



THE NSE DEMUTUALISATION: DEMYSTIFYING THE BIG PICTURE

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Nandini Sukumar -- Chief Executive Officer

THE WORLD FEDERATION OF EXCHANGES:

- The WFE is the global industry body for market infrastructures: both exchange and CCP. We were founded in 1961 and are London-based.
- WFE is Vice Chair of IOSCO's Affiliate Members Consultative Committee.
- Becoming a WFE Member is an attestation of becoming a world-class exchange and of an organization that can sit at the table with any of the global market infrastructures. Admission is via a rigorous peer review assessment process.
- Of our members, 35% are in Asia-Pacific, 45% in EMEA and 20% in the Americas.
- WFE exchanges are home to nearly 53,000 listed companies, and the market capitalisation of these entities is over \$93 trillion; around \$88 trillion (EOB) in trading annually passes through WFE members (at end 2019). WFE's 57 member CCPs collectively ensure that risk takers post some \$800bn (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements.

WFE AFRICA:

- WFE has about 70 members globally, representing about 300 market infrastructures, of which 8 members are in Africa.
- Nigeria Stock Exchange became a member in 2014 after a rigorous 2 – 3 year process to assess compliance with WFE Membership Criteria & Principles.
- NSE is the only WFE member in Nigeria.
- NSE, led by CEO Oscar Onyema, last week became Chair of the WFE's Membership Committee.
