



FINAL REPORT OF THE e-DIVIDEND MANDATE COMMITTEE
PRESENTED BY
COMMITTEE CHAIRPERSON, MRS. HAFSAT OLUBUKANLA RUFAI FCA, ACS

MAY 19, 2025

REPORT OF THE e-DIVIDEND MANDATE COMMITTEE

Background

The Securities and Exchange Commission (SEC) in collaboration with the Central Bank of Nigeria (CBN) constituted an industry wide e-Dividend Committee in February 2014 to work on the roadmap and modalities for the massive adoption of e-Dividend policy in Nigeria. Members of the Committee were drawn from SEC, CBN, Institute of Capital Market Registrars (ICMR), Central Securities Clearing System (CSCS), Nigeria Inter-Bank Settlement System (NIBSS), Association of Stock-Broking Houses of Nigeria (ASHON) and Committee of Heads of Bank Operations.

As a follow up to the deliberations of the committee's meeting, the Committee at its meeting of Thursday, February 19, 2015 approved the recommendation of the technical sub-committee for the automation of the e-Dividend Mandate Management System and introduction of more channels for originating and processing of mandates.

Based on that, NIBSS was mandated to work with CSCS to develop automated e-dividend mandate verification portal that would enable the verification of Account Name, Account Number, Signature, BVN and CSCS allotted Clearing House Number (CHN) of investors. Banks, Stockbrokers and Registrars were integrated to the NIBSS document management system to upload and validate information provided by investors mandating dividend payment to their bank accounts.

Terms of reference of the e-Dividend Mandate Committee:

1. To identify the current challenges militating against the implementation of the e-dividend initiative and proffer possible mitigating actions.
2. To identify and articulate the benefits of e-dividend to all stakeholders [Investors, Operators and Regulators].
3. Determine if necessary, a cutoff date for the implementation of the process.
4. To determine the nature and depth of the enlightenment campaign that will be embarked upon by the Regulator to sensitize the investing public.
5. To determine the role of Stockbrokers, the CSCS, Banks and Regulators in secondary market transactions.
6. To determine the role of all receiving agents and Issuing Houses on all primary market transactions in implementing the e-dividend process.
7. Identify how the role of NIBSS can be enhanced in the e-dividend payment process.

8. Discuss and highlight other incidental issues relative to the successful implementation of e-dividend.

Identified Challenges of e-Dividend Payment Pre-Portal Creation

The following were identified as the challenges faced in the e-dividend payment process:

- Cumbersome process for enrolment of shareholders on e-dividend payment by each Registrar
- Banks charging for verification of e-dividend mandate form
- Registrars rejecting bankers' confirmation
- Unwillingness of some banks to verify e-dividend mandate forms for savings account customers
- Low level of public awareness on e-dividend payment
- Multiplicity of CSCS Accounts in different names from the bank account name

ACHIEVEMENTS OF THE E-DIVIDEND MANDATE COMMITTEE

Creation of the e-Dividend Mandate Management System (e-DMMS) Portal

The portal was developed by NIBSS in conjunction with the Commission, CSCS, ICMR and Banks. The creation of the portal has assisted to:

- Facilitate faster processing of investor mandates for dividend payment to their bank account in a nominated bank
- Remove the challenges faced by investors in setting up a one-time authorization/mandate for the payment of their dividend electronically rather than through dividend warrants
- Provide a centralized and trusted database of all mandated dividend payments into investors account
- Onboard more stakeholders into the mandate management process through the enablement of Banks and Stockbrokers to upload completed mandates or on-line completion of mandates into an industry-wide data warehouse infrastructure accessible by all accredited users and authorizers as well as regulatory institutions
- Enable on-line-real-time verification of mandates already set up for investors by Registrars in the payment of dividends

- Integrate the BVN database (warehoused in NIBSS) and CHN (warehoused in CSCS) to the mainstream electronic data verification portal for practitioners in the Nigeria Capital Market
- About 2.5million shareholders have mandated their accounts through the e-DMMS portal and got their unclaimed dividends paid electronically

Revamped e-DMMS Portal

Following a proposal from the Institute of Capital Market Registrars (ICMR), the e-dividend Mandate Management System (e-DMMS) was revamped. The revamped portal has addressed the following concerns:

- i. The need to centralize submission of e-Dividend Mandate Forms to Registrars;
- ii. Unavailability of APIs for e-DMMS platform;
- iii. Failure of notification to mandate holders;
- iv. Poor reporting features for Registrars;
- v. Lack of BVN and Account Validation.

