

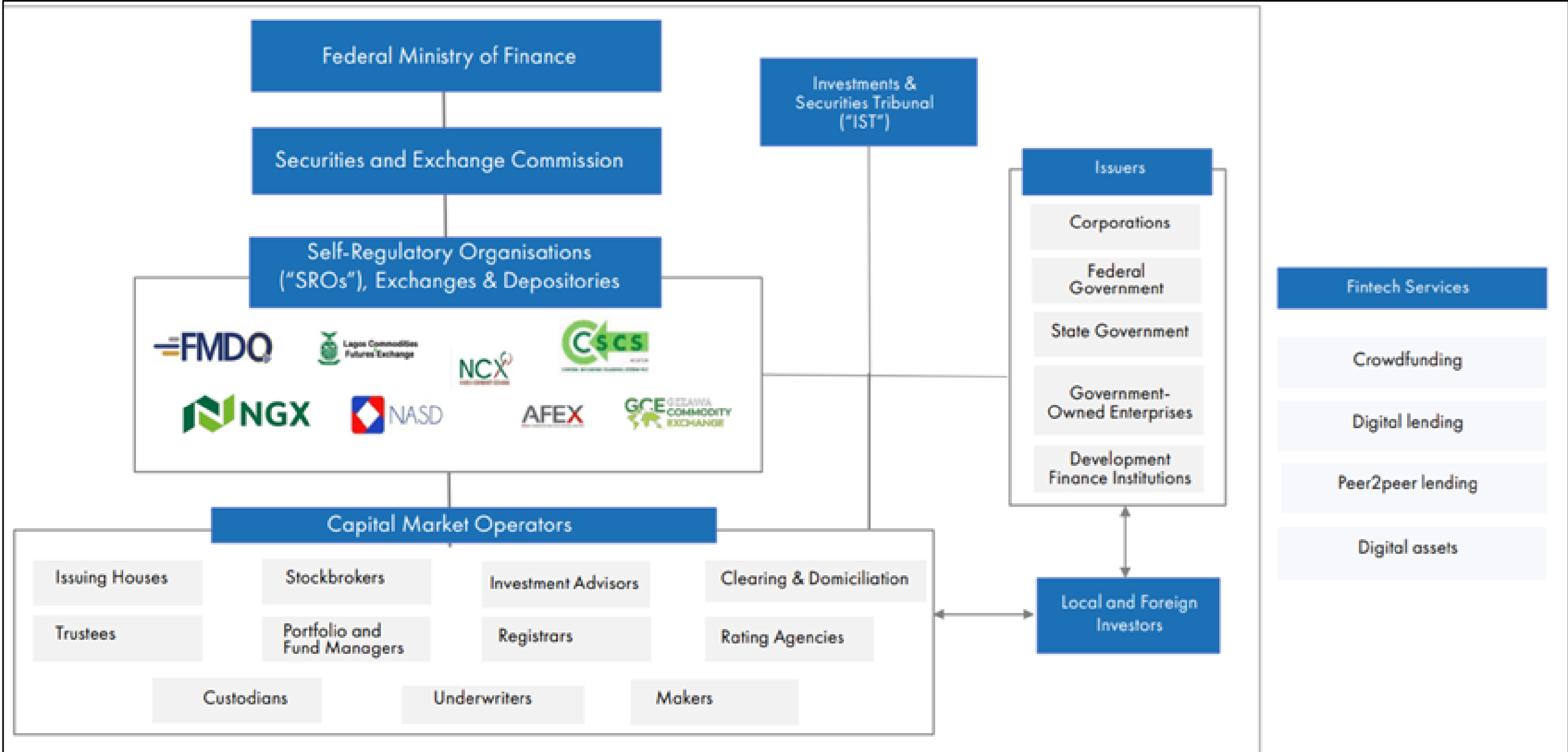
# Capital Markets as an Alternative source of Finance

Presented by Oscar N Onyema, OON  
Group Managing Director/ CEO, NGX Group



- 1 • The Nigerian Capital Market - An Overview
- 2 • NGX Group
- 3 • Government Debt Issuance on NGX Exchange
- 4 • Capital Market as a Catalyst for Growth
- 5 • Unlocking The Opportunities

# Overview of the Capital Market Ecosystem





# KEY PLAYERS IN THE NIGERIAN CAPITAL MARKET

## Broker-Dealers:

Bring issuers to the market; execute buy/sell orders

Enabling Framework: SEC registration; NGX license; CIS Act of 1992; ISA 2007, SEC Rules (2013) and NGX Rules

## Registrars:

Maintain registers of company shareholders

Enabling Framework: SEC registration as a Registrar; ISA 2007 and SEC Rules (2013)

## Investors/Participants:

Originate orders

## Trustees and Custodians:

Maintain assets on behalf of investors

Enabling Framework: SEC registration as a Trustee or Custodian; ISA 2007; Trustee Investment Act 1962; SEC Rules (2013)

## Others:

Issuing Houses, OTC platforms, Fund Managers, Trade Associations, Professional Bodies (e.g., **CIS**) etc.

Enabling Framework: SEC Registration; ISA 2007 and SEC Rules (2013); CIS Act of 1992, etc.

