



THE NIGERIAN **CAPITAL MARKET** **MASTER PLAN**

2015-2025

FOREWORD BY THE DIRECTOR GENERAL, SEC NIGERIA

Nigeria, Africa's largest economy and most populous nation, has been undergoing a structural transformation characterized by robust growth and an increasingly diversified economic base. Our country is well on course to becoming one of the world's largest and most important economies provided challenges of infrastructure deficit and inclusion continue to be addressed effectively. The development of world class capital markets will be a critical success factor in the quest to actualize the dream of a peaceful and prosperous Nigeria for all citizens.

Within the last ten years, the Nigerian capital market has grown seven fold, the bond market has emerged as another veritable source of medium to long term finance and collective investment schemes increased by over 400 percent. The Securities and Exchange Commission (SEC) has been leading the market's transformation by building investor confidence through world class regulation and enforcement, strengthening market institutions, promoting corporate governance, supporting innovative technology and prioritizing cooperation both domestically and internationally. In addition, the reforms have improved market liquidity, introduced alternative trading platforms and created an enabling environment supportive of new products like Securities Lending, Market Making, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs) and Sukuk.

Notwithstanding the remarkable progress the Nigerian capital market has achieved so far, we are not where we should be and to get there a lot remains to be done. This informed our decision to leverage the cooperation and alignment we have achieved within the capital market to develop strategy documents that will guide the development of our capital market to where we want it to be. This approach is in line with global best practice as remarkable successes of long term planning from peer countries like Malaysia, Brazil and India have shown. The reports contained in this publication articulate the journey our capital market will embark upon for the next 10 years (from 2015 to 2025) covering three areas: the overall capital market, non-interest financial products and capital market literacy.

Without any master plan in place, we have been able to grow our stock market by a cumulative annual growth rate (CAGR) of 21.52 percent over the last 10 years. I have no doubt, that with faithful implementation of these Master plans our market will eventually emerge as one of the world's deepest, most liquid and largest capital market that will not only contribute to the socioeconomic development of Nigeria but will serve as a global financial hub offering opportunities into other parts of Africa. There is a lot of room for growth and Nigeria certainly has all the potential to achieve this great feat.

As we formally present this painstaking work to the public, my most profound appreciation goes to the capital market community for aligning with our vision, especially to the Sponsors, Chairpersons and members of the committees for their commendable efforts in putting the plans together. I enjoin every Nigerian to get involved in the historic movement to build the world class capital market that will enable our country actualize her fullest potential and attain the socioeconomic upliftment we all desire.

Thank you.

Arunma Oteh,

Director General, Securities and Exchange Commission (SEC)

PART A

NIGERIAN CAPITAL MARKET MASTER PLAN 2015-2025

"Movement to build the world class capital market that will enable our country actualize her fullest potential and attain the socioeconomic upliftment we all desire."

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Director General, Securities and Exchange Commission (SEC).

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THE CAPITAL MARKET MASTER PLAN

EXECUTIVE SUMMARY

In recognizing the strategic role the nation's capital market must play to align with the nation's economic vision, the Capital Market Master Plan Committee was inaugurated by the Director General of the SEC on the 9th of September 2013.

A 25-man Committee chaired by Mr. Adedotun Sulemian (MFR) was charged with the responsibility of formulating the 10-year Capital Market Master Plan (2015-2025) under the following terms of reference:

- Review the implementation progress of "Nigeria's Capital Market: Making World Class Potential a Reality" and outline milestones yet unachieved.
- Conduct a holistic review of peer emerging markets with a view to articulating the requisite element, size and structure of a capital market that will enhance the global competitiveness of the Nigerian capital market and catalyze Nigeria's potential to become the largest economy in Africa within the focused period.
- Examine successful growth strategies in other jurisdictions and articulate a development strategy for the Nigerian capital market covering key areas such as investor protection and education, professionalism, product innovation and expansion of the role of the capital market in economic development.
- Consider relevant factors that impact market growth and develop a strategy for robust governance for improved efficiency, transparency and enhancement of market stability.
- Make necessary recommendations with clear and actionable quarterly and annual milestones that will lead to a world-class capital market, which supports an inclusive economy and improves the living standard of Nigerians.

With these terms of reference in mind, the committee undertook a comprehensive review of the critical elements of the Nigerian Capital Market, through an extensive research process, industry-wide consultation, and a comparative assessment of benchmark economies (Brazil, South Africa, Malaysia and India).

ISSUES AND CHALLENGES

The Committee identified and classified issues under four (4) main transformation themes: **contribution to national economy, market structure, competitiveness and regulation and oversight.**

Among the tools required in the march towards achieving the objective, the committee after several meetings, identified a vision, objectives, goals, initiatives and programs with a road map for the future.

The vision **"To be Africa's most modern, efficient and internationally competitive capital market that**

catalyzes Nigeria's emergence as a top 20 global economy" has 104 strategic initiatives to be undertaken under the four (4) main transformation themes.

An implementation plan has been recommended, whereby it is proposed that a board or council be established under the chairmanship of the Director General of the SEC. This should be complimented with working technical sub-committees created to drive each defined strategic initiative proposed in the plan within the stipulated timelines.

Key Stakeholder involvement is also considered necessary towards the successful execution of the Master Plan. The buy-in of the Presidency, the Economic Management Team and the drivers/key stakeholders of the FSS2020 plan is considered a critical success factor of the implementation process.

The implementation plan, timelines and governance is provided in appendix 1 to the master plan.

CHAPTER 1

INTRODUCTION

1.1 Macro-economic Overview

Nigeria has, in the past decade, risen to the challenge of living up to its moniker – the Giant of Africa.

Nigeria is Africa's most populous country with a population estimate of 170 million as of 2013, a 268% increase over the estimated 45.2 million people in 1960 when Nigeria gained independence. Nigeria accounts for about 2.5% of the entire earth's population - 1 in every 43 people in the world is a Nigerian, as is 1 in every 6 Africans.

Chart 1: Nigeria population history and projections

Population History

Year	Population	Change
1950	37,860,000	N/A%
1960	45,212,000	19.42%
1970	56,132,000	24.15%
1980	73,698,000	31.29%
1990	95,617,000	29.74%
2000	122,877,000	28.51%
2010	159,708,000	29.97%

Population Projections

Year	Population	Change
2020	212,101,000	32.81%
2030	286,392,000	35.03%
2040	393,907,000	37.54%
2050	549,756,000	39.56%
2060	776,370,000	41.22%
2070	1,106,845,000	42.57%
2080	1,587,536,000	43.43%
2090	2,284,501,000	43.90%
2100	3,293,503,000	44.17%

Source: United Nations

Population Data via [United Nations](#)

More recently however, and following the successful rebasing of the nation's Gross Domestic Product (GDP), Nigeria is also now Africa's largest economy⁴ and the world's 26th with a GDP of N80 trillion (US\$510)

⁴ Nigeria rebased its GDP from 1990 to 2010. (Source: Nigerian Bureau of Statistics) billion), 89% larger than the N42 trillion (US\$270 billion) previously reported.

Chart 2: Countries with the highest GDP (2012 GDP in current US\$)



Source: Nigerian Bureau of Statistics (NBS)

In addition, there has been a significant shift in the structure of the contribution to GDP, indicating that the country has evolved from a pastoral economy to a service economy, with services accounting for 51.89% of economic activities.

Chart 3: Sectoral share of GDP (2010 – 2013 in N'm)

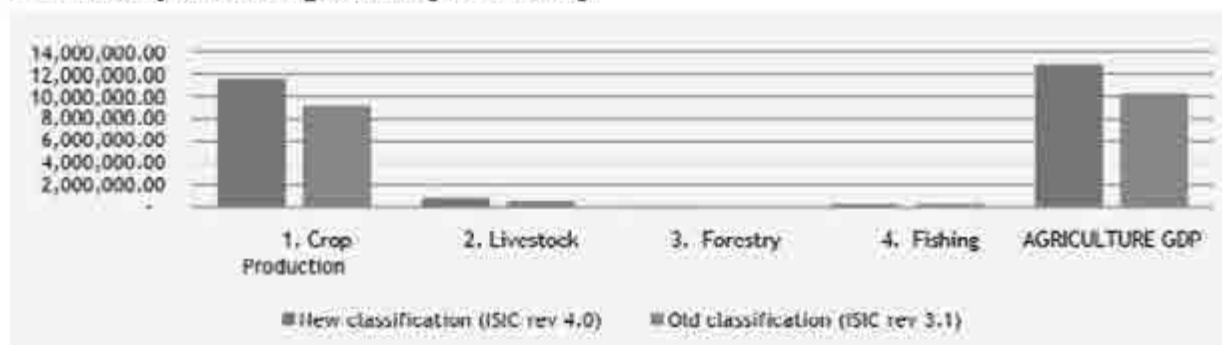
	NEW SERIES (N'm)			
	2010	2011	2012	2013f
Agriculture	12,988,809.19	14,421,928.95	15,918,631.70	17,625,142.90
Industry	13,992,438.93	17,615,537.36	19,024,322.24	20,671,951.45
Services	27,223,547.01	31,221,112.69	36,243,580.95	41,925,033.96
Total Nominal GDP	54,204,795.12	63,258,579.00	71,186,534.89	80,222,128.32

Source: Nigerian Bureau of Statistics (NBS)

Some of these new areas of growth include previously underestimated economic activities such as telecommunications and information services (11%), publishing, motion picture production, sound recording, music production and broadcasting – all industries that evolved and grew rapidly in the last 2 decades. The services sector grew 54% in 3 years from N27.2 trillion in 2010 to an estimated N41.9 trillion in 2013. At 16.4% of GDP, the trade sub-sector is now larger than oil production.

Agriculture is however still the largest contributor to Nigeria's GDP, contributing 21.97% to economic activities and rising 36% in just 3 years from N13.0 trillion in 2010 to an estimated N17.6 trillion in 2013. However, this comprises primarily of Crop Production at 21.5% of GDP – there is still very little activity in Livestock, Forestry and Fishing.

Chart 4: Composition of Agriculture (2013 in N'm)

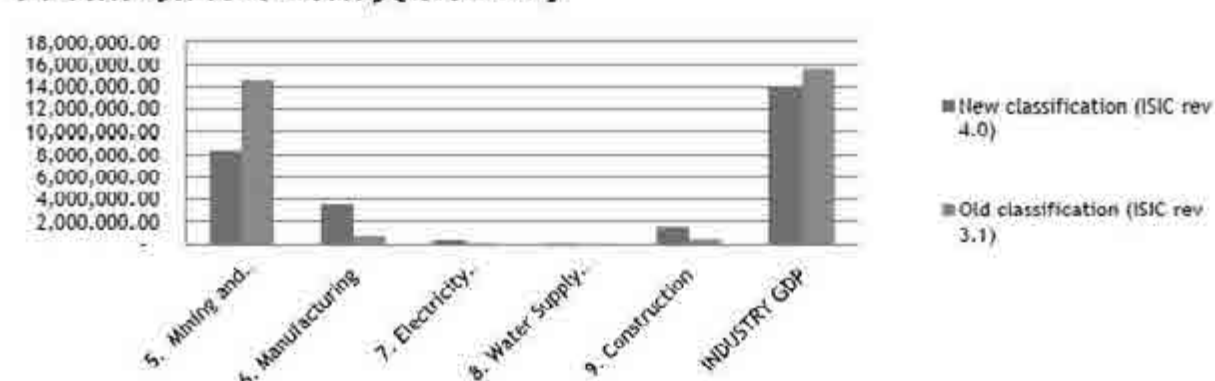


Source: Nigerian Bureau of Statistics (NBS)

The third largest sector is Mining and Quarrying which made up about 15.6% of GDP in 2013, of which Crude Oil and Gas contributed 14.4%. This is consistent with Nigeria being a resource extraction economy which it has been since the 1970s when exploitation of the abundant crude oil and gas resources commenced. Nigeria has the 10th largest oil reserves in the world, estimated at 37.2 billion barrels (2010 proven estimates) which are projected to last approximately 60 years. Nigeria also has the largest gas reserves on the African continent with proven gas reserves of 185 trillion cubic feet and additional reserves that could amount to as much as 882 trillion cubic feet, as well as various solid minerals including industrial solid minerals such as gypsum, limestone, kaolin, marble and phosphate; metallic minerals like iron ore, lead, zinc and minerals fuels such as coal.

However, the rest of the industrial sector trails Crude Oil and Gas production, with Manufacturing at 6.6% and Construction at 2.9%. Contributions from Electricity and Water Supply are practically negligible.

Chart 5: Composition of Industry (2013 in N'm)



Source: Nigerian Bureau of Statistics (NBS)

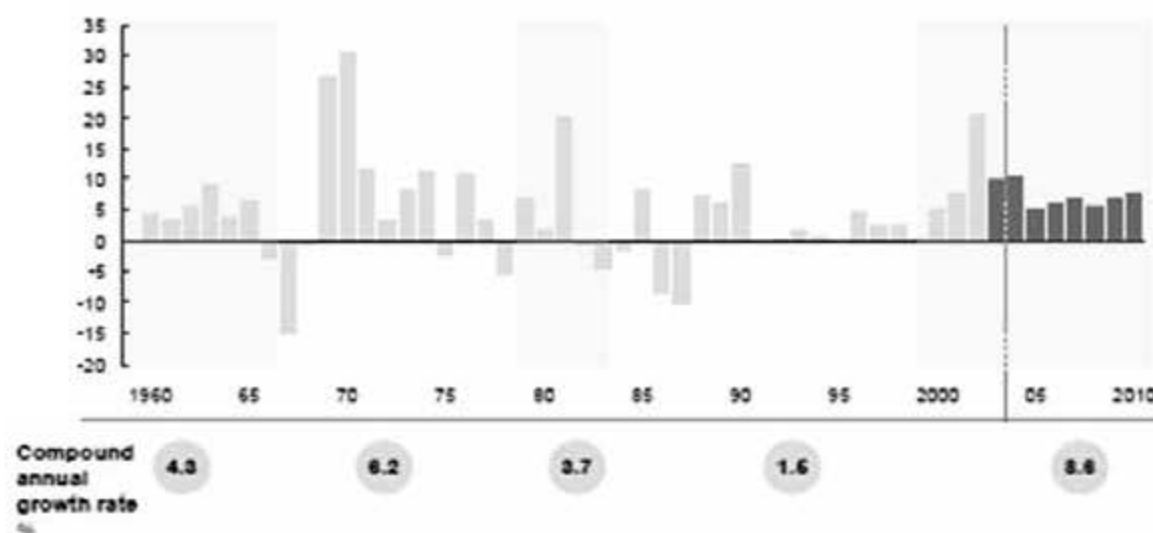
²This figure was 34.69% prior to the rebasing (Source: Nigerian Bureau of Statistics (NBS)).

Table 1: Sectoral GDP contribution (2013) and GDP growth rates (2010-13)

	Pre-rebasing contribution (\$'bn)	Rebased contribution (\$'bn)	Real CAGR (2010-13) %	Contribution to GDP growth 2010-13 %
Other services	10	40	8.1	8.7
Entertainment, music	-	7	23.1	3.7
Construction	4	16	14.6	7.2
Professional and technical services	1	16	5.4	2.6
Finance and Insurance	4	17	18.6	7.5
Public Administration	2	18	4.5	2.5
Manufacturing	5	35	13.0	14.3
Real Estate	12	41	6.9	8.2
Telecommunications and ICT	2	49	6.6	10.4
Resources	88	74	2.2	5.1
Trade	48	85	7.7	20.1
Agriculture	94	112	2.6	9.4
Total GDP	270	510		
% CAGR (2010 - 13):				
Nominal	7.7	13.8		
Real	7.0	6.4		
Source: International Monetary Fund (IMF), Nigerian Bureau of Statistics (NBS)				

Overall, real GDP growth has been very strong - averaging above 6-7% since 2004. This growth has not only consistently been one of the highest in the world across the same period, higher than the West African sub-regional average and far higher than the sub-Saharan Africa average, but has also been more stable than in previous periods. Indeed, compounded annual growth rate (CAGR) of GDP growth is 8.6% per annum from 1999 – 2010, compared with just 1.5% per annum between 1983 and 1999.

Chart 4: Nigeria real GDP growth (1960 – 2010)



Source: World Bank World Development Indicators

The growth performance of the economy continues to be underpinned by favourable improvements in the non-oil sector particularly in recent years, with real GDP growth of 5.4%, 8.3% and 7.8% in 2011, 2012 and 2013, respectively. Between 2011 and 2013, the non-oil sector annual growth averaged 7.1% with a peak of 8.3% in 2012 while the growth of the oil sector averaged 2% with a negative growth of -2.2% in 2012 although this significantly improved to 5.2% in 2013. The recent decline in export revenues has been mainly attributed to about a 10% fall in crude-oil and gas export earnings.

However, in spite of the good performance of the non-oil sector in terms of growth, its contribution to export earnings has been very small. The oil sector, despite its poor performance, contributed an estimated 96% to total export earnings in 2013. In contribution to fiscal revenue, however, things appear to be changing as the non-oil sector for the first time in decades contributed around 40% to fiscal revenues in the third quarter of 2013.

1.2 The Nigerian Financial Services Industry (FSI)

The Nigerian financial system is one of the largest in sub-Saharan Africa, consisting of a fairly diverse array of banking and non-bank financial institutions.

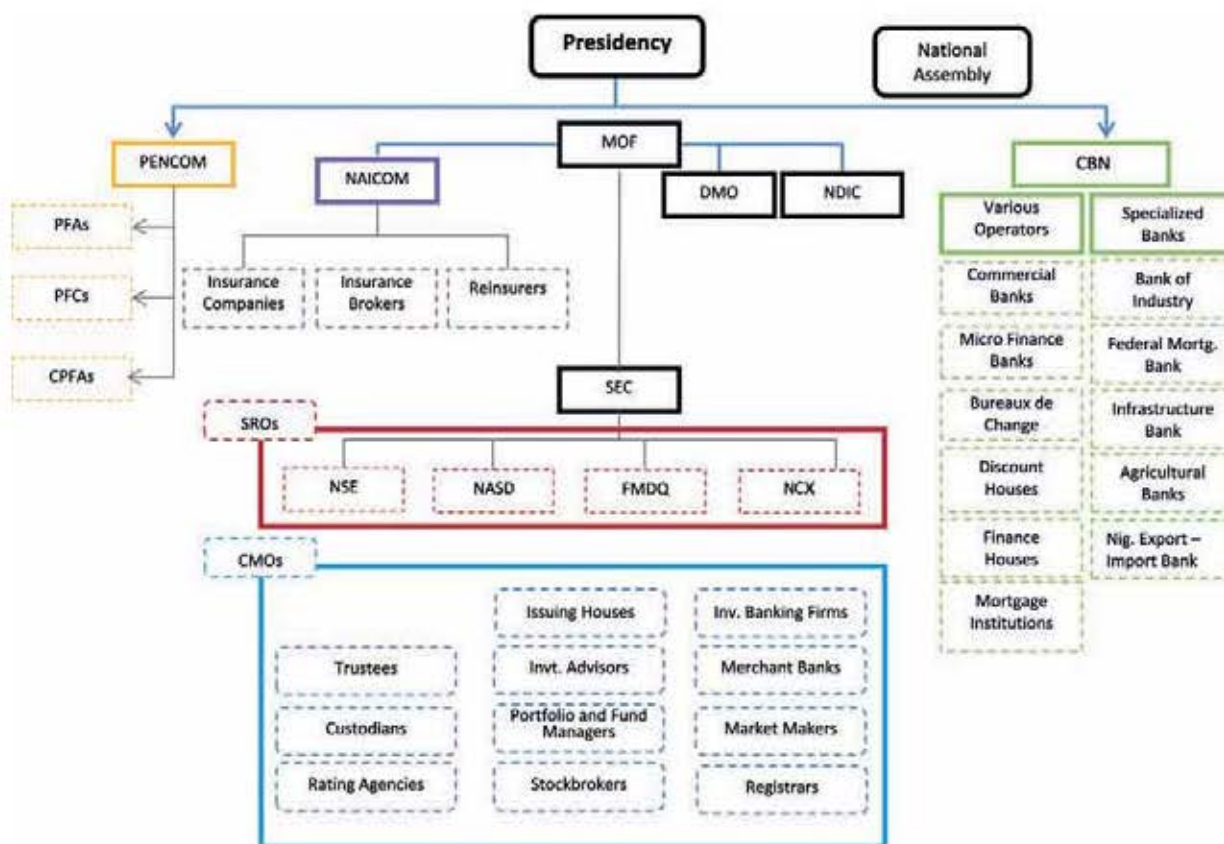
The system is regulated by several entities including the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), National Insurance Commission (NAICOM), Federal Mortgage Bank of Nigeria (FMBN) and National Pension Commission (PENCOM).

The banking sector is the largest component of the financial system and is driven primarily by the commercial banks which overwhelmingly dominate the financial sector (accounting for 93% of non-central bank assets).

Total assets of the financial system in 2011 stood at NGN 23.5 trillion. Eight (8) of the commercial banks account for about 75% of this sum. Traditional bank deposits represent the major forms of financial savings in the formal banking system.

The capital market is the second largest sub-sector within the financial services industry. Market capitalisation (equities) has been rising steadily to around NGN 13.23 trillion (US\$82.8 billion) at the end of 2013 from N9 trillion (US\$53 billion) in December 2012.

Chart 7: Overview of the Nigerian financial system



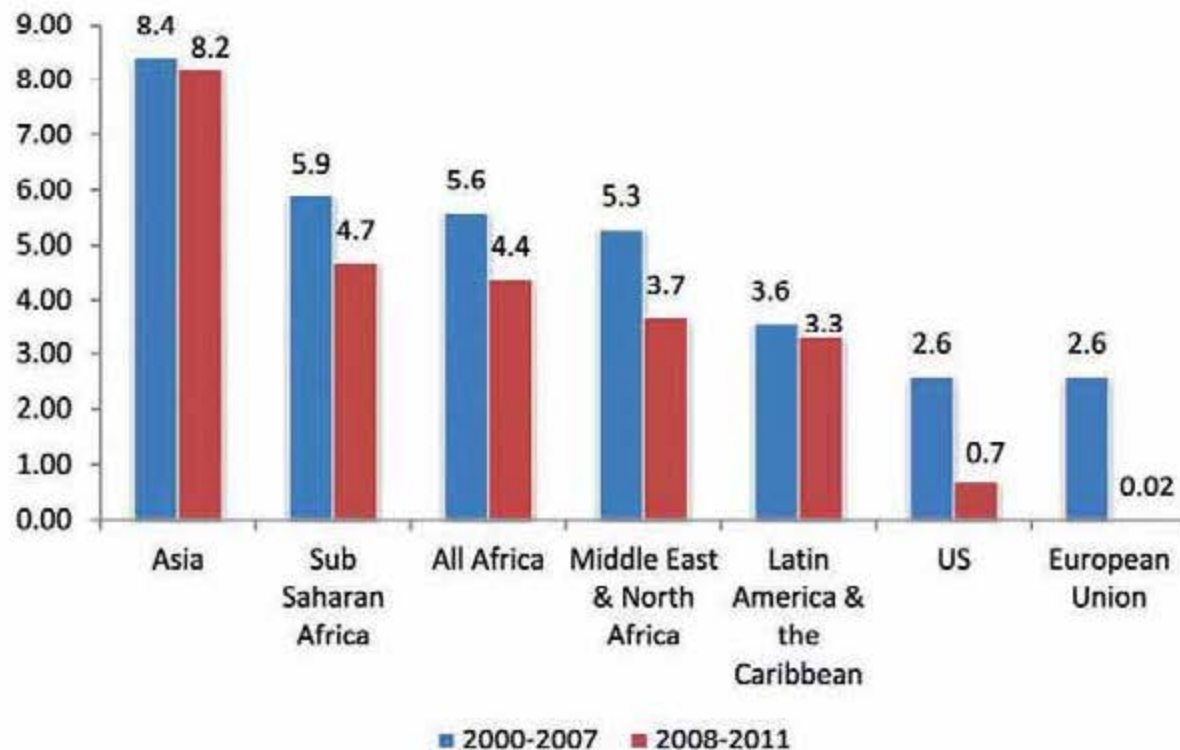
Other non-bank financial institutions, especially in the insurance and pensions sub-sectors, are growing but still have high potential for further growth. The contribution of insurance to GDP was about 1.5% in 2013 with Total Net Premium of N188.76 billion and Total Gross Premium of N258.4 billion, about 0.24% and 0.32% of GDP respectively.

The pension sub-sector has exhibited staggering growth in the stock of total pension funds, moving from a N2.6 trillion (US\$16.3 billion) deficit in 2004 to a N3.3 trillion (US\$19.3 billion) surplus in 2012, rising further to about N3.9 trillion (US\$23.2 billion) in 2013. Total pension funds are projected to reach US\$ 100 billion by 2020.

1.3 The Case for a broader Nigerian capital market

Africa, and in particular Sub-Saharan Africa (SSA), is among the fastest growing and most dynamic regions in the world. Since the start of the global financial crisis in 2008, Africa has maintained its growth trajectory and outperformed the developed world and many other developing regions.

Chart 3: Economic growth before and after the 2008/09 crisis



Source: IMF, WEO 2011

This trend shows great potential to be sustained over the medium to long term with the region expected to maintain a growth rate of above 5% over the coming decade. Indeed, the region's 54 countries, thousands of ethnic communities and languages, highly divergent economic, political and geographic environments and a varied set of growth drivers, portend greater investment opportunities than elsewhere in the world across varied sectors.

A number of the most significant markets on the continent turned a historic corner over the past two decades in terms of their politics and it is expected that the long-term trend towards greater political stability and peace, accountable leadership, improved governance, and predictable policymaking in Africa will continue, enhancing the already immense investment potential of the continent.

One of the major outcomes of the persistent and stable growth is the rising levels of individual and household disposable income across Sub-Saharan Africa. Of the 767 million people spread across the region in 2010, over three quarters lived below the formal poverty line – with monthly incomes below US\$100. By 2020, however,

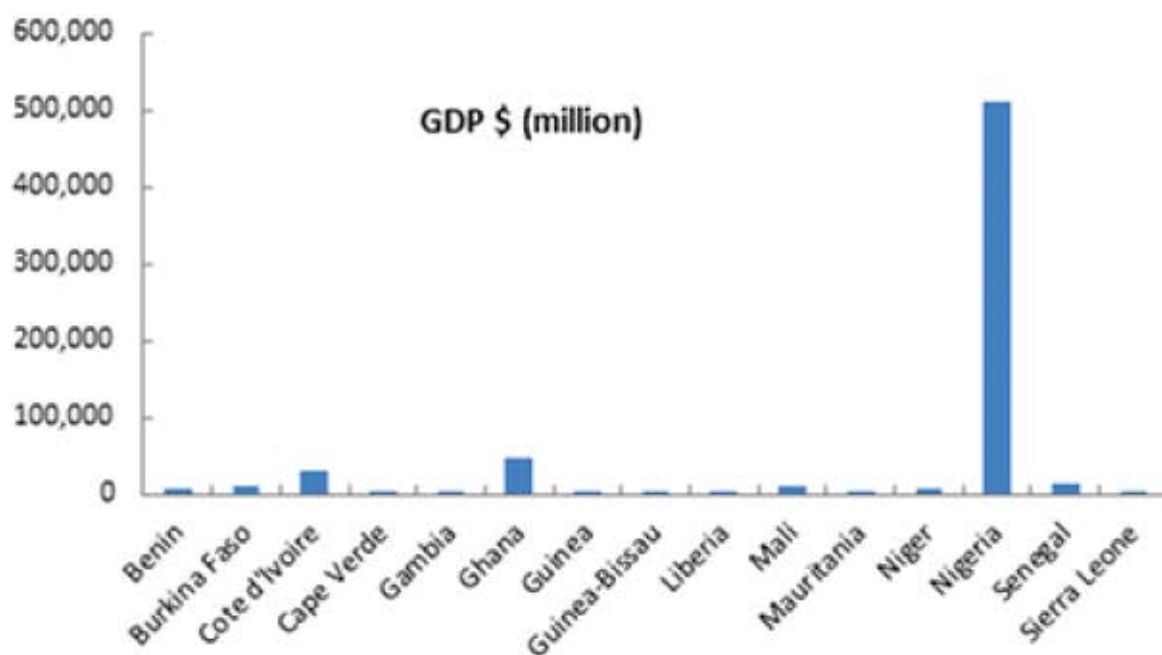
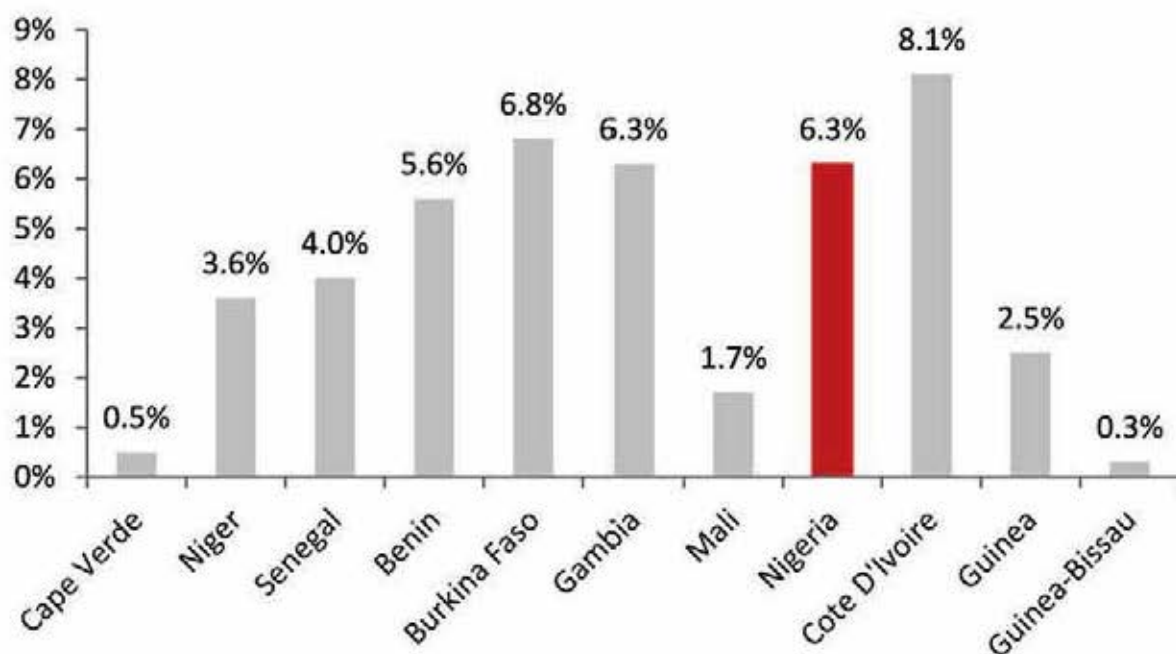
the region's collective population is expected to exceed 1 billion and the proportion of people living below US\$100 a month is expected to decrease to around 65% of the total population. By comparison, the proportion of people earning above US\$500 a month will more than double from 13 to 28 million and those earning above US\$250 a month will increase from 47 million to 96 million.

Rapid growth and poverty reduction is expected to lead to rising prosperity across the region and companies investing in Africa will experience rising levels of domestic demand and consumer spending, as an increasing number of individuals enter the modern economy. This will increase total consumer spending in the region by up to an estimated 6% in total spending between 2010 and 2020. More importantly from an investment perspective, the growth in discretionary spending is expected to rise even faster than total spending as households move away from spending all their income on subsistence items (such as basic food, housing and electricity), and are able to purchase durable consumer goods and services. Industries such as durable household goods, construction and building supplies, food and clothing, utilities, transport and financial services are therefore best positioned to gain from an increase in total consumer demand that is expected to grow at a rate of around 6% on average each year across Sub Saharan Africa. But more importantly for companies and investors looking to benefit from rising consumer demand on the continent, the growth in discretionary spending will be even faster, as an increasing number and share of African households move out of subsistence. Discretionary or non-essential spending by African households with monthly incomes above US\$250 is expected to increase at an average annual rate of between 7.12% and 9.95% from 2010 to 2020.

In this regard, Nigeria is one of the most attractive economies, given its sheer dominance in the region. The GDP of Nigeria is about 4 times that of the rest of the West African sub-region. The country is also one of the fastest growing, with an estimated 6.3% growth rate in 2013. Nigeria has the potential to continue expanding its economy rapidly and it is forecast to grow by up to 7.1% per year through 2030.

Nigeria therefore represents an attractive market for companies and investors and is expected to have a significant proportion of the population with discretionary spending power by 2020 – it is estimated that some 37 million people will earn more than US\$250 per month by 2020 making it a larger middle- and lower-middle class consumer market than South Africa.

Chart 9: GDP and GDP growth rates across the West African region (2013)

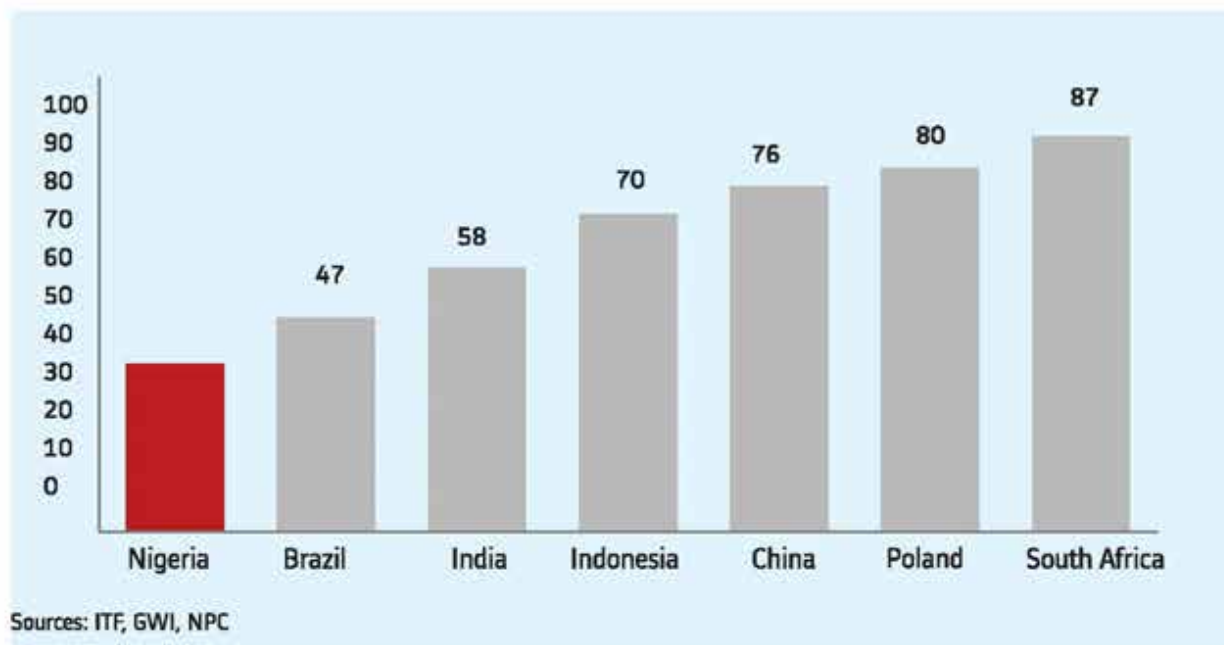


Source: CIA FactBook, Nigerian Bureau of Statistics (NBS)

In addition, having become the largest economy in Africa, the ambition of Nigeria goes beyond the borders of the continent to becoming one of the largest economies in the world. Indeed, this aspiration is embedded in the nation's strategy document – Vision 20:2020.

Vision 20:2020 is a long-term plan for stimulating Nigeria's economic growth and launching the country onto a path of sustained and rapid socio-economic development. Nigeria is expected to be among the top 20 economies in the world with a minimum GDP of N144 trillion (US\$900 billion) and a GDP per capita income of no less than N640,000 (US\$4,000) per annum by 2020. Vision 20:2020 is to be achieved via the implementation of the Transformation Agenda which is the medium term economic transformation agenda for realizing the Federal Government's economic growth agenda for 2011-2015. The priority areas of the Transformation Agenda have been defined as physical infrastructure, human capital development, governance and real sector development. The current stock of core infrastructure in Nigeria is estimated to be about 35- 40% of GDP, which remains way below the international benchmark of 70% of GDP. In addition, the low infrastructure stock that exists is not properly integrated. Productivity is held back as a result of this poor infrastructure, which increases the costs of doing business across Nigeria. The areas of infrastructure that require investment include energy (electric power, oil and gas), transportation (road, rail, water, urban and aviation), agriculture, water, mining, ICT (access and quality), housing and social infrastructure (education and health).

Chart 10:Infrastructure stock as a share of GDP (2012)



To close the existing gap and reach the desired optimal investment in infrastructure in line with international benchmarks, Nigeria must aggressively increase its core infrastructure stock. The target investment requirement has

requirement has been estimated to be as high as US\$2.9 trillion over the next 30 years if the country is to achieve the 70% target by the year 2043. Hence, an average of US\$14-25 billion per annum is required from 2014-2018 compared to the current US\$6-10 billion. A very clear inference that can be drawn is that budgetary allocations alone will be inadequate to meet the infrastructure requirements both at Federal and State levels. The move towards better infrastructure stock would require private sector sources of financing.

The Nigerian capital market therefore has a very relevant role to play in meeting the capital needs of the nation including mobilising and channelling medium to long-term investment funds which is critical to any country's growth and development, particularly for financing infrastructure. Major studies have shown that viable projects often collapsed due to the utilization of short-term funding, which is typically more expensive and certainly less stable, for long term projects. Socio-economic developmental projects and privatisation programmes can also greatly benefit, as can massive re-capitalisation programmes. The successful recapitalisation of the Nigerian banking sector is a prime example of the positive impact that the Nigerian capital market can have in transforming the nation.

A robust capital market correlates strongly with enhanced growth and economic stability and a broader market presents varied options to project and programme funding for both the private and public sectors in an economy while presenting a liquid platform for assets preservation.

A broader capital market that offers large and liquid equities would increase the competitiveness of the Nigerian capital market as a global investment destination. Increased representation of the Nigerian economic structure would imply stronger capacity to drive growth via the creation of established templates for companies to access long term capital that is suitable for their specific needs while creating an efficient metric for valuation and rating. At the core of the incentives for increased competitiveness and larger representation of economic growth drivers is the efficiency in capital market turnaround times, safety, protection and transparency.

³ Source: National Planning Commission; note that this figure was before the rebasing of the Nigerian Economy

1.4 Case study: Malaysian Capital Market Transformation Plan

Malaysia is a viable example of how proper planning can be used as a tool for change.

Malaysia embarked on its first Capital Market Master plan (CMP1) to guide the development of the Malaysian capital market from 2001 - 2010. The aim was to build a capital market that would be competitive in meeting the country's capital and investment needs and support long-term nation-building efforts.

The Malaysian CMP1 identified a total of 152 recommendations with strategic initiatives to strengthen fund-raising, promote the growth of the investment management industry, enhance market and intermediation competitiveness, provide a strong and facilitative regulatory regime and establish Malaysia as an international Islamic capital market centre.

By the end of 2010, 95% of the recommendations in CMP1 had been completed, with the establishment of a facilitative regime that promoted rapid industry growth and the building of a regulatory and institutional framework that provided investor protection at levels comparable with international jurisdictions.

Three of the main change themes proposed within the CMP1 are:

- **Moving from a Narrow to a broad capital market:** Prior to the formulation of CMP1, the Malaysian capital market was narrow, characterized mainly by equities and government debt securities; and infrastructure projects were largely funded by the banking system. However, after CMP1, the market experienced strong growth across market segments. The market for derivatives and investment management grew at phenomenal CAGRs of 19.8% and 21.2% respectively, twice as fast as equities and debt securities. Private debt securities also grew. The Islamic capital market quadrupled, with Malaysia pioneering and becoming a major global centre for innovation and intermediation of Shariah-compliant products such as the exchangeable sukuk, sovereign sukuk and Islamic REITs. Regulatory facilitation increased time-to-market efficiencies and promoted an expansion in the range of collective investment schemes such as real estate investment trusts (REITs), exchange-traded funds (ETFs), wholesale funds as well as the development of over-the-counter (OTC) and structured products
- **Diversification of sources of finance:** Since the implementation of CMP1, there have been structural changes in the channels of savings mobilisation and intermediation in Malaysia to address funding vulnerabilities. The sources of financing have been broadly diversified in tandem with the expansion of the Malaysian capital market. This has led to diversified funding, reduction in concentration and mismatch-risks and creation of an avenue for financing large-scale projects. The stock market was transformed into a well-established one providing equity financing to almost 1,000 PLCs and functioning as a growth platform for many small and mid-cap companies.
- **Strong regulatory framework:** Before the advent of CMP1, the Malaysian capital market employed a

prescriptive rules based approach. Since the formulation of CMP1, the market had shifted focus to the development of a Risk Based supervisory approach characterized by improved professional standards and capabilities which enabled a transition to a disclosure based regime, higher standards for disclosure, due diligence and accountability, requirement for intermediaries to upgrade internal controls, extensive surveillance and supervisory coverage, legislative change to broaden civil and administrative enforcement, strengthening of investor safety net, a comprehensive investor education blue print, risk based capital adequacy framework, ring fencing of customer assets and capital and a regulated framework for short selling. Malaysia's regulatory framework ranks highly for investor protection, corporate governance, anti-money laundering and enforcement. Malaysia is also viewed as providing the most consistent and comprehensive regulatory framework for Shariah compliance.

Source: Securities Commission Malaysia's Capital Market Masterplan April 2011

CHAPTER 2

MEETING THE CHALLENGES OF THE DECADE

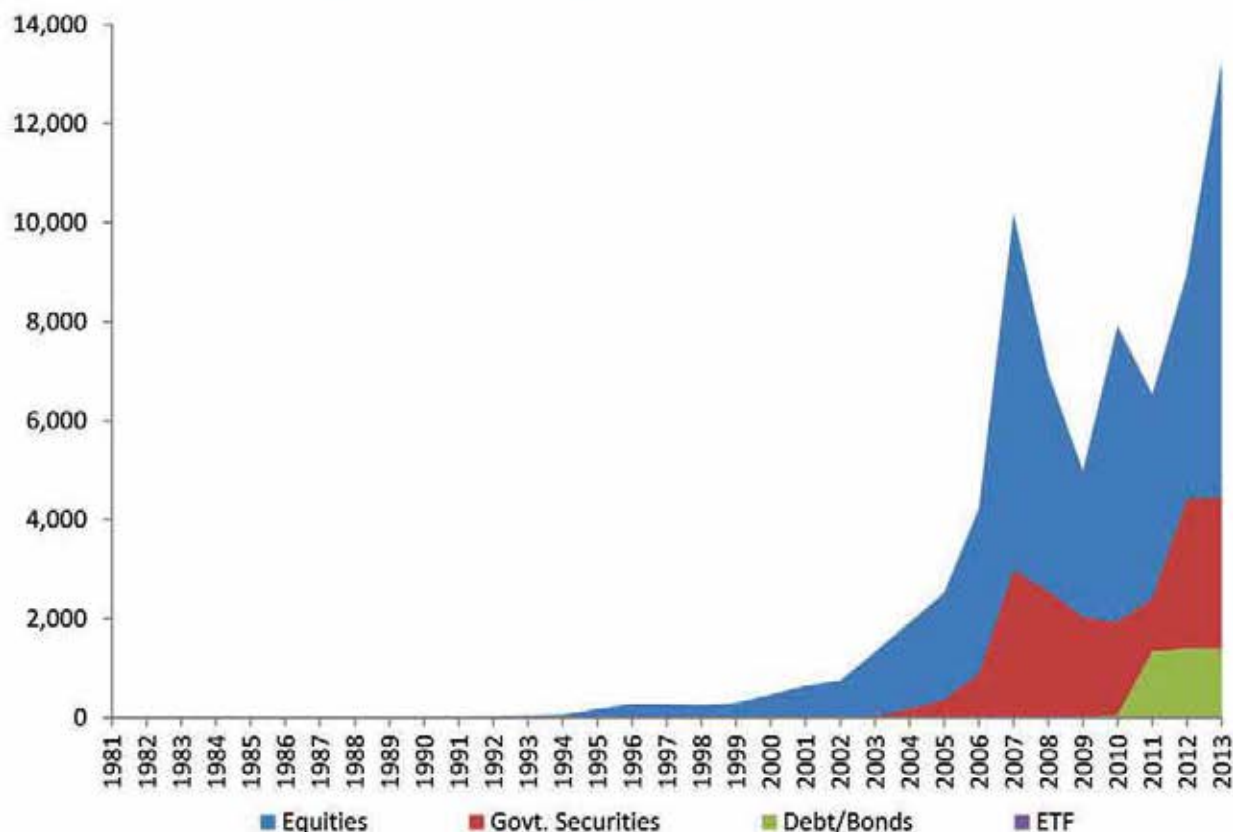
2.1 The Nigerian capital market: structure, performance and competitiveness

The Nigerian capital market is regulated by the Securities and Exchange Commission and comprises along side the 4 Self-Regulating Organisations or SROs. The Nigerian Stock Exchange (NSE), the Financial Market Dealers Quotation (FMDQ) and the National Association of Securities Dealers (NASD) over the counter exchanges and the Nigerian Commodities Exchange (NCX) – as well as various capital market operators. These operators include the Central Securities Clearing System (CSCS) which performs settlement, clearing and depository functions, 110 issuing houses, over 227 stockbrokers, 26 company registrars and 162 fund and portfolio managers⁴.

The Nigerian Stock Exchange (NSE) at US\$117 billion is currently ranked as one of the largest in Africa in terms of capitalization, albeit a distant second, behind the Johannesburg Stock Exchange (JSE) capitalised at US\$942 billion while ahead of the Egypt Stock Exchange (EGX) at US\$61 billion.

The Nigerian capital market has grown significantly since inception, at a CAGR of 28.4% over 32 years.

