

Capital Market Update of Nigerian Exchange Group

2021 Second Capital Market Committee (Webinar) Meeting

12 August 2021

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OUTLINE



Update on Market Activities

Update on Regulatory Activities





Nigerian Exchange Ltd.

Update to the Capital Market Committee

Temi Popoola, CFA

Chief Executive Officer, NGX

Aug. 13 2021

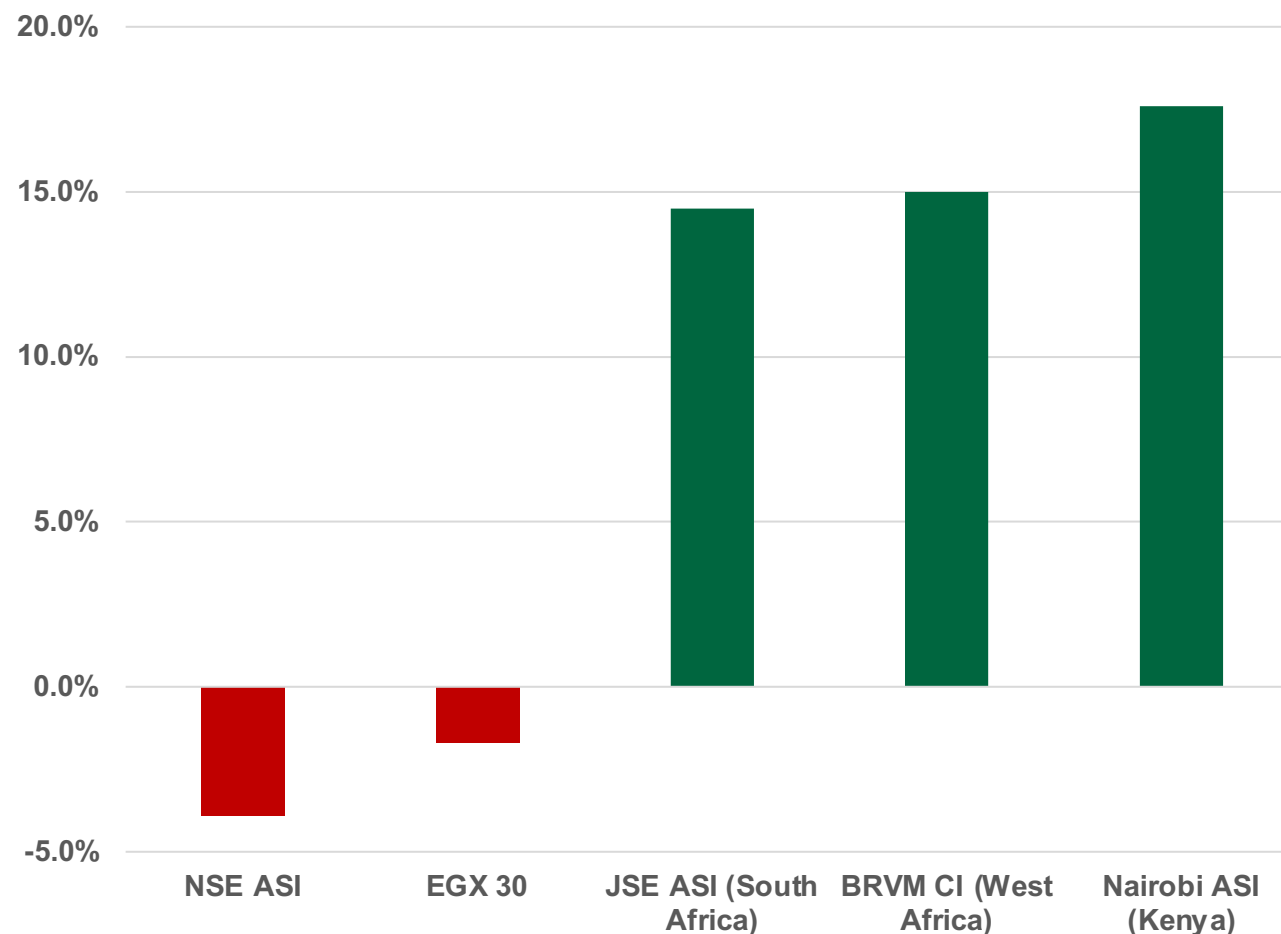
CONTENTS



YTD PERFORMANCE OF AFRICAN STOCK INDEXES



YTD Return Of Major African Indexes

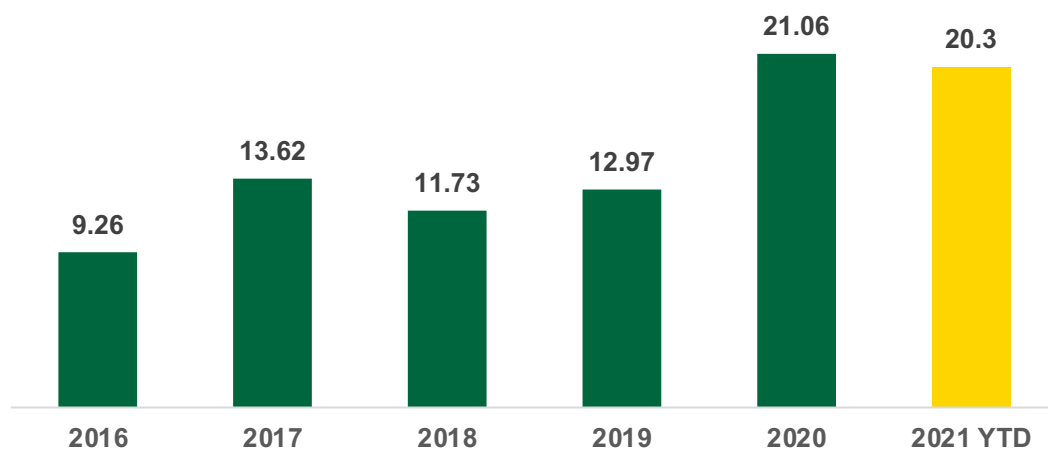


- Nigerian stock exchange is down YTD as foreign exchange illiquidity, high inflation and rising interest rates weighs down on investor demand.
