

Q3 Capital Market Committee Meeting, 2021





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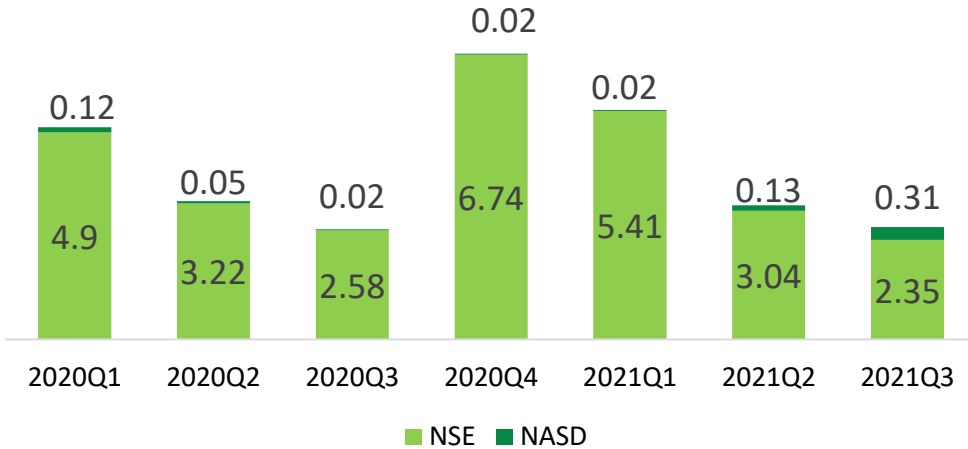
Outline

-  ***Clearing, Settlement and Depository Asset Statistics for Q3'2021***
-  ***Investor Data Update***
-  ***Securities Services Data: Depository Admissions***
-  ***Market Development Efforts***



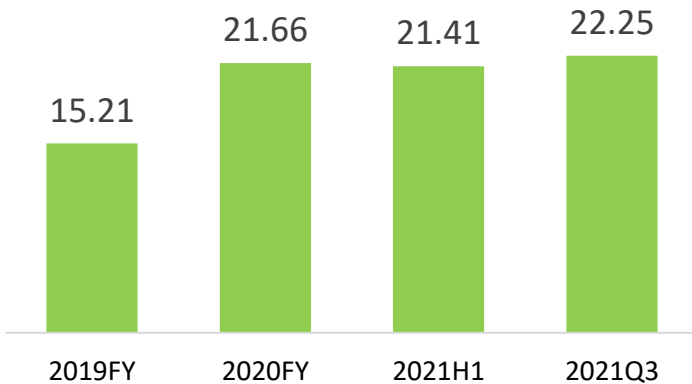
Clearing, Settlement and Depository Assets Statistics

Average Daily Clearing and Settlement Value (N'Bn)

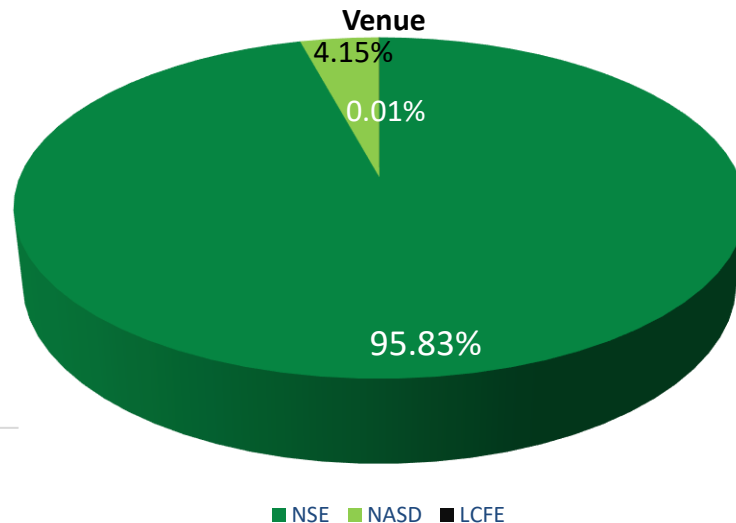


- Market sentiment was relatively positive in the third quarter of the year, with the NGX All Index rallying 6.01%, even so the NASD USI declined by -2.89%.
- However, market liquidity waned further. Resultantly, CSCS' post-trade settlement activity, (though skewed towards equities), declined to an average of N2.7 billion daily in the third quarter of 2021 (from circa N3.2 billion in the prior quarter).
- However, the lower market liquidity reinforces the seasonality in the period, as the value of post-trade settlement grew 3% year-on-year, as settlement activity was even weaker in the corresponding period of 2020, partly due to lower foreign investor participation in the period.

