



**THE Nigerian  
STOCK EXCHANGE**

*You are invited to*

***Investor Engagement Series II***

*with*

***Oscar N. Onyema, OON***  
*CEO, The Nigerian Stock Exchange*



*May 27, 2020*



*3:00 P.M. (WAT)*

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# Agenda

Time	Item	Duration
3:00pm	Opening Remarks <i>-Mr. Oscar N. Onyema OON, CEO, NSE</i>	2mins
3:02pm	Remarks on the State of the Nigerian Capital Market <i>-Ms. Mary Uduk, Ag. DG, Securities and Exchange Commission SEC</i>	5mins
3:07pm	Presentation on NSE Market Trends in the Context of Covid-19 <i>-Mr. Oscar Onyema OON, CEO, NSE</i>	20mins
3:27pm	Questions and Answers <i>-Webinar Moderator, Panelists</i>	30mins
3:57pm	Vote of Thanks <i>-Mr. Jude Chiemeka, DH, Trading Business, NSE</i>	3mins

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1

- Overview of the Global and Domestic Economy

2

- NSE Market Performance YTD

3

- NSE Business Initiatives

4

- Questions and Answers



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## Overview of the Global and Domestic Economy



# The World At a Glance and Growth Forecast

## **US: -5.9%\* [2.0%]**

Currently the epicenter of the Covid-19 pandemic, Lockdowns have led to the highest unemployment rate ( since the great depression. Over \$2.2Tn has been spent to stimulate the economy.

## **EURO AREA: -7.5%\* [1.3%]**

The hardest hit continent with over 1.2 million cases and over 110k deaths. The EU contracted sharply in Q1 2020, shrinking by 3.8%

## **MIDDLE EAST & NORTH AFRICA: -3.3%\* [2.6%]**

The impact of US sanctions on Iran, conflicts and weak global oil market for oil producers in the region are expected to aggravate the impact of the Covid-19 pandemic on household incomes

## **LATIN AMERICA & THE CARIBBEAN: -5.2%\* [1.6%]**

Economic contraction is being driven by domestic lockdown, weak global demand affecting exports, remittances, and tourism to the region. widening capital and fiscal deficits are resulting in currency and financial asset depreciation

## **SUB-SAHARAN AFRICA: -1.6%\* [3.5%]**

the region's largest and commodity dependent economies – Nigeria, Angola have been severely impacted by the global and domestic lockdowns

## **Emerging and Developing Asia: 1.0%\* [5.8%]**

Earlier lockdown measures taken to contain the outbreak look to have stabilized the spread of the pandemic amidst monetary and fiscal interventions

\* Revised 2020 Economic Forecast  
[...] 2020 pre-Covid-19 Pandemic Forecast  
Source: IMF World Economic Outlook, April 2020

## KEY TRENDS IN THE GLOBAL ECONOMY

- The global markets began the year with a lot of optimism as the US-China trade tensions reached a stage one agreement in early January. This optimism took a turn for the worst as the Covid-19 pandemic quickly spread across the world forcing the global economies to significantly curtail economic activities. The global economy is expected to contract by 3% in 2020 followed by a strong rebound in 2021.
- Since April, lockdown restrictions, which affected over half of the global population, are being eased across developing and emerging markets leading to a very slow and cautious resumption of economic activities

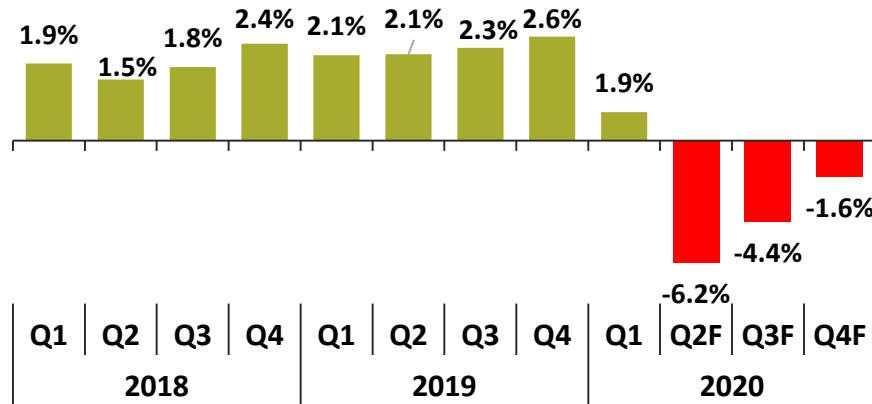
# Nigerian Economic Overview



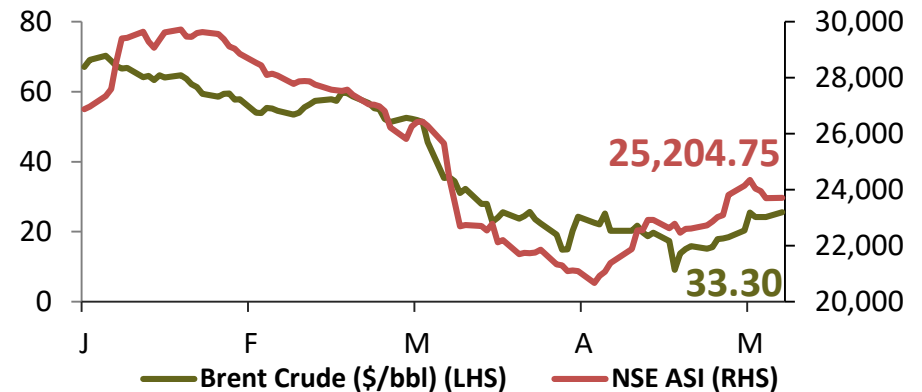
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Nigeria's fragile economic growth is expected to be significantly impacted by the drop in oil prices caused by a global restriction of economic activities in response to the COVID-19 pandemic. Fiscal and current account deficits continue to widen. FX Reserves currently stand at \$35.4bn

