



WACMIC

West African Capital Markets Integration Council

Sensitization Workshop

“Facilitating the creation of an integrated capital market”





WACMIC

West African Capital Markets Integration Council

OVERVIEW OF THE WEST AFRICAN CAPITAL MARKETS INTEGRATION

Presented by

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Chairman, WACMIC

for

WACMI SENSITIZATION WORKSHOP – NIGERIA

February 12 & 14, 2014

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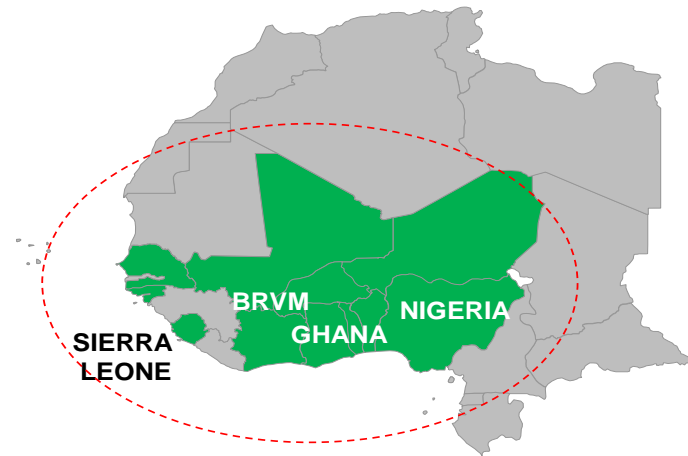
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• Conclusion

The West African Capital Market Integration (WACMI)

- The West African Capital Market Integration (WACMI) program is being pursued as part of the regional integration program in collaboration with the West African Monetary Institute (WAMI).
- The West African Capital Markets Integration Council (WACMIC) was inaugurated as the governing body for the integration of West African capital markets.
- The over-arching objective of the Council is to establish a harmonized regulatory environment for the issuance and trading of financial securities across the region.
- The WACMIC comprises the Chief Executives of the region's Securities and Exchange Commissions, and Securities Exchanges. The Council is tasked with designing the policy framework and managing the implementation of the process that will facilitate the creation of an integrated capital market in West Africa.

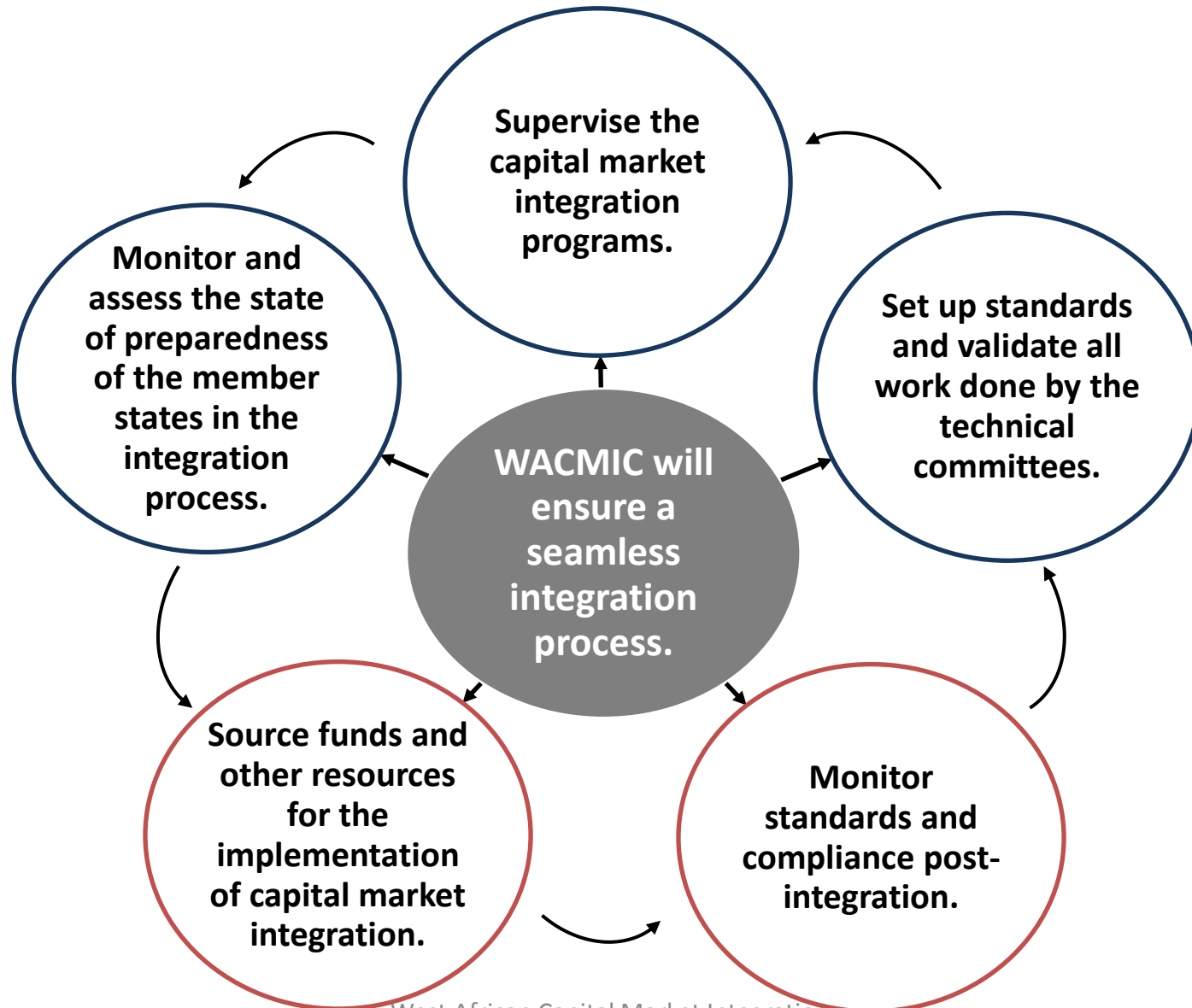
Strengthening our regional footprint



- The value proposition for integration is essential since the West African sub-region is a strategic geographical footprint within Africa, with a large and diverse population of **over 290 million people that translates into a consumer base with significant domestic savings and investing potential.**
- Achieving integration will facilitate momentous growth in the markets, which will empower the region to remain relevant in attracting investment flows, by creating a much larger market for local and international businesses.
- Local companies will have a deeper pool to raise capital.

Holistic benefits to all stakeholders

- Additionally, integration will enable the movement of capital across the region, creating flexibility and efficiency for issuers and investors.
- Pursuant to this objective, Technical Committee meetings have been held in Côte d'Ivoire, Ghana and Nigeria to develop the required technical framework for the trading and settlement infrastructure, as well as the legal framework necessary for seamless integration.
- Harmonization of listing, trading and settlement rules among member-countries is essential for the integration efforts of the sub-region.
- The *Bourse Régionale des Valeurs Mobilières* (which features eight Francophone countries), *Ghana Stock Exchange*, *Nigeria Stock Exchange* and *Sierra Leone Stock Exchange* are the initial participating markets.



