

SECURITIES AND EXCHANGE COMMISSION, NIGERIA



E-DIVIDEND AND CONTEMPORARY ISSUES IN THE NIGERIAN CAPITAL MARKET

MARY UDUK, FCIB
Ag. Director General

AN ADDRESS DELIVERED AT THE ENLIGHTENMENT PROGRAMME ORGANIZED
BY THE PORT HARCOURT ZONAL OFFICE

VENUE: HALL C, LANDMARK HOTEL, 4, WORLU STREET, OFF OLU-OBASANJO ROAD, PORT
HARCOURT, RIVERS STATE

Wednesday, July 18, 2018

PROTOCOL

Your Excellency, Barrister Ezenwo Nyesom Wike CON, Executive Governor of Rivers State (Represented) and other officials and representatives of the Rivers State Government;

Your Royal Majesty, Eze Victor Nnanna Woluchem II, Eze Aparara Rebisi (Represented) and other members and representatives of the Rivers State Council of Traditional Rulers;

Officers and Men of military and paramilitary formations here present;

Esteemed Shareholders in the market, Capital Market Operators, Colleagues at the Securities and Exchange Commission (SEC), Distinguished Ladies and Gentlemen.

Introduction

It gives me exceeding joy to be in your midst today to share information and knowledge about what we are doing at the Securities and Exchange Commission (SEC) to safeguard your investments in the Nigerian capital market. I speak both for myself and the entire management and staff of the SEC when I express deep gratitude to you all for finding time to attend this town hall meeting. We are mindful that there is an opportunity cost to your coming here today - which is the thing you have left undone and sacrificed in order to be here; we shall therefore endeavor to conduct this meeting in a manner that is time-sensitive and in circumstances that optimize the value of the time you are investing in it.

It is my sincere hope and expectation that, at the conclusion of this forum, you will leave here with more information and enlightenment about the capital market; the role of SEC in it; and how these can translate to direct benefits to you through higher yield on your investment.

Purpose

The specific objective of this meeting is to keep you abreast of the initiatives that SEC is currently undertaking in order to make the capital market more user-friendly such that you can participate in it with greater ease, comfort and convenience. There is the added and all-important purpose of ensuring that the gains of your participation be these dividends, proceeds from share sales/transfers, etc. accrue to you seamlessly, without sweat and in the shortest time possible. The purpose is also to ensure that you do not fall victim to the antics of fraudsters who purport to be able to double any amount of money you make available to them as investment value. These fraudsters or promoters of Ponzi Schemes are the false prophets of the investment environment, they are the ill wind that blows no good and at whose sight you must flee; they are to be avoided like wildfire. This is one message you must take home to family, friends, relations, and acquaintances in order to save them from the agony of loss of hard-earned money.

Initiatives

Let me speak briefly to some specific regulatory initiatives and interventions that SEC is currently implementing for the benefit of you, the esteemed investors in the Nigerian capital market. My colleagues from our Port Harcourt Zonal Office will provide more details about these and many more to you in due course.

1) E – Dividend

SEC is currently leading the entire capital market industry in an effort to migrate all shareholders to an E-Dividend regime.

The essence of the E-Dividend Mandate Management System is to eradicate or reduce to the barest minimum the incidence of unclaimed dividend. An unclaimed dividend is an undesirable feature of the Nigerian capital market which denies investors/shareholders the gains of participating in the capital

market. It also denies the economy the beneficial multiplier effects of the rational application of funds which are sterilized in suspended animation as “Unclaimed Dividend.” It is a consequence of the bottlenecks which are inherent in the erstwhile paper dividend warrant regime such as postal system inefficiency, change in investors’ addresses, poor fidelity and human fallibility in dividend payment processes, amongst others.

The E-Dividend regime bypasses these limitations by ensuring that dividends which do not exceed 12 years of an issue are credited directly to an investors account after declaration by the paying company and within a stipulated payment period through simple interbank transfer.

The E-Dividend registration exercise kick-started on November 23, 2016. Each successful registration cost ₦150, however, between that time and March 31, 2018, the Commission underwrote the registration cost for all investors that mandated. It is my pleasure to let us know, that a total of 2.4million accounts had been mandated.