- Egyptian stock exchange YTD negative performance is primarily due to an expected slow recovery in the tourism sector (which accounts for 12% of GDP and 10% of employment)
- JSE ASI appreciation was primarily driven by mining, consumer discretionary and telecom sectors
- Rallies in BVRM CI, JSE ASI and Nairobi ASI were fuelled by rising commodity prices and private consumption due to easing lockdown restrictions, vaccination efforts and a pick up in global activity
- Value of shares traded in Nairobi stock exchange hit a 3 year high in beginning of July, driven by interest in Safaricom and banking stocks

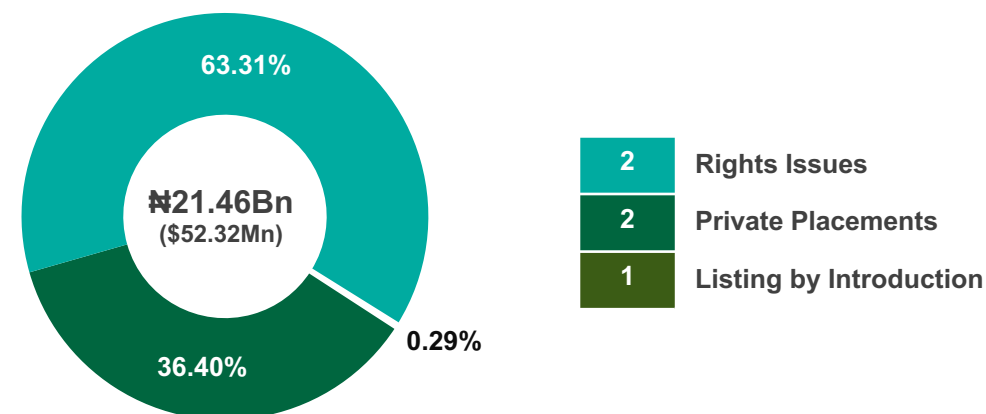
EQUITY UPDATE: LISTINGS



Market Capitalization (N' Trillions)



