The Nigerian Stockbroker

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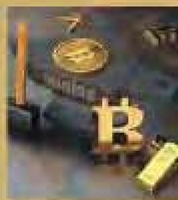
"Our Stock Market beat Inflation last year" - Amolegbe

Pilot Questions of CIS' New Syllabus

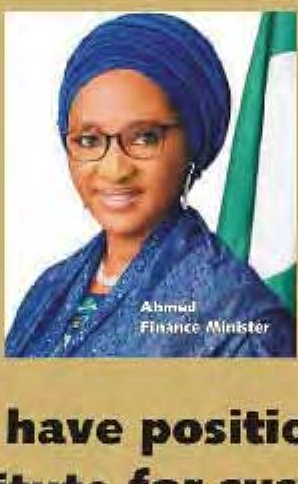
Cryptocurrencies and the New Normal



ABC of Demutualised NGX

Digital Assets 101

Appraising Nigeria's Debt Profile



Ahmed
Finance Minister

Burden of Financial Advisors in Post-Pandemic Era

"We have positioned the Institute for sustainable Growth"- Ajadi

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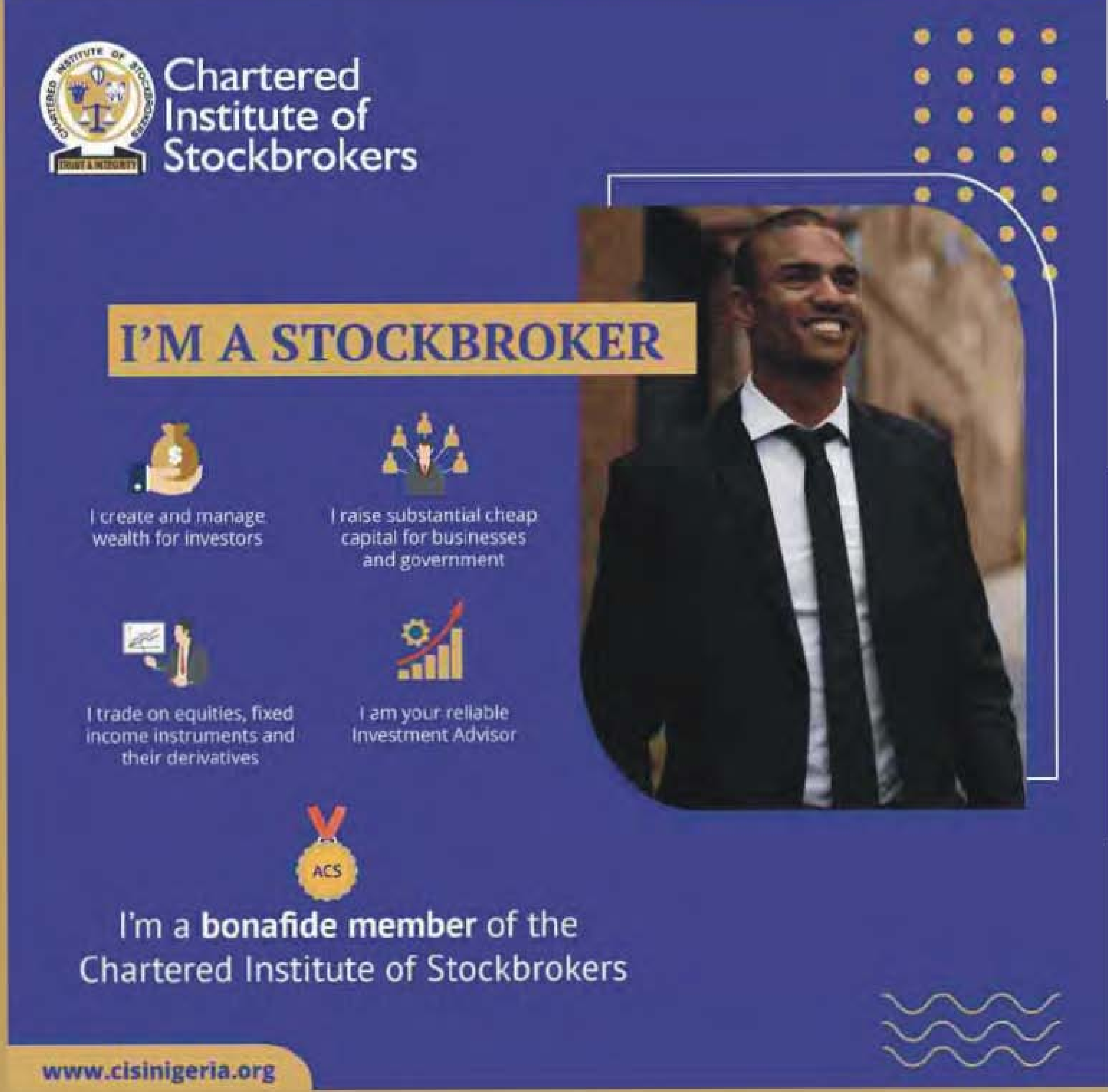
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Farewell, Covid, Welcome, Digital World!

After going through one of its most harrowing years ever, the world is gradually returning to normal following the landmark discovery and subsequent distribution of Covid-19 vaccines to all parts of the world. The biggest fallout of the 'pandemic season' that has streched from January 2021 till date is the migration of business and economic processes to digital.

Trading in the capital market went digital almost immediately after the first corona virus case was announced in the country. The Chartered Institute of Stockbrokers' (CIS)' training programmes also went the same route. More corporate organizations have reduced their physical office hours in favor of a mobile operation system that sees their staff working from home for most of the week. Zoom and similar apps have become synonymous with meetings and have made the organization and staging of conferences a lot easier, cheaper, and more productive.

During these transformations, the use of digital assets, including cryptocurrencies has been substantially amplified. This resulted in the Vice President of the Federal Republic of Nigeria, Prof Yemi Osinbajo SAN, at a point having to intervene by urging the regulatory authorities in the Nigerian financial system to study the phenomenon and come up with effective rules to guide the market. Feelers at the time of writing this piece indicate that the apex bank regulator, Central Bank of Nigeria may unfold Nigeria's own digital currency before the end of the year.

This edition of your favorite finance industry magazine, The Nigerian Stockbroker (TNS), is primarily focused on the digital era, and we have assembled some of the most knowledgeable and renowned writers to produce well- researched and impactful articles on various areas of digital technology.

A former President of our Institute's Governing Council, **Michael Itegboje, FCS** has in the recent past demonstrated full grasp of Cryptocurrency in various fora. His explorative piece titled **"Cryptocurrency and New Normal"**, a must read for regulators, operators, investors, analysts, and researchers in the financial market, uniquely emerged our cover story for this edition. The Cover Story is reinforced by another analytical article titled **"Digital Assets 101"**,

crisply put together by the **Chief Executive Officer of NASD PLC, Bola Ajomale, FCS**, while our celebrated United States'-based Investment Advisor, **Tayo Shebanjo, FCS**, leaning on his global experience, offered securities dealers in Nigeria an insight on how to operate optimally in his piece: **" Advisor in the Pandemic Era"**

The rising debt profile of Nigeria has attracted much attention and commentary in recent years: The trio of Oluwaseun Arambada, Kelechi Chidi-Ihuoma, and Habeeb Jimo, provided a comprehensive article titled **"Nigeria's Debt Profile: Appraising the Current Situation"** and lots more juicy stories.
We have created a special **Youth Corner** to cater for our CIS' Student Members and teeming followers of the Securities and Investment profession in our academic institutions and lots more stories. In this edition, the CIS' Education Department presents some **Pilot Questions and Answers** for students of the CIS Professional Examinations.

We thank our friends and partners, **Stanbic IBTC Securities Ltd, NASD OTC, and Kedari Capital** for supporting this publication with their adverts. We also appreciate our astute Publications Consultant, SOFUNIX PRESS and two staff of CIS' Secretariat, Genevieve Ilona and Adewale Lawal whose behind-the-scene support for this publication cannot be glossed over.

All roads lead to Transcorp Hilton Hotel, Abuja, the Federal Capital Territory (FCT) in August 19 this year for the **CIS National Workshop**. The engaging forum will attract a cream of top-level decision makers in the polity and economy to set agenda on the realistic measures to salvage the Nigerian economy and financial market.
And finally…

After serving the Institute diligently, including two terms as the Registrar and Chief Executive, our own **Adedeji David Ajadi, FCS**, retires in July. As a mark of honour fully deserved, **The *Nigerian Stockbroker*** undertook an exclusive interview with the Chevening Scholar, where he spoke extensively on his career at the Institute and the high and low moments.

Happy reading!

Edikan Ekong, FCS
Editor

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ON DIGITAL ASSETS 101

Bola Ajomale FCS, FCA, MCSI

In this analytical piece, the Managing Director of NASD Plc, Bola Ajomale puts into perspective, the structure of Digital Assets and advocated increased tempo of activities in the Digital Asset ecosystem

Technology continues advancing with geometric strides enabling products, strategies and unexpected outcomes. Demarcation lines between digital assets blur and Crypto Critics eye Digital Dreamers nervously (worldwide). Financial authorities attempt to anticipate risk, while capital markets prepare for an inevitable explosion either beneficial or otherwise.

Type	Regulation	Howey Test	Characteristics
Securitised Tokens	Regulated in most jurisdictions Including US, Japan, Israel EU, Brazil. Banned in China	Pass	A highly innovative digital asset Similar to an equity stake Fractions large investments Comes with Value or Stakeholder Rights Establishes Smart Contracts on DLT Interest in underlying ecosystem
Tokenised Securities	SEC	Pass	A digital asset that can still run outside DLT Like normal equity but on DLT Easy to migrate from traditional securities Uses latest technology Covers both debt & equity Interest in underlying asset
Utility Tokens	None	Fail	A right to a product. Not an investment instrument The product of an ICO User tokens and app coins Not subject to Federal laws
Crypto Currency	Not controlled by any Central Bank	Fail	A Peer-to-Peer Electronic Cash System A currency. Not an investment instrument Decentralised with no central authority. Each currency has a native blockchain as Issuer Does not give up control in the underlying venture

HOWEY test:	In 1946, the US Supreme Court in the case of SEC (US) v. W.J. Howey Co. applied this test to determine what qualifies as an "investment contract" and would therefore be subject to U.S. securities laws. This test is now critical in determining if a crypto or ICO is an investment - or a gamble.
DLT	Digital Ledger technology
ICO	Initial Coin Offerings

In Nigeria, the Central Bank placed an outright ban on anything crypto, which was followed by an encouragement to take a more contemplative approach by the country's Vice President Professor Yemi Osinbajo.

In the table below, Bola Ajomale documents a few nuances of Digital Assets and their uses.

Considerations	Uses	Example of users
Complex and risk is unclear	Raising capital through STOs	Mayfair Gallery
	Tokenised IPOs	Equity crowdfunding issuers
	Reg A+, D, S capital raises (USA)	PE / VC Sales
		ERC -20 tokens
		FileCoin Blockchain
		WePower (WPR)
Disruptive to the existing order	Works on both private and public markets	Real estate development
Reduces counterparty risk	Secondary trade of securities	Cooperatives
speeds transactions to real time	Provides direct investor access	Unlisted Securities
Operates in the same manner with existing markets on modern technology		SIX Swiss, LSE, NASDaQ
Cannot be reclaimed. But can purchase goods and services	Discounts, Loyalty rewards and product launches	Airmile plans
		Uber Token
	Has no secondary value	Suregifts (digitised)
	Not usually transferrable	DealDey (digital)
Speculative, volatile with no underlying value	Used to pay for goods and services	BitCoin
	To raise funding via ICOs	Neo
	To replace fiat money	CentraTech (scam example)
A gamble that values will continue upwards		
Heavily dependent on marketing and hearsay		

Pre-covid, the digital world was expressing great innovativeness. It would be interesting to see more dynamism in this space as the post-covid new world intensifies evolution.

Bola Ajomale FCS, FCA, MCSI is the Managing Director NASD OTC Securities

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DECONSTRUCTING NNPC's PROPOSED INVESTMENT IN PRIVATE REFINERIES

Dr. Emeka Okolo, ACS

The Nigerian National Petroleum Corporation (NNPC) is the only known state oil corporation in the country. Established on April 1, 1977, it was given powers and operational interests in refining, petrochemicals and products transportation and marketing, in addition to carrying out exploration activities.