- NSE is a member of WFE's Emerging Market Working Group, which represents both Emerging and Frontier Markets.

WFE AFRICA:

- Bourse de Casablanca
- Tunis Stock Exchange
- The Egyptian Stock Exchange
- Nigerian Stock Exchange
- Johannesburg Stock Exchange
- The Stock Exchange of Mauritius
- Dar es Salaam Stock Exchange
- Nairobi Stock Exchange

WFE'S MISSION:

- To ensure the integrity of markets by **advocating** for the right market structure globally
- To unite the industry and find consensus on issues so we speak with **one strong voice**
- To foster **market development** that leads to optimal outcomes in the future and fosters sustainable growth
- To support and nurture **emerging markets**
- To enable the use of **innovation** and the use of **technology** for the benefit of investors around the world

WFE'S VISION:

- We champion the integrity of markets as the foundation of economic growth and welfare.
- We believe in, and promote, the benefits of regulated, fair, orderly and transparent markets.
- We strive to restore trust by enshrining investor protection at the heart of efficient market structure.
- We advocate for markets and market structures that are resilient, robust and stable in the midst of both turmoil and innovation.
- We seek to enable the free flow of capital globally through regulated market infrastructures.

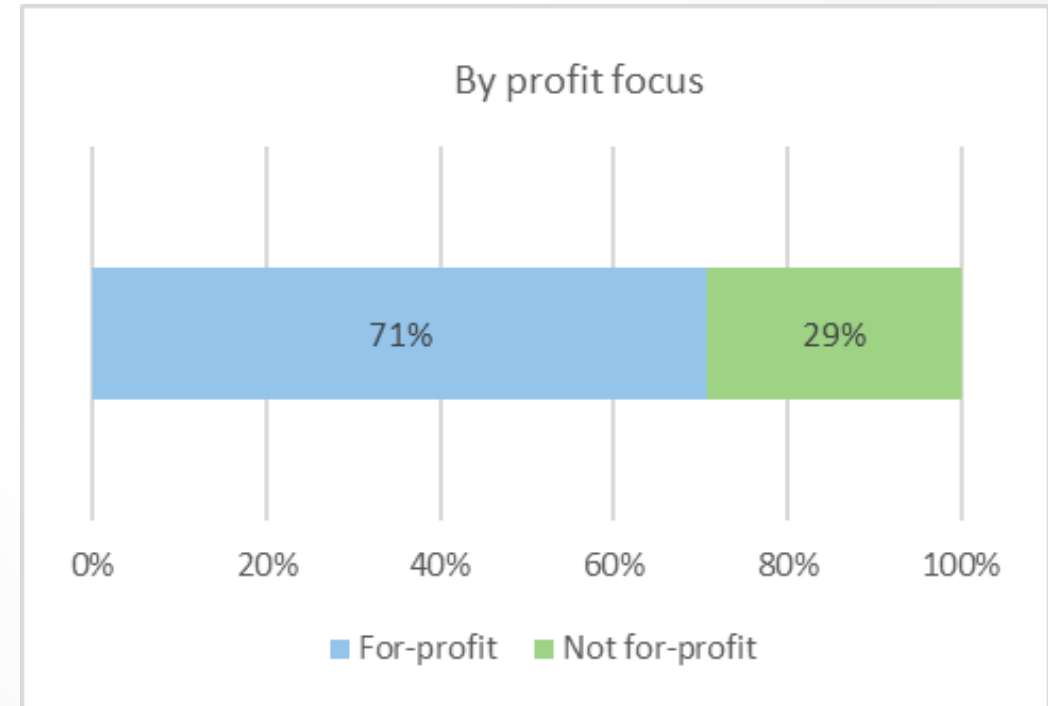
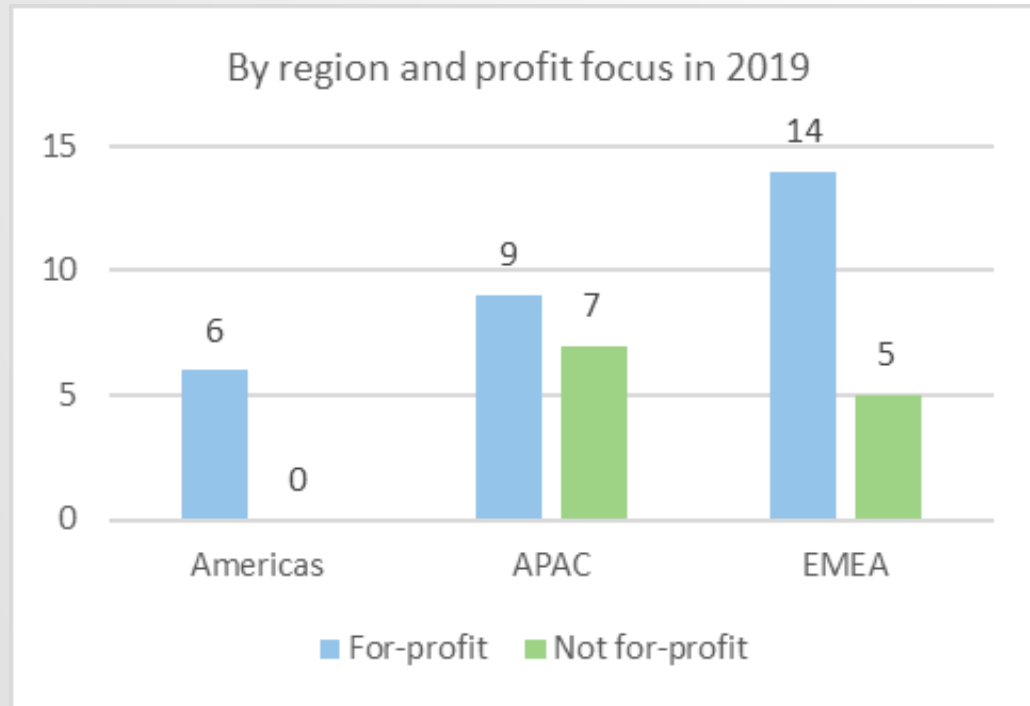
WHAT IS EXCHANGE DEMUTUALISATION?

