



**THE Nigerian  
STOCK EXCHANGE**

RC: 2321

# Pre-Requisites for Exchange Traded Funds and Asset Backed Securities on The Nigerian Stock Exchange

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# Exchange Trade Funds

- Like mutual funds
- Structured
- Managed
- Regulated, but traded



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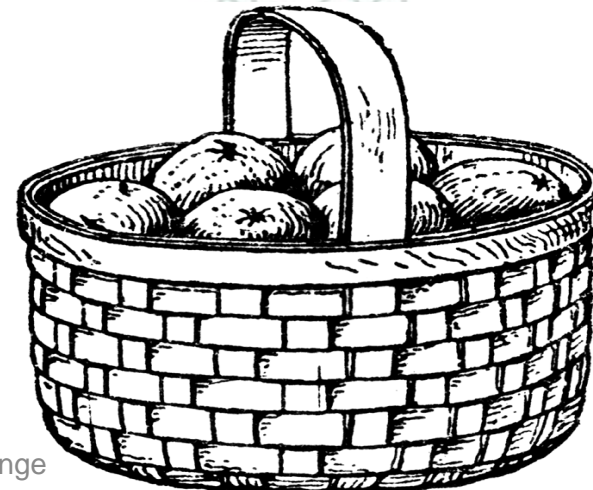
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# Characteristics of an ETF

- Registered under mutual fund regulations
- Listed and traded on a stock exchange
- Tracks some sort of index or price series
- Holds a basket of investments related to its index or price series
- Allows authorised participants to create and redeem shares at NAV in large blocks

# Process of Creating an ETF

- An index to track
- Liquid and marketable underlying securities that make up the EFT
- Successful passage of the idea through registration
- Market participants

