



**THE Nigerian
STOCK EXCHANGE**

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PROMOTING MARKET INTEGRITY TO ACHIEVE SHAREHOLDER VALUE ASSURANCE

Shareholder Value Assurance: A Shared Governance Responsibility

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for

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Outline

- Shareholder Value
- Market Integrity
- Driving Market Integrity
- NSE's Vision and 5-Year Outlook
- Corporate Governance
- Objective and Outcome



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Shareholder Value

Shareholder Value =

Corporate Value - Debts



Corporate Value (Value of the Firm) =

NPV of all future free cash flows + Value of non-operating assets



Non-operating assets include stocks, excess real estate and over-funded pension plans

Future claims include interest-bearing debt, capital lease obligations, under-funded pension plans and contingent liabilities

Debt =

All future claims

Market Integrity

- Achieving the lowest level of prohibited trading behaviour in a market
- The higher the incidence of obvious prohibited trading behaviours, the lower the integrity of a marketplace
- **High market integrity** promotes fair, equitable and efficient markets, and improves investor confidence in an exchange and in the marketplace

Driving Market Integrity

- Legal/Regulation Division
 - Broker-Dealer Regulation department
 - Listings Regulation department
 - Surveillance department
 - Attention to Rules and Interpretations for market participants
- Zero Tolerance policy – Compliance via enforcement
 - *Disciplinary Committee*
- Process automation
- Full dematerialization
- *Investor Protection Fund and Trade Guarantee Fund*



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Market Integrity Initiatives

- Broker-Dealer Regulation

- Supervision & Monitoring

- Yearly and random inspection of broker-dealer firms

- Accounts, client mandates and transaction logs, licensed *Compliance Officer*

- Penalties

- Recent update of rules to assign penalties to violations

- Unauthorized sale of shares

- Fraudulent verification of share certificates

- Misappropriation of funds

- False 3rd party transactions

- Failure to maintain separate client accounts

- Failure to appoint a licensed *Compliance Officer*

- Failure to submit financial statements



Market Integrity Initiatives

- Listings Regulation
 - Disclosure Standards
 - Recent update of penalties for violations of rules
 - Late and non-submission of quarterly and annual financial statements
 - Failure to notify the exchange of Board changes
 - Full Disclosure
 - Full responsibility of listed companies
 - Corporate Governance
 - Annual certification of compliance
 - Review of ‘Share Buy-Back’ policy
- Surveillance
 - Development of Rules and Sanctions
 - Implementation of Market Quality analysis



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Market Integrity Initiatives

- SEC-driven
 - Market-wide improvement of corporate governance standards
 - Recent approval of 67 Compliance Officers for brokerage firms
 - IFRS compliance by all market operators



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.

Five-Year Outlook



Corporate Governance & Shareholder Value

Discipline

- The most important competency a listed company should possess
- Enables good corporate governance practices
- Ensures proper management of the business and a higher return on investment (ROI)

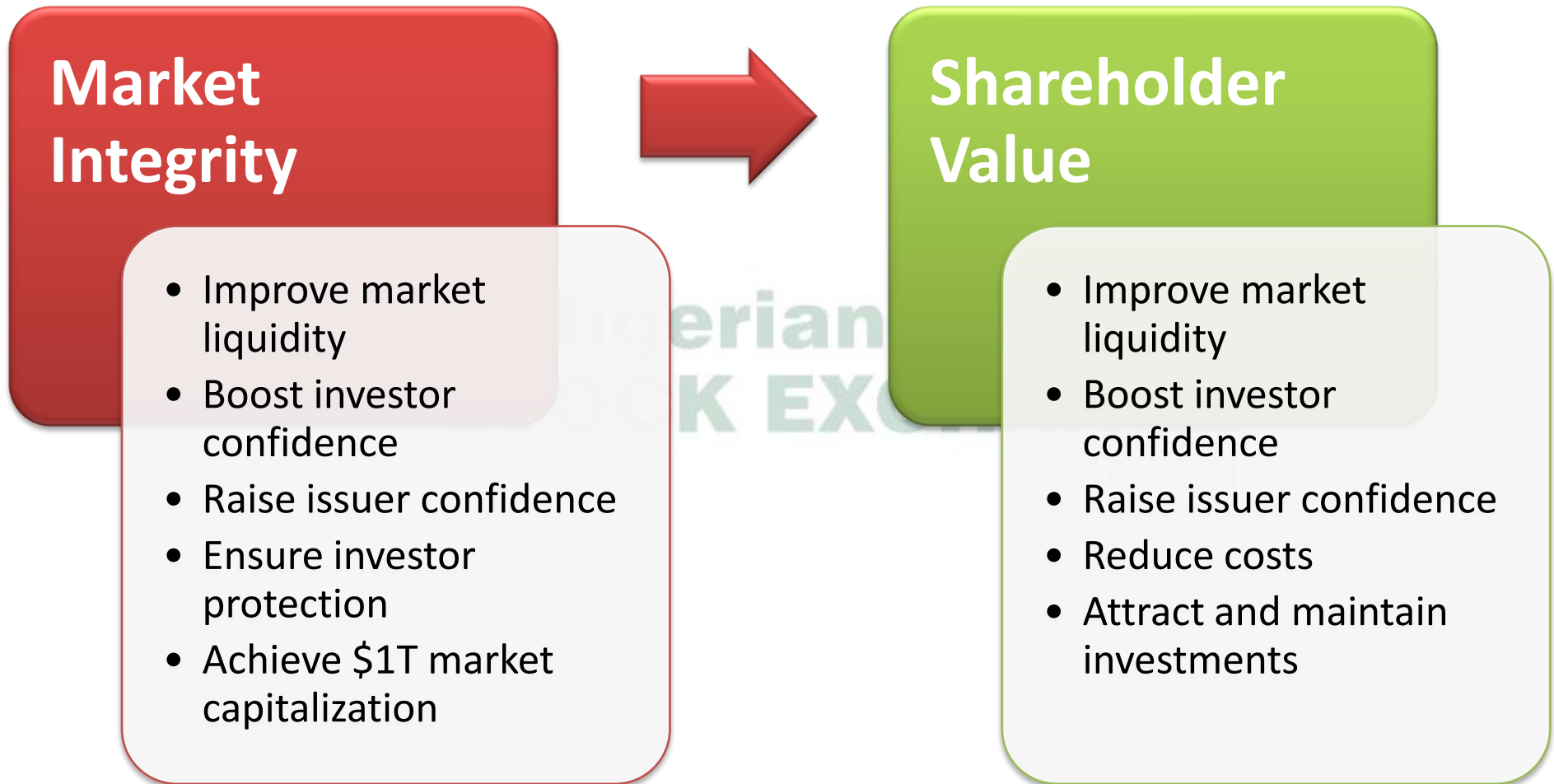
Disclosure

- With proper corporate governance, disclosure is easy
- It is a requirement for maintaining “street” credibility, *i.e., investor and market interest and confidence*
- Key to liquidity

Strategic Planning

- What is your story?
- No plan = No success
- Accountability is a stipulation of raising money from the public
 - *You are accountable to your investors*

Objective and Outcome



Shareholder Value Assurance



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Q&A

Thank You

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