The Nigerian Stock Exchange

Investors' Clinic

July 30, 2014
Understanding Capital Market Basics

By: Abimbola Babalola
Head, Market Surveillance Department
The Nigerian Stock Exchange
1. Capital Market Overview
2. Types of Markets
3. Products Traded in Capital Market
4. Operations of Secondary Market
5. Return vs Risk
6. Expectations from the Media
7. Regulatory Efforts
Capital Market Overview

Individuals and institutions that seek to raise funds to meet their needs or manage risk

Individuals and institutions that seek a return on funds they invest

Financial intermediaries

Financial institutions that connect buyers and sellers and help determine market price

Equity Markets:
Enable the issuance and trading of equities such as stocks

Debt Markets:
Enable the issuance and trading of debts such as corporate and government bonds
How Capital Market Works

Enables the buying and selling of previously issued securities. Most capital Market Activities take place here.

Primary Markets

Creates new securities. In Primary Markets, Companies and governments raise funds by selling newly issued securities.

Secondary markets

Financial Intermediaries

Financial institutions that connect buyers and sellers and help determine market price.
The following facts depict the features of a capital market:

- It Has Two Segments
- It Deals In Long-Term Securities
- It Performs Trade-off Function (Return vs Risk)
- It Creates Dispersion In Business Ownership
- It Helps In Capital Formation
- It Helps In Creating Liquidity
They can be either individuals or institutional investors that come to the market for various reasons such as:

- To buy stocks or bonds in order to “*Put cash at work*” by investing and earning returns such as generating revenue on income

- To buy stocks or bonds in order to limit exposure to macro economic trends or type of companies

- To reinvest proceeds from gains realized from other investments
They can be either individuals or institutional investors that come to the market for various reasons such as:

- To issue equity or debt to list on a public exchange which can broaden ownership, establish market value and create liquidity for investment acquisition

- To realize gains on investments

- To sell stocks or bonds in order to reallocate into different investments
Who are the buyers and sellers:

- **Entrepreneurs**
- Investors
- Companies
- Pension Funds/Endowments
- Governments

### WHY BUY ASSETS

- To invest in stock of their own company
- To buy stock in a publicly traded company
- To buy stocks as a way to acquire a publicly traded company as part of an acquisition strategy

### WHY SELL ASSETS

- To raise capital for growth and expansion
- To enable employees with stock grants and early investors to turn their shares into cash
- To create a means by which the company can be valued & compared with other companies investment
- To create liquidity for acquisitions of or by other companies
Who are the buyers and sellers?

| Entrepreneurs | Investors | Companies | Pension Funds/Endowments | Governments |

WHY BUY ASSETS

• To put cash to work to own stocks or bonds to generate an investment return

• To manage the risk associated with the holdings in their portfolio

WHY SELL ASSETS

• To raise cash for short term needs

• To exit an investment and realize a gain or loss

• To manage the risk associated with the holdings in their portfolio
Who are the buyers and sellers?

| Entrepreneurs | Investors | Companies | Pension Funds/ Endowments | Governments |

WHY BUY ASSETS

- To invest the cash on its balance sheet to generate income
- To buy foreign currency to conduct its operations in other countries
- To buy stocks of another listed company as part of a strategic partnership
- To manage the risk associated with the holdings in their portfolio

WHY SELL ASSETS

- To raise cash for different corporate uses or to realize gains
- To sell foreign currencies it has acquired from operations in other countries
- To sell an ownership stake in another company to raise funds or reflect a change in partnership
- To issue additional shares to the public to raise funds for growth or expansion
### Who are the buyers and sellers

<table>
<thead>
<tr>
<th>Entrepreneurs</th>
<th>Investors</th>
<th>Companies</th>
<th>Pension Funds/Endowments</th>
<th>Governments</th>
</tr>
</thead>
</table>

### Why Buy Assets
- To invest to earn a return to meet their needs
- To manage the risk associated with the holdings in their portfolio

### Why Sell Assets
- To generate cash needed for short term use
- To realize gains and lock in profits
- To manage the risks associated with the holdings in their portfolios
### Who are the buyers and sellers

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</tr>
</thead>
</table>

**WHY BUY ASSETS**

- To invest cash or funds to generate a return

**WHY SELL ASSETS**

- To raise funding for public projects such as roads
Types of capital market

There are two types of capital market:

- Primary market: creates new securities. In primary market Supranational, Federal Government, State Government and companies raise capital by selling newly issued securities to buyers.

