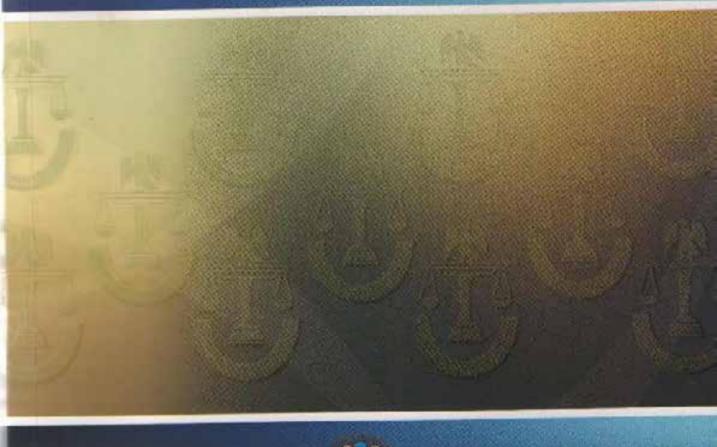
Annual Report & Accounts





Securities & Exchange Commission

To be
Africa's Leading
Capital Market Regulator

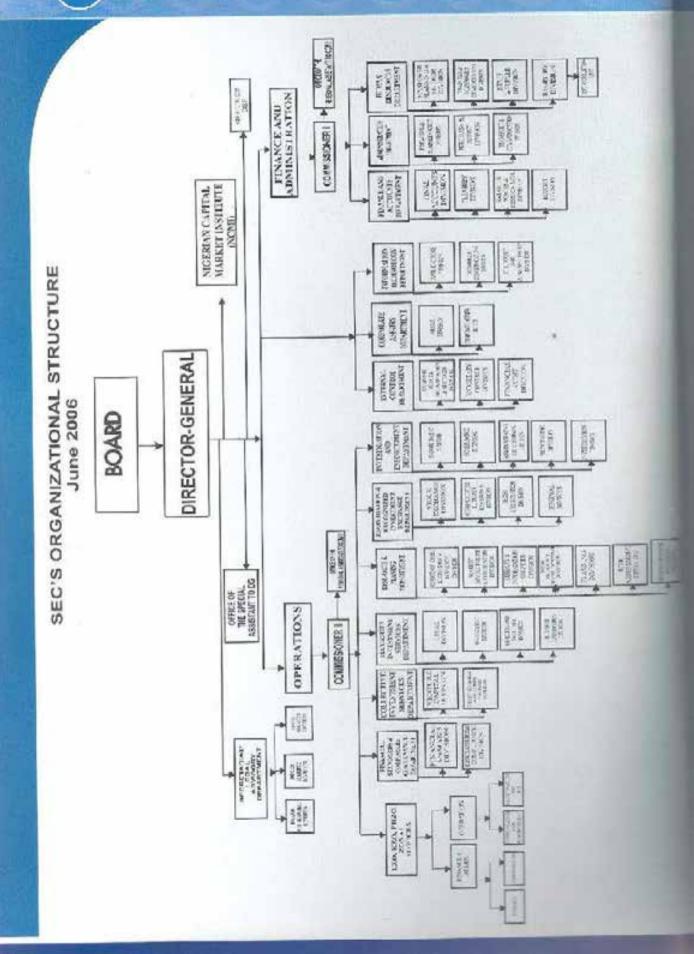
Mission Statement

To Develop and Regulate a Capital Market that is Dynamic, Fair, Transparent and Efficient to contribute to the Nation's Economic Development

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Securities and Exchange

The year 2006 to you. As in

Export highlights major

The Year apital market and

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that in spite of the market due to make capital market due to make capital base of banks have been capital base of banks have been creased activities in the increased activities in the make handled effectively by the capaboration with relevant

recapitalize also saddled another responsibility of feating of securities, marger activities that another exercise of the appealed to close at the end of

and a sport of various activities

#### Tenthonen Market

This was followed by the which raised N61.7 3
Companies N7.4 billion, Airline Heath Care N1.84 billion, Road Transport Care Agro Allied N299.60
In accorded companies also

the Commission gave approval for the forty seven (47) equities and

shares worth N286.80 billion, while in 2005 forty eight (48) equifies involving 207.13 billion ordinary shares amounting to N405.84 billion were registered. It is important to note that the Commission had put in place an incentive to facilitate the consolidation exercise in the insurance industry by deciding to apply 1.0 percent charge on the nominal value of securities instead of using market value for the computation of approved fees for all quoted insurance companies.

#### The Secondary Market

In 2006, trading activities on the floor of The Nigerian Stock Exchange(NSE) was impressive. The market was bullish with impressive price appreciations. A total of 36.664 billion securities valued at N470.254 billion were traded on the exchange within the period, recording a rise of 37.35 percent and 78.85 percent in volume and value when compared with 26.694 billion ordinary shares worth N262.930 billion attained in 2005.

The equities segment dominated trading activities within this period, a trend that had become a common feature of the Nigerian capital market. The equities sector accounted for 36.661 billion, representing 99.99 percent of the aggregate transactions in respect of volume, while the bond sector recorded 2.39 million. representing 0.01 percent. The Industrial Loans/Preference Shares sector was inactive. In terms of aggregate turnover by value, the Equities sector led with N468,588 billion or 99.65 percent, while the Bond sector recorded N1.665 billion, which accounted for 0.35 percent. It is expected that with the increase in activities of the Debt Management Office (DMO) in the floating of Federal Government bonds and the efforts of the Commission in enlightening target investors on the benefits of participating in the bond market, an upsurge in activities in this segment of the market would soon be realized.

The aggregate market capitalization of the 288 listed securities as at December 2006 stood at N5, 120.94 billion as against N2, 900.10 billion attained in 2005, showing a growth of 76.58 percent. This growth in market capitalization was attributed to, among other things, the

volume of pension funds introduced into the market.

#### Market Regulation

In line with its mandate of regulating the capital market, the Commission in 2006 made tremendous efforts toward making the market more efficient and transparent by amending and/or making new rules. Furthermore, the Commission employed more efficiently its tools of Registration, Surveillance, Investigation and Enforcement to regulate the market.

In particular, the Commission made effective utilization of its oversight function by carrying out on site, off-site and target inspections of capital market operators with a view to ascertaining their financial strength and the credibility of their actions in the course of the year. Consequently detected breaches or violations of the Investments and securities Act No 45 of 1999 were properly investigated and resolved appropriately.

During the year under review, the Commission investigated a total of 1,547 complaints. It also concluded between 1999-2006 the investigation of 1,277 cases towards its zero tolerance policy for capital market maipractices.

The Commission's Administrative Proceedings Committee(APC) also deliberated on 23 cases during the period. This is lower than the 2005 figure of 63 APC cases. On efforts towards curbing criminal activities in the market, the Commission transferred a total of 9 cases with 122 complaints to the Economic and Financial Crimes Commission for prosecution.

In order to ensure that fit and proper persons operate in the market, the Commission registered a number of market operators and securities. Over the years, the number of operators with valid registration status grew from 212 in 2005 to 581 in 2006, while listed securities increased from 146 in 2005 to 288 in 2006.

In its effort to intensify regulation of the market,

the Commission amended its existing rules with respect to disclosure requirements, private placements, utilization requirements of surplus issue proceeds, while new rules made includes those on know-Your Customer (KYC requirement, Real Estate Investment Trusts (REIT), Asset Backed Securities (ABS) and Shor registration.

#### Capital Market Development

In recognition of the need for the capital market to be better understood and appreciated by the citizenry, the Commission embarked on various developmental programmes and measures during 2006. As in previous years, the tools of workshops, enlightenment campaigns publications, seminars etc were used in reaching out to the general public and targeted audience on the activities of the Commission and translatin general.

#### **Public Enlightenment Campaigns**

In continuation of the Commission's effortoward enlightening state Governments and citizens on both the need to raise funds from an invest in the capital market, the Commission collaboration with the Pkiti State Government organized an enlightenment campaign in State on Opportunities in the Capital Market the Industrial development of Ekiti State.

# Introduction of Capital Market Studies into Tertiary Institutions

The Commission continued its support of introduction of capital market studies tertiary institutions of learning. In 2006, Commission and the authorities of the University of Abuja concluded plans to introduce capital market studies as a course of study in the Factor of Management Sciences of the University. University of Benin, in collaboration with Commission, is also working towards the taloff of capital market studies as a course in a Faculty of Management Sciences of University.

#### Conferences and Seminars

The Commission organized several conference and seminars on Bond Market Development and other Issues in 2006. The highlights from

#### and among others the following:

cal for the review of relevant sections of CAMA to make it more responsive to the domainds of a dynamic and modern appeal market.

me need for corporate bond to be seed on the Over The Counter market The FGN government bonds.

The need to put in place a proper market execute for the issuance and trading of corporate bonds with a clear definition of the roles of various stake holders.

right cost of issue was identified as a major disincentive to the issuance of bonds in Nigeria. Therefore a call for a reduction in the cost of issue was made with the Federal Government adequately funding SEC.

Corporate bonds were recognized as exoctant and viable financing option for the development of Nigeria's economy.

The need to put in place a proper market structure for the issuance and trading of corporate bonds with a clear definition of the roles of various stake holders.

2006 National Capital Market and Dinner was held on the 27th to see 2006. The Commission organized the theme NEEDS:

Sentthening the Capital Market for a sate Sector-Led Economic Growth. The tence was organized with the aim of sent and a forum for interaction between a operators, chieftains of companies and experience of the Commission on how to section the capital market to play a very section in the Federal Government's reform

# Development of New Products and Processes

forts to promote the introduction of new products in the Nigerian capital market. During the period under review, the Commission promoted the introduction of Real Estate Investment Trusts (REIT), Mortgage Backed Securities (MBS) etc in the Nigerian capital market through the holding of sensitization workshops and seminars.

In collaborating with international bodies toward developing the Nigerian capital market, the Commission held a meeting with a delegation from ICAP, South Africa, an inter-dealer broker and other relevant stakeholders in the financial sector on the possibility of accessing and becoming players in the fledging Nigerian bond market. The Commission is considering the proposal of this South African organization with all seriousness.

#### International Relations

During the period under review, the Commission recorded a historic feat at the 31" Annual Conference of International Organization of Securities Commissions (IOSCO) in Hong Kong, when she received the approval of the President's Committee to become an appendix "A" signatory to the IOSCO Multilateral Memorandum of Understanding (MMOU).Nigeria thus became the second country in Africa, after Financial Services Board (FSB) of South Africa, to qualify as signatory and the fourth after South Africa, Dubai & Israel to qualify from the Africa and Middle East Region(AMERC). At the end of 2006, 41 members of IOSCO qualified as Appendix "A" signatories to its MMOU, mostly from the developed countries of the World. Nigeria's appendix "A" signatory to the MMOU of this 177 member World body is significant for the following reasons:

- The Commission is now considered as a regulator having a regulatory framework that is fully compliant with international best practices and standards.
- Positioned to better utilization of local and international capital market facilities for long term growth and development
- SEC, Nigeria now joins the upper echelon of securities regulators world wide
- Increased confidence in the Nigerian Capital Market.
- High regard and attention by International

Financial Institutions(IFIs) such as IMF, World Bank, IFAC, PIOB etc.

- More effective consultation, cooperation and exchange of information towards combating cross border securities crime, terrorist financing and money laundering.
- Nigeria is now considered one of the most vibrant markets in Africa.
- New opportunities for capacity building

CONCLUSION

The year 2006 ended with a lot of achievements recorded by the Commission. Of particular note, were the post consolidation activities, where mergers, acquisitions and takeovers earlier consummated were perfected. Also, the promotion of new products in the market such as Mortgage Backed Securities, Real Estate

Investment Trusts (REITs) etc were green focus. All these, and many more, could been achieved without the support Honourable Minister of Finance, the State and the Board of the Commission belief that the support and cooperator were unprecedented , would further sour Commission to achieve more in 2007.

Thank you.

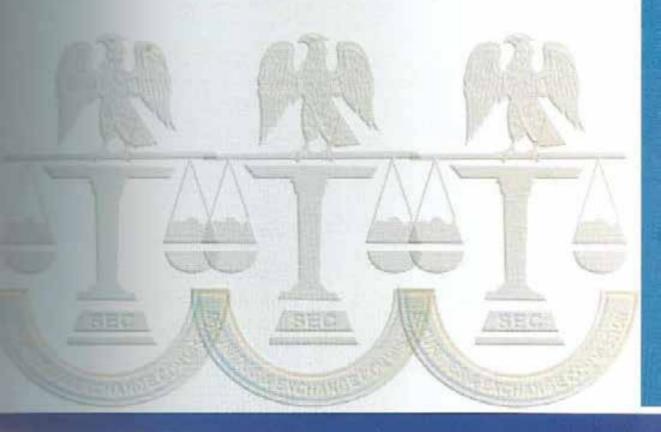
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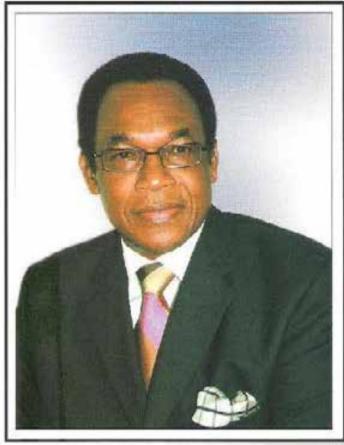
Musa Al-Faki Director-General



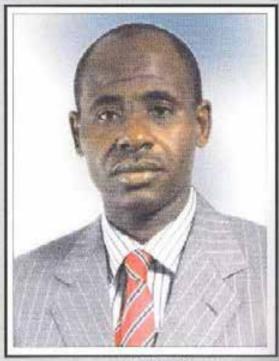
Musa Al-Faki

# **OUR PEOPLE**





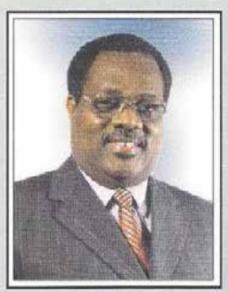
Chairman



Musa Al-Faki Director General



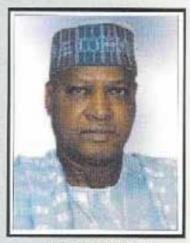
Sulciman A. Kwari Executive Commissioner, Fin. & Admin



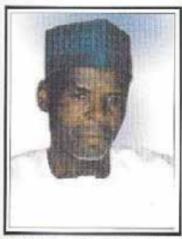
Elder David Ogwu Executive Commissioner, Operations



Commissioner



Alh. Shaaba Lafiagi Commissioner



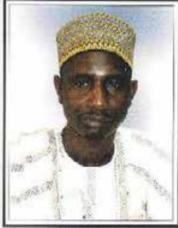
Alh. Mohammed Danjani Usman Auyo Commissioner



Commissioner Mubi)



Sir Kayode Otitoju Commissioner



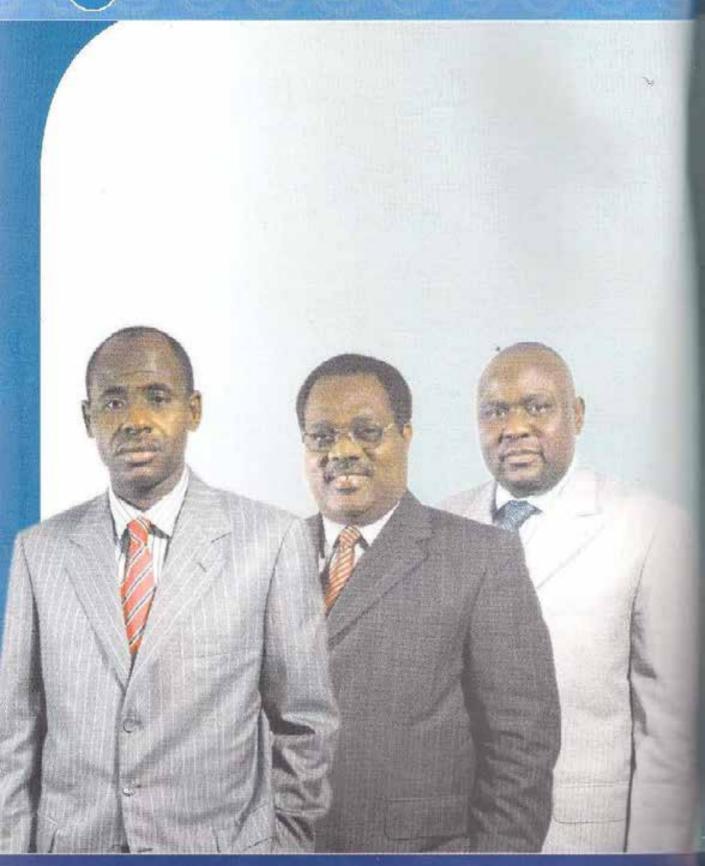
Alh. J. I. Zarewa Rop. Federal Min. of Finance



Dr. Chidozie Emenuga Reo. Central Bank of Nigeria

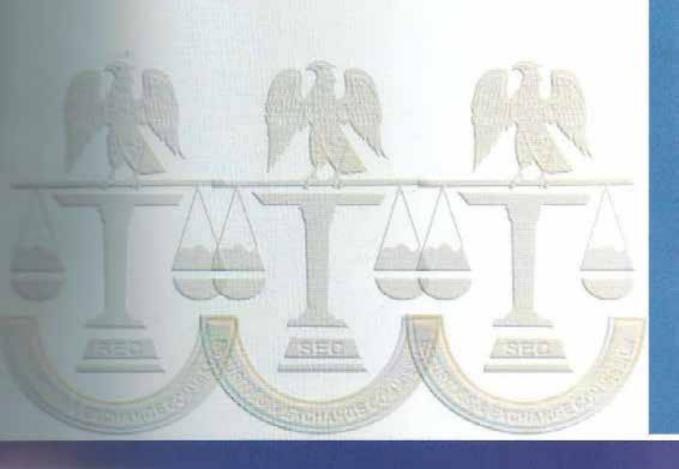


Mrs. Salamatu H. Suleiman Scordary to the Commission



Musa Al-Faki Director General Elder David Ogvvu Executive Commissioner, Operations Suleiman A. Kwari Executive Commissioner, Fin. & Admi

# **HEADS OF DEPARTMENTS**





Mc. Daisy Eldnich Director/HOD Securities and Investment Services

Mrs. Salamatu H. Suleintan Directory HOE Servetants and Legal Accessory and Secretary to the Commission

Mr. Sylvester O. Akele Director/HOD Research & Market Development

Mr. Chris O. Okereke Director/Head Lagos Zonal Office



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Mrs. Mudirat M. Falade Deputy Director RRIE

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Mr. I. Kola Ekundayo Deputy Director/HIII), Internal Co



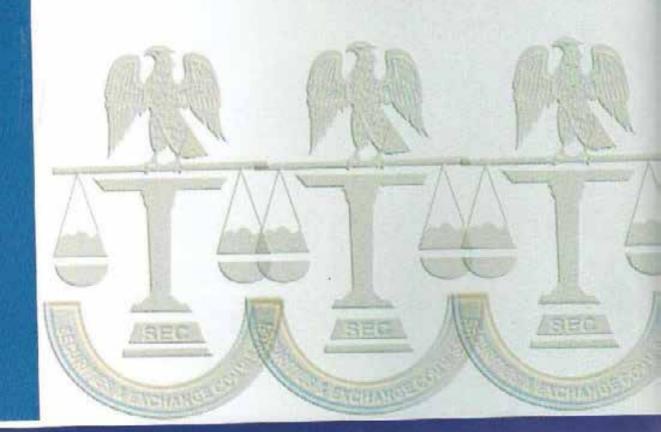
Mr. C. A. Udora
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Mr. Yusuf M. Aminu an Director/HOD Collective and Services Mr. A. U. O. Anyameluhor Deputy Director Aguition Human Resources Mr. Abatcha Bulama Deputy Olicetor/HOD, France and Accounts Mr. Ismail Mohammed Ville Assistant Director/HOD, Corporate Affair

# Section 1 THE ECONOMY



n 2006 recorded some degree of their Increases in the figures of their macroeconomic variables are

to le communications, wholesale and retail trade.

of the economy is attributed - Federal Government's economic me which necessitated a change macroeconomic policy b policymakers. Following careful analysis of the dynamics of fundamentals, policymakers wides characterized by efficient and monetary policies where the and a strolled its expenditure while the th money supply, cost of funds. - mines, etc to achieve carefully Another factor that and targets. the growth of GDP in the year was - Flow of foreign investment into

The services sector reforms brought - - cance of more capitalized and better positioned to provide the Formula intermediation role in the and with potentials to compete the other global financial players in The offects of the the banks on the economy seepening of the capital market seems withing to manage the country's and to raise more funds from and the meet the minimum capital The CBN, greater availability of credit the private sector for feasible and wider spread of banking try as most banks embarked and expansion.

sues floated in the market

subscription. As already noted above, some banks raised more funds to increase their capital base in order to meet up with the CBN guidelines for banks wanting to manage the nation's external reserves. The guidelines required a bank to have \$1.0b minimum capitalization to qualify to manage \$500m of the nation's reserve. As a result, the total value of new issues grew from N552,78b in 2005 to N707,39b in 2006. In the same vein, trading value on the secondary market rose from N262.9b in 2005 to N470.3b in The market indices were all on the upward trend with market capitalization increasing to N5,120.9b in 2006 from N2,900.1b In 2005 while the share index equally grew from 24,085.8 in 2005 to 33,189.3 in 2006.