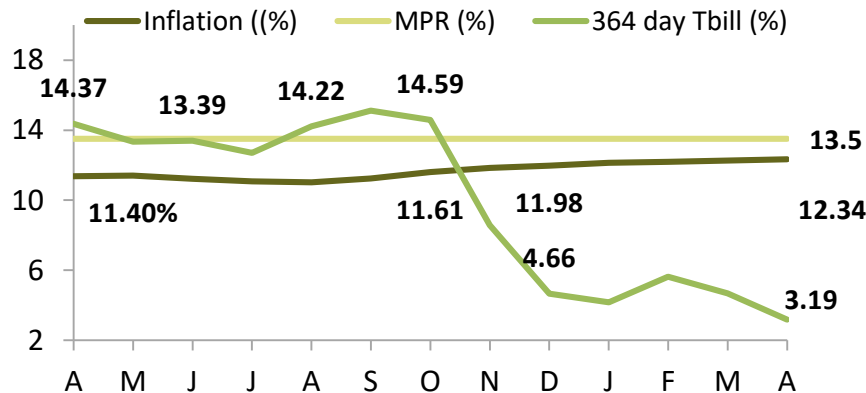
## 1 Moderate growth impacted by COVID-19



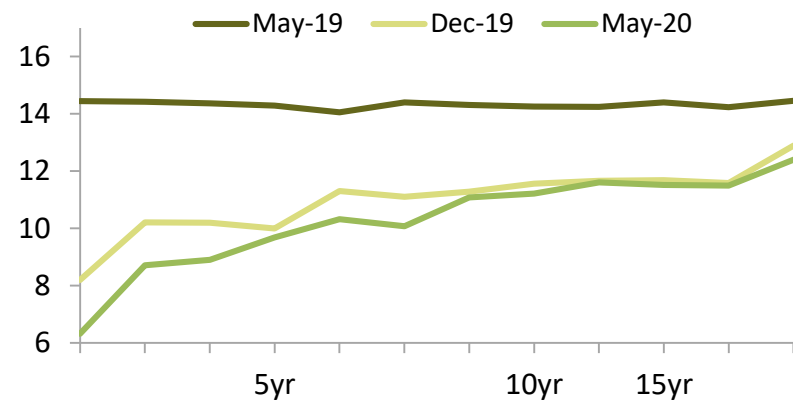
## 2 Strong Correlation between NSE ASI and Oil



## 3 Declining Real Returns



## 4 Benchmark Bond Yield Curve



# Fiscal and Monetary Policy Response to COVID-19



Nigerian fiscal and monetary authorities remain proactive in reacting to the pandemic and its expected impact on the economy

## FGN's Fiscal Response:

- ❑ Established a N500Bn (\$1.39Bn) COVID-19 Crisis Intervention Fund focused on upgrading healthcare
- ❑ In addition to the current US\$90 million Regional Disease Surveillance Systems ('REDISSE') facility from the World Bank, Nigeria has requested for an additional US\$100 million to meet the COVID-19 emergency and expand HealthCare capacity across the country
- ❑ Withdrawal of US\$150 million from the Nigeria Sovereign Investment Authority ('NSIA') Stabilization Fund to support Federal Account Allocation Committee (FAAC) disbursements.
- ❑ Debt and interest moratorium to States on Federal Government and CBN-funded loans are being considered to help ease the strain on state government finances.
- ❑ Cash grants to support states severely affected by the pandemic e.g. N15Bn to Lagos state
- ❑ Waiver of import duty on medicines, medical equipment and PPE used for the treatment of COVID-19

## CBN Responses:

- ❑ Intervention facilities from CBN were granted a one-year extension on principal repayments with effect from 1 March 2020
- ❑ Interest rates on intervention facilities from CBN were reduced from 9% to 5% per annum for 1 year with effect from 1 March 2020
- ❑ Established N50Bn (\$138.9Mn) Credit Facility to be administered through NIRSAL Microfinance Bank for households and SMEs
- ❑ Directed Banks to consider temporary and time-limited restructuring of the tenor and other terms for loans granted to businesses and households, particularly for Oil & Gas, Agriculture and Manufacturing sectors.
- ❑ In aggregate the CBN has committed N3.5Tn towards its efforts to fight the pandemic and position the country for export led growth (Healthcare, Agriculture, Manufacturing)
- ❑ Developing framework to provide grants and long term facilities to biotech firms and research institutions for research on a Vaccine



## The Exchange ensured market continuity despite the restriction of movement



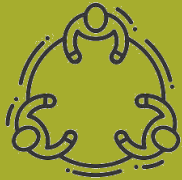
### COVID-19 Actions

- We rolled out our Business Continuity Plan to ensure our operations are sustained and run unimpeded. Staff of the Exchange continue to maintain open lines of communication with stakeholders whilst working from home.
- We temporarily closed our Trading Floors and activated remote trading through FIX Protocol, XNET and VPN access on March 25, 2020.
- The Exchange granted extensions to Listed Companies on the filing of Audited and Quarterly Financial Statements due to the COVID-19 pandemic.
- Published guidance on virtual Board, Committee, and Management meetings for stakeholders.
- Published a guidance to dealing members on measures, that firms should take to address the increased vulnerability to cybersecurity attacks and to protect customer and firm data on firm and home networks, as well as on devices.
- The Exchange waived the enforcement of the Rules Governing Related Parties or Interested Parties. However, Companies will be required to obtain the Board's approval before entering into such transactions and publish the Board's approval within twenty-four (24) hours of the approval
- Donated N60Mn to the Capital Market Support Committee for COVID-19 (CMSCC) and N40Mn to the NSE "Masks For All Nigerians" campaign.