## SEC (Apex Regulator):

Maintains primary oversight of the capital market

Enabling Framework: Enabling Framework: ISA 2007 and SEC Rules (2013)

## Ministry of Finance:

Provides fiscal policy and stability in capital market and overall economy

Enabling Framework: Finance (Control and Management) Act 1958

## NGX/NGX Reg (SROs)

Enabling Framework: SEC registration as an Exchange/SRO; ISA 2007 and SEC Rules (2013); MEMARTs and NGX Rules

## Issuers:

Issue various securities for investment

Enabling Framework: Companies and Allied Matters Act, LFN 200, ISA 2007, SEC Rules (2013) and NGX Rules

## Central Securities Clearing System (CSCS)/NG Clearing Limited:

Provider of clearing and settlement services

Enabling Framework: SEC registration as a CSD, Clearing House; ISA 2007 and SEC Rules (2013)

The Capital Market:  
Key Participants and  
Enabling Framework



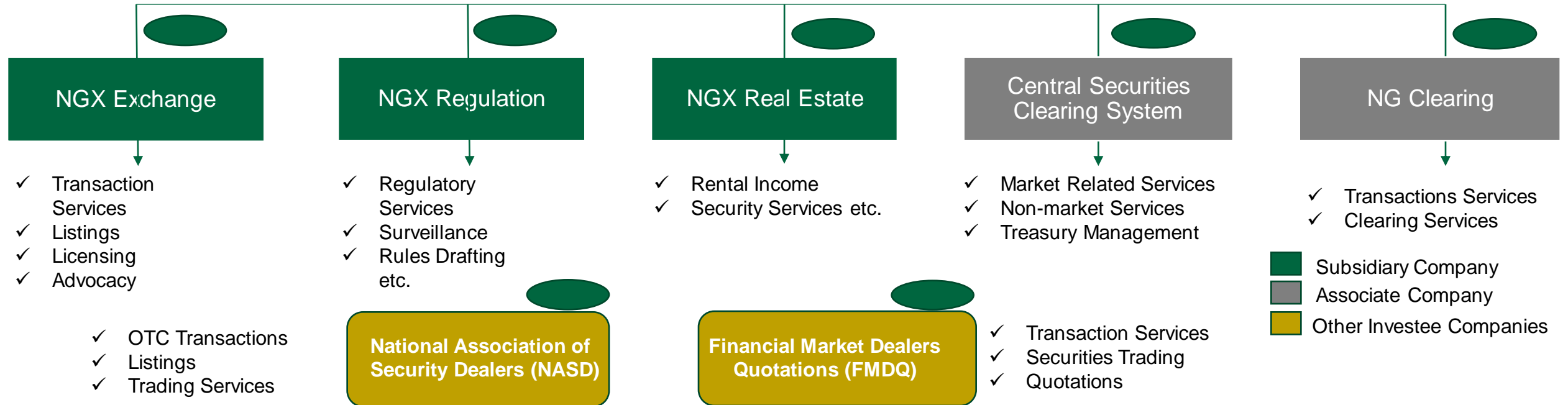
**NGX GROUP**

# CURRENT GROUP STRUCTURE



**\*The governance and management** of NGX Regulation Limited is independent of the employees and boards of other subsidiaries of the holding company.

# NGX Group at a glance



## Our support cuts across different areas of our investee's businesses which are as follows

- ✓ We provide wide range of investors across sectors and geographies
- ✓ We offer an extra layer of due diligence utilizing our high-quality and experienced risk control and strategic management personnel
- ✓ We provide governance, strategic and execution support to our investee companies
- ✓ By adopting a value-centric approach optimize the dividend paying potential of the investee companies



## NIGERIAN EXCHANGE

Nigerian Exchange Limited (“NGX OpCo”) is a leading capital market infrastructure in Africa’s largest economy. A licensed exchange hub under the Investments and Securities Act (ISA) and is also regulated by the Securities and Exchange Commission (“SEC”) of Nigeria. In line with its 2021 – 2023 strategic plan, the Exchange has continued to broaden its market influence while focusing on the following:

- I. Increasing its source of non-traditional income;
- II. Enhancing in technology capabilities; and
- III. Leveraging on global trends.

In 2022 being the post-demutualization year, the Exchange hit some of its key strategic milestones of becoming the leading exchange for technology companies in Africa. As of the end of this reporting year, the Securities and Exchange Commission (SEC) approved the Rules for listing on NGX technology Board; making NGX OpCo a specialized platform for technology-based companies to list and raise capital on the Exchange.

## AFRICA’S INNOVATIVE PLATFORM

NGX OpCo offers the best investor opportunities to African enterprises for listing and trading (equities, fixed income, exchange-traded funds (ETFs), real estate investment trusts (REITs), mutual funds, rights, and securities lending) in addition to proffering services in the pre-trade and post-trade spaces. NGX OpCo also provides licensing services, market data solutions, ancillary technology services, and more.

