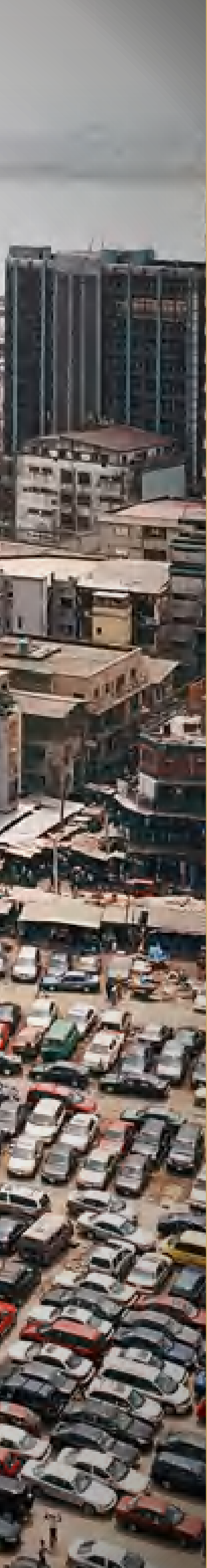


THE NIGERIAN CAPITAL MARKET MASTER PLAN

2021 – 2025

(Revised Edition)

SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

fsdafrica

UKaid

from the British people

Finance, Budget and National Planning

Foreword By The Director General, SEC Nigeria

Nigeria in the last decade has firmly emerged as one of the leading frontier markets in Africa with immense potential for significant growth. The aspiration of the Government to create opportunities for the private sector to be a major engine of growth that guarantees improvement in the welfare and standard of living of the citizens of our great country has been diligently articulated in Nigeria's Medium-Term National Development Plan (MTNDP) 2021-2025. The MTNDP emphasizes development of a deep, broadened and competitive financial system that is better positioned to support private sector growth and economic diversification.

Capital Markets provide a useful means to mobilize capital and harness economic interests in an efficient manner to drive innovation and growth. The last decade has been characterized by significant volatility in the global financial system caused by various economic and health shocks. At the same time innovative technologies have significantly disrupted how markets operate.

The Revised Capital Market Master Plan 2015-2025 (RCMMP), developed by the Securities and Exchange Commission (SEC) Nigeria in collaboration with stakeholders, captures the challenges of our capital market in actualizing its role to drive national economic growth and more importantly, provides a blueprint to harness these opportunities to better position the capital market as the engine of our economic growth and development.

The first five years of the original Capital Market Master Plan 2015-2025 (CMMP) implementation focused on market and governance reforms in the aftermath of the global financial crises of 2008 and the Nigerian market correction that continued into 2009, with significant success. During that period, stock certificates were dematerialized, dividend management was automated, corporate governance standards were improved, intermediaries were strengthened through revised capital requirements and risk based supervision, amongst several other initiatives implemented under the CMMP.

Today, we face new challenges and opportunities. The pursuit of innovation and growth requires that we are open to opportunities and risks. Our choices are limited if we only seek opportunities within our traditional boundaries. Similarly, we inhibit our ability to grow if we do not curtail the threats of unregulated risk taking. Promoting entrepreneurial and innovative outcomes, therefore, requires balancing our openness and more appetite for risk-taking with the critical need to protect investors. It is important to contextualize our aspirations within the fundamental objectives of market integrity and investor protection while pursuing economic growth. The RCCMP has provided a framework and outlined strategic initiatives that will help embrace and unlock these opportunities in our capital market.

We have enjoyed strong support from the Honorable Minister of Finance, Budget & National Planning and together with market stakeholders, the SEC intends to lead the implementation of the RCMMP over the next four years and in-line with the objectives of the MTNDP. This we believe, is a critical success factor in the quest to fulfill the dream of a prosperous and peaceful Nigeria for all citizens.

My most sincere appreciation goes to the Financial Sector Deepening Africa (FSDA) for funding the work of the RCMMP and to the capital market community for aligning with our vision and committing to support the implementation of the Plan.
I invite all of you to join us in this exciting and rewarding journey to Nigeria's greatness.

Thank you.

Lamido A. Yuguda
Director General, Securities and Exchange Commission, Nigeria.
February 2022.

Table of Contents

Glossary

Abbreviation	Meaning
AFEX	AFEX Commodity Exchange
BOI	Bank of Industry
CAMMIC	Capital Market Implementation Committee
CBN	Central Bank of Nigeria
CCP	Central Counter Party
CIS	Collective Investment Schemes
CMMP	Capital Market Master Plan (2015 – 2025)
CMS	Capital Market Studies
CPD	Continuing Professional Development
CSCS	Central Securities Clearing System
ERGP	Economic Recovery and Growth Plan
Fintech	Financial Technology
FMAN	Fund Managers Association of Nigeria
FMDQ	FMDQ Securities Exchange
GDP	Gross Domestic Product
GMSLA	Global Master Securities Lending Agreement
InfraCredit	Infrastructure Credit Guarantee Company
LCFE	Lagos Commodities and Future Exchanges
MBS	Mortgage-Backed Securities
MOU	Memorandum of Understanding
NAICOM	National Insurance Commission
NASD	National Association of Securities Dealers
NASDAQ	National Association of Securities Dealers Automated Quotation
NCMI	Nigeria Capital Market Institute
NCX	Nigeria Commodity Exchange
NGX	Nigerian Exchange
NICM	Non-Interest Capital Market
NSC	National School Curriculum
PenCom	National Pension Commission
PFA	Pension Fund Administrator
PFCs	Pension Fund Custodian
Revised CMMP	Capital Market Master Plan (2021 – 2025)

Abbreviation	Meaning
REITS	Real Estate Investment Trusts
RPA	Robotic Process Automation
SEC	Securities and Exchange Commission
SME	Small Medium Enterprises
SRI	Sustainable Responsible Investing
SROs	Self-regulatory Organisations or (NGX, FMDQ, NASD, LCFE, AFEX, NCX, CSCS)
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax
VC	Venture Capital
WASRA	West African Securities Regulators Association

Executive Summary

01

Executive Summary

The capital market of an economy plays a vital role in promoting the growth and development of a country. It plays a fundamental role in a modern economy by creating critical linkages that foster the productive and efficient allocation of resources.

The primary objective of the Nigerian capital market is to create a well-functioning financial system that enables the economy to exploit its growth potential. A system that allows the best investment and development opportunities access the funding they need.

To position the Nigerian capital market as a key market in Africa, SEC Nigeria developed a 10-year (2015 – 2025) Nigeria Capital Market Master Plan ("CMMP") in 2015. The CMMP is the blueprint that positions the Nigerian capital market as an efficient and internationally competitive market that can support Nigeria's emergence as a top 20 global economy.

Over the last few years, the Nigerian capital market has emerged as a leading frontier market with increased participation by foreign investors. To remain competitive however, there is a need to update the CMMP to reflect current realities and future trends.

1.1 Implementation Status of the CMMP

The CMMP had developed four strategic themes, which reflected the market needs at the time. The key objectives identified under each of the themes include :

- To drive and facilitate capital raising for sustainable national development and transformation of Nigeria's priority economic sectors, thereby effectively contributing to the national economy.
- To align market structure to requirements of the economy as well as increase the scale, size, and professionalism of all stakeholders.
- To ensure competitiveness by establishing practices to improve transparency, efficiency, and liquidity and to attract sustainable interest in the capital market from domestic as well as foreign investors and participants.
- To create an enabling and facilitative oversight and regulatory framework supportive of the deepening and development of the Nigerian capital market.
- In addition to the CMMP, two (2) other sub-plans were developed to complement the CMMP. They are:
- Non-Interest Capital Market Master Plan - The aim was to boost the development of the non-interest capital market ("NICM") to support Nigeria's economic development.
- Capital Market Literacy Master Plan – The objective was to increase market participation by improving capital market literacy in Nigeria.

We have assessed the performance of the CMMP in the past 5 years to ascertain progress and additional efforts required to achieve the CMMP. The outcome is summarised below:

Themes	Objectives	Implementation of Initiatives	Comment
Contribution to the National Economy	• Broaden the understanding of the capital market to include the money market, equities market and alternative investments. • Establish policies to drive personal, corporate, institutional, and national savings and for channelling them to the capital market. • Contribute to increasing the formalisation of the economy and promote financial inclusion. • Drive the mobilisation and allocation of capital to the critical and significant sectors of the economy. • Provide a framework for sound corporate governance and investors' protection in line with global best practices. • Facilitate internationalisation of the Nigerian capital market.	Done: 8 out of 28 initiatives Ongoing: 8 out of 28 initiatives Not Done: 12 out of 28 initiatives	• Market capitalisation is below 10% of the Country's Gross Domestic Product. • Critical sectors of the economy, such as agriculture, power and real estate are not well represented in the capital market. • Emergence of key players like InfraCredit and ALCB has facilitated the deepening of the debt market.
Competitiveness	• Reduce cost of the market below that of benchmark markets. • Full dematerialisation of certificates. • Actively engage stakeholders and foster a cordial and professional working relationship across the board. • Develop a thriving commodities trading ecosystem. • Improve ease of access and doing business with the capital market and improve overall investor experience. • Sponsor policies to foster the growth of the industry. • Become a hub in Africa for Islamic capital market products. • Transparent capital markets reputable for full disclosure • Enable awareness of the capital markets nationwide.	Done: 10 out of 32 initiatives Ongoing: 11 out of 32 initiatives Not Done: 11 out of 32 initiatives	• Transaction cost in the capital market is still high compared to emerging market peers. • There is poor transparency in trading practices of market operators and weak disclosure requirements / corporate governance especially concerning related party disclosures.
Market Structure	• A balanced, integrated financial market. • Improve liquidity of the market. • Increase market capitalisation of critical economic sectors. • Balance volume of retail and institutional investors. • Improve industry skills and competencies.	Done: 9 out of 21 initiatives Ongoing: 7 out of 21 initiatives Not Done: 5 out of 21 initiatives	• The market concentrated around the top 10 participants in both the equities and fixed income market. The top 10 participants on the NGX and FMDQ accounted for 54% and 79% of transactions executed in the 3rd quarter of 2020 YTD respectively • However, there has been an increase in the number of other financial market products such as mutual funds, commodity exchange.

Themes	Objectives	Implementation of Initiatives	Comment
Regulation and Oversight	• Promote a capital market environment that facilitates market development. • Become a top 20 capital market regulator. • Protect investors and improve overall investor experience. • Strengthen auditing, reporting and disclosure standards. • Enhance the dispute resolution framework in line with leading practices.	Done: 1 out of 24 initiatives Ongoing: 15 out of 24 initiatives Not Done: 8 out of 24 initiatives	• There is perceived high-level uncertainty in the regulatory landscape of the capital market. • Adequate investor protection mechanisms are yet to be fully implemented (complaints management framework, effective whistleblowing mechanism, market surveillance etc.).
Non-Interest Capital Market	• To build a strong regulatory foundation for NICM. • To encourage the development of NICM market stakeholders. • To encourage the development of NICM market products. • To create a regional NICM hub.	Done: 9 out of 15 initiatives Ongoing: 1 out of 15 initiatives Not Done: 5 out of 15 initiatives	• The level of awareness about the NICM has improved over time. Most entities are more aware of the existence of non-interest capital market products. However, there is still a limited distribution network for NICM products. • Demand for sukuk has improved leading to increased retail participation. However, corporates are yet to take advantage of sukuk especially in the real estate/infrastructure sector.
Capital Market Literacy	Not Applicable	Done: 11 out of 47 initiatives Ongoing: 10 out of 47 initiatives Not Done: 26 out of 47 initiatives	Not Applicable

1.2 Key Implementation Challenges

The relative low implementation status of the CMMP could be attributed to four (4) key challenges which are as follows:

- **Macroeconomic challenges** - Following the adoption of the CMMP in 2015, Nigeria went into an all-year recession in 2016 occasioned by shocks in oil prices. As a result, Investors in the capital market lost over N603.7 billion. Subsequently in 2020, the COVID-19 pandemic had a negative impact on the global economy. The impact on Nigeria's economy included a decline in economic growth and volatile foreign exchange regime despite the increase in crude oil prices.

- **Getting the buy-in of other stakeholders** - Although the CMMP was developed in line with Nigeria's strategic aspirations, it was not an integral part of the Federal Government's Economic Recovery and Growth Plan (ERGP). Specifically, the ERGP did not include details of the Government's plan for the capital market. This posed challenges to the Capital Market Implementation Committee (CAMMIC) as the successful implementation of the CMMP hinges on getting the right level of support from the Government.

- **Lack of measurement methodology/mechanism** - The CMMP did not include an appropriate methodology and metrics that would guide the performance measurement of the implementation.

1.3 The Revised CMMP

Since the CMMP was developed in 2015, the global economy and investment environment have changed radically, with the COVID-19 pandemic exacerbating the scale. Further, there has been little progress in achieving the CMMP's vision, which presents an opportunity to update the master plan to reflect current economic realities and address its shortcomings.

The revised CMMP has been structured to include the following components:

- The revised vision;
- Updated strategic themes and objectives;
- Targets and measures to monitor the achievement of the objectives;
- Initiatives to achieve the set targets; and
- An updated governance structure to facilitate the implementation of the revised CMMP
- Implementation roadmap to guide the transformation journey

The revised CMMP Vision is "**To be Africa's most modern, efficient and internationally competitive market that catalyses Nigeria's economic growth and development"**

The CMMP's vision was revised to reflect an overarching aspiration, that is, to drive the development of a competitive and vibrant Nigerian capital market capable of supporting economic growth.

To achieve this vision, four strategic themes,21 objectives and 55 initiatives have been developed to drive the implementation of the revised CMMP.

Revised CMMP Vision			
To be Africa's most modern, efficient, and internationally competitive market that catalyses Nigeria's economic growth and development			
Vision Result			
Nigeria's emergence as one of the top 30 markets by market capitalisation			
Updated Strategic Themes			
Theme 1: Contribution to the National Economy	**Theme 2:** Market Development & Innovation	**Theme 3:** Competitiveness	**Theme 4:** Market Regulation & Oversight
Objective	**Measures**	**Target**	**Initiative**
Theme 1: Contribution to the National Economy			
1. Facilitate the availability of long-term capital	o Growth in market capitalization to GDP o Growth in national savings schemes o Increase in Institutional investors (pension, insurance, etc.) fund investment in the capital market o Increase in venture capital investments in Nigeria companies o Increase in Collective Investment Schemes	o Market capitalization-to-GDP ratio of 20% by 2025 o Growth in national savings schemes investment in the capital market from zero to N1 trillion by 2025 o An increase in pension fund investments in the capital market from N2 trillion to N7 trillion by 2025 o Cumulative VC investments of N1 trillion in Nigeria companies by between 2022 and 2025 o An increase in Collective Investment Schemes from N1.5 trillion to N4 trillion by 2025	1. Engage the Federal Ministry of Finance to finalise the national savings strategy and coordinate the implementation of the strategy 2. Facilitate increased participation of pension funds and insurance companies in the capital market 3. Develop a framework and regulation to drive the creation and investment in local venture capital funds 4. Collaborate with capital market operators to facilitate the availability of long-term capital using sustainable finance

2. To promote financial inclusion	Active investors in the capital market Increase in the number of investors in collective investment schemes o Number of new capital market products (unit trust, investment trust, etc.) to drive financial inclusion o Number of fintech companies registered as digital sub-brokers, crowdfunding intermediaries, robo-advisors, fund managers annually.	o Five million active trading accounts in the capital market by 2025 o Five million unitholders of collective investment schemes by 2025 o 10 new capital market product listings[1] each year to drive financial inclusion (50 new product listings by 2025) o 50 fintech companies registered as digital sub-brokers, crowdfunding intermediaries, robo-advisors, fund managers, etc. by 2025.	5. 6. 7.	Implement and adopt a central identity management system as a universal means of identification for all capital market transactions. Collaborate with the Fund Managers Association of Nigeria to promote financial inclusion using collective investment schemes Collaborate with fintech companies to introduce new capital market products such as multi-issue structured products, special financial bonds to facilitate the interest of SMEs
3. Channel capital to critical sectors of the economy	Number of listings in the SME segments of the capital market within the critical sectors o Investment via crowdfunding platforms by the critical sectors	o 100 SME listings across all recognised exchanges/trading platforms by 2025 o Total investment of N250 billion via crowdfunding platforms by 2025	8.	Collaborate with SROs to facilitate the use of alternative financing options to meet the financing needs of high-growth companies in the critical sectors
Theme 2: Market Development & Innovation				
4. Facilitate an integrated African capital market	o Number of partner countries in the developed integrated capital market ecosystem	o Integration of trading, clearing and settlement with Ghana and WAEMU for equities and fixed income o Cooperation with South African capital market to drive pan African capital market integration	9.	Establish a coalition/ union of African capital markets.
5. Stimulate product innovation across different market segments	o Number of new innovative products introduced into the capital market o Frequency of market-wide research conducted	o At least 10 innovative product listings[2] annually o A detailed annual report on the state of new product development in the Nigerian capital market	10.	Streamline the regulation and the process for product innovation in the Nigerian capital market.
6. Promote the Environmental, Social, and Governance segment of the Nigerian capital market	o Number and value of green bonds issued	o N500 billion raised in green bonds by 2025 o 20 green bonds including 10 new issuers by 2025	11. 12.	Develop a local pool of licensed green bond verifiers Incentivise the issuance of, and participation in Environmental, Social, and Governance compliant products

			13. Create awareness, deploy educational, and advocacy campaigns for ESG compliant products
7. Increase adoption of advanced technologies and innovation	o Processes optimised using advanced technology o Comprehensive evaluation of the use of advanced technologies in the Nigerian capital market	o Enhance the Straight-through transaction processing and reduce the settlement period to T+1 o Complete the review of the use of advanced technologies in the capital market by 2021 and commence the implementation of the roadmap by 2022	14. Develop an Infrastructure Technology (IT) Standards Blueprint for the Nigerian capital market 15. Develop user interface training and capacity building programmes 16. Conduct a comprehensive review of these advanced technologies and their role in the Nigerian capital market (blockchain technology, RPA, etc.)
8. Create an enabling structure for digital asset trading	o Implementation of policies and laws enacted to regulate digital asset trading o Number of digital assets traded on the exchanges	o Implement a framework for the trading of digital assets in Nigeria o 50 digital assets traded on recognized exchanges by 2025	17. Develop the frameworks for regulating digital assets
9. Expand and deepen the Non-Interest Capital Market	New Shari'ah-compliant products introduced Retail investor participation in the NICM Institutional investor participation in the NICM Market capitalisation of Sukuk instruments	o 100 retail Shari'ah-compliant products by 2025 o At least 1 million direct investors in Shari'ah compliant products by 2025 o At least N5 trillion investment by institutional investors in Shari'ah compliance products by 2025 o 50 listings of Shari'ah compliant products with market capitalisation of at least N5 trillion by 2025	18. Establish strategic joint alliances with key stakeholders 19. Facilitate the development of a variety of Shari'ah-compliant products 20. Promote capacity building programmes on Shari'ah-compliant processes and products (Regulators and Operators)
10. Develop a thriving commodities trading ecosystem	o Volume of commodity exchange transactions o Investors' participation in the commodity exchange o Frequency of capacity building programmes relating to commodities trading	o Annual trading volume of 50 million MT on five major commodities o 500 institutional investors active on the commodity exchanges by 2025 o At least 15 capacity building programmes relating to commodities trading organised every year	21. Advocate for the development of agriculture value chain 22. Create awareness and knowledge of commodity trading

11. Foster adequate capacity building programmes across the market	o Frequency of market-wide capacity building programmes o Partnerships with high quality institution that can advance capacity development in the capital market o Number of capital market-related Continuous Professional Development certificates issued	o At least 10 market-wide capacity building programmes organised every year o Partnership with two to three well recognised institutions to develop the capital market training curriculum and programs o Implement a mandatory CPD for key employees of all capital market intermediaries/ licensed individuals in the capital market with 100% compliance by 2025	23. Transform the Nigerian Capital Market Institute to better support the training and education of capital market operators 24. Introduce mandatory Continuing Professional Development points as a prerequisite for maintaining Capital Market operating license 25. License more institutes or partner with business schools to run Capital Market training programs that counts towards Continuing Professional Development
12. Drive retail and institutional investor participation through nationwide awareness programmes	o Retail investors by volume and value of transactions across all market segments o Institutional investors by volume and value of transactions across all market segments o Social media engagement o Frequency of awareness/ outreach programmes organised o Growth in collective investment schemes	o Five million retail investors contributing 40% of transaction volume (120 billion) and value (N1.8 trillion) by 2025 o 60% of transaction volume (180 billion) and value (N2.4 trillion) by institutional investors by 2025 o 500,000 followers on each social media platform (Instagram, Facebook and twitter) and posting contents daily o Run at least 20 awareness/ outreach programmes (both physical and virtual) across the country each year o Five million unitholders of collective investment schemes with N4 trillion total net assets by 2025	26. Develop and document a national engagement strategy 27. Increase access of the public to basic financial information and tools using a dedicated website, easy-to-read guidebook, social media page, smartphone app, etc. 28. Activate the use of traditional media aids such as a dedicated capital market comic strip to be included in the daily newspapers to target the older generation 29. Promote investment cooperatives to middle-class earners and new entrants into the economy to drive up retail participation 30. Raise awareness on fraudulent and Ponzi schemes across all geopolitical zones using local dialect where necessary 31. Follow through on the adoption of capital market courses and subjects in tertiary institutions 32. Revive and sustain the Financial Literacy Week program

			33. Promote regular dissemination of information on investor rights and policies via SMS notifications and emails
Theme 3: Competitiveness			
13. Optimise transaction cost	○ Reduction in market transaction cost ○ Online trading of securities	○ 50% reduction in transaction costs by 2025 ○ 98% of trades in the market carried out through online straight-through processing by 2025	34. Adopt a liberalised transaction fee structure that offers overall reduced cost-to-trade to investors and market participants to encourage fair competition
14. Improve market liquidity	○ Annual trading turnover ○ A restructured and fully operationalised securities lending framework ○ Online trading of securities ○ Trading velocity	○ Achieve an annual turnover value of N4 trillion and volume of 300 billion shares by 2025 ○ Active participation of PFCs in securities lending by 2025 ○ 98% of trades in the market carried out through online straight-through processing by 2025 ○ 20% trading velocity[1] in equities market by 2025	35. Reduce settlement days to T+1 36. Develop a framework that promotes online trading and includes incentives for retail investors or consumers 37. Restructure the securities lending framework to include PFAs and PFCs participation and develop an improved framework for margin lending to drive liquidity
15. Broaden the reach of the local capital market beyond Nigeria	○ Dual/cross-listings ○ Foreign investments ○ Diaspora savings/investments in the capital market	○ 25 dual/cross listings by 2025 ○ 20% of Nigerian listed securities (by market capitalization) held by foreigners ○ N2 trillion in diaspora savings/investments in the capital market by 2025	38. Develop a framework and work with other securities regulators in strategic markets to leverage technology trading platforms to facilitate access to the Nigerian capital market 39. Develop and promote principles, rules, and regulations to position the Nigerian capital market as an international hub 40. Develop a legal and regulatory framework that will expand the range of capital market products and services made available and that can attract diaspora savings
16 Improve market participants' experience	○ Improved level of compliance with the minimum operating standards ○ Level of satisfaction with industry experience	○ 100% compliance with minimum operating standards ○ 90% satisfaction rate from customer surveys conducted	41. Consolidate capital market operators 42. Advocate for the easing of controls on foreign investor participation

		○ Annual publication of the customer surveys carried out and how the feedbacks will be addressed	43. Conduct regular customer survey on all stakeholders and make appropriate changes based on the feedbacks
Theme 4: Market Regulation & Oversight			
17 Develop regulations that facilitate market development	○ Asset management operations ○ Number of new listings under different product categories (Equities, ETFs, etc.) and value traded ○ Optimised structure of the market	○ Five million investors within the asset management operations a total asset under management of N10 trillion by 2025 ○ At least 10 new product listings annually ○ Implementation of the recommendations of the market structure review by 2022	44. Provide regulatory parity and consistency between all institutions and participants conducting similar capital market activities 45. Implement a legal framework for cross border market activity 46. Move towards a principle/risk-based system of regulation for capital market activities 47. Undertake a comprehensive review of the market structure
18 Improve market risk oversight	○ Compliance level of capital market participants	○ 100% compliance	47. Establish and enforce risk management framework across the capital market 48. Facilitate the prompt and coherent flow of risk-related information to relevant parties 49. Implement the priority actions and recommendations of the 2021 GIABA Mutual Evaluation Report within the capital market
19 Enhance corporate governance practices and systems for investor protection	○ Prompt sanctions when reporting and disclosure standards are not met ○ Level of compliance with corporate governance standards	○ Implement sanctions within 90 days of market infractions by listed entities ○ 100% compliance	50. Promote transparency and disclosure across the capital market 51. Strengthen and enforce corporate governance standards
20 Strengthen financial and reporting standards of market participants, and advance market transparency	○ Level of compliance with financial reporting standards ○ Number of violations of capital market rules by capital market operators ○ Adoption of XBRL ○ Adoption of a centralized surveillance system for the Nigerian capital market	○ 100% compliance ○ Zero violations of capital market rules ○ Implementation of XBRL as the standard for exchange of business information electronically in the Nigerian capital market	52. Enforce compliance with financial reporting standards by issuers and capital market operators 53. Adopt an open technology standard for the exchange of business information electronically

		○ Implementation of a market surveillance system for the Nigerian capital market	54.	Work closely with self-regulatory organisations to strengthen market surveillance across all recognised securities exchanges and trading platforms by leveraging technology
21 Enhance the dispute resolution process	○ Turnaround time for dispute resolution ○ SEC's success rate in dispute resolution	○ 90% of disputes resolved within 90 days ○ 100% of disputes resolved within 365 days	55.	Implement appropriate mechanisms for investor redress and dispute resolution

1.4 Implementation Plan for the Revised CMMP

Visible ownership and leadership are critical for the achievement of the revised CMMP. The implementation framework for the revised CMMP provides the schedule to guide the implementation of the initiatives and identifies some quick wins for the Capital Market.

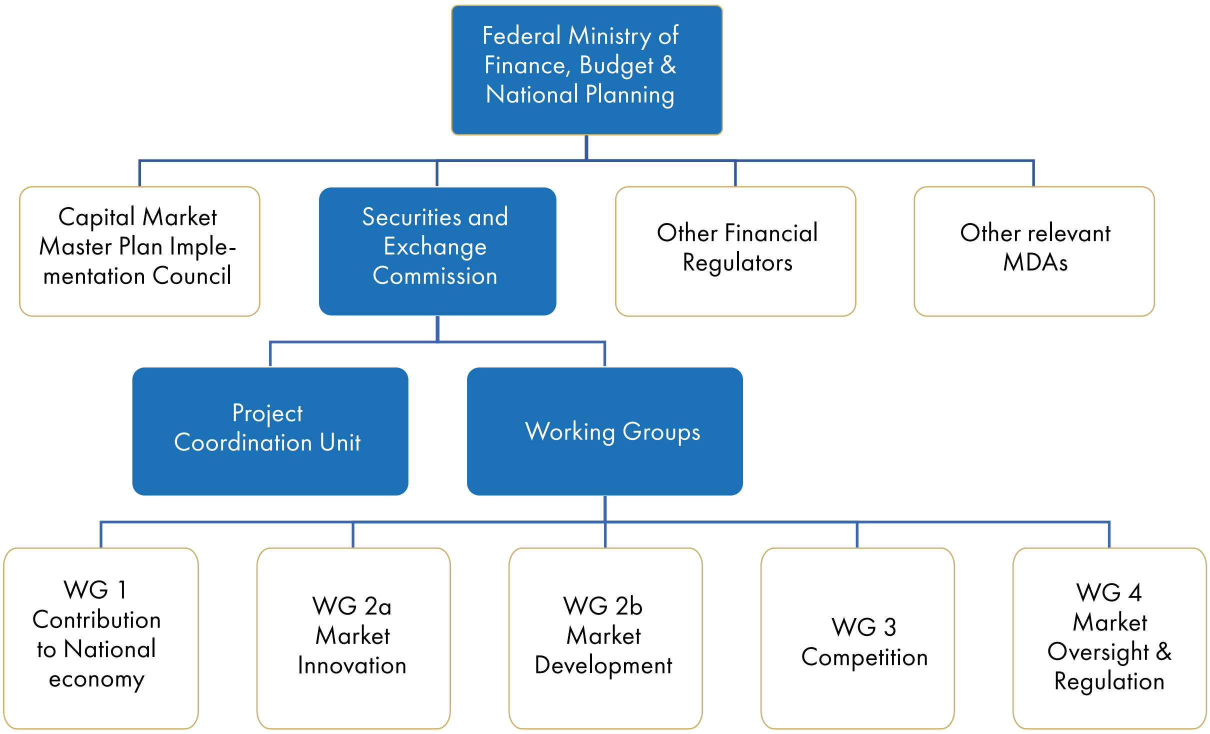
We highlighted initiatives within SEC's control and the ones that would require collaboration with other stakeholders.
The defined strategic initiatives were prioritised based on two criteria - the level of impact to the overall vision of the revised CMMP and the level of SEC control on the implementation process - and weights assigned to them in order of priority i.e., High, Medium, Low.