## The Exchange ensured market continuity despite the restriction of movement



### Collaboration with Other Regulators

- The Exchange has ensured market continuity during COVID-19 by engaging with government to secure an “essential service” status for the market.
- The Exchange in collaboration with the Securities and Exchange Commission granted all Dealing Member Firms an extension of time for the submission of their Audited Financial Statements for the year ended 31 December 2019 and the Quarterly Returns for the period ended 31 March 2020 as part of the palliatives to cushion the negative impact of the COVID-19 pandemic on Dealing Members
- The Exchange has been engaging various stakeholders such as the Ministry of Industry, Trade, and Investment, Ministry of Finance, the Securities & Exchange Commission, the Financial Reporting Council of Nigeria (FRCN), Corporate Affairs Commissions (CAC), the Institute of Chartered Accountants of Nigeria (ICAN), etc. to ensure minimal interference in the operations of companies as a result of the COVID-19 pandemic. These collaborations have resulted in the following:
  - The CAC guidelines on Holding of Annual General Meetings of Companies by Proxies to ensure that investors are not denied corporate actions due to them in light of the pandemic
  - Approval from ICAN for External Auditor’s opinion to be included in Audited Financial Statements of Public Companies without ICAN stamp and seal if the External Auditors are not able to get the stamp and seal as a result of the restriction of movements



The Covid-19 Pandemic – as well as the associated slump in oil prices – has significantly increased Nigeria’s vulnerabilities as fiscal and BoP deficits are expected to widen. The Nigerian Government has since taken bold steps to taper the impact of economic headwinds by tapping cheap loans from Development Finance Institutions. The impact of new financing flow and nascent oil price recovery includes increases in external reserves which currently stands at \$35.76bn from \$33.52bn as at April 30, 2020. Yields on Nigeria’s Eurobonds have now returned to single digit (c.9.1%) from all time high of 13.2% on March 19, 2020.



The government set up the Economic Sustainability Committee chaired by the Vice President of Nigeria to devise strategies to minimize the impact of the pandemic on the economy



Secured \$3.4 billion under the Rapid Financing Instrument from the IMF on April 28, 2020 to meet urgent BOP needs. Additional \$3.5 billion is expected from other lenders



The Government recently announced its commitment to scrap fuel subsidies that cost the country at least \$2 billion a year, leveraging the collapse in oil prices



A commitment to Fiscal prudence as seen with revised \$27 billion budget presented to the cabinet seeking to keep spending intact



Reappraising borrowing plans by converting external borrowing plans to local currency funding of N850bn taking advantage of lower domestic yields.



The CBN has reduced the gap between the maximum and minimum FX rate to about 5% from 20% in a step towards unifying the various FX rates and adopting a more flexible Exchange Rate with minimal interventions

