

DEVELOPMENTS IN THE CAPITAL MARKET (as at March 2015)



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@ the 52nd FSRCC Meeting
Date: Thursday 14th May, 2015
Venue: CBN Headquarters, Abuja

Market Performance

- The macroeconomic and geopolitical conditions that prevailed in 2014 weighed down market performance. There was a net outflow of foreign portfolio investments from the domestic **bond market** in 2014 although bonds maintained relatively **high yields** returning **+11%**.

In the **equities market**, NSE's All-Share-Index **declined by 16.14%**

Collective Investment Schemes (CIS) outperformed the market in 2014 closing at aggregate net asset value (NAV) of N176 billion, a **14% appreciation** compared to the 16 percent depreciation of market indices.

Year-to-Date (YTD) Market Performance

The uncertainties which marked the first quarter of the year owing to the general elections led to **negative investor** sentiments as **asset prices fell**.

Thankfully, the elections went well and the emerging peaceful transition is **reviving investor confidence** with the market showing signs of **recovery**.

MARKET PERFORMANCE

ASI & MARKET CAP

- In the first quarter of 2015, the All-Share index closed at 31,744.82 points, depreciating by 8.40% when compared to its value of 34,657.15 points at the end of 2014.
- Debt market capitalization closed the quarter at N5.52 trillion while ETF market capitalization also closed at N4.20 billion.
- Y-O-Y comparison shows Debt Market Capitalization appreciating by 29.37% when compared to N4.27 trillion in March 2014. ETF Market Capitalization also increased by 36.67% as listed ETFs increased from one at the beginning of 2014 to four at the end of 2014.

MARKET PERFORMANCE Contd

- Equity Market Capitalization depreciated
- by 6.62% on a year-to-date basis;
when compared to its value in March 2014,
the index lost 13.84%.
- Total Market Cap stood at N16.25 trillion
as against N16.72 trillion in March 2014,
indicating a decline of 2.80%.