Of the 55 initiatives identified in the revised CMMP, 33 were ranked as high priority, 10 as medium priority and 12 as low priority.

Timelines were set for the implementation of each initiative and persons responsible for each of the initiatives were identified and assigned based on their role relevance for effective performance monitoring.
Responsibilities have been cascaded to specific roles and stakeholders and timelines defined for easy performance monitoring.

The charts below provide a snapshot of the revised CMMP governance structure involved in the implementation of the plan.

Figure 1: Revised CMMP Governance Structure



Introduction

02

Introduction

2.1 Background

The capital market plays a vital role in promoting the growth and development of an economy. It is fundamental in developing a modern economy by creating critical linkages that foster the productive and efficient allocation of resources. To this end, a well-functioning capital market is expected to be efficient, transparent, and dynamic. It is a critical aspect of a nation's financial system that must be aligned with the overall economic objective of driving sustainable economic growth and development.

In recognising the strategic role Nigeria's capital market must play to realise the nation's economic growth aspirations, the Capital Market Master Plan Committee was set up and inaugurated by the Director-General of SEC on the 9th of September 2013.

To position the Nigerian capital market as a key market in Africa, SEC Nigeria developed the 10-year CMMP in 2015. The CMMP is a blueprint for positioning the Nigerian capital market as an efficient and internationally competitive market that can support Nigeria's emergence as a top 20 global economy in line with Vision 20:2020

The CMMP was developed to assist the government to achieve its strategic economic development program by facilitating an environment that attracts capital to priority economic sectors and ensures the sustained interest of foreign investors in Nigeria.

2.2 Rationale for a Revised Capital Market Master Plan

The Nigerian capital market has witnessed significant progress and become a leading frontier market. Over the years, the market has recorded an increased level of participation by foreign investors who seek to take advantage of identified growth opportunities. The Nigerian capital market has also gained global recognition among its emerging market peers.

Due to the ever-changing economic environment in Nigeria and the world at large, there is a need to revise the CMMP to reflect the current realities and potential future trends in Nigeria and the globe at large and to ensure the capital market continues to be well-positioned to support national growth needs and meet up with the challenges of increasing globalisation.

Global instability is set to increase in the near to medium terms due to trade tensions, COVID-19 pandemic, fiscal pressures etc. The Nigerian capital market needs to be flexible and adaptive to the instability, and position itself to take advantage of the following opportunities that this presents;

- The rise of emerging markets (according to the International Monetary Fund, Nigeria ranks among the preferred emerging markets).
- Rapid technological innovation in the financial markets.
- State-driven capitalism (through regulations, partnerships with international financial centres, development banks etc.).
- Changing demography.

2.3 Organisation of the Revised CMMP Document

This document is structured into various sections:

- Current state of the Nigerian capital market, including the performance of the capital market as of 2020, trends and drivers and the implementation status of the CMMP;
- The revised strategic imperatives of the CMMP such as vision, strategic themes, objectives, measures, targets, initiatives and parties responsible for implementing each initiative;
- The governance structure for the revised CMMP; and
- The implementation plan for the revised CMMP.

The revised CMMP provides the strategic positioning and future aspiration of the Nigerian capital market for the next four years, from 2022 to 2025. The aim is to provide clarity on the vision and objectives of the capital market and position it to support Nigeria's growth needs and aspirations, including thriving in a dynamic, challenging, and competitive global investment landscape.

Current State Assessment of the Capital Market

03

Current State Assessment of the Capital Market

This section assesses the dynamics of the Nigerian capital market ecosystem and how the market has performed since the implementation of the CMMP started in 2016, highlighting key initiatives that have impacted the market. The section also identifies trends and drivers that are shaping the current structure and operating environment of the capital market as well as how stakeholders are responding to the uncertainties brought about by global trends. The implementation status of the objectives and initiatives under the CMMP was assessed and major implementation challenges were highlighted.

The assessment of the Nigerian capital market involved a review of relevant capital market papers, one-on-one interviews with certain key stakeholders to gather qualitative information such as market perception and recommendations for improvement, and learnings from other emerging markets.

3.1 Overview of the Nigerian Capital Market

The Nigerian capital market is regulated by the Securities and Exchange Commission as empowered by the Investment and Securities Act (ISA), 2007 and under the supervision of the Federal Ministry of Finance. There are two securities exchanges, one over-the-counter exchange and five commodity exchanges currently registered and operating in the Nigerian capital market as follows:

- The Nigerian Exchange ("NGX");
- The National Association of Securities Dealers ("NASD");
- FMDQ Securities Exchange ("FMDQ");
- Nigeria Commodities Exchange ("NCX");
- AFEX Commodities Exchange Limited ("AFEX");
- Lagos Commodities and Futures Exchange ("LCFE");
- Gezawa Commodity Market Limited ("Gezawa"); and
- Prime Commodity Exchange ("Prime Commodity").

The Nigerian Exchange (NGX) is the predominant equities market in Nigeria with 176 listed securities as of December 2020, while the National Association of Securities Dealers (NASD) is an over-the-counter exchange that provides a trading platform for securities of unquoted public companies in Nigeria. Established in 2013, the NASD has shares of 52 unquoted companies currently trading on its platform, with a market capitalisation of N536 billion as of December 2020.

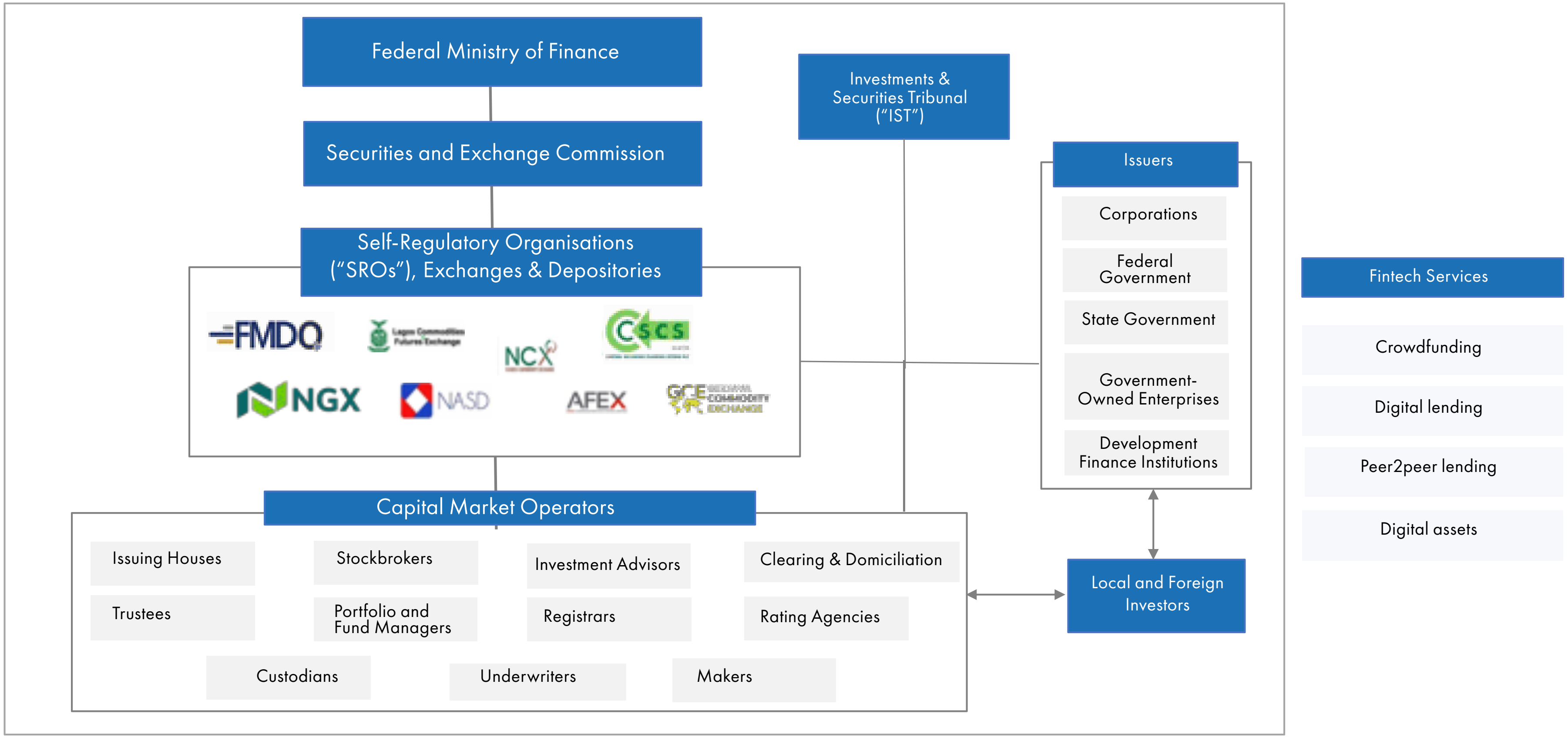
FMDQ commenced operations in 2013 as an OTC market predominantly for debt securities, however, it became a full-fledged securities exchange in 2019. The NCX, formerly known as the Abuja Stock & Commodities Exchange, is the first commodity exchange in Nigeria and is primarily involved with the trading of agro-commodities. AFEX is the first registered private commodities exchange in Nigeria after which the LCFE, Gezawa and Prime Commodity were licensed as commodities exchanges,

All securities exchanges are registered as Self-Regulatory Organisations ("SROs") by the SEC and act as first-line regulators for their members. Following the completion of the demutualisation process of the NGX in March 2021, a related company, NGX regulation, has now assumed the SRO function of the exchange.

The Central Securities Clearing System ("CSCS") and the FMDQ Depository Limited are the financial market infrastructure licensed by the SEC to facilitate clearing and settlement of all trades executed on securities exchanges as well as maintain a central depository for listed securities. As part of efforts geared towards the development of the derivatives market, the SEC recently registered two central counter parties to facilitate derivatives trading and intermediate in derivatives transactions in the Nigeria capital market.

The ISA 2007 provides for the establishment of the Investment and Securities Tribunal ("IST") to adjudicate on all capital market disputes. While the SROs and the SEC maintain their mediation process, the IST exercises exclusive jurisdiction in all capital market disputes. However, the IST does not have criminal jurisdiction. It is not unusual for capital market participants to approach the court directly on matters pertaining to capital market.

Figure 2:The Nigeria Capital Market Ecosystem



Source: The Securities and Exchange Commission, Central Bank of Nigeria, PwC Analysis

3.2 Performance of the Nigerian Capital Market 2015 - 2020

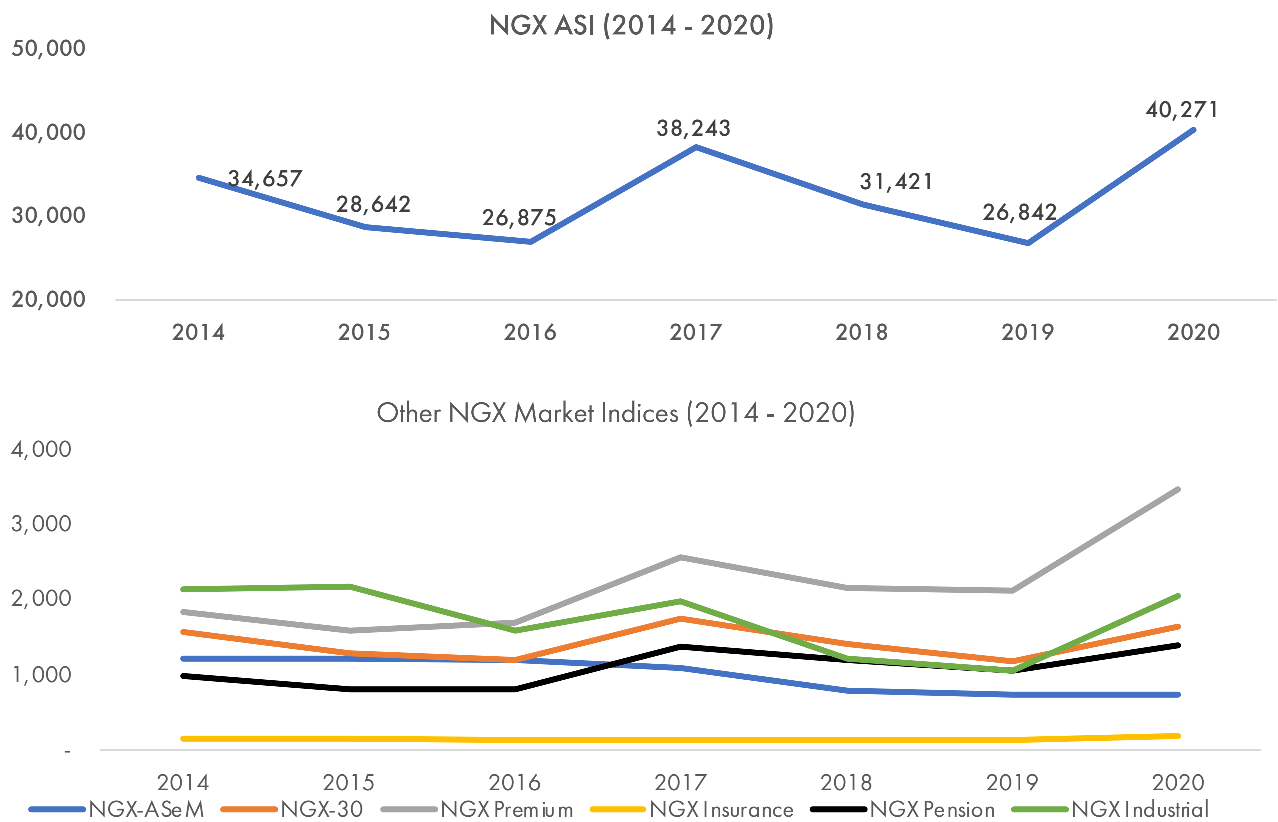
The performance of the Nigerian capital market over the past five years broadly reflected the performance of the Nigerian economy. The year 2015 began with continued recessionary pressures, including a slump in crude oil prices, uncertainty in economic policies and significant local currency exchange rate pressures. Nigeria dipped into economic recession in 2016 – the first in 25 years – and since then economic recovery has been on a slow pace. As one of the preferred emerging markets, the Nigerian capital market has also been impacted by global events over the years. Tight monetary policy measures implemented by the United States Federal Reserve, global trade tensions and Brexit are some of the global events that impacted global trade and capital flow to emerging markets.

3.2.1 Performance of the Equity Capital Market

The NGX is the primary market for monitoring Nigeria's equity capital market. In 2015, the NGX All Share Index ("NGX ASI") closed at 28,642 points after starting the year relatively flat. In addition, all the NGX market indices such as NGX-30, NGX-ASeM, NGX Premium, NGX Insurance and NGX Pension performed poorly in 2015, relative to their 2014 performance, except the NGX Industrial Index which saw an uptick of 1.3%.

In 2020, economies globally were exposed to numerous challenges arising from the global health pandemic. The existence of the pandemic resulted in economic lockdowns, supply chain disruptions, a slump in oil prices, pressures on the healthcare system which ultimately resulted in salary cuts, and layoffs. Despite the effect of the pandemic on the Nigerian economy, the equity market performance was positive during the year. By December 2020, the NGX ASI had risen by +45.07% year-to-date. This represented one of the highest returns for any global stock market in 2020. (USA's Nasdaq, and South Korea's KS11 rose by +43.22% and +32.01% respectively by December 2020).

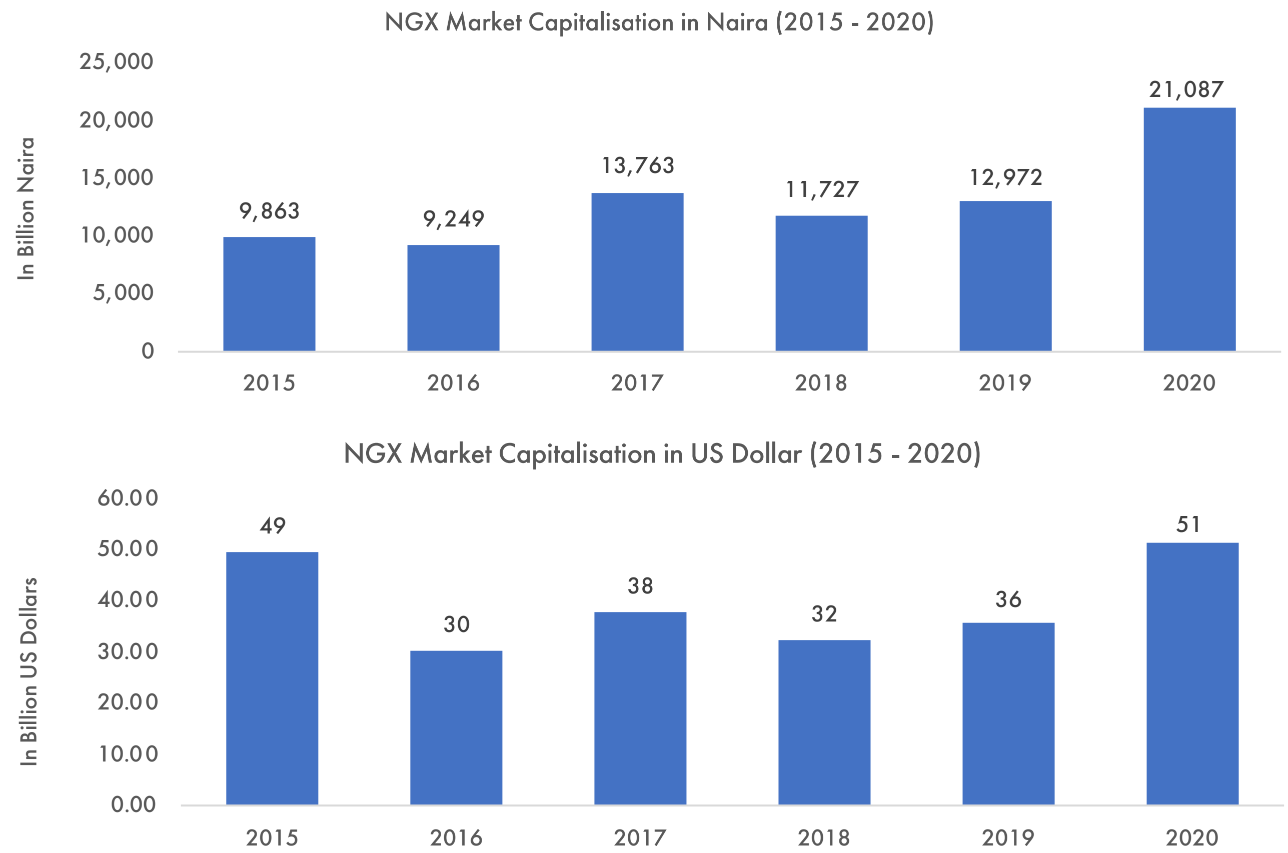
Figure 3:NGX Market Indices



Source: The Nigerian Exchange

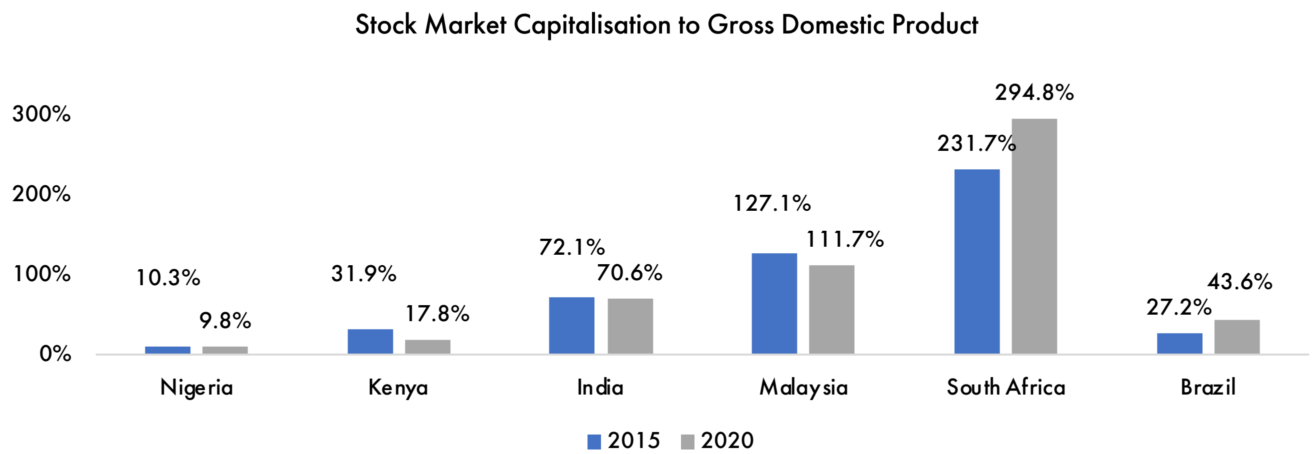
The equity market capitalisation grew at a CAGR of 16.41% between 2015 and 2020. However, when compared with other benchmark economies, the overall size of the equity capital market (measured by market capitalisation) is small relative to the size of the Nigerian economy. In 2020, the market capitalisation as a share of GDP was about 9.8%, representing a 4.8% decrease when compared to 2015 figures.

Figure 4: NGX Market Capitalisation



Source: The Nigerian Exchange

Figure 5: Stock Market Capitalisation as a Percentage of GDP



Source: World Bank

In terms of sectoral growth in the equity market, the Information and Communication and Technology (ICT) sector recorded a CAGR of 187.5% in market capitalisation to emerge as the sector with the highest growth, due to the listing of two (2) major telecommunications company. The agriculture sector came second with a CAGR of 21.1% however, the sector has, over the past (6) years, witnessed a significant fluctuation. This is due to the volatilities in the macro-economic environment and growth in alternative investment options amongst others.

On the other hand, the conglomerates' sector experienced the largest decrease in market capitalisation, with (10.5%) and the oil and gas sector followed closely by a decrease of (9.7%).

Table 3: Sectoral Market Capitalisation 2015 - 2020

Sector	2015	2016	2017	2018	2019	2020	CAGR
	N' billion	N' billion	N' billion	N' billion	N' billion	N' billion	%
Agriculture	66	82	272	139	111	172	21.1%
Conglomerates	106	75	98	87	71	61	(10.5%)
Construction / Real Estate	109	96	85	63	53	69	(8.7%)
Consumer Goods	2,621	2,500	3,797	2,959	2,261	2,354	(2.1%)
Financial Services	2,520	2,430	4,305	3,878	3,417	3,851	8.9%
Healthcare	53	28	40	33	22	34	(8.5%)
ICT	34	42	35	27	3,283	6,679	187.5%
Industrial Goods	3,480	3,270	4,385	3,767	3,059	7,286	15.9%
Natural Resources	7	6	6	4	5	7	0.0%
Oil and Gas	763	632	601	645	576	457	(9.7%)
Services	104	88	139	125	114	93	(2.2%)
Total	9,863	9,249	13,763	11,727	12,972	21,087	16.4%

Source: Nigerian Exchange

Primary market activity on the NGX continued a downward trend between 2015 and 2020 as the macroeconomic instability continues to fuel investor and issuer apathy in the equities market. However, the market witnessed a few significant listings in the ICT and Industrial sectors.

The number of listed entities on the NGX as of December 2020 was 156 compared to 190 as of 2015.

Table 4: Categories of Listed Equities and the Market Capitalisation

Category	2015		2020	
	Number Listed	Market Capitalisation (in N' billion)	Number Listed	Market Capitalisation (in N' billion)
Premium Board	3	3,522	8	9,839
Main Board	171	6,328	140	11,187
Growth Board*	N/A	N/A	4	5
Alternative Securities Market*	11	9	4	1
Real Estate Investment Trusts / Closed-End Fund	5	N/A	5	30
Exchange Traded Products	7	4	12	25
Exchange rate (Naira: USD)**	N199.35		N410.25	

Source: Nigerian Exchange

*NGX discontinued the Alternative Security Market ("ASeM") and established the Growth Board in 2020. 4 companies under ASeM subsequently migrated to the Growth Board.
**Exchange rate is based on the I & E FX Window at the end of the year

Table 5: Equity Listing/Delisting (2015 – 2020)

Listings	2015	2016	2017	2018	2019	2020
IPOs	1	0	0	0	2	0
Introduction	0	0	3	1	1	1
Delisting	5	15	6	4	7	3

Source: Nigerian Exchange

Market liquidity in the equities market improved over the period under review. Part of the measures introduced by the NGX to boost liquidity in 2018 was a new pricing structure that required a minimum trade quantity of 100,000 units of shares to change the prices of equity securities that are traded on the NGX.

Table 6: Equity Listing/Delisting (2015 – 2020)

Market Liquidity	2015	2016	2017	2018	2019	2020
Total Turnover Volume ('billion)	93	96	100	101	79	97
Total Turnover Value (N'billion)	953	576	1,271	1,202	958	1,028
Total Turnover Value (US$'billion)	4.8	1.9	3.5	3.3	2.6	2.5
Average Daily Volume ('billion)	0.4	0.4	0.4	0.4	0.3	0.4
Average Daily Value (N'billion)	3.9	2.3	5.1	4.9	3.9	3.9
Average Daily Value (US$'Million)	19.4	7.6	14.3	13.3	10.8	9.6
Turnover Velocity (%)	9.7	6.2	9.3	10.3	7.4	4.9

There are efforts to update the regulation on securities lending and margin lending to enable the inclusion of bank shares – the most liquid securities in the equities market – in the margin list. The introduction of derivatives trading in the equities market is also expected to deepen market liquidity while providing investment diversification options for investors.

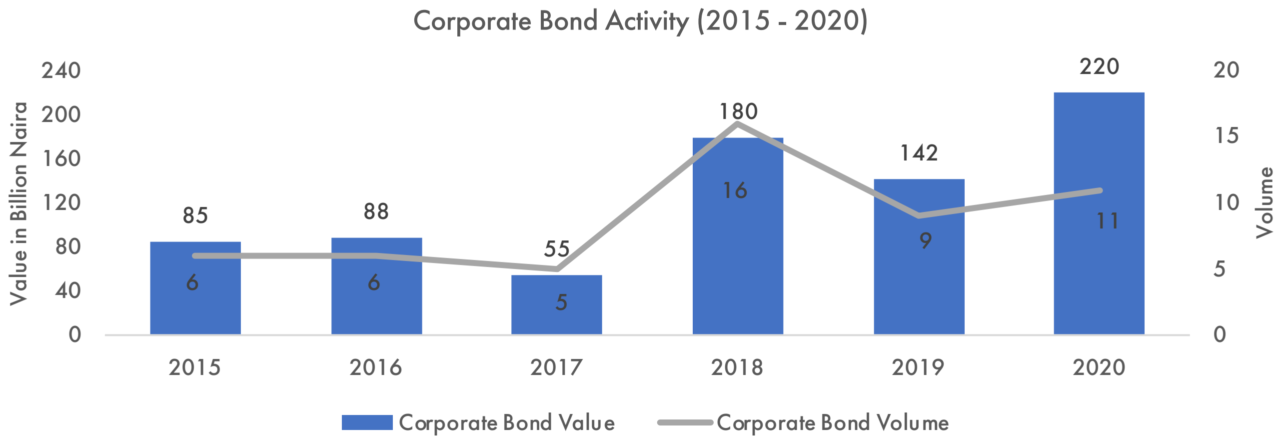
3.2.2 Performance of the Debt Capital Market

In the period under review, the domestic debt capital market gained traction because of initiatives that unlocked and facilitated ease of access to long-term capital for corporate organisations. The emergence of new players such as InfraCredit (an institution that provides guarantees for corporate bonds) and ALCB (an institution that serves as anchor investor on corporate bond issuances) provided issuers with the opportunity to issue longer tenured debt instruments – of up to 15 years – and positioned the debt market as a major source of direct infrastructure financing.

While infrastructure bonds are still at a nascent stage, the market recorded its first corporate bond issuance in the real estate and power sectors in 2017 and 2018, respectively. With the necessary framework in place, the Nigerian debt market has been positioned to facilitate the financing of sustainable and environmental projects and promote green financing in Nigeria. In 2019, two issuers in the financial services and power sectors raised a total of N24 billion through the issuance of green bonds.

Between 2015 and 2020, a total of N769.2 billion has been raised in 53 corporate bond issues, with the largest issuance, in terms of value, recorded in 2020.