YTD Equity Listing Activity

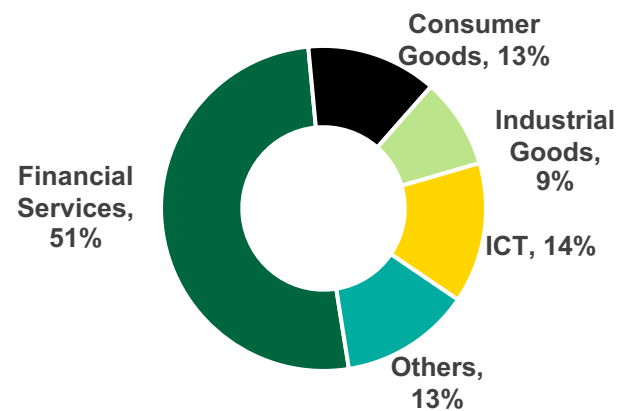


- Rising fixed income yields and a challenging macroeconomic environment continue to impact listing activity. Market capitalization declined by 4.0% from ₦21.06Tn in 2020 to ₦20.22Tn.
- Rights issues dominated equity listing activity accounting for 63.31% of new equity listings. As the economy gradually recovers, we expect listing activity that had been previously shelved to be brought to the market.

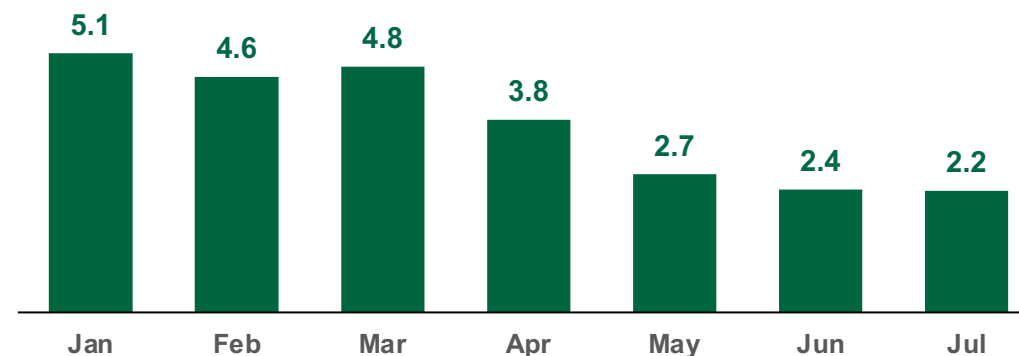
EQUITY UPDATE: TRADING



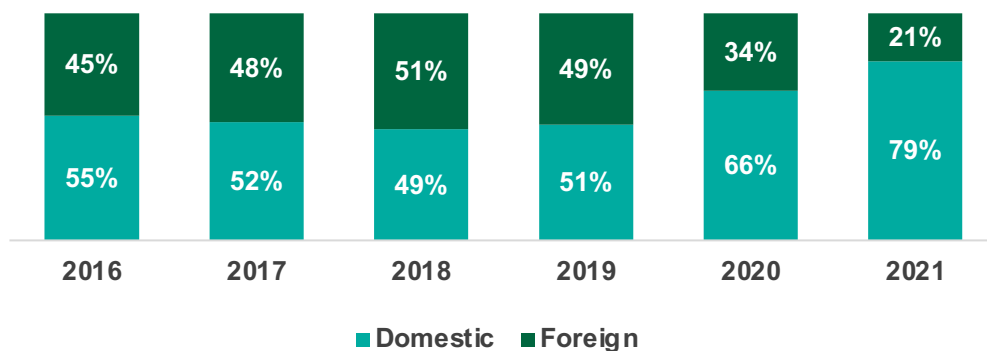
2021 YTD Market Turnover By Sector



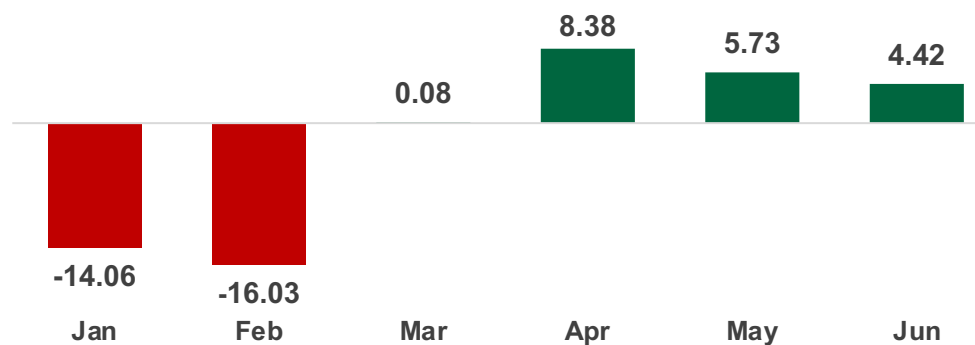
