THE CAPITAL MARKET IN 2012 AND PLANS FOR 2013

By:

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DISCLOSURE
BY
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OUTLINE

- Capital Market Drivers in 2012
- Market Performance in 2012
  - Domestic participation
  - Stock Market Performance around the world
  - Secondary Market Indices (Price Indices, Transactions, Market Size)
  - Primary Market (Equity and Bonds)
- Structure of PFAs investment
- Collective Investment Schemes
- Other Key Development in 2012
- Key Deliverables for 2013

HISTORICALS 2012

CAPITAL MARKET DRIVERS IN 2012

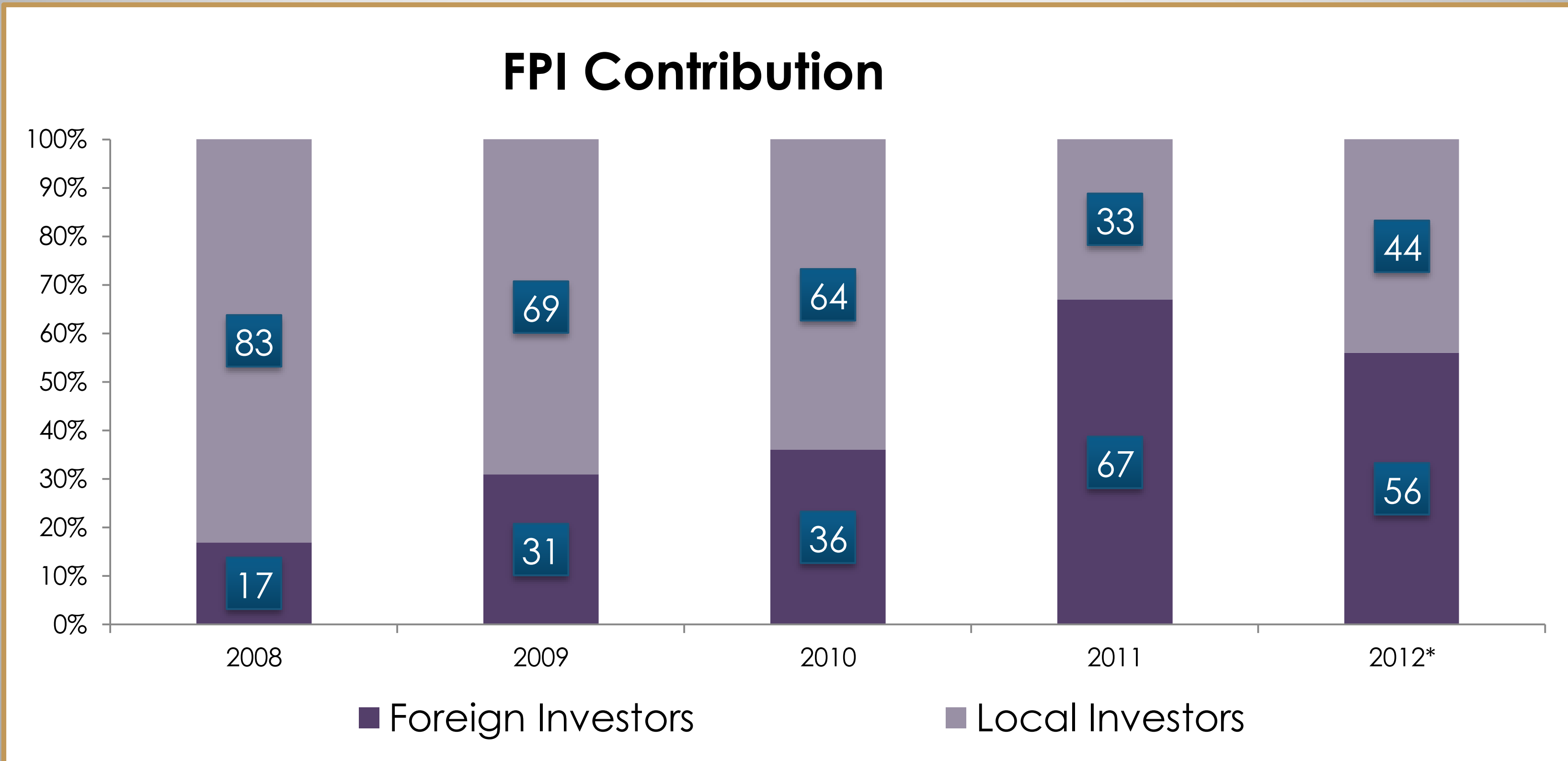
HISTORICALS: Capital Market Drivers 2012

A number of development impacted on the state of the Nigerian capital market in 2012. These include;

- Compliance regime, improving
- Market Making – simulated liquidity
- Benchmark Interest Rate (MPR) – static at 12.0%
- Partial Removal of fuel subsidy – increase in pump price of petrol
- Advocacy for the market, paid off
    - Forbearance package for brokers
    - Elimination of stamp duties and VAT on stock market transaction
    - Review of pensions investment regulations from 25% to 50% for younger savers
- Measures to restore confidence
    - Outreach Programmes
    - Clamp down on illegal Operators (Wonder Banks)
    - SEC capacity building for Journalists
    - Collaboration with Ministry of Agriculture