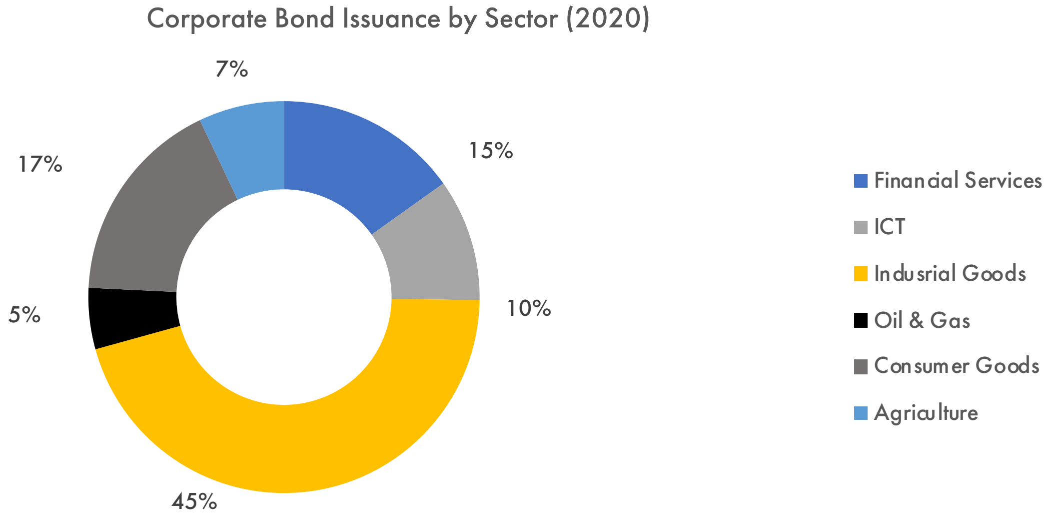
Figure 6: Corporate Bond Activity (2015 – 2020)



Source: FMDQ Securities Exchange

Blue-chip companies are now more prominent in the debt market, a departure from the usual dominance by banks and financial institutions. Of the corporate bond issues in 2020, the industrial goods sector accounted for about 45% of the proceeds raised, followed by the consumer goods sector at 17% of the total proceeds.

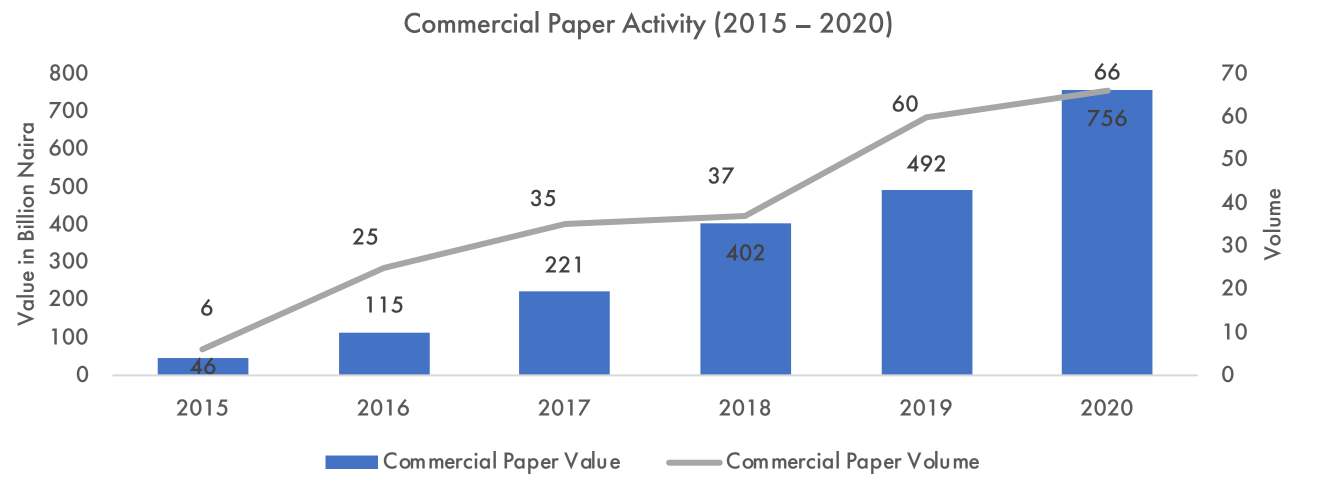
Figure 7: Corporate Bond Issuance by Sector (2020)



Source: FMDQ Securities Exchange

To ensure transparency and build investor confidence in the commercial paper market, the Central Bank of Nigeria (CBN), in 2016, issued a circular mandating the quotation of commercial paper issuances on a recognised securities exchange. Between 2015 to 2020, the commercial paper market maintained an upward trajectory, with a total of N2.03 trillion raised in 229 issues.

Figure 8: Commercial Paper Activity (2015 – 2020)



Source: FMDQ Securities Exchange

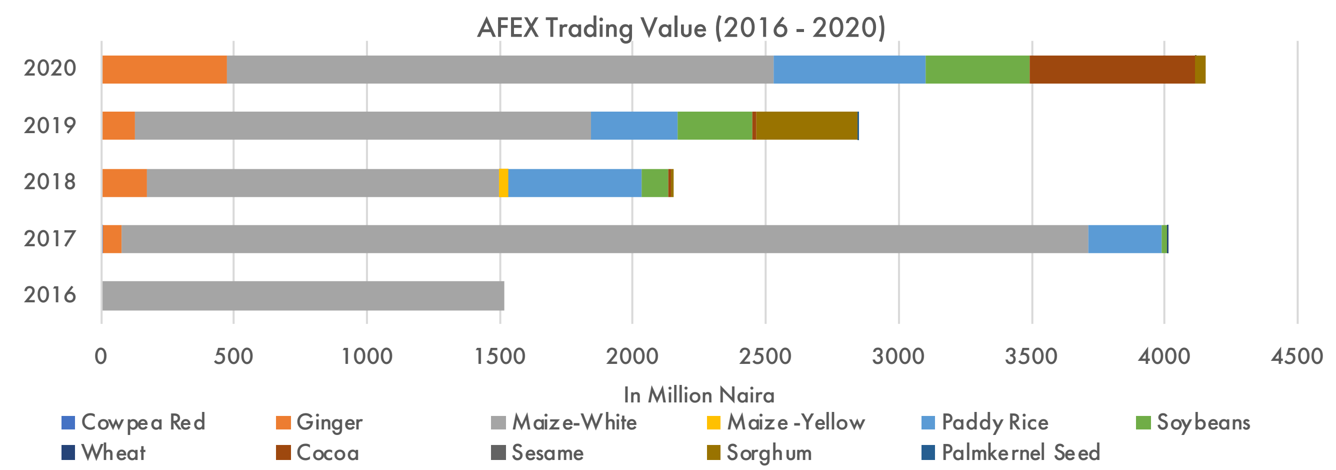
In terms of industry spread, the financial services sector accounted for 38% of the proceeds raised in the commercial paper market in 2020, followed by the consumer goods sector at 21%. Generally, there are more corporate institutions and institutional investors taking advantage of this market, which was hitherto dominated by banks.

3.2.3 Performance of the Commodity Market

The commodity market in Nigeria is still at its nascent stage. Of the five registered commodity exchanges, only AFEX Commodities Exchange has established presence and active operations across Nigeria. AFEX has about 100 warehouses with a combined capacity of 200,000 metric tonnes across major grain-producing states in North-West, North-Central & North-East Nigeria. This has led to the creation of trading terminals where processors, traders, and farmers exchange value.

One of the key challenges in the Nigerian commodities market was the lack of structure and framework for an efficient ecosystem. The SEC, in 2021, developed a regulatory framework for the market to standardise and reposition the commodities market. Other government stakeholders have also realised the importance of a vibrant commodity market ecosystem and there are concerted efforts to provide the required support and intervention.

Figure 10: AFEX Trading Value (2016 – 2020)

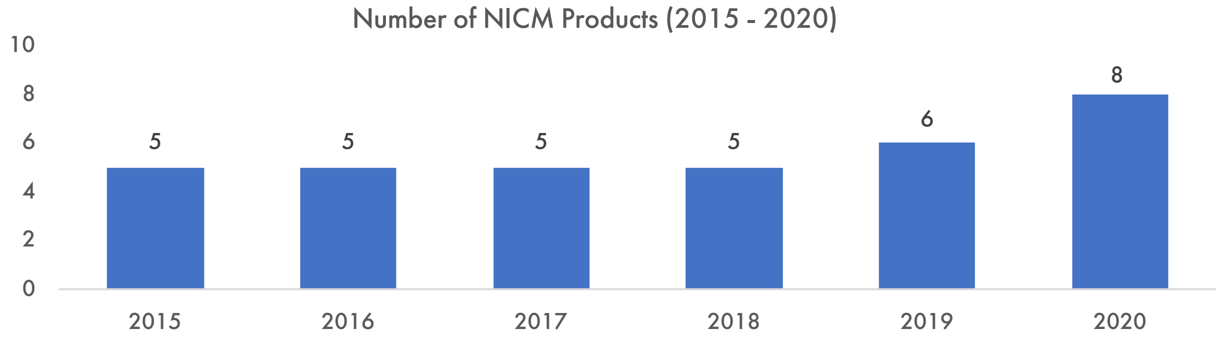


Source: AFEX Commodities Exchange

3.2.4 Performance of the Non-Interest Capital Market

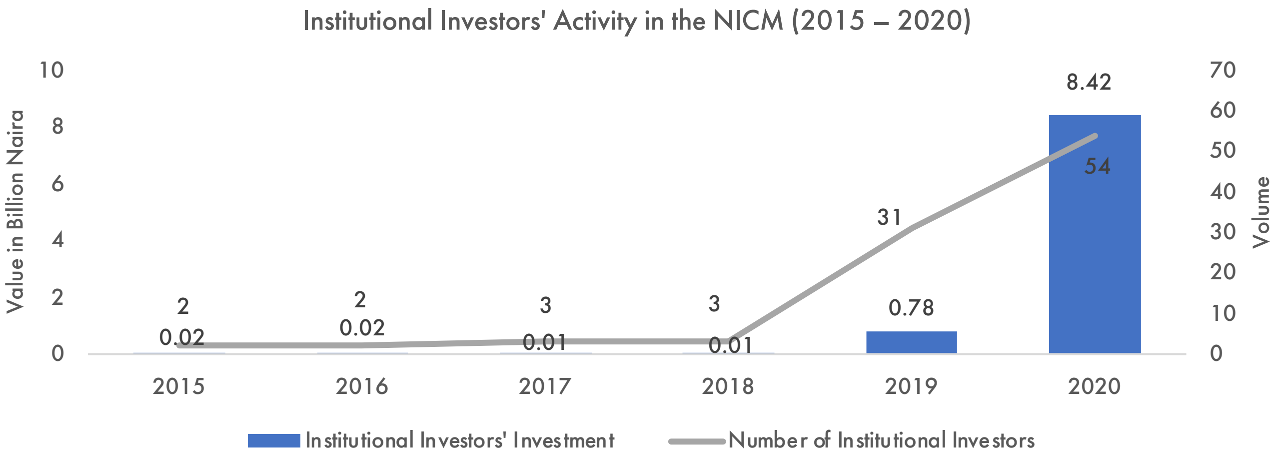
The non-interest capital market segment of the Nigerian capital market is a niche market that has experienced remarkable growth since the NICM Products Master Plan became effective in 2015. Although the market has only seen the introduction of eight NICM products, there has been significant interest by institutional investors in this segment of the market.

Figure 11: Number of NICM Products (2015 – 2020)



Source: Securities and Exchange Commission

Figure 12: Institutional Investors' Activity in the NICM (2015 – 2020)



Source: Securities and Exchange Commission

3.3 Trends and Drivers in the Nigeria Capital Market

3.3.1 Blockchain

Blockchain or distributed ledger technology will gradually become essential for capital market operations and firms in general. Despite the technological advancements that have impacted capital markets in recent years, there are still significant parts of the various capital market product lifecycle that continue to be challenged by resource constraints, errors, and inefficiencies. These challenges coupled with the ever-changing regulatory requirements have driven the need for the type of solutions that are delivered with blockchain technology. The adoption of blockchain technology in capital markets and other financial services can help to eliminate these inefficient processes across the entire financial asset lifecycle.

The movement to embrace blockchain or distributed ledger technology (DLT) to transform capital markets has been met with a growing appetite, especially for institutional-grade investments, as the industry is generally based on quickly evolving data which is made more efficient by the technology. In the last 20 years, most of the technological improvements in capital markets have been concentrated in front office operations while middle and back-office functions continue to face persisting issues. KYC (Know-Your-Customer) / AML (Anti-Money Laundering) and post-trade settlement processes remain relatively inefficient.

Overall, blockchain technology or distributed ledgers promise to revolutionise the core processes in capital markets, yielding richer data sets, universal data sources and distributed records. Clearing and settlement processes also can benefit from cutting the turnaround time from three days to just a few minutes. Blockchain will make capital markets more efficient, particularly for transferring securities and could eliminate the need for intermediaries that provide settlement and depository functions
Although the adoption of blockchain in the capital market is beneficial to all stakeholders, on a broad level, there are four (4) major categories of market participants for whom blockchain-based solutions offer clear benefits, these are Regulators, Issuers, Fund Managers, and Investors.

- **REGULATORS**: Government agencies and regulatory organisations can benefit from a blockchain's distributed ledger because it is transparent and verifiable at any time. The immutable nature of blockchain—that is, the inability to alter transaction data—enables regulators to automate functions such as auditing and compliance. Blockchain's ledger, which enables the enhancement of the quality of data and disclosures, can help reduce overhead costs and potentially prevent specific types of systemic risk. Moreover, as multiple institutions/ organisations use the same blockchain network to track their holdings and asset lifecycle events, regulators will be able to devote more time to more strategic activities such as analysis and risk prediction, rather than on learning the peculiarities of each organisation's system environment and unique transaction representations.

  For the Exchanges, the adoption of blockchain has the potential to improve their business operations across several their functions, such as trading and management of equities/fixed income, issuing of IPO, licensing, etc. Blockchain can help reduce trading fees and make the settlement and clearing process faster, thus potentially lowering overhead costs and enhancing existing processes. A blockchain network that enables a shared and distributed ledger can help enhance KYC (Know-Your-Customer) and AML (Anti-Money Laundering) compliance and provide enhanced trade matching or confirmation support. Furthermore, the combination of new digital assets and securities and blockchain opens a plethora of opportunities for new primary or secondary markets, thus enhancing liquidity for certain assets.

- **ISSUERS**: For issuers, the blockchain provides them with a more seamless and enhanced experience when participating in the capital market by enabling easier, faster, and cheaper access to capital through programmable digital assets and securities. The technology enables the creation of both digital representations of existing conventional securities and that of wholly new digital assets, brought to market in the form of tokens. With the adoption of blockchain, new securities can be issued in minutes, with their corresponding rights and obligations encoded and automated. This allows issuers and facilitators of new issues to increase the velocity of funding activities.

  Through blockchain, the terms and conditions that apply to securities issuances can be programmed/ encoded into the assets, thus enhancing flexibility, securitisation, and unique customisation than ever before. In addition, the barriers to issuing an asset or security can be significantly lowered with the use of blockchain, thereby opening greater opportunities for smaller issuers, while existing issuers benefit from the new ways of issuance in the market and the new forms of securities that blockchain provides. Through this technology, KYC/AML processes can also be streamlined, and real-time updates and analytics can be provided with a single interface for investors, thereby increasing issuer transparency and efficiency.

  With digital assets, blockchain enables assets to be fractionalised into more affordable and transferable units that create an opportunity for greater liquidity and investor diversity in the market.

- **FUND MANAGERS**: For fund managers, blockchain facilitates the peer-to-peer trading of any asset on a verifiable ledger. It enables digital securities to seamlessly go to market through a variety of mechanisms, including centralised exchanges, bilateral negotiations, matching algorithms, decentralised exchanges, and auctions. The technology makes it possible to carry out settlement and clearing processes in a faster and more transparent manner, thus reducing the default risk or systemic risk, and settlements costs and times.

  With faster processes, fund managers (and their investors) have less tied-up capital and can most efficiently utilise and allocate their existing capital. With the adoption of blockchain, not only does operational efficiencies increase, but operational costs related to funding servicing, accounting, allocations, and administration can also be reduced significantly. That is, through automated fund services, fees that are typically paid to third parties for services such as transfer agency, fund accounting and administration, etc. can be reduced or eliminated.

- **INVESTORS**: With the adoption of blockchain technology, investors can benefit from having financial securities/ products tailored to their bespoke needs and risk appetite. This is because, the technology can reduce the barrier to issuing new assets or capital market products, reduce the cost of new securities issuance, and speed up the issuance processes, thus enabling issuers and market operators to deliver products and services that match the investors' desires and demands.

  Blockchain technology not only increases connectivity and efficiencies across the market, but also enables the programming of digital assets and financial instruments, thereby increasing the potential liquidity of the assets, lowering transaction costs, and enabling more comprehensive risk management. When combined, these factors enable investors to better mitigate risks and increase potential returns. Furthermore, the transparent and distributed blockchain ledger will enable more robust insights into asset quality with the potential to enhance the due diligence process

3.3.2 Digital Asset

In 2021 and beyond, the trading of digital and crypto assets is likely to rise in the capital market. Amid increasing regulatory mandates, the ability to issue and trade securities digitally will bolster task automation and improve performance. Investors are increasingly interested in a more transparent, cost-effective, and secure system that securities tokenisation / digital assets can offer. Digital assets can significantly simplify governance processes through voting or securities pay-out distribution which will improve efficiency and reduce processing fees.

Derivatives also promise to be a very significant, liquid, and profitable arena of cryptocurrencies. Crypto derivatives are likely to be the largest and most innovative area of this new asset class. This is likely to increase/improve cross-border capital market activities soon.

As regulators across the globe, including the SEC attempt to manage crypto markets and figure out how to apply existing laws, tokenised securities offer the opportunity for more compliance and control.

3.3.3 Fintech

Today, innovation in capital markets is no longer an option, but an absolute imperative to survive and thrive in the future. Rapid changes in customer needs, and pressures to optimise costs are impacting the technology landscape. Although the phenomenon of financial technology (Fintech) first started to evolve in the global capital market industry more than 40 years ago, its growth and adoption have been rather slow in the Nigerian scene. Nigeria is home to more than 200 FinTech companies in addition to the banks and mobile network operators who offer several fintech solutions as part of their product portfolio.

Although Fintech companies in retail financial services have often competed with traditional players by disintermediating them and taking their market share, it has become evident in recent times that collaboration rather than competition would yield the greatest results for the Capital Market going forward. However, this would entail building a collaborative ecosystem that would help reduce structural and operational costs and enable enhanced regulatory compliance and better service to customers. Further, the focus areas for fintech in capital markets are automation, data analytics and intelligence, and customer satisfaction through safe access.

Fintech development in the Nigerian Capital Market had generally been slow because of the lack of access to data or, in most cases, non-availability. Additionally, frequent capital flight and low investor confidence, and institutional knowledge gap and weak digital infrastructure have contributed to the diminished interest of fintech companies in the Nigerian capital market. However, in recent years there has been a rise in fintech penetration and participation in the capital market. This is on the back of Nigeria's growing, youthful tech-savvy population, increasing internet / mobile penetration, and increased use and reliance on social media to drive awareness, comparison, and attraction to investment products. SEC's commitment to propel an increase in financial inclusion and cashless payments also invigorated fintech activities in the market. Mobile internet user penetration in Nigeria was over 85.26 million people (41.4% of the population) in 2020 and is projected to grow to 64.9% of the population by 2025.

3.3.5 Sustainable Finance

Sustainable finance is a new area of finance that will drive the economy and the capital market in the medium to long term. It provides a medium to finance the global shift to low-carbon and climate-resilient development and growth, attracting investors who are environmental, social, and governance (ESG) inclined. Two factors are driving a revolution in the financial industry. Firstly, large consumers such as pension funds and other institutional investors are increasingly demanding low-risk assets and opportunities that are compatible with the goals set out in the Paris Agreement. Secondly, regulators have continued to sound the alarm on the scale of risk to the entire financial sector.

A growing number of large institutional investors today are incorporating ESG metrics into their capital allocation and stewardship criteria.

This shift towards sustainable finance, which has evolved beyond socially responsible investing to include asset management and ownership has profound implications for investors and companies alike. Investors are driving demand for responsible and sustainable investments. The capital market will be core to the development of sustainable finance in Nigeria. Non-sovereign and corporate issuance will help develop the domestic green bond market and hold great potential for Nigeria and the continent at large.

Opportunities for investing in sustainability assets largely exist in Nigeria. However, asset managers must carefully identify these opportunities, thoroughly analyse, and create vital linkages between sustainability and finance, and finally, actively influence and support the operability and the viability (mainly through partnerships) of underlining assets to create both sustainability and financial returns for all stakeholders.

3.4 Implementation Status of the Capital Market Master Plan

To position the Nigerian capital market as a key market in Africa, SEC developed a 10-year Capital Market Master Plan in 2015. The CMMP was envisaged to play an important role in the actualisation of the government's strategic economic development program by facilitating the mobilisation of capital to priority economic sectors and ensuring the sustained interest of foreign investors in Nigeria.

The Capital Market Committee supports the implementation of the CMMP while CAMMIC is the advocacy group responsible for promoting the incorporation of the CMMP in the country's economic policies.

The Market developed the CMMP in line with four broad themes; contribution to the national economy, market structure, competitiveness and regulation and oversight, and two strategic areas; non-interest capital market and capital market literacy.

Overall, the number of objectives achieved indicated that more effort is required to actualise the vision of the CMMP.

3.4.1 Contribution to National Economy

To position the Nigeria capital market as an enabler of sustainable real sector economic development, a total of six objectives and 28 initiatives were identified and below is their current implementation status.

Figure 13: Current Level of Achievement of Identified Initiatives Under Contribution to the National Economy

Status of Implementation of the CMMP Initiatives and Objectives

TThe implementation of some initiatives brought about positive improvements in the capital market. However, more efforts are required to further develop the capital market and achieve the vision of the CMMP. Below is an overview of the status of the capital market as of December 2020:

Objective	Current State
Broaden the understanding of the capital market to include the money market, equities market and alternative investments	• Some training programmes, seminars and Roadshows have been organised to educate the public, across the different geopolitical zones, on investment opportunities available in the market. • CAMMIC has engaged key government stakeholders at various levels and had been able to influence key government initiatives with broader impact on capital market development (amendments of CAMA 2020, ongoing review of the ISA 2007, review of PenCom investment guidelines, etc.) • However, the CMMP was yet to be incorporated into the Federal Government's national agenda and key economic plans
Establish policies to drive personal, corporate, institutional, and national savings and for channelling savings to the capital market	• In the pension industry, the National Pension Commission Investment Guideline was revised in 2019 to expand the asset classes for pension fund investment. • SEC reduced the minimum investment amount for mutual funds from N5,000 to N1,000 to further drive retail investors' participation in the market. • As of 2020, the National Saving Strategy was yet to be finalised.
Contribute to Increased formalisation of the economy and promote financial inclusion	• Initiatives to simplify processes for capital market participation through the launch of e-dividend, the full dematerialisation of certificates and a direct cash settlement scheme were implemented. • In 2020, SEC inaugurated the Fintech Roadmap Implementation Committee to drive the actualisation of the Fintech Roadmap to facilitate and develop fintech as a tool for deepening the capital market. As of December 2020, the Committee was working to ensure the implementation of the roadmap. • There is no integrated national identity management system to track the financially excluded segments. • The NGX introduced the Growth Board market segment with a more relaxed listing requirement for SMEs and start-ups. However, there are yet to be regulatory incentives to attract listings.
Drive mobilisation and allocation of capital to significant sectors of the economy	• Key players within the telecommunications sector have approached the capital market either to raise capital or provide liquidity for their shareholders. • There have been some efforts by the SEC and NGX to streamline the listing process for potential issuers on the exchange. • There are no incentives for priority economic sector investment in the Nigerian capital market
Provide a framework for sound corporate governance and investor protection in line with global best practice	• In 2015, NGX established the Corporate Governance Rating System to encourage companies listed on its Exchange to adopt sound corporate governance practices, beyond the minimum requirement. The SEC has also implemented a corporate governance scorecard that measures the level of compliance of public companies to the SEC Guidelines made pursuant of the National Code of Corporate Governance. • The SEC instituted a National Investor Protection Fund to compensate investors with genuine claims for pecuniary losses. NGX and FMDQ have set up their Investor Protection Fund, to also compensate investors who suffer pecuniary losses

Facilitate internationalisation of the capital market	Private equity markets have attracted significant foreign interest seeking growth opportunities in emerging markets such as Nigeria however, activities of private equity and venture capital firms are not reflected in the capital market. The capital market is slowly positioning itself to encourage cross-border listings. In 2019, NGX and the Luxembourg Stock Exchange signed a Memorandum of Understanding to promote cross-listing and trading of green bonds in Nigeria and Luxembourg. As part of the West African market integration effort, the West African Securities Regulators Association (WASRA), in 2019 issued guidelines for issuance of fixed income securities to facilitate cross-listing among member countries.

Contribution to the National Economy: Success Factor

To further the development of the capital market, there is a need to consider the following:

- The SEC and other relevant stakeholders should continue to liaise with the Federal Government to ensure that the Government recognises the capital market as a catalyst for economic development. Specifically, the market should support the Government to articulate policies that will drive the growth of the capital market.
- The capital market needs / requires a centralised information management system where all the details about investors are stored. This will eliminate the need for capital market operators to create multiple profiles for investors as the operators can leverage the centralised system.
- To improve financial inclusion, there is a need to establish a system that will continuously create awareness about the key wins in the market. The SEC should also ensure that the public can easily participate in the market.
- To allow the capital market to thrive, there should be heightened efforts to eliminate Ponzi schemes.

3.4.2 Market Structure

Sustainable finance is a new area of finance that will drive the economy and the capital market in the medium to long term. It The aim of the objectives and initiatives under market structure is to ensure that the structure of the Nigerian capital market is flexible and adaptable to respond to the changing dynamics and competitive landscape in the global market with the necessary capacity needs to drive change.

A summary of the status of implementation of the objectives and is given below:

Figure 14: Current Implementation Status of the Market Structure Initiatives

Objective	Current State
A balanced and integrated financial market	• In 2020, the top 10 stockbroking firms dominated equities transactions on the NGX accounting for N1.17trn ($308m) or 53.87% of total transaction value during the year, relative to 66% in 2015. Furthermore, collectively, the top 10 listed firms on the NGX accounted for 81.4% of total market capitalisation in 2020 relative to 72.8% in 2015. • On the FMDQ platform, the top 10 Dealing members (Banks) accounted for N130.36trn ($358.8bn) or 79.33% of overall market turnover in Q3 2020 YTD, relative to 70% or N91trn ($478.9bn) of the market turnover in 2015. • The implementation of the framework for a dual licencing model was placed on hold due to pertinent risk concerns.
Improve liquidity of the market	• Electronic stock trading is done minimally in the capital market. Hence, there is a need to move away from manual / physical trading to electronic trading to attract more investors in the market and increase market liquidity • In 2018, the NGX adopted a new pricing structure which was further amended in 2019. The new pricing structure requires a minimum trade quantity of 100,000 units of security to change prices for equity securities traded on the NGX. Hence, an improved volume of trade was facilitated without simultaneously causing excessive price movements - the increment in the minimum trading quantity meant a larger volume of trade had to be undertaken by market participants to bring about movements in the prices of equity securities. • Efforts are underway to update the regulations on securities lending as well as an amendment to the rules on margin lending to enable the inclusion of bank shares - the most liquid security in the market- in the margin list. This would help to boost liquidity if successful. • As part of efforts to commence derivatives trading in Nigeria, the SEC in 2020 registered two Central Clearing Parties (CCPs). • In 2020, market annual turnover at the NGX and FMDQ were N1.03 trillion and N19.9 trillion, compared to N0.95 trillion and N7.4 trillion respectively in 2015.
Increase market capitalisation of critical economic sectors	• The emergence of innovative mechanisms to support the issuance of corporate bonds by companies via guarantees or anchor investments has unlocked funding through the debt capital markets. Players like InfraCredit and African Local Currency Bond (ALCB) have facilitated the issuance of corporate bonds by companies operating within the critical sectors of the economy. • The agricultural, oil and gas, telecommunications and construction sectors accounted for 0.8%, 2.2%, 31.7% and 0.3% respectively of total market capitalisation on the NGX as of December 2020. The comparative figures as of December 2015 stood at 0.7%, 7.8%, 0.4% and 0.7%.

