



SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

THE IMPERATIVE OF NON-INTEREST CAPITAL MARKET PRODUCTS FOR THE PENSION INDUSTRY

Regulatory Initiatives for the development of Non-Interest Capital Market (NICM) in Nigeria

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Outline

Recent Trends in the Global IFSI

Non-Interest Capital Market Development in Nigeria

Non-Interest Capital Market Master Plan

Products and Issuances In the Market

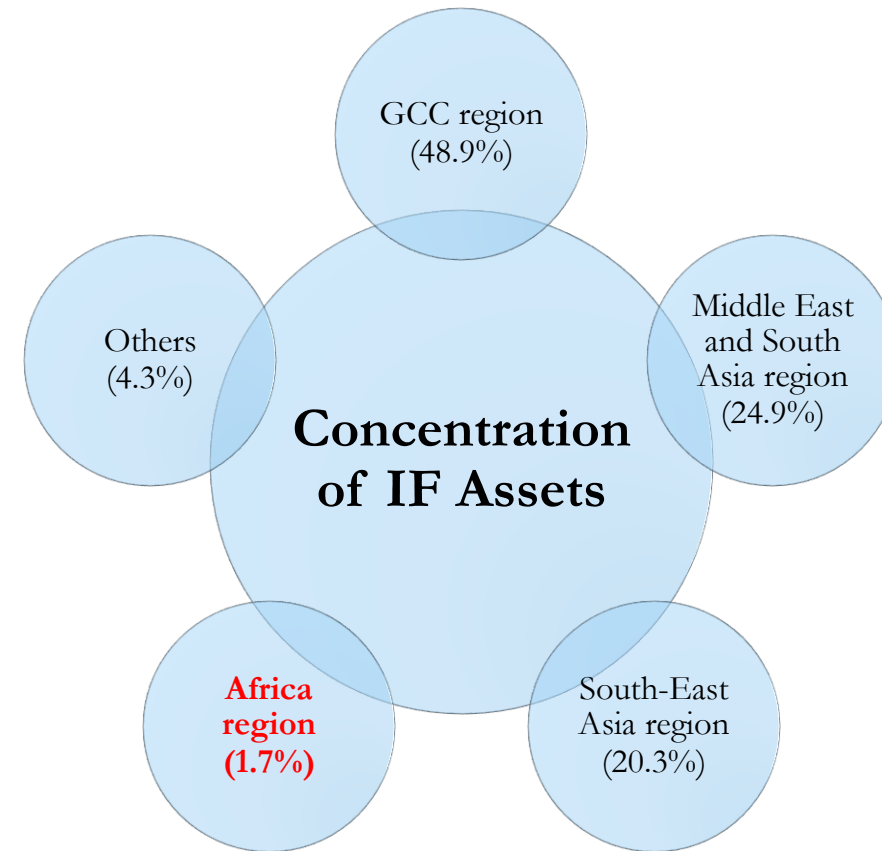
Governance Initiative

Investment Opportunities in the Market

