regulated and rewarding in terms of return on investment would easily attract foreign participants.

In the bid to attract more foreign capital into the Nigerian capital market, there is the need to improve on our market indicators. As improvement in our market float, the volume of trading and market liquidity etc would go a long way in arriving at better market indicators when compared on a global basis. The pension and other reforms in the economy also offer very bright prospects for the capital market.

The Nigerian stock market has the capacity to continue to provide avenues for government and

corporate entities to effect optimal financing and capital base broadening. Such sound financial services, will no doubt, serve as hedge against the vagaries of business and economic cycles which have in recent times shaken the basic fabrics of our national economy.

The stock market, as the citadel of the private sector, is a network of institutions that can render financial services capable of revamping a nation's economy. But for it to render such services with optimal efficiency, the assistance of government is needed in the area of fiscal policies and provision of efficient infrastructure, telecommunications and investment incentives. No capital market institution works in isolation. For the entire system to function properly, therefore, fiscal policies and incentives that can stimulate both investors and users of long-term funds should be put in place by government. This may include tax concession to companies among others.

### CONCLUSION

It is important to note that the place of the capital market as a catalyst for Nigeria's socio-economic development will remain more significant in the years to come, as it helps to support national growth and development. The capital market should, therefore, be accorded a pride of place in national economic management.

### REFERENCES:

1. SEC Statistical Bulletin
2. SEC Capital Market Bulletin 2005
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The Commission gave legal opinion on the following issues during the year under review. This was done in-order to guide the management in making decisions towards promoting an efficient Nigerian capital market.

### 1. Bola Ajibola & Co. - Contesting Registration

The legal opinion sought was in respect of a letter received from Bola Ajibola & Co contesting that Solicitors who had not registered with the Commission were operating as capital market operators based on the Federal High Court judgment in Prof. Kasunmu Vs SEC, and requested the Commission to give them the opportunity to await the decision of the Court of Appeal before being guided accordingly.

The reason which prompted the letter was the fact that the law firm of Bola Ajibola & Co. had registered with the Commission on January 15, 2002 as Solicitors. The registration expired on January 14, 2004 subsequent upon which the firm applied to the Commission for renewal.

They were directed to pay the penalty for late renewal and professional indemnity insurance policy, amongst others.

The Commission opined that Prof. Kasunmu's case was based on refusal of initial registration as opposed to Bola Ajibola's case which was a renewal and as such, were not related. Furthermore, the judgment was a declaratory one and was already on appeal. The Commission opined that the firm could be making the function of Solicitors retained by corporate bodies/individuals for representation in Court/legal opinion as opposed to those who function as market consultants which would require SEC registration.

The Commission further opined that should the firm insist on awaiting the outcome of the appeal, they could be allowed. However, they would not be allowed to participate in any capital market activity without renewing their registration with the Commission.

### 2. Interpretation of Provisions of the ISA on Investor Protection Fund of the Stock Exchange and the Nationwide Compensation Scheme

The Committee on Investor Protection Fund, which was constituted to look into the setting up of a Nationwide investor protection scheme in accordance with Section 8(j) of ISA, sought an opinion on the following issues:

- (i) whether a Nationwide Compensation Scheme would apply only to operators who are not stockbrokers, since the Investor Protection Fund (IPF) of the Stock exchange applied only to stockbrokers;
- (ii) whether a nationwide scheme was meant to assuage shortfalls of losses not fully compensated by the IPF;
- (iii) the essence of a fidelity bond if the stock exchange's IPF also compensated losses due to defalcation.

The Commission opined that a nationwide compensation scheme would apply to all operators except for cases of defalcation arising from stockbroking business, which is covered by the IPF. The scheme was also not meant to assuage the shortfalls of losses under the IPF.

The Fidelity Bond was explained as an essential requirement for registration designed as a risk management tool and was therefore not an alternative to the IPF.

**Mrs. Salamatu H. Suleiman**  
Director/HOD Secretariat & Legal Advisory  
& Company Secretary





### 3. Interpretation of Rule 56 of the Commission's Rules & Regulations

An opinion was sought on the requirement for companies' audited accounts not to be more than 9 months old for purposes of a public offer or any other offer such as private placement.

The Commission was of the view that the purpose of the rule was to ensure that at the time of the public offer, no significant changes would have taken place in the company which would affect the information disclosed in the prospectus. An account ought to be current within the 9 months rule at the time an offer opens, as the investor would have the benefit of reviewing the account which would still be valid.

Furthermore, the Commission advised that should the account have become stale at the time the offer opened, the directors of the company should be required to provide the Commission with a sworn statement attesting to the fact that in their opinion, there were no material changes capable of adversely affecting the position of the company.

Finally, the Commission is compiling the guidelines currently in use which were not in the Rules & Regulations of the Commission, with a view to incorporating them into the Rules.

### 4. Challenges Before the Nigerian Capital Market

A letter was written by the Capital Market Committee of the House of Representatives to the President of the Federal Republic of Nigeria and was copied to the Commission. In it, two issues were identified which the participants in a thematic workshop agreed should be brought to the attention of the President.

The issues were that the government should co-opt the Director-General of SEC or The Nigerian Stock Exchange into its Economic Team in order to benefit from their contribution in the formulation of micro-economic policies, and the need to establish a minimum turnover level for companies to go public and also for the benefits to be enjoyed by the companies as incentives against private owned companies.

The Commission opined that it was necessary for the Commission to be part of the Federal government's economic team as the capital

market, all over the world, was recognized as the engine of economic growth and the Commission, through the Director-General, could contribute towards enhancing the government's micro-economic policies.

Secondly, the decision whether or not a company should go public was at the discretion of that entity and not necessarily what should be decreed by fiat or setting benchmarks in terms of turnover since Nigeria is a free market economy.

The Commission also suggested that the government could highlight the benefits of going public or put in place incentives that would be beneficial to public companies in order to attract companies to go public.

### 5. Matters Arising on Raising of Capital Market Funds for Nigeria's Emerging Housing Market

The opinion sought was on whether the Federal Mortgage Bank of Nigeria (FMBN), a Federal government agency, could access the capital market taking into consideration the provision of Section 171 of the ISA.

It was opined that the section did not mention Federal government bodies and their agencies in the category of government agencies that could raise funds through the capital market.

The Commission therefore hinted that it had proposed in its amendment exercise, that the Federal government and its agencies should also access funds from the capital market along with the State and Local governments but until the amendment was done the FMBN could not access funds through the capital market. It may however set up a Special Purpose Vehicle (SPV) for the sole purpose of raising such funds for the benefit of FMBN.

The other alternative is for the Minister to grant waiver/exception to FMBN in accordance with the powers given under the Act.

