

Q2-2022 Capital Market Committee Meeting

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Clearing & Settlement and Depository Asset Statistics for H1'2022



Investor Data Update Statistics



Securities Services Data: Depository Admissions

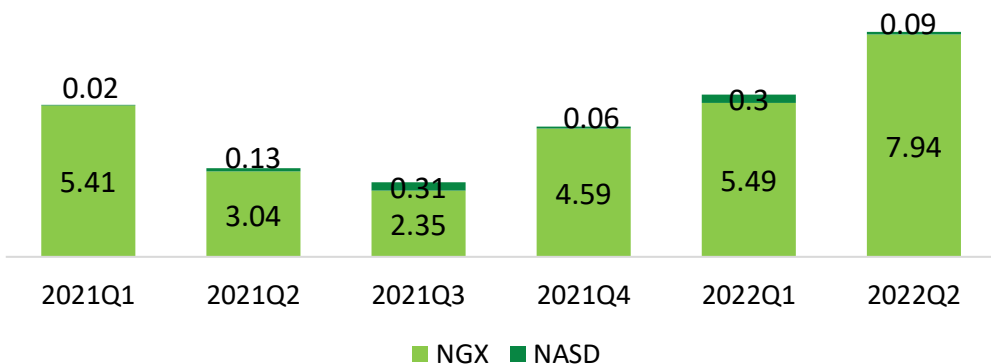


Capital Market Development Highlights



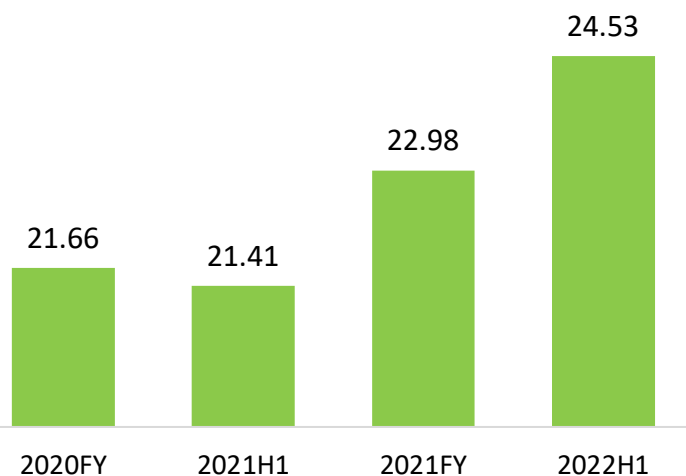
Clearing, Settlement and Depository Assets Statistics

Average Daily Clearing and Settlement Value (N'Bn)

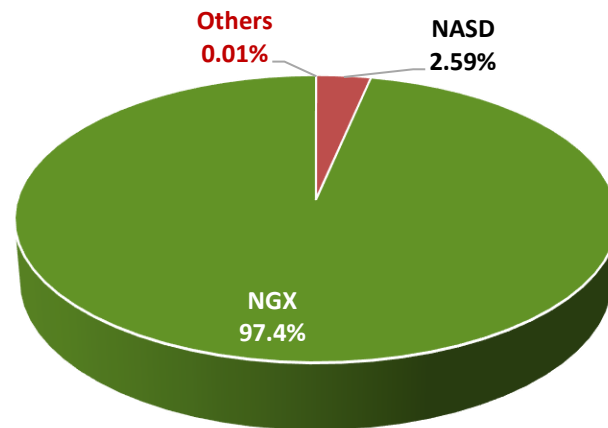


- The normalized average daily settlement value (ADSV) across all active trading venues serviced is estimated at N8.68bn in the second quarter of the year, while the year-to-date ADSV stood at N7.37bn. Notably, the ADSV numbers were buoyed by one-off block trades/nominal transfers in the period.
- The ADSV has waned since the beginning of the third quarter, with average daily clearing and settlement value hovering below N3billion QTD.

Value of Assets in Depository (N'Trn)



CSCS' Post-Trade Activity by Exchange



- Reflecting price appreciation on a few large-caps and new issuance of both equity and debt securities, the value of depository assets grew 6.7% to N24.53trillion.
- Trades on The Nigerian Exchange represented c.97% of total clearing and settlement activities, whilst other Exchanges (mainly the NASD-OTC) contributed 3% of our post-trade activities.
- In expectation of new offerings from other partner Exchanges, NASD-OTC, Lagos Commodities and Futures Exchange and the Nigerian Commodities Exchange, we are optimistic of increased diversification of post-trade activities in the Nigerian Capital Market in the years ahead.