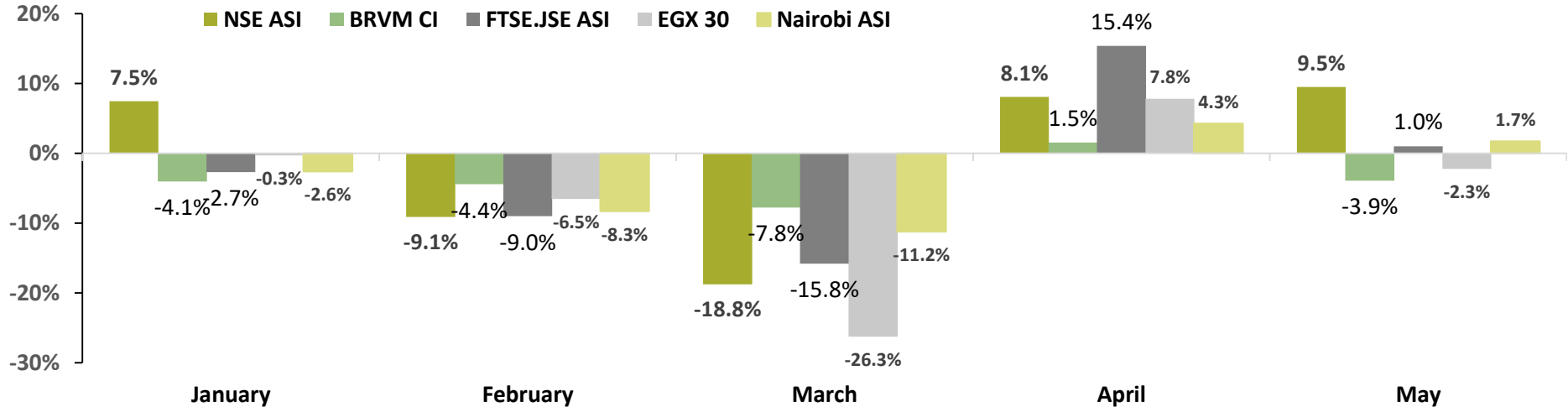


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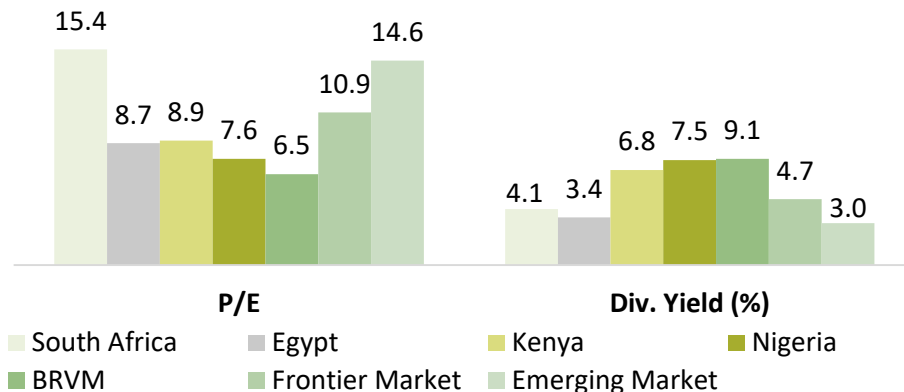
## NSE Market Performance YTD



## 1 Select African Stock Market Trends : Monthly Performance



## 2 Cross Country Valuation Comparison



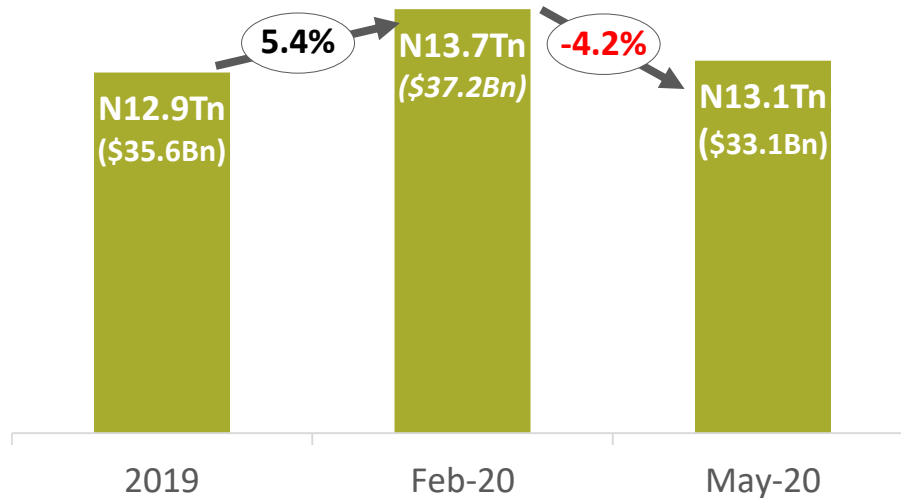
## 3 NSE Remains Attractive and Offers Value

- Supported by recovering oil prices, resumption of economic activities and attractive valuations, the NSE ASI has rallied since April. The NSE ASI has returned **-6.1%** YTD compared to JSE/FTSE ASI (**-13.1%**); Nairobi ASI (**-15.6%**); BRVM Composite (**-17.5%**); EGX 30 (**-27.6%**).
- The Nigerian Capital Market remains very attractive in terms of dividend yields and market valuation ratios

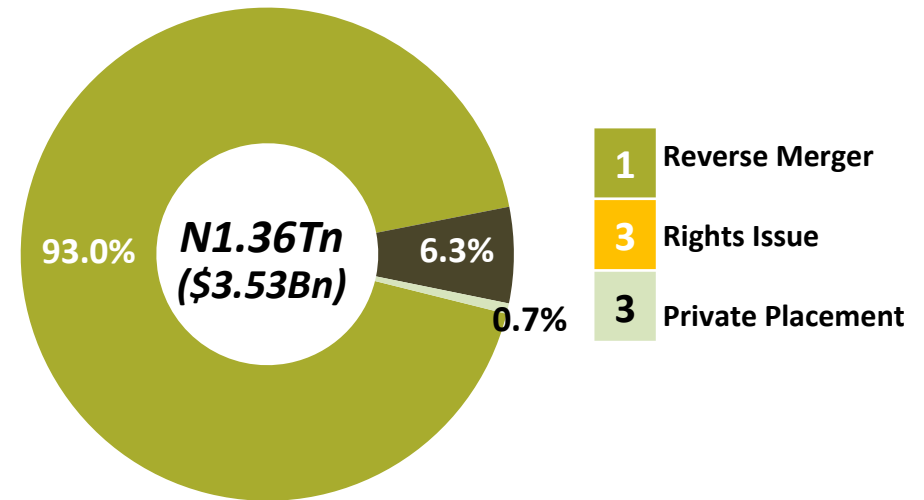
# NSE Equity Market Performance (1/2)



## 1 Market Capitalization Movement(N'Tn)



## 2 Equity Listing Activity YTD\*



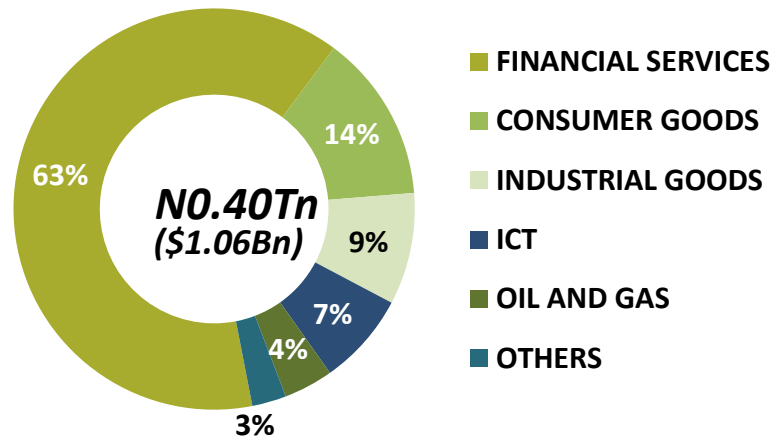
\*As at May 22, 2019

- The reverse merger by BUA Cement added N1.1Tn (\$3.03Bn) to the market capitalization as it grew by 5.4% by the end of February. Since the Index case of Covid-19 in Nigeria and subsequent restriction of movement, the market capitalization has lost about 4.2% of its value.
- Listed companies continue to opt for rights issues and private placements as the preferred means to raise equity capital.