Conclusion Remarks

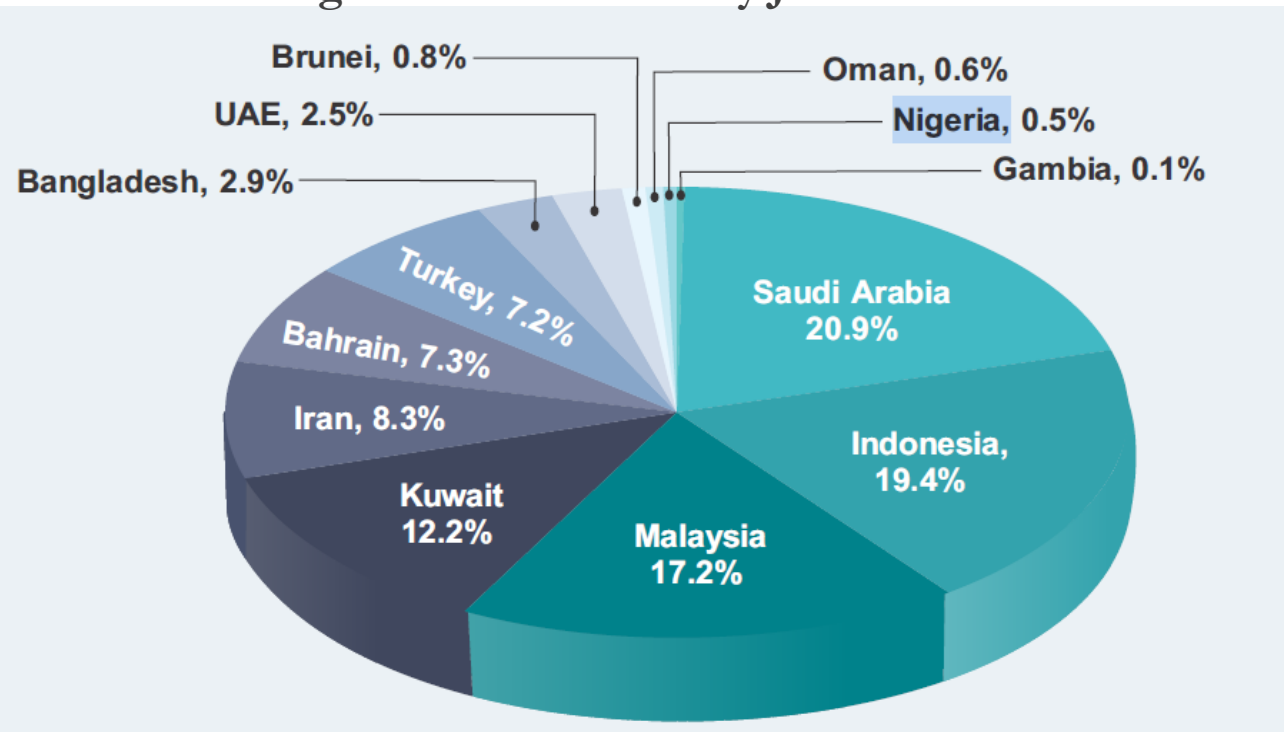
Recent Trends in the Global IFSI

- The total assets of the global IFSI grew by **10.7%** (y-o-y) with a total worth estimated at USD **2.70 trillion** in 2020 as compared to **USD 2.44 Trillion** AuM reported in 2019
- IFSI proven to be resilient despite the pandemic as it recorded **10.7%** increment on AuM.
- NICM sector grew by **26.9%** (y-o-y) and has 30.9% share of IFSI total assets. While the Islamic banking grew by **4.3%** (y-on-y) with **68.2%** share of IFSI.

