

SECURITIES AND EXCHANGE COMMISSION



ACTUALIZING NIGERIA'S ECONOMIC POTENTIAL THROUGH A WORLD CLASS CAPITAL MARKET

WELCOME ADDRESS AT
THE THIRD ANNUAL CAPITAL MARKET RETREAT

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28th November 2013

Abuja, Nigeria

1. It is my singular honour and privilege to welcome you, our very distinguished and special guests, to the third Annual Capital Market Committee (CMC) Retreat holding in our beloved capital city, Abuja. As you may know, the retreat was preceded yesterday by the Capital Market Wealth and Health Outreach at Kuje market. It was a unique opportunity for us to share inspirational life-stories of successful Nigerians in the Creative Arts including the respected Nollywood veterans Zack Orji and Paul Obazele as well as the entertaining pair of Bosede Ogunboye ('Lapacious Bose') and Sani Danja. Our collective goal at the occasion was to share knowledge about saving and investing and maintaining a healthy lifestyle. It is commonly said that 'Health is Wealth' so we literally brought the two together as participants had one-on-one interactions with financial experts as well as health professionals from the Pro-Health International medical team and the Centre for Disease Control in Atlanta, USA. The message this sends is that the capital market community cares very much about the financial and physical well-being of every Nigerian.

2. We are very pleased with the awareness among Nigerians of the critical role capital markets can play in actualizing Nigeria's economic potential by supplying the much needed medium-to-long term capital for government's infrastructure development and business expansion. However, capital markets do far more than provide access to capital. They are enablers of socio-economic development because they sustain macroeconomic stability, hasten the rate of capital formation, foster a meritocracy and promote good corporate governance, innovation and entrepreneurship. In addition, capital markets broaden access to economic prosperity by enabling the emergence of financially responsible citizens, accelerating wealth creation and wealth distribution, providing capital to small and medium scale enterprises (SMEs), and catalyzing housing finance. The CMC Retreat was conceived as a platform to create awareness amongst Nigerians about the numerous benefits of capital market while also serving as a platform for the capital market community to take stock the market's progress during the year and brainstorm on ways to continue making progress towards world class.

3. Last year, we were privileged to be hosted by the Government of Delta State as we convened in Warri to discuss how the capital markets could be leveraged to support the Transformation Agenda of His Excellency, President Goodluck Jonathan. A year before then, we had the Maiden CMC Retreat in the beautiful City of Uyo and were hosted by the Governor of Akwa Ibom providing us an avenue to review the market's performance in 2011 and to formulate an action plan for the year 2012. Within the last two years, the CMC Retreat has emerged as an important platform for the capital market community to interact with other stakeholders and the general

public for the achievement of public good. I am confident that through the visible results this initiative is producing the momentum will be sustained and this Annual Retreat will become an important internationally relevant platform for policymakers, agenda-setters, experts and the general public to share ideas on ways in which the capital market could help address the challenges that economies face. There is no doubt that our reforms, collective efforts and initiatives have had a positive impact on the market since the beginning of this year. Let us therefore review the period and highlight some of the achievements recorded.

4. 2013 has been a transition year showing a mixed picture of the global economy. While the first half of the year raised concerns on the fragility of global growth with what the International Monetary Fund (IMF) calls '3-Speed growth', the second half is raising hopes of the return of growth as advanced economies are gradually strengthening, despite the slowdown of certain emerging markets. The IMF's latest outlook expects the world economy to grow by 2.9% in 2013 and accelerate to 3.6% growth rate in 2014. Sub-Saharan Africa continues its impressive growth expected to be sustained at 5.3% in 2013. Domestically, the Nigerian economy has done better as recently released figures from the National Bureau of Statistics (NBS) show that our economy accelerated to 6.81% in Q3 2013 from 6.18% in the previous quarter. Meanwhile, the economy continues to enjoy a stable macroeconomic environment with inflation contained in single digits since the beginning of the year (currently at 7.8% year-on-year) while the Naira's foreign exchange value has remained largely stable at an average of N157.31 to the U.S. dollar. The economy's positive outlook and macroeconomic stability have undoubtedly attracted significant inflows thereby supporting the current rally in our market.

The Bond Market

5. In April 2013 our domestic bond market got a huge boost following the inclusion of Nigeria's sovereign bonds in Barclay's Emerging Market Bond Index in addition to its admission into the JP Morgan local currency bond index in October 2012. This has put our local currency bond market within the radar of foreign investors who year-to-date, have invested an estimated \$5.4 billion in Nigerian bonds. In September 2012, prior to the admission of FGN Bonds to any international bond index, foreign investors' holding of Nigerian bonds was approximately \$1.2billion. Even Nigeria's Treasury Bills, which have been popular among international investors, were equally positively impacted by this development with international investor holdings increasing from \$3.9 billion to \$6.2 billion. The State Government and Corporate segments of our bond market are also benefitting from a favourable environment, reformed issuance procedures and

renewed interest from investors to tap into the bond market. As you are already aware, the International Finance Corporation (IFC) issued its first N12 billion 'Naija Bond' in February this year and has approached the SEC for naira-denominated medium-term notes (MTN) programme of \$1 billion. The African Development Bank (ADB) has equally filed for the approval of an MTN-programme worth \$1.5 billion, with the SEC. This year also saw the successful launching of the Financial Market Dealers' Quotation (FMDQ) platform which is expected to make over-the-counter (OTC) bond trading easier and more efficient. This is not only revolutionary both for the primary bond market and the secondary market but will also improve the level of sophistication of the sovereign bond market and accelerate the development of a derivatives market to enhance risk management. Going forward, we see the bond market as a critical element in our country's goal of closing its infrastructure gap estimated at \$350 billion over the next 10 years by the ADB. It therefore holds a lot of potential for growth to rival or surpass the equities market in size as is the case in most advanced economies.