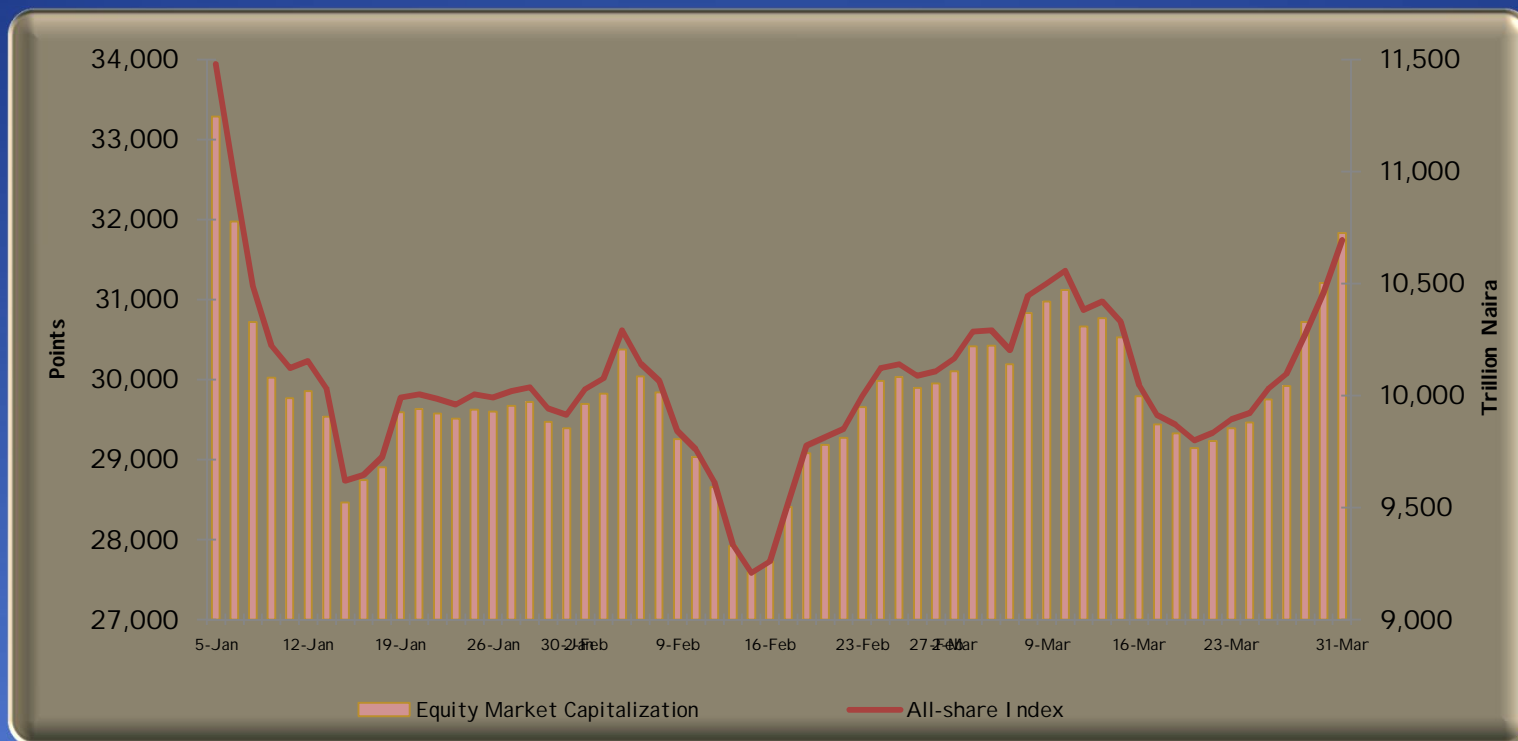
Market Capitalization (N'BN) –Q1 2015

Market Capitalization (N'BN)	2015	2014	Remarks
-Equities	10,726.11	12,449.66	Down by 13.84%
- Debt Securities	5,521.50	4,267.99	Up by 29.37%
- ETF	4.20	3.07	Up by 36.81%
- Total	16,251.81	16,720.72	Down by 2.80%

Source: NSE Reports

ASI & Market Cap Contd

All- Share Index (ASI) and Equities Market Capitalization (ECM) for Q1 2015



Source: NSE Reports

Note: Equities Market Capitalization include Main Board and ASEM

Foreign and Domestic Portfolio Investment

- Total transactions decreased by 3%
- from N189.72 billion in January to N184.02 billion in March 2015.
- Foreign portfolio transactions accounted for 55.73% of total transactions in March 2015 while domestic transactions accounted for 44.27%.
- In the corresponding period of 2014, foreign portfolio transactions had accounted for 78.25% of total transactions while domestic transactions accounted for 21.75%

Ratio of Foreign Transactions to total Transactions as at March 2015

Total Transactions N'billion	Foreign Transaction N'billion	% of Foreign to Total Transactions
184.02	102.56	55.73

Source: NSE Reports

SUMMARY OF NEW ISSUES IN THE FIRST QUARTERS OF 2014 AND 2015

Mode of Offer	No of Issues		Value of Issues	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Rights	-	1	1,216.18	1,216.18
Placements	3	1	7,346.57	700.46
Public Offering	1	1	19,590.03	88,485.30
Total Equities	4	3	26,936.6	90,401.94
Corporate Bond	2	1	37,500.00	4,500.00
Sub-national Bond	6	0	91,590.00	0
FGN Bonds	9	6	239,500.00	265,000.00
Total Debt Securities	17	7	368,590.00	269,500.00
Overall	21	10	395,526.60	359,901.94

Source: SEC & DMO

CIS Schemes

- The capital market still remained a preferred investment option for fund managers, when compared with the money and other markets following improved regulatory environment.

