

# The 1<sup>st</sup> CIS Annual International Academic Conference on Finance, Securities and Investment

**THEME:** CAPITAL MARKETS, SUSTAINABLE FINANCE  
AND ECONOMIC TRANSFORMATION IN AFRICA

- **Investment Instruments**

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## OUTLINE

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## Welcome Address

Good morning, Distinguished Vice Chancellor of Afe Babalola University, Professors of high esteem, Lecturers, the 14<sup>th</sup> President of Chartered Institute of Stockbrokers, Distinguished Council members of Chartered Institute of Stockbrokers, Distinguished Guests, fellow speakers and importantly, the students of Afe Babalola University.

It is a great honour to be here today, as one of the key note speakers, at the maiden edition, the 1<sup>ST</sup> CIS Annual International Academic Conference on Finance, Securities and Investment, with the **THEME: CAPITAL MARKETS, SUSTAINABLE FINANCE AND ECONOMIC TRANSFORMATION.**

*Conferences such as this is of high importance because knowledge does not grow in isolation. It is usually an avenue to LEARN, to RELEARN, to CHALLENGE and to CONNECT. We grow when we share ideas, thoughts and build together!...and as a Nation, the next phase of our growth and economic transformation is in our hands.*

*Together, we can build a Nation that we will all be proud of, and on this note, I welcome you specially to the last day of this Conference.*

## Introduction

Today, we have a great topic before us, the engine that drives global economic growth- “Capital Market Instruments, their functions and how we can leverage on these instruments to bring about sustainable finance and economic transformation in Africa”

As we speak, there are 29 countries in Africa that operate organised capital markets, and most of these Exchanges are unified under African Securities Exchanges Association (ASEA). The primary objective of ASEA is to unlock the potential of African capital markets and enhance the global competitiveness of its member exchanges.

The Nigerian Capital market has continued to evolve overtime, providing avenue for companies to raise capital for business expansion, supporting innovation and economic growth. The Nigerian Exchange is the 2<sup>nd</sup> largest Stock Exchange in Africa by market capitalization and ranks 3<sup>rd</sup> in the number of listed securities. The NGX is a hub for 146 companies, over 150 Bonds and 10 ETFs.

In Europe & US, there are 30 and 24 organised securities exchanges, hosting over 5,000 and 5,600 companies' respectively. New York Stock Exchange alone has over 2,300 companies, while the London Stock Exchange hosts 1,545 companies.

***Indeed, “For any nation to have sustainable growth and economic transformation, the role of capital market cannot be overemphasized”.***

## Why Capital Market?

### 1 Facilitates Mobilization of Resources

Companies and governments raise capital or money to fund their growth, operations or public projects.

### 2 Promotes Savings and Investment

Savings are mobilized for long-term investments through the provision of many types of financial instruments.

### 3 Enhance Liquidity and Market Efficiency

Efficient allocation of resources through the facilitation of the trading of securities and allocation of resources.

### 4 Supports Corporate Governance and Transparency

Publicly held firms are regulated and regulated to encourage compliance and ethical standards.

### 5 Drives Economic Innovation and Technological Advancements

Innovation, Creation and development of new startup companies are facilitated.

### Deficit Financing

Bridging of budgets instead of printing money.

## The Nigerian Capital Markets – Overview

Fewer than 3 million investors currently explore the Capital Markets. This is about 4% of the Nigerian population

146 companies, 150 Bonds and 12 ETFs are listed on the NGX, and ranks 2<sup>nd</sup> & 3<sup>rd</sup> in Africa by market cap and number of listed companies respectively  
45 companies on NASD

393 securities listed across various asset classes on NGX.  
Instruments span equities, Bonds, Derivatives, ETFs and Commodities