Since 1977, the corporation has emerged as a behemoth of some sort. To date, the corporation owns and operates four refineries scattered across the country: two in Port Harcourt and one in Kaduna and Warri respectively.

As a state oil corporation in charge of four refineries, not a few were naturally jolted by its recent pronouncement to stake up to 20% equity in some private refineries, given its crass mismanagement of the state-owned ones. It had already zeroed in on six of such refineries for investment!

It anchored its decision as keeping in line with a federal government's policy which designated the mandatory participation of the corporation in any privately owned refinery that exceeded 50,000 barrels per day capacity. It further posited that being a national oil company of Nigeria, it has the dual role of providing stewardship for the nation's hydrocarbon resources and adding value to the country's resources for the benefit of citizens and other stakeholders.

The icing on the cake, as propounded by the corporation is that the move will "grow domestic refining capacity, improve petroleum products supply from our local refineries, and become a net exporter of petroleum products".

Ordinarily, one will not raise eyebrow, regarding a corporation eager to earn returns from anticipated viable investments, in this case some oil refineries. However, a lot of issues need to be ascertained before informed decisions can be taken.

Though the corporation has made it clear that investing in the private refineries will not dissuade it from pursuing its rehabilitation of the Port Harcourt refinery, the cost of which has been put at a staggering US $1.5 billion, a pertinent question remains: how many times in the last two decades did the NNPC post profit arising from managing the refineries

under its custody? Using the obnoxious and antiquated government policy of investing in a refinery that exceeds 50,000 barrels per day capacity as a smokescreen, the main objective of investing in the private refineries is unarguably to share in the expected profits that would accrue from better management of these refineries. Though it makes business sense to seize opportunities when they occur, on what moral platform does the corporation stand in investing in refineries that will be expectedly better managed?

As a state corporation, charged with providing energy security for the country, what guaranteed protection will the NNPC give to Nigerian citizens if it is both an investor and a regulator in the downstream of the petroleum industry? How will the Corporation manage the conflict of interest that may arise from pursuit of profit and enforcement of game rules?

With the corporation running its refineries (premised on the fact that the government has not decided on privatizing them) and investing in others, will there actually be a fair competition between the corporation's refineries and those it is investing in? This is clearly a step towards oligopoly.

What is the guarantee that the corporation may just be contented with equity stake of 20% in any of the refineries? When the game becomes juicy, won't the government through the corporation assume majority shareholding? What is the guarantee that the government may in the future resist the temptation to take over the control of any of the refineries on grounds of "political insubordination"?

How reasonable in this era and age should the policy mandating the corporation to invest in any privately owned refinery with refining capacity exceeding 50,000 barrels per day be sustained? That policy, needless to say, is anachronistic and should be thrown into the trash bin alongside other impediments stalling investments in oil refineries in the country. Hopefully, the much-awaited Petroleum Industry Bill (PIB) will come to the rescue.

Before taking steps to invest in any private refineries, the NNPC, nay the government, should ponder on the fundamental issues raised above. However, it is often recognized that in the world of business as typified by market enterprise, decency often takes the back seat, but it should not be so always and this one should actually fall within the category of such exceptions.

Dr Okolo is the Chief Dealer and Head, Business Development and Strategy, Molten Trust Ltd.

SUMMARY OF TRAINING/CPD CALENDER FOR THE YEAR 2021

Course Title	Venue	Date	Fee (N)
Financial modeling and forecasting	Virtual	19th June, 2021 MCPD N10,000	N15,000
Understanding the Fintech Advantage in crowd funding	Virtual	30th June, 2021	N20,000

Course Title	Venue	Date	Fee (N)
Fundamental Analysis in Securities valuation	Virtual	14th - 15th July, 2021	N15,000
Modern Portfolio Management Techniques	Virtual	28th - 29th July 2021	N30,000

Course Title	Venue	Date	Fee (N)
Effective Marketing of Financial Services in The New Normal	Virtual	11th August, 2021 MCPD N10,000	N15,000
Accounting & Finance for Non- Finance	Virtual	31st Aug - 1st Sept 2021	N30,000

Course Title	Venue	Date	Fee (N)
Maximizing opportunities in non-listed securities	Virtual	16th Sept. 2021	N10,000
Ethics and Professionalism as Critical Success Factor in Financial Services	Virtual	30th Sept, 2021 MCPD N10,000	N15,000

Cryptocurrencies and the New Normal

By Mike Itegboje, FCS

The dramatic shift towards investment in Cryptocurrencies has turned the platform to digital gold. Experts say the digital money has potential to transform the financial sectors as every participant stands to gain. But with any opportunity comes risk. In a lucid prose, a former President of the Chartered Institute of Stockbrokers (CIS), Mr Mike Itegboje, FCS, captures the unfolding conversation on Cryptocurrencies and the New Normal and advocates sound regulation for the financial products to stand the test of time.

Introduction

A changing world: Will the world ever be the same again after Covid -19? Almost every area of life has been affected, some for good and some for bad, reminding one of the lyrics of a song – Some are mourning, some are celebrating- by Felix Liberty in the 1980s. On the business side, some businesses are shrinking while others are booming. New businesses, in tandem with the times are springing up as start-ups, especially in the field of Information and Communication Technology (ICT). Old but hitherto neglected business ventures suddenly have become commonplace. Investments through the stock market has suddenly become more relevant again after the hiatus of the 2008/2009 financial markets crash.

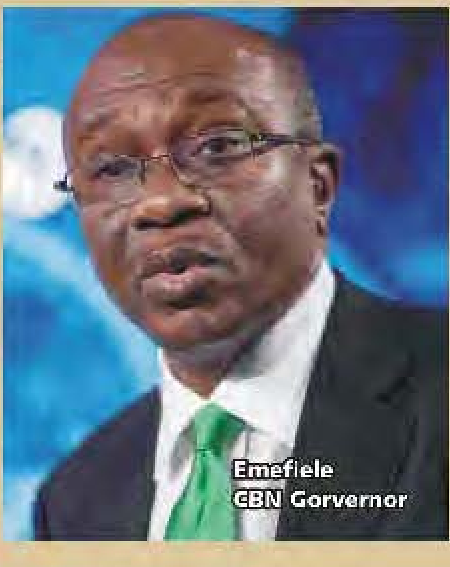
Cryptocurrencies, especially Bitcoin that came up at the time of the financial crises, has become the new kid on the block of investments.

There seems to be a frenzy of interests and activities around Bitcoin and many people wonder why. Yet myriads of people do not seem to even know that there is anything like Cryptocurrencies or Bitcoin.

The reason is not far fetched; we are in the middle of a Bitcoin or digital currency mania, with unreasonable levels of euphoria, volatile mood swings etc. The social media have been awash with news (true and false) about money to be made in Bitcoin. (Bitcoin is used here to represent digital currencies, except where otherwise specified)

The period of the pandemic, especially the months of complete lockdown with most people at home,and a lot of idle time, was the time people became inundated with information, especially on the opportunities in the Cryptocurrencies space. A lot of Internet-savvy young people found that space worth exploring for making money. The unemployed among them became attracted to this new money-making machine. The questions to ask are: what are Cryptocurrencies? Why is there a sudden surge of interest in Cryptocurrencies? Are there benefits that are magnetizing investors toward the new kid on the block? What is the difference between Cryptocurrencies and fiat money? What is the technology behind Cryptocurrencies?

Are Cryptocurrencies regulated? What is the future of this investment platform?



Emefiele
CBN Gorvernor

What is Cryptocurrency?

Cryptocurrency is a specific type of money that exists in electronic form, stored in applications or electronic 'wallets' and accessed exclusively via electronic devices. Specifically, it is digital money or currency, not Paper or Fiat money. Digital currencies are secured, using an encryption method – with the currency details stored using distributed ledger technology (DLT). Cryptocurrencies are privately issued and not backed by assets or regulated by governments and have defined or limited supply.

According to Investopedia: Cryptocurrencies are systems that allow for the secure online payments, denominated as virtual "tokens," which are represented by ledger entries that are internal to the system.
According to Coindesk, owned by Coinbase, a Cryptocurrency Exchange, "cryptocurrencies and the blockchain technology that powers them make it possible to transfer value online without the need for a middleman like a bank or credit card company or brokers".

Origin of Bitcoin

The failure of the world's financial systems exemplified by some terrible crashes like that of 2008/9 gave birth to the idea of an alternative to fiat money. In October 2008, Satosi Nakamoto released a document, called a white paper, which he titled "Bitcoin: A Peer-to-Peer Electronic Cash System." Some months earlier, Nakamoto and a group of volunteer researchers had proposed different versions of the concept in forums and email threads. It was in 2008 the group agreed to call their baby Bitcoin(The Bitcoin White PaperSource: SatoshiNakamoto). In May 2016, a guy, by the name Craig

Wright from Australia, in an interview with the BBC identified himself as Satosi Nakomoto, vowing that he would not appear on any screen or in public after that interview. Whether he is the real Satosi Nakomoto (a pseudonym) is still debatable. While the financial crash of 2008, which sent into oblivion financial behemoths of the like of Bearn Stearns and Lehman Brothers, was the trigger that shot Bitcoin into the financial orbit, the Covid-19 pandemic gave it wings to soar. COVID-19 has exposed the failings of our financial system and crypto offers an alternative to it.

...Soaring interest in cryptocurrency

Every investor that follows a due process in Cryptocurrency shall make money. In March 2020 just before the world - wide lock down, due to Covid - 19, Bitcoin (BTC) bottomed at about $3000 USD from a previous height of over 19,000 USD in December 2017. Then came the pandemic and by December 2020, the price of BTC had climbed to almost $40,000. At the one-year anniversary of hitting the bottom, the price has been above $50,000actually crossing the $64,000 mark on the 13th of April 2021. From 3000 to 60,000 is a phenomenal increase in a world in which many countries experienced recession and with interest rates flat at zero or negative. "Trading in BTC or Crypto became a gainful occupation for millions of people across the globe". (Alyssa Hertig at Coindesk, Jan 2021) In a report she wrote that trading bitcoin is a way for some to escape poverty, while learning to trade bitcoin has become a valuable skill set for Africans looking to boost their income. Also, the high unemployment rate among employable youths, put at about 27 percent in the last few years, has fuelled the advent of Nigerian youths into bitcoin and cryptocurrency trading. Some smarter-IT-savvy youths have become entrepreneurs by setting up crypto trading exchanges or platforms.

One other factor fuelling the business of cryptocurrency is the problem associated with foreign exchange supply and demand, especially as it affects importers of goods and services. For this group of Nigerians to procure scarce foreign exchange from the banking sector is tantamount to the proverbial camel passing through the eye of a needle. Some fortunately found solace in the bitcoin payment system as they could pay for their goods with cryptocurrency almost real time with less bottlenecks.

Lately, the entrant of big commercial and financial players into the crypto space not only fuelled demand, but also gave authenticity and legality to the business. Some of the big players include but not limited to the following: Master Card, PayPal, Perfect Money, JP Morgan, Wall Street, Amazon, eBay, Visa and Alibaba while Facebook Inc has created its own coin called Diem.

Bitcoin leaped above $48,000 for the first time ever, after Tesla said that it would soon accept Bitcoin as payment for its vehicles. The electric carmaker, led by crypto enthusiast, Elon Musk, also disclosed that Tesla was holding $1.5 billion of reserve cash in Bitcoin rather than traditional currency. In the past two months, more financial and financial payment companies have come out to explain why they are patronizing Crypto. Meanwhile, Coinbase Global Inc. the largest U.S. Cryptocurrency Exchange, on April 14, 2021 went through a direct listing on the Nasdaq. The debut was the first major direct listing to take place on the Nasdaq. "The Coinbase direct listing is a major milestone for the crypto industry. It will allow investors to gain exposure to the business without having to own actual cryptocurrencies," said Carlos Domingo, CEO of Securitize, a digital asset securities firm.

Bitcoin isn't the only digital currency that's surging: Ethereum has nearly tripled this year thanks in part to its role as the primary method of payment used for non-fungible tokens, or NFTs. It's now worth about $250 billion.

Why investors jostle for the block?