### SERVICES:



Listing



Trading



Market Data



Technology



Training



Licensing

### HIGHLIGHTS:

157

Equities  
Companies; REITs;  
Funds

62

Memorandum  
Listings  
Collective  
Investment  
Schemes

161

Bonds  
Government,  
Corporate

12

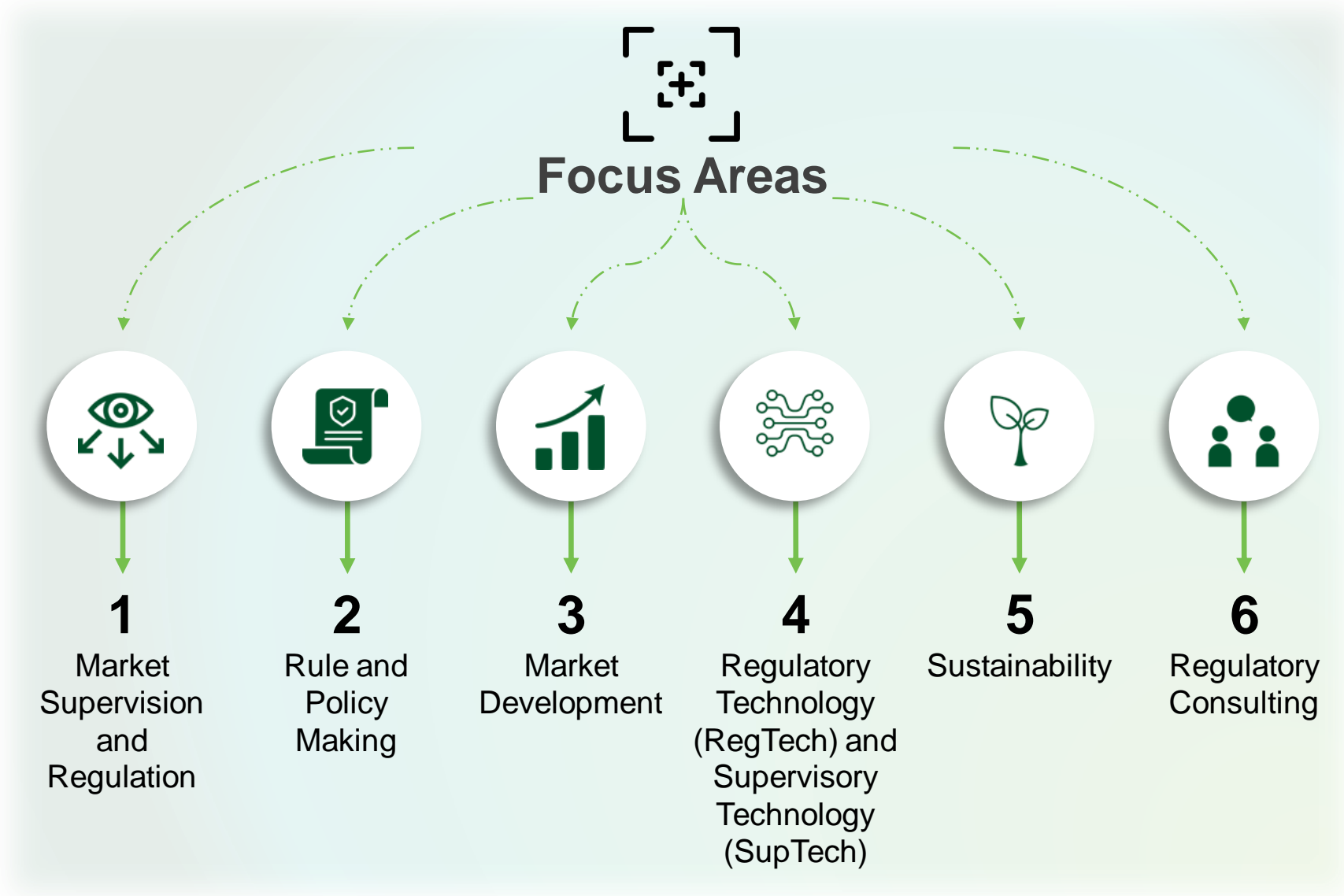
Exchange Traded  
Funds  
Equity, Bond,  
Commodity





|| NGX Regulation Limited (“**NGX RegCo**”) is an independent subsidiary of Nigerian Exchange Group Plc. (NGX Group Plc.) and a Self-Regulatory Organization (**SRO**) registered by the Securities and Exchange Commission (**SEC**) of Nigeria.

|| Our activities seek to promote **just and equitable principles of trade**, encourage **free and open markets**, mitigate **systemic risks**, protect **investors and customers**, and provide value to stakeholders by facilitating **robust, developed and well-regulated markets**.



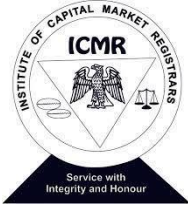
# NGX GROUP COLLABORATION FOR GROWTH



LAGOS COMMODITIES & FUTURES EXCHANGE



CHARTERED INSTITUTE OF STOCKBROKERS



Intermarket Surveillance Group



IoD Centre for Corporate Governance

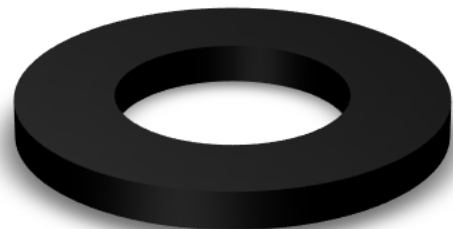


AVCA African Private Equity and Venture Capital Association

**Affiliate companies – Central  
Securities Clearing System Plc.  
(CSCS)**

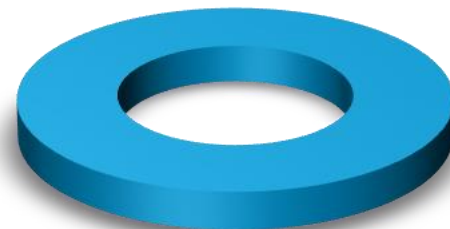


Central Securities Clearing System Plc [CSCS] is Nigeria's Central Securities Depository (CSD) licensed to carry on the depository, clearing and settlement of all transactions in the Nigerian Capital Market. As the country's premier Financial Market Infrastructure (FMI), CSCS processes securities in electronic book-entry form, ensuring safe and efficient transaction processing within the ecosystem.