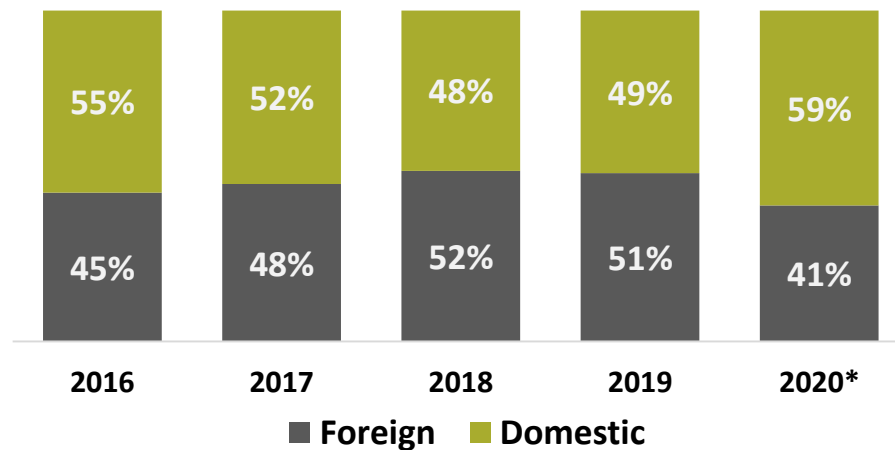
# NSE Equity Market Performance (2/2)



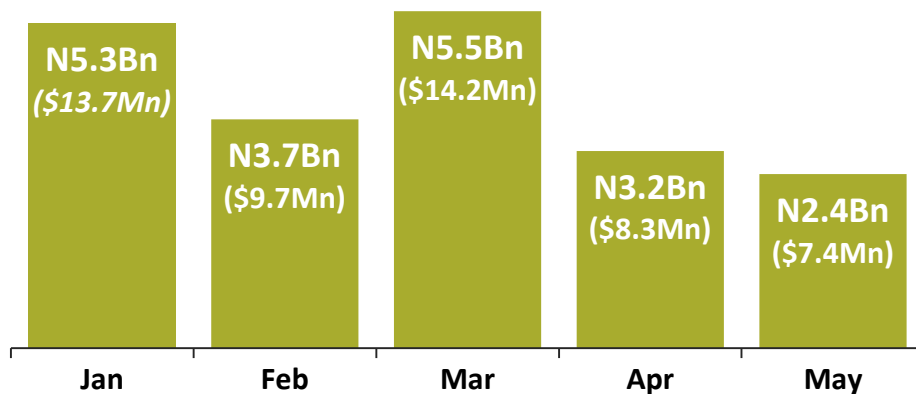
## 1 2020 YTD\*\* Market Turnover by Sector



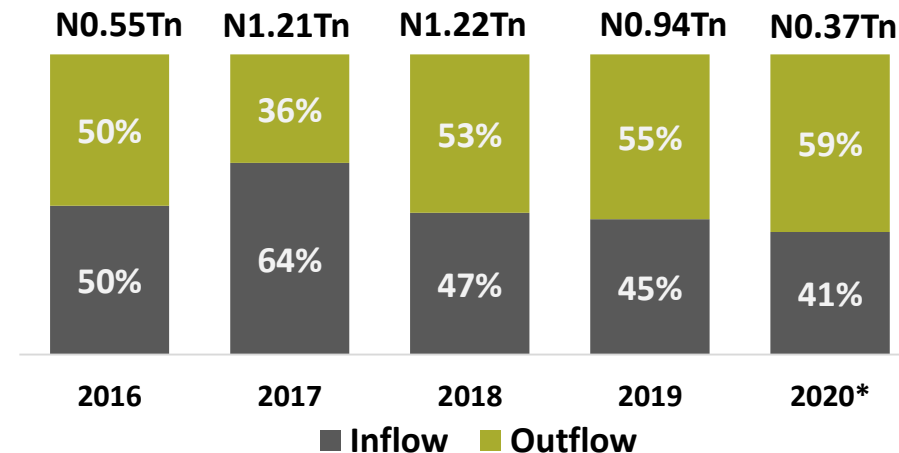
## 2 Equity Value Traded: Domestic vs Foreign\*