During the period under review, the year-onyear inflation rate was 8.5% as a result of positive changes in supply-side factors such as lower food prices. However, core inflation was 17.0%. This was due to agitation in the Niger Delta region which disrupted activities of the oil companies as well as vandalization of oil pipelines in other parts of the country culminating in oil scarcity.

The exchange rate of the Naira against the dollar dld not only enjoy relative stability, but slight appreciation. The high external reserve balance of the nation, liberalization of the foreign exchange market in April 2006 and the introduction of the Wholesale Dutch Auction System (WDAS) as well as the 100% increases in both personal and business traveling allowances were factors that contributed to reducing the volatility of the exchange rate and closing the wide gap that had existed between the demand for, and supply of the dollar. The CBN's exchange rate policy action and the success recorded have provided investors within and outside the country the kind of environment needed for effective business planning and forecast.

In April of 2006, the Federal Government used a part of the excess crude oil revenue to exit the debt deal with the Paris club by paying it \$6.4b. Inspite of this, the nation's foreign reserves grew by over 50% to \$41.6b from N28.3b in 2005. This performance is attributed to increase in the price of oil at the International market coupled

#### REVIEW OF THE ECONOMY

with more prudent demand management policies of the Federal Government. This boosted the confidence of credit agencies in many of our creditor nations to advance export credit covers for Nigeria.

Settlement of domestic debt did not receive much attention as 2006 began with a staggering domestic debt figure of N1.5 trillion imposing a dampening effect on demand within the economy.

In the course of the year, the Government's fight against corruption by the Economic and Financial Crimes Commission (EFCC) as well as Independent Corrupt Practices Commission (ICPC) continued to make impact with investigations, arrests trails and conviction of corrupt public and non-public figures leading to recoveries of billions of naira and properties.

In consideration of the improved performance of the economy and the stable political terrain in the country, two international rating agencies, Standard and Poors (S&P) and Fitch Rating Agency, assigned the country a BB rating. This, in the history of the nation was the first time it received such rating.

Following the BB ratings of these agencies, the nation became a more preferred destination for Foreign Direct Investments (FDIs). Nigeria in the year under review was the highest recipient of FDIs in West Africa from the western world as well as Asian countries like India, China etc. These FDIs were directed mainly to the oil and gas sector which has become very attractive to investors due to sustained high demand for oil in the international market.

In addition, the BB rating assigned the country encouraged international portfolio managers and investors who had been reluctant in channeling their investible funds to Nigeria to have a change of mind. Consequently, portfolio investment increased by over \$1.7b after the rating.

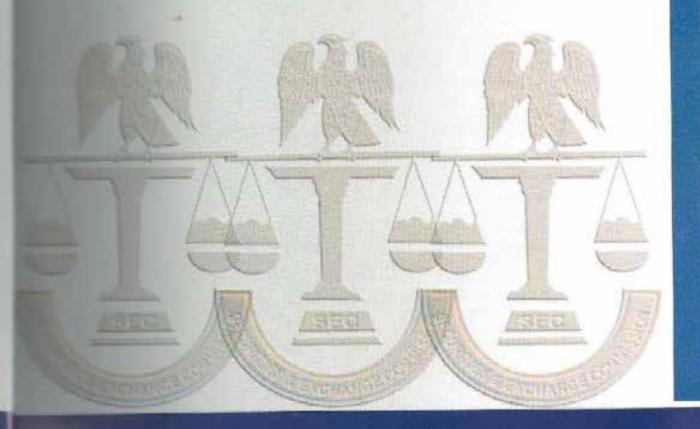
In the year under review, SEC Nigeria also became an appendix "A" signatory to the International Organization of Securities Commission (IOSCO) Multilateral Memorandum of Understanding (MMOU). Some of the implications of this milestone achievements are:

- The Commission is now considered as a regulator having a regulatory framework that is fully compliant with international best practices and standards.
- SEC, Nigerian now joins the upper echelon of securities regulator worldwide.
- High regard and attention by International Financial Institution (IFIs) such as, IMF, World Bank, IFAC, PIOB etc.
- More effective consultation, cooperation and exchange of information towards combating cross border securities crime, terrorist financing and money laundering
- Nigerian is now considered one of the most vibrant markets in Africa.
- New opportunities for capacity building

Looking ahead into 2007, the economy is expected to enjoy a higher and more balanced growth if the monetary authorities are proactive in checking the level of liquidity in order to control inflation. The government is expected to continue to ensure security of lives and properties, improve infrastructural facilities and ensure political stability.

# Section2

# THE NIGERIAN CAPITAL MARKET



# NEW ISSUES (EQUITIES & PREFERENCE STOCKS)

Activities in the new issues segment of the primary market in 2006, though impressive, were lower in number, volume and value compared to its position in 2005, when banks besieged the market to meet the N25.0 billion minimum capital requirements.

In 2006, the insurance sector, dominated the market. In all eighteen (18) insurance firms floated twenty-five (25) issues, raising the sum of N59.35 billion, or 52.05 billion shares during the period under review. This performance followed the directive given operators in the sector to recapitalize within a period of eighteen (18) months, beginning from September 2005. The directive required, life insurance companies to recapitalize to the tune of N2 billion from the previous N150 million, non-life-underwriting companies to raise their capital base from N200 million to N3 billion while the composite insurance firms (life and non life) were required to recapitalise to N5 billion from N350million. Reinsurance companies were required to strengthen their capital base to N10 billion as against the current N350 million.

Various incentives were put in place to facilitate the recapitalization exercise in the industry. For instance, SEC decided to apply a 1.0 percent charge on the nominal value of securities instead of using the offer price for the computation of registration fees for all quoted insurance companies. The NSE also granted to the industry, 50.0 percent reduction on all fees payable by insurance companies while NAICOM on its part reduced the certification fee payable from 1.0 percent to 0.5 percent. The deadline was 28" February 2007.

In the banking sector, five banks floated additional 18.59 billion shares valued at N133.48 billion from nine (9) various issues. Other sectors that played active role in the primary market in 2006 included Conglomerates which raised N61.73 billion, Mortgage companies N7.40 billion, Automobile & Tyre sector N5.50 billion, Airline sector N2.40 billion, Healthcare sector N1.84 billion, Leasing sector N1.61 billion, Road Transport sector N1.00 billion, Agriculture/Agro Allied N299.60 million and two unquoted

companies also floated N4.04 billion.

In sum, the Commission gave approval for the floatation of forty-nine (49) equities and preference stock involving 92.63 billion ordinary shares worth N278.65 billion in the year 2006 compared to forty-eight (48) equities involving 207.13 billion ordinary shares amounting to N405.84 billion registered in 2005. The breakdown of the issues raised in 2006 is shown in Table 1.

A quarterly analysis of the issues shows that in the first quarter of the year, six (6) new issues involving 17.54 billion ordinary shares valued at N72.17 billion were registered while 10.48 billion ordinary shares worth N17.69 billion was also recorded from six (6) issues in the second quarter. The third quarter was most active recording the highest number of issues, involving twenty-seven (27) issues of 46.92 billion ordinary shares worth N94.05 billion. Ten (10) issues of 17.69 billion ordinary shares worth N94.73 billion were floated in the fourth quarter.

These number of issues(47) floated in the year under review came from thirty-six (36) companies which needed to shore-up their shareholders funds. The proceeds from the offers were largely meant for business expansions, acquisitions and enhancement of information technology infrastructures, additional working capital and meeting statutory requirements among others.

In value terms, ten most valued issues during the year included the Initial public Offer of Transnational Corporation (Trancorp) PLC (N60.00 billion), Zenith Bank PLC (N55.19 billion), Intercontinental Bank PLC (N50.69 billion), Union Bank PLC (N15.06 billion), and Jaiz Int'l Bank PLC (N10.50 billion), Others were Aiico Insurance PLC (N7.20 billion), Continental Reinsurance PLC (N6.30 billion), Dunlop Nigeria PLC (N5.50 billion), Union Homes Savings & Loan PLC (N5.40 billion) and Lasaco Assurance PLC (N5.24 billion). These ten (10) offers accounted for 79.34 percent or N221.08 billion of the total value of equities and preference stock floated during the year.

Detailed analyses of the issues are as follows:

#### TENTTH BANK PLC

shares of 50k each at N16.90 per share, shares of 50k each at N16.90 per share, unting to N50.70 billion. This offer was subscribed. The bank was given ordinary shares from the oversubscribed to capitalized N4.49 billion of 265.53 ordinary shares from the oversubscribed thus Zenith Bank PLC added N55.19 billion shareholders fund from this offer. The net shareholders fund from the offer were meant to finance specified.

- Information and communication technology upgrade-11.98%
- Expansion of branch network -8.77%
- incremental working capital to support business expansion and take advantage of emerging opportunities-79.25%

#### ATTCO INSURANCE PLC

company simultaneously offered for secretion to the public as well as to its existing secretion to the public as well as to its existing the new minimum capital requirement. The for subscription involved 2.20 billion than shares of 50k each at N2.00 per share, sonsisted of 1.40 billion ordinary shares of each at N2.00 per share valued at N2.80 the net proceeds from the two offers be utilised as follows;

- anna make
- Expansion and upgrading of the branch cerwork 25%
- Enhancement of working capital 45%

#### CORNERSTONE INSURANCE PLC

company offered for subscription 3.20 ordinary shares of 50k each at N1.10 per valued at N3.52 billion. The net proceeds a tillised in the following proportions;

- Branch development 11.45%
- Petal outlets 7.61%
- Information technology optimization
- Business combination and integration
- Strategic investments 15.27%
- commercial real estate development

Additional working capital 30.54%

#### C& I LEASING PLC

The company offered for public subscription 1.40 billion ordinary shares of 50k each at N1.15 per share, amounting to N1.61 billion. The net proceeds from the issue would be utilised in the following proportions:

- Refinance head office building construction at Lekki, Lagos 6.61%
- Repayment of existing bank and other commercial debt 19.82%
- Expansion of the company's equipment rental business 29.33%
- Enhancement of working capital 38.46%
- Repayment of bridging loan (principal and estimated interest) 5.79%

#### UNIC INSURANCE PLC

The company offered for public subscription 2.00 billion ordinary shares of 50k each at N1.10 per share valued at N2.20 billion to finance the following:

- Clinical expansion 23.14%
- Enhancement of information technology infrastructure:
- Technical architecture assessment upgrade 5.16%
- Consolidation/Integration expenses 5.87%
- Business optimisation:
- Strategic business diversification 10.16%
- Enhancement of operational process 9.52%
- Working capital
- Redemption of certain life assets 19.55%
- Liquidity 26.60%

#### PRESTIGE ASSURANCE PLC

The company floated for public subscription 0.68 billion ordinary shares of 50k each at N2.50 per share, which amounted to N1.70 billion. The net proceeds would be utilised for the following purposes:

- o Real estate development 15.00%
- Bankers acceptances 40.00%
- o Lease finance 25.00%
- Commercial papers 5.00%
- Stock market investments 15.00%

#### MAY AND BAKER NIG. PLC

The company issued for public subscription 375.00 million ordinary shares of 50k each at

N4.00 per share valued at N1.50 billion. The offer would enable the company take up its fifty one percent (51%) stake in Bio vaccines Nig. Ltd (25.01%), completion of the ultra modern processed food factory at Ota, Ogun State (21.43%), construction of WHO standard pharmaceutical plant at Otta, Ogun State (28.58%), construction of water factory at Otta, Ogun State (2.86%) as well as enhancement of working capital (22.12%).

Following the oversubscription of the offer, put at 266.57 percent, the company was given approval to capitalize N344.40 million involving 86.10 million ordinary shares of 50k each at N4.00 per share. Thus, the company capitalized N1.84 billion in all.

#### ASSOCIATED BUS COMPANY PLC

The Company offered for public subscription 0.67 billion ordinary shares of 50kobo each at N1.50 per share, valued at N1.01 billion. The purpose of the offer was made to:

- o Fund bus terminal expansion
- Acquire additional fleet of buses and trucks
- Deepen ABC's passengers bus and logistics business activities; and
- Enhance the working Capital

#### ADC AIRLINES PLC

The Company during the period floated two (2) offers concurrently. These are public offer for subscription and a preference stock. Each of the offers consisted of 1.20 billion ordinary shares of 50kobo each at N1.00 per share valued at N1.20 billion. The total proceeds of N2.40 billion was meant to meet the new minimum capital requirements for airlines seeking to fly domestic, regional and international routes and also will be utilized as follows:

- To develop the company's aircraft fleet and routes
- Improve its working capital position; and
- Upgrade its Information Communication.
   Technology and online reservation system.

#### LASACO ASSURANCE

The insurance company floated a public offer and a rights issue amounting to 6.85 billion ordinary shares worth N5.24billion, 4.44billion ordinary shares of 50K each at N0.80 per share valued at N3.55 billion were offered to the public.

while 2.42 billion ordinary shares of 50K each N0.70 per share were offered to examinate holders. The proceeds from the offered be utilized as follows;

- o Expansion of branch network-5.0%
- Completion of IT upgrade and enhancement
   5%
- o Human capital development 5.0%
- Expansion of large premium insurance business-25.0%
- Strategic business development project-25%
- Working capital-35.0%

#### LAW UNION & ROCK INSURANCE PLC

The insurer offered for public subscription 1.80 billion ordinary shares of 50kobo each at N1.10 per share, valued at N1.98 billion. The offer proceeds would be employed in the general upgrade of the information technology expansion of branch network as well as provide additional working capital for the company to take advantage of emerging opportunities in oil & gas, construction, aviation and health insurance sectors.

#### IKEJA HOTELS PLC

The Company offered for public subscription 1.00 billion ordinary shares of 50kobo each at N3.00 per share, amounting to N3.00 billion. The net proceed of the issue will be utilized as follows:

- Refinancing of the leveraged acquisition of 51% holding of Capital Hotel PLC (owners of Abuja Sheraton Hotels & Towers) 80.0%
- Continuance of the on-going refurbishment at Sheraton Lagos & Sheraton Abuja 20.0%

#### MUTUAL BENEFIT ASSURANCE PLC

The Company floated for public subscription 4.00 billion ordinary shares of 50 kobo each at N0.60 per share valued at N2.40 billion. The offer was meant to finance the following:

- a Branch development 9.48%
- a Equipment leasing 18,97%
- a Stock market investment 26,03%
- e Working capital 45.52%

#### STANDARD ALLIANCE INSURANCE PLC

The insurance firm issued for public subscription

or ordinary shares of 50kobo each at share, amounting to N2.20 billion. The starts from the offer would be utilised in proportion:

and sales outlet expansion - 5.43%

re-branding/transformation project

of information technology

investment diversification

Fund Admin. 8.15%

mortgage finance

capital & other equity investments

Concesion of head office building project

concord capital 25.27%

#### INTERCONTINENTAL BANK PLC

one year, the bank created additional 3.75
connary shares worth N50.69 billion in
editers (public offer for subscription, rights
preference stock). The public offer consist of
the preference stock of 50kobo each at
so per share worth N10.00 billion, the rights
moived 1.53 billion ordinary shares of
the each at 13.50 per share valued at
the billion while the preference stock consist
the billion units of 50k each at N13.50 per
maked at N20.01 billion. The net proceed
the offers were meant for the following:

Branch development & expansion (34 branches) 8.40%

working capital 58.02%

Priormation communication technology & echannel development 33.58%

#### **DUNLOP NIGERIA PLC**

The company floated an offer for subscription and a rights issue concurrently. The public offer moved 1.50 billion ordinary shares of 50k each at N2.50 per share while the rights consist of 756.0 million ordinary shares of 50k each at 2.30 per share. The proceeds from the two offers, put at N5.50 billion, were meant to france the following:

Part-repayment of All Steel Radial Truck Tyre loan 48.00%

Working capital 52.00%

#### TRANSNATIONAL CORPORATION PLC

The company floated an IPO worth N60.00 billion for business expansion as well as exploration of new business areas. Thus, the company created additional 8.00 billion ordinary shares of 50k each at N7.50 per share. The proceeds from the offer would be invested in the following businesses:

- Expansion of the Transcorp Hilton Hotel 10,50%
- s. Energy 22.8%
- Agric-processing & export 5.3%
- a Movie studio 2,60%
- a International trading and transhipment 3.50%
- Technical infrastructure & services 7.00%
- e Refinancing existing acquisition costs 44.00%
- · Working capital 2.60%
- Research & development, business systems and office infrastructures 1.70%

#### NIGER INSURANCE PLC

The company offered to its existing shareholders by way of rights, 1.50 billion ordinary shares of 50k each at N2.65 per share worth N3.98 billion. The net proceeds from the offer were meant to finance the following:

- Branch network expansion (6 branches) 12.4%
- Information and communication technology upgrade (software and hardware) - 10.5%
- o Risk retention activities 77.1%

#### ROYAL EXCHANGE ASSURANCE PLC

The company offered to its existing shareholders by way of rights 2.00 billion ordinary shares of 50k each at N2.00 per share valued at N4.00 billion. The net proceeds from the offer would be utilised in the following proportion:

- Information technology 7, 18%
- Real estate development in Ikoyi Lagos 17..23
- Strategic Investment in the equity capital of guoted/unquoted companies 54.95%
- Enhancement of risk retention capacity 10.62%
- Upgrade of distribution network to support business expansion and exploitation of emerging opportunities 10.05%

#### N.E.M. INSURANCE PLC

The Company offered, to its existing shareholders by way of rights 3.53 billion ordinary shares of 50kobo each at N0.55 per share, amounting to N1.94 billion. The offer is intended to enable the company increase its shareholders funds and ensure compliance with NAICOM minimum capital requirement for Insurance companies.