Balance volume of retail and institutional investors	- To make mutual funds more accessible to the public, the SEC reduced the minimum investment amount from N5, 000 to N1, 000, thus allowing more investors to participate in the market. A growth of 38% was experienced in mutual funds and other collective investment schemes (CIS) between 2015 and 2020. - The Finance Act of 2019 introduced tax advantages to prevent double taxation of collective investment schemes, including real estate investment structures, thereby contributing to the improved market activity, and attracting investors. - In terms of transaction value in the equities market, the ratio of retail to institutional investors improved from 37% as of December 2015 to 57.4% as of December 2020.
Improve industry skills and competence	- A restructuring of the NCMI was done to further position it to serve the needs of the market. In 2019, NCMI and the Chartered Institute for Securities & Investment (CISI) entered a partnership to collaborate and strengthen the regulatory examinations being run by the NCMI. - NCMI was accredited as an institute in 2020 thereby granting it more credibility and allowing a seamless collaboration with other institutions that offer certification programmes, among other benefits. - A total of 426 capital market operators in each category of market function were trained/issued certifications in 2020 compared to 142 in 2015. - However, NCMI is yet to develop a robust curriculum that addresses the capacity needs of the Nigerian capital market. The contents of the training currently organised by NCMI are skewed towards compliance and regulation.

Market Structure: Critical Success Factors

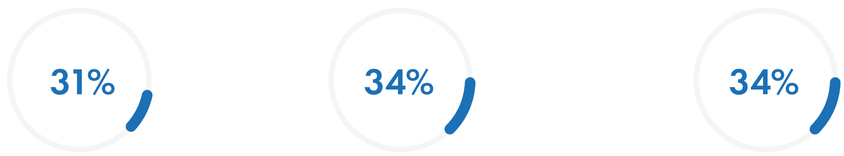
To further the development of the capital market, there is a need to consider the following:

- To ensure a balanced financial market, it is important to streamline and consolidate existing frameworks towards reducing market fragmentation. This will minimise working in silos and contribute to the resolution of conflicts in policies and regulations, ensuring sustained integration and buy-in from key market stakeholders.
- A stronger corporate governance framework, incorporating sufficient rewards for risk, entrepreneurship, governance, and good management in companies, is needed to attract more investors to the capital market. This helps to improve the transparency levels in the market – which is a priority for investors.
- A more robust framework should be put in place to enable institutional investors such as Pension Funds Administrators to broaden their investment choices, to include alternatives such as investment in private markets with high growth potential. An improved framework is also needed in areas such as securities and margin lending.
- The prevalent tax structure can be improved upon and used as a tool to contribute to an enhanced flow of funds to key sectors of the economy, and tackle issues such as dual taxation. A well-incentivised tax structure geared towards the productive side of the economy can be used to boost market activity and channel funds to critical sectors.
- Incorporating the unbanked population, through social infrastructures, is crucial to building a virile domestic investor base. This not only increases the rate of participation in the market, but also eases the implementation of key policies when needed, due to enhanced automation. Enhanced financial inclusion also helps to even the balance between retail and institutional investors in the capital market.
- In building market capacity, investor education and continuous upskilling are key. To this end, a comprehensive syllabus and content should be developed, and necessary changes made to the NCMI to enable it to serve the modern need of the market in terms of capacity building.

3.4.3 Competitiveness

To improve the competitiveness of the Nigerian capital market towards a more diversified market that attracts global investors, 10 objectives were developed together with a total of 32 initiatives that were aimed at achieving those objectives. The chart below shows the current state of the implementation of the set initiatives from 2015 – 2020.

Figure 15: Current Implementation Status of Competitiveness Initiatives



10 out of 32 Intiatives **DONE**

11 out of 32 Intiatives **ONGOING**

11 out of 32 Intiatives **NOT STARTED**

Current State of Initiatives Implementation

The implementation of the initiatives that were carried out between 2015 and 2020 brought about positive improvements in the capital market. However, some of these developments have been derailed by the effects of the ongoing global pandemic, while others need further intervention to enable the market to realise its full potential. Below is an overview of the status of the capital market as of December 2020.

Objective	Current State
The cost of our market will be lower than our benchmark markets	• The transaction cost in the market was reduced by an average of 42% across costs for participating in mutual funds, equity primary issuance, fixed income primary issuance, and secondary market transactions. Stakeholders believe that this accomplishment was partly achieved through the SEC's efforts to improve the market's competitiveness across the different segments of the market. However, the transaction cost in the Nigerian capital market is still high when compared to that of other emerging economies such as Malaysia, South Africa, India, and Brazil
Full dematerialisation of certificates	• The market achieved full dematerialisation of certificates thereby obviating the burden of holding physical share certificates. Before dematerialisation, the system of issuing share certificates posed a myriad of problems such as delays in the issuance and the dispatch of certificates, delays in verification of share certificates, loss, theft, and forgeries of certificates. Since the completion of the dematerialisation exercise, the number of fraud cases from brokers has reduced and the safety of market share certificates has increased.
Actively engage stakeholders (policy makers and industry players) and foster a cordial and professional working relationship across the board	• CAMMIC has led advocacy efforts for the CMMP ownership at the highest levels with visits to the Vice President of the Federal Republic of Nigeria, the National Assembly and other top government institutions. • The SEC is currently engaging the Economic Management Team through the Finance Ministry, however, there's yet to be a structured engagement with the presidency and legislative arm of the government

Develop a thriving commodities trading ecosystem	• The SEC has developed the regulatory framework for commodities trading in Nigeria. • The commodity exchange market ecosystem remains unstructured, informal, unorganised, and uncollaborative. Stakeholders hold that the numerous informal commodity trading companies in-country, the lack of collaboration among the stakeholders in the ecosystem, and the promotion of self-interests over market interests contribute to the slow growth of this market segment. • The legal backing for Warehouse Receipts (WRS) in Nigeria is still an issue of concern as there's currently no law in Nigeria that makes WRS a negotiable instrument (the Warehouse Receipt bill is yet to be passed into law). • Regulatory overlaps are also an impediment to the development of the commodities market ecosystem
Improve ease of access and doing business with the capital markets and Improve overall investor experience	• Ease of access and doing business within the capital market was significantly improved through the streamlining of the issuance process and the listing process thereby eliminating duplication of processes among the regulators. • A Technology Infrastructure Committee was set up to among others define minimum IT standards for the capital market and designate market infrastructures within the capital market ecosystem, however, the Committee could not reach a consensus with stakeholders on this and as such had to suspend the initiative. • New minimum operating standards were implemented to address the five broad important areas of operations for stockbrokers. • There is a need for the regulators to improve agility, reduce bureaucracy in operations, and drive innovation to drive efficiency in the market.
Sponsor policies to foster the growth of the industry	• There is currently no tax incentive for listed companies • The market witnessed the listing of one of the state-owned entities in 2019 in line with the Federal Government's privatisation agreement. However, there is no established framework or program to ensure that privatised companies comply with this agreement. • The VAT exemption order on stock market transactions expired in 2019 and was not renewed by the Federal Government. • Stakeholders believe that the continued imposition of VAT and stamp duty on market transactions discourages more investors from participating in the market
Become a hub in Africa for Islamic capital market products	• Refer to section 2.4.5 on Non-interest capital market products
Transparent capital markets reputable for full disclosure	• Stakeholders hold that there is a need for capacity development in the areas of investigation and enforcement of market infractions. • However, the NGX made efforts towards improving transparency by upgrading its X-Whistle application which strengthens investor protection. The upgraded portal features a single repository for complaints, tips, and referrals; and the ability to generate detailed and varied reports with analytics for proper tracking. • The CSCS also developed a whistle-blower platform to address matters relating to improper, unethical, and inappropriate conduct.
Enable awareness of the capital markets nationwidev	• A national engagement strategy was yet to be developed. • There's still more to be done in the areas of influencing economic policy that affects the capital market • There has been an increase in the awareness of the capital market nationwide Capital market education has been introduced into school curriculums, various media channels have been used to educate the public, and there is increasing collaboration among market stakeholders in promoting capital market literacy. However, the mechanisms through which the awareness programmes were delivered need to be optimised to ensure wider reach and effectiveness.

Scale, scope, and cost of the markets nationwide	A Technical Infrastructure Committee was inaugurated in 2016 as a sub-committee of the CMC to among others developed shared services as a way of reducing the cost of doing business in the capital market. However, this Committee reported that there was no commonality for most services across the ecosystem and that enforcement of such an initiative would be difficult since it is not a regulatory requirement. Efforts were made to increase the scale and scope of the market by promoting regional market consolidation and collaboration between West African countries. As a result, regulators in Nigeria, Ghana and WAEMU signed a memorandum of understanding establishing a regulatory association for the West Africa sub-region called the West African Securities Regulators Association (WASRA).

Capital Market Competitiveness Success Factors

For the capital market to be more competitive, there is the need to develop a market that is efficient, productive, and fit for purpose. The following recommendations have been proffered to address the gaps/ challenges identified during the implementation of the CMMP and to ensure maximum success in the implementation of future initiatives.

- A competitive transaction cost structure should be adopted to make the market more attractive to both domestic and foreign investors.
- More effort should be channeled towards promoting advocacy that encourages the understanding of the market, especially among key government stakeholders whose activities directly or indirectly impact the capital market. This will ensure that their support is obtained to facilitate the seamless implementation of market development initiatives.
- More capacity building programmes should be organised for market operators to help them develop the skills and competency necessary to optimally carry out their activities and develop the market.
- The capital market should leverage the use of technology to drive market efficiency, particularly in reducing the transaction settlement cycle and lowering transaction costs across the value chain. This is important as it can heighten the attraction of the market to potential investors and boost liquidity.
- Efforts should be made to incentivise listed companies and venture capital fund providers in the capital market.
- Given the size of the Nigerian capital market, it is important to identify market infrastructures and designate shared services that can help drive down cost in the market. The potential cost implication of having multiple infrastructures should be a key component in the issuance of an operating license in the capital market.

3.4.4 Regulation and Oversight

The implementation of some initiatives under this theme brought about few improvements in the capital market; however, more efforts are required to further develop the capital market and achieve the vision of the CMMP. Below is an overview of the status of the regulation and oversight theme as of December 2020.

Figure 16: Current Implementation Status of Regulation and Oversight Initiatives

Status of Implementation of the CMMP Initiatives and Objectives

Objective	Current State
Promote a capital market that facilitates market development	SEC obtains industry feedback from Self -Regulatory Organisations, financial services regulators, and other stakeholders (in a bid to promote a capital market environment that facilitates market development) on issues regarding the capital market and how the capital market can contribute to the development of the economy. This is done through the Capital Market Committee (CMC) at quarterly (CMC) meetings.
Become a top 20 capital market regulator	To reduce contravention of market rules to its barest minimum, The NGX Regulation introduced a weekly compliance report detailing infractions by its dealing members - BrokerTraX. As a result of the NGX's zero-tolerance policy on regulatory infractions, there has been an increase in compliance by Dealing Members
Protect investors and improve overall investor confidence	NGX established its Investor Protection Fund, valued at about N1.2 billion as of May 2019. NGX has also launched an X-Compliance Report; a transparency initiative designed to maintain market integrity and protect investors by providing compliance-related information on all listed companies. The current and potential investors have low confidence in the Nigerian capital market. As a result, some investors have shown a strong appetite for riskier investments such as cryptocurrencies, foreign exchange etc. and other informal markets
Strengthen auditing, reporting and disclosure standards	In 2018, the NGX launched its Corporate Governance Index to track the performance of listed companies that have undergone the Corporate Governance Rating designed by the Convention on Business Integrity (CBI). Companies that contravene capital market rules are removed from the index and fined. In 2015, SEC, in collaboration with the International Finance Corporation (IFC), developed a corporate governance scorecard to facilitate the evaluation of corporate governance practices of public companies. The SEC is yet to adopt an open technology standard for exchange of business information electronically. In addition, the SEC has not developed a shared regulatory return platform to align its reporting standard with that of other exchanges.
Enhance the dispute resolution framework in line with leading practices	In 2015, SEC published the Complaints Management Framework for the Nigerian capital market to streamline the investor complaint resolution process. A dispute resolution framework/mechanism has not been implemented. The SEC intends to develop a Dispute Resolution Framework, which sets out the mechanism for dispute resolution across the Nigerian capital market. However, currently, the market leverages the Investment and Securities Tribunal's mechanism for dispute resolution via its Alternative Dispute Resolution Centre.

Regulation and Oversight Success Factors

The following factors should be considered to create an enabling and facilitating legal and regulatory framework capable of supporting the development of the capital market.

- For the market to be more efficient, the SEC should focus on investor protection and regulation of public companies. In addition, the SEC's investor protection mandate should be strictly enforced.
- Capital market regulation should be responsive to changing market dynamics. The market needs to adopt a risk-based approach to regulation. The regulatory process should be technology driven.
- The regulatory framework of the capital market should reward risk, entrepreneurship, governance, and good management in companies. There is also a need for the SEC to ensure increased transparency and disclosure in the market by meting out stronger sanctions to companies that fail to comply with corporate governance standards especially around transparency and disclosure

3.4.5 Non – Interest Capital Market

The non-interest capital market master plan aims to boost the development of the Non-interest capital market, and the development of a clear vision and set objectives that can help ensure that the non-interest market is well-positioned to support Nigeria's economic development.

Figure 17: Current Implementation Status of the Non – Interest Capital Market Initiatives

Status of Implementation of the Non – Interest Capital Market Initiatives and Objectives

Objective	Current State
To build a strong and regulatory foundation for the NICM	- The National Pension Commission amended its rules to allow Pension Fund Administrators to invest in Sukuk and other non-interest instruments. PenCom also amended its guidelines to allow the creation of Fund VI, a dedicated non-interest Retirement Savings Account. The implementation framework of these guidelines is however still ongoing. - The FIRS issued guidelines on the tax treatment of NICMPs as well as a tax neutrality letter in respect to Sukuk, thus ensuring that they are treated in the same manner as a conventional Federal Government of Nigeria bond for tax purposes
To encourage the development of NICM market stakeholders	- The level of awareness about the NICM has improved over time. Awareness programs were carried out to make capital market participants aware / informed of the existence of non-interest capital market products. - The SEC introduced a training certification programme for intending capital market operators as part of measures to ensure a minimum standard of knowledge for market participants. - More effort is required in educating the public on the benefits of the NICM instruments to facilitate more demand and acceptability. - The materials utilised in the awareness and education programmes need to be simplified for better understanding as it would aid in changing public opinions about the NICM.
To encourage the development of NICM market products	- In a bid to encourage the development of NICM market products, the Debt Management Office (DMO) issued the first sovereign Sukuk in 2017, raising N100 billion to finance the construction and rehabilitation of sections of key economic roads across the six geopolitical zones of Nigeria. - There is a need for more Sukuk supply/availability as the demand for Sukuk currently outweighs the supply. - Corporates are however yet to take advantage of Sukuk especially in the real estate/infrastructure sector where the instrument can support in bridging gaps
To create a regional NICM hub	- The SEC is yet to create a regional NICM hub / ensure the active promotion of the NICM in the sub-region. - The SEC is currently developing the non-interest capital market, locally and is focusing on boosting local demand for NICM products before considering creating a regional hub

Non-Interest Capital Market Success Factors

To improve the development of the non-interest capital market, the following should be considered:

- In exploring the many ways that the NICM can contribute towards the development of the country, stakeholders should collaborate with the Federal Ministry of Works & Housing to examine how the NICM can make a significant impact in addressing the housing challenge in Nigeria.
- More robust public awareness and educational programmes on non-interest capital market products should be prioritised. Not only should diverse channels be employed in carrying this out, but the materials used in conducting these programmes should also be easily accessible and digestible, and preferably conveyed in diverse Nigerian dialects, to accommodate the major languages of the Country.
- Capital market operators should be trained in the procedures and processes of structuring the NICM. This would involve learning how to draft new documents and establishing new structures that would offer a seamless transition to operating within the NICM.
- Capital market stakeholders should work with the PFAs to develop suitable NICM products in anticipation of the planned introduction of a non-interest retirement fund.
- Stakeholders should leverage financial institutions' existing infrastructure, particularly that of commercial banks, to distribute NICM products to retail investors. This can stimulate increased retail investor participation. The advent of Fintechs can also serve as a major driver for increasing retail investor participation, therefore, there should be more incentives that would encourage increased collaboration with FinTech firms.
- To increase retail investor participation in the NICM, the Debt management office (DMO) should make efforts to release an issuance calendar beforehand, detailing all necessary information about the non-interest product availability and its release date. In so doing, participants can make adequate inquiries and plans early enough.

3.4.6 Capital Market Literacy

The goal of the Capital Market Literacy master plan was to increase the level of capital market literacy of the public which will in turn boost market participation. Forty-seven (47) recommendations were drawn up to achieve the overall aim of the master plan. As of December 2020, 11 of these initiatives had been implemented, 10 are currently ongoing while 26 are yet to be implemented. The master plan identified seven (7) stakeholder groups that are fundamental to impacting market education, awareness, and development to improve the knowledge of the investing public about the risks and rewards of the capital market namely:

- Academic community stakeholder group;
- Capital Market Operators and Trade Groups stakeholder group;
- Government stakeholder group;
- Company's stakeholder group;
- Media, Labour Unions and Association of Formal & Informal Group stakeholder groups;
- Public stakeholder group; and
- Movie and Music stakeholder group.

Figure 18: Current Implementation Status of Capital Market Literacy Initiatives

Status of Implementation of the Capital Market Literacy Initiatives

One of the objectives of the Academic stakeholder group is to introduce capital market education into school curriculums at all levels of education. This was implemented and was a major progress of the Financial Literacy Technical Committee. A stand-alone curriculum of Capital Market Studies (CMS) has been developed and infused into the relevant carrier subjects for both Basic and Senior secondary schools. This curriculum was ratified by both the Joint Consultative Committee on Education and the National Council on Education. However, the teacher's guide is yet to be developed as of 2020.

Some of the capital market trade associations have encouraged their members to use their company websites in promoting capital market education and awareness.

Trade associations have begun to play a role in facilitating the increased demand for non-interest products. For instance, fund managers have launched various non-interest products including the Shariah-compliant mutual fund, Sukuk, halal equity exchange-traded funds, Islamic real estate investment trust etc. to deepen the non-interest finance market in Nigeria.

The SEC has set a minimum qualification requirement for capital market operators and made continuous upskilling mandatory for capital market operators.

In line with the SEC Guidelines on Governance, quoted companies are now required to have a dedicated Investor Relations page on their website to keep potential and current investors updated on information regarding their company.

The NGX introduced an online complaints' resolution channel for the public to report any capital market-related grievances. Also, SEC, NGX & FMDQ has set up a separate Investor Protection Fund to compensate investors with genuine claims for losses suffered as a result of their activities in the capital market. A Trade Guarantee Fund was also set up by NGX and NASD to protect investors in the case of settlement defaults.

Available social media tools and infrastructure are yet to be fully optimised in driving the implementation of the financial literacy plan. For instance, the YouTube page created to put out educative videos to the public has not gained traction in terms of followership. Also, the Twitter, Instagram and Facebook social media pages dedicated to the same cause have recorded low interaction due to lack of regular content creation and inconsistent updates.

Financial Literacy Master Plan – Success Factors

Below are some of the issues and challenges experienced in the implementation of the Financial Literacy Master Plan and are critical to the success of the plan.

- Funding was a major reason most of the recommended initiatives could not be implemented successfully. Trade groups should be incentivised/encouraged to redeem their pledges towards the implementation of the Financial Literacy program. Specifically, there needs to be a yearly mandatory contribution by market stakeholders to execute identified literacy programs.
- One of the reasons for the lack of financial commitment on the part of the trade groups is their different view on how capital market literacy programs and investor education should be implemented for maximum impact. There is a need to sensitise market operators on the importance of having informed investors and seek their buy-in and contribution on key initiatives and programs.
- The Financial Literacy Committee should be independent, especially concerning funding allocation and use. The Committee should be empowered to seek partnerships with local and international organisations in achieving its objectives. In addition, a private sector-led implementation office, with representatives from market stakeholders, could be set up to drive the implementation of key policies and programs.
- The NCMI should be repositioned to address the skills gap in the market.

3.5 Key Implementation Challenges of the CMMP

The Capital Market Masterplan Implementation Council established various working groups and technical committees to aid the seamless implementation of the CMMP. However, over the years, several economic and structural challenges have led to hurdles during the implementation process.
The relative low implementation status of the CMMP could be attributed to four key challenges which include the following:

3.5.1 Macroeconomic Challenges

Following the adoption of the CMMP in 2015, Nigeria went into an all-year recession in 2016 occasioned by shocks in oil prices. As a result, Investors in the capital market lost over N603.7 billion. Subsequently, the Nigerian economy has been exposed to further economic challenges, including, a high inflation rate and volatile foreign exchange regime. This was capped off by another recession and a global health pandemic in 2020. The unstable economy has resulted in foreign currency restrictions, poor liquidity in the capital markets, slow-down in the growth of real sectors and weakened investor confidence. Thus, this has impacted SEC's projections for capital market development and growth.

3.5.2 Getting the buy-in of other stakeholders

Although the CMMP was developed in line with Nigeria's strategic aspirations, it was not an integral part of the Economic Recovery and Growth Plan developed by the Government. Specifically, the ERGP did not include details of the Government's plan for the capital market. This posed challenges to the CMMPIC as the successful implementation of the CMMP hinges on getting the right level of support from the Government.

3.5.3 Lack of accurate data

In 2020, the Technical Committee on Identity Management in the Nigerian capital market cited some challenges surrounding the implementation of a centralised identity management system in the market.

One of the challenges was experienced by the Central Securities Clearing System, engaged to clean up investor data in the capital market. CSCS reported that it was unsuccessful in completing the exercise as it could not collate data from brokers and dealers in the market.

In addition, the Committee could not determine the stakeholder that would be the repository of all information about investors in the Nigerian capital market.

The unavailability of accurate data in the capital market has the potential of affecting the quality of decisions as it affects the market.

3.5.4 Lack of Measurement Methodology/Mechanism

The CAMMIC has not developed an appropriate methodology and metrics that would guide the performance measurement of the CMMP.

Currently, the implementation of the initiatives is measured on a 'checklist' basis – that is, whether the itemised tasks under specific initiatives have been completed. No consideration is given to the quantitative aspects of implementation as well as the qualitative (impact) assessment to ascertain if the identified objectives were met.

In view of the above, we have considered the implementation challenges of the CMMP in informing the implementation structure and governance framework of the revised CMMP.

3.6 Case Study – Malaysian Capital Market Trans formation Plan

We reviewed the capital market master plan and strategic roadmap for various countries in Africa and Asia.

The Malaysian capital market master plan was selected as a case study as it has specific key lessons which the Nigeria capital market can leverage going forward.

In the aftermath of the Asian financial crisis, the Malaysian Government was keen on rebuilding the financial system which had been weakened during the crisis.

Given this, the Securities Commission, Malaysia designed the country's Capital Market Master Plan 1 ("CMMP1") to provide a roadmap for the transformation and diversification of Malaysia's capital market from the period 2001 to 2010. The CMMP1 was designed to specifically strengthen fund-raising via the capital market, promote the growth of the investment management industry, enhance market and intermediation competitiveness, provide a strong and facilitative regulatory regime, and establish Malaysia as an international Islamic capital market centre.

The CMMP1 was integrated with the country's Financial Sector Masterplan, which served as a blueprint for rebuilding the banking, insurance, venture capital financing and domestic development financial institutions. Although both plans were developed independently, with limited consultation between the Securities Commission, Malaysia, and the Central Bank of Malaysia, both regulators collaborated efforts to ensure the effective implementation of the plans.

The effective implementation of the CMMP1 was attributed to the following:

- All pre-conditions were met before the commencement of the implementation plan;
- A full-time task force was constituted to ensure a structured implementation mechanism, including continuous consultation with key stakeholders through discussions and workshops;
- The CMMP1 was implemented in stages, with checkpoints. Success at each stage was a prerequisite to progressing to the next stage;
- The CMMP1 was incorporated into the Country's overall economic development programme;
- The task force highlighted areas of weakness that required further development;
- Improvements in the capital market infrastructure needed for the transforming economy were identified;
- The task force took steps to build consensus and the buy-in of the industry;
- External consultants were engaged to develop a coherent thing methodology for effective implementation of the CMMP1; and
- The Securities Commission, Malaysia continuously studied the experiences of other countries on similar issues experienced in Malaysia.

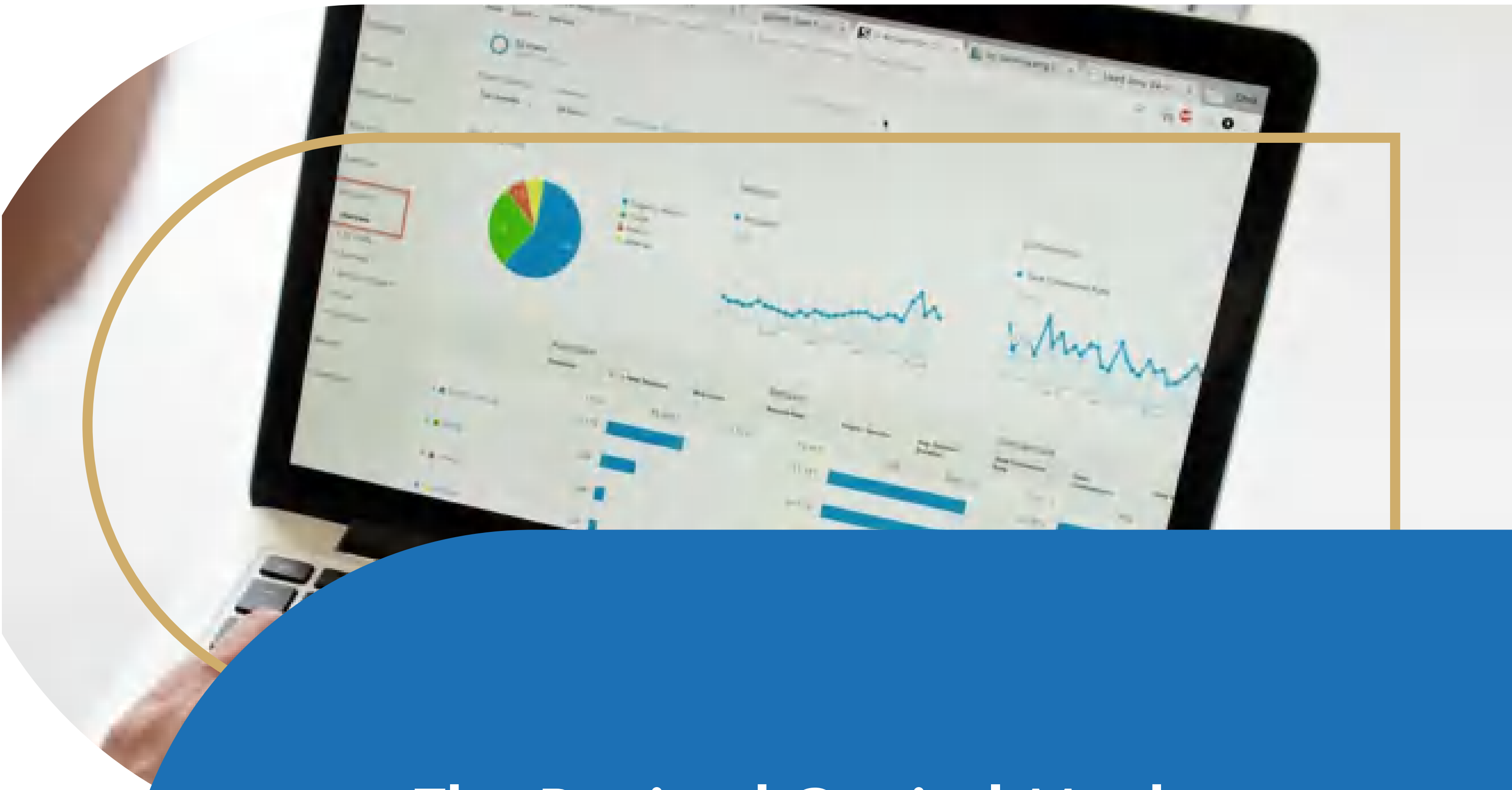
By the end of 2010, 95% of the initiatives in the CMMP1 had been implemented. Throughout the implementation of the CMMP1, Malaysia achieved great strides in deepening the Malaysian capital market. Among the noteworthy successes that Malaysia has continued to achieve are:

- Growth of the equity capital market by about 190%, from USD 109.9 billion in 2000 to USD 316.8 billion in 2010;
- Development of the corporate bond market, which grew by about 180% from USD 67.6 billion in 2000 to USD 187.9 billion in 2010;
- Recognised as a global leader in Islamic finance as Malaysia's Islamic capital market grew by almost 260%, from USD 72.8 billion in 2000 to USD 259. 9bn in 2010.

In a bid to continue developing the country and reaping the benefits of a developed capital market, in 2011, the country designed the Capital Market Master Plan 2 ("CMMP 2"). The development of the CMMP 2 stemmed from the need to strengthen the Malaysian capital market from the period 2011 to 2020, to tackle the challenges of the ever-changing global environment, to support the country's economic transformation plan and to boost connectivity with other leading capital markets around the world.