Chart 11: Growth of the Nigerian capital market from 1980-2013 (N'bn)

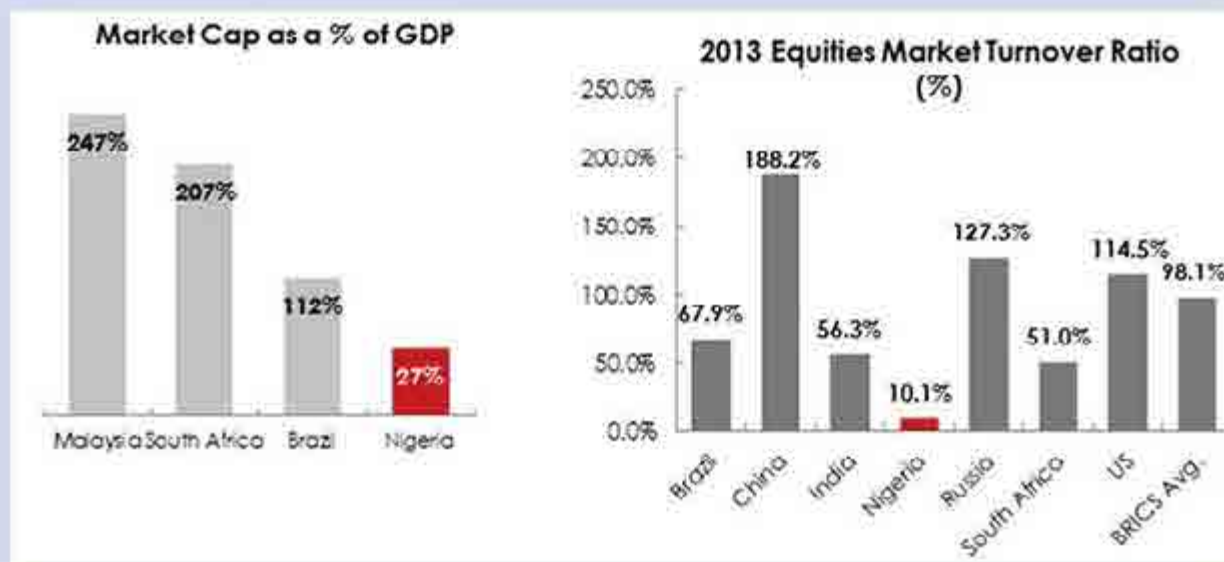


Source: The Central Bank of Nigeria (CBN)

*Source: Securities and Exchange Commission (SEC)

However, the overall size of the Nigerian capital market (measured by market capitalization) is extremely small relative to the size of the Nigerian economy when compared to South Africa and other benchmark economies. The market capitalization as a share of GDP in 2013 was about 27% of the Gross Domestic Product (GDP) compared to 247% for Malaysia, 207% for South Africa and 112% for Brazil.

Chart 12: Nigeria vs. benchmark countries capital market (2013)



Source: World Federation of Exchanges (WFE), World Bank, NSE

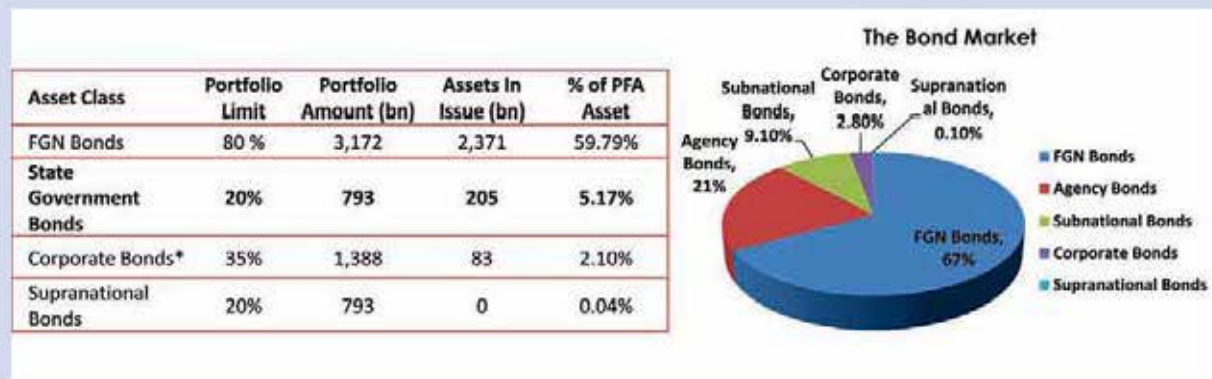
There were 202 listed companies on the Nigeria Stock Exchange, comprising of 190 on the Main Board, 10 on the Alternative Securities Market (ASEM) and 2 Exchange Traded Funds as at December 2013. Of these, only about 50 of the listed stocks are liquid. On the JSE, there were 375 which include 322 domestic companies and 53 foreign companies while the number of listed companies on the EGX was 236 comprising of 235 domestic companies and 1 foreign company.

In addition, the sectoral distribution of equities in number and size reflect a worrying detachment from the economic reality of the country as the major sectors driving the economy are not proportionally represented on the exchange.

The Nigerian capital market is also relatively shallow compared to its size. In breadth, the Nigerian capital market lists mainly traditional securities consisting of vanilla equities, bonds and money market securities and 2 listed Exchange Traded Funds (ETFs) while the Johannesburg Stock Exchange (JSE) offers products such as bonds, derivatives, equities, exchange traded products, and debt equity market, where as the Egyptian stock exchange trades on stocks, bonds, funds, structured products and ETFs. Furthermore, the biggest equities on the Nigeria Stock exchange in terms of market capitalisation would be classified as small cap stocks on many more developed Exchanges in the World making them highly illiquid for large global investments.

With regards to the bond market, the corporate segment of the market is significantly suboptimal compared to the relatively thriving sovereign segment. Of the 56 listed bonds, Federal Government Bonds make up 67% while Corporate Bonds make up only 2.8%.

Chart 15: Overview of the Nigerian Bond Market (December 2013)



Source: The Central Bank of Nigeria (CBN), Nigeria Stock Exchange (NSE)

From the foregoing therefore, we can surmise that the Nigerian capital market still lags behind global as well as some regional peers in many respects, thus supporting the premise that there is a very strong case for broadening and deepening the Nigerian capital market.

2.1 Current Position Assessment of the Nigerian capital market

For Nigeria to achieve its aspirations of being a top 20 economy by 2020, the Nigerian capital market must be well-positioned and properly structured to support the actualisation of this objective. This trend has been observed empirically in every developed economy, several advanced developing economies and indeed across the global economy. Global equity market capitalisation rose more than six-fold (6X) from US\$10.4 trillion (less than half nominal GDP in 1990) to US\$67.3 trillion (108.9% of global GDP by 2010). Strong markets are necessary for good economic growth.

- A comparative assessment of the Nigerian capital market was conducted using Malaysia as the identified benchmark country (alongside India, Brazil and South Africa) for the following reasons:
- Malaysia shares similar characteristics with Nigeria – great potential for transformational leadership within its region, a large strong population, natural resources and enormous potential for Islamic finance.
- In spite of the similarities between the two countries, Malaysia has in recent times moved far ahead of Nigeria and there now are significant gaps in the economic and capital market metrics of the two countries which shows Nigeria's growth potential
- Malaysia successfully formulated and implemented two sequential capital market master plans that led to the transformation of its capital market and economy.

A review of the market revealed the following issues and challenges facing the Nigerian capital market today under four (4) main themes:

- Contribution to the national economy
- Market structure
- Competitiveness
- Regulation and oversight

2.2.1 Contribution to the national economy

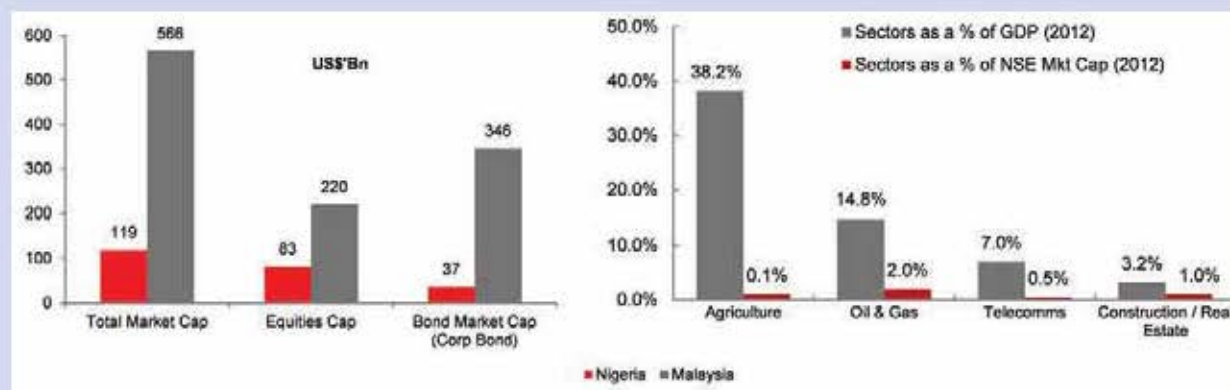
It is pivotal to provide a strategic and actionable blueprint for the transformation of the Nigerian capital market in order to preserve and boost its role as the driver of sustainable real sector economic development in Nigeria. This is especially crucial given the correlation between market capitalization (and by extension its growth) and GDP growth.

The main issues identified were:

Market Size

At about 27% to the GDP of the country, the current size of the capital market limits its relevance and role in national economic development. Comparatively, the average size of the capital markets of peer economies relative to GDP is 132%. The Nigerian capital market is not well-positioned and does not have the scale to be relevant in some of the key sectors identified as critical for economic development – particularly infrastructure, power and real estate. It is illustrative that the capital market did not play a prominent role in the financing of the US\$2.52 billion recent privatization of the power sector, although one of the requirements of the power privatization process is that buyers were required to commit to float the companies that they acquired, on the stock exchange, within 5 years post- acquisition. This shows that there is great potential to be realised for the capital market.

Chart 14: Capital market sectoral components and size relative to GDP (2013)



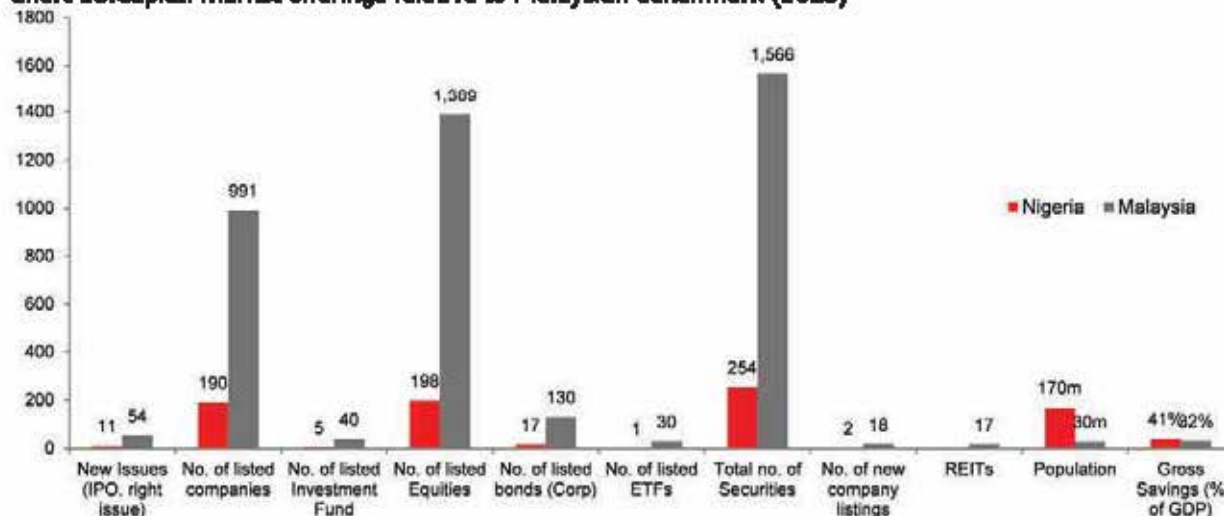
Source: World Federation of Exchanges (WEF), World Bank, NSE

There is also disproportionate representation of the key sectors of the economy - oil and gas, telecommunications and agriculture on the various exchanges.

Product Offerings

There is a low level of diversity and sophistication of the products in the Nigerian capital market. Asset classes that are available for trade are predominantly limited to equities and very recently, to bonds and ETFs, even with the recent introduction of the 2 new over the counter (OTC) exchanges i.e. FMDQ and NASD. Over 70% of the capital market activities for the private sector are concentrated in the equities segment of the market.

Chart 15: Capital market offerings relative to Malaysian benchmark (2013)



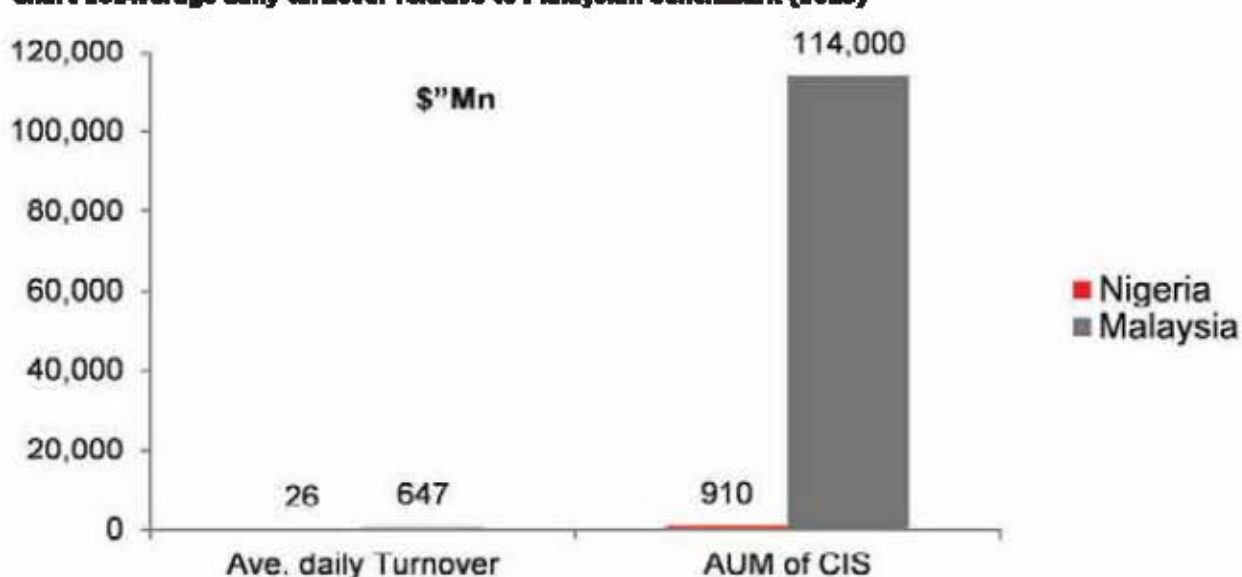
Source: World Federation of Exchanges (WEF), World Bank, NSE

The absence of more sophisticated products such as forwards, futures, commodities derivatives and other variants reduces the ability of the market to diversify investments and also impedes desired economic functions such as risk management, price discovery and transactional efficiency.

Liquidity

The Nigerian capital market enjoys very limited liquidity compared to its peers. The average daily trading volume is about US\$26 million and the turnover rate for the equities market is 10.1% compared to US\$647 million and 107.6% for Malaysia. The value of assets under management (AUM) for Nigeria is also far less than that of Malaysia – about US\$910 million compared to US\$114 billion.

Chart 16: Average daily turnover relative to Malaysian benchmark (2013)



Source: World Federation of Exchanges (WEF), World Bank, NSE

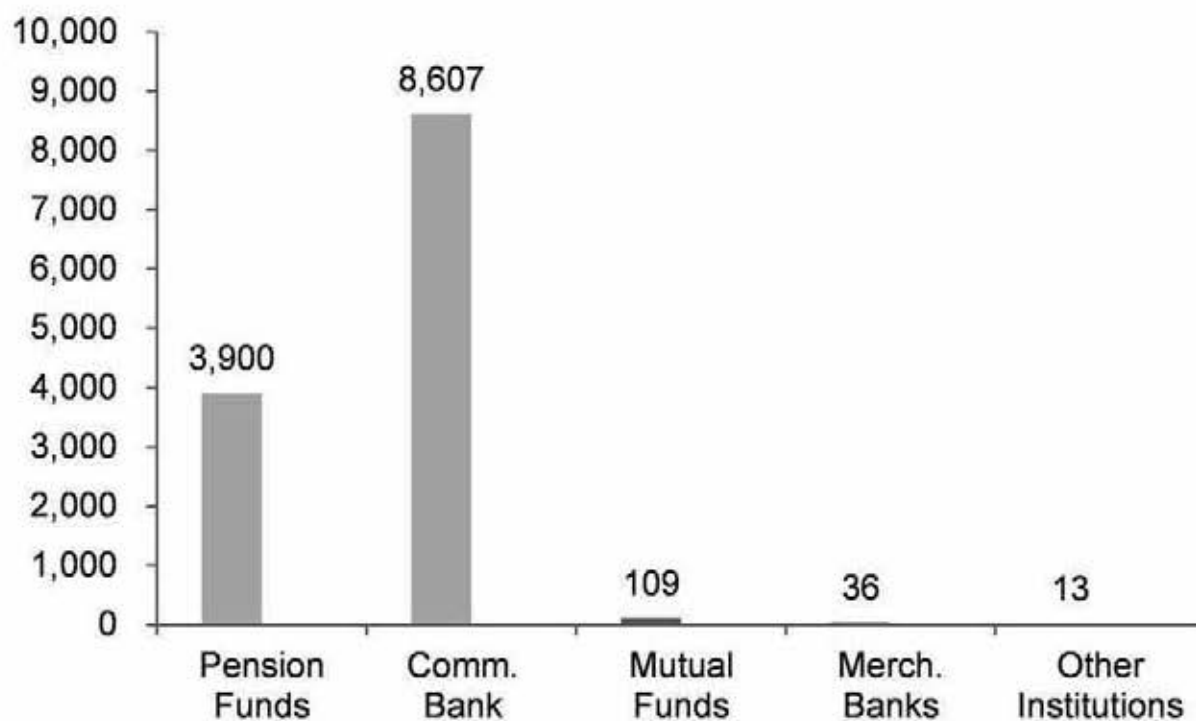
National Savings Strategy

There is no national strategy (regulation and incentives) for driving long term savings and investments. As a result, the national gross savings rate is low – 10.79% of GDP as at December 2013. In Malaysia, the national gross savings rate to GDP was about 32% while the average for the world was 18.95% as at the same period.

Banking sector dominance of the Financial Services Industry

Banks are the primary repository of savings in the country and bank deposits remain viable investment outlets for both retail and institutional investors in Nigeria. This has occurred for several reasons including relative ease of access to banks and bank funding, deeper relationships between the banks and customers and better industry knowledge of banking by the general populace than most other financial institutions. Commercial banks hold 68% of the pool of investible funds (savings + pension funds). Similarly, cumulative bank loans to the private sector totaled N6.5 trillion in 2013 while the bond market capitalization (excluding Federal Government bonds) was only N2.05 trillion.

Chart 17: National savings 2013 (N'bn)



Source: Central Bank of Nigeria (CBN)

Opportunities for utilizing pension funds limited by current regulations

There are structural challenges and regulatory constraints that limit access to pension funds which constitute a significant portion of the long term investable funds in the economy e.g. the inability of pension administrators to categorize their portfolio by risk (the "multi-funds" approach). There are also limited sophisticated products that might appeal to pension capital market investments and poor incentives generally to encourage capital market investments especially for new entrants into pension accounts i.e. high risk capacities.

National policy making framework

There is no overall policy making framework that is supportive of the growth of the capital market. Policy making as it impacts the capital market has tended to be in silos and thus, disjointed.

Turnaround time

The shorter the turnaround time of a market, the more competitive it becomes over time. The transaction processing time over the Nigerian market needs to be improved upon with the general notion that the shorter the better for the transaction cycle. For instance, while the settlement period for all securities in India is T+2 that of equities and bonds in Nigeria are T + 3 and T+2 respectively.

The processing time for bringing new issues to the market is also lengthy. New issues take about 9 months from appointment to closure of transaction and while this time lag is sometimes due to poor organization on the part of the issuer, regulatory procedures is also contributory. The prolonged transaction time has led to issues being susceptible to significant changes in market conditions and to loss of interest by the issuer, thereby leading potential issuers to instead pursue alternative sources of funds, typically bank loans, in preference to the capital market.

2.2.1 Market Structure

This section examines, in detail, the structure of the Nigerian capital market with a view to facilitating analysis of the status of development of the Nigerian capital market while identifying the gaps in structural development as a result of findings from the benchmark countries.

⁵Source: NSE website

The main issues identified were:

Market fragmentation and scale

Due to the high level of fragmentation and resultant low capacity of market participants, there are significant market capacity and liquidity constraints. It is illustrative that 65.83% of market activities are dominated by the top 10 broker-dealer firms⁵.

Market over-concentration

There are several levels of concentration in the Nigerian capital market. It is predominantly a market dominated by equities and government bonds. Market capitalization and activity are concentrated in a few economic sectors (2 sectors – consumer and industrial goods – make up about 75% of the equities market) and stocks (the 5 largest companies by market capitalization make up 56% of the equities market). Major sectors are not captured nor represented proportionately – for example, infrastructure, power, oil and gas, telecommunications and real estate.

Dearth of Alternative product offerings

The level of financial intermediation is quite unsophisticated. Available products are predominantly equity stocks, government bonds and treasury bills and some corporate bonds. There are only 3 exchange traded fund (ETF) products and 3 REITs. There are no derivatives. Collective investments / special investment offerings have also had very limited success. Presently there are 21 mutual funds listed on the Nigerian Stock Exchange (another 16 are not listed) yet the net asset value of the whole mutual fund market was only N186.1 billion as at June 2014.

Market practices and structures

Many market practices and structures have not kept pace with development. A prime example is the requirement for physical share certificates versus dematerialisation of shares. Only a limited portion of shares in issue are transferrable.

Competence of operators

The quality of many counterparties participating in transactions in the capital market is also a concern. Many operators have sub-optimal skills and do not possess the specialized knowledge and skills required for the performance of their functions.

Non-standardized exchange and market infrastructure

The model of exchanges for listing and trading activities has been evolving, particularly in recent years. In

addition to the main board which is the Nigerian Stock Exchange (NSE), two (2) new over the counter exchanges were established in 2013 – the Financial Market Dealers Quotation (FMDQ) and the National Association of Securities Dealers (NASD) markets. There is potential for more exchanges to be established – currency exchanges, commodity exchanges etc. However, there is a need for a more defined industry standard for exchanges, market infrastructure and operators' capabilities as well as technology for capital market operators.

Malaysia has a unified structure under Bursa Malaysia with 2 securities markets, a derivatives market with 10 products (commodity futures, equity futures, equity options and financial futures), an Islamic bourse for sukuk and shariah-compliant products, a bond market, an offshore market for non-ringgit securities and sukuk listings and a closed-ended funds bourse.

Technology leverage

There is a low level of information technology (IT) assimilation and capacity within the capital market. While the larger operators are relatively well equipped to leverage IT to transform and modernise their operating models, the capacity of many smaller operators to invest in technology is very limited. There is also limited use of technology for innovation and development of specific value-added content.

2.2.3 Competitiveness

This focuses on the various elements that make the capital markets competitive as a choice for capital and portfolio flows. Five broad elements were identified as the typical considerations by investors (local or foreign) in making the decision on whether or not to participate in a market:

- i. Pricing
- ii. Ease of Operations
- iii. Enablers and Market Architecture
- iv. Transparency and competitive practices
- v. Governance Code

The overriding aim therefore would be to adopt best practices from a global perspective with regard to these broad considerations.

The main issues identified were:

Uncompetitive Pricing

Pricing is relatively uncompetitive in the Nigerian capital market. For instance, while the transaction costs on the exchanges of India and Malaysia are 0.1% and 0.03%, that of the Nigerian Stock Exchange (NSE) is about 2.3⁶%. The costs of primary and secondary issue processes are also high.

⁶ There should be a positive effect on this from the recent exemption by the Federal Government of Nigeria (FGN) of stock market transaction fees from VAT

Chart 18: Primary market transaction costs – Nigeria vs. benchmark countries

Estimated Transaction	Primary* Market	Equities Secondary Market		Primary Market	Bonds Secondary Market	
		Buyer	Seller		Buyer	Seller
Nigeria	1.20%	1.1226- 1.1856%	1.556- 2.186	1.21%		
Brazil	0.25%			0.24%		
Chile	0.12%			0.44%		
Mexico	0.2%			0.08%		

Table 9: Estimated Primary Market Transaction Costs (Equities & Bonds) for Nigeria and Selected Int'l Markets

**Primary market figures cover regulatory costs only*

Source: Securities and Exchange Commission (SEC), NSE

Some of the possible reasons attributed for this include high regulatory charges (such as licensing fees, stamp charges etc.), multiple transaction payment points and high risk-free return rate (MPR above single digit).

Capital Market Processes

Some of the capital market processes are sub-optimal. The filing process is lengthy, manual and cumbersome, with multiple requirements for physical documents. New debt issue takes an average of 6 months from appointment to closure of transaction and while the time lag is sometimes due to poor organization on the part of the issuer, there is some level of regulatory bureaucracy as well. The trade settlement process was also adjudged to be lengthy.

Transparency and disclosure compliance

Some of the firms that are listed on the exchange still do not meet up with disclosure requirements as far as the release and filing of results are concerned. Completeness, reliability and timeliness of disclosure of material information including director and director related activities, significant shareholdings and visibility of direct and indirect holdings is often very low and most companies do not release corporate information as and when due. The quality and reliability of market research and information about securities and corporate performance needs to be improved upon. Given the importance of information in the overall efficiency of the market, there is a need to enforce zero tolerance for non-compliance. The NSE recently took well-publicized initiatives in this direction, including suspending some companies' shares from trading. However, there is a need to do more in

this regard.

There is also little visibility into the trading practices of market operators (equity and fixed income). Processes for identifying, terminating and correcting market manipulation are inadequate and there is limited oversight and surveillance capability on electronic trading platforms. There is also low level of enforcement of the whistle blowing mechanism.

Governance

The enforcement of corporate governance code and rules can be strengthened and be made more effective with enhanced coordination among the various regulators – SEC, CBN, PENCOM, NAICOM and FRC.

Sub-optimal operating models

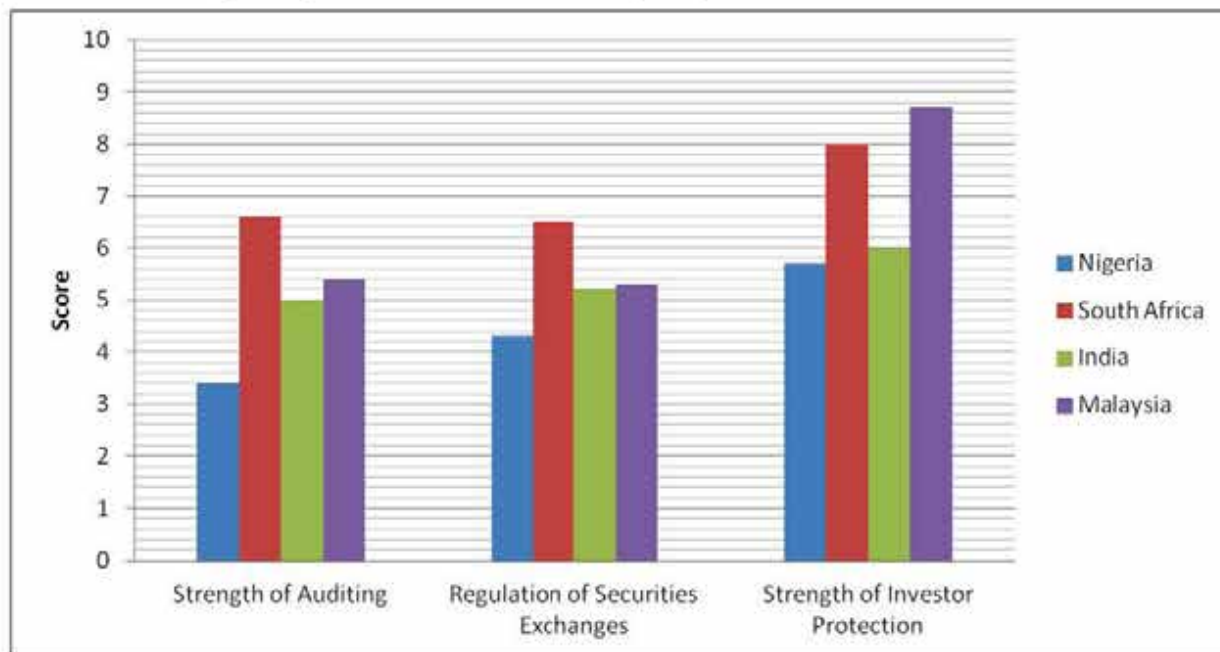
The operating models of many of the capital market operators are unsophisticated and manual. There is a predominance of physical channels and a relative absence of disaster recovery and business continuity systems. There is an absence of market infrastructure service providers.

2.2.4 Regulation and oversight

The oversight and regulatory framework in the Nigerian capital market relative to those of the stipulated benchmark countries was examined using the IOSCO (International Organization of Securities Commissions) principles' framework as a benchmark. The IOSCO framework is as an independent standard providing a readily measurable basis for comparison across the countries.

The analysis revealed that Nigeria has aligned much of its regulations with best practices and international standards. However, the level of compliance and enforcement could be improved upon to match peers like Malaysia and South Africa.

Chart 19:IOSCO regulatory effectiveness assessment (2013)



Source: World Bank World Economic Forum

2.4 Case study: Nigerian banking sector reform

Prior to the global economic meltdown in 2008/2009, there were reforms in 2005 in the banking industry which prescribed a N25 billion minimum capital requirement for banks and enabled the consolidation of banks (from 89 to 25). Despite this however, as at 2009, the banking industry was plagued with systemic bottlenecks such as macro-economic instability, poorly structured processes, critical gaps, corporate governance failures, lack of sophistication and inadequate disclosure.

This precipitated major reforms and strategic growth initiatives from 2010- 2013 centred around:

- **Financial System Stability (FSS):** Strengthening the financial system so as to engender a higher standard of living, an improved business environment and an improved confidence in the banking industry
- **Real Sector Development:** Prioritizing finance for the real sector of the Nigerian economy to address the major weaknesses in the business environment
- **New banking structure:** A new banking structure to address the weaknesses in the banking environment was established which involved removal of universal banking as well as establishment of non-interest financial institutions

Targets for these initiatives include:

- 10% lending to the agricultural sector by 2017 to address the weakness in the agricultural sector caused by limited financing
- Specific financing initiatives to address weaknesses in the business environment caused by unskilled labour and limited financing such as:
 - Commercial Agricultural Credit Scheme (CACS) - N221.94bn
 - Manufacturing/SME Intervention Fund - N225bn
 - SME Credit Guarantee Scheme (SMECGS) - N2.169bn
 - Micro Small and Medium Enterprise Development Fund - N200bn

As a result of these reforms and initiatives, there has been relatively strong domestic economic growth in spite of a global environment of sluggish growth. The banking industry has also across many measured indicators including improved corporate governance, transparency and risk management, reduction in non-performing loan (NPL) ratios, lower prime lending rate, increased size (capital, number of branches and international reach) Macro indicators have also shown positive growth except in the exchange rate where reduction in dollar supply and anti-money laundering measures have been responsible for divergence in the BDC market.

The success of the banking sector reforms can be largely attributed to three driving factors:

- Urgency and purpose:** The reforms were precipitated by the crisis in 2008/2009 and there was a sense of urgency and purpose in the efforts to institute reforms to revive the market. Although these reforms yielded some measure of success, it is noteworthy that strategic planning and reforms do not have to be initiated by a crisis.
- Leadership:** Leadership is crucial to the success of any transformation agenda. The hierarchy of the CBN drove the reforms carried out in the banking sector and this commitment.
- Collaborative efforts of the regulator and the regulated:** The CBN has a highly efficient structure which promotes collaboration between them and the institutions they regulate. In this regard, the Bankers Committee is divided into subcommittees which are headed by CEOs of banks and other stalwarts in the banking sector with the active participation of top ranking staff of the CBN. These committees are given specific targets and assignments within stipulated timelines. The Bankers committee itself holds bi-monthly retreats to discuss topical issues and make policies for the banking sector.

Source: Bankers Committee Sub-Committee on Economic Development Sustainability
Agenda

CHAPTER 3

TRANSFORMATION IMPERATIVE – THE 2015-2025 CAPITAL MARKET TRANSFORMATION PROGRAMME FOR NIGERIA

3.1 2025 Strategic Intention /Aspiration

To fulfill these considerations and take advantage of new opportunities going forward, it is envisaged that Nigeria will develop a modern and efficient capital market that is internationally competitive, bearing the hallmarks of high levels of relevance, productivity and innovation. It must be flexible and easily adaptive to an ever-changing environment while providing market participants with a wide range of products and services comparable with the leading financial centres in the world. At the same time it should be relevant in all core areas necessary to develop the Nigerian economy.

For the capital market to be increasingly relevant and achieve the foregoing, it must actively pursue deliberate growth, scale, robustness, flexibility and improved practices. Regulators must have the right competencies and skills to move the market forward and leverage technology in doing so. Robust systems must be established and maintained for risk management, surveillance as well as transactions. Operators must conduct their activities fairly and ethically, and must also be supported in their activities to develop the market. Accountability and good governance must be entrenched and continually reinforced.

Above all, the Nigerian capital market must pursue these ideals, not just for its own benefit, but within and in tandem with the needs and aspirations of the larger economy. Individual investors must be attracted and educated, assured of their rights and protection. In the final analysis, growth in the capital market must translate into and even drive development in the real sector across the entire economy.

3.1.1 The vision

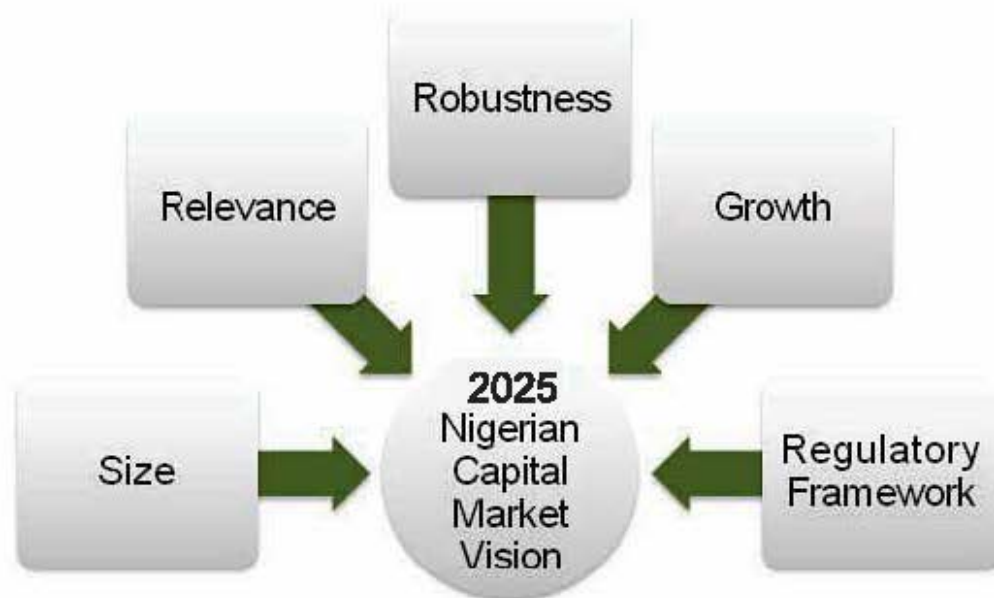
Therefore, the vision for the development of the Nigerian capital market has been defined as:

“To be Africa’s modern, efficient and internationally competitive market that catalyses Nigeria’s emergence as a top 20 global economy.”

This vision reflects an all-encompassing ambition that is intended to drive the development and strategic positioning of a modern and competitive Nigerian capital market and lay a strong foundation for growth. It is intended to represent and address both the current and longer-term needs of the capital market from the perspectives of the operators, investors, regulators and the national economy.

3.1.2 Vision Elements

The vision has been distilled into 5 elements:



The Nigerian capital market will be Africa's most modern, efficient and internationally competitive capital market that catalyzes Nigeria's emergence as a top 20 global economy

Size

Scale and size are critical to having a capital market that can compete internationally and address the needs of the economy. The capital market must compare favourably in size with the nation's GDP as well as with the rest of the financial services industry, particularly with regards to bank deposits. The number and value of listed institutions, listed instruments, corporate bonds, aggregate assets under management, collective investment programmes, size of CIS and contribution to national savings must also compare favourably.

Relevance

The capital market must be nationally and internationally recognised and significant. It must provide support for diverse sectors and provide a diversity of products to address specific needs. It must provide much needed long term capital and play a key role in funding infrastructure and high impact projects. It must have a strong positive effect on the economy and increase the number and capitalisation of corporates, particularly in priority economic sectors. The proportion of investable funds in the capital market must be substantial. In addition, the Nigerian capital market must partner well with intermediary institutions such as development banks, multi-lateral agencies and other regulatory agencies. The structure of SEC and underpinning regulatory and market infrastructure must be relevant to the needs of the market and widely regarded as market leading.

Robustness

The depth of market liquidity must be increased to provide efficient exit markets that incentivise investing activities. Turnover velocity must improve, especially for the small cap companies as well as for other instruments (bonds, mutual funds, ETFs etc). There must be greater ease of entry into and exit from the market and the implementation of quality channels and other enabling infrastructure. The systems must be efficient, with improved turnaround time and a robust legal framework and documentation to provide protection for all market participants.

Growth

It is important that the capital market not only attains scale, but continues to grow. The market capitalization growth rate and market performance of companies as well as operators must align with and even outstrip those for the national economy and the rest of the financial services industry. Market yield must remain attractive and the liquidity index must increase to attract investors and provide confidence of a smoothly functioning market. Innovation must also continually increase with more, better and increasingly diverse and complex products brought to the market.

Regulatory framework

The Nigerian capital market must have a truly world class regulatory framework that is in line with international best practice and performing progressively better on any relevant competitiveness index and ranking. There must be a defined regulatory model for market development and growth as well as an effective self-regulation framework for SROs. The regulator regime must be adaptive risk-based and facilitative. There must be institutionalised co-ordination with other regulators as well as with the key leadership of the nation (Presidency, Upper and Lower Houses). Processes must be efficient and address dispute resolution, investment protection, compliance and enforcement as well as transparency. The ease of doing business must improve,

along with turnaround / processing time and the cost of regulatory processes.

3.2 Market philosophy and guiding principles

In order to achieve the vision, four major strategic transformation themes have been identified across the Nigerian capital market and key objectives identified under each theme to form the basis for the Capital market Master Plan's main strategic initiatives and recommendations.

The four strategic transformation themes are:

- To drive and facilitate capital raising for sustainable national development and transformation of Nigeria's priority economic sectors, thereby effectively contributing to the national economy
- To align market structure to requirements of the economy as well as increase scale, size and professionalism of all stakeholders
- To ensure competitiveness by establishing practices to improve transparency, efficiency and liquidity and to attract sustainable interest in the capital market from domestic as well as foreign investors and participants
- To create an enabling and facilitative oversight and regulatory framework supportive of the deepening and development of the Nigerian capital market

The main thrusts of the objectives under the four themes as well as the strategic initiatives that follow from them are outlined subsequently.

3.2.1 Strategic consideration 1: contribution to national economy

The main strategic thrust here is how the capital market can achieve the necessary scale and sophistication to be relevant in the transformation of the economy and achievement of national development aspirations.

The capital market must align with the Transformation Agenda and support the overarching vision and intent of the country to become a top-20 economy by 2020. It must fund critical transformation of key sectors such as Agriculture, Power, Infrastructure, Oil and Gas and Telecommunications as well as deepen the source of funding for critical economic initiatives. It must be transformed from a narrow to broad market with diverse product offerings. It must close the gap in current proportion of capitalisation to GDP and keep pace with projected annual GDP growth of +7%.

The specific objectives and initiatives in this regard are:

To drive and facilitate capital raising for sustainable national development and transformation of Nigeria's priority economic sectors, thereby effectively contributing to the national economy

Objectives	Strategic Initiatives
<p>1</p> <p>Broaden the understanding of the capital market to include the money market, bond market, equities market and alternative investments</p>	<ul style="list-style-type: none"> • Improve Capital Market (CM) awareness, communication and education • Establish joint policy formulation and license issuance forum/committee (all FSI) • Institute proactive and consistent Executive and Legislature Engagement • Include CMMP on national agenda and obtain FEC buy-in and task-force to implement • Widen access to alternative investments
<p>2</p> <p>Establish policies to drive personal, corporate, institutional and national savings and for channelling them to the capital market</p>	<ul style="list-style-type: none"> • Establish a National Savings Strategy • Expand existing and develop new attractive savings products • Engage Insurance Sector in savings mobilization • Establish new and extend scope of existing State Sinking Funds • Monitor effects of capital market policy on institutional investment strategies
<p>3</p> <p>Contribute to increased formalization of the economy and promote financial inclusion</p>	<ul style="list-style-type: none"> • Collaborate to establish an integrated National Identity Management System • Resolve property / land title allocation and transfer issues to facilitate securitization • Reduce cost and simplify regulation for Alternative Stock Exchange Markets • Provide Venture Capital relief for ASEMs • Deliberately replicate successful micro-finance strategies / institutions • Collaborate to enforce registration of all commercial activities • Simplify processes for capital market participation
<p>4</p> <p>Drive the mobilization and allocation of capital to the critical and significant sectors of the economy</p>	<ul style="list-style-type: none"> • Grant tax relief and incentives for priority economic sector investments • Establish specialized economic trade zones • Increase private sector participation in venture capital and private equity funding • Establish specialized funds to support players and boost critical sectors of the economy • Establish Government-sponsored SME Investment Company program • Establish a strong, well-capitalised National Development Bank
<p>5</p> <p>Provide framework for sound corporate governance and investor protection in line with global best practice</p>	<ul style="list-style-type: none"> • Simplify regulation and incentivise registered companies • Make available investor protection for licensed financial products • Operationalise the existing Bankruptcy Law • Assess the PFAs prudently in a risk-adjustment manner
<p>6</p> <p>Facilitate internationalization of the Nigerian Capital Market</p>	<ul style="list-style-type: none"> • Harmonize principles, rules and regulations to promote the Nigeria Capital Market as an international hub

• **Strategic Consideration 2: Market Structure**

The main strategic thrust here is how the Nigerian Capital Market can transform practices and structure to modernise and deepen capacity.

The scale and capacity of operators must be increased to ensure stability and provide the capital to enable them make needed investments, in infrastructure as well as in skills and talent development for innovation and competitiveness. The clearing and exchange platforms must be world-class, with regulatory as well as transactional processes being automated.

The sophistication and breadth in the range of products and offerings must be vastly expanded with the end goal being full market diversification, financial inclusion and market relevant product innovation and development. Technology for the regulator, exchanges and operators should be leveraged and standardised. Market channels and exchange infrastructure should be fully modernised to achieve greater efficiency in the trading, clearing, settlement, marketing, distribution and fulfilment channels.

The specific objectives and initiatives in this regard are:

To align market structure to requirements of the economy as well as increase scale, size and professionalism of all stakeholders	
Objectives	Strategic Initiatives
1 A balanced, integrated financial market	<ul style="list-style-type: none"> Establish a unified licensing model for operators across money and capital markets
2 Improve liquidity of the market	<ul style="list-style-type: none"> Harmonize the framework for Securities Lending Approve Securities Depository as a Repo counterpart Encourage active Securities Lending by PFAs and PFCs (SEC and PENCOM driven) Address structural imbalances between private sector savings and investments
3 Increase market capitalization of critical economic sectors	<ul style="list-style-type: none"> Commence mandatory channelling of buy-side funds to critical sectors of the economy Increase participation of Pension Funds in critical sectors Create a National monoline financial guarantor Establish the Nigerian Capital Market as a major centre for innovation and intermediation
4 Balance volume of Retail and Institutional Investors	<ul style="list-style-type: none"> Establish minimum threshold for participation in primary issues Increase the use of Linked Notes for retail investors Commence Equity Trading in Lot(s) Incentivise use of collective investment schemes Regularise mutual funds and make them more accessible Differentiate between registration of Funds managers and Funds Build domestic investor base to hedge market against massive foreign investment outflows

5
Improve industry skills and competencies

- Define minimum operating standards and capabilities for operators
- Establish certifications/training programs for investment and finance professionals
- Put in place on-going training programmes and mandatory continuous assessment
- Strengthen the capital market institution
- Invest in building industry capacity/ specialized skills

• **Strategic Consideration 3: Competitiveness**

The main strategic thrust here is how the Capital Market can become more competitive and more diversified to meet the intermediation requirements of the nation's growing economy, improve mobilisation and allocation of funds within the domestic market and attract global investors to Nigeria.

Transaction pricing models for primary and secondary processes must be examined and made more competitive relative to benchmark markets. Shares should be dematerialized to help drive down costs, as well as improve settlement time and eliminate forgery and loss issues. Cost competitiveness of transactions, including regulatory costs such as licensing fees, must be improved. Cost of capital and debt must also be brought down, including correction of the 'risk-free' rate – the rate at which the government borrows from the market. A high risk-free rate, which is reflected in the coupon on government treasury bills, for example, creates a strong disincentive for major institutional investors like the PFAs and insurance companies to take any risk by investing in alternative investment products introduced into the capital market, while they can earn close enough or similar returns for zero risk. This therefore places a structural constraint on the ability of the capital market to grow.

There should be greater ease of access to the market and constructive competition fostered. Reliability of market information and reporting should be improved and market surveillance and enforcement capabilities enhanced such that market participants can have increased confidence.

The market must be made borderless to foster globalisation. Technology standards and technology enabled processes must be harmonised with and/or able to integrate with leading international markets as well as desired regional markets. Strategic collaboration with global market participants should be actively pursued.

