

Securities and Exchange Commission

Capital Market Committee (CMC)



MINUTES OF THE 2024 2ND CMC MEETING

August 14, 2024

Contents

| | |
|--|---|
| 1. Opening | 3 |
| 2. Opening Remarks | 3 |
| 3. Adoption of Agenda and Minutes | 3 |
| 4. Regulatory Updates and Developments..... | 4 |
| The Nigerian Capital Market – Charting the Course towards Excellence..... | 4 |
| 5. Outstanding Issues & Actionable Plans | 4 |
| 5.1. Updates from Technical Committees..... | 4 |
| 5.1.1. Commodities Ecosystem Implementation Committee – Mr Akinyinka Akintunde..... | 4 |
| 5.1.2. E-Dividend Committee – Mrs. Hafsat O. Rufai (SEC) & Mr Gbekeloluwa Nubi (NIBBS)..... | 4 |
| 5.1.3. Financial Literacy Committee – Mr. Akeem Oyewale (represented by Mrs. Hafsat Rufai)..... | 4 |
| 5.1.4. Non-Interest Capital Market Implementation Committee – Mrs. Hajara Adeola (represented by Mr. Abass Abdulkadir) | 5 |
| 5.2. Market Infrastructures | 5 |
| 5.2.1. Nigerian Exchange Group (NGX) – Mr. Temi Popoola..... | 5 |
| 5.2.2. NASD Plc - Mr Eguarekhide Longe..... | 5 |
| 5.2.3. FMDQ Group – Mr. Bola Onadele Koko..... | 6 |
| 5.2.4. Central Securities Clearing System – Mr Haruna Jalo-Waziri (Represented by Mrs. Onome Komolafe)..... | 6 |
| 5.2.5. AFEX Commodities Exchange Limited– Mr. Akintunde Akinyinka | 6 |
| 5.2.6. Lagos Commodities and Futures Exchange Limited - Mr Akin Akeredolu-Ale | 6 |
| 5.2.7. NG Clearing – Mr. Farooq Oreagba..... | 7 |
| 5.3. Observer Agencies..... | 7 |
| 5.3.1. Investments and Securities Tribunal – Mr. Amos Azi..... | 7 |
| 5.3.2. PenCom – Dr. Umar Farooq Aminu..... | 7 |
| 6. AOB..... | 8 |
| 6.1. Reigniting the Trade Groups – Executive Commissioner Operations (ECOPs), Mr. Bola Ajomale | 8 |
| 6.2. CMC Meeting Restructuring – DG, SEC..... | 8 |
| 6.3. Other Comments..... | 8 |
| 7. Closing | 9 |

1. Opening

The meeting commenced at **9:50 a.m.**, called to order by Mr. Tunde Kamali, Director, Office of the Director General. He welcomed participants and formally introduced the newly inaugurated Board and Management of the Commission. This was followed by the recitation of the National Anthem.

The **Chairman of the SEC Board, Dr. Mairiga Katuka**, expressed appreciation for the opportunity to lead the Board and pledged the Board's commitment to advancing the interests of the capital market. He noted that while the Board is not statutorily required to attend the CMC, its presence at the meeting underscored its goodwill and readiness to engage stakeholders. He further assured participants of the Board's openness to suggestions aligned with the objectives of the revised Capital Market Master Plan, aimed at repositioning and developing the Nigerian capital market.

2. Opening Remarks

The Chairman of the CMC and Director General of the SEC, Dr. Emomotimi Agama, expressed gratitude for his appointment as DG and noted that although he had participated in previous CMC meetings, this was his first in the capacity of Director General. He reaffirmed the Board's commitment to fostering growth, innovation, investor protection, market integrity, and global competitiveness.

Dr Agama acknowledged the esteemed presence of the Board as a testament to their unwavering commitment to the advancement and prosperity of the Nigerian capital market. The Chairman also acknowledged the tireless efforts of CMC sub-committees since 2002 in tirelessly working to enhance market efficiency, create rules and standards and develop new products, strengthening the regulatory framework, prioritizing investor protection as well as developing a master plan among others.