The implementation of the CMMP 2 built on the solid foundation from the implementation of the CMMP1. Some of the notable performance areas of the capital market as of 2020 are:

- Growth of the equity capital market by about 38%, from USD 316.8 billion in 2010 to USD 436.5 billion in 2020. As of December 2020, Malaysia's stock market ranked as the 11th most performing stock market in the world;
- Growth of the Islamic capital market by about 103%, from USD 259.9 billion in 2010 to USD 528.8 billion in 2020. The Islamic capital market represented 66% of the total capital market;
- However, there was a contraction in the corporate bond market. The size of the corporate debt market stood at USD 177 billion in 2020, compared to USD 187.9 billion in 2010 – a decrease of 6%;
- Growing alternative financing channels for micro, small and medium enterprises through equity crowdfunding and peer-to-peer financing. Till today, about USD 19 million has been raised via equity crowdfunding while about USD 157 million has been raised via peer-to-peer financing; and
- Launch of the Securities Commission, Malaysia's sustainable and responsible investment roadmap for the Malaysian capital market etc.



The Revised Capital Market Master Plan

04

The Revised Capital Market Master Plan

The revised CMMP seeks to address some of the challenges encountered in the implementation of the CMMP between 2015 and 2020 and reflect current realities and trends in Nigeria and globally. Following the current state assessment highlighted in Section 3, the revised CMMP was developed using the following approach:

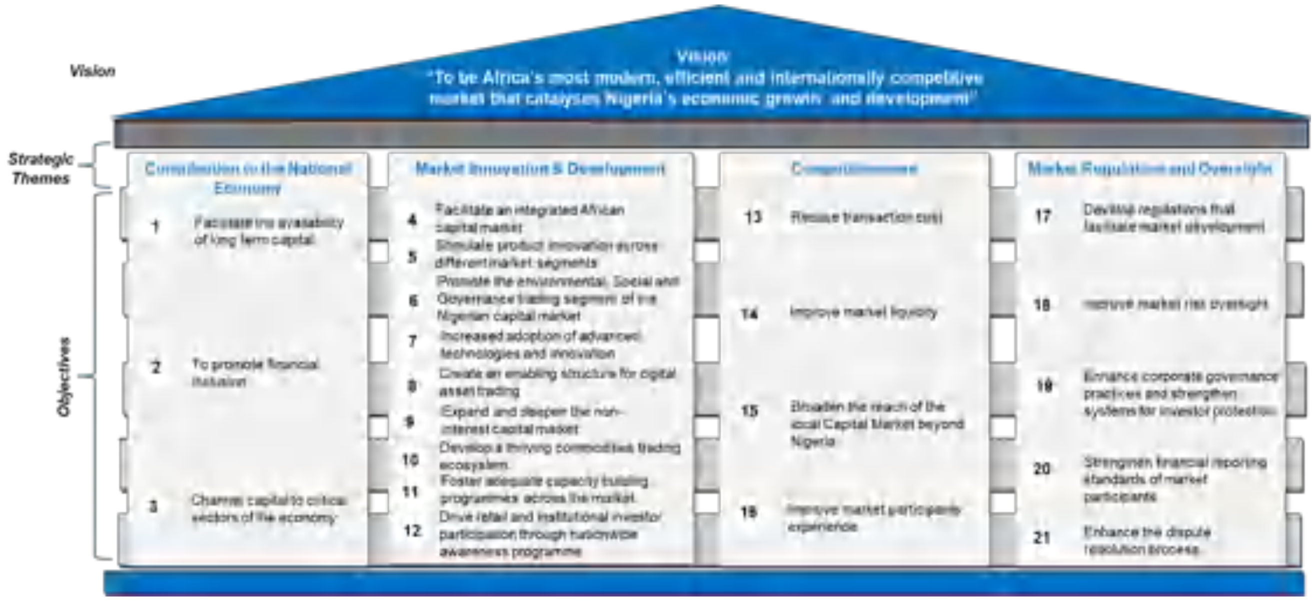
- Stakeholder interviews were conducted to gain in-depth understanding of the current status of the master plan and critical issues impacting the capital market and the achievement of the initiatives contained in the CMMP;
- The assumptions of the CMMP were redefined in line with current realities;
- The CMMP vision was revised;
- The Non-interest Capital Market and Financial Literacy were consolidated within the CMMP;
- The themes where redefined to accommodate these broad changes to the CMMP;
- The CMMP strategic objectives were updated in line with the revised vision and themes, measures, targets and initiatives were developed as well;
- A new roadmap was designed for implementing the strategic initiatives; and
- The governance structure was updated to facilitate the implementation of the revised CMMP.

In addition to the trends, the impact of Covid-19, was also taken into consideration with its attendant implications on the capital market. Regulators as well as capital market operators will need to evolve and adapt the following in order to prepare for the post-Covid Era:

- **Renew Operating Model:** IT automation, online monitoring systems, consolidation and utilisation of middle office and back-office activities will simplify operating models, reduce costs and improve profitability.
- **Proactively manage risk, regulation and capital:** Regulatory response must be proactive and increasingly integrated into business-as-usual practices. Risk and capital should be managed holistically throughout the enterprise and with an end-to-end analytical rigour to succeed in a complex and dynamic ecosystem.
- **Enable innovation and the capabilities to foster it:** Innovation will need to come to the forefront to drive excellence and to fill profitability gaps. Much of this innovation will come in the area of risk, capital and collateral management as opposed to the product level, which has been the historical source of innovation in capital markets
- **Establish stronger Culture and Conduct:** To respond to regulatory and market activities, capital market participants must embrace a cultural transformation that fosters transparency and high professional standards while minimizing conflicts of interest. These changes will increasingly become key value drivers and differentiators of the future as society assesses the social utility of capital markets and their participants

A snapshot of the strategic imperatives of the revised CMMP is highlighted below:

Figure 19: Overview of the Revised CMMP



The key components of the revised CMMP are discussed under this section.

4.1 The Revised CMMP Vision

Nigeria aims to develop a modern and efficient capital market that is internationally competitive, bearing the hallmarks of relevance, productivity, and innovation. It must be flexible and easily adaptive to an ever-changing environment while providing market participants with a wide range of products and services comparable with the leading financial markets globally.

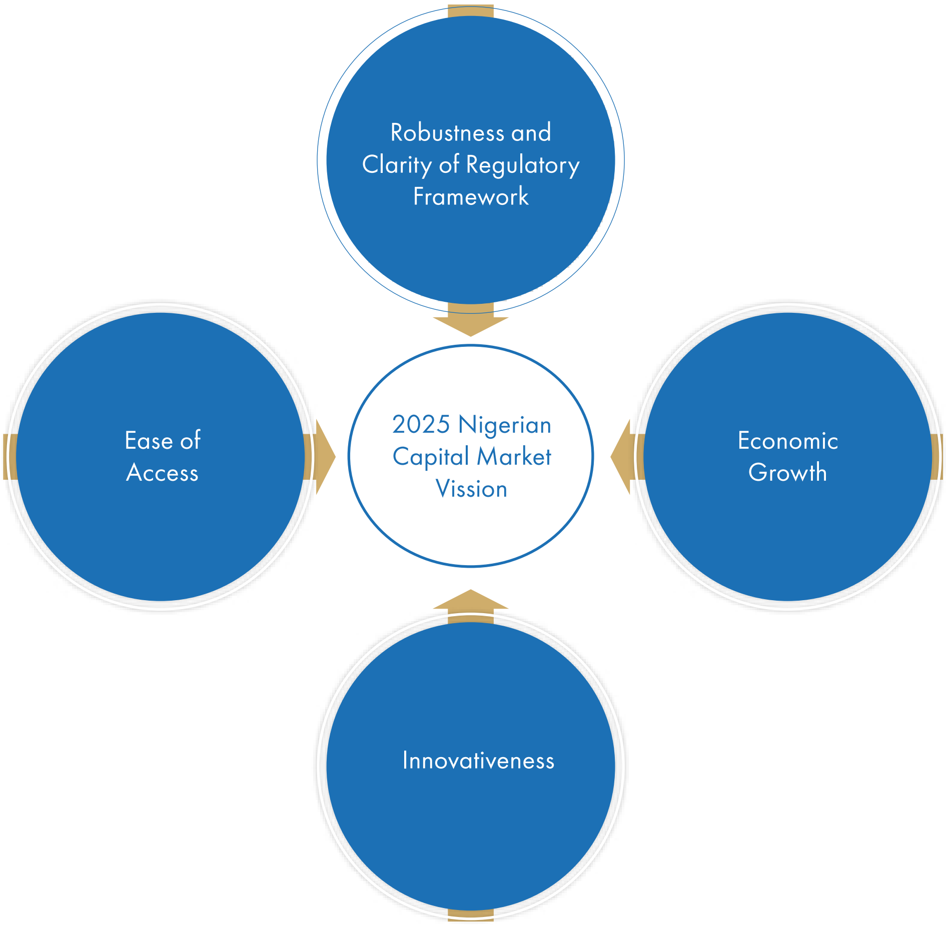
For the capital market to be increasingly relevant and achieve its aim, it must actively pursue deliberate growth strategies and improved practices. Regulators must have the right competencies, skills and resources required to regulate the market to promote trust in the capital market. Robust systems must be established and maintained for risk management, surveillance as well as transactions. Operators must conduct their activities fairly and ethically and efforts must be geared towards the development of the capital market. Accountability must be entrenched and continually reinforced. Hence, the Vision needs to be updated.

The vision for the development of the Nigerian capital market is **"To be Africa's most modern, efficient and internationally competitive market that catalyses Nigeria's economic growth and development"**.

This vision reflects an all-encompassing ambition that is intended to drive the development and strategic positioning of a modern and competitive Nigerian capital market and lay a strong foundation for growth. It is intended to represent and address both the current and longer-term needs of the capital market from the perspectives of the operators, investors, regulators, and the national economy.

The vision of the Nigerian capital market has been distilled into 5 elements which include:

Figure 20: Vision Elements for the Nigerian capital market



Robustness and Clarity of Regulatory Framework

The Nigerian capital market must have a truly world-class regulatory framework that is in line with international best practices and performing progressively better on any relevant competitiveness indices and ranking. There must be a clearly defined regulatory model for market development and growth as well as an effective self-regulation framework for SROs. The regulatory regime must be clear, adaptive, risk-based, and facilitative. There must be institutionalised coordination with other regulators as well as with the Presidency. Processes must be efficient and capable of dispute resolution, investment protection, compliance, and enforcement as well as transparency.

Economic Growth

A vibrant capital market will fuel growth in the economy by enhancing the role of the financial sector in financing economic activity by creating employment, investment facilitation, and tax revenues generation. The capital market must contribute to the development of the economy. It must support diverse sectors and provide diverse products to address the specific needs of the economy. It must provide long-term capital and play a key role in funding infrastructure and high-impact projects. It must have a strong positive effect on the economy and increase the number and capitalisation of corporates, particularly in priority economic sectors.

Innovativeness

There needs to be rapid technological innovation in the capital market to innovate cost reduction mechanisms, develop products, improve investor servicing, and maintain agility to be able to adjust to future changes faster- all factors that contribute to developing and deepening the market. Innovation will need to come to the forefront to drive excellence and bolster the Nigerian capital market as an internationally competitive market.

Ease of Access

The depth of market liquidity must increase to provide an efficient exit market that incentivises investment. Turnover velocity must improve across all securities (Equity, Bonds, Commodity Exchange, Mutual funds, ETFs, etc.). There must be greater ease of entry into and exit from the market and the implementation of quality channels and other enabling infrastructure. The systems must be efficient, with improved turnaround time and a robust legal framework and documentation to protect all market participants

4.2 The Updated Strategic Themes

To achieve the vision of the capital market four (4) major strategic themes have been developed. Objectives that highlight continuous improvement areas that the capital market needs to achieve its vision were developed alongside corresponding measures, targets and initiatives.

The table below provides an overview of the four (4) strategic themes and the intended theme results.

Table 7: Updated Strategic Themes and Theme Results

S/N	Strategic Theme	Theme Commentary	Theme Results
1	Contribution to the National Economy	Promote funds to the key growth sectors in the economy, such as ICT, education, agriculture, power, manufacturing, real estate, healthcare, and transportation.	Available long-term capital for economic development.
2	Market Innovation and Development	Continuous improvement in line with the times and global best practices.	flexible, highly innovative and adaptive capital market that stimulates wider market participation.
3	Competitiveness	Be the preferred capital market	Improved market attractiveness.
4	Market Regulation and Oversight	Enable regulations to support capital market development	Amend existing regulations and/or pass new progressive and proactive regulations to support capital market development.

4.2.1 Contribution to the National Economy

An efficient and well-regulated capital market is one of the key requirements to support economic growth and development. Capital markets improve access to long-term capital to finance economic activities through the deployment of a variety of capital market products.

Given this, the Nigerian capital market should attain the necessary scale and sophistication to be relevant in transforming the economy and achieve Nigeria's development aspirations. In particular, the market should seek to:

- Close the gap in the proportion of market capitalisation to GDP and keep pace with projected annual GDP growth.
- Facilitate funding for the growth and development of critical sectors such as agriculture, power, manufacturing, telecommunications, real estate, healthcare, and transportation.
- Mobilise capital for infrastructural development purposes through private sector participation.
- Extend its reach to a wider group of investors and become central to organised investment schemes including retirement savings (pension fund) management.

4.2.2 Market Development and Innovation

The effects of the global COVID-19 pandemic revealed the overwhelming need to develop the capital market and increase the adoption of technological innovations into all aspects of the market. In recent years, new technologies and innovation have impacted most industries; introducing varying levels of disruption and changing the competitive landscape, and the Nigerian capital market is not exempted.

Digitalisation and growing volumes of trade are driving the need for more automation in the capital market, especially for real-time processing of trades, reconciliation & settlement, and matching of trades. In addition, increased digitisation of activities would allow for more retail participation in the medium to long term. Robotic Process Automation (RPA) can also help to simplify the processes of the capital market participants and redefine business models. Studies show that RPA can help capital market firms boost efficiencies and reduce costs by 25%-50% within five years.

To develop the market, the capital market products, processes, and standards must be optimised. Likewise, there needs to be increased utilisation of advanced technologies to innovate cost reduction mechanisms, improve investor servicing, and maintain agility to be able to adjust to future changes faster- all factors that contribute to developing and deepening the market. These technologies can help access a new participant base and build new capabilities. Moreover, utilising technologies that leverage blockchain, data & analytics, cloud computing, etc., can help create new opportunities for entrepreneurs to raise capital, reduce transaction costs, increase efficiency and competitiveness, and enhance compliance.

4.2.3 Competitiveness

Capital markets all over the world are becoming increasingly competitive to ensure the market participants get value. Markets in similar climes also compete against one another to increase their market share, offer unique products, and reduce capital flight from their region.

An efficient market is one where all information is transmitted perfectly (everyone receives the information), completely (everyone receives the entire information), instantly (everyone receives the information at once), and at no cost (everyone receives the information for free).

Competitive capital markets are characterised by the following features:

- Low trading cost (in comparison to similar markets).
- Free and easy access to capital market information.
- Readily available information about borrowing and lending opportunities.
- Transparent, efficient, and strong investor protection.
- High investor confidence ranking.
- Numerous traders, and not just a single trader can have a significant impact on market prices.
- Robust market infrastructure.
- High and efficient adoption of information and communication technology into market processes and operations.
- A borderless market that fosters globalisation.
- Synergy and strategic collaboration among all stakeholders.
- Numerous opportunities for capacity building; skilling and reskilling.

Thus, the Nigerian capital market / market players would need to evolve and make information more readily accessible to stay relevant and competitive in this digital age

4.2.4 Market Regulation and Oversight

A well-functioning capital market requires sound market infrastructure to attract the confidence of investors. This includes the soft aspects, such as sound legal and regulatory frameworks and institutions, good corporate governance of listed companies, the protection of creditor rights, and sound rating agencies. They also require hard infrastructures, such as trading and surveillance systems, settlement and clearance mechanisms, and securities depositories.

For the capital market to thrive as the master plan is articulated and updated, the regulatory and legal environment needs to be strengthened and streamlined to accommodate the requirements placed upon it and the SEC needs to be fully equipped to perform its role. The arrangements for corporate governance and financial reporting need to be upgraded and rendered fully effective, and the environment needs to be innovative, open, and competitive.

The regulatory framework governing the Nigerian capital market must be responsive to the challenges of the changing financial landscape promptly. The framework should be clear, appropriate, enable innovation and provide for a supervisory agency with the knowledge and skills to develop the market legal and regulatory framework appropriately and apply it effectively.

An enabling and facilitative regulatory framework will ensure that the capital market continues to operate fairly and support the growth of the market. The framework should be enabled to grow the market depth, breadth, and sophistication. It should not be restrictive but should be developmental. It should provide for more effective coordination of the market to allow easy mobilisation and allocation of capital.

4.3 Revised CMMP Objectives, Targets, Measures, and Initiatives

This revised vision and strategic themes were cascaded into objectives on which targets, and measures were defined.

This section provides more context to the revised CMMP objectives and targets set to measure performance as well as initiatives to achieve the targets.

4.3.1 Contribution to the National Economy - Objectives and Initiatives

The following table provides a snapshot of the objectives and initiatives to drive the success of the Nigerian capital market:

OBJECTIVE 1: FACILITATE THE AVAILABILITY OF LONG-TERM CAPITAL

There is a large pool of idle funds across the Country. Therefore, the Nigerian capital market must gain access to these pools of funds through market-relevant savings and investment programmes that encourage the public to channel their savings into the capital market via various capital market products.

The capital market must also encourage and champion a deliberate national savings strategy and create clear incentives and structures for domestic savings and mobilisation.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Growth in market capitalization to GDP	Market capitalization-to-GDP ratio of 20% by 2025
Growth in national savings schemes	Growth in national savings schemes investment in the capital market from zero to N1 trillion by 2025
Increase in Institutional investors (pension, insurance, etc) fund investment in the capital market	An increase in pension fund investments in the capital market from N2 trillion to N7 trillion by 2025
Increase in venture capital investments in Nigeria companies	Cumulative VC investments of N1 trillion in Nigeria companies by between 2022 and 2025
Increase in Collective Investment Schemes	An increase in Collective Investment Schemes from N1.5 trillion to N4 trillion by 2025

Specific initiatives to achieve the above targets are as follows:

a. Engage the Federal Ministry of Finance to finalise the national savings strategy and SEC should oversee the implementation of the strategy

The Federal Ministry of Finance is currently developing the national savings strategy to enhance capital formation and allocation to boost economic growth and development in Nigeria. Therefore, the Federal Ministry of Finance should expedite the process to finalise the Strategy and ensure that it receives the appropriate legislative backing to ensure compliance by the relevant stakeholders.
As the supervisory regulatory authority for the Strategy, SEC, with support from operators should facilitate the implementation of the strategy, by facilitating the development and deployment of various savings schemes.

b. Facilitate increased participation of pension funds and insurance companies in the capital market

Institutional investors such as pension funds and insurance companies should play the role of development partners in the capital market. However, these institutional investors do not currently play a significant role in the Nigerian capital market.

For instance, as of December 2020, only about 15% of pension fund assets were channelled into the capital market. SEC should facilitate increased participation from these institutional investors through the following:

- **Bi-annual Roundtable Discussions**

  Organise bi-annual roundtable discussions between PenCom, Association of Pension Fund Operators (PenOps), NAICOM, SEC, and SROs to discuss and agree on solutions to address issues faced by institutional investors in Nigeria and identify investment options (such as inflation-linked products, fixed income indices, infrastructure bonds/funds, private equity funds etc.) that will attract these investors. Discussions may either be held physically or virtually.

- **Review of the Investment Guidelines by PenCom and SEC**

  The investment guidelines that set out the framework for the investment of pension fund assets should be continuously reviewed in line with the changing macro-economic environment. Key areas of focus by PenCom and SEC should include:

  - Set out conditions for pension funds to engage in securities lending. The regulation should prescribe the principles and requirements about lending limits, risk management standards, service providers agents, counterparties, collateral, etc. to safeguard and preserve the value of pension fund assets, whilst stimulating activity within the capital market

  - Set out the conditions for pension funds to invest in derivative instruments as part of its investment strategy. The regulation should prescribe principles and requirements for counterparties, exposure limits, netting of exposures, collateral, etc.

  - Enable pension funds to invest in private equity investment and high-growth companies such as tech start-ups for long-term benefits.

- **Risk Management**

  Considering the capacity of Infrastructure Credit Guaranty Company ("InfraCredit") and the volume of pension fund assets, it may be impracticable for InfraCredit to provide guarantee for the level of funds which may be challenged to the capital market. Therefore:

  - In the short term, InfraCredit should collaborate with the Nigeria Sovereign Investment Authority to increase capacity to de-risk significant volume of investment and facilitate the interest of institutional investors.

  - In the medium term, the Ministry of Finance should facilitate the development of additional credit enhancement vehicles to de-risk investment and stimulate the interests of institutional investors.

c. Develop a framework and regulation to drive the creation and investment in local venture capital funds

According to the 2020 Africa Tech Venture Capital Report, Nigeria was ranked as the number one hub for venture capital investment in Africa, as Nigerian start-ups raised a total of $307 million (excluding deals below $200,000) in 2020. However, these investments were majorly from foreign venture capital funds.

There is the need to develop regulations that would drive the creation of local venture capital funds and active participation of local institutional investors (PFAs, asset managers, HNIs, etc). The regulation should be flexible and adaptable to the current operating model of venture capital investments. It should facilitate easy mobilisation of seed funding from the large pool of for investment in high-growth companies or other suitable investment options via the capital market.

Also, there should be a robust framework for engaging the entire private investment value chain including venture capital and private equity players, angel investors, local institutional investors, and start-ups/SMEs. This is to ensure that the Nigerian capital market is well-positioned to support all stakeholders actualise their growth objectives in a mutually beneficial manner. This may require collaborations with PE/VC associations and organisations such as the Impact Investment Foundations that are focused on unlocking private capital via capital markets.

d. Collaborate with capital market institutions to facilitate the availability of long-term capital using sustainable finance

It is necessary to recognise the role that the Nigerian capital market should play in financing environmental projects, infrastructure development, local community projects and ultimately delivering the Country's sustainable development goals. According to the Nigerian Green Bond Market Development Programme, by 2030, Nigeria requires about $142 billion to meet its climate commitments. Given the level of funds required, sustainable responsible investing ("SRI") represents attractive funding options, through the issue of green bonds, municipal bonds, Sukuk, climate funds, etc., to enable the mobilisation of long-term capital towards sustainable development projects.

Given the above, the Federal Government of Nigeria issued its series 1 and 2 sovereign green bonds in 2017 and 2019 respectively, to fund renewable energy, sustainable forestry management, and clean transport. Following the issuance of the sovereign green bonds, the debt capital market witnessed the issuance of 2 corporate green bonds to fund flood defence, refinance agriculture projects, energy efficiency, etc. However, since 2019, there has been a dearth of sustainable responsible investing in Nigeria.

Key suggestions to facilitate the availability of long-term capital using sustainable finance include the following:

- SEC should organise strategic dialogues with players in the private sector and roundtable engagements with targeted investor groups to provide a platform to foster interaction and attract relevant stakeholders to the SRI ecosystem.
- SROs should liaise with fintech companies to develop platforms to provide real-time data to investors on investment opportunities in the SRI ecosystem and provide non-financial information (including sustainability disclosures) to enable a better assessment of investment opportunities.
- SROs in collaboration with issuers of sustainable finance should organise thought leadership events to provide opportunities to promote Nigeria as an SRI centre and create awareness for its success throughout the years.
- There should be incentives and reward systems for environmentally friendly securities issuances on the capital market. Such rewards may entail providing incentives for issuers issuing green bonds in a transparent manner, by way of discounts in cost of filing, provision of credits (e.g., credits similar to emission credits) which may be tradable or exchanged.

OBJECTIVE 2: PROMOTE FINANCIAL INCLUSION

Capital market stakeholders and financial sector regulators must collaborate to develop and promote affordable and adequate access to a wide range of financial products and services to the financially excluded segments of the Nigerian population.

Financial literacy is a component of financial inclusion. Therefore, to achieve financial inclusion there should be heightened efforts to improve financial literacy. Refer to **Section 4.3.2** of the revised CMMP for initiatives to drive financial literacy. In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Active investors in the capital market	Five million active trading accounts in the capital market by 2025
Increase in the number of investors in collective investment schemes	Five million unitholders of collective investment schemes by 2025
Number of new capital market products to drive financial inclusion	10 new capital market product listings each year to drive financial inclusion (50 new product listings by 2025)
Number of fintech companies registered as digital sub-brokers, crowdfunding intermediaries, robo-advisors, fund managers annually.	50 fintech companies registered as digital sub-brokers, crowdfunding intermediaries, robo-advisors, fund managers, etc. by 2025.

Specific initiatives to achieve the above targets are as follows:

a. Implement and adopt a central identity management system as a universal means of identification for all capital market transactions

The SEC, in recent times, has intensified its efforts to raise awareness about investing in the Nigerian capital market and to drive retail investor penetration through the introduction of fintech innovation. However, the process of onboarding clients in the capital market is cumbersome, largely paper-based and segregated as market intermediaries maintain different investor database and onboarding process. To resolve this, the SEC recently inaugurated a market-wide Committee on Identity Management to drive the implementation of a centralised investor registry for the Nigerian capital market.

The system envisaged should leverage other existing databases particularly the Bank Verification Number ("BVN") that currently has over 50 million unique bank customers. As such, SEC should collaborate with the CBN to gain access to the BVN database. Going forward, all investors in the capital market should be onboarded through the centralised identity management system and issued a unique identification that will enable them conduct transactions seamlessly across all market segments.

The adoption of a centralised identity system should enable SEC and other market stakeholders to identify and target the segments of the population that are excluded from the capital market. However, this initiative should be implemented in compliance with relevant national data protection laws and should be aligned with the National Agenda for Integrated Identity System.

b. Collaborate with the Fund Managers Association of Nigeria to promote financial inclusion using collective investment schemes

Over the past few years, there has been increased participation from retail investors in the use of collective investment schemes ("CIS") in Nigeria. In particular, the net asset value of mutual funds stood at about N1.6 billion growing by about 50% between 2019 and 2020. However, research shows that there is still a segment of the population that is excluded from the market. Therefore, there is a need to promote financial inclusion through the development of collective investment products. Sub-initiatives include:

- SEC should introduce a tiered registration requirement for CIS, such that the rural communities and other financially excluded segments are not deterred from investing in the scheme due to burdensome requirements.

- SEC and the Fund Managers Association of Nigeria ("FMAN") should liaise with community leaders to provide pro-bono investment advice to members of the rural community.

- FMAN and fintech companies should incorporate the features of traditional saving schemes (e.g., Ajo, Isusu, etc.) into the CIS.

- SROs and FMAN should collaborate with the telecommunication industry to increase access to the capital market via mobile technology such as the use of Unstructured Supplementary Service Data ("USSD") and at affordable costs.

c. Collaborate with fintech companies to introduce new capital market products such as multi-issue structured products, special financial bonds to facilitate the interest of SMEs

SMEs are traditionally excluded from the capital markets due to the limited funding options in the market. Therefore, NGX, FMDQ, NASD, and FMAN should partner with fintech companies to develop and deliver different capital market products (e.g., multi-issuer structured products, special financial bonds, etc.) to suit the interests and risk profile of SMEs in the capital market. There should also be a streamlined approval process for new investment products.

OBJECTIVE 3: CHANNEL CAPITAL TO CRITICAL SECTORS OF THE ECONOMY

The capital market should be a source of funding for the growth and development of critical sectors such as agriculture, power, infrastructure, manufacturing, telecommunications, real estate, healthcare, and transportation.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Number of listings in the SME segments of the capital market within the critical sectors	100 SME listings across all recognised exchanges/trading platforms by 2025
Investment via crowdfunding platforms by the critical sectors	Total investment of N250 billion via crowdfunding platforms by 2025

Specific initiatives to achieve the above targets are as follows:

a. **Collaborate with SROs to facilitate the use of alternative financing options to meet the financing needs of high-growth companies in the critical sectors**

SEC, in conjunction with SROs should implement the following to facilitate the use of alternative financing options to meet the needs of high growth companies in the critical sectors:

- NGX should create awareness of the key features of the Growth Board which should play a key role in providing exit opportunities and value recognition to venture capital investments.
- SEC should revise its crowdfunding rules to increase the maximum amount (NGN 100 million) that medium enterprises can raise to provide opportunities for capital-intensive projects.
- SEC should liaise with fintech companies to create liquidity by developing the modalities for secondary market funding on the crowdfunding platforms.
- SEC should collaborate with CBN to deploy various SME intervention funds via the capital market.

There should be concerted efforts to develop innovative capital market financing solutions backed by the necessary framework that will ensure easy access to funds through the capital market.

