

Update on Direct Cash Settlement (DCS) Implementation in the Nigerian Capital Market

April, 2016

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- Process Flow Recap – Direct Cash Settlement, Investor Bank Account/BVN Validation Update & Transaction Settlement Process

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- Update on Set-up of DCS Accounts by Brokers at the CSCS

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- Update on DCS Account Sep-up Requests to Settlement Banks

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- Challenges/Next Steps

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- Q & A

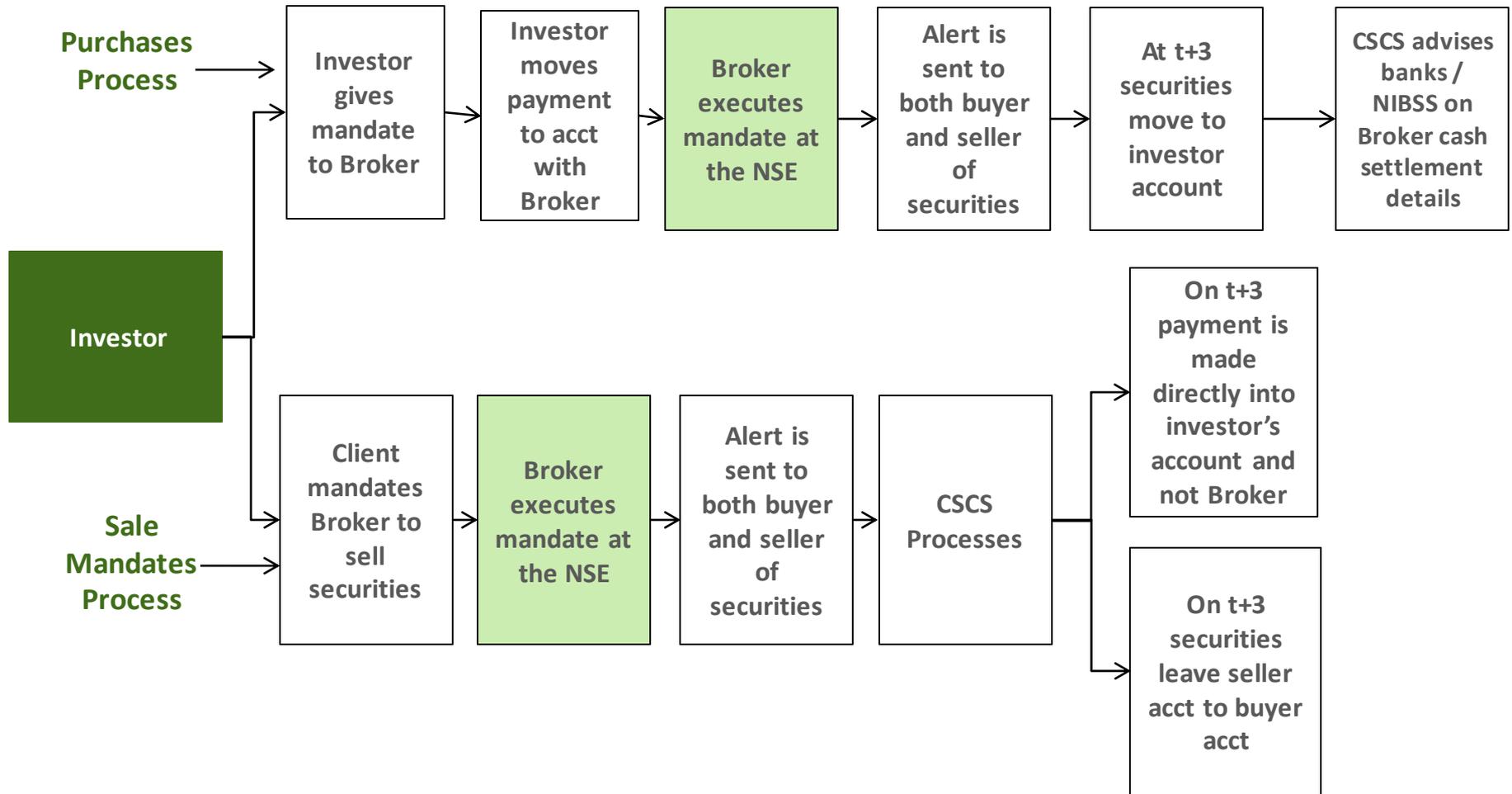
What is Direct Cash Settlement?