The phenomena rise in the value of most cryptocurrencies in the last few years have made it an investment haven for investors looking for opportunities to make money. Many enthusiasts believe Bitcoin is the digital Gold. Even non-enthusiasts like the US Federal Reserve Bank Chairman, Jerome Powell reiterated that bitcoin could be considered a substitute for gold, thus bolstering the view of many market participants that bitcoin is a new digital gold. Powell, however, warned of the high volatility of bitcoin.

Benefits of Cryptocurrencies

The decentralized nature of crypto is the biggest benefit derivable from their usage. Investopedia identified the following as major benefits of cryptocurrency:

1. User Autonomy

The primary attraction of bitcoin to many users, and indeed one of the central tenets of cryptocurrencies more generally, is autonomy. Users are able to control how they spend their money without dealing with an intermediary authority like a bank or government.

2. Discretion

Bitcoin purchases are discreet. Unless a user voluntarily publishes his Bitcoin transactions, his purchases are never associated with his personal identity, much like cash-only purchases, and cannot easily be traced back to him. In fact, the anonymous bitcoin address that is generated for user purchases changes with each transaction.

3. Peer-to-Peer Focus

The bitcoin payment system is purely peer-to-peer, meaning that users are able to send and receive payments to or from anyone on the network around the world without requiring approval from any external source or authority.

4. Elimination of Banking Fees

While it is considered standard among cryptocurrency exchanges to charge the so-called 'maker' and 'taker' fees as well as occasional deposit and withdrawal fees, bitcoin users are not subject to the litany of traditional banking fees associated with fiat currencies. This means no account maintenance or minimum balance fees, no overdraft charges and no returned deposit fees, among others.

5. Very Low Transaction Fees for International Payments

Standard wire transfers and foreign purchases typically involve fees and exchange costs. With Ripple, international payments across borders can provide value real time between customers in different countries unlike what currently operates with Swift.

6. Mobile Payments

Just like many online payment systems, bitcoin users can pay for their coins anywhere they have Internet access. However, unlike online payments made via bank accounts or credit cards, personal information is not necessary to complete any transaction.

7. Accessibility

Because users can send and receive bitcoins with only a smartphone or computer, bitcoin is theoretically available to populations of users without access to traditional banking systems, credit cards and other methods of payment.

8. Easy and accessible loans

Loans can be collaterized with other cryptocurrencies. For instance, one could pledge Bitcoin to raise funds to buy Ethereum until the loan is repaid, without losing the Bitcoin value.

What is the technology behind cryptocurrencies?

Blockchain is the technology that drives bitcoin and other cryptos.

Blockchain is a system of recording information in a way that makes it difficult or impossible to change, hack, or cheat the system. A blockchain is essentially a digital ledger of transactions (DLT) that is duplicated and distributed across the entire network of computer systems on the blockchain. Transactions are recorded with an immutable cryptographic signature called a hash. This means if one block in one chain was changed, it would be immediately apparent that it had been tampered with. If hackers wanted to corrupt a blockchain system, they would have to change every block in the chain, across all of the distributed versions of the chain.

Are Cryptocurrencies regulated?

Regulation of cryptocurrencies is a current risk element. Not much regulation is going on because most Government agencies cannot control blockchain technology.

However, some cryptocurrencies Exchanges, especially publicly listed ones, self-regulate and must comply with the rules of the regulatory authorities. They require KNOW YOUR CUSTOMERS (KYC) details for participants to be allowed to transact on the exchanges. By the nature of blockchain, transactions on it can be traced and are public. Only the addressee can claim the currency sent through the blockchain. However, the unfolding transition to cryptocurrency globally demands that the block must be well managed, coordinated and soundly regulated.

Conclusion: The Future of Cryptocurrencies

Cryptocurrencies have come to stay just like paper money did when the Chinese invented it hundreds of years ago. Also, when people first started online trading of currencies, most thought it will go away. Today daily trades in forex are valued at over 5.6 Trillion US Dollars despite the risks involved. Trading in digital currency, still in its embryonic state, will become common place as more people understand it. Like everything new, there are teething problems, which will be overcome with more finetuning and innovation. Decentralization of finance, particularly payment system is very attractive. Even national governments are working on creating their own digital currencies called stablecoins thus giving legitimacy to digital currencies. According to Li Bo, Deputy Governor of the People's Bank of China (at a CNBC organized forum in Beijing on the 18th of April 2021) "we regard Bitcoin and stablecoin as crypto assets…These are investment alternatives". Will investing in digital currency become the new normal? Time will tell.

Itegboje, FCS, was a past President of CIS.

Burden of Financial Advisors in Post-Pandemic Era

By Tayo Shebanjo, FCS

For millions of people, what we previously referred to as "normal life" was rudely challenged in March of 2020 when the COVID-19 pandemic led to the complete shutdown of nearly all facets of our lives. We could no longer physically go to work, church, stadium, social gatherings, etc., and even our children stopped attending in-person classes. We were asked to stay at home, not entertain guests or neighbors, and soon after, we started donning face-masks to prevent the spread which already was recording high mortality numbers in different parts of the globe.

We can then say for many of us, life will be viewed through pre and post COVID-19 lenses, when all the stress is over. For Financial Advisors in Nigeria, business was already experiencing some stressful signals before the virus rudely interrupted everyday living. The regulatory requirements were ever-changing, the competitive landscape was getting tougher, many companies were not sufficiently capitalized to take on newer challenges and multi-faceted firms were encroaching on each other's terrain.The Nigerian Financial Advisor needed to up his game to be globally competitive. When we refer to the Nigerian practitioner as Financial Advisor, the term is used loosely to include trade finance houses, stockbroking firms, corporate finance lenders, venture capitalists and the burgeoning hedge fund players, all of whom have been jostling for the same space, the stressors that have been building up over the years, shaping and re-shaping the financial arena, eventually culminated in the peak last March. We may continue to see more of the executive burnout and stress-induced malaise being experienced by Financial Advisors in many parts of the world even when life returns to normal, whatever "normal" means to us going forward.

The essence of this write-up is to caution fellow professionals to watch their physical, mental and emotional wellbeing to ensure that they do not succumb to physical or emotional ailments that can result in a damaging burnout.

In the present-day financial planning practice, Nigerian advisors should aim at being specialists as opposed to being generalists and master of none. I know for fellow stockbrokers and investment bankers;the trend is mostly to run and solicit for clients in the same ponds. We all love to solicit and market our products and services to banks, insurance companies, pension funds, state and federal government staff funds, universities and other public institutions, high-net worth individuals and the like. The better alternative will be for an advisor to actually create or find his own niche-market and develop skills and knowledge in that area. Better to specialize in particular areas of the practice. Your niche may be to serve as a long-term financial planner to one of the following; teachers, doctors, young professionals, priests, sundry traders and other specialized persons. The advisor should go to the basics and learn about particular blocs of the population, research them, their habits and their future plans, help them save money and plan investments towards specific goals and aspirations. Plan on the long haul with them and eschew quick results and easy money. These people will remember you when they are older and have saved more funds for investment. This was one of my traits as a younger financial planner and stockbroker.

An advisor should build a personal brand and have a professional trait. If you are dependable, honest, open and very attentive to your clients, there will always be a referral door open to you if you need recommendations from your dependable clients. One of the

most important habits to ensure you include in your branding is to always be a good listener. In your practice, ensure that you have a solid customer-care desk your clients can call for clarification or direction. Never leave your paying clients in a lurch and always make time to return calls. Never denigrate or lessen the importance of any client as you don't know what tomorrow holds. You also know that you should never compromise on the level of the services that you promise, always aiming higher. If you promise to call someone back or send them some information, make sure you or someone in your office keeps the promise and the deadline.

In my experience both in Nigeria and in America, people never fail to recognize a snub, and they will not forget the slight. Make sure you listen to your clients and ask for clarification if the scenario is grey. It costs much more to clean up mistakes, some of which may be irreversible. Update your clients on the changes in the financial environment and avoid being reactive to events and circumstances. Be very knowledgeable about your industry and keep your reading up to date.

As you continue to serve your clientele, ensure that you also pay attention to your own personal and business interests also. Carefully plan for the growth of your business and your personal life. Ensure that you design your personal financial plans and plan for your own retirement. Make sure that as you give advice to your own clients, you should also make concrete arrangements for your retirement savings account, life insurance, health-care in old age, children's education, investment-savings accounts, and as always, ensure you have an emergency fund for contingencies.

I know it is very difficult in our industry, but ensure that you get regular exercises, eat healthy meals and get good sleep to reduce your potential negative stress. A 2019 CNBC survey found 71% of financial advisors claimed they experienced some moderate to high negative stress because of work. The W.H.O. also in 2019 officially recognized workplace burnout as an occupational phenomenon. We therefore need to always do a self-check-in with ourselves and measure whatever the stressors may be. As much as we aim to be successful in our practice, we need to be aware that as humans, we are not immune to the travails of work.

To ensure that we lessen the effect of stress or potential burnout in our lives, we can adopt some of these best practices; If you are really feeling stressed about work, please talk to someone about it and tell them what you are going through. Avoid playing macho and keep this anomaly to yourself. You may confide in your significant other or seek professional help. Always strive to control what you can in your environment like getting to work on time, creating a "to-do" list, preparing a daily agenda for yourself and following up on tasks as much as you can. As for the things out of your control, if it's not going to lead to an unacceptable outcome, do not worry too much about it. A good example is the COVID-19 pandemic which sent millions of people indoors or working from home and has brought many governments and global brands to their knees. No one saw that coming. One way to enjoy your work-life is to take periodic breaks from work. Take regular lunch breaks and go outside or just take a walk. I used to take lunch-time naps in my car, setting my phone-alarm to wake me up at the desired time. It gave some respite from the workday repetition. More importantly, schedule regular one-day vacations at intervals and just de-compress at such times. According to Janet Briaud of Briaud Financial Group "stress comes and goes. The stress doesn't come from what happens to us but from how we think about it".

In managing our stressful situations, have some solutions that work for you. One way that I dissipate mine is to read books and magazines. Reading is still one of the best ways to enjoy "me-time". Your choice of literature is what you have to figure out. I like to read diverse selection of management books, biographies, Black history and activism books and self-improvement selections. There is an author I love whose books have been life-changing to me. He talks about humans and how we can develop our minds, control our environment and enjoy life as a result of real "consciousness". I recommend these two books by Eckhart Tolle; "The Power of Now" and "A New Earth-Awakening to your Life's Purpose".

I will therefore encourage my fellow colleagues to ensure that in these changing times, we need to look after ourselves and plan for an enjoyable time in retirement.

Shenbanjo, MBA CLU CLTC, is a Financial Advisor and Corporate Compliance Practitioner based in Columbus, Ohio.

ABC of Demutualised NGX

by David Adonri, ACS

Demutualization is coined from the word "*Mutual*". A mutual organization is an association, set up by members to satisfy their narrow interest or to serve public interest under a charter. They are generally not-for-profit entities in which members are also their customers. Stock Exchanges began as private clubs that eventually adopted formal structures by granting seat to members, which entitled them to trade on the Floor of the Exchange, and right to vote on the Exchange's affairs. Members were prohibited from trading with non members, a kind of monopoly that is no longer tenable in today's competitive economies. Under the traditional mutual model, Exchanges earn revenue through membership dues, trading fees charged to members on every transaction, initial and annual listing fees charged to listed companies, sale of data and other information to members and the public. Homogeneity of members lent itself to the mutual association model when Market Operators were bound by same commission rate and other execution conditions.

The mutual society model was the traditional way of organizing Stock Exchanges until 1990s when the forces of liberalization and globalization ushered in drastic changes to the global financial landscape. One of such changes was the departure from mutually organized Stock Exchanges to demutualized Exchanges.

Demutualization is the term used to describe the transition of a Stock Exchange from a mutual association of Exchange members, operating on a not-for-profit basis to a limited liability company, operating for profit and accountable to shareholders. Demutualization in it's many forms

has become a widespread phenomenon globally since 1993, when the Stockholm Stock Exchange blazed the trail as the first Exchange to demutualize. Several other renowned Stock Exchanges like Amsterdam, London, Deutsche, Paris, Hong Kong, Toronto, Chicago, NASDAQ, etc followed suit in quick successions. After several years of resisting the domino effect, the highly revered New York Stock Exchange that was established in 1792 succumbed to the inevitable and demutualized in 2006. Africa has also had it's fair share of demutualization. Johannesburg, Nairobi, Mauritius, Seychelles, Rwandan, Casablanca and BRVM, Stock Exchanges in Africa are demutualized.