The Equities Market

6. In 2013, our equities market has consolidated the appreciation of 2012 and continues to be among the best performing stock markets in the world. Year-to-date (YTD) the All Share Index (ASI) of the Nigerian Stock Exchange (NSE) has appreciated by 38.81% retaining the Nigerian stock market amongst the top ten performing exchanges. The NSE's equities market capitalization topped an all-time high of about N12.85 trillion in June and although a bearish run triggered by the announcement of eventual tapering by the U.S. Federal Reserve eroded some of the gains, the market remains poised for further expansion. This is especially so because of the kind of activity we expect to see in the near term within the primary segment of the market, particularly with the targeted listing of upstream oil & gas and telecommunication companies. We also expect listing of the newly privatized power companies as they seek capital for financing the electricity generation and distribution capacity. The equities market equally saw a boost as an organized OTC platform, sponsored by the National Association of Securities Dealers (NASD) was launched to enable the transparent and regulated trading of unlisted securities.

New Products

7. Within this year, we witnessed the issuance of Nigeria's first Sukuk bond by the State Government of Osun following the approval of Sukuk rules by the SEC. The Sukuk is an important product capable of attracting capital from the Gulf countries and from the Muslim population of Nigeria who constitute about half of Nigeria's 170 million

people. We recently approved an exchange traded fund (ETF) based on the NSE-30 that will soon join the New Gold as the two ETFs tradable on the floor of the NSE. The collective investment schemes (CIS) industry continues to grow with current net asset value (NAV) of about \$1 billion.

Stakeholder Engagements, Investor Education and Market Capacity

8. The capital market community led by the SEC continues to value the contributions of stakeholders to the progress of the market and we regularly interact with stakeholder groups to strengthen our relationships. Within the year we have held meetings with Shareholder Associations, quarterly CMC meetings in Lagos as well as investor education programmes that include a National Capital Market Quiz Competition, sponsorship of the monthly 'Eye on Nigeria's Capital Market', the Market Outreach which some of you witnessed yesterday and up-to-date presence on social media. In a bid to raise capacity within our market and support other sectors of the economy, we usually embark on advocacy programmes such as the Infrastructure Roundtable we organized in conjunction with the Ministry of National Planning. The roundtable brought together market experts, investors and issuers to find innovative ways to finance Nigeria's Integrated Infrastructure Master Plan estimated to cost \$3.9 trillion over the next 30 years. We also organized a Bond Market Conference in collaboration with the IFC, the private sector arm of the World Bank.

Strong Institutions and Technological Transformation

9. A world class capital market boasts of strong institutions, this is why since 2010 we have prioritized efforts to strengthen the SEC being the Apex regulator of the market and all market operators. Consequently, the Board of the SEC approved new minimum capital requirements for all categories of market operators. Technology is an important enabler in the smooth functioning of modern financial markets. We are delighted with the pace of technological transformation in our market including the deployment of Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system to improve transaction-efficiency in the market by the Central Securities Clearing System (CSCS). As you all know, the NSE has also recently rolled out the new trading engine, the X-GEN, which is the most robust trading platform on the continent with capability for trading in bonds, equities, ETFs, commodities and derivatives. I was also excited just recently when I visited Nigeria's first private trading floor, a 150-seat multi-purpose trading floor, set up by GTI Capital Group.

Charting the Course for the Next 10 Years

10. During the third quarter CMC meeting, we set up three important Committees to develop 10-year master plans that will be monitored at least quarterly by the market-wide CMC. The deliverables of the three Committees are a master plan for the entire capital market, one for Islamic finance and another for financial literacy. I am glad that as part of our programme lineup at this event, each of the Committees will have some time to present to us their preliminary reports for our comments and input. They will then be given some time to take the useful feedback from this forum into consideration in preparation of their final reports. I am also excited that we have the very distinguished Executive Chairman of the Brazilian *Comissão de Valores Mobiliários*, Mr. Leonardo P. Gomes Pereira to share with us Brazil's experience in leveraging the Brazilian capital market to enable the transformation of the Brazilian economy and the realization of the aspirations of the Brazilian populace.

11. Our beloved Nation, like Brazil, is richly endowed with significant amounts of natural and human resources and has the potential to emerge, not just as one of the 20 largest economies in the world, but among the important drivers of global growth and development. We are here because we believe the capital market is very critical to the actualization of that promise, I therefore invite each and every one of us to actively participate in the deliberations over the next two days as we think innovatively about the best ways to leverage the capital market in Nigeria's quest for socio-economic advancement. Our dear Host the Honourable Minister, Distinguished Ladies and Gentlemen, please also enjoy the rich programme that the FCT Minister, our team and i have put together.

Thank you for your kind attention.