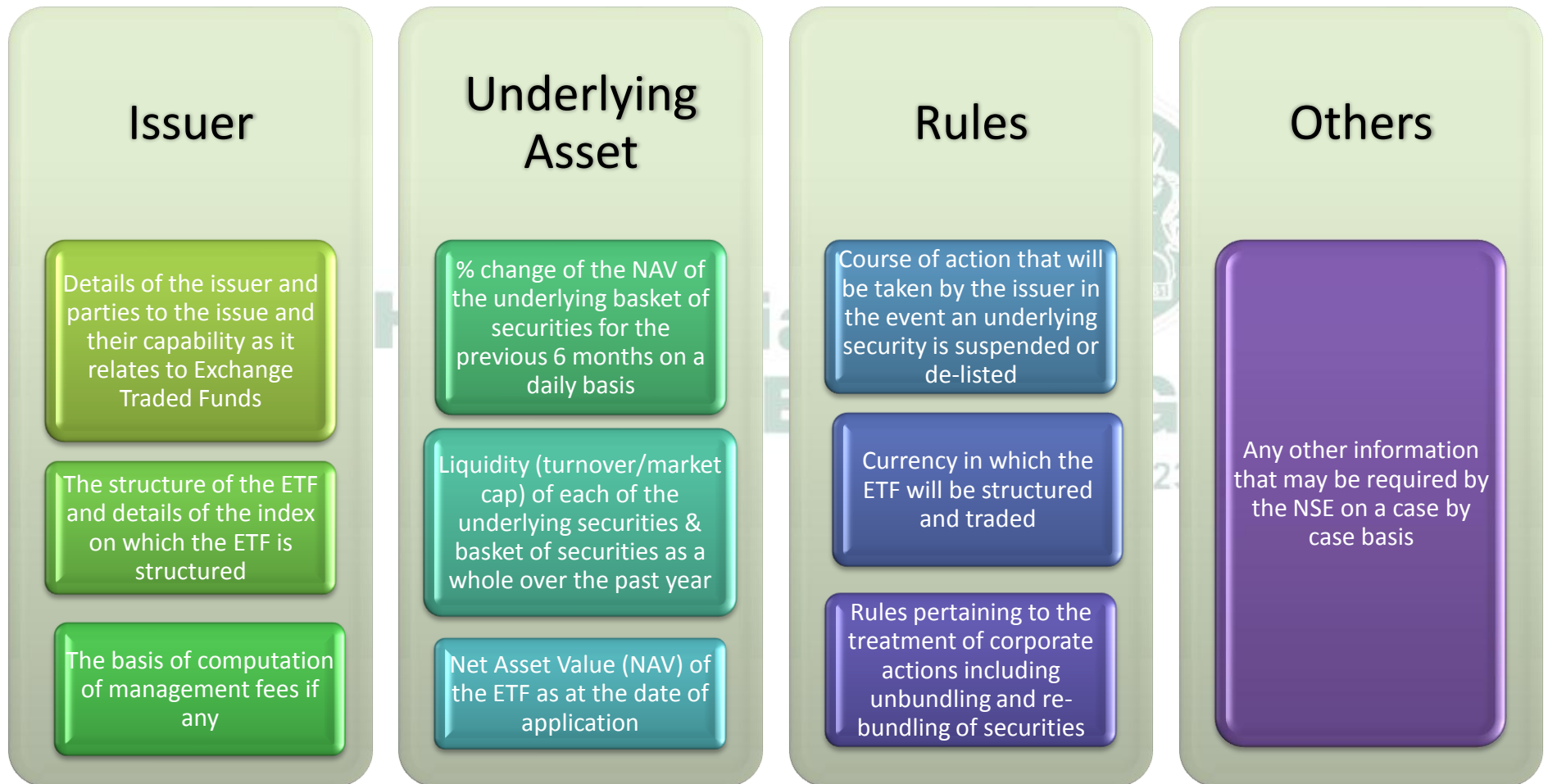


# Benefits of ETFs

- Intraday trading
- Lower cost – creation and redemption
- Tax efficiency – low turnover
- Transparency – daily disclosure of the NAV composition
- Access to any asset class