With passage of the Demutualization Act by the National Assembly, and approvals by SEC and CAC, The Nigerian Stock Exchange (NSE) has become the latest Exchange to be demutualized. The NSE was was established by an Act of Parliament in 1960 as a mutual, not-for-profit organization, limited by guarantee of it's members. For sixty years of existence, it has functioned as a charitable organization, consisting of members but not owners. It's surplus income was not distributable but retained. The situation has now changed because of it's new corporate status. It can now make profit, distribute same to shareholders and also pay corporate income tax.

The journey to demutualization started around 2009, during the tenure of Oba Otudeko as President and Professor Ndi Okereke-Onyiuke as Director General of The NSE. The decision was made in 2009 or thereabout by the Council of The NSE at a special retreat in South Africa. Soon after that retreat, Council of The NSE descended into a brutal power struggle which many believed was attributable to the jostling between contending principalities for ownership of the proposed demutualized Exchange. Twelve years after the idea was muted, the demutualization has crystallized without any of the contending adversaries hijacking ownership of the Exchange. Actualization of The NSE demutualization without any rancour is a remarkable event and a watershed in it's ana of history.

Demutualization of Exchanges decouple membership (and voting rights) from the right of access to trading. Without demutualization, an Exchange continues to be an extension of the interest of it's mutual members. When those interests start to divert and are no more common, innovation and competitiveness are impeded. Demutualization depersonalizes those interests by altering the governance structure of the Exchange although, it's operations and services may remain the same. Demutualization can rid an Exchange of corrupt self regulation as evidenced by the credibility crisis that rocked The NSE between 2005 and 2009, and spur governance beyond the narrow interest of members. It can move the Capital Market beyond the narrow interest of members by creating a more market oriented Exchange. The Exchange may still be regarded as serving a public function and may act as a self regulating organization (SRO). However, access to trading becomes a matter of contract with the Exchange; with Brokers and Dealers simply signing in as users or participants.

Several changes in the Capital Market necessitate demutualization. Internationalization of financial services continue to breakdown the traditional structures that favour local intermediaries which large global financial institutions have less stake in. The logic of the traditional member - run Stock Exchange has now been eroded and the business goals of Exchanges have changed. Exchanges are increasingly becoming technology and liquicity providers, requiring expertise, skills and ingenuity that may be much different from those endowed by only situating around brokerage business.

Demutualization has mainly been driven by business considerations rather than regulatory concerns. It has been looked at as a means of meeting developmental and competitive challenges and even to address failure to carryout credible operations. Due to growing liberalization and deregulation of economies, several areas of monopoly are being opened up to competition. As a result, many Security Exchanges are springing up in local markets, causing widespread competition. Due to competition among Exchanges, attracting listings has drastically changed in dynamics. Globalization has also heightened global competition among Exchanges across borders. Disruption by Fintech has broken down barriers to shifting of liquidity between Exchanges worldwide, online and realtime, taking competition for liquidity to unprecedented levels. One response to these increasing competition, particularly across borders from large Exchanges that draw listings and trading globally, has been the formation of strategic alliances and mergers between smaller Exchanges. For example, Euronext Exchange which is an alliance between Paris, Amsterdam and Brussels, enables them to compete effectively against London and Deutsche Stock Exchanges. Demutualization made it possible. This is a possibility that was hitherto not available to The NSE. The NSE is now open to alliances, merger and acquisition from interested parties worldwide, under well defined and quantifiable value exchange rate.

An important reason for demutualization to corporate organization, is to unlock more avenues for capital mobilization, to finance operations and strategic plans. Beyond the traditional sources of funding itself, The NSE has unlimited access now to mobilizing funds from the investing public worldwide, through issuance of it's own securities. Demutualization leads to capital raising flexibility. The NSE can also now maximize it's profits by commercialization of it's services in line with what the market can bear. This expected enhancement in financial status will enable The NSE to continuously upscale in every ramification.

There are several models of demutualization. In some instances, limitations are imposed by law on the maximum ownership stake a shareholder can have in the demutualized entity. The Demutualization Act of The Nigerian Stock Exchange, together with the rules of SEC puts this at 5%. Demutualization may also be partial, where the shares of the emergent company are held privately by erstwhile mutual members. However, demutualization of The NSE is full because it's holding company will be listed and publicly traded. Any investor can buy the shares of The Nigerian Stock Exchange PLC after listing in due course.

Demutualization creates special corporate governance needs due to the public interest responsibilities of Stock Exchanges, and their position in the financial structure of economies. As Exchanges become demutualized, their regulatory role becomes more difficult and yet, the advantages of self regulation are not easily discarded. Demutualization will not erode the standards for participants and issuers, nor the enforcement of those standards, despite need to achieve competitive edge. A new dilemma is also introduced into the equation by virtue of being a regulator and an issuer, if the demutualized Exchange is also listed on it's Exchange for trading. To forestall any conflict of interest that may arise, The NSE has established an independent regulatory company to regulate its market dispassionately. This should elicit issuers' and investors' confidence in The NSE, notwithstanding its new conflicting roles in the Capital Market.

While demutualization is seen as a cure for the crippling self interest attendant to mutual organizations, the transformation can lead to sacrifice of ethics and professionalism (which are hallmark of fraternities), at the alters of commercial expediences. This will challenge stakeholders to balance the public interest role of the Exchange with it's commercial goals. Since the investing public will be controllers of the governance of the emerging Stock Exchange Group, shareholders will certainly ensure that the standards of corporate disclosure, transparency, trust and integrity expected from public quotation, remains the hallmark of the new entity. The Nigerian Stock Exchange PLC, by virtue of it's listing, will definitely add to the profitable, safe and liquid investment outlets in the Capital Market in which investors can deepen their investment choices.

ADONRI, is the CEO, HIGHCAP SECURITIES

LEVERAGING LESSONS OF COVID-19 FOR CAPITAL MARKET

By Edikan Ekong, FCS

In December 2019, a new disease labeled Coronavirus Disease 2019 (aka Covid 19) was observed in China. Less than two months later, the World Health Organisation (WHO) had cause to declare a global health emergency directly related to the disease, and eventually on March 11, 2020, Covid 19 was declared a pandemic. By 21st May 2021, 166m cases of Covid 19 had been reported worldwide with 3.43m deaths.

The impact of Covid 19 on the global economy can only be described as devastating. Desperate containment measures, including partial and wholesale lockdowns, wearing of nose masks, adherence to social distancing and use of sanitizers among others were enforced by governments in various countries to stem the tide with different outcomes. The measures have created disruptions in the organic functions of every society. The pandemic resulted in re-ordering of the status quo, creating a world with new systems, cultures, and priorities which have become new normal. The World Bank estimated a 6.9% contraction in global Gross Domestic Product (GDP) in 2020 while the International Monetary Fund's more bullish analysis came up with a negative growth figure of -3.5%. The Low- and Middle-Income Countries have been particularly hit, especially with the increased pressure on their already weak health infrastructure. Nigeria is not an exception.

The Securities and Exchange Commission (SEC), on April 16, 2020, inaugurated the Capital Market Support Committee on Covid-19 to coordinate the capital market's efforts in mitigating the impact of the pandemic on the vulnerable and less privileged. The Committee has been busy, distributing palliative items to various parts of the country, particularly those places where the most vulnerable abound.

Although the pandemic is not yet gone as at the time of writing this piece, there is a reasonable measure of optimism that with reasonably potent vaccines in circulation since December 2020, there is cause to be optimistic that the worst is over

with respect to the most damaging health crisis witnessed by modern society.

What will the new world be like, post-covid, especially with respect to my constituency, the capital market? The answer, I think is already here with us: a new normal, a new way of life, a new economic order. There are already indications that measures that were initially intended as quick fix have had such amazing impact to be considered permanent.

I have collated and articulated my vision of business life post - covid, which I want to share with you. I believe these critical areas of covid – induced adjustments may just define the shape of our new way of life, in micro and macro dimensions.

Review of Business Processes for Continuity

While desperate measures were introduced at the corporate level to mitigate the effect of the pandemic on corporate performance, it has been realized now that many of those measures should have been introduced much earlier. A floorless Stock Exchange, for example, was initially an emergency action, but has since had such an impact that makes it likely to be retained as a permanent feature of the capital market.

At my personal level, I have also come to realize that my work as a researcher / economic analyst has been far more productive and articulate since being compelled to work from home. It has become more convenient to research and write, sleep, wake up and just continue from where you stopped. It suddenly dawns on me now that the combined 4 hours on average that I spent on the road just to get to the office and return home every day were such a waste.

Organizations are fast taking these factors into consideration in designing (or re-designing) their work processes. The entire operational network will be made flexible and adaptable to emergency scenarios. Operational Manuals will be re-designed to reflect an effective Business Continuity template which will be revised regularly, at least half yearly. In doing this, management will identify which aspects of the firm's operations are particularly vulnerable in the event of disasters and make appropriate arrangements to address those areas.

Communication

Serious and forward-looking organizations have seen and accepted the urgency of putting in place an official Communication Policy containing, among others, an approval mechanism that does not require paper. This is done in various ways; through a robust ERP solution, approved email, skype or Whatsapp accounts. Whatever means adopted are such that the messages are recordable and easily retrievable when required. Events such as General Meetings, training programmes and examinations are being structured to operate through both physical classrooms and online platforms, with the ultimate long-term vision favoring online mode.

In the capital market, regulators have seized on the opportunity to create new, short cut processes using digital technology. I believe that the processes of registering new securities, renewing registration licenses, and others will be a lot faster, cost effective and seamless, going forward.

Accounting

Accounts Departments are developing flexible processes that ensure cash flow and ancillary finance operations are minimally impacted in crisis periods. These payments platforms are fully integrated to enable online payments by customers without any need to visit the office. This also means that the accounting software is robust enough and fully integrated with the website and payment platforms.

Marketing and Customer Service

The vision for the marketing function is perhaps the most realistic, because a lot of it is already in wide usage. Most medium to large scale firms have already developed a framework to engage customers remotely, with minimal need for those customers to visit the office. Organizations are identifying unique business opportunities in various disaster situations and putting ready plans and tools in place to take advantage when the need arises. For example, some products may get a competitive advantage during a social disaster situation. If the organization is prepared, they can take advantage immediately.

Business owners and managers have realized the importance of creating corporate websites and social media sites that are optimally efficient, interactive, and consistent in performance, attracting as many followers and daily visitors as possible. To maximize management output, the site managers are increasingly providing management with relevant analytics - quantitative and qualitative - on the performance of the organisation's web platforms on a regular basis.

Human Resource Development

Achieving satisfactory operational standard at a competitive level in the new world will require substantial investment in the firm's human resources. Staff, especially those performing essential functions will be provided with mobile office tools like laptops, mobile phones and data, etc. These will be complimented by robust training on Information Technology (including cyber security) and effective customer service, among others.

Budgeting for Business Continuity

One of the accentuated trends induced by Covid-19 is that an increasing number of business enterprises have begun to set aside a significant percentage of their annual budgets for Business Continuity. In many cases, the fund is appropriated monthly and put in a dedicated account till the end of the year. The global pandemic has highlighted the need for every corporate organization to have a workable Business Continuity Template in place; the purpose being to have a ready-made alternative arrangement for the organization to continue its operation unfettered, or with the minimum possible disruption during an unexpected disaster. The template should also provide a strategy for the firm to resume normal operations at the fastest possible time when the crisis ends. An institution that displays an effective business continuity strategy during a social crisis obviously will gain a higher level of trust from its customers and through that, win over more customers. Apart from the pandemic - induced lockdowns, there are various other situations that can trigger a similar impact on society: For instance, the fire outbreak in Bookshop House back in 2017, forced the tenants to relocate without the privilege of any prior planning. Consequently, instituting an effective business continuity template is an absolute necessity for all categories of business enterprises.

In conclusion, this paper has attempted to establish the fact that innovations forced on business enterprises during the covid-19 pandemic have become, collectively, a necessity even in the face of a healthy, pandemic – free society. The Nigerian Capital Market has to build on the new processes adopted in the past year and a half and continue to harness the power of technology in forging a truly world class market.