## Depository

CSCS Plc serves as the Central Depository System (CDS) for all securities transacted in the Nigerian Capital Market



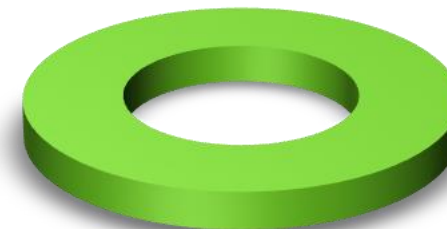
## Clearing & Settlement.

CSCS Plc is the Financial Market Infrastructure acting as the Clearing House of the Nigerian Capital Market.



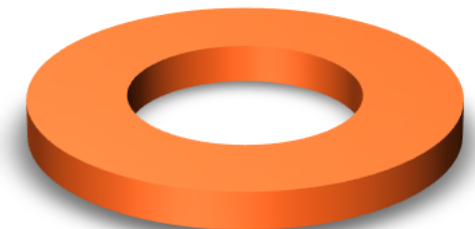
## Legal Entity Identifying (LEI)

CSCS Plc has been approved globally as the Local Operating Unit (LOU) for Nigeria to assign LEI codes to legal participants in securities and financial transactions.



## Document Management Service

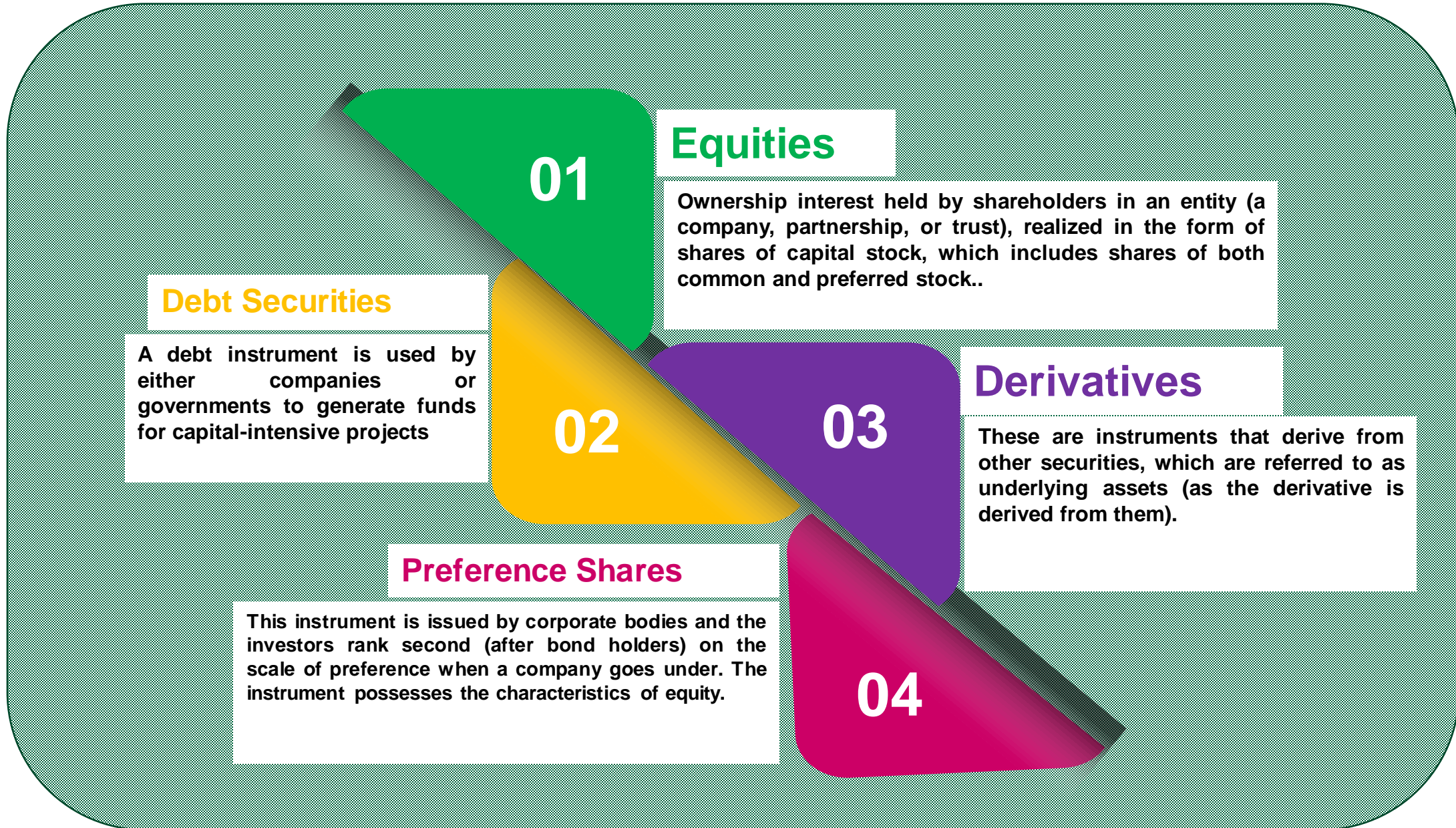
CSCS Plc Document Management Service (DMS) provides the finest end-to-end document management solution that is all-encompassing, flexible and user-friendly



## ISIN Issuance.

CSCS is the sole National Numbering Agency (NNA), licensed by the Association of National Numbering Agency (ANNA), in Nigeria.

