



SUBMISSION TO THE 2021 CAPITAL MARKET COMMITTEE (WEBINAR) MEETING

Thursday, 11th November 2021



Unlocking Commodities Exchange Potential in Africa

Price Transparency • Price Discovery • Reduced Transaction Cost • Hedge Against Risk



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IMPORTANT DEVELOPMENTS WITH IMPLICATION ON CAPITAL MARKET ACTIVITIES FROM THE LAST CMC MEETING

GCMX was not part of the last CMC Meeting that took place, we got our license in February this year.

However, I do hope that you will find our submission useful.

DEVELOPMENT: The influx of foreign nationals into Nigeria for sourcing of export grade commodities is on the rise. Initially, Nigerians (mostly middlemen) were strictly the suppliers to the foreign companies. These so-called middlemen aggregate commodities from local communities, standardize and export these commodities. The Chinese and Indians including other nationals have become more desperate by coming into the country by themselves and taking over the aggregation from our local suppliers. They go to as far as the villages to source for commodities, their deep pockets is giving them edge over our local suppliers.

In everything that is happening there is exploitation of the farmers. Both local and foreign aggregators ride on the desperation of the producers by offering the farmers lesser/lower prices for their commodities. They do not have choice but accept their offer because majority of them are subsistence farmers.

Above all, if the export of commodities is not sanitized, Commodity Exchanges will never thrive. What they can become at best are commodity traders themselves.



FACTORS RESPONSIBLE FOR THE DEVELOPMENTS

- 1. It keeps happening because the Government has allowed it to thrive without putting in place proper mechanism or even policies in place that would ensure this menace does not continue. Even where there are existing policies relating to these issues, you will realize that their implementation is weak.**
- 2. Foreign suppliers come with a lot of financial resources which they use to buy their ways with authority, entice and in some cases even intimidate farmers.**



CHALLENGES / STEPS TAKEN

1. CHALLENGES

- Large volume of transactions in commodities that ordinarily would have taken place under an exchange platform, will continue to trade outside of it. The dream of having a solid system in place where commodities are traded on recognised exchanges will never be realized unless something is done about it.
- Farmers will continue to remain at their subsistence level and would not see farming as a business but only as a means of survival.
- Government will continue miss opportunities for revenue generation, because most of the trading activities go on in informal setting.

2. STEPS TAKEN

- The management of GCMX has approached the federal government (met with the Vice President) to proffer solutions to this problem. In our engagement with the VP, we spoke on behalf of all commodity exchanges, below are our proposals:
 - i) Government should mandate that Agri & Solid Minerals based commodity heading for exports must present a certificate of trading on a recognized exchange before the commodities are allowed to pass.
 - ii) This can be achieved through Executive Order, Legislation or Regulation or as an incentive. As an incentive, the payment of Export Expansion Grant, for example, can be tied to only commodities that were traded for export through Exchange platforms.
 - iii) This is the single most important reason why the Ethiopia Commodity Exchange - one of the successful exchanges in Africa succeeded. It is not a secret, if implemented all registered exchanges will be busy in no time and one benefit the producers will benefit from is efficient price discovery while quality would be guaranteed to the buyers.



ISSUES FOR CMC DELIBRATION

1. FOLLOW UP WITH THE FEDERAL GOVERNMENT

- The CMC, SEC & Its Technical Committee on Commodities Trading Ecosystem, and Committee of Commodity Exchanges (COMEX) to come together, deliberate and find better ways of following up on the proposal that is before the Vice President. It is worth pursuing because the VP has welcomed the idea and has asked that we go back to look at the best form to bring about the proposal and also keep engaging his office.
- Involve Legal experts to see which route to take: Legislation which is more solid (but takes longer time), one we should avoid as much as possible, or Regulation and Incentive (takes lesser time) which involves taking advantage of existing laws that empowers the regulators to make and enforce some market rules.



THANK YOU

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