

Chartered Institute of Stockbrokers

COMMUNIQUE
OF THE 23RD ANNUAL STOCKBROKERS' CONFERENCE HELD AT
ORIENTAL HOTEL, LAGOS FROM THURSDAY, NOVEMBER 21 – FRIDAY,
NOVEMBER 22, 2019

Preamble

The Chartered Institute of Stockbrokers (CIS) was established by Act 105 of 1992 (Laws of the Federal Republic of Nigeria) and given the responsibilities of determining what standards of knowledge and skill are to be attained by persons seeking to operate as core professionals in the Securities and Investment industry in Nigeria and maintaining the authentic register of persons deemed to have met the qualification standards. As the parent body of all qualified individual Stockbrokers in Nigeria, CIS actively engages in policy advocacy for the development of both the Nigerian capital market and the national economy. The Annual Stockbrokers' Conference serves as a potent platform for Nigerian Stockbrokers, government functionaries, capital market regulators and top class finance and investment experts to share informed opinion on pertinent issues affecting the Nigerian economy and Capital Market.

The 23rd Annual Stockbrokers' Conference held in Lagos from 21-22 November 2019, witnessed an unprecedented large number of Chartered Stockbrokers, economists and finance industry practitioners who shared thoughts on the theme:

"Boosting Capital Market Competitiveness In A Challenging Macro-Environment".

The Conference was graced by many eminent personalities in the Nigerian economic and political space, including the Chairman of the Senate Committee on Capital Market, Senator Ibikunle Amosun; his deputy, Senator Binos Yaroe; and the Chairman of the Federal House of Representatives' Committee on Capital Market and Institutions; Hon. Babangida Ibrahim. Also present were the Ag. Director General of the Securities and Exchange Commission (SEC), Ms Mary J. Uduk, FCS; CEO of the Nigerian Stock Exchange, Mr Oscar Onyema, FCS; the Group Managing Director / CEO of Zenith Bank Plc, Mr Ebenezer Onyeagwu; The Managing Director / CEO of Stanbic IBTC Bank, Mr Yinka Sanni, FCS; management representative of the Chartered Institute for Securities and Investment (CISI), United Kingdom, Mr Praneet Shivaprasad; Institute's Past Presidents, Council Members, Fellows and Associates and other distinguished

guests and observers.

Represented at the conference were the Hon. Minister of Industry, Trade and Investment, Otunba Adeniyi Adebayo, the Executive Governor of Lagos State, Babajide Sanwo-Olu, and the Executive Governor of Edo State Mr Godwin Obaseki, FCS.

For seamless flow of thoughts the Conference's theme was broken down into four sub headings covering the following key areas: Fintech, innovation, agriculture and talent. Each sub theme was subjected to rigorous panel discussion by eminent experts in the various fields and ample contributions from the audience. The Conference was enriched by a "Village Meeting" session where Stockbrokers discussed fundamental issues that impact the capital market, and the way forward.

Observations

- i. Participants at the 23rd Annual Stockbrokers' Conference agreed that the Nigerian economy has grossly underperformed since independence, relative to its potential. One of the key causal factors observed was the continuous under-utilization of the capital market while the country's financial system remains excessively tilted towards the money market which is essentially short term by nature. This is at variance with what obtains in the developed economies of the world.
- ii. Apart from underutilization of the market, the individual investment experts – Chartered Stockbrokers - are also grossly under-utilized.
- iii. Participants observed that illiquidity is a major fundamental problem facing the Nigerian capital market, and even more pronounced in the equity market. This in turn has hindered market stability with attendant erosion of investor confidence.
- iv. The level of Capital Market Literacy (CML) is abysmally low in Nigeria and there is a need to develop a coordinated blueprint, with adequate funding to address the malaise.
- v. The Conference observed that the Chartered Institute of Stockbrokers (CIS) – the primary undertaker of capital market training and literacy functions in Nigeria - is itself grossly underfunded and needs more financial resources to play its role in the capital market optimally.
- vi. The retail segment of the market, which typically serves as the base, providing stability and long term sustainability to the market, is currently near - comatose, resulting in the high volatility experienced in recent years, and thus requiring urgent rectification.
- vii. There is a dearth of new researches on the Nigerian capital market and these are

necessary to enable stockbrokers keep abreast of the rapid changes in the global market.

viii. Underutilization of the capital market in Nigeria has impacted negatively on the agricultural sector, unlike the developed jurisdictions where securitization and trading of assets have achieved a quantum leap in the productivity and remuneration of farmers, in addition to earnings foreign exchange for the countries.