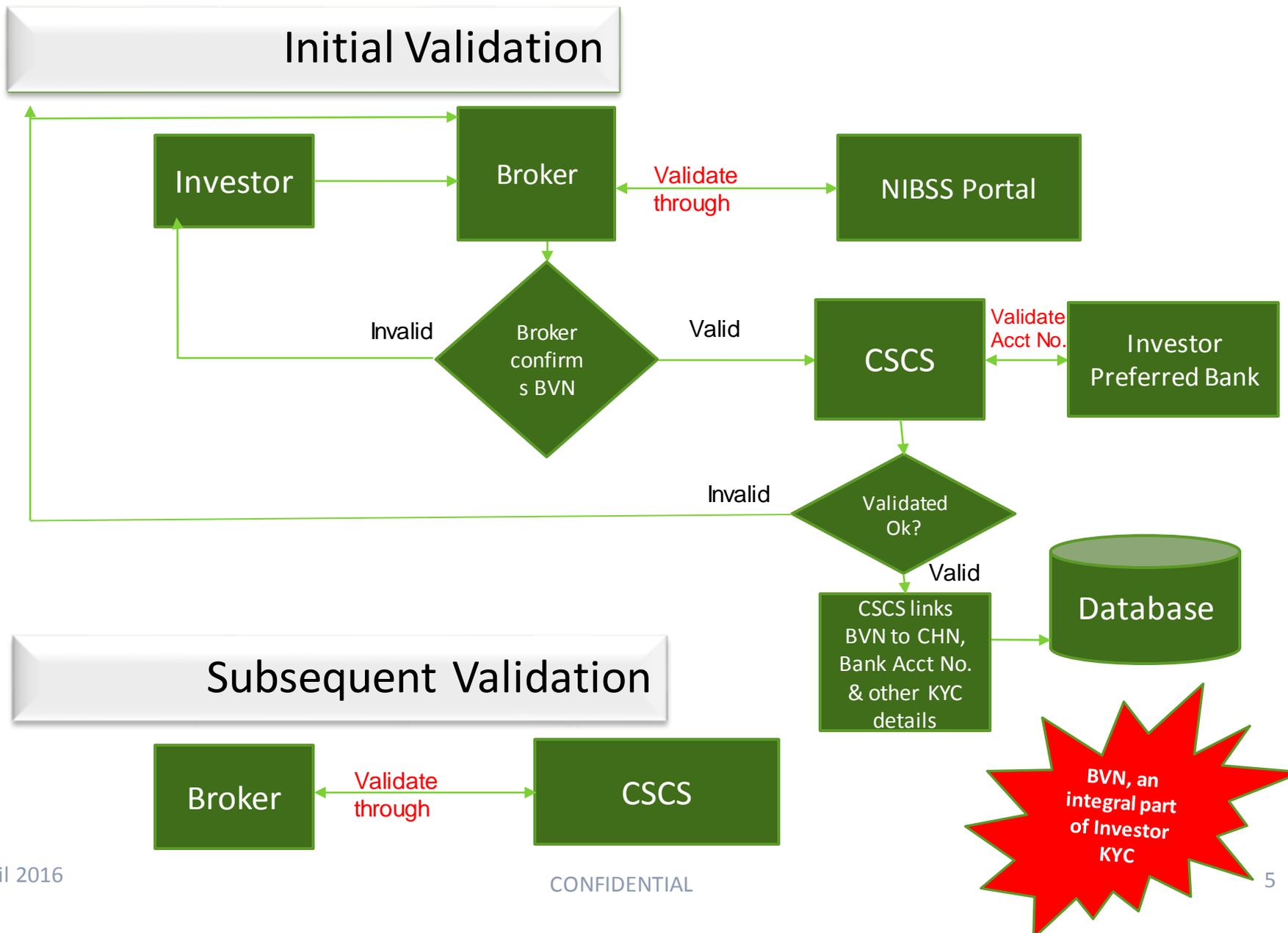
DIRECT CASH SETTLEMENT

The process where proceeds from trades executed by brokers on the Exchange settles directly into investors' bank account.