The specific objectives and initiatives in this regard are:

To ensure competitiveness by establishing practices to improve transparency, efficiency and liquidity and to attract sustainable interest in the capital market from domestic as well as foreign investors and participants

Objectives	Strategic Initiatives
1 The cost of our market will be lower than our benchmark markets	<ul style="list-style-type: none"> • Define required agenda items for EMT • Conduct cost structure analysis of equities market • Improve Capital Market efficiency • Define an approach for competitive cost model for the capital market
2 Full dematerialization of certificates	<ul style="list-style-type: none"> • Create a cross-industry plan for full dematerialisation of certificates to electronic format
3 Actively engage stakeholders (Policy Makers and Industry Players) and foster a cordial and professional working relationship across board	<ul style="list-style-type: none"> • Develop EMT Engagement Plan and action items for EMT • Develop briefing reports to Presidency and Legislature on Capital Markets
4 Develop a thriving commodities trading ecosystem	<ul style="list-style-type: none"> • Build supporting and functional ecosystem for commodities trading • Provide legal framework and appropriate legislation for Commodities Trading • Build Centres of Excellence in areas of comparative advantage (Oil, Gas, Cocoa) • Develop efficient Commodities Exchange(s) and Trading Platforms • Sponsor legislation to ensure Nigeria's crude oil sales are traded on local exchanges • Build capacity in commodities trading (SEC and market operators)
5 Improve ease of access and doing business with the capital markets and Improve overall investor experience	<ul style="list-style-type: none"> • Define minimum professional standards and compliance for all capital market participants • Define minimum technology standards and ensure compliance • Define and implement enabling technology integrated platforms
6 Sponsor policies to foster growth of the industry	<ul style="list-style-type: none"> • Promote capital market participation in the Listing of Government owned firms • Reduce tax burden for listed companies
7 Become a hub in Africa for Islamic Capital Market Products	<ul style="list-style-type: none"> • Work with CBN, NAICOM and PENCOM to establish Islamic investment guidelines • Develop Sharia Compliant Products • Build capacity on Sharia Compliant Products (SEC and operators) • Develop Awareness on Sharia Compliant Products and their benefits
8 Transparent capital markets reputable for full disclosure	<ul style="list-style-type: none"> • Enforce information/access to management obligations for premium board listed companies • Define minimum Disclosure Requirements • Institutionalize Periodic Analyst Briefings • Entrench an effective Whistle Blowing Mechanism

9 Enable Awareness of the Capital Markets nationwide	<ul style="list-style-type: none"> • Develop national engagement strategy • Utilise multiple media – Social Media, Blogs etc. • Influence economic policy at the highest levels
10 Scale, scope and costs of the markets	<ul style="list-style-type: none"> • Encourage scale and scope in the market while driving cost reduction • Develop shared services across the market • Encourage further market consolidation

• **Strategic Consideration 4: Capital Market Regulation and Oversight**

The main strategic thrust here is how the regulation and oversight regime can facilitate an enabling environment for growth and development of a world-class capital market.

The Regulatory and Oversight framework needs to be increasingly focused on market development and modernisation, rather than on enforcing compliance. Regulatory themes and guiding principles must be clearly defined for all categories of market operators, including statutory oversight of Self Regulating Organisations and trade groups. The regulators must stay ahead of the market in providing a framework for all aspects of the market as well as a standard, enforceable Code of Conduct. There must also be more effective cross-sector integration, particularly among regulators within the Financial Services Industry.

Effectiveness of regulatory surveillance, enforcements and compliance must be strengthened. Practices must align with global best practice including establishing and enforcing Disclosure Based Regulation (DBR) and a risk-based monitoring, enforcement and supervisory framework. Regulatory processes and approvals must be responsive.

The specific objectives and initiatives in this regard are:

To create an enabling and facilitative oversight and regulatory framework supportive of the deepening and development of the Nigerian capital market	
Objectives	Strategic Initiatives
1 Promote a capital market environment that facilitates market development	<ul style="list-style-type: none"> • Actively gather and utilise industry feedback • Facilitate industry collaboration by encouraging adoption of shared services to reduce cost • Engage industry stakeholders and create cordial and professional relationships • Heighten efforts to create a vibrant and competitive Capital Market • Partner foreign multilateral agencies for skills transfer where local expertise is insufficient • Provide regulatory parity and consistency between all institutions and participants • Facilitate introduction of a broad range of capital market products

<p>2</p> <p>Become a Top 20 Capital Market Regulator</p>	<ul style="list-style-type: none"> • Conduct comprehensive redesign of policies, procedures and processes • Implement international best practices as defined by IOSCO and Basel III • Establish risk management principles for capital market operators • Strengthen avenues for multilateral and inter-agency regulatory co-operation • Obtain autonomy of the SEC • Build capacity and skills and enforce minimum qualification/ experience • Build required technology infrastructure within the regulator to enable seamless regulation
<p>3</p> <p>Protect investors and Improve overall investor experience</p>	<ul style="list-style-type: none"> • Develop a clear-cut jurisdiction framework for the Investments and Securities Tribunal • Promote transparency and disclosure • Improve capacity of NSE's Investor Protection Fund and promote investor education • Continuously review relevant laws and mechanisms to safeguard Investor Protection
<p>4</p> <p>Strengthen auditing, reporting and disclosure standards</p>	<ul style="list-style-type: none"> • Enforce IFRS standards with full compliance by all capital market participants • Adopt XBRL as the reporting language by all capital market operators and regulators • Enhance and enforce shareholder value disclosures for public listed companies • Align reporting standards between NSE and SEC and leverage shared platform for reporting • Implement an online surveillance system from the regulator to the core trading system(s)
<p>5</p> <p>Enhance the dispute resolution framework in line with leading practices</p>	<ul style="list-style-type: none"> • Provide appropriate mechanisms for investor redress and dispute resolution

CHAPTER 4

STRATEGIES TO DRIVE CAPITAL-RAISING TO FUND NATIONAL ECONOMIC PRIORITIES

The Nigerian capital market must contribute significantly to the growth of the economy. It should be a source of infrastructural funding for developmental projects and private sector developed projects, which will contribute to the national economy and be attractive to operators and investors.

As the nation moves forward, an efficient market for capital generation is anticipated to become significant in financing economic growth. There must be a variety of instruments through which issuers can raise funds in the market. The instruments should be commensurate with the maturity and risk profiles of the investors and the projects/corporations that the instruments are used to finance. Companies must be able to raise funds through both equity and debt. Capital allocation in an economy is strengthened by the existence of well-regulated markets which stimulate the trust that is essential for the private sector to function as an engine of growth. Capital markets must enlarge the access to financing, covering a universe of economic activities and enterprises ranging from start-ups to large corporations.

In the same vein, the Nigerian capital market must also extend its reach to a wider audience of investors and become an indispensable channel of organized investment schemes including retirement savings (pension fund) management. The pool of savings would be expected to match existing and future financing needs through a selection of products to increase the nation's growth potentials

4.1 Broaden the understanding of the capital market to include the money market, bond market, equities market and alternative investments

The perception and understanding of the capital market must be broadened and clearly communicated to the general populace through deliberate awareness, communication and education initiatives. The capital market must be seen as more than just stockbroking but in the full spectrum of its functions which extends to the money market. National leadership (the Presidency, Federal Executive Committee, Senate and House of Representatives) must also be more proactively and consistently engaged.

Specific initiatives to be pursued in achieving this objective are as follows:

Deliberately improve capital market awareness, communication and education initiative⁷

- Identify key audience groups (government, regulator, market operators, general populace), critical messages and delivery mechanisms, including:

⁷ To be implemented synchronously with the initiatives of the Capital Market Literacy Committee

- Capital market education
- General populace communication
- Communicate clearly and regularly the defined key messages
- Create channels for feedback and communication from the audience

Establish a forum / committee for joint policy formulation and license issuance: SEC, FMF, CBN, PENCOM, DMO, NAICOM

- Re-define focus/scope of FSRCC or create new Economic Management Team (EMT) committee
- Engage on capital market issues like Merchant Bank regulation
- Address policy misalignment on interest rates

Institute proactive and consistent engagement of Senate/House of Representatives

- Regularly engage the Legislature on policy initiatives to drive the Capital Market Master Plan (CMMP)

Include CMMP on national agenda and obtain Federal Executive Committee (FEC) buy-in with establishment of a taskforce to own and implement

- Emphasise capital market development as an integral part of the economic development agenda:
- Cultivate sponsorship by Minister of Finance or Economic Management Team (Chief Economic Adviser, National Planning, CBN Governor, SEC, Trade and Investment)
- Engage broader spectrum of stakeholders

Widen access to alternative investments

- Strengthen investor confidence by increasing the participation of the public and private investment management industry, expanding the product range and enhancing the market infrastructure, increase transparency and liquidity in the secondary market to match the growth in primary issuance

4.2 Establish policies to drive personal, corporate, institutional and national savings and for channelling them to the capital market

The Nigerian capital market must build as well as gain access to pools of long term funds through market

relevant savings and investment programmes that encourage long term savings, financial inclusion and financial literacy programmes. It must also encourage and even champion a deliberate national savings strategy and create clear incentives and structure for domestic savings and mobilization.

Specific initiatives to be pursued in achieving this objective are as follows:

Establish a national savings strategy

- Define and implement a national strategic initiative such as a postal savings system (like Japan) or a national savings system (like the United Kingdom)
- Introduce policies to grow the volume of retirement savings accounts

Expand existing and develop attractive savings products with tax relief and incentives to include self-directed investments

- Tax exemption on levels of savings for a minimum period e.g. 401K in the USA
- Introduction of National Savings bonds and prize savings

Engage the insurance sector in Savings mobilization

- Work with NAICOM to enhance the role of insurance as a savings tool
- Develop tax efficient insurance products that encourage utilization
- Increased amount of insured deposits
- **Establish new and extend scope of existing State sinking funds**
- Include under Fiscal Responsibility Act
- Appoint appropriate fund managers to manage the investments on behalf of the States

Establish system for tracking / monitoring effects of capital market policy on institutional investment strategies

- Assess the system-wide effects of institutional investment strategies and the impact of subsequent changes to existing policies on the capital market and the economy

4.3 Contribute to increased formalization of the economy and promote financial inclusion

A conducive environment for intermediation must be created to seed emergent companies and industries, nurture the growth of small and mid- cap companies, finance large and high-risk ventures, and promote investments in socially responsible projects. The capital market will no longer be solely the preserve of medium to large-cap companies but will cater to the needs of small companies.

Specific initiatives to be pursued in achieving this objective are as follows:

Collaborate to establish an integrated national identity management system

- Leverage work by CBN and others
- Establish joint biometrics, central depository and distribution networks
- Implement tiered KYC for financial inclusion

Resolve property ownership / land title allocation and transfer issues to facilitate securitization

- Ease small holder land title allocation process
- Simplify the process of transferability
- Reduce cost of perfecting titles and taxes
- Ensure proper pricing for mortgages to enable people own, collateralize and securitize property

Improve competitiveness of alternative markets including NCX

- Reduce cost
- Simplify regulation

Provide Venture Capital relief for alternative markets

- Tax relief / deeper relief for investing in a “qualifying security” for a minimum period

Deliberately replicate successful micro-finance strategies/ institutions

- Access and support of the capital markets

Enforce registration of all commercial activities

- Compulsory business registration
- Zero engagement with government otherwise
- "Randomised searches" with financial consequences for non-compliance
- Emphasis on KYC by banks (quick win)

Simplify processes for capital market participation

- Align with existing financial service processes e.g. bank account opening

4.4 Drive the mobilization and allocation of capital to the critical and significant economic sectors

Specific initiatives to be pursued in achieving this objective are as follows:

- Grant tax relief and incentives for priority economic sector investments
- Give relief on investment in instruments / institutions promoting strategic development goals – e.g. the Indian Infrastructure Finance Institutions (IFI) model, the UK Financial Services Compensation Scheme (UK FSCS)
- Coordinate and restructure the economic trade zone to existing projects
- Capital gains savings / corporate tax savings
- Tax rebates
- Investor protection schemes e.g. NDIC type support

Establish specialized economic trade zones

- Free Trade Zones (FTZ) for minerals, education, textiles, medical tourism etc. (Dubai model)
- Work with Ministry of Solid Minerals, Agriculture and Industry

Increase private sector participation in the venture capital and private equity

- Actualize on-going work to develop a national Private Equity / Venture Capital policy
- Streamline national initiatives to promote innovation and to ensure more coordinated and effective public sector funding

Establish specialized funds to support players and boost critical sectors of the economy

- Infrastructure
- Agriculture – similar to the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)
- Venture Capital and SME Funds
- Solid Minerals

Establish a government-sponsored SME investment company programme

- Provide seed funding to Fund Managers focused on investing in the SME sector e.g. Small Business Investment Company (SBIC) programme in USA
- Leverage existing Government sponsored SME funds like the CBN Micro Small and Medium Enterprises (MSME) and Power and Aviation Intervention Fund (PAIF)
- Create a framework to co-ordinate and migrate the existing SME funding to capital market to ensure sustainability and viability
- Establish a strong, well-capitalised National Development Bank to be a source for long term funds and act as intermediary

4.5 Provide framework for sound corporate governance and investor protection in line with global best practice

Investors need to be assured of their rights as shareholders to encourage greater supply of capital. Greater stewardship by company boards, more extensive shareholder participation, and increased accountability for the reliability of disclosures, will reinforce good governance practices.

Specific initiatives to be pursued in achieving this objective are as follows:

Simplify regulation and incentivise registered companies

- Adopt a tiered approach for required registration e.g. corner shop terminals can use Local Government Area (LGA) for recording basic activity
- Ensure enforcement through banking sector, micro-finance and licensing
- Establish framework for regulating (involving audit firms, audit regulators / associations and the CAC)
- Provide investor education
- Put in place a credit or organisation assessment bureau

Make available investor protection

- Coverage up to a certain amount for bankruptcy, malfeasance etc (UK FSCS)
- Make available for licensed financial products

Operationalise the existing Bankruptcy Law

Assess the PFAs prudently in a risk-adjustment manner

- Engage PFAs and fund managers to be regularized by SEC
- Balanced risk-adjustment for the funds
- Board members of the PFAs
- Tackle the MPR in order to get the long term loans and investment into the economic growth

4.6 Facilitate internationalization of the Nigerian capital market

The Nigerian capital market should expand growth boundaries by tapping global opportunities to facilitate an expansion in scale and to capitalize on hub opportunities in areas of comparative advantage. To facilitate internationalization, the Nigerian capital market must harmonize the principles, rules and regulations amongst international markets to streamline activity geared to promote the Nigeria capital market.

Specific initiatives to be pursued in achieving this objective are as follows:

Harmonise principles, rules and regulations to promote Nigerian capital market as a hub

- Position and promote the Nigeria capital market as a regional and international hub for capital market activities
- Leverage recent initiatives in this area by ECOWAS

CHAPTER 5

STRATEGIES TO ALIGN MARKET STRUCTURE, CAPABILITIES AND COMPETENCIES TO THE REQUIREMENTS OF THE ECONOMY

The Nigerian capital market must continue to build capacity to meet the needs of investors. This is necessary for a market environment intended to contribute to the national economy.

5.1 Establish a balanced, integrated financial market via a unified licensing model for operators across money and capital markets

A tiered, unified licensing model should be introduced across the money and capital markets under which operators should be licensed, thereby creating an enabling platform that will allow integration and the introduction of additional services such as securities lending and borrowing, matching and repo settlement.

This integration will harmonize the framework required for securities lending to run smoothly, provide liquidity and encourage PFAs and PFCs to become active in securities lending and security depository.

Specific initiatives to be pursued in achieving this objective are as follows:

Establish a unified licensing model for operators across money and capital markets

- Propose tiered licensing model for financial markets across money market and capital market and license operators under new licensing model

5.2 Improve liquidity of the market

Specific initiatives to be pursued in achieving this objective are as follows:

Harmonize the framework for securities lending

- Confirm level of tax efficiency

Approve securities depository as a repo counterpart

- Effectively fund the market rather than focus on recapitalization

Encourage active securities lending by PFAs and PFCs (SEC and PENCOM driven)

Address structural imbalances between private sector savings and investments

- Refers to FMDQ's oversight on empowered repository
- Short selling enhances the liquidity and security lending in the market
- Put in place an operational system

5.3 Increase market capitalization of critical economic sectors

Specific initiatives to be pursued in achieving this objective are as follows: Commence mandatory channeling of buy-side funds to critical sectors of the economy

- To a level equivalent to 50% of Assets Under Management (AUM), on the provision that credit protection is provided
- Specify listing as a minimum requirement during license provision for companies

Increase participation of pension funds in critical sectors

Create a National mono-line financial guarantor

- To be championed by FGN and Institutional Development Partners
- Collaborate with the Nigerian Sovereign Investment Authority (NSIA) which currently has this as an on-going initiative

Establish the Nigerian capital market as a major centre for the innovation and intermediation

5.4 Balance volume of retail and institutional investors

To create stability in the market and reduce the effect of macro-shifts, the capital market should consist of a balanced group of investors – retail as well as institutional investors so that the market will not be dominated by institutional players; strong domestic participation as well as foreign investors so that the capital market will not be unduly affected by shocks that are external to the nation.

Specific initiatives to be pursued in achieving this objective are as follows

Establish minimum threshold for participation in primary issues

- Proposed minimum of N10m in value
- Increase the use of linked notes for retail investors
- Commence equity trading in lot(s)

Incentivise use of collective investment schemes

- Encourage Funds/ Asset Managers to invest in funds
- Incentivise collective investment scheme
- Develop framework to make collective investment schemes more accessible

Regularise mutual funds and make them more accessible

Build domestic investor base to hedge the market against possible massive foreign investment outflow

5.5 Improve industry skills and competencies

As the Nigerian capital market seeks to become a modern and competitive market, the need to improve industry skills and competencies for capital market operators cannot be overemphasized. Improving skills and competencies will increase their knowledge of fair trade, effective risk management and capital controls to further enhance the confidence of both international and local market players.

Specific initiatives to be pursued in achieving this objective are as follows:

- Define minimum operating standards and capabilities for operators
- Create required capabilities and skill requisites for all market players (including a qualified person examination)
- Establish certification / training programs for investment and finance professionals
- Extend recently introduced SEC Capital Market Training Programme and Exam beyond new registrations of Sponsored Individuals to cover existing professionals

Put in place on-going training programmes and mandatory continuous assessment

- Key into existing certifications and institutions e.g. ICAN, FITC, CFA

Strengthen the capital market institution

- Create a syllabus
- Develop a certifying body
- Include and Embed continuous ethics and compliance training

Invest in building industry capacity/ specialized skills

CHAPTER 6

STRATEGIES TO IMPROVE THE COMPETITIVENESS AND ATTRACTIVENESS OF THE NIGERIA CAPITAL MARKET

For the Nigerian capital market to be attractive relative to other capital markets in the frontier, emerging and developed categories as well as become the destination of choice to suppliers of funds, users of capital and capital market intermediaries, competitiveness must be improved.

It is therefore imperative for the Nigerian capital market to demonstrate efficiency, sophistication and transparency. It must operate with the highest level of standards and integrity in order to effectively compete with other markets, particularly the emerging and developed market categories.

In view of these, Nigerian capital market institutions have to be highly responsive to not only the changing consumer demands, but also to the impact of globalization, innovation and technology on their markets. Market structure and business strategies should be aligned accordingly to take advantage of new business opportunities where necessary.

To achieve these objectives, the cost of transactions must be significantly reduced and justified by an increase in transaction types and volumes while market access and operations must be simplified and more efficient. The platforms and enabling technology must be enhanced and transparent practices must be promoted with implementation and enforcement of standards that are in line with global best practices.

6.1 Lower the cost of transactions in the Nigerian capital market

Nigerian exchanges and clearing houses must be cost efficient to facilitate liquidity and value for market participants. Transaction costs of the Nigerian market should be lower than in the benchmark markets (South Africa and Malaysia). The cost levers need to be understood and the necessary measures to drive them down – including technology, share dematerialisation and shared services – need to be implemented.

Specific initiatives to be pursued in achieving this objective are as follows:

Define required agenda item for EMT:

- Obtain the requisite approvals for removal of VAT and Stamp Duties from appropriate government agencies (removes 12% of costs)^a

Conduct cost structure analysis of equities market

Improve capital market efficiency

- Pick a benchmark market
- Structure data points around Commercial Banks

Agree approach for a competitive cost model for the capital market

^a It was recently announced that VAT stock market transaction fees have now been exempted from VAT by the Federal Government of Nigeria. However, we advocate that the VAT exemption be widened to other types of capital market transactions, in keeping with our recommendation for a broader view of the market beyond just equities and bonds, which currently dominate.

6.2 Fully dematerialize certificates

An efficient trading, clearing and settlement infrastructure provides market participants with the opportunity to access trading processes without undue delay, risk of loss or financial costs. It also reduces the risk of fraud and forgery. The market must ensure full conversion of certificates to electronic format to improve market liquidity and eliminate manual processing and the ensuing delays. A legal framework should be put in place to support the conversion of existing certificates and new ones to electronic format.

Specific initiatives to be pursued in achieving this objective are as follows:

Create a cross-industry plan for full dematerialisation of certificates to electronic format

6.3 Actively engage stakeholders (policy makers and industry players) and foster a cordial and professional working relationship across board

For the smooth running of the capital market, there should be an active and cordial relationship between regulators and stakeholders, not only within the industry, but also at the helm of economic affairs and the leadership of the nation.

Specific initiatives to be pursued in achieving this objective are as follows:

Develop an Economic management Team (EMT) Engagement Plan and action items for the EMT

Develop briefing reports to the Presidency and Legislature on capital markets

- Annual and bi-annual briefing reports to the Presidency and Legislature respectively jointly submitted by regulators and stakeholders

6.4 Develop a thriving commodities trading ecosystem

To activate the commodities market, a functional commodities trading ecosystem of infrastructure (warehouses, standards, grading, collateral and settlement systems) needs to be deployed. Particular focus should be on areas of comparative advantage, such as oil and gas, cocoa and grains.

Specific initiatives to be pursued in achieving this objective are as follows:

Build supporting and functional ecosystem for commodities trading

- Establish warehouses, standards, grading systems, collateral and other required infrastructure
- Link with the on-going Ministry of Agriculture initiatives

Provide the legal framework and appropriate legislation for commodities trading

Build Centres of Excellence in areas of comparative advantage (oil and gas, cocoa)

Develop commodities exchange(s) and trading platforms

- Ensure that they are running appropriately

Sponsor legislation to ensure that a portion of Nigeria's crude oil sales are traded on local exchanges

Build capacity in commodities trading (SEC and market operators)

6.5 Improve ease of access and doing business and overall investor experience

Investors must have easy access to a vibrant capital market because of the important role they play in the pooling and mobilization of funds. An accessible market provides for a wider scope of investors which promotes greater liquidity.

Specific initiatives to be pursued in achieving this objective are as follows:

Define minimum professional standards and compliance for all capital market participants

- Define minimum customer engagement and professional standards for all players – SROs, layers, etc.
- Ensure compliance
- Define minimum technology standards and ensure compliance

Define and implement enabling technology integrated platforms

- Platforms should be re-usable and support multiple access e.g. mobile money, etc.

6.6 Sponsor policies to foster growth of the industry

National policies can be formulated such that they foster growth in the industry and offer value focused opportunities to participants in the capital market. To this end, there is a need to proactively work to ensure that national policies support and promote capital market participation.

Specific initiatives to be pursued in achieving this objective are as follows:

- Promote capital market participation in the listing of government- owned firms
- BPE to include listing provisions in asset sale
- Make it a requirement of the privatization process that buyers commit to floating the companies being acquired on the stock exchange within 5 years post-acquisition as was done during the recent privatization of the power sector

Reduce tax burden for listed companies

- Alleviate current scenario where greater disclosure increases tax burden by making companies more visible to multiple and arbitrary tax⁹

6.7 Become a hub in Africa for Islamic capital market products¹⁰

Islamic finance is a niche area where Nigeria can capitalize on the nation's comparative strengths in serving Islamic clientele and businesses. To build an Islamic capital market, there is a need for coordinated effort to develop a variety of Islamic securities instruments. The frameworks and guidelines to enable participation should also be put in place.

Specific initiatives to be pursued in achieving this objective are as follows:

Work with CBN, NAICOM and PENCOT to establish Islamic investment guidelines

- Create enabling guidelines for investment in sukuk and other products
- Ensure alignment with Non-Interest Capital Market Products Master Plan
- Develop Sharia-compliant products

Build capacity on Sharia-compliant products (SEC and operators)

Develop awareness on Sharia-compliant products and their benefits

⁹ Further study required to confirm these Statements.

¹⁰ To be implemented synchronously with the initiatives of the Islamic Financing and Capital Market Literacy Committees

6.8 Improve transparency and create structures to enable full disclosure and whistleblowing

Disclosure is not effective unless investors can rely on the credibility of the information being disclosed. The most straightforward way to assure credibility is to mandate disclosure by law and impose significant penalties on those who fail to abide. Effective enforcement is necessary to allow honest companies to credibly distinguish themselves from dishonest companies. Disclosure must be useful as well as mandatory. That means information must be easy for market participants to understand and use.

Specific initiatives to be pursued in achieving this objective are as follows:

- Enforce information / access to management obligations for premium board listed companies
- Define minimum disclosure requirements
- Institutionalize periodic analyst briefings by listed companies

Entrench an effective whistle blowing mechanism that can be leveraged across the industry

- Enforce compliance and sanction non-compliance
- Develop an independent whistle blowing mechanism (Case Study USA)

6.9 Improve scale, scope and costs of the markets

Specific initiatives to be pursued in achieving this objective are as follows:

- Ensure that scale and scope of the market is encouraged and market costs are curtailed
- Develop shared services across the market:
- Identity management
- Reporting/ repository
- Business continuity

Encourage further market consolidation (case study Malaysia and India)

- Leverage CBN's biometric initiative
- Improve SEC data base

CHAPTER 7

STRATEGIES TO CREATE AN ENABLING AND FACILITATIVE LEGAL AND REGULATORY FRAMEWORK SUPPORTIVE OF THE DEEPENING AND DEVELOPMENT OF THE NIGERIA CAPITAL MARKET

The regulatory framework governing the Nigerian capital market must be responsive to the challenges of the changing financial landscape in a timely manner. An enabling and facilitative regulatory framework will ensure that the capital market continues to operate fairly and support the growth of the market. The framework should be enabling to grow the market depth, breath and sophistication. It should not be restrictive but should be developmental. It should provide for more effective coordination of the market to allow easy mobilization and allocation of capital.

7.1 Promote a capital market environment that facilitates market development

The regulations governing the Nigerian capital market and its participants must be developmental and enforced in a manner that is transparent and supportive of market development. Regulations limiting market growth should be updated or eliminated accordingly.

Specific initiatives to be pursued in achieving this objective are as follows:

Actively gather and utilise industry feedback

- Gather periodic collaborative feedback from the industry (through periodic surveys) and implement at least 70% of agreed recommendations year on year

Facilitate industry collaboration by encouraging the adoption of shared services to reduce cost

- Engage industry stakeholders and foster cordial and professional working relationship
- Using different media (online communities using social media, strengthening the CMC etc.)

Heighten efforts to create a vibrant and competitive capital market

- Move from a rules-based compliance approach to a hybrid approach – this allows a more dynamic and liberalised capital market. It provides a mix between rules-based and “principles-based” approach
- Rationalize the licensing framework to encourage the introduction of new investment management products. Liberalize the regulatory framework for market operators to facilitate the growth of collective investment schemes
- Update / amend existing SEC rules or change provisions limiting market growth

Partner foreign multilateral agencies for skills transfer where local expertise is insufficient

- Facilitate greater involvement and skills transfer from foreign multilateral agencies (pro-bono where possible) in key areas where local expertise is insufficient
- Provide regulatory parity and consistency between institutions overseeing similar activities
- Further review of the regulatory framework to provide comprehensive and effective functional regulation over all parties performing similar tasks or services within the capital market
- Strengthen enforcement by regulators - timely and impartial. Stiff penalties to serve as deterrents to market operators

Facilitate the introduction of a broad range of capital market products

- Cater for various risk-return profiles
- Streamline the approval process for new investment products
- Facilitate innovation of new products based on market demand

Regulatory facilitation for the provision of investment products and services in electronic format

7.2 Become a Top 20 capital market regulator

- A top-20 capital market requires a top-20 regulator. Oversight, regulation, risk management and enforcement capabilities must be extremely high. Institutional structures must meet best practice standards and be lasting and appropriate. Above all, a forward-looking and proactive approach must be adopted.

Specific initiatives to be pursued in achieving this objective are as follows:

Conduct comprehensive redesign of policies, procedures and processes

- Across SEC's core market oversight units
- Develop supporting Service Level agreement, key performance indicators KPIs and work-tools, and re-design the chain of authority levels that all approvals must pass through

Implement international best practices as defined by IOSCO and Basel III

- As relates to the capital market in market supervision and oversight
- Establish risk management principles for capital market operators
- Complete risk management framework / policy document and issue rules

- Implement risk based and disclosure based regulatory systems
- Build strong delivery capacity in risk-based supervision of market operators

Strengthen avenues for multilateral and inter-agency regulatory co- operation

- Establish strong communication lines with market participants

Build capacity (mainly through training) and skills of regulators and operators and enforce minimum qualification / experience

- To be done at all levels within the regulator and operators

Build required technology infrastructure within the regulator to enable seamless regulation

- Finalize the definition of operations and technology standards for market operators
- Enhance technology and processes within SEC (ERP, Case Management Systems etc.)
- Implement real-time surveillance systems linked to the exchange and operators core systems

7.3 Protect investors and improve overall investor experience

It is critical that market participants have confidence in the fairness, efficiency and integrity of the capital market. In this respect, continuous effort would be made to ensure that the rules are strong and enforced fairly in order to protect investors. The regulation governing the Nigerian capital market must be enforced in a manner that is impartial and with sufficient deterrent penalties.

Specific initiatives to be pursued in achieving this objective are as follows:

¹¹ Further detailed analysis is still required to firm-up this recommendation

Develop a clear-cut jurisdictional framework for the Investments and Securities Tribunal (IST)

Promote transparency and disclosure

- Enforce compliance with International Financial Reporting Standards (IFRS)
- Define minimum disclosure requirements
- Develop a framework for shareholder value recognition and strengthen the code of corporate governance
- Implement a strict policy on insider trading to drive transparency

Improve capacity of NSE's Investor Protection Fund and promote investor awareness and education

Continuously review relevant laws to safeguard investor protection at every stage of market development, including providing appropriate mechanisms for investor redress and dispute resolution

7.4 Strengthen auditing, reporting and disclosure standards

A central feature of credible financial disclosure is the presence of reporting and disclosure standards.

Specific initiatives to be pursued in achieving this objective are as follows:

Enforce IFRS standards with full compliance by all capital market participants

Adopt an open technology standard for exchange of business information electronically

- Adopt a standard such as Extensible Business Reporting Language (XBRL)
- Include Securities and Exchange Commission Self regulatory organisations etc.
- **Enhance and enforce shareholder value disclosures for public listed companies**
- For securities issuance, restructuring, takeovers and merger exercises
- Enhance further disclosures in annual reports by public listed companies

Align reporting submission standards between the NSE and SEC and leverage a shared platform for rendition of reports

- To be used by all operators, listed and non-listed companies

Implement online surveillance system from the regulator to core trading system

- This will apply to the exchanges as well as the capital market operators

7.5 Enhance the dispute resolution framework in line with leading practices

Specific initiatives to be pursued in achieving this objective are as follows:

Provide appropriate mechanisms for investor redress and dispute resolution

- Seek to minimize enforcement costs and delays
- Define Jurisdiction (Investments and Securities Tribunal, Federal High Court and Administrative Panel of the SEC)
- Finalize and implement the dispute resolution framework
- Finalize and implement the complaints management framework
- Develop a clear-cut jurisdictional framework for the Investments and Securities Tribunal (IST)

APPENDIX 1: ACRONYMS AND ABBREVIATIONS

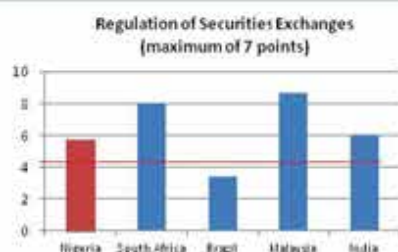
ASEM:	Alternative Securities Exchange Market
AUM:	Assets Under Management
BPE:	Bureau of Public Enterprises
CAGR:	Compound Annual Growth Rate
CBN:	Central Bank of Nigeria
CMMP:	Capital Markets Master Plan
DMO:	Debt Management Office
EMT:	Economic Management Team
ETF:	Exchange-traded fund
FGN:	Federal Government of Nigeria
FTZ:	Free Trade Zones
GDP:	Gross Domestic Product
IFI:	Infrastructure Finance Institutions
IMF:	International Monetary Fund
IPO:	Initial Public Offering
FMF:	Federal Ministry of Finance
MPR:	Monetary Policy Rate
MSME:	Micro Small and Medium Enterprises
NAICOM:	National Insurance Commission
NCC:	Nigerian Communications Commission
NDIC:	Nigeria Deposit Insurance Corporation
NIRSAL	Nigerian Incentive-Based Risk Sharing System for Agricultural Lending
NSIA:	Nigerian Sovereign Investment Authority
PAIF:	Power and Aviation Intervention Fund
PENCOM:	National Pension Commission
PFA:	Pension Funds Administrator
SBIC:	Small Business Investment Company
SEC:	Securities and Exchange Commission
SRO:	Self regulatory organisations
SME:	Small and Medium Enterprises
UK FSCS:	Financial Services Compensation Scheme

APPENDIX 2: COMPARATIVE STATISTICS OF NIGERIA AND MALAYSIA (AS AT DECEMBER 2013)

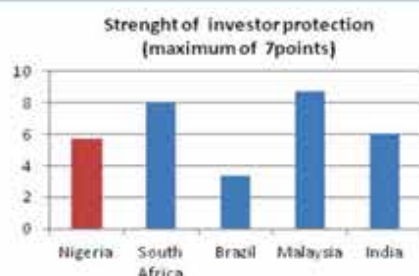
	SIZE METRICS	NIGERIA		MALAYSIA
1	TOTAL MARKET CAP	\$119.41b		\$565.5b
2	EQUITIES CAP	\$82.80b		\$219.5b
3	BOND MARKET CAP (CORP BOND)	\$36.56b	\$1.09b	\$346b
4	AVE. DAILY TURNOVER	\$26.10m		\$647m
5	NEW ISSUES (IPO, RIGHT ISSUE)	11		54
6	NO. OF LISTED COMPANIES	190		991
7	NO. OF LISTED INVESTMENT FUND	5		40
8	NO. OF LISTED EQUITIES	198		1,389
9	NO. OF LISTED BONDS (CORP)	55 (17)		130
10	NO. OF LISTED ETFs	1		30
11	TOTAL NO. OF SECURITIES	254		1,566
12	AUM OF CIS	\$910m		\$114b
13	NO. OF NEW COMPANY LISTINGS	2		18
14	REITs			17
15	POPULATION	170m		29.5m
16	GROSS SAVINGS (% of GDP)	41%		32%

APPENDIX 3:ASSESSMENT OF CAPITAL MARKET REGULATION AND OVERSIGHT IN NIGERIA

Country	WEF Ranking
South Africa	1
Finland	2
Brazil	7
Malaysia	18
India	27
Jamaica	28
Nigeria	72
Algeria	148



Country	WEF Ranking
New Zealand	1
Singapore	2
Malaysia	4
South Africa	10
India	41
Nigeria	57
Brazil	69



Efficiency of legal framework in challenging regulation

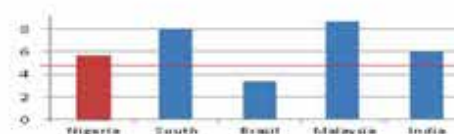
Country	WEF Ranking	Value
Singapore	1	5.4
Qatar	2	5.2
Malaysia	8	4.6
Nigeria	63	3.5
India	104	3.1
South Africa	116	2.9
Brazil	147	2

* Value;1-extremelydifficult, 7-extremelyeasy
Strength of auditing & reporting standards

Country	WEF Ranking	Value
Finland	1	5.9
Hong Kong	2	5.6
South Africa	13	4.9
Malaysia	17	4.7
India	48	3.8
Brazil	68	3.5
Nigeria	92	3.2

Value;1-extremelydifficult, 7-extremelyeasy

Country	WEF Ranking
New Zealand	3
Malaysia	27
Brazil	31
India	52
Nigeria	106
Algeria	128



Source: World Federation of Exchanges (WEF), World Bank, NSE

APPENDIX 4: PRIMARY AND SECONDARY MARKET COSTS FOR SECURITY ISSUES IN NIGERIA

Primary Market Costs

Parties to issues/other costs	Equities (%)	Bonds (%)
SEC	0.15% to 0.30%	0.15%
NSF	0.30%	0.30%
CSCS	0.0125%	NIL
Receiving Agent Commission	0.75%	0.75%
Issuing House Fees**	1.35%	1.35%
Stockbroker to the Issue*	0.125%	0.125%
Registrar Application Fee*	N30 per old application; N40 new application	N30 per old application; N40 new application
Registrar Take-on Fee*	N1 million	N1 million
Solicitor to the Issue*	0.10% subject to a min. of N1mm	0.10% subject to a min. of N1mm
Solicitor to the Company*	0.05% subject to a min. of N500,000	0.05% subject to a min. of N500,000
Reporting Accountants*	0.10%	0.10%
Auditors*	0.05%	0.05%
Underwriting Fee	NEGOTIABLE	NEGOTIABLE
Trustees*	NA	0.035%-0.10%
Solicitors to the Trustees*	NA	0.10% subject to a min. of N1mm
Printing*	0.13% per SEC Study	0.13%
Advertisement*	For statutory advertisement	For statutory advertisement
VAT*		

Table 7: Summary of Primary Market Transaction Costs for Market Participants

Source: SEC

* These fees are negotiable.

**This fee is negotiable, subject to a maximum included in the table.

Secondary Market Costs

Fees	Buyer	Seller
Brokerage Fee	0.75% -1.35%	0.75% -1.35%
Sec Fee	0.30%	0.00%
NSE Fee	0.00%	0.30%
CSCS Fee	0.06%	0.36%
Contract Stamp	0.075%	0.075%
VAT on Brokerage Fee	50%	50%
VAT on CSCS Fee	50%	50%
VAT on NSE Fee	0%	50%
Total Cost	1.122% 1.85%	1.55% 2.186%

Table 8: Summary of Secondary Market Transaction Costs for the NSE

Estimated Transaction	Market Primary	Equities Secondary Market		Bonds Secondary Market	
		Buyer	Seller	Buyer	Seller
Nigeria	1.2%	1.1226%	1.556%	1.21%	
Brazil	0.25%			0.24%	
Chile	0.12%			0.44%	
Mexico	0.2%			0.08%	

Table 9: Estimated Primary Market Transaction Costs (Equities & Bonds) for Nigeria and Selected Int'l Markets.

MEMBERS OF THE CAPITAL MARKET MASTER PLAN COMMITTEE

Sponsor Mounir H. Gwarzo: Executive Commissioner Operations.

1. Mr. Adedotun Sulaiman (MFR) Chairman
2. Ms. Yvonne Ike Fasinro
3. Mr. Victor Ogiemwonyi
4. Mr. Sonnie Ayere
5. Mr. Bolaji Balogun
6. Mr. Chuka Eseka
7. Mr. Albert Okumagba
8. Mr. Ade Bajomo
9. Mr. Kyari Abba Bukar
10. Mr. Bismarck Rewane
11. Mr. Kayode Falowo
12. Mr. Uche Val Obi
13. Mr. Lawrence Fubara Anga
14. Mr. Bola Ajomale
15. Mr. Folasope Aiyesimoju
16. Mr. Bola Onadeko (Koko)
17. Mr. Michael Larbie
18. Dr. Babatunde Ajibade
19. Mr. Wale Shonibare
20. Mr. Opuiyo Oforiokuma
21. Mr. Seye Olusoga
22. Mr. Kayode Akinkugbe
23. Mr. Akeem Oyewale
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25. Mr. Labi Williams
26. Mr. Okokon Akpan
27. Mr. Tunde Kamali
28. Mr. Emomotimi Agama
29. Mrs. Hafsat Olubukanla Rufai
30. Mrs. Ojone Kabir
31. Mr. Usman Yolah
32. Mr. Pam Dauda
33. Mrs. Solape Hammond Agagu
34. Mrs. Toluleke Adenmosun

Volunteers for Research

1. Mrs. Busola Jejelowo
2. Ms. Akinwale Bola
3. Mr. Babatunde Obaniyi
4. Ms. Oyinlola Babs-Sule
5. Mr. Tokunbo Aturamu
6. Mr. Olaoluwa Fashesin
7. Ms. Korede .A
8. Mr. Michael Okon
9. Mr. Fisayo Jessey-Jabarr
10. Mrs. Omolara Jaiye-Dauda
11. Mrs. Feyisola Oyeti
12. Mr. Frank Omizu
13. Mr. Albert Adu
14. Mr. Temitayo Olanrewaju
15. Ms. Ebelechukwu Ikpeoyi
16. Ms. Mutiat Adeyemi
17. Ms. Bukola Iji
18. Ms. Tobeckukwu Uba
19. Ms. Mena Effia Acheaw
20. Oluwasina Olubu
21. Ms. Okikiola Azeez
22. Chidubem Agwuncha
23. Mr. Lanre Mohammed
24. Mrs. Yinka Osoba
25. Mr. Yilji Dimka
26. Mr. Igghosime Oyofe
27. Mr. Theodore Anyanwu
28. Ms. Genevieve Ikazoboh
29. Mrs. Solape Ologunja

PROJECT MANAGEMENT OFFICE (PMO)

1. Mr. Emomotimi Agama
2. Mr. Peter Tobi Mabadeje

PART B

NON-INTEREST CAPITAL MARKET PRODUCTS MASTER PLAN

2015 - 2025

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EXECUTIVE SUMMARY

This report charts the future strategic direction of the Non-interest segment of the Nigerian capital market for the next 10 years (2015 – 2025). The master plan is intended to boost the development of the Non-interest capital market (NICM) by providing clarity of vision and set objectives that can positively impact on market capitalization. It is also aimed at ensuring that the market is well positioned to support Nigeria's economic development by providing alternative sources of long term financing.

In view of the increased funding needs of a fast growing Nigerian economy, it is obvious that there are limited supply of sufficiently diversified capital market products and services amid increasing appetite for investments especially from foreign investors. Besides, domestic investor participation in the capital market remains low, partly attributable to investor apathy from a section of the populace. To this end, it is clear that the Non-interest Capital Market segment faces a number of challenges which are pointers to the need for a comprehensive yet systematic approach towards the future development of the Non-interest capital market with a strategic focus. The formulation of a Non-Interest Capital Market Products Master Plan (NICMPs) is therefore of crucial importance.

The NICMPs Committee, inaugurated on 9th September, 2013 was headed by Mrs. Hajara Adeola of Lotus Capital Ltd to appraise the current state of NICM and make recommendations to set out clear and specified direction for the next decade.

Terms of reference

1. Review the current legal/regulatory framework for Non-interest Capital Market products to align with international best practice.
2. Review and recommend an appropriate structure of over-sight bodies e.g. (Shari'ah Advisory Council) for Non-interest Capital Market Products where necessary.
3. Identify ways of using such Non-interest capital market products e.g. (Sukuk) as a tool for financing infrastructure in Nigeria having considered the experience of other notable jurisdictions (Malaysia, Dubai etc.)
4. Identify the tax issues and other incentives that will attract participants toward Non-interest capital market products e.g. tax neutrality incentives for interest expense to develop an appropriate market structure for such products.
5. Identify and examine any other factors that might affect the development of a robust basket of Non-interest capital market products and make appropriate recommendations.
6. Design/recommend appropriate capacity building programmes for both regulators and market operators that would encourage financial inclusion.

Modalities

The Committee carried out a comprehensive review of the Non-interest capital market to assess existing structural deficiencies and impediments under four working groups - Products, Legal and Regulatory, Structure of oversight bodies (Shari'ah Advisory Board), Tax and other related Issues. A process of consultation subsequently took place involving a wide range of parties including government institutions. This report is the outcome of the intensive work carried out by the Committee towards the achievement of its mandate.

Vision

The overall goal of the NICMPs master plan is to contribute at least 25% of the overall capital market capitalization in the next 10 years. In order to achieve this vision, four (4) key objectives have been identified to form the basis for the Master Plan's main strategic initiatives and specific recommendations as listed below in Box:

Box: Strategic objectives and initiatives

Strategic Objectives	Strategic Initiatives
To build a strong regulatory foundation for NICM	<ul style="list-style-type: none"> Strengthen the institutional capacity of SEC Strengthen coordination among regulatory authorities within the financial sector Continuous review/creation of new rules on NICMPs
To encourage the development of NICM market stakeholders	<ul style="list-style-type: none"> Regulatory authorities to engage stakeholders on a continuous basis on issues relating to NICM Conduct robust public awareness and education programmes on the NICMPs Build capacity of stakeholders through tailored courses/programmes/seminars/workshops e.t.c. Ensure easy entry of market participants into the NICM
To encourage the development of NICM products	<ul style="list-style-type: none"> Ensure availability of NICMPs that meets the regulatory requirement of banks, takaful companies, PFAs, assets managers and other fund/portfolio managers Ensure availability of NICMPs that attract retail investors to achieve financial inclusion Regulatory authorities to engage stakeholders to address tax issues related to new products
To create a regional NICM hub	<ul style="list-style-type: none"> Promote and enhance cross listing of NICMPs Promote and enhance multi-currency listing Rationalize cost of listing/issuance process of NICMP Ensure active promotion of NICM in the sub-region Enhance the liquidity of the NICMPs in the secondary market

Recommendations

The committee's recommendations which are critical for a vibrant Non-interest capital market and for its enhanced global prestige include:

1. To Build a Strong Regulatory Foundation for NICM

Prime Recommendations

PENCOM

- To fast-track the release of guidelines on multi-fund structure for Retirement Savings Account (RSA) Funds which contain a non-interest funds

CBN

- To fast-track the release of guidelines on liquidity status on NICMPs similar to the existing guidelines on conventional products

SEC

- To issue guidelines on approach for regulating Shari'ah governance/model of Shari'ah advisory council.

CAPITAL MARKET STAKEHOLDERS

- To jointly enlighten policy makers on the need to amend BOFIA to accommodate the use of CBN assets to create non-interest liquidity instruments

2. To encourage the development of NICM market stakeholders

Prime Recommendations

SEC

- To establish a Programme Management Office to train and build internal capacity on NICM
- To spearhead initiatives to enhance the awareness of the market at domestic and international levels
- To engage Federal Mortgage Bank of Nigeria and Nigeria Mortgage Refinancing Company to issue sukuk to fund Primary Mortgage Banks. Other potential issuers should also be contacted and encouraged by SEC to issue NICMPs
- To spearhead efforts to organize structured training for stakeholders FMBN & NMRC
- To encourage PMBs to offer non-interest products

3. To encourage the development of NICM products

Prime Recommendations

CBN

- To issue non-interest T-Bills and short term notes

CMO

- To promote a wider range of NICMPs to create opportunities to tap investible funds from investors that are averse to conventional products.

