

TERMS OF REFERENCE

SECURITIES AND EXCHANGE COMMISSION (SEC NIGERIA) ICT TRANSFORMATION - DEVELOPMENT OF AN ICT TRANSFORMATION STRATEGY

1. Introduction

Following an Institutional Capacity Assessment undertaken on SEC Nigeria in 2019, SEC Nigeria with the support of FSD Africa wishes to engage a consultant to develop an Information Communication and Technology (ICT) Transformation Strategy for SEC Nigeria.

Information and Communication Technology (ICT) plays a critical role in securities market supervision and development - both internally and externally facing. A properly functioning ICT can improve the efficiency and reduce regulatory costs to market intermediaries, issuers and investors particularly in the approval processes and filings. It can also support the regulator in supervising the conduct of business.

The ICT transformation is expected to address the foundational issues related to SEC Nigeria ICT systems and technology readiness and capacity such as governance & Management, ICT Architecture & Systems, Information Security and Business Continuity amongst others. The transformation is expected to conform to international best practice and position SEC Nigeria as a modern technologically driven regulator that harnesses technology to deliver optimum services while also enabling market stakeholders to deliver better market performance for investors and issuers.

The project will support SEC Nigeria in mapping out appropriate Regulatory and Supervisory Technology approaches and defining the software and hardware specifications/requirements needed to optimize operations at SEC.

The transformation is expected to be a foundational enabler for the emergence of a transformed capital market regulator for Nigeria with the following impact/outcomes;

1. An ICT-ready organisation supporting digital regulatory services
2. High level of information security comparable to the best in the industry
3. Data driven market development interventions and initiatives
4. Increased efficiency and transparency of regulatory services
5. Streamlined regulatory processes leveraging technology such as the use of e-prospectuses, e-filing etc. which would improve approval turnarounds.

The consultancy is expected to commence in May 2021.

2. Project Background

2.1. Securities and Exchange Commission of Nigeria

The Securities and Exchange Commission (SEC), Nigeria is the apex regulatory institution of the Nigerian capital market supervised by the Federal Ministry of Finance.

The Commission has evolved over time having started with the establishment of the Capital Issues Committee in 1962 by the government as an essential arm of the Central Bank of Nigeria. This was purely an ad-hoc, non-statutory committee, which later metamorphosed into SEC in 1979, following a comprehensive review of the Nigerian financial system, with the promulgation of SEC Decree No. 71 of 1979. Successive reviews of this earlier enactment led to the introduction of a new legislation, the Investments

and Securities Act (ISA) No 45 of 1999. The ISA No. 45 of 1999 was repealed with the promulgation of the ISA No. 25 of 2007, which gives the Commission its current power.

This legislation further enlarged the powers of the Nigerian SEC, while saddling it with the dual responsibilities of:

- Regulating the capital market with a view to protecting investors; and
- Developing the capital market to enhance its allocative efficiency and pave the way for a private sector led economy.

The Act also empowers the Commission with a board of nine (9) members including the Chairman, the Director General, three Executive Commissioners, two Non-Executive Commissioners, Representatives of the Federal Ministry of Finance and Central Bank of Nigeria.¹

The SEC has approved and licensed various market operators in the Nigerian Capital Markets including; 6 Self-Regulating Organizations i.e. Nigerian Exchange Group, FMDQ Securities Exchange, the National Association of Securities Dealers, the Nigerian Commodities Exchange (NCX), Afex Commodities Exchange and the Lagos Commodities and Futures Exchange. Other capital market operators include; the Central Securities Clearing System (CSCS) which performs settlement, clearing and depository functions, 110 issuing houses, over 227 stockbrokers, 26 company registrars and 162 fund and Portfolio Managers.²

2.2. About FSD Africa

We work to reduce poverty by strengthening Africa's financial markets.

Established in 2012 and supported by UK aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa. We work to reduce poverty through a 'market systems development' approach, which means we aim to address the structural, underlying causes of poverty by improving how financial market systems function.

We believe that investing in building a financial system that is transparent, stable and accessible creates the conditions for a fair and sustainable future, where inequality is reduced, corruption is tackled, and where individuals, businesses and governments alike are able to prepare for future challenges, from climate change to political instability.

From our headquarters in Nairobi, our team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Depending on the project, we can provide a combination of grants, investment capital, market insights or technical assistance to ensure we achieve our objectives.