HISTORICALS: Capital Market Drivers 2012 Cont'd

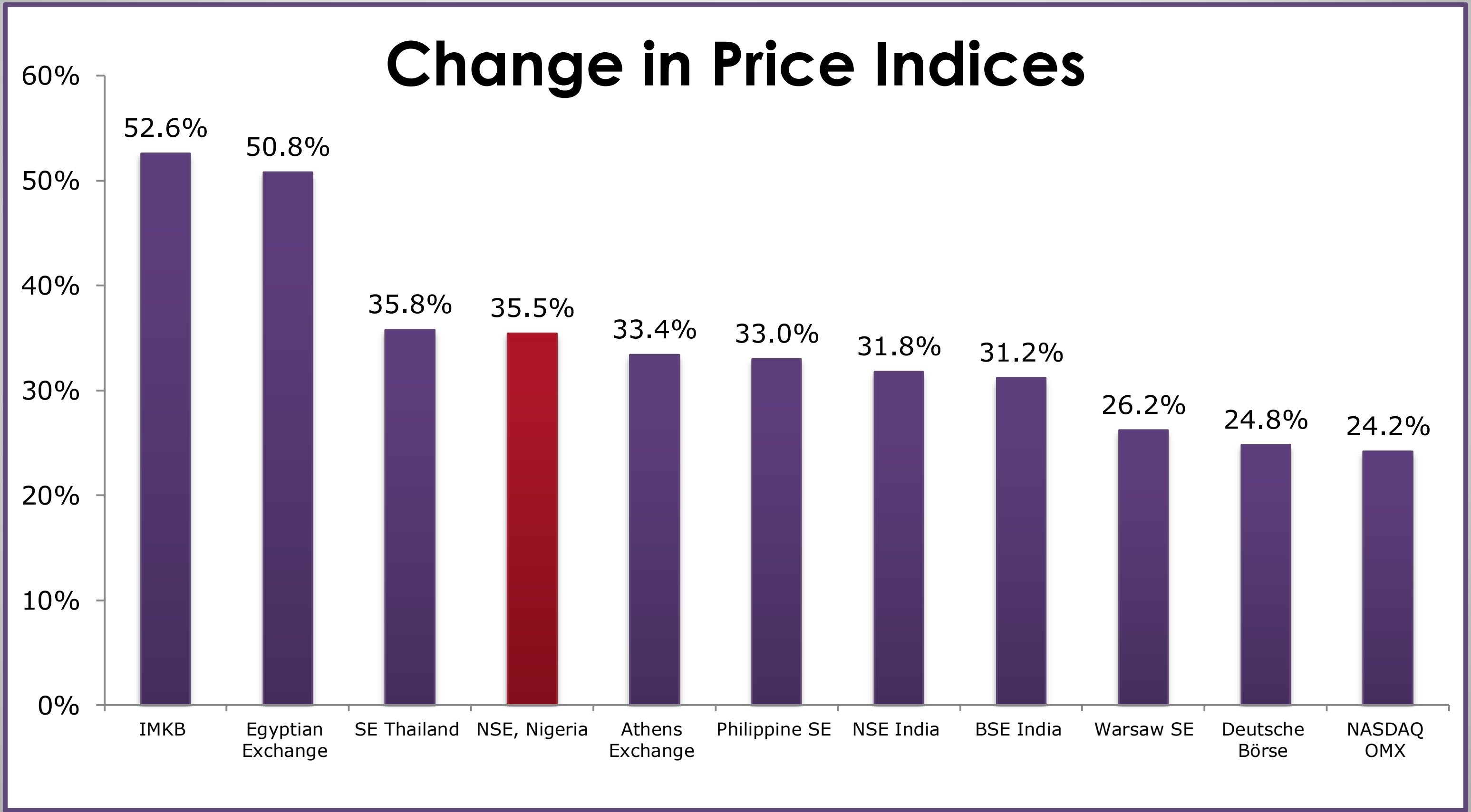
Domestic Participation in the Market Improved in 2012



Source: NSE *As at November 2012

STOCK MARKET PERORMANCE AROUND THE WORLD IN 2012

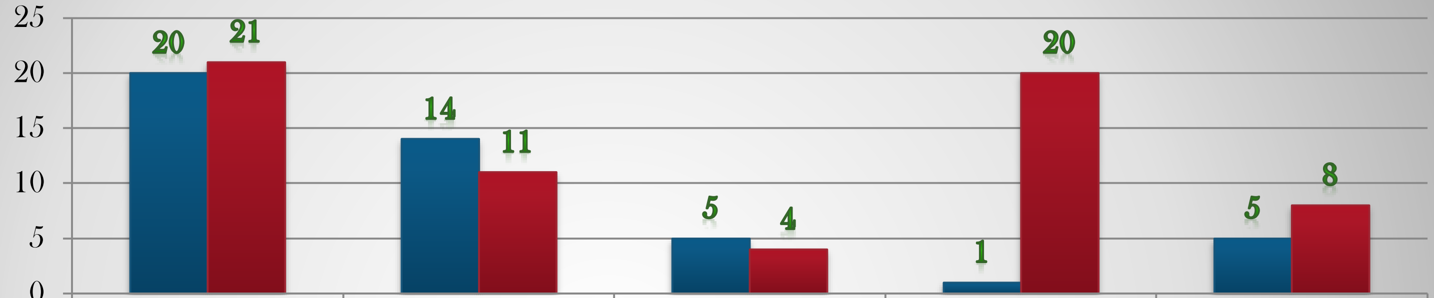
Nigerian market competed favourably with the top 10 member exchanges of the World Federation of Exchanges (behind the top 3)