CIS Schemes Contd

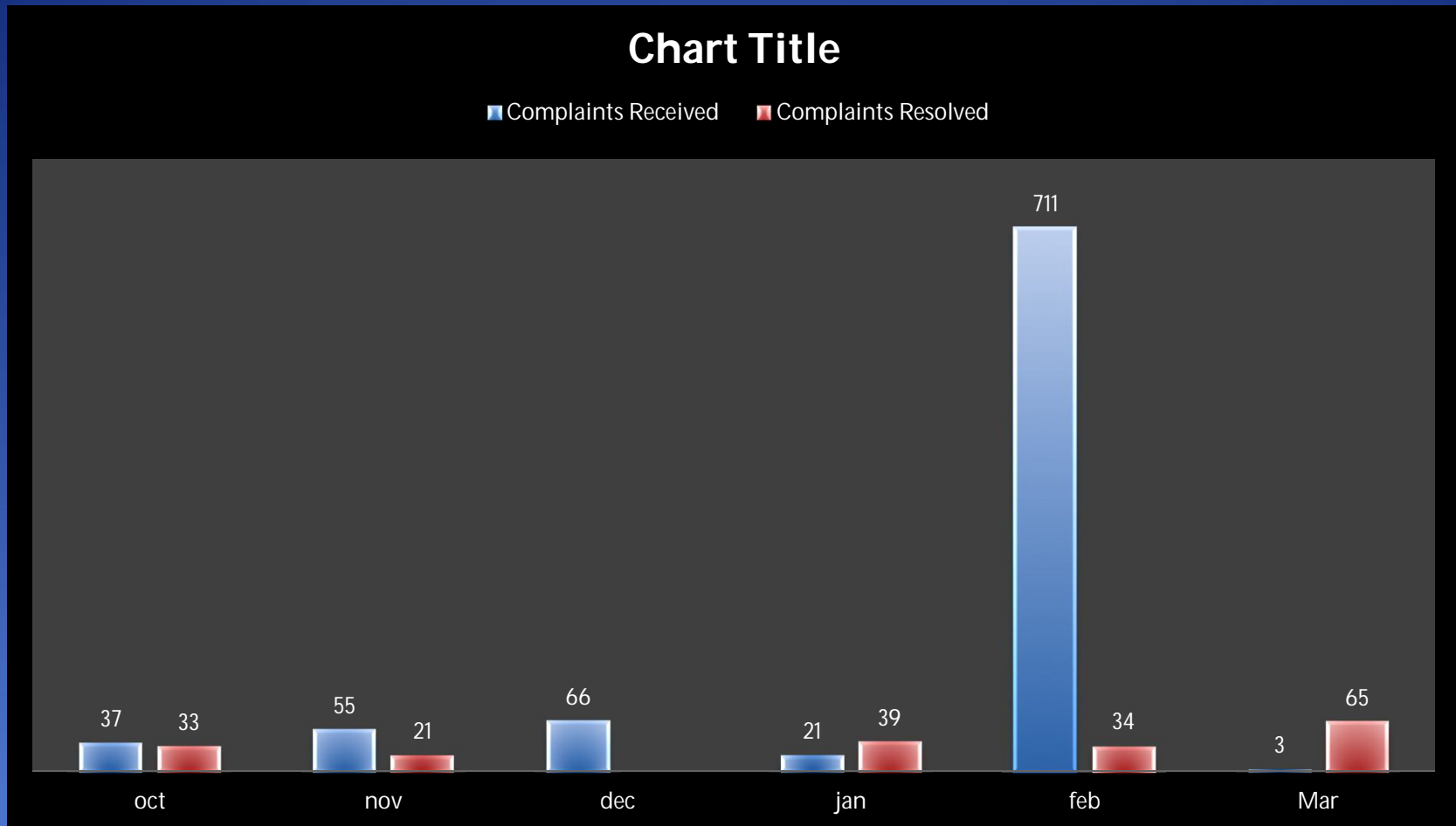
- A quarterly sector aggregate analysis of eighty-four (84) Fund/Portfolio Managers based on their returns shows total funds under management of N498.1 billion.
- Out of this, Investments in capital market accounted for 58%, while investments in money and other instruments were 33% and 8%, and uninvested fund 1% respectively, of the total funds under management.

CIS Schemes Contd.

	2015	2014	Remarks
No. of Registered Schemes (As at March)	52	53	Down by 1.9%
No. of Unit Holders (As at March)	176,771	169,172	Up by 4.5%
Net Asset Value (NAV) of Registered Schemes (B'N) (As at March)	178.79	164.90	Up by 8.4%

- *Source: SEC and is based on the returns submitted by fund managers*

Complaints received and resolved as at the end of March, 2015



MAJOR INITIATIVES

NEW MANAGEMENT

- A new management is in place and records show appreciable progress in some of the areas that are critical for market growth and development. These include:
 - ***Strengthening and Refocusing the SEC:***
We are streamlining the operations of the Commission to focus on its ***core mandates*** as apex regulator.
We believe this will make us more effective and efficient. We have put a ***new organizational structure*** in place and have commenced implementation.

- ***Demutualization:***

One of my earliest actions as Ag. DG was to get the Honourable Minister of Finance/CME to approve the rules on demutualization which had stalled for some time. We have finally released those rules which should form a good basis for the NSE to proceed on its demutualization plans.

- ***Securitization:***

We expedited efforts to release the Rules on Securitization.

We hope the market leverages the Rules to grow this new product which can have a transformational impact on housing, infrastructure and business financing.

- ***National Investor Protection Fund:***

Recall that the SEC had incorporated the NIPF since last year. Within the first three months of 2015

we have completed and released the Rules on NIPF which should impact ***retail investor confidence.***

- ***Trading in Unlisted Securities:***

We released Rules mandating the trading of unlisted securities of public companies exclusively on SEC-registered OTC platforms. This should improve the level of price discovery, liquidity, transparency and best practice in our market.

- ***Code of Conduct:***

We have released Codes of Conduct for operators including Rating Agencies, Underwriters and Trustees. These will no doubt consolidate our zero tolerance for market infractions.

- ***General Review of SEC Rules:***

We have worked on reviewing all areas of observed lapses in the regulatory framework. So far we have released amendments on areas such as ***Mergers & Take-Overs, Registration Requirements, Utilization of Bond Issues Proceeds among others.***

- ***Corporate Governance Scorecard:***

We have completed work on the Corporate Governance Scorecard. At a meeting with the NSE we decided to harmonize the Scorecard with the NSE's Corporate Governance Rating System. The end product will be released within the 2nd quarter.

- ***E-Filing:***

This is a priority for us. We want to shorten approval periods and enhance cost-saving by enabling operators file their returns and applications electronically .