2021 Monthly Daily Average Value Traded (N' Billions)



Equity Value Traded: Domestic Vs Foreign



Net Foreign Portfolio Flow (N' Billions)



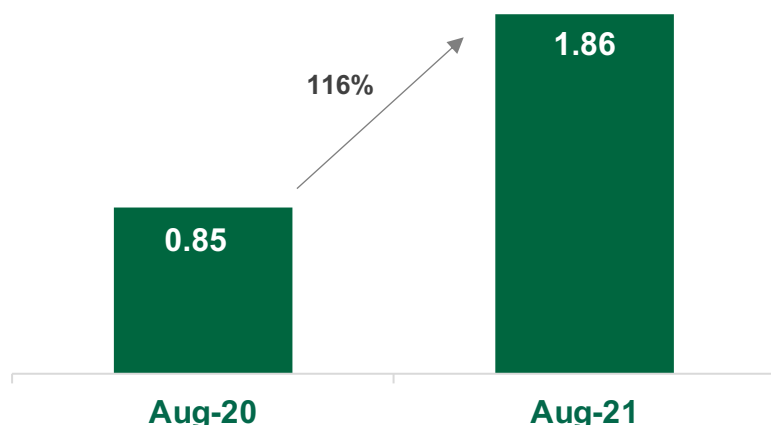
FIXED INCOME UPDATE



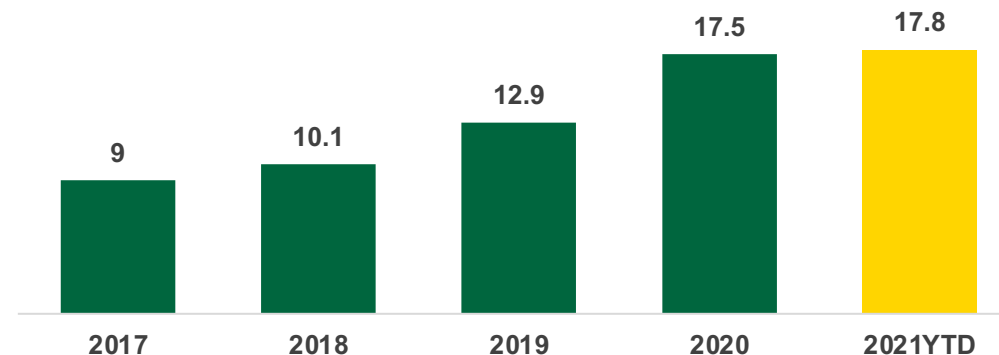
Overview

- The fixed income market capitalization fell by 8.6% from ₦19.60Tn in 2020 to ₦17.91Tn. Trading turnover increased 116% compared to the same period in 2020 driven by a search for alternative asset classes and attractive yields.
- While companies continue to lean towards the fixed income market, capital raising remains dominated by the Federal Government in a bid to finance its fiscal and infrastructure deficits.