SEC

- To encourage the setting up of a 'functional' and standardized commodity exchange(s) with varieties of non-interest instruments.

4. To create a regional NICM hub

Prime Recommendations

DMO

- To issue sovereign sukuk to establish a benchmark yield curve for Nigeria as there are no impediments in its Act

SEC

- To work actively with other relevant regulators and the industry to initiate further measures to improve the incentives for NICM e.g. floatation cost, 50% discount, waiver of 50% on regulatory fees for the next years and shorten turnaround time for issuance of NICMPs
- To pursue synergistic relationships with other major Non-interest capital markets such as UK and Malaysia

The rest of this report is structured as follows:

- Chapter 1 provides an overview of the background and vision underpinning the development of the Masterplan and the approach taken in its formulation.
- Chapter 2 examines the current state and challenges of the market
- Chapter 3 discusses the strategic objectives and strategies for developing the market
- Chapter 4 outlines recommendations
- Chapter 5 presents the implementation roadmap for formulation of the master plan

Comments by Committee Sponsor, Rt. Hon. Zakawanu I. Garuba

The SEC in its effort towards actualizing its mandate of developing a fair, efficient, transparent, and world class capital market, set up a 10- year Master plan committee for the non-interest capital market (NICM) segment.

The NICM Master Plan sets out the roadmap for a 10-year period ending in 2025. It provides a crucial guide in our journey to realize our vision to develop NICM that can contribute significantly towards national development. The overall goal of the Master Plan is to contribute at least 25% of the overall capital market capitalization in the next 10 years.

The prime goal of developing NICM can only be achieved in an effective manner if its implementation is carried out in sequence through realistic and focused strategies and work plans as highlighted in the report.

The launch of the NICM Master plan represents an important landmark in the history of the Nigeria capital market. It marks the first comprehensive plan, developed in partnership with stakeholders to map out the development of the NICM for the next 10 years.

Against the background of the constraints in accessing long term financing coupled with the need for financial inclusion, the master plan provides clear strategies to position the NICM to play an effective role in supporting national growth and development to enhance global competitiveness of the Nigerian capital market.

In the light of the above, I have the mandate to sponsor the master plan aimed at charting the strategic positioning and development of the NICM. The master plan seeks to give direction to market stakeholders given that it contains descriptions of future development initiatives. This allows them to position themselves for the future.

I would like to commend the committee members and other stakeholders who have offered their valuable support and input into the master plan. With the strong commitment of all stakeholders in implementing the initiatives, I am confident of the success of the master plan in actualizing a NICM that will contribute significantly to national economic growth and development.

Comments by Committee Chairperson, Mrs. Hajara Adeola

The NICM is a segment of the capital market that should play a pivotal role in any economy, both as an alternative source of finance and as an investment outlet.

Over the last decade, the Nigerian NICM has recorded a limited amount of growth. There are currently very limited amount of funds raised and little range of products and services available within the market. However, following the growing interest, it is projected that the market will play a significant role within the overall financial sector.

Going forward, it is clear that the non-interest capital market segment faces a number of challenges if it is to continue to fulfill its role within the domestic economy and effectively compete within the global space. The market must continuously be able to meet the evolving needs of investors and issuers.

To achieve this, it is crucial that the regulatory framework continues to provide all stakeholders with a high degree of confidence. The NICMPs must be robust to expand investment and funding options for investors and issuers.

Against this background, it is imperative to pursue a structured approach to development of NICM which necessitates the evolution of a master plan that provides clarity of the vision and objectives. The master plan is working guidelines that contain objectives, initiatives and work plans that must be implemented within a period of 10 years. The strategic roadmap focuses on charting the strategic positioning and future direction for the NICM. It envisions that Nigeria can establish a NICM that is internationally competitive, provide a reliable channel for the mobilisation and allocation of funds and guarantees financial inclusion.

The realisation of the vision through a number of recommendations contained in the Master plan is underpinned by four objectives and various strategic initiatives. The master plan is intended to provide guidance and direction to market stakeholders. It is important to mention that the Master plan is a dynamic document which will be subject to periodic review to ensure that it remains relevant.

In formulating the NICM master plan's strategic initiatives and recommendations, the current, immediate, and long term issues and challenges were taken into consideration. The Committee held extensive series of discussions and consultations with foreign experts and stakeholders. I am pleased to say that the Committee received significant input through all these channels and that the Master plan is the outcome of the effort.

On behalf of the Committee, I would like to thank the SEC Management for the opportunity to serve on the committee, the sponsor for his guidance and support over the course of preparation of the Master plan. I will also extend my thanks to all those who shared their views. You have made valuable contribution towards the formulation of significant policies that will drive the development of the NICM going forward. I am especially grateful to the members of the Committee, which I had the honour of chairing. Finally, I would like to express my gratitude to Omar Shaikh of International Finance Council, UK for his contributions in reviewing and providing guidance and input to the Master Plan report.

Since the inauguration of this NICM committee, the UK Prime Minister made a pledge to issue the first UK Sovereign sukuk, which has since been issued with 10 times oversubscription. This underscores the attractiveness of the NICM and what is possible with the strength of conviction. We expect that the momentum created by this process will gain traction and ensure the realisation of the master plan's vision for a fully inclusive Nigerian capital market.

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Globally, capital markets are evolving to meet new funding and investment needs. Traditionally, countries have relied on conventional means to finance infrastructural needs. However, post-2008, the global economic crises made fund raising activities through conventional means challenging as witnessed by the Eurozone countries. These difficulties highlighted the relative attractiveness of alternative sources of finance. The evolution of alternative financing models taps into today's appetite for ethical finance and has been providing a complementary source of financing around the globe.

Financial markets are progressively focusing on niche market segments in order to diversify their market base and generally enhance the value of products and services by promoting areas in which they have comparative and competitive advantage.

The emergence of NICMPs as a viable and efficient channel for resource mobilization and optimal allocation is increasingly gaining prominence across the world. The market complements the funding and investment role of the conventional segment of the capital market by providing long-term funding necessary to achieve national development goals in line with ethical/Shari'ah principles.

" NICMPs are fast gaining momentum as major financing and investment vehicles

The NICM in Nigeria is a niche market which holds significant potential for growth. The challenges facing Nigeria from the fast changing domestic and international environment have highlighted the need for leveraging a fair, efficient and robust NICM. Consequently, the need to provide a clear blueprint for the NICM that would enhance its pivotal role in the domestic economy and within Africa cannot be overemphasized. Further justifications for development of NICM are detailed in the box below.

BOX 1: The Need for Non-Interest Capital Market Products in Nigeria

Some justifications for NICMPs in Nigeria include:

Promotes Financial Inclusion

- By issuing NICMPs, the public and private sector can access a previously untapped investor base. The market will capture local investors seeking non-interest/ethical investments and opportunities thereby ensuring financial inclusion. Investors are also able to buy NICMPs products in addition to existing conventional products.

Product Diversification

- NICMPs such as Sukuk are tradable instruments and in some jurisdictions have outperformed their conventional counterparts due to lower volatility hence their appeal amongst investors. NICMPs provide the opportunity for fund seekers (public and private) to diversify their sources of capital and thereby encourage more capital market debt. The availability of NICMPs as an asset class enables investors to diversify their investment options especially conventional investors. Effective demand for NICMPs is strong in Nigeria.

Attracting Foreign Direct Investment

- By issuing NICMPs, the public and private sector can attract foreign capital into Nigeria and enhance the value recognition of the country as a NICM hub. Further, Nigeria can attract capital from foreign investors who are predisposed towards NICMPs.
- The growth of NICM in Nigeria will be fast-tracked as non-interest finance is fast growing across the world. With the slowing growth in the developed world, it has become critical to diversify our sources of investment capital. A key factor influencing optimism and the prospect for this diversification is the concentrated wealth in the rising Asian Tigers and the GCC zone (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE). Some of the wealthiest countries and individuals in the world are seeking Shari'ah compliant investments in Africa.

Enhances Employment Generation

- By issuing NICMPs, the public and private sector can raise funds for development projects with attendant positive effects on employment.

Linking Financing with Real Economy

- NICMPs promote financial stability by linking the financial sector with the real sector of the economy.

Promotes Good Corporate Governance

- The asset-based feature of NICMPs promotes transparency and accountability and consequently good corporate governance.

**"NICMPS ARE ASSET-BASED AND PROMOTE TRANSPARENCY, ACCOUNTABILITY AND
CONSEQUENTLY GOOD CORPORATE GOVERNANCE**

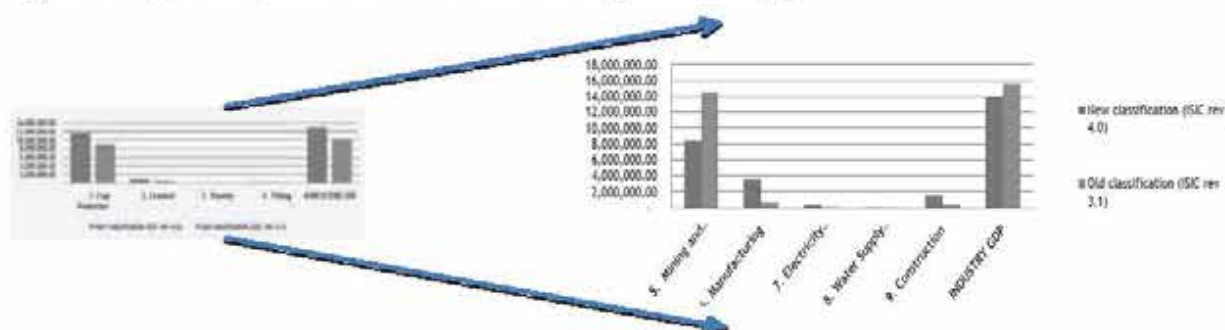
1.2 The Vision

To take advantage of its strengths going forward, it is envisaged that Nigeria will develop a robust, vibrant and dynamic NICM that is internationally competitive.

Nigeria has significant potential to develop a NICM that can contribute 25% of the overall market capitalization.

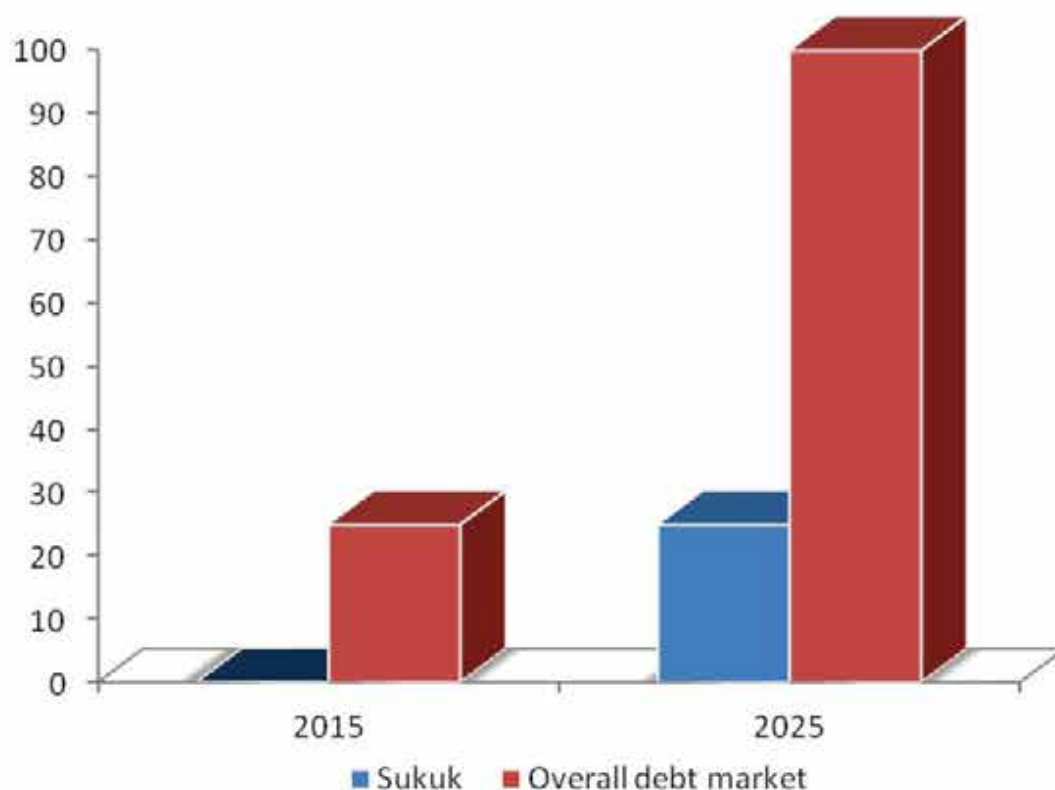
This vision indicates an overarching goal that will serve as a pivot to the sustainable development and strategic positioning of a vibrant and competitive NICM. The success of the NICM will contribute to the overall strength of the Nigerian economy.

Figure 1: Graphical representation of vision of the Nigerian NICM (1)



The NICM to contribute 25% of the overall market capitalization and sukuk is expected to contribute 15% of the overall debt market.

Figure 2: Graphical representation of vision of the Nigerian NICM (2)



“The vision is for the NICM to contribute 25% of the overall market capitalization and sukuk is expected to contribute 15% of the overall debt market

1.2.1 The Mandate

The SEC seeks to strategically transform the structure and fundamentals of Nigeria's NICM to achieve three broad goals as follows:

- Improve the product offerings to attract both conventional and non-interest investors thereby ensuring financial inclusion;
- Improve the relevance to domestic needs and contribution to national and regional economic growth and development; thereby making Nigeria the hub for NICM in Africa to enhance our global competitiveness.
- The Commission, on 9th of September, 2013, set up a committee for the NICMPs Master plan comprising stakeholders with the mandate of formulating a 10 year Master plan.

The plan is intended to firmly establish the NICM segment of Nigeria's capital market and to provide its strategic direction over the next 10 years by articulating the vision, objectives and strategic initiatives to be implemented going forward. It also seeks to address prevailing gaps in the NICM and to position it to play an effective role in financial intermediation.

“NICMPMP is to build a NICM that would be competitive in meeting the country's funding and investment needs and contribute to the long-term national development

The terms of reference for the committee are specified as follows:

1. Review the current legal/regulatory framework for Non-interest Capital Market products to align with international best practice.
2. Review and recommend an appropriate structure of over-sight bodies e.g. (Shari'ah Advisory Council) for Non-interest Capital Market Products where necessary.
3. Identify ways of using such Non-interest capital market products e.g. (Sukuk) as a tool for financing infrastructure in Nigeria having considered the experience of other notable jurisdictions (Malaysia, Dubai etc.)
4. Identify the tax issues and other incentives that will attract participants toward Non-interest capital market products e.g. tax neutrality incentives for interest expense to develop an appropriate market structure for such products.
5. Identify and examine any other factors that might affect the development of a robust basket of Non-interest capital market products and make appropriate recommendations.

6. Design/recommend appropriate capacity building programmes for both regulators and market operators that would encourage financial inclusion.

These terms of reference were formulated to ensure that the NICM is efficient, competitive and dynamic.

1.3 Methodology for Developing the Master plan

The Committee adopted the following approaches to develop the Master plan:

- Four working groups were created to work on various work streams as follows - Products, Legal and Regulatory, Structure of oversight bodies (Shari'ah Advisory Board), Tax and other related Issues. Each working group carried out an extensive review of all key issues and challenges and made recommendations
- Conducted secondary research to obtain data/information from various sources
- Collated and reviewed information/data provided by SEC members
- Reviewed literature containing experiences of other jurisdictions
- Reviewed capital market master plans of selected jurisdictions
- Organized sessions facilitated by an external consultant to review the draft master plan and to obtain stakeholder's input on relevant issues concerning the strategic positioning and future direction of the Nigerian NICM.
- Some stakeholders such as PENCOM and CBN were visited to obtain their perspectives.
- A broad-based consultative approach was adopted in formulating the NICMPMP

Some of the key documents reviewed include:

1. Existing regulatory framework:
 - i. SEC rules on Sukuk and Islamic Fund Management
 - ii. CBN guidelines on Non-interest banking
 - iii. NAICOM guidelines on Takaful
 - iv. PENCOM guidelines on investment by PFAs
 - v. FIRS guidelines and regulation on tax neutrality
2. Malaysia and Indonesia's capital Market Master Plan
3. Report of Joint Committee on Alternative Finance (JCAF) in Nigeria

These formed the basis for the development of the blueprint for the effective development and continued competitiveness of the Nigerian NICM.

CHAPTER 2

WHERE WE ARE

2.1 The Current State

The introduction of NICMPs in Nigeria has been a relatively recent development, in comparison with the more established conventional products. The first Islamic Fund (Halal Investment Fund) was launched in February 2008 by the pioneer Islamic fund manager (Lotus Capital Ltd). Subsequent to that, in 2010, the SEC came up with rules on Islamic fund management. To further strengthen the legal and regulatory framework, rules on sukuk issuance were issued in 2013. This effort has led to the landmark issuance of sukuk in Nigeria initiated by the Osun State Government with the issuance of Sukuk worth N11.4 billion naira (approximately US\$73 million) yielding 14.75 percent in 2013. This first Sukuk, floated for the development of schools in sub-Saharan Africa and is based on an ijara structure. In July 2012, the Nigeria Stock Exchange launched the NSE Lotus Islamic Index to track select shari'ah compliant equities in Nigeria. As at end June 2014, there were 5 shari'ah/ethical unit trust schemes available in the market, with a total NAV of N35.8 billion, amounting to 19.6% of the total NAV of the unit trust industry as shown in table 3 below.

Similarly, the CBN, in 2011, issued clear guidelines for the supervision and regulation of institutions offering Islamic financial services (IIFS) in Nigeria. This led to the licensing of the first non-interest bank (Jaiz Bank Plc) in Nigeria in the same year. In 2013, the CBN inaugurated the Financial Regulatory Advisory Council of Experts (FRACE) to provide advice on Shari'ah compliance matters. By end June 2014, the CBN had issued 2 licenses for non-interest bank windows to Stanbic IBTC and Sterling Bank.

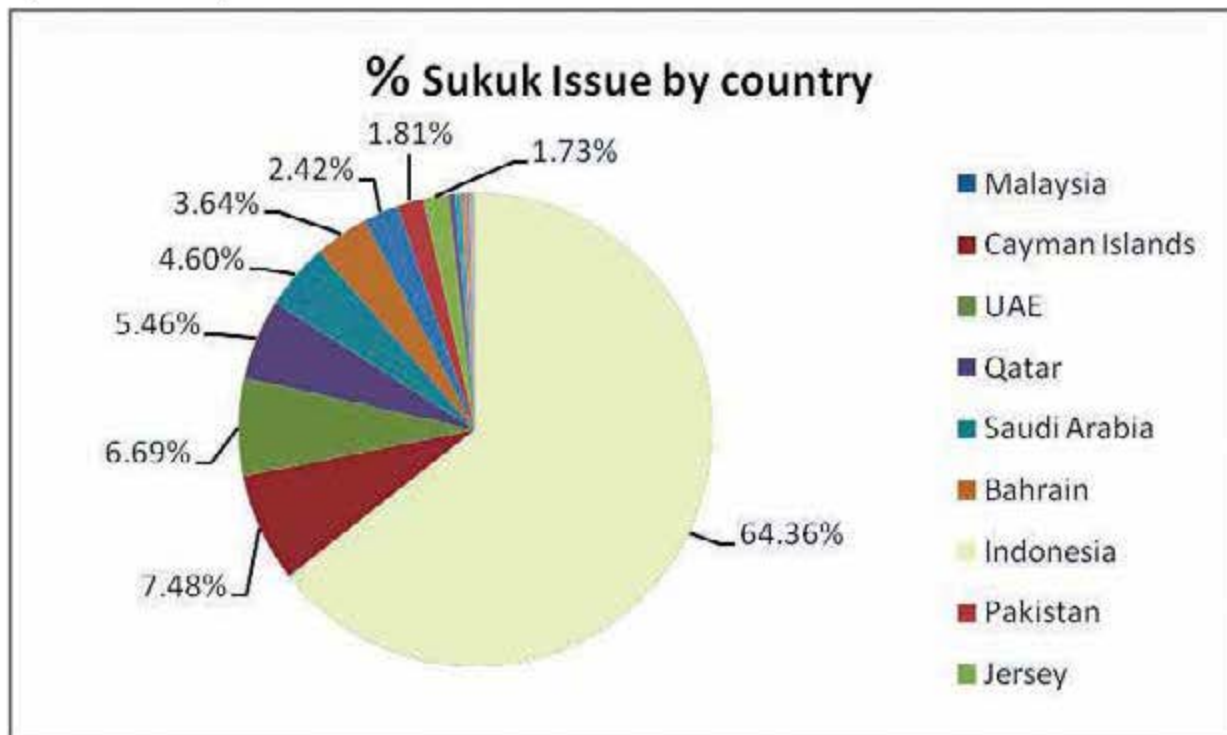
Despite these efforts, there is still a paucity of non-interest products and services. Key products such as non-interest t-bills, shari'ah compliant REITs and ETFs are non-existent. The potential of the NICM segment as a driving force for the Nigerian economy is yet to be unleashed. The market however offers attractive prospects for the country's industrialization, infrastructure development, business growth and economic development in general. The fund-raising capacity of the market has not been optimised. Only one sub-national sukuk issuance has been recorded in Nigeria. Albeit the first in sub-Saharan Africa.

In terms of services, the Nigeria NICM offers non-interest product structuring, project financing and management services. As the market is undeveloped, so too is the scope, quality and penetration of intermediation services offered by securities brokers and issuing houses.

The Nigeria NICM is at a nascent stage. The market is neither deep nor broad-based. Naturally, the size of the NICMPs is relatively small when compared to conventional financial products.

"The Nigeria NICM is currently at a nascent stage"

The graph below shows the size of sukuk issuance by countries (2000 – 2011).
 Figure 3: Percentage of countries' sukuk issuance



Source: Report of the Technical Committee on Alternative Finance (Sukuk) in Nigeria

Table 1: Sovereign, Quasi Sovereign & Corporate Issue (All currencies),
1st January 2001 – 31st December 2010

	Country	Name Used for the Security	Sovereign	Sub-sovereign & Sovereign Related	Corporate	Domestic	International
1	Malaysia	Sukuk		✓	✓	✓	✓
2	UAE	Sukuk	✓	✓	✓	✓	✓
3	Saudi Arabia	Sukuk		✓	✓	✓	
4	Sudan	Sukuk	✓	✓		✓	
5	Bahrain	Sukuk	✓			✓	✓
6	Indonesia	Sukuk	✓	✓	✓	✓	✓
7	Pakistan	Sukuk	✓			✓	
8	Qatar	Sukuk	✓			✓	
9	Kuwait	Sukuk	✓		✓	✓	✓
10	Brunei Darussalam	Sukuk	✓			✓	
11	USA	Sukuk			✓	✓	
12	UK	AFIB			✓	✓	
13	Singapore	Sukuk	✓			✓	
14	Germany	Bond		✓			✓
15	Turkey	Sukuk			✓		
16	Japan	Islamic Bond			✓		
17	Gambia	Sukuk	✓			✓	✓
18	Iran	Sukuk	✓		✓	✓	
19	Ras Al Khaimah	Sukuk	✓				✓

Source: Report of the Technical Committee on Alternative Finance (Sukuk) in Nigeria

Africa constitutes about 0.46% of the global sukuk market to date, with only 354 sukuk issuance worth \$3.17bn. Out of the 55 countries in the region, only four have issued sukuk so far while another six countries are in the process to tap the market.

Figure 4: Sukuk issuance by Africa countries

Products	Malaysia	UK	Bahrain	Egypt	Nigeria
Sukuk		✓	✓	✓	✓
Equities	✓	✓	✓	✓	
REITs	✓		✓		
Unit Trust	✓			✓	✓
Index	✓	✓			✓
Venture capital	✓				

Source: Islamic Finance Information Service (IFIS) 2014

Table 2 provides an indication of the shades of NICMPs available in selected jurisdictions.

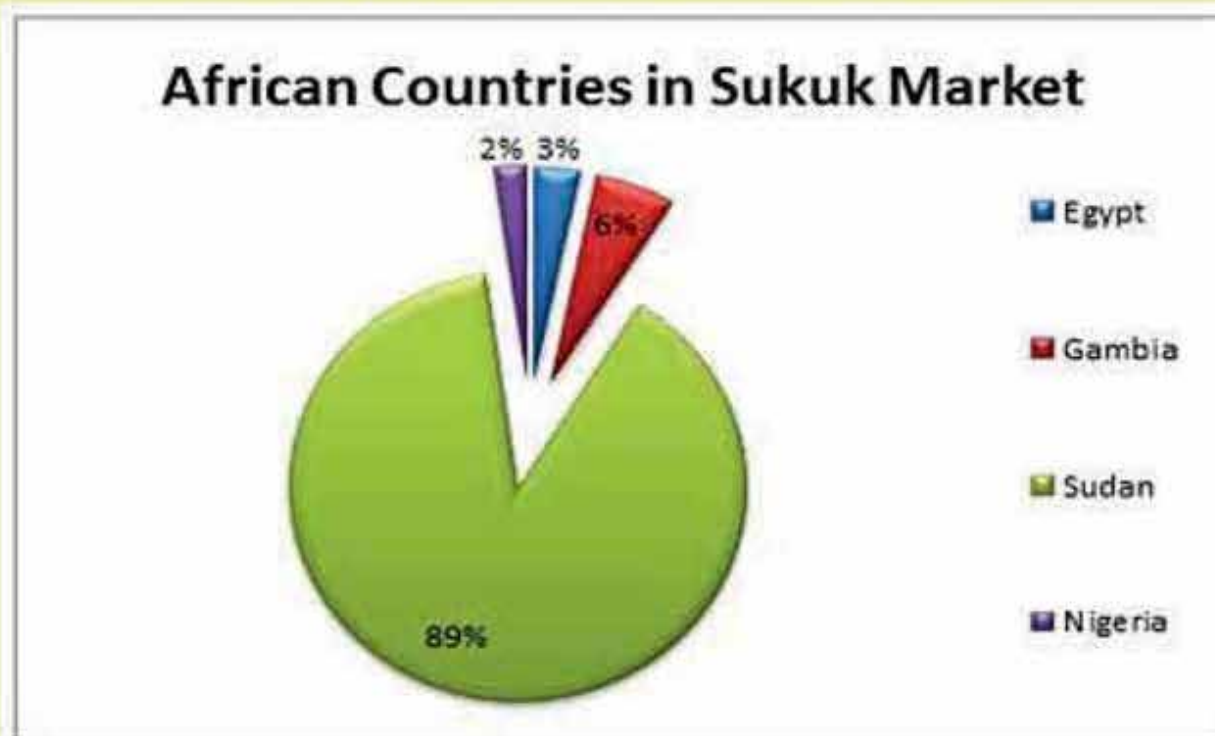


Table 3: Registered Ethical/Shari'ah-Based Fund in Nigeria as at 31st June, 2014

S/N	NAME OF FUND	FUND MANAGER	NET ASSET VALUE (N)
1	Zenith Ethical Fund	Zenith Bank Plc	893591047.14
2	Lotus Halal Investment Fund	Lotus Capital Limited	2,154,854,675.90
3	Stanbic IBTC Ethical Fund	Stanbic IBTC Asset Mgt. Co. Limited	3,224,472,849.91
4	ARM Ethical Fund	Asset & Resources Mgt. Limited	314105898
5	Stanbic IBTC Iman Fund	Stanbic IBTC Asset Mgt. Co. Limited	188511090.87
Total			6,775,535,562

Please note that the "ethical" funds are not shari'ah compliant.

2.2 Growth Potentials of the Market

The Nigerian economy is currently one of the strongest economies in Sub-Saharan Africa and rich in natural resources. The economy is the largest in Africa and has been growing at a steady pace of over 6% per annum for the past five years. Nigeria has a fast diversifying economy and is a leading destination for investment flows in Africa. It can achieve stronger GDP growth with ongoing economic reforms. Growth has been broadly based across all the major sectors of the economy: agriculture, oil & gas, retail/wholesale, real estate, construction and financial services.

"The potentials of NICM are immense but the market remains underutilized"

Nigeria has a large infrastructure deficit. According to the AfDB 2013 report, Nigeria has an infrastructure deficit of \$360 billion. The country is urbanizing at one of the fastest rates in the world. Due to growth of the population in urban centres, large urban infrastructure projects (roads, power, water facilities, educational, health etc) will continue to be developed for many years to come. Demand is being fuelled by the need to renew and modernize aging infrastructure such as the road networks, water systems, power generation, transmission and distribution facilities. Construction growth in Nigeria will be the fastest of all markets, according to the latest 10-year forecast from Global Construction Perspectives and Oxford Economics (www.globalconstruction2020.com). To address this challenge, substantial capital through reliable funding sources is required.

"Nigeria has a substantial infrastructure deficit"

Today, there is demand from the Asian and GCC countries looking for investment in growing emerging markets. Nigeria qualifies as such an investment destination hence the need to develop a vibrant NICM.

The demand for socially responsible investment (shari'ah compliant) domestically coupled with the need for financial inclusion represent cogent reasons in favour of the NICM. The strong local investor appetite was reflected in the oversubscription of the only sub-sovereign sukuk issuance in Nigeria. There are a sizeable number of entities that are yet to tap the NICM for funding purposes.

Taking these factors into consideration, Nigeria has strong potential to develop NICM. With the Non-interest finance markets increasingly becoming a significant component of global capital markets, it is important for Nigeria to adopt the approach of developing both the conventional and NICMs.

The potentials for the NICM are attractive but this market segment remains underutilized. To maximize its potentials, various strategic initiatives will be systematically implemented as discussed in chapter 3.

2.3: Challenges Faced by the Market

The Nigeria NICM is encumbered by some factors which are inhibiting the realization of its full potential. These challenges, which need to be addressed, are as follows:

1. Awareness gap
2. Knowledge gap
3. Limited legal and regulatory framework
4. Dearth of market players
5. Product deficit
6. Lack of secondary market

2.3.1 Awareness Gap

The level of awareness about the NICM is shallow. Consequently, most entities are not aware of the existence of NICMPs rather they rely on the conventional capital market instruments.

The low level of awareness is attributable to the negative perception and sentiments regarding the operation of NICM in Nigeria which has led to investor apathy. In spite of this, the appetite for investing in NICMPs is strong as mentioned earlier. This can be observed from the subscription level achieved on the first ever sub-national sukuk issue in Nigeria as indicated in box 2 below. It is important to note that that 80% subscription of the sukuk is from conventional investors.

Box 2 The Perception Deception: Conventional Investors Subscription to Sukuk Issues

- US\$166mil East Cameroon Gas sukuk - first US-based company to issue sukuk; majority conventional investors
- US\$3.5bil Dubai Ports sukuk – generated US\$11.4bn of orders with over 50% placed with conventional investors
- €100mil German State of Saxony-Anhalt sukuk issue – majority conventional investors
- US\$600mil Malaysian Sovereign sukuk : 51% of the investors from the Middle East, 30% from Asia, 15% from Europe and 4% from the US
- US\$700mil Qatar Global Sukuk: 48% conventional investors
- US\$500mil IDB Sukuk : 70% conventional investors
- US\$ 73 mil Osun Sukuk: 80% conventional investors

Source: Dr. Md Nurdin Ngadimon, SC Malaysia and Lotus Capital Ltd

2.3.2 Knowledge Gap

A large number of Nigerian investors lack knowledge about the concept, benefits and operations of NICMPs and this makes some Nigerians wary of patronizing same. This has led to paucity of skilled/qualified manpower in the field of NICM, which is critical to the success of the industry. This also accounts for the small size of the market.

The growth and development of the market is dependent on increasing public knowledge and awareness on the NICMPs which will eventually stimulate more issuances thereby deepening the market. Synergy among financial regulators is imperative in this regard.

2.3.3 Limited Legal and Regulatory Framework

Nigeria NICM is under-developed and so is the legal and regulatory framework. Even though the legal and regulatory framework for the NICMPs, Islamic banking and takaful (Insurance) appear to be robust for the development of NICM, there is still need for continuous improvement in rules especially relating to Islamic securitization, commodity murabaha e.t.c.

Another observed regulatory impediment is the non-permissibility of PFAs to invest in non-interest capital market instruments. This limits the growth of the NICM. Further, there is misunderstanding on the classification in terms of listing of capital market products.

2.3.4 Dearth of Skilled Market Players

As a result of misperception relating to operation of the NICM and limited knowledge of the area, there are very few players and this has consequently hindered the growth of the market. The skilled practitioners are very few hence there is urgent need to encourage more market players into the market. Experiences from some jurisdictions such as Malaysia and Dubai revealed that securities regulators usually assist the market operators in capacity building on NICMPs.

2.3.5 Paucity of Products

There are very few NICMPs in the Nigerian NICM today. There are only 3 shari'ah compliant funds and only one sukuk issue in the market. The paucity of products is attributed to the lack of awareness, understanding and appreciation of the products by issuers. Thus, efforts need to be intensified to create awareness that will stimulate the market.

2.3.6 Lack of Secondary Market

The few available NICMPs especially sukuk are very illiquid due to demand-supply gap. This is a global

phenomenon whereby the insufficient issuance relative to demand (evidenced by high oversubscription levels) results in investors adopting a buy and hold strategy. Further, there is lack of knowledge about the instrument that could create secondary market demand. To address this challenge, there is the need for extensive awareness campaigns, the introduction of new NICM products in sufficient volumes and market makers on the NICMPs.

CHAPTER 3

WHERE WE WANT TO BE

3.1: Strategic Objectives and Initiatives

Nigeria's NICM has witnessed some development over the years. As much as this progress has helped in the overall capital market growth to date, it is clear that significant initiatives are now needed to complement the actualization of the overall objective of making the Nigerian capital market a fund raising and investment destination in order to contribute to the nation's growth. A cogent and coordinated strategy to address existing identified gaps and lay the foundation for the NICM's future development is imperative.

In order to achieve the vision of the master plan, four key objectives have been identified that form the basis for the master plan's main strategic initiatives and specific recommendations. These strategies are fashioned to broaden the role of the NICM in enhancing the growth and development of the Nigerian economy through facilitative financing models.

These objectives and initiatives are stated as follows:

Strategic Objectives	Strategic Initiatives
To build a strong regulatory foundation for NICM	<ul style="list-style-type: none">• Strengthen the institutional capacity of SEC• Strengthen coordination among regulatory authorities within the financial sector• Continuous review/creation of new rules on NICMPs
To encourage the development of NICM market stakeholders	<ul style="list-style-type: none">• Regulatory authorities to engage stakeholders on a continuous basis on issues relating to NICM• Conduct robust public awareness and education programmes on the NICMPs• Build capacity of stakeholders through tailored courses/programmes/seminars/workshops etc.• Ensure easy entry of market participants into the NICM
To encourage the development of NICM products	<ul style="list-style-type: none">• Ensure availability of NICMPs that meet the regulatory requirement of banks, takaful companies, PFAs, assets managers and other fund/portfolio managers• Ensure availability of NICMPs that attract retail investors to achieve financial inclusion• Regulatory authorities to engage stakeholders to address tax issues related to new products
To create a regional NICM hub	<ul style="list-style-type: none">• Promote and enhance cross listing of NICMPs• Promote and enhance multi-currency listing• Rationalize cost of listing/issuance process of NICMP• Ensure active promotion of NICM in the sub-region• Enhance the liquidity of the NICMPs in the secondary market

The NICM is an industry that is relatively new. The strategic initiatives are expected to place the NICM on an equal footing with the conventional capital market to allow the NICM to develop and achieve the strategic objectives. It is believed that this move will foster a balanced and healthy complementary environment for NICMPs and conventional products.

3.1.1 Building a Strong Regulatory Foundation

The legal and regulatory framework governing the NICM is one of the foundations upon which the NICM operates and develops. The regulatory regime must be able to adapt and respond speedily and appropriately to development in the Non-Interest Finance landscape.

To facilitate the development of an efficient and internationally competitive NICM that is capable of effectively serving the needs of the Nigerian economy, it is imperative that the NICM is characterised by a strong and facilitative regulatory framework with strong market confidence and protection to investors that enables the NICM to perform its basic economic role of fund mobilisation and allocation effectively.

Whilst significant efforts have been made in improving the regulatory framework, it is important for continuous efforts and appropriate initiatives to be directed towards strengthening and enhancing the regulatory framework in alignment with the NICM's overall objective.

Specifically, existing regulations will be refined and new regulations will be developed in line with developments in the NICM. This will be complemented by strong supervision and effective enforcement to ensure compliance. Efforts will also be directed at further improving the standards of business conduct of market participants. Full disclosure and accountability by regulated industry players will be enhanced. These are important for ensuring that public confidence in the integrity of the market is preserved at all times.

Good Corporate Governance (GCG) is one of the requirements for creating a healthy NICM. The regulatory framework that promotes the principles of GCG needs to be enhanced to build a strong foundation for developing a vibrant NICM that has the ability of sustaining confidence of participants.

Regulatory framework and guidelines of financial sector regulators are expected to be complementary to provide coordinated regulation in Non-interest Finance sub-sector.

Initiative 1: Strengthen the Institutional Capacity of SEC

Based on the novelty and dynamism of the NICM, SEC needs to enhance its institutional capacity to keep pace with the demands of the market in line with its mandate of regulating and developing the Nigerian capital market. A notable area for institutional strengthening has been identified as human resource capacity.

Measures will be taken to train and re-train skilled personnel of SEC in this field to enhance their knowledge. This is important considering the crucial apex regulatory role SEC will play in promoting the development of the Non - Interest capital Markets.

Co-ordinated efforts between the SEC and relevant industry bodies to work on training initiatives and continuing professional education should be pursued.

Efforts will be made to ensure effective monitoring and supervision of NICM operations as well as strong enforcement which is key to enhancing market integrity and boosting investor confidence.

Initiative 2: Strengthen Coordination among Regulatory Authorities within the Financial Sector

Given the novelty of Non-interest Finance in Nigeria, cooperation and coordination between the regulatory authorities in the non-interest financial sector needs to be enhanced to address common issues.

Increased levels of co-operation, interaction, information exchange, collaboration, and policy initiation and implementation between the various financial markets regulators and government agencies will also strengthen oversight and ensure consistency and effectiveness in implementing policies/programmes. Hence, a forum will be introduced as platform for consistent flow of information.

INITIATIVE 3: CONTINUOUS REVIEW/CREATION OF NEW RULES ON NICMPS

Rules on NICM need to be reviewed and strengthened to attain international standards, strengthen oversight, enhance transparency and promote a robust and deeper market. There is need for SEC to intensify effort in this direction.

3.1.2 Encouraging the Development of NICM Market Stakeholders

Human resources are critical to the development of the NICM. Having adequate human resources, in terms of quantity and quality, will enhance the development of the NICM in Nigeria.

Currently, there is paucity of market operators that have good understanding of the NICMPs. There are however substantial opportunities for participants to establish their niche in the area, as well as to participate in a number of transactions to enhance and deepen the NICM segment.

Initiative 1: Regulatory Authorities to engage Stakeholders

Given that human resource development will be focused not only on building the industry technical knowledge but also knowledge of fiqh muamalat (i.e. Islamic jurisprudence and shari'ah commercial transaction), it is imperative to forge synergy with relevant stakeholders to promote the development of the NICM.

Further, there is the need to enhance regulations to support the implementation of standard qualification and certification for professionals in the NICM including shari'ah experts.

Initiative 2: Conduct Public Awareness Campaigns

To increase the number of participants and investors especially retail investors, accurate and appropriate communication is necessary. Public awareness will be pursued to enhance the knowledge of the public on NICM. The programmes will be structured specifically for particular market segments. Awareness programmes will be focused and aligned with the conventional capital market products.

Initiative 3: Build Capacity of Stakeholders

The availability of practitioners with knowledge and skill will improve the smooth functioning of the market. The Nigerian educational system is currently not producing enough people of the calibre required by the NICM.

Market participants require specialized knowledge and skills for the performance of their functions. Effort to improve the quality of players will be made through enhancing the standard qualifications or requirements that need to be fulfilled for operators practicing in the NICM segment and continuous improvement of players.

Continued training and upgrading the skills of local professionals will help local participants enhance their skills and understanding so that they operate and compete effectively in the emergent market.

To strengthen intermediaries/professionals that are capable to offer a broad range of NICMPs and services, there is the need to enhance professional standards, conduct and consumer protection in the delivery of services.

Specifically, the availability of legal professionals and judicial officers who are conversant with non-interest financial transactions should be enhanced to further strengthen the pool of expertise within Nigeria's NICM. Therefore, training and education effort should be initiated to build up competent legal professionals who possess the necessary technical expertise to handle non-interest financial cases within the judicial system.

Key players within the market such as issuers are to be sensitized on the available fund raising opportunities within the market.

The investing public is a major stakeholder in the NICM and their literacy on NICMPs is important in enhancing the development of the market. Collaboration and cooperation of stakeholders are required to increase the domestic investor base. Specifically, investor education will require partnership with other bodies such as professional associations, academic institutions, and related government institutions.

Human resources development for SEC will focus on increasing the understanding of fiqh muamalah. The availability of capable human resources within SEC who are knowledgeable on the operations of NICMPs will strengthen the institution and help to deepen the market. For shari'ah experts, an improvement of their understanding of finance is imperative in addition to the knowledge on shari'ah and Islamic jurisprudence.

Measures will need to be taken to develop the infrastructure for boosting the human resources for the market.

An all-inclusive approach to human resources development is expected to balance the understanding and knowledge between Shari'ah issues and conventional financing among the players such as professionals, regulators, and Shari'ah experts. This would ultimately create an attractive and competitive NICM in Nigeria. Detailed strategies for capacity building on NICM are contained in the report of Capital Market Literacy Master Plan Committee.

Initiative 4: Ease Entry into the NICM

The entry requirements for participants need to be as attractive as obtainable in the conventional segment of the Nigerian capital market. This will be in line with international best practice.

Efforts will be directed at ensuring that there is a conducive environment for the development of private venture capital industry that is shari'ah compliant, to provide an attractive and competitive environment for emerging companies seeking funding in an ethical or shari'ah compliant manner.

3.1.3 Developing NICM Products

The NICM is an important part of the overall capital market and the development of NICMPs will strengthen and complement the capital market. Given that shari'ah-based products constitute a relatively small portion when compared to conventional capital market products, it is projected that the public demand for NICMPs will progressively increase in the next ten years.

Nigeria's NICM will be able to provide domestic savers with a wide range of products to mobilise their savings in investments that best suit their individual risk-return preferences in an ethical/shari'ah compliant manner. Empowering investors with greater choices in the variety and quality of products available to them is an important part of the overall strategy to enhance efficiency within the NICM.

While the fund-raising capacity of the NICM is gradually growing, the span of products over the entire risk-return spectrum needs to be widened further to accommodate the funding needs of issuers.

Efforts to introduce a wider variety of instruments to be developed to cater to the different needs of issuers and varying risk-return appetites of investors within the market will provide viable complements to conventional capital market products if actively pursued. The availability of NICMPs such as shari'ah screened shares, sukuk, and investment funds are expected to complement the development of the Nigerian capital market.

There is potential for further diversification of the NICMPs base through the mobilisation of dormant non-interest assets. Hence, efforts to mobilise untapped non-interest assets through securitisation should be pursued.

The development of the non-interest Private Equity/Venture Capital and Mutual Fund industry are important

components of the NICM in view of the critical roles they play in meeting the financing needs of emerging high-growth companies/SMEs. Consequently, it is vital that effort be directed towards developing avenues for capital formation for high-growth, value-added sectors that will support long-term development. This will include measures to assist in the promotion of Non-interest collective investment schemes to attract more investors.

Going forward, it will be important to consider areas not only where the domestic NICM can more effectively meet the basic investment needs of investors, but also where it can open up new investment opportunities for other categories of issuers/ investors.

Initiative 1: Ensure availability of NICMPs that meets the regulatory requirements of banks, takaful, PFAs, assets managers and other fund/portfolio managers

Going forward, product development efforts should be intensified to increase the number of NICMPs that are available in the market in order to fulfill the demand for non-interest investments and creating new product alternatives that are not yet available in the market.

Initiative 2: Ensure availability of NICMPs that attract retail investors

Existing shari'ah compliant Funds do not fully accommodate retail investors. Considering that the majority of Nigeria's population is categorized as medium to low class, the availability of a wide range of NICMPs will encourage retail investors to make investments that suit their needs.

Therefore, measures will be taken to facilitate a greater quantity and frequency of promotional and educational Programmes to increase awareness among investors of non-interest/ethical fund management products.

Aggressive education programmes on NICM will be carried out to raise the sophistication of retail investors. An active fund management industry, with strong participation from PFAs will be developed.

Initiative 3: Regulatory authorities to engage relevant stakeholders to address tax issues

Given the need to place the NICM on an equal footing with the conventional capital market, efforts should be focused on achieving tax neutrality between NICMPs and conventional capital market products. Tax impediments on NICMPs will be reviewed and appropriate recommendation will be made to the relevant authorities.

3.1.4 Create a Regional NICM Hub

A niche market where Nigeria has a comparative and competitive advantage represents potentially significant areas where the domestic market can effectively position itself at the regional or even global forefront,

particularly where there is largely untapped potential for such development. This will enlarge the breadth of the overall NICM beyond the borders of basic conventional financial products, and the positive implications for broader NICM activity will also contribute to the overall growth of the financial market.

Considering that issuers, and investors will naturally choose to converge in markets that offer them the best value in terms of cost, liquidity, skilled professional services, and the diversity of fund-raising instruments, the Nigerian NICM must offer issuers the ability to raise funds in the most efficient manner and investors the opportunity to invest through a variety of instruments commensurate with their maturities and risk profiles.

In order to ensure that the Nigerian NICM provides an effective avenue for capital raising and investment, efforts should be made to address the shortcomings in the NICM's current capacity to meet local fund-raising and investment needs, as well as to identify focused measures to ensure that Nigeria establishes a regional NICM hub. This initiative is aimed at attracting foreign investors into the NICM. The NICM will be the preferred choice for companies to raise funds from the region. It will showcase the hallmarks of an efficient and effective market with liquidity and vibrancy resulting in greater participation by local and foreign investors and issuers.