We will ensure the work is completed and launched this year.

- ***Direct Cash Settlement:***

A market-wide implementation committee for Direct Cash Settlement has already commenced work and will target full implementation within the year.

- ***Robust Public Enlightenment Campaign:***

SEC has done a good deal of public enlightenment on market initiatives such as e-Dividends, Dematerialization and so on. We will be launching a, comprehensive, nationwide public enlightenment campaign across the nooks and crannies of Nigeria soon.

- ***Recapitalization of Market Operators:***

The SEC Board granted an extension of the deadline from 31st December 2014 to 30th September 2015. We set up a market Committee comprising SEC, NSE and CSCS which have been working with trade groups to address related issues.

Based on the latest returns we received, the level of compliance is encouraging although we will conduct a verification exercise at the end of the exercise to verify compliance.

So far, the level of compliance as at 31st March 2015 is as follows:

Function	No. of CMOs	No. of CMOs that have complied	No. of CMOs yet to comply	Level of compliance
Broker/Dealer	235	135	98	57%
Issuing House	72	66	6	92%
Registrar	22	15	7	68%
Trustees	28	12	16	43%
Rating Agency	5	3	2	60%
Fund/Portfolio Manager	87	71	16	82%
Totals	449	302	144	67%

International Re-positioning

With my election as chair of the Africa Middle East Regional Committee (AMERC) of IOSCO at the conference in Oman in February 2015, Nigeria continues to show leadership among our peers and push for greater visibility for our market.

In the same vein, SEC has recently been admitted as a full member of Islamic Financial Services Board (IFSB).

This will go along way in supporting our efforts to deepen the non-interest products space.

SEC Nigeria therefore joined CBN and NAICOM in strengthening Nigeria's position on this platform.

WAY FORWARD

2nd – 4th Quarter 2015

- ***Strengthening the Regulatory Framework :***

There are a number of Rules in the pipeline which we will be releasing within the year to further strengthen the regulatory regimes across the market. Some of these include:

SN	PROPOSED RULE	DESCRIPTION
1.	Additional disclosure requirements for Oil & Gas Exploration and Production Companies	These Rules will cover the technical peculiarities of exploration and production companies so the investor can be better informed in decision-making
2.	Rules on Fund/Portfolio Management Operations	To establish thresholds between retail investors and high networth investors and specify the types of instruments fund managers can invest in.
3.	Rules on Unclaimed Dividends	We have already exposed these Rules and received comments. We will ensure the Rules are finalized and released within this quarter
4.	Rules of the Africa Exchange Holdings (AFEX)	These Rules will guide the operations of a commodities exchange.
5.	FMDQ Short Term Notes Quotation Rules and FMDQ Commercial Paper Quotation Rules	We are meeting with the FMDQ Team to clarify provisions of these Rules which concern short tenured instruments traded on the FMDQ platform
6.	Amendments to NSE Rules. These include on Inclusion of Retail Participants in Securities Lending Transactions; Listing of Sukuk; and Pricing Methodology	The Rules aim to boost liquidity in the market by allowing retail investors to partake in securities lending; Expand the Islamic finance space and improve asset pricing

Empowering Trade Groups and SROs

- While we seek to focus more on the big issues, we are committed to empowering Trade Groups and SROs to play more important roles in regulating their members. An example is the new Complaints Management Framework which we have released that ensures Investor complaints are dealt with more efficiently, starting from the operator, to the Trade Group or SRO level before reaching the SEC, if it still remains unresolved.

IMPLEMENTATION OF CAPITAL MARKET MASTERPLAN

Having launched the 10-Year Capital Master Plan last year, and moving forward, our focus in 2015 will be on *the implementation of the 3 master plan reports* to drive market growth.

Our targets for the next quarters as contained in the master plans include:

- Inaugurating an Implementation Council.
- Reduction of transaction costs in our market.
- Completion of E-filing Project.
- Speeding up approval processes
- Working on the Framework for Unified Licensing
- Across Money and Capital Markets.

IMPLEMENTATION OF CAPITAL MARKET MASTERPLAN

- Conclude the dematerialization process
- Definition of minimum technology Standards for all Market Operators.
- Set up an Inter-Agency Committee between SEC and PENCOT to work on both the guidelines for PFA's asset selection, and on releasing the Guidelines on Non-Interest Multi-fund structure for RSA funds.
- Set up an Inter-Agency Committee between SEC and CBN to fastrack guidelines on liquidity status of Non-Interest Capital Market Products, as well as consider issuance of non-interest-T-bills and other short-term notes.

FINANCIAL INCLUSION STRATEGY

- We will develop a financial inclusion strategy framework for the Nigerian capital market with the aim of increasing the number of Nigerians that have access and participate in the capital market.

Thank You