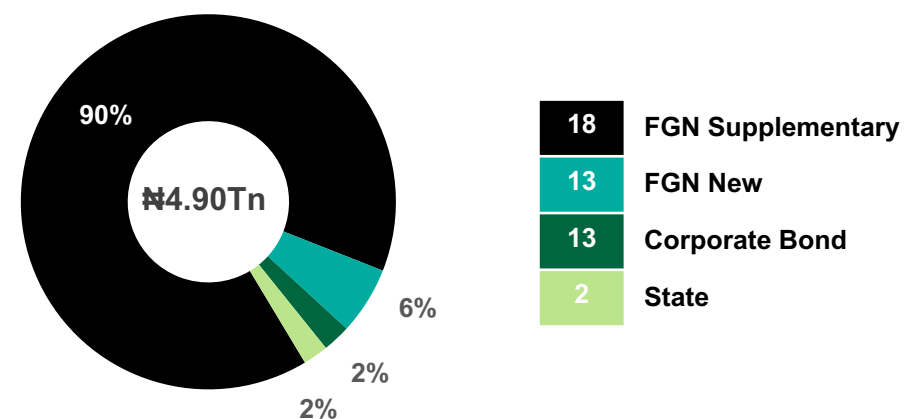
YTD Fixed Income Market Turnover (N' Billions)



Bonds Market Capitalization (N' Trillion)



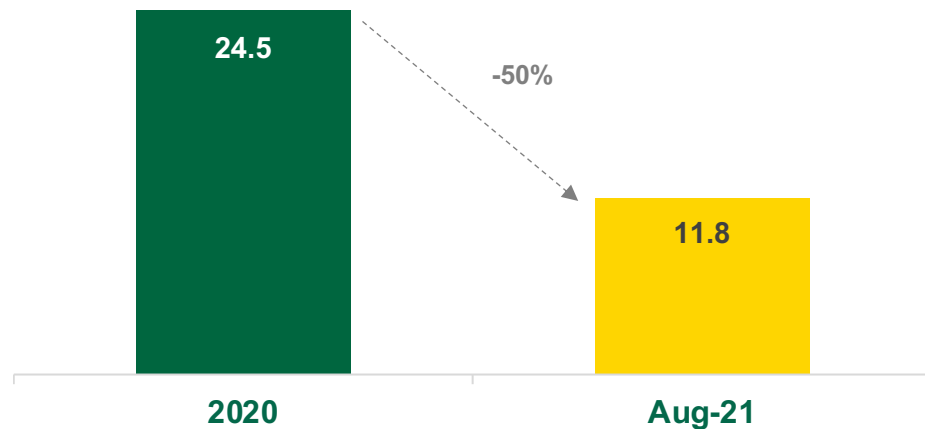
Debt Listings by Issuers YtD



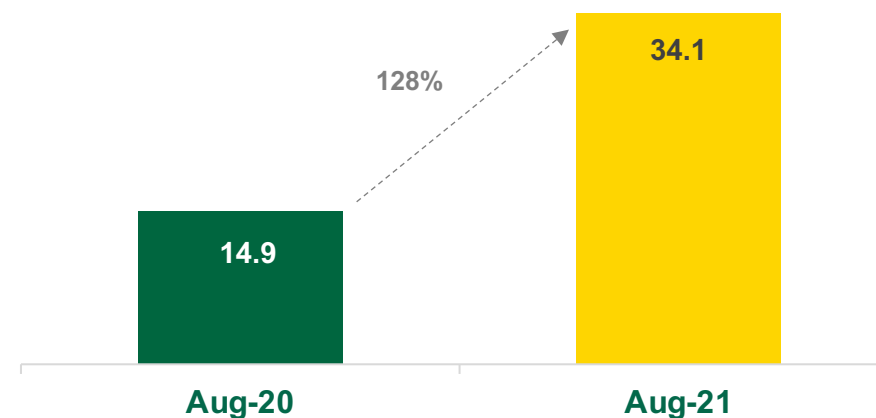
ETF UPDATE



Market Capitalization (N' Trillion)