Source: Extracted from the report of the World Federation of Exchanges (WFE)

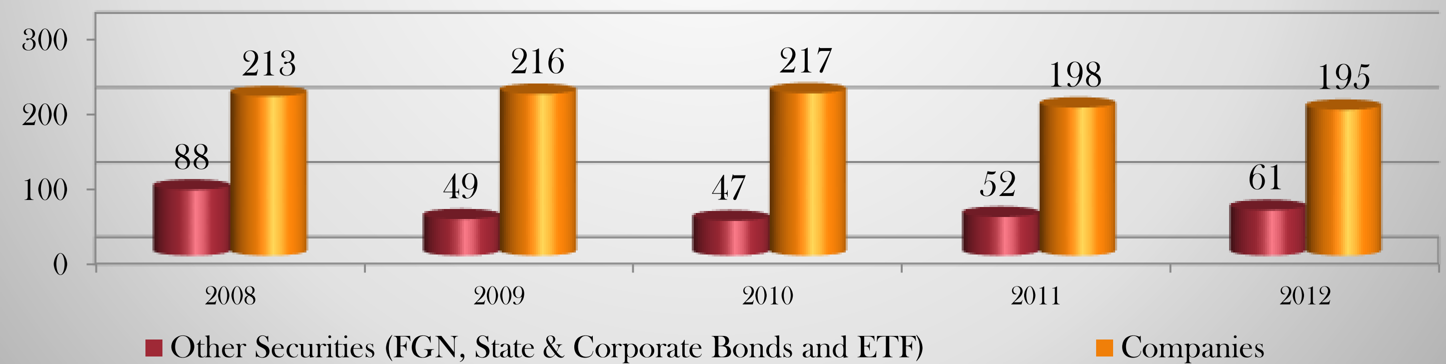
STATUS OF LISTINGS

Number of Companies Listed/De-listed on the Exchange



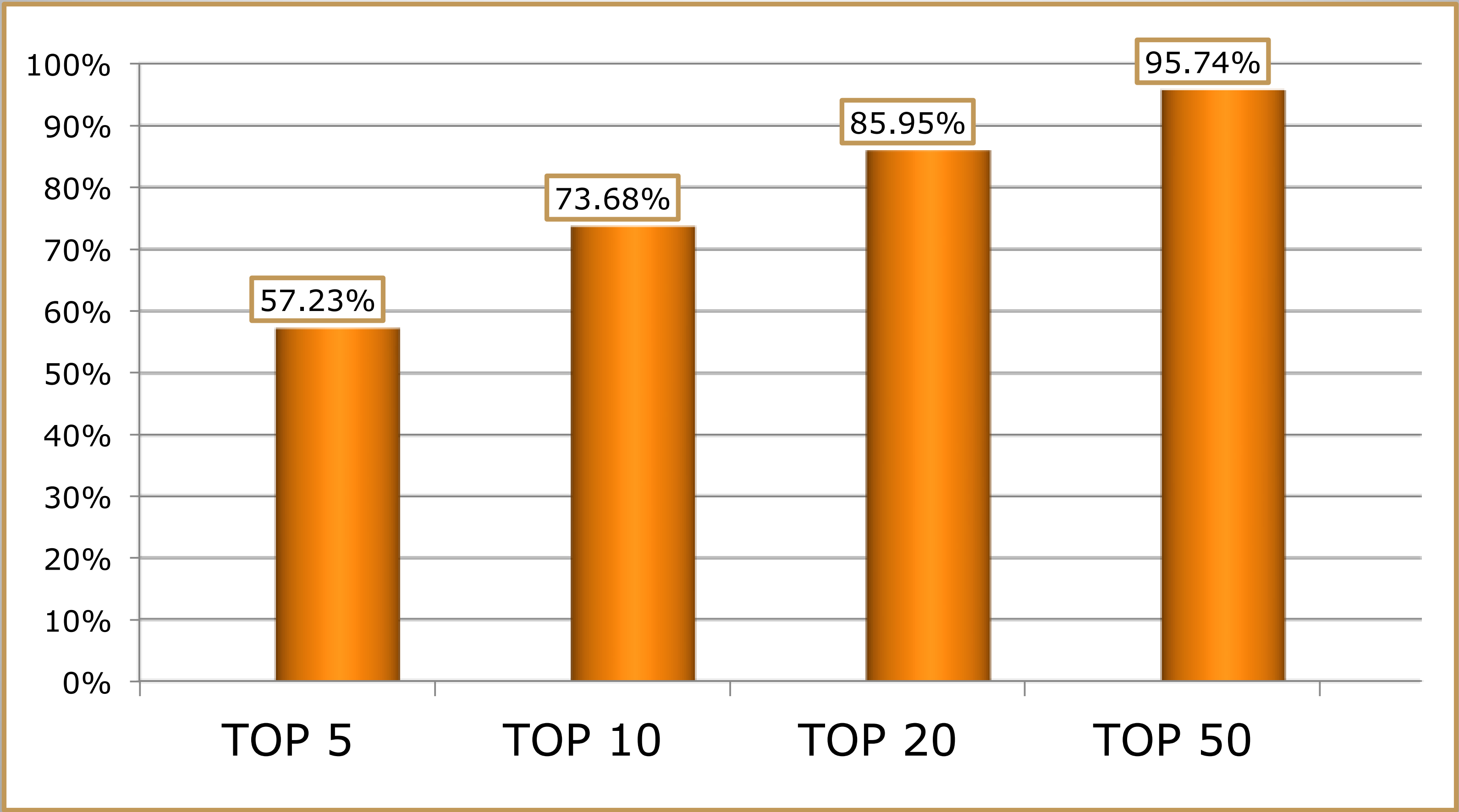
	2008	2009	2010	2011	2012
New Listings	20	14	5	1	5
De-listings	21	11	4	20	8