### 6. Pilot Finance Limited

The opinion offered was in respect of a proposed transfer of sponsored individuals registered with the Commission by Pilot Finance Ltd to Pilot Securities Limited and whether the Commission could approve the transfer without the company going through a



fresh registration process.

The Commission opined that since Pilot Finance Ltd had been registered by the Commission as a stockbroker, any transfer of such functions and the individuals by it must be made in accordance with the provisions of Rule 19(3)(f) of the Rules and Regulations of the Commission. So, there was no need to invite the sponsored individuals for another registration since they had already been registered. Pilot Securities Limited was advised to fill Form SEC 2b for transfer of sponsored individuals from Pilot Finance Ltd to Pilot Securities Ltd.

On whether the Commission could approve the transfer of sponsored individuals without Pilot Securities Limited going through a fresh registration, it was opined that Pilot Finance Limited and Pilot Securities Limited were separate legal entities with each incorporated under the Companies and Allied Matters Act and therefore not one and the same. The company would therefore be required to register with SEC.

## 7. Power of Attorney in Favour of Ifeanyi T. Nze, A Resident Partner in Oluwanuga & Co

The opinion sought was on the propriety of a Power of Attorney executed by Mr. Soli Ephraim-Oluwanuga, a sponsored individual with the Law firm of Oluwanuga & Co in favour of Mr. Ifeanyi T. Nze.

The law firm is registered with the Commission as capital market Solicitors and according to the power of attorney, had been appointed as joint Solicitors to the Issue of NAL Bank Plc and Cooperative Bank Plc offer and Rights Issue.

Mr. Oluwanuga, who had been registered with the Commission as a sponsored individual, was given permanent membership at the Investments & Securities Tribunal (IST) with entitlements to salary and allowances. Therefore, he could not participate in the running of his law firm.

This necessitated the execution of the power of attorney to enable Mr. Ifeanyi T. Nze to act on his behalf in respect of the Completion Board Meeting of the aforementioned companies.

The Commission opined that Mr. Nze was not a

sponsored individual with the Commission, even though his application for registration was pending. As a result, he could not act on issues relating to the capital market.

It was also the opinion of the Commission that Mr. Oluwanuga could not give a power of attorney to Mr. Nze to act on his behalf since his registration was not transferable and it would send a wrong message to other Solicitors that there would be no need for registration once a firm already had a sponsored individual registered with the Commission.

## 8. Public Notice on the cancellation of the Operating License of Amicable Assurance Plc

Amicable Assurance Plc, an insurance company, had its operating license cancelled by NAICOM for its inability to meet the minimum paid up capital prescribed for insurance companies.

The Commission had already approved a public offer for the company shortly before its operating license was revoked by NAICOM. The Commission advised that notwithstanding the fact that the company had obtained leave of Court to challenge NAICOM's decision, the Commission had a duty to stop the offer since the interest of the investors would have been jeopardized if the Commission had not taken that decision.

It was therefore right for the Commission to have made the public statement directing the Issuing house to refund subscription monies to subscribers.

## 9. Stockbrokers Advertising for Business

The issue was an advice sought on the nature of advertisements made by 7 stockbroking firms, as to whether it was a violation of Rule 180 of the Rules and Regulations of the Commission.

The Commission interpreted the rule to mean that Broker/dealers should ensure that in advertising their business, they should not attempt to induce clients to deposit money with them for investment purposes through brochures or any other means of solicitation, rather the advertisements should introduce the nature of their business without going further to make statements or gestures which would



induce an investor to open accounts with them.

This, in the view of the Commission, would give way to unsuspecting investors being manipulated and this would be in contravention of Rule 180.

### 10. Christlieb Plc Rights Issue of 120,000,000 Ordinary Shares of 50k Each

The Law firm of Aluko & Oyeboade had on January 24, 2005 informed the Commission of the existence of an interlocutory injunction granted by the Federal High Court Lagos against the Board of Directors of Christlieb Plc.

The Court had also set up a two man Interim Management Committee with a strict mandate to secure and diligently manage the assets and business of the company.

The Board was also restricted from disturbing the two-man interim management from running the company pending the determination of the petition.

According to the letter, the company had filed an application with the Commission for approval of a Rights Issue of 120,000,000 ordinary shares, and they advised that the approval be rescinded because the application was brought by persons other than the Interim Management Team.

The Commission made inquiries at the Court and found that there had been an application by the respondents to set aside the injunction but the Court ruled that it could only be done on appeal.

The Commission was therefore of the view that the order was still in force against the Board of Directors of Christlieb Plc.

Letters were received from Idowu Olaniyi & co and G. Elias & co which showed that at the time the injunction was granted, the Board had been changed at an EGM, and the question arose on whose authority other than the Interim Management Team the meeting was convened since it would amount to an illegality on the company's part.

The Commission suspended action on the application relating to the Rights Issue and opined that the parties should be invited for a meeting to ascertain the legality of the

company's action.

### 11. Texaco Nigeria Plc - Registration of Bonus Issue

This issue arose based on the fact that the company stated in the resolution filed with the Commission that fractions of shares arising from the allotted bonus shares would be offered on the floor of the Nigerian Stock Exchange to the public, and the amount realised credited to the company's account for the benefit of shareholders.

The Commission opined that since the company knew the number of shareholders and their shareholding at the time of issue, calculations could be made such that every shareholder would get two new shares for every five shares held, thereby avoiding the creation of fractions of shares.

The Commission was also of the view that any unallotted share after the issue should revert to the company as part of its unissued share capital to be issued sometime in the future.

It further opined that as a public company, it was not proper for the company to warehouse its shares and to sell them on the floor of the Stock Exchange.

### 12. Lead Unit Trust Scheme - Proposal for Restructuring/Application for Registration and Authorisation of a New Unit Trust Scheme

Lead Bank Plc wrote to the Commission intimating it of its restructuring plans in respect of Lead Unit Trust Scheme to which they are fund managers.

The letter stated that the fund consisted of 3,494 unit holders with a total net asset value of 4.5 million. Also stated in the letter was that due to the small size of the fund and the fact that more than 60 percent of the fund consisted of unit holders of 500 units of N1.00 each or below, it had been unsuccessful in finding a willing fund manager to manage the fund.

The restructuring plan stated that the new fund would have a minimum subscription of 50,000 units and that if the value of the fund achieved a minimum of N100 million, Lead Bank Plc would have the fund transferred to a new fund manager, but if not, unit holders who had met



the required minimum subscription would have the option to either surrender their certificate for cancellation and then subscribe to the new fund or be paid out at the ruling net asset value.

The Commission opined that as long as the interest of the unit holders was not jeopardized, the fund managers could carry out the restructuring plan.

Furthermore, the Commission opined that the restructuring proposal could be effected as long as the unit holders of the Lead Unit Trust Scheme, who do not want to be part of the new scheme were paid off adequately.