- Secondary market: it enables the buying and selling of previously issued securities. Most of the activity in the capital markets takes place in these markets.
Features of Primary Market

- It Is Related With New Issues
- It Has No Particular Place
- It Has Various Methods Of Float Capital:
  Following are the methods of raising capital in the primary market:
  i) Public Issue
  ii) Offer For Sale
  iii) Private Placement
  iv) Right Issue
  v) Electronic-Initial Public Offer
- It comes before Secondary Market
The secondary market is that market in which the buying and selling of the previously issued securities is done.

The transactions of the secondary market are generally done through the medium of stock exchange or Over-the-Counter (OTC).

The chief purpose of the secondary market is to create liquidity in securities.
Features of Secondary Market

• It Creates Liquidity
• It Comes After Primary Market
• It Has A Particular Place (Regular Exchange or OTC)
• It Encourage New Investments
**Equities**
- Ordinary Shares
- Preference Shares
- Trading in Rights

**Fixed Income Securities**
- Supranational Bonds (IFC Bonds)
- Federal Government, State and Local Government Bonds
- Corporate Bonds.

**ETFs**
- NewGold
- VG30
The NSE plays a vital role in the Nigerian capital market by:

- Providing a pricing mechanism between supply and demand for productive activities
- Providing a platform for capital raising including privatization and exit opportunities
- Authorizing and monitoring market operators
- Providing a robust capital market infrastructure and trading platforms
- Ensuring a orderly, fair and equitable market place by protecting the integrity of the market and investors from market manipulation
- Providing a medium of exchange for retail and institutional investors to build and preserve wealth, while maintaining a robust Investor Protection Fund
Trading Platform and Connectivity

Market Data Feed

Trading Engine

Traders/Market Makers
- Trader Workstation
- MM/Broker OMS
- Post Trade Management

Secure Network

New investor access channels

FiX

Surveillance

Market Database

CSD

SDK
The Framework ensures a Straight-through Process for both trade execution clearing and settlement- back-end settlement;

The system operates as an Hybrid model with both Order- and Quote-driven markets fully enabled whilst possible minimum trading lot sizes to be determined;

Just like the OTC market, standard transaction cycle will be T+2 for Fixed Income Securities and T+3 for Equities and ETFs.
Hybrid Market:

• The Fixed Income market and Equities market operate a hybrid market (Order Driven and Quote Driven).

• Market Makers will provide two way quotes and licensed broker/dealers will submit their orders as usual.

• The quotes and orders will interact on the order book to “discover” the best price for a security.
Market Structure (contd)

**Buy Order - Bond - 4.00% FGN APR 2015**

<table>
<thead>
<tr>
<th>Market</th>
<th>Type</th>
<th>Volume</th>
<th>Symbol</th>
<th>Price</th>
<th>Account</th>
<th>OAM</th>
<th>Clearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>BND</td>
<td></td>
<td></td>
<td>FG7B2015S2</td>
<td>86.00</td>
<td>00000000001</td>
<td>&gt;</td>
<td></td>
</tr>
</tbody>
</table>

**Fill**

- Discl Vol: Day
- Time In Force: 
- Order #: 
- Source: CL
- Trader: 
- Limit Pr: 
- FL: 

<table>
<thead>
<tr>
<th>Volume</th>
<th>Buy</th>
<th>Sell</th>
<th>Volume</th>
<th>Last Trade</th>
<th>Change</th>
<th>Vol Today</th>
<th>Price Range</th>
<th>Flags</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>85.93</td>
<td>86.93</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td>0.05 10,000</td>
<td></td>
</tr>
</tbody>
</table>

**TT:**
Buy 1 FG7B2015S2 at 86.00, 99 days, 10.87909644 + 860.00 = 870.879

**Quote**

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Rate</th>
<th>Buy</th>
<th>Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>FG7B2015S2</td>
<td>86.00</td>
<td>87.00</td>
<td></td>
</tr>
</tbody>
</table>

**Clearing**

- Revealed: 1000
- Multiplier: × 1
- Available: = 1000
- = 1000

<table>
<thead>
<tr>
<th>Volume</th>
<th>Buy</th>
<th>Sell</th>
<th>Volume</th>
<th>Last Trade</th>
<th>Change</th>
<th>Flags</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>85.60</td>
<td>86.60</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TT:**
Enter quote FG7B2015S2 bid 86.00 1,000 1,000 ask 87.00 1,000 1,000 Bond market
Queue Priority and Allotment

