

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

July, 2016

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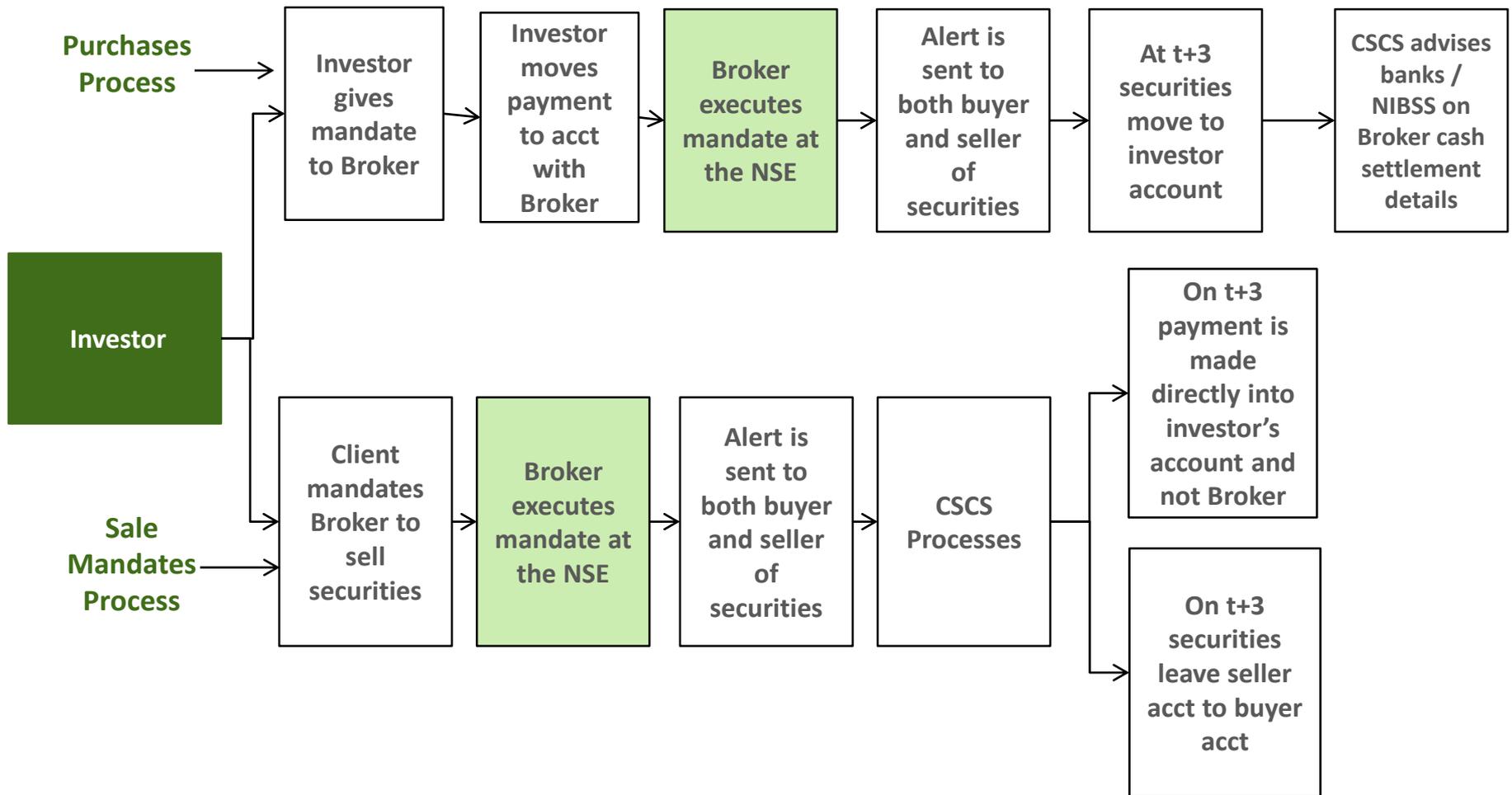
What is Direct Cash Settlement?