# Capital Market products





## FGN Bonds

FGN Bonds are debt securities (liabilities) of the Federal Government of Nigeria (FGN) issued by the Debt Management Office (DMO) for and on behalf of the Federal Government. The FGN has an obligation to pay the bondholder the principal and agreed interest as and when due

### FGN Saving Bonds

The Federal Government of Nigeria (FGN) Savings Bond is a low to medium risk investment issued by the Debt Management Office (DMO) on behalf of the federal government. The investment is fully backed by the faith and credit of the Government of Nigeria.

### Sub-National Bonds

These are long-term debt securities issued by the state and local governments of a nation to finance projects for the public good like building schools, roads, hospitals and sewer systems.

### Sukuk

Often referred to as “sharia-compliant” bonds, Sukuk are bonds structured to comply with Islamic law, prohibiting payment of interest on borrowed amounts. Sukuk debt instruments grant investors shares in an asset alongside assumption of commensurate profit and risk. Sukuk are issued through various structures which provide fixed or floating rate payments.

### Agency Bonds

These are bonds issued by a government-sponsored agency, backed by the government of the country. Such agencies are usually set up to allow access to low cost of financing for certain areas in the economy e.g. housing, power, transport, etc.

Government Issues

# Existing Debt Instruments on NGX (12<sup>th</sup> May 2023)



## Federal Government

- ✓ FGN Bonds
- ✓ Savings Bond
- ✓ Sukuk
- ✓ Green Bonds

₦14Tn

## State Government

- ✓ Lagos State Government
- ✓ Ondo State Government
- ✓ Kogi State Government
- ✓ Plateau State Government

₦251Bn

## Corporate Bonds

- ✓ Dangote Industries
- ✓ Dangote Cement
- ✓ Union Bank
- ✓ Wema
- ✓ Lekki Free Trade Zone
- ✓ Interswitch
- ✓ BUA
- ✓ Access
- ✓ Ardova
- ✓ Family Homes
- ✓ ABC
- ✓ Mecure
- ✓ Taj Bank
- ✓ UPD
- ✓ Fidelity Bank
- ✓ Flour Mills
- ✓ United Capital
- ✓ Stanbic Ibtc Holding

₦1.2Tn

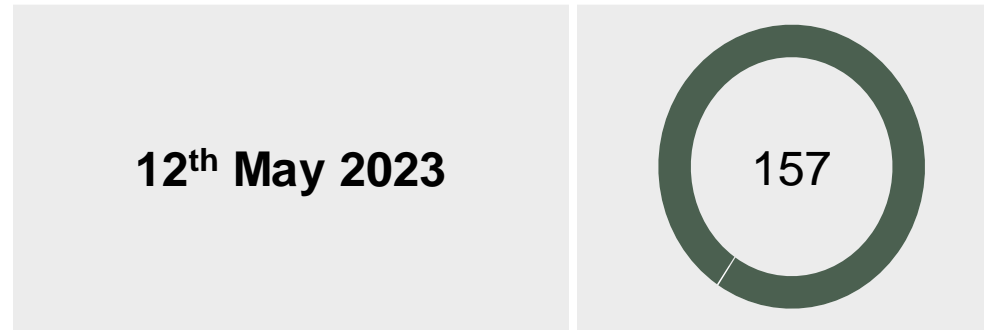
Source: [www.ngxgroup.com](http://www.ngxgroup.com)



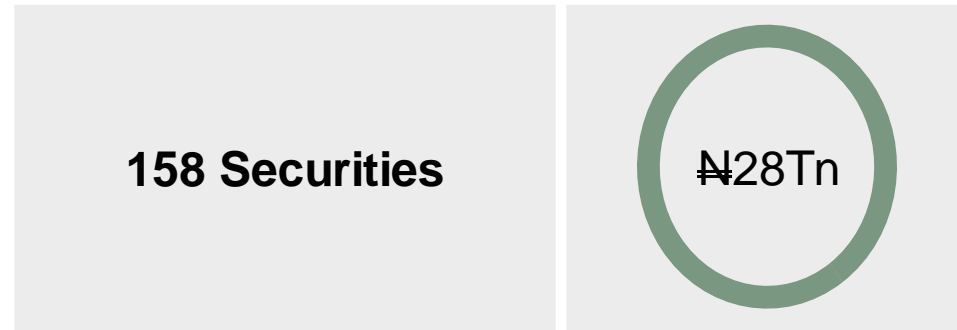
# Equity Dashboard – NGX (12<sup>th</sup> May 2023)