## 3 Monthly Daily Average Value Traded\*\*



## 4 Foreign Portfolio Flow (Equities)\*

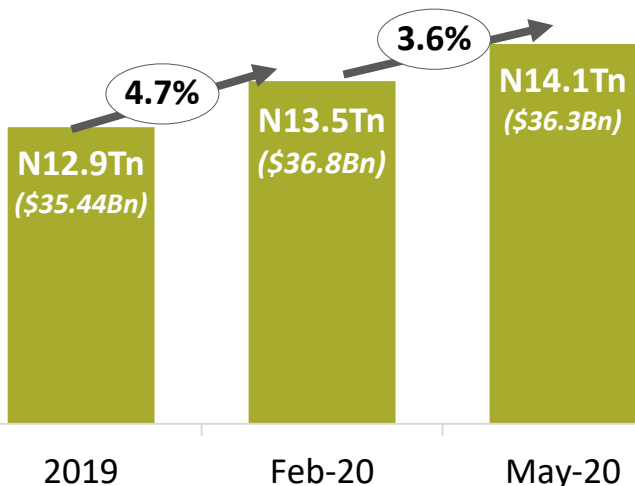


\* As At April 2020  
\*\* As May 22, 2020

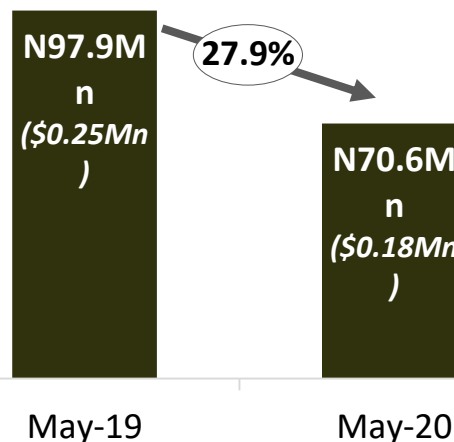
# NSE Fixed Income Market Performance



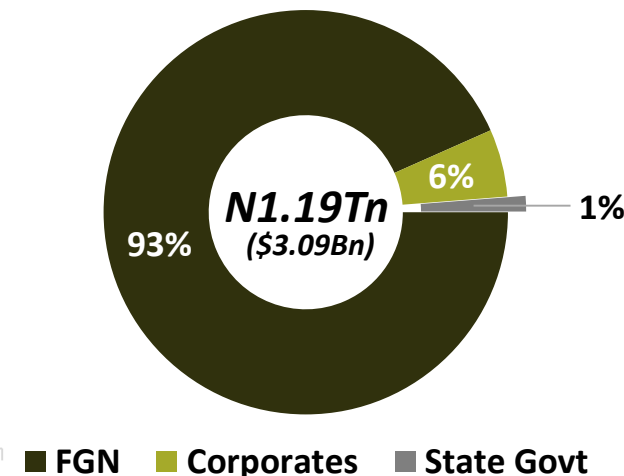
## 1 Market Capitalization (N'Tn)



## 2 Market Turnover YTD\*



## 3 Debt Listings by Issuers YTD\*

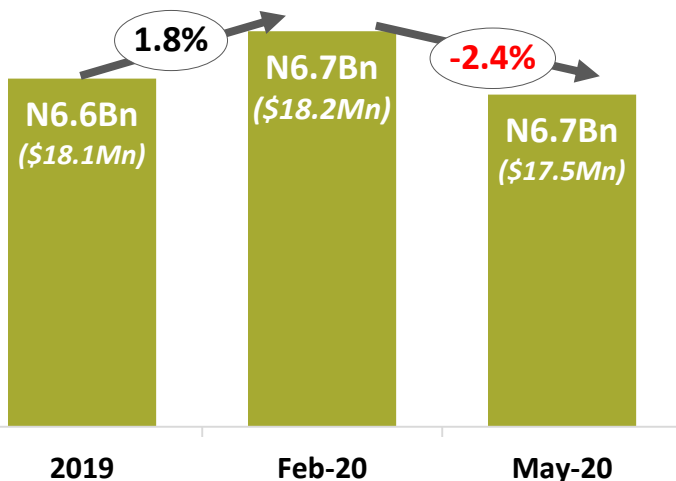


- In the NSE fixed income market, market capitalization has risen by 8.91% to N14.02Tn (\$36.32Bn) from N12.92Tn (\$35.44Bn) as at the end of 2019. Turnover has also decreased by 27.9% compared to the corresponding period in 2019.
- Debt capital raising remains dominated by the FGn, in a bid to finance fiscal and infrastructure deficits.
- We continue to sustain investment operations in the face of the pandemic by supporting companies in raising capital from the market. Some of our recent listings include the N20Bn Flour Mills Bond; N16.5Bn Primero BRT SPV Bond and the FBNQ MB SPV N5.0Bn Bond
- We expect to list the FGn's Sukuk bond, which is on offer, and other corporate bonds later in the year.

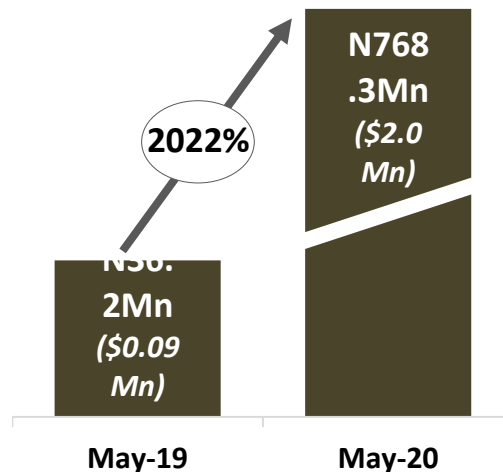
# NSE ETF Market Performance



## 1 Market Capitalization



## 2 Value Traded\* (N'Mn)



## 3 Diversified Index Suite



- The NSE's ETF market has been affected by the broader equities market sentiments and the impact of the COVID-19 pandemic.
- The most active of the 10 listed ETFs, has been the New Gold ETF which offers exposure to Gold and has returned 48.94% YTD. The VETIVA S & P NIGERIA SOVEREIGN BOND ETF has return 16.28% YTD
- The Exchange continues to seek avenues to partner with index providers and domestic and foreign ETP issuers to offer further diversification to investors through this fast developing asset class.

