

SECURITIES AND EXCHANGE COMMISSION, NIGERIA



SUSTAINING THE NIGERIAN CAPITAL MARKET RECOVERY – THE REGULATORY PERSPECTIVE

MARY UDUK, FCIB
Ag. Director General

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PROTOCOL

1. Good Morning distinguished Ladies and Gentlemen. It gives me great joy to be here today.
2. It is my honor and privilege to be invited to give the keynote remarks at this crucial investors conference organized by the Association of Asset Custodians of Nigeria (AACN). I bring you greetings from the Securities and Exchange Commission and the entire capital market of Nigeria. We are indeed pleased to be part of the discourse today as fora like this affords us the opportunity to collectively think and proffer solutions to challenges that we face as a people, an economy, and a nation.
3. I believe it is our collective responsibility to continually engage in programmes where brilliant ideas that would benefit our market and economy are birthed.
4. I commend the organizers for the theme of this year's investors' forum, **"Sustaining the Nigerian Capital Market Recovery"** which is indeed an interesting and apt one, given our current market realities.
5. The Nigerian capital market, in the recent past, was hit by two major crises- the 2008 global economic crises and the 2016 recession.
6. At the onset of the 2008 crisis, we thought that our market was insulated from the effects of the crisis given that there were no toxic instruments in our market.
7. However, as the crisis worsened, our market became vulnerable due to contagion effect; we observed that the global crisis triggered large portfolio outflows as international investors exited the Nigerian capital market.
8. Stock prices started to decline, prompting margin calls while local investors who were unaccustomed to this persistent decline panicked, fueling more sell orders which further depressed prices and led to the erosion of investor confidence.

9. Equity market capitalization that stood at ₦12.13 trillion in March 2008 fell to ₦4.48 trillion in March 2009, a decline of 61.34%.
10. However, by 2010, the capital market started showing signs of recovery and by 2013 our market yielded its strongest performance since 2008.
11. Equities Market capitalization ended the year at ₦13.23 trillion surpassing the 2008 peak of ₦12.64 trillion. The NSE All Share Index (ASI) closed at 41,329.19 points, a growth rate of 47.19% relative to 2012.
12. Similarly, in the second quarter of 2016, the country went into recession for the first time in over 20 years following a decline in global oil prices. By May 2016, inflation hit an all-time high of 18.75%, parallel market exchange rose to about ₦500 per dollar, and foreign reserves declined to \$27 billion. The capital market was not left out; it was hit by yet another crisis.
13. Investors' confidence waned in the wake of the crisis as the market was affected by the economic recession, the market downturn exacerbated yet again from sell pressures of foreign investors.
14. Relative to 2015, the ASI and market capitalization dipped by over 6% closing at 26,874.6 and ₦9.247trillion as at 31 December 2016 respectively.
15. Nevertheless, by 2017 as the macro economy improved, the capital market also felt the ripple effect. The market closed in 2017 with ASI and market capitalization of 38,243.19 and ₦13.61 trillion respectively. A growth of 42% was therefore recorded in the year, making Nigeria the third best performing market in the world after Argentina and Turkey.
16. I gave this brief background to underscore the importance of not allowing uncertainties dampen our resolve to attain our 'ideal market', the capital market of our dream. In spite of these trends, clearly, the fundamentals of our markets and economies remain solid and promising, as astute investors know.

17. Over the years, as the market recovered, the Securities and Exchange Commission in conjunction with the market operators has continued to enhance the regulatory framework through various policy reforms and initiatives to boost investors' confidence, sustain market recovery and put the market back on the path of growth and development.
18. Specifically, the Commission worked with other Regulators and stakeholders to produce the roadmap for adoption of International Financial Reporting Standards (IFRS) and required all listed companies and capital market operators to convert to IFRS by the end of 2012 and 2013 respectively. This was necessitated by the need for enhanced disclosure, accountability and transparency in order to engender investors' confidence and drive market recovery.
19. In addition, the Commission launched the Corporate Governance scorecard to assess the level of compliance by public companies with the SEC code of corporate governance introduced in 2011.
20. Furthermore, the 10-year Capital Market Master Plan (CMMP) was developed in 2015 to map out strategies for improvement of the Nigerian Capital market in areas such as investor protection and education, professionalism, product innovation etc, and for the expansion of the capital market's role in the Nigerian economy.
21. The CMMP Identified 101 Initiatives. At the forefront of these initiatives is the e-dividend initiative, dematerialization of share certificates, development of non-interest products, responsive rulemaking, transaction cost reduction, financial literacy, and financial inclusion.
22. Others include: the establishment of the National Investors Protection Fund, the Complaints Management Framework, recapitalization by Capital Market Operators, Direct Cash Settlement, among others.

