FMDQ OTC Securities Exchange

The Nigerian Debt Capital Market: Challenges & Opportunities

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Outline

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Debt Capital Markets (DCM) Sizing

Global Comparison*

	Nigeria	South Africa	Malaysia	USA	UK
GDP ($'bn)	452	411	314	16,157	2,609
Total Debt ($'bn)	32	205	239	36,591	4,276
Total Debt/GDP	**0.07**	**0.50**	**0.76**	**2.26**	**1.64**
Total Debt ($'bn)	**32**	**205**	**239**	**36,591**	**4,276**
Sovereign ($'bn)	27	101	125	12,699	2,111
Non-Sovereign (Corporates) ($'bn)	3	100	108	9,501	1,117
Non-Sovereign (Other) ($'bn)	2	4	6	14,391	1,048

Opportunity for Nigeria?

Data as @ December 2014

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Debt Capital Markets (DCM) Sizing../2

Nigeria's DCM Breakdown (Current)

Debt	Sovereign (91.8%)			Non-Sovereign (8.2%)		
	Security	Value (₦'bn)	% of Total Debt	Security	Value (₦'bn)	% of Total Debt
Short-term	T.bills	5,414	42.7	CPs	10	0.1
Long-term	FGN bonds	6,237	49.1	Corporate bonds	540	4.2
				Sub-national bonds	452	3.6
				Supranational bonds	25	0.2
				Sukuk	10	0.1
Total		**11,651**			**1,027**	

Source: FMDQ DQL

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Nigerian DCM – Challenges

Primary Market

- Over-reliance on banking sector funding
- High issuance costs
- Limited diversity of products

Origination

- Low investor confidence
- Low investor diversification

Buy-Side

- Challenging time-to-market
- Restrictive investment rules
- Uncertain Tax Policy
- Limited leverage

Government & Regulatory

Secondary Market

- Insufficient issues sizes
- Inadequate liquidity providers
- Stringent regulatory policies

Market Liquidity

- Inadequate knowledge across value-chain

Knowledge*

**Applies to both primary and secondary markets*

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Nigerian DCM – Opportunities

Sectors

- **Infrastructure**:
  - Housing (NMRC)
  - Transport (Road Bond; Rail Bond)
  - Energy (Power Bond)

Products

- Private Companies' Bonds
- Sukuk
- Receivables Notes
- Securitisation
- Repos

Market

- Secondary Market Participation - Dealing Member (Specialists)
- Retail Participation

Other

- Financial Markets Support for Economic Development Workgroup
- Pre-Registration Rights
- Basel III
- Regulatory Frameworks Streamlining

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NMRC – Nigeria Mortgage Refinance Company

Nigerian DCM Transformation

Steering Committee (SteerCo)

- *Top-level sponsorship and oversight*

Transformation Committee (TransCo)

- *Mapping out of strategies and plans (SubCo initiatives)*

Project Management Office (PMO)

Sub-Committees (SubCos)

Regulation Consolidation	Product and Infrastructure	Market Liquidity & Enhancement	Investor/ Issuers & Intermediaries Engagement /Education

Planning Committee /FMDQ/ Consultant representatives

Representatives

Regulation Consolidation
- Market
- PenCom
- CBN
- FIRS
- CMSA
- NIA
- NAICOM
- FMDQ
- SEC, MoF, CAC

Product and Infrastructure
- Market
- NMRC
- Infrastructure Bank
- Development Finance Institutions (DFIs)
- AIHN
- CMSA
- FMDQ

Market Liquidity & Enhancement
- Market
- CBN
- Custodian
- PenCom
- PFA
- CSCS
- FMDA
- FMDQ

Investor/ Issuers & Intermediaries Engagement /Education
- Market
- Custodian/Trustees
- PFA
- Rating Agencies
- DMO
- Commercial Banks
- Capital Market Associations
- FMDQ
- FMAN

Glossary

- AIHN – Association of Issuing Houses of Nigeria
- CAC – Corporate Affairs Commission
- CBN – Central Bank of Nigeria
- CMSA – Capital Market Solicitors Association
- CSCS – Central Securities Clearing System PLC
- DMO – Debt Management Office
- FIRS - Federal Inland Revenue Service
- FMAN – Fund Managers Association of Nigeria
- FMDA – Financial Market Dealers Association
- FMDQ – FMDQ OTC Securities Exchange
- MoF – Ministry of Finance
- NAICOM - National Insurance Commission
- NIA – Nigeria Insurers Association
- NMRC – Nigeria Mortgage Refinance Company
- PenCom – National Pension Commission
- PFA – Pension Fund Administrator
- SEC – Securities and Exchange Commission

Thank you for your attention

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