On the road to capital market integration

- To spearhead the integration of capital markets in West Africa and promote strong relationships among the member states.

What are the key elements of a successful market integration

- Harmonized Trading, Clearing, Depository & Settlement Framework;
- Integrated Trading Platforms;
- Harmonized Listing & Regulatory Requirements; and
- Qualified West African Brokers (QWAB) & Common Passport.

NSE



- US\$ 82.80bn Equities Market Cap
- No of Listed Cos. – 190
- Avg. Daily Value Traded – US\$ 26.10m (2013)
- YTD Main Index Returns – 47.19% (2013)

GSE



- US\$ 25.84bn Market Cap*
- No of Listed Cos. – 34
- Avg. Daily Value Traded – US\$ 777,217 (2013)
- YTD Main Index Returns - 78.81% (2013)

BRVM



(Ivory Coast, Benin, Burkina Faso, Mali, Niger, Senegal, Togo, Guinea Bissau)

- US\$ 11.86bn Equities Market Cap
- No of Listed Cos. – 72
- Avg. Daily Value Traded – US\$ 1.43m (2013)
- YTD Main Index Returns - 39.28% (2013)

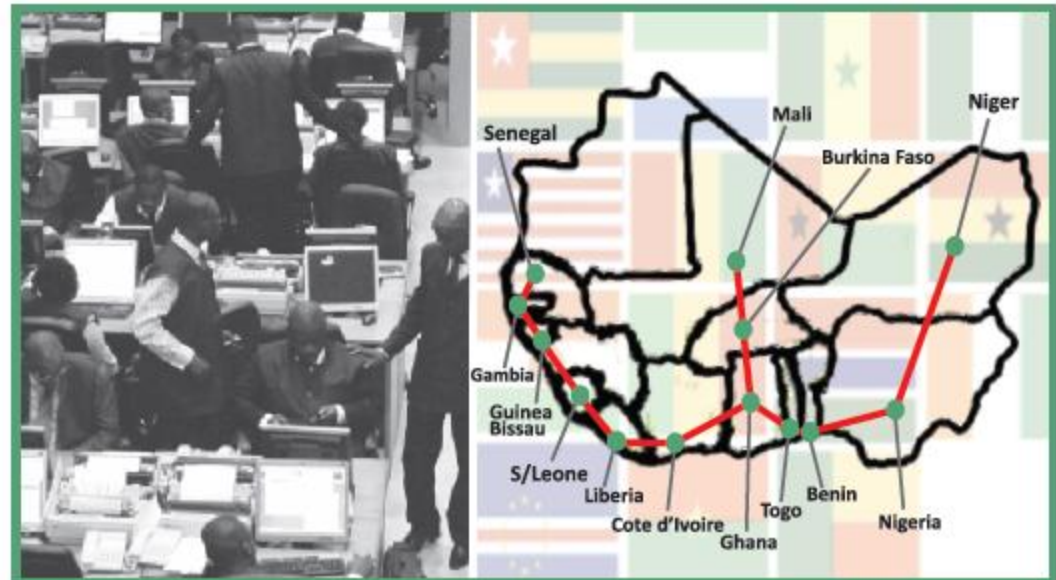
SSE



- Equities Market Cap – N/A
- No of Listed Cos. – 1
- Avg. Daily Value Traded – N/A
- YTD Main Index Returns – N/A

Source: ASEA Monthly Reports, www.African-Markets.com

*Total Market Cap provided
February 12 & 14, 2014



INTEGRATED PROFILE

- **Equities Market Cap: US\$ 120.50b**
- **No. of Listed Cos.: 297**
- **Avg. Daily Value Traded: US\$ 28.30m**

Phase 3 West African Capital Market ETA: March 2015

Phase 2 Qualified West African Brokers ETA: TBD

Phase 1 Sponsored Access ETA: March/April 2014

Informal Arrangement
Brokers within the member countries can trade securities and settle in markets other than theirs

Formalized Arrangement
Signed agreements in place so that WACMI dealing members (broker-dealers) can trade among themselves via sponsored access

Qualified Broker-Dealers/Issuing Houses receive a Common Passport

Establishment of a virtual West African Securities Market (WASM)

- Applicants seeking a primary or secondary listing on any of the boards of the participating exchanges must satisfy the minimum criteria.
- In reviewing a listing application, the respective exchange will consider various factors, including financial/capital requirements, qualitative measures, and corporate governance and disclosure standards.

An enabling integration framework

- The objective of Sponsored Access is to enable entities that are not direct market operators of an exchange participate in the exchange by granting them direct access to the exchange's trading facility via technology.
- This allows WACMI participants to access the region's exchanges' trading systems by a dealing member of the target exchange.
- With Sponsored Access, orders do not pass through the sponsoring member's order management system prior to reaching the Exchange's trading system; however, the order must touch the Sponsoring Member's risk management system.
- This allows for enhanced efficiency and transparency to the WACMI investment community.

Risks

- Regulatory arbitrage
- Market dominance by a handful of players
- Regulation, supervision and enforcement could be made difficult unless accompanied by proper coordination and cooperation between authorities, i.e., restrictions on the movement of capital
- Lack of uniform taxation rates and fiscal policies across the region
- Foreign exchange risk

Risks Mitigating Measures

- Deeper harmonization of national prudential and market regulatory frameworks using global standards such as those developed by IOSCO, Basel Committee, etc.
- Closer and effective coordination between relevant authorities
- Information exchange under bilateral MOUs
- An appropriate institutional framework for liberalizing financial services trade (e.g., Free Trade Agreements)

The challenges of integration have been identified, however we have also identified risk mitigating factors to ensure a balanced process.



Additional Issues Raised

Access to Market Data - Investors access to market data will be handled on a market by market basis.

Markets without Exchanges - Investors in countries without exchanges can access WASM through the qualified licensed brokers in countries that have exchanges.



Settlement banks – What do we expect?

To ensure the success of the integration process, bank involvement in certain key areas is expected:

- Capital Exchange
- Bilateral Agreements
- Cash Settlements

Risk Specific to Settlement Banks

There are also potential challenges and risks specific to settlement banks which must be recognized and addressed, in order to ensure a seamless integration process:

Risks

- Foreign exchange risk due to operations in various jurisdictions
- Counter-party risk arising from the settlement process
- Market risk due to settlement bank's operations in West African region
- Credit risk due to borrower default
- Cyber attack

Risks Mitigating Measures

- Appropriate policies for moving currency from one country to another
- Settlement bank presence in multiple jurisdictions
- Adoption of *Basel III* will ensure banks adhere to global best practices
- Higher minimum capital requirements than local markets thresholds
- Stress testing/penetration testing/cyber risk management framework

MiFID



- The European Union's (EU) *Markets in Financial Instruments Directive* (MiFID) framework is a law that provides harmonized regulation for investment services across the 31 member states of the European Economic Area.
- MiFID's main objectives are to improve the competitiveness of EU financial markets by creating a genuine single market for investment services and activities, and to ensure a harmonized, high degree of protection for investors in financial instruments.
- MiFID's implementation has successfully eliminated national exchange monopolies and introduced venue competition into the equity markets, leading to a significant decline in transaction costs.

