

# SECURITIES AND EXCHANGE COMMISSION, NIGERIA



## THE FUTURE OF INVESTMENT ADVISORY SERVICES IN NIGERIA

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## **PROTOCOL**

Distinguished guests, ladies and gentlemen.

I welcome you all to this forum and count it a great privilege to be in your midst.

May I commend you for working hard to ensure that the Association of Corporate and Individual Investment Advisers (ACIIA) is registered by the Commission as a trade group for investment advisers. Congratulations! We view its birth as a step in the right direction, believing its emergence would help address challenges that could impede the future of the industry. I would like to assure you that the Commission stands ready to support the CIIA.

As investors become more discerning, there is a growing awareness of the need for investment advisory services, which points to an exciting future for the Nigerian Investment advisory industry. While this may seem suitable for our emerging market, it raises concerns about the accessibility to adequate investment advice for willing investors. Also of note is the fact that FinTech is causing disruptions and changes that are influencing business strategies. This is a reality confronting the investment advisory industry.

Giving this current economic regime, success is largely dependent on an organization's ability to adopt a strategic approach to the changes and disruptions in the industry. Permit me to say, therefore that the future of the Nigerian Investment advisory industry lies on the capacity of its stakeholders to confront and overcome the challenges plaguing it.

The bedrock of every industry without a doubt is subject to an evolving body of knowledge. The objectives of The ACIIA stand out as models, which would establish top-notch educational and training programmes that would produce credible and seasoned practitioners to deliver qualitative services that align with customer expectation and satisfaction, thereby building investor confidence. In addition, The ACIIA models would promote higher standards of professionalism and transparency in the operations of investment advisers, which would eliminate potential conflicts, enable access to professional advice and produce an enhanced benefit of everyone.

Distinguished ladies and gentlemen, Technology is fast remodelling financial activities. It is for this reason that you all would agree with me that a critical factor for the future of investment advisory in Nigeria is the use of technology for advice delivery. The impact of technology on the Investment advisory industry has been announced with the emergence of Robo-Advisory, and it is expected that in the near future, Artificial Intelligence would quickly take over numerous investment advisory roles. Technology has also improved the client-advisor relationship in multiple ways. Since we all acknowledge that technology is a major game changer for the industry, it is expected that investment advisers would fully embrace technology to improve their service delivery. This combination and acceptance of technology are very vital for the future of the industry.

You would agree with me that as the appetite for investable instruments by investors' increases, the demand for financial advisers would certainly increase. To keep pace with this industry growth, there is need to attract, train and integrate the next generation of investment advisers, who would not only contribute to meet the expected rising demand of investment advice but equally help in the digitization process of the industry.

Given their flair and practical understanding of technological advancement, young people possess the ability to lead this digitization phase. The attraction and retention of young persons would aid Investment advisory firms seamlessly transform and would bring to bear the following:

- Adoption of advanced customer relationship management (CRM) systems.
- Migration to transactional platforms that can be accessed from digital devices.
- Creation of more technological advancements that would further improve industry activities.

The “Black Swan Theory” as developed by Nassim Nicholas Taleb, requires industry stakeholders to put in place measures for handling unexpected negative events with huge consequences. These events lie outside the realm of regular experiences and carry an extreme impact.

To fully enjoy the rewards of growth to this industry, stakeholders must ensure the existence of strategies to address disruptions or events, which can threaten the future of the industry. Some Black swan events for investment advisers are:

- Regulatory uncertainty
- Regulatory Change
- The emergence of new market participants and
- Social media as a preferred delivery mechanism i.e. ‘tell a friend’ vs. trusted adviser<sup>1</sup>

It is suggested that a proper way of preparing for the black swan is to have a strong focus on emerging strategic risks, mobilizing for growth, staff and client engagement, and demonstrated leadership. Firms aligned on this part will best identify and respond to market forces that may derail its best strategic intent.

My message would not be complete without reiterating the importance of trade associations. Records show that trade groups contribute immensely to the growth of their respective industries as they ensure their members are informed, become accustomed to regulations, technologies, and standards. These underscore the critical role of the ACIIA to the future of investment advisory in Nigeria. It is on this premise, that I encourage all practitioners engaged in the business of investment advisory who are yet to be registered as members of the ACIIA to do so in earnest.

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<sup>1</sup> Excerpts from the future of financial advice opportunities and challenges, a publication of Deloitte.

In conclusion, the future of the Investment Advisory Function in Nigeria is bright, but stakeholders must ensure that they work together to achieve their goals. Most importantly, I enjoin all industry participants to conduct their activities in compliance with extant securities laws, as only then can we ensure an enabling environment for the growth of this industry.

I hereby declare this forum open and wish you fruitful deliberations.

Thank you.

**Mary Uduk, FCIB**

Ag. Director General

Securities and Exchange Commission, Nigeria