The revamped e-DMMS portal went live in December 2023. It features a self-service interphase that enables investors easily apply to mandate their accounts on their devices and select all stocks to be mandated for e-dividend at a go. Investors who would rather fill physical e-dividend forms and submit to Registrars or Banks could do so during the transition period. The new system built by NIBSS also avails Registrars and Banks, APIs that enable efficiency.

Update of non-mandated accounts on SEC website

The Committee also noted the need to update non-mandated accounts database and e-Dividend mandate forms being hosted on the SEC's website. The portal is updated periodically. The Committee requested the Commission to deploy API to improve efficiency in gathering the data. The API has been recently been deployed and it will ensure that investors have access to updated and reliable data on their accounts that are yet to be mandated for unclaimed dividend.

CHN Mapping

This is another initiative aimed at increasing the number of mandated accounts and reducing the quantum of unclaimed dividend. It entails extending e-dividend mandate to shareholders having the same name, address and CHN in a Registrar's records. Based on initial reports submitted by Registrars on CHN Mapping, between November 29, 2023 and February 29, 2024, e-dividend mandates were extended to 165,868 accounts. Outstanding dividends of N644.63million and \$717.67 were paid as a result of this

exercise within the first 3 months of commencement. Registrars were directed to render quarterly reports on CHN Mapping to SEC from Q1 2024. Registrars were also directed to ensure payment of all outstanding dividends to mandated accounts and ensure that such accounts have zero balance.

Proposed Rule on Failed Payments of Dividend

The issue of failed transactions during e-dividend payments was also addressed by the Committee. It was noted that while some of the issues could be handled by Registrars, others had to do with the operational issues of NIBSS, other payment platforms and Banks. Following deliberations by a sub-committee consisting of the ICMR, NIBSS and Committee of Heads of Banking Operations (CHBO) on the bigger operational issues, it was resolved that there should be a SEC Rule stating that within 48 hours from the payment date, shareholders should be notified of successful dividend payment or the registrars should make the payment again if failure is due to system glitch or notify the shareholders if failed payments require action of the shareholders.

Accordingly, a rule on failed payment of dividend by the Registrars has been proposed as an amendment to an existing rule on Opening of Account for Payment of Dividend in order to ensure successful and timely payment of dividend/ interest/coupon to investors where payments fail on first attempt, reduce build-up of unclaimed dividend and further improve investor experience in the Nigerian Capital Market. The proposed rule has been sent to the Rules Committee of the SEC and is undergoing the rule-making process.

Payment of outstanding dividends on accounts mandated for e-dividend

Following observation from various reports submitted by Registrars and complaints from investors that some accounts that have been mandated for e-dividend still have balances of unclaimed dividend, contrary to previous directives issued to Registrars and the effort of the Commission to reduce unclaimed dividend, improve investor experience and boost confidence in the Nigerian Capital Market, Registrars were directed to ensure prompt payment of all outstanding dividends to the mandated accounts and ensure that such accounts have zero balances or be sanctioned by SEC.

Flow of KYC on Secondary market transactions

The Commission issued a circular in March 2020 that no transactions should be effected on any investor account without updated and validated Know-Your-Customer (KYC) information, and the KYC should flow from brokers to CSCS which should send the full information to Registrars. The bottleneck around the flow of KYC was narrowed to variation in how bank names were captured by CSCS and Registrars. The Committee

resolved that Bank codes be used in place of Bank names. Registrars have confirmed that the use of Bank codes in place of Bank details has significantly reduced the bottleneck around the flow of KYC. To address the issue holistically, CSCS has launched its new version of data transmission platform in April 2024. CSCS has also committed to continuous collaboration with the Registrars to make their handshake more seamless. Prior to the foregoing development, quality (volume & accuracy) of KYC received by Registrars from CSCS was rated 70%. As at July 2023, the quality of KYC received by Registrars from CSCS was rated 92% and there was ongoing discussion by ICMR, ASHON and CSCS to further improve on it.