May I therefore implore you all to key into the E-Dividend registration exercise by visiting the nearest bank branch or registrar. In addition to migrating to the E-Dividend regime yourselves, kindly tell everybody you know to do the same in their best interest.

I am informed that some registrars are present at this forum. I implore us to visit them and take advantage of the services they are providing to register for your E-Dividend, here and now.

2) Direct Cash Settlement (DCS)

In a bid to eradicate delays and frustrations shareholders/investors experience in possessing funds/proceeds from sale/transfer of their shares, Direct Cash Settlement (DCS) policy was launched on January 4, 2016. The DCS is a process where cash proceeds from trades executed by Brokers on the Exchange settles

directly into investors' preferred bank account. It is aimed at improving transparency, entrenching investor confidence, reducing market infractions and improving trading velocity. It runs on the $t+3$ formula with the t representing transaction day/date and +3 signifying three days thereafter.

As against the current general practice where proceeds of sale for investors' transactions go into the bank accounts of the brokers for onward disbursement to their clients, the practice under the DCS would be to send the net proceeds directly from the clearing and settlement system to investors' preferred account.

I implore you all to be fully conscious that this is the extant policy that governs payment of transfer proceeds in the capital market. You must, therefore, invite regulatory attention to any violations of this policy.

3) Dematerialization (DEMAT)

Dematerialization is the move from physical certificates to electronic bookkeeping. It is a process of removing actual stock certificates from circulation in exchange for electronic recording. The Nigerian capital market must keep pace with technological progress globally as all the market's systems and processes have been digitized and are no longer receptive to or enabling of paper-based transactions.

Under the leadership of the SEC, the market has gone very far in attaining full dematerialization.

I am using this forum to appeal to those who may not have dematerialized their share certificates to go ahead and do so; I am also appealing to anyone who knows anyone who still holds their shares in paper form to tell them to go dematerialize same.

4) National Investor Protection Fund (NIPF)

The financial crisis of 2008 brought about deep-seated investor apathy and one of the ways to attract investors back was to develop a compensation scheme

for some of the losses suffered during the crash. We have incorporated and operationalized the NIPF to compensate most of the investors who suffered losses. The fund has compensated hundreds of investors within the period of its existence. The NIPF complements other investor protection funds operated by registered exchanges as required by the investment and securities act (ISA) 2007.

5) Recapitalization of Capital Market Operators

The minimum capital requirement for Market Operators has been reviewed; this was necessitated by the need for strong institutions operating in our market. This exercise has been completed, ushering in stronger operators capable of making the needed investment in market infrastructure and institutional governance.

6) Corporate Governance Scorecard

The Commission's corporate governance code is the most successful of all other codes covering public companies across all economic sectors in Nigeria. We developed a scorecard in collaboration with the International Finance Corporation (IFC) which is first of its kind in Africa. All public companies file their scorecards for review by the Commission.

7) New Rules for Product Innovation

The SEC is making frantic efforts to improve the legal and regulatory framework of the market through, amending existing rules, making new ones in addition to embarking on an effort to amend the Investments and Securities Act (ISA) 2007 in conjunction with the legislature.

8) Development of Commodities Exchanges

The SEC is determined to promote the development of commodities market especially in areas of Nigeria's comparative advantage such as oil and gas, solid minerals, cocoa, and grains.

9) Collective Investment Schemes (CIS)

The SEC has inspired significant growth in the Collective Investment Schemes as a means of accessing the market by Retail Investors who have low-risk appetite and vulnerability in terms of knowledge and understanding of market dynamics. Funds under management in CIS have spiked considerably in recent times, a strong indication of success in the area.

10) Other Initiatives Includes

- Forbearance for multiple applications
- Reduction of SEC Fees
- Improvement in settlement period from T+3 (to T+1)
- Non-Interest Products
- Financial Literacy.

Conclusion

Once again, I sincerely thank you all for coming and implore that you make optimum use of the knowledge that will be gained from this enlightenment event.

Thank you.

Mary Uduk, FCIB

Ag. Director General

Securities and Exchange Commission, Nigeria