ASEAN Trading Link



- Countries within the *Association of Southeast Asian Nations* (ASEAN) recently introduced the *ASEAN Trading Link*, a gateway for securities brokers to offer investors easier access to connected exchanges. This is a significant step towards the eventual goal of full integration.
- The purpose of the trading link is to connect securities markets of the ASEAN exchanges, essentially making it just as easy for investors to trade in other ASEAN capital markets as it is to trade in their own domestic market.
- A virtual market of over 2,200 listed companies with a market capitalization of US\$ 1.4 trillion.

We have set for ourselves a very ambitious target of completing the first phase of integration by the end of March 2014, and commencement of implementation by April 1, 2014; and we believe it is achievable having carefully mapped out our implementation strategies.

We are aware however, that the success of this project, to a large extent, depends on the participation of key market stakeholders conducting transactions within the sub-region.

Therefore, the support of all WACMI member countries and their respective stakeholders is key to the success of our regional capital market integration.



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THANK YOU

Q&A



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Preamble

- All markets within the region shall have in place trading systems that accommodate DMA and regulations for sponsored access.
- Brokers are allowed to trade across the region through sponsored access provided by a local broker.
- All jurisdictions recognize standard Sponsoring Member Access Agreements and Sponsoring Participant Agreements.



***The West African
Broker Operates Under
the Umbrella of the
Local Broker***

What Occurs at the Local Stock Exchange Level?

- The agreement signed between the Sponsoring Member and the Sponsored Participant has to be accepted by the local Stock Exchange.
- Sponsoring Member opens a trading account for the sponsored participant and gives him access to the matching engine of the local Stock exchange.
- The sponsored participant will conduct activity and effect transactions on the exchange in the name of the sponsoring broker.
- Sponsoring members shall have 100% liability for the activities of the Sponsored participant – being the clearing member.
- Sponsoring Members must give sponsored participants access to trade executions and net settlement obligations daily.

What is the relationship between Sponsoring Member and Participant?

- There must be contact persons at both the Sponsoring Member and Sponsored Participant's offices dedicated to cross-border trading.
- No access fees shall be charged for the provision of sponsored access.
- Both parties are to demonstrate sound risk management capability.
- Both parties must have a Robust Business Continuity Plan (BCP) in place.
- Sponsored Participants are to comply with existing local rules related to Trade Guarantee Funds (TGF) and settlements.
- Sponsored Participants may access markets through one primary Sponsor and one back-up sponsor only.

What are the key securities Settlement & Depository activities?

- A copy of the agreement signed between the Sponsoring Member and the Sponsored Participant is recorded at the Depository level.
- The Sponsoring Member opens a CSD account for the Sponsored Participant at the CSD level. This account number will be used during trading sessions and will be exclusively used by the Sponsored Participant.
- The account number or structure should help to identify the Sponsored Participant operating under the umbrella of the Sponsoring Member.
- FSBF/COY X,
- FSBF/MR A,
- FSBF OMINIBUS
- FSBF NOMINEE
- The West African broker will have access to his CSD accounts.

How will the Cash Settlement Process work?

- The Sponsored Participant may be allowed to open a cash account in any commercial bank in the local market for easy and safe management of his cash account without the intervention of the Sponsoring Member.
- Buy position: On or before settlement day, the Sponsored Participant moves the funds into the settlement account of the Sponsoring Member.
- Sell position: On Settlement day, the CSD moves the funds to the account of the Sponsoring Member for onward transfer to the Sponsored Participant.

How will Mediation work?

- Sponsoring Member & Sponsored Participant to meet to resolve issues – within 1 week.
- In the case of unresolved issues, Complainants to report to its Exchange – within next 2 weeks.
- Complainants Exchange to contact the other Exchange and CSDs to resolve same within 2 weeks.
- All-parties-committee be constituted for purposes of dispute resolution within next 3 weeks under a neutral forum of all Exchanges & CSDs.

Phase 2 - Implementation of QWABs



Regional Integration of Qualified West African Brokers (QWAB) - The Qualified West African Brokers (QWAB) Have Direct Access to Local Securities Exchanges and CSDs. They will be recognized as Trading Participants

Assumptions

- Mutual recognition of Qualified Brokers by West African Stock Exchanges, Regulators and Depositories.
- Remote access capability by West African Stock exchanges, Regulators and Depositories.
- All local trading, settlement and depository rules shall apply to QWABs.

At the Local Stock Exchange Level

- Local Exchange to admit Qualified West African Brokers (QWAB) as trading participants. Grant QWABs access to the Trading Engines.
- The QWABs must have access to all information emanating from the Exchanges. QWABs to be registered as Trading Participants.

At the CSD Level

- QWABs shall become Depository participants at the local CSDs.
- All privileges accorded to a local depository participant shall be extended to QWABs. These include securities account setup, access to depository information among others. LSBF FSBF LCUSTD via Link.

Cash Settlement

- All QWABs shall abide by the settlement arrangement in the local market.
 - Opening cash settlement account with the settlement banks.
 - Setting up such account at CDS level.
 - Ensure that the funding rules are observed.

Assumptions

- The establishment of the West African Securities market (WASM) - One platform showing all securities listed on the local exchanges.
- Local Exchanges and CSDs shall continue to exist & QWABs are given access to trade on WASM.
- All West African Capital market rules are harmonised. i.e. Listings, trading, settlement etc.
- One Commercial Bank identified as settlement bank for WASM.
- A virtual International CSD (ICSD) is established to mirror all local CDSs.

Fully Integrated Market

- Securities will continue to be listed on local Exchanges but will also be accessible on a common platform to be called West African Securities Market (WASM).
- All the Exchanges in the integration will be linked to WASM.
- Stockbrokers (who satisfy requirements/arrangements in the second phase) in the various jurisdictions will have access to securities and related market information to enable them execute transactions through WASM.
- Settlement information is passed on to the ICSD which is then passed onto the settlement bank for settlement to be effected.

Phase 3 - Full Implementation of WASM



At the Trading Level

- QWABs will have access to one order book.
- The order book of securities displayed in the WASM shall be the same as the order book in the country of primary listing.
- QWABs shall have access to WASM.
- The price of the securities shall be displayed and executed in the currency of the country of primary listings.
- WASM shall display the same information as displayed in local exchanges.