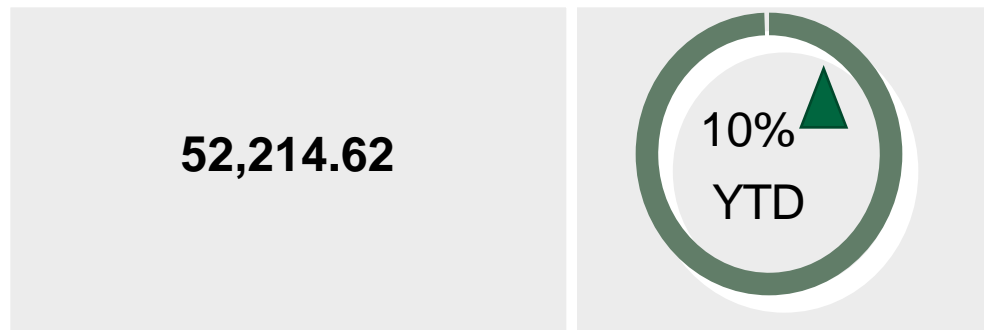
## Listed Companies



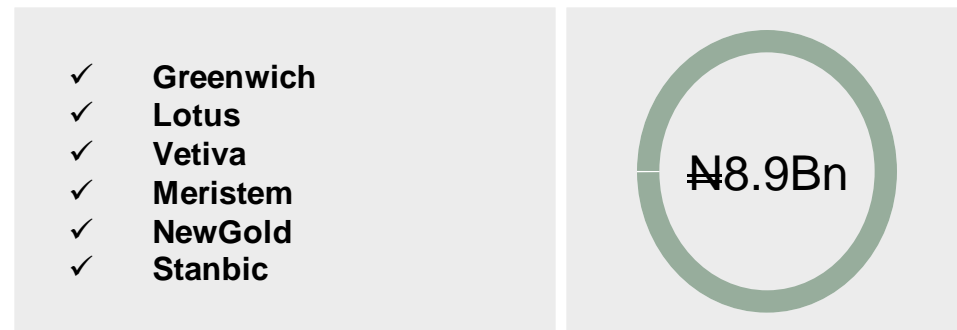
## Equity Market Capitalization



## All Share Index (ASI)



## Exchange Traded Products (ETPs)



Source: [www.ngxgroup.com](http://www.ngxgroup.com)