Number of Listed Securities

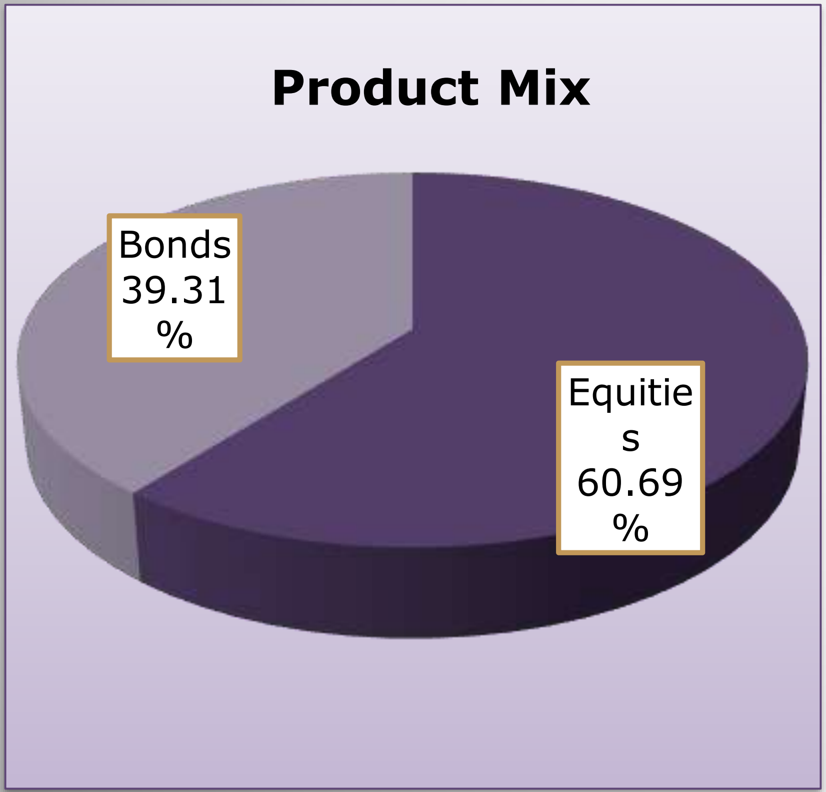


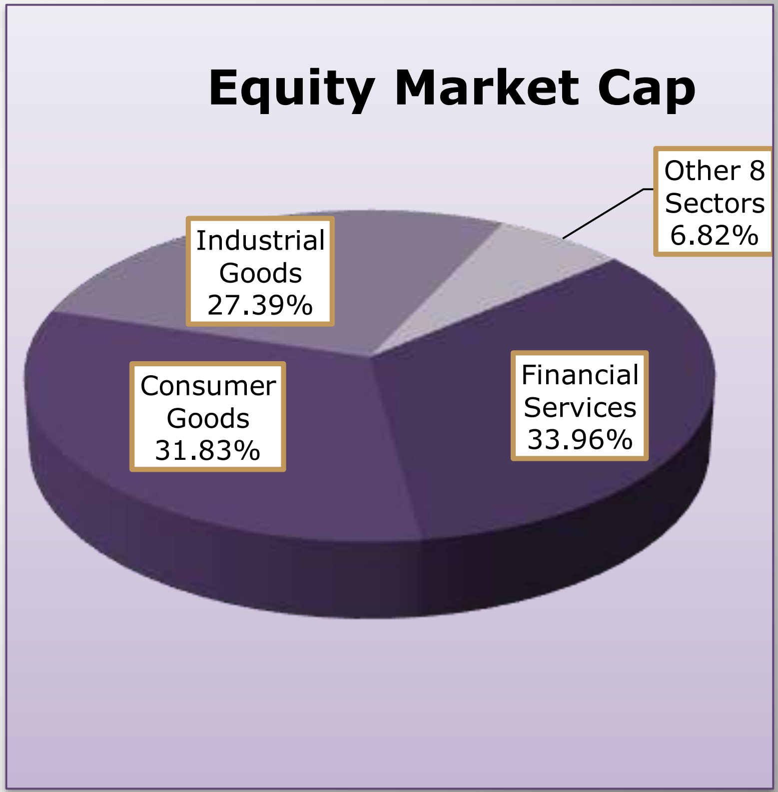
Note: Some of the companies voluntarily de-listed while others were due to mergers/acquisitions and regulatory issues