At the CSD Level

- Each investor shall have a Global Depository (GD) account number which is automatically generated upon the creation of a local depository account number.
- The GD account number shall be the common ID of the investor across the region.
- An Investor that wishes to trade in any jurisdiction across the region shall have a local number created in that jurisdiction's CDS which is prefixed by the investors' GD account number.
- All local CDSs shall be linked with the ICSD to enable access to investors' global position.
- The investor has the latitude to move his investment across QWABs.

Cash Settlement

- QWABs to make funds available on settlement day in the designated settlement accounts.

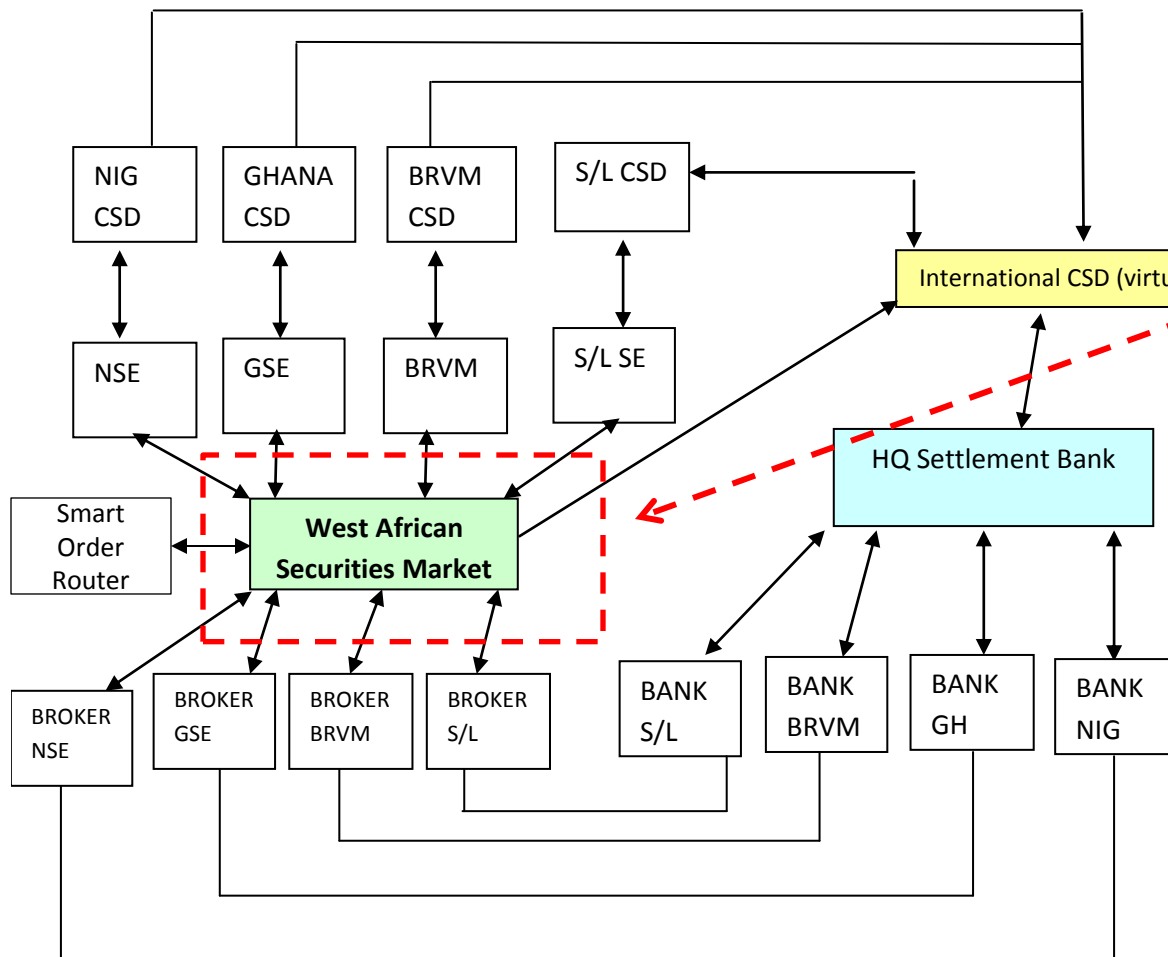
Criteria

Criteria for Selecting a Settlement Bank

- Presence in all ECOWAS countries.
- Experience in securities settlement and funds transfer.
- Full network connectivity including backup systems.
- Business continuity plan and sound risk management processes/framework.
- Minimum capital requirement - US\$160 million



Fully Integrated Market



The Virtual West African Securities Market (WASM) will connect all WACMI member countries via a 'Cloud' link with access to the order book of each individual market



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Thank You

Q&A



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Proposed Trading Harmonization



DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
TIME	9:30am – 14:30pm	9.30am - 15.00pm	9:00am - 11:30am	Maximum trading time of 6 hours 9.00 - 15.00
			9.00am - 14.45pm from 09/13	
PRE-OPEN	9.30 am – 10:05 am	9:30am – 10:00am/ N/A	N/A	One hour (9.00 - 10.00)
PRE- OPEN ADJUST	10:05 am – 10.15 am	N/A	N/A	Benchmark against International best practice
CONTINUOUS TRADING	10:15 am – 14:29 pm	10.00 am - 15.00 pm	9.00 - 11.30	Five hours (10.00 - 15.00)
PRE-CLOSE ADJUST	14:29 pm – 14:30 pm	N/A	N/A	Benchmark against International best practice
CLOSING AUCTION	14.30 pm	N/A	N/A	Benchmark against International best practices.
CLOSING	14:30 pm	15:00 pm	11:30 am	15:00 pm
OPENING PRICE DETERMINATION	The price at which the highest volume of securities are traded provided they meet the minimum trade quantity: (i) Class A – 10,000 unit block trade (ii) Class B - 50,000 unit block trade Otherwise it remains the previous day's closing price	Price at which the highest volume of securities are traded otherwise Previous day's closing price	Previous day's closing price	Benchmark against International best practice.