This aspiration will be achieved if domestic capabilities are first built up. Human capital represents an extremely important dimension in supporting the objective of positioning Nigeria as a leading NICM hub in Africa. A knowledgeable and skilled workforce is the key to sustaining a competitive advantage. It is therefore necessary to develop local expertise to ensure the availability of a pool of skilled professionals who are well-versed in Shari'ah matters and are able to provide a range of relevant high quality, value-added advisory and intermediation services. It is imperative to increase the pool of non-interest capital market expertise through training and education.

The strength of the domestic investor base in terms of number and investment value can give foreign investors impetus to invest in the country. This will boost market credibility which in turn helps to attract more foreign issuers, investors and intermediaries into the market.

Laws, regulations and rules need to be reviewed to achieve international competitiveness, strengthen oversight, enhance transparency and promote a vibrant and deeper NICM.

With a strong supportive legal and regulatory framework and pool of skilled resources, the domestic Non-interest NICM can act as a gateway for foreign funds to access funds from the market.

To achieve the objective of becoming a leading NICM hub, the quality of financial reporting plays an indispensable role in ensuring that information about non-interest financial products and transactions to be disseminated to existing and potential investors, regulators and other market participants is of a high quality and benchmarked against international standards. Efforts to develop an appropriate financial reporting framework for the non-interest capital market in collaboration with AAOIFI (Accounting and Auditing Organization of Islamic Financial Institutions) will be pursued.

It is also recognised that the current tax treatment of certain Non-interest financial transactions is not in sync with that of comparable transactions in the conventional financial market, resulting in the former bearing an

additional taxation burden. This creates a disadvantage. Such tax disparities will need to be addressed in order to allow consistent opportunities for development across both the Non-interest and conventional capital markets. Therefore, efforts will be made to ensure neutrality in the current tax regime governing Non-interest securities transactions.

Initiative 1: Promote and enhance Cross-Listing

A strong legal and regulatory framework that is in tandem with international standards will provide an enabling environment for cross border investments/offerings.

The listing of Nigerian Non-interest instruments on major exchanges such as the London Stock Exchange will serve to promote these instruments to a global audience and further enhance the international profile of the Nigerian NICM. Thus, efforts to ensure the listing of Nigerian Non-interest instruments in international markets will be pursued.

Initiative 2: Promote and enhance Multi-Currency Listing

Today, only a sub-national naira-denominated Non-interest debt security has been issued within the domestic capital market.

Going forward, the feasibility of issuing foreign currency-denominated sukuk in major international financial markets will be encouraged, in order to enhance the profile of NICMPs within the global market and at the same time, tap global investment funds.

Initiative 3: Rationalize Cost of Listing/Issuance

Entities in Nigeria must be able to access the NICM on competitive terms compared with other sources of financing in the markets. To ensure that the NICM remains competitive and consequently the market of choice for Nigerian issuers, it is necessary to address the issues of cost and efficiency in the fund-raising process. Initiatives will be directed at ensuring that the overall process of raising funds is efficient and provides a competitive cost of raising funds for issuers.

The ability to issue NICMPs within a reasonable period at minimum cost is vital in ensuring that issuers are able to capitalise on business opportunities in a timely and cost-efficient manner. To this end, therefore, there will be a continuous drive to further improve the efficiency of the regulatory processes intrinsic to the raising of funds within the NICM.

Initiative 4: Ensure active Promotion of NICM

There is inherent potential in the NICM which calls for commitment towards raising the international profile and name recognition of the Nigerian Non-interest capital market segment, with the ultimate aim of enhancing the overall NICM's capacity to draw international funds into the domestic market. Coordinated promotional efforts are needed to achieve the kind of global recognition that is required to enhance Nigeria's NICM profile and attract the desired patronage.

Efforts need to be made to enhance the awareness of the market at the domestic, regional and international levels. This will involve comprehensive educational and promotional programmes with industry participants aimed at enhancing general awareness among issuers and investors keen to participate in the Nigerian NICM. At the international level, particularly in key target markets, efforts will be undertaken to familiarise foreign intermediaries such as fund managers, investment bankers and the relevant financial service providers with the NICMPs.

Periodic road shows locally and internationally will be pursued. The use of electronic media in the fund-raising process and awareness campaign where applicable will be encouraged to take advantage of the greater reach, speed and efficiency that electronic platforms can offer.

Nigeria will seek synergistic relationships with other key market jurisdictions, including establishing strategic alliances with other major regulatory/standard setters to promote the NICM.

Initiative 5: Enhance Secondary Market Liquidity in NICMPs

Liquidity typically expands with the scale of trading, and the presence of large and active institutional investors within the NICM will foster a more conducive environment in which liquidity can flourish.

The NICM currently lacks liquidity due to paucity of NICMPs and absence of secondary market. Efforts will be directed at ensuring increased products offering and creation of secondary market.

To deepen the secondary market, access to the existing market infrastructure for trading in NICMPs will be encouraged to provide a level playing field with conventional instruments.

An active and efficient secondary market for NICMPs allows domestic and foreign companies to be able to raise capital at competitive prices and reasonable cost through established market channels. It enhances the value recognition for these issuers because of the presence of established pools of liquidity within the market itself, and also increasing the attractiveness of investing in NICMPs.

CHAPTER 4

HOW WE CAN GET THERE

4.0 The recommendations contained in the Master plan have been formulated with consideration of the current state and challenges of the NICM which will be addressed in the short, medium and longer term. It is also premised on the vision, objectives and strategic initiatives earlier discussed. Detailed recommendations on capacity building for the NICM are contained in report of the Capital Market Literacy Master Plan - Part C of the report.

4.1 To build a strong regulatory foundation for NICM

RECOMMENDATIONS

PENCOM

- To fast track the release of guidelines on multi-fund structure for Retirement Savings Account (RSA) Funds which contained non-interest fund.
- To amend guidelines for PFAs' assets selection criteria to be risk-based as against the current approach which differentiates between alternative (non-interest) products and conventional products by removing specificity in guidelines such as Sukuk and focus on broad asset classes and risks e.g fixed income, variable income and REITs.

CBN

- To fast track the release of guidelines on liquidity status on NICMPs similar to the existing guidelines on conventional products.
- To issue a standardized template for non-interest products under its purview to guide the market.

FIRS

- To release comprehensive guidelines and regulation on non-interest transaction to give confidence to investors in non-interest finance products.

SEC

- To standardize operational guidelines in line with international best practice. There is the need to review and improve existing guidelines to accommodate shari'ah compliant securities such as REITs e.t.c.
- To foster synergy among regulators in the Non-interest financial sector through the Financial Services Regulation Coordinating Committee or any other standing committee.
- To issue guidelines on approach for regulating shari'ah governance/model of Shari'ah advisory council.
- To set robust minimum criteria for qualification of Shari'ah adviser or advisory council for CMOs using CBN and NAICOM template.
- To strengthen its monitoring mechanism on NICM to ensure that shari'ah compliant issues are fully adhered to by market operators to protect investors.
- SEC, CBN, and NAICOM to jointly consider and adopt any of the following oversight bodies:

to establish a financial market regulatory advisory council, utilize FRACE or leverage external bodies.

Capital Market Stakeholders

- To jointly enlighten policy makers on the need to amend BOFIA to accommodate the use of CBN assets to create non-interest liquidity instruments

RECOMMENDATIONS

4.2 To encourage the development of NICM market stakeholders

SEC

- To establish PMO to coordinate implementation of NICMPs Master plan. The PMO is to train and build internal capacity on NICM. Staff with expertise on non-interest capital market should be initially deployed while external experts in the field should be leveraged upon on an ad-hoc basis.
- To spearhead initiatives to enhance awareness and education of market stakeholders at domestic and international levels.

FMBN & NMRC

- To issue sukuk to fund PMBs. Other potential issuers should also be contacted and encouraged by SEC to issue NICMPs.
- To encourage PMBs to offer non-interest products.

4.3 To encourage the development of NICM products

RECOMMENDATIONS

CBN

- To provide optional generic Non-interest Banking contracts template as a guide.
- To issue non-interest T-Bills and short term notes.

NATIONAL ASSEMBLY

- To amend Sections 28 & 29 of CBN Act to allow CBN use its assets to create non-interest liquidity instruments.
- The Land Use Act (LUA) should be amended to facilitate the process of perfection and transfer of title to make the creation of mortgages less cumbersome.

STATE GOVERNORS

- To be encouraged to access the NICM through sukuk issuance.
- Governors and relevant stakeholders in the Land Registry to grant a level playing field to property acquisition using non-interest structure alongside conventional structure and avoid the need of seeking consent twice.

CMOs

- To promote a wider range of NICMPs to create opportunities to tap investible funds from investors that are averse to conventional products.

FIRS

- To ensure neutrality in the current tax regime governing non-interest products by addressing tax provisions that may impede NICMPs development and innovation.

SEC

- To encourage the setting up of 'functional' and standardized commodity exchange with varieties of shari'ah compliant instruments.
- To engage NSE to understand structures and agree on classifications of NICMPs for listing purposes.
- To encourage unquoted PLCs to list on the floor of the Nigerian Stock Exchange.
- To encourage fund managers of the NICM to make public the screened shares that complies with shari'ah screening for investors' information., or adopt the Malaysian model of identifying and labeling compliant listed equities.
- To engage selected corporates by encouraging them to issue sukuk.
- To engage Islamic Development Bank, AfDB and other multilateral institutions to issue supranational sukuk in Nigeria.
- SEC in conjunction with IDB to encourage provision for shari'ah compliant guarantees.

Fund Managers Association of Nigeria

- To promote and educate its members on how to structure more shari'ah compliant products.
- SEC and NSE to actively work with domestic as well as international financial institutions that have interest and possess the capacity to ensure listing of Nigerian Non-interest equity funds on major exchanges.

The implementation framework and key performance indicators are attached as appendix 2 to the Master Plan

LIST OF COMMITTEE AND SPONSOR

NAME	
Rt. Hon. Zakawanu I. Garuba (Committee Sponsor)	Sponsor
Mrs. Hajara Fola Adeola (Chairperson)	Sponsor
Alh. Rasheed O. Yussuff	Member
Mrs. Oluwatoyin Sanni	Member
Mr. Kasimu G. Kurfi	Member
Dr. Timi Austen -Peters	Member
Mr. Dipo Omotosho	Member
Mr. Masud Balogun	Member
Dr. Basheer Oshodi	Member
Mr. Attahiru Maccido	Member
Mr. Napoleon D. Okosu	Member
Mr. Ahmad U. Kollere	Member
Mr. Ibrahim Shehu Kangiwa	Member
Mr. Abbas Abdulkadir	Member
Mrs. Mary E. Ekwo	Member
Mr. Mohammed Salihu	Member
Mr. Daniel Okonji	Member

List of Abbreviations/Acronyms

ACRONYMS	DEFINITION
AfDB	African Development Bank
BOFIA	Bank and Other Financial Institutions Acts
CBN	Central Bank of Nigeria
CMC	Capital Market Committee
DMO	Debt Management Office
ETF	Exchange Traded Fund
FIRS	Federal Inland Revenue Service
FMAN	Fund Managers Association of Nigeria
FRACE	Financial Regulatory Council of Experts, Nigeria
ICM	Islamic Capital Market
IDB	Islamic Development Bank
KPIs	Key Performance Indicators
LUA	Land Use Act
MIFC	Malaysia International Islamic Financial Center
NAV	Net Asset Value
NIB	Non-interest Banking
NICM	Non-interest Capital Market
NICMPMP1	Non-interest Capital Market Products Master plan 1
NICMPs	Non-interest Capital Market Products
NIFWG	Nigerian Islamic Finance Working Group
NMRC	Nigerian Mortgage Refinance Company
NSE	Nigerian Stock Exchange
OTC	Over-the-Counter
PFA s	Pension Fund Administrators
PMO	Programme Management Office
REITs	Real Estate Investment Schemes
RM	Ringgit Malaysia
SAC	Shari'ah Advisory Council
SC Malaysia	Securities Commission Malaysia
SEC	Securities and Exchange Commission, Nigeria
SMEs	Small and Medium Enterprises

GLOSSARY

In the Masterplan, the following terms are used to mean:

Collective Investment Scheme

A scheme whereby an entity is set up to pool money from many investors who share the same investment objectives. A full-time manager then invests the pooled money on behalf of the investors in securities or other investments in accordance with those objectives. The basic forms of collective investment schemes are unit trust -based vehicles, share-based corporations such as closed-end funds, and pension funds.

Corporate Governance

The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders.

Ijarah

A contract where a financier buys and leases equipment or other assets to the original owner for a fee. The duration of the lease as well as the fee is set in advance. The financier remains the owner of the assets.

Istisna`

A contract to acquire an asset according to the specifications given in the sale and purchase agreement. After the parties to the contract have decided on the price, settlement can be delayed or arranged based on the schedule of work completed.

Intermediary

Professional securities industry participants who act as go-betweens for issuers and investors. Intermediaries include brokers, fund managers, investment advisers, custodians and other financial institutions.

Market Makers

Market makers ensure that there is always a market in which investors can buy and sell shares of the clients they are market makers for. The market maker quotes bid and offer prices at which he stands ready to buy and sell.

Mudharabah / Muqaradah

Trust financing agreement involving a contract where one party provides the capital and another party manages the project using his entrepreneurial skills. Profits are shared based on an agreed ratio and the losses are borne by the provider of the funds.

Murabahah

An agreement that refers to the sale and purchase transaction for the financing of an asset or project whereby

the costs and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase, which can be done in cash or instalments, is specified in the agreement.

Musarakah

A partnership arrangement between two parties to finance a project whereby all parties contribute capital either in the form of cash or in kind. Any profit derived from the project will be distributed based on a pre-agreed profit sharing ratio, but losses will be shared on the basis of equity participation.

Mutual fund

Mutual funds, like unit trust funds, are open-end collective investment schemes. The main difference between the two is in their legal structure. A mutual fund is an investment company that issues redeemable shares. This is in contrast to a unit trust which is not a company and which issues units instead of shares.

Over-the-counter

A market for the purchase and sale of securities not listed on an organised exchange.

Self-regulatory Organization

A private sector organisation which is responsible for regulating its own members through the adoption and enforcement of rules of conduct for fair, ethical and efficient practices, subject to the oversight of the regulatory authorities.

Sukuk

A document or certificate which represents the value of an asset.

Shari'ah

The divine law of Islam derived from three (3) sources:

- the Quran
- the Hadith (a transmitted narration of what the Prophet Muhammad said, did, approved or disapproved)
- the Sunnah (a path or manner of life. A term used for those rules and ordinances of the Muslim community which are established upon the precept or practice of the Prophet Muhammad)

Takaful

A form of Islamic insurance based on the Quranic principle of Ta'awun or mutual assistance. It provides mutual protection of assets and property and offers joint risk sharing in the event of a loss by one of its members. Takaful is similar to mutual insurance in that members are the insurers as well as the insured.

Unit Trust

An arrangement or scheme that invests funds subscribed by the public in securities, futures contracts or

property and in return, issues units that it is obliged to repurchase at any time.

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PART C

THE CAPITAL MARKET LITERACY MASTER PLAN

2015 - 2025

The Capital Market Literacy Master Plan Report

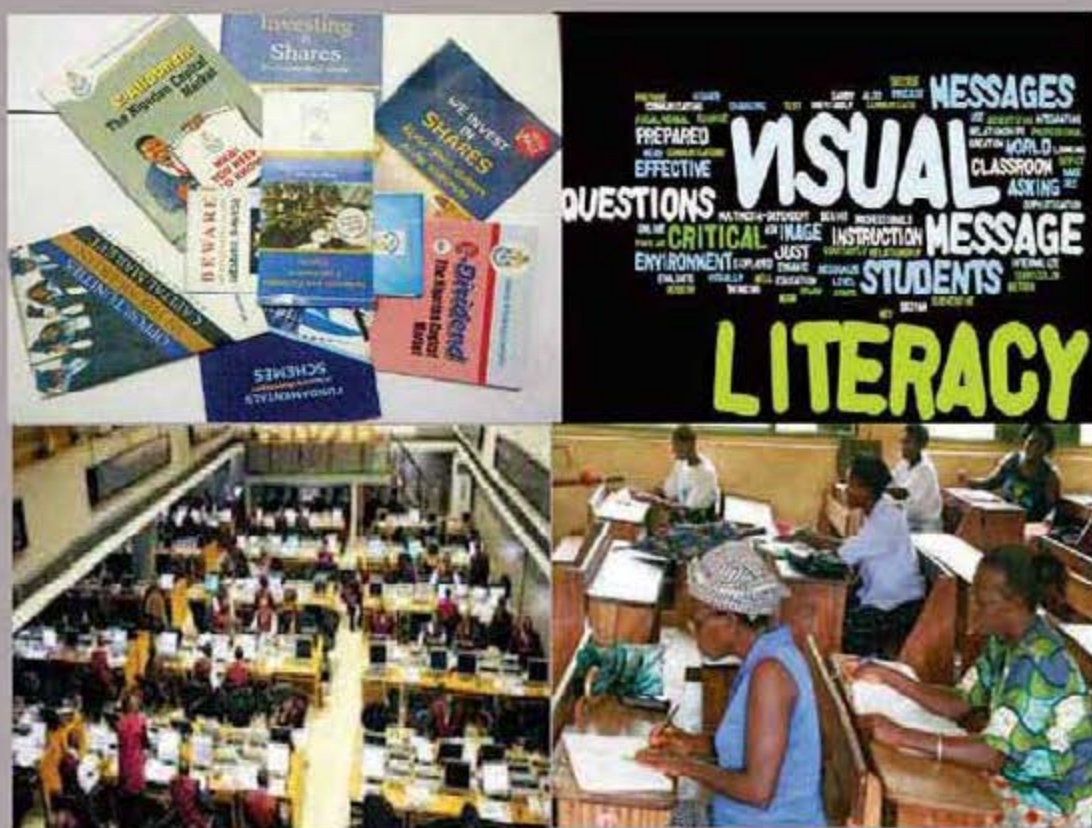


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Executive Summary

Background

Capital market is the part of a financial system concerned with raising capital by dealing in shares, bonds, and other long-term investments. The capital market plays an important role in facilitating the process of economic growth and as well as improving the standard of living of the people.

A variety of evidence indicates that financial literacy is correlated with investment behavior. The financial crisis has been blamed in part on low levels of financial literacy in the U.S and around the world. The strategy of investor education is therefore regarded as a critical element in achieving global success.

Studies have shown that Capital Market Literacy is surprisingly low even in the advanced economies of the world. In Nigeria, illiteracy – amongst other factors - could be said to have contributed to the crash of Capital Market in 2008/2009. A similar study conducted by EFINA 2012 showed limited knowledge about the Financial Market generally and its activities in Nigeria.

From a regulatory and supervisory perspective, financial literacy may act as a means of investors' self-protection, would improve safety and soundness of capital market by investors' effective decisions, and can promote efficiency and fairness of capital market by investors request on more accurate information with more quality.

The World Bank recently organized an African regional dialogue in Kenya on Financial Literacy and Capability. The objectives of the one day event were to:

- Promote a dialogue between countries on experiences with financial literacy and capability including varied approaches as well as ways to evaluate the impact and experiences to date; and
- To better understand how the World Bank can best serve our clients and collaborate with our partners in this area.

The work by Financial Sector Deepening (FSD) Kenya, the World Bank and others on financial literacy and capability increasingly focuses on not only increasing the financial knowledge and information consumers have (their financial literacy) but also the skills, attitudes and especially behaviors needed to make sound financial decisions and be financially capable.

Some Nigerian initiatives

The Central Bank of Nigeria (CBN) is developing a financial literacy framework to provide a roadmap for enhancing financial literacy to achieve financial inclusion in Nigeria and ultimately the attainment of the goal of Financial System Strategy (FSS) 2020.

The Nigerian Stock Exchange (NSE) currently offers ad-hoc training for all external audiences—market operators and investors who show interest in knowing more about NSE and the Nigerian capital market. This is

an important requirement, given the role NSE plays in the capital market. By enabling the acquisition of knowledge and skills, NSE is investing in specific useful competencies that will positively impact on the growth of the capital market. Investors' Clinic is one of the new investor education initiatives designed to address low investor confidence and create better informed investors.

The NSE sponsored the Nigerian Capital Markets Forum 2014 hosted in the City of London, UK in April 2014 organized by African Market Development Partners (AMDP) with the objective of attracting investment into the Nigerian Stock Exchange.

The Securities and Exchange Commission (SEC) set up three committees to provide long-term plans for the growth of the capital market. The three committees are:

- Capital Market Master Plan Committee which will set out clear strategies for the entire capital market to achieve its full potential;
- Capital Market Literacy Master Plan Committee which will articulate a market-wide continuous investor education strategy; and
- Non-Interest Capital Market Products Master Plan Committee to create a roadmap for the development of a vibrant Islamic finance industry in Nigeria.

Capital Market Literacy Master Plan Committee is required under its mandate to "Examine the current level of capital market literacy in Nigeria". In order to effectively fulfill this mandate, Ernst & Young (EY), a global professional services firm, was engaged to conduct a survey with the objective of assessing the Capital Market Literacy level in Nigeria and providing recommendations on literacy initiatives and programs that can be implemented to improve the literacy level.

The Capital Market Literacy Master Plan is a comprehensive plan showing the focus of the capital market literacy activities for the next ten (10) years. This master plan identifies key areas for market education, awareness and development. The need for a master plan on capital market literacy is re-enforced by the lack of knowledge among the investing public on the risks and rewards of the capital market, a clear need to rebuilding investor confidence and enhance market participation. As investors and potential investors gain more confidence in the capital market, companies will attract long term funding more easily through either raising equity or issuing long term debt. These sources of funding will allow companies to finance their investments and as such contribute to the advancement and development of the Nigerian economy.

The Capital Market Literacy Master Plan Committee therefore, having studied what obtains in other jurisdictions and the current Capital Market Literacy Programs available in Nigeria; will make necessary recommendations which when implemented, will not just improve the level of Capital Market Literacy, but will substantially drive the development of the Capital Market and the entire financial system.

Definition of Capital Market Literacy

Literacy can be defined as a person's knowledge of a particular subject or field. The synonyms are articulacy,

education, knowledge, learning, proficiency, refinement and scholarship.

On the other hand, Capital Market can be defined as the Market for raising and trading in long tenured securities in the country's financial system. The Capital Market channels the wealth of savers to those who can deploy it to productive use through the inter play of several operators, systems and laws. The Capital Market is one of the most regulated markets in the world.

Capital Market Literacy is therefore, the level of education, learning, articulacy, proficiency and scholarship of a country's population about Capital Market Activities. It is also, the ability to critically think about and participate in the Capital Market, understand its role, instruments, institutions, operations, functions and processes by individuals, organizations and societies.

- **Terms of reference**

The terms of reference of the Capital Market Literacy Master Plan Committee are to:

- Examine the current level of capital literacy in Nigeria and make recommendations for ways to improve on the quality and depth of knowledge in an effective and efficient manner.
- Identify and review the strengths, weaknesses, opportunities and challenges of the current structure of Nigerian capital market literacy programs to meet the immediate and future developmental aspirations of the market and the national economy.
- Examine current policies and plans for capital market literacy and recommend appropriate strategies in line with best practices to enhance participation in the market and determine the reforms; policies regulations and infrastructure required to encourage financial inclusion in the capital market.
- Suggest ways that could be adopted to influence a large population of Nigerians to make decisions towards investing in the capital market.
- Consider any additional issue(s) required to achieve the level of capital market literacy comparable with any world class capital market.

- **Statement of Objective**

- To develop a framework for continuously building capacity of all Stakeholders for a wider and more informed participation in capital market.

- **Global Trends**

Investor education is becoming ever more important in the wake of the recent global financial crisis. This reflects the realization that the crisis can be partly attributed to insufficient investor education as well as to human greed and a lack of preventive systems.

Building and restoring investor confidence, above anything else, is essential to normalize the global financial system that has been crashed by the recent financial turmoil. To that end, a great deal of effort is required of all

parties concerned including government and market participants.

Investor's education initiatives in Developed and Emerging markets

Several jurisdictions consider investor education to play an essential role in achieving investor protection. Some of these jurisdictions like France and Hong-Kong have established independent investor education bodies; others have units or departments within the supervisory authority that are charged with investor education. However, some supervisory authorities limit their own investor education initiatives largely to the issuance of investor alerts.

Many supervisory authorities like Financial Industry Regulatory Authority (FINRA) US, The Autorité des Marchés Financiers (AMF) France and the Securities & Exchange Board of India (SEBI) provide information for investors on their website homepages about investment services and specific financial instruments. The Australian Securities and Investment Commission (ASIC)'s Money Smart website complement online information about specific complex instruments with case studies that illustrate, based on specific examples, how investors might lose their investments, thereby translating otherwise theoretical risks into realistic scenarios

The Comision Nacional del Mercado de Valores (CNMV) Spain also make use of online tests and quizzes for investors on subjects such as scam potential or on general information about investments and securities. Such tests are found to be popular with investors as they offer a more informal approach to financial matters.

A widely followed approach to investor education is to divide the population into target groups, each with a different risk profile and varying levels of financial knowledge. This approach helps to target investor education measures and make them more effective. For example, measures that target schools or university students, retirees or middle-income groups have frequently been used. In jurisdictions with emerging markets and rapidly rising middle-classes such as India, Brazil and Hong-Kong, a focus on the middle-income group is found to be especially effective. In addition to targeting particularly vulnerable groups, some authorities like Securities and Futures commission (SFC) Hong Kong also address more advanced investors and convey specialized information to them via website and other means.

In addition to using conventional tools in their investor education initiatives, such as written information, conferences and websites, some authorities like SFC Hong Kong and CNMV Spain employ more innovative tools such as TV campaigns or social marketing. AMF Quebec uses a known celebrity to host these shows, giving these measures enormous publicity.

In many jurisdictions, the supervisory authority or national central bank are not the only institutions to be concerned with investor education. For example, France has set up an entity named "Institute for Public Financial Education" specifically to coordinate the different investor education initiatives provided by various stakeholders; this entity is often headed by a member of a ministry or the supervisory authority. In other jurisdictions such as Australia and Brazil, the coordination among stakeholders is performed informally without the help of a separate coordinating entity. E.g. ASIC does not have a formal statutory coordinating role. However

as the lead Australian Government agency with responsibility for financial literacy, ASIC facilitates collaboration, consultation and promotion of financial literacy programs and initiatives, including those aimed at investors, through various collaborative initiatives, including a cross-sectoral Financial Literacy Community of Practice, where each month ASIC uses its national video-conferencing facilities to bring together key stakeholders around Australia and New Zealand for regular discussion and sharing of information, exploration of topical issues and showcasing of financial literacy initiatives.

Industry representatives and other stakeholders also carry out investor education initiatives in most jurisdictions such as Japan, Germany and Singapore. In some jurisdictions like Japan and Germany, such initiatives include for example, "stock market games" that simulate the experience of purchasing, holding and selling financial instruments over a certain period of time. These games are often targeted at students to give them first-hand experience in the field of investment services.

Generally for most jurisdictions, the investor education measures adopted by other stakeholders are not governed by statutory guidelines but rather are performed on a voluntary basis.

On the issue of assessing the effectiveness of investor education measures, most authorities have not introduced formal evaluation processes to examine the results of their measures. Generally, finding the appropriate measurement tools has proved difficult. However, the Autorité des marchés financier (AMF) Québec is currently developing a financial literacy index to assess the impact of financial education initiatives.

Investor's education initiatives in Frontier markets

The state of development of financial education initiatives is quite heterogeneous across countries. The government of Ghana adopted a National Strategy for Financial Literacy and Consumer Protection in the Microfinance Sector in 2009, and is planning to enhance financial education in schools. Other programs are implemented by NGOs, sometimes involving financial institutions.

The Capital Market Authority of Kenya is coordinating the development of a national financial education policy and strategy for Kenya. The National Financial Education strategy is designed to use a risk based approach to decide on which target groups to focus on (such as university students, retail investors, consumers (e.g. farmers) and mass market). In Kenya, financial literacy, consumer education and investor education are conducted on a sectoral basis across the financial services sector. In most cases, within each sub-sector, whether banking, pensions, insurance or capital markets, these are done separately by the regulator, industry associations, and among individual firms. External, mostly non-profit, donor-funded, organizations also provide financial literacy and education targeted at lower-income groups.

The Central Bank of Uganda is working with various stakeholders to develop a National Strategy for Financial Literacy and has promoted a financial literacy survey. The Capital Markets Authority has embarked on programs to increase public awareness about capital markets. The Capital Markets Authority and the Central Bank partnered with the financial sector in the FinLit Foundation, carrying out other financial education programs. Several other organizations from the non-profit and private sectors have implemented financial education

initiatives.

The Namibia Financial Institutions Supervisory Authority carries out a Consumer Education initiative. The Central Bank of Kenya, the Reserve Bank of Malawi, the Bank of Tanzania, and the Bank of Zambia are developing national strategies for financial education in their countries. Other countries featuring some limited initiatives on financial education include Botswana, Burkina Faso, Egypt, Mali, Morocco, Rwanda and Senegal.

Some form of financial literacy measurement has been undertaken in Malawi, Namibia, Tanzania, Uganda, Zambia, and to some extent in Kenya.

▪ **Nigerian Context**

The Nigerian capital market is currently undergoing transformation: Given the challenge of restoring investor confidence, the capital market is faced at the macro-level on how to attract capital, improve corporate governance, safe guard investors' rights and empower the investing public through continuous information disclosure and education. At the micro-level the SEC Nigeria is challenged on how to synchronize the various internal initiatives and innovations on the path to get a robust program that will build trust, get people interested in financial education, carry stakeholders along and protect investors.

In Nigeria, the public is largely uneducated about the essence, working and benefits of the capital market. The recent crisis in the banking industry and capital market which led to the erosion of public trust and confidence in the financial system, could be attributed to lack of financial knowledge by the populace on the working fundamentals of the financial system, especially the capital market. The investors were unaware of the high risks involved while accessing huge margin loans during the market's bullish period. If the investors had known the magnitude of risks they undertook before the bubble burst, the downward trend in stock prices could have been minimized if not averted. Perhaps, if the investors were better informed on the enormity of risks that were associated with their level of activities in the companies in the capital market, the level of their investment decision would have been different.

Investors in the Nigerian bourse, like their counterparts in other climes, need to be well informed in order to take informed decisions about various investment products in the market and avoid scams. Also, investors need to learn to take responsibility for their financial decisions. The regulator is always blamed whenever investors are misled.

Since education helps improve financial literacy of investors, the most effective investor protection starts with a well-informed and educated investor. A well informed investing public will be better placed to protect itself, forming the first layer in investor protection. For instance, an investor who understands his right is most likely to assert his right and seek redress when such rights are violated. Similarly, an investor who understands the workings of the market is less likely to be taken advantage of by unscrupulous market participants than one who has a low knowledge of the market. When investors are knowledgeable about the workings of the capital markets, they are also better able to assess the risks and rewards of investment opportunities and participate in the market.

The need for an enhanced campaign remain important as local investor's appetite for investment in stocks have continued to wane, due to what market watchers believed was lack of adequate investors' awareness. In the light of the lessons learned from the stock market collapse, there is need to strengthen the regulator's investor education and awareness function, especially for retail investors.

The latest report from the Nigerian Stock Exchange (NSE) shows that Foreign Portfolio Investment (FPI) transactions, which accounted for 49.28 per cent at the beginning of the year, increased significantly to 78.25 per cent at the end of March 2014.

In contrast, domestic transactions decreased significantly from 50.72 per cent to 21.75 per cent over the same period. However, this represents an overall decrease of 8.31 per cent in total transactions, broken down into a 50.42 per cent increase in FPI transactions and a 60.68 percent decrease in domestic transactions.

The global financial crisis which led to the collapse or near collapse of many institutions around the world heightened the importance of corporate governance. While pushing for higher standards of corporate governance and accounting, regulators and government alike, have continued to realize that investors' confidence is an essential aspect of overcoming financial crisis. It is equally being acknowledged that investor education is a key and effective tool for rebuilding investor confidence.

The International Organization for Securities Commissions (IOSCO), which the SEC Nigeria is also a member, also posits that investor education is a way of providing investor protection. This underscores the importance of investor education in the development of securities market. Indeed, Section 13 (s) of ISA (2007), which SEC has the mandate to implement, emphasizes the need to promote investor education and the training of all categories of intermediaries in the securities industry.

The strategy of investor education is therefore regarded as the most critical element in achieving global success as the financial crisis was in part as a result of lack or low level of financial literacy and proper understanding of the working of the financial market.

In recent times, public awareness, knowledge and participation in capital market activities have become critical to effective capital markets development in an effort to overcome the problem of low levels of capital market literacy.

Whilst there are a number of capital markets literacy activities being carried by some stakeholders in Nigeria to address the foregoing, these efforts are inadequate and not properly coordinated. In addition, the full impact of these initiatives is yet to be ascertained.

SEC as the apex capital market regulator in recognition of such issues, has established a number of capital market literacy initiatives; independently as well as in collaboration with other organizations.

Regulators Initiatives

Over the decades, SEC has made significant efforts in investor's education strategies by coming up with several programmes to improve capital market literacy in Nigeria. Some of the initiatives are; providing educational

materials for various investor types, sponsoring seminars, out-reach and town hall meetings, quiz competitions, establishment of capital market clubs in secondary schools and capital market studies in universities. It also has capacity building program for judges and runs an academy for financial journalists and Shareholder's Association.

Given the centrality of social media to stakeholder management in the 21st century, SEC has incorporated the use of Facebook and Twitter into the stakeholder management matrix. The deployment of this new media has enhanced public awareness on the market and also created a platform for an increased number of Nigerian and foreigners alike to interface with the Commission directly.

In 2011 the SEC commenced an Investor/Issuer Out-Reach programme which was consequently hosted by the various geo-political zones. The NYSC Lecture Series also commenced in 2012 and held at the various NYSC Camps across the Federation. Similarly in 2013, the Health and Wealth financial educational programme commenced in addition to the Eye on the Nigerian Capital Market which is aired on CNBC TV station.

The SEC also embarks on campaigns to States of the Federation on "investment opportunities in the capital market" to create awareness, encourage the utilization of the capital market as an alternative source of funding, provide enlightenment on collective investment schemes, etc. during which relevant publications - books, pamphlets, fliers, journals – are distributed.

Nigerian Stock Exchange (NSE) has also established a number of capital market literacy initiatives to increase the level of capital market awareness in Nigeria. NSE's current capital market initiatives are classified into Business and Corporate Social Responsibility.

In February 2012, NSE kicked off its financial literacy program as a first step in protecting investors, adding that the program aims to enhance investors' understanding of the basics of investing around portfolio construction, asset allocation and risk diversification.

In 2013, NSE in collaboration with Greenwich Trust Ltd., Stanbic IBTC Asset Management Ltd., First Bank Nigeria Capital Ltd., CSL Stockbrokers Ltd., Capital Asset Ltd., and CFA Society Nigeria, hosted two separate Investor Clinics; one for professional bodies such as the Institute of Chartered Accountants of Nigeria (ICAN), and the other for religious bodies.

Similarly, NSE organized 287 other workshops for retail investors in various parts of the country, as part of the bourse's capital market literacy program to educate investors and enhance their potential to save, invest and build wealth, while managing risk. In July 2013, the NSE together with organizations such as the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), National Insurance Commission (NAICOM), Federal Ministry of Finance, Federal Ministry of Education, Pension Commission (PENCOM) and the National Communications Commission (NCC) amongst others, joined the Financial Literacy Steering Committee (FLSC), to develop and implement the Financial Literacy Framework for Nigeria.

The Central Bank of Nigeria (CBN) has developed a Financial Literacy Framework to enhance financial inclusion

of the unbanked. In addition The CBN is planning to conduct a baseline survey for Financial Literacy in Nigeria. This exercise will be accomplished in collaboration with the National Bureau of Statistics (NBS). The purpose of the survey is to achieve an internationally comparable dataset.

- **RAG Literacy Status (As Is)**

To measure the current level of capital market literacy, a calibrated approach was used for the following definition of capital market literacy:

“The level of education, learning, articulacy, proficiency and scholarship of a country’s population about Capital Market Activities. Also includes the ability to critically think about and participate in the Capital Market, understand its role, instruments, institutions, operations, functions and processes by individuals, organizations and societies”.

Each of the key elements in the above definition is in bold. These are education and learning, ability to critically think and participation. These were measured respectively by looking at the level of understanding of 6 key terms, whether the person does trade, and the level of confidence in SEC. The six terms used are:

- shares,
- broker/ dealer,
- investment advisor,
- fund manager,
- government /corporate bonds, and
- Unit trust / mutual fund.

If we require that a person understands all six terms and the person knows his or her level of confidence in SEC, the resulting current literacy level is 16%.

Capital Market Literacy Level			
Knowledge and understanding of CM products	Level of education and learning	Actively participate in the capital market	Ability to critically think about the capital market
6 out of 6	19%	N/A	16%

Note that the ability to actively participate in the capital market has been excluded since this measures the end result of the increment expected in improving the CM literacy level.

As expected, the geographical zones in Nigeria do not have the same amount of understanding about the market. While it was expected that those in the south, would have more knowledge of how the Capital market works, the pattern that emerged was that those in the North West have more knowledge about the market than even those in the South West. The South-East and North-East had the less impressive responses to the questions posed to them. The level of understanding of these terms presents a mixed picture as across the regions.

One important point to consider is that; a strategy which will improve Capital Market literacy in the country will target specific age, gender and educational classes within the country rather than a particular zone.

Capital Market Literacy Level by Geo-political zones in Nigeria using the six terms



• **BAG Literacy Status (To Be)**

The planning horizon for the capital market literacy improvement initiatives is 10 years. At the end of the period a significant increase of more than double the current literacy rate to 40% is expected as an ambition target level.

10 year horizon to improve capital market literacy level				
	May 2014	1-2 years	2-5 years	5-10 years
Capital market literacy level	16%	improvement	halfway	double
RAG status	Red	Red	Amber	Green

Red Amber Green

- Key Findings and Recommendations

From the reviews and research work done (through the survey administration), the following are the major findings and recommendations of the committee.

Findings

- Generally, there is a low level of capital market awareness across the country. People are generally aware of simple and not too complex terms/products such as "shares" and are less aware of more complex terms such as "unit trust". This could be due to several factors such as limited channels to educate the public on capital market operations, inadequate public awareness campaigns, inadequate & insufficient publications on capital market.
- The socio-economic characteristics of investors (age, gender, income and educational qualifications) have statistically significant influence on the investment decisions of investors in Nigeria. The literacy level therefore varies with the demographic characteristics of the population as certain groups are more aware of the capital market than others.
- There are limited coordinated and measurable capital market activities or programs to educate the public. The current capital market literacy programs are not sufficient to cover the public and are not adequate to reach the different stakeholder groups.
- There is low level of awareness about the capital market products, how they are traded and the metrics used to determine their profitability.
- There is ineffective collaboration among capital market stakeholders to run capital market literacy programs. The different stakeholder or trade groups run their own literacy activities with focus on various target groups thereby not making full and adequate use of available resources to reach a larger target group that will generate a greater impact.
- There is inadequate funding to implement capital market literacy programs. Lack of funds prevents or delays the implementation of intended capital market literacy activities or programs.

Recommendations

- **Targeted public awareness**

Capital market industry needs to put more effort on targeted public awareness (multi-channel), such as town hall meetings, roadshows, advertisements, websites launch, public enlightenment campaigns, and introduction of radio programs in local dialects. The peculiarities of distinct groups must be factored into awareness campaigns in the process of disseminating information to those who are less aware of the market

- **School based curriculums**

Introduce capital market education into school curriculums at all levels of education and encourage capital market studies as a degree program offered in universities

- **Capital Market Literacy Week**

Introduce a Capital Market Literacy Week during which papers are presented in various schools all over the nation at all levels of education by the different capital market stakeholders.

- **Education and Training programs**

Conduct education and training programs for Journalists, Lawyers, Association of Capital Market correspondence, leadership of Shareholders' Association and other groups. There is need for a continuous collaboration with institutions like professional bodies, stakeholders associations, etc. to run capital market literacy programs. Establish investor education forum through shareholders association, operators' forum, etc.

- **Enhancement of CM policies and regulations**

Policies and regulations should be enhanced to protect investors. These policies should be simplified for ease of interpretation. There should be better enforcement of rules and regulations established by the Securities and Exchange Commission (SEC).

- **Complaints resolution channel**

A complaints resolution channel or mechanism should be introduced, e.g., a toll free line. Re-visit the investor protection fund and Trade guarantee.

- **Publications, Articles, Journals, Newsletters and Literatures**

Regular and up to date publications and articles on the capital market operations. Publications should be made in English and local dialects. Literatures on capital market should be encouraged. Journals of the Nigerian Capital Market should be jointly developed by all stakeholders, trade groups to also develop and circulate their periodic newsletters or e-newsletters.

- **Mass Media**

Provide more information through the television, radio and newspapers. Trade groups to have detailed FAQs on their websites.

- **Funding**

Create a common fund to which all stakeholders will contribute and continued sponsorship of specific events by regulatory bodies, SRO's and Trade Associations (including SEC, NSE and CSCS).

- **Feedback**

Embark on well-designed surveys /questionnaires, in order to continuously measure the effectiveness and success of the Capital Market Programs.

Summary of Nigerian Capital Market Literacy Initiatives versus Global Best Practices

Global Trends

Capital Market literacy strategies in other countries like South Africa, Canada, India United States, Kenya, Brazil and Malaysia were reviewed in order to have an insight to jurisdictional response to global trends and to lay the ground work for designing appropriate frameworks and strategies implementable, given our peculiar environment. Similar studies were reviewed to identify existing structural deficiencies, impediments and to harmonize the efforts on ground.

In order to have a complete understanding of the global trends, the countries were classified into three markets namely; Developed, Emerging and Frontier market based on Morgan Stanley Capital International (MSCI) market classification framework. The MSCI Market Classification Framework consists of 34 countries, out of which 21 countries were reviewed as shown in the following table.

Developed markets	Emerging markets	Frontier markets
USA	Brazil	Kenya
Canada	Argentina	Uganda
France	India	Ghana
Australia	Japan	Rwanda
Germany	South Korea	Nigeria
Sweden	South Africa	
United Kingdom	Malaysia	
Israel	Czech Republic	

According to MSCI market classification, a country is classified as developed, emerging or frontier market if it has met the following criteria

Criteria	Developed	Emerging	Frontier
A. Economic Development			
A.1 Sustainability of economic development	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years	No requirement	No requirement
B. Size and Liquidity requirements			
B.1 Number of companies meeting the following standard index criteria	5	3	2
Company size (full market cap) **			
Security size (float market cap) **	USD 2519 mm	USD 1260 mm	USD 630 mm
Security liquidity	USD 1260 mm	USD 630 mm	USD 49 mm
	20% ATVR	15% ATVR	2.5% ATVR
C. Market Accessibility Criteria			
c.1 Openness to foreign ownership			
c.2 Ease of capital inflows/outflows	Very high	Significant	At least some
c.3 Efficiency of the operational framework	Very High	Significant	At least partial
c.4 Stability of the institutional framework	Very High	Good and tested Modest	Modest
	Very High		Modest

*High income threshold for 2012: GNI per capita of USD12,615 (World Bank, Atlas method)

**Minimum in use for the May 2014 Semi -Annual Index Review, updated on a semi-annual basis

Developed Markets

Country	Target group	Initiatives / Program
United States	<ul style="list-style-type: none"> Retail Investors Youth Low-income families and individuals 	<ul style="list-style-type: none"> National Strategy for Financial Literacy focus on: <ul style="list-style-type: none"> Encouraging government and private sector efforts to promote financial literacy; Coordinating the capital education efforts of the federal government, including the identification and promotion of best practices for capital education. Establishing a website to serve as a clearinghouse and provide a coordinated point of entry for information about federal capital market literacy and education programs. National Financial Capability Challenge: <p>The National Financial Capability Challenge was designed to increase the financial knowledge and capability of high school aged youth across the United States so they can take control over their financial futures</p> Community Financial Access Program (CFAP): <p>It was designed to increase access to financial services and financial education for low- and moderate income families and individuals.</p> American Association of Individual Investors (AAII): specializes in providing education in the area of stock investing, mutual funds, portfolio management and retirement planning. AAIL has a two day annual conference intended to educate retail investors about various aspects of the investment process, hosts individual chapters in the main urban areas which have their own program of activities and also provides publications on various investment topics. . Investment Company Institute Education Foundation (ICIEF): Formed in 1989, an educational affiliate of the Investment Company Institute, partners with government agencies and other nonprofit organizations to help promote or enhance investor awareness on behalf of the mutual fund industry. For the past three years, the Foundation's primary focus has been the Investing for Success program and partnerships. This program is designed to strengthen investor awareness in the African-American and Hispanic communities. The Foundation also participates in national educational partnerships and programs. Alliance for Investor Education (AIE): The Alliance for Investor Education brings together the main providers of investor education in the U.S. so that they can exchange information about their various investor education programs. In addition, the Federal Reserve Board, North American Securities Administrators Association, the SEC and the Federal Trade Commission advise AIE. Publications for investors and other information can be found on . Securities and Exchange Commission (SEC): The SEC's Web site contains an interactive program dealing with the steps to take in order to become a smart saver and investor. In addition, the SEC's Office of Investor Education and Assistance publishes free brochures and other educational materials on numerous investing topics. These materials and other information are available on www.sec.gov/investor.shtml. Most state securities regulators in the U.S. are involved in investor education in their own jurisdictions. In particular, State Securities Regulators have many grass roots initiatives to educate investors and support capital literacy efforts in schools.