Investor KYC Data Update Statistics

Monthly Statistics of Investor KYC Update

Total Number of Accounts to be Updated

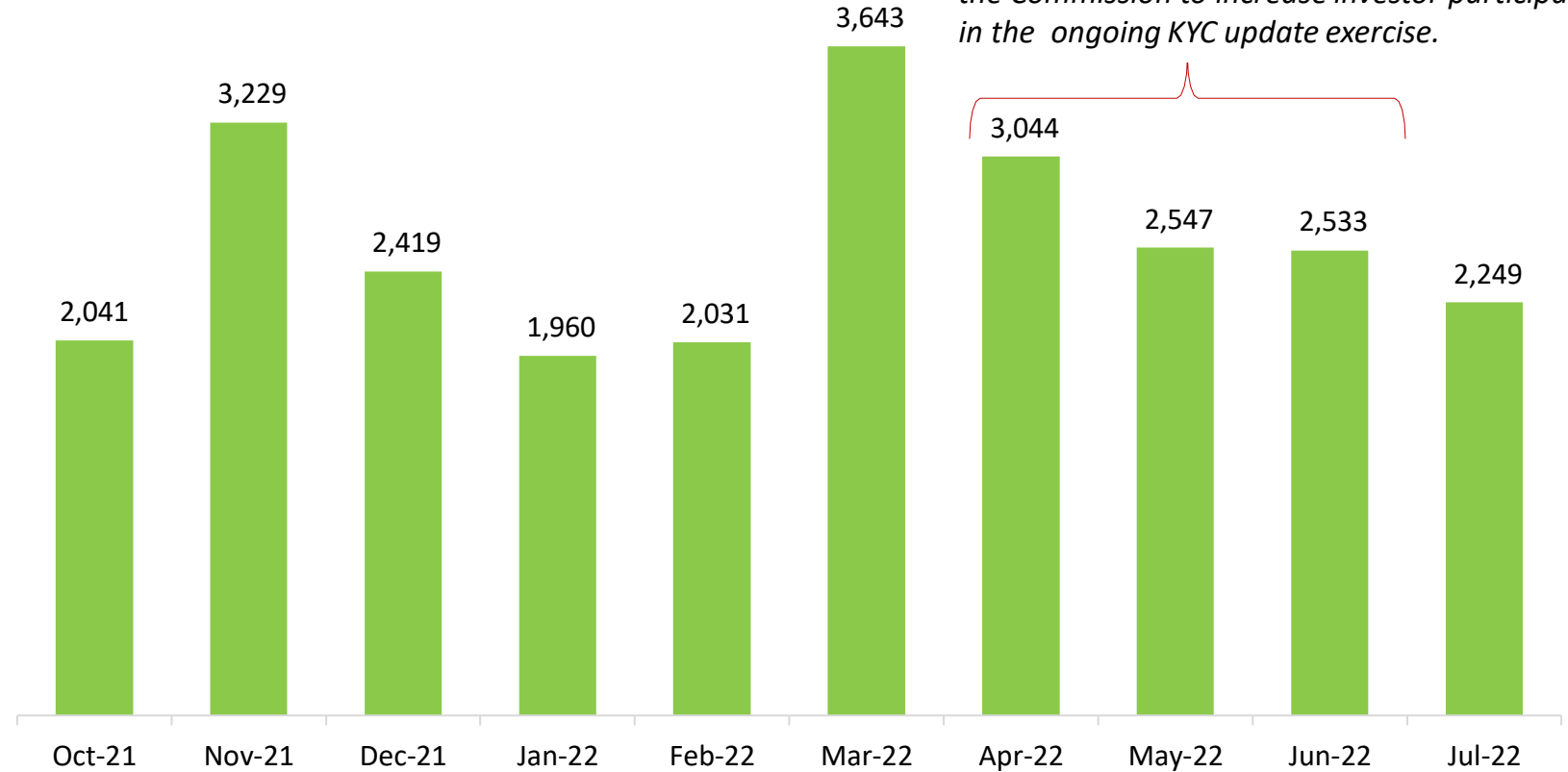
4,108,021

Number of Updated Accounts

132,307

Percentage Completion

3.22%



8,124 accounts were updated in Q2, an increase of 6.4% from the previous quarter. This calls for more market-wide sensitization campaign led by the Commission to increase investor participation in the ongoing KYC update exercise.