The net proceed of the issue amounting to N1.845 billion will be utilized as follows;

- o Information technology upgrade 14%
- o Branch expansion 14%
- Working capital enhancement 61%
- Human capital development 11%

#### CRUSADER INSURANCE PLC

The insurance firm floated two (2) offers concurrently, a public offer for subscription and a right Issue Involving 2.13 billion and N2.88 billion in volume and value respectively. While the ofer for subscription involved 1.35 billion ordinary shares of 50 kobo each at N1.35 per share valued at N1.82 billion, the rights issue involved 0.78 billion ordinary shares of 50k each at N1.35 per share valued at N1.06 billion. The proceeds will be expended as follows:

- Information technology upgrade (hardware & software) 6.00%
- Business integration cost 5.00%
- Branch expansion 4.00%
- o Working capital 34.00%
- Investment in high potential sector 51.00%

#### WAPIC INSURANCE PLC

The company made a public offer and a rights issue simultaneously. The public offer consisted of 0.25 billion, ordinary shares of 50kobo each at N2.40 per share, amounting to N0.60 billion while the rights issue involved 1.00 billion ordinary shares of 50k each at N2.40 per share valued at N2.40 billion. The proceeds totaling N3.00 billion would be utilized as follows:

- o Expansion/improvement of branch network
- Information technology upgrade 15.00%
- o Cost of acquisition 10.00%
- Enhancement of working capital 65.00%

#### DASIS INSURANCE PLC

The insurance company floated N1.35 billion worth of securities that involves a rights issue and a private placement, In essence, the company offered to its existing shareholders 1.09 billion ordinary shares of 50kobo each at N0.60 per share valued at N0.65 billion while 1.00 billion ordinary shares of 50kobo each at N0.70 per share, amounting to N0.70 billion was privately placed for subscription. The net proceeds from the offers would be utilised in the following proportion:

- Acquisition of corporate head office 34.37%
- Expansion/improvement of branch network 3.42%
- Enhancement of working capital 62.21%

#### UNION HOMES SAVINGS & LOANS PLC

The company offered to its existing shareholders by way of rights 3.00 billion ordinary shares of 50k each at N1.80 per share, amounting to N5.40 billion. The company which was listed by introduction on The Nigerian Stock Exchange in April 2006, is to utilize the issue proceed as follows:

- o Branch expansion (10 branches) 10.69%
- Information technology (hardware & software) 4.86%
- Refurbishment of existing branches 3.89%
- o Refurbishment of 1004 estate 15.55%
- o Refurbishment of Mulliner Towers 9.71%
- Refurbishment of Awolowo Road Towers 8,75%
- Working capital including capacity building 46.55%

#### LIVESTOCK FEEDS PLC

The company offered to its existing shareholders 544.72 million ordinary shares of 50k each at N0.55 per share, amounting to N299.60 million. The proceeds from the offer would be applied to pay off N300.00 million bridging loan.

#### VALUCARD NIG. PLC

The company offered by way of rights to its existing shareholders 129.62 million ordinary shares of 50k each at N8.00 per share valued at N1.04 billion.

#### INTERNATIONAL BANK PLC

sew Islamic bank made a private placement for hillion ordinary shares of N1.00 each at per share valued at N10.50 billion. The was undertaken as a probate to a puch public offer of N13.0 billion to enable bank raise additional finance to comply with each minimum shareholders funds as well as the expansion of its operations. The net proceeds would be applied as follows;

- Branch expansion 38.13%
- Information technology enhancement 12.67%
- Working capital support 49,20%

#### MAC NIGERIA PLC

tompany made a private placement of 138.24 million ordinary shares of 50k each at 12.50 each worth N1.73 billion. The offer was result to finance the expansion of the company's contains in the key growing businesses, in line with its long-term plans, as well as to reduce its short term borrowings. The net proceeds from the offer would be utilised in the following proportion:

- Development of 14 new Mr. Biggs restaurants and production units 29.0%
- Development of Innscor franchised counters (Brand) 15.0%
- Expansion of MDS warehousing and distribution facilities 11.0%
- Debt reduction 45.0%

#### AFRIBANK PLC

The bank issued a private placement of 300.00 milion ordinary shares of 50k each at N6.80 per share valued at N2.04 billion. The issue proceeds would be utilised to shore up the bank's capital base.

# STANDARD TRUST ASSURANCE COMPANY

The company made two private offers in the 2.20 billion ordinary shares of 50k each at 2.5 per share, amounting to N1.65 billion and 32.69 million ordinary shares of 50k each at 2.75 per share, amounting to N142.27 million. The net proceeds from the two offers accregating to N1.79 billion were meant to be the following:

- Branch network expansion (6 branches)
   50.0%
- e Human Capital Development 10.0%,
- Information Technology upgrade 10.0%
- Acquisition of another insurance company 30.0%

#### CONTINENTAL REINSURANCE PLC

The insurance firm made a private placement of 6.00 billion ordinary shares of 50k each at N1.05 per share worth N6.30 billion to meet up with the recapitalisation exercise in the insurance sector. The proceeds will be utilized in the following proportions:

- Information technology upgrade (hardware & software) 5.00%
- :: Branch expansion (3 branches) 7.50%
- e Head office building 17.50%
- Working capital, including capacity building 10.00%
- o Strategic investments 60.00%

#### SOVEREIGN TRUST INSURANCE PLC

The company offered by private placement 1.00 billion ordinary shares of 50k each at N0.80 per share valued at N0.80 billion to shore up its capital base in compliance with NAICOM requirements. The proceeds from the offer would be used as follows:

- Acquisition of head office building in Lagos 33,33%
- o Expansion of branch network 13,33%
- Upgrade of information and communication technology 13.33%
- Equity investments 13.33%
- o Working capital 26.68%

#### GLOBE REINSURANCE PLC

The Company privately placed for subscription 6.0 billion ordinary shares of 50 kobo each at No.85 per share valued at No.10 billion.

The net proceed will be utilized as follows:

- e Information technology upgrade 10%
- Establishment of off shore branches 15%
- Working capital enhancement 40%
- Establishment of an investment subsidiary
   35%

#### ASO SAVINGS & LOANS PLC

The mortgage institution privately place for subscription 2,00 billion ordinary shares of N1,00

each at N1.00 per share worth N2.00 billion. The offer was undertaken to increase shareholder's funds and meet the challenges in the mortgage industry. The proceeds would be utilised in the following proportion;

- Electronic banking and banking software 15.00%
- o Branch software upgrade 10.0%
- o Branch expansion 15.0%
- Working capital & estate construction 60,00%

#### UNION BANK OF NIGERIA PLC

The Commission gave approval for the bank to capitalise N15.06 billion arising from 753.02 million ordinary shares of 50k each at N20.00 per share from its over subscribed public offer floated last year.

In November 2005, the bank simultaneously made an offer for subscription of 1.105 billion ordinary shares of 50k each at N20.0 per share worth N22.10 billion and a rights issue of 0.895 billion ordinary shares of 50k each at N20.0 per share valued at N17.90 billion. The two issues were over subscribed. Thus, in all, the bank capitalised a total of N55.06 billion.

#### THE BOND MARKET Federal Government Bond

The Debt Management Office (DMO) on behalf of the Federal Government of Nigeria (FGN) committed itself to monthly issuance of bond throughout 2006. These issues, tagged 3<sup>rd</sup> FGN bond, were made up of sixteen (16) series which were issued for purposes such as restructuring part of the outstanding 91-day National Treasury Bills (NTB) into longer-tenored bonds, providing benchmark instrument for the pricing of other securities in the capital market, facilitating the development of the bond market in general as well as funding the budget deficit.

It is worthy of note that during the year, the FGN also floated Special FGN Bond to settle pension arrears and local contractors outstanding debts. In all, the total value of the sixteen series 3° FGN bond and three (3) special FGN bond issued was N411.76 billion. However, the government allotted a total of N448.83 billion because the issues were oversubscribed to the tune of

N779.70 billion. The bonds tenors range between 3 -5 years with coupon rate of 12.00% to 16.00%. See Table 6 for details.

#### State Government Bond

Kebbi State Government bond (2006/2009) worth N3.50 billion was the only state government development stock in the market during the year. The State Government planned to utilize the proceeds which was 100.00% underwritten to complete the construction of Kebbi State University of Science and Technology and Zauro Polder irrigation project.

#### Corporate Bond

Access Bank PLC floated a convertible debenture stock worth N13.50 billion. This offer was the only corporate bond issued during the year. The bank planned to utilize the issue proceed in the following proportion:

- Retail infrastructure 70.00%
- Consumer lending 25.00%
- Working capital 5.00%

#### UNIT TRUST SCHEMES

The unit trust scheme segment of the capital market was impressive during the year. Within the period, the commission approved six (6) various funds offering a total of 6.0 billion units valued at N6.0 billion. Four (4) of the funds were floated by UBA Asset Management Ltd. Details of the offer are as follows;

#### 1. CSLSStockbroker Ltd

The fund manager offered for subscription 1.0 billion units of N1.00 each valued at N1.00 billion. The open-ended fund (The Legacy Fund) was designed for investors seeking to maximize their returns by investing in equities listed on The Nigerlan Sock Exchange and in other securities approved by the Trustees and the Securities and Exchange Commission.

#### 2. UBA Asset Management Ltd

The fund manager offered for public subscription four (4) types of open ended managed funds: UBA Bond Fund, UBA Money Market Fund, UBA Balanced Fund and UBA Equity Fund. The funds each involved 1.00 billion units of N1.00 valued at N1.00

billion. The gross proceeds (N4.00 billion) from the offers would be utilised as follows:

- UBA Bond Fund Investment in corporate bonds, treasury bills, mortgaged-backed bonds and government bonds.
- UBA Money Market Fund Investment in money market securities
- UBA Balanced Fund Investment in blue chip companies
- UBA Equity Fund Investment in portfolio of high quality equity securities quoted on the exchange

#### 3. DVCF Oil and Gas PLC

The fund manager Issued DVCF Oil & Gas Fund, involving 1.00 billion units of N1.00 each valued at N1.00 billion. The opened-ended specialised fund was designed specifically for investment in joint ventures & projects in the oil and gas sector within Nigeria.

#### **OFFER FOR SALE**

Dangote Sugar Refinery PLC floated its Initial Public Offer by way of offer for sale in November. The offer consisted of 3.00 billion ordinary shares of 50k each at N18.00 per share, amounting to N54.00 billion. This was undertaken to give investors an opportunity to be part owners of the company, and to meet The NSE listing requirements.

#### REGISTERED SECURITIES

In the year 2006, the Commission registered one hundred and thirteen (113) various securities, consisting of 162.01 billion units of shares amounting to N406.40 billion while in 2005 eighty-eight (88) securities involving 259.81 billion units of shares worth N440.09 billion were recorded. This represented a drop of 37.64 percent and 66 percent in volume and value respectively.

Among the registered securities were twentyeight (28) bonus issues valued at N7.82 billion,
twenty seven (27) existing securities of N42.93
billion and one (1) offer for sale worth N54.00
billion. Other securities registered included
meteer (19) offers for subscriptions (N257.14
billion), three (3) preference stock (N22.96), ten

(10) private placements (N30.96 billion), thirteen (13) rights issues (N47.69 billion), one (1) debenture (N13.50 billion), four (4) supplementary offers (N19.89 billion), one state bond (N3.50 billion) and six (6) unit trust schemes worth N6.00 billion.

#### ALLOTMENT CLEARANCE

In 2006, the Commission received a total of thirty-five (35) allotment proposals involving 90.24 billion ordinary shares valued at N252.40 billion. Eighteen (18) of these were issues raised in 2005, sixteen (16) were floated in 2006 while one (1) was a ratification (investment note of Niger Delta Exploration Company issued in 2001). In all, N192.25 billion was capitalized out of the N252.40 billion applied for.

A look at the level of subscriptions of issues raised and allotted in 2006 reveals that three (3) issues were oversubscribed, three (3) fully subscribed, seven (7) undersubscribed while three (3) were supplementary offers.

Equally, of the eighteen (18) issues of 2005 which were allotted in 2006 Five (5) were oversubscribed, two (2) fully subscribed, ten (10) undersubscribed and one (1) supplementary offer.

The ratified private placement (investment note) of Niger Delta Exploration Company issued in 2001 was fully subscribed.

COMPANY	NOMINAL VALUE (N)	OFFER PRICE (N)	VOLUME (MILLION)	VALUE	ISSUING HOUSE	DATE
Zenith Bank PLC	0.50	16.90	3,000.00	50,700.00	Zenith Sec. Ltd IBTC Chartered Bank PLC	05/02/06
Alico Insurance PLG	0.50	2.00	2,200.00	4,400.00	Profound Sec. Ltd:Magnartis Fin. Investment Ltd and Starling Bank PLC	06/03/06
Comersione Insurance PLC	0.50	1,10	3,200.00	3,520.00	IBTC Chartered Bank PLC and Velive Capital Management Limited	10/04/06
C& Lessing PLC	0.50	1.15	1,400.00	1,610.00	Diamond Bank PLC	02/06/06
Unic Insurance PLC	0.50	1.10	2,000.00	2,200.00	Vetiva Capital Management Ltd	03/07/06
Prestige Assurance PLC	0.50	2.50	680.00	1,700.00	Sterling Capital Mikts, Ltd	19/07/06
May & Baker Nig. PLC	0.50	4.00	375.00	1,500.00	FBN Capital Mkts. Ltd/ Sterling Capital Mtkts. Ltd	26/07/06
Associated Bus Company PLC	0.50	1.50	667.00	1,000.50	Fidelity Bank PLC	03/08/06
ADC Airlines PLC	0.50	1.00	1,200.00	1,200.00	Capital Bancorp Ltd	28/08/06
Lasaco Assurance Pic	0.50	0.80	4,435.26	3,548.21	Greenwich Trust Itd/sky Bank/ Intercontinental Cap. MKTS.	
Law Union & Rock Insurance PLC	0.50	1,10	1,800.00	1,980.00	Skye Bank PLC/Dominion Trust Ltd	05/09/06
Ikcja Hotels PLC	0.50	3.00	1,000.00	3,000.00	Intercontinental Capital Mkts Ltd/ Ecobank Nig. PLC /Union Capital Mkts Ltd	06/09/06
Mutual Benefit Assurance PLC	0.50	0.60	4,000.00	2,400.00	Sterling Capital Mids Ltd. Greenwich Trust Ltd.	06/09/06
Crusader Insurance PL0	0.50	1.35	1,350.00	1,822.50	Diamond Bank PLC/ Capital Bencorp Utd/ Sterling Capital Mids Ltd	08/09/06
WAPIC Insurance PLC	0.50	2.40	250.00	600.00	Intercontinental Sec. Ltd. Intercontinental Capital Mids Ltd. FCMB Capital Mids Ltd.	11/09/06
Standard Alliance Insurance PLC	0.50	1.10	2,000.00	2,200.00	Vetiva Capital Management Ltd/ Skye Bank PLC	22/09/08
Intercontinental Bank PLC	0.50	13.50	740.74	9,999.99	Interconfinental Capital Mkls Ltd/ IBTC Chartered Bank PLC	28/09/08

eneur.	NOMINAL VALUE (N)	OFFEH PRICE (N)	(MILLION)	VALUE N'M	ISSUING HOUSE	DATE
Ngora PLO	0.50	2.50	1,504.48	3,781.20	UBA Global Markets/Ecobank PLC/ Sterling Capital Mkts Ltd	29/11/06
Transport Corp.	0.50	7.50	8,000.00	60,000.00	Union Capital Market Ltd	27/12/06
No-10126			39,802.48	157,142.40		
Spin .				2		
Thursde PLC	0.60	2.00	1,400.00	2,800.00	Profound Sec. Ltd:/Magnartis Fin. Investment Ltd and Sterling Bank PLC	06/03/06
igur Insurance PLG	0.50	2.65	1,500.00	3,975.00	Afribank Nigena PLC and Tiddo Securities Limited	11/04/06
Rose Exchange Housence PLC	0.50	2.00	2,002.26	4,004.52	FCMB Cap Mkts Itd& Afribank Nig PLC & Vetiva Capital Markets Itd	17/05/06
Est insurance PLC	0.50	0.55	3,531.03	1,942.07	BGL Securities Ltd	28/08/06
Hastrance PLC	0.50	0.70	2,419.64	1,693.75	Greenwish Trust Ltd/Skye Bank/ Intercentinental Cap. MKTS	
Occasion Insurance PLC	0.50	1.35	787.57	1,063.22	Diamond Bank PLC/ Capital Bancorp Ltd/ Sterling Capital Mkts Ltd	08/09/06
MAPIC Insurance PLC	0.50	2.40	1,000.00	2,400.00	Intercontinental Sec. Ltd/ Intercontinental Capital Mkts Ltd/ FCMB Capital Mkts Ltd	11/09/08
Chaig Insurance PLC	0.50	0.80	1,090.83	654.50	Intercontinental Capital Mids Ltd/ Greenwich Trust Ltd	14/09/06
menor tinental Bank PLC	0.50	13.50	1,531.94	20,681.19	Intercontinental Capital Mkts Ltd/ IBTC Chartered Bank PLC	28/09/06
Linear Homes Savings & Linears PLC	0.50	1.80	3,000.00	5,400.00	Union Capital Mids Ltd/ Future View Fin. Services Ltd.	04/10/06
estock Feeda PLC	0.50	0.55	544.72	299.60	Capital Bancorp Ltd	23/11/06
Dunico Nigeria PLC	0.50	2.30	756.00	1,738.80	UBA Global Markets/Ecobank PLC/ Sterling Capital Mikts Ltd	29/11/0
aucard Nigeria PLC	0.50	8.00	129.62	1,036.96	Access Bank PLC	30/11/0
Sub-total			19,693.6	47,689.61		

COMPANY	NOMINAL VALUE (N)	OFFER PRICE (N)	VOLUME (MILLION)	VALUE	ISSUING HOUSE	DATE
Private Placement						
JAIZ International Bank PLC	1.00	1.00	10,500.00	10.500.00	Finmal Finance Sec. Ltd/ FCMB Cap. Market Ltd	27/02/1
UAC Nigeria PLC	0.50	12.50	138.24	1.728.00	FCMB Cap, Markets Ltd/ Lead Sec. Inv. Ltd	07/03/5
Afribank PLC	0.50	6.80	300.00	2,040.00	Fidelity Finance Company Ltd	29/03/0
Standard Trust Assurance PLC	0.50	0.75	2,200.00	1,650.00	Chapel Hill Advisory partners Itd & Greenwich Trust Ltd	15/050
Continental Reinsurance PLC	0.50	1.05	6,000.00	6,300.00	Sterling Capital Mtkts. Ltd/ Greenwich Trust Ltd	31/070
Sovereign Trust Insurance PLC	0.50	0.80	1,000.00	B00.00	Skye Bank PLC/ Greenwich Trust Ltd/ Werna Sec. & Fin. PLC	31/57
Globe Reinsurance PLC	0.50	0.85	6,000.00	5,100.00	Al-ibank Nigeria PLC and Tiddo Securities Limited	2905
Oasis Insurance PLC	0.50	0.70	1,000.00	700.00	Intercontinental Capital Mkts Ltd/ Greenwich Trust Ltd	1409
Aso Savings & Loans PLC	1.00	1.00	2,000.00	2,000.00	FBN Capital Markets/ Northbridge Investment Ltd	27/11/1
Standard Trust Assurance Co. PLC	0.50	0.75	189.69	142.27	Chapel Hill Advisory Partner /Greenwich Trust Ltd	20/13/1
Sub-total			29,327.93	30,960.27		
Supplementary Offer			100	1		
Zenith Bank PLC	0.50	16.90	173.49	2,931.98	Zenith Sec. Ltd/ IBTC Chartered Bank PLC	28/16
Union Bank of Nig. PLC	0.50	20.00	753.02	15,080.40	Union Cap. Mkts Ltd/ Steding Capital Mkts. Ltd/Afribank Nig. PLC	10071
Zenith Bank PLC (additional verification)	0.50	16.90	92.04	1,555.48	Zenith Sec. Ltd/ IBTC Chartered Bank PLC	28/08
May & Baker Nig. PLC	0.50	4.00	86.10	344.40	FBN Capital Mkts/ Sterling Capital Mkts	20111
Sub-total			1,104.65	19,892.26		