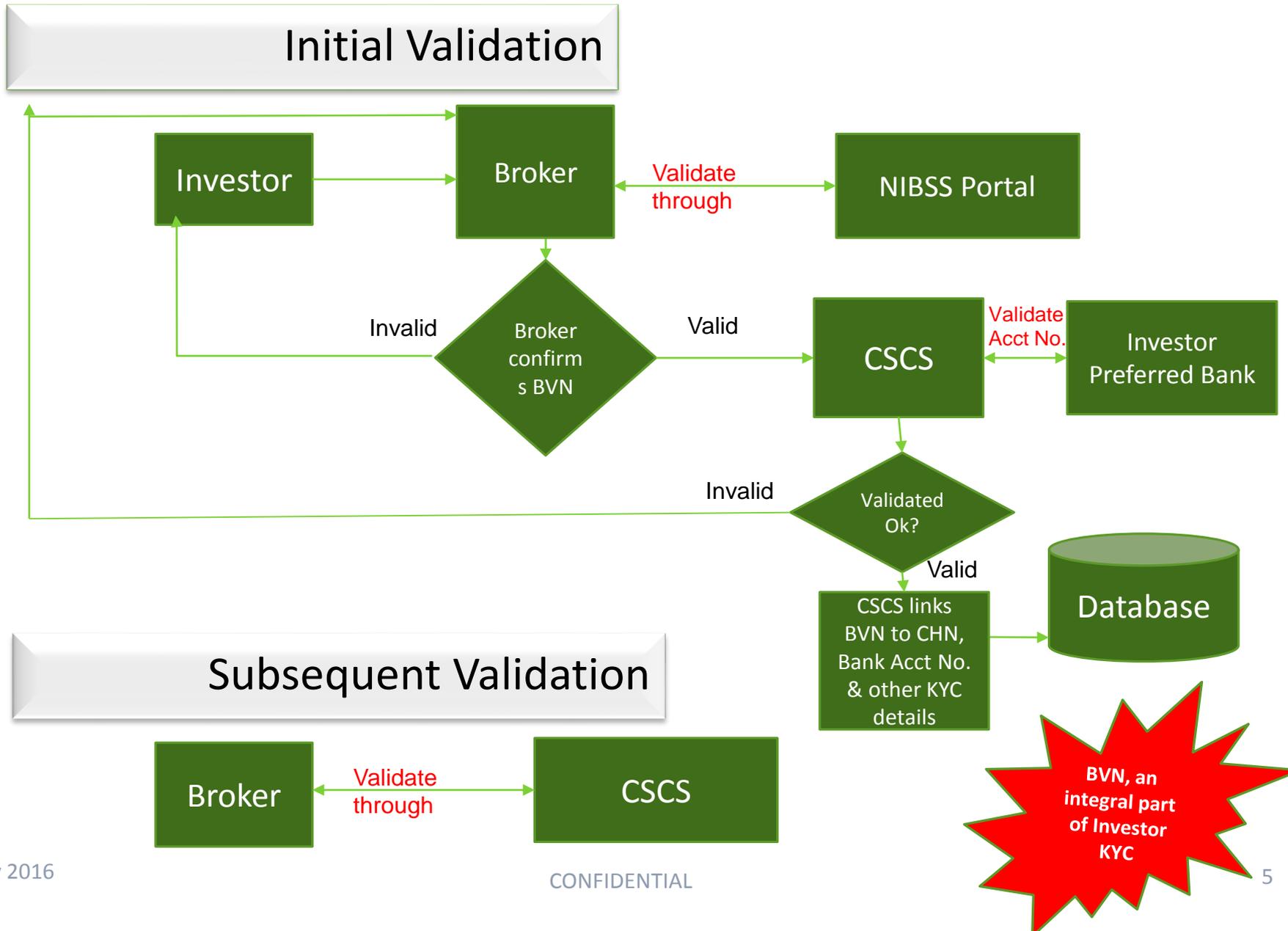
DIRECT CASH SETTLEMENT

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

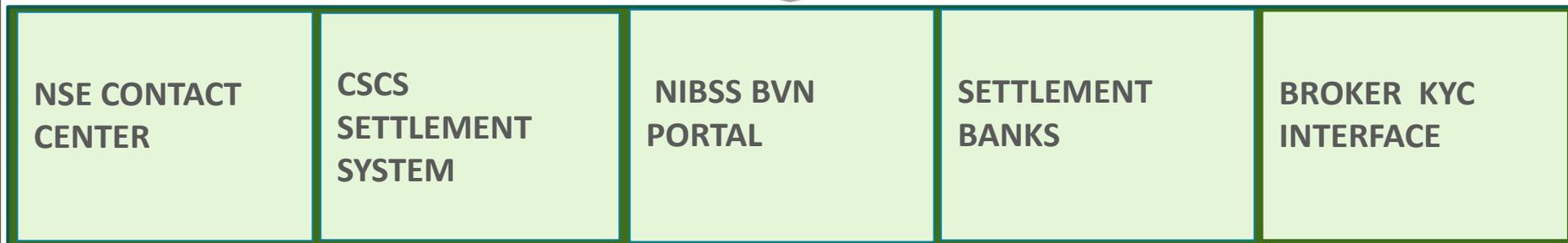
- ❑ CSCS process transactions from NSE
- ❑ CSCS generates Net position at the Investor level
- ❑ On Transaction day (Day T), CSCS advises Settlement Bank (SB) of Net Debit (fund) position of SBFs.
- ❑ On Settlement day (Day T + 3) CSCS advises Sett. Banks to:
 - ✓ Debit (fund) SBF settlement Bank(s)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

Overview : Go-Live (2 Jan 2016) to Date

Post Implementation Activities:

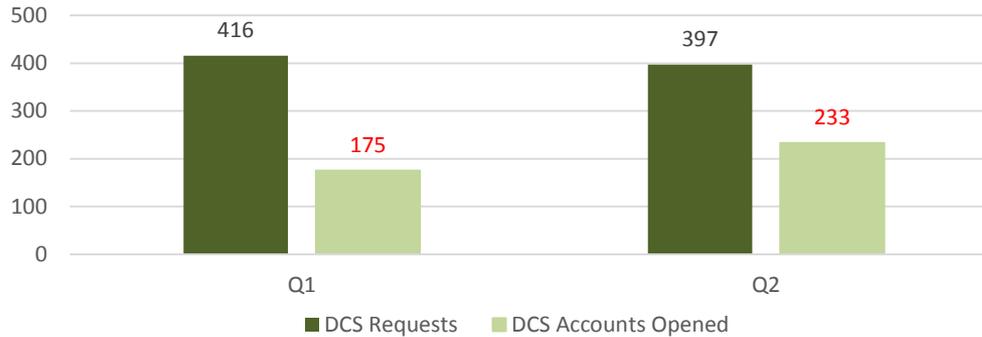


DCS ENABLING INFRASTRUCTURE

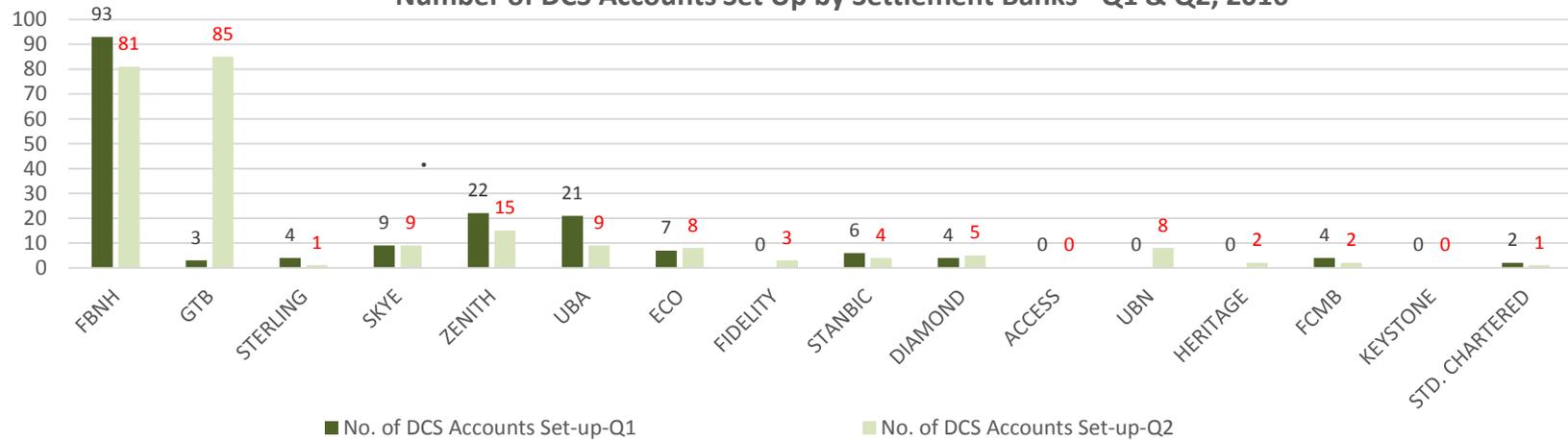


Update on DCS Account Set-Up Requests to Sett. Banks

DCS Accounts Request Vs Set-Up, Q1 and Q2, 2016