MARKET SIZE OF TOP COMPANIES BY MARKET CAPITALIZATION AS AT DECEMBER 2012



MARKET SIZE BY SECTOR AS AT DEC 2012

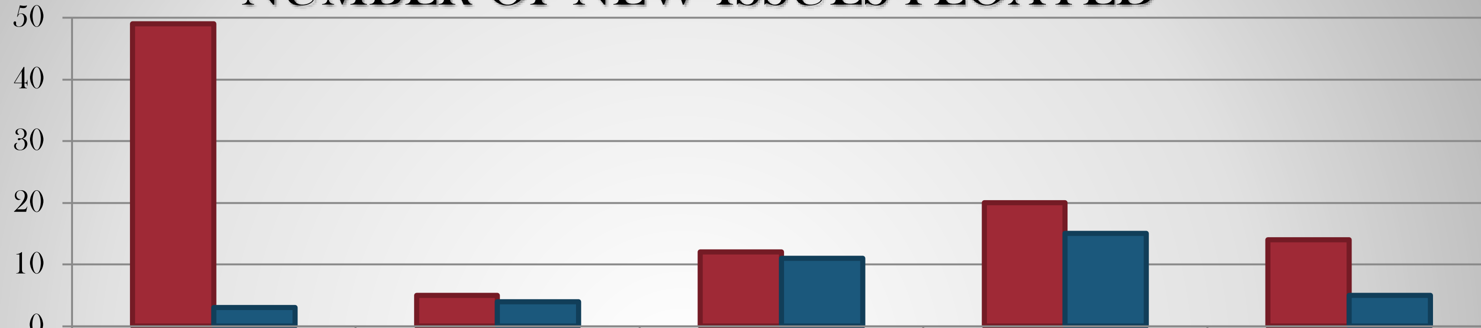




Source: Compiled from NSE reports

PRIMARY MARKET: NEW ISSUES (EQUITIES & CORPORATE/STATE BONDS - Cont'd

NUMBER OF NEW ISSUES FLOATED



	2008	2009	2010	2011	2012
Equities	49	5	12	20	14
Bonds	3	4	11	15	5

VALUE OF NEW ISSUES (Billion Naira)

	Jun-Dec 2008	2009	2010	2011	2012
Equities	939.06	31.24	120.34	1,078.28	80.15
Bonds	55.17	54.67	234.79	206.88	133.20

PRIMARY MARKET: NEW ISSUES (EQUITIES & CORPORATE/STATE BONDS - Cont'd

FGN Bonds Vs Other Class of Bonds 2012

Class	Value (N'B)	Percentage of Total (%)
Federal Government Bonds	865.16	86.66
Sub-National Bonds	130.00	13.02
Corporate Bonds	3.20	0.32
Total	**998.36**	**100.00**