- **a. Price**
- **b. Cross Priority**
- **c. Special fill term**
- **d. Time of entry**
Price Determinants

- Forces of Supply and Demand
- Company’s performance
- Government policy
- Market perception of the company
- Market hearsay
• The are three (3) core objectives of securities regulation:
  - Investor protection
  - Ensuring that market are fair efficient and transparent
  - The reduction of systemic risk.
OBJECTIVES OF REGULATIONS

• Ensuring that markets are fair, efficient and transparent
  ➢ The regulator’s approval of exchange and trading system operators and of trading rules helps to ensure fair markets.
  ➢ Dissemination of relevant information is timely and widespread and is reflected in the price formation process
  ➢ Information about trading in the market is made publicly available on a real-time basis
• NSE expects the media to:
  ➢ sensitize the public on securities matters, thereby enhancing investors’ education on the capital (Securities) markets
  ➢ produce informed, more knowledgeable and accurate information about the capital markets as what they report have a significant impact on the investing public
  ➢ promote transparency through information dissemination to a broad audience,
• Attend annual general meetings to get an idea of what will be happening in the company for more informed reporting
• Work hand in hand with capital market players in order to get more reliable sources of information
• Give an analysis as well of regional and international markets
Regulatory Efforts

- Enhanced Rules
- Technology
- Establishment of Surveillance Department
- Whistle blowing
- Collaboration with other Agencies
- Investor education
- Capacity Building
Conclusion

• The purpose of capital markets is to match the demand for funds with the supply of funds.
• These markets fuel economic growth by allocating capital that can be used to create jobs, build infrastructure and finance innovative ideas.
• As a result of its developmental roles, governments in various countries must regulate these markets.
• Financial markets have only one asset that really matters and that asset is PUBLIC CONFIDENCE.
Investors’ Clinic

Q & A
Understanding Personal Finance
What is personal finance?
Introduction

- Personal finance is the financial management which an individual or a family unit is required to do to obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events (Wikipedia)

- **Personal Finance involves 5 key steps:**
  - Doing an assessment: your assets & liabilities; income and spending habits
  - Goal setting: Setting both short and long term financial goals
  - Planning: creating a plan to accomplish your goals:
  - Executing: Saving/investing your money to make it work for you
  - Monitoring and reassessment: for possible adjustments and revision

- **Personal Finance is for everyone, not only for the rich.**

- **Focus on how much you save rather than how much you earn.**
  As long as you earn something, no matter how small, you can personally plan for your future.

Personal Finance is for everyone! We all can and SHOULD get onboard with personal financial management – it is a necessity of life!
10 reasons why financial planning is important (1/2)

- **Managing Income**
  Managing income helps you understand how much money you'll need for your monthly expenditures and savings.

- **Cash Flow**
  Prudent spending and careful budgeting will help you keep more of your hard earned cash.

- **Capital**
  An increase in cash flow, can lead to an increase in capital. Allowing you to consider investments to improve your overall financial well-being.

- **Family Security**
  Providing for your family's financial security is an important part of the financial planning process. Having the proper insurance coverage and policies in place can provide peace of mind for you and your loved ones.

- **Investment**
  A proper financial plan considers your personal circumstances, objectives and risk tolerance. It acts as a guide in helping choose the right types of investments to fit your needs, personality, and goals.
10 reasons why financial planning is important (2/2)

- **Standard of Living**
  The savings created from good planning can prove beneficial in difficult times.

- **Financial Understanding**
  Better financial understanding can be achieved when measurable financial goals are set, the effects of decisions understood, and results reviewed. Giving you a whole new approach to your budget and improving control over your financial lifestyle.

- **Assets**
  To have a nice 'cushion' in the form of assets is desirable. But many assets come with liabilities attached. So, it becomes important to determine the real value of an asset. The knowledge of settling the liabilities, comes with the understanding of your finances. The overall process helps build assets that don't become a burden in the future.

- **Savings / Investments**
  Sudden financial changes can throw you off track. It is good to have some investments with high liquidity. These investments can be utilized in times of emergency.

- **On-going Advice**
  Establishing a relationship with a firm or individual you can trust is critical to achieving your financial goals. This firm or individual will meet with you to assess your current financial circumstances and develop a comprehensive plan customized for you.
Benefits of personal finance

- **Freedom to do the things you want to**
  - Always dreamed of that amazing holiday or sending your children to the best school?
  - When you manage your finances well, you have the freedom to do things that you want to do.

