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STOCK EXCHANGE**

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# KEY DEVELOPMENTS ACROSS THE NIGERIAN CAPITAL MARKETS

Keynote address by

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for

Nigerian Capital Markets Workshop

by

*Thomson Reuters, London Stock Exchange, J.P. Morgan, The Nigerian Stock Exchange*

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*September 13, 2011*

# Outline

- African Markets
- Nigeria's Capital Market
- NSE's Vision
- Market Developments
- Objective and Outcome



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# African Markets

- Increased competitiveness of financial markets
- Greater visibility into capital markets, globally
- Transparency continues to improve
- Corporate governance remains an important focus
- Investor protection receiving much-needed attention
- Market structures becoming more advanced
- Servicing global institutions who prefer to deal locally
- Returning foreign funds
- Local content creation on the rise
- Markets are working

# Nigeria's Capital Market

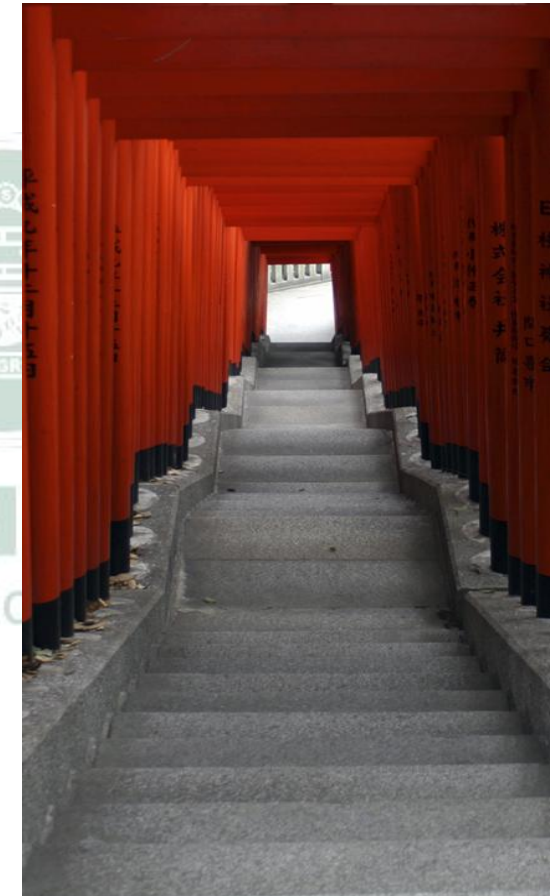
**NSE services the 2<sup>nd</sup>  
largest financial  
centre in sub-  
Saharan Africa**

**NSE is the 3<sup>rd</sup>  
largest stock  
exchange in Africa  
by capitalization**

**NSE is the largest  
market in West  
Africa by company  
capitalization**

# Nigeria's Capital Market Focus

- Collaboration among regulatory bodies
- Investor confidence
- Liquidity
- Regulatory compliance
- Market structure
- Investor protection
- Settlement process
- Investor education
- Capacity build-out for market participants



# The NSE's Vision

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



**To become the gateway to African Markets.**

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# Key Initiatives

## The Organization

Reconstitution of the Board

Fully Operational Board Committees

Board Committee on Demutualization Formed

## Corporate Reorganization

Reorganization for Effectiveness and Efficiency

Transformation Programs Underway

Four Divisions to Better Position the Exchange as a Commercial Entity

## Business Development

Listings Sales/Retention Focus on Growing from \$50B to \$1T in 5 Years

"5 Products in 5 Years" (Equities, Bonds, ETFs, Options, Financial Futures)

