



Market Wide Technical Infrastructure Committee (MWTIC)
A Sub-Committee of The Capital Market Committee (CMC)
Ade Bajomo (Sub-Committee Chair)

August 2017



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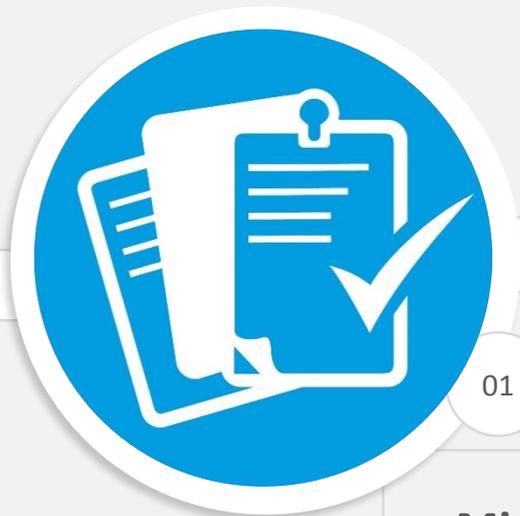
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#1

A Vision Worthy of Pursuit

To be Africa's modern, efficient and internationally competitive market that catalyzes Nigeria's emergence as a top 20 global economy

Our Journey so Far



01

Minimum Operating
Standards



02

Nigerian Capital Market
Information Security
Forum

Shared
Services



03

Direct Cash
Settlement



04

Direct
Cash Settlement

The committee
is on track to
achieve it's set
objectives for
2017

Minimum Operating Standards

The committee has successfully provided the minimum information technology standards for the various groups within the Capital Market Ecosystem.



Some of the Standards Include:

Software



Hardware



Network Connectivity



Data Security



- Other Equipment
- Disaster Recovery / Business Continuity Plan

The Committee has thus achieved full completion of this item in its terms of reference.

Nigerian Capital Market Information Security Forum (NCMISF)

The bi-annual NCMISF brings together various stakeholders (Cyber security professionals, Chief Executives and top experts) in The Nigerian Capital Market for the collaboration and dissemination of ideas on Information Security best practices and cyber breaches within the Nigerian Capital Market and the global securities market at large.

There have been four NCMISF sessions held since its inception in 2015, with the following themes.

1st Edition- “The NSE Business Survival Series- How prepared is your business to withstand Cyber Security Breaches?” (April 2015, 142 participants)

2nd Edition- “Why Capital Market Executives should take Identity Theft Seriously?” (December 2015, 147 participants)

3rd Edition -“Preventing Identity Theft in the Capital Market- What to do when you are hacked”. (July 12, 2016, 113 participants)

4th Edition- “Does your business have the resilience to withstand a disaster? The Business Case for Business Continuity Management”. (November 17, 2016, 119 participants)

The theme of this year’s NCMISF is: Defending against Cybercrime: Becoming a Cyber-Resilient Organization

The objectives of this event are:

- ✓ Understand what Cyber resilience is and its importance amidst current global cyber threats
- ✓ Understand the difference between cyber resilience and cyber security
- ✓ Learn how organizations can become cyber resilient
- ✓ Share ideas on how the foundation of a cyber-resilient organization is laid

Venue

20th Floor
The Nigerian Stock
Exchange Building
2/4 Customs Street,
Marina, Lagos