- **More likely to stay out of debt / money troubles**
  - You know you shouldn't buy it – but you just want it. Sometimes, it's not a question of want at all, but rather of need.
  - It's easy to slide into debt which can cause unwanted stress
  - Managing your finances gives you a better idea of how much you can spend and what your future needs are, so you are less likely to fall into debt.

- **Financial security for your future**
  - Our hectic lives and unpredictable economic times are worrying. Why? New governments, policy changes, job security and what if you were to fall ill?
  - Personal finance planning means you do not have to worry about situations like these, because it prepares you for them.
  - You will have the funds to support you and your family in these situations.
Your financial goals
## Life stages (finance related)

<table>
<thead>
<tr>
<th>Age</th>
<th>General Life Stage</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 18</td>
<td>Childhood</td>
<td>No income, lots of time</td>
</tr>
<tr>
<td>19 – 29</td>
<td>Entering Workforce</td>
<td>Little income, lots of time</td>
</tr>
<tr>
<td>30 – 39</td>
<td>Starting Family</td>
<td>Moderate income, little time</td>
</tr>
<tr>
<td>40 – 49</td>
<td>Peak Earning, Family</td>
<td>High income, little time</td>
</tr>
<tr>
<td>50 – 59</td>
<td>Planning Retirement</td>
<td>High income, moderate time</td>
</tr>
<tr>
<td>60+</td>
<td>Retirement</td>
<td>Little income, lots of time</td>
</tr>
</tbody>
</table>
## Financial stages in personal finance

<table>
<thead>
<tr>
<th>Stage</th>
<th>Ages</th>
<th>Goals</th>
</tr>
</thead>
</table>
| Starting | 25 – 35 | • Eliminating debt  
|          |       | • Saving for capital expenditures  
|          |       | • Building equity                            |
| Accumulating | 35 – 65 | • Managing debt  
|            |       | • Diversifying and building equity  
|            |       | • Saving for retirement                        |
| Spending  | 65 – 80 | • Relying on retirement income  
|          |       | • Reducing investment risks  
|          |       | • Preserving value; preserving or reinvesting capital |
| Gifting   | 80+   | • Eliminating risk  
|          |       | • Distributing wealth                           |
Establishing your financial goals (1/2)
Establishing your financial goals (2/2)

- Establishing your financial goals is the conscious effort of examining, defining and writing down what you want to achieve financially.

- You will need to prioritise your goals as well as break them down into short and long term goals with associated action items. This plan is the roadmap to goal achievement.
Short-term goals

- Short-term goals are goals that you wish to attain within a year or two.

- It is important that your short-term goals do not hinder you from attaining your long-term goals, so analyzing and prioritizing is a must!

- Examples of short-term goals include:
  - Saving for that dream vacation
  - Buying a car
  - Planning for a wedding
  - Planning for the birth of a new baby
  - Saving up for rent payments
  - Carrying out home improvement
  - Financially able to cover urgent medical bills

Short-term goals lead to long-term SUCCESS
Long-term goals

- Long-term goals are typically goals that you wish to attain in 3+ years

- Examples of long-term goals include:
  - Saving for your children’s future school fees and or university education
  - A financially secure retirement
  - Buying land
  - Building/buying your own home
  - Entrepreneurial dreams
  - Leaving an inheritance

Once you have established your goals, the next step is calculating your income and analysing your spending habits.
Income vs. expenditure
Calculate your net income

The fundamental rule of personal finance is:
Spend less than you earn!

- Your first step is to calculate your net income; you need to establish how much you are earning/receiving each month
- Your monthly net income will include the following:
  - Your salary/wages (monthly take-home pay after taxes and deductions are taken)
  - Income from self-employment
  - Income from retirement
  - Income earned in interest and dividends
  - Income earned from assets
e.g. Rent received from a property you own
  - Income from all other sources
Analyse your spending habits

Next, you need to track your spending

- You may know the amount of your major bills but knowing where all of the rest goes is usually an eye-opener.
- Tracking your spending is the best way to manage where every Naira you spend goes.
- Your spending can be classified as follows:

<table>
<thead>
<tr>
<th>Fixed Expenses</th>
<th>Variable Expenses</th>
<th>Periodic Expenses</th>
<th>Adhoc Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same amount every month</td>
<td>Different amount every month</td>
<td>Same amount but paid quarterly / annually</td>
<td>Irregular unknown amount</td>
</tr>
<tr>
<td>– Mobile phone airtime</td>
<td>– Food</td>
<td>– Rent</td>
<td>– Car repair</td>
</tr>
<tr>
<td>– Diesel for home</td>
<td>– Clothing</td>
<td>– Gym membership</td>
<td>– Birthday gifts</td>
</tr>
<tr>
<td>– Car fuel</td>
<td>– Utilities</td>
<td>– Insurance</td>
<td>– Home improvements</td>
</tr>
</tbody>
</table>

- If your expenses exceed your income, you will need to adjust your expenses to avoid having too much debt.
- Consider ways to reduce you expenses. For example, you could remove some of your ad-hoc expenses and reduce the amount spent on some of your variable expenses.
Make your “excess money” work for you

- After you have cut down your expenses, you are ready to start making that “excess” money work for you!
- The “excess money” we are referring to is the difference between your income and your expenses!
- “Excess money” is usually left sitting in your account not earning any interest at all.
- Some people put their excess money in a bank savings account which earns them very little interest

More people today are investing in mutual funds as a way to maximise their earning potential and make their “excess money” work for them!
The premier and largest financial services group in Nigeria
How can FBN Capital Asset Management help you?

- We are a team of experienced, professional and well qualified investors. We have years of investing experience and fully understand all the major asset classes.

- Our investment advisors will guide you through choosing the most suitable mutual fund that meets your financial goals.

- We already invest on behalf of thousands of Nigerians, both locally and abroad, who have entrusted us with helping their money to grow.

- We have a dedicated team of investment managers managing our mutual funds.

- Our funds have produced excellent long term performance.
Mutual funds explained

- A mutual fund is an investment vehicle that allows investors to combine their investment money with that of other investors seeking a similar investment outcome.
- Professional asset managers, like FBN Capital Asset Management, use their skills to manage the money to achieve that stated outcome.
- The asset manager invests in various instruments such as cash, treasury bills, bonds and equity,
- Mutual funds open up a world of investment opportunities to individuals who do not have the time knowledge or large capital to create their own diversified investment portfolio

Let's watch this video to learn more!
Overview of our mutual funds

- **Short term** investment providing **stability, liquidity** and some **income**
  - Invests in **treasury bills, bank tenured deposits** and commercial papers
  - Annualised yield: **11%**

- **Medium term** investment providing **maximised capital** and a consistent **regular income**
  - Invests in **fixed income** securities such as bonds and treasury bills
  - Annualised equivalent return **18%**

- **Superior returns** over a **long term** investment period
  - Invests in **equities, bonds** and **treasury bills**
  - Total return since inception: **29%**
Contact us today!

Earn maximised returns on your money
Don't just spent it, invest it!

For further details on how you can invest your money with FBN Capital Asset Management and take control of your personal finance: contact us using the details below or visit your nearest branch.

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Investors’ Clinic

Q & A
Investors Protection Efforts by the NSE

By
Tinuade T. Awe
Head, Legal and Regulation Division
To the
Investors Clinic for Journalists

JULY 30, 2014
1. Introduction
2. The investor
3. From transformation to strategic plan
4. NSE’s primary responsibilities
5. NSE’s obligations to investors
6. NSE’s initiatives for investor protection
7. The role of the media
8. Conclusion
The investor
The investor
From transformation to strategic plan

5 Pillars of our Transformation
1) Targeted Business Development Efforts
2) Strong Regulatory Environment
3) “21st” Century Technologies Strategies
4) Growth-Enabling Market Structure
5) First-Rate Investor Protection Programs

First rate investor protection

NSE Strategic Objectives
1) Increase the number of new listings across 5 asset classes
2) Increase order flow in the 5 asset classes
3) Operate a fair and orderly market based on just and equitable principles
4) Champion the development of enabling laws and policies to drive capital market development
5) Diversify income streams
The NSE plays a vital role in the Nigerian capital market by:

- Providing a pricing mechanism between supply of and demand for securities
- Providing a platform for capital raising, including exit opportunities for Governments, private equity investors and others
- Licensing and monitoring market operators in its market
- Providing a robust capital market infrastructure and trading platforms
- Ensuring an orderly, fair and equitable marketplace by preserving the integrity of the market and protecting it from market manipulation, insider dealing, and other abuses
- Providing a medium of exchange for retail and institutional investors to build and preserve wealth
NSE’s obligations to investors