YTD Market Turnover (N' Billions)



- The NGX's ETF market capitalization fell by 51.7% in 2020 to ₦11.8Bn, driven by New gold ETF redemptions and FX controls hampering the creation of new units.
- We continue to engage regulators and policymakers (CBN & SEC) for favorable policies and regulations to help alleviate market challenges
- NGX continues to seek avenues to partner with index providers and ETP issuers to boost listings

2021 YTD ACHIEVEMENTS



1

COMPLETION OF DEMUTUALIZATION PROCESS



The demutualization of NGX was completed in March and a new brand identity was rolled out in April. NGX commenced full operationalization on May 18, 2021 with a commemorative digital closing gong by President Muhammadu Buhari.

2

ENHANCED RETAIL PARTICIPATION



YTD Retail investor participation rose to 47% as at June 2021 from 45% over the same period in 2020. The value of retail transactions grew by 17% year on year to N332 billion.

3

DERIVATIVES



SEC approved seven derivatives contracts for NGX. X-Stream trading system was deployed



ISSUE

- Low traction on investor account updates
- Only 2.2% of Investor KYC data updates have been completed as at May 2021

RECOMMENDATION

hold stakeholder meetings/create awareness on the need for investor account updates.

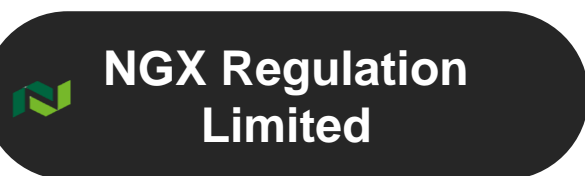
UPDATE ON REGULATORY ACTIVITIES

Presented by:

Tinuade Awe, **CEO, NGX Regulation Limited**

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Demutualization

Rule 2: Preconditions for Demutualization; SEC's Regulations for Demutualization of Securities Exchanges in Nigeria, as amended, requires that a demutualized exchange have in place an process for the independent management of its regulatory functions.



Incorporation

To address the SEC's requirements and as part of the demutualization of The NSE*, NGX Regulation Limited (NGX RegCo) was incorporated as a separate legal entity.



Operations

Further to the completion of the demutualization process in March 2021, NGX RegCo took over the regulatory functions of the former NSE under a holding company structure, providing regulatory services to the succeeding operating exchange, Nigerian Exchange Limited (NGX).