# Pre-Requisites for Listing ETFs



# Asset Securitization

Asset  
Securitization

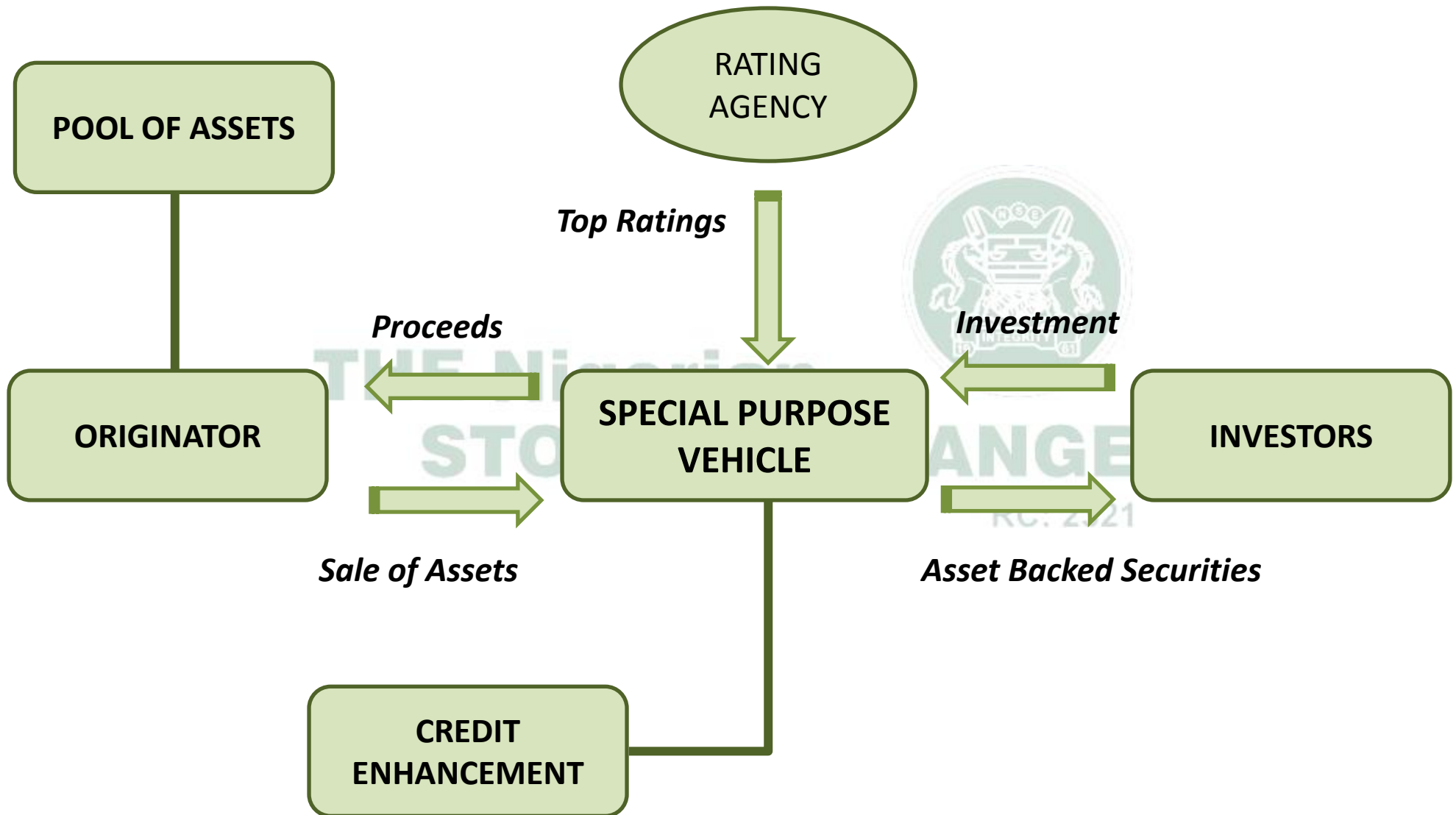


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Mortgage Backed  
Securities

Asset Backed  
Securities