### **13. First Session of the UNIDROIT Governmental Experts on Draft Convention on Harmonised Substantive Rules Regarding Securities held with an Intermediary**

The Honourable Attorney General of the Federation wanted the Commission's comment on the draft convention to enable the Ministry of Justice submit Nigeria's position to UNIDROIT.

The convention is a product of the International Institute for the Unification of Private Law which sought to harmonise the substantive rules relating to securities held with an intermediary.

The Commission opined that the convention did not derogate from the powers of the Commission under the ISA and the articles of the draft convention did not infringe on the capacity of the Commission to regulate the market.

However, the Commission commented on articles 3(4) which prescribed that a debit or credit of securities to a securities account was not ineffective because it was not possible to identify as to which a corresponding credit or debit had been made. The Commission opined that this article be amended, and that all securities accounts should be identified in order to ensure transparency in the process and also to enable the reconstruction of the transaction if the need arose.

### **14. Review of the Draft Bill to Amend the NDIC Act**

The Commission reviewed the draft bill for an Act to amend the NDIC Act and prepared its Memorandum to the National Assembly.

In the Memorandum, the Commission advised on the appointment of Directors, conditions of service for staff, increase in the minimum amount a depositor should be entitled to where there is bank failure and other issues relating to funding and Administrative expenses.

### **15. Establishment of Anti-Trust Unit by the Bureau of public Enterprises (BPE)**

There was a report in the Vanguard Newspaper of May 3, 2005 that the BPE had established a special unit tasked with maintaining a well structured regulatory regime for the on-going privatisation programme to prevent the emergence of private monopolies in any sector of the economy.

The Commission was of the view that if the report was true, then it would infringe on the core regulatory function of the Commission which is the regulation of mergers and takeovers to avoid the creation of monopolies.

The Commission opined that it would dialogue with the BPE on the conflict their action in that regard would cause and also advise the BPE to refer issues relating to mergers and acquisitions to the Commission for review before the National Council on Privatisation (NCP) approved any sale of government enterprises especially through bidding processes.

### **16. Invitation to Serve as Trustee of the Centre for Corporate Governance**

The Institute of Directors (IOD) by a letter to the Commission dated May 27, 2005 stated that the Governing Council of the IOD Nigeria was in the process of establishing a Centre for corporate governance and would be delighted if the Commission would serve as a Trustee of the Centre.

The Centre would be the authority on corporate governance in Nigeria and roll out a corporate governance manual for nationwide communication and acceptance by both the public and private sectors, emphasizing the link between best practices and sustainable success.



The Commission opined that since it had been in the fore front of promoting good corporate governance in public companies in Nigeria and was instrumental to the establishment of a Code of Corporate Governance for Public Companies in Nigeria, it will consider serving as a trustee to the proposed Centre as this would also enable the Commission to follow the trends of corporate governance in Nigeria and contribute to the implementation of the code.

### **17. APC/21/2002 - SEC Vs Bonkolans Investments Ltd & Ors, Gossord Securities Ltd**

Gossord Securities appeared before the APC of the Commission in 2002 and was suspended indefinitely on January 2003 for its involvement in the Bonkolans scam. It was directed by the APC to buy back the shares or pay the value of the shares with interest at 7 percent above Central bank of Nigeria's Minimum Rediscount Rate (MRR).

The operator later appealed to the Commission that its suspension be lifted and the Commission approved the schedule of repayment presented by it which was to be paid quarterly from October 2004 till the outstanding sum was liquidated.

The Commission approved the request and informed the operator that should they fail to conform to the repayment schedule, they would be suspended indefinitely pending full compliance.

Between August 2004 and April 2005 when the suspension was lifted, the operator failed to make any payment. The operator appealed to the Commission for an extension of time to May 31, 2005 within which to make the payments. Some payments were made by the operator.

The Commission therefore opined that the operator be allowed to remain in the market up to September 2005 to try to make more payments failing which it could proceed against the assets of the operator and its Directors.

### **18. Assigned License From The Nigerian Stock Exchange**

The main issue was whether it was necessary for the Commission to demand from an applicant for registration as a broker/dealer

whose dealing license was obtained through assignment from a previous holder, an undertaking to settle any liability arising from the use of the license by the previous holder. The Commission opined that SEC Rules & Regulations provided that only corporate bodies were qualified to apply for the seven functions listed therein, one of which is the function of a broker/dealer and such corporate bodies would have to be incorporated under CAMA which would make such an entity a juristic person.

This therefore would mean that the assignment of such a license would not extinguish the existence of the former holder being that the license was merely permission for it to deal in securities on the floor of the Exchange. The original licensee would still continue to exist and maintain its assets and liabilities therefore the transfer of NSE dealing license would not extinguish any liability that may have been incurred by the previous holder.

The Commission observed and noted that it would be wrong for it to demand an undertaking to settle such liabilities from the assignee of the licensee, rather the previous holder should continue to be liable and the undertaking sworn by the previous owner since it is a legal person and such liabilities cannot be transferred unless the new holder, by agreement, elects to assume such responsibility.

### **19. TMB Securities Ltd - Winding Up Proceedings Against Triumph Bank Plc, Parent Company To TMB Securities Ltd**

TMB Securities was penalized for failure to comply with the Commission's minimum paid up capital requirement. The penalty which was for a payment of fine was not paid to the Commission by TMB and in the meantime, its parent body was facing winding up proceedings for failure to pay a debt owed to NNB International Bank.

The issue was whether the Commission should be joined in the suit against the parent body.

The question also arose as to whether the unpaid penalty by TMB Securities amounted to a debt and whether the Commission qualified as a creditor to Triumph Bank, since a subsidiary was considered a separate entity from its able



parent company and each was responsible for its own liabilities.

The Commission opined that for the purposes of winding up or liquidation, TMB Securities could be said to be an asset of Triumph Bank and that the Commission would be better off waiting until the liquidator of Triumph Bank was in the process of recovering all the assets of the Bank, then it could make its own claim on the penalty.

The Commission also opined to withdraw the license of TMB Securities since it had failed to pay the penalty, and if the company wanted to resume operation in the market, then the condition would be payment of the penalty, possibly with interest to be determined by the Commission.

The Commission therefore opined that it should not be joined in the winding up proceedings especially where the capacity in which it would be joined is not ascertainable because it was not a creditor to the company that was involved in the winding up proceedings.

#### **20. Lion Bank of Nigeria Plc - Rights Issue of 3 Billion Ordinary Shares of 50k Each at N1.10k Per Share**

Lion Bank had originally set out with 4 other Banks to consummate a merger in line with CBN's directive on the N25 billion minimum capital base for banks. A rights issue was also proposed by the banks.