Number of DCS Accounts Set Up by Settlement Banks - Q1 & Q2, 2016



DCS Responsive Banks: First Bank, GTB, Skye Bank, Standard Chartered, Zenith , Fidelity, Sterling

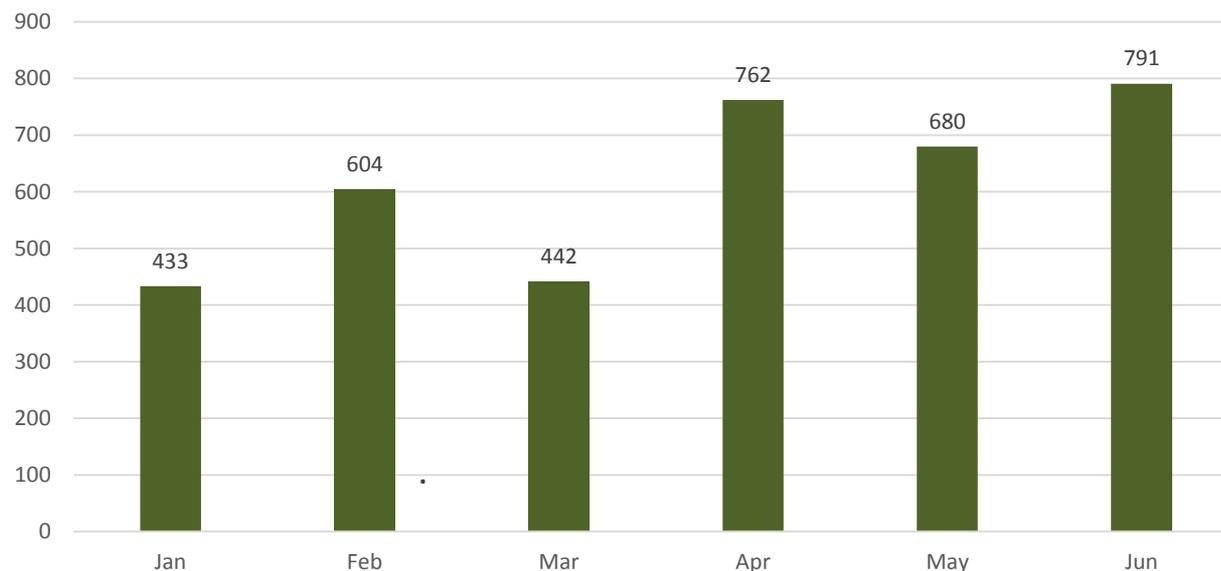
Unresponsive Banks: Access, Keystone, Unity Bank