Value of Assets in Depository (N'Trn)



Total Clearing and Settlement Value by Trading Venue

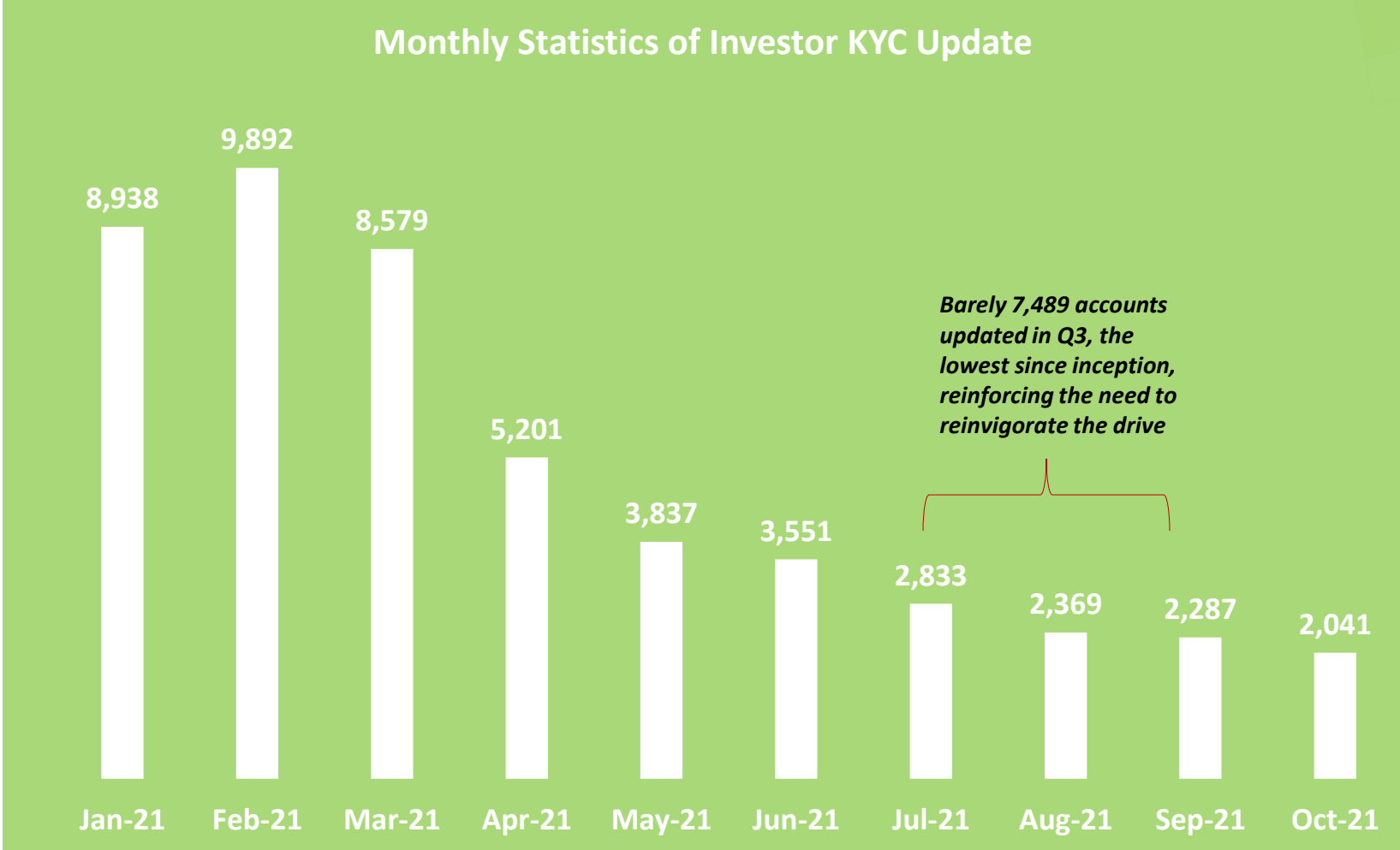


- During the quarter, CSCS depository assets grew 3.9% in value to N22.2trillion, mainly reflecting the rally on equities listed on the NGX.
- Whilst settlement activity remains dominated by trades executed on the NGX, representing 95.8% of total clearing and settlement activity, there is increasing contribution from the NASD-OTC, which accounted for 4.15% of our activities during the period, whilst clearing and settlement of LCFE-bound trades represented 0.01% of our activities.
- Whilst market liquidity has improved in the last quarter, the volatile market activity reinforces the need for enhanced collaboration of all stakeholders in deepening investor education and advocacy, with focus on scale efficiency.