Canada	Individual Investor General Public Students	<p>Canadian Securities Administrators (CSA): Securities regulators from each province and territory have teamed up to form the (CSA) which is primarily responsible for developing a harmonized approach to securities regulation across the country. One of CSA's objectives is to protect investors from fraudulent, manipulative or misleading practices.</p> <p>The CSA's Investor Education Committee has conducted national surveys and developed a number of educational resources aimed at helping investors.</p> <p>The Manitoba Securities Commission: The Manitoba Securities Commission strives to develop and offer public education, to provide information about potentially illegal activity, to help members of the public understand investing and market issues and to be able to make informed investment decisions. The Commission's web site at www.msc.gov.mb.ca has a variety of resources that help to achieve these goals.</p> <p>The British Columbia Securities Commission: The BC Securities Commission conducts investor education under the InvestRight umbrella. InvestRight features tools, information, and a blog to help investors avoid and report investment fraud and assess investment opportunities. Partners as diverse as the God's Fraud Squad and the Canadian Conference of Mennonite Brethren, the credit union-based CUSOURCE Knowledge Network, and enforcement agencies such as the RCMP and Vancouver Police Department, enable the BCSC to plant investor caution and education messages deep in the community. In a joint initiative with the Financial Consumer Agency of Canada (FCAC), the BCSC recently launched a unique, web-based youth education program called The City / La Zone.</p> <p>Autorité des marchés financiers (Québec): The Autorité des marchés financiers (AMF) supervises Québec's financial sector and provides assistance to consumers of financial products and services. It protects consumers by enforcing the statutes and regulations governing the following areas of activity: insurance, securities, deposit institutions (other than federally chartered banks) and distribution of financial products and services. The AMF responds to information requests, receives consumer complaints concerning financial sector participants, and can either recommend services for examining complaints and resolving disputes or pay compensation directly to the consumer, if applicable. It also disseminates consumer education programs on financial products and services in co-operation with consumer protection organizations.</p> <p>Ontario Securities Commission (OSC): The OSC provides resources and programs to help retail investors understand risk and make informed investment decisions, as part of its investor protection mandate. The OSC website www.osc.gov.on.ca hosts investor information with a focus on informed investing and fraud prevention. The OSC also established the Investor Education Fund, an unbiased, non profit source of information and tools that help consumers make better decisions when investing and managing their money.</p> <p>Nova Scotia Securities Commission: Nova Scotia launched a new investor focused website: www.beforeyouinvest.ca. The main feature of the site is the Before You Invest blog, intended to be updated 2-3 times a week once fully launched. NSSC has also incorporated much of the information from our brochures and previous site under 5 headings: Investing Basics, Invest Wisely, Choosing an Advisor, Fraud, and Getting Help. More content may be added in the future, based on feedback and demand. NSSC has worked hard to make the site easy to read and easy to navigate and looks forward to your comments.</p>
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New Brunswick Securities Commission: Invest in Knowing More (IKM) is the New Brunswick Securities Commission's (NBSC) public awareness campaign that has run since 2006. It creates awareness of the seriousness and reality of investment fraud in New Brunswick and helps to influence reporting behaviour by encouraging investors to report suspected investment fraud to NBSC.

Special Focus Programs

Alberta Capital Markets Foundation: The Alberta Capital Market Foundation was established in November 1998 with funding from the Alberta Securities Commission and The Alberta Stock Exchange (now the TSX Venture Exchange). The Foundation does not conduct active operations as an educator but instead funds specific projects intended to educate the public and entrepreneurs about the functions, operations, benefits and risks associated with capital markets. The Foundation's Web site is at: www.acmfoundation.org.

Council for Investor Education (CIE): The Council for Investor Education is a forum composed of industry organizations and securities regulators interested in empowering Canadians with the knowledge to make informed capital decisions. The members of the Council for Investor Education shares, coordinates, and promotes ideas and initiatives that facilitate the best and most efficient use of its collective expertise. The Council does not yet have its own Web site.

Programs for Children and Young Adults

CSI Global Education Incorporated: CSI Global Education Inc. (CSI), Canada's leader in professional capital services education has partnered with Junior Achievement of Central Ontario to bring capital literacy to grade seven students. More than 1000 students have benefited from the expertise these volunteers brought into their classrooms, and now each of those students has increased capital literacy and greater confidence in managing their money today and into the future.

France

Retail Investors
Shareholders
Workers

Programs by Government Regulators

(Autorité des marchés financiers (AMF): The program is run in partnership with private sector representatives of the securities industry, established an investor education that:

Provides consumers with information about financial markets and products on a very broad basis; Set standards for private sector providers of financial education and evaluate private sector providers of investor education on the basis of those standards

Promotes research and international cooperation on financial education for French consumers.

The institute offers classes when a demand exists, that private sector providers of investor education are not able to satisfy.

In addition to the national institute, the AMF publishes a wide variety of pamphlets and other educational materials for consumers interested in investing in France's securities market. www.amf-france.org.

Programs for Individual Investors (Ecole de la Bourse)

Sponsored in part by Euronext, Ecole de la Bourse, a private school was established to provide training seminars for retail investors in 50 different cities throughout the country.

It also uses online information about investing, financial markets and

financial instruments.

Listed firms in France also offer classes to their shareholders using the Ecole de la Bourse's facilities and training materials. The Ecole de la Bourse also offers individualized courses covering economics and investment topics at workplaces and other locations. www.ecolebourse.com,

Fédération Française des Clubs d'Investissements (FFCI): FFCI sponsors investment clubs throughout France. (www.clubinvestissement.com).

Australia	Children and Young Adults Individual Investors Employers Public/Private organisations Professionals	<p>National Strategy for Financial Literacy</p> <p>The Australian government established the Financial Literacy Foundation in mid-2005, with the objective of implementing a national strategy intended to provide a framework within which financial literacy initiatives in Australia could function more effectively. The specific objectives of the Foundation are:</p> <ul style="list-style-type: none"> The adoption and integration of consumer and financial literacy into the school curriculum, starting at primary school and including the professional development of teachers in teaching consumer and financial education; The adoption and integration of consumer and financial literacy into the workplace through vocational education programs and employer information channels; Commissioning and conducting an ongoing national research program on the factors leading to key consumer and financial decision-making; Providing a clearinghouse Web site to assist consumers and consumer intermediaries with better access to existing information; Facilitating collaboration between organizations that might benefit from each other's expertise with the objective of reducing duplication and inconsistency across existing initiatives and programs. The Foundation will also work with public, private and community organizations to ensure that there is a collaborative approach to advancing and coordinating financial literacy initiatives; and, Facilitating an ongoing social marketing campaign to embed a key consumer financial literacy message within the Australian culture (the financial equivalent of 'don't drink and drive') and providing best practice guidance to organizations regarding effective education approaches to key consumer issues based on research and policy expertise. <p>The Financial Literacy Foundation has already established a Financial Literacy Educators and Trainers Network that will assist educators, human resource professionals, and resource developers to provide quality financial literacy education and training. In addition, the Foundation is working collaboratively with states and territories to develop a National Curriculum Framework for consumer and financial literacy for young people which would provide nationally agreed upon, multi-disciplinary benchmarks and guidance for teaching financial literacy. The Web site for the Financial Literacy Foundation is found at: www.moneysmart.gov.au/.</p>
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Programs by Governments

Centrelink: Centrelink is a government agency delivering a range of Commonwealth services to the Australian community. They offer free and independent financial information including confidential interviews with Financial Information Service Officers where the client may discuss financial issues and options as well as financial seminars and workshops. Centrelink also offers information on financial markets and products on its Web site, which can be found at: www.centrelink.gov.au.

Programs by Government Regulators

Australian Securities and Investment Commission (ASIC)

Initiated in 2001, ASIC's consumer education strategy is focused on helping consumers actively look after their money and their financial futures. ASIC's consumer education campaign intensified in mid 2003 after the release of a national survey by ANZ Bank, which found that Australians lacked knowledge in areas such as investment, superannuation and retirement planning, despite having good basic financial skills. ASIC has a dedicated consumer Web site which provides information about financial products and services and information on how to avoid scams and swindles. ASIC, which provides an outline of their consumer education strategy on their Web site, also communicates directly with consumers through investor forums across the country. ASIC's dedicated consumer Web site can be found at: www.moneysmart.gov.au/.

Australian Investors Association (AIA)

The Australian Investors' Association was formed in 1991 by a small group of investors who recognized there was a need for an organization that could represent the interests of private investors across the broad spectrum of investment products available in the retail market. The Association offers investor education to individuals in a variety of ways, including meetings, seminar and its Web site. AIA's Web site can be found at: www.investors.asn.au.

Australian Shareholders Association (ASA)

The Australian Shareholders' Association was established as a not-for-profit organization in 1960 to protect and advance the interests of investors. In that capacity, ASA liaises extensively with other bodies such as regulators, lawmakers, industry groups and accounting bodies. The ASA represents its members' views on a number of accounting and financial industry bodies. In addition, ASA holds regular members' meetings all across the country and conducts adult education workshops aimed at improving members' financial literacy. ASA's Web site is found at: www.asa.asn.au/.

Australian Stock Exchange (ASX)

The Australian Stock Exchange (ASX), which with its predecessor state exchanges has been the longest running provider of accessible public education in Australia's share market, offers an extremely comprehensive investor education program. This program includes free on-line classes for investors with varying levels of sophistication, one-day forums for active investors held in various locations, and a two-day Traders and Investors Expo and three-day Investment Expos that are also held in various locations. In addition to these intensive programs, ASX's Web site provides information about beginning and running investment clubs, has games that allow individuals to experience virtual investment in stocks actually listed on the exchange, and provides resources designed to help educators teach the basics of share investment in a fun and innovative manner. In conjunction with the Australian Shareholders' Association (ASA) and the Securities Derivatives Industry Association (SDIA), ASX also offers a monthly lunchtime seminar series with lectures presented by experienced speakers from the broking and finance industries intended to help investors stay up-to-date with issues and trends in the financial market. Finally, ASX provides an extensive amount of educational materials, including pamphlets and audiovisual presentations, all of which can be downloaded from their Web site. ASX's Web site can be found at: www.asx.com.au.

		<p>Investors Education Association (IEA)</p> <p>The Investor Education Association is an independent educational organization dedicated to providing Australians with the skills and knowledge necessary to successfully manage their personal finances and achieve their financial goals and objectives. IEA conducts workshops and seminars on a wide range of personal financial planning topics. The Association's Web site can be found at: www.moneywiseart.gov.au/.</p> <p>National Information Centre on Retirement Investments (NICRI)</p> <p>NICRI is a free, independent, confidential service that aims to improve the level and quality of investment information provided to people with modest savings who are investing for retirement or facing redundancy. NICRI offers a range of leaflets that general information about financial markets as well as information about financial planning and investment products. NICRI's Web site can be found at: www.nicri.org.au.</p> <p>Proshare Investment Clubs</p> <p>Dedicated to helping consumers to become more informed about their investment decisions, Proshare provides extensive information about beginning and running an investment club, offers a message board on their Web site for individuals that thinking about starting or already running investment clubs and also provides information on an individual basis. Their Web site is at: www.proshareclubs.co.uk/cgi-bin/proshareclubs/home/home.cgi</p>
Germany	Individual Investors	<p>Deutsche BörseDeutsche Börse's Web site has a Private Investors portal that allows investors to create their own watchlists along with real time data and newsletters. The Web site also has information for investors about different financial products and trading strategies and has an investment club corner. The Web site can be found at: deutscheboerse.com/dbag/dispatch/de/kir/gdb_navigation/home.</p>
Sweden	Individual Investors Private Individuals	<p>Programs for Individual Investors</p> <p>Stockholm Stock Exchange (Stockholmsbörsen): The Stockholm Stock Exchange provides courses to public schools regarding investment in equities, unit trust investment funds and other equity-related securities that are quoted on the stock exchange. It also provides various courses for the general public and publishes monthly a magazine that informs the public by means of educational articles regarding various financial products. The Stockholm Stock Exchange's Web site can be found at: www.stockholmsborsen.se</p> <p>Swedish Shareholders' Association (Aktiespararna): Aktiespararna is an independent organisation representing the interests of private individuals who invest in stocks, mutual funds and other equity related securities in Sweden. Aktiespararna was founded in 1966 and had more than 80,000 members in 2004. Among other activities, Aktiespararna informs and educates its members about shareholding, with the aim of improving their capacity to independently make decisions about investing in equities. Aktiespararna's Web site can be found at: www.aktiespararna.se/english.</p> <p>Special Focus Programs</p> <p>Premium Pension Authority (PPM): Under Sweden's pension system workers contribute 2.5 percent of their salary toward a "premium pension". These funds are placed in individual investment accounts and contributors select the specific investments for their accounts from a wide variety of funds. Within these categories, individual funds offer a variety of special features, such as active versus index-based management, ethical</p>

		<p>investment criteria, and more or less aggressive growth strategies. Contributors can also invest a portion or all of their contributions into a default fund called the Premium Savings Fund. PPM's Web site can be found at: www.ppm.nu/top/infodocument/1:1:250,251.</p> <p>Swedish Consumers' Banking and Finance Bureau: The Bureau is an independent agency whose objective is to meet consumers' need for neutral information and guidance with regard to financial services and to provide support in dealings with banks, credit institutions, investment firms and mutual fund companies. The specific objectives of the Bureau are to: (1) satisfy the consumer's need for information and guidance concerning financial services and give them support in their contacts with the financial institutions; (2) help both to highlight consumer problems in the financial sphere and to ensure their prompt rectification; (3) convey an objective picture of the financial industry to the general public and media; (4) increase the public's and media's knowledge of the financial industry; (5) help to bring about flexible solutions to customer complaints; and (6) be responsible for feedback on identified consumer problems relating to individual member companies or the industry as a whole. The Web site for the Bureau can be found at: www.konsumentbankbyran.se.</p>
United Kingdom	<p>Young Adults</p> <p>Individual Investors</p> <p>Employees</p> <p>Retirees</p> <p>Students</p> <p>educationalists,</p> <p>financial services industry representatives,</p> <p>regulators,</p> <p>government departments</p>	<p>National Strategy for Financial Capability: The Financial Services Authority (FSA), the government regulator for the capital market in the UK, is the coordinator of the UK's National Strategy for Financial Capability which was launched in 2003 with the objective of increasing financial capability in the UK by working with private sector stakeholders. As defined by the FSA and its partners financial capability is about being able to manage money; keeping track of it; planning ahead; choosing financial products; and staying informed about financial matters. The FSA and its private sector partners are focusing their efforts on seven specific priority areas: (1) schools; (2) young adults; (3) workplace; (4) families; (5) retirement; (6) borrowing; and (7) financial advice. At the start of the campaign the FSA stated that the intent was to treat financial capability messages, "...like a commercial product that we want people to adopt and act upon. That means reaching out to individuals with innovative and imaginative marketing techniques and 'selling' them the idea that personal finance matters and that it need not be difficult. "The FSA's website for the financial capability campaign sets out the programs and events which the FSA is helping to coordinate in order to promote financial capability across the seven priority areas as well as links to research, speeches and current news and can be found at: www.fsa.gov.uk/library/other_publications/fcp.</p> <p>Programs for Children and Young Adults</p> <p>Financial Education Partnership (FEP): FEP offers free workshops in financial capability and a range of other finance related topics to schools and pupils in Scotland. Formerly known as the Banking Education Partnership, the aims of the FEP are to provide financial education to young people across Scotland, to give young people in schools access to real business experience and to encourage pupils to prepare for adult life. The Partnership's Web site can be found at: www.fep.org.uk.</p> <p>Personal Finance Education Group (pfeg): pfeg is an educational charity whose mission is to make sure that all young people leaving school have the confidence, skills and knowledge in financial matters to take part fully in society. Pfeg offers a range of advice and resources suitable for pupils of all ability levels, as well as reflecting different social, economic and cultural backgrounds. pfeg aims to help teachers to develop financial capability in</p>

young people, particularly those working with children and young people aged 4 to 19. It brings together educationalists, financial services industry representatives, regulators, government departments, and consumer representatives in order to educate all those at school about personal finance. The Web site contains free download case studies and directory of resources with summary of contents. Pfeg's Web site can be found at: www.pfeg.org.

Scottish Centre for Financial Education (SCFE): The role of the SCFE is to help teachers, schools and education authorities in Scotland provide a high standard of financial education to meet the needs of all their learners. The Centre will provide help in planning continuing development and advice on useful resources for learning and teaching. SCFE's Web site can be found at: www.cas.org.uk/.

Programs for Individual Investors

Institute of Financial Services (ifs): The Institute of Financial Services is the official brand of the Chartered Institute of Bankers (CIB), a registered charity and one of the leading bodies for the provision of both education and life-long career support services to the financial services industry, and formal financial education to the public at large. In addition, the Institute of Financial Services now owns and operates ifs ProShare, which provides a range of competitions that complement the IFS' qualifications and helps to educate students about investment, the stock market, business economics and personal finance. The Institute's Web site is at: www.ifslearning.ac.uk/.

Life Academy: Life Academy, an educational charity, and the national centre for life planning in the UK, provides pre-retirement and life planning courses for individuals and companies that help individuals to increase their financial awareness and prepare for their departure from full-time paid work. Among its various programs, Life Academy offers "Learn About Money", which addresses the need for better financial education among adults by providing a bridge between basic money handling skills and the information provided by financial products and advisors. The program is independent of any commercial interest and does not promote any financial product. Life Academy also offers pre-retirement courses that address a variety of topics including finance, health, work, leisure, relationships, self-identity, and other issues related to the transition into retirement. Life Academy's Web site can be found at: <http://www.life-academy.co.uk>

Training for Profit (TFP): Training for Profit has been providing private investor education since 1997. TFP offers a wide range of workshops for private investors as well as online training programs.

Special Focus Programs

Citizens Advice: Citizens Advice is a registered charity with offices in England, Wales and Northern Ireland, provides free information and advice from nearly 3,400 locations and works to influence policymakers on a variety of issues of concern to consumers. Citizens Advice helps people resolve their debt, benefits, housing, legal, discrimination, employment, immigration, consumer and other problems and is available to everyone regardless of race, gender, sexuality, age, nationality, disability or religion. In addition to the advice that it offers to consumers, which is done primarily by trained volunteers, Citizens Advice also co-ordinates social policy, media, publicity and parliamentary work and maintains an information and advice Web site at www.adviceguide.org.uk.

Money Advice Scotland: Money Advice Scotland (MAS) was set up in

1989 courtesy of a grant from the Scottish Consumer Council as the umbrella organization to represent individuals and agencies involved in all areas of money advice (debt advice). Money Advice Scotland does not provide an advice service direct to the public, but does keep up to date details of advice agencies throughout Scotland who provide a free, independent, impartial and confidential money advice service. Money Advice Scotland provides training for individuals providing debt advice to consumers. Money Advice Scotland also represents the view of its members on policy issues, and liaises with national, statutory and voluntary agencies on the promotion and development of money advice services. Money Advice Scotland's Web site is found at: www.moneyadvicescotland.org.uk.

Israel	Individual Investors	<p>The Securities Exchange Commission has 3 major classifications including:</p> <p>Investment Advisor - a person engaging in providing advice to others which pertains to evaluation of investing, holding, acquiring or selling securities and financial assets.</p> <p>Marketing Agent - a person engaging in investment advice that has ties to certain financial products (i.e., an advisor that is not necessarily objective).</p> <p>Portfolio Manager - a person engaging in discretionary execution of investment transactions on behalf of others. According to the Law, all legal persons engaged in investment advice, investment marketing or investment portfolio management in Israel and vis-a-vis investors in Israel must be licensed by the Investment Securities Act (ISA).</p>
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Emerging Markets

Country	Target group	Initiatives / Program
Brazil	General public Individual Investors	<p>Programs by Government Regulators</p> <p>Comissão de Valores Mobiliários (CVM): The CVM has set up an Investor Education and Assistance Program that holds town meetings for the general public around the country in places like São Paulo, Brasília, and Fortaleza. The program also produces brochures, booklets, investment guides, and has a toll-free number, among other resources available for the individual investor. The CVMs Web site can be found at: www.cvm.gov.br/ingl/indexing.asp.</p> <p>Programs for Individual Investors</p> <p>Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (ANBIMA) Anbima's financial education website (www.comoinvestir.com.br) is designed to highlight the importance of financial planning and the benefits accruing from long-term investments. The site mission is to become a benchmark by offering the best and the most comprehensive didactic information on the various investment alternatives, such as mutual funds, equities, debentures and private and public bonds as well as serving the needs of investors through content, services and e-</p>

		<p>learning tools. Besides the site has one section to help ordinary people and families to prepare a house budgeting and to disseminate knowledge of the mechanisms to be used in personal investments.</p> <p>Information for Individual Investors on Foreign Exchange (FOREX)</p> <p>CVM-Securities and Exchange Commission of Brazil</p> <p>http://www.cvm.gov.br/port/taxas/mercadoForex.pdf.</p> <p>There are no brokers/dealers authorized by the CVM to offer FOREX contracts to Brazilians. FOREX is not a regulated product in Brazil at this time. CVM has been working in the Brazilian capital markets to raise awareness among individual investors about the market and legal risks involved. This guide was published in 2008. Web site is at: www.cvm.gov.br</p>
Argentina	General Public	<p>Programs for Individual Investors</p> <p>Bolsa de Comercio de Buenos Aires (BCBA) Through the BCBA Foundation, the stock exchange offers an introductory course to the general public (Curso para inversores bursátiles). The free course, which is offered over a four-week period once a year, covers the capital market, financial instruments, regulation and portfolio management. In conjunction with El Colegio de Graduados en Ciencias Económicas, the Bolsa offers more advanced courses intended for individuals interested in working in the financial sector. The Bolsa's Web site is found at: www.bcba.sba.com.ar/.</p>
India	Individual Investors	<p>Program by Regulator</p> <p>The Securities & Exchange Board of India (SEBI) launched a comprehensive education campaign aimed at creating awareness among investors about securities market, which has been christened "Securities Market Awareness Campaign" (SMAC). The motto of the campaign-is 'An Educated Investor is a Protected Investor:</p> <p>The structural foundation of the campaign is based on workshops that are being conducted all across the country with the continued and active participation of market participants, market intermediaries, Investors Associations etc., to spread the message: "Invest with Knowledge".</p> <p>The Workshops aimed at acclimatizing the investors with the functioning of the securities market, the basic fundamentals of investment and risk management and their rights and responsibilities. Till date, more than 2188 workshops have</p>

been conducted in around 500 cities/towns across the country.

Advertisement: Simple "do's and don'ts" for investors relating to various aspects of the securities market. Till date, over 700 advertisements relating to various aspects of Securities Market have appeared in 48 different newspapers/6 magazines, covering proximately 111 cities and 9 regional languages, apart from English and Hindi.

Educative Materials - Standardized reading material and presentation material for the workshops.

All India Radio - With regard to educating investors through the medium of radio, SEBI Officials regularly participate in programmes aired by All India Radio.

Website dedicated to Investor Education (<http://investor.sebi.gov.in>)

Cautionary Message on television - With a view to use the electronic media to reach out to a larger number of investors, a short cautionary

Programs for Individual Investors:

The Institute of Chartered Accountants of India (ICAI) realizing the need of the current market scenario and investor requirement, the Committee on Financial Markets and Investors' Protection of ICAI has published a "Handbook for Investing & Investor Protection." This publication provides information on investment process, rights of investor, commodity and currency market, clearing and settlement, grievances, arbitration aspects, etc. The contents of the book are simple and very precise and were written keeping in view in the interest of investors at large.

India makes use of Independent financial advisors (IFAs) which are licensed individuals/entities that paly a very important role in helping investor (retail and institutional) makes the right investment decisions and expanding the retail investor base in achieving the retail participation and financial inclusion plan of the SEBI. IFA's engage in education and marketing of financial products to retail investors.

Japan

Retail Investors
Students
School teachers
General Public

Program by Government Regulator

The Financial Services Agency (FSA), the government regulator for Japan's capital market, carries out its consumer education program primarily through the network provided by the Central Council for Financial Services Information as well as similar networks provided by local governments. The

FSA has a web site that contains extensive information for retail investors. In addition, the FSA is working to increase the level of economic and financial education in schools by developing teaching materials for these topics. The FSA's Web site can be found at: www.fsa.go.jp/en/index.html.

Programs for Individual Investors:

Central Council for Financial Services Information: Established in 1952 by the Bank of Japan, the Council offers a wide variety of consumer education programs on finance intended primarily to enlighten the public regarding the importance of basic financial and economic knowledge related to daily life. The Council provides brochures, educational video, symposium and lectures and also provides some educational material on its Web site, which can be found at: www.saveinfo.or.jp/e/.

Japan Securities Dealers Association (JSDA):

The Tokyo Stock Exchange provides brochures, educational video, seminars and lectures to individuals and groups interested in information about financial markets. TSE has recently established a TSE Academy to provide educational programs intended to increase consumers' understanding about securities products. These programs target the general public as well as students and school teachers. The programs for the general public provide basic courses as well as more advanced courses that focus on specific areas, such as financial statements, bond transactions and margin transactions. TSE also sponsors, along with JSDA, the Securities Quest Web site. The Web site for the Tokyo Stock Exchange is at: www.tse.or.jp.

Special Focus Programs:

A number of private sector organizations also provide investor education in Japan. These organizations include The Investment Trusts Association, Japan Association of Financial Planners and some NPOs. All of these groups provide brochures for individual investors while some also provide correspondence courses, lectures and seminars.

Korea

Programs by Government Regulators

The Korea council for investor education provides a wide range of financial literacy programs for children, teenagers and general investors. As part of this effort, the KCIE has published based on its extensive experience and expertise in investor education and English version of investing for your dream, a set of financial education materials consisting of a teacher's guidebook and a student's textbook package. http://www.kcie.or.kr/junior_invest/eng/index.jsp. The KCIE hopes that this multimedia education content will serve as a useful guide to help the young minds of the world enhance their financial capabilities to learn, budget, save and manage their money.

Programs for Individual Investors

Korea Institute of Financial Investment (KIFIN): KIFIN, a subsidiary of the Korea Financial Investment Association (KOFIA), was originally geared toward providing industry practitioners with training and education courses, registration and qualification exams, but has broadened the breadth of its programs to the general public, including retail investors. KIFIN provides courses appropriate for market practitioners and the general public ranging in experience from novice to expert. Courses are classified into General, Professional, Qualified, Special and Cyber training. KIFIN's Web site can be found at: www.kifin.or.kr.

Korea Stock Exchange (KSE): KSE is a stock market and self-regulatory organization that offers programs and seminars meant to improve retail investors' general knowledge of Korea's securities markets. These programs include the Sound Investment Strategy Seminar, the Security School for University Students, which is available upon demand, the University Visiting Lecture program every month, the Elementary Stock Market Class for Elementary School Students and the Stock Market Workshop for secondary school teachers. KSE's Web site can be found at: <http://eng.krx.co.kr/>.

Special Focus Programs

There are a number of private organizations in Korea providing various investor education programs related to their specific area of the financial industry. For example, the Korea Investment Trust Companies Association covers topics relevant to investment trusts. The Korea Banking Institute (www.kbi.or.kr) provides a wide range of programs based on topics germane to banking and financial services while the

		Korea Federation of Banks' (www.kfb.or.kr) education program also covers topics on banking and financial services
South Africa	Youths General Public	Programs by Regulator: Financial literacy summit by the Johannesburg Stock Exchange in partnership with the KwaZulu-Natal Financial Literacy Association which successfully hosted more than 350 youth from all the corners of the province in one day. The audience comprised of students at tertiary institutions, high school learners, young entrepreneurs and youth ambassadors, who were educated about savings and investment, as well as debt awareness Community Engagement Commuter and Shopper Education Schools and Youth :Money in Action
Malaysia	Retail Investors Foreign regulators	Investor's Education Programs Malaysia has consistently been ranked fourth for investor protection in the World Bank's 'Doing Business Report'. A number of investor's education programs/initiatives are currently deployed in Malaysia to help Malaysians tap into the capital market and achieve their investment goals. Paramount amongst them are: The Securities Commission's (SC) 'National Smart Investment Campaign' (this was held between Oct 2012 and March 2013 and reached close to six million new and potential investors). Investors Education Road shows Improvement of the country's corporate governance framework. The Securities Industry Development Corporation (SIDC) which is a training and development arm of Securities Commission Malaysia (SC). The SIDC has been in the business of training and developing capital market participants in Malaysia and internationally for almost two decades. It designs and facilitates training program for Malaysian and foreign regulators, company directors and market professionals as well as conducts Public Investor Education Seminars on wise investing and investors' rights. Talent development program organized by SIDC to builds human capital for the Malaysian capital market. In addition, the SIDC works closely with the SC to develop maintain and administer the SC Licensing Examinations and the mandatory Continuing Professional Education (CPE)

		program as part of the licensing regime for Malaysian capital market intermediaries
Czech Republic	Schools General Public	<p>2002 Investor Adviser project: This project is run by the Czech Securities Commission with a focus on the capital market. The project uses leaflets, website, school visits, TV series to reach out to their target groups.</p> <p>Development of a more systematic approach to consumer protection on financial market in 2005. This initiative is coordinated by the Ministry of Finance.</p> <p>Triologue of governmental agencies, market participants and consumers.</p> <p>Establishment a modular system (school education, adult education and focused education) and coordination platform for financial education projects.</p> <p>Introduction of Czech National Financial Education Curriculum into Schools.</p>

Frontier Markets

Country	Stakeholder	Initiatives/Program
Kenya	University students Capital market stakeholders Investment groups Capital Market operators e.g. issuers, stockbrokers Professionals Youths Institutions Investment Clubs	<p>National Consumer Financial Education Policy</p> <p>CMA to support the development of a national consumer financial education policy and strategy in consultation with key ministries like National Treasury and Ministry of Education, and a cross section of relevant stakeholders including regulators, industry associations, academics, external organizations like the Financial Education Partnership for Kenya, and any others which may be relevant.</p> <p>The National Consumer Financial Education strategy defines target groups using a risk based approach to decide on which target groups to focus on (such as university students, retail investors, consumers (e.g. farmers) and mass market). Components of the strategy include:</p> <ul style="list-style-type: none"> A framework (including a national committee and strategy) for collaboration and coordination of financial sector stakeholders around consumer financial education; Recommending the allocation of funding for consumer financial education programs and initiatives; Key performance indicators, data and measurement of consumer financial education programs to

		<p>determine whether policy and program goals are being achieved; and</p> <p>Advising on the development of broad-based curricula and materials. The lower the age at which financial education commences (for example at primary school level), the more impactful the longer term outcomes will be. Balanced against this is the need to achieve rapid results, which points to targeting those just at the point of entering the labour force (i.e. secondary and tertiary students).</p> <p>Enhance dissemination of investor education to various segments of the target market.</p> <p>Increase avenues for the delivery of capital market education.</p> <p>Enhance awareness of capital markets opportunities and developments.</p> <p>Population Segmentation: The Capital Market Authority continued to segment the various audiences and this enables the Authority's investor education program to reach university students, capital markets stakeholders and investment groups.</p> <p>Stakeholder involvement: In recognition of the important role that issuers, stakeholders and intermediaries play in the development of the capital markets, the authority held a workshop for prospective issuers, investment banks, and stockbrokers.</p> <p>Educational materials: Publications and research materials on capital markets were made available with a view to creating quick capital market reference brochures and handbooks that can be distributed to various constituents in the capital market such as the youth, investment clubs, professionals, and institutions; leveraging technology.</p>
Uganda	<p>General public</p> <p>Uniformed forces</p> <p>Professionals</p> <p>Students</p>	<p>Capital Market literacy campaign include radio spots and call-in shows; print materials, including posters, leaflets and flyers; and live presentations by Financial Extension Workers.</p> <p>Capital market education through newspaper inserts in the main languages; short awareness raising messages in local dialects using radio spots; or radio call- in programs, during which a local expert responded to callers' questions; drama performances, posters which train on capital negotiations, debt management, budgeting and savings.</p> <p>Secondary School Challenge: The Capital Markets Authority</p>

		<p>has run a Secondary Schools Challenge. A competition to educate Advanced Level (A Level) students on capital matters.</p> <p>Establishment of Investors Club which runs an annual Capital Market Literacy Week and capital market literacy clinics targeted at the uniformed forces, professionals and students. Activities of the week are intended to promote savings and best practices in personal finance.</p> <p>Investors Club: The Investors Club is a private company that has two aspects to its business: investment advice and capital market literacy.</p> <p>Capital Market Literacy Week: Financial Literacy Foundation in conjunction with the Investors' Club runs the Capital Market Literacy Week, together with capital literacy clinics in various Ugandan towns. The clinics create awareness of capital market products, teach people to save and also plan to develop capital market literacy booklets in English and in local languages.</p> <p>Information sharing group – for example, through letters and emails; newsletters; and articles in newspapers and journals.</p>
Ghana	<p>Investment clubs</p> <p>General public</p> <p>Capital market operators</p> <p>Policy makers and law maker</p> <p>Youths</p>	<p>Promotion of Investment Clubs: The SEC is working to promote Investment Clubs in the country and educate their members on investment and securities. The SEC will develop and publish guidelines for Investment Clubs</p> <p>Institution of Capital Market Week and Other Investor Education Programmes</p> <p>Annual Capital Market Week (formally Securities Week)</p> <p>Designing and Printing of Investor Education Materials</p> <p>Development of Computer Based Investor Education Programs. The publication of a quarterly newsletter for the Commission to increase the knowledge and awareness of the capital market in Ghana by providing information to readers.</p> <p>Partnership with a private sector institution to organise a Youth Investment Program. The first was held in Accra in November 2011. Subsequent ones are to be held in Kumasi, Takoradi and Cape Coast.</p> <p>Establishment of tips, complaints and referrals ("TCRs") system with a toll free telephone line to improve the SEC's ability to obtain information from the public and educate the public.</p> <p>Institution of Annual Capital Market Conference. This</p>

		<p>conference is established to bring together all capital market operators, policy makers, and law maker to brainstorm about issues concerning the capital market. Some regulators, policy makers, and operators from other African markets are also invited to share their experiences during the conference.</p> <p>Establishment of an Investor Education Fund. The focus to ensure a sustained investor education in the country.</p> <p>Establishment of Investor Protection Fund. The fund will ensure investor protection and market stability.</p>
Rwanda	School children Youths	<p>Embarked on a countrywide capital market literacy campaign for children in schools across the country. Financial education was offered at schools during the time for extra-curricular activities and weekends.</p> <p>The government of Rwanda in conjunction with Visa Inc. officially launched a free Capital Market Football game called "Visa Financial Football game" which combines the world's most popular sport with a capital literacy curriculum developed especially for Rwanda. The game, which will be distributed for free in public and private schools, is available in both Kinyarwanda and English. The campaign was targeted to reach the length and breadth of the country.</p> <p>The capital literacy game challenges players on their level of capital literacy through a set of multiple choice questions which cover a wide of range of topics including savings, budgeting etc. This can be accessible at www.rwanda.capitalfootball.com</p>

Regulator / Body	Target group	Initiatives / Program
Securities and Exchange Commission (SEC)	General Public	<p>Introduction of capital market studies in the school curriculum (Senior Secondary Schools curriculum and the university)</p> <p>Awareness programs at the six geopolitical zones</p> <p>Capital market awareness campaigns at NYSC orientation camps</p> <p>National Quiz Competition among Secondary Schools</p> <p>SEC Nigeria publication</p> <p>Workshops and seminars</p> <p>Introduction of capital market investment clubs,</p> <p>Partnership with media and trade groups,</p> <p>Journalist Academy</p> <p>Shareholders' Academy</p> <p>Town hall meetings</p> <p>Outreach programs for market women, youths, general public, women in management and business</p> <p>Judges Conference (annually)</p> <p>Championing West Africa Capital Market Integration</p> <p>Journalist Essay Competition</p> <p>Integrity Award for the general public</p> <p>Police desk on site by liaison with the Office of the Attorney General of the Federation</p> <p>SME Corporate Governance</p> <p>International investor forum</p> <p>Film production by Nollywood on capital market e.g. Breeze, Hidden money, mutual benefits. These films are distributed at the outreaches and also on television and aired on Africa Magic</p> <p>Investor/issuer education outreach</p> <p>Market development monthly television program on Consumer News and Business Channel (CNBC) called 'Eye on Nigeria's Capital Market'</p> <p>Financial Literacy sponsorship programs such as Kindles,</p>

			<p>monopoly game board ,sport competition,</p> <p>SEC Wealth and Health days</p> <p>Quarterly meetings with trade groups and operators</p> <p>Exhibitions, trade fairs and speaking engagement with a view of deepening capital market literacy</p> <p>Engagement with Nigerian Law School by conducting training modules</p> <p>Engagement with other regulators e.g. Financial literacy committee, Financial System Strategy 2020 committee</p> <p>Twitter and Face book</p>
Nigerian Stock Exchange (NSE)	General Public		<p>NSE Investor Clinics: Quarterly interactive forums to educate target segments within the Retail (HNIS, Professionals) and Institutional investor groups. The program is targeted at retail and Institutional investors</p> <p>"Grass-root" Investor Education Seminars: Localized investor education events driven through NSE 13 branch offices, targeted at low-end retail investors (e.g. students, market women, local government officials etc.)</p> <p>National Essay Competition: Annual essay writing competition for secondary and tertiary students, with essay questions/topics focused on capital market issues/matters.</p> <p>School Visits to the NSE Trading Floors: Host class field-trip tours of NSE trading floors across the country. Tour of the floor and educational overview session gives students a 'live' view of what happens at a stock Exchange and opens them up to the idea of seeking career opportunities in the capital market the future.</p> <p>Introduction of Mobile apps targeted at young investors (current initiative)</p> <p>Talk shows and seminars</p> <p>Stakeholder seminars for high net worth individuals and institutions, religious bodies, professional bodies and shareholder associations.</p>
Chartered Institute of Stockbrokers (CIS)	Student members of the Institute	Qualified members	<p>Awareness program on capital market at NYSC Orientation Camps (so far only Lagos),</p> <p>Training of ICAN inductees on Capital market at the Annual</p>

	<p>Tertiary Institutions</p> <p>National Youth Service Corps</p> <p>General Public</p>	<p>Induction Program,</p> <p>Workshops, Seminars, conferences</p> <p>Continuing Professional Education Programs for Capital Market operators.</p> <p>Career talk to University and polytechnics students across the country</p> <p>Publications</p> <p>Investor's Education forum</p>
Institute of Capital Market Registrars (ICMR)	<p>Registered members</p> <p>Associates and Fellows</p> <p>Staff of Registrar companies</p> <p>Executive management of Registrar companies</p> <p>General public</p>	<p>Professional examination for members,</p> <p>Mandatory Continuous training Programmes (MCTP)</p> <p>Annual Conferences and induction</p> <p>Investitures lectures</p> <p>Certificate course in Practice Share Registration</p> <p>Advance Certificate Course</p> <p>Executive Management retreat</p> <p>Workshops /Seminars e.g., Lecture on unclaimed dividend</p> <p>Website for information</p>
Central Bank of Nigeria (CBN)	<p>Students</p> <p>Educated Nigerians</p> <p>Uneducated / Illiterate population</p> <p>Financial services providers</p> <p>Policy makers</p> <p>Regulators</p> <p>Government agencies</p> <p>Professional bodies</p>	<p>Central Bank of Nigeria (CBN) is championing the promotion of financial education in Nigeria, not only for the financially excluded but also for the current users of financial products and services. Examples of efforts of the CBN in addressing financial literacy include:</p> <p>Development of Financial literacy Framework</p> <p>Sponsorship and presentation of several television and radio programmes to inform sensitize and enlighten the general public on various policies such as the cashless initiative, You and the Economy, the people's parliament, caution on the activities of illegal/"wonder banks", etc.</p> <p>Production and distribution of flyers, brochures, hand bills and posters on money matters and basic banking transactions.</p> <p>Publication of the Guide to Bank Charges (GBC)</p> <p>School reach out program</p> <p>Financial Literacy week (to hold every March 13)</p> <p>Sensitization programs at both national and geopolitical zones. The programs are targeted at different sectors of the economy. The objective of the program is to sensitive the public on the banking products and services.</p>

Nigeria Deposit Insurance Corporation (NDIC)	Financial Institutions	Survey on the financial literacy in Nigeria. The study was aimed at assessing the knowledge of Nigerians with respect to financial literacy in areas such as money management, financial planning and personal financial behavior.
	Secondary and Tertiary Institutions	
	General Public	Seminars for banks, insurance companies and others financial institutions through the media house on an annual basis.
		Seminars for churches and mosques on financial literacy
		Roadshows to promote public awareness on financial literacy.
		Researchers program where topical issues on financial inclusion are discussed.
		Publications to promote public awareness e.g., books, pamphlets which are distributed to secondary schools across the six geopolitical zones,
		24 hours air time (toll free) for depositors for enquiries and complaints.

Capital Market Literacy Channels

The Capital Market literacy programs are delivered essentially through the use of printed or published materials such as flyers, booklets, Comic Strips. Other channels include Town Hall meetings, Mass Media (TV, Radio, and Press). The use of local languages and drama (Home Video) is gradually coming on stream. The SEC, for example, has released three home videos – “Breeze”, “Easy Money” and Mutual Benefits.

Segmentation of Stakeholders

Identified Stakeholders

The identified stakeholders of the capital market have been classified as shown in the table below.

Stakeholder groups	Identified focus groups
Regulators	<ul style="list-style-type: none"> • Securities and Exchange Commission (SEC) • Nigerian Stock Exchange (NSE) • Central Bank of Nigeria (CBN) • Nigeria Deposit Insurance Corporation (NDIC)
Operators	<ul style="list-style-type: none"> • Issuers • Fund managers • Stock brokers / dealers • Registrars • Trustees • Solicitors • Underwriters

	<ul style="list-style-type: none"> • Rating Agencies • Institute of Capital Market Registrars (ICMR) • Chartered Institute of Stockbrokers (CIS)
Companies	<ul style="list-style-type: none"> • Listed Companies • Unlisted Companies
Academic Community	<ul style="list-style-type: none"> • Primary Schools • Secondary Schools • Tertiary Institutions
Government	<ul style="list-style-type: none"> • Federal • State • Local
Society at large	<ul style="list-style-type: none"> • Individual Investors • SMEs • NGOs • Labour Unions • Youth

For the purpose of the literacy survey conducted and to analyze the result of the survey, correspondence analysis was used to identify the most effective segmentation. Below is a description of this statistical technique and the four most interesting results of the analysis.

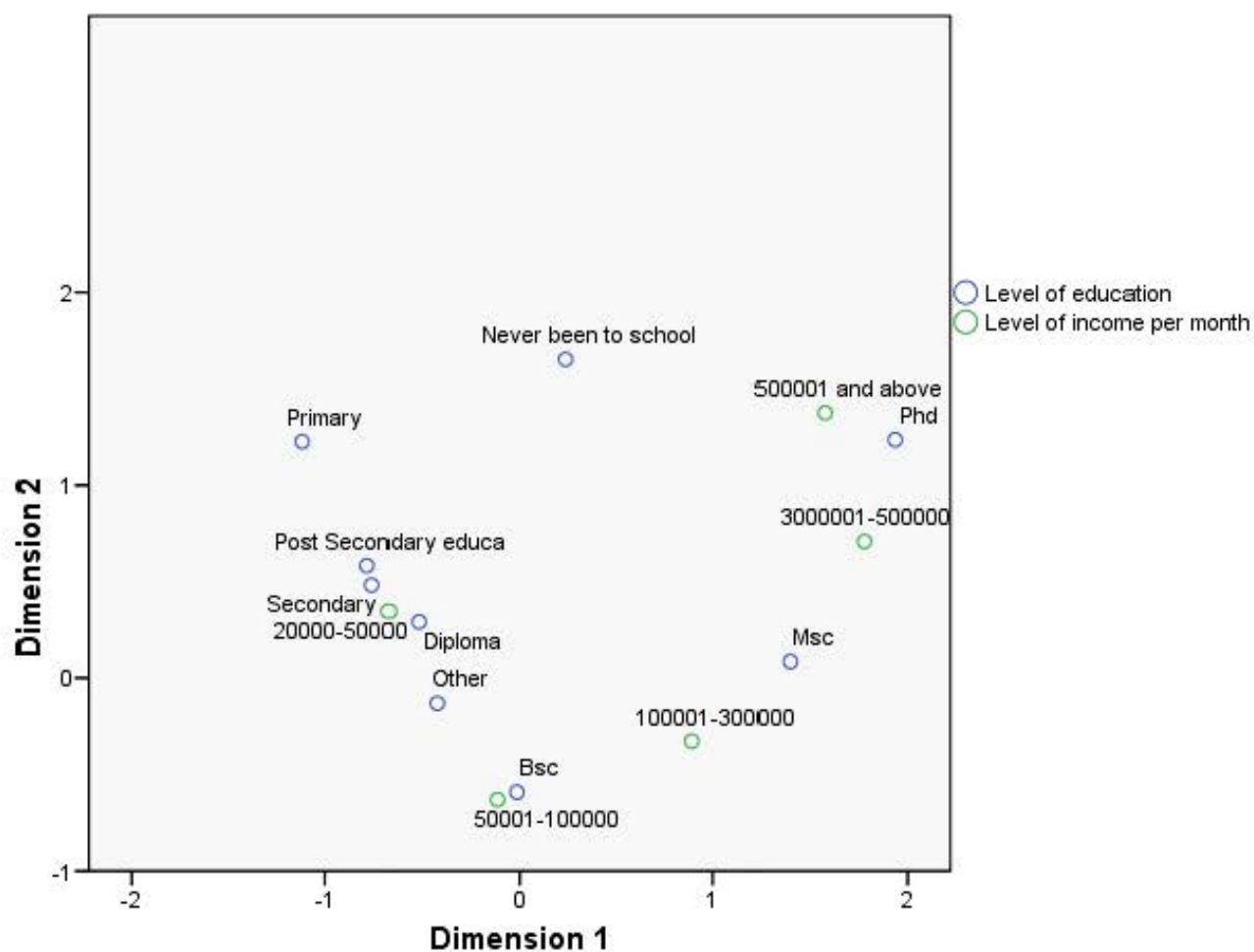
Correspondence analysis

In statistics, correspondence analysis is a data analysis technique for nominal categorical data, used to detect and represent underlying structures in a data set. It does this by representing data as points in a low-dimensional Euclidean space. Associations between variables are uncovered by calculating the chi-square distance between different categories of the variables and between the individuals (or respondents). These associations are then represented graphically as "maps", which eases the interpretation of the structures in the data. In other words if the categories of variables are close to each other this indicates a degree of correspondence or association between these categories.