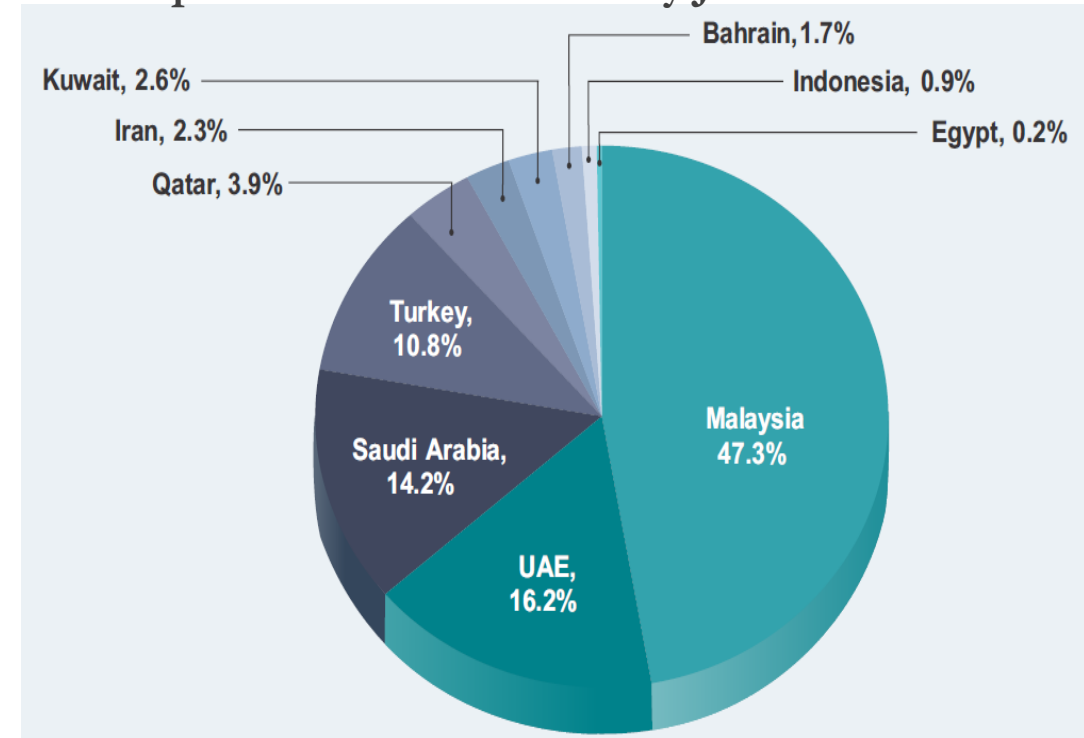


Recent Trends in the Global IFSI Con'td

Sovereign Sukuk Issuances by Jurisdiction-2020



Corporate Sukuk Issuances by Jurisdiction-2020

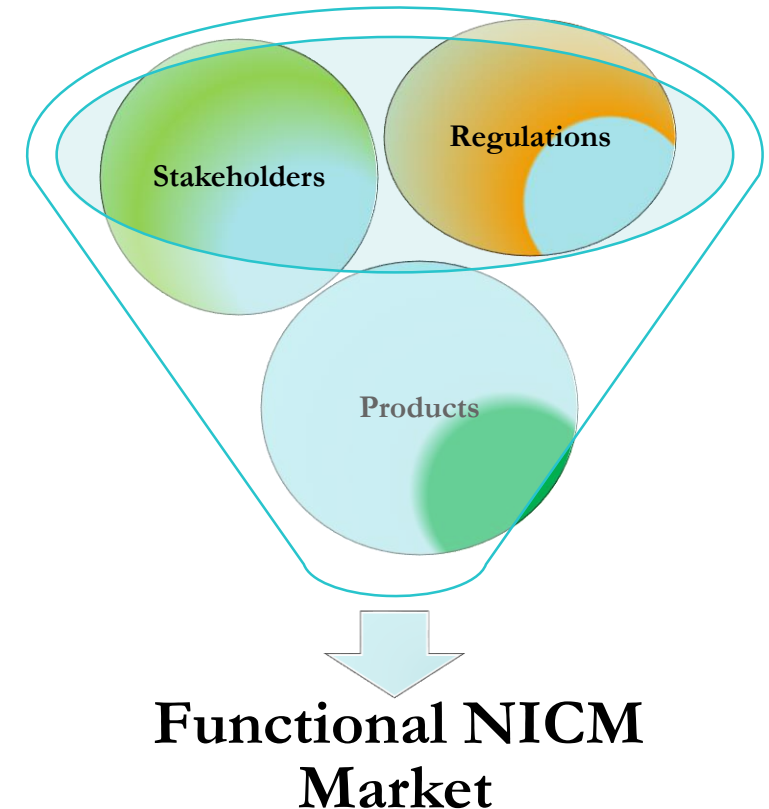


Source: IFSB IFSI Stability Report 2021

NCM Development in Nigeria

The Journey Begins

- In 2004, SEC joined IOSCO Committee on Non-Interest Capital Market (NICM)
- Several important initiatives to maintain the growth momentum of the NICM in Nigeria were introduced.





NICM Development in Nigeria Con'td

2013

- Stanbic IBTC Imaan Fund
- Rules & Regulation on Sukuk was released
- Sub-sovereign Sukuk issued by Osun State – N11.4bn
- First Sub-national Sukuk approved by SEC, proceed used to finance Educational infrastructure
- Indicates the readiness and willingness of the regulators to support the development of the NICM
- The oversubscription shown the investors need for alternative form of investment

2014

- Lotus Halal Equity ETF



Ejigbo High School



Osun State Sukuk	(2013)
Sukuk Size	N11.4 Billion (\$72 Million)
Tenor	Seven year
Credit Rating	A
Infrastructure Financed	Construction of schools
Investor Base	Institutional
Rental	14.75%