National Reach via Branch Network of 13 Trading Floors and Offices

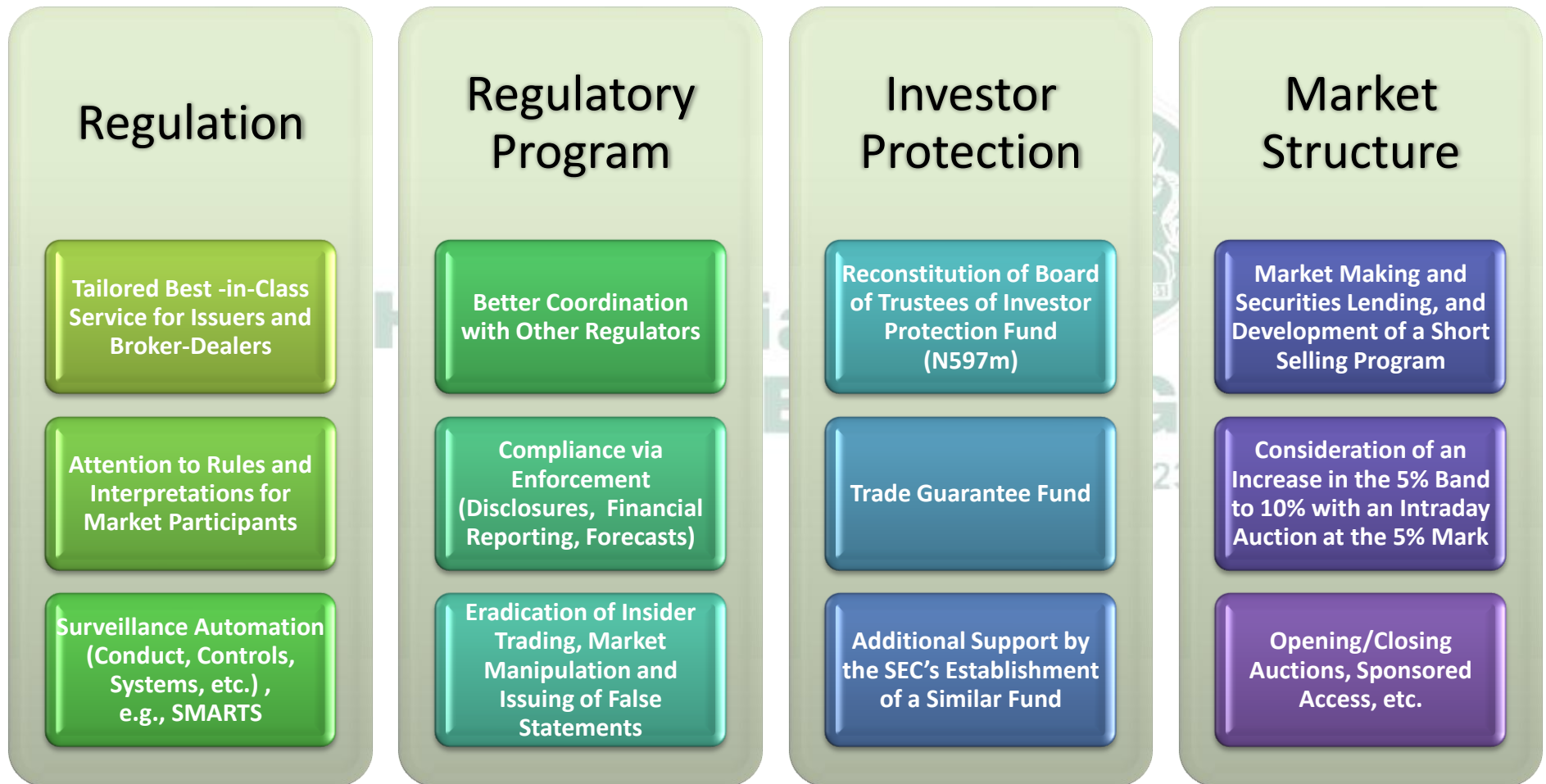
## Technology

Upgrade of Trading and Market Management System to *NASDAQ OMX X-stream*

Build Business Technology Baselines and Process Automation

Advocating Full Dematerialization

# Key Initiatives contd.

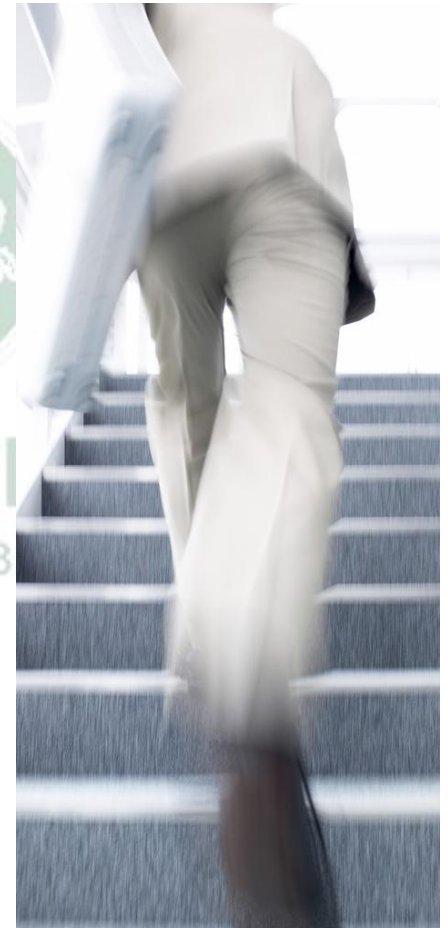


# Ongoing Activities in Support of Our Key Initiatives

- GDP Growth
  - Over 7% yearly
- Target Sectors
  - Agriculture: 31.9% of GDP\*      \$107m / 0% of market cap\*\*
  - Oil & Gas: 15.9% of GDP\*      \$2,147m / 4% of market cap\*\*
  - Power: 7.9% of GDP\*      \$0 / 0% of market cap\*\*
  - Telecoms: 4.5% of GDP\*      \$64m / 0% of market cap\*\*
- Market Segmentation
  - 33 to 12 industry sector classifications
  - 3 market capitalization classifications: Large, mid, small
  - 2 asset classifications: Growth, income

\* Sources: [www.cia.gov](http://www.cia.gov); [www.nationalstat.gov.ng](http://www.nationalstat.gov.ng); [allafrica.com/stories/201009100207.html](http://allafrica.com/stories/201009100207.html)

\*\* Average market capitalization June 2010 to May 2011

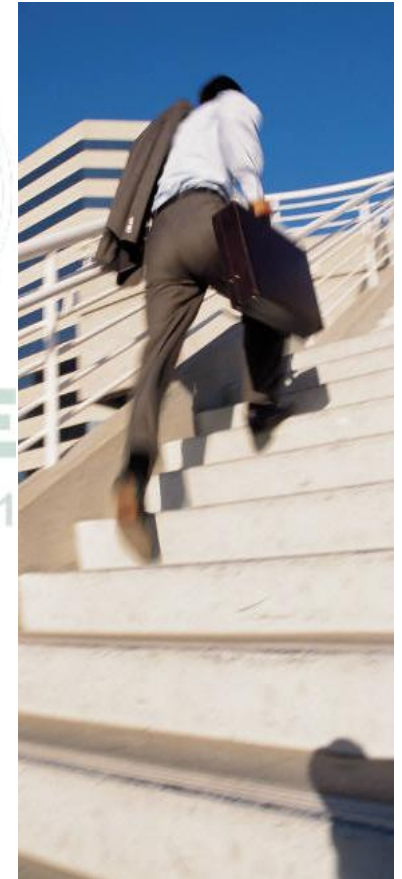