\* As At May 2020





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## NSE Business Initiatives



# THINK BENEFITS



## Market Technology

- ❖ Superior trading architecture – Order, Quote or Hybrid Markets
- ❖ Direct Market Access
- ❖ Low latency feeds
- ❖ Internet based trading platform
- ❖ SMART surveillance Technology
- ❖ Co-location Services



## Product Diversity

- ❖ Equities
- ❖ Debt Instruments
- ❖ Exchange Traded Products
- ❖ Mutual Funds
- ❖ Closed-End Funds
- ❖ Real Estate Investment Trust (REITs)



## Benefits

- ❖ Efficient Price Discovery
- ❖ Organized Market
- ❖ Transparent Market
- ❖ Regulated Market



## In response to evolving operating conditions, the NSE rolled out the 2018 -21 Strategic Plan:

### Enhancing our Customer Focus

- “Delighting” our customers (i.e. customer needs framework via consumer studies).
- Creating customer value proposition and reward systems.
- Growing retail participation as a key component of a resilient market.

### Reorganizing for Optimization

- Ensuring the right people are in place to drive our growth strategy.
- Sustaining a high-performance culture.

### Capitalizing on ‘Big Bang’ Opportunities

- Capitalizing on core competencies and emerging technologies.
- Driving innovation across the organization.
- Promoting competitive pricing and relevant incentives throughout the value chain.

## This year, we have achieved the following:

### Demutualization

- In its final stages of the demutualization process, the Federal High Court, Lagos granted an order sanctioning the Scheme of Arrangement for the demutualization of NSE

### Innovation Hub

- The Enterprise Innovation Hub continues to develop and incubate innovative products for the capital market

### Enhancing Retail Participation

- Finalization of the NSE e-IPO platform (X-Po) to drive retail participation in IPOs seamlessly.
- Continued development of NSE premier retail App, X-Mobile

### Derivatives

- The launch Exchange Traded Derivative are ongoing with membership onboarding and workshops
- Modalities for obtaining a license for NG Clear as a world class CCP are being concluded



## Growth Board

- The Exchange launched its growth board in January with requirements geared to provide liquidity for VC investors and attract fast-growing SMEs and technology startups.



## Stakeholder Engagements

- We continue to actively engage with Financial Advisers and Issuing Houses to increase listings with a specific focus on the ICT, Fintech and Agric. industries. We have built synergies with sectoral associations like MAN and oil and gas associations to help develop and deepen our pipeline for new listings.



## Listing Retention

- The Exchange continues to engage actively with Issuing Houses and listed companies through active relationship management, to retain the companies that are currently listed.



## Private Markets

- We are developing this to serve as a platform for the facilitation of brokered, private equity/placement financings for private companies that choose to participate within the network. This would also complement our public equity markets and provide a pipeline of for public listings.



## SPACs

- Developing a Special Purpose Acquisition Company SPAC listing framework to be rolled out towards the end of the year. This would allow non-operating companies to raise capital through an initial public offering (IPO) to acquire an existing business.



## Securities Lending and Borrowing

SLB continues to develop, boosted by the Finance Act 2019 which resolved issues of double taxation. SLB Transactions have grown from N342k in 2019 to N47.29Mn as at May 2020. We continue to engage holders of large pools of assets to help deepen the lending pool.

## Hedging solutions:

We continue to make progress in rolling out Derivatives products. We are working to develop a world-class CCP to facilitate novation and risk management.

## Alternatives and multi assets class

We continue to work with offshore and onshore REIT and ETF issuers to develop REITs, global indices and African fixed income ETPs that will enable NSE provide a more diversified investment platform.

## Sustainable Finance Platform

We continue to leverage our recent MoU with LuxSe, and partner with institutions and stakeholders like the Milken Institute to develop capacity and increase green finance product solutions in the market.

## Fixed Income Market

We continue to facilitate the development of economic cycle proof solutions and enhance price discovery in the fixed income market. we recently introduced an indicative pricing methodology which provides opening and closing quotes from top dealers in our market

# Strengthening Regulation on the NSE (1/2)



# a

## Collaborative

Internal (Cross-Functional)  
External (National and International)