NICM Master Plan

Strategic Objectives



To build a strong regulatory foundation for NICM



To encourage the development of NICM market stakeholders

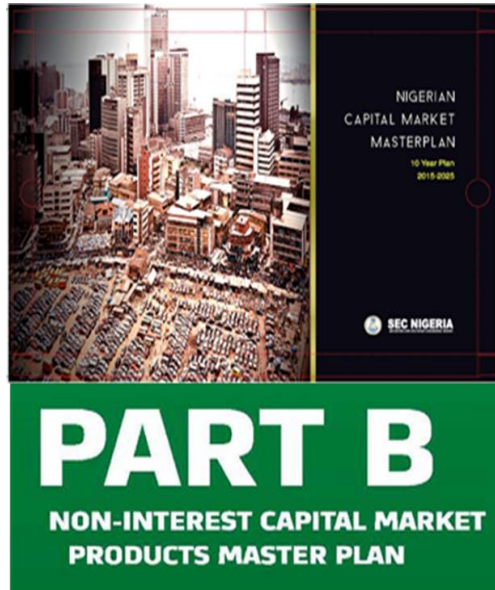


To encourage the development of NICM products



To create a regional NICM hub

2015
Ten Year Masterplan
2015 - 2025



The Vision of the Masterplan

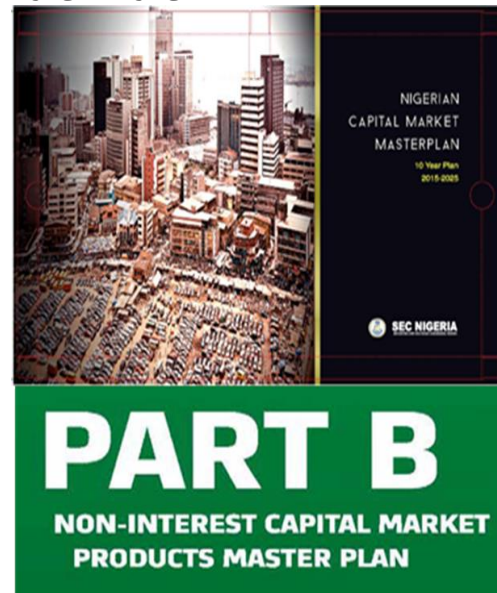
- ✓ NICM sub-sector to represent 25% of the overall capital market
- ✓ Sukuks to represent 15% of total debt issuances outstanding by 2025

NICM Master Plan Con'td

Strategic Initiatives

Ten Year Masterplan

2015 - 2025



SO1

- Strengthen the institutional capacity of SEC
- Strengthen Coordination among regulatory authorities within the financial sector
- Continuous review/creation of new rules on NICMPs

SO2

- Regulatory authorities to engage stakeholders on a continuous basis on issues relating to NICM
- Conduct robust public awareness & education programmes on the NICMPs
- Build Capacity of stakeholders through tailored courses/programmes/seminars/workshops etc
- Ensure easy entry of participants into the NICM

SO3

- Ensure availability of NICMs that meet the regulatory requirement of banks, takaful companies, PFAs and assets managers
- Ensure availability of NICMPS that attract retails investors to achieve financial inclusion
- Regulatory authorities to engage stakeholders to address tax issues related to new products

SO4

- Promote and enhance cross listing of NICMPs
- Promote and enhance multi-currency listing
- Rationalize cost of listing/issuance process of NICMP
- Ensure active promotion of NICM in the sub-region-
- Enhance the liquidity of the NICMPs in the secondary market

NICM Master Plan Con'td

Masterplan Prime Recommendation

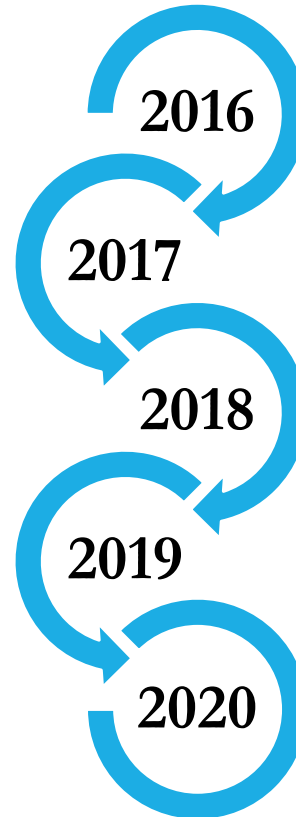
Masterplan Prime Recommendation		Achievements
Stakeholder	Action	
PENCOM	To release of guidelines to permit PFA participation on non-interest finance products	<ul style="list-style-type: none"> NICMPs included in the amended PENCOM Regulation Operational-Framework for Non-interest Fund released
CBN	To release of guidelines on liquidity status on NICMPs similar to conventional products	CBN Issued guidelines granting liquidity status to Sukuk
SEC	To issue guidelines on Shariah governance/model of Shariah advisory council	SEC issued Shariah Governance rules....an amendment is ongoing
FIRS	To provide clarity on tax laws for non-interest finance	FIRS exposed draft Tax Regulation for NICMPs
DMO/CBN	To issue non-interest T-Bills and short term notes for IIFS	Discussion is ongoing for short-term note issuance
SEC	To facilitate the creation of a commodities exchange	Commodities exchanges are in place
SEC	To partner with stakeholders to promote investor education	Enlightenment education has been on
State Govern	To issue Sukuk for infrastructure development	1-Sub-national & corporate Sukuk issued for infrastructure development
DMO	To issue sovereign Sukuk to establish a benchmark yield curve for Nigeria	3-Sovereign Sukuk issued
Exchanges	To introduce listing rules for NICMPs to promote secondary market for NICM	Listing Rules introduced

