THE NSE: A VISION FOR TRANSFORMATION
Achieving Business Transformation for Post Change Nigeria

Presented by
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Chief Executive Officer
for
RACK CENTRE CEO’s BRIEFING
June 19, 2015
Agenda

1. Transformative Overview of the NSE
2. The Journey So Far
3. Building a Stronger Market with MOS
4. Technology: The Competitive Advantage
5. Why Rack Centre?
6. Q&A
7. Thank You

The Nigerian Stock Exchange
Transformative Overview of the NSE

- A transformative agenda focused on low latency, domestic and international market access, and partnering with strategic global/regional organizations.

- The Nigerian Stock Exchange (NSE) understands the importance of undersea cable communications for integration across West Africa / ECOWAS (ACE, WACS, MainOne, Sat 3, Glo 1).

Beginning of the “X-era”, with new management team focused on technological transformative agenda.

2011

NSE launches several transformation initiatives such as X-Compliance, X-Qual and Broker-TraX.

2012

Rollout of X-Web and X-Whistle, and the NASD trading system is hosted on the NSE’s X-Gen platform.

2014

Launch of X-Gen, dubbed as the fastest trading engine in Africa; First-ever issuer reporting portal in Nigeria, X-Issuer is introduced.

2013

NSE continues its agenda to provide “Best-in-Class” technology with Smart Trading tools and enhanced Market Surveillance capabilities.

2015
Commitment to International Best Practices

WACMI

WORLD FEDERATION OF EXCHANGES

IOSCO

THE GLOBAL COMPACT

World Economic Forum

Sustainable Stock Exchanges Initiative

SIIA/FISD

Intermarket Surveillance Group

ASEA

Financial Services Regulation Coordinating Committee (FSRCC) Nigeria

The Nigerian Stock Exchange
The Journey so far

Company Profile:

• Today, Exchange services the largest economy in Africa, and is championing the development of Africa’s financial markets.

• In 2014, the NSE became the first West African country to become a member of the World Federation of Exchanges (WFE).

• The NSE offers listing and trading services, licensing services, in addition to market data solutions, ancillary technology services, and more.

• The implementation of 21st Century technologies has led the NSE’s transformative agenda with launch of several “Best-in-Class” hi-tech solutions.

• The protection of “data” is the lifeline of our business.

The NSE’s Technology Framework is based on...

Leadership through technology and innovation

Operational excellence through business transformation

Growth and reputation through diversification

2nd*

Largest Exchange in Africa by Market Cap
At ₦17.2 tn ($86.7 bn)**

193 Equities (₦11.8 tn)
59 Bonds (₦5.4 tn)
4 ETFs (₦4.7 bn)**

187 Listed Companies**

221 Active Dealing Members**

Local 40%
Foreign 60%
Total Market Activity Q1 ’15 - ₦558.23 bn ($2.8 bn)

*Excludes dual listing not on the primary market
**As at 30th April 2015
Building a Stronger Market with MOS

- Manpower and Equipment
- Organizational Structure and Governance
- Effective Processes
- Global Competitiveness
- Technology
## Showcase: Minimum Standards for Brokers

<table>
<thead>
<tr>
<th>Category</th>
<th>Key Points</th>
</tr>
</thead>
</table>
| **Manpower and equipment**      | - Efficient Human Resource  
                                | - High quality service delivery and risk management                        |
|                                 | - Effective supervision  
                                | - On-going capacity building and training                                   |
| **Organizational structure and governance** | - Roles, power and responsibilities assigning  
                                | - Determine how information flows within the organization                   |
|                                 | - Defined organizational structure  
                                | - Defined Board structure                                                   |
| **Effective Processes**         | - Articulated business plan and strategy  
                                | - Investment Policy  
                                | - Risk Management Policy  
                                | - Compliance                                                             |
| **Global Competitiveness**      | - Implement Global best practice  
                                | - Talent attraction and retention  
                                | - Standards enforcement and compliance  
                                | - Efficient Service Delivery                                              |
| **Technology**                  | - Hardware  
                                | - Networks  
                                | - Applications  
                                | - Information Security                                                    |
|                                 | - Business Continuity  
                                | - Risk Management  
                                | - Change Management  
                                | - Service Management and continuous service improvement                  |

Information and Communication Technology has the potential to transform business and government in Africa, driving entrepreneurship, innovation and economic growth.