Date

Tuesday, 31st of
October, 2017

Shared Services

Shared Services for the Capital Market- Stakeholder Grid

Suite of Services	Sub-Service	SEC	NSE	CSCS	FMDQ	NASD	AFEX
Data Service & Analytics	Reporting	Medium Term	Immediate	Not Decided	Not Decided	Not Decided	Immediate
	Data Warehousing & MIS	Not Decided	Immediate	Not Decided	Not Decided	Not Decided	Immediate
	Market Analysis/Data Mining	Medium Term	Immediate	Not Decided	Not Decided	Medium Term	Immediate
	Market Data API	Not Decided	Immediate	Not Decided	Not Decided	Not Decided	Immediate
Infrastructural Services	Trading Platform	Not Decided	Immediate	Not Decided	Not Decided	Not Decided	Medium Term
	Co-Hosting	Not Decided	Immediate	Not Decided	Not Decided	Medium Term	Immediate
	Co-Location Services	Not Decided	Immediate	Not Decided	Not Decided	Medium Term	Immediate
	Cloud Services	Not Decided	Immediate	Not Decided	Not Decided	Medium Term	Immediate
	Disaster Recovery	Medium Term	Immediate	Not Decided	Medium Term	Immediate	Immediate
Market Automation	OMS	Not Decided	Immediate	Not Decided	Not Decided	Medium Term	Medium Term
	Asset Management	Not Decided	Medium Term	Not Decided	Not Decided	Medium Term	Medium Term
	Financial Reporting	Not Decided	Immediate	Not Decided	Not Decided	Medium Term	Medium Term
	Mobile Trading Solutions	Not Decided	Immediate	Not Decided	Not Decided	Not Decided	Medium Term
	Algo/Quant Trading	Not Decided	Medium Term	Not Decided	Not Decided	Medium Term	Medium Term
	Risk Compliance	Medium Term	Medium Term	Immediate	Not Decided	Medium Term	Medium Term
	Issuer & Broker Management	Medium Term	Immediate	Immediate	Not Decided	Not Decided	Medium Term
	Middle & Back Office Admin	Not Decided	Immediate	Not decided	Not Decided	Not Decided	Medium Term
Application Testing	Functional Testing	Not Decided	Medium Term	Immediate	Medium Term	Not Decided	Not Decided
	Non-Functional Testing	Not Decided	Medium Term	Immediate	Medium Term	Not Decided	Not Decided
Security	Penetration Testing	Medium Term	Immediate	Immediate	Immediate	Immediate	Not Decided
	Security Operation Center	Not Decided	Immediate	Immediate	Immediate	Immediate	Not Decided
Regulation	Regulatory Services	Not Decided	Immediate	Immediate	Immediate	Immediate	Not Decided
	Surveillance	Not Decided	Immediate	Immediate	Immediate	Immediate	Not Decided

Main Conclusions

After conducting the feasibility study for the Shared Services initiative, the members observed that:

- There was no overall commonality across board for any service.
- Our market may not be ready for Shared Services, but is ready for deeper collaboration.

Since there was no substantive shared interest among stakeholders, the Committee decided to shelf the SPV idea for now. Individual firms could however collaborate along common areas of interest.

Direct Cash Settlement Phase 2

As part of the ongoing initiatives to protect investors and eliminate fraudulent activities in the Nigerian Capital Market, stakeholders are working to commence the second phase of the Direct Cash Settlement initiative, which is the direct payment of proceed of sale of securities into an investor's nominated bank account.



PROGRESS/TRACKING

Roles and responsibilities have been assigned to different stakeholders to ensure the smooth running of the DCS. Some of these functions include:

- The publishing of weekly reports on the compliance of investors (CSCS)
- Follow up with investors to ensure 100% compliance (ASHON)



DOCUMENTATION

The team is working to complete the documentation for the second phase of the DCS journey. Some of these documents include: Capital Market Form, Flowchart etc.



AWARENESS CAMPAIGNS

Awareness and Investor engagement would commence on the 1st of September, 2017. The committee is working hard to ensure the right message is transmitted to the market.



GO LIVE DATE

Go live date for the second phase of the DCS would commence from the 1st of January, 2018.

Data Points for E-Dividend Registration

2,043,515
Shareholding accounts

69,892
Institutional
Shareholding Accounts

1,973,623
Individual Shareholding
Accounts

574,887
Unique BVN Records

655,422
Unique Bank Accounts

Data Set (Reference/Available Data)

Shareholder's name
Reference: 2,043,515
Availability: 2,043,515
100% Availability

Shareholder's Account
Number
Reference: 1,690,767
Availability: 1,690,225
99.97% Availability

Bank Account
Reference: 2,043,515
Availability: 1,867,203
91.37% Availability

BVN
Reference: 2,043,515
Availability: 1,802,093
88.19% Availability

Phone Number
Reference: 352,748
Availability: 346,093
98.11% Availability

Additional Achievements

100%

Technology Access For Youths

The committee wrote a paper on leveraging technology for access for youths and mass market, and this would be shared with the Financial Literacy Committee to implement.

ongoing

Simplified KYC for Digital/Mass Market Penetration

Bank Verification Number (BVN) has been used as the most effective form of identification since its inception. The committee is looking to simplify the onboarding process of clients, by proposing an alternative validation method for micropayments and quick onboarding.