Recommendations

- 1.** The Federal Government needs to review the entire Nigerian financial system with a view to restructuring it to achieve a more efficient and effective mobilization of savings, which in turn, will result in faster economic growth. The Conference noted that the excessive dominance of the banking sector in the financial system is a major risk to financial stability in the country. Furthermore, Nigeria's huge deficiency in economic infrastructure dictates an urgent shift of focus to the capital market. The money and capital markets should therefore be given equal attention from government and other critical policy makers in the country.
- 2.** There is a compelling need to put in place a more effective and durable mechanism for mobilizing savings in the country. The Conference thus recommended that the Federal Government should set up a National Council on Savings to effectively coordinate the mobilization of savings. The Council's membership should include all the recognized institutional platforms for mobilizing savings in the country including stockbroking firms, banks, mortgage institutions, and others.
- 3.** The Conference urged the Central Bank of Nigeria (CBN), working in concert with capital market regulators, to extend its liquidity window to licensed stockbrokerage firms. By this arrangement, the CBN should direct or encourage deposit banks in the country to extend funding to Stockbrokers for trading purpose, at an arrangement that reasonably protects the funds so extended. Capital market regulators and trading platforms should also engage the banks to extend trading liquidity to Stockbrokerage Houses.
- 4.** The revival and effective implementation of Margin Trading is essential for improving liquidity in the capital market. The rules for its operation should therefore be improved upon with collective inputs from the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), deposit banks and Stockbroking firms.
- 5.** As part of the strategic moves to improve liquidity and bring stability to the Nigerian capital market, the regulators should engage the government and Pension Fund Administrators (PFAs) on the need to significantly increase the proportion of pension funds invested in the equity market, while an enabling environment should be created for private equity to thrive.
- 6.** The National Assembly should enact a law to institutionalize the funding framework

for Capital Market Literacy (CML) activities in Nigeria. This may be enhanced by the establishment of a dedicated body such as a National Agency for Financial Literacy and Investor Education, borrowing, for example, from France which through The Institute for Public Financial Education (IEFP) promotes and develops financial literacy in that country. The focus of the agency should be all encompassing, covering both money and capital markets.

7. The Federal Government should allocate a special annual grant to the Chartered Institute of Stockbrokers (CIS), being the body primarily responsible and best suited for the Capital Market Literacy drive in Nigeria. Furthermore, the Tertiary Education Trust Fund (TETFund) should allocate a portion of its fund to CIS for enhanced Capital Market Literacy drive.

8. Capital Market Studies should be introduced in Nigerian schools and tertiary institutions to expose the millennials to culture of saving and investment at a tender age.

9. A Capital Market Literacy Week should be held every year to promote the securities market. This will involve all the key stakeholders interacting with the grassroots – market women, school pupils, workers, etc – with popular musicians, actors, models etc fully involved on a national scale.

10. Stockbrokers should embrace innovation and be more creative in continually exploring new ways of retaining and growing their businesses. They should diversify their business portfolio to cover all key areas of the capital market as well as short term securities' trading. They should move faster in digitalizing their businesses and develop skills in deployment of Fintech and the social media as operational tools.

11. The Institute should endow a chair which will harvest all the researched products of the Nigerian Capital Market for the benefit of Stockbrokers and the market as a whole.

12. Stockbrokers should pay more attention to the non-trading areas of the profession, such as research, investment advisory, new issues, etc.

13. Stockbrokerage firms should consider business consolidation / merger as a necessary option, given the resource demands of contemporary Securities and Investment business.

14. The end-to-end processing time for capital market transactions should be significantly reduced through use of relevant technology while every regulation should aim at enhancing the integrity of the market, protecting investors, and enthrone the principle of fairness at all times.

15. The Securities and Exchange Commission (SEC) should initiate the development of a regulatory framework for fintech products such as blockchain, crowdfunding, and

cryptocurrency, among others as risk aversion measures.

16. In pursuance of the institute's 'Catch Them Young' policy, the CIS Diploma in Securities and Investment (DSI) should be massively promoted in our tertiary institutions and secondary schools while attracting talents of the millennial age to take Securities and Investment as a profession should be given top priority for operators and regulators alike in the Nigerian capital market.

17. Tax incentives should be given to companies and individuals in accordance with their levels of savings and investments through formal and recognized outlets. The CBN may include Investment Profiling among the conditions for determining credit worthiness by banks. Government should reduce tax rates or grant outright tax waivers for quoted companies, in order to deepen the stock markets.

18. Given the nexus between agriculture and the capital market globally, steps should be taken to strengthen the linkage for overall benefit of the economy. As Commodity Exchanges continue to gain traction in Nigeria, steps such as securitization, collateralization, and exchange trading should be further promoted and improved. Farmers may also be arranged into co-operatives for possible listing on securities exchanges.

19. Government at all tiers, and the organised private sector, should employ Chartered Stockbrokers, given their rich professional training in the areas of investment, capital raising and financial management.

20. All stakeholder groups, including government, capital market regulators, the CBN, and market operators should work in partnership to restore investor confidence to the Nigerian capital market.

21. Concerted efforts should be made to revive and enliven the retail segment of the capital market. Regulators, trading platforms and operators should design products and structures that attract and engender easy patronage of the retail investor. The foundation of the capital market is not complete without a vibrant retail segment.

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