# Capital Market As A Catalyst For Growth

# The capital market can catalyze economic development at the state level via:

1



**Infrastructure Development**

2



**Employment Growth**

3



**GDP (i.e. growing IGR)**

4



**Investment Promotion**

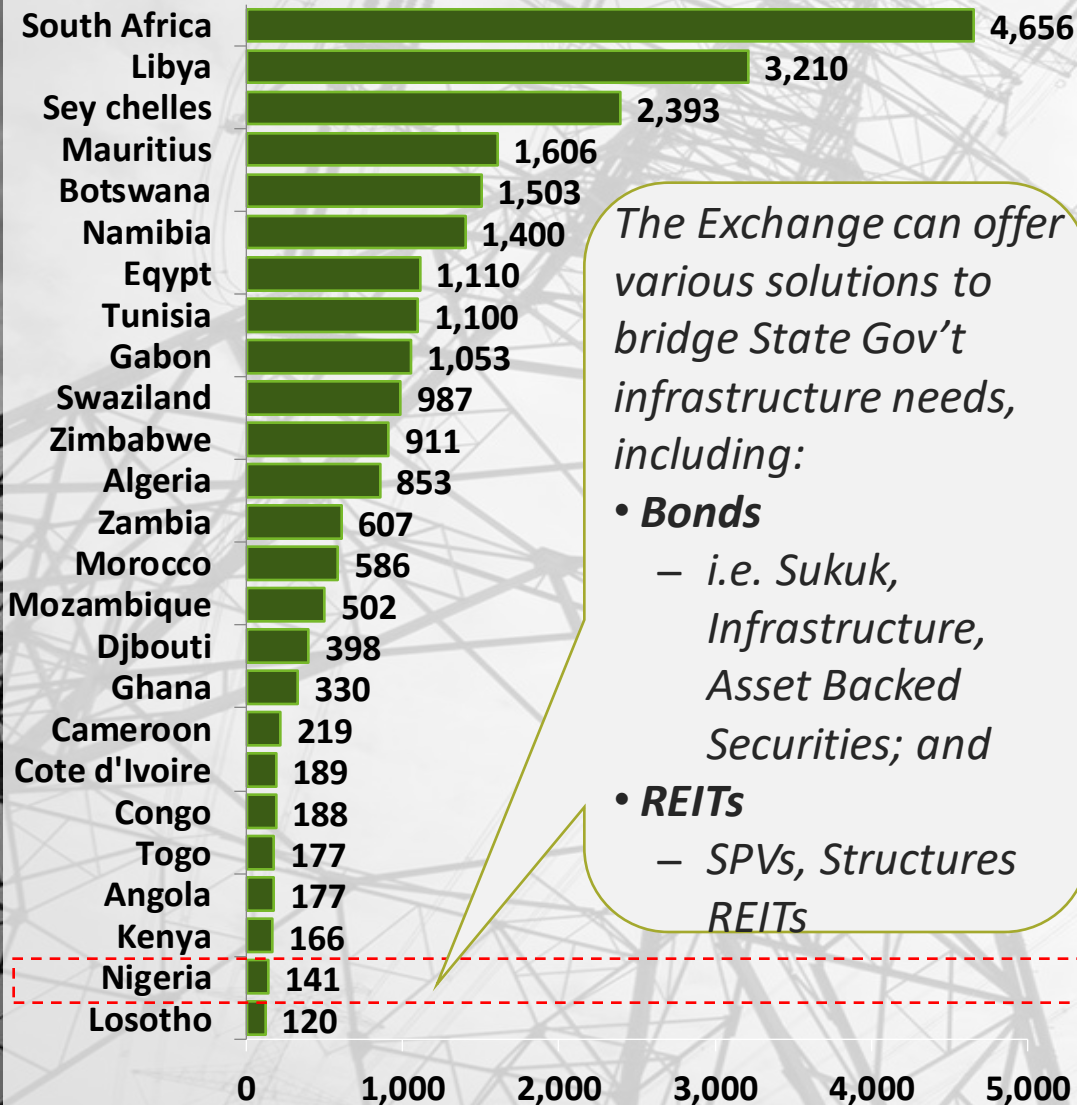
5



**Agricultural Development**

# Bridging Nigeria's States' Infrastructure Gap

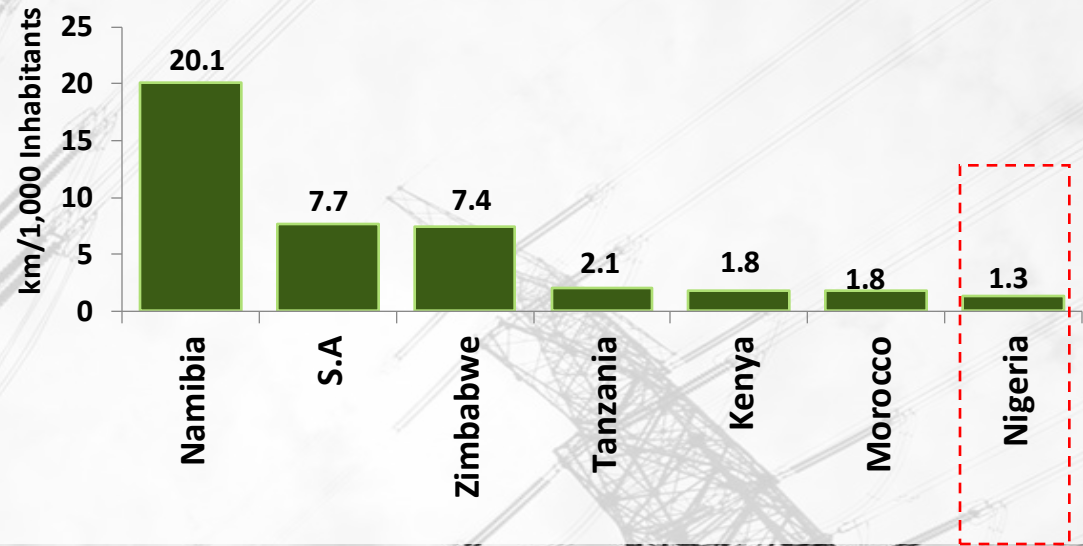
## ELECTRICITY CONSUMPTION PER CAPITA, KW/H



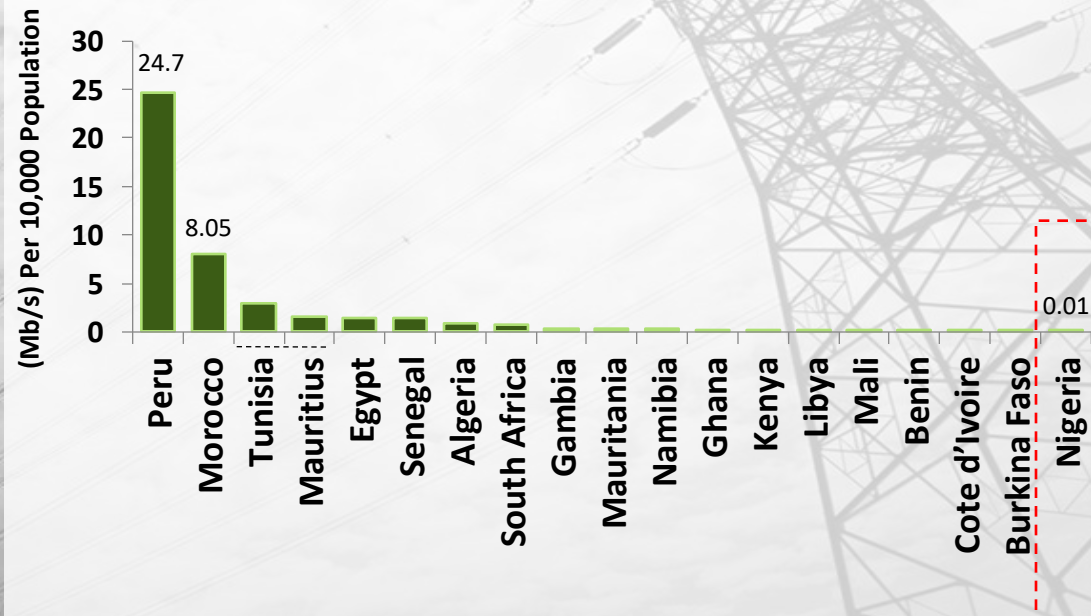
*The Exchange can offer various solutions to bridge State Gov't infrastructure needs, including:*

- **Bonds**
  - i.e. Sukuk, Infrastructure, Asset Backed Securities; and
- **REITs**
  - SPVs, Structures REITs

## AFRICA ROAD NETWORKS (KM/1,000 INHABITANTS)



## AFRICA'S BANDWIDTH REQUIREMENTS



# Stimulating GDP and Employment



<i>Action</i>	<b>1. List State-Owned Enterprises</b>	<b>2. Promote listing of SMEs</b>
<i>Advantages</i>	<ul style="list-style-type: none"> <li>• Entities providing critical public service are under adequate regulation and broader shareholder control</li> <li>• Public gets to participate in wealth created in strategic economic sectors</li> <li>• Greater financial transparency to gov't</li> <li>• Transparency in governance and CSR</li> </ul>	<ul style="list-style-type: none"> <li>• Quality employment for Nigeria's workforce</li> <li>• Reduced corruption in the private sector via enhanced corporate governance</li> <li>• Enhanced financial reporting and disclosure               <ul style="list-style-type: none"> <li>✓ McKinsey reports that companies listed on the NGX pay 1.1ppts more tax than private companies</li> </ul> </li> </ul>
<i>Outcomes</i>	<ul style="list-style-type: none"> <li>• Greater efficiency</li> <li>• Higher productivity and output</li> <li>• Increased tax revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Business growth/ expansion</li> <li>• Greater employment</li> <li>• Increased tax compliance -&gt; higher fiscal revenues</li> </ul>