Products/Issuances In the Market

FGN Sovereign Sukuk – N100bn,
6% oversubscribed

- *Sukuk Ijarah for 7-year*
- *Proceed used to finance critical Roads across the Six geopolitical zones*
- *16.47% rental, payment semiannually*

Stanbic IBTC Shariah Fixed Income Fund



2016 Lotus Shariah Fixed Income Fund

2017

2018 FGN Sovereign Sukuk – N100b,
34% oversubscribed

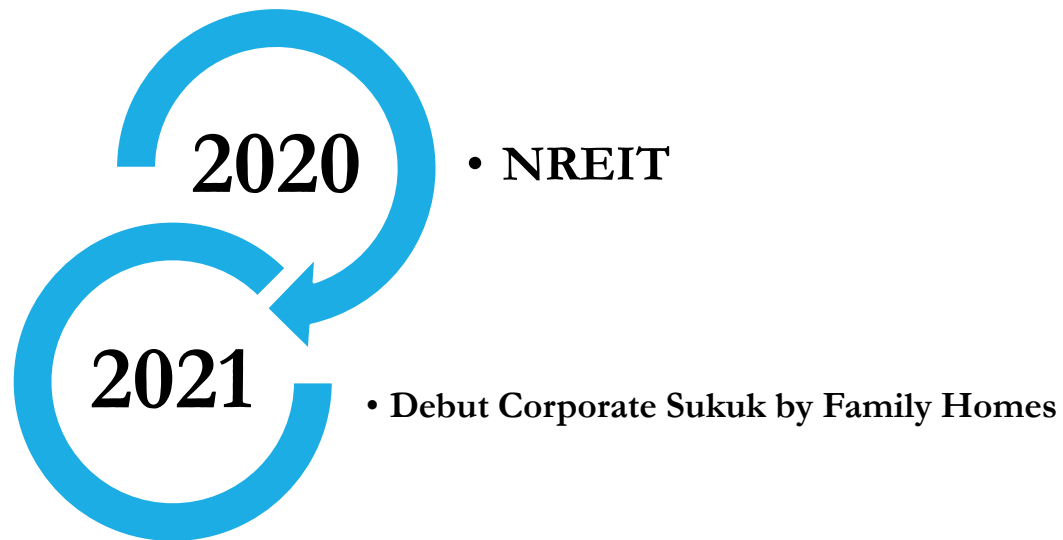
2019

- FGN Sovereign Sukuk – N150bn,
464% oversubscribed
- United Capital Sukuk Fund

2020

Products/Issuances In the Market Con'td

- A strong market in Real Estate exist due to high growth in population and quality residential and commercial properties deficit
- The Framework for REIT was introduced in 2007 by the SEC
- the debut NREIT , a game changer especially in the NICM