- Demutualisation is the process by which an exchange limited by guarantee i.e., member-owned company, or owned by the State, is converted to a company limited or unlimited by shares i.e., a shareholder-owned company.
- In a subsequent step, the demutualized exchange/company can list – often via an initial public offering which realizes great monetary value for the members of the exchange OR occasionally by listing directly and then allowing members of the public to buy shares that are tradable.
- Demutualisation separates the ownership of the exchange from the use of the exchange. Though users, who benefit financially from the listing, are free to then buy stock in the listed exchange thereby returning them as shareholder owners in addition to users.

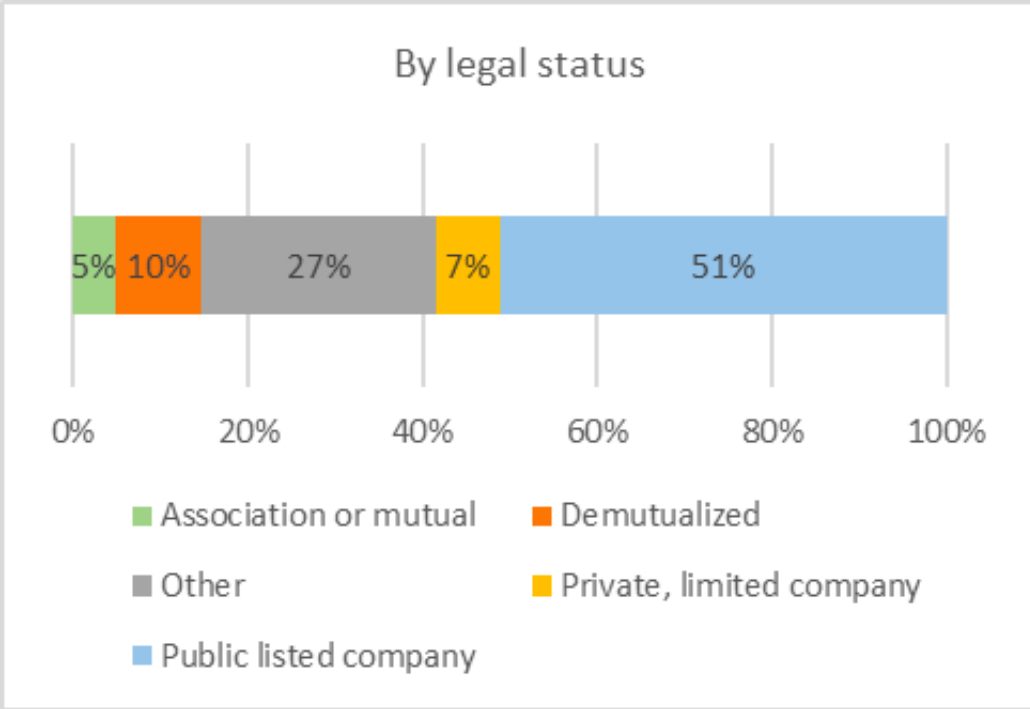
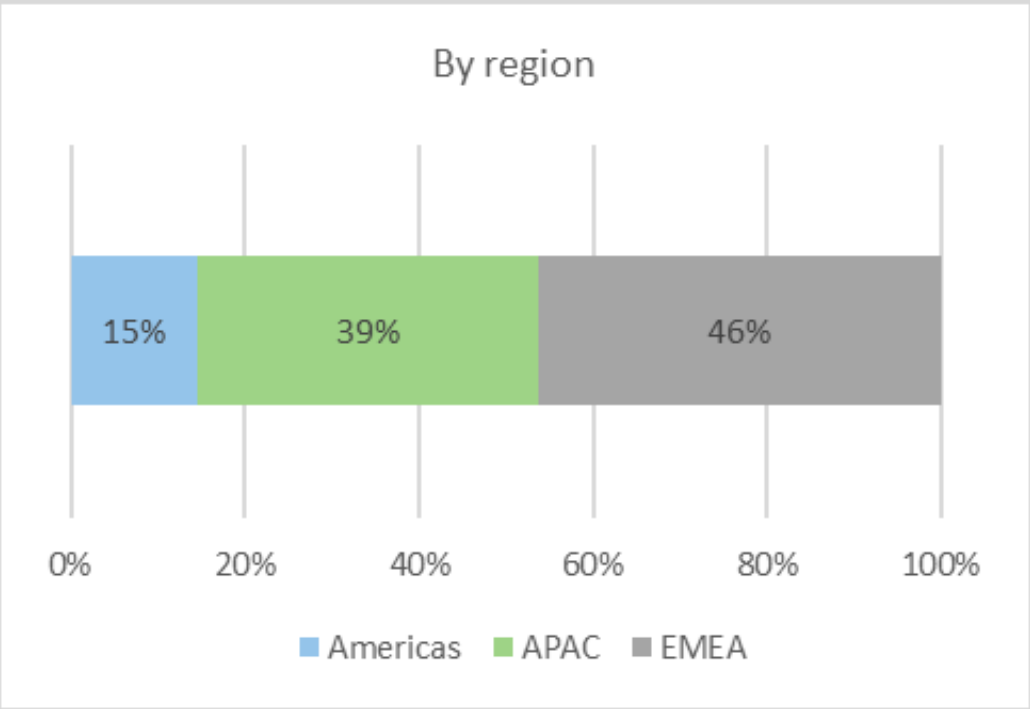
WHAT IS THE GLOBAL TREND? UPWARDS:

- Starting in the early 1990s, stock exchanges around the world began to demutualise — starting the process of converting exchanges from non-profit, member-owned organisations to for-profit, investor-owned corporations.
- In 1993, the Stockholm Stock Exchange (now Nasdaq) became the first exchange to demutualise.
- In 2020, it's no longer a trend – it's deemed the norm for exchanges both small and large AND is viewed as an essential part of developing the capital market in a nation.
- At least two thirds of WFE Members are demutualised including London Stock Exchange Group Plc, Deutsche Boerse AG, Hong Kong Exchanges and Clearing Corp., Japan Exchange Group, Nasdaq, CBOE, CME Group, ICE, Australian Securities Exchange, the Johannesburg Stock Exchange, Bursa Malaysia, and the Philippines Stock Exchange.

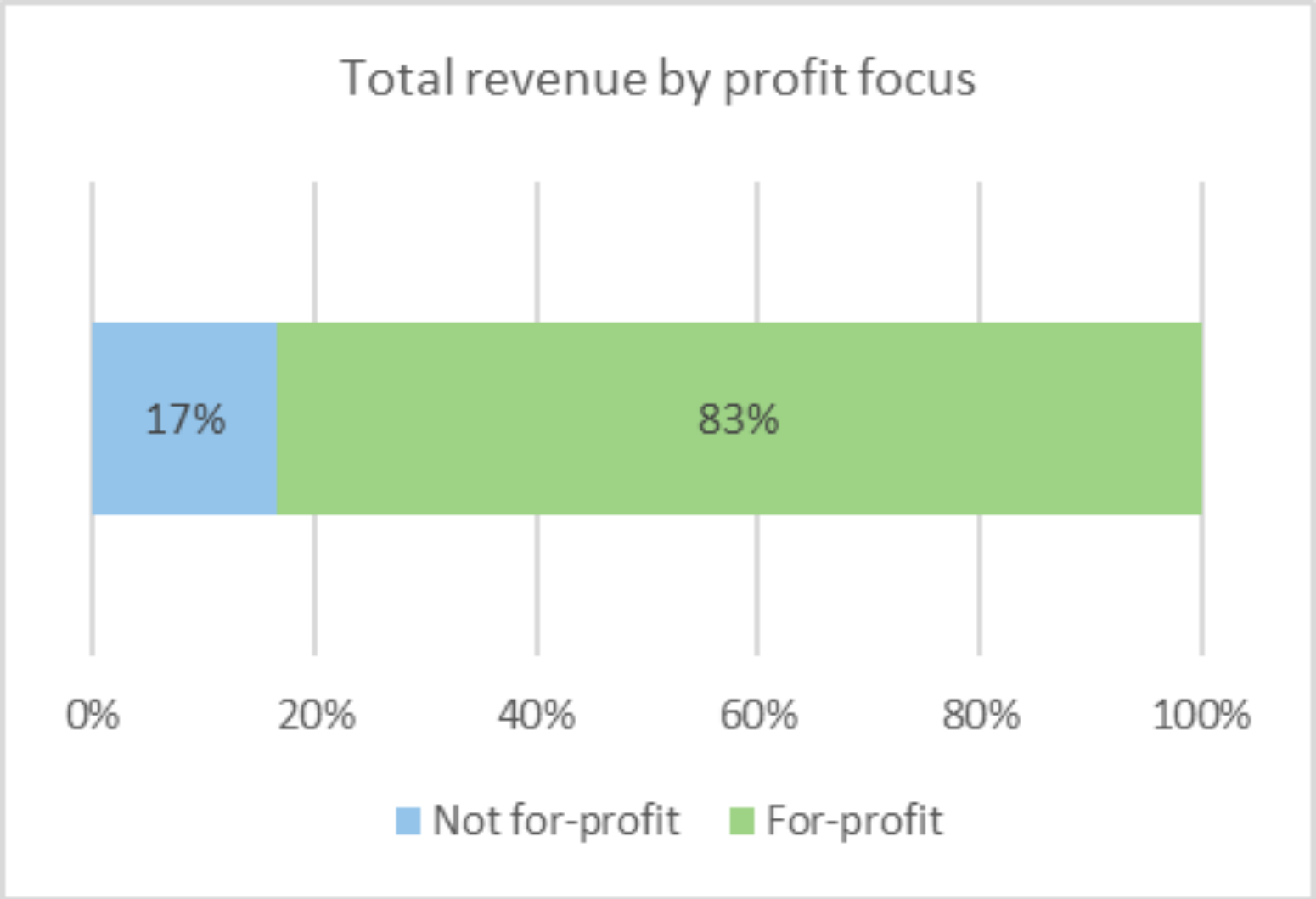
WFE Member Survey June 2020:



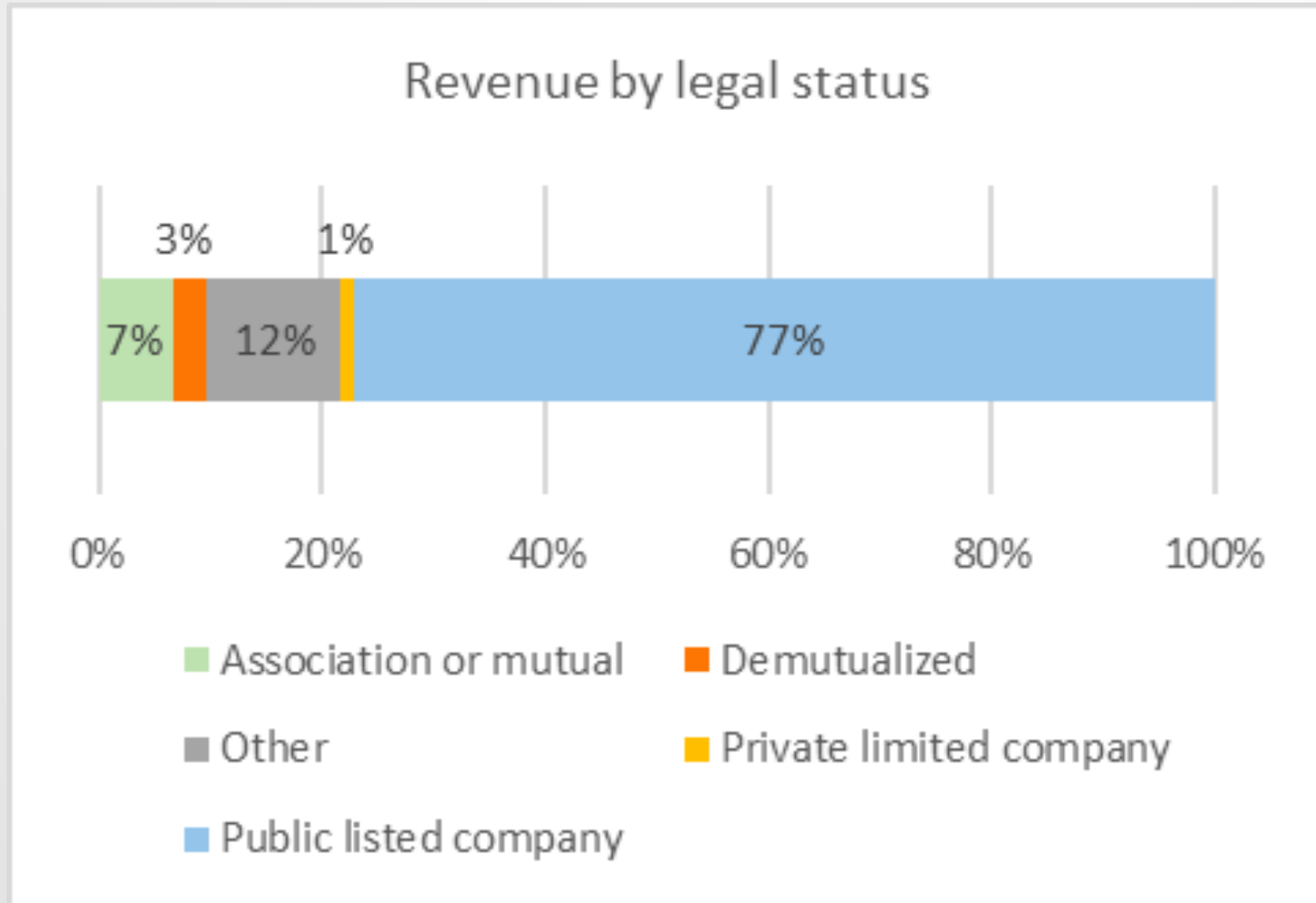
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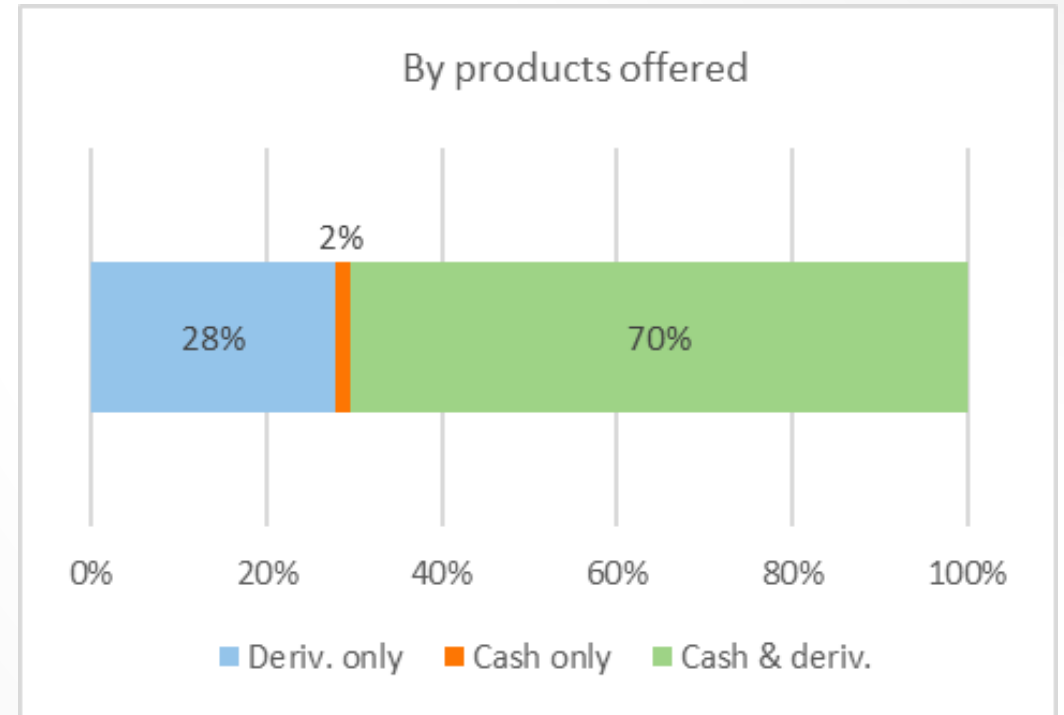