- World Bank
Using Technology to go the “X”-tra Mile

X-Gen
X-Gen is a robust trading platform developed based on a number of leading technologies, including NASDAQ OMX’s X-stream matching engine, and NSE’s X-Gen Market Database. X-Gen is the fastest trading platform in Africa.

X-Issuer
X-Issuer is a secure online portal through which issuers submit financial and other information to the NSE and the market in an efficient manner bridging any disclosure gaps between listed companies and the capital market.

X-Compliance
X-Compliance report provides compliance related information. It provides such information as 1) early filers of audited accounts; 2) delinquent filers of audited accounts; 3) delinquent filers of quarterly reports released financials; 4) companies that are operating below listing standards; etc.

BrokerTrax
BrokerTrax provides a transparent view into Dealing member firms found liable for breach of market rules. It provides information on items such as 1) actions of the disciplinary committee of Council; 2) blacklisted dealing clerks; 3) dealing member firms involved in unauthorized sales of investors’ shares; etc.

X-Whistle
X-Whistle is a program that empowers a whistleblower (an employee, an investor, a compliance officer, an Issuer, a stockbroker or any member of the public) to report possible violations of the rules and regulations of The Exchange, the securities law and fraud related to activity within the market.
A Snapshot of our Progress

BrokerTraX

DEALING MEMBER SANCTIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Suspensions</th>
<th>Financial Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>436</td>
<td>332</td>
</tr>
<tr>
<td>2013</td>
<td>492</td>
<td>149</td>
</tr>
<tr>
<td>2014</td>
<td>256</td>
<td>251</td>
</tr>
</tbody>
</table>

NSE ISSUER PENALTY FEES

<table>
<thead>
<tr>
<th>Year</th>
<th>Issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>70.53</td>
</tr>
<tr>
<td>2014</td>
<td>183.48</td>
</tr>
</tbody>
</table>

• **BrokerTraX** - The Exchange operates a zero-tolerance policy on market infractions, and in 2014, the number of dealing members suspended declined by ~50% from the previous year.

• **X-Compliance** - At the NSE, late submission of financial statements attract a fine of N100,000 ($644) per week. In 2014, through our market surveillance process, we effectively investigated and penalized an Issuer’s malpractice driving revenue in the segment up by 160% from the previous year.
Technology as a key enabling force

International best practice

Mobility: Increased presence of International and regional organisations

Financial markets modernisation

Increasing maturity in information security (regulatory & business led risk management best practices)

Crime incidence reduction benefit

Reliable Technology Infrastructure

NSE Risk Management Enforcement

Technology Leadership
The Importance of Business Continuity

NSE Strategic Goals

Technology Infrastructure

Trading Platforms

Operating Standards

Data Centre

The Nigerian Stock Exchange
Why Rack Centre?

**Truly Carrier Neutral**
- Access to multiple connectivity providers that can serve the brokerage community with very high redundancy

**IXPN Localised**
- Heart of technology dependent businesses in Nigeria.
- Localised IXPN provides low latency for trading and online transactions

**State-of-the-art, Tier III Design Certified**
- Tier III certification provides assurance of uptime commitments to minimum of 99.982% Availability
- State of the Art technology and data centre environment gives infrastructure longer life and better performance

**Energy efficient, secure and scalable**
- Modular technology scalable to about 3000 racks means the needs of the brokerage community is met for decades
- Energy Efficiency with PUE in the 1.6 range means lower OPEX costs and therefore long term savings

**100% Nigerian**
- Opportunity to experience world-class right here in Nigeria.
THANK YOU
Questions & Answers

Visit our website today!
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“A truly user-friendly experience”
NEW & IMPROVED
WEBSITE

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