



THE Nigerian STOCK EXCHANGE

NSE DEMUTUALISATION: WHAT YOU SHOULD KNOW.

1. What is demutualisation?

Demutualisation is a process by which a private, member-owned company legally changes its structure, in order to become a public-traded, profit-making company owned by shareholders. In a demutualisation process, members may receive structured compensation or ownership conversion rights in the form of shares in the new for-profit company.

2. What are the benefits of demutualising?

Globally, many member-owned exchanges are demutualising to unlock their true value and diversify operations. As the premier securities exchange in Nigeria, a demutualised NSE will enable strong economic growth and contribute to the development of the Nigerian capital market as it will make Nigeria more attractive to foreign investors. Other benefits of demutualisation include:

- Investor participation opportunities
- Improved corporate governance
- Access to broad pools of capital
- Diversification of businesses
- Increased global brand and visualisation of the NSE
- Technological innovation

3. Upon demutualisation, is NSE selling shares to the public (floating an IPO)?

There are no immediate plans by the NSE to float an IPO. Any decision on an IPO will be made subject to market conditions and shareholder decision, as would be expected of any company (most particularly a public company) that is contemplating a capital raise.

4. Can the shareholders of NSE sell their shares? How?

Upon completion of the demutualisation process, and the allotment of the shares, the members of the NSE will be able to trade their shares; Over the Counter (OTC).

5. What is the value of shares of the Company?

The value of the shares will be determined by the price agreed between a willing buyer and willing seller of the shares.

6. Will there be a dominant shareholder of The Nigerian Stock Exchange, post demutualisation? If yes, who?

Upon demutualisation, the Ordinary and Dealing members of the Exchange whose names are in the NSE Register of members as at May 11, 2017, shall immediately become shareholders of the Exchange. However, under existing regulations, no single entity/person is permitted to directly or indirectly own more than 5% of the equity and/or voting rights in the demutualised Exchange; unless otherwise provided in the Securities and Exchange Commission ("SEC")'s rules on demutualisation.

Stakeholder groups and strategic investors may also hold equity interests in the Exchange post the demutualisation. A strategic investor would need to provide evidence of technical expertise through previous experience in managing other Exchanges or such other investments beneficial to the Exchange. The aggregate number of shares to be offered to strategic investors shall not be more than 30% of the issued and the fully paid up capital of the Exchange. However, if the Exchange has a compelling reason to raise funds, it could issue a higher number of shares subject to the approval of the SEC.

7. How is The Exchange ensuring transparency and good corporate governance in its management appointments?

The NSE is adopting the highest standards of global best practices in constituting its new Board of Directors and appointment of management executives. While there have been 12 names approved by the SEC and members at the Extraordinary General Meeting, the proposed MEMART of the demutualised NSE makes provision for a maximum of 13 directors. An announcement will be made once the appointment is done.

Furthermore, the prescribed Board of Directors will serve as a transition board for 18 months post-demutualisation and is constituted by some members of the outgoing National Council and new independent Directors. These Directors have been appointed after careful vetting in line with several criteria including: qualifications, local and global experience, diversity, in-depth knowledge of the capital market, amongst others.

This transition Board has been designed to simultaneously maintain continuity and achieve agility.

8. What is next after the successful hosting of the Court Ordered Meeting and Extraordinary General Meeting?

The Court Ordered Meeting and Extraordinary General Meeting were successful as members unanimously passed the resolutions presented. The next steps in this process are to secure the SEC's formal approval of the Scheme and final approval to operate as a demutualised entity. In addition, the NSE's trading licence will be transferred to a new entity, Nigerian Exchange Limited and a license will be obtained for the new regulatory entity, NGX Regulation Limited.

9. Will demutualisation result in an improvement in services of the NSE and introduction of new products?

The demutualisation exercise will give rise to a more agile Exchange that is better able to support the growth of the capital market – and the economy – through increased capital market activity, improved investor confidence and better opportunities for international alliances and cross-border listings.

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