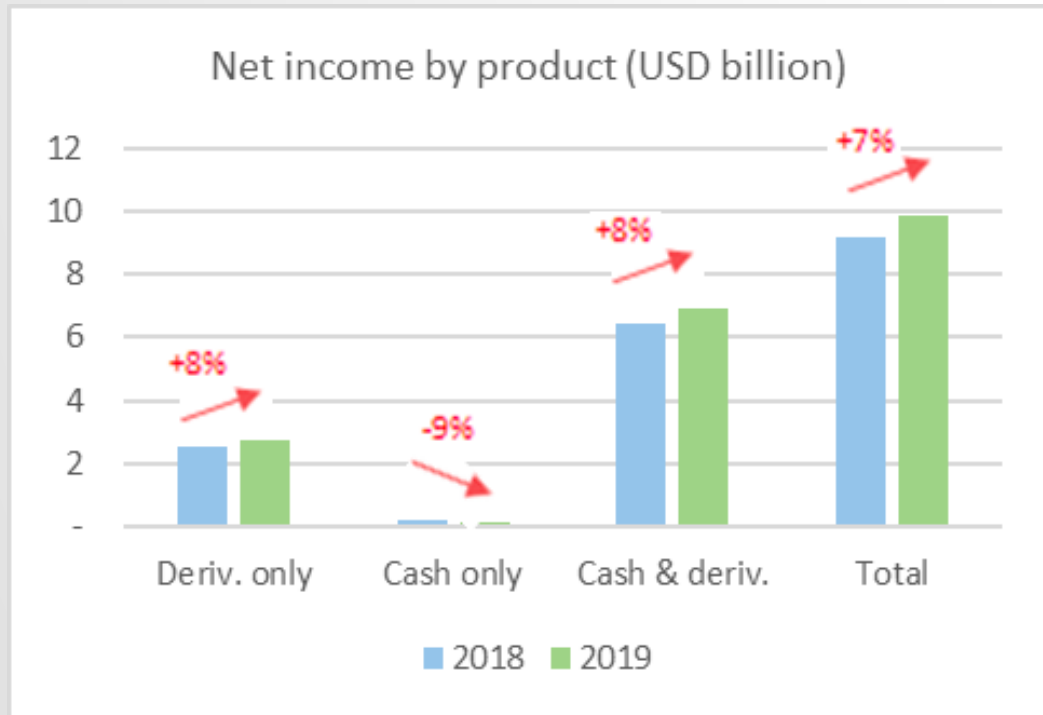
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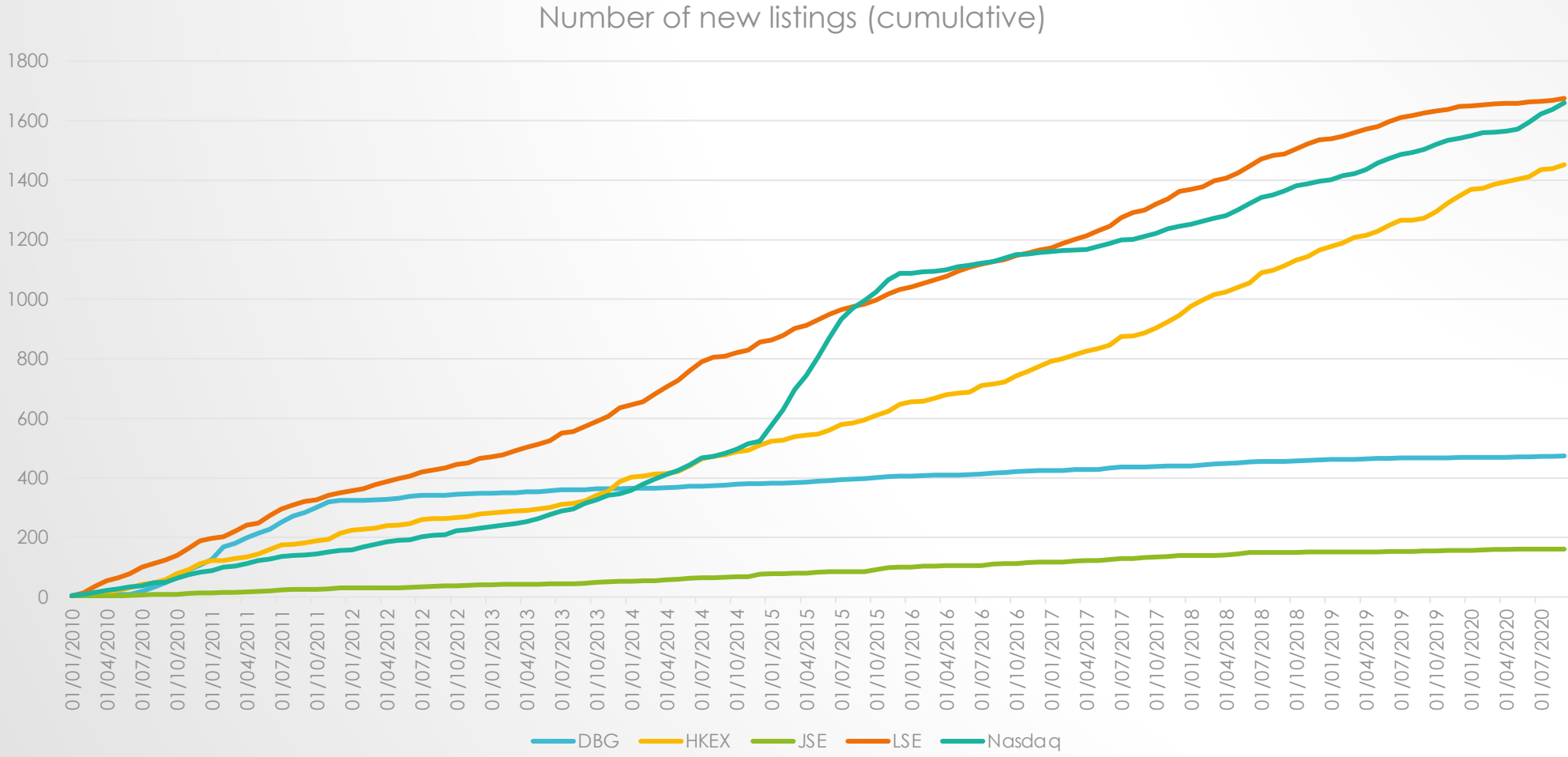
WHY DO EXCHANGES DEMUTUALISE & LIST?