Proposed Trading Harmonization (cont'd)

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
CLOSING PRICE	Class A - The last trade with block trade of 10,000 units Class B - Last trade price with block trade of 50,000 units	Volume weighted average	Single auction closing price	Benchmark against International Best practice.
LIMIT UP LIMIT DOWN	+/- 10% of Prev. Day's Close	+/- 15% of Prev. Day's Close	+/- 7.5% of Prev. day's close	Recommend +/- 10%
VOLUME REQUIRED TO MOVE PRICE	Class A - Price < N100 block trade of 50,000 units Class B - Price >= N100 block trade of 10,000 units	Class A - Price < GHS 10 - 100 units Class B - Price >= GHS 10 - 10 units	Minimum of 8 units	Each Jurisdiction should maintain its minimum volume
ORDER TYPES	<ul style="list-style-type: none"> Market Order Limit Order Fill or Kill Good Till Cancel Good Till Day Good Till Week Good Till Month Good Till Date Stop Loss order undisclosed volume All or None Whole or None Market if touched 	<ul style="list-style-type: none"> Market Order Limit Order Fill or Kill Stop Loss order undisclosed volume Market if touched 	<ul style="list-style-type: none"> Market Order Limit Order Fill or Kill Good Till Day Good Till Week Good Till Month Good Till Date Stop Loss order undisclosed volume All or None Whole or None 	<ul style="list-style-type: none"> Market Order Limit Order Fill or Kill Good Till Cancel Good Till Day Good Till Week Good Till Month Good Till Date Stop Loss order undisclosed volume All or None Whole or None Market if touched

Proposed Trading Harmonization (cont'd)

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
IS IT MARKET MAKING ALLOWED?	Yes	The rules are being developed.	Not yet.	It should be introduced in all the Exchanges.
REQUIREMENTS FOR MARKET MAKING	<p>Must be licensed Broker-Dealer</p> <p>Capital Requirement Equity(Primary - N500 Million(\$3.2M))</p> <p>Capital Requirement (Supplementary MM - N250 Million (\$1.6M))</p> <p>Capital requirement Fixed Income (Primary - N500 Million (\$3.2M))</p>			
IS MARGIN TRADING ALLOWED?	Yes	The rules are being developed.	Not yet.	Margin is desirable across the region. Guidelines to be provided for QWABs.
IS SECURITIES LENDING ALLOWED?	Yes	Rules are being developed	No	Desirable across the region. Guidelines to be provided for QWABs.
IS SHORT SELLING ALLOWED?	Covered Short Selling	Rules are being developed	No	Desirable across the region. Guidelines to be provided for QWABs.

Proposed Trading Harmonization (cont'd)

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
LOT SIZES	Trade in shares (1 unit)	<ul style="list-style-type: none"> Board lot price > 10 Cedis = 10 units Board lot price < 10 Cedis = 100 units Odd lot 1-9 units price > 10 Cedis Odd lot 1-99 units price < 10 Cedis 	Trade in shares (1 unit)	Trading in shares (1 unit)
TYPES OF PRODUCTS	<ul style="list-style-type: none"> Ordinary shares, Preference shares, Corporate bonds, Municipal bonds, State bonds, National bonds, Supra national bonds ETFs 	<ul style="list-style-type: none"> Ordinary shares, Preference shares, Corporate bonds, National bonds, Supra-National bonds, ETFs 	<ul style="list-style-type: none"> Ordinary shares Preference shares Corporate bonds National bonds Supra -National bonds 	Same securities to be traded across all markets. Other securities should be explored.
MARKET TYPE	<ul style="list-style-type: none"> Equity Fixed Income ETFs Negotiated deals OTC Alternative Market 	<ul style="list-style-type: none"> Equity Fixed Income ETFs Negotiated deals OTC Alternative Market 	<ul style="list-style-type: none"> Equity Fixed Income Alternative Market 	

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
CLEARING CYCLE	T+3 for equities and ETFs, T+2 for fixed income securities	T+3 for equities, corporate bonds and ETFs, T+0 for government bonds	T+3 For all listed securities	T+3 For equities and T+2 for fixed income securities
SETTLEMENT MODEL	Gross for securities and net for cash	Gross for securities and net for cash	Gross for securities and net for cash	Gross for securities and net for cash
SETTLEMENT BANK - EQUITIES AND CORPORATE BONDS	Central Bank	Commercial Banks	Central Bank	Central Bank
SETTLEMENT BANK - GOVERNMENT BONDS	Central Bank	Central Bank	Central Bank	Central Bank
CUSTODIANS	Non-pension and pension custodians	Custodians	Custodians	
REGULATORS	SEC and NSE	SEC and GSE	CREPMF, DCBR and BRVM	

Description	NSE	GSE	BRVM	Recommend.
RISK MANAGEMENT	Trade Guarantee Fund (N100,000 per firm)	Settlement guarantee fund - initial deposit of \$50,000 (GSE - 50% and stockbrokers - 50%) stockbrokers contribution - 20% of annual turnover.	Settlement guarantee fund - \$2 million.	Annual review of contribution.
		New clearing member - average amount contributed by initial clearing members.	Entry contribution - \$10,000 (80% - bank guarantee and 20% - cash)	Adopt risk based approach.
		Tripartite credit agreement among broker, bank and GSE.	Quarterly review of contribution average net position for 3 months	Contribution to settlement guarantee fund.
		Brokers cannot trade more than 10 times their credit lines within the settlement cycle.	Brokers cannot trade more than 5 times their contribution to trade guarantee fund within the settlement cycle.	Establishment of line of credit/, with a daily trading cap of 10 times the line of credit.

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
ACCOUNT HOLDING PATTERN		Beneficial owner's level with the broker.		
	Beneficial owner's level with the broker.	Custodian level - omnibus and segregated	Segregated omnibus 9.00am	Maximum trading time of 6 hours 9.00 - 15.00
	Custodian level - omnibus and segregated.	Principal and agency accounts are segregated.	Demat = investor - broker - registrar – CSD	No certificated issue by 2015.
	Principal and agency accounts are segregated.	Demat = Investor - Broker - Registrar - CSD IPO = allotment(lead manager) - CSD	IPO = allotment(lead manager) – CSD	Full-dematerialization by 31/12/2015.
	Demat = Investor - Broker - Registrar – CSD IPO = Allotment (Issuing House) - Registrar – CSD	IPO = allotment(lead manager) - CSD Securities must move to the executing broker.	Brokers can trade using the account number of the custodian.	Assets remain with custodians and brokers are able to trade off the accounts.
PRE-TRADE	Brokers are linked to the custodian account.	Securities must move to the executing broker.	Brokers can trade using the account number of the custodian.	Assets remain with custodians and brokers are able to trade off the accounts.

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
TRADING	T+0 - Advise settlement banks on financial obligations of brokers	T+0 - Clearing members know their net settlement obligations	T+0 - Advise brokers on net obligations The custodian has T+1 to confirm the trade.	One hour (9.00 - 10.00)
POST TRADE - EQUITIES	T+1 and T+2 - Brokers are expected to fund their account and non-compliant are reported to stock exchange and CSD T+3 - final settlement - DVP.	T+1 and T+2 - Clearing members must fund their settlement account on or before 10.00am on T+3 T+3 – DVP by 3:00 pm	Custodian transaction - to be confirmed by 5:00pm On t+1. By 8:00am on T+3 all participants fund their obligations. T+3 - Final settlement - DVP.	Five hours (10.00 - 15.00)

DESCRIPTION	NSE	GSE	BRVM	RECOMMENDATION
POST TRADE - GOVERNMENT BONDS	<p>T+0 - Process and advise settlement banks on financial obligations of brokers.</p> <p>T+1 - Final advice</p> <p>T+2 - Final settlement - DVP.</p>	<p>T+0 - net obligations available to depository participants by 4.00 pm</p> <p>Custodians to affirm or reject trades by 4.30pm</p> <p>Send settlement instructions to central bank by 4.30pm and advice the settlement partners.</p> <p>At 5:00pm. Confirmation is received from central bank on final transactions settlement.</p>	<p>T+0 - advise brokers on net obligations</p> <p>Custodian transaction - to be confirm by 5:00pm on t+1.</p> <p>By 8:00 am On t+3 all participants fund their obligations.</p> <p>T+3 - final settlement - DVP.</p>	T+2

We would like to acknowledge the following Sub-Committee members for their tireless efforts in drafting these standards:

- **Joseph Mekiliuwa (Chairman of the Committee, CSD, Nigeria)**
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- **Okon Onuntuei (NSE)**



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Presented by

The Legal and Regulatory Sub-Committee

At the

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February 12 & 14, 2014

The Need for a Common Set of Listing Standards

A key component of the integration process is the harmonization of listing standards across the WACMI region. This will ensure the creation and enforcement of strong qualitative and quantitative set of listing criteria.