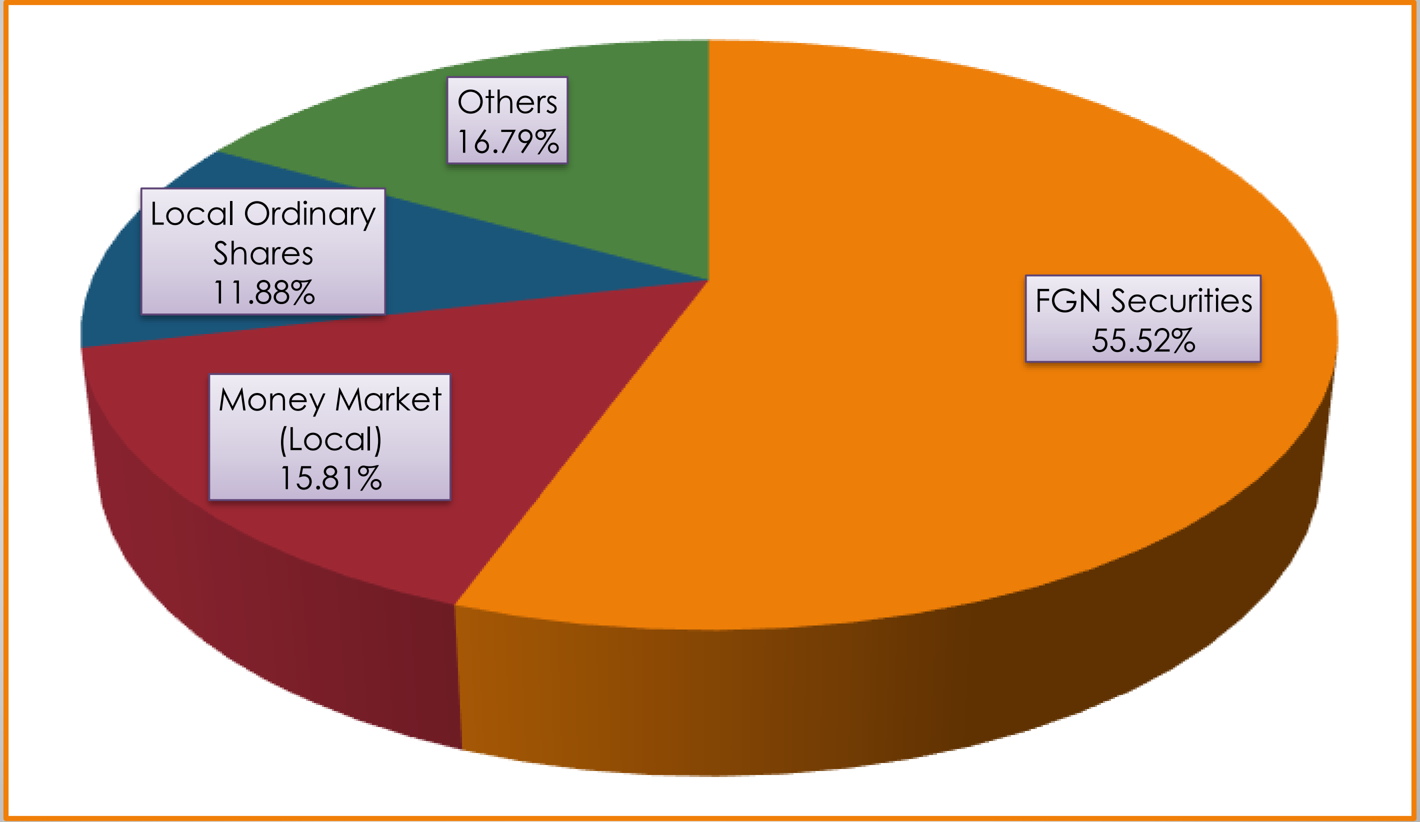
Source: SEC, DMO

STRUCTURE OF PFAs INVESTMENTS

S/N	Asset Classes	2012 Amount (N'B)	2012 %	As at Nov 2011 Amount (N'B)	As at Nov 2011 %	2010 Amount (N'B)	2010 %	2009 Amount (N'B)	2009 %	2008 Amount (N'B)	2008 %
1	Local Ordinary Shares	374.34	11.88	323.08	13.71	358.03	17.64	220.71	14.43	220.54	20.07
2	Foreign Ordinary Shares	39.96	1.27	32.64	1.39	24.10	1.19	2.80	0.18	2.23	0.20
3	FGN Securities	1,748.93	55.52	1,303.24	55.31	829.20	40.85	498.88	32.61	350.67	31.91
4	State Govt. Securities	166.48	5.29	111.13	4.72	69.60	3.43	33.71	2.20	0.16	0.01
5	Corporate Debt Securities	72.87	2.31	72.24	3.07	50.73	2.50	31.18	2.04	15.13	1.38
6	Local Money Market Securities	497.92	15.81	279.47	11.86	489.25	24.10	542.22	35.45	332.44	30.25
7	Foreign Money Market Securities	5.18	0.16	0.57	0.02	7.36	0.36	17.72	1.16	17.25	1.57
8	Open/Close-End Funds	13.69	0.43	12.95	0.55	8.61	0.42	5.74	0.38	9.03	0.82
9	Real Estate Properties	189.0	6.00	181.33	7.70	170.52	8.40	142.96	9.35	125.50	11.42
10	Unquoted Securities	0.00	0.00	9.30	0.39	8.18	0.40	6.18	0.40	6.86	0.62
11	Supranational Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Infrastructure Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Private Equity Funds	6.26	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Cash & Other Assets	35.40	1.12	30.41	1.29	14.19	0.70	27.53	1.80	19.20	1.75
	Total Pension Fund Assets	**3,150.03**	**100.00**	**2,356.36**	**100.00**	**2,029.77**	**100.00**	**1,529.63**	**100.00**	**1,099.01**	**100.00**

Compiled from data provided by PenCom

Percentage of Pension Fund Investment by Asset Class (as at December 2012)