Process Flow Recap – Direct Cash Settlement



Process Flow Recap - Bank Account/BVN Update & Validation



Process Flow Recap - Transactions Settlement

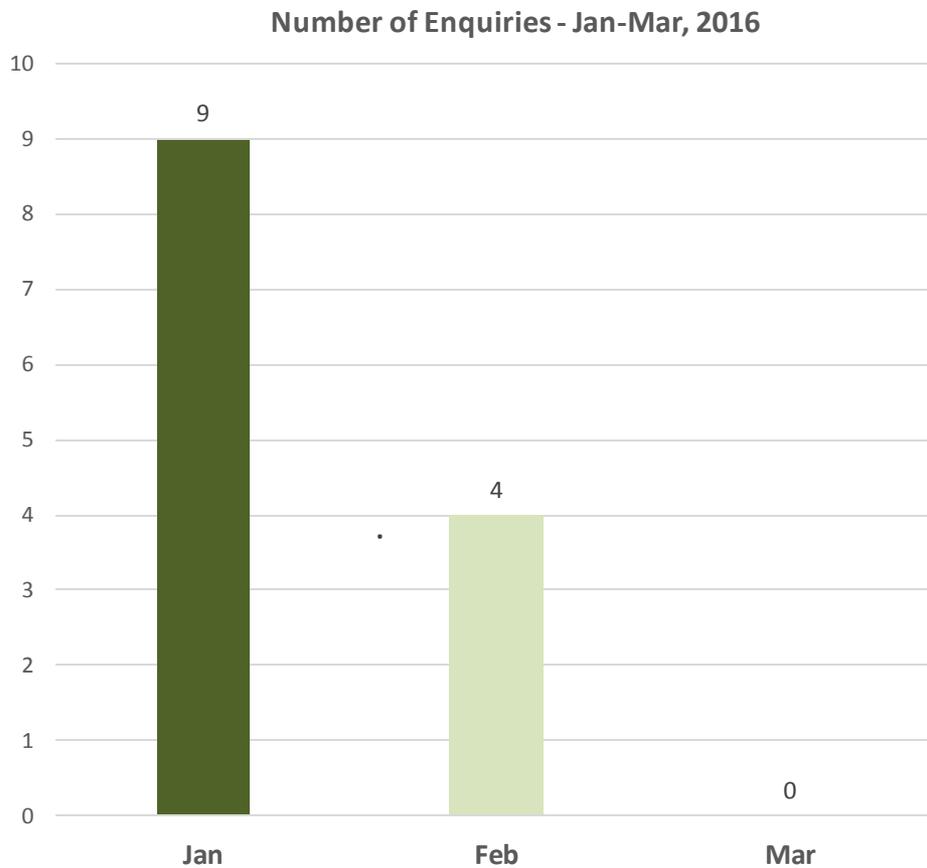
Settlement

- ❑ CSCS process transactions from NSE
- ❑ CSCS generates Net position at the Investor level
- ❑ On Transaction day (Day T), CSCS advises Settlement Bank (SB) of Net Debit (fund) position of SBFs.
- ❑ On Settlement day (Day T + 3) CSCS advises Sett. Banks to:
 - ✓ Debit (fund) SBF settlement Bank(s) account;
 - ✓ Credit (fund) :
 - Selling Investors/SBF (for Prop Position trades)
 - SBF – Brokerage Commission on Investor trades
 - Regulatory authorities with commissions/charges