Investor KYC Updates ::: Issues and Recommendations

Barely 4% of targeted accounts with KYC deficiency have been updated, representing about 22.1% of designated “active accounts”

- **Issues:** The low rate of KYC update reflects the following:

- The awareness level is still relatively low despite commendable efforts by different stakeholders
- Investor apathy – Apparent lack of 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 experience challenges updating bank accounts and BVN. This issue is being given due attention as NIBSS and CSCS are actively engaging to ensure full resolution of these challenges.

- **Recommendations and next steps:**

- There may be a need to have additional gateways/hurdles requiring KYC data update beyond the trade execution window.
- 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 Registrars 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.



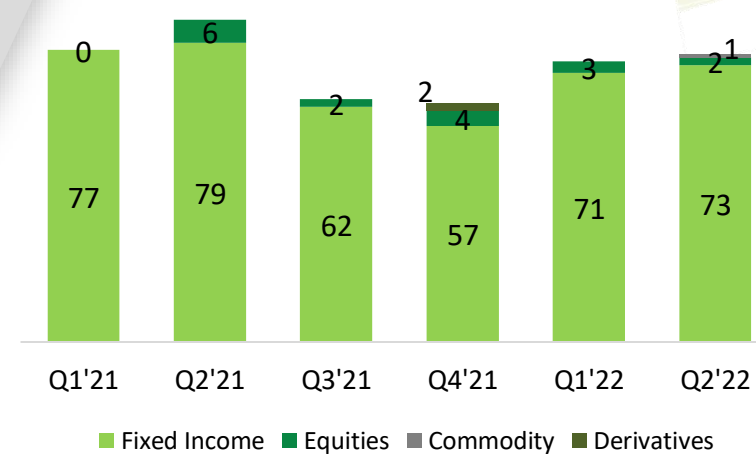
Securities Services Data: Depository Admissions

150 ISINs were issued in H1'22, relative to 162 ISINs issued in the same period in 2021.

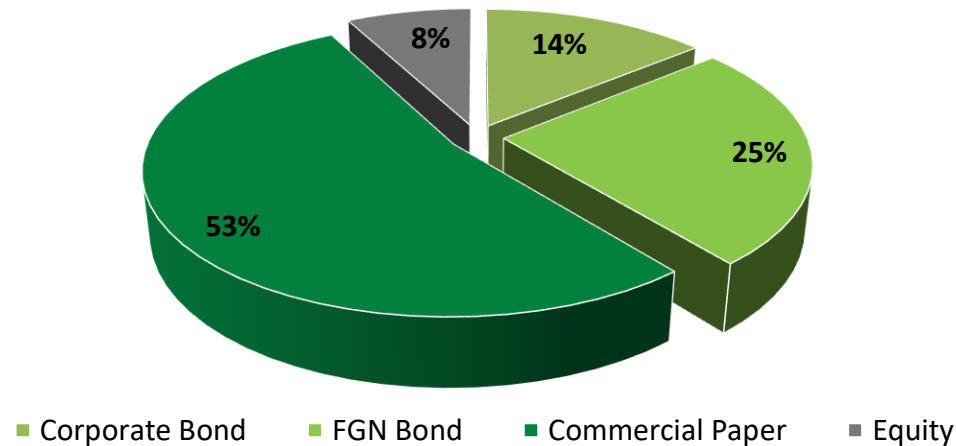
New securities admitted into the depository were dominated by Corporate issues, followed by sovereign and few equity issues

Fixed Income securities dominated new depository asset onboarding in H1'22, as new equities listing on the Exchanges lags.

ISIN ISSUANCE: Number of Securities



2022 H1 YTD: New Depository Assets



Shortening The Standard Equity Settlement Cycle

Globally, there are increasing efforts to shorten standard equity settlement cycles, with the U.S.A and Canada leading the way towards T+1 settlement plans.

Whilst most European markets operate a T+2 standard equity settlement cycle, most African markets still run a T+3 standard equity settlement cycle – just like Nigeria.

- Significant benefits are expected to accrue from such initiative, and it is envisaged to stimulate increased asset liquidity (similar to the experienced in the Nigerian market when transited from T+5 to T+3)
- CSCS would consult widely with market participants and make relevant submissions to the Securities and Exchange Commission through a white-paper which would reflect considerations of all stakeholder views.
- We hope to make relevant submission to the SEC ahead of the next CMC



*Thank
you*