# Market Activities Supporting Key Initiatives

- FGN-driven
  - Acquisition of toxic securities by AMCON
  - Privatization of government-owned companies
  - Fin. Reporting Council; National Economic Mgmt. Team (NEMT)
  - Policies to enable economic revenue diversification
- CBN-driven
  - Agriculture program with the Bank of Industry (BOI)
  - *Infrastructure Finance Policy*
  - One-year holding requirement for fixed-income securities lifted
- SEC-driven
  - Recapitalization of brokerage firms
  - IFRS compliance by all market operators
  - Market-wide improvement of corporate governance
  - Investor education partnership with Nollywood

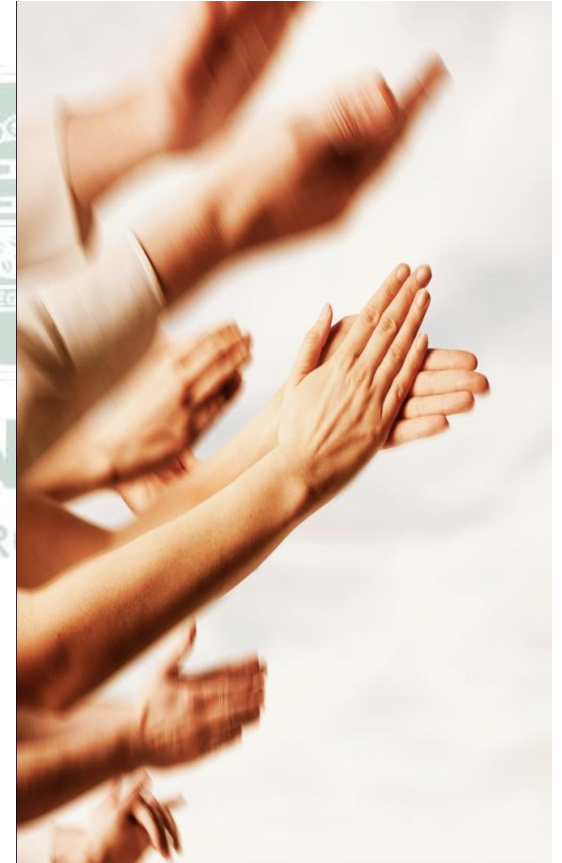


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# Other Developments

- Economy
  - 7.22% increase in economic loans from banks in Q1 2011
  - 67% rise in national trade to N6.3t (\$40.6b) in Q1 2011
    - Non-oil shipments increased 24% to N795bn (\$5.1b)
- Markets
  - Explosion of the bond market
    - 9 states raised N217bn (\$1.35b) in bonds from 05/10 to 06/11
  - 87.2% increase in foreign portfolio investment in 2010 (N381.34b or \$2.35b total)
  - Morgan Stanley's \$33b forecast of net capital inflows in 2011