- Issuers seeking a primary or secondary listing on the boards of participating exchanges must satisfy the minimum criteria.
- Additionally, in the review of the listing process, the respective exchange will consider various factors including the financial and capital requirements that apply, qualitative measures, corporate governance and disclosure standards.
- This presentation provides an outline of the proposed common set of listing standards for the WACMI initiative that have been developed by the participating jurisdictions at the technical committee meetings held throughout in 2013.

Achieving integration will facilitate momentous growth in the markets, which will empower the region to remain relevant in attracting investment flows, by creating a much larger market for local and international businesses.

The Mainboard will be the focus during Phase 1 of the integration process. Issuers on the Mainboard are required to comply with higher listing standards that will be benchmarked with global markets.

COMMON LISTING STANDARDS – BENEFITS TO THE LISTING PROCESS

Successful integration would lead to a number of key benefits in the listing process, to both the Exchanges and the issuers. Some of these benefits include:

- Higher listing standards
- A reduction in cost of listing
- Significant decline in the listing time cycle
- Improved corporate governance
- Stronger investor protection



BASIC LISTINGS STANDARDS

- Requirements and procedures for listing of securities on the Exchanges in the West African Capital Market.
- An applicant seeking a primary or secondary listing on any of the Boards of a Regional Exchange must satisfy the minimum criteria.
- In reviewing a listing application, the Exchange will consider a number of factors, including numerical standards, qualitative factors, corporate governance, the integrity of the Board and Management; and the disclosure provided in the prospectus or information memorandum.

Criteria	LISTING STANDARD
Public Liability Company	<ul style="list-style-type: none"> • An Applicant must be duly incorporated as a public limited liability company; or • a closed-end unit trust scheme; or • a mutual fund scheme or other pooled funds scheme ; or • any metropolitan or municipal authority.
Entire Issued Shares to be listed	<ul style="list-style-type: none"> • The application for listing must cover the entire issued shares of the Applicant.
Transferability of Shares	<ul style="list-style-type: none"> • Shares must be fully paid for and free from all liens or restrictions on the right of transfer. All clauses in the Memorandum & Articles of Association that restrict the transfer of fully paid-up shares must be removed.
Shareholding Spread and Distribution	<ul style="list-style-type: none"> • An Applicant shall have a shareholding spread of not less than 100 shareholders.
Public Float	<ul style="list-style-type: none"> • To provide an active and vibrant secondary market, an Applicant shall ensure that at least twenty percent (20%) of the issued capital is made available to the investing public (persons other than the directors and employees of the Issuer) on the day of listing.

Criteria	LISTING STANDARD
Corporate Governance	<ul style="list-style-type: none">• An Applicant must adhere to best corporate governance standards.
Independent Directors	<ul style="list-style-type: none">• The Applicant's Board of Directors is required to have a majority of independent directors with appropriate expertise.
Separation of Roles	<ul style="list-style-type: none">• There shall be a clear separation of the roles of the Chairman and the Chief Executive Officer.• The Chairman of the company must be an independent director.
Mandatory Training	<ul style="list-style-type: none">• Directors of listed companies shall undertake a mandatory training when they become directors and on a continuing basis

Criteria	LISTING STANDARD
Market Capitalization	<ul style="list-style-type: none"> The Applicant shall have a minimum capitalization of the equivalent of USD 1 million at the time of listing.
Operating Track Record	<ul style="list-style-type: none"> An Applicant shall have an operating track record of at least (3) three years.
Profitability	<ul style="list-style-type: none"> An Applicant must have a minimum consolidated pre-tax profit in each of the last three financial years (excluding profits on exceptional items).
Financial Statements/ Accounting Standards	<ul style="list-style-type: none"> The Applicant's financial statements and future periodic financial reports shall be prepared in accordance with the International Financial Reporting Standards ("IFRS") and covering the last three fiscal years.
Validity of Financial Statements	<ul style="list-style-type: none"> For the purpose of filing an application for listing, the date of last audited accounts must not be more than 9 months.

Criteria	LISTING STANDARD
Filing of Applications	<ul style="list-style-type: none"> ▪ An Applicant shall appoint a registered Capital Market Operator who is licensed as a Dealing Member to act as the sponsor for the applicant listing on the Exchange. ▪ Where the applicant is affiliated to a sponsoring Licensed Dealing Member, an independent (an additional) licensed Dealing Member shall be appointed to co-sponsor the listing application. ▪ The Dealing Member must be able to give the applicant impartial and competent advice and must have the necessary experience to discharge its professional duties fully and professionally.
Submission of Applications	All relevant signed documents should be filed with The Exchange at least 48 hours before the Offer opens to the public.
Subscription Period	The subscription period shall not be more than 30 working days. However, the Regulators may approve an extension not exceeding 2 weeks.
Registration with the Apex Regulator	All securities for which listing is sought shall first be registered with the Securities and Exchange Commission.

Overview of Listing Standards (cont'd)

Criteria	LISTING STANDARD
Primary Listing	<ul style="list-style-type: none"> • Issuers are encouraged to list in their home countries or country of incorporation.
Fees	<ul style="list-style-type: none"> • The Regional Exchange through which an application for listing is made shall charge a non-refundable documentation and review fees.
Cycle Time/Duration	<ul style="list-style-type: none"> • Where a complete application docket is filed with the Exchange, the duration of the listing process (from start to finish) shall be a maximum of 3 (three) months, covering: <ul style="list-style-type: none"> • Obtaining the SEC and Exchange Approval of Prospectus and Appraisal. • Opening/closing of the Offer. • Approval of allotment from the SEC. • Formal Listing and trading of the securities on The Exchange
Venture Capital /Start Ups	<ul style="list-style-type: none"> • The Company must have been in operation and prepared financial statements for at least one year.