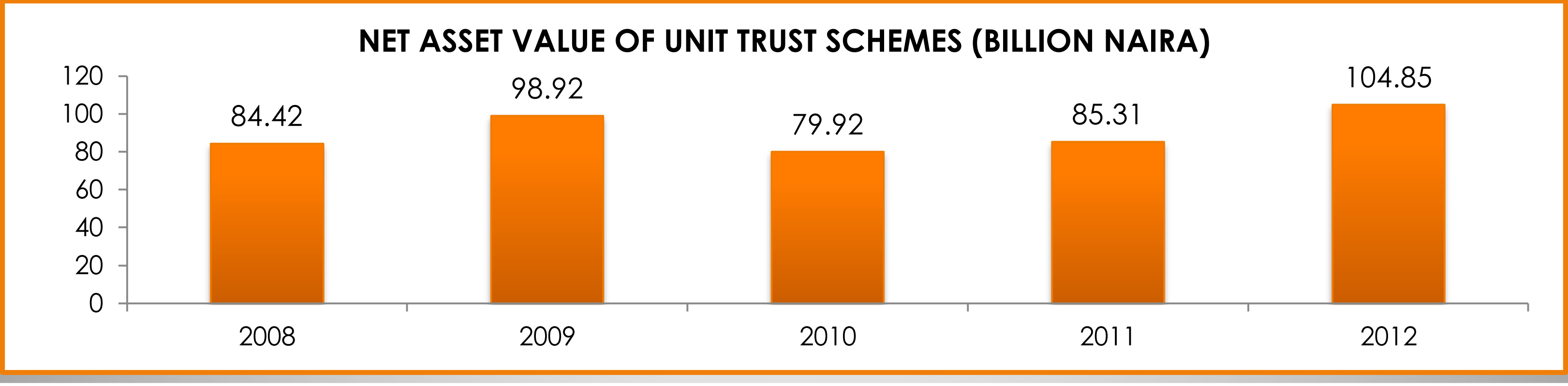


Compiled from data provided by PenCom

COLLECTIVE INVESTMENT SCHEMES

UNIT TRUST SCHEMES

Type of Fund	Number as at December 2012	Net Asset Value (N) December 2012	Net Asset Value (N) December 2011	% Change
Equities	20	47,645,310,908.49	41,548,512,984.61	14.62
Money Market	3	14,227,677,913.64	3,293,859,522.42	331.95
Bond Market	9	13,236,083,543.40	6,053,697,550.94	118.64
REITS	2	16,000,229,599.81	16,632,953,335.61	-3.80
Balanced	7	5,192,973,138.12	12,019,664,503.00	-56.86
Ethical	4	6,258,422,450.69	5,701,223,181.22	9.77
Sector	1	64,741,639.13	64,271,075.74	0.73
Sub-Funds	1	2,222,494,965.85	Not Registered	N/A
Total	**47**	**104,847,934,159.13**	**85,314,182,153.54**	**22.90**



HISTORICALS: Capital Market Drivers 2012 Cont'd

- **Collective Investment Schemes(CIS)**
  The Commission cancelled/abolished the requirement of payment of annual supervision fees to reduce financial burden on Funds.

- **Registration of Capital Market Operators**
  - ✓ 44 new capital market operators were registered, including two (2) OTC platforms, FMDQ OTC Plc and National Association of Securities Dealers (NASD)
  - ✓ The operating licenses of thirty five (35) market operators were withdrawn for reason of dormancy, among others.

- **Illegal Funds Managers**
  - ✓ The Commission clamped down on all known forms of Ponzi schemes and undertakes enlightenment programs to warn the public on their Operations, closes down Ponzi schemes and prosecutes the culprits.
  - ✓ SEC is a member of the Inter-Agency Committee on illegal fund managers/"wonder banks" comprising of CBN/NDIC/CAC/EFCC and the police; do carry out joint publicity, warning members of the public to avoid doing business with illegal fund managers.
  - ✓ SEC in collaboration with the CBN ensures that such operators' accounts are frozen.

HISTORICALS: Capital Market Drivers 2012 Cont'd

Complaints Management

Description	2009	2010	2011	2012
Complaints brought forward	999	926	664	528
New Complaints	695	1,223	729	509
Resolved Complaints	666	1,169	709	435
Cases Referred for Enforcement	102	316	156	59
Outstanding Complaints	926	664	528	543

WHERE WE ARE

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- **<u>Collective Investment Schemes(CIS)</u>**
  New Rules on Private Equity Funds: requires registration with a minimum of N1 billion (about US$6.5 million).

- **<u>International Collaborations</u>**
  The Commission signed bilateral Memoranda of Understanding (MoU) with Kenya and Mauritius during the year, bringing to nine (9) the number of such MoU.

- **<u>Codification of New Rules and Amendments</u>**
  - The Commission finalized the consolidation of all amended and new rules developed from 2008 into a single document.
  - New Rules finalized included: Financing of Terrorism (AML/CFT) Compliance Manual, Private Equities Funds, Sukuk Issuance in Nigeria, Real Estate Investment Trust Schemes (REITS) and amendments to rules on Market Making.

WHERE WE ARE cont'd

- **Demutualization**
  - Commission has held several meetings with The NSE and other key stakeholders.
  - Prepared guidelines and submitted to the rules Committee for review and necessary action.
  - Applied to the World Bank via the First Initiative/IFC for a consultant to work with the NSE. In response, the World Bank assigned IFC consultant, **John Carson** to review the process. His report is being considered in the Commission.
- **Advocacy**
  - To enhance advocacy, the SEC board held meetings with NSE, CSCS, all the trade groups and the press a fortnight ago.
  - SEC played a major role in the forbearance package and the elimination of stamp duty and VAT on capital market transactions.

WHERE WE ARE cont'd

- **Securitization**
  - Draft guidelines on securitization has been prepared while awaiting rules committee's input
  - In-house intensive training was organized for staff recently to facilitate a proper understanding of the process.
  - Working towards having a roundtable as a follow up to the training
- **E-Dividend /Dematerialization**

  The Commission has finalized reviewing reports on e-dividend/ dematerialization which is to be submitted to its board for review and approval.

WHERE WE ARE cont'd

- **Electronic Registration and Filing of documents**

  While awaiting the full deployment, **in Q3, 2013**, of the SEC's **Electronic Registration, Returns and Analysis (ERRA) System**, dedicated email addresses have been provided for electronic filing (e-filing) of documents as follows**:**

  - **offerapplications@sec.gov.ng** - For filing of applications relating to all Public Offers, Mergers, Acquisitions and Takeovers
  - **quotedcoyreturns@sec.gov.ng** - For filing of returns, documents, and other correspondences relating to all Publicly Quoted Companies
  - **cmoreturns@sec.gov.ng** - For filing of Capital Market Operators returns
  - **otcbonds@sec.gov.ng** - For filing of information relating to OTC Market Bond trading

- **Complaints Filing**

  For complaints filing, a dedicated email account known as complaints@sec.gov.ng, has been created for the e-filing of complaints by investors and the general public.

