

FMDQ OTC Securities Exchange

The Nigerian Debt Capital Market: Challenges & Opportunities

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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

Debt Capital Markets (DCM) Sizing../2

Nigeria's DCM Breakdown (Current)

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

Source: FMDQ DQL



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-tomarket
- 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

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

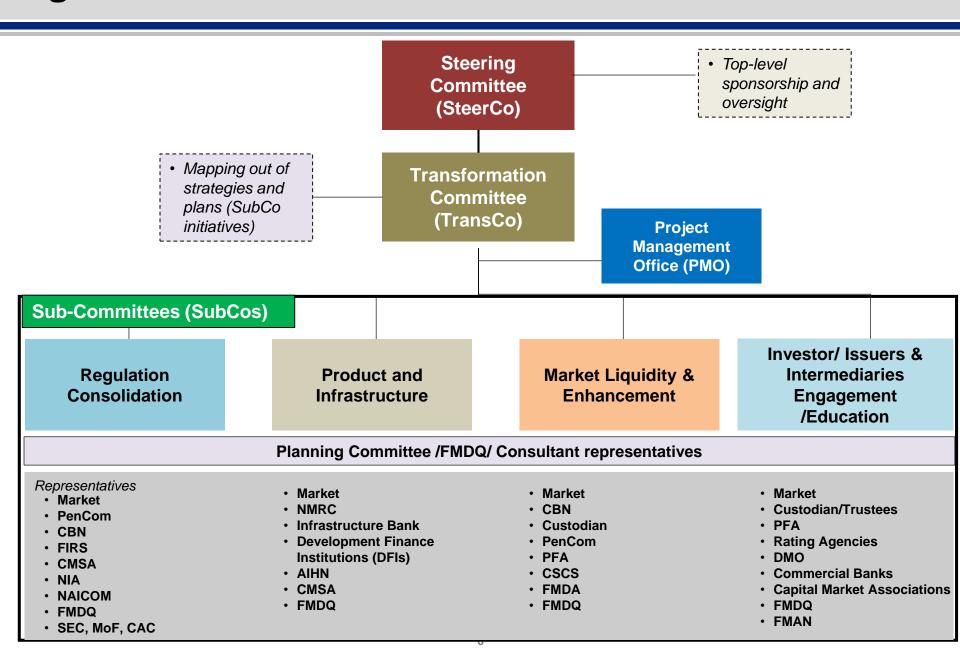
- Secondary
 Market
 Participation Dealing
 Member
 (Specialists)
- Retail Participation

Other

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



Nigerian DCM Transformation



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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