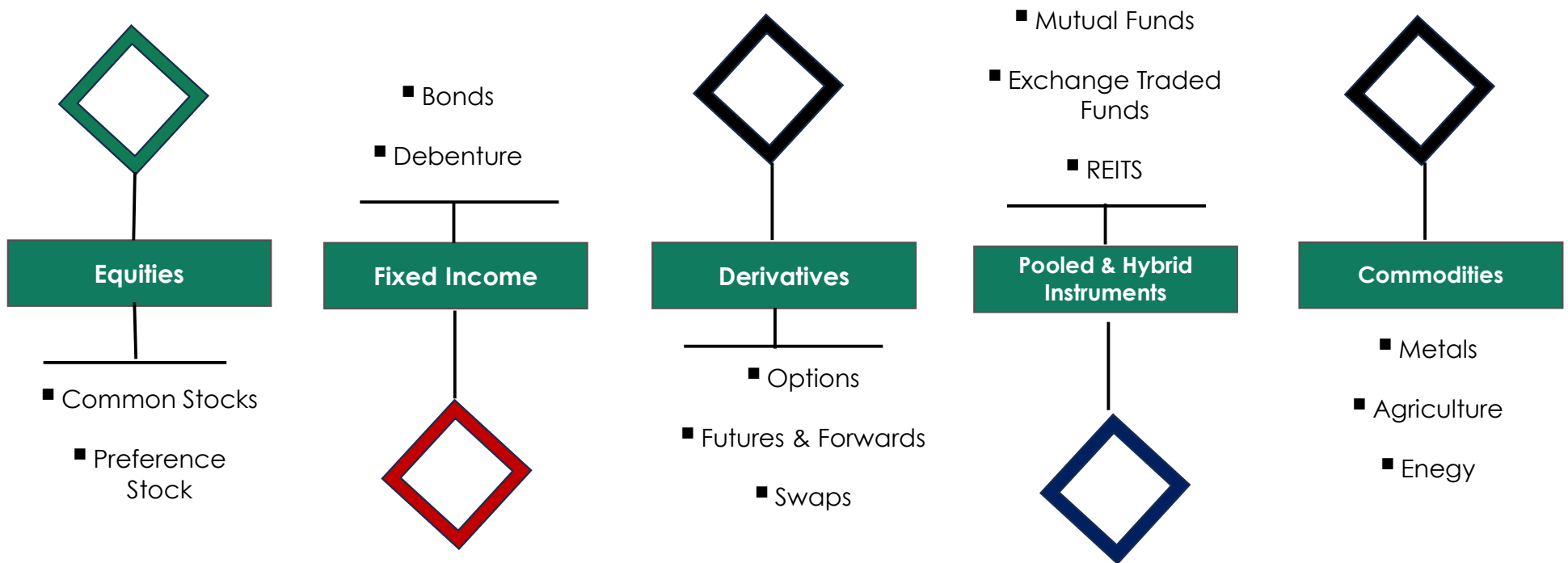
### The Nigerian Capital Market

Financial services, FMCG, Oil & Gas, Industrial companies have leveraged the capital market for expansion, growth etc

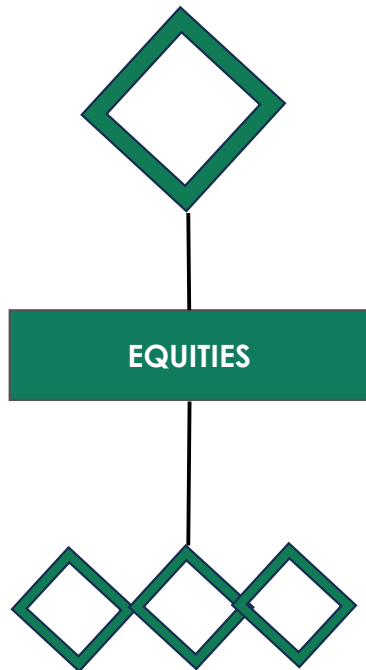
The Growth Board hosts smaller and start-up firms, while the NASD provides platform for unquoted companies (45 companies)

The Nigerian Capital market has significant untapped potential capacity to drive sustainable growth and economic development,

## Capital Market – Major Investment Instruments



## Capital Market Instruments - Equities



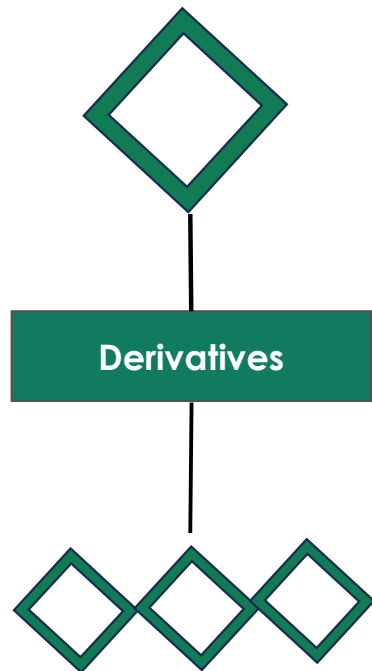
- Equities is commonly referred to as stocks and it represents fractional ownership in a company;
- Companies issue equities primarily to raise capital for business expansion, fund research and development, or reduce existing debt. They do this by selling ownership stakes in the business to investors;
- To the issuer, equity provides companies with long-term capital that requires no fixed repayment obligations or interest burdens. It reduces financial risk and allows access to strategic expertise;
- Equities offer investors significant wealth-building potential through capital appreciation, regular dividend income, and partial company ownership;
- Notwithstanding, equities carry core risk of capital loss, market volatility. They are also subjected to systemic risk, company risk, liquidity risk, inflation risks among others.
- 146 and 45 companies are listed on the board on the Nigerian Exchange and NASD respectively, out of over 3m registered companies in Nigeria.

