



THE CAPITAL MARKET COMMITTEE (CMC)

Opening Remarks for 1st Quarter, 2016 CMC Meeting

Mr. Mounir Gwarzo,
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Securities & Exchange Commission

Wednesday, 13th April, 2016

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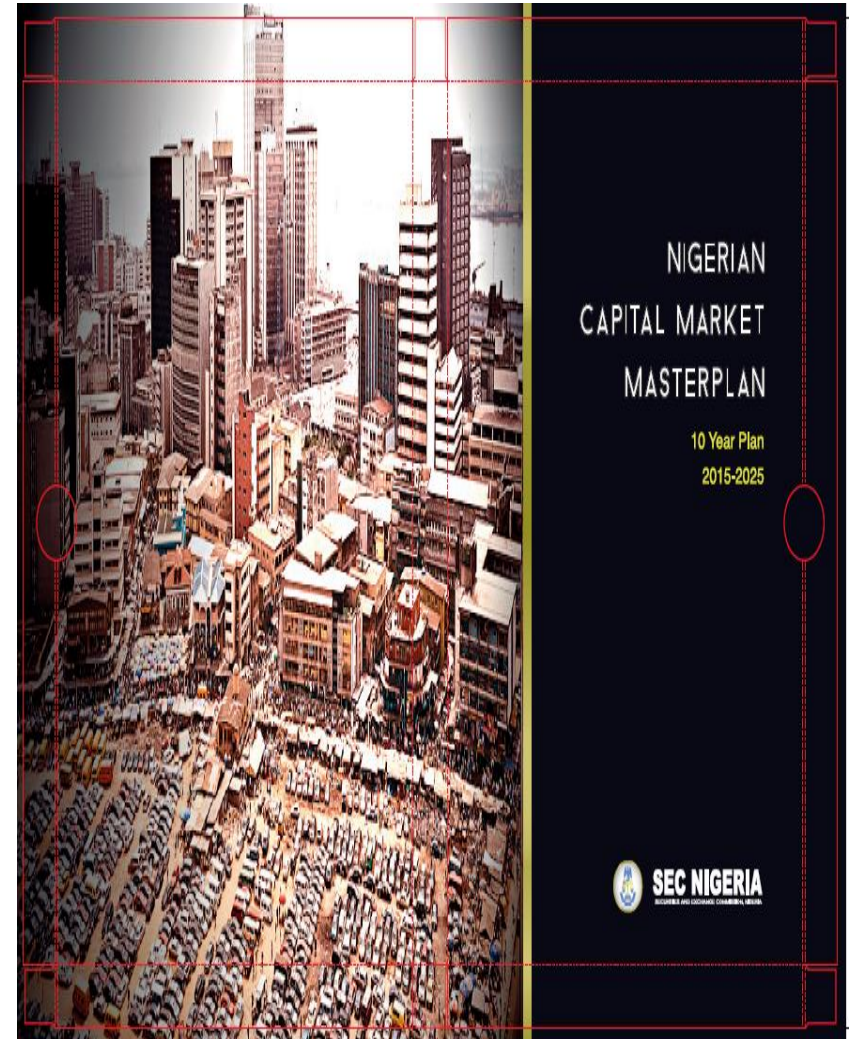
Review of 2015 Achievements

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Conclusion



Overview of the macroeconomic environment

Nigeria's economy is facing very challenging times

- The economy grew by only **2.8%** in 2015, below population growth rate
- The current economic environment is characterized by factors including:
 - Decline in prices of crude oil in global markets
 - Exchange rate instability
 - Inflationary pressures
 - Energy shortages (power and fuel)
 - Exit of foreign investors
 - External headwinds, including slower global growth

Macroeconomic Indicators

Real GDP growth (est. Q1 2016)	3.3%
Real GDP per capita growth	0.3%
CPI inflation	11.4%
Budget balance % GDP	-3.9
Key interest rate (MPR)	12%
Naira exchange rate/USD	197

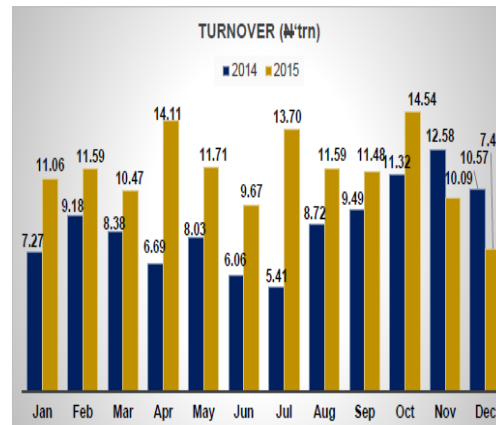
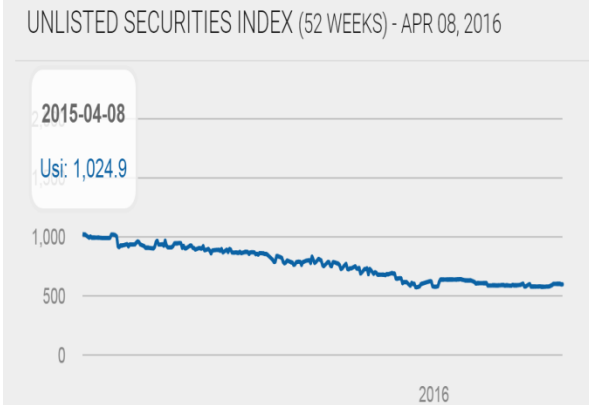
Sources: CBN, NBS

