

Capital Market Committee Meeting

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6th April, 2022

Outline

-  ***Clearing, Settlement and Depository Asset Statistics for Q4'2021***
-  ***Investor Data Update Data Statistics***
-  ***Securities Services Data: Depository Admissions***
-  ***Capital Market Development efforts***



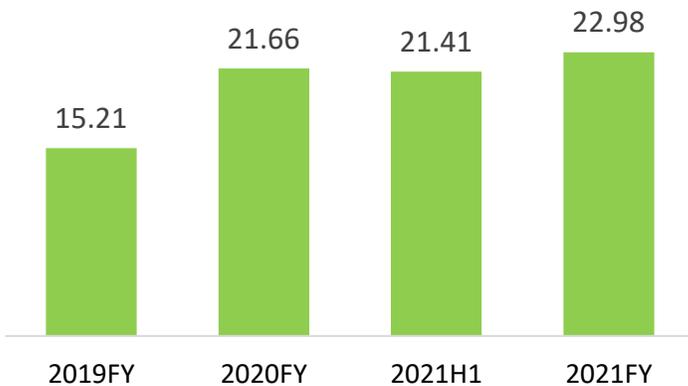
Clearing, Settlement and Depository Assets Statistics

Daily Clearing and Settlement Value (N'Bn)

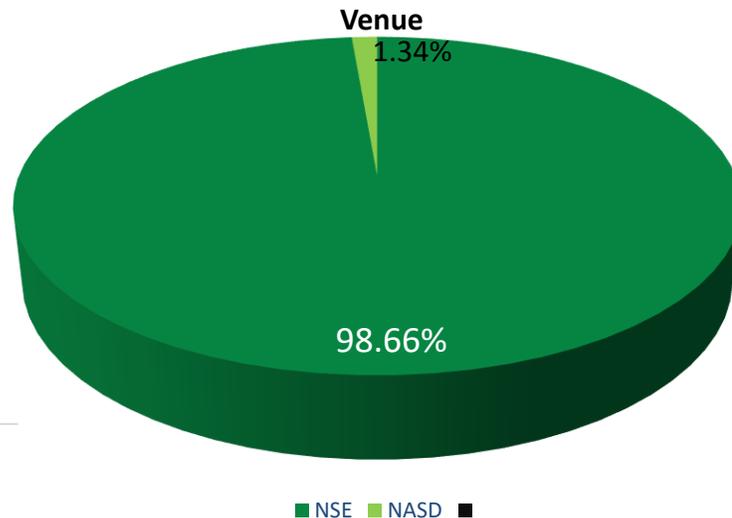


- The market indices were bullish in 2021 as the NGX ASI and NASD USI appreciated by 6.07% and 1.34% respectively.
- Though, still below the strong liquidity in the first quarter of the year and the last quarter of 2020, market activity improved in the fourth quarter, as reflected in the N4.65 billion average daily value of clearing and settlement activity, compared to barely N2.7bn in the third quarter.
- Notably, year-on-year comparison shows a decline of 31%, when compared to the strong N6.8bn average daily value of transaction recorded in the last quarter of 2020.

Value of Assets in Depository (N'Trn)