COMPANY	NOMINAL VALUE (N)	OFFER PRICE (N)	VOLUME (MILLION)	VALUE N'M	ISSUING HOUSE	DATE OPENED
Preference Stock	Par	1.00	1,200.00	1,200.00	Capital Bancorp Ltd ADC Airlines PLC	29/08/06
Standard Alliance Insurance PLC	Par	100.00	17.50	1,750.00	Vetiva Capital Management Ltd/ Skye Bank PLC	22/09/06
Intercontinental Bank PLC	par	13.50	1,482.00	20,007.00	Intercontinental Capital Mkts Ltd/ IBTC Chartered Bank PLC	20/10/06
Sub total			2,699.50	22,957.00		
TOTAL			92,628.17	278,641.54		
Deberture		150				
Access Bank PLC	par	1,000.00	13.50	13,500.00	Chapel Hill Advisory Parlners Ltd/ BGL Securities Ltd	25/10/06
Sub-total			13,50	13,500.00		
Total			85,786.77	288,899.58		

### Table 2 STATE GOVERNMENT BOND FLOATED (JANUARY DECEMBER, 2006)

stor	TYPE OF ISSUE	NOMINAL VALUE (N)	OFFER PRICE (N)	VOLUME) (MILLION	VALUE N'M	ISSUING HOUSE	DATE OPENED
Kreb State Scremment	Bond	Par	Par	*	3,500,00	UBA Global Markets	18/12/06

### Table 3 OFFER FOR SALE (JANUARY DECEMBER, 2006)

COMPANY	NOMINAL VALUE (N)	OFFER PRICE (N)	VOLUME (MILLION)	N'M	ISSUING HOUSE	DATE OPENED
Dangote Sugar Refinery PLC	0.50	18.00	3,000,00	54,000.00	ISTC/Vetlva/Access/BGL/Ecobank/ FBN/FCMB/Fidelity/Intercont./ Oceanic Bank/Zenith Bank	15/11/06

Table 4 UNIT TRUST SCHEMES (JANUARY DECEMBER, 2006)

SCHEME NAME	OFFER PRICE (N)	VOLUME (IN MILLION UNITS)	VALUE (N'MILLION)	FUND MANAGER	ISSUING HOUSE	DATE
The Legacy Fund	1.00	1,000.00	1,000.00	CSLS Stockbrokers Ltd	FGMB Capital Market Lld	31/01/06
UBA Bond Fund	1.00	1,000.00	1,000.00	UBA Asset Management Ltd	BGL Securities Ltd	05/06/06
UBA Money Market Fund	1.00	1,000.00	1,000.00	UBA Asset Management Ltd	BGL Securities Ltd	05/06/06
UBA Balanced Fund	1.00	1,000.00	1,000.00	UBA Asset Management Ltd	BGL Securities Ltd	05/05/06
UBA Equity Fund	1.00	1,000.00	1,000.00	UBA Asset Management Ltd	BGL Securities Ltd	05/08/08
DVCF Oil and Gas Fund	1.00	1,000.00	1,000.00	DVCF Oil and Gas PLC	Unity Bank PLC/ DEAP Capital Management & Trust PLC	12/10/08
Total		6,000.00	6,000.00		4	

## Table 5 SUMMARY FOR FGN BONDS (JANUARY- DECEMBER, 2006)

Date	Tenor (Yrs)	Amount Auctioned (N'BILLION)	Level of Subs (%)	Amount Subscribed (N'BILLION)	Amount Allotted (N'BILLION)	*Marginal Rate (%)
Jan 23-25 (series 1)	3	25.00	292.60	73.15	36.70	15.00
Feb 20-22 (series 2)	3	10.00	294.50	29.45	12,61	12.50
Feb. 20-22 (series 3)	5	20.00	227.95	45.59	23,48	14.50
March 27-29 (series 4)	3	10.00	157.80	15.78	8.16	12.50
March 27-29 (series 5)	5	20.00	68.95	13.39	8.09	14.50
April 24-25 (series 6)	3	10.00	343.40	34.34	15.41	12.00
April 24 25 (series 7)	5	20.00	219.25	43.85	26.91	13.50
May 22-24 (series 8)	5	10.00	339.60	33.96	12.51	12.00
May 22-24 (series 9)	7	10.00	155.80	16.58	10.36	15.00
June 26- 28 (series 10)	7	20.00	144.70	28.94	21.69	16.00
July 24-26 (series 11)	3	20.00	229.25	45.85	20.01	12.50
July 31 (Special Pension Arrears)	3	75.00	100.00	75.00	75.00	12.50
Aug 21-24 (series 12)	3	20.00	269.45	53.90	29.28	12.00
Sen 11 (1st Special Local Contractors Arrears)	5	87.85	100.00	87.65	87.65	13.50
Sep 27-29 (scries 13)	5	20.00	323.45	64.69	26.86	12.99
Oct 27 (series 14)	7	10.00	415.00	41.50	10.00	12.74
Nov 20-22 (series 15)	7	10.00	430.30	43.03	10.00	10.98
Doc 22 (series 16)	7	10.00	289.40	28.94	10.00	11.99
Dec 22 (2" Special Local Contractors Arrears)	5	4.11	100.00	4.11	4.11	13.50
Total		411.76		779.70	448.83	

Source: Deht Management Office (DMO) www.dmo.gov.ng,basis of allotme \*The Marginal Rate is the rate which is applied to all successful bids.

# Table 6: SUMMARY OF NEW ISSUES (JANUARY DECEMBER 2006)

liode at Offer	No. of issues	Volume of Shares (m)	Value of Shares	% of Total Value (N'M)
Rescription	19	39,802.48	157,142,40	22.21
Sys	13	19,693.61	47,689.61	6.74
are Placement	10	29,327.93	30,960.27	4.38
colomontary Offer	4	1.104.65	19,892.28	2.81
aul (equities)	46	89,928.67	266,684.54	36.14
sterence Stock	46	2,699.50	22.957.00	3.25
Soboriture	- 1	13,50	13,500.00	1.91
tare Govt. Bond	1		3,500.00	0.49
RSN Bond	19		411,752.95	58.21
Total (Debt)	24	2,713.00	451,709.95	63.86

# Table 7: SECTORAL SUMMARY OF FLOATED NEW ISSUES 2006

Sector	No. of Issues Involved	% of Total	Volume (Million)	% of Total	Value (N'million)	% of tota
Quoted Securities:					410 070 01	20.78
Banking	10	14,29	18.573.23	20.05	146,976.04	1,140,000,000
risurance	19	27.14	35,573.26	38.40	44,799.27	6.33
Acriculture/Agro Allied	1	1.43	544.72	0.59	299.60	0.04
Apriline	2	2.86	2,400.00	2.59	2,400.00	0.34
Automobile & Type	2	2.86	2,260.48	2.44	5,500.00	0.78
Conglomerate	2	2.88	8,138.24	8,78	61,728.00	8.73
Healthcare	2	2.86	461.10	0.60	1,844.40	0.26
Lessing	1	1.43	1,400.00	1.51	1,610.00	0.23
Road Transport	1	1.43	887.00	0.72	1,000.50	0.14
Mortgage	2	2.86	5,000.00	5.40	7,400.00	1.05
State Govt. Bond	1	1.43		0	3,500.00	0.49
FBN Bond	19	27.94		0	411,752.95	58.21
Unquoted Securities:						
Insurance	8	8.57	16,480.52	17.79	14,546.77	2.06
Others	2	2.86	1,129.62	1.22	4,038.98	0.57
Total	70	100.00	92,628.17	100.00	707,394.49	100.00

Table 8: QUARTERLY SUMMARY OF FLOATED NEW ISSUES IN 2006 (Equities and Desc.

Quarter	No. of Issues			Volume (million)		Volume N'million	
	Equities	Debt	Total	Equities only	Equities	Debt	Total
1st	7 ,	5	12	18,205.24	73,168.50	85,000.00	158,165
2**	6	5	11	10,475.75	17,691.50	70,000.00	87,632
3"	26	5	31	46,254.57	93,051.31	222,645.95	315,697
4 <sup>tt</sup>	- 10	6	16	17,692.61	94,730.23	51,107.00	145,83
Total	49	21	70	92,628.17	278,641.54	429,352.95	707,394

Table 9: SUMMARY OF FLOATED NEW ISSUES 1991 - 2006

Year	Offer for Subscriptions/ Private Placements	Rights	Total Equities	Interest Bearing Securities	All Securitie (Total)
	N'M	N'M	N'M	N'M	N'M
1991	551.45	192.58	744.03	355.00	1,099 4
1992	684.73	524.64	1,209.37	515.00	1,7243
1993	706.17	1,517.25	2,223.42	413.50	2,636.5
1994	826.12	605.56	1,431.68	730.00	2,1615
1995	1,250.40	2,659.78	3,910.18	515.40	4,4253
1996	4,211.34	1,631.84	5,843.18	15.00	5,858
1997	8,343.17	2,120.43	10,463.60	350.00	10,813.5
1998	13,754.74	893.32	14,648.06	370.00	15,019
1999	4,629.95	7,208.49	11,838.44	200.00	12,038
2000	834.07	4,873.75	5,707.82	11,500.00	1/,2
2001	10,511.44	22,168.59	32,680.03	4,518.76	37,1=
2002	24,015.45	17,268.54	41,283.99	20,000.00	61,2
2003	11,317.68	18,112.18	29,429.86	150,650.00	180,0%
2004	156,176.67	27,541.80	183,718.47	11,699.91	195,4
2005	355,698.96	50,140.52	405,839.48	146,942.50	552,75
2006	207,994.93	47,689.61	255,684.54	451,709.95	707.3=

Table 10: REGISTERED BONUS ISSUES JANUARY DECEMBER 2006

Company	Nominal value (N)	Volume (million)	Value (N'million)	Date Registered
Evans Medicals PLC	0.50	73.71	36.86	25/01/06
Neimeth International Pharm. PLC	0.50	37.01	18.51	25/01/06
ACEN Insurance Company PLC	0.50	49.07	24.54	03/02/06
University Press PLC	0.50	24.96	12.48	09/02/06
Magnum Trust Bank PLC (************************************	0.50	1,600.00	800.00	17/02/06
Phoenix of Nigeria Assurance PLC	0.50	57.23	28.62	22/02/06
Fidelity Bank PLC	0.50	2,494.88	1,247.44	27/02/06
Cornerstone Insurance PLC	0.50	743.69	371.85	19/04/06
Ecobank Nigeria PLC	0.50	696.18	348.09	21/04/06
May & Baker Nigeria PLC	0.50	36.20	18.10	26/04/06
DN Meyer PLC	0.50	48.52	24.26	27/04/06
African Petroleum PLC	0.50	93.71	46.86	02/05/06
Crusader Insurance Nig, PLC	0.50	246.17	123.09	05/05/06
Wema Bank PLC	0.50	445.16	222.58	20000000000
Eterna Oil & Gas PLC	0.50	24.00	12.00	08/05/06
Friesland Food Wamco Nig. PLC	1.00	78.11	78.11	02/06/06
Vitafoam Nig. PLC	0.50	163.80	81.90	08/06/06
May & Baker Nig. PLC	0.50	21.72	10.86	14/06/06
Lasaco Assurance PLC	0.50	201.64	100.82	17/07/06
WAPIC Insurance PLC	0.50	166.67	83.34	23/08/06
Mutual Benefit Assurance PLC	0.50	900.00	450.00	06/09/06
Unllever Nig. PLC	0.50	756.66	378.33	06/09/06
Julius Berger Nig. PLC	0.50	75.00	37.50	11/09/06
Niger Insurance PLC	0.50	500.00	250.00	13/09/06
Standard Alliance Insurance PLC	0.50	490.00	245.00	14/09/06
First Bank of Nig. PLC	0.50	5,256.05	2,628.03	19/09/06
Prestige Assurance PLC	0.50	183.06	91.53	29/09/06
Acen Insurance Co. PLC	0.50	100.00	50.00	03/10/00
Total		15,563.20	7,820.70	24/11/06

Table 11: REGISTERED EXISTING SECURITIES JANUARY DECEMBER, 2006

Company	Nominal value (N)	Volume of shares (million)	Value of shares (N'million)	Date Opener
Trust Bank of Africa PLC	1.00	2,406.72	2,406.72	16/01/0
Union Homes Savings & Loans PLC	0.50	2,000.00	1,000.00	06/04/0
Niger Insurance PLC	0.50	30.00	15.00	07/04/0
May & Baker Nig. PLC	0.50	75.41	37.71	26/04/0
Standard Trust Assurance PLC	0.50	800.00	400.00	08/05/0
C & I Leasing PLC	0.50	437.18	218.59	01/06/0
Friesland Food Wamco Nig. PLC	1.00	58.43	58.43	08/06/0
WAPIC Insurance PLC	0.50	8.50	4.25	06/09/0
Ikeja Hotels PLC	0.50	443.53	221.77	06/09/0
Crusader Insurance Nig. PLC	0.50	1.96	0.98	07/09/0
Ecobank Transnational Incorporated (add mag.)	32.00	156.08	4,994.56	11/09/0
Sterling Bank PLC(capital reconstruction)	0.50	10,552.85	5,276.43	11/09/0
Spring Bank PLC (capital reconstruction)	0.50	10,527.75	5,263.88	230.00
Continental Reinsurance PLC	0.50	1,499.22	749.61	20/09/1
Sovereign Trust Insurance PLC	0.50	2,243.17	1,121.59	11/07/0
Ecobank Transnational Incorporated (as 1923 ecoh	32.00	454.92	14,557,44	31/07/0
Associated Bus Company PLC	0.50	840.00	420.00	03/08/0
N.E.M. Insurance PLC (balance)	0.50	31.00	15.50	03/08/0
Globe Reinsurance PLC	0.50	1,208.67	604.34	14/08/
Lasaco Assurance PLC	0.50	20.00	10.00	22/08/0
Wema Bank PLC	0.50	146.93	73.47	23/08/
SKYE Bank PLC (capital reconstruction)	0.50	7,503.04	3,751.52	30/08/0
Oasis Insurance PLC	0.50	1,090.83	545.42	31/08/0
Livestock Feeds PLC	0.50	24.76	12.38	31/08/0
Spring Bank PLC	0.50	1,535.24	767.63	05/10/0
Aso Saving & Loans PLC	1.00	107.27	107.27	17/10/0
Continental Reinsurance PLC	0.50	600.20	300.10	22/11/
Total		44,803.66	42,934.59	12/12/\

Table 12: SUMMARY OF REGISTERED SECURITIES 2006

Mode of Offer	No. of Issues	% of Total	Volume (m)	% of Total	Value (N'm)	% of Total
Forces Tissues	28	25.23	15,563.20	10.03	7,820.70	1.95
Tecentures (convertible)	1	0.90	13.50	0.01	13,500.00	3.37
Emerg Securities	27	24.32	44,803.66	28.88	42,934.59	10.70
Offer for Sales	1	0.90	3,000.00	1.93	54,000.00	13.46
Offer for Subscriptions	18	16.22	35,367.22	22.79	153,594.19	38.29
Preference Stocks	3	2.70	2,699.50	1.74	22,957.00	5.72
Private Placements	10	9.01	29,327.93	18.90	30,960.27	7.72
Right Issues	12	10.81	17,273.97	11.13	45,995.86	11.47
Supplementary Offers	4	3.60	1,104.65	0.71	19,892.26	4.96
State Gov. Bond	1	0.90			3,500.00	0.87
Unit Trust Schemes	6	5.41	6,000.00	3.87	6,000.00	1.50
Grand Total	111	100.00	155,153.63	100.00	401,154.87	100.00

# Table 13: ALLOTMENT CLEARANCE JANUARY DECEMBER, 2006

Company	Offer Price (N)	Volume of shares offered (million)	Value of shares offered (N'million)	Level of Subscription (percent)	Amount Capitalized (N'million)	Date Approved
Ratification Private Placement:						
Niger Deta Exploration (Inv. Note) Issues Raised 2005 Subscriptions:	3.20	2,131.17	6,819.74	100.00	6,819.74	12/01/06
NFI Insurance PLC	0.90	234.00	210.60	30.09		100
Chartered Bank PLC	5.40	2,495.35	8,484.19	46.30	105.49	18/01/06
Citizen Bank PLC	1.50	15,000.00	22,500.00	44-21	3,928.18	20/01/06
BTCPIC	430	2,629.02	11,304.79	63,07	9,947.25	30/01/05
Neimeth Int I Pharm, PLC	2.90	600.00	1,500,00	71.87	7,127.93	07/03/06
Diamond Bank PLC	6.80	1,000.00	6,800.00	68.80	4,678.40	LD 6/4/LD YOU HER
Linkage Assurance PLC	1.10	4.545.45	5000.00	31.75	1,588.00	14/04/05
Union Bank Nigeria PLC	20.00	1,105.14	22,102,80	168.14	22,102.80	24/04/06
ACB International Bank PLC	0.80	25,000.00	20,000.00	9.17	1.854.00	12/05/06
Rights:	1.000	1.72	25,000,000	-55/0/3	(1904)A	14) 43, 46
Benue Coment PLC	3.50	1,980.00	6,930.00	118.00 1	6,930.00	08/03/06
PZ Industries PLC	15-00	363.00	5,445.30	126.36	544530	22/03/06
International Trust Bank PLC	9.53	1,000.00	550.00	86.30	474.65	93/05/06
Union Bank Nigeria PLC	20.00	894.86	17,897.20	100.10	17,857,20	10/0//06
Private Placement:	10000	9404			H-01000000	0.000
African Petroleum PLC	40.00	36.69	1,457.60	100:00	1,467,55	04/01/06
Ecobank PLC	3-20	2,131.17	6,819.74	100,00	6,819.74	12/01/06
Tropical Commercial Bank PLC Offer for Sale:	0.80	8,000.00	6,400,00	6,89	440.36	28/04/05
Nig. Aslation Handling Co. PLC Supplementary offer:	5.50	80.00	930.00	180.12	990.00	31/03/06
Union Bank Nigeria PLC	20.00	753.02	15,060,40		15 ogo 40	(0/07/05
Sub total		67,947.72	159,462.62		107,917.95	
Issues Raised 2006						
Company		7				
Subscriptions:	2500	-		the same of the		
Zenith Bank PLC	16.90	3,000.00	50,700,00	105.78	10,700.00	23/05/06
Cornerstone Insurance PLC	1.10	3,200,00	\$200.00	37.53	0,005.06	23/06/06
Alico Insurance PLC	2.00	2,200.00	4,400.00	25.61	1,126.84	01/11/06
May & Baker Nig, PLC	4.00	375 00	1,500,00	266.57	1,500.00	20/11/06
Unic Insurance PLC	1.10	2,000.00	2,200.00	89.33	1,965.26	2 /12/00
Associated Bus Company PLC	1.50	557.00	1.000.50	100.00	1,000.50	23/11/06
Ikeja Hotels PLC	3.00	1,000.00	3,000.00	65.73	1,955.90	06/17/05
Rights:	2.65					
Niger Insurance PLC	2.00	1,500.00	3,975,00	12:38	3,075.86	16/08/05
Africo Irraurance PLC	2.00	1,400.00	2,800.00	25.14	703.92	01/11/06
Royal Exchange Assurance PLC Private Placement:		2,003.26	4.004.52	35.80	1,413.62	
Afribank Nig. PLC	6.80	300.00	2,040,00	100.00	0.0000000000000000000000000000000000000	01/04/05
Standard Trust Assurance PLC	0./5	2,200.00	1,650.00	10549	2,049.00	29/08/08
Supplementary offer:	-43	- Artenion	1,030.00	193/79	1.650,00	19/00/00
Zenith Bank PLC	16.90	1/3-49	2,931.98		2,031.98	23/06/06
Zenith Bank PLC (Add. Venification)	15.90	92.04	4555.48			28/08/06
May & Baker Nig. Pt C	4.00	86.00	344.40	and the second	1,555-48	20/11/06
Bonds					244-40	
Kebbi State Government	par	par	1,500,00	100.00	3/200.00	29/12/06
Total		20,195.89	86,121.88		77,509.82	
Grand total		90,238.78	252,404.24		100 000	
Grand total		yuisyo.70	whitehoused.	E- I	192,247.51	Unit of the

### Trading Activities on The Nigerian Stock Exchange

and activities on the floor of The Nigerian Stock Exchange was impressive during the year 2006.