In addition to the key objectives of the committee, we have also achieved the following adhoc objectives.

Simplified KYC for Digital/Mass Market Penetration

THE KYC CHALLENGE

The current drive by the Nigerian Stock Exchange (NSE) and Association of Stockbroking Houses of Nigeria (ASHON) to grow stock market participation has been somewhat hampered by the cumbersome process of account opening and “Know Your Customer” requirements for Retail investors.

The current KYC regime mandates the following regulatory prerequisites for stockbroking account activation:

- Collection of all Know Your Customer documents
- Verification or validation of the obtained KYC documents
- Physical identification of prospects residence irrespective of the location and investment potential

Drawbacks Of Current KYC Regime

- Low conversion of prospective retail investors
- High cost of retail investor activation
- Uncertainty of the retail investor’s profitability potentials

Simplified KYC for Digital/Mass Market Penetration

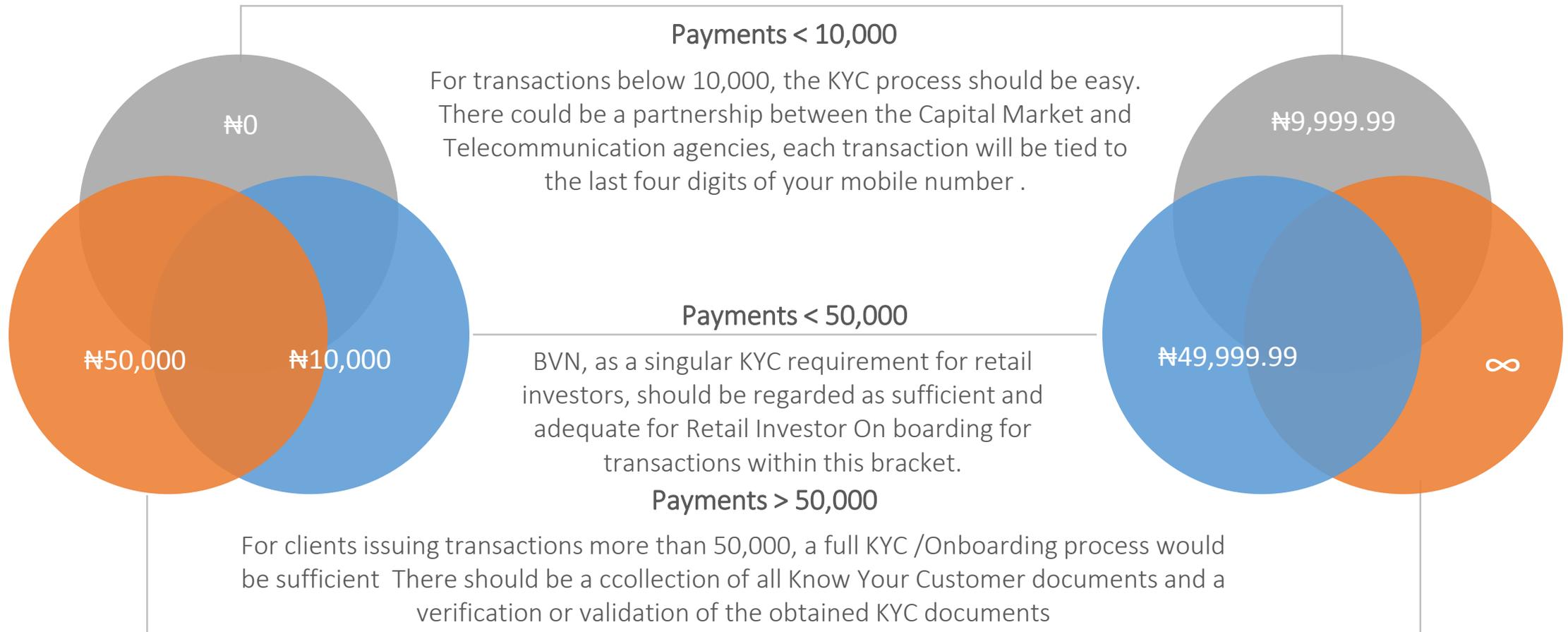
The current “Know Your Customer” requirements for Retail investors is too cumbersome, based on the transformation of things from paper based on boarding to the digital space. This would limit the Capital Market’s target of growing the investor base from about 5 million to 25 million in year 2020.