The most interesting charts as a result of the correspondence analysis are between:

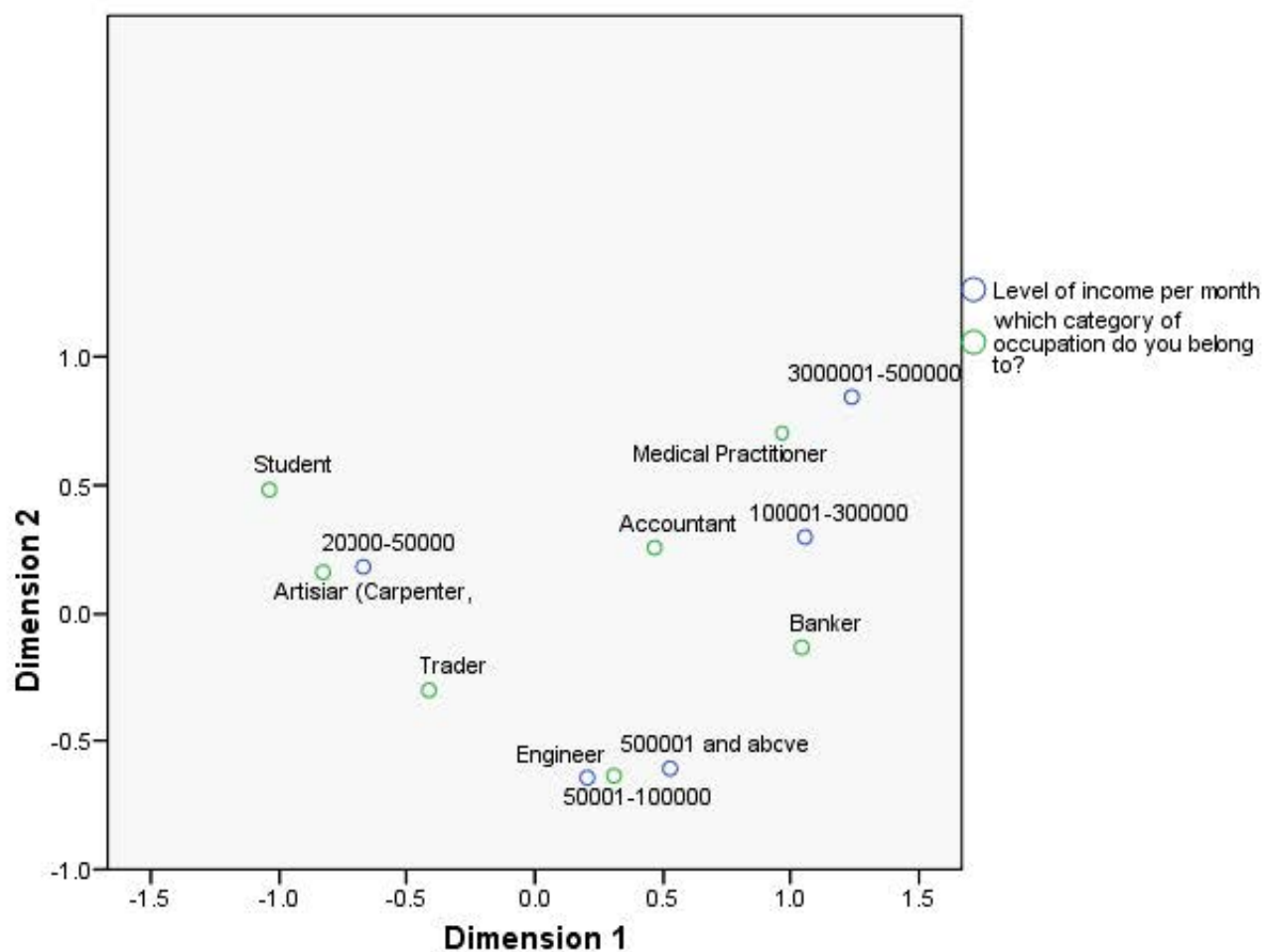
(a) Level of education and income

What we see in this "map" is a strong relation between higher education and income (in red) and a separate low income group with other forms of income.



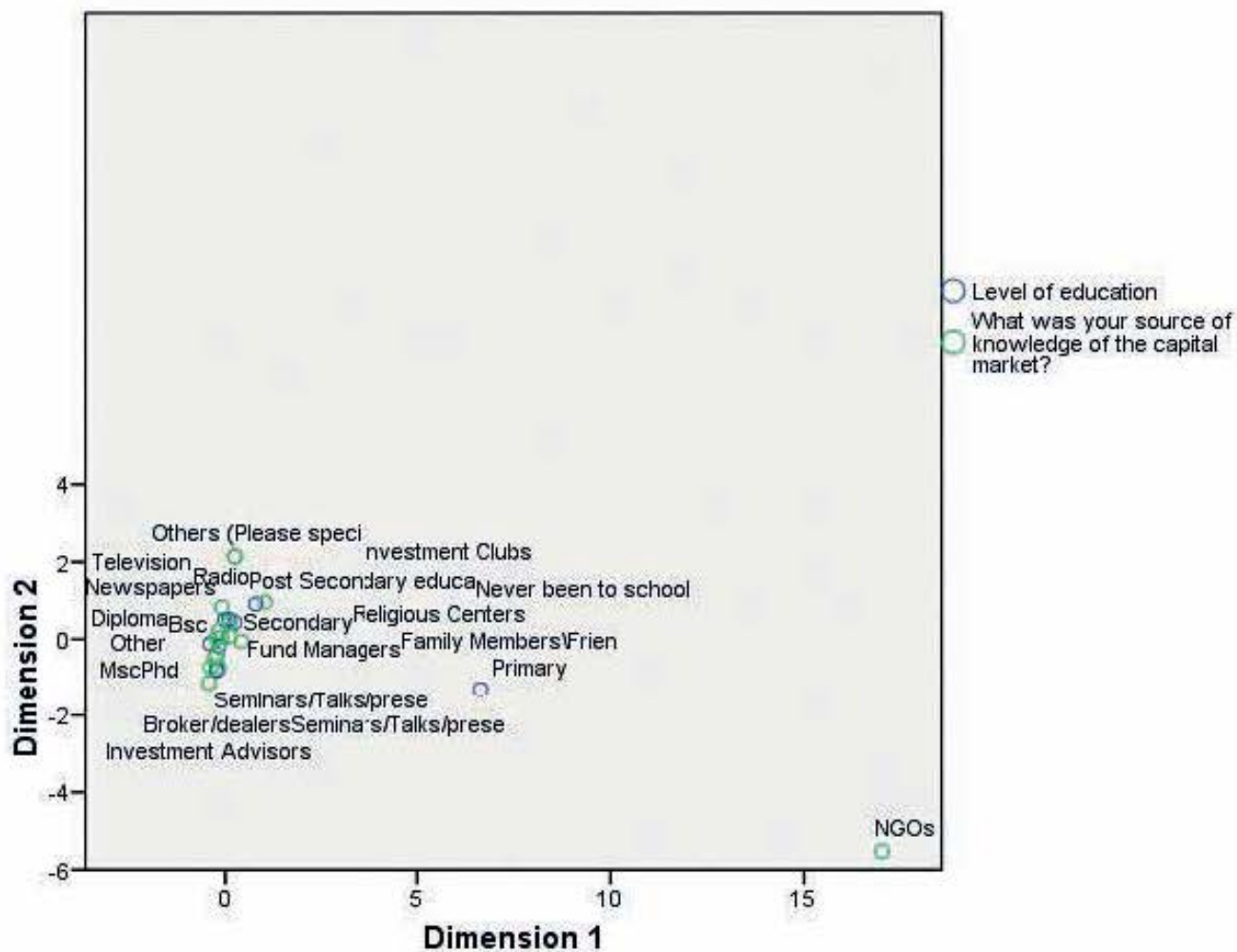
(b) Level of income and occupation

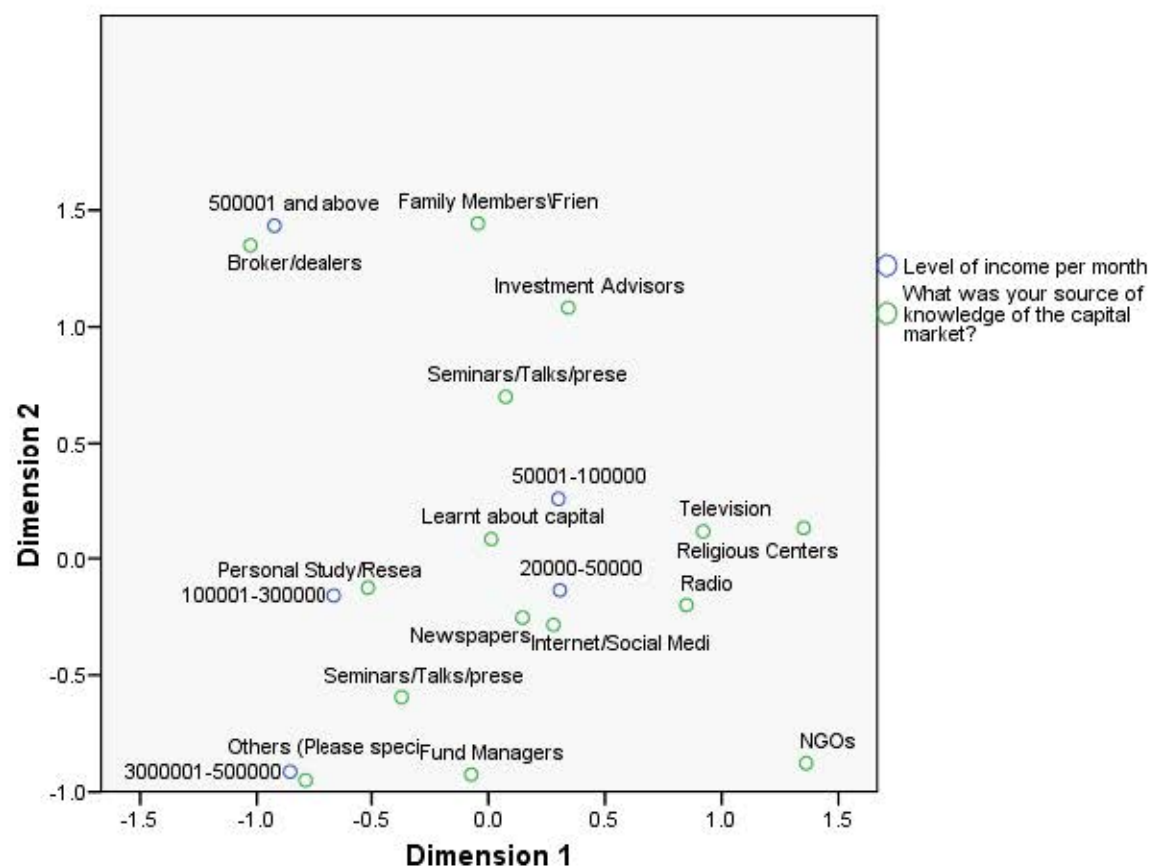
In this map we see the contours of people with high income jobs (in red) and low income jobs (in blue). The students (in green) have initially no income or a low income. However in 10 years a large part of them will be part of the high income group.



(c) Level of education and source of knowledge of capital market

People with higher education (in blue) get their information mostly from newspapers, radio/tv, broker/dealer and investment advisor. People who have never been to school get their information from investment clubs, religious centers and family and friend (in red).





Identified segmentation and possible channel strategy

Based on the above four charts we identified three groups:

- Students: people with no income or low income, though with high level of digital literacy
- Middle class: people with relatively low income and relatively low level of digital literacy
- Elite: people with high income and high level of digital literacy
- For each of these groups the most effective channel strategy to improve their capital market literacy is:

Segmentation and channel strategy			
Digital literacy	Students	Middle class	Elite
High	Make more Financial information available online Improve Financial curriculum at school	x	Create more confidence in the capital market by improving legal framework to resolve disputes
Low	x	Promote investment clubs amongst own community / church / friends	x
	For both students and middle class the focus should be on the effective deployment of mass media (television, radio, newspapers and internet)		For the elite group the focus should be on change of regulation

Market segmentation analysis

The table below shows the level of literacy of the Nigerian population by segmentation based on the survey conducted. The segmentation was done by consideration of basic demographic factors. See Appendix C for the full report of the Investors' Survey.

The basic knowledge required by these groups to effectively make informed decisions on the capital market includes:

- Understand key concepts such as equity and debt
- Understand the basic types of products available (stock, mutual fund, bond etc.)
- Understand that investment options carry risks and rewards
- Know that it is important to conduct due diligence before investing, and know where to get credible advice and find sources of information (stock prices, annual reports, etc.)
- Basic awareness of regulations and the need to engage authorized providers
- Numeracy (e.g., understanding compound interest)
- Awareness of the advantages of long-term financial planning

Understand how capital markets investments fit into a personal financial management portfolio alongside other financial instruments

Market segment	Description	Current levels of CM literacy	Source / Channel of knowledge of the CM
Age (12-39)	Children, Youth and Young adults	<p>As the age increases, our study showed that the knowledge of the capital market terms also increases. People tend to know more about the capital market as they get older.</p> <p>For example, within the age bracket of 12-19, 52% said that they could explain the term "share" and 21% said that they could explain the term "unit trust", while within the age bracket of 20-29, 77% said that they could explain the term "share" and 25 % said that they could explain the term "unit trust".</p>	<p>The majority of people within this age bracket get their information about the CM from television, radio, newspaper, school and personal study.</p> <p>Television seem to be the highest source of information for people within the age bracket of 12 -29 years while those in the range of 30 -39 get their information majorly from newspapers.</p>

Gender	Male Female	and	<p>More men know about the basic operations of the Capital Market than women. The difference in depth of knowledge becomes more obvious when more complex Capital Market terms are considered.</p> <p>For example, while 70% of females indicated that they have heard and understand the phrase Capital Market, 79% of their male counterparts said they have heard the term and understand what it means. While 75% of females say they have heard and understand the meaning of the word "shares", 83% of their male counterparts have heard and understand what shares means. While 30% of females say they have heard and understand the meaning of the word "unit trust", 34% of their male counterparts have heard and understand what the same term means.</p>	<p>The major channels of information about the CM are obtained from television, radio, newspaper, school and personal study.</p> <p>The trend seems to be the same for both the men and women. While 19% of females get information from the TV, 17% of the males also get their information from the TV.</p>
Education	Never been to school, Primary, Secondary, Diploma, University, Masters, Ph.D.		<p>The level of understanding is diluted down the educational attainment level, as those with less education seem to have less grasps of key market terms.</p> <p>Based on the survey data, it can be concluded that those in the lower spectrum of the education ladder have less understanding of the workings of the Capital Market.</p>	<p>30% of those who have attained primary school education get their information from the radio while 18% of BSc. holders get their information from television and another 18% from newspapers. 18% and 20% of people who have attained MSc. and PhD both have newspaper as their major source of information.</p>

Geographical location	North-West, North-Central, North-East, South-West, South-South, and South-East	84% of those in the North -West understand the meaning of the word Capital Market while in the South West, 79% of respondents understand the term. In the South-South, North-Central and North-East, 80%, 78% and 69% of respondents understand the term respectively. In the South -East, we have the lowest percentage of those who understand the meaning of the term Capital Market which is 58%.	In the SE, the major source of knowledge is the television, followed by newspaper and then radio while in the SW, we have newspaper being the highest source of information, followed by television and school. School, newspaper, radio and television are the major sources of information for the SS, NC, NE and NW respectively.
Occupation	Students, Artisans, Traders, Accountants, Medical practitioners, Engineers, Bankers	94% of Bankers said they understood the term "shares" while 90% of Accountants and Medical Practitioners also understood the term. Students and Traders who understood the term "shares" were 64% and 68% respectively. Our findings show that the bankers fall within the category of respondents that trade most in the capital market products while students, followed by the artisans fall within the categories of respondents that trade less in the capital market products.	The major source of knowledge of the capital markets for these different groups is from television, radio and newspapers followed by school and personal studies. The least source of knowledge are brochures and religious centres.
Income level	Low, Middle and High income earners (between N20,000 and N500,000).	The knowledge of capital market terms increases with increase in income level. The majority of the people earning between N300,000 and N500,000 had heard of almost all the terminologies tested. Our study also shows that the highest proportion of respondents (71%) that trade in the capital market falls within the income group of N500, 000 and above while the 38% representing the low income earners (N20,000- N50,000) least trade in the capital market products.	19% of the people within the income bracket of 20,000 -50,000 get their information from the television followed by 18% from newspapers and 17% from radio. Within the income bracket of 100,000 -300,000, 19% obtain their information from newspapers while 17% knew about the CM from the radio.

Gap Analysis

In comparing the capital market literacy policies, programs and activities currently going on in Nigeria with that of other countries, we reviewed activities of about 20 countries in the developed, emerging and frontier markets. These countries are discussed in section

- Findings from Current Literacy Activities in Nigeria

The following are similar activities between Nigeria and the developing, emerging and frontier countries

reviewed:

- Introduction of curriculum at the senior high schools and tertiary institutions
- Quiz, essays and other competitions
- Investment Clubs
- Workshops & seminars
- Awareness campaign
- Publications
- Cautionary Message on television

The following activities are currently being performed in these countries and can be included as part of the activities to be implemented in Nigeria.

- Financial Education Partnership
- Capital market literacy clinics
- Capital market literacy booklets in English and in local languages.
- Advertisement on various aspects of the securities market
- Financial education website
- Live presentations by CM regulators' representatives on Television
- Establish Centre for Financial Education
- Commuter and Shopper Education
- Financial Literacy Foundation
- Capital Market Literacy Week
- Participation of CM regulators in Radio program on a regular basis
- Website dedicated to Investor Education
- Use of Independent financial advisors (IFAs), which are licensed individuals/entities to make the right investment decisions.
- Sponsored write-ups and editorials
- Funding through foundation and partnership with institutions and professional bodies
- Decentralization of capital market operations

- **Recommendations Based on Gap Analysis**

The key objective of the master plan is to increase the level of capital market literacy in Nigeria and hence increase market participation. The master plan recognizes the different stakeholder groups within the Nigerian population and has therefore identified different initiatives or programs that will be best suitable for each group.

Stakeholder groups	Recommendations
Academic community <ul style="list-style-type: none"> • Primary schools • Secondary schools • Tertiary schools • Teachers • Lecturers 	<ul style="list-style-type: none"> • Introduce capital market education into school curriculums at all levels of education • Encourage capital market as degrees offered in universities • Introduction of a Capital Market Literacy week during which papers are presented in various schools • Encourage writing and publishing of Books and literatures on CM • Increase the frequency and coverage of Quiz / essay competition
Capital market operators and trade groups <ul style="list-style-type: none"> • Issuers • Stock brokers • Fund managers • Registrars • Trustees • Underwriters • Dealers • Solicitors • Rating agencies • Shareholders association 	<ul style="list-style-type: none"> • Establish investor education forum through shareholders association, operators' forum, etc. • Encourage Trade groups to have detailed FAQs on their websites • Education and training programs for Association of CM correspondence, leadership of shareholders' association and lawyers • Journal of the Nigerian Capital Market to be jointly developed by all CM stakeholders • Trade groups to also develop and circulate their periodic newsletters or e-newsletters • Trade groups to play a vital role in non-interest products • Continuous collaboration with institutions like professional bodies, stakeholder associations, etc. to run capital market literacy programs
Government <ul style="list-style-type: none"> • Federal / State / Local • Executive / Legislative / Judiciary • Armed forces / Security personnel 	<ul style="list-style-type: none"> • Promotion of investment clubs • Hold town hall meetings to educate civil servants on the CM products and investment opportunities • Organise periodic Workshops and Seminars to further educate civil servants on the CM • Regular and up to date publications and articles on the CM activities and initiatives
Companies (including institutional investors: local and foreign) <ul style="list-style-type: none"> • Listed • Unlisted • Small and Medium Scale Enterprises (SMEs) 	<ul style="list-style-type: none"> • Targeted enlightenment programs • Promotion of investment clubs • Encourage companies to have a page on their websites dedicated to Investor Education • Organise Investment conferences • Regular and up to date publications and articles on the CM activities and initiatives • Regular newsletters on capital market operations to be circulated • Encourage the writing of CM Literature

Media (Information agencies) <ul style="list-style-type: none"> • Journalists • Ministry of information • TV and Radio stations 	<ul style="list-style-type: none"> • Journalists education and training programs • Institutionalize the journalists that report activities on the CM to check quality of information reported • Organise periodic Workshops and Seminars to further educate the media on the CM • Arrange periodic press conferences to address and educate the media on CM • Regular and up to date publications and articles on the CM activities and initiatives • Regular newsletters on capital market operations to be circulated • Encourage the writing of CM Literature
Labour Unions <ul style="list-style-type: none"> • NLC • TUC • NUPENG • PENGASAN 	<ul style="list-style-type: none"> • Promotion of investment clubs • Organise periodic Workshops and Seminars to further educate people on the CM • Regular and up to date publications and articles on the CM activities and initiatives • Regular newsletters on capital market operations to be circulated
Associations and informal groups	<ul style="list-style-type: none"> • Organise town hall meetings • Organise periodic Workshops and Seminars to further educate people on the CM • Regular and up to date publications and articles on the CM activities and initiatives
General Public	<ul style="list-style-type: none"> • Enhancement of policies and regulations to protect investors • Simplify policies for ease of interpretation • Better enforcement of rules and regulations established by SEC • Regulators and the market operators need to be more sincere and transparent in their dealings/operations • Introduction of a complaints resolution channel or mechanism e.g., a toll free line • Re-visit the investor protection fund and Trade guarantee • Regular and up to date publications and articles on the capital market activities and initiatives • Publications in English and local dialects • More information to be provided through TV, radio and newspapers • Organise roadshows to sensitise the public • Regular advertisements in newspapers • Send bulk SMS to educate the people on their rights and benefits • Public enlightenment campaigns • Introduction of radio program in local dialects • Website dedicated to Investor Education to be updated regularly • Regular and frequent cautionary message on television and radio • To encourage professionals in the Industry to write relevant stories for movie producers

Movie and Music Industry	<ul style="list-style-type: none"> • To encourage and support the production of educative movies • To explore the use of music to promote capital market literacy in the Country • Employ the use of the social media to educate the public • Concerted enlightenment programs on collective investment schemes to the populace • Train-the trainer programs for teaching/training institutions across the country
Others	<ul style="list-style-type: none"> • Prescription of minimum literacy standard for CMO support staff • Enhance capital market literacy of NYSC members • Re-brand and re-launch the capital market as publicity tool to create awareness

• **Implementation Plan and Approach**

The realization of the CM Literacy initiatives will depend on the effective implementation of the programs and activities. To ensure that this is achieved, the implementation plan describes the implementation process, roadmap / timing of initiatives, roles and responsibilities of parties involved, the key performance indicators, the dependencies and success criteria, guidelines on managing and monitoring the master plan implementation process and highlights the funding strategy to ensure implementation is achieved.

• **The Implementation Process**

The CMLMPC or such other Committee to be designated by the Commission should manage and monitor the implementation process to ensure that all approved initiatives and programs are implemented as contained in the master plan and within the stipulated timeframe. Where timelines need to be adjusted, the Committee will review the initiatives involved and reschedule accordingly.

Performance measures against which to benchmark progress should also be put in place. Variances in performances should be tracked, analyzed and highlighted to the relevant stakeholders for necessary actions. The Committee should prepare and circulate regular progress reports to ensure that all stakeholders are kept reliably informed.

Recognizing that timelines and process initiatives could change during the implementation period, the Committee should regularly review and update the master plan's initiatives, and programs to ensure continued relevance and applicability. The Committee will then make appropriate revisions and additions as necessary.

The Implementation Structure and Management

The structure for the implementation and monitoring of the CML Master Plan as well as the various stakeholders that are involved in this process are depicted below.

The CMLMPC will lead the drive for capital market literacy in Nigeria with other stakeholders required to play various roles towards achieving the level of education required. The identified stakeholders include: Regulators, Operators, professional bodies, Associations, Ministry of Education and Government.

Group	Members	Responsibility
SEC		<ul style="list-style-type: none"> Anchor the implementation of the CML programs Constitution of an implementation committee Establishment of the CML Fund Half yearly review of the CML Master Plan against targets Convene an International Conference on CML
CMLMP Implementation Committee		<ul style="list-style-type: none"> Secretariat for the implementation of the Master Plan Develop detailed action plans for proposed initiatives or activities identified Coordinating the implementation of actions, including liaising with the various stakeholders Identifying and managing the resolution of issues which may arise in the course of implementation Monitoring the progress and evaluation of performance based on specific targets Coordinating the communication program for the CML Master Plan
Self-Regulatory Organisations (SROs)	<ul style="list-style-type: none"> NSE CSCS 	<ul style="list-style-type: none"> Contribute to the CML Fund Collaborate with the Commission in the implementation of the CMLMP Design and implement capacity building programs for staff and operators
CM Operators	<ul style="list-style-type: none"> Issuers Stock brokers Fund managers Registrars Trustees Underwriters Dealers Solicitors Rating agencies 	<ul style="list-style-type: none"> Contribute to the CML Fund Collaborate with the Commission in the implementation of the CMLMP Engage in sensitization and capacity building programs for staff

Other Stakeholders	<ul style="list-style-type: none"> • CIS • ICMR • Shareholders association 	<ul style="list-style-type: none"> • Collaborate with the Commission in the implementation of the CMLMP • Design and deliver capacity building programs for members and other target groups
	<ul style="list-style-type: none"> • Government 	<ul style="list-style-type: none"> • Provide sponsorship for the CMLMP • Provide necessary support for the implementation of the CMLMP
	<ul style="list-style-type: none"> • Ministry of Education 	<ul style="list-style-type: none"> • Design and implement curriculum for CML programs in the educational system • Design and deliver capacity building programs for teachers and lecturers
	<ul style="list-style-type: none"> • Ministry of Information 	<ul style="list-style-type: none"> • Disseminate information on CML through government owned media • Engage in sensitization and capacity building programs for media practitioners

• **Proposed Activities / Timeline / Responsibility**

Short term: (1 – 2 years)

This period will cover implementation of immediate action plans (quick wins) that can be easily approved and implemented by the Commission with little or no dependency on government or other regulatory agencies.

Medium term: (2 - 5 years)

Over the medium term, activities that require more funding, rigorous reviews and regulatory changes or interventions will be implemented.

Long term: (5 – 10 years)

Steps taken over the first five years should have established the foundation and initial momentum for increasing the level of literacy of the capital market. Long term initiatives will focus on implementing the most challenging programs and activities.

Every initiative, program or activity once implemented will continue to be carried out and improved upon. The implementation committee will further develop detailed action plans for each of the proposed activities listed below.

Proposed Activities	Timeline	Responsibility
Journals & Publications	Short term	Regulators, Operators
Organizing of Workshops, Seminars and Annual Public Lectures	Short term	Regulators, Operators
Institutionalizing Quiz competitions for schools	Short term	Regulators
Television and Radio Talk Shows	Short term	Regulators, Operators
Annual Essay Competition	Short term	Regulators
Special training programs for shareholders Associations	Short term	Regulators, Operators
Conducting trade fairs	Short term	Regulators, Operators
Hosting of capital market literacy programs on the website of Regulators, Operators and institutional investors	Short term	Regulators, Operators
Restructure the Nigerian Capital Market Institute (NCMI)	Short term	Regulators
Newspapers Advertorials	Short term	Regulators, Operators
Handbills	Short term	Regulators, Operators
TV game shows	Short term	Regulators
Social media	Short term	Regulators, Operators
Religious centers' outreach	Short term	Regulators, Operators
Capital Market Literacy Week	Short term	Regulators, Operators
Complaints handling	Short term	Regulators
Website dedicated to Investor Education	Short term	Regulators
Continuous Professional development (CPD) for operators	Medium term	Regulators
Reality TV shows	Medium term	Regulators
Film Production	Medium term	Regulators
Publishing of books and literatures	Medium term	Regulators, Operators
Curriculum development for schools at all levels	Medium to Long term	Regulators
Regulatory reforms that will impact literacy	Long term	Regulators

- **Funding Approach**

- **Funding approaches have been considered and two options are hereby recommended:**

- **OPTION 1**

Financial resources will be provided via a fund set aside for the exclusive purpose of executing the initiatives set forth in this Master Plan. Funding will be sourced from stakeholders in the Nigerian Capital Markets, including but not limited to the Securities and Exchange Commission, Nigerian Stock Exchange, CSCS, and market operators. The contribution amount will be agreed to by all stakeholders in writing.

- **Stewardship of Funds**

- One member of the CML Implementation Committee will be designated as the Treasurer, with responsibility

for budgeting, financial projections, and accounting for the funds. A Vice Treasurer from a separate organisation will be appointed. Signatures of the Treasurer and Vice Treasurer will be required for approval of the annual budget and for all disbursements. The annual budget will also need to be approved by the Commission.

- Financial reporting will be provided each quarter, including financial inflows during the quarter, expenditure/costs incurred during the quarter, actual cashflow/disbursements made during the quarter, and the Fund balance as of the last day of the quarter. The report will be circulated to all members of the Committee and to any additional departments within funding organisations as requested. A financial report will also be made publicly available on an annual if not a quarterly basis. The Fund will be audited on an annual basis.
- Any expenditure made via the Fund will adhere to relevant government laws and regulations that govern procurement and accounting of government funds. Changes may be made to the fund management approach if the CMLMPC and all donors contributing to the fund agree to the proposed change in writing.
- **OPTION 2**
- Financial resources will be provided via a fund set aside for the exclusive purpose of executing the initiatives set forth in this Master Plan. Funding will be sourced from stakeholders in the Nigerian Capital Markets, including but not limited to the Securities and Exchange Commission, Nigerian Stock Exchange, CSCS, and market operators. The contribution amount will be agreed to by all stakeholders in writing.
- **Stewardship of Funds**
- The Fund will be managed by the Securities and Exchange Commission, per standard SEC procurement and financial management practices. However, funds will be kept separately and will not be eligible for use by any SEC activities outside of what has been planned and agreed upon by the Implementation Committee.
- Financial reporting will be provided each quarter, including financial inflows during the quarter, expenditure/costs incurred during the quarter, actual cash flow/disbursements made during the quarter, and the Fund balance as of the last day of the quarter. The report will be circulated to all members of the Committee and to any additional departments within funding organizations as requested. A financial report will also be made publicly available on an annual if not a quarterly basis. The Fund will be audited on an annual basis.
- **Definition of Targets / Key Performance Indicators (KPIs)** The following table presents key market performance indicators that shall be used by the Committee to monitor and evaluate performance in achievement of objectives. These performance indicators measure the outcome or expected results of the CML activities or programs.

Balanced Scorecard

In determining the Key Performance Indicators shown in the table below, the four quadrants of a balanced scorecard were considered. These include:

Customer: This measures investor's experience and satisfaction with capital market activities.

Finance: This measures financial performance and activity ratios of the capital market.

Process / Operations: This measures the effectiveness and efficiency of the processes used in the capital market, safeguards and compliance with legal rules and regulations.

People: This measures the training, capability and skills of the capital market operators.

The idea of the balanced scorecard is to measure not only the financial but also the non-financial parameters that indicate the success of the CML Master Plan.

Proposed Activities	Timeline	Responsibility
Journals & Publications	Short term	Regulators, Operators
Organizing of Workshops, Seminars and Annual Public Lectures	Short term	Regulators, Operators
Institutionalizing Quiz competitions for schools	Short term	Regulators
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Special training programs for shareholders Associations	Short term	Regulators, Operators
Conducting trade fairs	Short term	Regulators, Operators
Hosting of capital market literacy programs on the website of Regulators, Operators and institutional investors	Short term	Regulators, Operators
Restructure the Nigerian Capital Market Institute (NCMI)	Short term	Regulators
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Handbills	Short term	Regulators, Operators
TV game shows	Short term	Regulators
Social media	Short term	Regulators, Operators
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Publishing of books and literatures	Medium term	Regulators, Operators
Curriculum development for schools at all levels	Medium to Long term	Regulators
Regulatory reforms that will impact literacy	Long term	Regulators

- **Funding Approach**
- **Funding approaches have been considered and two options are hereby recommended:**
- **OPTION 1**
 - Financial resources will be provided via a fund set aside for the exclusive purpose of executing the initiatives set forth in this Master Plan. Funding will be sourced from stakeholders in the Nigerian Capital Markets, including but not limited to the Securities and Exchange Commission, Nigerian Stock Exchange, CSCS, and market operators. The contribution amount will be agreed to by all stakeholders in writing.
- **Stewardship of Funds**
 - One member of the CML Implementation Committee will be designated as the Treasurer, with responsibility for budgeting, financial projections, and accounting for the funds. A Vice Treasurer from a separate organisation will be appointed. Signatures of the Treasurer and Vice Treasurer will be required for approval of the annual budget and for all disbursements. The annual budget will also need to be approved by the Commission.
 - Financial reporting will be provided each quarter, including financial inflows during the quarter, expenditure/costs incurred during the quarter, actual cashflow/disbursements made during the quarter, and the Fund balance as of the last day of the quarter. The report will be circulated to all members of the Committee and to any additional departments within funding organisations as requested. A financial report will also be made publicly available on an annual if not a quarterly basis. The Fund will be audited on an annual basis.
 - Any expenditure made via the Fund will adhere to relevant government laws and regulations that govern procurement and accounting of government funds. Changes may be made to the fund management approach if the CMLMPC and all donors contributing to the fund agree to the proposed change in writing.
- **OPTION 2**
 - Financial resources will be provided via a fund set aside for the exclusive purpose of executing the initiatives set forth in this Master Plan. Funding will be sourced from stakeholders in the Nigerian Capital Markets, including but not limited to the Securities and Exchange Commission, Nigerian Stock Exchange, CSCS, and market operators. The contribution amount will be agreed to by all stakeholders in writing.
- **Stewardship of Funds**
 - The Fund will be managed by the Securities and Exchange Commission, per standard SEC procurement and financial management practices. However, funds will be kept separately and will not be eligible for use by any SEC activities outside of what has been planned and agreed upon by the Implementation Committee.
 - Financial reporting will be provided each quarter, including financial inflows during the quarter, expenditure/costs incurred during the quarter, actual cash flow/disbursements made during the quarter,

and the Fund balance as of the last day of the quarter. The report will be circulated to all members of the Committee and to any additional departments within funding organizations as requested. A financial report will also be made publicly available on an annual if not a quarterly basis. The Fund will be audited on an annual basis.

- **Definition of Targets / Key Performance Indicators (KPIs)**

The following table presents key market performance indicators that shall be used by the Committee to monitor and evaluate performance in achievement of objectives. These performance indicators measure the outcome or expected results of the CML activities or programs.

Balanced Scorecard

In determining the Key Performance Indicators shown in the table below, the four quadrants of a balanced scorecard were considered. These include:

Customer: This measures investor's experience and satisfaction with capital market activities.

Finance: This measures financial performance and activity ratios of the capital market.

Process / Operations: This measures the effectiveness and efficiency of the processes used in the capital market, safeguards and compliance with legal rules and regulations.

People: This measures the training, capability and skills of the capital market operators.

The idea of the balanced scorecard is to measure not only the financial but also the non-financial parameters that indicate the success of the CML Master Plan.

Targets / KPIs	Description	As Is	To be (Years)									
			1	2	3	4	5	6	7	8	9	10
Gross Domestic Product (GDP)	Market value of all officially recognized final goods and services produced within a country in a year/period	N80.3t										
Number of investors	An individual who commits money to CM products with the expectation of financial return	4.7m	5.5m	7.15m	9.25m	12.084m	15.71m	19.635m	24.544m	30.68m	36.8169m	44.180m
Market Capitalisation	Total capitalization of the stock market	N13.7t										
Number of listings	Including listed companies, equities,	256										
Size of mutual funds	A mutual fund is a type of investment company that pools money from many investors and invests the money in different securities	N184b	N 220.8b	N 264.96b	N 317.952b	N 381.5424b	N 457.8509b	N 549.4211b	N 659.3053b	N 791.1663b	N 949.3996b	N 1139.28b
Level of awareness	Knowledge of specific products in the CM	16%	17.6%	19.4%	21.3%	23.4%	25.8%	28.3%	31.2%	34.3%	37.7%	41.5%
CM Operators' capability	Knowledge and skills of CM operators											
Penetration of market	Amount of sales on the CM compared to the number of investors											
Investor confidence (local)	Level of reliance on CM regulators and operators											
Investor confidence (foreign)	Level of reliance on CM regulators and operators											
Ease of entry and exit	Complexity of transacting on the CM											
Customer experience (Investor)	Investor's satisfaction about the operations of the CM											
Customer experience (Issuer)	Issuer's satisfaction about the operations of the CM											
Number of capital market initiatives / programs implemented	Implementation of programs contained in the CMLMP											

- **Monitoring and Evaluation Approach (Including Measurements against KPIs)**

CMLMPC will apply both quantitative and qualitative techniques to monitor the planned performance of its activities. The major techniques of monitoring and evaluation that shall be used are variance analysis, surveys and budgets.

Variance Analysis: The Committee will simply compare targets with the relevant actual results and any variance identified. As a consequence of variance analysis and identification of causes, the Committee shall take appropriate remedial actions.

Surveys: Well-designed surveys / questionnaires will be administered every two years in order to measure the effectiveness and success of the Capital Market Programs and to monitor achievements against plan.

Budgetary Control: Actual results will continually be checked against planned results and variances investigated. If necessary, action plans will be changed so that they are brought in line with the budgeted results or the budget will be amended to take account of new developments that require action.

Monitoring the implementation of the capital market literacy master plan constitutes systematic tracking of activities and actions to assess progress. Progress is measured against specific targets and KPIs included in the plan. This is followed by analyzing and reporting of information to various users. This helps them to remain alert to any short-falls or deviations and taking early corrective action.

Effective monitoring also helps to identify difficulties and problem areas, and to take immediate remedial action, thereby ensuring that targets are achieved. Regular reporting at all levels is necessary for follow-up and record keeping. The following M & E framework will be put in place by the Committee in order to ensure effective implementation of the master plan:

Strategy Implementation Team

The Committee will establish a CM Literacy Implementation Team to follow up and ensure that activities are being implemented, performance is being measured, progress reports are made and discussed, and corrective action is taken where necessary.

Cascading the Plan to all Stakeholders

The CM Literacy master plan must translate to work. The Plan will therefore be cascaded downwards to all levels of stakeholders. This will help each member of the capital market to understand and plan for their respective roles.

Data and Information Collection Procedures

Elaborate data and information collection templates and procedures will be developed to measure performance as per the indicators and report to the Committee. The reports will describe actions taken toward achieving the specific activities of the Plan and will include achievements, challenges and emerging issues, costs, benefits and recommendations.

Regular Meetings

Quarterly Review Meetings at the Implementation Committee level will be scheduled to ensure implementation is on track. At least half yearly review meetings at full committee level will be scheduled to get and give feedback. The Master Plan and its implementation is a responsibility of the Capital Market Committee. Therefore progress reporting will be an Agenda Item in CMC Meetings.

Capital Market Literacy Master Plan Review

The Master Plan will be reviewed annually and at the mid-term to ensure that it remains relevant, feasible and delivers outputs that contribute to sustainable development. Annual review will evaluate the year's activities and indicate the extent to which the Plan has been implemented. A comprehensive review of the Master Plan will be undertaken at the end of the fifth financial year.

- **Communication Plan**

A coordinated communication plan for the CML Master Plan is necessary given the need to generate broad awareness and understanding programs contained in this document. This awareness needs to be communicated to all stakeholders, both regulators and operators. Ensuring stakeholders understand the content of the Master Plan is particularly important in view of the key role each stakeholder will play in ensuring the successful implementation of the actions.

The main objectives of the communication plan are thus to:

- Create awareness amongst the relevant stakeholders of the strategic initiatives of the Master Plan;
- Establish clear communication and feedback channels with all the relevant interest groups and industry associations;
- Ensure that information about the Master Plan and updates on the progress of implementation are disseminated in a timely and consistent manner; and
- Enhance the transparency of the implementation process and ensure the accountability of the stakeholders involved.

In terms of audience, the primary audience for this communication will be parties that are directly or indirectly affected by the actions contained in the Master Plan. These include the CM regulators, other financial sector regulators, CM operators, industry associations and professional bodies.

The Implementation Committee should continue to consult affected stakeholders at least every year to obtain their feedback and input throughout the course of implementation of the CML Master Plan.

Example of a communication plan

Type of communication	Purpose of communication	Owner	Audience	Frequency	Documentation
CMLMP Progress meeting	Project status	CML Implementation Committee	CMLMPC	Half yearly	CMLMP Progress report
Implementation Review meeting	Evaluate implementation status	CML Implementation Committee Chairman	CML Implementation Committee members	Quarterly	Progress report

Dependencies and Success Criteria

The success of the following activities will determine the success of the capital market programs.

Dependencies	What can we do? (Nothing / Engage)
Other regulators' initiatives: <ul style="list-style-type: none"> • Biometrics • Full dematerialization (ePayments) 	Advocacy / Engage National Assembly
Buy-in from CM stakeholders	Develop stakeholder matrix: Include financial crime supervision
Availability of finance <ul style="list-style-type: none"> • Capital Market Literacy Funds 	Encourage contribution from capital market regulators and operators
Cooperation among regulators to enable literacy <ul style="list-style-type: none"> • CAMA, Tax, SEC, CBN (KYC) 	Engage regulators and legislators
Enhance capability of financial crime supervision	

• Conclusion

The capital market literacy survey conducted shows that a majority of the population do not have sufficient knowledge to understand even the basic CM products and the risks associated with the products. Thus the majority of individuals may not adequately plan for their future and are likely to make ineffective decisions in managing their finances. Consequently, investor education is important to promote greater retail participation in the market.

This CML Master Plan has therefore identified initiatives and programs that will be implemented in order to improve the CML level of the populace. Though each of these initiatives is useful in its own right, a holistic and coordinated approach to capital market education has been considered to ensure consistent messaging and to educate investors as to the benefits and risks of the full range of capital market products on offer in the market, as well as the workings of the market.

At the same time, however, it is important to recognize that different strategies need to be applied to different

stakeholder groups of the population. By way of example, the content of capital market education targeting the academic community will differ significantly from the capital market education provided for the capital market operators. This integrated but tailored approach makes it possible to develop in-depth education for each stakeholder, rather than attempting to provide a shallow approach across the board.

The successful implementation of the capital market literacy master plan would guarantee the future economic well-being of Nigerians by increasing market capitalization and hence the gross domestic product.

Appendix A: Methodology

A. 1 Survey with Investors

A structured questionnaire was used to collect data for the survey. The questionnaire was administered across 12 states spread evenly within the six geopolitical zones in Nigeria. The questionnaire covered the thematic areas spelt out in the terms of reference and objectives, targets and expected outputs.

In choosing states/cities to be covered, a number of parameters including, size of states' population, amount of Internally Generated Revenue (IGR), and the level of sophistication of cities in each state were considered.

Essentially, two states were chosen from each geopolitical zone: one with the best of the aforementioned parameters and the other with the least impressive parameters.

A stratified random sampling technique was adopted for choosing respondents. This was done primarily to give voice to classes which are not considered as those in the forefront of transacting in capital market product. Ratios assigned to each class (Stakeholder group) in society are shown in Table 2. This stratification was used across all the 12 states where data was collected.

Table 1: Geographical Distribution

Zone	Frequency	Cities
South-West	232	Lagos Akure
South-South	211	Port Harcourt Benin
South East	126	Aba Enugu
North East	148	Gombe, Bauchi
North West	190	Sokoto Kaduna
North Central	138	Jos, Abuja

Table 2: Social classification of respondents

SOCIAL CLASS	%
Government	21
Companies	24
Academic Community	17
Society	39

Data analysis was done with Statistical Package for the Social Sciences (SPSS) and Microsoft Excel. Statistics including frequency distribution, percentages, and cross tabulations were computed to understand trends in the subject of the research. The research design made provision for the administration of 1,000 questionnaires, as a precaution to prevent fewer than that number of questionnaires being collected, 1060 questionnaires were distributed, fortunately, 1056 were returned, all of which were used for the analysis.

The survey can be found in the Appendix C attached to this report. The questions are summarized under 4 core themes:

- Awareness and knowledge capital market concepts (16 concepts)
- Level of Investment
- Investor's Protection
- Seeking Investment Advice

A.2 Survey with Operators

The survey was carried out with 250 participants. The target audiences for this survey were the stockbrokers, registrars, and solicitors, fund managers, issuing houses, trustees and other market operators.

Comprehensively designed questionnaires were administered online to the market operators using an online survey tool. The questionnaire covered level of capital market awareness, Operator's perception of the regulator, Level of stakeholder participation in capital market, factors affecting investment in Nigeria.

The completed questionnaires were processed and analyzed using the online survey tool reporting package.

A.3 Interviews

Key in-depth interviews were conducted with the SEC, NSE, CBN, NDIC, ICMR, and CIS using a key informant interview guide on their role and function within the capital market as it relates to capital market literacy initiatives/programs.

A.4 Literature Review/Secondary data or Desk Review:

A desk review of relevant documents with regard to capital market literacy programs, initiatives, policies, plans in Nigeria and other countries.

Secondary information to supplement the primary data was obtained from existing published information from the internet.