Total Clearing and Settlement Value by Trading Venue



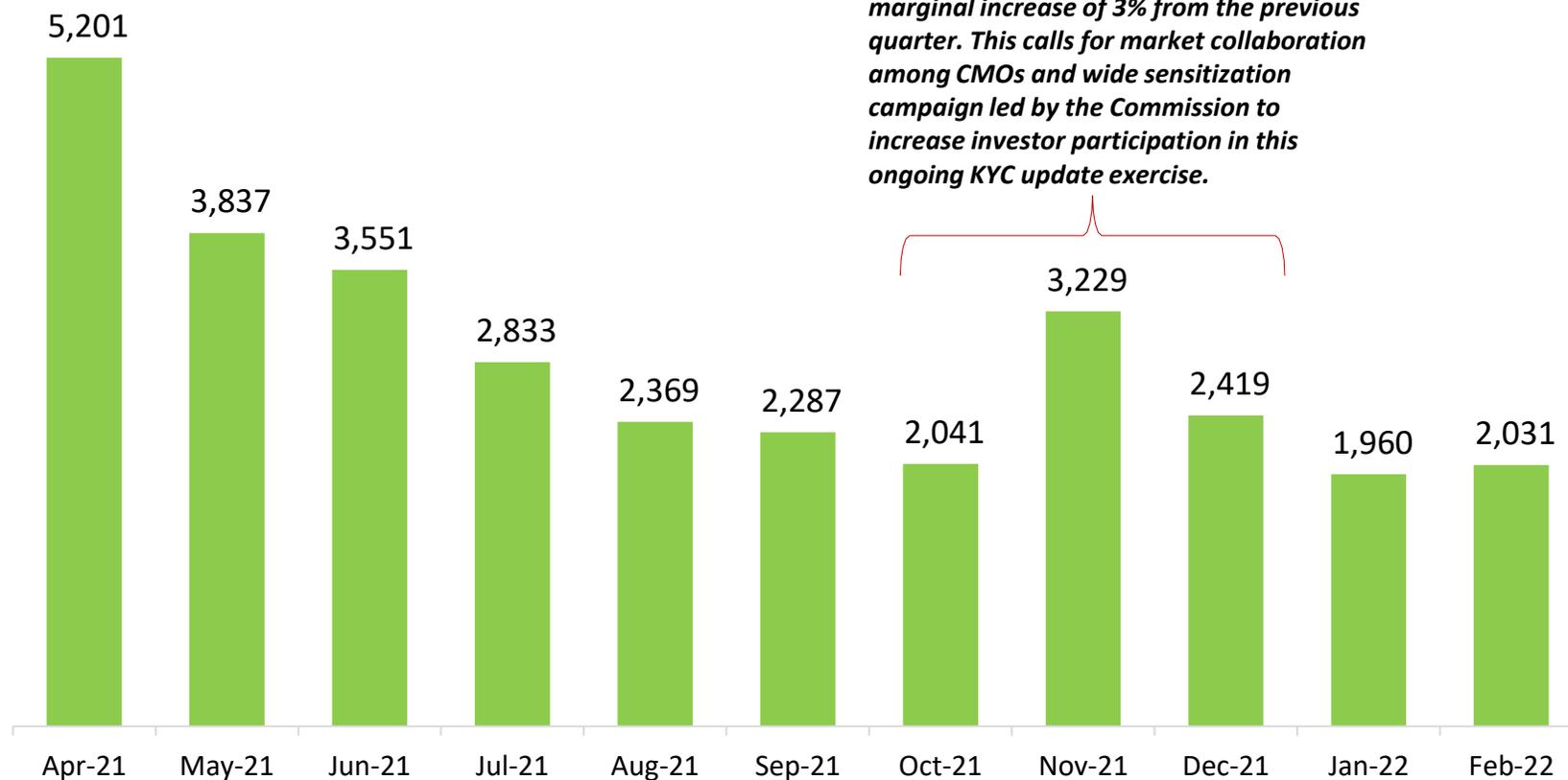
- Reflecting the price appreciation on a few large-caps and new issuance of both equity and debt securities, the depository asset grew 7.3% to N22.98trillion.
- Trades on Nigeria Exchange represented 98.7% of total clearing and settlement activities, whilst other Exchanges, mainly the NASD-OTC contributed 1.3% of our post-trade activities.
- With new offerings from NASD-OTC and reinvigorated drive of the Lagos Commodities and Futures Exchange and the Nigerian Commodities Exchange, we are excited at the potential diversification of our post-trade activities in the quarters ahead.
- We would work with relevant CMOs to explore opportunities with all our capital trade point partners.



Investor Data Update Statistics

Total accounts to be updated	4,108,021
Number of updated accounts	118,291
Percentage Completion	2.88%

Monthly Statistics of Investor KYC Update





Investor KYC Updates ::: Issues and Recommendations

Barely 3% of targeted accounts with KYC deficiency has been updated, representing about 22.1% of designated “active accounts”

- **Issues:** The low rate of KYC update reflects the following:
 - The awareness is still relatively low despite commendable efforts of different stakeholders
 - Investor apathy – no interest in updating KYC except when they need to trade. Unfortunately, it puts pressure on brokerage firms and the depository, whilst also exposing clients to the risk of missing timely market opportunities and undermining market liquidity.
 - Perceived lean resources dedicated by various capital market stakeholders to this initiative, with focus mainly on investors seeking to trade. There is need for CMOs to adopt a broad-based approach, seeking out update from clients who have not indicated interest in trading to ensure their accounts are updated before they seek to trade.
 - NIBSS ICAD (Industry Customer Account Database) – brokers having challenges updating bank accounts and BVN. This issue is being given due attention by the Management of NIBSS and CSCS is actively engaging to ensure full resolution of the challenges.
- **Recommendations and next steps:**
 - *The need to have additional gateways for KYC data update beyond trading*
 - *The need for enhanced and market-wide collaboration on investor KYC data update campaign – we need a big bang – we need to join forces and have a market-wide campaign across different media platforms*
 - *The SEC may engage Registrar to consider investor KYC update, as minimum requirement for Registrar data update request, in respect of dividend claims. This may encourage investors and also serve to reduce the rising unclaimed dividends.*