Criteria	LISTING STANDARD
Financial Disclosure	<ul style="list-style-type: none">• Listed Issuers shall comply with quarterly and annual periodic financial disclosure obligations of The Exchange.• Financial statements shall be published on a quarterly basis and shall be released simultaneously on all markets.
Prospectus	<ul style="list-style-type: none">• For an Issuer to be admitted to the official list by way of a public offering, a prospectus must be issued and lodged with the SEC.• Where capital is not being raised through an IPO, the applicant may file an Information Memorandum that provides sufficient disclosures instead of a prospectus.

We would like to acknowledge the following Sub-Committee members for their tireless efforts in drafting these standards:

- **Aigbekaen Edosa, Chairman, Legal & Regulatory sub-committee – SEC, Nigeria**
- **Mary Uduk (Ag. Chairperson) - SEC, Nigeria**
- **Josephine Igbinosun (Secretary) – The Nigerian Stock Exchange**
- **Joyce Boakye – Ghana Stock Exchange**
- **Evelyn Essien - SEC, Ghana**
- **Dramane Diarra - Conseil Regional de l'Épargne Publique et des Marchés Financiers (CREPMF)**
- **Harouna Ouedraogo - CREPMF**
- **Amadou Tidiane Bah - BRVM**
- **Abdelkader Ndiaye - BRVM**
- **Winston Nelson Jr. - African Alliance Securities Ltd, Ghana**
- **Abayomi Oluwato - First Registrars Nigeria Limited, Nigeria**
- **Amadou Diallo – Banque Centrale de la République de Guinée**



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Sensitization Workshop

“Facilitating the creation of an integrated capital market”





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OVERVIEW OF THE WEST AFRICAN CAPITAL MARKETS INTEGRATION

Presented by

The Legal and Regulatory Sub Committee

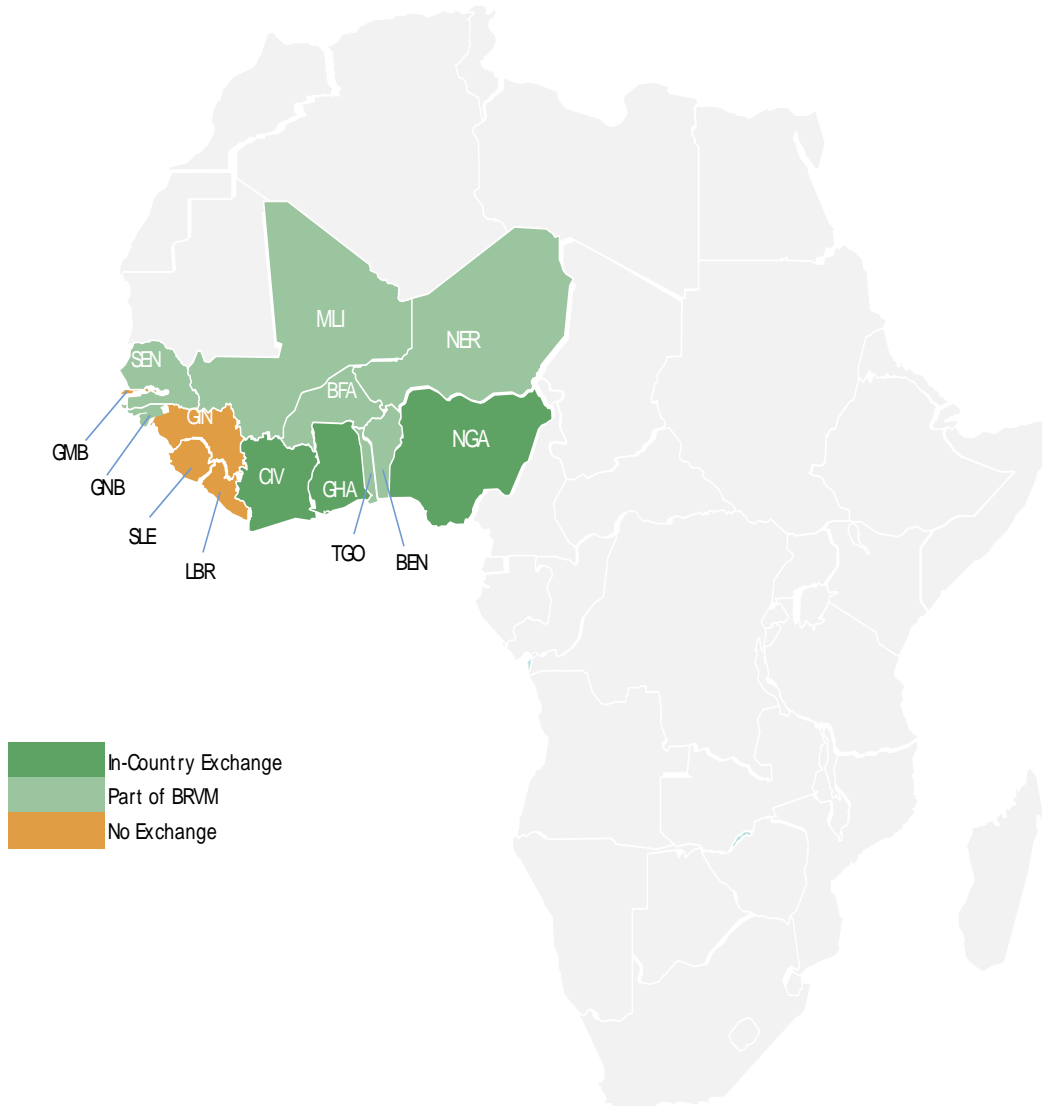
At the

WACMI SENSITIZATION WORKSHOP – NIGERIA

February 12 & 14, 2014

- Is the legal and regulatory framework approved and adopted by WACMIC to allow Capital Market Operators (“CMOs”) to operate outside their jurisdictions.
- A Common Passport empowers market regulators to mutually recognise a CMO registered outside their market and extend them the same rights, privileges and obligations as one of their own.

Why Common Passport ?



11 countries

3 stock markets

3 sets rules & regulations

3 national regulators

Description	Criteria
CMO's Eligible	<ul style="list-style-type: none">▪ Licensed Broker/Dealers▪ Licensed Issuing houses
Minimum Capital	<ul style="list-style-type: none">▪ Brokers/Dealers - US\$500,000;▪ Issuing Houses - US\$1million.
Net Liquid Capital	<ul style="list-style-type: none">▪ Capital required to be maintained in liquid assets at all times.▪ Risk-based capital requirement currently used by CMO's in Ghana per SEC regulations.▪ Shareholders funds' minus specified assets after risk weights (haircuts) have been applied.