Update on Pending Action Items

Owner	Action Item	Update
SEC/CSCS/NSE/BROKERS	Sensitization and Awareness creation.	Need for further sensitization of entire market and investor community
CSCS	<ul style="list-style-type: none"> Finalise DCS structure with Settlement Bank Accounts Update of account opening portal to accommodate investor BVN numbers as a compulsory field. Access to NIBSS Portal for validation of Investor Bank Account Numbers received from Brokers 	<ul style="list-style-type: none"> Significant improvement in turnaround for DCS account set-up after meeting with Sett. Bank CEOs. To be implemented before end of 2016, under the new system being deployed by the CSCS. NIBSS requested for additional N50 fee per validation. Settlement banks currently validates for the CSCS free of charge.
NSE	Review and circulate FAQs to stakeholders.	Revised FAQ was circulated in January 2016.
SEC	Follow up on NIBSS on reduction of transaction fee for BVN validation N50	Pre-advised fee of N50 per transaction was retained and adopted by the market.
Dealing Member Firms	<ul style="list-style-type: none"> Incorporate BVN Validation as part of KYC requirements. Set-Up accounts in NIBSS Portal 	<ul style="list-style-type: none"> Implemented. 65 Dealing Member Firm (DMF) accounts were set up in Q1.

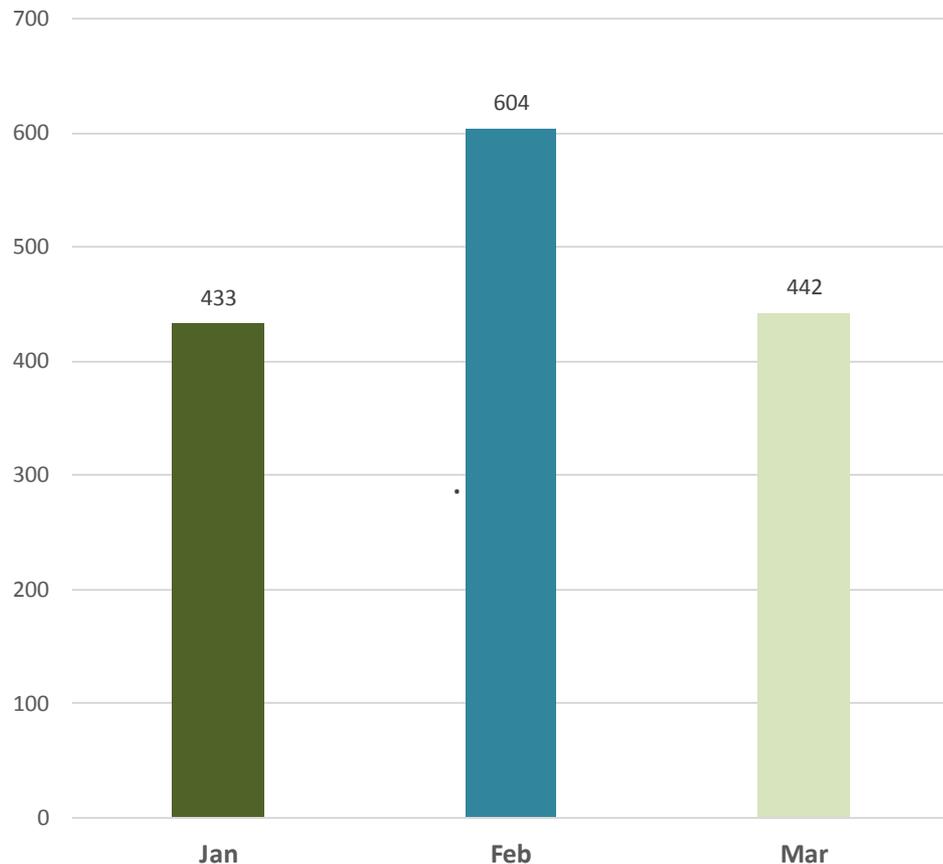
Statistics on DCS Enquiries – NSE Contact Center



***Significant drop
in number of
enquiries on the
back of robust
sensitization
campaign and
effective
circulation of
updated FAQs***