Table 8: Snapshot: Contribution to the National Economy

Objective	Measure	Target	Initiative
1. Facilitate the availability of long-term capital	Growth in market capitalization to GDP Growth in national savings schemes	Market capitalization-to-GDP ratio of 20% by 2025 Growth in national savings schemes investment in the capital market from zero to N1 trillion by 2025	Engage the Federal Ministry of Finance to finalise the national savings strategy and coordinate the implementation of the strategy
	Increase in institutional investor (pension, insurance, etc) fund investment in the capital market	An increase in pension fund investments in the capital market from N2 trillion to N7 trillion by 2025	Facilitate increased participation of pension funds and insurance companies in the capital market
	Increase in venture capital investments in Nigeria companies	Cumulative VC investments of N1 trillion in Nigeria companies by between 2022 and 2025	Develop a framework and regulation to drive the creation and investment in local VC funds
	Increase in Collective Investment Schemes	An increase in Collective Investment Schemes from N1.5 trillion to N4 trillion by 2025	Collaborate with capital market operators to facilitate the availability of long-term capital using sustainable finance
2. To promote financial inclusion	Active investors in the capital market	Five million active trading accounts in the capital market by 2025	Implement and adopt a central identity management system for all capital market transactions.
	Increase in the number of investors in collective investment schemes	Five million unitholders of collective investment schemes by 2025	Collaborate with the Fund Managers Association of Nigeria ("FMAN") to promote financial inclusion using collective investment schemes
	New capital market products to drive financial inclusion	10 new capital market product listings each year to drive financial inclusion (50 new product listings by 2025)	Collaborate with fintech companies to introduce new capital market products such as multi-issue structured products, special financial bonds to facilitate the interest of SMEs

		Number of fintech companies registered as digital sub-brokers, crowdfunding intermediaries, robo-advisors, fund managers annually.	50 fintech companies registered as digital sub-brokers, crowdfunding intermediaries, robo-advisors, fund managers, etc. by 2025.	
3.	Channel capital to critical sectors of the economy	Number of listings in the SME segments of the capital market within the critical sectors Investment via crowdfunding platforms by the critical sectors	100 SME listings across all recognised exchanges/trading platforms by 2025 Total investment of N250 billion via crowdfunding platforms by 2025	Collaborate with SROs to facilitate the use of alternative financing options to meet the financing needs of high-growth companies in the critical sectors

4.3.2 Market Development and Innovation – Objectives and Initiatives

The following table provides a snapshot of the objectives and initiatives to drive the success of the Nigerian capital market:

OBJECTIVE 4: FACILITATE AN INTEGRATED AFRICAN CAPITAL MARKET ECOSYSTEM

Facilitating the integration of the capital market ecosystem that exists in the African region can lead to a convergence of market risk and price. It will help enhance collaboration amongst capital market players, stakeholders, and investors. It can also help expand the scale and scope of the African capital markets to attract more investors and mobilise more capital into the region. Moreover, the larger the market is, the more cost efficiencies can be realised to the benefit of both issuers and investors. The expanded scale and scope of the market can also make it more attractive and competitive, as it can offer both greater liquidity and wider choices, as well as economies of scale.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Number of partner countries in the developed integrated capital market ecosystem	Integration of trading, clearing and settlement with Ghana and WAEMU for equities and fixed income
	Cooperation with South African capital market to drive pan African capital market integration

Specific initiatives to achieve the above targets are as follows:

a. Establish a coalition/ union of African Capital Markets

The rise in globalisation and the implementation of the Africa Free Trade Agreement (AfCFTA) have necessitated the need for greater collaboration and integration to effectively address changing global economic needs. By forming a coalition/ union that integrates the Nigerian capital market with other key capital markets in the region, the benefits of economies of scale and liquidity in financial instruments can be realised.

OBJECTIVE 5: STIMULATE PRODUCT INNOVATION ACROSS DIFFERENT MARKET SEGMENTS

As a result of the effects of the COVID-19 pandemic, it has become imperative for industries to optimise and redesign existing products and practices or develop new innovative ones that can cater to the changing needs and demands of the customers. In the context of the capital market, there is a need to boost the development of innovative financial instruments through advanced technology adoption, risk transfer, strategic collaborations, etc. This would increase the access to finance for entities and industries producing goods and services. By improving on existing products and broadening the range of capital market product offerings, the market can attract a wider audience of both retail and institutional investors.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Number of new innovative products introduced into the capital market	At least 10 innovative product listings annually
Frequency of market-wide research conducted	A detailed annual report on the state of new product development in the Nigerian capital market

Specific initiatives to achieve the above targets are as follows:

a. Streamline the regulation and the process for product innovation in the Nigerian capital market

Fintech-driven innovation is impacting significant parts of the capital market's value chain, from sourcing capital (pre-trade) to data and analytics services (post-trade). Although fintech companies are disrupting the retail side of capital market participation more rapidly, entry barriers into the market remain high. Thus, there is an opportunity for collaboration between capital market players and emerging fintech innovators to develop capital market products that will address the evolving issuer and investor needs, and create an ecosystem that lowers transaction costs, enables regulatory compliance, and improves services for the participants.

SEC has announced the launch of its Regulatory Incubation Program that will allow for the operating of innovative products in the capital market within regulatory confines. The implementation of this program as well as other initiatives to streamline the regulatory approval process around product innovation will provide the enabling environment for market growth.

OBJECTIVE 6: PROMOTE THE ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) SEGMENT OF THE NIGERIAN CAPITAL MARKET

Sustainable finance initiatives such as green bonds continue to gain momentum in Nigeria and all over the world because of the tremendous benefits it offers. The Nigerian debt capital market can be deepened by the issuance of green bonds as it provides an avenue to diversify product portfolios, increase access to credit markets and improve the allocation of funding sources. The need to develop the green capital market segment in Nigeria is further motivated by the need to address the negative effects of climate change on agriculture production, water supply, human health, etc., in the region, which are posing social, economic, and national security challenges.

To support the development of the Nigerian green bond market, FMDQ Securities Exchange, the Climate Bonds Initiative, and Financial Sector Deepening Africa formalised a partnership in 2018, which led to the establishment of the Nigerian Green Bond Market Development Programme. The programme is aimed at creating awareness and driving the education required to integrate the principles of green financing into the Nigerian debt capital market. Despite the progress of this programme, more effort is needed to fully establish green bond trading as a trusted and viable option for market participants.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Number and value of green bonds issued	N500 billion raised in green bonds by 2025
	20 green bonds including 10 new issuers by 2025

Specific initiatives to achieve the above targets are as follows:

a. Develop a local pool of green bond verifiers

In 2018, the SEC officially launched the green bonds issuance rules, following collaboration with the Green Bonds Market Development Programme, and other key stakeholders. Currently, there are very few capital market participants licensed to conduct green bond verification in the capital market. The few green bond issuers were supported by international certification organisations for the independent assessment and certification of the green projects.

To promote the awareness of this market segment, it is important to develop a framework for licensing capital market participants as green bond certification experts to further deepen local expertise and facilitate easy accessibility for potential issuers.

One of the ways to achieve this is to leverage internationally acclaimed global certification framework that have been developed for the green bonds market. For instance, the Climate Bonds Initiative (CBI), an international, investor-focused not-for-profit organisation, has developed certification criteria and an assurance standard against which the environmental statements in green bond disclosures can be assessed. The CBI has therefore established a certification scheme that licenses individuals to be verifiers who can assess if a bond to be issued meets the requirements of the globally accepted Climate Bonds Standard.

b. Incentivise the issuance of, and participation in Environmental, Social, and Governance compliant products

Factors such as the global shift from fossil fuel to renewable 'clean' energy, increasing number of millennial investors seeking sustainable investments, improved long-term ROI offered by ESGs, and the need to align investments with personal values, among many others have contributed to the need to attract new investors and diversify investment portfolios. To promote the issuance and trading of ESG compliant products such as green bonds, incentives such as tax deductions or exemptions, financial support through grant schemes, streamlined and automated processes etc., could be introduced and/or optimised to increase economic benefits for both the issuers and investors and lower the costs and administrative hurdles currently associated with issuing green bonds in Nigeria.

c. Create awareness, deploy educational, and advocacy campaigns for ESG compliant products

To promote the development of green financing in the Nigerian capital market, there is the need to expand the knowledge of stakeholders about this market segment through advocacy. These campaigns will help inform the public on many ways the green bond market can address some of Nigeria's challenges such as the infrastructure gaps and environmental challenges, among others. SEC could either choose to facilitate these campaigns using internal resources or could decide to partner with non-governmental organisations such as The Centre for Climate Change and Environmental Studies, Friends of the Environment Nigeria, International Climate Change Development Initiative (ICCDI Africa), etc who already do remarkable work in enlightening and educating the society about the many environmental concerns that impact the country. Likewise, to further promote green financing, strategic advocacy activities must be carried out to obtain the buy-in and support of key stakeholders in the financial sector.

OBJECTIVE 7: INCREASE ADOPTION OF ADVANCED TECHNOLOGIES AND INNOVATION

Advanced and innovative technologies can be leveraged in optimising capital market processes and procedures to improve the experience of market participants and increase investor confidence.

Furthermore, the increased use of advanced technologies has become a necessity and no longer a "nice-to-have" resource as the effects of the Covid-19 pandemic has drastically disrupted the way people work, trade, and communicate.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Processes optimised using advanced technology	Enhance the straight through transaction processing and reduce the settlement period to T+1
o Comprehensive evaluation of the use of advanced technologies in the Nigerian capital market	o Complete the review of the use of advance technologies in the capital market by 2021 and commence the implementation of the roadmap by 2022

Specific initiatives to achieve these targets are as follows:

a. Develop an Infrastructure Technology (IT) Standards Blueprint for the Nigerian capital market

Technology continues to disrupt financial market intermediation in the areas of customer service, regulatory compliance, and market penetration. To address the technology gaps in the capital market, SEC, in 2017, set up a market wide Technical Infrastructure Committee to amongst others develop a minimum IT operating standard for some groups within the capital market ecosystem (custodians, dealing members of exchanges and registrars).

The current framework should be expanded to an IT Standards Blueprint that covers all segment of the Nigerian capital market similar to what we have in the banking industry. The blueprint should set out the technology standards for modern and emerging technology solutions including blockchain, RPA, digital assets trading platforms, etc.

SEC should work with relevant stakeholders in the capital market to develop these standards.

b. Develop user interface training and capacity building programmes

One of the biggest risks to technology investment is user adoption risk. This can be minimised by deploying customised training programmes for each stakeholder group and the way they perform their tasks.

c. Conduct a comprehensive review of these advanced technologies and their role in the Nigerian capital market (blockchain technology, RPA, etc.)

With the advent of advanced technologies such as blockchain and Robotic Process Automation (RPA), the traditional challenges that plague the Nigerian capital market could be well addressed. The main promise of these technologies in the capital market lies in the full automation of trade processing across asset classes. Blockchain technology can be used to optimise the processes involved in:

- Clearing and settlements- by allowing real-time settlements of transactions and removing process redundancies.
- Transfer of instruments- by enabling the financial institutions to digitally issue instruments and trade them on a peer-to-peer basis.
- Payments- by using its encrypted ledger technology to enable fast and secure peer-to-peer payments, thus lowering transaction costs, among many other benefits.

Likewise, the use of RPA can help:

- Support compliance to audit and regulatory requirements as an RPA platform maintains an audit trail for each step/activity of a process.
- Create and send annual and quarterly reports to regulators and help standardise client reporting.
- Improve client onboarding processes to improve regulatory compliance and reporting at a minimal cost.

Considering all these benefits that can be harnessed using advanced technology, efforts should be geared towards the regulation of the blockchain technology and definition of scope of any license regime. Therefore, there is the need to conduct a comprehensive review of how these advanced technologies can be adopted in the capital market and an implementation roadmap should be developed and executed.

OBJECTIVE 8: CREATE AN ENABLING STRUCTURE FOR DIGITAL ASSET TRADING

Digital assets offerings provide alternative investment opportunities for the investing public, therefore, creating an enabling market environment where digital asset trading can thrive is fundamental. The appetite for digital assets – including tokenised securities, cryptocurrencies, central bank digital currencies, etc., is growing at a rapid pace globally.

In South Africa, the adoption of digital assets has been led by retail investors who are looking for more choices and better returns. Similarly, the MERJ Exchange; the National Securities Exchange of Seychelles recently issued tokenised shares representing 1,652,893 securities. MERJ has plans to further capitalise on the transformative value offered by blockchain technology through the tokenisation of illiquid assets including real estate, shares in SMEs, copyrights, and collectables such as art, etc.

Creating a fair and efficient market structure for digital trading in the Nigerian capital market could usher in greater financial inclusion not only in Nigeria but across the African continent because it will allow "ordinary" people to invest smaller amounts. Moreover, tokens hold the potential to create new opportunities for capital formation, liquidity, and more efficient asset management.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Implementation of policies and laws enacted to regulate digital asset trading	Implement a framework for the trading of digital assets in Nigeria
Number of digital assets traded on the exchanges	50 digital assets traded on recognized exchanges by 2025

Specific initiatives to achieve this objective are as follows:

a. Develop the frameworks for regulating digital assets

Like what was done by the Swiss Financial Market Supervisory Authority (FINMA), there needs to be a legal framework to regulate the trading of digital assets in the Nigerian capital market. Therefore, SEC in collaboration with the CBN should develop a regulatory framework on digital assets.

This framework would convey the criteria that a digital asset must meet to be listed on an Exchange. It should clarify to developers and asset holders the requirements that a digital asset must satisfy before it can be accepted as a security to be traded in the capital market. The framework should be unambiguous and should mandate participants to conduct all relevant investor due diligence and anti-money laundering verifications before trade execution. The framework is relevant as it represents an enabling structure through which reasonably designed policies, procedures, and controls can be developed, maintained, and enforced to ensure investor protection, industry best practices, and standards of ethical practices.

CBN should regulate the use of digital assets as payment instruments (which can only be used to pay for goods and services), while SEC should regulate it as tradeable digital assets under distinct regulatory frameworks.

OBJECTIVE 9: EXPAND AND DEEPEN THE NON-INTEREST CAPITAL MARKET (NICM)

Over the years, the appetite for ethical finance in Nigeria has increased tremendously. According to the Islamic Finance Development Indicator, as of December 2020, Nigeria ranks among the top 15 most advanced Islamic finance markets in the world. Globally, Islamic finance instruments, assets, and products have been identified as catalysts for economic growth and development. Not only could this segment of the market help with financing large infrastructure projects across Nigeria and Africa, but it can also help to strengthen the SME and microfinance space. Islamic finance is a niche area where Nigeria can capitalise on the nation's comparative strengths in serving Islamic clientele and businesses. It provides an avenue for a large segment of the investing public who have not been participating in the market due to the inaccessibility of these non-interest products, to become investors, thus deepening the Nigerian capital market.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
New Shari'ah-compliant products introduced	100 retail Shari'ah-compliant products by 2025
Retail investor participation in the NICM	At least I million direct investors in Shari'ah compliant products by 2025
Institutional investor participation in the NICM	At least N5 trillion investment by institutional investors in Shari'ah compliance products by 2025
Total market capitalisation of Sukuk instruments	50 listings of Shari'ah compliant products with market capitalisation of at least N5 trillion by 2025

Specific initiatives to achieve the above targets are as follows:

a. Establish strategic joint alliances with key stakeholders

To sustain and improve on the progress made so far in developing guidelines for non-interest investment, there is a need for the apex regulator; SEC to continuously work with key stakeholders such as CBN, PenCom, NAICOM, etc. to ensure an enabling environment for the development of the non-interest capital market while considering the associated risks.

It has been identified that the issuance of retail Sukuk at both Sovereign and Sub-national levels can make significant contributions towards socio-economic developments in Nigeria. Therefore, SEC could establish a strategic alliance with key real estate sector stakeholders to identify how Sukuk can be used to address Nigeria's affordable housing gap.

b. Facilitate the development of a variety of Shari'ah-compliant products

To foster greater investor participation and build a more diverse non-interest capital market, there is a need for coordinated effort to develop a variety of Islamic securities instruments and products that would cater to bespoke investor needs and preferences. The SEC is strategically positioned to organise and coordinate this effort.

Currently, the Sukuk has become perhaps the most popular non-interest asset known to Nigerian investors, however, there are many more varieties of Islamic finance products and instruments already being used in other parts of the world that can be developed and made available to the Nigerian investing public. This includes the Mudaraba, Musharaka, and so many others. There is also a wider range of Shari'ah-compliant collective investment schemes that can be developed to help grow the Nigerian capital market.

The SEC, through the Non-interest Capital Market Technical Committee, can facilitate the pooling of resources from various stakeholders to boost the development of these various Shari'ah-compliant products.

c. Promote capacity building programmes on Sharia-compliant processes and products (Regulators and Operators)

The resistance and/or reluctance of the market operators to fully participate in the non-interest capital market stems from a lack of the knowledge and skills needed to navigate the processes and nature of this segment of the market. Therefore, to enhance skills and knowledge about non-interest investment products and the processes required to trade them, there must be increased efforts channelled towards facilitating capacity development programmes. The more capacity is built in Islamic investments, the more competitive the market segment can be, thus deepening the market as a whole and presenting it as a hub for knowledge acquisition on Islamic Investment within the African region and beyond.

OBJECTIVE 10: DEVELOP A THRIVING COMMODITIES TRADING ECOSYSTEM

The commodities market represents a promising segment through which the Nigerian capital market can gain a competitive advantage. It can be considered a viable investment option for portfolio diversification. A thriving commodities market can promote economic growth by fostering the development of both soft and hard commodities, thereby efficiently linking commodities to industry, which could in turn improve output and profitability. It can also improve the standard of living of the Nigerian farming community, providing access to the market, bridge the financial inclusion gap, and facilitate the industrialisation of the economy. To strengthen the commodities market, a well-functioning commodities trading infrastructure (warehouses, standards, grading, collateral, settlement systems, etc.) needs to be deployed and optimised to enable activities. The focus should be on areas of comparative advantages, such as oil and gas, agriculture, and mining, and can evolve into the development of derivatives contracts.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Volume of commodity exchange transactions	Annual trading volume of 50 million MT on five major commodities
Investors' participation in the commodity exchange	500 institutional investors active on the commodity exchanges by 2025
Frequency of capacity building programmes relating to commodities trading	At least 15 capacity building programmes relating to commodities trading organised every year

Specific initiatives to achieve the above targets are as follows:

a. Advocate for the development of agriculture value chain

The Nigerian commodities market is still at the nascent stage. The Central Bank of Nigeria (CBN) has initiated the process of developing the market ecosystem following the Presidential approval to revive the Nigeria Commodity Exchange. Thus, SEC should collaborate with the CBN in the development of the commodities market and the agriculture value chain in general. This include but not limited to making improvements to the whole produce-cycle from farming through to harvesting, processing, storing, transporting, and sale to consumers through a registered exchange. Developments in these areas will help increase production, address root causes of market challenges, promote crop diversification, address infrastructural gaps, and improve marketing activities.

b. Create awareness and knowledge of commodity trading

To deepen the commodities market, there is a need to increase awareness efforts and educate both the retail and institutional investors about the value that lies in trading commodities through the exchange.

OBJECTIVE 11: FOSTER ADEQUATE CAPACITY BUILDING PROGRAMMES ACROSS THE MARKET

All capital market stakeholders should be financially and operationally knowledgeable and equipped with the capability to offer a wide range of financial services that cater to the diverse needs of market participants. By facilitating capacity-building programmes across the different segments of the market, the market can benefit from increased efficiency, optimised and integrated financial services, and well-equipped and knowledgeable market operators. Developing the trading skills and knowledge of these intermediaries using market best practices, they would be able to tackle any challenges they encounter and provide exceptional customer experience to issuers and investors.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Frequency of market-wide capacity building programmes	At least 10 market-wide capacity building programmes organised every year
Partnerships with high quality institution that can advance capacity development in the capital market	Partnership with two to three well recognised institutions to develop the capital market training curriculum and programs
Number of capital market-related Continuous Professional Development certificates issued	Implement a mandatory CPD for key employees of all capital market intermediaries/ licensed individuals in the capital market with 100% compliance by 2025

Specific initiatives to achieve the above targets are as follows:

a. Transform the Nigerian Capital Market Institute (NCMI) to better support the training and education of capital market operators

As an educational and training arm of the Nigerian capital market, NCMI has a mandate to provide human capacity development, bridge the knowledge gap, and train the trainers in the Nigerian Capital Market. The agreement entered with the UK's Chartered Institute for Securities & Investment in 2019 is a positive step towards ensuring that market operators acquire the requisite skills, knowledge, and competence to engage in capital market operations. However, to build on this progress and further transform the NCMI, the processes, policies, and services must be optimised. This could include applying more advanced technology to create a seamless and omnichannel experience for participants, using learner analytics to improve the effectiveness of training programmes and workshops, including soft skills training, rewarding, and recognising training achievements, among several other transformative actions.

b. Introduce mandatory Continuing Professional Development (CPD) points as a prerequisite for maintaining Capital Market operating license

As intermediaries, Capital Market operators must be knowledgeable and up to date about industry best practices, standards, and trends. In addition, they must possess the accurate knowledge and skills required to deliver their services effectively and efficiently. Therefore, CPDs need to be made mandatory to ensure that the market operators continuously possess the requisite professional skills and knowledge. This also helps to boost investor confidence in market operations, thereby developing the market. To stimulate compliance, the obtaining of CPD points may be included in the prerequisite criteria that market operators must meet before they can renew their operating licenses.

c. License more institutes or partner with business schools to run capital market training programs that counts ttowards CPD

To scale up capacity building of market intermediaries, SEC could establish a vetting and licensing mechanism wherein institutes and business schools can be empowered to offer capital market training programs as part of their curriculum. This could in turn count towards the participants' CPD points.

OBJECTIVE 12: DRIVE RETAIL AND INSTITUTIONAL INVESTOR PARTICIPATION THROUGH NATIONWIDE EDUCATION AND OUTREACH

Capital market development has long been impacted by the simultaneous development of a deep and diversified domestic retail and institutional investor base. It would be difficult to increase market participation in Nigeria if the general populace has little to no knowledge about the activities of the capital market. Research studies on financial literacy have revealed that most individuals, including entrepreneurs, do not understand the concept of investments, while some consumers don't seek out financial information before making decisions. Therefore, educating the populace about the basics of investing in the capital market can be considered the first step to increasing participation and helping them achieve their financial goals. Promoting awareness of the value the market offers, and the investment mechanisms and products available in the capital market can help potential investors make informed decisions on what investment choices to make. Moreover, the more educated and aware people are about the capital market, the more people will participate, thus deepening the market.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Retail investors by volume and value of transactions	Five million retail investors contributing 40% of transaction volume (120 billion) and value (N1.8 trillion) by 2025
Institutional investors by volume and value of transactions	60% of transaction volume (180 billion) and value (N2.4 trillion) by institutional investors by 2025
Social media engagement	500,000 followers on each of the social media platforms (Instagram, facebook and twitter) and posting contents daily
Frequency of awareness/ outreach programmes organised	Run at least 20 awareness/ outreach programmes (both physical and virtual) across the country each year
Growth in of collective investment schemes	Five million unitholders of collective investment schemes with N4 trillion total net assets by 2025

Specific initiatives to achieve the above targets are as follows:

a. Develop and document a national stakeholder engagement framework

A successful engagement strategy begins with identifying the various institutions, and communities/ groups of people in the nation who have the resources to participate in the capital market but have limited understanding or knowledge of how to invest in it. This will consider how best these categories of people assimilate information, discovering where they assemble the most and recognise their actual needs (financial and otherwise).

This will also consider the media available and a plan on how to maximise them to promote awareness of the capital market. This includes television shows, radio programmes, social media, and blogs.

A practical and effective strategy must be developed and implemented to ensure wide engagement with the investing public. The goal is to create an environment that promotes financial literacy and inclusion, and easy access to concise and clear informative materials about the market.

b. Increase access of the public to basic financial information and tools using a dedicated website, easy-to-read guidebook, social media page, smartphone app, etc.

To increase the public's financial knowledge and awareness of collective investment schemes and other capital market products, the information must always be readily available to and accessible by the public. Therefore, SEC, with contributions from market stakeholders, could develop online and offline channels dedicated to breaking down basic principles of finance and investments and the many opportunities available within the capital market. To this effect, a concise and clear physical guidebook could be published and sold to the public (at a token price) to enable readers to gain better knowledge of the capital market.

There should be a dedicated website that is easily accessible from any geographical location and it is interactive, i.e., it should have a feature that allows people to ask questions or request clarifications. Other key features to ensure the website delivers the value it should are; smart search option, ability to share content with others via email or social media, in-depth analytics system (to monitor the frequency of visits), etc.

Likewise, to ensure that the benefits of social media are harnessed, SEC could either internally set up or outsource a content creation team. The aim would be to design and regularly post informative, creative, and attention-grabbing content such as videos, pictures, etc, that would educate people and motivate them to participate in the market

Furthermore, SEC could engage IT companies to develop smartphone apps that would facilitate accessible and easy information dissemination. The number of smartphone users in Nigeria is growing exponentially and is estimated to reach 140million users by 2025. Awareness and understanding of the capital market can be improved by using technology to harness educational and informative resources about the capital market. An example is an app called Capital Markets Handbook developed by Hidden Pathway LLC. For a token fee, smartphone users can download this app and learn all about the capital market. Additional features of the app that could be developed may include risk appetite assessments, real-time market performance statistics, among several other valuable data.

c. Activate the use of traditional media aids such as a dedicated capital market comic strip to be included in the daily newspapers to target the older generation

In addition to the modern channels listed above through which financial knowledge can be disseminated, traditional routes can still be adopted to target the elderly using a dedicated newspaper column or comic strip, fundamental principles of investments and the opportunities the Nigerian capital market offers could be passed across.

d. Promote investment cooperatives to middle-class earners and new entrants into the economy to drive up retail participation

The cooperative is considered the easiest and most economical entity to form, operate, and maintain, therefore, SEC could launch a nationwide campaign to raise awareness about them. Through this, individuals would be encouraged to come together to learn about the capital market and make valuable investments within the market.

e. Raise awareness on fraudulent and Ponzi schemes across all geopolitical zones using local dialect where necessary

There is a huge gap to be filled in educating the public and specifically the financially vulnerable on saving, budgeting, investing, and not falling prey to Ponzi schemes. To combat the heightened state of fraudulent investments in the country, all market operators must intensify the education of the public on how to identify such schemes. The regional SEC offices should identify the most effective means of reaching out to people in their region in the local dialects as well as English. Radio shows, newspaper adverts, flyers are all means that can be used to reach a wide range of people especially in geographical locations where social media usage is not prevalent.

f. Follow through on the adoption of capital market courses and subjects in tertiary institutions

Work has already commenced on the introduction of Capital Market as a standalone course of study in tertiary institutions. SEC partnered with the Association of Capital Market Academics of Nigeria to develop a curriculum for the Nigeria Capital Market Institute, which would set the benchmark to be adopted by the National Universities Commission in accrediting capital market studies in tertiary institutions. SEC needs to follow through on the process until the implementation is complete. Further efforts should be made to do the same for Polytechnics and Colleges of Education in the country to achieve balance.

The teacher's guide for the Capital Market Studies (CMS) already infused into the National School Curriculum (NSC) of primary and secondary institutions should be developed and the teachers upskilled on the topics to be taught to the students.

g. Revive and sustain the Financial Literacy Week program

The execution of the Financial Literacy Week program has now been delegated to regional SEC offices, but the program has not been held both nationally and regionally since 2017. There is a need to review bringing it back to SEC at the national level to ensure continuity or empowering the regional SEC office with the needed human and capital resources to fulfil their responsibilities.

h. **Promote regular dissemination of information on investor rights and policies via SMS notifications and emails**

Part of driving retail and institutional investor participation is sustaining those that are already in the market. By sending regular SMS or emails to current investor participants about their rights and the policies that affect them, they will be well knowledgeable about them, thus improving their trust in the system and the market.

Given the above, the following specific objectives and initiatives have been identified to support the development and innovation of the Nigerian capital market:

Objective	Measure	Target	Initiative
4. Facilitate an integrated African capital market ecosystem	Number of partner countries in the developed integrated capital market ecosystem	Integration of trading, clearing and settlement with Ghana and WAEMU for equities and fixed income Cooperation with South African capital market to drive pan African capital market integration	Establish a coalition/ union of African Capital Markets
5. Stimulate product innovation across different market segments	Number of new innovative products introduced into the capital market Frequency of market-wide research conducted	At least 10 products introduced annually A detailed annual report on the state of new product development in the Nigerian capital market	Streamline the regulation and the process for product innovation in the Nigerian capital market
6. Promote the Environmental, Social, and Governance (ESG) trading segment of the Nigerian capital market	Number and value of green bonds issued	N500 billion raised in green bonds by 2025 20 green bonds including 10 new issuers by 2025	Develop a local pool of green bond verifiers Incentivise the issuance of, and participation in Environmental, Social, and Governance (ESG) compliant products Create awareness, deploy educational, and advocacy campaigns for ESG compliant products
7. Increase adoption of advanced technologies and innovation	Processes optimised using advanced technology Comprehensive evaluation of the use of advanced technologies in the Nigerian capital market	Enhance the straight through transaction processing and reduce the settlement period to T+1 Complete the review of the use of advance technologies in the capital market by 2021 and commence the implementation of the roadmap by 2022	Develop an Infrastructure Technology (IT) Standards Blueprint for the Nigerian capital market Develop user interface training and capacity building programmes Conduct a comprehensive review of these advanced technologies and their role in the Nigerian capital market (blockchain technology, RPA, etc.)

