AIHN

ASSOCIATION OF ISSUING HOUSES OF NIGERIA

Joint SEC-AIHN Committee Report on Improving Time to Market

July 2023

Executive Summary

BACKGROUND

- The Executives of Association of Issuing Houses of Nigeria ("AIHN") have over the past 4 years engaged the Securities and Exchange Commission ("SEC") on initiatives to improve time to market on bond transactions and post-book building bond settlement processes.
- On September 16 2021, The DG, Executive Commissioners and senior management of the Commission met with executives of the AIHN to discuss pertinent issues affecting and/or threatening the smooth running of the capital markets including delay in SEC Clearance for Open Transactions, the expiry of FGN Tax Exemptions on Corporate Bonds, CAC/ FIRS Operational Issues, CMO Transaction Fee Caps, the exposure draft that includes Commercial Papers as registrable securities with SEC and DMO RFP Requirements.

.

- Further to the meeting between Management of the Securities and Exchange Commission ('SEC') and the leadership of Association of Issuing Houses of Nigeria (AIHN), a Joint SEC-AIHN Committee was set up to amongst others develop a proposal on the timelines for grant of approvals.

RESOLUTIONS

- The Joint SEC-AIHN Committee held 3 meetings
- The Committee's work has already resulted in a new approval grid for securities issuance transactions and has deliberated measures to reduce time to market beginning with bond transactions.
- After several meetings and extensive deliberations, the Committee came up with proposals for:

  1. Review and approval of draft offer documents for Bond transactions
  2. Obtaining SEC approval post book-build for bonds and crediting of investors depository accounts
- The following slides show details of the agreed timelines and processes.

Processing times for Bond application – Checklist System

Submission	Process	*SEC feedback days	*LIH feedback days	Total days
1st	Initial 1st filing of new transaction application	5		
	Issuing house response to 1st SEC deficiency letter		3	8
2nd	SEC review of 2nd submission	3		
	Issuing house response to 2nd SEC deficiency letter		2	5
3rd	SEC review of 3rd submission	3		
	SEC final approval for book-build to commence	4		7
***counting from the NEXT Business day after receipt**		**15**	**5**	**20**

- The agreed timeline for review and processing of applications is minimum of 20 days.
- Days refers to business days
- Counting starts from the next business day after submission
- It was agreed that the SEC reserves the right to add 5 days to their subsequent response where the Lead Issuing House at any point in the process does not provide SEC a response within 5 days.
- The proposal can be achieved with full support and commitment of all the parties involved in the issuance process, and will greatly reduce time to market, increase efficiencies and improve the Commission’s reputation

Post Book Building and Bond Settlement

AIHN

The conditions for granting the No-objection to allotment are:

1. ***Submission of list of all valid subscribers.***
2. ***Submission of duly signed account statement evidencing receipt of the total bond proceed.***
3. ***Attestation and confirmation from the issuing house that the submission is accurate. If there is any variation between the approved list and the allotment proposal subsequently filed, the Issuing House should be severely sanctioned.***
4. ***Submission of evidence of transferring net proceed to issuer.***

Day 0

Submit the following to SEC, electronically:

- Updated Transaction documents[1] with deal size & price
- SEC fees receipt

Day 2

SEC registers securities

Receive SEC clearance to sign Transaction documents[1]

Day 3

Investors fund proceeds account

Sign Transaction documents

Submit the following to SEC, electronically:

- List of allotees
- Bank statement
- Scanned copies of executed Transaction documents[1]
- Attestation[2]

Day 4

Transfer net proceeds to Issuer

Submit to SEC, electronically, bank statement showing transfer of net proceeds to Issuer

Receive SEC 'No-Objection' to the allotment and crediting of Bonds to investors' CSD accounts

Day 5

Bonds settle in CSD accounts

Subsequently

Submit hard copies of the following to any SEC office within 2 business days of receipt of No-Objection:

- Executed Transaction documents[1]
- Stamped agreements[3]
- Full allotment proposal
- Newspaper advert
- Bank statement(s)
- Any other document(s)

T+2

[1]Transaction documents – includes Shelf Prospectus (where applicable), Supplementary Prospectus, Programme Trust Deed (where applicable), Series Trust Deed and Vending Agreement

[2]Attestation – statement by Issuing Houses that the list of allottees and the bank statement submitted to SEC are complete and accurate

[3]stamped agreements – where stamped agreements are not ready for submission, Issuing Houses must submit in their stead, proof that the agreements have been submitted at stamped duties for stamping

Thank You