Engage with all stakeholders



# b

## Regulatory Technology

Employ technology in the discharge of regulatory functions



# c

## Governance

Governance of the regulatory function accords with international best practice



# d

## Transparent

Broker TraX (Dealing Members)  
X-Compliance (Issuers)  
Circulars





## Specific areas of reforms



### Corporate Governance

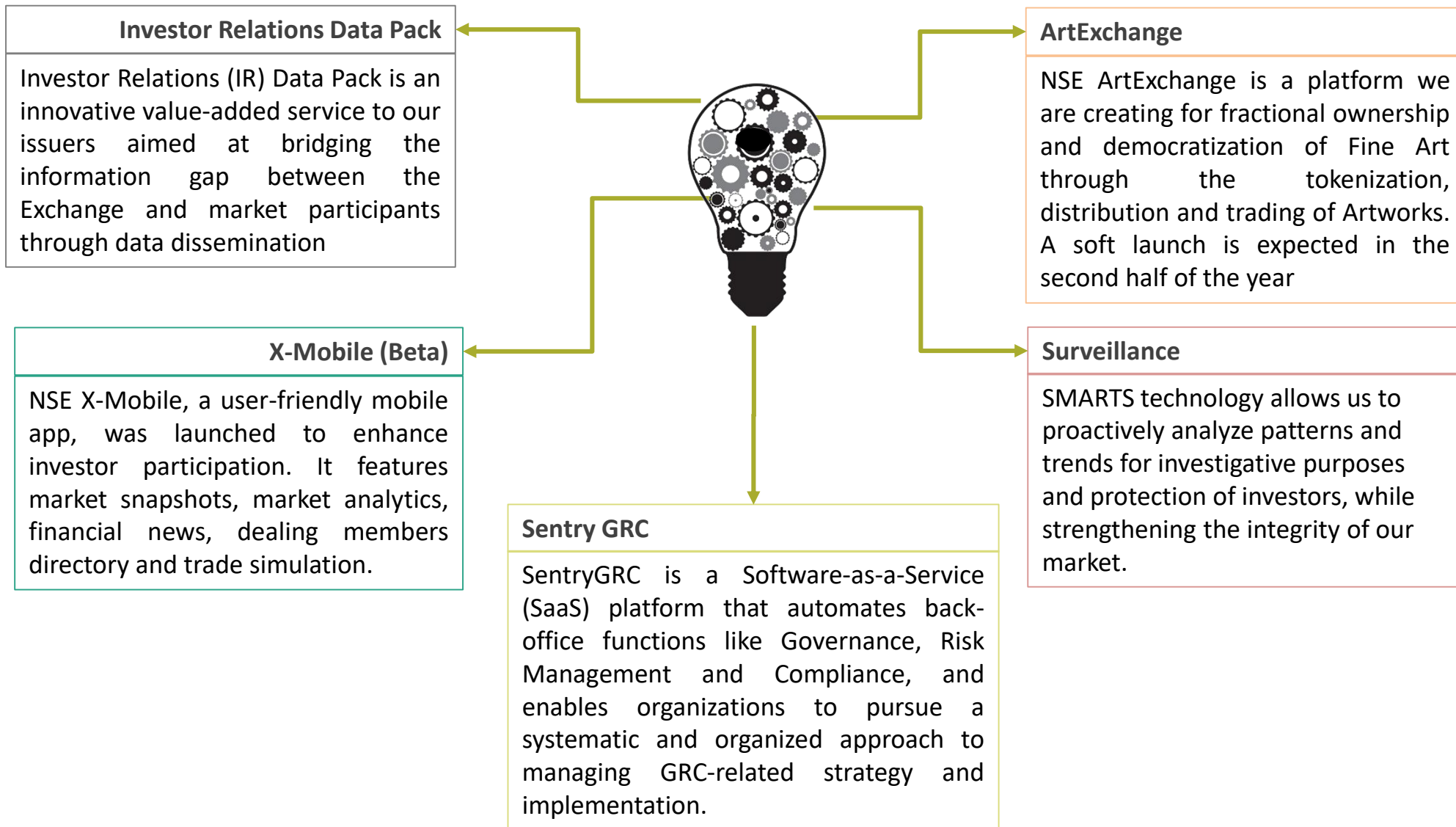
- The Exchange issued a Circular directing all Issuers to publish dealings by all Insiders. This disclosure provides a level of transparency for investors on transactions being carried out by Directors, Management and other Insiders on the shares of their company.
- The Exchange has proposed amendment to the rules pertaining to closed period to provide guidance around exceptional circumstances where trading may be allowed during a closed period



### Rules and Regulation

- The Exchange approved the implementation of the Revised Free Float rule which allows Companies to meet the free float requirement by either complying with the percentage volume of shares available or by market capitalization of the free float shares.
- Following the conclusion of the Gap Analysis exercise, The Exchange is currently reviewing and amending its rules in line with the gaps identified to better align with global best practices.
- The National Council of the Exchange has completed the review of the Exchange's rule making process. The new regime will allow for faster rulemaking by reducing the exposure period and granting more decision making power to the Executive management of the Exchange

# Leveraging Innovation and Technology







Recognizing the critical role the capital market has to play in aiding Nigeria's economic recovery and sustainable growth, the NSE's government relations function facilitates strategic partnerships at all levels of government with the aim of advancing pro-market initiatives on behalf of the Exchange and its ecosystem.

- **Certain capital market incentives were achieved in the Finance Act 2019** and we will actively engage in the consultation and drafting processes for subsequent Finance Bills that follow the annual budget.
- The NSE has supported the legislative process for doing business reforms – **in particular the revision of the Company and Allied Matters (Repeal and Re-enactment) Bill 2020**, which seeks to modernize the legal and regulatory frameworks of the Nigerian business environment.
- The NSE is driving advocacy for greater domestic **institutional participation** in the Nigerian capital market with the appropriate regulators like **PENCOM**.
- Overall we have positioned **the Exchange as the platform for government to access alternative means of funding even in this fiscal drought** – by engaging with the Bureau of Public Enterprises (BPE) and state governments on SOE privatisation and listings as well as advocating for greater institutional investor participation in the market in order to promote diversified ownership and deepen the market.





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## STAKEHOLDER ENGAGEMENT SERIES II

**Oscar N. Onyema, OON**  
CEO, The Nigerian Stock Exchange

📅 May 27, 2020 ⌚ 3:00 P.M. (WAT)

Q&A Questions  
Answers



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## STAKEHOLDER ENGAGEMENT SERIES II

**Oscar N. Onyema, OON**  
CEO, The Nigerian Stock Exchange

May 27, 2020 3:00 P.M. (WAT)

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