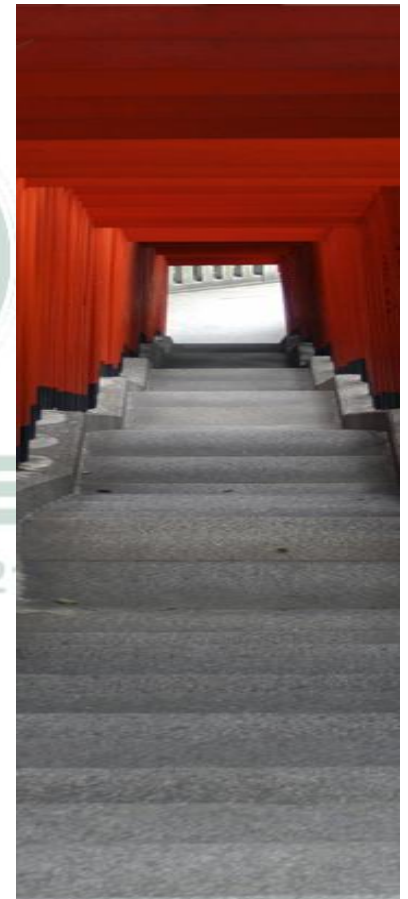


# Market-Wide Optimism?

- Bear Market
- Broker Uncertainty
- Clearing and Settlement Obstacles
- Fund Manager Challenges
- Rotation from Equity to Fixed-Income

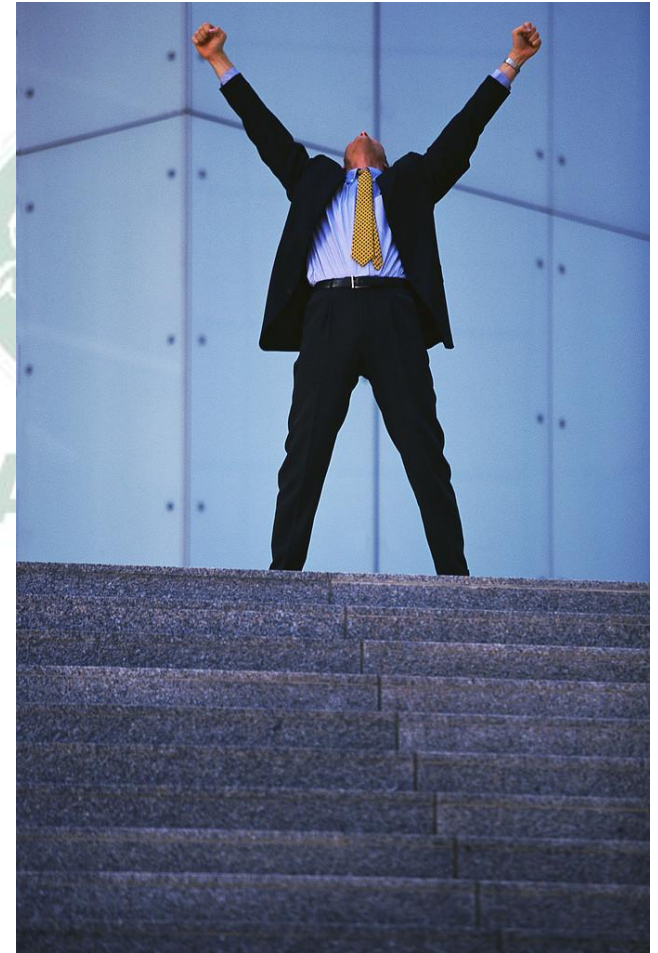


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# NSE Vision - Gateway to African Markets

- Best-in-class trading platform
- Full suite of investment products
- Liquidity
- Swift listing process
- 100% dematerialization
- Electronic settlement (STP)
- Vibrant retail-driven market





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# KEY DEVELOPMENTS ACROSS THE NIGERIAN CAPITAL MARKETS

## Q&A

# Thank You

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