WHERE WE ARE cont'd

New Rules (2012 – March 2013)

S/N	Title	Issue Date
1	Guide lines on Anti Money Laundering/Combating Financing of Terrorism (AML/CFT) compliance manual.	January 12, 2012
2	Rules on Market Makers	April 11, 2012
3	Rules on Private Equity Funds **(Rule 249D)**	February 28,2013
4	Rules on Sukuk issuance in Nigeria.	February 28,2013
5	Rules on the Use of Nominee Accounts **(Rule 178C)**	February 28,2013
6	Rules on Securities Lending	January 27, 2011
7	Approved Amended Rules on Listing	2012

Sundry Amendments to Rules

S/N	Title	Issue Date
1	Rules on Real Estate Investment Schemes (Rule 250 is re-numbered as 250(1) while a new rule 250(2) and (3) are created)	February 28,2013
2	Rule 50- Filling of Registration Statement (Rule 50(1)(a) and a new Rule 50(1)(b) is created)	February 28,2013
3	Filling of Registration Statement (Rule 50(1)(a) and a new Rule 50(1)(b) is created)	February 28,2013
4	Proceeds of Issue - Rule 64(3)(b)- has been expunged.	February 28,2013
5	Mandate to purchase shares -Rule 94.	February 28,2013
6	Rating Agency - Rule 143(2)	February 28,2013
7	Schedule 1,Part C, paragraph 8 and 9	February 28,2013
8	Schedule IV – heading amended	February 28,2013
9	Amendments on part B-Regulation of Public Companies	February 28,2013
10	Profit Forecast – Rule 206 (4)(b)	February 28,2013

KEY DELIVERABLES - 2013

KEY DELIVERABLES 2013

- **<u>Collective Investment Schemes(CIS)</u>**
  - CIS can now invest in some un-listed securities subject to specific restrictions.
  - To deepen the CIS segment:
    - ✓ Rules on REIT was reviewed to allow for the use of deed of trust with respect to the holding of REIT property. In essence all the benefit accruing on the property goes directly to the RIET Trustee or the legal holder of the property remits those benefits as soon as received.
    - ✓ Rules on Umbrella Funds was issued to allow for the setting up of various sub-funds (with different investment objectives).
- **<u>National Investor Protection Fund (NIPF)</u>**
  - A total sum of N5 billion has been set aside as seed capital for the Fund

KEY DELIVERABLES 2013 cont'd

- **E-Dividend /Dematerialization**

  The Commission has finalized reviewing reports on e-dividend/ dematerialization which is to be submitted to its board for review and approval.

- **Public Enlightenment**

  The Commission is concluding arrangements for massive public enlightenment on e-dividend, Dematerialization, Straight-Through process etc. via:

  - Radio Jingles in five (5) Languages – English, Pidgin English, Hausa, Yoruba and Ibo using the most popular Radio Stations in all the 36 States and FCT.
  - Television
  - Newspaper adverts (and inserts)
  - Fliers
  - SMS text messages

KEY DELIVERABLES 2013 cont'd

- **Capital Requirement**
  - In view of the imperative to maintain stronger and healthier institutions by building solid structures with modern IT and other necessary infrastructure, employment of suitably qualified and experienced staff and the need to breed confidence in the market as well as set enabling platform to build institutions for global competiveness, the minimum capital requirements of CMOs are being currently reviewed.
  - The proposed review will also take care of the risk capital provisions of CMOs.

- **Complaints Management**
  - **Chipping:** This is a variant of whistle blowing that allows for anonymous information disclosure internally and externally without the burden of identity disclosure and provides protection for the chipper.

    It will enhance the efficiency and services delivery.

KEY DELIVERABLES 2013 cont'd

- **Registration Process**
  - SEC is adopting a uniform fidelity bond expiry date for market operators to enhance compliance.
  - We are also carrying out an audit of intending registrants. Those found not to have completed the process of registration within the predetermined period will have their applications cancelled.

- **Listing**
  - Advocacy jointly by SEC, NSE and Federal Ministry of Finance
  - SEC is liaising with BPE to encourage companies that were previously privatized to list e.g. Nigerian Security and Printing Company(NSPC), Nigeria Reinsurance, Hilton and etc.
  - We are discussing with BPE on eleven (11) Disco companies such as the Abuja Electricity Dist Co, Enugu Electricity co and etc.
  - The Egbin and Ajakouta companies that are into generations are the only ones slated for privatization.
  - Meeting with DPR to encourage Oil and Gas companies to list
  - Meeting with other stakeholders such as Small and Medium Enterprises Development Agency of Nigeria(SMEDAN) to encourage other entities to list
  - Discussion with BPE on Power companies slated for listing especially power distribution companies

CONCLUSION

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In conclusion Ladies and Gentlemen,

- ✓ The target of $1 Trillion market capitalization of NSE in the next five (5) years is a difficult one but achievable; it means the market capitalization will be growing at an average rate of about 115%;
- ✓ We must therefore, collectively work towards achieving the target;
- ✓ Enforcement of compliance by all participants in the market will be one of our utmost priority this year;
- ✓ And we are committed at achieving T+1 or T+0 in terms of service delivery at the secondary market; and
- ✓ At the primary market, we are also committed at significantly improving service delivery and we call upon Operators to as much as possible ensure that documents filed with us conform to our minimum disclose requirements and are accurate.

DISCLOSURE BY THE DG SEC


I THEREFORE,
THANK YOU
FOR LISTENING


Questions
&
Answers