The market was generally bullish with impressive price appreciations. Consequently, a total turnover of price appreciations, involving 36.664 billion securities exchanged hands on the floor of the exchange.

The presented 37.35 percent and 78.85 percent increase over the position in 2005 when 26.694 and ordinary shares worth N262.930 billion were traded.

as in previous years, trading activities was dominated by the "Equities" sector. The sector accounted 36.661 billion or 99.99 per cent of the aggregate transactions in respect of volume. The "Bond" sector accounted for 2.39 million or 0.01 percent while the "Industrial Loan/Preference Shares" sector as dormant. The "Equities" Sector controlled N468.588 billion or 99.65 per cent of the aggregate transaction by value while the "Bond" sector recorded a trading value of N1.665 billion, which accounted to 0.35 per cent. See table 14 and 15 for details

Table 14: VOLUME OF TRANSACTIONS ON THE NIGERIAN STOCK EXCHANGE (2005-2006)

Securities	2005 (million units)	% of Total	2006 (million units)	% of Total	% Change (2005-2006)
Government Stock	14.92	0.06	2.39	0.01	(83.98)
Industrial Loans/Preference Shares	185.64	0.70		-51	
Equities	26,493.74	99.25	36,661.18	99.99	38.38
Total	26,694.30	100	36,663.57	100	37.35

Source: Compiled from data supplied by The NSE

Quarterly analysis of trading statistics showed that the third quarter was the most active, as it stressed a trading value of N163.87 billion during the year under review. The fourth quarter was the second most active, having recorded N148.87 billion. While the second and third quarters recorded N35.25 billion and N62.26 billion respectively.

### Table 15: VALUE OF TRANSACTIONS ON THE NIGERIAN STOCK EXCHANGE (2005-2006)

Securities	2005 (million Naira)	% of Total	2006 (million Naira)	% of Total	% Change (2005-2006)
Government Stock	8,049.15	3.06	1,665.36	0.35	(79.31)
Industrial Loans/Preference Shares	172,71	0.07		- 25	
Equities	254,707.78	96.87	468,588.44	99.65	83.97
Total	262,929.64	100	470,253.80	100	78.97

Source: Compiled from data supplied by The NSE

As in previous years, the Lagos/Abuja/Kano/Port-Harcourt/Yola/Benin/Kaduna/Ibadan on-line trading floors dominated activities on the Exchange, with a value of N470.25 billion. The Onitsha trading floor was the most inactive floor.

### Stock Index Performance

The bullish stock market in 2006 remarkably moved up The NSE All Share index by 37.8 percent from 24,085.8 points in 2005 to 33,189.3 points in 2006, compared to the 1.0 growth recorded in 2005 from the 23,844.5 points recorded in 2004.

Table 16: THE NSE ALL-SHARE INDEX PERCENTAGE CHANGE 1984 -2006

YEAR	INDEX	% CHANGE	CUM. CHANGE %
1984	100.0		THE RESERVE
1985	127.3	27.3	27.3
1986	163.8	28.7	56.0
1987	190.9	16.5	72.5
1988	233.6	22.4	94.9
1989	325.3	39.3	134.1
1990	513.8	57.9	192.1
1991	783.0	52.4	244.5
1992	1,107.6	41.5	285.9
1993	1,543.8	39.4	325.3
1994	2,205.0	42.8	368.1
1995	5,092.0	130.9	499.1
1996	6,992.0	37.3	536.4
1997	6,440.5	(7.9)	528.5
1998	5,672.7	(11.9)	516.6
1999	5,266.4	(7.2)	509.4
2000	8,111.0	54.0	563.4
2001	10,963.1	35.2	598.6
2002	12,137.7	10.7	609.3
2003	20,128.9	65.8	675.1
2004	23,844.45	18.5	693.6
2005	24,085.8	1.0	694.6
2006	33,189.3	37.8	732.4

Source: Compiled from data supplied by The NSE

counterly movement of the index in 2006 showed that it opened the month of January at 23,679.4 monts, depreciated by 342.8 points or 1.45 percent to close the first quarter at 23,336.6 points. The dex thereafter slid to 23,301.2 points at the beginning of the second quarter but rose steadily to come the quarter at 26,161.2 points. An upward frend emerged between April and August; the index stood at 23,301.2 points in April appreciated steadily to 33,094.4 points by end of August and closed the third quarter with a drop of 1.63 percent to end at 32,554.6 points.

reserver, by the close of transaction in December, the index reached the peak of 33,189.3 points from 32,643.7 points in October.

Table 17: THE NIGERIAN STOCK EXCHANGE ALL-SHARE INDEX: 2002 - 2006

Honth	2002	2003	2004	2005	2006
Senuary	10,650.0	13,298.8	22,712.88	23,073.8	23,679.4
February	10,581.9	13,668.8	24,797.43	21,953.5	23,843.0
March.	11,214.4	13,531.1	22,896.4	20,685.4	23,336.6
April	11,399.1	13,488.0	25,793.0	21,961.7	23,301.2
Nav	11,486.7	14,086.3	27,730.8	21,482.1	24,745.7
hre	12,440.7	14,565.5	28,887.4	21,564.8	26,161.2
32Y	12,458.2	13,962.0	27,062.1	21,911.0	27,880.5
August	12,327.9	15,426.0	23,774.3	22,935.4	33,096.4
Sexember.	11,811.6	16,500.5	22,739.7	24,635.9	32,554.6
Gotober	11,451.5	18,743.5	23,354.8	25,873.8	32,643.7
November .	11,622.7	19,319.3	23,270.5	24,355.9	31,632.5
Detember	12,137.7	20,128.9	23,844.5	24,085.8	33,189.3

Source Compiled from data supplied by The NSE

#### Price Movement

N48.00 from the unit price of N187.00 recorded in the preceding year to N235.00 in N87.00 recorded in the preceding year to N235.00 in N8 Nigoria Pic held the second position with N39.85 or 159.40 percent gain. The third on the African Portland Cement Company Pic that appreciated from N17.30 in the previous end of 2006 showing a gain of 212.08 percent. Benue Cement Pic ranked fourth with price gain; its share price moved from N6.50 in 2005 to N37.00 during the review year.

Pic occupied the tenth position with N13.87 gain.

to N32.46 as at December 29, 2006. Conoil Pic followed closely with N31.75 loss.

Company Pic lost N29.36 and thus placed third. While Livestock Feeds Pic was at the with N1.87 or 66.08 percent loss.

Table 18: MAJOR PRICE GAINS ON

THE NIGERIAN STOCK EXCHANGE (NSE)

Position	Сотрапу	Price as at 30-Dec-05 N:K	Price as at 29-Dec-05 N:K	Gain (N:K)	% Change
1	Nestle Nig. Pic	187.00	235.00	48.00	25.67
2	Flour Mills Nig. Pic	25.00	64.85	39.85	159.40
3	W.A.Portland Comp. Pic	17.30	53.99	36.69	212.08
4	Benue Cem. Plc	6.50	37.00	30.50	469.23
5	Chevron Oil Nigeria Plc	119.98	150.00	30.02	25.02
6	Julius Berger Nig. Pic	21.74	46.83	25.09	115.41
7:	Ashaka Cem. Plc	34.20	55.00	20.80	60.82
8	Okomu Oil Palm Plc	17.80	34.05	16.25	91.29
9	Chemical & Allied Product Plc	9.00	25.00	16.00	177.78
10	Mobil Oil Nig, Plc	165.00	178.87	13.87	8.41

Table 19: MAJOR PRICE LOSSES
ON THE NIGERIAN STOCK EXCHANGE (NSE)

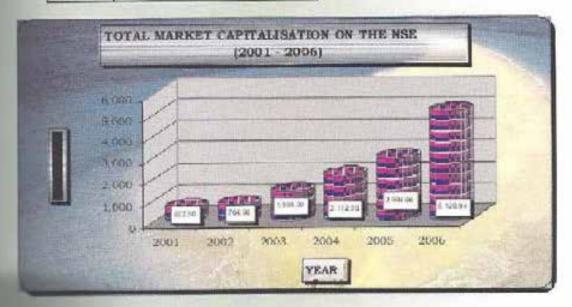
Position	Company	Price as at 30-Dec-05 N:K	Price as at 29-Dec-05 N:K	Gain (N:K)	% Change
1	Cadbury Nigeria Plc	65.52	32.46	33.06	50.46
2	Conail Pic	98.75	67.00	31.75	32,15
3	Nigerian Bottling Company Pic	65.36	36.00	29,36	44.92
4	Oando Pic	96.00	70.00	26.00	27.08
5	Unilever Nigeria Pic	20.51	12.50	8.01	39.05
6	Cappa & D'alberto Plc	15.35	9.07	6.28	40.91
7	Nigeria Energy Sector Fund	761.00	755.00	6.00	0.79
8	Beta Glass Co. Plc	7.14	4.23	2.91	40.76
9	Union Bank Nigeria Plc	25.48	22.91	2.57	10.09
10	Livestock Feeds Plc	2.83	0.96	1.87	66.08

### Market Capitalization

The aggregate market capitalization of the 288 listed securities as at December 2006 stood at N5, 120.94 billion as against N2, 900.10 billion in 2005, representing a 76.58 percent growth. Of this figure, the equities sector contributed N4, 228.57 billion (80.41 per cent) while the debt sector accounted for the balance of N892.37 billion (19.59 per cent) as shown in Table 20 below

Table 20: Total Market capitalization of The NSE (2001 2006)

Year	Market Capitalization (N'B)
2001	622.60
2002	764.90
2003	1,359.20
2004	2,112.55
2005	2,900.06
2006	5,120.94



capitalization appreciated to N2,958.18
N2,900.06 billion at the end of 2005
establishing a again of N58.12 billion or

debt segment where three ent bonds amounting to N72.8 acceptative stock were listed. This experience of the segment builting during the period on in the last quarter of 2005.

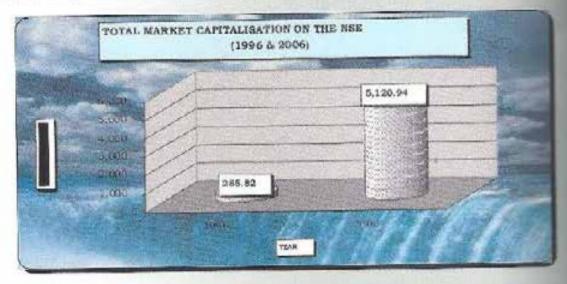
in economic activities during for instance, many public holidays contact, the longest being the sixbreak declared by the federal for the census exercise. Hence

activities in the segment were adversely affected leading to a drop in the market value of the segment to N2512.02billion from N2,524.76 billion in December 2005 (i.e. a loss of N12.8 billion).

Activities were impressive in the second quarter as four federal government bonds were listed. Also, the equitics sector, witnessed appreciable price gains as well as supplementary listings as a result of the conversion of some debentures to equities. Some of the companies that posted remarkable price appreciations in the quarter were First Bank of Nigeria Pic, Ashaka Cement Pic, and GT Bank Pic. Consequently, the aggregate market capitalization grew by 18.77 per cent from N2,958.18 billion in the previous quarter to N3,513.31 billion with the equity sector posting N2,959.78 billion or 84.24 per cent and the debt sector, N553.53 billion for 15.76 per cent.

At the end of the third quarter of the year, five federal government bonds and one company had been listed in the debt and equities sectors respectively. Also, the equity listing led to the creation of the "foreign listings sector on the daily official list. The company involved was the Ecobank Transnational Incorporated Pic, whose stock is being traded on in Nigeria as well as

other West African countries. With the developments, the aggregate manual Capitalization hit four trillion in the quarter market Capitalization appreciated by N1, 411 billion (40.34 per cent) to N4, 930.50 billion while the debt sector posted N845.5 billion.



Total market capitalization of securities on The Nigerian Stock Exchange (NSE) appreciated impressively in the last quarter of the year. The debt sector, which witnessed the listing of two new Federal Government bonds, appreciated from N845.51 billion in September to N892.37 billion (indicating an increase of 5.54 per cent). In the same vein, three companies were admitted to the Daily Official List of The NSE in the equities sector. The new listings in the sector, coupled with appreciable price movements stirred the market value of the sector from N4,084.99 billion in the previous quarter to N4,228.57 billion.

Also, the aforementioned listings lead to the creation of the "Leasing" and "Road Transportation" sub-sectors thereby increasing the number of sub-sectors on The NSE from twenty eight to thirty.

However, in the quarter, six companies and one FGN bond were delisted. While the companies were delisted because of mergers consummated, the FGN bond was delisted upon maturity. As the trend has been, the "Equities" security dominated the market but this time with 82.59 per cent as against 87.06 per cent in the previous year. The first her segment posted N4,227 13 billion as against N2,523.49 billion in the preceding year while the second-tier segment posted N1.44 billion as against N1.27 billion in year 2005. The market value of the "Federal Government Development Stock" sector gained N527.41 billion or 158.68 per cent to stand at N859,78 billion. The sector which posted the second highest market value, accounted for 16.79 per cent of the aggregate market value The market value of the "State Loan/Local Government Bonds" sector dropped from N33,10 billion in year 2005 to N29.10 billion in the reviewed period representing 0.57 per cent of the total market capitalization. The drop was as a result of maturity of some state bonds during the year. In the same vein, the "Industrial Loans and Preference Stocks" sector dipped from N9.83 billion in the preceding year to N3.49 billion in the reviewed year owing to the conversion of some debt stocks in the sector to equities. With N3.49 billion the sector accounted for 0.07 per cent of the aggregate market figure.

### Table 21: Summary of Market Capitalization

as st Year Ended December 31, 2006

Securities	2005 N'B	% of Total	2006 N'B	% of Total	% change btw 2005/2006
First Tier Equities	2,523.49	87.02	4,227.13	82.55	67.46
Second Tier Equities	1.27	0.04	1.44	0.02	13.39
Sub-Total (equities)	2,524.76	87.06	4,228.57	82.57	67.48
Federal Government Bonds	332.37	11.46	859.78	16.79	158.68
State/Local Government Bonds	33.10	1.14	29.10	0.57	(12.08)
Industrial Loans/Preference, Shares	9.83	0.34	3.49	0.07	(64.50)
Sub-total (Debt)	375.30	12.94	892.37	17.43	137.78
Grand Total	2,900.06	100.00	5,120.94	100.00	76.58

A Sectural analysis of the listed equities indicated that the "Banking" sector gained N930.62 billion to maintain its leading position as the most capitalized sector. Also, the liquidity of the sector appreciated by 1.14 per cent from 3.26 per cent in year 2005 to 4.40 per cent in the reporting year. The liquidity of the sector was boosted by the consolidation exercise in the banking sector which enhanced the profitability of investing in the sector. The sector posted N2, 142.75 billion as against N1, 212.13 billion in 2005 thus occupying 50.67 per cent of the total market value as against 48.01 per cent in 2005.

Table 22: Sectoral Grouping of equities on The NSE as at year December 31, 2006

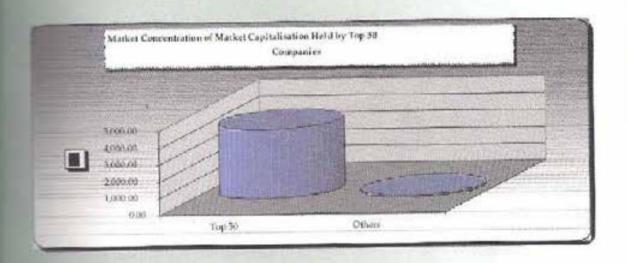
	Sector	Mkt. Cap. N'M	% of Total	Liquidit (%)
1	Banking	2,142,745.73	50.67	4.40
2	Breweries	444,302.93	10.51	1.59
3	Building Materials	358,477.25	8.48	5.11
4	Food/Beverages and Tobacco	336,926.52	7.97	2.07
5	Conglomerates	333,671.41	7.89	1.92
6	Petroleum (Marketing)	266,355.34	6.30	1.84
7	The Foreign Listings	156,649.09	3.70	2.95
8	Insurance	52,392.67	1.24	5.25
9	Healthcare	26,490.01	0.63	3.18
10	Construction	16,602.70	* 0.39	1.42
11	Agriculture/Agro-allied	15,964.00	0.38	2.78
12	Real Estate	15,180.00	0.36	2.20
13	Automobile and Tyre	10,956.62	0.26	2.51
14	Chemical and Paints	7,979.76	0.19	1.86
15	Mortgage Companies	7,000.00	0.17	4.29
16	Industrial/Domestic Products	6,561.52	0.16	2.12
17	Hotel and Tourism	5,818.79	0.14	0.00
18	Aviation	5,679.00	0.13	3.53
19	Packaging	4,073.31	0.10	0.94
20	Managed Funds	3,018.10	0.07	0.00
21	Road Transportation	2,250.50	0.05	0.00
22	Textiles	2,179.76	0.05	0.52
23	Printing and Publishing	2,020.03	0.05	1.62
24	Maritime	1,411.10	0.03	8.28
25	Computer and Office Equipment	999.73	0.02	1.42
26	Leasing	732.00	0.02	5.58
27	Engineering Technology	346.65	0.01	0.13
28	Footwear	220.34	0.01	2.93
29	Commercial/Services	80.85	0.00	0.03
30	Machinery (Marketing)	38.50	0.00	0.06
	Sub Total	4,227,134.21	99.98	3.51
	Second Tier Securities	1,437.89	0.02	1.00
	Grand Total	4,228,572.10	100.00	3.51

the same vein, the "Breweries" sector anitalned the second position as in 2005 with a reginal gain of N34.87 billion from N409.43 on to N444.30 billion in 2006. During the see the share price of most companies in the sctor dropped as some investors withdrew holdings in the sector for more vibrant sectors like the "Banking" and "Insurance" actors. However, equities in the sector are mently posting significant appreciations. The and ding Material" sector leap from the sixth assistion in 2005 to the third position with a gain N213.79 billion from N144.69 billion in 2005 358.48 billion in the year under review. This Increase was attributable to the share are of Ashaka Cement Pic and Benue Cement Fig which in 2005 posted N34.20 and N6.50 and correctated to N55.00 and N37.00 respectively a 2006. Companies in the sector posted accurable financial performances that attract estment to the sector.