We focus our work where the need is greatest, and where we believe the potential for impact is the most significant. We have a specific mandate to invest in breakthrough, innovative ideas that we believe can have a transformative impact. By sharing risk with our partners, we're able to address more difficult, persistent, or higher-risk challenges, in more unstable or fragile geographies, than traditional development finance organisations.

¹ <http://sec.gov.ng/about/>

² Nigerian Capital Market Masterplan 2015-2025

Please find more details about FSD Africa on our website at www.fsdafrica.org.

2.3. SEC Nigeria Institutional Capacity Assessment

In 2019, FSD Africa commissioned International Securities Consultancy Limited (ISC) to undertake an institutional capacity assessment (ICA) of SEC Nigeria. The aim was to determine if SEC Nigeria had the requisite capacity to undertake its twin mandate of market regulation and development. The assessment involved looking into the current internal structure and identifying areas of strength and improvement considering leading best practices and peer comparisons. The assessment looked at regime and governance, financial management & internal controls, systems and administration, human resources, organizational management and programme management. The ICA report identified ICT as one of the critical areas for institutional capacity strengthening to improve delivery of the regulatory/supervisory and market development mandate of SEC Nigeria.

3. Objectives and Scope

3.1. Objective

The main objective of the exercise is to work with SEC Nigeria to develop a digital transformation strategy that will provide clear roadmap for improvement of regulatory capacity of SEC through modernization and transformation of its ICT systems and infrastructure.

Specific objectives include, working with SEC Nigeria in:

- i) Undertaking of a review of all current information communication and technology systems, infrastructure and related processes (manual and automated) at SEC Nigeria.
- ii) Undertaking a research on the possible Capital Market ICT regulatory solutions for SEC available in the marketplace that conform to best practices, are adaptable and appropriate for regulation of digital, dynamic and innovative markets.
- iii) Mapping of stakeholders in the Nigerian Capital Markets ecosystem and financial sector in general, both internal at SEC Nigeria and external and their roles in the digital transformation process
- iv) In collaboration with the relevant stakeholders undertake a detailed analysis of the gaps in the current regulatory ICT system and infrastructure.
- v) Hold consultative forums with the stakeholders to identify internal and external systems that need to be adopted by SEC Nigeria that conforms to global best practice and fits within Nigeria's context.
- vi) Outline estimated costs for the improvements, overhaul, optimization or integration needed in building and implementing the desired ICT system and infrastructure.
- vii) Outlining the technical specifications to be used in the procuring, configuring and implementing of the desired ICT system and infrastructure.
- viii) Map the regulatory and supervisory technology approaches that will viably be plugged in to the proposed ICT system and infrastructure.
- ix) Development of a draft ICT transformation strategy for the Securities and Exchange Commission of Nigeria.
- x) Participate in organizing and presenting in workshops and consultative engagements for the purpose of introduction, validation and collection of feedback and additional inputs on the proposed ICT transformation strategy.

- xi) Development of the Final ICT transformation strategy for the Securities and Exchange Commission of Nigeria that will be implemented over an appropriate period of time agreed on by the relevant stakeholders.
- xii) Participate in organizing and making a presentation during the launch of the ICT transformation strategy for SEC Nigeria.
- xiii) Development of a sequenced implementation plan for the ICT Transformation strategy.
- xiv) Development of a framework for monitoring and evaluating the impact of the ICT Transformation strategy, at the level of the plan itself and for the major interventions within the plan (including performance indicators for each major interventions).
- xv) In consultation with relevant stakeholders develop draft Terms of reference for the consulting firm (s) that will implement the various initiatives under the ICT Transformation Strategy.
- xvi) Recommend Institutional Capacity Building in support of the ICT Transformation Strategy.