8. Create an enabling structure for digital asset trading	Implementation of policies and laws enacted to regulate digital asset trading Number of digital assets traded on the exchanges	Implement a framework for the trading of digital assets in Nigeria 50 digital assets traded on recognized exchanges by 2025	Develop the frameworks for regulating digital assets
9. Expand and deepen the Non-Interest Capital Market	New Shari'ah-compliant products introduced Retail investor participation in the NICM Institutional investor participation in the NICM Market capitalisation of Sukuk instrument	100 retail Shari'ah-compliant products by 2025 At least 1 million direct investors in Shari'ah compliant products by 2025 At least N5 trillion investment by institutional investors in Shari'ah compliance products by 2025 50 listings of Shari'ah compliant products with market capitalisation of at least N5 trillion by 2025	Establish strategic joint alliances with key stakeholders Facilitate the development of a variety of Shari'ah-compliant products Promote capacity building programmes on Shari'ah-compliant processes and products (Regulators and Operators)
10. Develop a thriving commodities trading ecosystem	Volume of commodity exchange transactions Investors' participation in the commodity exchange Frequency of capacity building programmes relating to commodities trading	Annual trading volume of 50 million MT on five major commodities 500 institutional investors active on the commodity exchanges by 2025 At least 15 capacity building programmes relating to commodities trading organised every year	Advocate for the development of agriculture value chain Create awareness and knowledge of commodity trading
11. Foster adequate capacity building programmes across the market	Frequency of market-wide capacity building programmes Partnerships with high quality institution that can advance capacity development in the capital market Number of capital market-related Continuous Professional Development certificates issued	At least 10 market-wide capacity building programmes organised every year Partnership with two to three well recognised institutions to develop the capital market training curriculum and programs Implement a mandatory CPD for key employees of all capital market intermediaries/ licensed individuals in the capital market with 100% compliance by 2025	Transform the Nigerian Capital Market Institute to better support the training and education of capital market operators Introduce mandatory Continuing Professional Development points as a prerequisite for maintaining Capital Market operating license License more institutes or partner with business schools to run Capital Market training programs that counts towards Continuing Professional Development

12. Drive retail and institutional investor participation through nationwide awareness programmes	Retail investors by volume and value of transactions across all market segments Institutional investors by volume and value of transactions across all market segments Social media engagement Frequency of awareness/ outreach programmes organised Growth in collective investment schemes	Five million retail investors contributing 40% of transaction volume (120 billion) and value (N1.8 trillion) by 2025 60% of transaction volume (180 billion) and value (N2.4 trillion) by institutional investors by 2025 500,000 followers on each of the social media platforms (Instagram, facebook and twitter) and posting contents daily Run at least 20 awareness/ outreach programmes (both physical and virtual) across the country each year Five million unitholders of collective investment schemes with N4 trillion total net assets by 2025	Develop and document a national stakeholder engagement strategy Increase access of the public to basic financial information and tools using a dedicated website, easy-to-read guidebook, social media page, smartphone app, etc. Activate the use of traditional media aids such as a dedicated capital market comic strip to be included in the daily newspapers to target the older generation Promote investment cooperatives to middle-class earners and new entrants into the economy to drive up retail participation Raise awareness on fraudulent and Ponzi schemes across all geopolitical zones using local dialect where necessary Follow through on the adoption of capital market courses and subjects in tertiary institutions Revive and sustain the Financial Literacy Week program Promote regular dissemination of information on investor rights and policies via SMS notifications and emails

4.3.3 Competitiveness – Objectives and Initiatives

The following table provides a snapshot of the objectives and initiatives to drive the success of the Nigerian capital market:

OBJECTIVE 13: OPTIMISE TRANSACTION COST

The transaction/ trading costs in the context of the capital market are all the expenses and operating costs related to the buying and selling of securities. Both the securities' issuers and investors account for these expenses when calculating whether an investment is gained or lost. High transaction costs in a capital market are signs of market inefficiency and volatility. They can also hinder the flow of funds to the people with productive investment opportunities. The reduction of transaction costs is an important tool in creating a competitive advantage for a capital market. By lowering trading/ transaction costs in the Nigerian capital market, investors' interest in capital market participation can be enhanced, therefore freeing up more capital to produce wealth. Nigerian exchanges and clearing houses must operate efficiently to facilitate liquidity and create value for market participants.

In view of the above, the following measure and target should be used to monitor the implementation of this objective:

Measure	Target
Reduction in market transaction cost	50% reduction in transaction costs
Online trading of securities	98% of trades in the market carried out through online straight-through processing by 2025

Specific initiatives to achieve the above target are as follows:

a. Adopt a liberalised broker fee cost structure that offers overall reduced cost-to-trade to investors to encourage competition

Liberalisation allows brokers to compete on cost. Nigeria's transaction costs currently stand at:
Equity primary issuance: Maximum of 2.8%; Fixed income primary issuance: Maximum of 2.3%; Secondary market: 2.13% which is high compared to most efficient markets that have transaction costs sitting at 1% and below.

In 2012, the SET (Stock Exchange of Thailand), made the move to step back from regulating fees in the market to prevent price-fixing by brokers. The commission charged to retail investors was made freely negotiable thus market forces determined the prices. South Africa currently operates a competitive based pricing structure.

In October 2019 the Egypt FRA approved the lowering of a few fees related to exchange activity in a bid to encourage investment and remain competitive in the region. The EGX's trading service fees were reduced from 0.00625% to 0.005%, clearing and settlement fees from 0.0125% to 0.01%, and stock market commissions from 0.012% to 0.01%.

SEC and NGX should encourage the liberalised fee structure and may also put a cap on the maximum cost of a trade transaction regardless of its high value as is done in the London Stock Exchange.

OBJECTIVE 14: IMPROVE MARKET LIQUIDITY

Liquidity deepens the capital market. The benefits of improved capital market liquidity range from lower costs of trading, improved price formation, lower price volatility thus leading to lower variability of returns, the attraction of more issuers due to reduced costs of raising capital, enhanced visibility of the stock market to international investors and overall positive linkage effects of the economy at large.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Annual trading turnover	Achieve an annual turnover value of N4 trillion and volume of 300 billion by 2025
A restructured and fully operationalised lending framework	Active participation of PFCs in securities lending by 2025
Online trading of securities	98% of trades in the market carried out through online straight-through processing by 2025
Trading velocity	20% trading velocity in equities market by 2025

Specific initiatives to achieve the above target are as follows:

a. **Reduce settlement days to T+1**

The CSCS settlement cycle is currently T+3 days for equities and T+2 for debt securities. To improve efficiency, there is a need to shorten the cycle as has been done in most developed markets and markets in emerging economies. Malaysia moved to the T+2 settlement cycle in 2019 to improve market efficiency and operations. South Africa, Egypt, Japan, and the United States amongst other advanced capital markets have currently migrated to T+2 settlement for both equities and debt securities.

On the other hand, with the aid of technology, some Nigerian Fintech applications such as Trove and Bamboo can settle foreign shares purchases within 24 hours to the consumer's online profile. It is worth considering ways in which such companies can partner with the NGX and CSCS to bring Nigerian-owned shares closer to people at a faster settlement time

b. **Develop a framework that promotes online trading and includes incentives for retail investors/consumers**

SEC should develop a framework that seeks to achieve 100% retail online trading of securities in the capital market. This can be achieved by incentivising retail investors to trade online. A reduced transaction fee on some products that are traded online can drive more traffic to the online trading platforms. The presence of more online users will make it easy for targeted investment options to be pushed to this target market which will, in turn, increases market activity and ultimately turnover.

c. **Restructure the securities lending framework to include PFA and PFCs' participation and develop an improved framework for margin lending to drive liquidity**

The securities lending framework does not include the participation of the PFAs and PFCs due to PENCOM regulations. A revised framework that will allow PFCs to engage in securities lending will drastically improve liquidity considering the large volume of securities held by PFAs and PFCs. Hence, there should be a collaboration between the SEC and PENCOM to review the regulatory framework to allow pension funds to engage in securities lending arrangements within a well-managed risk framework such as counterparty credit risk, settlement risk, operational risk, collateral risk, and market risk. The framework should provide guidance on lending limits, risk management standards, service providers agents, counterparties, collateral etc.

Also, the ongoing revision and update of the rules on margin lending to enable the inclusion of bank shares - the most liquid security in the market- in the margin list will help to boost liquidity in the market.

OBJECTIVE 15: BROADEN THE REACH OF THE LOCAL CAPITAL MARKET BEYOND NIGERIA

The Nigerian capital market should expand growth boundaries by tapping into global opportunities to facilitate an expansion in the scale and to capitalise on hub opportunities in areas of comparative advantage. The market should enable an easy flow of funds from foreign investors. Opening the market to foreign investors will improve market liquidity, which will eventually translate to market development.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Annual trading turnover	Achieve an annual turnover value of N4 trillion and volume of 300 billion by 2025
A restructured and fully operationalised lending framework	Active participation of PFCs in securities lending by 2025
Online trading of securities	98% of trades in the market carried out through online straight-through processing by 2025
Trading velocity	20% trading velocity in equities market by 2025

Specific initiatives to achieve the above target are as follows:

a. Develop a framework and work with other securities regulators in strategic markets to leverage technology trading platforms to facilitate access to the Nigerian capital market and integration with foreign stock exchanges

The NGX is already a member of the West African Capital Markets Integration Council (WACMIC) which also has the Ghana Stock Exchange, Bourse Regionale des Valeurs Mobilieres (BRVM) and the Sierra Leone Stock Exchange as participating members. This is an impressive stride that needs to be further strengthened by leveraging technology trading platforms to facilitate access to the Nigerian capital market and integration with foreign stock exchanges in strategic markets. Currently, there is a dual cross-border collaboration between the London Stock Exchange and the NGX. Initiatives such as this will give Nigerian companies (start-ups especially) access to more capital, build their reputation on the global scale and force them to get their corporate governance right since this is required to list on foreign exchanges.

b. Develop and promote principles, rules, and regulations to position the Nigeria capital market as an international hub

To facilitate internationalisation, the Nigerian capital market must harmonise and operationalise the principles, rules, and regulations amongst international markets to streamline activities geared towards positioning the Nigerian capital market as a viable option.

c. Develop a legal and regulatory framework that will expand the range of capital market products and services made available and that can attract diaspora savings

Diaspora remittances is becoming of strategic importance to national development in Nigeria. According to a PwC report, diaspora remittances is estimated to grow to $34.89 billion by 2023. In 2018 diaspora remittances represents 6.1% of Nigeria's GDP, about 83% of the Federal Government's 2018 budget and eleven time more than the foreign direct investment flow in the same period.

Given the potential of mobilising long-term capital from these class of investors, it is important for SEC, in collaboration with capital market stakeholders, to develop frameworks and regulations that will support the development of a range of capital market products that will meet the investment needs of Nigerians is diaspora. Working with agencies such as the Nigerians in Diaspora Commission and various organized association of Nigerians abroad will also help in understanding the needs and challenges of Nigerians abroad.

OBJECTIVE 16: IMPROVE MARKET PARTICIPANTS' EXPERIENCE

The goal of every potential investor is to get in and out of the market with as little hassles as possible. The capital market experience must be seamless and convenient to every investor to be referred to as optAimum.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Improved compliance to minimum operating standards	100% compliance with minimum operating standards
Level of satisfaction with industry experience	90% satisfaction rate from customer surveys conducted Annual publication of the customer surveys carried out and how the feedbacks will be addressed

Specific initiatives to achieve the above target are as follows:

a. Consolidate capital market operators

Currently, there is a high concentration of market intermediary activities among few market participants and a high number of small players that are often inactive in the market. This renders the broker business model economically non-viable for most players and leads to underdeveloped stockbroker capabilities due to lack of scale, limited investor reach, and inadequate investor coverage. For instance, only 10 stockbroking firms have dominated equities transactions for five consecutive years on the NGX, accounting for over 80% of total transaction volume and value. This was also the pattern concerning activities on FMDQ.

Hence, there is a need for a consolidated brokerage system. Capital market operators such as stockbrokers, asset managers, etc., should be consolidated for better efficiency. This would aid in improving compliance standards, improving standards for technology, and enforcing the minimum operating standards of capital market operators.

b. Advocate for the easing of controls on foreign investor participation

The foreign investors go through more elaborate processes to get the approvals and documentation needed to participate in the Nigerian capital market. If eased up, market participation is likely to increase significantly. However, there should be a balance for the requisite control necessary to protect the integrity of the capital market

c. Conduct regular customer survey on all stakeholders and make appropriate changes based on the feedbacks

To assess the experience of market participants on an ongoing basis, customer surveys should be conducted every six months for domestic investors and participants on the market, and once a year for foreign investors and participants in the capital market. The feedbacks from these surveys should be incorporated into the relevant capital market initiatives and addressed by stakeholders.

Given the above, the following specific objectives and initiatives should be implemented to position Nigeria as a competitive capital market:

Table 10: Snapshot: Competitiveness

Objective	Measure	Target	Initiative
13. Optimise transaction cost	Reduction in market transaction cost	50% reduction in transaction costs	Adopt a liberalised transaction fee structure that offers overall reduced cost-to-trade to investors and market participants to encourage fair competition.
	Increase in online trading of securities	98% of trades in the market carried out through online straight-through processing by 2025	
14. Improve market liquidity	Annual trading turnover	Achieve an annual turnover value of N4 trillion and volume of 300 billion by 2025	Reduce settlement days to T+1
	A restructured and fully operationalised lending framework	Active participation of PFCs in securities lending by 2025	Restructure the securities lending framework to include PFAs and PFCs participation and develop an improved framework for margin lending to drive liquidity
	Online trading of securities	98% of trades in the market carried out through online straight-through processing by 2025	Develop a framework that promotes online trading and includes incentives for retail investors or consumers.
	Trading velocity	20% trading velocity in equities market by 2025	

15. Broaden the reach of the local capital market beyond Nigeria	Dual/cross-listings	25 dual/cross listings per year	Develop a framework and work with other securities regulators in strategic markets to leverage technology trading platforms to facilitate access to the Nigerian capital market and integration with foreign stock exchanges
	Foreign investments	20% of Nigerian listed securities (by market capitalization) held by foreigners	Develop and promote principles, rules and regulations to position the Nigerian capital market as an international hub
	Diaspora savings/investments in the capital market	N2 trillion in diaspora savings/investments in the by 2025	Develop a legal and regulatory framework that will expand the range of capital market products and services made available and that can attract diaspora savings
16. Improve market participants' experience	Improved compliance to minimum operating standards	100% compliance with minimum operating standards	Consolidate capital market operators
	Level of satisfaction with industry experience	90% satisfaction rate from customer surveys conducted Annual publication of the customer surveys carried out and how the feedbacks will be addressed	Conduct regular customer survey on all stakeholders and make appropriate changes based on the feedbacks

4.3.4 Market Regulation and Oversight – Objectives and Initiatives

The following table provides a snapshot of the objectives and initiatives to drive the success of the Nigerian capital market:

OBJECTIVE 17: DEVELOP REGULATIONS THAT FACILITATE MARKET DEVELOPMENT

The regulations governing the Nigerian capital market and its participants must be developmental and enforced in a manner that is transparent and supportive of market development. Regulations limiting market growth should be updated or eliminated accordingly.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Asset management operations	Five million investors within the asset management operations a total asset under management of N10 trillion by 2025
Number of new listings under different product categories (Equities, ETFs, etc.) and value traded	At least 10 new product listings annually
Optimised structure of the market	Implementation of the recommendations of the market structure review by 2022

Specific initiatives to achieve the above target are as follows:

a. Provide regulatory parity and consistency between all institutions and participants conducting similar capital market activities

Capital market participants conducting similar functions and undertaking similar risks should be regulated comparably. Regulatory parity is necessary to ensure a level playing field, effective investor protection, and to avoid regulatory arbitrage. To ensure consistency and parity in the way market participants are regulated.

b. Implement a legal framework for cross-border market activity

SEC in conjunction with other regulators within the West Africa community is establishing measures to deepen the markets by enabling cross-border market activity. With the advent of Pan-African capital market integration set to drive the capital market in the medium to long term, SEC should implement a legal framework guiding cross-border trading and other activities for the efficient functioning of the capital market.

c. Move towards a principle/risk-based system of regulation for capital market activities

As capital markets become larger and more complex, it is important for market regulations to be dynamic and flexible enough to facilitate growth and innovation and address investor protection. This is to enable quick adjustment to change in the market when necessary. Hence, the regulatory framework should set out the appropriate balance between pursuing regulatory goals and allowing the private sector to take risks that will encourage innovation and competition, with the recognition that some risks will result in failures and losses, as consistent with a more market-driven environment. The capital market must move from a rule-based compliance approach to a principle/market-based approach which allows a more dynamic and liberalised capital market. SEC rules and provisions limiting market growth should also be updated or amended. The gradual adoption of a market-based approach to regulation for the Masterplan represents a clear paradigm shift on the part of the SEC towards the greater use of competitive market disciplines and processes, with minimum direct regulatory intervention, in the pursuit of its regulatory objectives.

d. Undertake a comprehensive review of the market structure

A comprehensive review of the capital market structure in terms of process, class of market participants and requirements should be undertaken. The review should take cognizance of the need to simplify the process for capital market participation for issuers and investors, to improve operational efficiency and to ensure that market participants are sufficiently equipped and strengthened to perform their role in the market. The recommendations from the review assessment should be implemented in conjunction with relevant financial market stakeholders.

OBJECTIVE 18: IMPROVE MARKET RISK OVERSIGHT

The capital market is quite volatile and as a result, uncertainty presents both risks and opportunities, eroding or enhancing value. As the capital market becomes more open, it is imperative to update enterprise risk systems to mitigate/manage risks to remain competitive. SEC and other capital market regulators would need to focus on enforcing comprehensive rules to improve transparency in the capital market and reduce systemic risk.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Compliance level of capital market participants	100% compliance

Specific initiatives to achieve the above targets are as follows:

a. Establish and enforce risk management framework across the capital market

A risk management framework should be developed and implemented for proper oversight of risks across the capital market. The framework should include risk management policy, risk appetite, risk tolerance, event identification and risk assessment, risk response, control activities, and risk monitoring. Risk-based and disclosure-based regulatory systems should also be implemented. In addition, the SEC and other self-regulatory organisations such as the NGX should build strong delivery capacity for risk-based supervision of market operators

b. Facilitate the prompt and coherent flow of risk-related information to relevant parties

The internal systems of formal communication in the capital market should be reviewed to encourage the prompt and coherent flow of risk-related information within and across the capital market.

c. Implement the priority actions and recommendations of the 2021 GIABA Mutual Evaluation Report within the capital market

The advent of innovation in the Nigerian capital markets, mostly driven by technology, presents new array of money laundering and terrorism financing risks. According to the Inter-Governmental Action Group against Money Laundering's (GIABA) Second Round Mutual Evaluation Report released in 2021 , Nigeria was rated as compliant with 7, largely compliant with fourteen, partially compliant with seventeen and non-compliant with 2 of the forty FATF recommendations based on technical compliance.

While Nigeria was rated as largely compliant with regards to the regulation and supervision of financial institutions, having put in place adequate AML/CFT measures, it was observed that contemporary money laundering and terrorism financing issues present in Nigeria are not factored in the frequency and intensity of onsite inspections. It was also noted that financial supervisors do not have powers under their respective act to compel the production of information required for monitoring compliance with AML/CFT requirements. The report also highlighted the disproportionate sanctions applicable to the risk inherent in money laundering and terrorism finance.

Below is an extract of key findings from the GIABA Evaluation Report that related to monitoring compliance for capital market operators:

FATF Recommendations	Key Observations
Assessing risks & applying a risk-based approach (R.1)	• There is no requirement for CMOs, insurance companies and DNFBPs to monitor the implementation of controls and to enhance them if necessary and have appropriate mechanisms to provide risk assessment reports to competent authorities and SRBs. • Requirements for internal programmes in capital market, insurance and DNFBP sectors focus on prevention and not management and mitigation • There is no assessment of ML/TF risk of virtual asset activities and internet casinos
National cooperation and coordination (R.2)	• Nigeria has not reviewed AML/CFT policies based on identified risks. • Nigeria does not have a coordination mechanism in place to combat PF. • There is no legal requirement for relevant authorities to cooperate and coordinate to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and other similar provisions

Customer due diligence (R.10)	There is no requirement for FIs to identify and verify the identity and authority of a person purporting to act on behalf of a legal person CMOs and insurance companies are not required to identify the customer, beneficial owner or legal owner through the identity of a natural person who holds the position of senior managing official and verify the identity of other types of legal arrangements through the identity of persons in equivalent or similar positions.
Record keeping (R.11)	There is no requirement for FIs to keep records of the results of any analysis undertaken. There is no timeframe within which FIs should make records available to competent authorities. The scope of competent authorities that can request for records kept by FIs is limited.
Politically exposed persons (R.12)	There is no requirement for FIs to apply the relevant criteria in 12.1 and 12.2 to family members or close associates of PEPs
New technologies (R.15)	Nigeria has not fully identified and assessed the ML/TF risks of new technologies There is no requirement for CMOs and insurance companies to comply with obligation related to new technologies There is no information regarding sectoral assessment of products and delivery channels.
Wire transfers (R.16)	Requirements for wire transfers do not cover insurance companies and CMOs
Reliance on third parties (R.17)	There is no requirement to determine the eligibility of the third party based on risk and relevant factors There is no requirement regarding the supervision of third-party and mitigation of risk group AML/CFT policies
Internal controls and foreign branches and subsidiaries (R.18)	Most policies focus on ML to a larger extent and TF to a lesser extent The Regulations neither specify the functions, powers, and reporting lines of the compliance officer There are no requirements for CMOs and insurance companies to ensure that their foreign branches and majority-owned subsidiaries implement consistent AML/CFT measures and take related actions.
Reporting of suspicious transaction (R.20)	Nigeria does not have explicit requirement for FIs to report suspicious transactions and attempted suspicious transactions related to ML.
Tipping-off and confidentiality (R.21)	There is no protection for FIs against civil and criminal liability. There is no protection available to FIs, their directors, officers and employees if they did not know what the underlying criminal activity was, and regardless of whether the illegal activity occurred. Prohibition from disclosure only applies to tipping off a customer
Transparency and beneficial ownership of legal persons (R.24)	Measures for bearer shares, nominee shareholders and directors are limited. Sanctions for non-compliance with requirements are not persuasive and dissuasive
Transparency and beneficial ownership of legal arrangements (R.25)	There are no measures in place requiring trustees to obtain and hold adequate, accurate, and current information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over trusts. There are no measures requiring trustees of any trust governed under the laws of Nigeria to hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers or accountants, and tax advisors. Reporting obligations are not commensurate with the risks they pose. Sanctions for non-disclosure are not proportionate or dissuasive. There are also no specific provisions requiring trustees to disclose their status as trustees of a foreign express trust or any trust to FIs and DNFBPs

Regulation and supervision of financial institutions (R.26)	There are no clear provisions designating supervisor or supervisors and assigning related responsibilities for regulating and supervising (or monitoring) FIs for compliance with the AML/CFT requirements.
Powers of supervisors (R.27)	There is no express legal authority for financial regulators to inspect FIs for compliance with AML/CFT measures The range of sanctions available to supervisors is not considered to be effective, proportionate and dissuasive
Sanctions (R.35)	Certain fines are not proportionate and dissuasive The range of sanctions for non-compliance with certain Recommendations is inadequate.
Other forms of international cooperation (R.40)	SEC is not legally empowered to share supervisory information for AML/CFT purposes. Financial supervisors are not empowered to share information on internal AML/CFT procedures and policies of FIs, customer-related information, as well as facilitate or conduct enquiries on behalf of their foreign counterparts, or exchange information with non-counterparts.

SEC, in collaboration with other supervisory authorities, should carry out a comprehensive review of the Evaluation report and develop an action plan for the implementation of the identified priority areas and recommendations within the capital market.

OBJECTIVE 19: ENHANCE CORPORATE GOVERNANCE PRACTICES AND SYSTEMS FOR INVESTOR PROTECTION

A vibrant capital market is critically dependent on sound corporate governance, reliable, and transparent financial reporting. Without this, a market is unlikely to develop or attract foreign interest. Failures in corporate governance or the issuance of misleading financial reports can cause enduring reputational damage to any capital market, which can be a challenge to reverse. Several measures are necessary to bolster the existing arrangements and bring them to the international level. Market participants must have confidence in the fairness, efficiency, and integrity of the capital market. In this respect, the continuous effort would be made to ensure that the rules are strong and enforced fairly to protect investors. The regulation governing the Nigerian capital market must be enforced in a manner that is impartial and with sufficient deterrent penalties.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Prompt sanctions when reporting and disclosure standards are not met	Implement sanctions within 90 days of market infractions by listed entities
Level of compliance with corporate governance standards	100% compliance

Specific initiatives to achieve the above targets are as follows:

a. Promote transparency and disclosure across the capital market

Current and potential investors seem to have low confidence in the Nigerian capital market. Nigerians often neglect the capital market and invest in riskier securities (e.g., cryptocurrencies, foreign exchange, etc.) and other informal markets because of the level of transparency afforded by these investments/markets. Therefore, there is a need for SEC and the SROs to draw up more regulations and leverage technology to promote transparency in the market.

Reliable, public information is the lifeblood of well-functioning capital markets. Timely disclosure and well-developed accounting systems with high levels of transparency lower the cost of information acquisition for dispersed investors. Thus, economising on what otherwise would be a duplicative, costly, and quite asymmetric information-gathering process.

Rules requiring timely disclosure of material information, and the possibility of legal or regulatory sanctions in the event of violations, provide potential investors with the means to assess the value of the securities being offered for sale in the primary and secondary market and to identify market abuse.

Weak disclosure impacts market functioning in various ways. First, false, or misleading information released to make issuers look more attractive ahead of market issues can lead to adverse selection. Second, delayed disclosure of material information creates a moral hazard by giving insiders time to make trading profits or avoid losses. Both cause investors to lose confidence in the market. By contrast, high levels of disclosure provide minority investors with information that can be used to take action to block or sanction self-dealing by insiders. The disclosure also provides investors with the necessary information to assess the product and forms the basis for enforcement action. Hence, SEC should:

- Define minimum disclosure requirements;
- Develop a framework for shareholder value recognition and strengthen the code of corporate governance;
- Implement a strict policy on insider trading to drive transparency.

b. Strengthen and enforce corporate governance standards

SEC, SROs, and industry regulators should enforce compliance with the Nigerian Code of Corporate Governance. This should be the minimum standard for companies that would like to raise funds via the capital market. SEC should strictly enforce corporate governance standards across the capital market and implement penalties for any default.
Industry regulators should permit institutional investors to participate, via board membership, in companies where their investments represent a significant proportion of the total shareholding in the investee company.

OBJECTIVE 20: STRENGTHEN FINANCIAL AND REPORTING STANDARDS OF MARKET PARTICI PANTS, AND ADVANCE MARKET TRANSPARENCY

A central feature of credible financial disclosures is the presence of financial and reporting standards. For the Nigerian capital market to thrive, arrangements for financial reporting needs to be upgraded and rendered fully effective.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Level of compliance with financial reporting standards	100% compliance level
Number of violations of capital market rules by capital market operators	Zero violations of capital market rules
Adoption of XBRL	Implementation of XBRL as the standard for exchange of business information electronically in the Nigerian capital market
Adoption of a centralized surveillance system for the Nigerian capital market	Implementation of a market surveillance system for the Nigerian capital market

Specific initiatives to achieve the above targets are as follows:

a. Enforce compliance with financial reporting standards by issuers and capital market operators

Rule 39 and Rule 41 of the SEC Rules mandate public companies in Nigeria to file the annual audited and quarterly financial statement, which should be prepared following the International Financial Reporting Standards. Given this, companies that do not comply with these rules will either be suspended from trading or sanctioned appropriately.

There is a need for the SEC to be more deliberate in sanctioning non-compliant capital market participants as this will help to improve investor confidence.