- Transparency and Integrity
- Information and Equity
- Rules and Regulations
- Enforcement
NSE Initiatives for Investor Protection

- Market Facing
  - Provision of Information
  - Initiatives
  - Investors’ Protection Fund

- Rules and Regulation
  - Benchmarking
  - Dealing Member Rules
  - Issuer Rules

- Collaboration
  - Eco-System
  - IOSCO, US SEC, ISG, WFE
  - SLAs

- Compliance
  - Zero Tolerance
  - B.A.U Enhancements
  - Market Surveillance
Claims for pecuniary losses from the revocation or cancellation of the registration of a capital market operator by the Securities and Exchange Commission;

Claims arising from insolvency, bankruptcy or negligence of a Dealing Member firm; and

Claims arising from any defalcation committed by a Dealing Member or certain of its representatives
IPF Partial Cover
X-Initiatives

- **X-Issuer**
  - Timely release of financial information to the market
  - Greater transparency in information dissemination
  - Greater market integrity with significant reduction of leakage of material information

- **X-Monitor**
  - Electronically updates all material information and can be called up when needed

- **X-Gen**
  - High performance, robust, multi-asset, multi-market matching trading engine
  - Encourages wider participation of middle – class and investing segment
  - Enables investors to execute market orders on a wider range of devices including smart phones
X-Alert

- Joint NSE/CSCS initiative
- Provides investors with details of transactions on their accounts via SMS
- Easy monitoring of accounts
- Serves as an effective fraud alert in cases of unauthorized transactions on accounts
- Reduction in time spent confirming trades
- Enhancement of transparency between trader and clients
- Improves confidence in the capital market
- Notification of corporate information (Dividends, Bonuses, Payment Date, etc.) to clients via SMS
**X-Whistle** is an important aspect of The NSE’s investor protection strategy designed to encourage those with information about misconduct to come forward to report it and to provide all stakeholders with the means of expressing their concerns in a responsible and effective manner.
Complaint Management

Complaint Handling
Market Surveillance

- Daily monitoring of trading activities in the market;
- Creation and analysis of alerts for unusual trading behavior;
- Preparation of surveillance reports on daily, weekly, monthly and quarterly basis;
- Conduct detailed research and generate evidence of market abuse;
- Conduct investigations on suspected market abuse; and
- Prosecute and seek sanctions in appropriate circumstances.
Stakeholders in the capital market

Broker-Dealers
- Bring issuers to the market; execute buy/sell orders

SEC (Apex Regulator)
- Maintains primary oversight of the capital market

NSE (SRO)
- Enabling Framework: SEC registration as an Exchange; ISA 2007 and SEC Rules (Nov 2012); NSE MEMART; NSE Rules

Registrars
- Maintain registers of company shareholders

CSCS
- Sole provider of clearing and settlement services

Trustees
- Maintain assets on behalf of investors

Investors/Participants
- Originate orders

Custodians
- Maintain assets on behalf of investors

Others
- Issuing houses, OTC platforms, fund managers etc.
Leap Frogging via Collaboration
Open to new collaborations
Role of the media

- Sensitization/public awareness;
- Investor education;
- Report news on the stock market;
- Serve as an intermediary between the capital market and investors;
- Timely dissemination of accurate information to the public; and
- Bringing investors up to date on current activities in the market.
• The media plays a vital role in investors’ protection due to its information dissemination responsibilities.

• An informed investor is a protected and empowered investor.
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Investors Protection in the Nigerian Capital Market

The Role of Journalists

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Introduction

• The dynamics of our emerging economy, since 1999, has made training and retraining of financial journalists imperative.

• In today’s society, several people rely on journalists for enlightenment and independent information about the society and economy.

• With the saturation of the investment climate in Europe and U.S, the world has shifted their attention to emerging economies, and Nigeria is a key focus area in Africa. Hence, a lot is expected from journalists that report on finance and the capital market sectors.

• To meet these expectations, Capital Market Reporters, must go beyond the peripheral knowledge of contemporary issues.
What is Financial Journalism?

• Financial Journalism involves identifying and reducing complex economic activities or phenomenon into simple comprehensible knowledge for the masses.

• In simpler form, it is also the branch of journalism that monitors, analyses, interpret and report the economic changes that take place in a society.