Ekong, FCS, is the Head, Research & Technical, Chartered Institute of Stockbrokers

PHOTO NEWS

Chairman, House of Representatives' Committee on Capital Market, Hon. Babangida Ibrahim, ACS, with CIS' Principal Officers and Immediate past President, Dapo Adekoje FCS

CIS celebrates Int'l Women's Day, L-R Edikan Ekong, Lillian Olubi, Prof. (Mrs) Ndi Okereke-Onyiuke, OON, Tunde Amolegbe, Elizabeth Ebi, Mike Itegboje, and Fiona Ahime.

CIS' Principal Officers' courtesy visit to Prof. (Mrs) Ndi Okereke-Onyuike, OON, former Director-General of The Nigerian Stock Exchange (now NGX), outgoing Registrar and Chief Executive, Adedeji Ajadi, FCS with CIS' President, Olatunde Amolegbe, FCS and 2nd Vice President, Oluropo Dada, FCS

Members of CIS' Disciplinary Tribunal and Investigative Panel with Emeritus Judge, Justice Adesuyi Olateru-Olagbegi (4th from Right)

Outgoing Registrar, CIS, Adedeji Ajadi, FCS, with 1st Vice President, Oluwole Adeosun, FCS

CIS' Principal Officers' courtesy visit to Hon. Minister of Education, Mallam Adamu Adamu in Abuja

The Chairman, Stanbic IBTC, Atedo Peterside (middle) and his wife with Tunde Amolegbe, Adedeji Ajadi and Edikan Ekong during Peterside's Investiture as Honorary Fellow of CIS

Managing Director, Lagos Commodity and Futures Exchange (LCFE), Akin Akeredolu-Ale, FCS (2nd left) with Tunde Amolegbe, Ropo Dada and Adedeji Ajadi during signing of MoU between LCFE and CIS.

PHOTO NEWS

CIS' Principal Officers' courtesy visit to Bank of Industry's Managing Director, Olukayode Pitan

CIS' Principal Officers' courtesy visit to Minister of Industry, Trade and Investment, Otunba Niyi Adebayo in Abuja.

CIS' Principal Officers' courtesy visit to Executive Chairman, FIRS, Mohammad Nami in Abuja.

President and Chairman of Governing Council, CIS, Tunde Amolegbe, FCS, welcoming guests at CIS' 2020 Annual Conference

Senator Ibikunle Amosun, Chairman, Senate Committee on Capital Market, presenting a paper at CIS' 2020 Annual Conference

Governor Gboyega Oyetola, Governor, State of Osun, speaking at CIS' Annual Conference 2020

Deborah Fuhr, Managing Partner, ETFGL, UK, speaking at the CIS' Annual Conference 2020

Our Stock Market beat inflation last year, Says Amolegbe

In this interview, the President and Chairman, Governing Council, CIS, ***Mr Olatunde Amolegbe,*** *FCS, speaks with Nigerian Stockbroker on wide range of issues on market development, including the new model of Institute's certification processes in line with the global standard.*

The Stock market in Nigeria has been largely characterized by uncertainty over a long period. What will you attribute to this?

The global financial system melt down which hit Nigeria in 2008, followed by the banking sector crisis of 2009 led to massive losses to investors. Sadly, the fear still lingers even though the Nigerian capital market has undergone tremendous restructuring and improvement leading to the market being the best performing in Africa in 2017 and the best in the world in 2020.

Second, is the sometimes-inconsistent raft of economic policies from our policy makers, which tends to send the wrong signals to investors, eg the last MTN saga. Third is the fact that foreign investors constitute a significant proportion of investors in the Nigerian capital market, and these foreign investors are known to be nomadic in nature, fleeing to any destination that offers them superior returns.

At this period of negative return on investment what are the options for equity investors?

The perceived negative returns is generalized and is part of a normal price movement cycle. The market will soon move into bullish territory. Meanwhile, note the bullish run of Eterna Oil recently, just like MTN last year. So, with good investment advice from your stockbroker you can always beat the market and inflation. Please note that our Stock market beat inflation last year. Investment in equity is a hedge against inflation. An investor enjoys capital gain, dividend and bonus sharers. The combination of these can serve as a hedge against inflation.

In what way is the Chartered Institute of Stockbrokers handling investor education?

We undertake Career Talk programmes in various academic institutions across the country every year. We have also structured many of our CPD presentation to benefit non-members of the institute.

How will you explain the demutualsation of The Nigerian Stock Exchange, now The Nigerian Exchange Limited (NGX) to a lay man?

It simply means that the Exchange has transformed from a not-for-profit entity to a full-fledged profit-making enterprise.The Exchange has since changed its name to The Nigerian Exchange Goup (NGX) with two subsidiary companies

also created.

What are the benefits of demutualisation to the investors and the market?

The Exchange will become more efficient in delivering world class services.

Anybody can now buy the shares of the NGX, as it is quoted on the NASD OTC market.

How can the Nigerian Capital Market attract foreign portfolio investors (FPI) and foreign Direct Investment (FDI) in the wake of the ongoing tough operating climate.?

First, there must be consistency in government policy formulation.

The investment climate in the country should be significantly improved, ie multiple taxations, infrastructure etc.The overall insecurity situation should be contained.

What should be done to attract more indigenous investors into the stock market?

Enlightenment to the investors that the market is now safer and more dynamic than 8 and 9 years ago. The financial journalists should join hands with CIS to pass correct and cogent information to the investors. The market is virtually a virgin territory now, but most potential investors do not know. People need to be educated about the vast benefits of investing in the stock market. Look at the extremely high returns that investors made in the market last year. Grant: At CIS, we have consistently embarked on a Capital Market Literacy drive every year, visiting schools as well as youth and women centres across the country, to educate the populace about the capital market. This effort can be significantly boosted if the Institute receives financial support from government and other key donor institutions.

Recently, the Chartered Institute of Stockbrokers issued a statement that it has upgraded its certification processes and procedures, can you give a background to this.?

One of the most profound new developments at the Chartered Institute of Stockbrokers (CIS) is the Specialised Professional Certification (SPC) scheme. Prior to this time, the institute had a single, omnibus Professional Qualification scheme which qualified holders for induction as full fledged

Chartered Stockbrokers. The only other certification was the Diploma in Securities and Investment (DSA) programme which is essentially a junior qualification targeted at secondary school certificate holders or professionals in fields outside Securities and Investment.

As a means of developing our capital market to global standards, we recently introduced the Specialised Professional Certification (SPC) programme which enables students of CIS' Professional Examinations to specialize in any major area of capital market activity of their choice. The options are as follows :Equities Dealing, Fixed Income Dealing, Share Registration and Custodianship Services, Investment Management, Financial Advisory and Commodity Trading and Derivatives. Meanwhile, candidates who want to go the whole hog and sit for all the course areas can still do so and receive the omnibus professional qualification.

What are the benefits of the new certification procedures?

It encourages those professionals whose jobs have basically focused on one specific area of the capital market to obtain the CIS certification within a much shorter preparation period.

It helps us to produce a larger number of competent capital market practitioners to serve the country. It is another positive step that we have taken to replicate the best standards practiced in the advanced stock markets of the world.

What policy initiatives should the federal government put in place to deepen the Nigerian Capital Market?

It is the Stockbroking firms and Issuing Houses that will create products to deepen the market.

The responsibility of government is to create the enabling environment for these Capital Market Operators to operate profitably and hire the best brains to work for them.

The CBN and banks should be more flexible and disposed towards providing liquidity to Stockbroking HousesThe market itself needs stability for new products to be created, and this can be enhanced by PenCom making it possible for Pension Funds to invest a higher minimum percentage of their assets in the stock market as done in the advanced capital markets of the world.

Nigeria's Debt Profile: Appraising the Current Situation

By Oluwaseun Arambada, Kelechi Chidi-Ihuoma, and Habeeb Jimoh

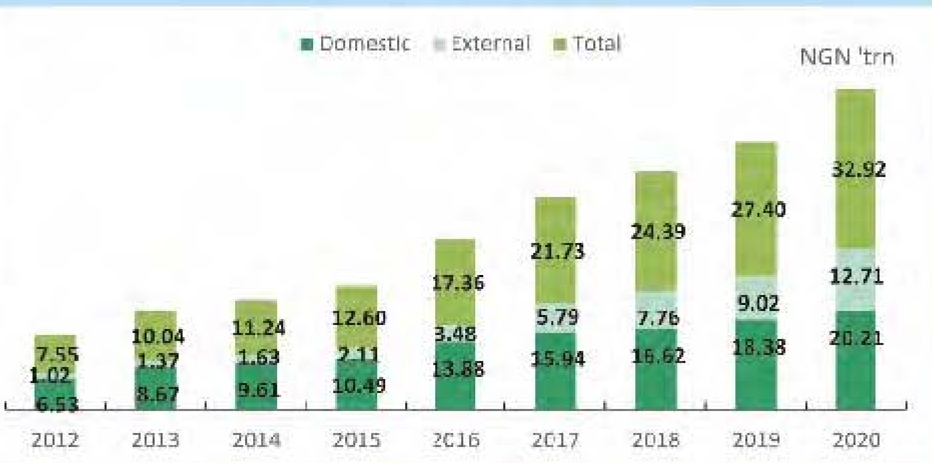
Nigeria's Debt Profile

Over the years, Nigeria's debt stock has continued to grow. In the space of 9 years, debt levels have moved from just about NGN7trn in 2012 to over NGN30.00trn in 2020. This obviously has raised fiscal sustainability concerns given the country's tardy revenue mobilization and the absence of strong GDP numbers to show for it. More-so, with this trend has come the increased appetite for foreign borrowings. Between 2012 and 2020, the composition of external borrowings in total debt stockwent from 14% to 39% and still rising.

A quick look into the country's debt history revealed that increased interest in external borrowings dates to the Reconstruction, Reconciliation and Rehabilitation initiative following the civil war. Although fiscal buffers were sufficient (largely due to the oil boom between 1971-1981) to justify borrowings at the time, realities have since changed following the oil glut that soon ensued. With crude oil prices at historic lows, meeting debt obligations became an uphill task which resulted to the accumulation of interests and penalties. The country rescheduled its external debt on four occasions between 1986 and 2000 before eventually making attempts to get a debt relief from its largest external debt provider (The Paris Club). In 2005, it successfully secured a debt relief of about USD18.00bn on its outstanding obligation of USD30.84bnfrom the Paris Club.At the time, the country's debt level was deemed unsustainable with debt-to-GDP at 58% - almost double the World bank recommended level of 30%, and debt-to-revenue at 412%.

While the external debt situation improved after the relief was granted, it did not take too long for a relapse.External debt is currently higher (USD32.35bn) than it was in 2005 (USD20.48). The Federal government'sdomestic debt has also moved northward since 2005, growing from NGN1.53trn in 2005 to NGN16.02trn in 2020.

Total Public Debt Position



Source: DMO,

At current debt levels,a key concern is the constricting fiscal space. For a developing country, fiscal deficits within manageable bands are favoured to stimulate economic growth. However, above certain thresholds, the country runs the risk of a deficit-debt cycle and a resulting debt overhang. Thus, rising debt profile narrows the room (fiscal space) in which fiscal deficits are considered healthy.Moreover, public finance in Nigeria is bedeviled by the dependence on oil revenue which opens the country to the vagaries of the international oil market. Over the years,c.65% of revenue generated has come from oil receipts and with the oil price volatility, revenue projection with reasonable certainty becomes difficult. In 2020, revenueprojection was benchmarked on oil prices at

USD57 per barrel. However, this was revised following the global health crisis which affectedoil prices negatively, thus resulting to a revision of the budget and key underlying assumptions(oilprice benchmark revisedto USD28 per barrel).For non-oil Inflows,which comprise ofCIT (Company Income Tax), VAT (Value Added Tax), PIT (Personal Income Tax), Special levies and Customsand Excise Duties, actual revenue generated from these streams continue to fall below budget estimate. According to the Budget Office,revenue from VAT fell short from projectionsby34.48% and CIT by 20.59% as at 9M:2020. The realization of revenue from the non-oil segment remains constrained by inefficiencies incollection channels.

It is important however to note that the near- medium term outlook for the oil industry is not as bright as in the past decade. We find this to be true when we consider the recent decarbonization trendsin addition to the time horizon global economic activities are expected at pre-COVID levels. Also, compliance to OPEC quota should keep production volumes at around 1.58mbpd- thus, further limitingproceeds from oil-related activities.Meanwhile, regulatory uncertainty and policy somersaults also pose downside risk to non-oil revenue.