3.2. Scope of work

The Consultant will be required to engage in the following activities, with other closely related areas if they emerge during the course of the assignment:

- i) Undertake a review of ICT infrastructure, systems and processes at SEC Nigeria and propose solutions that will encompass the set of initiatives under the ICT Transformation Strategy (note that a preliminary assessment has been done and reports available for review), this will include but not limited to;
 - An assessment of the business needs of SEC's functions and departments, an important first step as all downstream systems will need to be integrated, provide data to other systems and will likely have cross-cutting business functionality (note that business mapping has already begun and will be made available to the emerged consultant).
 - Determination of what systems and solutions are needed to address the business needs at SEC Nigeria. This will entail the determination of systems and solutions that may be required, for example, there are automation needs for getting data from the entities it supervises and surveillance system to monitor market integrity.
 - Determination of underlying hardware and infrastructure that will be required to host the systems and solutions needed by SEC Nigeria.
 - The process of improvements to the ICT organization, its governance, its vision & mission, culture (values & behaviour) and how it aims to be integrated within the corporate values & objectives as well as functions of SEC Nigeria..
 - Information Security and business continuity needs as well as linkages with enterprise risk management.
 - Evaluate how well current skills of the IT organization are positioned to support business objectives and strategies.
- ii) Review in detail the Institutional Capacity Assessment report undertaken on SEC Nigeria in 2019 to appreciate the challenges, risks and recommendations identified with regards to ICT and how they relate to the operations of the organisation in general.
- iii) Stakeholder interviews: in-depth, structured interviews with key stakeholders. Through the stakeholder engagements it will be important to gain a good understanding of the challenges they have experienced with regard to the existing ICT system and process and where improvements can be made.

- iv) Develop a diagnostic report informed by the comprehensive review which includes an in-depth stakeholder engagement (emerged consultant may need to conduct further engagements where gaps exist).
- v) Development of an ICT Systems and Infrastructure best practice report highlighting available Capital Market ICT solutions that conform to international best practices. The report will highlight the advantages and disadvantages of such systems and their agility and adaptability to digital evolution and other dynamic trends in the market. The report will also highlight the ability such systems to regulate markets in the context of remote working arrangements as witnessed during the COVID 19 pandemics. The report will include specific recommendations on systems and infrastructure that best fit the Nigerian context.
- vi) Consultative seminars/workshops: Broad stakeholder support for the process is an absolute necessity to ensure success of the project. In addition, stakeholder engagement on the transformation process can be leveraged to engender more awareness on the importance of robust ICT/Digital systems and processes in capital markets. Bidding consultants will be called upon to suggest strategies to build inclusive momentum for Transformation Strategy: these might include one-on-one meetings and small engagement meetings targeted at specific groups of stakeholders who could “champion” the Transformation Strategy. The Consultant would be expected to both conceptualise and facilitate these.
- vii) Agree with SEC and other relevant stakeholders on the outline, content and results for the ICT Transformation Strategy.
- viii) Production of the ICT Transformation Strategy itself in working draft form.
- ix) Production of a detailed draft implementation plan for the ICT Transformation Strategy, in a separate document to the ICT Transformation Strategy itself, detailing:
 - the sequencing of the various interventions and their attendant costs
 - a recommended governance structure for the implementation of the Transformation Strategy - Steering Groups, Technical Committees etc.
- x) Market consultations on the draft ICT Transformation Strategy and the implementation plan, to validate the report and confirm timing of implementation, roles and responsibilities, financing of implementation, monitoring and risks.
- xi) Finalization of the ICT Transformation Strategy. The consultant will be required to produce an international standard final product benchmarked against international best practice including TOGAF, COBIT, ITIL and others.
- xii) Draft Terms of reference for the consulting firm (s) that will implement the various initiatives under the ICT Transformation Strategy.
- xiii) Draft Capacity building plan in support of the ICT transformation strategy.

4. Deliverables

The deliverables under the assignment are as follows:

- a) An Inception Report including a summary of the proposed approach and timeline, documents and preliminary list of stakeholders to be engaged.
- b) ICT Governance, Skills, Systems and Infrastructure diagnostic assessment report.
- c) ICT Systems and Infrastructure best practice report highlighting potential Capital Market ICT solutions that can be adopted by SEC Nigeria.

- d) Draft ICT Transformation Strategy.
- e) Final Draft of the ICT Transformation Strategy
- f) Draft Terms of reference for the consulting firm(s)/providers that will implement the various initiatives under the ICT Transformation Strategy.
- g) Draft Capacity building plan in support of the ICT transformation strategy.
- h) Presentation of the ICT strategy to the SEC Nigeria Board and at a launch attended by a wider stakeholder base. The consultant will be required to share the presentation with the project steering committee for review and approval before presenting.