Important Points to note:

- The average attention span for the notoriously ill-focused goldfish is nine seconds, but according to a new study from Microsoft Corp., people now generally lose concentration after eight seconds, highlighting the affects of an increasingly digitalized lifestyle on the brain.
- Microsoft found that since the year 2000 (or about when the mobile revolution began) the average attention span dropped from 12 seconds to eight seconds.

How do we reduce the cumbersome KYC process?

Simplified Onboarding Process for Micropayments



Technology Access For Youths

Leveraging technology to boost financial literacy in Nigeria

Drivers of the initiative

SEC, NSE, FMDQ, NASD, & AFEX were considered to drive the entire youth engagement initiative



Modes of engagement

Online Engagement: Social Media, Capital Market Participants' Website, Games, Apps etc.

Direct Engagement: Establishment of capital literacy organizations & Awareness campaigns



Structure and accountability

The governance structure for the youth engagement initiative would be infused into the existing governance structure of the new products and business development sub-committee of the CMC



Partnerships and collaborations

- Banks
- Other financial institutions
- ARM, APT, Leadway etc.
- Insurance companies: A&G, AIICO, NAICOM, Cornerstone etc.
- Exchanges: AFEX, FMDQ, NASD etc.
- Wealth management companies: AMCON, ARM etc.



Sustainability will entail maintenance of the initiatives, the associated operations, the governance structure, financing and continuous improvement of the system. Funding mechanism speaks to how the initiatives, the associated operations and governance structure would be financed sustainably.

Next Steps

It is evident to note that the committee has achieved all her set objectives for 2017, hence we would like to inquire on next steps:

Should we disband the committee?

OR

Should we turn it into an adhoc committee?

OR

Leave it as a standing committee in the background?

Appendices

Comparative Value Proposition for Adopting BVN for KYC

- There is a dire need for a proper identity management system in Nigeria to curb the rising incidence of fraudulent activities perpetuated through the use of multiple identities.
- The Bank Verification number (BVN) provides a unique identifier for everyone with a banking relationship.
- All active bank account holders have this unique number which identifies them as a unique individual across all financial services touch points

Comparative Features	BVN	Utility Bill	Int'l Passport	Drivers License	Voters Card
Acceptable means of ID	√	√	√	√	√
Biometrics & Demographics	√	X	√	√	√
Presupposes Address Verification	√	√	X	X	X
Unique Identity and Numbering System	√	X	X	X	X
Database Accessibility to 3rd Parties	√	X	X	X	X
Verifiable via Multiple Channels	√	X	X	X	X
Maintains watch list for questionable individuals	√	X	X	X	X

MWTIC Guidelines

- Frequency of Meetings: The committee is expected to meet at least every two (2) months (before and after the Quarterly CMC meeting).
- Time/Period for submission of Reports: Updates must be forwarded to CMC Secretariat, cmcsecretariat@sec.gov.ng , two (2) weeks before the CMC meeting.
- Submission of Minutes/Outcome: All minutes of meetings should be forwarded to the CMC secretariat cmcsecretariat@sec.gov.ng within 48 hours after each meeting.
- Interface with SEC: Interface with the SEC representative in the committee to enable a smooth flow of information on SEC's activities and that of the committee.
- Inactive Member: A register of attendance should be kept, and any member who is not actively participating in the committee's work must be reported to the Commission for replacement.
- Membership: New members can be co-opted to work within the committee.
- Contributions: Members of the Capital Market Community can make suggestions and contributions by submitting these to cmcsecretariat@sec.gov.ng for the attention of The Chair, Market Wide Technical Infrastructure Committee

MWTIC Terms of Reference

- Examine and provide a comprehensive report on the current state of the market infrastructure and technology employed in the Nigerian Capital Market
- To Create awareness among capital market operators on information technology security issues as they occur within & outside our jurisdiction.
- To provide guidance to the Commission on the establishment of an improvement in Disaster Recovery/Business Continuity Planning by the SEC and market operators
- Review and recommend minimum infrastructural and capacity requirements for market operators and the OTC market
- Explore the development of shared services to reduce cost of doing business in the capital market
- To advise on critical infrastructure for the surveillance of the market
- To standardize the reporting for market operators between the SROs and the SEC wherever possible, thereby eliminating duplication.
- Other terms that CMC may delegate to the sub-committee to work on to develop the capital market using IT.