Asset class	Category	Haircut
Fixed assets	<ul style="list-style-type: none"> All 	<ul style="list-style-type: none"> 100%
Equities	<ul style="list-style-type: none"> Listed and liquid 	<ul style="list-style-type: none"> 15%
	<ul style="list-style-type: none"> Listed and illiquid 	<ul style="list-style-type: none"> 30%
	<ul style="list-style-type: none"> Unlisted 	<ul style="list-style-type: none"> 100%
Government	<ul style="list-style-type: none"> Treasuries & Bonds 	<ul style="list-style-type: none"> 0%
Quasi – Govt Bonds	<ul style="list-style-type: none"> Listed 	<ul style="list-style-type: none"> 15%
	<ul style="list-style-type: none"> Unlisted 	<ul style="list-style-type: none"> 30%
Corporate bonds	<ul style="list-style-type: none"> Listed 	<ul style="list-style-type: none"> 25%
	<ul style="list-style-type: none"> Unlisted 	<ul style="list-style-type: none"> 100%
Foreign securities	<ul style="list-style-type: none"> Listed/rated 	<ul style="list-style-type: none"> 90%
	<ul style="list-style-type: none"> Unlisted 	<ul style="list-style-type: none"> 100%

Asset class	category	haircut
Loans	▪ Secured	▪ 25%
	▪ Unsecured	▪ 100%
Doubtful loans	▪ All	▪ 100%
Amounts due from	▪ Directors	▪ 100%
	▪ Associates	▪ 100%
	▪ Staff	▪ 100%

Risk-based capital measure

Net Liquidity

>

20% of aggregate indebtedness

Statement of Liquid Funds

	Per B/S	Haircut	Per NL
Shareholders' funds	2,000,000		2,000,000
<u>Deduct</u>			
Value of fixed assets	1,000,000	100%	1,000,000
Value of unsecured loans	200,000	100%	200,000
Value of secured loans	100,000	25%	25,000
Value of doubtful debt	200,000	100%	200,000
Value of Government bonds	1,000,000	0%	0
Value of listed equities	500,000	15%	75,000
Value of listed corp bonds	500,000	25%	125,000
NET LIQUIDITY			<u>375,000</u>

How to apply	CMO's must apply to regulatory authorities in their home country.
Guaranteed Fund	A Broker/ Dealer seeking a Common Passport must be up-to- date with the home country Investor Protection Provisions.
Dispute Resolution	shall be by way of Mediation and Arbitration.
Suspension or Cancellation	WACMIC reserves the right to suspend or cancel Common Passport where the CMO contravenes any of the terms of its registration.

Description	Criteria
Additional Requirements for Broker/Dealer	<ol style="list-style-type: none">1. Broker/dealers should:<ul style="list-style-type: none">• Establish, maintain and exercise effective policies and procedures on risk management;• Have its own system of monitoring risks on a daily basis.• The Broker/dealer should be capable of describing and demonstrating the objectives and operations of the system to the Exchange and the Commission.• (b) Maintain a Risk Management Manual where the policies and procedures on risk management would be documented, and be periodically updated to effect certain changes in the system. 2. Every Broker/dealer should maintain appropriate record of its financial position and credit limits for all counterparties to which it has a credit exposure. 3. The position and credit limits established should reflect the type, nature and volume of business undertaken and financial status of the counterparty and should be reviewed on a regular basis, at least once a year.

Description	Criteria
<p>Additional Requirements for Broker/Dealer (Cont'd)</p>	<p>4. The financial records of a Broker/dealer should be capable of being summarized to permit actual exposures to be measured regularly against the established position and credit limits.</p> <p>5. A Broker/dealer should maintain its records in a manner that would adequately disclose the financial and business information which will enable its management to:</p> <ul style="list-style-type: none">• Identify, control and manage its risk exposures;• Make timely and informed decisions;• Monitor the performance of its business on an up-to-date basis;• Monitor the quality of its assets;• Safeguard its assets and those belonging to others. <p>6. The risk systems and processes of a Broker/dealer should be capable of being externally and independently audited by the Exchange, Commission or any other third party acting on their behalf.</p>

Description	Criteria
Internal Control	<p>The Broker/dealer should establish and maintain at all times written policies and procedures on internal control and should be capable of describing and demonstrating the objectives and operations of such policies and procedures to the Exchange and the Commission.</p> <p>In determining the scope and nature of effective internal control, a Broker/dealer shall consider all relevant factors including the size of the business, the diversity of operations, the volume, size and frequency of transactions, the degree of risk associated with each area of operation and the amount of control by its senior management over day to day operations.</p>

Description	Criteria
Internal Control (Cont'd)	<p>The systems of internal control should ensure that:</p> <ul style="list-style-type: none">• All transactions and commitments entered into are recorded and are within the scope of authority of the Broker/Dealer or the individual acting on its behalf for such transactions or commitments;• Maintain procedures to safeguard assets and control liabilities, including assets belonging to other persons for which the Broker/dealer is accountable;• There are measures, to minimize the risk of losses to the Broker/dealer from irregularities, fraud or error and to identify such matters should they occur so that prompt remedial action may be taken by the management; and• There is clear delineation of responsibilities and proper segregation of tasks among the departments and the personnel of the Broker/dealer.



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Thank You

Q&A



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IMPLEMENTATION PLAN AND EXPECTATIONS

WACMI SENSITIZATION WORKSHOP

February 12 & 14, 2014

EVENT/ACTIVITY	RESPONSIBILITY	TIMELINE
<ul style="list-style-type: none"> Adoption of Listing Standards 	WACMIC	Nov 30, 2013
<ul style="list-style-type: none"> Adoption of Common Passport requirements 	WACMIC	Nov 30, 2013
<ul style="list-style-type: none"> Resolution passed to implement Phase 1 of Trading/Clearing/Settlement Platform for West African Stock Markets 	WACMIC	Nov 30, 2013
<ul style="list-style-type: none"> Sensitization Program 	All Member Countries	Feb 7, 2014 (GSE) Feb 12 & 14, 2014 (NSE) March 31, 2014 (BRVM)
<ul style="list-style-type: none"> Approval of Sponsored Access Rules from Regulators 	All Member Countries	March 31, 2014

EVENT/ACTIVITY	RESPONSIBILITY	TIMELINE
<ul style="list-style-type: none"> Adoption of Sponsored Access Rules 	All Member Countries	March 31, 2014
<ul style="list-style-type: none"> Signing of MoU/Agreements 	All Member (Exchanges & Countries Regulators)	March 31, 2014
<ul style="list-style-type: none"> Implementation of Harmonized Listing Standards 	All Member Countries	March 31, 2014
<ul style="list-style-type: none"> Commencement of Phase 1 of Trading/Clearing/Settlement 	All Member Countries	April 2014
<ul style="list-style-type: none"> Implementation of Common Passport Requirements/QWABs Phase 2 	All Members Countries	June 2014
<ul style="list-style-type: none"> Phase 3 Implementation 		To Be Determined

- Commitment of Market Operators
- Collaboration of Regulators and other Market Operators
- Familiarization with new Listing Standards/Common Passport Requirements
- Upholding High Professional Standards
- Abiding with Rules in various Jurisdictions
- Upholding of Code of Ethics at various Jurisdictions
- Educating Potential Issuers/Investors