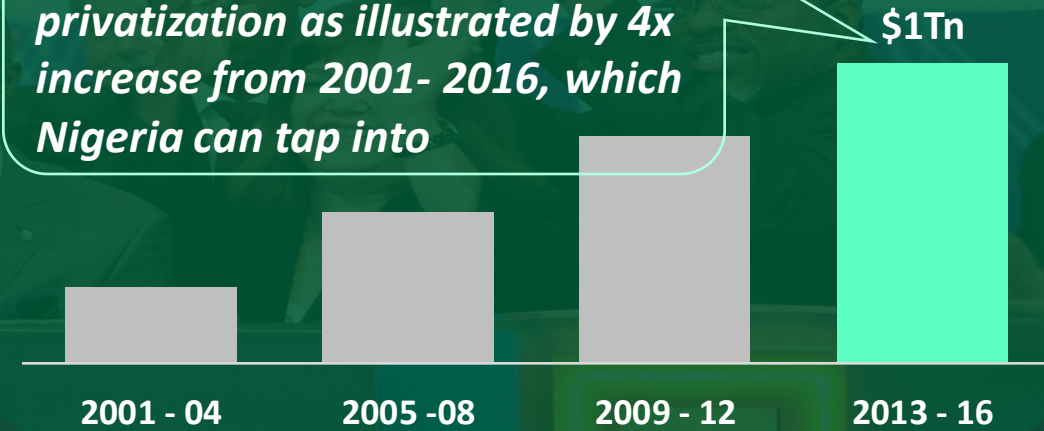
# Boosting States' Investment Opportunities



- ✓ Privatization & Listing of SOEs
- ✓ Domestic and International Roadshows
- ✓ Globally competitive investment policy framework
- ✓ Adopt PPP models financed via the Capital Market for infrastructure projects

## Trending Privatization Opportunity

*Growing global trend of privatization as illustrated by 4x increase from 2001- 2016, which Nigeria can tap into*



## Growing Emerging Market PPP Opportunity



Shanghai S.E



Philippine S.E.

*...launches Guidelines for Advancing Asset Securitization Business for PPP Projects...while*

*...published the rules for listing of companies involved in PPP projects, expecting IPO interest*

## Continual Investment Promotion Opportunity

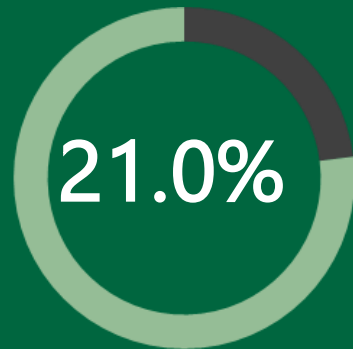
- *Promote States' investment attractiveness via roadshows & global partnerships.*
- *Opportunity to partner with NGX (London, New York, Hong Kong, etc. roadshows)*



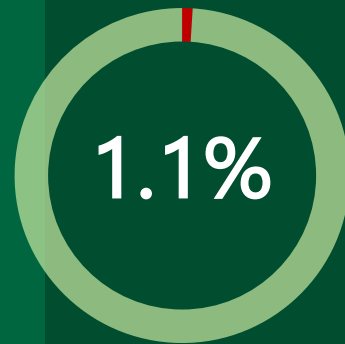
# Driving a buoyant agriculture sector



The agriculture sector is significantly under-represented in the Nigerian Capital Market:



Contribution to  
GDP (Q1'23)



Contribution to NGX Total  
Market Capitalization (Q1'23)

Immense Opportunities exist for State Gov'ts to:

- Promote listing of agri-businesses
- Support the creation of dynamic products (e.g. commodity derivatives)





# Unlocking The Opportunities



# How can we Unlock these Opportunities?



## ONE-ON-ONE MEETING

Articulate long-term goals and build consensus



## HOLISTIC NEEDS ASSESSMENT

Statewide needs assessment by NGX to identify key catalysts of change




## SEAMLESS IMPLEMENTATION

Execution of agreed objectives, in conjunction with capital market stakeholders





### Next Steps



- Assessment of the identified key areas of support
- Articulate long-term goals and build consensus and stakeholder engagement
- Develop a road map, appoint parties and Timelines

### Key Contacts

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# THANK YOU

## *Questions & Answers*

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## Some major capital market events in the past years



1

### Introduction of SEC Rules on Digital Assets

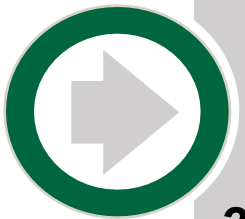
- ❖ ) The Rules provide a clear regulatory framework for the growth of the digital asset market in Nigeria.



2

### Nigeria Exchange Limited (NGX) launches West Africa's first exchange-traded derivatives market

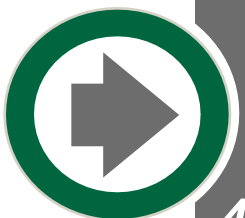
- ❖ West Africa's first Exchange Traded Derivatives (ETD) Market with Equity Index Futures Contracts.
- ❖ Promotes risk diversification in the market and investor inclusion.



3

### Implementation of crowdfunding rules

- ❖ The SEC crowdfunding rules came into force in January 2021 and all fundraisers and investment-based crowdfunding platforms were required to comply with the rules by 30 June 2021.



4

### Launch of the first Central Counterparty Services (CCP) in Nigeria

- ❖ Launched by NG clearing, it is the first of its kind in West Africa.
- ❖ Established to facilitate the clearing and settlement of exchange-traded derivatives and commodities.