23. In order to succeed in the implementation of the initiatives in the master plan, an advocacy body known as The Capital Market Master Plan Implementation Committee (CAMMIC) was formed. The Hon. Minister of Finance - Mrs. Kemi Adeosun, joined as a member of this integral Committee. The Committee is chaired by a seasoned Capital Market Operator – Mr. Olutola Mobolurin.
24. The Commission has also begun implementation of Risk-Based Supervision -a dynamic forward-looking supervisory process that is focused on the continuous identification, assessment, and control of risks that are inherent in the activities of a regulated entity.
25. In terms of rule-making, the Commission continues to develop robust rules in line with global best practices that would foster investor confidence and build an enabling regulatory environment. We are currently working on the legal framework for Interpretative Guidance Notes to facilitate a better understanding of the Commission's Rules and Regulations.
26. In the asset management space, in order to safeguard the assets of investors; the Commission has introduced rules that require all Fund Managers to have custodians hold all funds and securities of clients.
27. In the same vein, we are in the process of formulating rules which require nominee companies to be registered with the Commission before they can carry out activities in our market. This is to ensure the safety of investors' assets.
28. Notwithstanding the numerous initiatives already implemented, the Commission realizes that more still needs to be done. Our market's performance is reasonably influenced by activities of foreign investors such that their instantaneous exit poses a challenge. This is a problem faced by many other countries.

29. There is also a need for increased participation of local investors in the market and for foreign investors to have higher confidence concerning the safety of their investments.
30. More products that are tradable are required to deepen the Nigerian Capital Market. We are prepared to give the necessary guidance and support in this area. I am happy to inform you that a good number of new products are presently going through the registration process. For instance, with the support of the Commission, the Exchanges are working on having a Central Counter Party (CCP) to enable trading in derivatives.
31. With the approval of the Commission, the NASD OTC Securities Exchange recently launched an Enterprise Portal which will serve as an Information Repository for pre-IPO companies seeking funding from Private Equity and Venture Capital Companies etc. This is intended to catalyze the growth of SMEs towards the development of the economy and prepare them for listing.
32. Broker/Dealers, Registrars, and Fund Managers, with the use of technology such as mobile apps, Unstructured Supplementary Service Data (USSD) and trading accesses are also making investments more interesting and convenient. I urge our market operators to be more creative in developing products so as to deepen our capital market.
33. To strengthen the financial system, financial market regulators, under the auspices of Financial Services Regulation Coordinating Committee (FSRCC) meet regularly to exchange information and cooperate on various areas to ensure stability.
34. I want to charge Custodians from Nigeria here-present, especially those who belong to banking groups and have sister companies registered as Issuing Houses, to advise them to increase their efforts in ensuring that long-term capital for companies and other issuers are

raised from the Capital Market via debt or equity. This would not only boost the capital market but the economy as a whole.

35. In conclusion, let me reiterate the obvious that in today's world, we all face a common challenge, which is the challenge posed by globalization and the need to work out a framework to gain and prosper from it. This can only happen if we as individuals, institutions, and operators work together in the true belief that mutual help is the best form of self-help – Together, we can move the Nigerian capital market to lofty heights.

36. While thanking the organizers of this event for their contribution to the Capital Market through the provision of custody services and for their resilience in ensuring that this event is sustained on an annual basis, I wish you all a fruitful deliberation.

37. Thank you and God bless.

Mary Uduk, FCIB

Ag. Director General

Securities and Exchange Commission, Nigeria