Financial markets are dependent on sound and reliable financial reporting. There needs to be confidence that financial reports reflect the true and fair view of a company's affairs in line with the International Financial Reporting Standards (IFRS). Hence, a coordinated effort is needed by capital market operators to ensure that this is always an absolute priority. SEC will need to have oversight and enforce compliance with IFRS reporting standards/requirements. In addition, there is a need to adopt measures to improve capacity for financial reporting in both the public and private sectors. These include training and building on existing initiatives such as the financial reporting awards, to encourage both public and private sector institutions to improve their reporting standards.

b. Adopt an open technology standard for the exchange of business information electronically

In order to improve the quality, accuracy and reliability of information provided by issuers and market participants, SEC, in collaboration with market stakeholders, should adopt a business reporting standard such as the Extensible Business Reporting Language (XBRL) for all forms of filings in the capital market.

Securities regulators across the globe, the US Securities and Exchange Commission, the Securities and Exchange Board of India (SEBI) and the European Securities and Markets Authority (ESMA) amongst others, have adopted the XBRL filing of statements and returns. This has given investors and analysts easy access to published information and reduced the barriers in obtaining and analysing financial reports.

c. Work closely with self-regulatory organisations to strengthen market surveillance across all recognised securities exchanges and trading platforms by leveraging technology

As part of efforts to strengthen market integrity and drive investor confidence in the equities market, the Nigerian Exchange launched a market surveillance system (SMART) powered by NASDAQ. This has enabled the Nigerian Exchange to carry out online real-time monitoring of trading activities on its platform and proactively detect market malpractices and abuses.
Given the changing dynamics in the Nigerian capital market driven by technology and the emergence of new market structures and products, it is important that the market surveillance capability of the regulator is adequate to meet risks and challenges posed by these changes.

The SEC should, therefore, collaborate with SROs and key market infrastructures to implement a market-wide surveillance program that provides overall visibility into the trading practices on all recognised trading platforms and develop a framework for prompt escalation and investigation of market abuses.

OBJECTIVE 21: ENHANCE THE DISPUTE RESOLUTION PROCESS

Dispute resolution in the capital market must be swift and seamless.

In view of the above, the following measures and targets should be used to monitor the implementation of this objective:

Measure	Target
Turnaround time for dispute resolution	90% of disputes resolved within 90 days
SEC's success rate in dispute resolution	100% of disputes resolved within 365 days

Specific initiatives to achieve this objective are as follows:

a. Implement appropriate mechanisms for investor redress and dispute resolution

A sound capital market has effective dispute resolution channels and mechanisms. Hence, SEC should provide/put in place appropriate channels for dispute resolution to allow for easier access for investors to seek redress in terms of cost and time.

Given the above, the following specific objectives and initiatives should be implemented:

- SEC should leverage technology in driving the full implementation and enforcement of the Complaints Management Framework for the Nigerian capital market

- The Investment and Securities Tribunal (IST) should be appropriately funded to ensure an effective and efficient discharge of its functions to investors and market stakeholders. IST currently gets 0.01% of daily transaction fees of the SEC, NGX and CSCS. This current funding structure should be expanded to include other exchanges and market infrastructures whose activities fall under the jurisdiction of the Tribunal.

- There is the need for the IST to upgrade its technology infrastructure to enable investors file their complaints online and the Tribunal conduct its proceedings (hearing of cases and arbitration processes) online in view of the technological trends in the capital market. Also, staff of the Tribunal should be trained on recent trends, products and innovation in the capital market.

- The Federal Government should revise the constitution to grant IST recognition as a court of record.

Table 11: Snapshot: Market Regulation and Oversight

Objective	Measure	Target	Initiative
17. Develop regulations that facilitate market development	Asset management operations Number of new listings under different product categories (Equities, ETFs, etc.) and value traded	Five million investors within the asset management operations a total asset under management of N10 trillion by 2025 At least 10 new product listings annually	Provide regulatory parity and consistency between all institutions and participants conducting similar capital market activities
			Implement a legal framework for cross border market activity
			Move towards a principle/risk-based system of regulation for capital market activities
	Optimised structure of the market	Implementation of the recommendations of the market structure review by 2022	Undertake a comprehensive review of the market structure

18. Improve market risk oversight	Compliance level of capital market participants	100% Compliance	Establish and enforce risk management framework across the capital market
			Facilitate the prompt and coherent flow of risk-related information to relevant parties
			Implement the priority actions and recommendations of the 2021 GIABA Mutual Evaluation Report within the capital market
19. Enhance corporate governance practices and systems for investor protection	Prompt sanctions when reporting and disclosure standards are not met	Implement sanctions within 90 days of market infractions by listed entities	Promote transparency and disclosure across the capital market
	Level of compliance with corporate governance standards	100% Compliance	Strengthen and enforce corporate governance standards
20. Strengthen financial and reporting standards of market participants and advance market transparency	Level of compliance with financial reporting standards	100% Compliance	Enforce compliance with financial reporting standards by issuers and capital market operators
	Number of violations of capital market rules by capital market operators	Zero violation of capital market rules	
	Adoption of XBRL	Implementation of XBRL as the standard for exchange of business information electronically in the Nigerian capital market	Adopt an open technology standard for the exchange of business information electronically
	Adoption of a centralized surveillance system for the Nigerian capital market	Implementation of a market surveillance system for the Nigerian capital market	Work closely with self-regulatory organisations to strengthen market surveillance across all recognised securities exchanges and trading platforms by leveraging technology
21. Enhance the dispute resolution process	Turnaround time for dispute resolution	90% of disputes resolved within 90 days	Implement appropriate mechanisms for investor redress and dispute resolution
	SEC's success rate in dispute resolution	100% of disputes resolved within 365 days	

Implementation Framework

05

Implementation Framework

The previous chapter outlines various initiatives targeted towards the achievement of the vision and objectives of the revised CMMP. The achievement of the vision of being "Africa's most modern, efficient and internationally competitive market that catalyses Nigeria's economic growth and development" is dependent on the efficient implementation of the strategic initiatives. To ensure this is achieved, this implementation framework:

- Sets out the process, structure and responsibilities of implementing the revised CMMP;
- Identifies the resources necessary for implementation;
- Includes performance monitoring and reporting guidelines;
- Defines the communication plan to create awareness for the revised CMMP; and
- Details key stakeholders required to support the implementation of initiatives.

The framework also specifies the sequence in which the actions / initiatives may be implemented and the priority areas that should be the immediate focus.

5.1 Prioritisation of Revised Capital Market Master Plan Initiatives

As noted above, a total of 53 initiatives were outlined in the previous chapter towards achieving the strategic aspirations of the revised CMMP. However, implementation of all the initiatives may not be completed within the implementation timeframe. Therefore, we have taken a further step to prioritise the initiatives according to two major criteria: the level of impact to the overall vison of the revised CMMP and the level of SEC control on the implementation process.

- The level of impact of each initiative was categorised into was High, Medium, or Low priority in the order of importance with High being the most critical.
- The level of SEC control on each initiative was ranked High, Medium, or Low. High was assigned to those initiatives that are under SEC's sole control in terms of implementation while Medium and Low were assigned to initiatives that can be influenced by SEC and those outside the purview of SEC, respectively.
- Points from 1 – 3 were also assigned to initiatives based on the above rankings i.e., 3 for High priority initiatives, 2 for Medium priority initiatives, and 1 for Low priority initiatives.
- Weighted scores were computed for each initiative on a scale of 1 to 9 and these formed the basis of the final ranks assigned to each initiative. Priority initiatives are those with the foremost ranks.
- Timelines were set for the implementation of each initiative which has been segregated and cascaded in line with the thematic areas in the revised CMMP

Based on the above, we have identified 31 initiatives that are of high priority, 10 initiatives that are of medium priority and 12 initiatives that are of low priority.

The table below summarises the prioritisation of the revised CMMP initiatives based on the thematic areas.

Revised CMMP themes	High priority	Medium priority	Low priority	Total
Contribution to the National Economy	3	2	3	**8**
Market Development & Innovation	13	6	6	**25**
Competitiveness	6	2	2	**10**
Market Oversight & Regulation	10	1	1	**12**
	32	**11**	**12**	**55**

5.2 Timelines for the Implementation of the Revised Capital Market Master Plan Initiatives

5.2.1 Contribution to the National Economy

S/N	Initiatives	Level of SEC's Control	Level of impact	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Develop a framework and regulation to drive the creation and investment in local VC funds	H	H	■	■	■	■												
2	Implement and adopt a central identity management system as a universal means of identification in finance and investment transactions	H	H	■	■	■	■												
3	Collaborate with the Fund Managers Association of Nigeria ("FMAN") to promote financial inclusion through the use of collective investment schemes	M	H		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
4	Collaborate with capital market operators to facilitate the availability of long-term capital through the use of sustainable finance	M	M		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
5	Facilitate increased participation of pension funds and insurance companies in the capital market	L	H	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
6	Collaborate with SROs to facilitate the use of alternative financing options to meet the financing needs of high-growth companies in the critical sectors	M	L		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
7	Collaborate with fintech companies to introduce new capital market products such as multi-issuer structured products, special financial bonds to facilitate the interest of SMEs	M	L		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
8	Engage the Federal Ministry of Finance to finalise the national savings strategy and coordinate the implementation of the strategy	M	L	■	■	■	■	■	■										

5.2.2 Market Development and Innovation

S/N	Initiatives	Level of SEC's Control	Level of impact	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Develop a local pool of licensed green bond verifiers	H	H	■	■	■	■	■	■	■	■								
2	Develop the framework for regulating digital assets	H	H		■	■	■												
3	Develop an Infrastructure Technology (IT) Standards Blueprint for the Nigerian capital market	H	H	■	■	■													
4	Raise awareness on fraudulent and ponzi schemes across all geopolitical zones using local dialect where necessary	H	H	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
5	Introduce mandatory Continuing Professional Development points as a prerequisite for maintaining Capital Market operating license	H	H	■	■	■													
6	Conduct a comprehensive review of these advanced technologies and their role in the Nigerian capital market (blockchain technology, RPA, etc.)	H	H	■	■	■													
7	Transform the Nigerian Capital Market Institute to better support the training and education of capital market operators	H	H				■	■	■	■	■	■							
8	Streamline the regulation and the process for product innovation in the Nigerian capital market	M	H	■	■	■	■												
9	Incentivise the issuance of, and participation in Environmental, Social, and Governance (ESG) compliant products	M	H			■	■	■	■	■	■	■							
10	Create awareness, deploy educational, and advocacy campaigns for ESG compliant products	H	M	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
11	Develop and document a national stakeholder engagement strategy	H	M			■	■	■	■	■	■								

S/N	Initiatives	Level of SEC's Control	Level of impact	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
12	Activate the use of traditional media aids such as a dedicated capital market comic strip to be included in the daily newspapers to target the older generation	H	M			■	■	■	■										
13	Promote capacity building programmes on Shari'ah- compliant processes and products (Regulators and Operators)	H	M		■	■	■	■	■	■	■	■	■	■					
14	Increase access of the public to basic financial information and tools using a dedicated website, easy to read guidebook, social media page, smartphone app, etc.	M	M	■	■	■	■												
15	Follow through on the adoption of capital market courses and subjects in tertiary institutions	M	M			■	■	■	■	■	■	■	■	■					
16	Facilitate the development of a variety of Shari'ah-compliant products	M	M		■	■	■	■	■	■	■	■	■	■	■				
17	Develop user interface training and capacity building programmes	M	M			■	■	■	■	■	■	■	■	■	■				
18	Revive and sustain the Financial Literacy Week program	H	L		■	■	■	■	■	■									
19	Promote regular dissemination of information on investor rights and policies via SMS notifications and emails	H	L		■	■	■	■	■	■	■								
20	Establish strategic joint alliances with key stakeholders	M	L	■	■	■													
21	Advocate for the development of agriculture value chain	L	M	■	■	■	■	■	■	■	■								
22	Create awareness and knowledge of commodity trading	M	L			■	■	■	■	■	■	■	■	■	■	■	■	■	■
23	Establish a coalition / union of African Capital Markets	M	L							■	■	■	■	■	■	■	■	■	

S/N	Initiatives	Level of SEC's Control	Level of impact	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
24	License more institutes or partner with business schools to run Capital Market training programs that counts towards Continuing Professional Development	M	L																
25	Promote investment cooperatives to middle class earners and new entrants into the economy to drive up retail participation	M	L																

5.2.3 Competitiveness

S/N	Initiatives	Level of SEC's Control	Level of impact	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Consolidate capital market operators	H	H				■	■	■	■									
2	Conduct regular customer survey on all stakeholders and make appropriate changes based on the feedbacks	H	H	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
3	Adopt a liberalised transaction fee structure that offers overall reduced cost-to-trade to investors and market participants to encourage fair competition.	H	H	■	■	■	■	■	■	■	■								
4	Develop a framework that promotes online trading and includes incentives for retail investors or consumers.	H	H	■	■	■	■	■	■	■									
5	Develop and promote principles, rules and regulations to position the Nigerian capital market as an international hub	H	M			■	■	■	■	■	■								
6	Develop a legal and regulatory framework that will expand the range of capital market products and services made available and that can attract diaspora savings	H	M			■	■	■	■	■	■								
7	Reduce settlement days to T+1	M	H		■	■	■	■	■	■	■	■	■						
8	Restructure the securities lending framework to include PFAs and PFCs participation and develop an improved framework for margin lending to drive liquidity	M	M			■	■	■	■										
9	Develop a framework and work with other securities regulators in strategic markets to leverage technology trading platforms to facilitate access to the Nigerian capital market and integration with foreign stock exchanges	M	L				■	■	■	■	■	■	■	■	■	■	■		
10	Advocate for the easing of controls on foreign investor participation	L	L					■	■	■	■	■	■	■	■	■	■	■	■

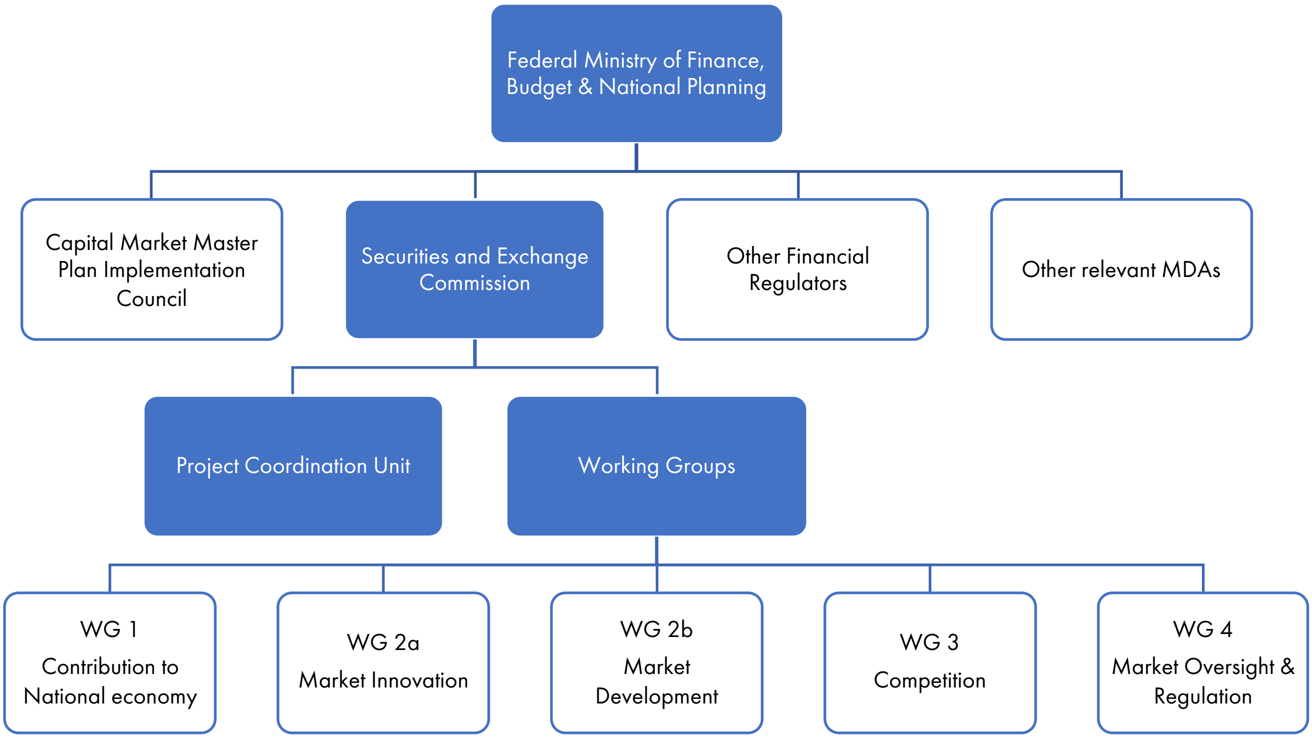
5.2.4 Market Oversight & Regulation

S/N	Initiatives	Level of SEC's Control	Level of impact	2022				2023				2024				2025			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Strengthen and enforce corporate governance standards	H	H																
2	Provide regulatory parity and consistency between all institutions and participants conducting similar capital market activities	H	H																
3	Implement appropriate mechanisms for investor redress and dispute resolution	H	H																
4	Establish and enforce risk management framework across the capital market	H	H																
5	Promote transparency and disclosure across the capital market	H	H																
6	Enforce compliance with financial reporting standards by issuers and capital market operators	H	H																
7	Undertake a comprehensive review of the market structure	H	H																
8	Move towards a principle/risk-based system of regulation for capital market activities	H	H																
9	Work closely with self-regulatory organisations to strengthen market surveillance across all recognised securities exchanges and trading platforms by leveraging technology	H	H																
10	Facilitate the prompt and coherent flow of risk-related information to relevant parties	H	M																
11	Implement a legal framework for cross border market activity	H	L																
12	Adopt an open technology standard for the exchange of business information electronically	M	L																

L Low M Medium H High

5.3 Implementation Structure and Management

The structure for the implementation and monitoring of the revised CMMP is depicted below:



Federal Ministry of Finance, Budget, and National Planning (FMFBNP)

The FMFBNP is the implementing ministry for the revised CMMP under the National economic policy agenda and takes overall responsibility for the successful implementation of the revised CMMP. While the FMFBNP always retains this responsibility, the implementation authority is delegated to the Capital Market Master Plan Implementation Council (CAMMIC) with the Securities and Exchange Commission as the implementation agency under the FMFBNP.

Capital Market Master Plan Implementation Council (CAMMIC)

The CAMMIC shall take overall responsibility and coordinate the implementation of the revised CMMP. The responsibilities of CAMMIC shall include:

- To provide strategic guidance to the SEC and the capital market community in the implementation of the revised CMMP.
- To facilitate cooperation and implementation of the revised CMMP under the broader National economic development program and ongoing policies and programs of other financial regulators and government agencies.
- To engage in high-level advocacy to advance the goals outlined in the revised CMMP.
- To ensure National ownership of the revised CMMP and give prominence to capital market issues in national conversations and consciousness.
- To seek and identify funding options for the implementation of initiatives contained in the revised CMMP.

The CAMMIC will be responsible for oversight functions on the activities of the Project Coordination Unit (PCU). The CAMMIC will provide strategic, technical, and operational support to the PCU. Specifically, the CAMMIC will be responsible for the compliance, technical control checks, review progress reports when required. The CAMMIC will also review conflicts of interest, approve work plans as well as resolve implementation conflicts

Composition of the CAMMIC

The CAMMIC should comprise senior executives drawn from both private and public sector institutions with appropriate representation from key segments of the Nigerian capital market including industry stakeholders, other financial regulators, professional advisors, and heads of the Working Groups. Members of the CAMMIC shall have requisite experience and expertise in capital markets, and have sufficient authority to commit their organisations, associations/trade groups or agencies to the process of implementation or have a mechanism in place to obtain such authority without delay.

The Honorable Minister of Finance Budget & National Planning will be the CMMP Champion. She/he will lead one or two meetings when in attendance but the day-to-day chairmanship of CAMMIC remains with the SEC nominated chairperson.

Securities and Exchange Commission (SEC)

SEC is the implementing agency for the revised CMMP and will provide the necessary support and resources to the CAMMIC, the Project Coordination Unit and Working Groups for the effective discharge of their functions.

SEC shall take the lead in implementing initiatives and recommendations that fall under its direct control and facilitate the implementation of recommendations under its influence. These include recommendations that require collaboration with other financial regulators and government agencies.

Project Coordination Unit (PCU)

SEC will establish a Project Coordination Unit (PCU) for the purpose of the revised CMMP. The PCU will be responsible for the overall coordination and implementation of initiatives and provide implementation oversight and support.

The PCU will be involved in the engagement of execution partners for each of the initiatives. Alternatively, the PCU links up with the required stakeholders to implement initiatives.

The stakeholder will be informed of their role and the extent of collaboration required. Activities of the stakeholder will be monitored closely by PCU. The PCU will be responsible for monitoring the extent of implementation and impact of the initiative in improving the Nigerian Capital market.

The PCU will consist of at least seven members who possess relevant experience in delivering capital market initiatives. The PCU will have a lead, whose appointment will be ratified by the Capital Market Master Plan Implementation Council (CAMMIC). The lead will provide leadership and oversight of all activities of the PCU. The functions of the PCU shall include:

- Engaging relevant stakeholders.
- Complement the interface between stakeholders and CAMMIC and oversee the implementation of the proposed initiatives.
- Report to CAMMIC through the relevant Working Groups.
- Burdened with supervising, implementing, monitoring, and evaluating the performance of the revised CMMP initiatives.
- Process approvals for the required investment to drive the achievement of the initiatives
- Preparing progress update on the initiatives

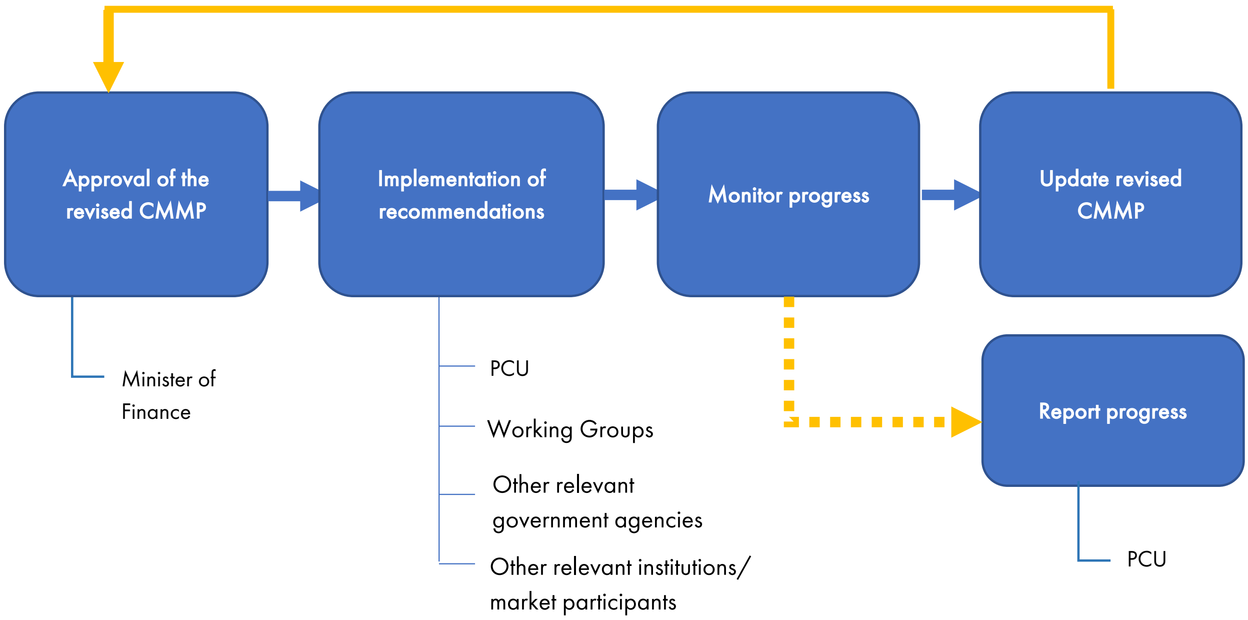
Working Groups

TThe Working Groups are responsible for driving the implementation of the revised CMMP initiatives. Members of the Working Groups shall be drawn from relevant capital market participants, SROs, trade groups, professional bodies, government institutions and the SEC in relation to the thematic areas. The Working Group on Market Oversight & Regulation shall be led by a representative of the SEC. The Working Groups shall work in close collaboration with the Project Coordination Unit to facilitate an efficient implementation of the revised CMMP initiatives and to monitor performance against set targets and timelines.

The Working Groups are expected to meet at least once every quarter to monitor progress and ensure prompt resolution/escalation of any key challenges that may hinder the successful implementation of the initiatives.
The Working Groups shall report on the status of the implementation of the revised CMMP initiatives per the implementation plan. This will be based on the PCU report.

5.4 Implementation Process

The approach to implementing the revised CMMP is illustrated below:



As shown, PCU will be responsible for managing the implementation of the initiatives / recommendations contained in the revised CMMP within the stipulated timeframes. Where timelines require adjustment, other initiatives affected will also be assessed and adjusted accordingly.

In implementing the initiatives, PCU will rely on the support and assistance of key stakeholders such as government agencies, market institutions, participants etc. as such, the implementation of the revised CMMP is a collective process that depends on the efforts of the entire capital market ecosystem.

Progress in implementing the revised CMMP will be monitored against the performance measures set out in the previous sections. The CAMMIC will provide oversight on performance and discuss with relevant authorities and affected parties for further action. Progress reports will also be posted on the SEC website to ensure that industry participants as well as the public are kept informed of the progress.

Given that the external environment may play a role in shaping the evolution of the Nigerian capital market, it is anticipated that there may be developments that may affect the implementation timeframe and other details of certain actions. Thus, while the broad objectives and strategic aspirations of the revised CMMP are expected to remain unchanged, a periodic review of the initiatives contained in this document should be conducted to ensure the actions remain relevant and applicable. Therefore, where necessary, the revised CMMP will be updated with appropriate revisions and additions.

5.5 Performance Monitoring

Performance monitoring is crucial to achieving the objectives of the Nigerian Capital Market Master Plan and can be broadly measured in terms of the:

- Timeliness of implementation
- Effectiveness of implementation

Performance monitoring is aimed at ensuring that the initiatives contained in the revised CMMP are implemented within the stipulated timeframes to achieve the vision set for the Nigerian capital market. Any delays or deviation from the actions set out in this document will be reviewed by the Committee and considering what effect these will have on other dependent actions.
Further to monitoring the timely completion of the actions contained in the revised CMMP, it is important to monitor performance against specific targets and measures that have been identified under each objective to assess the effectiveness of implementation.

5.6 Communication Plan

A coordinated communication strategy is required to promote awareness and understanding of the revised CMMP vision, objectives, and recommendations among international and domestic stakeholders, both public and private. Particularly, the communication plan should be targeted at ensuring that domestic stakeholders understand their roles in the successful implementation of the revised CMMP initiatives. The main objectives of the communication program are thus to:

- Create awareness amongst the relevant stakeholders.
- Establish clear communication and feedback channels with all stakeholders.
- Ensure that information about the revised CMMP and updates on implementation progress are disseminated in a timely and consistent manner.
- Enhance transparency in the implementation process and ensure accountability of the stakeholders involved.
- In terms of process, communication will be made through the following channels:
- Press releases and other communiques issued by the CAMMIC.
- Updates posted on a dedicated landing page on the SEC website.
- Engagements with specific audiences such as retail, institutional, domestic, or foreign investors and industry associations.
- Guidance notes or information circulars issued to industry groups or other stakeholders as necessary.

In addition to this communication, CAMMIC will continue to periodically (at least every year) consult relevant stakeholders to obtain their feedback and input throughout the course of implementation of the revised CMMP. Before major actions are implemented, consultation papers will be published by SEC and relevant parties / stakeholders will be invited to submit their comments and feedback on key proposals made therein.

Appendix

06

Appendix

The following stakeholders were interviewed while developing the revised CMMP

Trade Associations	Self-Regulatory Organisations	Venture Capital & Private Equity Firms	Financial Sector Regulators	Fintechs	Other Stakeholders
Capital Market Solicitors of Nigeria	The Nigeria Stock Exchange	African Capital Alliance	Investment and Securities Tribunal	Sankore Robo Advisory	Capital Market Implementation Council
Fund Managers Association of Nigeria	AFEX Commodities Exchange Limited	Verod Capital Management Limited	Financial Reporting Council of Nigeria	Blockchain Nigeria	Non-Interest Capital Market Technical Committee
The Association of Issuing Houses of Nigeria	Central Securities Clearing System Plc				Financial Literacy Technical Committee
Pension Fund Operators Association of Nigeria	NASD Securities Exchange				
Institute of Capital Market Registrars	Abuja Securities and Commodities Exchange				
Fintech Association of Nigeria	NG Clearing				
Financial Reporting Council of Nigeria	FMDQ Clear Limited				
	Lagos Commodity and Future Exchange