In the2021budget,expected revenue is pegged atNGN7.99trn (oil receipts: 25.48%, non-oil revenue: 8.76% and others: 55.77%), while total expenditure at NGN13.59trn. This implies a budget deficit of NGN5.60trn. The deficit represents 3.63% of GDP which isslightly above the 3.6% threshold recommended in the Fiscal Responsibility Act, 2007.The derived deficit is expected to be funded by even more debt (NGN4.69trn), sale of Government assets (NGN0.21trn), and multilateral/bilateral project-tied loans (NGN0.71trn).From the foregoing, total debt stock is expected atNGN38.68trn in 2021.

We can posit that the current debt level is unhealthy for growth and unsustainable in the long term. Critical areas we think should be considered are revenue mobilization and reduced cost of governance.

Revenue and Expenditure Trend

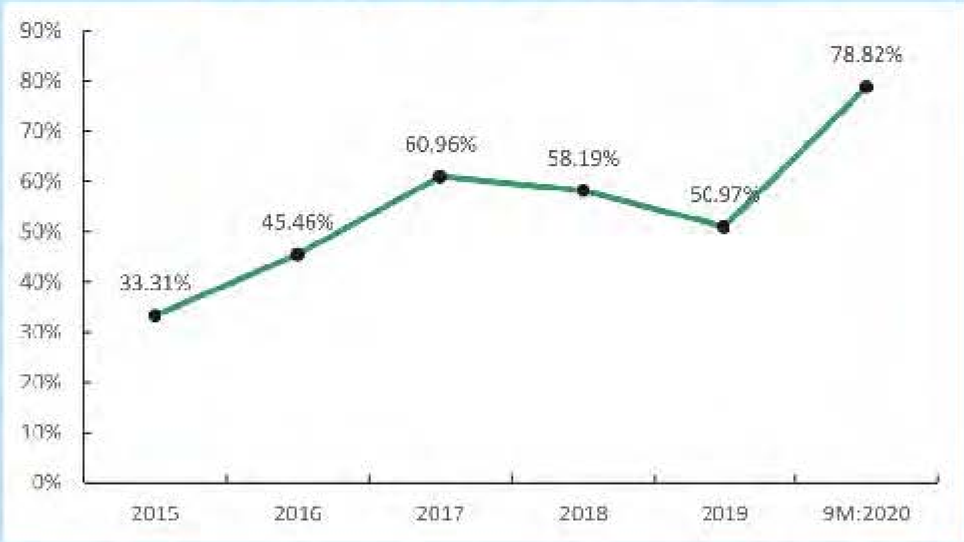
Source: Budget Office

Impact Analysis

Debt Servicing

In addition to the inadequate revenue base, the cost of servicing debts has often accentuated the country's fiscal weakness. As at 9M:2020, total debt service of the country was NGN2.01trn,representing 78.82% of realized revenue during the period.A direct consequence of this is the erosion of cash which otherwise could have been used in funding productive capital projects.In the near term, debt service to revenue is expected to remain highas government revenue remain uninspiringand debt continues to build up.Furthermore, investors are expected to demand for higher rates on treasury instruments to compensate for the extremely high inflation, thereby driving up the debt service obligation.

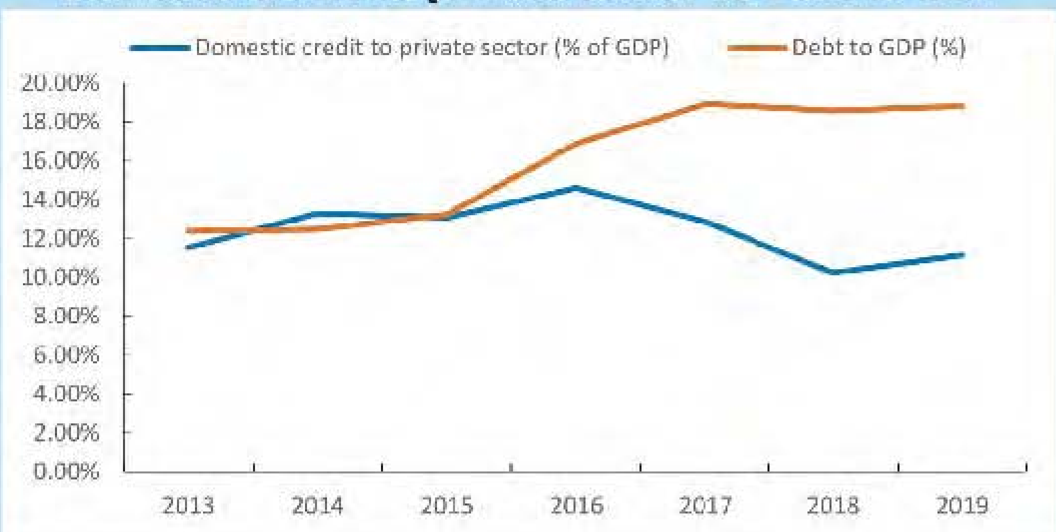
Debt service to realizedrevenue



Crowding Out Private Investment

A major cause for concern stemming from rising debt levels is the crowd-out effect on private investments. Given fixed amounts of loanable funds in an economy, increasing participation of the government in the debt market narrows the opportunity for flow of credit to the private sector. Consequently, this stifle private sector investments in the real economy. In the case of Nigeria, while the CBN's effort to improve credit to the private could be applauded, at current levels credit to the private sector pales when compared to potential funds that could flow to real sector investment. However, the appetite for government securities is best seen when we consider the level of oversubscription at treasury instruments auction.

Domestic credit to private sector vs Debt to GDP



Source: WDI, NBS

Periscoping the right Investment Ratios

By Josiah Dimeji Akerewusi, FCS, FCA, ACSI, ACTI, ANIM, MBA.

Corporate entities and individuals make investment decisions (whether long term or short term) for different reasons. It ranges from the need to generate more income in the form of return on the invested capital, save for retirement or outperform inflation. However, investment decision does not only come with returns but also with some inherent risks. Hence, making investment decision requires a holistic analysis which serves as the guiding light for investors to ensure the right balance between risk and return.

Financial ratio is one of the tools employed by investors in gaining insight into an organization's business activities, financial performance and position which is then used to determine if the entity is worth investing in. Financial ratios are generated from an entity's financial statements, used by investors to assess an entity's financial health and its ability to generate returns on invested capital. The statements serve different users with diverse needs. Users of financial statements include investors, government, employees, creditors, company's management, credit rating agencies, bank and other financial institutions, customers, competitors, and investment analysts. For instance, financial statements reveal how management has utilised entity's resources committed into its hand. Investors and investment advisers employ different financial ratios in analysing the business and economic activities of a company to guide investors in making appropriate investment decision.

It should be noted that financial ratios calculated for a company cannot be used in isolation as they have to be compared to the company's past performance, industry average and results of similar entities.

Furthermore, there are numerous financial ratios that are used for different purposes and by different users. Our focal point is on

commonly used investment ratios by investors:

1. Price-Earnings ratio

Price-earnings ratio compares the amount of the company's earning with its market share price. This ratio is considered important in making investment decision as it provides an insight on what to expect from the point of view of reward-risk on investment in a company. A high price-earnings ratio may indicate that the market expects earnings to increase in the future while a low price-earnings ratio means that a company's prospect for earning per share growth are expected to be meagre.

Price-earnings ratio= Market share price

Earnings per share

2. Earnings per share (EPS)

Earnings per share is a measure of how much money an entity makes for each equity share. EPS is a ratio that is of great interest to investors as it indicates an entity's profitability and corporate value. Preference dividends are excluded from the calculation because it is like interest on debt which needs to be settled before paying ordinary shareholders. The higher the earning per share of an entity, the more it attracts investors. There are basically two types of earning per share used in measuring profitability for shareholders. They are basic earnings per share and diluted earnings per share. Basic EPS is calculated on the outstanding equity shares of a company while Diluted EPS includes convertible shares such as employee stock options and warrants.

Earnings per share= Profit after tax-preference dividend

Weighted average shares outstanding

3. Dividend Per Share (DPS)

Dividend per share (DPS) is an amount of dividend paid by a company to its shareholders based on their shareholding. Dividend per share is a very important ratio to investors as it tells an investor how much of the entity's dividend, he is receiving on a per share basis. An entity that pays regular dividend to its shareholder will attract more investors, most especially, investors that are older in terms of age as it is generally believed that the company is doing well. Investors often compare the dividend per share of a company to its past records and its peers in order to ascertain if they are getting value on their return.

Dividend per share = Annual dividend

Number of shares

4. Earnings yield

Earnings yield refers to the earnings per share of an entity divided by its current market share price.

It helps investors to know whether their shares are undervalued or overvalued depending on the percentage of the yield when compared to other companies in the same industry.

Earning yield=Earnings per share *100

Stock Market price per share

5. Dividend yield

Dividend yield is a financial ratio which measures the amount of cash dividend paid to shareholders relative to the market value per share. The dividend yield gives understanding into the business strategy of an entity either it pays regular dividend or reinvest its profit. It should be noted however, that dividend yield ratio does not really show that a company is good or bad but it is mostly used by investors to determine which stock is in tune with their investment strategy.

Dividend yield= Annual dividend per share *100

Market Price per share

6. Dividend Coverage Ratio (DCR)

Dividend coverage ratio also known as dividend cover ratio measures the number of times an entity's dividend is covered by its profit over a period of time. That is, amount of dividend that an entity can pay from its profits over a period of time. Investors use this ratio to assess an entity's ability to pay regular dividend to its shareholders. A high dividend cover ratio may suggest a low risk that the entity will not be able to make regular dividend payment and a ratio that is less than one may suggest a high risk that the entity will be able to make regular dividend payment without borrowing.

Dividend coverage ratio = Profit after tax

Dividend declared

7. Current Ratio

Current ratio is a liquidity ratio which measures the ability of a company to settle its short-term liabilities as they fall due. It is generally believed that the ideal current ratio is 2:1 which otherwise means that the entity's current asset doubles it current liability and also a sign of sound financial capability of an entity. However, a current ratio of less than one is an indication that a company has liquidity problem. Also, if a company has a current ratio that is very high compared to similar company in the same industry or compared to the industry average might be an indication that management is not using its assets efficiently.

Current Ratio= Current assets

Current liabilities

8. Quick Ratio

The quick ratio or acid test ratio is another type of ratio that measures the short-term liquidity of an entity and measures the same thing like current ratio. However, inventory is usually excluded in the current asset used in calculating quick ratio because it is believed that it takes time to convert inventory to cash.

Quick ratio = Currents Assets-Inventory

Current liabilities

9. Return on capital employed (ROCE)

Return on capital employed is a measure of how much an entity earns on its capital employed (invested). ROCE shows how efficient and profitable an entity is in relation to its capital investment. Expectedly, a company's ROCE should be higher than its cost of capital. For instance, a company is losing money if its return on capital employed is 10% and its cost of borrowing fund is 15%.

ROCE = Earnings before interest and tax * 100

Capital employed

10. Return on assets (ROA)

Return on assets measures how efficient and effective an entity uses its assets to generate profit during a period. It is a good measure to assess an entity's ability to generate profit on its total assets and how effective it has utilised its assets. Investors usually desire an entity with a high return on asset ratio because it shows that the company is effectively managing its assets to generate greater amount of Profit after tax. Return on assets is calculated simply by dividing an entity's Profit after tax by total assets. It is then expressed as a percentage.

Return on assets= Profit after tax *100

Total assets

Despite all the benefits that investment ratios offer, they suffer some limitations as the financial statements from which investment ratios are derived are based on historical information. Similarly, in a situation where the financial statements are doctored, investment ratios calculated will also be faulty and any decision make based on the ratios will be a wrong. Also, investment ratios are not totally dependable and they must be used after other factors like general economic conditions, industry position, position of the company in the industry, the stage of the company in its life-cycle among other factors have been considered. Financial ratios do not take into account non-financial factors.

In conclusion, notwithstanding the aforementioned limitations, investment ratio remains one of the tools usually use by investors to assess the financial health of a company and to also make investment decisions.