Securities Services Data: Depository Admissions



289 ISINs were issued in Q4 YTD, relative to 209 ISINs issued in the same period in 2020.

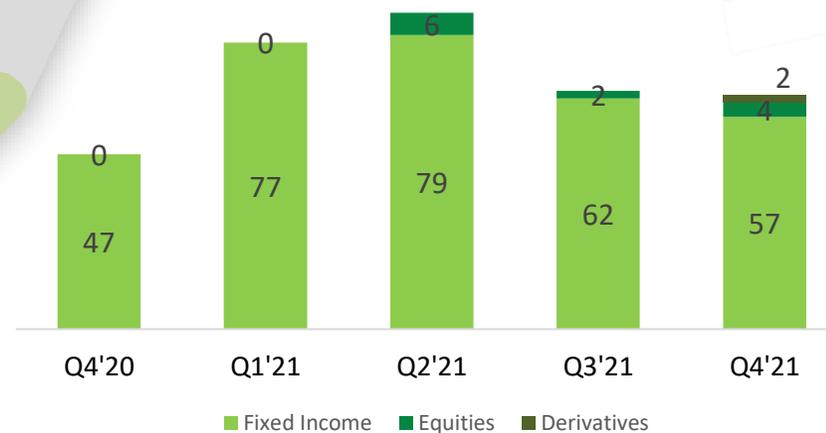


New securities admitted into the depository were dominated by corporate issues, followed by sovereign and few equity issues

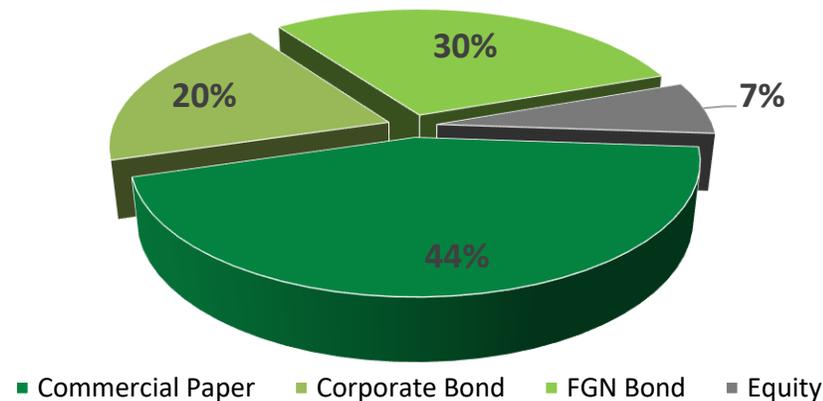


Fixed Income securities dominated new depository asset onboarding in 2021Q3, as new equities listing on the Exchanges lags.

ISIN Issuance: Number of Securities



2021 Q4 YTD: New Depository Assets





Market Development Efforts: Legal Entity Identifier - The Need for Enhanced Adoption

- Within the period, CSCS was accredited as an official entity to issue LEIs to mutual funds which provide a means to facilitate a standardized identification of Managed Funds and can potentially help to integrate Nigeria's mutual fund segment into the global Fund Management industry, with prospect for foreign investor participation in Nigeria's mutual fund market.
- Given increasing global emphasis on KYC, there is need to deepen the adoption of Legal Entity Identifier (LEI) in Nigeria.
- In most developed and emerging markets, including the United Kingdom, United States, Europe, and Asia, LEI has been mandatory for not all corporate entities transacting in the capital market but also those in the money market, as it helps to enhance global standardization of corporate KYCs.
- Nigeria ranks the second to the last in LEI adoption despite been adjudged as one of the countries with relevant infrastructures and lowest fee regime, which should have helped to scale up adoption.
- A relative gap identified is the need for stronger regulatory drive and education of market participants in Nigeria, in line with the experience in other developed and developing markets such as US, UK, Germany and others



*Thank
you*