# Process of Asset Securitization



# Steps for Creating an ABS

Segregate Assets from Seller/Originator

Create a Special Purpose Vehicle (SPV)/Trust to hold the assets and protect the various parties interests

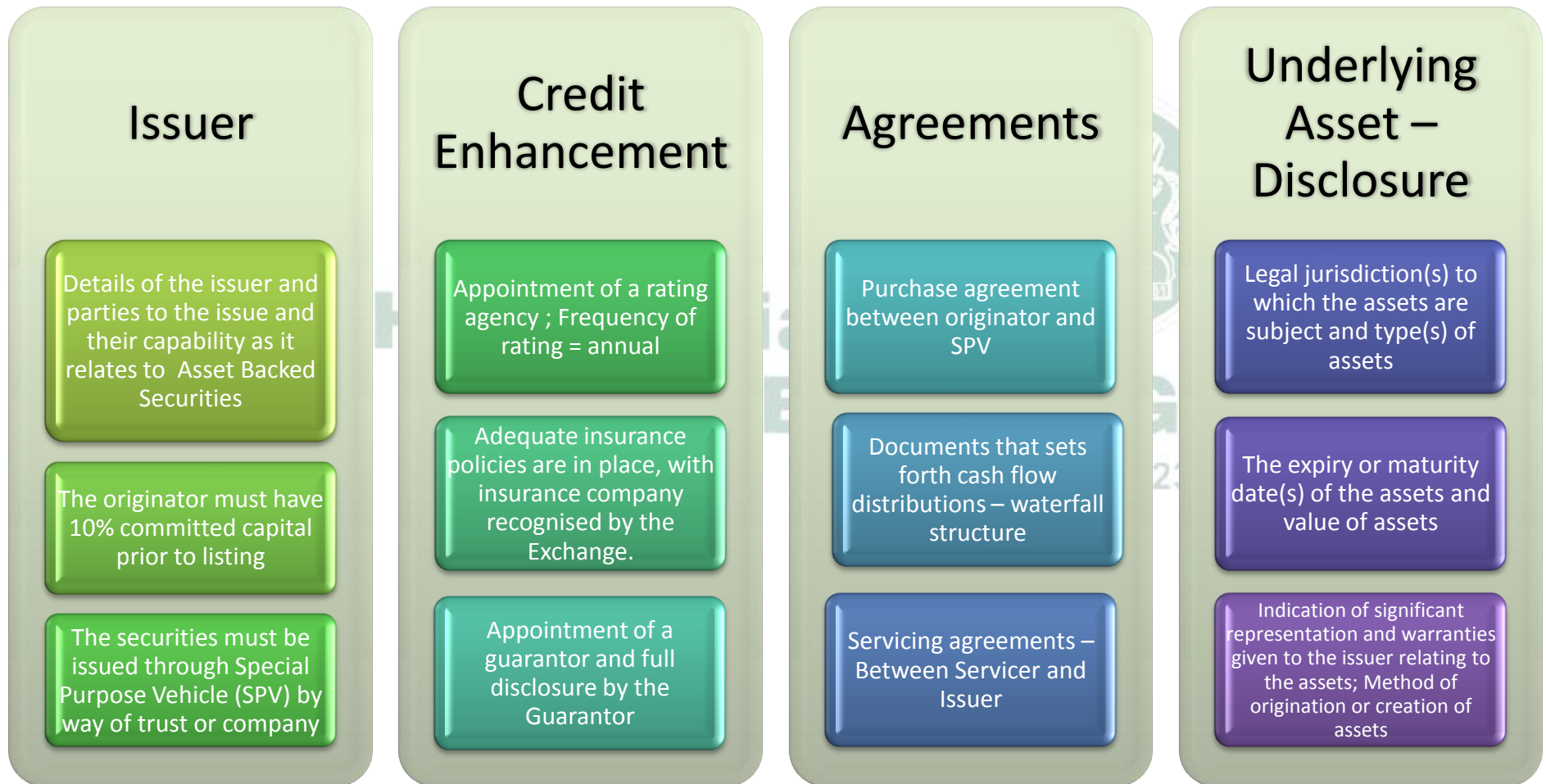
Add credit enhancement to improve salability