Direct Cash Settlement

Following the approval of the CMC, the e-dividend Mandate Management and Direct Cash Settlement (DCS) Committees were merged. During the last meeting of the Committee, it was reported that from data received by SEC, only 933,000 accounts representing 28% of the total investors' accounts were on DCS. Broker/dealers were required to take the DCS initiative more seriously and render the quarterly returns on DCS promptly. This is aimed at ensuring closer monitoring of the initiative and gaining more traction in its implementation.

Multiple Accounts Consolidation Exercise

During its meeting of November 2016, the CMC observed that one major source of unclaimed dividends remained the use of non-existent identity to make multiple subscriptions to public offers. While the entire capital market community recognized this act as devious, a segment advocated for leniency to pardon this wrongful act. Contrary to this, another segment advocated that the unlawfulness of the act should be upheld.

In order to formulate a uniform position, it was adopted by the CMC that a Committee of experienced market operators drawn from the NSE, CSCS, ASHON, ICMR and CMSA should be constituted.

Following nominations made by the foregoing stakeholders, the SEC constituted the Committee with following terms of reference:

- i) To review the legal implications associated with the use of non-existent identity in subscribing to public offers;
- ii) To identify the possibility of granting forbearance or leniency of any sort to the affected investors;
- iii) And make recommendations in that regard.

The Committee recommended for granting forbearance to concerned investors to consolidate their accounts. Following the approval of the Committee's recommendations, a forbearance window was opened which saw to the consolidation of about 47,583 multiple accounts, involving 6.116 billion units of shares.

NATIONAL INVESTOR PROTECTION FUND (NIPF) RULE

The Committee in 2022 assisted the Commission to draft the NIPF Rule to enable the Commission fast track the process of payment to investors whose unclaimed monies had been paid to the NIPF. The Rule was subsequently reviewed and approved by SEC.

OUTSTANDING ISSUES – CURRENT CHALLENGES

1. Enlightenment campaigns: There is need for the SEC and market stakeholders to drive an extensive and reinvigorated enlightenment campaign on e-Dividend that will cover the six geopolitical zones of the country to ensure that the total cooperation of shareholders is given into the process.
2. Identity management issues remain a serious challenge. It is noted that the issues are being handled by the Committee on Identity Management for the Capital Market, set up by the SEC.

ACTIONABLE PLANS

1. CSCS should perfect the flow of data on secondary market transactions to Registrars
2. SEC should carry out thematic inspections
 - On CHN Mapping, Registrars are to ensure rendition of quarterly reports to the SEC
 - Registrars must pay outstanding dividends to mandated accounts and ensure zero balance on the accounts or be sanctioned by SEC
3. The proposed rule on failed payment of dividend should be followed up to its logical conclusion - ensure its approval.
4. The DCS initiative should be closely monitored through timely rendition and analysis of returns.

COMMITTEE MEMBERSHIP

S/N	NAME	ORGANIZATION
1	HAFSAT O. RUFAI (CHAIRPERSON)	SEC
2	ABDULRAZAK MOHAMMED	SEC
3	SANI MAIKAJI SHEHU (SECRETARIAT)	SEC
4	SEYI OWOTURO	ICMR
5	JONATHAN EBORAH	ICMR
6	CATHERINE NWOSU	ICMR
7	KENNETH OHAERI	NGX
8	GBEKE NUBI	NIBSS
9	SYLVIA NWEKWUE	CHBO
10	ALEX ALOZIE	CHBO
11	LAWRENCE ANOSIKE	ASHON
12	ANDY TSAKU	ASHON
13	ABDULLAHI HAMISU	CBN
14	TOBE NNADOZIE	CSCS
15	ONOME KOMOLAFE	CSCS