Appendix B: References

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- Testimony on "The Global Financial Crisis and Financial Reform in Nigeria: a capital market perspective" by DG SEC – Arunma Oteh Tuesday, November 16, 2010
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- Presentation on the Nigerian Capital Markets by the Securities and Exchange Commission for the April 2012 Public Hearing Organized by the Adhoc Committee on Capital Market, House of Representatives of the Federal Republic of Nigeria
- Enhancing Financial Literacy In Capital Market; Report of the Financial Literacy Task Force of the COMCEC Capital Market Regulators Forum, September 2013
- MSCI Market Classification Framework, June 2014

Appendix C: Glossary of terms

AAIL	American Association of Individual Investors
AIA	Australian Investors Association
AIE	Alliance for Investor Education
AMDP	African Market Development Partners
AMF	Autorité des Marchés Financiers
ASA	Australian Shareholders Association
ASIC	Australian Securities and Investment Commission
ASX	Australian Stock Exchange
ATVR	Annualized Traded Value Ratio
BCSC	British Columbia Securities Commission
BSC	Balanced Scorecard
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CFAP	Community Financial Access Program
CIB	Chartered Institute of Bankers
CIE	Council for Investor Education
CIS	Chartered Institute of Stockbrokers
CM	Capital Market
CMA	Capital Market Authority
CMC	Capital Market Committee
CML	Capital Market Literacy
CMLMP	Capital Market Literacy Master Plan
CMLMPC	Capital Market Literacy Master Plan Committee
CNBC	Consumer News and Business Channel
CNMV	Comision Nacional del Mercado de Valores
CPE	Continuing Professional Education
CSA	Canadian Securities Administrators
CSCS	Central Securities Clearing System
CSI	Canadian Securities Institute
CUSOURCE	Credit Union knowledge network
CVM	Comissão de Valores Mobiliários
EFINA	Enhancing Financial Innovation & Access
FAQs	Frequently Asked Questions

FCAC	Financial Consumer Agency of Canada
FEP	Financial Education Partnership
FFCI	Fédération Française des Clubs d'Investissements
FINRA	Financial Industry Regulatory Authority
FLSC	Financial Literacy Steering Committee
FOREX	Foreign Exchange
FSA	Financial Services Authority (UK)
FSA	Financial Services Agency (Japan)
FSD	Financial Sector Deepening
FSS	Financial System Strategy
GBC	Guide to Bank Charges
GDP	Gross Domestic Product
GNI	Gross National Income
ICAI	Institute of Chartered Accountants of India
ICAN	Institute of Chartered Accountants of Nigeria
ICIEF	Investment Company Institute Education Foundation
ICMR	Institute of Capital Market Registrars
IEA	Investors Education Association
IFAs	Independent Financial Advisors
IFS	Institute of Financial Services
IKM	Invest in Knowledge More
IOSCO	International Organisation for Securities Commission
ISA	Investment and Securities Act
JSDA	Japan Securities Dealers Association
KCIE	Korea Council for Investor Education
KIFIN	Korea Institute of Financial Investment
KOFIA	Korea Financial Investment Association
KPIs	Key Performance Indicators
KSE	Korea Stock Exchange
KYC	Know Your Customer
M & E	Monitoring & Evaluation
MAS	Money Advice Scotland
MCTP	Mandatory Continuous Training Program
MSCI	Morgan Stanley Capital International
NAICOM	National Insurance Commission

NBS	National Bureau of Statistics
NBSC	New Brunswick Securities Commission
NCC	National Communications Commission
NDIC	Nigeria Deposit Insurance Corporation
NGO	Non-Governmental Organizations
NICRI	National Information Centre on Retirement Investments
NPOs	Not for Profit Organisation
NSE	Nigerian Stock Exchange
NSSC	Nova Scotia Securities Commission
NYSC	National Youth Service Corps
OSC	Ontario Securities Commission
PENCOM	National Pension Commission
PFEG	Personal Finance Education Group
PPM	Premium Pension Authority
RCMP	Royal Canadian Mounted Police
SC	Securities Commission
SCFE	Scottish Centre for Financial Education
SDIA	Securities Derivatives Industry Association
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SFC	Securities and Futures Commission
SIDC	Securities Industry Development Corporation
SMAC	Securities Market Awareness Campaign
SROs	Self-Regulatory Organizations
TCRs	Tips, Complaints and Referrals
TFP	Training for Profit
TSE	Tokyo Stock Exchange
TSX	Toronto Stock Exchange
UK	United Kingdom
US	United States

Appendix D: Survey Result for Investors

EXECUTIVE SUMMARY

This is a survey report focusing on the level of capital market literacy in Nigeria. The survey is intended to collect adequate information from the investors,

Specifically, to:

- Establish the profile of investors in Nigeria capital market;
- Establish the levels of knowledge and understanding of capital market concepts;
- Establish the levels of investment in the capital market;
- Establish the levels of investors' protection;
- Establish the levels of awareness and understanding about seeking investment advice;

This report therefore provides descriptive and analytical findings organized around the four core domains of capital market; awareness and knowledge of capital market; level of investment, investor's protection and investment advice.

The scope of the study covered individual investors across listed and unlisted companies, government establishments, academic communities and the society at large. In total, the survey covered 1,056 respondents.

- A summary of findings from the survey is as follows:-
- Demographic Characteristics
- Under the demographic characteristics of the respondents, the following results were obtained:
- Geographical Location:- Under the demographic characteristics of the respondents, 22% of the respondents are from South West region, 20% from the South -South, 18% from the North- West, 14% from the North East, 13% from the North-Central and 12% from the South East.
- Age:- 36% of the surveyed investors in the capital markets fell within the age category of 20-29 years. Other significant proportions of the investors were in the age range of 30-39 (33%) and 40-49 (20%) while less than 2% of the surveyed investors fell within the age category of 60 years and above
- Gender:- Males dominated the capital markets comprising of 65% almost doubling the female participants in the market who were 35%.
- Educational Level:- With regard to education, a significant percentage of the surveyed investors (37%) had attained a bachelor's degree as their highest level of education, 24% had completed Diploma degrees while 12% have attained Master's degrees.
- Employment Status:- It emerged that majority of the investors accounting for 51% of the respondents in the capital markets were in full time employment. While 23% and 11% of the respondents are in self-employment and part-time employment respectively.

- **Income:-** Majority of the investors accounting for 44% of the total respondents were earning between N20, 000- N50, 000 per month. A significant proportion (27%) was earning within the range of N50, 000 – N100, 000 per month. In addition, 21% of the investors was earning between N100, 000 and N300, 000. It should also be noted that approximately 8% of the surveyed investors earn N300, 000 and above.
- **Knowledge and understanding of capital market concepts**
- With regards to knowledge and understanding of the capital market concepts, the findings included:
 - 76% of those surveyed indicated having heard and understand what the concept “Capital Market” relates to (the main subject of this research).
 - The more technical the capital market concepts are, the lower the level of knowledge and awareness of these concepts.
 - “Unit trust” is the concept participants have the least knowledge and awareness of (32%).
 - Most of the respondents stated that they were familiar with the terminologies used in the capital markets industry and that they also knew what these terminologies meant. They were generally aware of: shares (81%); SEC (64%); Brokers (71%) and dividend (73%) among others.
 - Majority of the surveyed investors (36%) acquired information about capital markets and related terminologies from Newspapers and TV.
 - A significant number of respondents (32%) acquired this information from school and radio where less than 21% got their information from other sources such as seminars, investment-club, religious organizations and NGOs.
 - Among the respondents, the most reliable source in accessing capital market information is “learnt about capital market from school” (49%). “TV” and “Personal study/research and seminars” make up the second and the third most reliable sources with (43%) and (41%) respectively. It is noteworthy that the religion centers and Investment clubs are highest unreliable source of information (23%).

Capital market investment

Concerning Capital market investment, the survey established that:

- 50% of the respondents see investing in capital markets as an easy way of saving money; 40% of the total respondents were motivated by anticipated high returns while 10% use the market as a risk diversifying tool
- 55% of the total respondents had invested N200,000 and below. This constitutes more than half of the respondent.
- 23% of the respondents have been investing in the Capital Market for more than 10 years. Those that invested in capital markets everyday were 6%; 8% invest at least once a week; 4 % invest at least once a fortnight while 18% invest at least once a month.
- **Investor protection**

Under investor protection, the survey established that:

- 18% reported to be very confident that SEC is effectively regulating the market compared to 37% who were very unconfident.
- Seeking for investment advice
- With regard to seeking investment advice, the results were as follows:
- 49% of the respondents had sought professional advice on investment in capital markets compared to 51% who had not.
- Most of the investors accounting for 38% of the total respondents got the advice from Investment Advisers/representatives; 34% got professional investment advice from a broker/dealer representative while 13% got the advice from unit trust managers' representatives or investment clubs.
- 28% of the respondents had a lot of confidence in the investment advice; and 47% were fairly confident that the advice was appropriate to their circumstances.

RESEARCH METHODOLOGY

Data was collected through a nationwide survey. The survey process was designed to cover 12 states spread evenly across Nigeria's six geopolitical zones. In choosing states/cities to be covered, a number of parameters were considered including, size of the population of the state, amount of Internally Generated Revenue (IGR), and the level of sophistication of cities in each state.

Essentially, two states were chosen from each geopolitical zone: one with the best of the aforementioned parameters and the other with the least impressive parameters.

The size of the population and the level of commercial activity in each of the chosen states were factored into determining the number of respondents that were drawn. Table 1 shows the number of individuals to be sampled from each zone

Table 1		
Zone	Cities	Planned
South-West	Lagos	200
	Akure	
South-South	Port Harcourt	200
	Benin	
South East	Aba	120
	Enugu	
North East	Gombe	120
	Bauchi	
North West	Sokoto	200
	Kaduna	
North Central	Jos	160
	Abuja	
Total		1,000

Table 2: Social Classification of Respondents	
Class	%
Society	40
Government	20
Companies	25
Academic community	15
Total	100

The selection process was designed to be as "all inclusive as possible". A simple random sampling technique was considered inadequate for this survey considering the diversity of the Nigerian people.

The fact that a simple random sampling technique could skew the outcome of the survey in a particular direction made it expedient to consider a two stage random sampling technique. In this direction, a stratified random sampling technique was adopted for choosing respondents.

This was done primarily to give voice to classes which are not considered as those in the forefront of transacting in capital market product. Ratios assigned to each class (Stakeholder group) in society are shown in Table 2. This stratification was used across all the 12 states where data was collected.

Data Analysis

A structured questionnaire was used to collect the data while analysis was done with Statistical Package for the Social Sciences (SPSS) and Microsoft Excel. Statistics including frequency distribution, percentages, and cross tabulations were computed to understand trends in the subject of the research. The research design made provision for the administration of 1,000 questionnaires, as a precaution to prevent fewer than that number of questionnaires being collected, 1060 questionnaires were distributed, fortunately, 1056 were returned, all of which were used for the analysis.

• DETAILED ANALYSIS

• Demographics of respondents

At the end of questionnaire administration and collection, 1056 individuals drawn from the six geopolitical zones had been surveyed.

Twenty-two percent (232 individuals) of them live in the South-West, 20% (211 individuals), in the South-South. The North- West, which is the most populated zone in the North, contributed 18% (190 individuals) to the sample.

The South-East, North-East and North-Central contributed 12% (126 individuals), 14% (148 individuals) and 13% (138 individuals) respectively.

Further analysis shows that those sampled represent the 36 states of the federation, even though most of them were reached in states other than their home states.

Of all the respondents, 35% are females while 65% are males.

The married make up more than half of respondents (52%) while singles make up 47%.

The age distribution of the sample reflects Nigeria's population structure which is composed majorly of youths and young people. The bulk of respondents, 89%, fall within the 20-49 years age bracket which should constitute the primary focus of any research of this kind.

Apart from age, the highest educational qualification of most respondents gives the impression that they have attained a fair level of education and are qualified to give reasonable insights on the capital market.

Seventy-five percent of them have either attained secondary school education, BSc. or Diplomas. While 12% have attained Master's degrees, less than 1% said they have never been to school, while 1%, said their highest educational qualification is primary school education. Some even have PhDs.

Respondents are engaged in a number of vocations which cut across both the formal and informal sectors of the economy. Fifty-one percent of them are in full time employment, 11% have part-time work while 12% are unemployed.

In terms of specific occupations, traders make up 14% of respondents; artisans (which include such vocations like carpentry, bricklaying, barbing, tailoring, vehicle repair etc.) make 6% of the sample. While students accounted for 13% of the sample. Medical practitioners, bankers, engineers, accountants are also among the respondents.

Considered from another perspective, respondents were also grouped according to the following categories: society, the academic community (lecturers and students), companies, and government (federal, state and local). The outcome of the sample considered along this line shows that government employees made up 21% of the sample. Employees of regular companies made up 24% of the sample. While society made up 39%.

• Knowledge and understanding of the capital market concepts

In determining the extent to which respondents understand what the Capital Market is, their understanding of a number of basic words and phrases (16 in all) related to the Capital Market was tested. Respondents were asked to indicate the degrees to which they understand each term. Their answers are used as proxy for the level of awareness the groups they belong to have.

In this section, the degree to which respondents know the terms is tested across the General Population, Age, Gender, Level of Income, Highest Educational Qualification, Geographic Locations, and Stakeholder Group. The goal was to determine if there are specific classes of individuals who are more aware of the Capital Market than others.

The general population

It was discovered that if basic words/phrases that describe the market (like Shares, Capital Market, or Securities and Exchange Commission (SEC)) are used as parameters to determine whether or not individuals across the population know about the existence of the Capital Market, then it can be reasonably assumed that over half of the population know about the market. However, it was also discovered that most people are ignorant about the market's products, how they are traded, and the metrics used to determine their profitability.

While 81% of individuals sampled have heard and understand the meaning of the word Shares, only 40% have heard and understand what the phrase "Price Earnings Ratios" means. Also, while over 76% of respondents have heard and know the meaning of the phrase Capital Market, 16% of respondents have heard the phrase, but do not understand what it means. 18% of those sampled have not even heard of the phrase "Secondary Market" at all.

During the process of data collection, some respondents were helped to recollect the IPOs which were made by some banks and other companies in recent times before the whole idea of the Capital Market was refreshed on their minds. Indeed, a vast majority of Nigerians, more than half of those sampled, have some basic understanding of what the Capital Market entails but they do not have enough understanding to make very important investment decisions.

Age and capital market awareness

Like the general population, the 16 Capital Market related words/phrases are not known in the same degree across all age brackets. But generally, all the age brackets exhibit remarkable knowledge of basic terms like Shares, Securities and Exchange Commission (SEC), Broker/Dealer, Investment Advisory, Dividend, and Capital Market. These are known by a considerable number of individuals within each age brackets. But other market related terms like Price to Earnings Ratio, Dividend Yield and Yield to Maturity are far less known across the age spectrum. Across the words/phrases presented, those in the 60 years old and above age bracket have a fairer understanding of all terms than others who are younger (it must be noted, however, that this group constitutes a small portion of respondents who took the survey).

Overall, those in the 12-19 years age bracket do not display the same depth of understanding of Capital Market terms as older respondents. Among those in that age bracket, 52% and 56% have come across the words Shares and Capital Market respectively. But in this group also, 44% have heard the word shares but do not know what it means. As for more rare terms like Unit trust, this group has more people who have not heard such words. Some words stand out as unknown to most 12-19 years-olds; these include terms like Unit trust, Yield to maturity, Price earnings ratio, Corporate Bond, and even investment advisory.

For those in the 20-29 years old age bracket, over 70% of them know what the term Capital Market means. While 18% have heard the terms but do not understand what it means, only 10% have never heard the term. This group seems to have a better grasp of what the Capital Market represents than the 12-19 years old group. So that, while in the 12-19 years age bracket, 56% of respondents have never heard of Unit Trusts, in the 20-29 years age bracket, only 38% have never heard the words or understand it.

The 30-39 years old age group mirrors the responses of the 20-29 years age group in terms of understanding of the Capital Market but at the deeper level. This age group has a much clearer understanding of the concepts, words and phrases than the preceding two groups. It has more people who understand the meaning of words that are even more intricate about the market. More people here understand intricate terms like Unit Trust, Broker/Dealer, Primary and secondary market, etc than the younger generation of respondents.

The other three age classifications exhibit the same pattern which the previous age groups have exhibited, an indication that to an extent, there is a strong positive correlation between the age of an individual and the extent to which they understand the workings of the Capital Market (but this assumption holds especially for those who are educated, as other findings show).

Policy which is directed at improving knowledge of the market should ideally focus on those channels which are used by the younger generation to gather information, since that group seems to be less informed about more intricate terms which concern the market. Generally when responses are considered based on the age distribution of respondents; no age group has more than 5% of its representative as individuals who have not heard of the word Shares.

Gender and capital market awareness

The data suggests that there is a gender correlation to knowledge of the Capital Market. Males responded slightly differently from females across most terms.

For instance, while 70% of females indicated that they have heard and understand the phrase Capital Market, 79% of their male counterparts said they have heard the term and understand what it means.

This trend also holds for words like Shares. While 75% of females say they have heard and understand the meaning of the word, 83% of their male counterparts have heard and understand what shares means.

The difference in depth of knowledge becomes even more obvious when more complex Capital Market terms are

considered. Such words as Price to Earnings Ratio, Dividend Yield, Broker dealer, etc are less popular among females than males.

Given that this data is representative of the general population, it is safe to assume that more men know about the basic operations of the Capital Market than women.

Education and capital market knowledge

There is a strong correlation between the level of education of respondents and their level of understanding of Capital Market terminology. This is obvious from Charts 19-27.

Chart 19 contains the responses of those who have attained PhD education. Ninety-four percent of them have heard the word Shares and understand what it means, while only 3% say they have heard the word but do not understand what it really means. Across other terms, there is an overwhelming number of individuals within this group who understand Capital Market terms. On average, more than 70% of respondents who hold PhDs understand all the terms which were used to capture knowledge of the Capital Market.

The level of understanding is diluted down the educational attainment rung, as those with less education seem to have less grasps of key market terms.

This is obvious from the level of understanding of terms among those who have never been to school. Sixty-seven percent of them indicated that they have never heard the term, Price to Earnings Ratio, 30% have never heard the term Capital Market. Half have never heard about the Securities and Exchange Commission (SEC) while an even a more staggering percentage of this set of respondents have heard some terms used on the Exchange but do not understand what they mean. This is also true of those who have attended only Primary schools, although to a lesser degree.

Based on the data, it can be concluded that those in the lower spectrum of the education ladder have less understanding of the workings of the Capital Market. Of course, there are those with higher education who exhibit various degrees of ignorance as well, but endemic ignorance about key terms which describe the market prevails with those with less education.

Geographical location and knowledge of the capital market

As expected, the geographical zones in Nigeria do not have the same amount of understanding about the market. But a major finding that contravened a prior expectation was the amount of knowledge those in the North-West have about it.

While it was expected that those in the south, would have more knowledge of how the Capital market works, the pattern that emerged was that those in the North West have more knowledge about the market than even those in the South West. The South-East and North-East had the less impressive responses to the questions posed to them.

84% of those in the North-West understand the meaning of the word Capital Market, in the South-West, 79% of respondents understand the term. In the South-South, North-Central and North-East, 80%, 78% and 69% of

respondents understand the term respectively. In the South-East, the lowest percentage of those who understand the meaning of the Capital Market, 58%, is presented. It is not impossible that the share number of those who do not know about the market in Akure affected the total number in the South West during calculations. But it is strange that among respondents, more in the North West seem to be aware of the Capital Market than those in the South West.

The level of understanding of these terms presents a mixed picture as across the regions. The responses are contained in Charts 28-33. One important point to consider which this mixed picture has thrown up is that; a strategy which will improve Capital Market literacy in the country, will target specific age, gender and educational classes within the country rather than a particular zone. However in doing this, the South East should be considered as a specific case that requires special attention.

Stakeholder groups and knowledge of the capital market

Perhaps because of the interconnection between the academic community, society, government workers and companies, there is no clear demarcation between each class as to which group has more knowledge of the Capital Market. When respondents are classified according to Society, Government, Companies and the Academic Community, their responses to the elements used as barometer to measure knowledge of the capital market seem so similar that it is almost impossible know which group needs more enlightenment. Their responses are contained in Charts 34-38.

• Who buys shares and why?

As expected, less than half of respondents have even been involved in transactions or investing on the Capital Market, only 44% said they have invested in any of the Capital Market products listed in the survey. And majority of them, 55%, have invested less than N200, 000 in total. Twenty-four percent have invested between N200, 001 and N300, 000.

Across gender, age, stakeholder group and occupation, from the data presented in Charts 38-47, it is clear that males are more prone to invest than females, the younger generation invest less than older ones, bankers are in the forefront of investing in the market, while academics tend to invest less than those who work in regular companies and government (Please note that students are included in the class designated academics).

When they were asked how frequently they invest in the market, almost half of those who invest said "I have never invested in the Capital Market since I bought shares/bond at the IPO".

Interestingly, most of those who have invested in the Capital Market have done so within the past 1-7 years, presumably during the series of IPOs which characterized the market before the global financial crisis of 2008. Twenty-three percent of the respondents have been investing in the Capital Market for more than 10 years.

The major reason for investing in the capital market according to the respondents is because they use it as a mechanism for savings. Half of respondents use the Capital Market as a savings mechanism, less, 10% use the

market as a risk diversifying tool while 40% invest in the market because of returns, present or anticipated in some distant future.

- **Source of knowledge of the capital market, confidence in sources of knowledge**

Most of the people who took the survey first got to know about the Capital Market through newspapers and television. Eighteen percent of respondents got the first hint of the existent of the capital market through this source respectively. Also equally important are such sources of information as Universities and other learning institutions, the Radio, Personal research, Investment Advisory and family members/friends and colleagues. Forty-eight percent of respondents got to know about the capital market through these mediums.

It must be noted that while 3% and 2% of respondents got to know about the market through Brokers/Dealers and the social media, just a modicum got to know about the market through the efforts of SEC and the NSE.

Both institutions have accounted for very few conversions to investing in the Capital market. For institutions which both regulated and run the processes of the market, SEC and NSE should ideally be at the helms of information dissemination on the workings of the market and how it could serve as a veritable store of value.

- **Regulation, advisory services**

Perhaps because they do not know the role that SEC plays in the market, as much as 22% of the respondents do not know if they are confident that SEC is effectively regulating the market. But 18% of them are very confident that SEC is effectively regulating the market while 37% are fairly confident that the market is being well regulated by SEC, while these numbers are in the commission's favour, it should be noted that as much as possible, considering the sensitivity of the market, there should be no doubt whatsoever on the minds of investors that the market is being effectively regulated.

Therefore, more should be done by the commission to highlight what it is doing in form of regulation. Also, the commission must make awareness a priority across the various groups which have been highlighted as less informed about the market. The responses to the question "Have you received professional investment advice about a Capital Market product in the past 5 years?" mirrors the answer to that which was concerned with if investors have invested in the market; for the most part, only those who have participated in investing in the market have really sought advice in the past five years. These responses suggest that most Nigerians actually seek advice in their investment decision process.

As indicated in Chart 52, most of the advice investors get comes from Investment Advisers' Representatives and Stockbroker/Dealers. According to respondents, advice also comes from Unit Trust Managers and Investment Clubs.

And for the most part, respondents are confident about the advice they receive from these key players in the market. Twenty-eight percent of the respondents are Very confident about the advice they have received, 47% are fairly confident about the advice they have received while others have taken advice with a grain a salt.

KEY FINDINGS

The research process threw up a number of issues surrounding how Nigerians view the Capital Market, and their level of awareness of key issues on the market. It has also given a glimpse into the level of awareness, trusted sources of information on the market, and the perception of SEC as a regulatory agency. The following summarizes the findings:

- If the total population is taken as a group, based on the data, it can be reasonably assumed that at least 50% of the population has some form of understanding that there is such a market as the Capital Market. That percentage also has basic understanding of basic terms which describe the market.
- Though knowledge of the market exists to a certain degree across the population, the depth of understanding of the Capital Market is still low. What is missing and needs to be passed to the general population is detailed information about decision making parameters and metrics.
- Across the population, certain groups are more informed about the Capital Market than other. This variation in understanding is clear across geographical location, social class, age, academic qualification and gender.
- The market has an age sensitivity element to it. While the younger generations know less, the older generation tend to be more aware of the market and complex matrixes which are used to determine profitability, therefore it must be considered a matter of priority that younger people be aware of the market. They should therefore be reached with information on the capital market through news platforms sensitive to them.
- It was also discovered that women are less likely to be aware of the workings of the capital market than men. Just as those with higher educational qualifications seem to know more about the Capital Market than those with less.
- The peculiarities of distinct groups must be factored into awareness campaigns in the process of disseminating information to those who are less aware of the market.
- COMMITTEE SPONSOR Sa'adatu Mohammed Bello
- COMMITTEE MEMBERS
- Ariyo Olushekun -Chairman.
- Madubuike Emeka
- Segun Sanni
- Dr. Jane Itseuwa
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- Ononuju Irukwu
- Jumoke Ogundare
- Vivien Shobo
- Dr. David Ogogo
- Nicholas Nyamali
- Modupe Mujota
- Abubakar Gaya -Secretariat
- Ojone Umoru -Secretariat.

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PART A CAPITAL MARKET MASTER PLAN

APPENDIX 1

IMPLEMENTATION ROADMAP AND EXECUTION GOVERNANCE

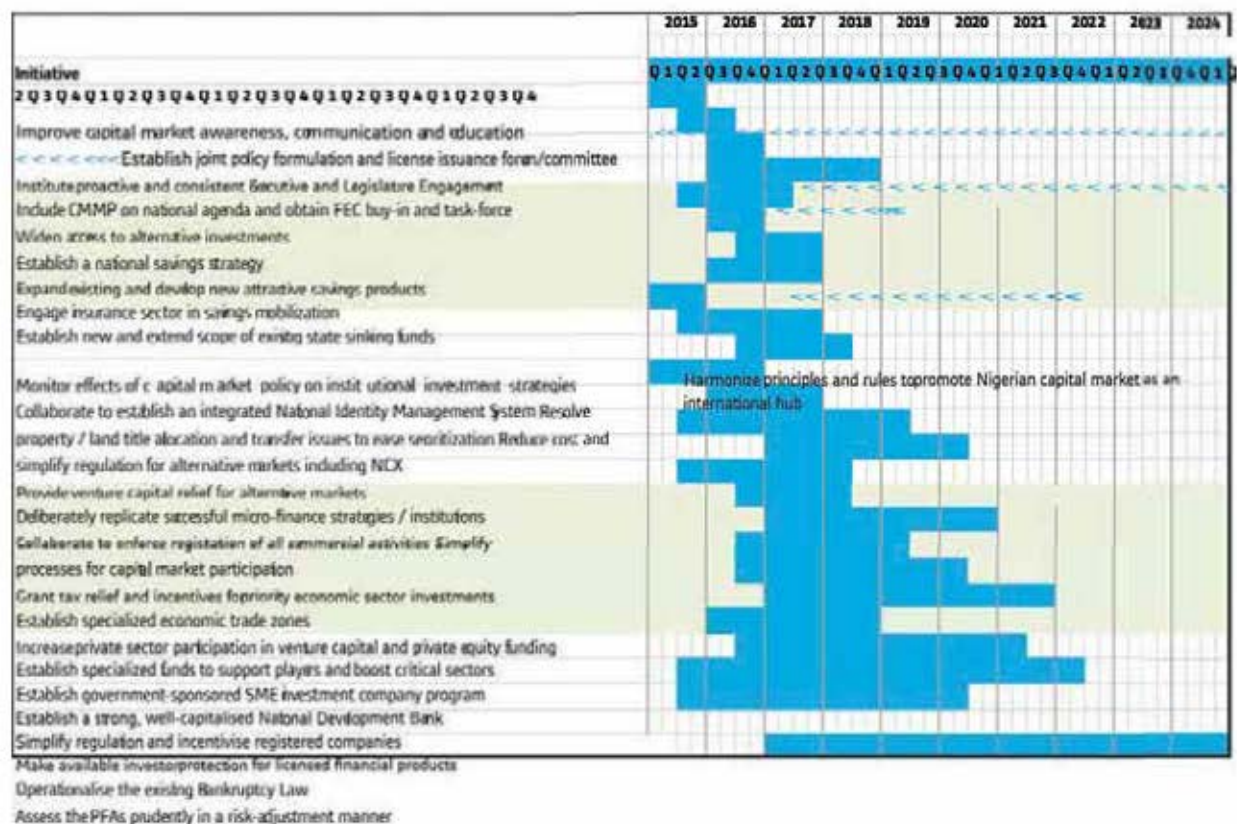
Overall Implementation Road Map

A total of 101 initiatives have been proposed along the lines of the four (4) strategic thrusts:

- 28 initiatives for Contribution to the National economy
- 20 initiatives for Market Structure
- 29 initiatives for Competitiveness
- 24 initiatives for Regulation and Oversight

The proposed timelines for the implementation and completion of these initiatives are presented subsequently.

Timeline for contribution to the national economy initiatives



Timeline for market structure initiatives

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Initiative	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4
Establish a unified licensing model for operators across money and capital markets										
Harmonize the framework for securities lending										
Approve securities depository as a repo counterpart										
Encourage active securities lending by PFAs and PFCs (SEC and PENCOM driven)										
Address structural imbalances between private sector savings and investments										
Commence mandatory channelling of buy-side funds to critical sectors of the economy										
Increase participation of pension funds in critical sectors										
Create a national monoline financial guarantor										
Establish minimum threshold for participation in primary issues										
Increase the use of linked notes for retail investors										
Commence equity trading in lot(s)										
Regularise mutual funds and make them more accessible										
Build domestic investor base to hedge market against massive foreign investment outflow										
Define minimum operating standards and capabilities for operators										
Establish certifications/training programmes for investment and finance professionals										
Put in place on-going training programmes and mandatory continuous assessment										
Strengthen the capital market institution										

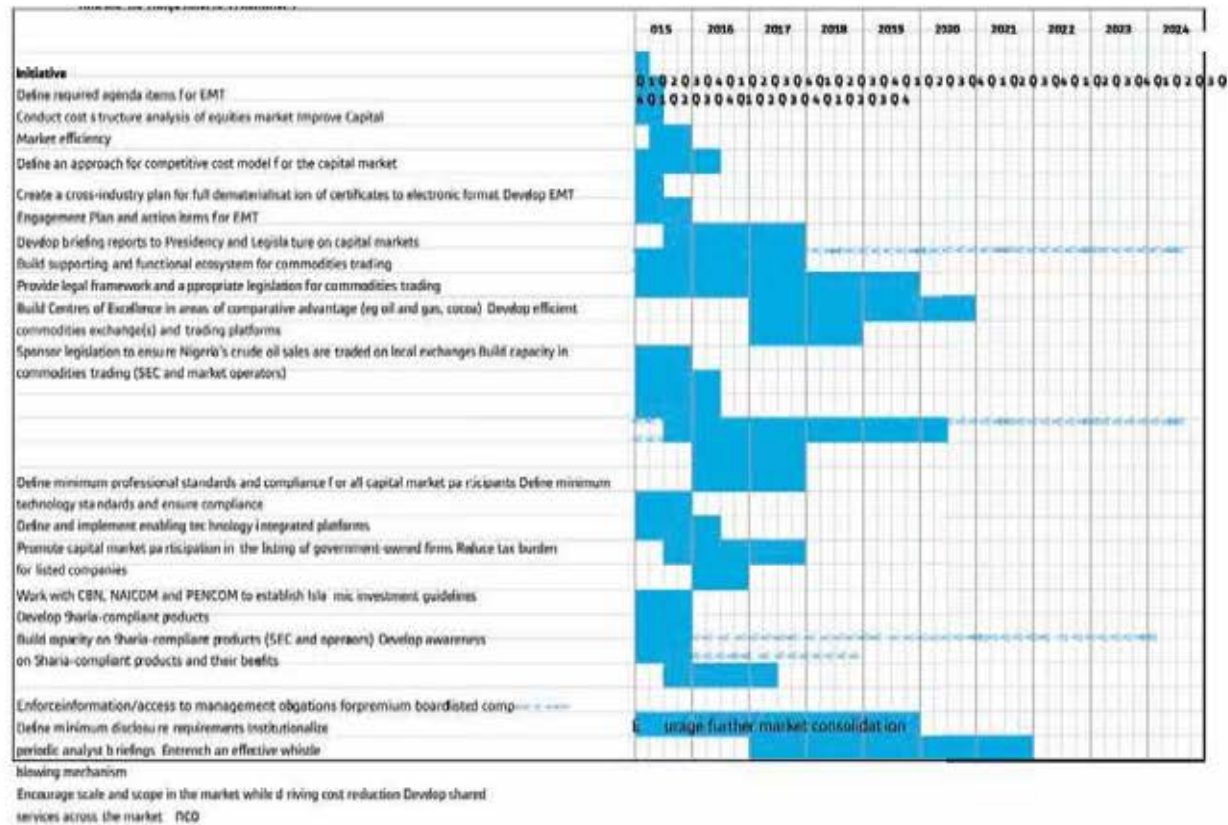
Invest in building industry capacity/ specialized skill

Timeline for competitiveness initiatives

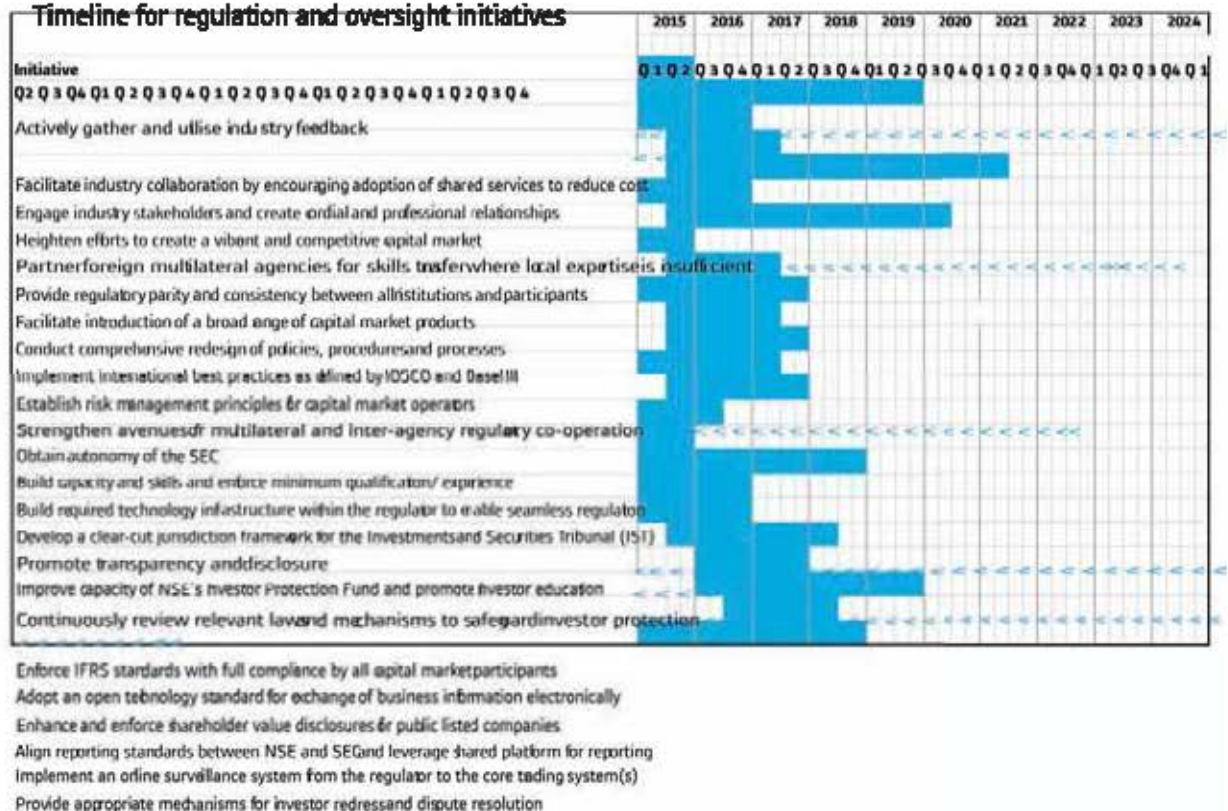
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Initiative	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4
Establish a unified licensing model for operators across money and capital markets										
Harmonize the framework for securities lending										
Approve securities depository as a repo counterpart										
Encourage active securities lending by PFAs and PFCs (SEC and PENCOM driven)										
Address structural imbalances between private sector savings and investments										
Commence mandatory channelling of buy-side funds to critical sectors of the economy										
Increase participation of pension funds in critical sectors										
Create a national monoline financial guarantor										
Establish the Nigerian capital market as a major centre for innovation and intermediation										
Establish minimum threshold for participation in primary issues										
Increase the use of linked notes for retail investors										
Commence equity trading in lot(s)										
Incentivise use of collective investment schemes										
Regularise mutual funds and make them more accessible										
Build domestic investor base to hedge market against massive foreign investment outflow										
Define minimum operating standards and capabilities for operators										
Establish certifications/training programmes for investment and finance professionals										
Put in place on-going training programmes and mandatory continuous assessment										
Strengthen the capital market institution										

Invest in building industry capacity/ specialized skill

Timeline for competitiveness initiatives



Timeline for regulation and oversight initiatives



Execution governance and responsibilities

Visible ownership and transformational leadership is a critical imperative for the achievement of the Capital Market Master Plan.

For effective implementation and monitoring of the plan, a Capital Market Master Plan Board or Council should be established. The Board should have the following characteristics:

- It should be small
- It should be comprised of very senior decision makers (i.e. CEOs of the relevant private and public sector institutions)
- It should span the breadth of the capital market, trade groups and related financial services institutions (i.e. capital market, pensions, insurance, banking, depositories, SROs, CBN, DMO, NAICOM etc.)
- Membership should be institutional rather than individual

It is recommended that the Chairmanship of the Capital Market Master Plan Board or Council be under of the Director General of the SEC as the SEC has both the interest in its success as a major stakeholder, as well as the clout as a regulator to give directives and ensure compliance by other stakeholders.

Reporting directly to the Capital Market Master Plan Board or Council, Working Technical Committees should be set up to drive the defined strategic themes and provide support to the Capital Market Master Plan Board or Council.

Task forces may be assigned responsibilities for completing specific tasks within defined timelines. These task forces should typically be chaired by the private sector and other key stakeholders.

The Capital Market Master Plan Board or Council should also be supported by an adequately resourced Secretariat / Programme Management Office domiciled in the SEC.

Key stakeholder communication and involvement management

Besides the capital market participants and regulator, there are other key stakeholders whose involvement is necessary to successfully execute the Capital Market Master Plan.

The following are specific actions to be taken towards ensuring their buy-in and participation.

The Presidency

- The SEC will work with the Federal Ministry of Finance (FMF) to arrange for a meeting with the President for presentation of the Capital Market Master Plan. Capital market operators are to support this effort
- A presidential retreat should be organized to launch the plan
- A presidential task force is to be appointed to drive the actualisation of the planThe Economic Management Team
- The Capital Market Transformation Plan should be presented to the Economic Management Team (EMT) with the President in council.

FSS 2020 and other stakeholders for consultation

- A wider range of stakeholders, including those that created and are driving the FSS 2020 plan are to be consulted to help address market issues outside the control of internal capital market stakeholders

Critical Success Factors / Key Dependencies

Some critical success factors have been identified that are pertinent to the successful execution of the Capital Market Master Plan:

Ownership and support at the highest level (Presidency, FEC, etc)

It is pertinent that the plan is accepted and owned not just by the market and the regulator, but by all the parties that possess the influence and decision-making power to enable it be executed successfully. This includes the President, the Legislature, the Federal Executive Council and the Economic Management Team. Without the cooperation and even endorsement of these parties, it will be difficult to meaningfully actualise many of the objectives and initiatives. Cross-cooperation across the Financial Services Industry

Cooperation with other regulators and players in the Financial Services Industry is also critical to ensure that initiatives requiring action outside the direct scope of the capital market, but which have a direct and material impact on the success of the CMMP, are indeed dealt with promptly and as required.

Right pricing for financial instruments

Proper pricing of financial instruments, particularly Government Securities, needs to be fundamentally examined. The current situation where the „risk-free “ rate (i.e. price for Treasury Bills) is very high makes any form of risk-taking very unattractive and results in the Government inadvertently crowding out the private sector. It also leads to a high cost of borrowing for the economy which makes businesses uncompetitive and puts them at a higher risk of default. To remedy this, there is a need to holistically examine the underlying pricing model for all instruments across the entire financial services industry.

Integrated National Identity Management System

The necessity of a functional Integrated National Identity Management System cannot be over-emphasised. It is a foundational requirement and potential tool for effective planning, customer identification, customer data aggregation and analytics, fraud and money laundering prevention and seamless integration of systems. Given the value of such a system not just to the capital market, but to almost every other aspect of the financial sector and indeed the national economy, it is imperative that collaborations occur to ensure that one is established.

Restructuring of Financial Services regulation in Nigeria

As has been highlighted, there are several areas of overlap as well as gaps within the Financial Services Industry. A prime example is the overlap in regulation of Merchant Banks by the CBN and the SEC, which leads to creation of bottlenecks and impasses in the course of doing business. There is also a need to re-examine the powers granted to and the structure of the various regulatory agencies, viz-a-viz what is required to properly perform their function

PART B NON INTEREST CAPITAL MARKET MASTER PLAN

Implementation Framework

The actualization of the earlier mentioned objectives and strategic initiatives will ultimately depend on the effective implementation of the recommendations.

SEC will be the primary driver of the Master plan implementation.

Implementation plan

The development of the NICM will be carried out over three phases as outlined below:

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
SEC to engage PENCOM to amend guidelines for PFA's assets selection criteria to be risk-based rather than the current approach which differentiates between alternative (non-interest) products and conventional products by removing specificity in guidelines such as Sukuk and focus on broad asset class and risk e.g fixed income, variable income and REITs.	The new guidelines should state that all funds can invest in all approved instruments (conventional and non-interest) with the exception of the ethical fund which can only invest in approved ethical investible products.	SEC to standardize operational guidelines in line with international best practice.	Deployment of standard operational guidelines.	Nil	Capital market stakeholders to jointly enlighten policy makers on the need to amend BOFIA to accommodate the use of CBN assets to create non interest liquidity instruments.	Revised BOFIA
PENCOM to fast track the release of guidelines on Non-interest multi-fund structure for Retirement Savings Account (RSA) Funds.	Release of guidelines on Non-interest multi-fund structure for RSA Fund.	CBN to provide optional generic NIB contracts template as a guide.	Issuance of the contract template	Nil	§ The Land Use Act (LUA) should be amended to facilitate the process for perfection and transfer of title to make the creation of mortgages less cumbersome. § SEC to engage the Governors and relevant stakeholders	Revised LUA

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
					in the land registry to give a level playing field to property acquisition using non-interest structure with conventional structure and dispense with the need of seeking consent twice.	
CBN to fast tract the release of guidelines on liquidity status on NICMPs similar to the existing guidelines on conventional products	Release of guidelines on liquidity status on NICMPs	FIRS to release comprehensive guidelines and regulation on non-interest transactions to give confidence to investors in non-interest finance products	Release of comprehensive guidelines and regulation on non-interest transaction	Nil		
CBN to issue non-interest T-Bills and short term notes	Issuance of commercially competitive notes by June 2015	Capital market stakeholders to engage National Assembly to amend sections 28&29 of CBN Act to allow CBN use its assets to create non-interest liquidity instruments	Revised sections 28 & 29 of CBN Act			
SEC to encourage unquoted PLCs	Number of SEC's Executive Management	DMO should issue sovereign sukuk to establish a benchmark	Change in % growth in value of sovereign sukuk			

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
to list on the floor of the Nigerian Stock Exchange SEC to engage selected corporates to encourage them to issue sukuk	meetings with the corporates	yield curve for Nigeria				
SEC to engage Islamic Development Bank, AfDB and other multilateral institutions to issue supranational sukuk in Nigeria	Number of sukuk issuance	SEC in conjunction with IDB to encourage provision for shari'ah compliant guarantee	Provision for shari'ah compliant guarantee			
§ SEC to establish PMO to co-ordinate implementation of the NICM master plan. The PMO to train and build internal capacity on NICM. § The PMO should be staff with expertise on non-interest capital market. External expert on the field should be leveraged upon to strengthen the office	Expand and strengthen existing SEC's non-interest division to serve as PMO through immediate engagement of experts in the field by June 2015	SEC to encourage the setting up of 'functional' and standardized commodity exchange with varieties of shari'ah compliant instruments	% change in number of deals % change in value of transactions			
§ SEC to engage FMBN and	SEC's Executive	State governors should be	Number of Executive			

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
<p>NMRC to issue sukuk to fund PMBs</p> <p>§ FMBN and NMRC to encourage PMBs to offer non-interest products</p>	<p>management delegation to engage NMRC and FMBN</p>	<p>encouraged to access the NICM through sukuk issuance</p>	<p>Management meetings with State Governors</p>			
<p>§ SEC, CBN, and NAICOM to jointly consider and adopt any of the following structures of oversight bodies: establish a financial market regulatory advisory council, utilize FRACE or leverage external bodies.</p> <p>§ SEC should set robust minimum criteria for the qualification of Shari'ah adviser or advisory council for CMOs using CBN and NAICOM's template</p>	<p>§ Issuance of guidelines by June 2015</p>	<p>§ SEC should pursue synergistic relationships with other major Non-interest capital markets such as UK and Malaysia.</p> <p>§ SEC to sign Memorandum of Understanding with reputable international bodies such as International Islamic Liquidity Management (IILM) in Malaysia and AAOIFI as a means of enhancing its regulatory capacity and</p>	<p>Number of MOUs signed</p>			

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
		<p>attracting foreign investors</p> <p>§ SEC and NSE should actively work with domestic as well as international financial institutions that have an interest and possess the capacity to ensure the listing of Nigerian Non-interest equity funds on major exchanges</p>				
SEC to work actively with other relevant regulators and the industry to initiate further measures to improve the incentives for NICM e.g. floatation cost at 50% discount, waiver of 50% on regulatory fees for the next years, shorten turnaround time for issuance of NICMPs	<p>§ Agreement between SEC and NSE on floatation cost.</p> <p>§ Amended rule on fees for NICMPs from SEC, NSE & CSCS by June 2015.</p> <p>§ SEC's</p>	To ensure neutrality in the current tax regime governing non-interest securities transactions, SEC should collaborate with the tax authorities to accelerate the process of addressing tax provisions that may impede products development and innovation, or discourage	Reduction in tax rate	Nil		

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
	Executive management delegation to engage NSE and CSCS	participation in non-interest capital market transactions				
SEC to spearhead initiatives to enhance the awareness of the market at domestic and international levels	Detailed awareness programme on non-interest capital market contained in the report of Capital Market Literacy Master plan Committee					
Fund Managers Association of Nigeria (FMAN) to promote and educate its members on how to structure more shari'ah compliant products.	Number of seminars/work shops held by FMAN					
Operators to promote a wider range of NICMPs to create opportunities to tap external non-interest investment funds			Percentage change in the value of issuance			
FMAN to promote and educate its members on how to structure more shari'ah compliant products			Number of shari'ah compliant products			
SEC to foster synergy among regulators in the Non-interest financial sector through the Financial Services Regulation Coordinating Committee or any other standing committee						Number of SEC's Executive management meetings with financial sector regulators
SEC to engage NSE to understand structures and agree on classifications of NICMPs						SEC's Executive management

Immediate 0-12 Months	KPIs	Short Term 1-3 Years	KPIs	Medium Term 3-5 Years	Long Term 5-10 Years	KPIs
						meetings with NSE
For effective implementation of the Master plan reports, the mechanism for reviewing progress should be institutionalized (e.g. using the quarterly CMC platform to periodically obtain stakeholders' perspectives)	Quarterly reporting by PMO					

MASTER PLAN IMPLEMENTATION REVIEW MECHANISM

For effective implementation of the Master plan reports, the mechanism for reviewing progress should be institutionalized (e.g. using the quarterly CMC platform to periodically obtain stakeholders' perspectives).