Insurance

Guarantor

Issue interest in the asset pool to investors

# Pre-Requisites for Listing an ABS

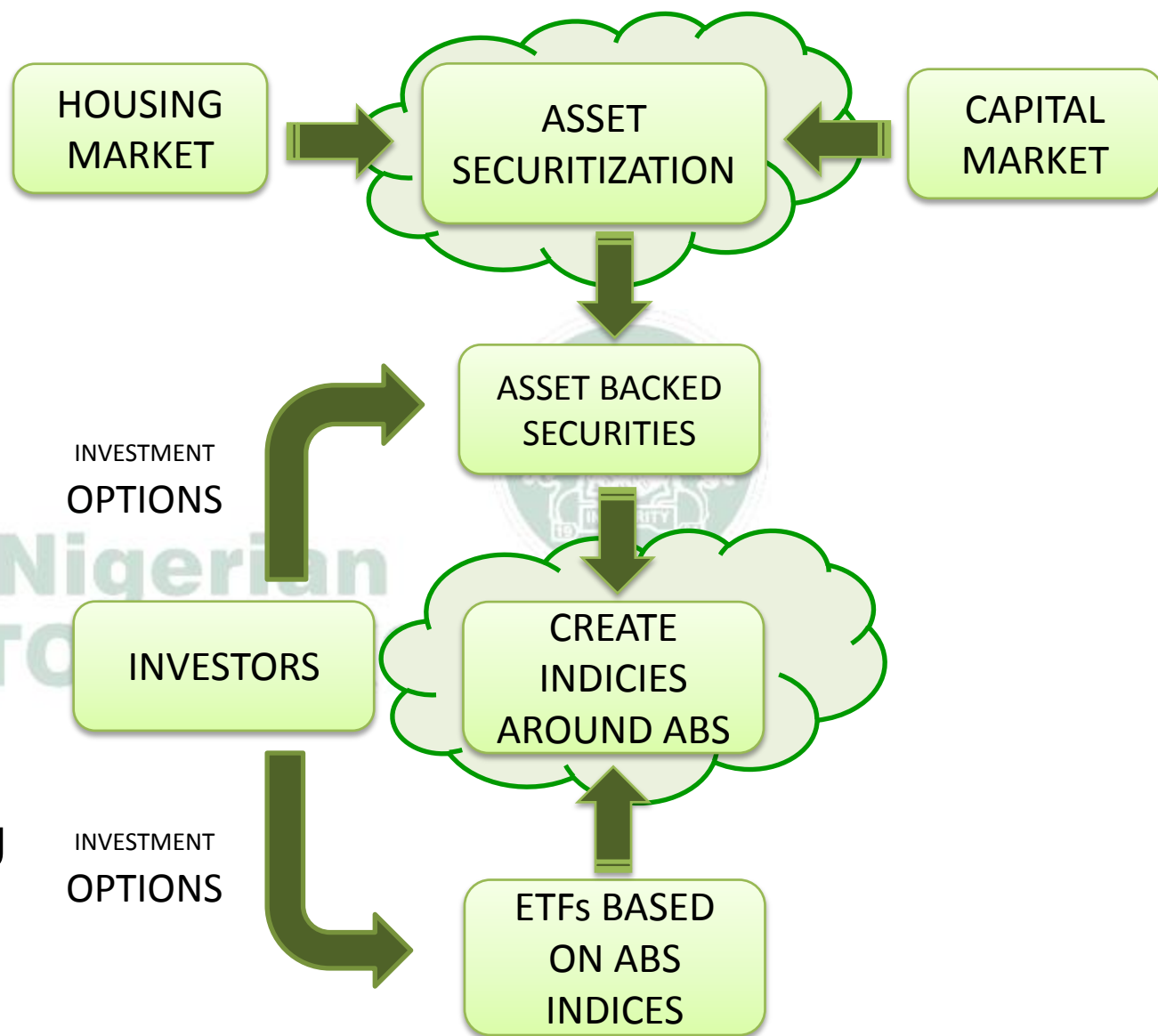


# Real Estate Investment Trusts (REITs)

SKYE SHELTER FUND PLC		UNION HOMES REITS	
Date Listed	26-02-2008	Date Listed	22-07-2010
Price	N100.00	Price	N51.50
Quantity Listed	20,000,000	Quantity Listed	250,019,781
Market Capitalisation	N2,000,000,000.00	Market Capitalisation	N12,876,018,721.50
No of Deals to Date	941	No of Deals to Date	142
Volume Traded to Date	5,555,302	Volume Traded to Date	1,644,138
Value Traded to Date	N572,324,904.39	Value Traded to Date	N82,195,539.00

# Objective

- Fully integrate the Nigerian economy with the Nigerian capital market
- Deepen the capital market by providing investors with a variety of products
- Protect investors' interests by ensuring the absence of conflict of interest among parties to the issue



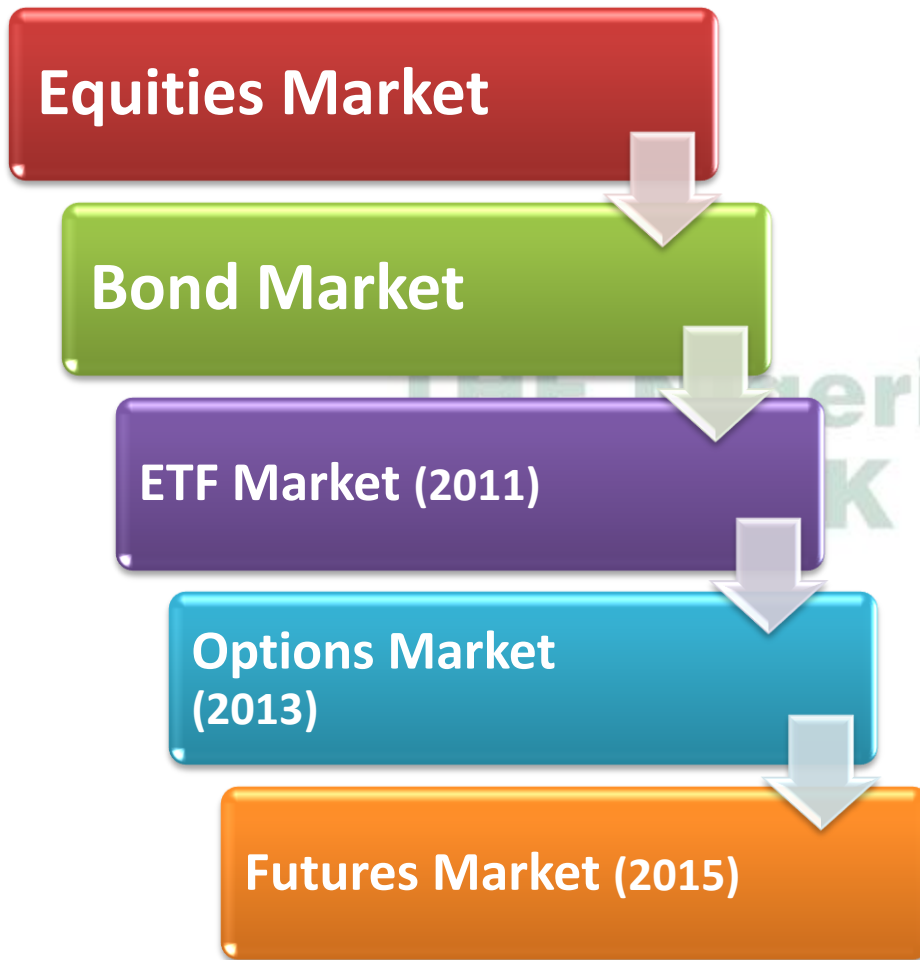
# The NSE's Vision

“ To be the leading Stock Exchange in the African region for capital formation, driven by transparency, innovation, efficiency and liquidity.”