5. Timelines

The consultant is expected to execute the deliverables under the project over a period of twenty-seven (27) weeks.

Inception Report	Within 4 weeks of award of contract
ICT Systems and Infrastructure diagnostic assessment report.	Within 8 weeks of award of contract
ICT Systems and Infrastructure best practice report	Within 10 weeks of award of contract
Draft ICT Strategy	Within 18 weeks of award of contract
Final Draft of the ICT Transformation Strategy	Within 20 weeks of award of contract
Presentation of the ICT strategy to the board	Within 23 weeks of award of contract
Presentation of the ICT Strategy at a launch event	Within 25 weeks of award of contract
Draft Terms of reference for the consulting firm (s) that will implement the various initiatives under the ICT Transformation Strategy	Within 27 weeks of award of contract
Draft Capacity building plan in support of the ICT transformation strategy.	Within 27 weeks of award of contract

6. Invitation to Submit Proposal

FSDA is inviting a proposal from a suitably qualified consultants/consultancy firm.

Your proposal should contain:

- CVs (maximum 3 sides of A4 paper each) of key individuals, tailored to the assignment.
- Outline of team structure, including roles and responsibilities of team members.
- A summary of your relevant experience for the assignment.
- A short description of your understanding of the role of the Consultant and the approach to be used as outlined in these Terms of Reference.
- A description of how you intend to fulfil the Services within the suggested timeline and confirmation of your ability to meet the timelines.
- An itemised budget for both professional fees and reimbursable expenses, including fee rates, number of days and a breakdown of expenses.

Your proposal, which should not exceed 10 pages (excluding annexures), should be sent by email to FSD Africa at bids@fsdafrica.org by 1200 EAT on 10 May 2021.

7. Basis of award

FSD Africa will award a contract to the consultant based on the following criteria:

Mandatory requirements
Firms/Individuals must have demonstrated ICT expertise with an understanding of the capital markets space and the interaction between ICT and capital markets.
Firms/Individuals must have demonstrated experience of at least 7 years in capital markets ICT systems and infrastructure in sub Saharan Africa and/or other emerging markets.
Firms/Individuals must demonstrate a clear and concise understanding/interpretation of the task set out in the TORs.
Individuals/ Key personnel in the project team must have relevant qualifications in ICT, Capital Markets ICT infrastructure and systems or related field.
Undertaken at least two (2) similar assignments in the last 7 years.
Most economically advantageous.

Assessment criteria	Weighting (%)
Experience	<p>Firms/Individuals must have demonstrated experience of at least 7 years in capital markets ICT systems and infrastructure in sub Saharan Africa and/or other emerging markets.</p> <p>Undertaken at least two (2) similar assignments in the last 7 years.</p> <p style="text-align: right;">35%</p>
Skills and qualification	<p>Firms/Individuals must have demonstrated ICT expertise with an understanding of the capital markets space and the interaction between ICT and capital markets.</p> <p>Individuals/ Key personnel in the project team must have relevant qualifications in ICT, Capital Markets ICT infrastructure and systems or related field.</p> <p style="text-align: right;">25%</p>
Methodology	<p>Firms/Individuals must demonstrate a clear and concise understanding/interpretation of the task set out in the TORs.</p> <p style="text-align: right;">20%</p>
Most economically advantageous.	<p>Fee basis and total costs will be computed as follows:</p> <p style="text-align: center;">FS = 20% x LB/BP where:</p> <p style="text-align: center;">FS = is the financial score LB = is the lowest bid quoted BP = is the bid of the proposal under consideration.</p> <p style="text-align: right;">20%</p>

Assessment criteria		Weighting (%)
	The lowest bid quoted will be allocated the maximum score of 20%. Fee quoted must be inclusive of applicable withholding tax	
Total		100%

8. Contact

Questions or comments in respect of these terms of reference should be directed by email to: bids@fsdafrica.org and be received no later than **1200 EAT on 26 April 2021**. Responses and clarifications will be provided by 1700hrs EAT on **28 April 2021** through the same advertisement channels.

9. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes. The below table however provides guidance on the applicable rates as per tax regimes

Country	WHT Rate
Kenya	5%
United Kingdom	12.5%
Canada	15%
Germany	15%
Zambia	15%
India	10%
Non-resident rate for citizens of EAC member countries (member countries attached)	15%
All other countries	20%