- To improve organizational effectiveness
- To improve market quality and liquidity
- To improve corporate governance, transparency and accountability in a way that listed companies demonstrate
- To improve the performance of the exchange, including the ability to compete globally
- For financing to invest in improving the business especially on technology and innovation
- For financing to enable strategic expansion including consolidating other markets and acquiring assets in adjacent industries. Exchanges today have diversified businesses

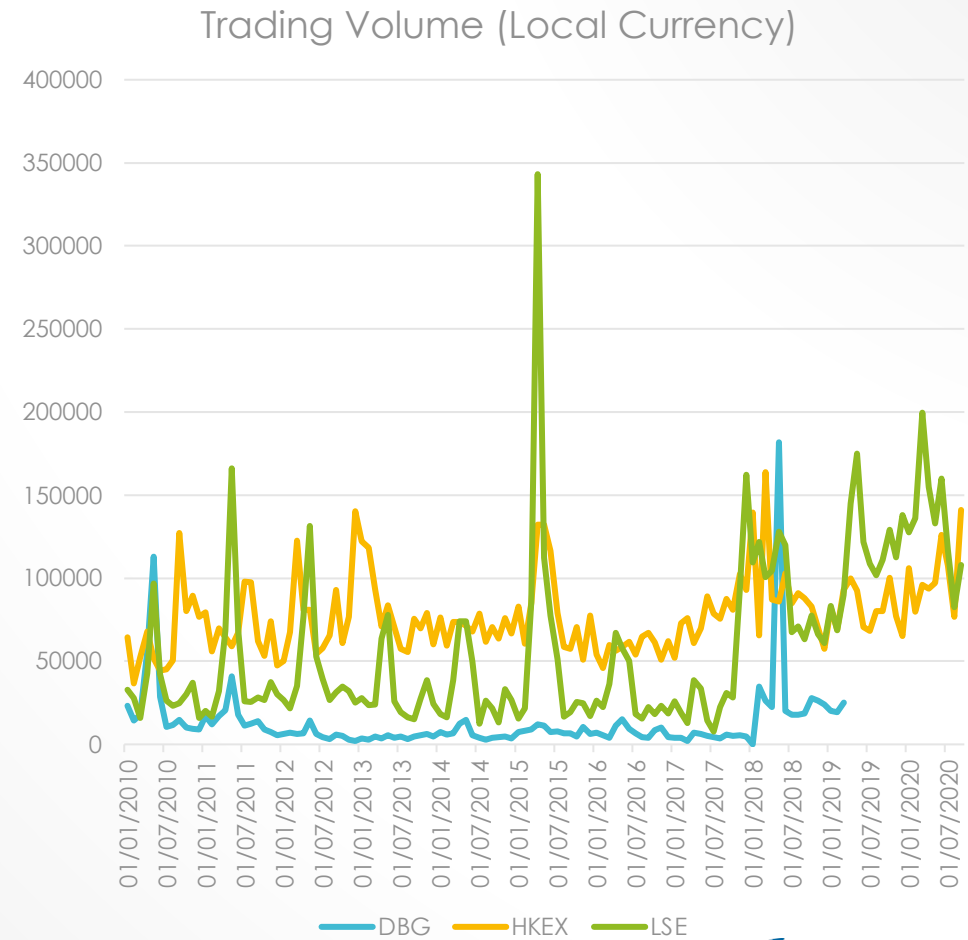
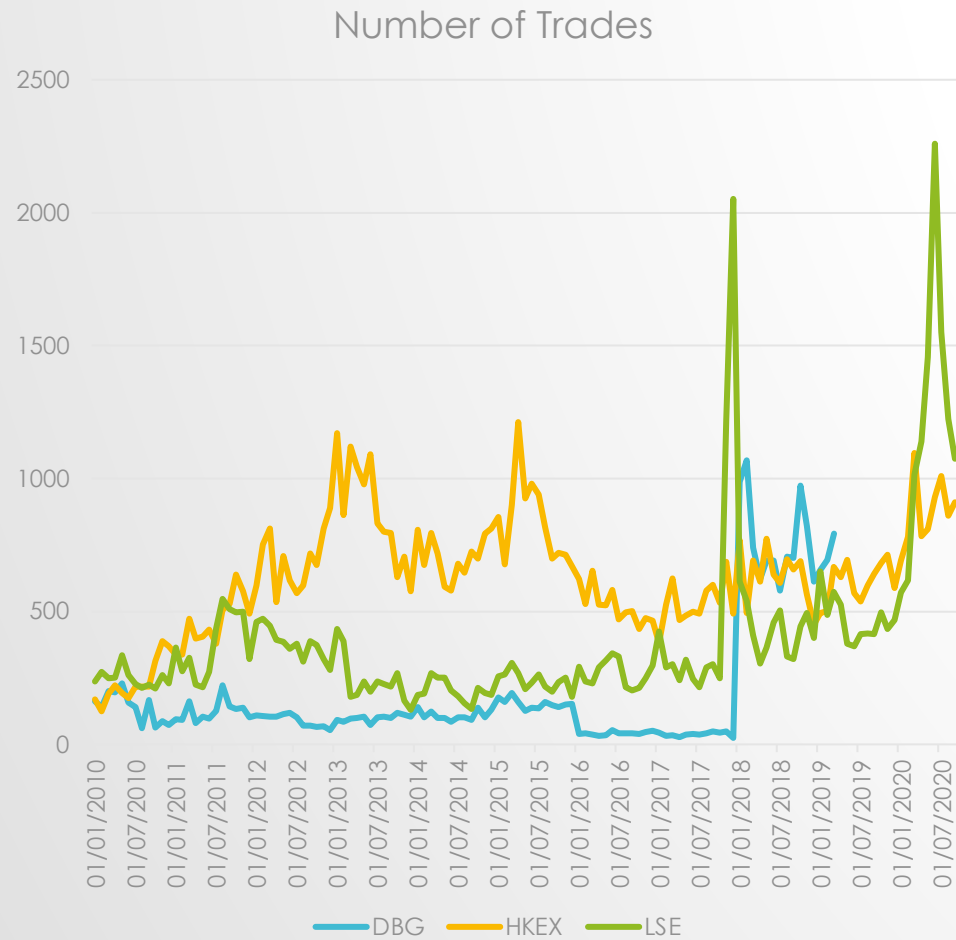
WFE Member Survey June 2020:



Number of New Listings (Cumulative)



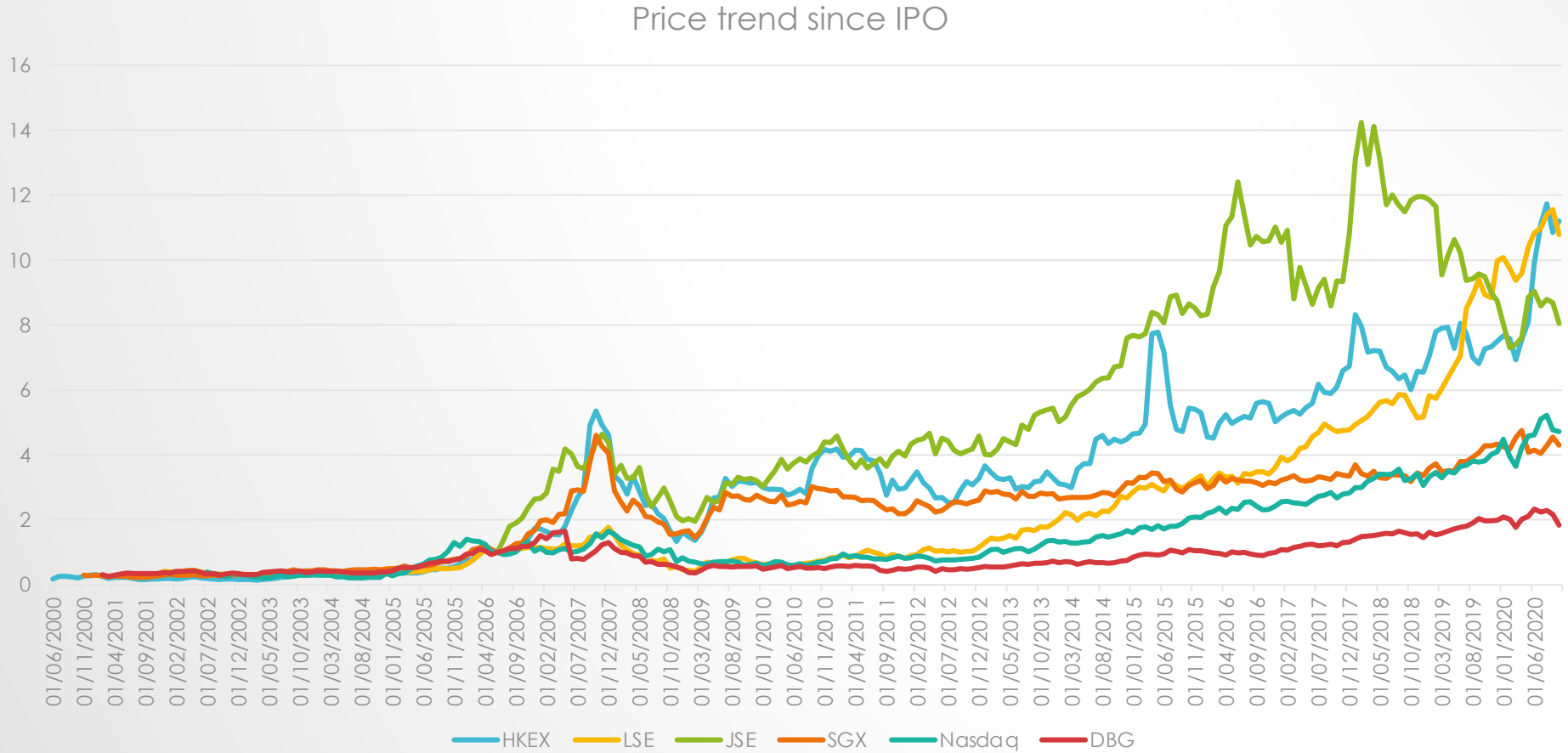
Trading Activities



WHY DO MEMBERS WANT EXCHANGES TO DEMUTUALISE & LIST?

- To realise the value of a historical asset
- To improve market quality, liquidity, trading costs and price volatility
- To ensure the exchange is an efficient, well run, dynamic organization
- To realise a unique opportunity that can create value through the demutualization & IPO but then allows the member to once again purchase stock to have ownership in addition to being a customer
- To ensure there's sufficient investment in market infrastructure

Price trend since IPO



*All prices are normalised by the price on June 1st, 2006



Composition of 40 WFE Member Exchange Groups by Legal Status
(as of December 2019):

Public listed company (21 exchanges)	
Amman Stock Exchange	Euronext
ASX Australian Securities Exchange	Hong Kong Exchanges and Clearing
B3 - Brasil Bolsa Balcão	Japan Exchange Group
Bahrain Bourse	Moscow Exchange
BME Spanish Exchanges	Multi Commodity Exchange of India
Bolsa de Valores de Colombia	Palestine Exchange
Bolsa Mexicana de Valores	Philippine Stock Exchange
Bursa Malaysia	Singapore Exchange
CME Group	Tel-Aviv Stock Exchange
Deutsche Boerse AG	TMX Group
Dubai Financial Market	
Demutualised exchange with transferable ownership but not listed (4 exchanges)	
Bolsa de Comercio de Santiago	SIX Swiss Exchange
National Stock Exchange of India	Stock Exchange of Mauritius

Composition of 40 WFE Member Exchange Groups by Legal Status
(as of December 2019):

Private limited company mainly owned by its members (3 exchanges)	
Hochiminh Stock Exchange	Taiwan Futures Exchange
Luxembourg Stock Exchange	
Association or mutual (2 exchanges)	
Shanghai Stock Exchange	Taipei Exchange
Other legal status (11 exchanges)	
Borsa Istanbul	Saudi Stock Exchange (Tadawul)
Cyprus Stock Exchange	Shenzhen Stock Exchange
Dalian Commodity Exchange	The Egyptian Exchange
Kazakhstan Stock Exchange	The Stock Exchange of Thailand
Malta Stock Exchange	Zhengzhou Commodity Exchange
Muscat Securities Market	

SOME QUESTIONS FOR FURTHER DISCUSSION:

- How will a demutualisation of the exchange enable greater and swifter capital market development?
- What is the role of the regulator and of the government in relation to a demutualised exchange in Nigeria?
- What is the right SRO model for the Nigerian market?
- How will conflicts of interest be effectively managed?
- What investment is needed to enhance the effectiveness of the Nigerian capital market?
- How can the demutualisation of the exchange facilitate Nigerian's destiny to be a leading capital market both globally and in Africa?