The "Food/Beverages & Tobacco" sector was on the fourth position with N336.93 billion as against N294.57 billion in 2005 while the Conglomerates sector followed on the fifth with N333.67 billion as against N123.22 billion in the preceding year.

The "Footwear" sector occupied the twentyeight position. The sector posted N0.22 billion as against N0.01 billion in 2005. The "Commercial/Services" sector was at the twentyninth position with N0.08 billion while the "Machinery (Marketing) sector was at the rear with N0.04 billion.

The market capitalization of the 50 most capitalized equities rose from N2, 315.32 billion in 2005 to N4, 116.14 billion in the year under review. In the same vein, the market value of the top twenty equities rose from N1, 804.05 billion to N3, 084.62 billion representing 72.95 per cent of the total market capitalization figure.



# Table 23: Top Twenty Equities on The NSE by Market Capitalisation as at 31" December 2006

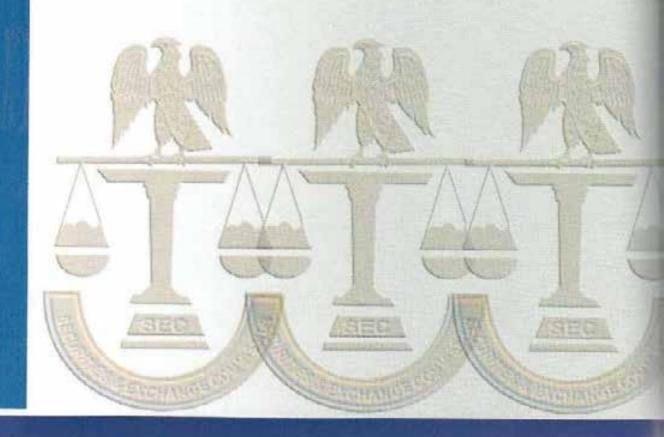
	Name of Company	Mkt. Cap. N'B	% of Top 20	% of Total
1	First Bank of Nigeria Pic	347.05	11.25	8.21
2	Nigerian Broweries Pic	281.71	9.13	6.66
3	Zenith Bank Plc	226.08	7.33	5.35
4	Union Bank Nigeria Pic	221.08	7.17	5,23
5	Transnational Corporation of Nigeria Pic	180.16	5.84	4.26
6	United Bank for Africa Plc	178.69	5.79	4.23
7	West African Portland Company Plc	162.06	5.25	3.83
8	Guinness Nigeria Plc	159.28	5.16	3.77
9	Ecobank Transnational Incorporated Pic	156.65	5.08	3,70
10	Intercontinental Bank Plc	145.86	4.73	3.45
11	GT Bank Plc	145.20	4.71	3,43
12	Oceanic Bank International Plc	143.34	4.65	3.39
13	Nestle Foods Nigeria Plc	124.18	4.03	2.94
14	Ecobank Nigeria Pic	108.49	3.52	2.57
15	Flour Mils Nigeria Plc	100.72	3.27	2.38
16	Benue Cement Company Plc	91.58	2.97	2.17
17	IBTC Chartered Bank Plc	85.00	2.76	2.01
18	Spring Bank Plc	81.06	2.63	1.92
19	Ashaka Cement Pic	80.44	2.61	1.90
20	PZ Industries Plc	66.02	2.14	1.56
	Sub Total	3,084.62	100.00	72.95
	Others	1,143.95		27.05
	Grand Total	4,228.57		100.00

waysis on individual company basis showed Test First Bank of Nigeria Pkc gained N186.99 Mon to upstage Nigerian Breweries Pic and arraye the most capitalized equity in 2006. The meany which had favorable transactions in the worting year posted N347.05 billion resenting 11.25 per cent and 8.21 per cent of me top twenty and total equities market and alization respectively. Nigerian Breweries onsted 281.71 billion as against N293.42 on in the proceding year thereby dropping to second from the first position in 2006. Zenith Pic was third having gained N127.08 billion - the reporting month. The bank which posted 1275.08 billion accounted for 5.35 per cent of = overall market value.

seen Bank Pic and Transnational Corporation of speria Pic followed occupying the fourth and positions with N221.08 billion and N180.16 also respectively. With N81.06 billion, spring Bank Pic occupied the eighteenth position. The newly created bank, which came up as a result of the merger of Citizens International Bank Pic, Guardian Express Bank Pic, ACB International Bank Pic, Omega Bank Pic, Fountain Trust Bank Pic and Trans International Bank Pic, has continued to post very impressive price appreciation in the reviewed year. Its market value occupied 2.63 per cent of the top twenty and 1.92 per cent of the total market capitalization. On its part, Ashaka Cement Pic gained N30.4 billion, to occupy the nineteenth position while the Paterson Zochoniss (PZ) Industries Pic posted 66.02 billion and took the twentieth position.

# Section3

# THE COMMISSION AND ITS FUNCTIONS



Secon 8 (b) of the Investment and sentes Act No 45 1999 empowers the mission to register and regulate Securities Exchanges, Capital Trade Points, Decres Options and Derivatives Exchanges, Commodity Exchange and any other 

### CK MARKET.

### Turnover

The total turnover between January and member 2006 stood at 36.7 billion shares N470.25 billion. The Banking subector was the most active sector during the period. This hoost could be attributed to consulidation in the banking sector.

### All Share Index

All-Share Index increased by 7,546.83 scients or 31.33 percent during the period. To sopened at 24,085.71 at the beginning of 2006 and closed at 31,632.54 by the and of December, 2006.

# Market Capitalization ( Equities only)

The market capitalization of listed securities normal to N3.938 trillion at the end of December 2006 from N2.545 trillion exceed in January 2006. This indicated an notesse of 1, 393 trillion or 54,74 percent.

### New Listings

### a Federal Government Stock/State Bonds

- 135.7 billion 3" Federal Government Bond 3009 Series 1
- N12 61billion 3" Federal Government Bond 2009 Series 2
- 1023,48billion 3<sup>rd</sup> Federal Government Bond 2611 Series 3
- 112.61billion 3" Federal Government Bond 2009 Scries 4
- N10 billion 3" Federal Government Bond 2009 Series 5
- 300 billion 3" Federal Government Bond 2011 Series 6
- N25 91billion 34 Federal Government Bond 2311 Sencs 7
- \$12.51billion 3rd Federal Government Bond

- 2011 Series 8
- N10.36billion 3" Federal Government Bond 2013 Series9
- N21.69 billion 3" Federal Government Bond 2013 Series 10
- N20.01 billion 3rd Federal Government Bond 2009 Series 11
- N29.28 billion 3rd FGN Bond 2009 Series 12
- 5-year N26.86 billion Federal Government Bond 2011 Series 13
- N75.01 billion special Federal Government Bond for Pension Arrears 2011 Series 3
- 5-year N150 billion FGN Bond

### (b) Equities

NFT Insurance Co. Pic ECOBANK PIC Union Homes Savings & Loans Plc Springbank Plc NAHCO PIC Sovereign Trust Insurance Pla Transnational Corp. of Nig. Pic. Ecobank Transnational Incorporation Pic

# (c) Memorandum Quotation

TBTC Ethical Fund Legacy Fund Coral Ethical Fund Coral Income Fund

# 5. Supplementary Listings

During the period, there were thirty-three (33) supplementary listings as snown on number 11.

### 6. Delisting

### (A)Federal Government Stock/State/ Local Government Bonds

- N5 billion Unsecured Zero Coupon Irredeemable Convertible Loan Stock issued by Cadbury Nig. Pkc. was delisted from the Daily Official List following its conversion to equity.
- N1.9hillion Access Bank Plc Secured Variable Rate Redecmable Convertible Loan Stock was also delisted.
- N4 billion First Ekiti State Floating Rate Redeemable Bond was delisted from the Daily Official List following its full redemption.

- Contil Plc Unsecured Zero Coupon Irredeemable Convertible Loan Stock
- Crusader Insurance Cumulative Convertible Redeemable Preference Stock
- First FGN Bond 2006 was delisted from the Daily Official List following its maturity and full redemption.

### (b) Equities

- Africa Express Bank Plc, Gulf bank Plc, Hallmark Bank Plc, Liberty Bank Plc, Savannah Bank Plc, and Trade Bank Plc.( licenses revoked)
- Bewac (Nig.) Plc.
- Cooperative Development Bank following the merger with FCMB Pk:
- Lion Bank Pic following the merger with Diamond Bank Pic
- Chartered Bank Pic and Regent Bank Pic following the merger with IBTC Pic to form IBTC-Chartered.
- IMB International Bank Pic, Inland Bank Pic and First Atlantic Bank Pic following the merger to form First Inland Bank Pic.

### 7. Electronic-Bonus (e-bonus)

As part of its developmental role in the Nigerian Capital Market the Commission embarked on enlightenment campaigns to sensitize all stakeholders on the introduction and benefits of Electronic Bonus (e-bonus) to the market. Lagos, Ibadan, Port-



Harcourt, Kano, Kaduna and Onitsha west visited.

### 8. CSCSTrade Guaranty Fund (TGF)

The value of the Trade Guaranty Fund (TGF stood at N28, 601,936.55 and the contributing stockbrokers remained 190 throughout the period. No settlement was made out of the fund.

### 9. Review of Capital Requirement of OTC

The promoters of Over-The-Counter (OTC market, NASD (National Association of Securities Dealers) wrote to the Commission seeking a downward review of the capital base requirement for OTC registration. This is being considered by the Commission.

### 10. Other Issues

Surveillance Module (SEMS) and Trading Work Station (TWS) was installed in the Commission which now allows on-line real-time monitoring of trading activities on the floor of the Exchange.

- The Association of Stockbroking Houses in Nigeria presented its draft constitution and Code of Conduct for approval by the Commission. This was reviewed by the Commission.
- A review of draft e-bonus procedure forwarded by the CSCS was reviewed and approved by the Commission .Registrars of companies were requested to give an update to the Commission on their compliance with the new e-Bonus procedures of the CSCS.
- The Council of The NSE approved a new policy which provided that henceforth technical suspension would be lifted two weeks after the closure of application lists for all public offers and right issues.
- An upward review of penalty fees from N500 to N1,000 for the first 30 days and N1,000 to N2,000 for the next 90 days to check the persistent delay in remittance of SEC fees by stockbrokers was approved by Commission.

### Mrs. M. M. Falade

Deputy Director/HOD Registration And Recognized Investment Exchanges

# Supplementary Listing

SN	COMPANY	ADDITIONAL SHARES	REASONS
E	Acen Insurance	100,000,000	Bonus Issues
2	Diamond Bank	840,000,000	Merger with Lion Bank
3	Cadbury Nig, Plc	100,000,000	Loan Conversion to equity
-	FCMB PIc	1,049,763,475	Merger and Takeover
5	Vitafoam Nig. Plc	163,800,000	Bonus Issue
1	Access Bank Plc	499,357,326	Conversion of the 1.g billion secured variable rate Redeemable Convertible Loan Stock
2	AP Plc	226,555,556	Debt conversion to equity in favour of NNPC
2	Fidelity Bank Plc	6,925,336,174	IPO
3.	First Bank Plc	238,295,009	Merger with MBC Bank FBN (Merchant Bankers) Limited
75	Niger Insurance Plc	500,000,000	Bonus of 1 for 3
139.	First Assurance Plc	321,142 .857	Bonus of 1 for 14
72	Platinum Habib Bank Plc	8,507,986,294	Merger between Platinum & Habib Bank Plc
13	Ecobank Pic	10,827,113,463	Bonus of i for 1
76	Law Union & Rock Ins.	300,000,000	Bonus of 3 for 7
15	Prestige Assurance Plc	183.060,845	Bonus of 1 for 4
E	Wapic Insurance Ple	166,666,667	Bonus of a for 5
7	Neimeth International Pharm.	000,000,000	Public Offer
	Sterling Bank Plc	13,135,813,833	Merger of NAL Bank Plc, Indo Nigeria Bank Plc, Magnum Trust Bank of Africa Limited and Trust Bank of Africa Limited
1	Union Bank of Nigeria Plc	2,753,015,322	Public Issue
-	Zenith Bank Plc	3,265,524,300	Public Issue
Tel	Trans Nationwide Express Plc	44,182,170	Bonus of 1 for 2
-	Benue Cement Co. Plc	2,395,442,879	Rights Issues

S/N	СОМРАНУ	ADDITIONAL SHARES	REASONS
.23.	Fidelity Bank Plc	2,395,442,879	Merger Arrangement between Fidelity Bank, Manny Bank and FSB Int'l Bank Plc
24.	Flour Mills Nigeria Plc	388,265,667	Bonus of afor 3
25	First Bank Nigeris Plc	5.179,876,256	Banus of ifor 1
26.	Union Bank of Nigeria Pic	626,980,832	Bonus of a for 10
27.	AllCO Insurance Pic	350,000,000	Banus of 1 for 4
28,	SKYE Bank Pic	7,503,044,788	Reconstruction of Post merger shi
29	IBTC-Chartered	442,792.047	Supplementary Issues
30	7-Up Bottling Co. Pic	102,494,458	Bonus of not 4
31.	Niger Insurance Plc	1,160,689,314	Right Issues
32.	Guiriness Nig. Plc	294.985 1127	Bonus of 1 of 4
33-	Ekocorp Plc	66,406,250	Bonus of Lot 4

### **RESH REGISTRATION**

### Cearance of Intending Registrants for Registration Meetings

Board of the Commission, at its 20"
and held on the 24" May 2006 directed
henceforth the Commission should
set the names of applicant companies for
paration in two National Dailies to enable
there of the public react/report any
areas information they may have on such
capts to the Commission.

As a follow up to this directive, Newspaper adverts were duly placed in two national dailies before each quarter's Registration Committee Meeting in the year 2006.

### 2. Quarterly Registration Meetings:

The Management of the Commission recently directed that Registration Committee Meetings be held quarterly. To this effect the following were held:

### Quarter Registration Meeting (6°-7° march 2006

5/N	NAME OF FIRM/COMPANY	FUNCTIONS REGISTERED
	Abimbola Odusanya & Co.	Reporting Accountants
	Access Bank Plc	Issuing House & Receiving Bankers
	Adepetun, Caxton-Martin, Agbor & Segun	Solicitors
	Allcum Capital Managers Ltd	Portfolio Managers
	Jacy Igboekwe & Co.	Solicitors
	Capital Markets Ltd	Fund Portfolio Manager/ Investment Advisers
	Associated Discount House Ltd	Corp. Invest. Advisers and Fund Portfolio Manager
	Ettipoint Chambers	Solicitors
	City Securities (Registrars) Ltd	Registrars
	Byon's Assets Mgt Ltd	Corp. Investment Advisers/Fund Portfolio Manager
	Fed. Mortgage Bank of Nig. (FMBN)	Issuing House
	Globaljuris Consulting	Solicitors
	Goldman Assets Mgt Ltd	Issuing House
36	Investment Centre Ltd	Broker Dealer
	K.D.P Odidika & Co.	Solicitors
	Ken Ahia & Associates	Solicitors
	M.B. Kangiwa & Associates	Solicitors
	Ogbulafor & Co.	Solicitors
39.	Standard Chartered Bank Plc.	Issuing House & Underwriters
35.	Tunde Adaramaja & Co.	Reporting Accountants
21.	URA Trustees Ltd	Trustees
22	Union Capital Markets Ltd	Issuing House & Portfolio Managers/Broker Dealer

# 4.2<sup>™</sup> Quarter Registration Meeting (22<sup>™</sup> 23<sup>™</sup> June 2006)

5/N	NAME OF COMPANY/FIRM	FUNCTION[S]
1.	Abata Samuel Chia & Co	Reporting Accountants
2.	Afribank Capital Markets Ltd	Issuing House, Fund/portfolio Managers
3.	Ahaneku Ekwekwuo & Partners	Solicitors
4.	Alade Abaniwonda & Partners	Reporting Accountants
5.	Aneni Dairo & Co	Reporting Accountants
6.	Associated Asset Managers Ltd	Broker/Dealer
7.	Bababode Osunkoya & Co	Reporting Accountants
8.	Bytofel Trust & Sec. Ltd	Broker/Dealer
9.	Calag Capital & Consulting Limited	Corporate Investment Advisers
10.	Cowry Assets Mgt. Ltd	Broker/Dealer
11.	David Odiwo & Co	Reporting Accountants
12.	DVCF Oil & Gas Plc	Venture Capital Managers/Fund Managers
13.	Eghosa Tunde Ont & Co.	Reporting Accountants
14.	Gambo Musa Dan-Musa & Co	Solicitors
15.	Greenfield Legal Practitioners	Solicitors
16.	GTB Registrars Ltd	Registrars
17.	Hamzat Zubair 8, Co.	Reporting Accountants
18.	Henry Omoragbon & Co.	Reporting Accountants
19.	Ideh Patrick Laurence	Solicitors
20.	J. K. Gadzama & Co	Solicitors
21.	Légal X-ray	Solicitors
22.	Leverage & Bond Securities Limited	Corporate Investment Advisers
23.	Lotus Capital Markets Ltd	Fund Managers/Corp. Invest Advisors
24.	Nnenna Ejekam Associates	Solicitors
25.	O. J. Onoja & Associates	Investment Advisers
26.	Readings Investment Limited	Broker/Dealer
27.	Rean Finance Company Ltd	Fund, Portfolio Mgrs & Investment Advisers
28.	S. Bolaji Koya	Reporting Accountants
29.	Securities Trading & Investment Ltd	Broker/Dealer
30.	Spring Capital Markets Ltd	Issuing House, F/P Managers
31.	Spring Registrars Ltd	Registrars
32.	Streamsowers & Kohn	Solicitors
33.	Taricol Investment Limited	Fund/Portfolio Managers
34.	TFS Securities & Investment Co Ltd	Broker/Dealer
35.	Tower Securities & Invest. Ltd	Broker/Dealer
36.	UAC Registrars	Registrars