Recognizing the dynamic nature of the capital market, the Chairman announced plans to restructure the CMC to optimize its role in driving market growth and development and unlocking its full potential to better serve the needs of our industry. Dr. Agama invited contributions from participants on how to enhance the Committee's effectiveness and productivity.

He reviewed progress made in the Nigerian capital market and emphasized the need to sustain and exceed these achievements. Key updates were provided to the meeting, covering developments in the primary market, fund management industry, Ponzi scheme mitigation, CMO registration, unclaimed dividends, complaints management, market risk, Financial Action Task Force (FATF) engagements, Nigerian Sanctions Alert System, rule-making and market guidance, streamlining of SEC rules, and cybersecurity enhancements. He reiterated the Commission's unwavering commitment to investor protection, enforcement of market regulations, and investigation of infractions.

3. Adoption of Agenda and Minutes

The motion for the adoption of the meeting's agenda was moved by Chief Onyenwechukwu Ezeagu and seconded by Mr. Oluropo Dada. Similarly, the motion for the adoption of the minutes of the previous meeting was moved by Mr. Ola Belgore and seconded by Mrs. Kemi Awodein.

4. Regulatory Updates and Developments

The Nigerian Capital Market – Charting the Course towards Excellence

The **CMC Chairman** delivered a presentation titled “*The Nigerian Capital Market – Charting the Course Towards Excellence*”. He outlined the renewed commitment of the Commission’s leadership to the implementation of the revised Capital Market Master Plan. His presentation addressed the key thematic pillars of the Plan, current challenges confronting the market, proposed solutions, and strategic initiatives for driving sustained growth and operational excellence.

5. Outstanding Issues & Actionable Plans

5.1. Updates from Technical Committees

5.1.1. Commodities Ecosystem Implementation Committee – Mr Akinyinka Akintunde

The committee highlighted expectations, problems and challenges. Mr. Akinyinka Akintunde stated that the SEC’s intervention was needed to advance engagement with the Minister of Agriculture and Food Security, Minister of Marine and Blue Economy and Minister of Solid Minerals. He also highlighted the need to advance planning towards the second International Conference on the Nigerian Commodities Market.

5.1.2. E-Dividend Committee – Mrs. Hafsat O. Rufai (SEC) & Mr Gbekeloluwa Nubi (NIBBS)

The Committee reported the compliance of 12 out of 19 registrars on integration with NIBSS EDMMS API and that quarterly reports on CHN mapping were not been filed by registrars as expected. The need to liaise with ASHON to promote direct cash settlement and for SEC to update the non-mandated account portal was highlighted. The need for CSCS to perfect the flow of data on secondary market transactions to registrars with 3 months was highlighted while NIBSS committed to providing regulatory view of the revamped EDMMS portal with its next upgrade.

5.1.3. Financial Literacy Committee – Mr. Akeem Oyewale (represented by Mrs. Hafsat Rufai)

The Committee reported that it organised a regional investor awareness conference for the North-Central geopolitical zone at Nile University, Abuja, FCT; hosted a twitter space in collaboration with FMDQ, ICMR and other financial literacy experts to educate the general public amongst other initiatives carried out during the period. It planned to host regional investor awareness conferences in the South-West (Lagos State University) and South-East

(University of Nigeria, Nsukka, Enugu State) respectively, in commemoration of IOSCO World Investor Week; collaborate with KU8 Consortium to develop a curriculum for its universities and provide opportunities for students' internship with CMOs.

The Committee solicited the assistance of the SEC Management to hold a high level discussion with Nigerian Educational Research and Development (NERDC) in order to make progress on the introduction of a pilot test to the CMS project deliverables by the NERDC.

5.1.4. Non-Interest Capital Market Implementation Committee – Mrs. Hajara Adeola (represented by Mr. Abass Abdulkadir)

The Committee outlined its expectations such as: release of Sukuk Issuance Calendar, issuance of new sovereign Sukuk, awareness campaign to Corporate Issuers, enlightenment campaign on Pension Fund VI and stakeholder engagement, stakeholder engagement on the inclusion of NICM in all Sovereign funding initiatives (infrastructure fund, diaspora bond etc.) including USD issuances capacity building for CMOs. The Committee also reported that it had engaged PenCom and would submit a proposal to the SEC on membership of the Islamic Financial Board (IFSB). It sought the SEC's support to meet the expectations especially in the issuance of short term sukuk.