• It could include anything from personal finance to business at the local market and shopping malls; activities at banks, Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Nigerian Stock Exchange (NSE), insurance companies, stockbroking firms, and issuing houses, to the performance of well-known and not-so-well-known companies, etc.

• Financial Journalism covers news and features articles about people, places and issues in business and the economy.
Overview of Capital Market Reporting

• To claim that the status of the capital market reporter comes with rights and responsibilities begs the question “who is a capital market reporter?"

• Most operators of the online media, who exist outside the ethical, professional and to an extent, the legal constraints of the profession, are now taking advantage of greater automation in the global financial districts, especially the capital and money markets, to illegally claim the rightful place of capital market reporters.

• The rules and ethical attitude of a capital market reporter brings to mind the rationale behind the move by the Securities and Exchange Commission (SEC) to register Financial Journalists, under the investment and securities act (ISA).

• Although most of us kicked against the move in line with the freedom of the press, I must say that it is imperative that we operate under a set of rules and ethical standards to protect the sensitive nature of the markets.

• The need for cross-checking stemmed from the fact that any misrepresentation of material facts amounts to market manipulation and the attendant bubble that led to the recent collapse of global financial industry in 2008.

• As capital market reporters, one of the avenues of escaping the accusation of manipulation is to observe the age long journalism maxim that says, “if in doubt leave out”.

• We can equally remain afloat, by accommodating our doubts about issues in the body of the news item.

• We have to make it very clear to the reader what sorts of information you are talking about, how firm the information is and literally you have to tell the reader everything you know.
Capital Market Stakeholders

- Generally, the capital market is described as a barometer for the economy. Basically, it means there are several stakeholders.
- As stakeholders, we are expected to provide balanced information on the capital market that will enhance decision making of other stakeholder. Other stakeholders include:
  - Securities and Exchange Commission: registration of securities, capital market surveillance, registration of market participants & capital market development.
  - Nigerian Stock Exchange: in close collaboration with SEC monitors and supervises quoted securities, enforcement of compliance on listing requirements
  - Financial Institutions: Banks, Insurance Companies, Stockbroking Firms, Registrars, Issuing Houses, etc
  - Non-financial Institutions: FMCGs, Information Technology, Building & Construction, etc.
  - Pressure Groups: ISAN etc.
  - Private Individuals: Active and prospective investors.
Reporting the Capital Market

• Effective capital market reporting must start from deep understanding of the market history, rationale and contribution of capital market to global economy, especially the emerging economy like Nigeria.

• The various segments or components of the Nigerian capital market

• The subsisting operating laws of the Nigerian market

• Understanding of the operations of the capital market

• Understanding and analyzing the strength of quoted companies.

• Understanding the nation’s investment climate
Above all, the dynamics of our environment makes it a norm now for Financial Journalists, especially capital market reporters to go beyond the run-of-mill reporting of daily trading.

As capital market reporters we must prepare the capital market reports from daily research on economic trends in the market.

Report from intelligent perspectives on market based and economic issues.

Make capital market reports analytical and contemporary
Drivers of Research Based Reports

• Deep understanding of dynamics of the capital market.
• Identifying key actors and the interplay of forces that moderate the market.
• Knowledge of the economy and the various trends and development in the system.
• Insight of quoted companies’ vision and mission strategies.
• Understanding of companies’ technical partners’ strength, cash flow, asset dynamics and risk management etc.
• Playing an effective watchdog role in the market.
• Above all, continuous broad-based reading/self development habit of the capital market reporter remains key.
Investors Protection: Role of the Capital Market Reporter

- Essentially, the role of the capital market reporter would be best appreciated from two perspectives:

**Financial Information Liquidity**
- Timeliness
- Accuracy
- Historical facts
- Fluid and understandable reports
- Efforts to hit the soul of two market segments

**Orderliness**
- Using accurate information and data
- Avoiding of sensational reportage
- Putting the story in perspective
Conclusion

• Proper understanding of the capital market, the audience, as well as basic micro/macro-economic policies that moderate financial activities remain the cardinal thrust for effective reporting and analysis of the capital market.

• A clear understanding of the capital market by reporters will enhance the reporters’ ability to relate economic/financial issues to developments in the capital market.

• Capital market reporters are expected to breathe life into monetary and fiscal policy, thereby demystifying the technicalities of the capital market and presenting information that is handy and easy to understand.

• Overall, capital market reports that are concise, educative and based on facts and figures will enhance the knowledge of investors and minimize investment errors.
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