# Quarter Registration Meeting (26"-27" September, 2006)

II was star to a so not to	Adedoyin Adeyemi & Company Adeniji Kazeem & Co. Advocaat & Associates Bahatunde K. Ogala & Co. Bayo Arikawe & Co. Bola Olotu & Co. Bridgepoint Asset Mgt Ltd Business Incentives Capital Trust Inv. & Asset Mgt Ltd	Solicitors Solicitors Solicitors Solicitors Reporting Accountants Solicitors Fund Managers Individual Investment Adviser
DE DE 26 DE 101 DE 201	Advocaat & Associates Bahatunde K. Ogala & Co. Bayo Arikawe & Co. Bola Olotu & Co. Bridgepoint Asset Mgt Ltd Business Incentives	Solicitors Solicitors Reporting Accountants Solicitors Fund Managers
per (no. 14 pp. let. de.	Bahatunde K. Ogala & Co. Bayo Arikawe & Co. Bola Olotu & Co. Bridgepoint Asset Mgt Ltd Business Incentives	Solicitors Reporting Accountants Solicitors Fund Managers
10 10 10 10	Bayo Arikawe & Co. Bola Olotu & Co. Bridgepoint Asset Mgt Ltd Business Incentives	Reporting Accountants Solicitors Fund Managers
10000	Bala Olotu & Co. Bridgepoint Asset Mgt Ltd Business Incentives	Solicitors Fund Managers
10.00	Bridgepoint Asset Mgt Ltd Business Incentives	Fund Managers
5	Business Incentives	MARKAGO CHARLES AND THE CONTROL OF T
E.		Individual Investment Advisor
	Canital Trust Inv. & Accet Mat 1 td	mulvioudi mvesument adviser
	Capital Hust life of Asset Figt Life	F/Portfolio Mgrs & Corp. Invest. Advrs
	Cashcraft Securities Limited	Issuing House, B/D & Fund Mgers
25	E. E. Ogboru & Associates	Solicitors
12	Equity Capital Solutions Limited	Broker/Dealer
13.	FBC Trust & Securities Limited	Broker/Dealer
54.	Gaji & Associates	Solicitors
25.	Greenwich Trust Limited	Issuing House and Broker Dealer
25	H. O. Davies & Co.	Solicitors
2	Illas Haruna Yamah & Co.	Solicitors
13.	Intercontinental Bank Plc	R/Bankers, U/Writers, Issuing Hse & F/P Mgrs. Invst Adv.
13	Law Allianz	Solicitors
20	Lawfields & Associates	Solicitors
	M. J. Partnership	Solicitors
22	Midland & Capital Markets Ltd	Broker/Dealer
23.	Mike Moghalu & Co.	Solicitors
2	Obinna Ajoku & Co.	Solicitors
=	Oladipo Olasope & Co.	Solicitors
	O ufela Sokenu & Associates	Reporting Accountants
2	Olumide, Pase & Co.	Reporting Accountants
2	P. G. U. Madu & Associates	Solicitors
25.	Paul C. Ananaba & Co.	Solicitors
	PML Securities Company Ltd	Broker/Dealer
	Principles Law Partnership	Solicitors
2	Proven Insight Consultant	Individual Investment Adviser
3	R. O. Trechukwu & Co.	Reporting Accountants
34	TDA Capital Management Ltd	Fund Managers
2	Toyin Oni & Co.	Solicitors
	UBA Registrars Limited	Registrars
	UBA Stockbrokers Limited	Broker/Dealer
	Ubosi Eleh & Co.	Estate Valuers
	Una & Associates	Estate Surveyors/Valuers
	Unique Venture Cap. Mgt Co. Ltd	Venture Capital Managers
	Uwezurike & Associates	Solicitors
	Vaderb Invest, & Sec. Ltd	Broker/Dealer

# 6.4" Quarter Registration Meeting (6"-7" December, 2006)

	Intercontinental Trustees Ltd.	Trustees & Fund Managers
1.	Moshood Shehu & Co.	Solicitors
2.	Adebayo Ayoade & Co.	Reporting Accountants
3.	Onyema Osueke & Co.	Reporting Accountants
4.	Citi Investment Capital Ltd.	Broker/Dealers
5.	Frontier Capital Ltd.	Corporate Investment Advisers
6.	Zenith Capital Ltd.	Issuing House & Fund/Portfolio Managers
7.	Sonuga Ghadamosi & Co.	Reporting Accountants
8.	G.E, Esene & Co.	Solicitors
9.	Bysec Investment Ltd.	Corporate Investment Advisers
10.	Associated Attorneys	Solicitors
11.	Express Discount Asset Mgt Ltd.	Broker/Dealer, F/P Mgrs
12.	Funmi Adeyemi & Co.	Solicitors Solicitors

# 7. Special Registration Meetings

The under listed companies appeared for Special Registration Meetings at the Commission during the period under review and were duly registered;

S/N	Name of Companies/Firms	Registered Function [5]
1,	Deinde Odusanya & Co	Reporting Accountants
2.	Ecobank Nigeria Plc	Receiving Banker & Issuing House
3.	Sterling Capital Markets Ltd	
4-	Unity Bank Plc	Issuing House, R/Bankers, Fund/ Portfolio Mgrs, Underwriter
5.	Victor Dike & Co	Reporting Accountants
6.	Zenith Trust Limited	Trustees

# 8. Companies for registration as Capital Market Operators/Consultants / Firms with Pending Issues.

5/N	Name of Companies/Firms	Registered Function [s]
	Abiola Lawel & Co.	Rep Accts & Ind. Invest. Adviser
2:	Abount Investment Trust Ltd	Sub- Broker
3.	Adekunie Omotola & Co.	Solicitors
E.	Allens Alozie & Co.	Reporting Accountants
5	Apel Asset & Trust Ltd	Broker/Dealer
E	Ayodele Olugbenga & Co.	Solicitors
2	C.& I Heritage Ltd.	Broker/Dealers
8	Courteville Investment Limited	Corporate Investment Advisers
=	Cousins & Co	Reporting Accountants
12	Deep Trust & Investment Ltd.	Broker/Dealers
11	ECL Asset Management Limited	P/Managers & Corp. Invest. Advrs
12	Femil Okunnu & Co	Solicitors
33.	First Inland Registrars Ltd	Receiving Banker, Underwriter, Issuing House, Registrars, Fund/Portfolio Managers
34.	Hermon [Legal Practitioners] HND Trustoes Ltd	Solicitors Fund/Portfolio Managers, Trustees & Registrars
	Intercontinental Registrars Ltd.	Registrars
12	Sackson Etti & Edu	Solicitors
108	Jamkol Investment Ltd	Broker/Dealer
39	Malachai Fund & Asset Mgt Ltd	Fund Managers
	Metropolitan Trust Nig. Ltd	Broker/Dealer
2	Michael Nwachukwu & Co.	Reporting Accountants
1	Mohammed Affeh & Co	Solicitors
10	Nicon Trustees Ltd	Issuing House, Registrars, Trustees, Fund/ Portfolio Managers
	Disuriade Olorundare & Co	Solicitors

5/N	Name of Companies/Firms	Registered Function [s]
25.	PlatinumHabib Bank Plc	Issuing House & Receiving Bankers
26.	Rembrandt Advisory Serv. Ltd	Issuing House
27.	Sanni Solesi & Co.	Reporting Accountants
28.	Seasons Trust & Investment Ltd.	Portfolio Managers
29.	Security Swaps Ltd	Broker/Dealer
30.	Skylimit Investment Ltd	Sub-Broker
31.	Sofowora & Co.	Reporting Accountants
32.	Soprinye Bell -Gam & Associates	Solicitors
33.	Team 5	Sub-Broker
34.	Ups Securities & Invest. Ltd	Corporate Investment Advisers
35.	V. O. Odjemu & Co	Solicitors
36.	Vatad Solicitors	Solicitors
37.	Vicad Securities Limited	Corporate Investment Advisers
38.	Yinus Shokoya & Co.	Reporting Accountants

# WEWAL OF REGISTRATION

the year under review, one hundred and sixty nine (169) applications for renewal were as follows:

# MILARY 2006

178	NAME OF COMPANY	FUNCTION	
I	MOON & MOON	SOLICITORS	
	SEN ONUORAH & CO	SOLICITORS	
	ASAYOMI DOSUNMU & CO	REPORTING ACCOUNTANTS	
Ŧ	SULEYMAN CONSULTING	SOLICITORS	
7	CENA OSAGIE & CO	REPORTING ACCOUNTANTS	
	NHMED ZAKARI & CO	REPORTING ACCOUNTANTS	
Ħ	DOMENSON TRUST LTD	ISSUING HOUSE, BROKER DEALER	
Ī	ENTERCONTINENTAL CAP. MKTS LTD	ISSUING HOUSE, FUND MANAGERS, VENTURE CAPITAL	

### TELLARY 2006

Ħ	RESAND SECURITIES LTD	BROKER DEALER
ī	OLLA ADVISORY SERVICES	IND. INVEST, ADVISER
	MED. FIN. SERVICES LTD	BROKER DEALER
Ī	DEPENDABLE SECURITIES LTD	BROKER DEALER
ī	C.S. EPIRAIM-OLUWANUGA & CO	SOLICITORS
i	EIDALNIYA INV.8SEC, LTD	BROKER DEALER
ī	мымот очека & CO	REPORTING ACCOUNTANTS
ī	CALY X SECURITIES LTD	BROKER DEALER
	CAPITAL EXPRESS SEC. LTD	BROKER DEALER
	OFTIONS SECUTO	BROKER DEALER

### **MARCH 2006**

19.	GREAT AFRICA REGISTRARS LTD	REGISTRARS
20.	ANTHONY ONONYE & CO	REPORTING ACCOUNTANTS
21.	BAYO SIPITAN & CO	SOLICITORS
22.	KOLA AWODEIN & CO	SOLICITORS
23.	VETIVA CAPITAL MGT, LTD	FUND/PORTFOLIO MANAGER, BROKER DEALES 8 ISSUING HOUSE
24.	OJIKE OKECHUKWU & CO	REPORTING ACCOUNTANTS
25.	SMADAC SEC. LTD	BROKER DEALER
26.	NEW DEVCO FIN SERV. CO LTD	BROKER DEALER
27.	NAL REGISTRARS LTD	REGISTRARS
28.	BOLA SADIPE & CO	REPORTING ACCOUNTANTS
29.	DE CANON INVEST. LTD	BROKER DEALER
30.	SUPRA COMMERCIAL TRUST LTD	BROKER DEALER
31.	JIBRIL & CO	REPORTING ACCOUNTANTS
32.	HORIZON STOCKBROKERS LTD	BROKER DEALER
33.	EMPTRE SECURITIES LTD	BROKER DEALER

### MAY 2006

34.	AMYN INV. LTD	BROKER DEALER
35.	BONATO BADETO & CO	SOLICITORS
36.	PSL LIMITED	BROKER DEALER
37.	CORE TRUST & INVLTD	FUND MANAGER, BROKER DEALER, ISSUING HOUSE CORPORATE INVESTMENT ADVISERS
38.	FRESHFIELDS	SOLICITORS
39.	T.C. MBANEFO & CO	SOLICITORS
40.	AKINWUNMI & BUSARI	SOLICITORS
41.	FBN CAPITAL LTD	ISSUING HOUSE , PENSION MANAGERS, FUND/PORTFOLIO MANAGER
42.	ZENITH SECURITIES LTD	BROKER DEALER, ISSUING HOUSE INVESTMENT ADVISER AND FUND/PORTFOLIO MANAGER

THE PASTEES	TRUSTEES, FUND/PORTFOLIO MANAGER
MINE LTD	BROKER DEALER
THE SEC. LTD	BROKER DEALER
I I KOEPULU	SOLICITORS
MS & CO	SOLICITORS
HORSEMENT BANK PLC	ISSUING HOUSE, FUND PORTFOLIO MANAGER
ST HALITS CHAMNERS	SOLICITORS
DECLAWOYIN	SOLICITORS
ESSA EBRI & CO	SOLICITOR\$
WITE & ASSOC.	SOLICITORS
ADEGRITE & CO	REPORTING ACCOUNTANTS
BOLANCO	SOLICITORS

TEAM YUSUF & CO	SOLICITORS
STOCKBROKERS LTD	BROKER DEALER
FIN SERV LTD	BROKER DEALER
AKINSANYA	SOLICITORS
SOBANIO & CO	REPORTING ACCOUNTANT
THE SEC & INV Ltd	BROKER DEALER
THE STHOUSE INV. LTD	BROKER DEALER
CHARTERED BANK PLC	ISSUING HOUSE RECEIVING BANKER, INV. ADVISER
- TUREVIEW FIN SERVIECE	ISSUING HOUSE, BROKER DEALER & FUND/PORTFOLIO MANAGER
ERRE A. ADEJUWON & CO	SOLICITOR
FIDELITY BANK PLC	IH/PM/UNDERWRITER & R/BANKER REGISTRARS
NEVELATION PARTNERS	SOLICITORS
MODEWATER HOUSE COOPERS	REPORTING ACCOUNTANT
SECURITIES SWAPS LTD	BROKER DEALER

69.	THE CITY LAW ASSOCIATES	SOLICITORS	
70.	TIDDO SECURITIES LTD	IH/REGISTRARS &BROKER DEALER	
71.	TAIWO ADEOLUWA & ASSOCIATES	SOLICITORS	
72.	DELE OLUFON & CO	REPORTING ACCOUNTANT	
73.	CROSSWORLD SEC LTD	BROKER DEALER	
74.	TRANSWORLD INVESTMENTS LTD	BROKER DEALER	
75.	ZIK CHUKA OBI & CO	SOLICITORS	Ī
76.	DE-LORDS SECURITIES LTD	BROKER DEALER	
77.	UDOCHI IHEANACHO PARTNERSHIP	SOLICITORS	

### AUGUST 2006

78.	SKYE BANK PLC	IH & RB
79.	UBA PLC	RECEIVING BANKER
80.	FIRST EQUITY SECURITIES LTD	BROKER DEALER
81.	LADI AJOSE ADEOGUN & CO	SOLICITORS
82.	ROYAL CREST FINANCE LTD	BROKER DEALER
83.	ENTERPRISE STOCBROKERS LTD	DEALER
84.	OLUMUYIWA ADUROJA & CO	SOLICITORS
85.	ANU ESO &CO	SOLICITORS
86.	GTT CAPITAL LTD	BROKER DEALER
87.	INTERNATIONAL STANDARD SEC LTD	IH & BROKER DEALER
88.	THE LAW UNION	SOLICITORS
89.	UNEX SECURITES & INV LTD	BROKER DEALER
90.	OL/JIDE OYEWOLE & CO	SOLICITORS
91.	FALCON SECURITIES LTD	BROKER DEALER & ISSUING HOUSE

### WBER 2006

SOLA OVETAYO & CO	REPORTING ACCOUNTANT
A.O. ORU & CO	SOLICITORS
VALIST YIELD SEC LID	BROKER DEARLER
# G. FOGBOHUNGBE & CO	SOLICITORS
TOMER ASSET MGT LTD	BROKER DEALER
MISSION SECUTO	BROKER DEALER
BANNO'S IGHODALO	SOLICITORS
MUHTARI DANGANA & CO	REPORTING ACCOUNTANT
BABALAKIN & CO	SOLICITORS
INCHBOW SEC & INV CO LTD	BROKER DEALER
MUHILLAHYIDI & CO	REPORTING ACCOUNTANT
255 AMAG CONSULTANT	SUB-BROKER

### MER 2006

DERRYTEW INV. COY LTD	BROKER DEALER
SSWHOR OTTONO & CO	SOLICITORS
MOSOUND SECURITIES LTD	BROKER DEALER
JUNEAU OLUKAYODE SUNMOLA & CO	REPORTING ACCOUNTANTS
TROPONENT SECURITIES LTD	BROKER DEALER
ARTOLILAHI IBRAHIM & CO	SOLICITORS
TENE SUNMONU & ASSOCIATES	SOLICITORS
BED & LAHL TAIWO & CO	SOLICITORS
E-91045 N CO	SOLICITORS
EDIET INV. & SEC LTD	BROKER DEALER
DESCRIPTION SOFTOWORA'S CHAMBERS	SOLICITORS
SECURITIES & INV. CO ITD	BROKER DEALER
MET E CO	SOLICITORS
INC SOLICITORS	SOLICITORS .
SECURITIES AFUNDS LTD	BROKER DEALER

119.	ADONAT STOCKBROKERS LTD	BROKER DEALER
120.	KPMG PROFESSIONAL SERVICES	INVESTMENT ADVISER, REPORTING ACCOUNTAGE
121.	O. OMO-EBOH & CO	SOLICITORS
122.	IBTC ASSETS MANAGEMENT LTD MANAGERS, INVESTMENT ADVISER	BROKER DEALER, ISSUING HOUSE, FUND PORTE
123.	LEADWAY TRUSTEES LTD	TRUSTEES
124.	BGL SECURITIES LTD	ISSUING HOUSE/BROKER DEALER
125.	SOLID ROCK SEC & INV. ETD	BROKER DEALER
126.	AGUSTO &CO	REPORTING ACCOUNTANTS
127.	MBC SECURITIES LTD	BROKER DEALER
128.	NOVA FINANCE	BROKER DEALER
129.	CAPITAL ASSETS LTD	BROKER DEALER
130.	FINANCIAL DERIVATIVES CO. LTD	ISSUING HOUSE
131.	CSL STOCKBROKERS	FUND MANAGER/BROKER DEALER
132.	ZENITH INT'L BANK PLC	ISSUING HOUSE, FUND/PORTFOLIO MANAGERS, INVESTMENT ADVISERS
133.	IBTC VENTURES LTD	VENTURE CAPITAL, FUND MANAGERS
134.	HAMMILTON HAMMER & CO LTD	BROKER DEALER
135.	HEARTBEAT INVEST, LTD	BROKER DEALER .
136.	ROWET CAPITAL MANAGEMENT LTD	BROKER DEALER

### **NOVEMBER 2006**

137.	THE ZENITH LAW FIRM	SOLICITORS
138.	FCM8 CAPITAL MKTS LTD	BROKER DEALER
139.	MEGA EQUITIES LTD	BROKER DEALER
140.	EMI CAPITAL RESOURCES LTD	BROKER DEALER
141.	BFCL ASSET & RESOURCES LTD	BROKER DEALER
142.	REGENCY ASSET MGT LTD.	BROKER DEALER

### SECEMBER 2006

	DALYE AGORD, SALAMIRCO	SOLICITORS
3	SUMMIT FINANCE CO. LTD	BROKER DEALER
6	OLISA AGBAKOBABASSOCIATES	SOLICITORS
E	EPIC INVESTMENT TRUST LTD	BROKER DEALER
	OLUYOMI OLAWORE & CO	SOLICITORS
2	M.E. ESONANJOR &CO	SOLICITORS
	MOSES OMODOLA & CO	REPORTING ACCOUNTANTS
1	INDEPENDENT SEC. LTD	BROKER DEALER, ISSUING HOUSE
	CAMRY SEC LTD	BROKER DEALER
	ALANGRANGE SEC. LTD	BROKER DEALER
	MUTUAL ALLIANCE INVEST & SECURITIES LTD	BROKER DEALER
=	ADESOKAN & ADESOKAN	SOLICITORS
1	DEMPLARS BARRISTERS & SOLICITORS	SOLICITORS
3	COENEKAN, DOSUNMU & AKINRIN	SOLICITORS
1	EUPPORT SERVICES LTD	BROKER
	RELIAD INVEST & SERVICES LTD	BROKER DEALER
ī	FEELITY FINANCE CO. LTD	ISSUING HOUSE, BROKER DEALER
3	HONLOLU REUBENS & CO	REPORTING ACCOUNTANTS
ī	CAPITAL MARKETS LIMITED	ISSUING HOUSE, BROKER DEALER
	REMOVE SIMPSON & CO	SOLICITORS
1	TELESCO EGERTON-SHYNGLE & CO	SOLICITORS
i	EXPLESS PORTFOLIO SERVICE LTD	BROKER DEALER
	THOPICS SECURITIES LTD	BROKER DEALER
1	CHARLES FINANCE AND INVEST, LTD	BROKER DEALER
ī	JACTED SECURITIES LITU	REGISTRAR
	WINDLA WILLIAMS DELOTTE	ISSUING HOUSE & REPORTING ACCOUNTANTS INVESTMENT ADVISER

### RECAPITALIZATION OF MARKET OPERATORS

Following an upward review of minimum paid-up capital/net worth for market operators/consultants, which came into effect in 2003, amendment to the Rules and Regulations of the Commission, registered operators/consultants were served notice on 1st April, 2004 to comply before the first deadline of 31st March, 2005. However, the deadline was extended to 31" December. 2005 as a result of an appeal by the president of the chartered Institute of Stockbrokers during an official visit to the Commission. Furthermore, at one of the Capital Market Committee meetings, the Director-General graciously granted a further extension of the deadline to 31st January, 2006.