## Capital Market Instruments – Fixed Income Instruments



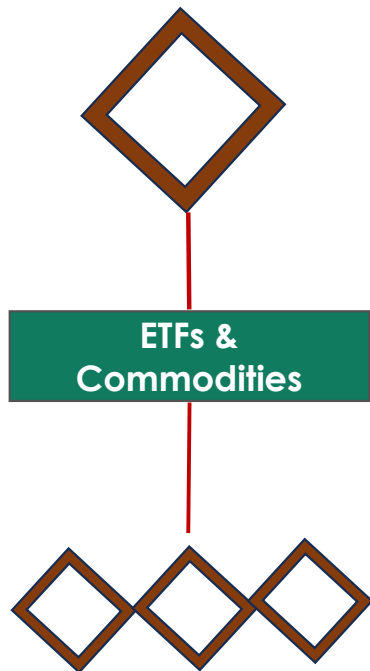
- Fixed Income instruments are financial contracts used by corporations and government to raise funds for long-term projects;
- Investors lend money to the issuer in exchange for regular interest payments and the return of the principal amount upon maturity. Here, the period (tenor) of the investment and the interest rate is pre-agreed by the parties;
- Bonds, Debentures, Mortgage-Backed securities, Asset-Backed securities are some of the common types of debt instruments;
- To an investor, return on capital is assured through payment of interest rate by the borrower and the risk of loss of capital, price fluctuations are minimized in the debt instruments.
- The NGX hosts over 150 Bonds and the FMDQ YTD April 2026 has recorded a turnover of N249trillion trades across bonds, currency and other securities.

## Capital Market Instruments – Derivatives



- A derivative is a financial contract between two or more parties whose value is based on an underlying asset, index, or benchmark.
- Rather than trading or owning an asset directly, traders use derivatives to lock in future prices, hedge against risk, or speculate on market movements;
- Derivatives acts as a powerful tool for risk management. It enables hedgers to transfer their price risks to speculators who are willing to take on that exposure in exchange for the potential to profit from market;
- It also offer high leverage because derivatives requires little capital or upfront cost;
- Derivatives foster economic growth by enabling businesses to manage financial risks, interest rate risk, currency fluctuations and ultimately provide stability for firms;
- There are 7 derivatives contracts that are approved by the NGX- 2 NGX Index Futures and 5-Equities Futures.

## Capital Market Instruments – Exchange Traded Funds and Commodities



**An Exchange-Traded Fund** is a pool of investment vehicle that holds a basket of securities such as stocks, bonds, or commodities;

- Similar to other tradable securities, ETFs can be bought and sold on both NGX & FMDQ in Nigeria.
- The NGX has 12 ETFs and FMDQ also provides trading platform for ETFs.

**Commodities** trading involves spot and futures trading - options of buying and selling physical goods and raw materials at a future date. It aids portfolio diversification and risk management options for companies and institutions.

- AFEX Commodities Exchange focus on soft tradable (Agricultural products); Lagos Commodities and Future Exchange (LCFE) —diverse range, including agriculture, oil & Gas and solid minerals.

## Major concerns for low participation

Financial Literacy  
And Awareness

Macro-Economic  
Instability

Limited Listed  
Companies

Need for Deeper  
Products

*In Nigerian*

Fragmented  
Regulatory  
Frameworks:

Macroeconomic and  
Currency Risks

Systemic Capital Flight

Shallow Domestic  
Investor Base

*Across Africa*

## Leveraging Capital Market for Sustainable Finance and Economic Transformation

### Stakeholder collaboration and engagement:

#### Issuer (Companies/Government)

Understand benefits and opportunities  
Seek professional assistance  
Transparency and accountability

#### Investors

Define investment objectives and goals  
Seek professional guidance  
Establish risk tolerance

#### Regulators:

Develop and continually enhance policies, regulatory frameworks that boost investors' confidence and ensure foster

#### Intermediaries

Adequate financial advisory services, guidance, financial analysis, Research, increase and improved engagement.

## Leveraging Capital Market for Sustainable Finance and Economic Transformation

Leveraging the Capital Markets for sustainable finance in order to drive economic Transformation requires great consideration to environmental, social and government factors, such that supports long-term economic growth and sustainable development. Such should be:

### ESG Factors

#### Environmental

Parties in capital market should focus on long-term benefits of investment and lending decisions.

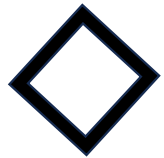
#### Regulators:

Develop and continually enhance policies, regulatory frameworks that boost investors' confidence and ensure foster

#### Intermediaries

Adequate financial advisory services, guidance, financial analysis and engagement of investors and issuer.

## Recommendations



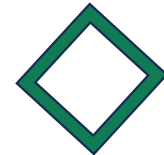
Advocate for new listings – SMEs, Corporations etc through incentives, engagements, reduced listing costs and seamless listing processes



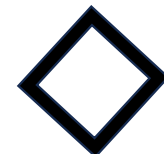
Increase Financial literacy and Campaign through engagement and awareness programmes – Regulators, Intermediaries



Strengthen market surveillance and transparency - Regulators



Streamline regulatory processes and procedures



Tailored market tier and Listing Board

## Conclusion

“Capital markets need to reward human progress in addition to profits. The two can be co-collaborators - human progress can amplify profits and profits can amplify human progress.”

— **Hendrith Smith**

*Thank  
you!*