Delayed Response : Diamond Bank, Stambic/BTC , UBA, Union Bank

Note: Responsiveness implies 48hours revert to the CSCS

Update on BVN Validation by Brokers

Monthly BVN Validation by Brokers on NIBSS Portal, Jan-June 2016

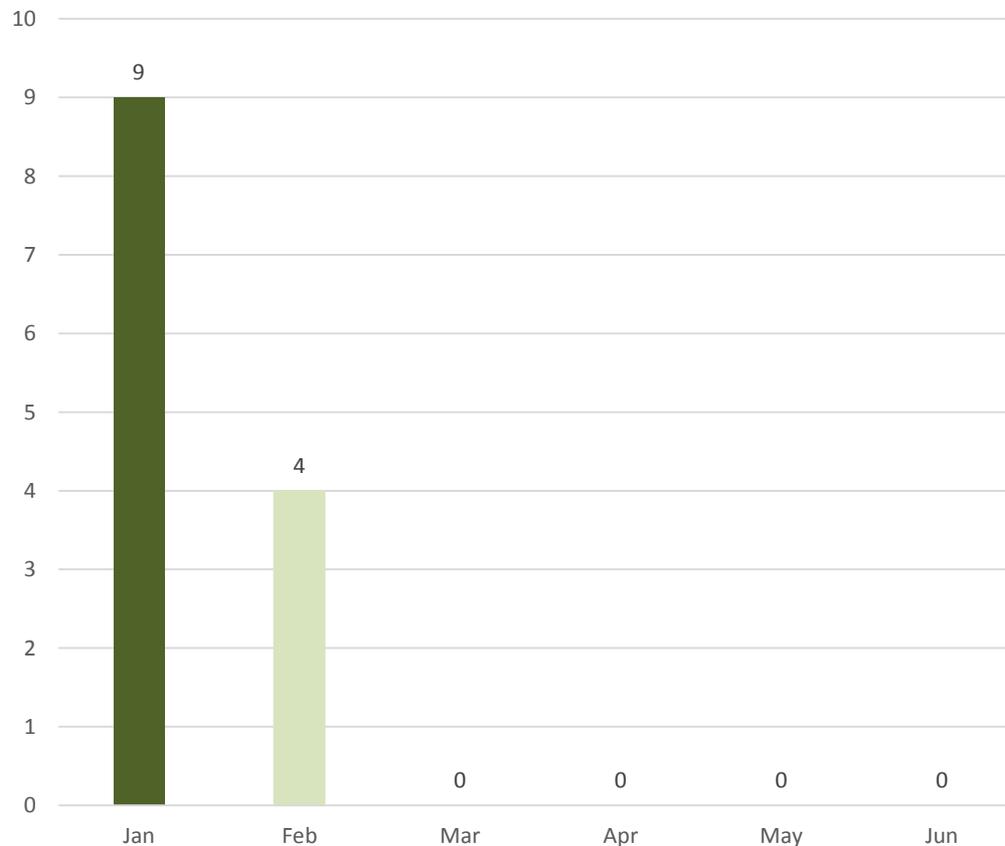


% Increase in Total BVN Validation by Brokers (Q1 vs Q2) – 151%
% Increase in NIBSS Broker Set-up for Validation (Q1 vs Q2) – 36%
Absolute Number of NIBSS Broker Set Up (YTD) - 89

