



**SEC NIGERIA**  
SECURITIES AND EXCHANGE COMMISSION, NIGERIA

# 2021 CAPITAL MARKET COMMITTEE (WEBINAR) MEETING

Thursday, 11<sup>th</sup> November, 2021



## PRESENTATION BY E-DIVIDEND COMMITTEE





## MAJOR PROGRESS SINCE THE LAST CMC MEETING

E-Dividend Enrolment Statistics  
to be presented by NIBSS.





## STEPS TAKEN

- Further to the resolution reached at the last CMC Meeting of 12th August, 2021, a tripartite meeting between the ASHON, CSCS and ICMR was held via Zoom on Tuesday, 24th August, 2021 at 11.00am.
- The meeting deliberated on the protracted issue of handshake between the CSCS and Registrars on receiving investors' information.
- At the end of the meeting, it was resolved that each of the trio of ASHON, CSCS and ICMR should to itemize the challenges they face with the other two stakeholders and the Regulator.
- Further to submissions by the stakeholders, another tripartite meeting was held via Zoom on Wednesday, 27th October, 2021 at 11.00am.
- The meeting considered and deliberated on the submissions made by the ASHON, ICMR and CSCS and came up with a common position presented in the next slides.





# SUBMISSION BY ASHON

## PROBLEMS ENCOUNTERED BY ASHON AND POSSIBLE SOLUTIONS

### PROBLEMS

1. Registrars sometimes request for information not critical to KYC, and which the clients may not be able to provide, thereby refusing to honour e-Mandates submitted by the stockbrokers on behalf of such clients.
2. Some Registrars consolidate accounts but will not migrate the existing e-Mandate to the new account thereby stalling the payment of outstanding dividends.
3. Some Registrars, after all necessary documentations have been completed, only effect partpayment of dividends especially on an account with several years of outstanding dividends.
4. Paucity of information flow between Brokers and Registrars. Where a Broker requests for payment of dividends for their clients, most times he does not get to know that the dividends have actually been paid and what was paid
5. A number of clients are yet to recover from the loss of confidence in the market, and it has become increasingly difficult to get clients to return to the market for anything ranging from patronage to consolidation of their multiple accounts or even the pursuit of unclaimed dividends.
6. Inability of clients in Diaspora who are not readily available to sign necessary documents.





## SUBMISSION BY ASHON CONT'D

### SUGGESTED SOLUTIONS

1. Where a Stockbroking Firm can proof that it has done K.Y.C on a client, the CSCS account is updated and the client has his CSCS stock position, the Registrars should pay the investor accordingly.
2. The Registrars should migrate the existing Account Mandate(s) upon consolidation of accounts and continue payment of dividends accordingly instead of waiting for a fresh mandate on the consolidated account.
3. SEC should take particular exception on the issue of part payment of outstanding dividends by Registrars by putting a monitoring process in place to checkmate against such practice.
4. When Brokers make a case for payment of dividend for their clients, and such dividends are paid, there should be such communication from the Registrars to the Brokers for enhanced value.
5. When multiple accounts have been consolidated, all the outstanding dividends from those various accounts should be paid through the consolidated account.
6. We strongly recommend that all Registrars should accept scanned documents from our investors in Diaspora once they are properly completed and appropriately delivered.
7. SEC should continue to help in sensitizing investors to update their Accounts with CSCS through their Stockbrokers
8. There is need for SEC to closely step up surveillance on Registrars with respect to rejected edividend mandates.
9. CSCS to ensure that all updated accounts are transmitted to the Registrars including Transfer Forms completed by clients.
10. Existing shareholders who approach the Registrars to claim outstanding dividends but do not already have Account relationship with any Stockbroking Firm should be strongly advised to open such an account.
11. All the stakeholders should join hands in getting investors to consolidate their multiple accounts as this has proved such a daunting task to be left alone to the Stockbrokers.





## SUBMISSION BY CSCS

### PROPOSED REMEDIAL MEASURES FOR IMPROVED DIVIDEND MANAGEMENT OPERATIONS & INVESTOR UPDATES

1. Proposed Amendment to Dividend Payment Operations – in line with the commission's commitment to the eradication of unclaimed dividends, we would like to advise that Registrars adopt a universal standard of effecting dividend payments upon receiving complete investor data from the CSD. Additionally, we would also like to suggest that all historical outstanding payments for the various issuers should be effected upon the provision of the data.