5.2. Market Infrastructures

5.2.1. Nigerian Exchange Group (NGX) – Mr. Temi Popoola

Market expectations shared with the meeting covered digital transformation, multicurrency regime (primary and secondary markets), capital raising by private entities, framework for listing companies in free trade zones, approval of post-demutualization rulebook, digitization of market operations and feedback on regulatory survey from stakeholders.

Challenges which needed solutions were high cost of automation/digitization of the market, absence of framework for the deployment of additional asset classes, ease of entry and exit, lack of adequate funds to drive financial literacy initiatives, cyber security and capacity of market stakeholders around sustainability issues.

5.2.2. NASD Plc - Mr Eguarekhide Longe

NASD Plc shared its expectation as requiring the continued support of SEC to mandate the registration of unlisted public companies shares on a SEC-licensed Exchange, such as NASD Plc. NASD's future outlook centered on the inaugural transaction to launch its Digital Securities Platform (N-DSP) while the associated challenge was the adequate preparation of the market in the midst of adverse economic circumstances and a crowded market due to the bank recapitalization. NASD however announced that they had worked through the challenge and would debut the offers on the N-DSP in September 2024.

5.2.3. FMDQ Group – Mr. Bola Onadele Koko

FMDQ's expectations were the adoption of the model mortgage foreclosure law, awareness/understanding of sustainable finance principles in the Nigerian financial markets and bilateral repo with collateral management.

Items that required the support of SEC were the approval of applications for FMDQ Un-sponsored Depository Receipts Framework and Governance Rules, No-Objection for the establishment of a Corporate Venture Capital Subsidiary and foreign participation in the ETD market.

5.2.4. Central Securities Clearing System – Mr Haruna Jalo-Waziri (Represented by Mrs. Onome Komolafe)

CSCS stated that there was no data gap between the depository and Registrars as all required data was already being provided. It was however possible that a knowledge gap existed which hindered Registrars from accessing specific data fields from the data provided by the depository. This could be addressed through knowledge sharing. CSCS requested Registrars to share updates to enhance centralization of investor KYC updates.

Market Development Initiatives shared were the launch of DMO Fixed Income Portal, creation of new APIs to support public offer portals for trade points and deployment of chatbots on various interfaces to enhance user experience.

5.2.5. AFEX Commodities Exchange Limited– Mr. Akintunde Akinyinka

AFEX highlighted activities for the first half of 2024 - the Commodity Derivatives Workshop with SEC, to close out on technology integration with CMOs and introduction of ESG-focused commodity-linked instruments.

AFEX explained that since the commodities market was in the developmental stage, the Commodities Exchange needed SEC's intervention with its ongoing conversations with the Standard Organization of Nigeria (SON) on standards for non-agricultural commodities. AFEX also required SEC approval for pending applications for its rules and products.

5.2.6. Lagos Commodities and Futures Exchange Limited - Mr Akin Akeredolu-Ale

LCFE reported that market participants have shown improved interest in the commodities market. Updates included engagement with NNPC and Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) for no objection to trade crude and refined products, engagement with logistics and tank farm organisations for integration, on-boarding of a Gold aggregator for 1kg LBMA Gold Bars (99.9%) as well as an additional vault, on-boarding of a new rice mill in Adamawa state to trade paddy and head rice, on-boarding of aggregating companies, certification agents and storage/logistics companies for Lithium.

Areas where SEC's assistance was required were collaboration with SON for alignment of unified standards as there were currently no structured standards for non-agricultural commodities, collaboration with NAICOM as there was no product cover for commodities assets, collaboration with PenCom to permit PFAs to invest in commodities, approval of application for commodity backed commodity notes, increased on-boarding of collateral managers (only two are currently registered), advocacy with government institutions like Ministry of Agriculture, MMSD and NNPC, engagement with CBN for storage of precious metals as investment instruments, regulation of crowd funding and online investment platforms, and dealing with the proliferation of Ponzi schemes.