Two of the Banks thereafter pulled out of the merger thereby aborting the proposed rights issue.

A fee had been paid to the Commission for the rights issue.

Another merger negotiation between Lion Bank and Diamond Bank occurred towards which an MOU was signed. This resulted in an offer proposed to take place post merger.

Lion Bank had written a letter through their joint issuing houses requesting the Commission to allow the utilization of the fee which had been paid in respect of the initial rights issue, for the proposed post-merger offer.

The Commission was of the opinion that Lion Bank could not have anticipated the act of two members pulling out of the original merger

which constituted a force majeure.

The Commission is therefore considering granting them approval since it was more or less the same transaction only with different parties.

The Commission however opined that where there would be a difference in the number of shares offered in the rights issue as against the new post merger offer, then the Bank could be asked to make up the difference.

#### **21. IMB International Bank Plc - Shares Controlled By Mr. Edwin Chinye-Redsear Ltd/Chief Azuka Uzor**

A letter was written by the Law firm of Ukpong & Omotosho to the Managing Director, MB International Bank and was copied to the Commission.

The issue was that the former Managing Director of IMB Plc Mr. Edwin Chinye was alleged to have diverted monies paid to Redsear Ltd to acquire shares in the Bank for himself and three other persons.

The Law firm representing Chief Azuka Uzor wrote a letter to notify the Commission that they were in the process of instituting legal proceedings to seek redress on behalf of their client.

The Commission was of the view that all was not well concerning the affairs of IMB Plc and that it would investigate the allegations contained in Ukpong & Omotosho's letter since it was the Commission's responsibility to ensure that all acts capable of affecting the integrity of the market or detrimental to investors be investigated and proper remedial action taken.

#### **22. Topaz Investment & Trust Ltd - Application for Registration as a Corporate Investment Adviser**

The former Commissioner (Operations) Mr. E. S. O. Onwionoko sought registration with the Commission as an Investment Adviser in Topaz Investment & Trust Ltd. He had also registered as a Reporting Accountant under E. S. O. Onwionoko & Co.

The Commission was of the opinion that he could not act as a sponsored individual in two separate and distinct companies but if he



wished to register as an Investment Adviser in Topaz Investment & Trust Ltd then he should cease to be a sponsored individual in E. S. O. Onwionoko & Co or he should seek to register as an Investment Adviser within the same company (E. S. O. Onwionoko & Co.), since there was no provision in the Commission's Rules & regulations for dual registration of capital market operators.

### 23. Appointment of Profund Securities Ltd as Brokers to Initial Public Offer - Breach of Contract

The Law Firm of Olusesan & Co., Solicitors to Profund Securities Ltd wrote a letter to the Commission stating that their client was appointed by Citizens International Bank Plc by a letter dated December 22, 2004 to act as a broker in the Initial Public Offer (IPO) of the equity of the Bank.

They further stated that their client's name was thereafter omitted as broker to the Offer and despite several letters written to the Bank, the Bank had refused to take any action to remedy the situation.

The Firm was therefore demanding that the bank should reach a clear agreement on the fee payable to their client.

It was established that there was evidence showing that there was an offer by Citizens Int. Bank Plc to Profund Securities Ltd for them to act as Brokers in the IPO, and that Profund Securities Ltd accepted the offer.

The issue was whether there was indeed a binding legal contract between the parties.

The Commission was of the view that the offer was conditional based on a mutually agreeable fee. So in effect, there had been no contract entered into since there were no terms in the letter of offer under which obligations could be imposed.

The Commission further opined that at best both parties entered into a gentleman's agreement and that there was nothing to indicate why Citizens Bank Plc did not go ahead with their intention to engage Profund Securities as Broker to their Offer.

The Commission therefore opined to investigate the matter by requesting Citizens Int. Bank Plc to give reasons for their conduct in order to maintain discipline and confidence in the market.

### 24. Appeal By Viva Securities Ltd to Re-Open its Case No. APC/21/2002

Viva Securities Ltd requested to know from the Commission whether a matter already concluded by the APC could be re-opened for fresh consideration.

The Commission advised that a matter having reached its final conclusion could not be re-opened.

In this case, Viva Securities was one of the stockbroking firms sanctioned over its role in the Bonkolan scam in 2003. The company did not appeal against the APC, but apologized for the incident and paid the penalty imposed by the APC. The company also bought back the shares illegally sold and served a six month ban from operating in the market.

The Commission was therefore of the opinion that the matter could not be reopened and if Viva Securities Ltd, believed they were innocent, they would have appealed to the IST at the time the decision of the APC was communicated to them.

The Commission opined that it was for the purposes of the law, *functus officio* as the matter could only be dealt with on appeal and that the application by Viva Securities was incompetent and would not be entertained.

### 25. Request for Clearance to Convert Dividend to Bonus Shares

Integrated Trust & Investments Ltd asked for the Commission's permission to allow its client Acen Insurance Company Plc to convert part of their warehoused shares to bonus shares.

The Commission opined that for dividend to be distributable to shareholders it must first be declared by the company. The company had not declared any dividend, it had only been proposed.

The Commission cited Rule 70(1) of the SEC



Rules and Regulations (Amendment 2002) which provides that "underwritten securities shall be warehoused by the issuing house or underwriters and sold on the floors of the Securities Exchange or Capital Trade Point within six months after allotment".

Furthermore Rule 70(3) also provides that where the securities were not disposed of within 6 months, quarterly returns should be made to the Commission in respect of the balance until it was fully disposed of.

The shares were warehoused by the issuing house and the Commission's Rules provide that these warehoused shares be sold on the secondary market.

The Commission was of the opinion that the company could not on its own convert its proposed dividends to bonus shares out of its warehoused shares since the shares would form part of the company's unissued share capital.

## 26. Introduction of E-Bonus in the Capital Market Julius Berger Nigeria Plc Bonus/Script

Union Registrars Ltd wrote to the Commission informing it that the Shareholders of Julius Berger Nig. Plc had reacted negatively against the company posting their bonuses electronically to their accounts at the CSCS, rather they preferred that bonus certificates be issued to them.

There have been moves to dematerialize share certificates for various reasons e.g. ease of trading in line with modern trends and for security purposes. This would mean that physical certificates would be withdrawn and an account opened with the CSCS for the shareholders where details of their shares and transactions on shares could be made available if and when requested for. In this case, the shareholders already had accounts with the CSCS but they still requested for certificates to be issued to them.

The Commission was of the opinion that since the process of dematerializing certificates was not compulsory, the Registrar could issue certificates in respect of the bonuses as requested by the shareholders.

## 27. Trade Alert Levies: Undue and Immoral Use of Statutory Powers

The law firm of Segun O. Idowu & Associates wrote a letter dated October 5, 2005 to the Commission regarding the Trade Alert compulsory levy imposed on investors.

