



Financial System Strategy 2020 (FSS2020)



FSS2020: Sector Updates

**A PRESENTATION TO THE 2022 FIRST CAPITAL MARKET COMMITTEE (CMC)
MEETING**

BY:

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Outline

- Recent Developments and Implications on the Nigerian Capital Market
- Factors Responsible for the Developments
- Challenges/ Steps Taken
- Next Steps (Issues for Deliberation)





Recent Developments and Implications

- The FSS2020 mandate is to:
 - accelerate the development of the Nigerian Financial System through a collaborative stakeholders' approach;
 - implement initiatives that impact the development of the Nigerian Capital Market as follows:

1. **SECURITIZATION/ ASSET BACKED SECURITIES (ABS):**

- i. Potential Pilot/ Use Cases on Securitization Transactions in Nigeria:
 - ✓ The workshop provided clarity on the operationalization of Securitization using local projects as low hanging fruits.
 - ✓ Participants identified Potential/ Pilot Use Cases for Securitization in Nigeria from assets including:
 - Tax Receipts;
 - Customs Revenue/ Excise Duties;
 - Infrastructure;
 - Real Estate; and
 - Remittances.



Recent Developments and Implications

- ✓ Stakeholders proposed that the FSS2020 organize **Originators' Forum** for each Pilot/ Use Case with the relevant stakeholders that have detailed information on the local projects/ assets to be securitized as test cases.

- ii. Capacity Development Workshop on Securitization of Asset-Backed Securities for Stakeholders in Nigeria:
Discussions at the Workshop covered –
 - ✓ Legal and Institutional Framework of Securitization in Nigeria;
 - ✓ Mechanics of Securitization in An Emerging Economy;
 - ✓ Mortgage-Backed Securities and Development of the Nigerian Housing Finance Market; and
 - ✓ The Practice of Securitization: Prospects, Challenges and Potential Uses



Recent Developments and Implications...

2. ATTRACTING DIASPORA INFLOWS/ INVESTMENT IN THE NIGERIAN MORTGAGE MARKET:

- Following the FSS2020 Mortgage Sector Forum themed “Developing a Framework for Attracting Diaspora Inflows into the Nigerian Housing Market”, a 12-member Inter-Agency Committee was set up to propose strategic policy initiatives aimed at redirecting diaspora inflows to foster National development particularly the Mortgage Sector.
- The Committee shared roles and responsibilities to Implementing Institutions on their activities for implementation of diaspora inflows with key recommendations. Letters have been sent to Heads of institutions with their specific roles.



Recent Developments and Implications...

3. OPERATIONALIZATION OF THE PROPOSED NIGERIAN MORTGAGE GUARANTEE COMPANY (NMGC) PLC

- The objective of the workshop was to deliberate on issues related to the operationalization of the proposed NMGC Plc.
 - ✓ Various responsibilities and roles to relevant institutions towards the operationalization of the NMGC including the proposal of an effective business model for the operationalization of the NMGC Plc was discussed.
 - ✓ DLM was mandated to propose business model for the operationalization of the Nigerian Mortgage Guarantee Company (NMGC) Plc.
 - ✓ Other Financial Institutions (OFIS) CBN was mandated to come up with a new proposal on funding modalities to reflect present realities especially in the face of World Bank delay to redeem the promise to support with the seed money.



Recent Developments and Implications...

4. UNLOCKING THE POTENTIAL OF PENSION FUNDS INVESTMENT IN NIGERIA – FACTS AND MISCONCEPTIONS

- The Q1 Pension Sector 2022 Forum deliberated on the challenges of infrastructure finance and proposed strategies for the deployment of Pension Assets for infrastructure finance in Nigeria with the following resolutions:
 - ✓ Convene a roundtable discussion with PenCom, PFAs and product creators to develop a framework for suitable products for investment in infrastructure in Nigeria;
 - ✓ Issue guidelines on the utilization of the RSA to be released by the second quarter 2022.



Challenges/ Steps Taken

- Challenges towards implementing FSS2020 initiatives:
 - a) Stakeholders buy-in and commitment to agreed activities and timelines
 - b) Passage of outstanding Financial System Bills as follows:
 - Securitization/ Asset Backed Securities Bill
 - Warehouse Receipt Bill
 - Financial System Ombudsman Bill
 - Factoring and Finance Receivables Bill



Next Steps (Issues for Deliberation)

- The Issues for further update are:
 - a) Study to Enhance Diaspora Inflows:
 - Approval of the Nigerian Diaspora Policy by the Federal Executive Council to be driven by Nigerian Diaspora Commission (NiDCOM)
 - High level collaboration with Legal Services Department of CBN, Securities and Exchange Commission (SEC) and FSS2020 to pass the Securitization and Asset Backed Securities Bill into law
 - Collaboration with Federal Mortgage Bank of Nigeria (FMBN), Central Bank of Nigeria and Nigerian Diaspora Commission (NiDCOM) to establish National Housing Diaspora Fund (NHFD)
 - Creation of a Special Diaspora Deposit Account on CBN threshold of N5 for a Dollar Initiative.



Next Steps (Issues for Deliberation)

- b) Nigerian Mortgage Guarantee Company Plc:
- To provide conducive regulatory environment for investors
 - To redefine the modalities for take off fund to allow CBN, foreign investors, PMBs, commercial banks and operators to invest.
 - To expand the scope of advocacy for this initiative to win investors' confidence.
- c) Convening Roundtable discussion with PenCom, PFAs and Product Creators to develop a framework for suitable products for investment in infrastructure in Nigeria:
- To ensure that part of the pension funds are used for massive infrastructure development and on long term with pensioners having veritable stake in such projects.