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To become the gateway to  
African Markets.

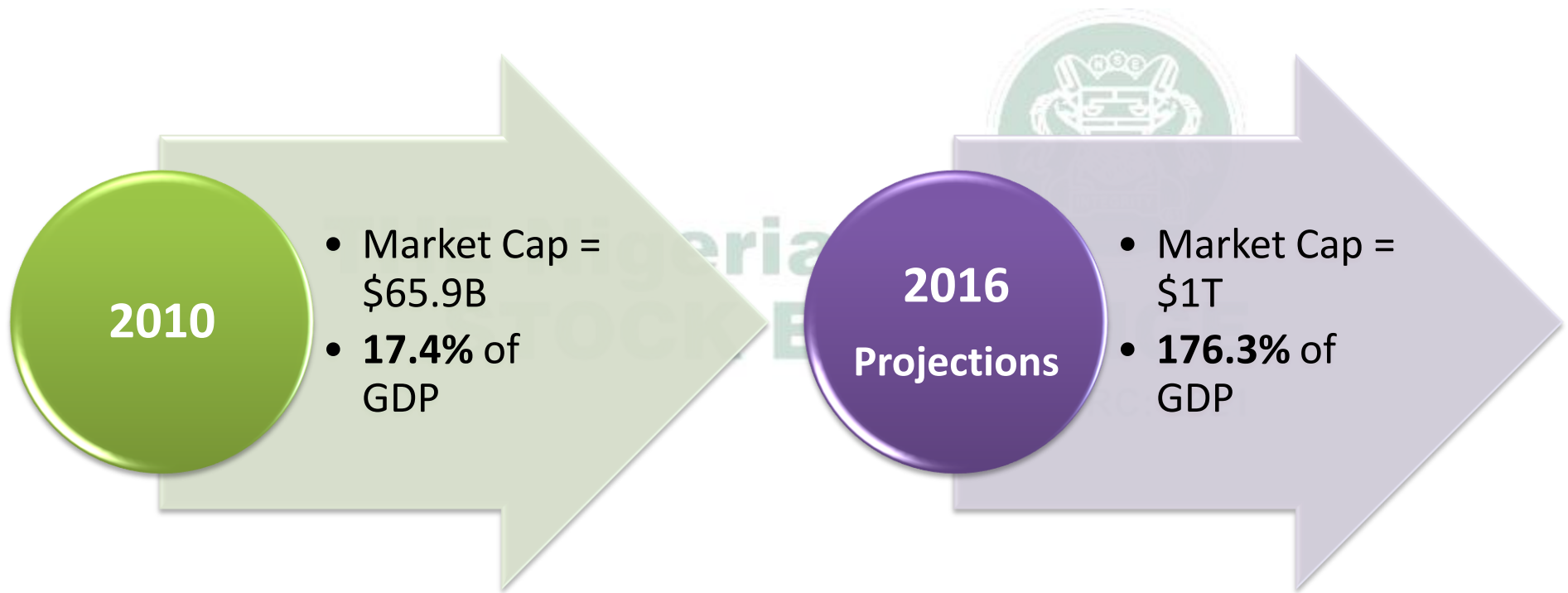
# 5-Year Outlook: How?



Short term:

- Market Segmentation
  - From 33 to 12 Sectors
- Market Structure
  - Market Making, Securities Lending and Short Selling
  - Open/Close/Intraday Auctions
- Investor Education
  - Investor Clinics around asset allocation strategies

# Capital Market 5-Year Outlook



Sources: GDP (\$377.9B)--[www.cia.gov](http://www.cia.gov); Exchange rate--[www.cenbank.org](http://www.cenbank.org); Projection based on 7% avg. GDP growth (aggregated)



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# Pre-Requisites for EFTs and ABSes on The Nigerian Stock Exchange

## Q&A

# Thank You

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