The law firm alleged that SEC was in breach of the trust placed on it by statute because SEC was the main spirit behind the levy which was not popular to investors. The firm also threatened that if SEC insisted on a compulsory trade alert levy, it would urge the courts to take a look at the manner SEC carried out its regulatory activities. They also urged SEC to make the levy optional.

The Trade Alert is a security device that notifies investors immediately of transactions made on their shares through GSM phones. Investors would therefore be able to check and identify unauthorised sale of their shares.

The Commission was of the opinion that the decision to use the facility or not should rest on the investor, and that it was only investors who had dematerialized their share certificates that could use the Trade Alert system presently because their shares were registered with the Central Securities Clearing System (CSCS).

## 28. Investments and Securities Tribunal: Judgment for Upload on the Commission's Website

The Website Content Management Committee of the Commission requested for an opinion on whether or not uploading the judgments of the IST on the Commission's website would not violate the Nigerian Copyright Laws.

The Commission reviewed the provisions of the Copyright Act Cap C28 Laws of the Federation 2004 with specific reference to Sections (1) and (2) of the Act and advised that even though the IST was established by the ISA 1999 (Section 224) the IST remains separate and autonomous from the Commission, with each having separate and distinct functions.

Sections 2(a) and (b) of the Copyright Act demands that for any literary, musical or artistic work, to be subject to copyright, sufficient effort shall be expended in making the work, in order to give it an original character and the



work must be fixed in any definite medium of expression now known or later to be developed from which it can be perceived, reproduced or otherwise communicated either directly or with the aid of any machine or device.

In the spirit of the above sections of the Copyrights Act, the Commission was of the view that judgments of the IST were the property of the IST, hence prior approval of the Tribunal should be sought for and obtained before the Commission could upload its judgments onto its website.

### **29. Scheme of Arrangement Between Flour Mills of Nigeria Plc and Golden Fertilizer Co. Ltd**

This matter is in respect of a letter forwarded by the Law chambers of FRA Williams in respect of a proposed merger between Flour Mills of Nig. Plc and Golden Fertilizer Co. Ltd.

The Law firm of FRA Williams on behalf of Flour Mills Plc obtained an order of the Federal High Court for the two companies to hold their separate meetings for the shareholders of the two companies to approve the proposed merger between them.

After reviewing the available facts in the matter the Commission discovered that there was nothing to suggest that the companies had filed a pre-merger notice and also obtained an in-principle approval of the Commission before going to Court for an order directing the two companies to convene their separate general meetings for the shareholders to approve the proposed merger.

The Commission opined that the Court order obtained by the Chambers of FRA Williams for the shareholders of the two companies to convene meetings to approve the proposed merger without filing a pre merger notice with the Commission for prior review and approval was in violation of Rules 229 and 231 of the Commission's Rules and Regulations.

The Commission advised that since the Companies had through the Solicitor violated the proper procedure of the merger scheme and the consequent breach of Rules 229 and

231 of the Commission's Rules and Regulations, the Commission needed to apply the necessary sanctions for breaching rules on merger as contained under Rule 227(2) of the Rules & Regulations before subsequently ratifying the scheme.

The Commission further advised that FRA Williams chambers should be informed of the violation while requesting for explanations from them. Where the explanation was not satisfactory, the Commission could impose sanction.

### **30. Niger-Delta Exploration & Production: Public Unquoted Offer for Subscription**

This matter is in respect of a request for legal opinion on the public unquoted offer for subscription of 2001 of the Niger-Delta Exploration & Production Plc.

The Niger Delta Exploration & Production Plc offered its shares in 2001 to investors for subscription through a public offer and private placement.

Hamilton Hammer & Co acted as the Issuing House to the offer while United Securities Ltd and UBA Capital & Trust Ltd served as Registrars and Trustees respectively.

The issue raised was whether the parties to the offer had violated SEC's Rules and Regulation by failing to close the offer within 21 days after the offer opened.

After reviewing the offer documents and the submission of parties at the meeting convened at the instance of the Commission, the Commission opined that since the company's offers were made in 2001 when it had not amended its rules requiring offers by way of private placement to close within 21 days, the Issuing House could not be held liable after the amended rules became effective in 2002.

As regards the failure of the company to file a report within 10 days after the close of the private placement, the Commission opined that the Issuer should take responsibility for that.

## 1. **IST/OA/03/2003 & M/N-IST/APP/M/12/2003 - CSCS & NSE VS Bonkolans, SEC & ORS**

The matter came up on January 28, 2005. The Investments & Securities Tribunal (IST) had dismissed the preliminary objection of the 1<sup>st</sup> Respondent and the 1<sup>st</sup> Respondent filed an appeal against the ruling of the IST and a Motion asking for a stay of proceedings pending the determination of the appeal.

## 2. **United Bank For Africa Vs SEC - IST/APP/04/04**

The above stated matter came up on January 26, 2005 for mention at the IST. There was no representation by the Counsel or any of the staff of the Appellant.

The Commission's Counsel informed the Tribunal about the preliminary objection they filed seeking the Tribunal to strike out the matter for lack of merit.

The Tribunal in its ruling stated that since the matter was filed by the Appellant, it would be too early to strike it out.

## 3. **Suit No. FHC/L/CS/86/2005 - Dr. Akinola Ogunlewe Vs Prudent Bank & 9 Ors**

The suit was filed at the Federal High Court Lagos with the Commission joined as the 10<sup>th</sup> defendant.

The plaintiff was allegedly removed from office as a Director of Prudent Bank by the 6<sup>th</sup> & 8<sup>th</sup> defendants.

As a result, the plaintiff sought to restrain the 1<sup>st</sup> 5<sup>th</sup> defendant banks from initiating a merger for the purpose of complying with the CBN directive on the N25 oil on minimum capital base for banks, and he joined the Commission in the suit because it was the body statutorily vested with the powers to regulate mergers.

The Commission opined that the action was more or less an internal strife amongst the directors which had little bearing on the Commission; therefore it was more or less a nominal party.

It further opined that it was not necessary to appoint an external Solicitor to defend the Commission but one of its lawyers would enter

appearance and watch brief on behalf of the Commission.

## 4. **SEC Vs Thomas Kingsley Securities Ltd**

The Law firm of H. S. Ahman & Associates was instructed by the Commission to obtain an order from the Investments & Securities Tribunal, Abuja to freeze the accounts of Thomas Kingsley Securities Ltd and its Chief Executive Officer, Chief Kingsley Ikpe.