Update on BVN Validation

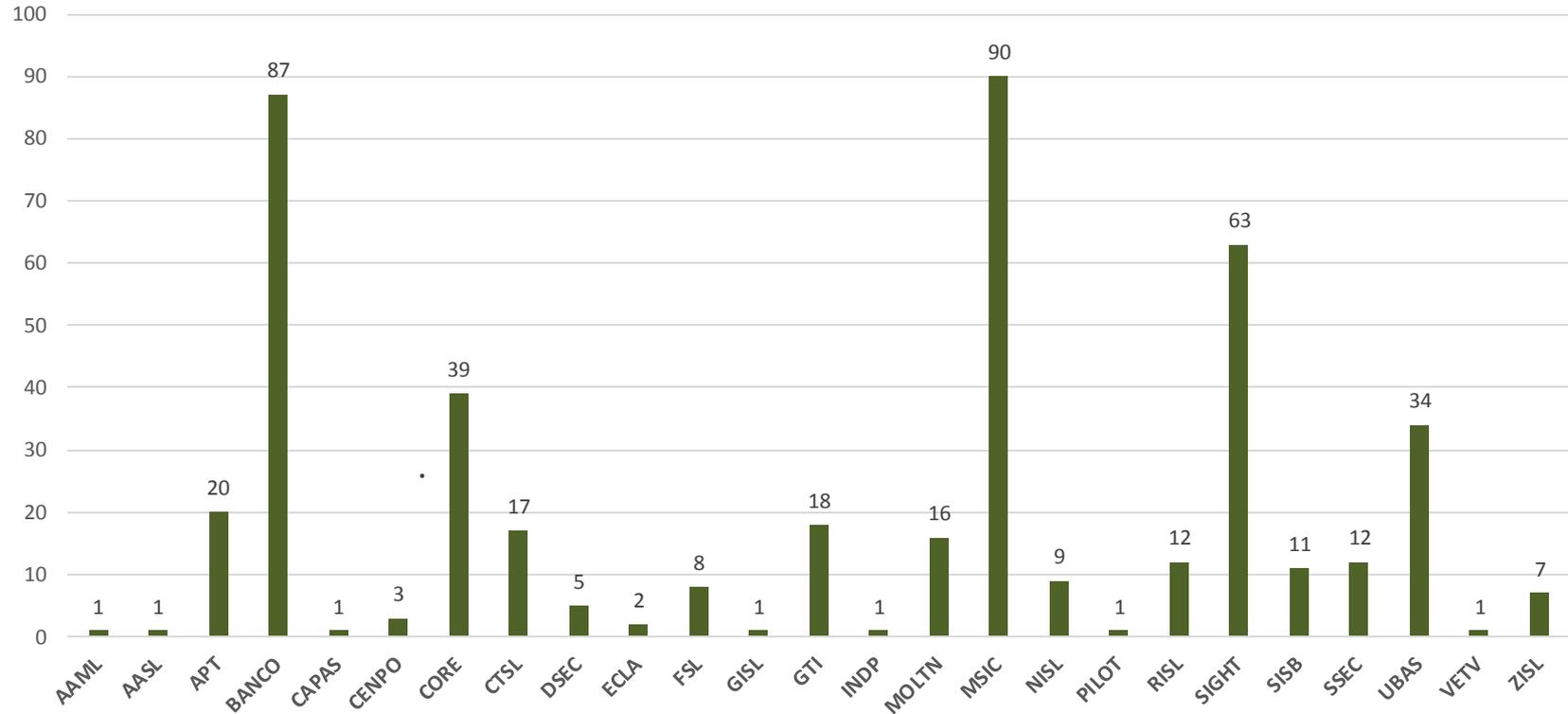
BVN Validation by DMFs on NIBSS Portal, Jan-Mar 2016



- No. of Brokers Registered with NIBSS (YTD)
65
- Total BVN Validation (YTD)
1479

Update on Set-Up of DCS Accounts by Brokers at the CSCS

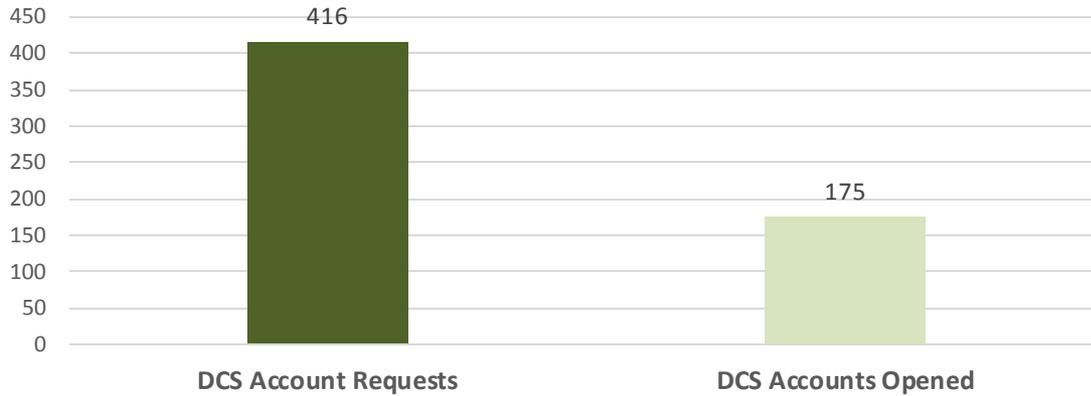
Number of DCS Account Set-Up Requests by Dealing Member Firms, Jan-Mar 2016