Investor KYC Update

| | |
|------------------------------|------------------|
| Total accounts to be updated | 4,108,021 |
| Number of updated accounts | 111,413 |
| Percentage Completion | 2.71% |





Investor KYC Updates ::: Issues and Recommendations

Barely 2.7% of targeted accounts with KYC deficiency has been updated, representing about 20.4% of current actively trading 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
 - Perceived lean resources dedicated by various capital market stakeholders to this initiative, with focus mainly on investors seeking 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.
- **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



Securities Services Data: Depository Admissions



64 ISINs were issued in Q3, relative to 85 in Q2, reflecting lower primary market transaction and lower issuance of sovereign instruments

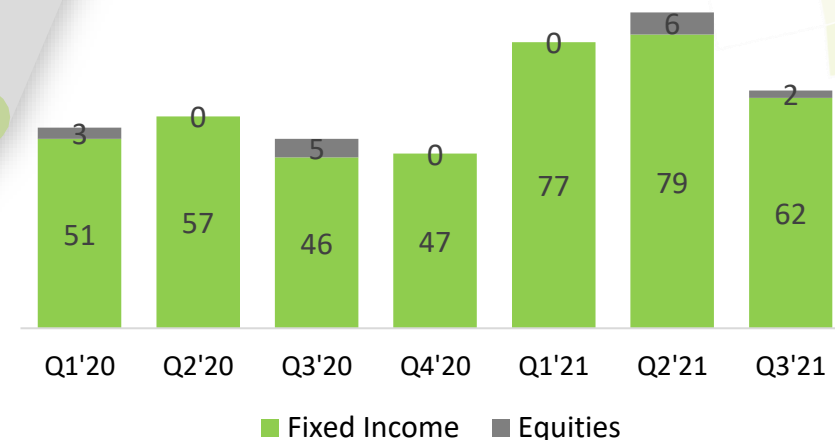


New securities admitted into the depository were dominated by corporate debt issues, followed by sovereign instruments

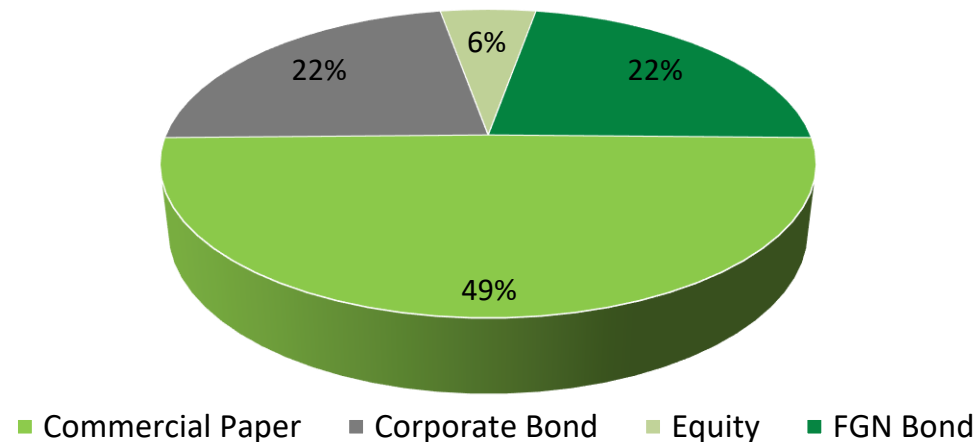


Fixed Income securities dominated new depository asset onboarding in 2021Q3, as new equities listing on the Exchanges lags.

ISIN Issuance: Number of Securities



2021 Q3 YTD: New Depository Assets





Legal Entity Identifier: The Need for Enhanced Adoption

- 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.
- As the global adoption improves and ramps up very fast, global bodies such as the Bank for International Settlement, International Organization of Securities Commission (IOSCO) etc are increasingly persuading regulators in key global markets to tighten regulations on global adoption, with possibility of disincentivizing capital and trade flows to non-compliant countries in the future, as such countries may be seen as the weak links.
- 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 regulatory drive in Nigeria, in line with the experience in other developed and developing markets



*Thank
you*