The Solicitors had informed the Commission vide their letter dated February 18, 2005 that the Tribunal had delivered its ruling in favour of the Commission. According to the said ruling, the accounts of Thomas Kingsley Securities and Chief Kingsley Ikpe in various banks where they had accounts were frozen. The Court also ordered that banks who had not yet complied with the Order of the Tribunal do so within 7 days or face a contempt charge.

Subsequently, a notice of Consequence of Disobedience to the Order of the Tribunal was issued against the defaulting banks by the Tribunal.

The banks that responded to the order of the tribunal later filed affidavits to inform the tribunal that the Respondent's accounts were in debit.

The Certified True Copy of the judgment had been received by the Commission.

## 5. **Vincent Ilechukwu Vs Premier Breweries Plc & 9 Ors**

This matter was instituted by the plaintiff at the Federal High Court, Lagos, based on the allegation that his shares in Premier Breweries Plc had been sold to some Indians without his authorisation and in defiance of the provisions of the Public Enterprises (Privatisation and Commercialisation) Act as well as those of the Investments and Securities Act.

The Plaintiff sought for an order of injunction to restrain the defendants from recognising the said shares as their property and also for an order to declare the purported purchase and transfer of the shares as illegal, null and void and of no effect whatsoever.

After reviewing the Court processes of the matter served on the Commission, it was found



that the Commission referred to as the 11<sup>th</sup> defendant was joined in the suit because of its regulatory functions in the capital market. It was also discovered that there was no specific allegation against the Commission hence a lawyer from the Commission was directed to watch proceedings and report back.

The matter was finally heard and struck out on February 21, 2005.

## 6. **Nigeria-American Merchant Bank Plc (NAMBL) Vs Enpee Industries Ltd Suit No. FHC/L/CS/317/2001**

This matter emanated from the failure of NAMBL to honour its underwriting commitment under the Underwriting Agreement signed between it and Enpee Industries Ltd during the latter's rights issue in 2000.

Consequent upon a complaint lodged with the Commission by Enpee Industries Ltd and in its bid to resolve the matter, the Commission invited the parties before its APC for administrative hearing. At the end of its sittings, the Administrative Proceedings Committee (APC) ordered NAMBL to honor its underwriting commitment within 14 days of receipt of the decision.

Instead of complying with the APC decision, NAMBL appealed against the decision at the IST which was then non-existent. The Commission thereafter wrote to the Hon. Minister of Finance requesting his approval for the matter to be heard at the Federal High Court in view of the fact that IST was not yet constituted as at then.

The law firm of Rickey Tarfa & Co was instructed by the Commission to represent it and the firm filed several applications in defense of the Commission at the Federal High Court.

However, before the matter could be determined by the Court, the parties indicated interest to settle the matter out of Court. The terms of settlement between the parties had already been adopted by the Court and a notice of discontinuance of the action had also been filed consequent upon which the appeal was withdrawn.

The matter had finally been concluded.

## 7. **Manhattan Invest. Ltd Vs Co-op. Dev. Bank Plc & 2 Ors**

The matter came up in 1997 after the public offer of Cooperative Dev. Bank Plc (CDB Plc) in which Harvest Investment Ltd bought about N130 N150 million shares of the bank, which it subsequently sold to the Applicant, Manhattan Investment Ltd at the secondary market.

The then Board and Management of CDB Plc refused to recognise the acquisition by the applicant.

Consequently, some major shareholders of the bank including the government of Akwa Ibom State and the State's Cooperative Association complained to the Commission requesting it to investigate and annul the said transfer of shares.

While the complaint was being investigated by the Commission, the applicant instituted a suit at the Federal High Court, Lagos and sought its assistance to compel CDB Plc to recognise the transaction and to restrain SEC and NSI from giving effect to any transaction in the shares of CDB Plc.

The applicant also sought for an order of court to restrain the sitting of the APC in an apparent bid to protect its investment.

After reviewing the court processes relating to the matter that were served on the Commission, the Commission noted that there was no specific allegation leveled against it. The Commission was only joined as a nominal party for being the apex regulator of the capital market; hence its in-house lawyer was directed to watch brief and report back after every sitting.

The matter is still being heard and the Commission's lawyer is watching brief on behalf of the Commission.

## 8. **Suit No. FHC/ABJ/110/2002 SEC Vs Golden Guinea Breweries**

This matter was instituted by the Commission against the Directors of Golden Guinea Breweries Plc at the Federal High Court, Abuja. The action was aimed at thwarting whatever plans the Board of Directors of the company



had in undermining the authority of the Commission.

The Law firm of D. D. Dodo (SAN) & Co. was instructed by the Commission to represent it in the suit.

Hearing in the matter commenced in 2003 and is still going on. At the last hearing of the matter, the Court ordered Counsel on both sides to file written arguments.

The matter was subsequently adjourned to March 2006 for adoption of the written arguments of parties.

#### 9. **Suit No. CA/L/45/M/2004 SEC Vs Prof. A. B. Kasunmu**

This appeal arose as a result of the Commission's dissatisfaction with the judgment of Justice Dahiru Mustapha (then) of the Federal High Court, Lagos delivered on January 15, 2003 wherein the Hon. Judge held inter alia, the Commission has no right or power under the ISA 1999 to direct or insist that the 1<sup>st</sup> Respondent or any legal practitioner be accredited or registered with the Commission before participating as solicitor to a public issue. He further held that Rule 39 of SEC Rules and Regulations were invalid.

The Law firm handling the matter on behalf of the Commission, Punuka chambers, had already filed a Motion on Notice at the Court of Appeal, Lagos, seeking for an extension of time to enable it file appellant's brief. It also informed the Commission that it was still awaiting hearing notices on the matter from the Court of Appeal.

#### 10. **Lawrence Jegede Vs UBA Plc & 4 Others Suit No. FHC/L/CS/580/2005**

The suit was instituted at the Federal High Court, Lagos by the plaintiff, a shareholder of UBA Plc, the 1<sup>st</sup> Defendant, with the Commission joined as the 4<sup>th</sup> Defendant because of its regulatory oversight function on the Nigerian capital market.

The plaintiff was seeking the assistance of the court for a declaration that the financial statement of 31<sup>st</sup> March, 2000 - 30<sup>th</sup> September 2004 of UBA Plc, as contained in its proposed scheme of merger with STB, be

declared as inaccurate, reckless and fraudulent and could not be used in the proposed merger at the court-ordered meeting of the 1<sup>st</sup> & 2<sup>nd</sup> Defendants scheduled for July 6, 2005.

He also sought for an interim injunction to restrain the CBN, the 3<sup>rd</sup> Defendant, from approving the cooked-up accounts of the 1<sup>st</sup> Defendant's last financial year ended March 31, 2005 until the production of an honest, accurate and reasonable statement of accounts for the 3<sup>rd</sup> Defendant's necessary approval, and also for general damages against the 1<sup>st</sup> & 2<sup>nd</sup> Defendants.