Agreement

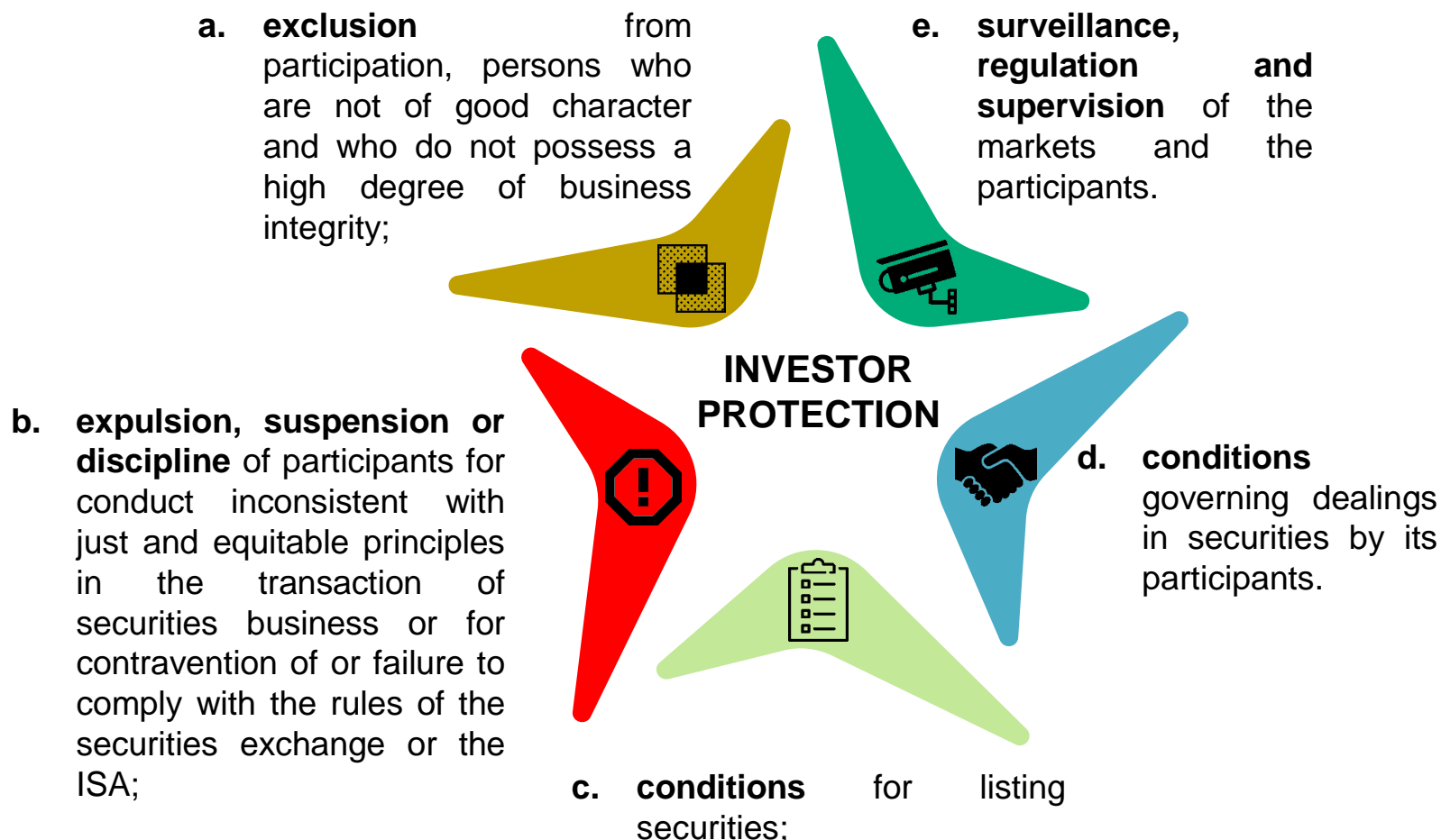
The relationship between NGX RegCo and NGX is governed by the terms of a Regulatory Services Agreement (RSA) between both parties.

**The Nigerian Stock Exchange*

SRO OBLIGATIONS OF NGX OUTSOURCED TO NGX REGCO



Part V of the Investments and Securities Act (ISA) 2007, Sections 28 through to Section 37.



KEY REGULATORY DEVELOPMENTS



Supervision Priorities for 2021

The 2021 Supervision Priorities were published in April 2021.

These Supervision Priorities provide guidance to Trading License Holders (TLHs), investing public, and other stakeholders on business practices considered to be of market-wide interest.



2021 RBS Examination Cycle

Self-Assessment Forms were deployed to TLHs in May 2021, to enable them self-assess their significant activities and the quality of their risk management control functions.

Subsequently, the examinations commenced in July 2021. Further to the impact of the COVID-19 pandemic, examinations have been temporarily converted from on-site examinations to virtual off-site examinations.



Regulatory Technology

An electronic filing portal, X-Filing, was launched in H'1 2021.

X-Filing is a secure and fully integrated web application designed to enable electronic submission of listing applications by TLHs; as well as enable NGX RegCo to process applications online, saving time and resources.



2021 Mid-Year Issuers' Engagement Forum

Towards the end of H'1 2021, an engagement forum with Issuers held in June 2021.

The forum provided an avenue for Issuers to interact with NGX RegCo in order to share experiences and to gain insights into regulation and compliance in the new norm (*re: COVID-19 pandemic*); and compliance with NGX's post listing requirements.



2021 Supervision Priorities *For Trading License Holders*



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THANK YOU