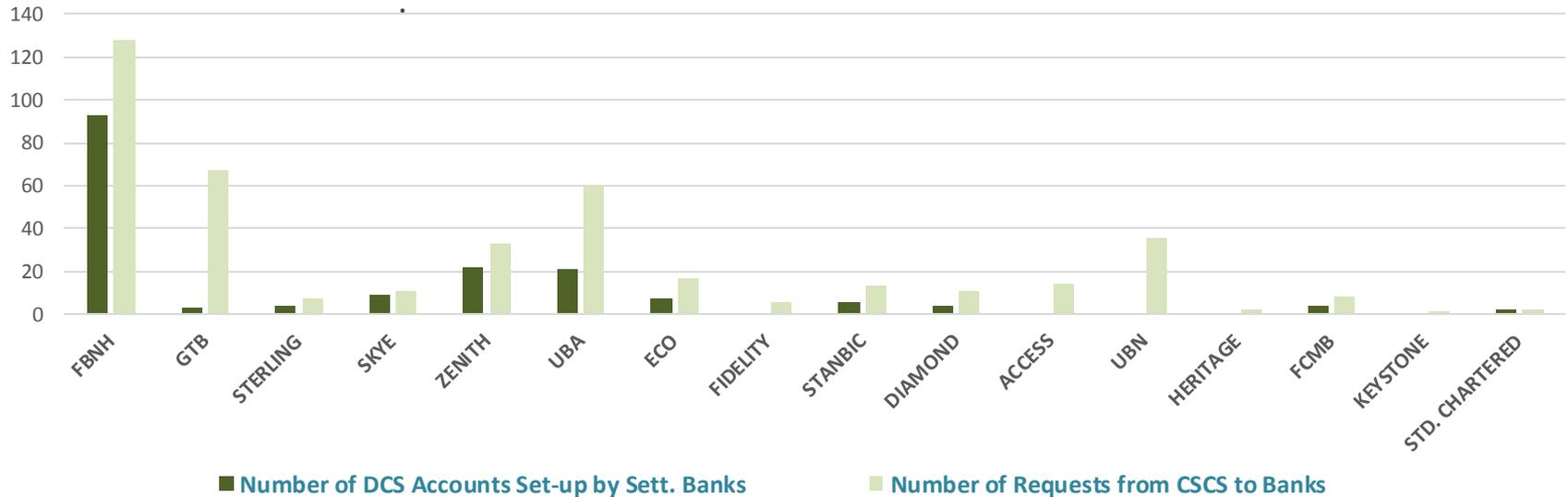
Total Requests Received YTD - 460
Total DCS Accounts Set-up YTD - 175
Total Requests Rejected YTD - 49

Update on DCS Account Set-Up Requests to Sett. Banks

DCS Account Set-Up Requests Vs Accounts Set-Up, Jan-Mar, 2016



Number of DCS Account Set-Up Requests to Sett. Banks Vs Accounts Set-Up, Jan-Mar 2016



Challenges/Next Steps

1

Sensitization and Awareness Creation - Radio & TV Jingle
- Use of major Nigerian Languages

2

Definition of Transition Period for DCS –Mandatory for individual accounts
-Proper documentation for exceptions

3

Time-line for Broker Account Set-Up with NIBSS

4

Proper Documentation of Investor Account Set-Up Requests by Brokers to reduce number of Rejected Requests by the CSCS & Sett. Banks

THANK YOU

Questions & Answers