The Commission reviewed the court processes served on it and found out that the Plaintiff did not have any specific claim established against the Commission, and therefore mandated an in-house lawyer to watch the brief on its behalf.

#### 11. **ALH. Umar Abba Gana Vs SEC - Suit No. FHC/ABJ/M/335/02**

The above matter was filed against the Commission by the Applicant before the Federal High Court, Abuja.

The Applicant sought for an order to prohibit the Commission from compelling him to appear before its Administrative Proceedings Committee that investigated the alleged concealment of debts owed by African Petroleum Plc while he was the Managing Director of the company.

After hearing arguments of counsel on all the issues raised, the Federal High Court gave judgment in his favour holding that the Respondents i.e. the Commission and the Attorney-General of the Federation were prohibited from compelling the appellant to appear before SEC's inquiry or investigation into the alleged concealment of the debt owed by AP Plc.

The Commission, after reviewing the judgment, felt that the Federal High Court had misunderstood the functions of the Commission and its powers under the ISA, hence the basis of its judgment. It therefore opined to appeal against the judgment at the Court of Appeal in order to set the records straight.



The firm of Paul Usoro & Co was instructed to file the Notice of Appeal at the Court of Appeal, Abuja and same had been served on the Respondent. Parties had also been summoned by the Federal High Court for the purposes of settlement of records for the appeal.

### **12. SIM LTD Vs City Securities Limited & Ors Suit No. FHC/L/CS/310/2005**

The above suit was instituted at the Federal High Court, Lagos by the Plaintiff, a limited liability company incorporated in Switzerland, which acquired 50percent of Giffenga A. G. Zurich who is also the holder of approximately 45percent of the issued shares in G. Cappa Plc and against whom bankruptcy proceedings was commenced in Zurich, Switzerland.

The Commission was joined as the 2<sup>nd</sup> defendant because of its oversight functions in the capital market.

The Plaintiff alleged that the defendant in collaboration with others, had fraudulently and illegally transferred 44 million worth of G. Cappa Plc shares without the notice of the trustee in bankruptcy, which was viewed as a takeover bid without complying with the requirements of Sections 104(1) and 105(1) of the ISA.

After reviewing the Writ of Summons and the Statement of Claim, the Commission discovered that even though it had been joined in the suit, there were no specific claims against it, apart from the injunction being sought to restrain the Commission from registering and recognizing the transfer of the shares of Giffengar A. G. in liquidation in G. Cappa Plc pending the determination of the suit.

The Commission therefore opined that since there was no cause of action against it, an in house lawyer would be instructed to watch the brief on its behalf.

### **13. Rodieem Investments & Property Co. Ltd & 10 Ors Vs SEC & Ors - Suit No. FHC/L/CS/022/2004**

The suit was instituted against the Commission and others for alleged failure of Union Bank Plc to pay dividend to the plaintiffs who are shareholders but are currently facing charges of fraud.

The Commission was of the opinion that it was not aware of the transaction and therefore ought not to be joined in the suit. The Commission therefore sought the Court to strike out its name from the suit and an order for the dismissal of the claim against it with N5 million cost against the plaintiff.

However, before ruling was given on the above relief sought by the Commission, Counsel to the Plaintiffs filed an application to strike out the name of the 11<sup>th</sup> Plaintiff, Mr. Emmanuel Nwude, from the suit.

By a letter dated July 21, 2005, Olisa Agbakoba & Associates, the Counsel representing the Commission informed it that the Court had dismissed the Plaintiff's application and ordered that the 11<sup>th</sup> Plaintiff was a necessary party to the suit.

### **14. 7Up Bottling Company Ltd Vs SEC & Ors FHC/L/CS/896/2002**

The APC of the Commission had earlier directed the plaintiff, 7up Bottling Co. Ltd, to restore to certain individuals, their shares that were wrongly transferred to other persons.

Dissatisfied with the orders, the Plaintiff instituted this suit at the Federal High Court, Lagos and sought that the directive by the Commission be declared null and void and that the shares of the Plaintiff belonged to the members of the company.

The Commission challenged the application on the ground that the action was an abuse of Court process, being not properly instituted.

At its sitting of July 5, 2005, the Court ruled that the suit being one challenging the decision of an Administrative Committee of a government agency, was not properly instituted as the proper process should have been by an originating application for a judicial review for an order of certiorari.

The action was therefore held to be incompetent and was subsequently dismissed in favour of the Commission, thus bringing the case to an end.

## 15. Richmond Securities Ltd Vs NSE, SEC & Anor

The Commission was joined in the above suit as the 2<sup>nd</sup> Defendant because of its regulatory role in the capital market.

After reviewing the Plaintiffs statement of claim the Commission was of the opinion that there was neither a cause of action against it nor was it a necessary or desirable party to the suit.

The Commission had filed and argued a motion to strike out its name from the suit.

## 16. Suit No. IST/APP/03/2004 - Molten Trust Ltd & Ors Vs SEC

Molten Trust Ltd and Mr. M. O. Oduwole were found liable for engaging in acts capable of adversely affecting the investing public's image and confidence in the capital market by the APC of the Commission, and were subsequently suspended from all capital market activities.

The company felt dissatisfied with the decision of the APC and appealed to the Investments & Securities Tribunal (IST). The Tribunal ruled in favour of the Commission.

Further dissatisfied with the decision of the IST, the appellants filed a Notice of Appeal at the Court of Appeal against the decision of the IST.

However, before the Court of Appeal could decide on the matter Mr. M. O. Oduwole applied to the Commission for clemency and for a review of his case.

While reviewing his appeal for clemency, the Commission advised the appellant to discontinue his appeal against the Commission before consideration would be given to his request.

Consequent upon the above, the appellant filed a Notice of Discontinuance of the case at the Court of Appeal, hence bringing the matter to a conclusion.

## 17. Navimor International SP.Z.O.O. & Anor Vs The Federal Govt. of Nigeria & 6 Others - Suit No. FHC/L/SC/292/2003

The Commission had received a Motion on Notice in respect of the above suit filed at the

Federal High Court, Lagos by Navimor International S.P. Z.O.O. and Navimor Consortium against the Federal Government of Nigeria and 6 others.

There are 5 third party Respondents in the matter who have already been put on notice. The Commission is the 1<sup>st</sup> third party Respondent in the matter.

The Commission had reviewed the Motion on Notice, the Affidavit in support of the motion and the various exhibits in support of the application; and advised that issues raised in the motion paper directly challenged the functions of the Commission and therefore needed to be defended.

Consequently, the Commission approved the Law firm of M. S. Abbas & Co. to defend it. Hearing in the matter is yet to commence.