Akerewusi is the Ag. Registrar and Chief Executive, CIS

Pilot Questions - 2021

Paper 3.0(A) Section B (Theory)

Question 1 – Fixed Income Valuation & Analysis

A 30-year maturity bond has a 7% coupon rate, paid annually. It sells today for ₦867.42. A 20-year maturity bonds has 6.5% coupon rate, also paid annually. It sells today for ₦879.50. A bond market analyst forecasts that in 5 years, 25-year maturity bonds will sell at yields to maturity of 8% and 15-year maturity bonds will sell at yields of 7.5%. Because the yield curve is upward sloping, the analyst believes that coupons will be reinvested in short-term securities of 6%.

Which bonds offers the higher expected annualised rate of return over the 5-year period?

(6 marks)

Solution to Question 1 – Fixed Income Valuation & Analysis

We need to compute the realised total return of each bond.

* Future value of coupons. Since the reinvestment rate is constant, we make use of the future value of annuity:

$$FV = A\left[\frac{(1+r)^n-1}{r}\right]$$

- The 30-year bond:

  $$FV = 70\left[\frac{(1.06)^5-1}{0.06}\right] = ₦394.60$$

  The 20-year bond

  $$FV = 65\left[\frac{(1.06)^5-1}{0.06}\right] = ₦366.41$$

* Next, we compute the price of each of the bonds at the end of year 5 (i.e. P_5):

- The 30-year bond.

  The maturity of the bond will fall to 25 years, and its yield is forecast to be 8%;

  $$P_5 = 70 \times \left[\frac{1-(1.08)^{-25}}{0.08}\right] + 1{,}000\left[\frac{1}{1.08}\right]^{25} = 893.25$$

  The maturity of the 20-year bond will fall to 15 years, and its yield is forecast to be 7.5%

- $$P_5 = 65\left[\frac{1-(1.075)^{-15}}{0.075}\right] + 1{,}000\left[\frac{1}{1.075}\right]^{15} = 911.73$$

– Next, we compute total cash flow at the end of year 5:

	30–year bond	20–year bond
	₦	₦
Reinvested coupons	394.60	366.41
Terminal value (P_5)	893.25	911.73
Total end value (EV)	1,287.85	1,278.14

* Finally, we compute the realised yield (RY)

$$RY = \left(\frac{EV}{P_0}\right)^{\frac{1}{n}} - 1$$

30-year bond: $\left(\frac{1{,}287.85}{867.42}\right)^{\frac{1}{5}} - 1 = 8.22\%$

20-year bond: $\left(\frac{1{,}287.14}{879.50}\right)^{\frac{1}{5}} - 1 = 7.76\%$

Thus, the 30-year bond offers the higher expected yield.

Question 2 – Fixed Income Valuation & Analysis

You have the following cash flow structure for the next 10 years:

i. You have to pay back a loan of ₦1,000,000 at the end of 10 years.

ii. You have to receive payments of ₦150,000 each from individua zero-coupon bond investments at an interval of every 2 years beginning end of 2nd year for the next 10 years (for a total of 5 payments).

The market yield is assumed to be 5% on all the instruments and for all the maturities.

For calculations use precision up to 2 decimal places.

Required

a) For your assets and liabilities as mentioned above, calculate the present value of the cash flows. What is the net surplus you have today? **(4 marks)**

b) Calculate the Macaulay duration for your asset and the liability sides. **(3 marks)**

c) Will there be any change in the net value of your assets and liabilities if there is an upward shift in the term structure of the interest rate by 100 basis points? Approximately calculate the surplus value and interpret the result. **(4 marks)**

d) Consider you want to immunize your net position, as calculated in a) above, against the interest rate shifts by changing the pay-back period. Calculate the new duration for repayment of the loan assuming that the current market value of your liability remains unchanged. **(4 marks)**

e) Will the immunization as done above remain appropriate forever without rebalancing? Justify your answer. **(3 marks)**

(Total: 18 marks)

Solutions to Question 2 – Fixed Income Valuation & Analysis

2 a) Asset cash flows:

Years	Payments
0	0
1	0
2	150,000
3	0
4	150,000
5	0
6	150,000
7	0
8	150,000
9	0
10	150,000

Present value of asset cash flows:

$$PV_A = \frac{150,000}{(1+5\%)^2} + \frac{150,000}{(1+5\%)^4} + \frac{150,000}{1+5\%^6} + \frac{150,000}{(1+5\%)^8} + \frac{150,000}{(1+5\%)^{10}} = 565,004.99$$

Alternatively, the present value can be calculated using annuity. However, to use annuity, we need 2-year rate since the cash flows occur every two years.

$$2 - \text{Yearly rate} - (1.05)^2 - 1 - 10.25\%$$

$$\text{PV}_A = 150,000 \times \left(\frac{1 - (1.1025)^5}{0.1025}\right) = 565,004.99$$

Liability cash flow:

Years	Payments
10	1,000,000

Present value of liability cash flow:

$$PV_L = \frac{1,000,000}{(1+5\%)^{10}} = 613,913.25$$

Net surplus $PV_A - PV_L$ = 565,004.99 – 613,913.23 = - 48,908.26
Hence we have a negative surplus of ₦48,908.26

b) The duration on the assets side is the weighted average of the durations of the individual zero coupon bonds, given as:

$$D_A = \sum_{i=1}^{N} x_i \cdot D_i$$

where,

$D_A = Duration\ of\ asset\ portfolio$
$D_i = Duration\ of\ individual\ zero - coupon\ bonds\ (2, 4, 6, 8, 10)$
$x_i = Proportion\ of\ wealth\ investment\ in\ bond\ \frac{PV_i}{PV_A}, as\ calculated\ in\ a.\ above$

$$D_A = \frac{1}{565,004.99}(136,054.42.2 + 123,405.37.4 + 111,932.31.6 + 101,525.90.8 + 92,086.99.10)$$
$$= 5.61 years$$

Again, we can make use of the duration of level annuity.

$$D = \frac{1+Y}{Y} - \frac{n}{(1+Y)^n - 1}, where$$

Y = 2-Yearly Yield = 10.25%

n = number of the receipts = 5

$$= \frac{1.1025}{0.1025} - \frac{5}{(1.1025)^5 - 1} = 2.8056$$

Since the cash flows occur every two years, we need to multiply this by 2. Thus:
$D_A = 2.8056 \times 2 = 5.61$ Years

The duration of the liability side is same as its maturity: D_L = 10years

c) Yes, generally there will be a change in the net value of asset and liability if there is an upward shift in the term structure of the interest rate.

The approximate change in the value of asset is given by,

$$\Delta P_A = -\frac{D_A}{(1+Y)}.PV_A.\Delta Y$$

$$= -\frac{5.61}{(1+5\%)} \times 565{,}004.99 \times 1\% = -30{,}187.41$$

On the asset side as the market yield increases by 100 basis points, we tend to loose ₦30,187.41.

The approximate change in the value of liability is given by:

$$\Delta P_L = -\frac{D_L}{(1+Y)}.PV_L.\Delta Y$$

$$= -\frac{10}{(1+5\%)} \times (-613{,}913.25) \times 1\% = 58{,}467.93$$

On the liability side as the market yield increases by 100 basis points, we tend to gain ₦58,467.93.

Net change $= \Delta P_A - \Delta P_L = -30{,}187.41 + 58{,}467.93 = 28{,}280.52$

The total gain due to the shift in the term structure of the interest rate is ₦28,280.52. Thus from above we can conclude that if we have a negative surplus, for any upward shift in the term structure of the interest rate, we tend to loose on the asset side and gain on the liability side which results in the net change to be positive.

d) To immunize the surplus, the below equation must hold good:

$PV_A.D_A = PV_L.D_L$

Since we can adjust the payback period of mortgage repayment for immunization, the new repayment duration should be:

$$D_L = \frac{PV_A.D_A}{PV_L} = \frac{565{,}004.99 \;.\; 5.61}{613{,}913.25} = 5.16\text{years}$$

Hence if the market value of your liability remains unchanged, you can be immunized against the shift in the term structure of the interest rate if you repay your mortgage at 5.16 years from today instead of 10 years.

e) No, immunization as done above will not remain forever without rebalancing for the reasons given below:

i. the duration of the bond portfolio changes non linearly through time while the duration of the liability decreases linearly with time.

ii. movements in the interest rate term structure may alter the duration of the bond portfolio.

There is therefore a need to readjust and rebalance the bond portfolio as that the duration of the portfolio matches that of the liability.

"We have positioned the Institute for sustainable Growth"

- Ajadi

*In this interview, the outgoing Institute's Registrar and Chief Executive, **Adedeji Ajadi, FCS**, spoke with the Editor, The Nigerian Stockbroker, **Edikan Ekong, FCS**, on his tenure as the Chief Executive and some of his contributions towards repositioning the organisation for sustainable growth and development.*

Welcome to The Nigerian Stockbroker, Sir. Can you let our readers know who you are and how your career has shaped up thus far?

I am currently the Registrar and Chief Executive of the Chartered Institute of Stockbrokers. Prior to my current role, I was the Assistant Director, Education and Training. Overall, I have garnered above 27 years of post-graduate experience that cuts across administration, management consulting, banking, investment, accounting, and auditing.

I hold a bachelor's degree in Agricultural Extension and Rural Sociology from Obafemi Awolowo University, Ile-Ife and Applied Accounting from Oxford Brookes University, U.K. I also hold a Post Graduate Certificate in Business Research Methods from Herriot-Watt University, UK, in addition to MSc Degrees in Agricultural Economics from University of Ibadan, and in Finance and Investment from University of Exeter, UK.

I am a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Stockbrokers; a Certified International Investment Analyst (CIIA) and a member of Association of Chartered Certified Accountants (ACCA as well as Member, Chartered Institute of Securities and Investment (CISI), UK.

I am a Chevening Scholar of the UK government, passionate about research, education and training, and currently pursuing a doctoral degree in Finance.

Tell us more about your sojourn at the Chartered Institute of Stockbrokers: Your achievements and major challenges you have faced during your time as the Registrar and Chief Executive?

Like I mentioned earlier, I joined the Institute in May 2010 as the Head of Education and Training. I was subsequently appointment as Acting Registrar and confirmed as Registrar in March 2013 and March 2014 respectively.

My CIS journey has been truly exciting and fulfilling as it provided me the opportunity to leverage my experience, skills and capabilities in the running of the secretariat of the Institute. From day one I could sense that I was a perfect fit for the role.

The major challenge I faced was how to reposition CIS at the post global economic meltdown of 2018/2019. In my first few months in office, I wondered whether the Institute could survive as things were really tough. The Nigerian capital market was at its lowest level. CIS

members were challenged as many lost their jobs and livelihood. Becoming a Stockbroker was not an attractive option; hence student enrollment was dwindling at an alarming rate.

But I am glad to inform you that, working assiduously with the Council, Principal Officers and my colleagues at the secretariat, we have successfully navigated the Institute through troubled waters and put it on a solid pedestal for sustainable growth.

Some of our biggest achievements include successfully acquiring a befitting secretariat complex for the Institute after all these years, blazing the trail in Nigeria as the first Institute to move our professional examinations to Computer Based Test platform and creating the CIS Professional Diploma in Securities and Investment. Among others, these achievements particularly excite me.

Would you say you are fulfilled, Sir, particularly with regard to your dreams and aspirations when you were appointed into office?

Without any iota of doubt, I am deeply fulfilled! When I think about where we are coming from, and where we are today, I give thanks to God that I was part of the change agents God used. We have taken some giants steps in the right direction, which is great. However, the dream is still unfolding. There is still a long way to go.

One of the major strategic moves of the Institute during your time has been the effort to get the CISIM Bill passed by the National Assembly. Can you explain the background to this Bill and the efforts made to carry all stakeholders along in its passage?

Really, the CISI bill had been in the front burner for the Council and Principal Officers before I joined CIS. However, we made another strong move regarding the bill about the time I was appointed as Registrar.

The CISIM Bill is a Bill for an Act to repeal the Chartered Institute of Stockbrokers Act, Cap. C9 LFN 2004 and provide for the establishment of the Chartered Institute of Securities and Investment Management to set standards of knowledge, ethical conduct and practice, certify, train, discipline and direct the practice of securities and investment profession and for related matters.

The rationale for the CISIM Bill are to train and certify all core operators engaged in securities dealing in the capital market, to allow practitioners specialize in whichever segment of the market they choose to operate, to assimilate professionals with foreign training and certification, to bring standardization of training and certification into the Nigerian Capital Market thereby ensuring that only qualified and competent professionals operate in the market, and to fully reflect the scope of training, experience and capacity of CIS members in all segments of the capital market beyond trading on the floor of The Nigerian Stock Exchange Limited (NGX), NASD FMDQ. LCFE etc.