Statistics on DCS Enquiries – NSE Contact Center

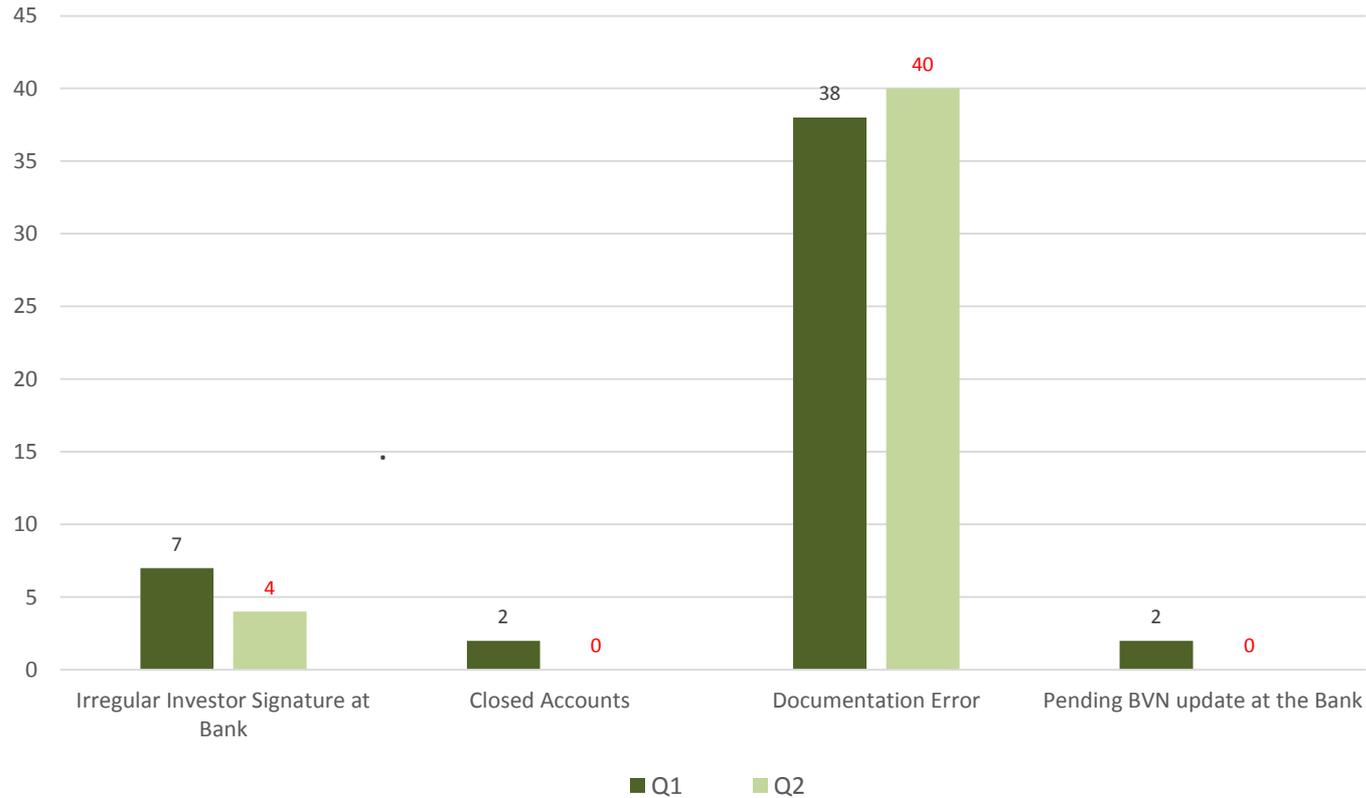
Continued drop in number of enquiries on the back of sensitization campaign and effective circulation of FAQs

No. of Enquiries - Jan-Jun, 2016



Analysis of Rejected DCS Account Set-Up Requests

Rejected DCS Account Set-Up Requests, Q1 & Q2 2016



Major Challenges

1

Need for Sustained Enlightenment – Print/Radio/Television/Social media

2

Delay from Settlement Banks - Confirmation of Account Holder Details

3

Lack of Proper Documentation of Investor Account Set-Up Requests by Investors/Brokers - Lead to increased number of rejected Requests - CSCS & Sett. Banks

4

Unresponsiveness of Some Settlement Banks to confirm account holder details to the CSCS

Recommendations

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Drive market initiatives to broaden and deepen sensitization campaign and publicity - Radio /Tele jingles; Talk shows; Print media; Regional investor forums; Social media - *SEC, NSE, CSCS, Brokers*

Further engagement with NIBSS to allow CSCS access to their portal for validation at zero cost, as they are only reconfirming validation already paid for by Brokers – *CBN/SEC*

CBN to impress on Settlement Banks to respond to confirmation requests from the CSCS. - *CBN.*

Extensive check of DCS forms/documentation by Broker Dealer Firms before submission to the CSCS – *Dealing Member Firms*

Continued investor education by Broker Dealer firms, on DCS process/documentation requirements – *Dealing Member Firms*

Further engagement with Bank CEOs on improved turnaround – *CSCS/NSE*

THANK YOU

Questions & Answers