## 18. Samuel Osigwe & Ors Vs BPE & 15 Ors - Suit No. CA/A/137/2004

The Commission had been served with a Motion on Notice and a Brief of Argument dated July 13, 2005 filed at the Court of Appeal Abuja on behalf of the 2<sup>nd</sup>, 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> and 11<sup>th</sup> 15<sup>th</sup> Respondents by the Law firm of Kenneth Etim & Co.

The Respondents were contesting the decision of the Investments & Securities Tribunal (IST) which struck out their names as necessary parties to the proceedings instituted thereat, by the appellants, for and on behalf of himself and members of the class he allegedly represents.

The Motion on Notice and the Brief of Arguments had earlier been reviewed and the Commission was advised that it should not enter appearance because it had nothing to lose if the appeal succeeded or not.

## 19. Suit No. LD/572/2005 - Globe Motors Holding Ltd Vs Access Bank Plc AND Access Bank Plc Vs Globe Motors & 2ors Suit No. FHC/L/CS/801/2005

The Commission had received copies of two letters evidencing correspondence between the Law firms of Messrs G. C. Anyafulu & Associates and Oluwakemi Balogun & Co., both Counsel representing the above mentioned parties in the above named suits.



After reviewing the contents of the letters, the Commission advised that it was neither a necessary nor nominal party to the suits, and that the letters be kept in view, pending when the Commission is properly joined in the suit.

## 20. Blue Chip Acquisition & Investment Co. Vs SEC & 5 Others

Blue Chip Acquisition and Investment Co. Ltd had filed an action at the IST, Abuja against SEC and 4 Ors as Respondents.

The Commission was joined for refusal to investigate the alleged wrongful acts of Zenith Bank, IBTC Ltd, FBN Ltd and First Registrars Nig. Ltd (hereinafter referred to as market operators) which was in violation of Sections 83, 86, 87, 96 and 252 of the ISA and the Rules and Regulations made thereunder.

The Appellant sought among other reliefs, for an order compelling the Commission to investigate and sanction the operators.

After a review of the Court processes by the Commission, the firm of M. K. Ilibi was instructed to represent the Commission. In compliance with the Commission's instruction, the law firm had filed a preliminary objection on behalf of the Commission hinging its objection on lack of a cause of action against the Commission.

The preliminary objection was moved on September 29, 2005 and the matter was subsequently adjourned to October 13, 2005 for further hearing.

The preliminary objection was dismissed and the Court held that the Commission should investigate the 2<sup>nd</sup> and 5<sup>th</sup> Respondents for alleged violation of the ISA.

The Commission is awaiting the receipt of the Certified True Copy of the judgment from Counsel representing it, to enable it decide on the next line of action.

## 21. Daily Times of Nigeria Plc Vs Hallmark Bank Plc & 8 Ors

The Commission was joined in this case as the 4<sup>th</sup> defendant. The Plaintiff's claim against the Commission was that it failed to stop the Directors of the 1<sup>st</sup> defendant from mismanaging the affairs and assets of Daily

Times Plc, a company that was acquired by the 2<sup>nd</sup> Plaintiff, Folio Communications Ltd, with a loan of N750 million obtained from Hallmark Bank Plc.

Two other similar suits against the same parties on the same facts had been instituted by the plaintiff before Abuja and Lagos Federal High Courts.

Based on the multiple suits instituted by the plaintiffs against the Commission, Counsel representing the Commission filed a preliminary objection contending that the attitude of the plaintiffs amounted to an abuse of Court process and prayed the tribunal to strike out the suit.

On October 27, 2005, the tribunal sat and struck out the matter hence bringing the matter at the IST to a conclusion. Meanwhile, the suit instituted at the Federal High Court is still subsisting.

## 22. Muftau Ajayi Vs SEC

The Federal High Court Abuja upheld the submission made by Counsel to the Commission, and delivered its ruling to the effect that it (the court) had no jurisdiction over the matter and the Court thereafter transferred the matter to the Investments and Securities Tribunal (IST). However, the plaintiff had filed a notice of appeal at the Court of Appeal challenging the Federal High Court's ruling in the matter.

## 23. Sammy O. Olagbaju Vs Christlieb Plc & Ors - FHC/L/CS/1206/2002

The Commission was joined in the above named suit because of its regulatory role in the Nigerian capital market.

Hearing in the suit was earlier fixed for Wednesday, December 7, 2005 before Justice Abdul Kafarati of the Federal High Court, Lagos, but the Court did not sit. The matter was, however, adjourned to January 18, 2006 for further hearing.

## 24. Alh. Zubairu Moh'd & Ors Vs Inland Bank & Anor - Suit No. IST/OA/07/2005

The above suit arose from an order granted by the IST directing that the Commission and the LFCC be joined as 3<sup>rd</sup> and 4<sup>th</sup> Respondents respectively.

The Commission was joined as a necessary party to the suit at the instance of the Respondents with a view to assisting the tribunal in arriving at a just and fair decision against the Applicants, who were being investigated by the EFCC for money laundering.

The Commission had reviewed the Court processes served on it and was of the opinion that there was no real cause of action against it, but was primarily joined because of its regulatory oversight of the Nigerian capital market.

However, since there were fundamental issues involved that would require the Commission's comments regarding the investigation and since the tribunal had ordered that the Commission be joined, an external Solicitor was appointed to represent the Commission at the IST.

## **25. Major General Shuwa (Rtd) & Anor Vs IMB International Bank Plc & Ors**

The plaintiffs filed the above suit against IMB International Bank Plc's directors and sought for both declaratory and restrictive injunctions against them. The Commission was joined as a defendant because of its regulatory role in the capital market.

At a stage, the Commission was served with a Notice of Consequence of disobedience to order of Court, which directed parties to maintain status quo antebellum in the matter. Since then the Commission had complied with the order, but recently, Counsel to the Commission wrote informing it that IMB had commenced negotiation for merger with Hallmark Bank Plc.

The letter was reviewed and the Commission would be wary of the subsisting court order of approving any merger or acquisition agreement involving IMB International Bank pending the determination of the above suit.

## **2. BOARD ACTIVITIES/SECRETARIAT SERVICES**

During the period under review the Board of the Commission was inaugurated by the Minister of Finance on the 15<sup>th</sup> of November 2005. The Board had its inaugural meeting on the 16<sup>th</sup> of November 2005 and subsequently had its 18<sup>th</sup> Board meeting on the 30<sup>th</sup> of November 2005.

Board Committees were duly reconstituted and repositioned to effectively assist in carrying out the Commission's mandate.



*Vision Statement*

To be  
Africa's Leading  
Capital Market Regulator

*Mission Statement*

To Develop and Regulate  
a Capital Market that is  
Dynamic, Fair, Transparent  
and Efficient to contribute  
to the Nation's  
Economic Development



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