- ⊗ *The general sense of uncertainty in the economy is a major concern that continues to rattle the markets*
- ⊗ *President Buhari himself had to convene an important retreat on the Nigerian economy with renewed focus on diversification of the economy*
- ⊗ *Inflation ticked up sharply to 11.4% prompting the MPC to tighten monetary policy at their last meeting, MPR now at 12%*
- ⊗ *There has been no major change in the official position on the exchange rate management direction as the spread between the Naira's official exchange rate (N197/\$) and the parallel market rates*

Review of Capital Market Performance

While maintaining its sound fundamentals, the Nigerian capital market is currently reflecting the sentiment in the broader economy

The NSE ASI, NASD USI and FMDQ Turnover



Sources: NSE, NASD, FMDQ and Bloomberg

Within the context of the current economic environment, both the fixed income and equities segments of the capital market have witnessed dips in activity

In the last 3 months of 2015 alone, transaction volumes on the FMDQ OTC platform (which reflects the state of the fixed income market) declined by about 50% from N14.54 trillion in October 2015 to N7.43 trillion by the end of that year. This drop in liquidity has continued into the early parts of 2016

Major NSE indices lost 17% in 2015 while transaction volumes fell by over 40% within last year. 2016 ytd performance is currently at -11%, an improvement from the steep declines in the early parts of the year

The NASD OTC platform has also witnessed slight declines in the index although ytd performance remains positive at +2.65%

Review of 2015 Achievements

Implementation Governance Structure

- High-level Council (the CAMMIC) inaugurated to champion advocacy for the Master Plan
- A dedicated project management team within SEC, meeting regularly with the Director General

Mainstreaming the Master Plan

- Ownership of the Master Plan at the highest levels (the Presidency, the National Assembly and the Judiciary)
- To be adopted as part of the broader national economic development strategy

Major Master Plan Initiatives Completed in 2015

1 Corporate Governance Scorecard

2 National Investor Protection Fund

3 Dematerialization


4 E-Dividend

5 Direct Cash Settlement


6 Recapitalization

7 Robust Public Enlightenment

8 Strengthening the SEC's Capacity

 *Members of the CMC have shown remarkable commitment to achieving the objectives in the Master Plan and particularly in many of the initiatives implemented last year*

 *Key initiatives like E-Dividend required excellent support from CBN and NIBSS*

 *Registrars were exceptional in complying with the Dematerialization targets while the Broker/Dealer community was done commendable work in the implementation of Direct Cash Settlement*

 *Recapitalization was successfully concluded and operators were cooperative all through the process*

Major Master Plan Initiatives for 2016

1 Attracting More Listings



The CAMMIC held its first meeting on 6th February this year. The master plan initiatives for this year were identified and work is already on to implement many of them

2 Establishing a National Savings Strategy



At the top of those initiatives is the listing agenda to major companies in strategic sectors of the economy to get listed on any of the SEC-licensed platforms

3 Deepening the Non-Interest Products Segment



A National savings strategy document will be developed to improve the savings culture in Nigeria and accelerate the development of a domestic investor base

4 Building Industry-wide ICT Infrastructure

5 Capital Market Literacy



The technology infrastructure across the market will be given prime attention to increase market efficiency

6 Reduction of Transaction Costs



Attention will be paid to the Transaction Cost Analysis work

7 A Framework for Derivatives



Product innovation will be prioritized, especially derivatives that can help economic agents manage their risk

2016 has already been a busy year... updates include

1 SEC Workshop for Judges of Superior Courts of Record



As the E-Dividend enrolment continues, the SEC is taking the message directly to the streets with organized road-shows, the last was held successfully in Lagos

2 Road-shows on the E-Dividend Scheme



We held the second edition of the Non-Interest Capital Market Roundtable in Sokoto with renewed hopes States will soon access the Sukuk market

3 High-level Roundtable on Non-interest Capital Market Products in Sokoto

4 Development of a Position Paper to be Presented to the FEC



We are supporting the DMO to issue Sovereign Sukuk

5 Issuance of Sovereign Sukuk



Following the first CAMMIC meeting, a comprehensive position paper is being prepared for presentation to the Federal Executive Council

6 IOSCO/AMERC: My reelection for another term as Chair



NOTE: *We organized a fresh edition of the SEC-Workshop for Judges which was very well attended. Interactions were very fruitful and a detailed communiqué was produced. We are therefore working with the CMSA to go even further and compile a comprehensive document for amendment to various legislations that will positively impact the capital market.*



Three Committees will be constituted for the review of the following categories of legislation/documents:

- 1. The ISA ; Anti-trust and Competition Bill; and the 2016 Judges Workshop Communiqué*
- 2. Pensions Reform Act 2014; Financial Reporting Council Act; and Warehouse Receipt Bill*
- 3. CAMA and Trustees Investment Act*

Implementation!
Implementation!!
Implementation!!!

- ❖ ***Nigeria is facing some challenges that give the capital market an opportunity to step in and present itself as a veritable tool for government to leverage in addressing them***
- ❖ ***While appreciating the continuous commitment of members in the implementation process so far, I urge all of us to spare no effort in the implementation***

“Implementing the Master Plan will continue to be our collective focus”



Thank you!

**Mr. Mounir Gwarzo,
Director General
Securities & Exchange Commission**

Tuesday, 12th April, 2016