2. Integration of the E-dividend update process with CSCS updates – We believe the market ecosystem will benefit from the integration of the e-dividend update process with the CSCS investor update process. This is because the current situation is bifurcating investor records across the market vertical. An integration method with the appropriate controls will improve the data available which will drive down the unclaimed dividend exponentially.





## SUBMISSION BY CSCS Cont'd

3. Investor Update Market Campaign – A consistent approach towards investor education across the market vertical will ensure the market space is populated with a consistent message towards resolving the issues around unclaimed dividends. Additionally, we would like to suggest a task force/team is assembled comprising of various market stakeholders should be established to develop a comprehensive awareness/communication plan with details of the target audience and funding structure and expected targets

4. New issuances must be completed with all investor records (financial records) – New issuances and offers (Rights Issues, Public Offers, Hybrid Offers) should be conducted with the requirement that investors provide complete information financial information before an issue can be classified as successful and close. The certificate of compliance will be provided to the registrar upon confirmation of the completeness of records.

5. Review of Administrative requirements for Investor Record Update – The existence of processes that are perceived as redundant to Investors and Operators is a major deterrent to the investors. Investor expectation is that processes are more digital inclined and simpler. The existence of such documentation as the Process transfer form which is an industry requirement creates more friction in the update process. In the event investors carry out updates, such investors will be less inclined to invest in the market. We hope the above is sufficient and would like to thank the Commission for the enhanced collaboration and support to FMs and market operators.





# SUBMISSION BY ICMR

## ICMR's CONCERNS WITH THE SEC

- Failure to update the portal since inception of the unclaimed dividend thereby retaining information of shareholders who have mandated their accounts and have been paid on the portal. Such shareholders still approach Registrars and they get infuriated when informed that they have already claimed their dividend.
- Lack of public awareness to drive the unclaimed dividend especially in the rural areas.
- Lack of drive to NIBSS to update the EDMMS portal which is cumbersome to use. SEC should follow-up with CBN to instruct NIBSS to upgrade EDMMS portal
- Failure to give clarity as to the responsible party when liability crystalizes. Registrars are expected to rely on KYC done by brokers and banks to process e-dividend but registrars are made to refund to shareholders for payment made relying on these KYCs. SEC should categorically inform brokers and banks that they should take responsibility since they conduct KYC on customers.
- The payment for processing of EDMMS are not done as agreed. SEC to enforce this.



# ICMR's CONCERNS WITH ASHON

- They do not provide complete shareholders information at the point of purchase of shares.
- They fail to seek out shareholders to obtain their updated information to be sent to Registrars through CSCS
- They refuse to take liability when payments are made based on their KYC. They always allege that registrars are the ones that should know the shareholders.
- They are usually not willing to indemnify Registrars against liabilities that may crystalize if registrars should treat requests presented by them believing that they have done their KYC.
- Non- compliance with processing of transfer form of their shareholders to CSCS
- Improper/ incomplete KYC from stockbrokers.





## ICMR's CONCERNS WITH CSCS

- Incomplete information of shareholders to enable Registrars mandate and pay unclaimed dividend. Each transaction file received come with about 30% of shareholders' bank details. The remaining 70% are without bank details.
- Incomplete phone numbers of shareholders (the information is sent without the leading zeros of the phone numbers)
- Incomplete bank account details bank account numbers sent without BVNs and BVNs sent without bank account numbers).
- Bank names are being included in the file instead of making use of bank codes to ensure data consistency.
- Failure to transmit all transactions to Registrars leading to some shareholders' records not being updated for dividend payment.
- Provision of data in wrong data field which lead to inability to update some records.
- Lack of proper check and balance of transferred information. Sometimes we receive unbalanced transactions.
- The registrars find it difficult to open some of shareholder's information sent on CSCS portal because the files encrypted without decrypting information sent to Registrars.
- They do not give feedback to request/lodgments until we start escalating
- Poor response time to requests from CSCS. This is a problem we have largely faced from CSCS and this impacts timelines.





## **CONSOLIDATED POSITION OF THE TRIPARTITE COMMITTEE OF ASHON, ICMR AND CSCS**

From the various submissions made by the stakeholders, it was observed that most of the issues raised have either been resolved or are in the process of being resolved.





# Thank you