5.2.7. NG Clearing – Mr. Farooq Oreagba

Market highlights included the collaboration with AFEX Commodities Exchange to introduce commodities futures to the Nigerian market. This would be launched in Q3 2024. The testing of the NGX Single Future had been completed and would go live before the end of 2024.

Challenges identified included delays in the accreditation of Trading License Holders (TLHs) by NGX, lack of institutional participation due to lack of regulatory clarity, poor product knowledge amongst investing public and brokers, lack of liquidity in underlying assets, limited derivative products in issue. Expectations from these were improved product awareness amongst the investing public, product training for the TLHs, improved onboarding and accreditation process for the TLHs by NGX, approval of amendments to ISA currently with NASS and amendment of CIS rules regarding derivatives.

NG Clearing expressed willingness to work with SEC on Capital Market development and derivatives. Consequently, the CEO of NG Clearing would become a facilitator at the NCMI. He has also expressed willingness to take part in any awareness campaigns by the SEC.

5.3. Observer Agencies

5.3.1. Investments and Securities Tribunal – Mr. Amos Azi

The Chairman IST reiterated the objective of the Tribunal which was to provide succour to complainants within a 90-day window. The Tribunal had enjoyed the support of the Capital Market community and looked forward to a continuation. As the premier investment tribunal in Africa, the IST had served as the blueprint for the establishment of investment tribunals in Zambia and Tanzania.

5.3.2. PenCom – Dr. Umar Farooq Aminu

The Executive Commissioner reiterated the willingness of PenCom to collaborate with SEC. Pension funds were invested in Capital Market instruments in line with PenCom guidelines.

6. AOB

6.1. Reigniting the Trade Groups – Executive Commissioner Operations (ECOPs), Mr. Bola Ajomale

ECOPs stated that going forward information dissemination to CMOs would be through the various tradegroups/associations. This is in a bid to introduce transparency in dissemination of information to CMOs such that all parties receive information at the same time. He enjoined CMOs to register with the various associations while membership list and market information/activities should be updated on the various associations' websites. In addition, the association websites would be linked to the SEC's website.

The DG added that the SEC rules on trade groups/associations were being updated to include these and encouraged trade groups to optimise their structures.

6.2. CMC Meeting Restructuring – DG, SEC

The DG requested members to send input on restructuring the CMC Meeting to sec@sec.gov.ng and cmcsecretariat@sec.gov.ng. He urged members to share ideas on how to make the meeting productive.

6.3. Other Comments

- **Mr. Adewunmi Akinwale** requested that the presentations and minutes of the CMC meeting be shared promptly as they were working documents for CMOs to refine and improve on their initiatives.
- **Mrs. Catherine Nwosu** sought to know what the SEC was as regards the withdrawn access of registrars to the BVN portal. She also highlighted the importance of sending quality data to registrars, cited instances of bank account numbers returned as invalid and rejection of payment to dormant accounts.
- **Mr. Sam Onukwue** added that the lack of access to the BVN portal made it difficult for brokers to validate accounts.
- **Mr. Christain Ogun** (IST) urged the SEC to consider special accounts for investors who want to re-invest the proceeds of sale of securities rather than have their bank accounts credited on settlement day.
- **Mr. Seyi Owoturo** while citing the case on disagreement in shareholding of FBN Holdings, asked what the SEC was doing about capital market disputes being adjudicated at the courts rather than the IST.

Responses

- The DG responded that SEC was in discussions with NIBSS and that a meeting with brokers would be called to share information on actions taken.

- On the issue of special account, Mrs. Hafsat Rufai responded that SEC Rules & Regulations required all investors' account to be DCS-enabled, except where the investor opted out. She also raised concerns over brokers keeping investors' funds as they were not banks.
- Chairman IST responded that litigants were at liberty to decide on where their cases should be tried and that Tribunal decisions could not be tried at the High Court. He also informed the meeting that the IST had relocated to 14, Broad Street, Lagos.

7. Closing

In conclusion, the DG SEC thanked everyone for their attendance and contributions. He solicited the support of all to continue to move the Market forward.