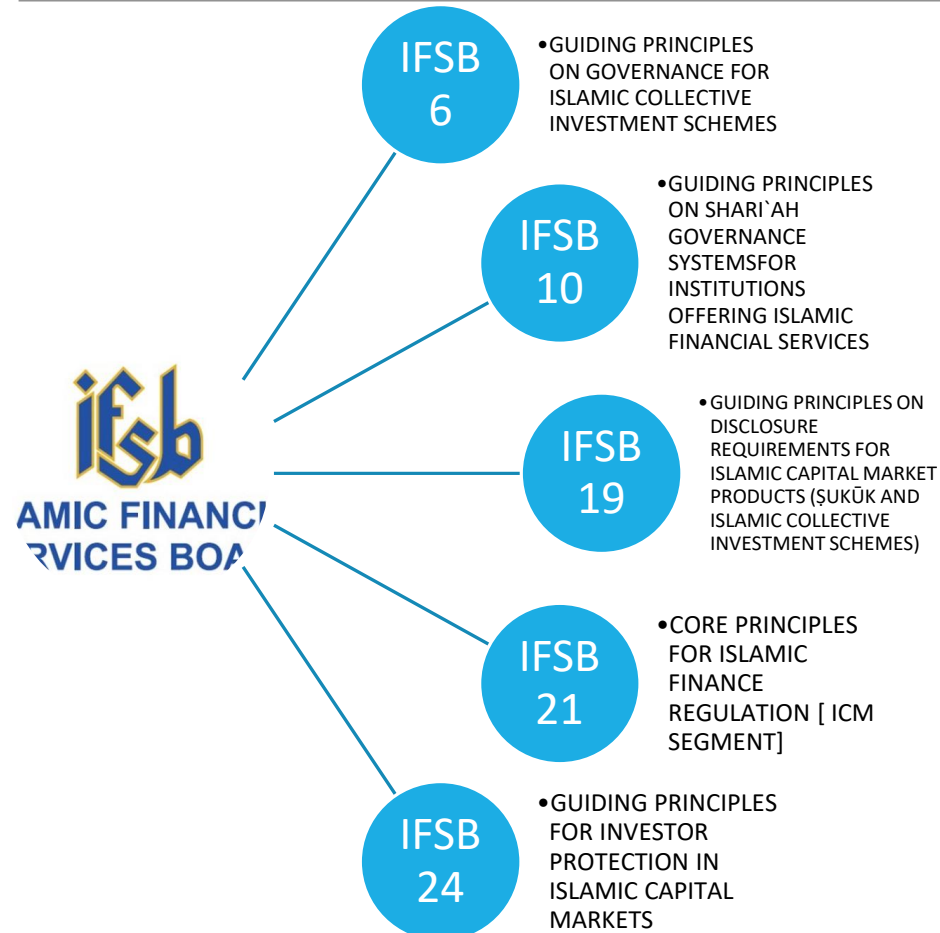
- *ChapelHill NREIT 100 Bn Programme*
- *Retail, Commercial and student accommodation properties*
- *Enhance liquidity in the NICM through securitization of owner-occupier properties*
- *To be listed & traded on exchange*

NICM Governance Initiative

- SEC partners/collaborate with local and international organizations/bodies to ensure that the three IOSCO **core objectives of securities regulation** are equally relevant for the NICM Operation in Nigeria. That is:
 - to protect investor;
 - to ensure that markets are fair, efficient and transparent; and
 - to reduce systemic risk.
- Collaborate with following bodies for **shariah certification** and **Accounting governance** for the market:



NICM Governance Initiative Con'td



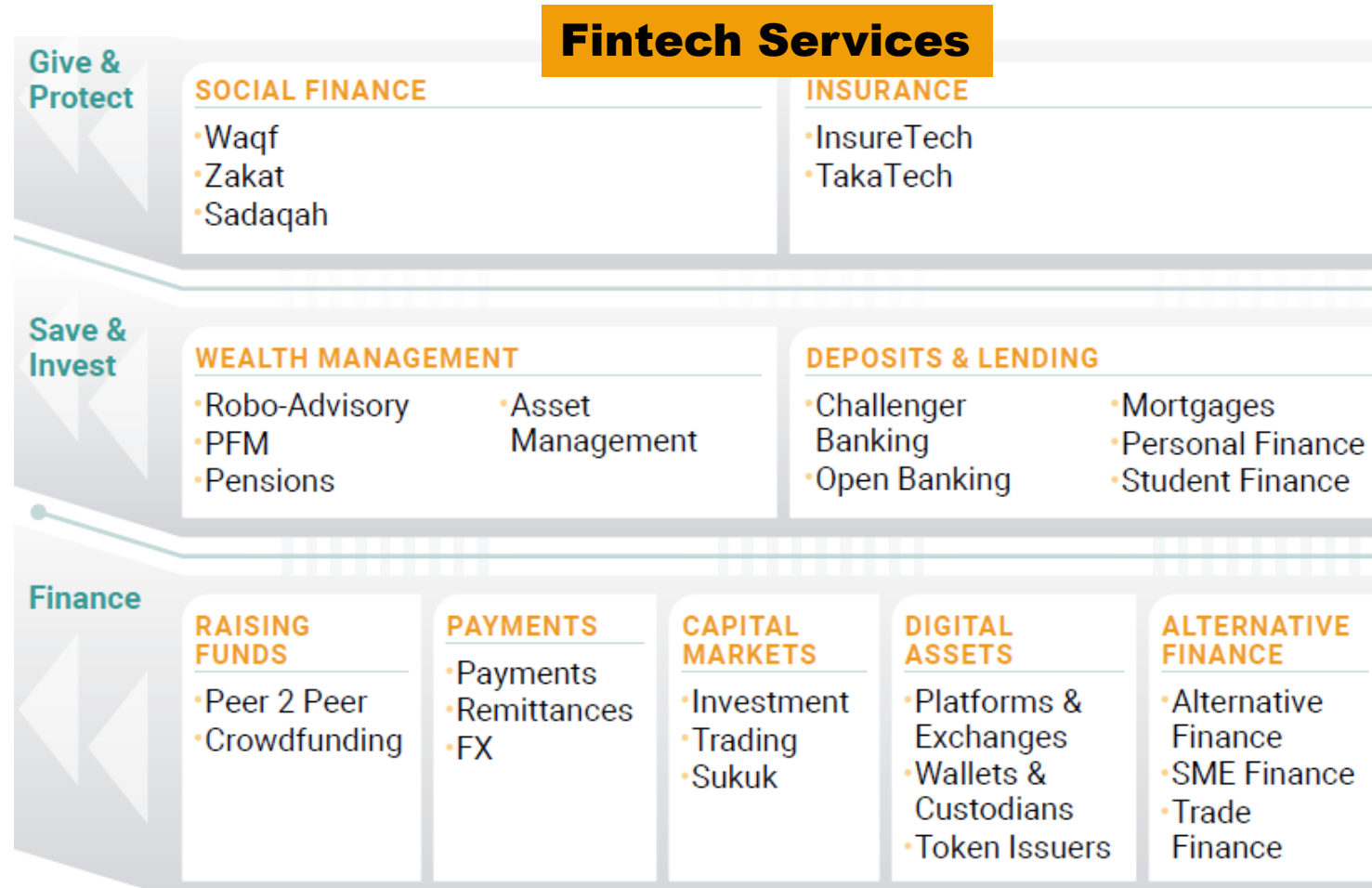
As a member of the **Islamic Financial Service Board** (IFSB), SEC partners with Board on number of initiatives such as:

- Capacity Building for Commission and the Market
- Adoption/incorporation of the Principles of standards issued by the IFSB:



Other Initiatives

- Fintech Market is fast growing
- Introduced a dedicated division/Technical Committee to promote and facilitate the development of Fintechs Ecosystem in the Market
- The Role of Fintech for Non-Interest Capital Market
- Legal and Regulatory Framework is key
- DLT can be beneficial to Non-Interest Finance:
 - ✓ Heightened transparency via Smart Contracts
 - ✓ Prevention of funds commingling
 - ✓ Liquidity management for banks\fund managers
 - ✓ Efficiency in real estate financing application process
 - ✓ Lender of last resort shariah compliance



Investment Opportunities in the Market

Nigeria's economy is too big to be disregarded. Nigeria is estimated as the largest economy in Africa with a Gross Domestic Product of over \$400 billion . We have over 200m population, making it one of the most populous nation

Nigeria currently has a significant infrastructure deficit in every sector and faces additional pressures from a rapidly growing population. Given the huge capital required to fix the gap in infrastructural development in the country, there is need for alternative financing model which non-interest capital market provide

The high demand of Non-interest capital market product has shown on the issuances by Sovereign, Subnational and Corporate Sukuk indicate a great potential for non-interest product

Covid 19 pandemic encourages social responsible investment that will have positive impact on any real economy

Conclusion Remarks

Non-interest Capital Market is still at its nascent stage in Nigeria, however, we remained resolute to:

Continue	Continue	Embrace	Develop
To introduce regulation and to promote product development so as to further deepen the Nigeria Capital Market	Continue to foster partnerships for capacity building leveraging on International Standard Status e.g. IFSB, AAOIFI and IsDB, etc.	Embrace digitization to support innovative products such as crowdfunding platforms to facilitate Islamic financing for SMEs	Develop a dynamic, fair, transparent and an efficient market where investors and businesses in Africa could invest and raise funds in a Compliant manner.

Thank You
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