



Financial System Strategy 2020 (FSS2020)



**A PRESENTATION TO THE Q2 2022 CAPITAL MARKET
COMMITTEE (CMC) MEETING**

**BY:
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AUGUST 18, 2022**

Outline

- Recent Developments and Implications on the Nigerian Capital Market
- Factors Responsible for the Developments
- Challenges/Action 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;
 - Facilitate the implementation of initiatives that promote the development of the Nigerian Capital Market as follows:

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

- ✓ FSS2020 organized an Originators' Forum to validate and determine the feasibility and implementation approach for identified pilot/use cases on Securitization of Asset Backed Securities Transactions in Nigeria.
- ✓ Participants identified potential Pilot/Use Cases for Securitization of Asset Backed Securities including:
 - Revenue and Tax Receipts;
 - Customs Revenue/ Excise Duties;
 - Infrastructure (Roads and Bridges tolls);
 - Real Estate; and
 - Diaspora remittances.



Recent Developments and Implications

- ✓ The Forum engaged relevant stakeholders who provided detailed information on potential projects/assets to be securitized as Pilot/Use cases.

2. Q2 2022 FINANCIAL MARKETS SECTOR FORUM

The Financial Markets Sector Forum is a Quarterly collaborative meeting that brings together relevant stakeholders and implementing institutions from the Nigerian Financial Markets. The Theme of the Q2 2022 Forum was “The Influence of Consumer Credit Scoring System on MSME Development in Nigeria.” The following were the outcomes from the Forum:

- ✓ Strategic considerations to institutionalize the adoption of Consumer Credit Scoring System in Nigeria;
- ✓ Challenges of the adoption of a Credit Scoring System in Nigeria; and
- ✓ Recommendations to enhance the effectiveness of Credit Scoring System in Nigeria.



Recent Developments and Implications...

3. ATTRACTING DIASPORA INFLOWS/ INVESTMENT TO THE NIGERIAN MORTGAGE MARKET

- ✓ Consequent upon the roles assigned under the initiative to develop a diaspora investment framework in the Nigerian Mortgage Industry, NiDCOM has developed and issued a Nigerian Diaspora policy.

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

- ✓ Critical stakeholders deliberated on options for the provision of the regulatory Tier-2 capital required for the proposed Nigerian Mortgage Guaranty Company (NMGC). Four (4) possible options were proposed by stakeholders.



Recent Developments and Implications...

5. THE POTENTIAL OF UTILIZING PENSION FUNDS INVESTMENT IN INFRASTRUCTURE DEVELOPMENT

The FSS2020 constituted an Infrastructure Finance Committee to review the infrastructure financing gap and recommend strategic options for investment. The Committee has recommended broad-based stakeholder collaboration to achieve the following:

- i. Identify impediments against deployment of pension funds for infrastructure development;
- ii. Review policy guidelines where appropriate, in line with global best practices;
- iii. Identify investment options for infrastructure investment;
- iv. Advocacy and sensitization; and
- v. Discuss other issues related to its objectives.



Challenges/ Steps Taken

- Challenges towards implementing FSS2020 initiatives that impact the Capital Market include:
 - a) Stakeholders' buy-in and commitment to agreed activities and timelines for the implementation of initiatives.
 - b) Delay in the passage of outstanding Financial System Bills including:
 - Securitization of Asset Backed Securities Bill
 - The Nigeria Independent Warehouse Regulatory Agency Bill
 - The Nigeria Financial Ombudsman Bill
 - Factoring Assignments Receivables Bill
 - The Nigeria International Financial Centre Bill



Next Steps (Issues for Deliberation)

- The Issues for further update are:
 - Continued high level collaboration with the Legal Services Department of CBN, Securities and Exchange Commission (SEC) and FSS2020 to pass the Securitization and Asset Backed Securities Bill into law
 - Implementation of Pilot/Use cases for Securitization of National and Sub-national assets
 - Create a database and platform for the diaspora and track diaspora inflows
 - Explore viable options for the proposed Tier-2 capital requirement for NMGC take off
 - Develop a framework for the deployment of pension assets for infrastructure development in Nigeria



THANK YOU