Honestly, anyone genuinely interested in the growth and development of the Nigerian capital market will support the Bill. Unfortunately, some people would allow personal, parochial interests to override national interest. It is tragic.

How about the membership structure of the Institute? Do you think enough is being done to attract the younger generation in the society?

While I would affirm that we are taking steps in the right direction, it is clear that we have to do a lot more. The younger generation is the future of not securities profession but also the capital market and our nation at large. We need to do all within our powers to attract, encourage and equip them. One of the things we are doing is to deploy technology in all we do. This is the preferred platform for this generation. We have done quite a bit along this line.

Recently, there have been some controversy with regard to investment in digital assets in the country. Give us your take on this important matter.

I quite sympathize with the position of our regulators. We are experiencing huge capital outflow from the economy at this critical point when the economy is challenged. We have seen fraudsters having a filled day defrauding gullible investors of their hard-earned resources through all kinds of fraudulent schemes including pyramid schemes, online scams, wonders banks etc. The regulators are concerned and are eager to protect the Nigerian investing public, in line with their mandate.

That being said, we should not throw away the baby with the bathwater. The world is experiencing innovations at a rapid pace, especially in financial services through fintechs and digital assets. Undoubtedly, this is the future. The blockchain technology which is the backbone of cryptocurrencies, is the future of financial services.

My opinion is that, yes, we should regulate digital assets. However, we should not allow regulation to stifle innovation. Regulation and innovation are not mutually exclusive! The regulators should invest time to study and understand the emerging trends so that they can regulate the market competently. Young Nigerians should be encouraged to innovate, earn a livelihood for themselves and create jobs in the fintech and digital assets space through legitimate and value-adding ventures.

Do you have any regrets; perhaps something you passionately wanted to see actualized, but didn't happen?

Believe me, I have no regrets whatsoever. I am enjoying some of the best moments of my career so far, as I look forward to greater challenges and opportunities in the future. My view has always been that an organization is a going concern. Each of us with the rare opportunity to serve should grab it with both hands and deploy the best of our skills and capabilities. Others will continue from there and take the organization higher.

What advise do you have for young persons, especially secondary school pupils, with regard to choosing a career in the capital market?

Clearly the best career decision I have made in my life so far was to undertake a career change into the Accounting and Finance field for my background is in Agriculture where I had obtained BSc and MSc degrees. In summary, to the younger ones, I would say that they have no limits except the ones they allow in their mind. If I can successfully change my career path from applied sciences to core finance, then they too can do it. A career in finance opens you up to enormous opportunities. You can choose to work as an Investment Banker, Stockbroker, Financial Analyst, Investment Adviser, Corporate Finance expert etc. Each of these career paths provides enormous opportunities in the business world, and the sky is the limit. I have been involved in counselling and encouraging the younger ones regarding taking up a career in finance, but I hope to do more from now on, in a more structured way.

How will you describe the Nigerian capital market today, and where do you see CIS in the next 10 years?

The Nigerian Capital Market today is a microcosm of the Nigerian state – with enormous potential begging to be transformed to reality. When you realize that just above five million Nigerians have an investment account with CSCS in a nation of over 200 million, then you have an idea of the huge untapped potential. More Nigerians need to get involved. Secondly, our market is embarrassingly shallow for a country of our size and capabilities. Here, the Federal Government has a role to play by taking deliberate actions to grow the capital market. I hope the policy makers are aware that growing the capital market is synonymous with growing the economy, as the capital market is the barometer of the economy. Show me one developed country without a developed capital market. There is none!

I see the Institute growing from strength to strength, with more robust internal structures to drive service quality and innovation. The foundations are being laid now. Further I see CIS continuing to lead advocacy for the development of a vibrant capital market that will catalyze the growth and development of the Nigerian economy. We owe ourselves this responsibility.

And what should we expect from Mr Ajadi after July 2021?

Permit me to go spiritual here. The path of the just is like the shining light, that shines ever brighter unto the perfect day. Expect great things. Expect testimonies of God's direction and increase in every way. We have enormous challenges and problems to solve in our country. We have more problems than problem solvers. I have chosen to be a problem solver. We have huge opportunities to transform our country.

Thank you very much Sir. We wish you all the best in your future endeavors.

Thank you. Amen.

Brand Loyalty and Stakeholder Engagement

By Sola Oni, ACS

Financial market regulators, operators and quoted companies have faced the reality that the New Normal thrives on digital mode of doing business. It has also provided customers an instant opportunity to switch their brand loyalty at the click on button. But meanwhile, all brands need customer loyalty. This is to sustain customer retention, enjoy positive word of mouth and enthrone customer lifetime value. There are two perspectives to customer loyalty ; companies' executives may deploy some programmes for customers to build brand loyalty, but such programmes do not necessarily create brand loyalty. However, when an organization aligns its needs to that of customers, this leads to emotional engagement and brand loyalty is at its best. Every astute organization identifies the best customers, builds humanistic relationship in its core values, tap into the hidden needs and higher values of customers, and enter partnership to serve them better than the competitors. This helps to cement customer loyalty and insulate companies from competition.

In the highly revered book entitled : Kellog on Branding by Kellog School of Management, the authors, Tybout and Calkins postulate that " Brands have a remarkable ability to impact the way people view products .Customers rarely just see a product or service; they see the product together with the brand. As a result, how they perceive the product is shaped by the brand. Perception, of course, matter most- how people perceive something matters far more than absolute truth. The question generally isn't which product or service, is best: the question is which product or service people think is best."

Brand goes beyond a company's logo and colour, they are just brand attributes. The heart of branding is the ability to deliver on promise. Arguably, the biggest single challenge brand leaders face is dealing with short-term financial needs while brands are essentially long-term assets. A brand can live for a century just as it can crash in a few days. Brand must be embraced by an entire organization from the security guard at the entrance, receptionist, customer service representatives and the entire staff. For instance, a rude security guard can discourage a high-net-worth customer right at the gate and the aggrieved customer will form negative impression of the company and propagate the perception to prospective customers. On a positive side, a happy customer goes about with positive words of mouth to attract more prospects for the company. Another pain point of a brand manager is clutter of millions of advertisements and promotions which consumers are bombarded with in every nano second due to advancement in Information and Communication Technology (ICT). Consumers are swimming in an ocean of choices. That is why they can switch from one brand to another seamlessly.

A Brand must be focused and unique to stand out. A great brand must have a sense of association. For instance, Securities Dealers, commonly referred to as stockbrokers must uphold the tenet of 'My word is my bound". This alone , if transparently executed, means integrity is associated with the Dealer. Such a brand promise enhances brand positioning. Top brands have brand policy. The companies are noted for creativity and innovation in both products and service delivery. Consumers are not discouraged by increase in the prices of their goods and services as they get value for their money. In the securities market, investors scramble for shares of major brands among the quoted companies. Weak brands stand for nothing. There is personal branding whereby individuals create and influence public perception by positioning themselves as authorities in their industry. They do this by elevating their credibility through differentiation. We have such people across sectors of the economy and polity. An individual must identify his uniqueness, build sustainable reputation on the things he wants to be known for. According to Forbes Magazine, an individual rand must be focused, genuine, consistent, tell a story, be ready to fail and bounce back, create a positive impact, follow a successful example, live his brand by separating it from personal life, let others tell his story and aspire to live a legacy. However, brands are not immune from failure. But a brand's failure is not an overnight reputational damage. There must be warning signals. Enron and Wells Fargo did not destroy all trust in their brands overnight. They should have seen some signals before the burble burst. Many companies have collapsed, and more are still collapsing. Some of them are not necessarily because of the tough operating environment but brand failure. Brands fail because of factors such as weak competitive analysis, rearview mirror syndrome such as when brands remain in their comfort zones, complacency, failure to innovate and absence of brand check or monitoring.

At corporate level, branding works along with stakeholder engagement. This is a process that an organization involves people who may be affected by every decision it makes. It is important to strategic planning because it helps an organization to be proactive towards the needs and desires of every stakeholder in the value chain. By this, trust, confidence and buy-in of stakeholders can be secured before implementing key initiatives.

An organisation can engage its stakeholders in varieties of ways, including use of passive communication by avoiding aggressive response to hurtful situation, tracking internet and other media postings to address their concerns, leveraging social media for advocacy, deployment of bulletins, brochures, letters, reports and websites for messages that do not require response, verbal information, conferences and public presentations, public-private partnership, grantmaking, use of surveys for focus groups, meeting with heads of shareholder groups, collective bargaining with workers through their trade unions, and using online collaborative platforms among others. Every Chief Executive that wants his company to stay ahead of the curve in this period of business uncertainty should place premium on the fundamentals of branding.

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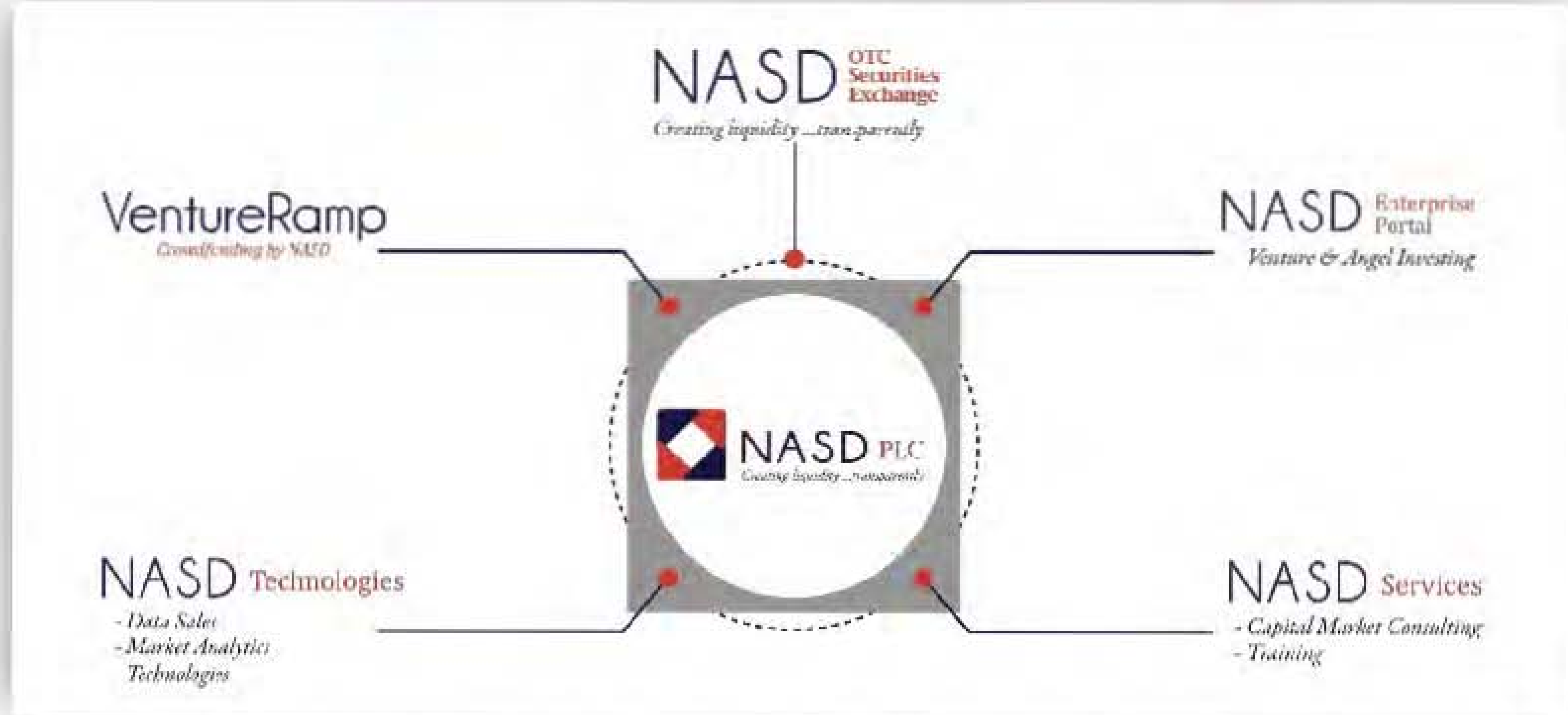

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