However, long before the expiration of the deadline an in-house Committee was setup. to review operators' submissions. This Committee worked for months and submitted its final report on 24th February, 2006. One of the constraints the Committee had was the Inability to verify beyond reasonable doubt some of the claims the operators made in their submissions. Particularly, it was observed that some Market Operators did financial engineering by including funds suspected to have been borrowed, or dients' deposits as the case may be as part of equity contribution. These fimitations and the initial resolve by Management to substantiate all relevant disclosures necessitated the need to engage external Auditors to conduct the audit in conjunction with the Commission's staff.

### 2. Number Of Operators Audited.

A total of 323 (three hundred and twenty three) market operators were audited during the period.

### 3. Number of Audit Firms that Participated

A Committee (on selection of Auditors) headed by the DG was set up to select Audit firms for the exercise. The exercise was advertised in national dailies inviting qualified Audit firms to submit their expression of interest for the audit. Short-listed Audit firms were invited for selection interviews. A total of 29 (twenty nine) Audit firms were subsequently selected.

### ACTIVITIES IN THE COMMODITY MARKET

### Review of Audit Control & Expertise Ltd (ACE) Report

The Commission reviewed the ACE report and approved an Implementation (action plan for its actualization.

The report was analyzed and circulated to the various institutions and major stakeholders.

### 2. Familiarization Visits

A feam from the Commission made familiarization visits to Abuja Securities and Commodity Exchange (ASCE), Federa Ministry of Commerce (FMC), and Rice Farmers Association of Nigeria (RIFAN), to acquaint itself with the Development of Commodity Exchange in Nigeria and ascertain the preparedness of the ASCE towards the proposed take-off in the second quarter of the year under review.

### 3. Pre-Registration Inspections

A pre-registration inspection of the ASCE was carried out on 19" April, 2006. Consequent upon the report of the inspection team that the facilities were adequate, the Commission granted a registration license to ASCE to trade in commodities.

As part of the registration requirement, the Commission also carried out pre-registration inspections on Dan-Makarfi Investment Limited, Abuja, Maxi fund Investment Limited, Lagos, and Taraba Investment and Property Ltd, Jalingo who applied as broken dealers.

### Commencement of Operation of the Commodity Exchange

The ASCE spot market officially commenced operation on 25° July, 2006.

### Market Watch

Se part of oversight function of the Commission, the monitoring of trading is done twice in every week during transactions.

The cumulative volume of contracts and value of transactions for the year under review were 988 and N 23,162,000 respectively in soya beans, white maize, white cowpea, millet, and white sorghum.

### 5. Minimum Paid-Up Capital

During the period under review, the Commission approved Minimum Paid-up Capital for Commodity Exchange Operators as follows:

Broker - N10, 000,000.00

Broker/Dealer - N20, 000,000.00

Merchant - N10, 000,000.00

### 1. ASCE Membership Registration

During the period under review, the Board of the Commission approved the request by ASCE for individual commodity merchants' registration as Dealing Members of the Exchange as a transition arrangement subject to relevant amendments of the Rules and Regulations of ASCE.

### 2. Public Private Sector Interactive Session on Nigeria Commodity Exchange Project

The Commission in collaboration with the Abuja Securities and Commodity Exchange (ASCE) and CISME Consultancy Umited, organized a one-day public-private sector interactive session on Nigerian Commodity Exchange project, after which a 23-point communiqué was drawn. Contact groups (FMC, CBN, ASCE and SEC) were identified for action plans implementation.

The Commission being one of the contact groups was required to implement the

outcome of the Interactive session by sensitizing the processors to patronize the Exchange, and Ilaise with the Government, FMF, and NAICOM in order to create a conducive environment for the sustenance of the Commodity Exchange in Nigeria.

Consequent upon the above, the Commission had visited some processors (Flour Mills of Nigeria Pic, Nigerian Breweries Pic, etc) during which the companies pledged to purchase part of their requirements through the Commodity Exchange.

# COLLECTIVE INVESTMENT SERVICES

The Investments & Securities Act No. 45 of 1999 empowers the Commission to regulate, among others, Collective Investment Schemes including Mutual Funds, Venture Capital, Real Estate Investment Trusts and Unit Trust Schemes.

Specifically, Section 8(g) requires the Commission to register and regulate the workings of Venture Capital and Collective Investment Schemes including Muhual Funds.

# UNIT TRUST SCHEMES AND COMMUNITY SAVINGS ACTIVITIES.

A total of thirteen (13) applications for registration of unit trust schemes were received during the year 2006. They include the following:

 UBA Funds (UBA Bond Fund, UBA Balanced Fund, UBA Equity Fund and UBA Money Market Fund)

Application for registration of 1billion units each of N1.00 for each of the four Funds, sponsored by UBA Asset Management Limited.

### 2) Avante Real Estate Fund

Application for the registration of 1 Billion units of N1.00 each - sponsored by Ocean and Oil Holding Limited with FCMB Capital Market as Issuing House.

3) DVCF Oil and Gas Fund

Application for registration/authorization of 1 billion Unit of N1.00 cach at par sponsored by Deap Capital Management and Trust Pic with Unity Bank Pic as Issuing House.

4) Oceanic Vintage Fund

Application for registration/authorization of 2 billion units of N1.00 per unit - sponsored by Oceanic International Bank Pic and UBA Global Asset as Issuing House.

5) Kakawa Guaranteed Income Fund

Application for registration of 1 Billion units of N1.00 each sponsored by Kakawa Asset Management Limited with FBN Capital as Issuing House.

6) Skye Shelter Fund

Application for Registration of 20 Million units of N100.00 each sponsored by Skye Bank Plc.

### 7) Coral Ethical Fund and Coral Income Fund

Application for Registration of 500,000 units for N100.00 each sponsored by FSDH Asset Management Limited.

### 8) Legacy Fund

Application for Registration of 1 Billion unit of N1.00 each sponsored by FCMB Capital Markets Limited.

### 9) New Lead Fund

Application for Registration of 1 Million units of N1000 each sponsored by Lead Capital Limited.

**Approvals Granted** 

- Approvals were granted for the public operation of the following Funds, during 2006:
- > UBA Money Market Fund
- UBA Balanced Fund
- UBA Bond Fund
- > UBA Equity Fund
- Legacy Fund
- Coral Income Fund
- Coral Ethical Fund
- The Commission granted approval for the sponsors/issuers of the following Funds to open the Offers to the public.
- Oceanic Vintage Fund
- DVCF Oil and Gas Fund
- Applications for the following Funds were still being processed during the year.
- Avante Real Estate Investment Trust Fund
- Kakawa Guaranteed Income
- New Lead Fund
- > Skye Shelter Fund

### COMPLAINTS ON UNIT TRUST SCHEMES

 Mr. R.S. Garuba A unit holder in Paramount Equity Fund (Formerly ICON Unit Trust Scheme) complained of unpaid dividend for year 2003 and 2004. directed Donham

ted to attend to the

terward to the Commission

easts relating to action within
The complainant was also

Fund forwarded a letter to the seeking information on the state and the possibility of recovering

Manager (Lighthouse Asset
Limited) was advised to
me unit holder's complaint and
to the Commission copies of
metalating to action taken within one
The unit holder was also copied.

#### Reports and Audited Accounts

- Commission received the following Accounts during the year under
- The annual report and account of First interstate Unit Fund for two (2) years ended 31 March 2004 and 2005.
- Paramount Equity Fund Audited account for the year ended December 31, 2005.
- Nigeria Int'l Growth Fund Audited accounts for the year ended 30" June, 2006.
- The annual report and account of the following Funds were received, reviewed and approved by management.
- Discovery Fund: Account for the year ended December 31, 2005
- IBTC Nigeria Equity Fund: Account for the year ended December 31, 2005
- III. Coral Growth Fund: Account for the year ended December 31, 2005
- Iv. A-z Mutual Investment Fund: Audited accounts for the year ended March 31, 2006

 Nigeria Int'l Debt Fund: Audited accounts for the year ended December 31, 2005.

#### Annual General Meetings (AGMs)

The following Schemes/Funds held their Annual General Meetings during the year.

- IBTC Nigeria Equity Fund
- II. Discovery Fund
- iii. Coral Growth Fund
- IV. A-Z Mutual Investment Fund

#### Observations on Annual General Meetings (AGMs)

- The AGMs were held in conducive venues and well conducted.
- Stanbic Bank Nigeria Limited was appointed custodian to Coral Growth Fund.

#### On-Site Inspection

During the year under review, Routine Inspection was carried out on one (1) Scheme and its parties. i.e Nigeria Energy Sector Fund.

- » Sterling Capital Market Limited
  - Fund Manager
- » UBA Trustees Limited -
- Truste
- » Sterling Registrars
- Registrar

#### Off-Site Inspection

The offsite inspection was carried out based on the analysis of statutory monthly/quarterly returns submitted by unit trust schemes. Observations/lapses were communicated to the Fund Managers and appropriate responses and actions were made and taken.

#### Other Activities

#### 1) Operational issues

a. Following the decision of Unity Bank Plc not to adopt First Interstate Unit Fund and Centre Point Unit Trust Scheme In the new group, a letter was forwarded to Unity Bank Plc to submit detailed action plan on both Schemes in strict conformity with the statutory provisions for the termination of registered Trust Fund/Scheme and the Trust Deed.

- The Commission approved supplementary Trust Deed forwarded by the following funds within the year:
- i. IBTC Nigeria Equity Fund
- II. Discovery Fund
- iii. Paramount Equity Fund
- The Commission held a workshop on Real Estate Investment Trust in Lagos. The two day workshop was jointly organized with the Nigerian Stock Exchange.

Meetings

- A meeting on the seven (7) poorly performing Unit Trust Schemes was held at the Commission's zonal office in Lagos on 29" and 30" June 2006 with Fund Managers, Trustees and Registrars of the Seven Schemes. The meeting was a follow-up to the meeting of 30" and 31" March 2005 in Lagos Zonal Office in respect of these Schemes whose subscription level had declined.
- 2) A meeting to resolve the conflict on the outstanding number of units in the Paramount Equity Fund was held on 24th November, 2006 in the Commission's Head office between the Commission, Fund Manager, Trustees, current and former Registrar to Paramount Equity Fund (formerly Icon Unit Trust Scheme). The meeting was convened following complaint by the Fund Manager (Denham Management Limited) to the Commission in respect of unrecognized register of units and unit holders after the change of Registrars from ICON Stockbrokers Limited to Sterling Registrars.

After the meeting, letters were forwarded to all the parties regarding the resolutions reached at the meeting.

#### Summary of Net Asset Value (NAV) of Unit Trust Schemes Registered with the Commission

As at 31<sup>th</sup> December, 2006, a total of thirty one (31) unit trust schemes were registered with the Commission. The aggregate New Asset Value (NAV) was N44, 273,745,560 (See Appendix 'A' for detailed information).

#### **COMMUNITY SAVINGS**

The Investment & Securities Act 1999 empowers the Commission to register Community Savings Schemes such as Esus Adashe, Ajo, etc for statistical purposes.

Three (3) applications for registration of community savings scheme were received during the year under review. They are

- a) Paradise Multi-Purpose Co-operative Society
- b) First United Company.
- Factor-Trust Investment Company Limited Acknowledgement letters were forwarded to the Companies, pending management decision on registration of Community Savings Schemes.

#### VENTURE CAPITAL

Under Venture Capital, the Commission primarily charged with the responsibility of monitoring the operations and activities registered. Venture Capital Fund Management Companies as well as fostering the development of this sub-sector of the capital market. In this regard, the Commission undertakes venture capital funds surveillance and market development activities which include among others.

- Inspection/monitoring the activities of venture capital Companies and Funds
- Collection, collation and analysis of returns from venture capital funds management companies
- Ensure steady growth of the Venture Capital industry
- Collate data on the activities of the Ventu-Capital Industry that would be needed to Government for economic development and planning purposes.

#### APPROVALS GRANTED

During the period under review, ten (10) Companies were granted approval to carry out the function of venture capital fund management. They are

- SME Managers Limited
- Amalgamated Capital Fund Limited
- Deap Capital Management and Trust Limited
- IBTC Ventures Umited
- Enterprise Capital Management Limited
- First Funds Limited
- Guardian Express Trust Limited
- Intercontinental Capital Market Limited
- Otizens Investments and Securities Limited
- Fidelity Union Securities Limited

Out of these, six are active and managing a total amount of **N8**, **740**,**867**,**394**.**00** on behalf of their clients/parent companies. The break down is shown below:

#### **Active Schemes**

- SME Managers Limited
- TBTC Ventures Limited
- Citizens Investments and Securities Limited
- Intercontinental Capital Market Limited
- First Funds Limited
- Amalgamated Capital Fund Limited
- Total

#### Amount under Management

N, 000

1,969,603,386.00

575,668,708.00

117,937,000.00

1,527,531,700.00

4,549,935,500.00

191,100,000.00

N8, 740,867,394.00

The remaining four Schemes are presently not active due to non availability of funds from their various prospective sources of funds. They are as follows:

- Deap Capital Management and Trust Limited
- Enterprise Capital Management Limited
- Guardian Express Trust Limited
- · Fidelity Union Securities Limited

#### Off-Site Inspection

In line with the Commission's requirements, all the active Venture Capital Companies/Schemes

have been consistent in submitting their periodic (quarterly) returns to the Commission.

Their various returns were analyzed by the Commission during the year under review.

Based on the quarterly returns analyzed, below is an extract of equity investments in SMEs as at September, 2006 made by the registered Venture Capital Companies.

s/N	Name of Company	Date Registered	Nos. of SMEs bene- ficiaries	Types of activities/ sectors	Exit Period	Total Amount disbursed (N)	
1 First Funds Ltd		06/09/04	45	Manufacturing, Hotel/Tourism Agriculture, Oil & Gas, Telecoms, Education, Info. Tech, Health and Construction	Between 2008 & 2010	2,732,922,154/10	
2	Intercontinental 25/09 Capital Market Ltd		7	Manufacturing Agriculture	Not disclosed	371,058,124.21	
3	IBTC Ventures 08/10/04 Limited		18	Services, Info. Tech, Health, Manufacturing, Oil & Gas, Tourism and Micro-Finance	Not disclosed	569,769,652.36	
1	Amalgamated Capital 21/01/04 Fund Ltd		6	Manufacturing Services,	Nét disclosed	216,100.000,00	
5	SME Managers Ltd 21/01/04		16	Services Tourism, Info. Tech, Telecoms, Health, Manufacturing, Real Estate, Oil & Gas	2007	1,969,603,386.00	
6	Citizens Inv. & Sec. Limited	16/04/03	4	Services Printing Minting		63,329,465.00	
96	Total amount of funds SMEs for the year 200			5,922,782,783			

#### Summary of Analysis:

- (1) IBTC Ventures Limited disbursed more funds during the year under review when compared to the previous year i.e. 2005. A total amount of N569,769,652.36 was disbursed among eighteen (18) SMEs as against N200,000,000 disbursed in 2005, an increase of N369,769,652.36 representing 185 percent
- (2) Intercontinental Capital Market Limited disbursed a total amount of N371,058,124.21 in the year 2006 compared to N976,044,642.35 in the year 2 0 0 5 glving a variance of N604,986,517.79 which represents 62 percent decrease.
- (3) First Funds Limited increased Its disbursement from N2,428,684,085.56 in

- the preceding year to N2,732,922,154.10 in 2006 which represents 12.52 percent Increase.
- (4) The Amalgamated Capital Fund Limited disbursed a total amount of N116,600,000.00 to four (4) SMEs in 2005 compared to a total amount of N216,100,000.00 in 6 SMEs in year 2006 which represents 85 percent increase.
- (5) SME Managers Limited invested N1,710,116,286.00 in the year 2005 compared N1,969,603,386.00 in 2006, an increase of N259,487,100.00 representing 15.17 percent
- (6) Citizens Investment and Securities Limited maintained the same amount of funds disbursed in 2005 and 2006. In other

words, the Fund Manager did not make any additional disbursement of Funds during the period under review. A total amount of N63,329,465.00 was disbursed by the Fund Manager since inception to date.

#### **On-Site Inspection**

During the year under review, Managers of the following Funds were inspected by the Commission.

Citizens Investment and Securities
 Limited

#### Obscrvations/Findings

- Authorized and paid-up capital disclosed during the inspection was N272,819,000.00 but the paid up capital disclosed in the quarterly returns sent for the quarter ended 31" Dec 20005 was N272,969,000.00, a difference of N150,000.00.
- Separate accounts was not maintained for the Venture Capital operation, instead, it was treated as an item in the groups' accounts.
- Level of disbursement of the funds under the Fund Managers' management was found to be guite low.
- No adequate working facilities
- Documents in files not numbered.
- The Fund Manager was advised to rectify the discrepancies in the paid-up capital of the company, and also to step up its funding of SMEs in order to achieve the objectives of the SMEIS Schemes.

### - Amalgamated Capital Fund Limited (ACFL)

#### Observations/Findings

- Documents in files were not numbered.
- Officials of ACFL have not been attending CMC Meetings even when they were served notice on the excuse that they did not know if they are regarded as market

operators.

- HNB Trustees Limited had earlier transferred its un-invested funds to ACFL. It was however observed that the Fund Manager (ACFL) did not notify the Commission on the arrangement.
- It was observed that the Fund Manager did not disclose its exit period on the various investments earlier made. The Fund Manager was advised to furnish the Commission with details of all the transferred activities by HNB Trustees Limited and also to furnish their exit plans.

from SMEs in which they have invested to

#### Other Activities

the Commission.

#### 1) Establishing Working Relationship

The Commission held several meetings during the year with the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) on ways to harmonize the efforts of the two organizations to regulate and develop the Venture Capital Industry in Nigeria. Positive steps have been taken in these directions and are still being discussed.

#### 2) Consolidation of Banks

On 22" March 2006, during the first quarter of the year, letters were sent to the registered Venture Capital operators affiliated to banks in respect of the just concluded consolidation exercise. The Fund Managers were asked to furnish the Commission with information on the extent to which the exercise has affected their operations and their post consolidation plans to reposition the funds under management.

#### **LEGAL UNIT**

Submissions on collective investment schemes were vetted and legal opinions offered on them during the year under review. They are:

#### 1) Legacy Fund

The Fund Manager in a letter dated 9° January 2006 requested for the inclusion of a guarantee clause in its trust Deed. The commission reviewed the clause and recommended its inclusion.

The unit wrote an opinion on the legal implication of a publication in This Day Newspaper announcing the opening of the Legacy Fund offer to the Public before final approval was given by the Commission.

The Unit gave its opinion on FCMB Capital Market Limited's request to subdivide the Legacy Fund into classes A and B, which would provide for investments in areas that would not be contrary to certain beliefs and faith.

The Unit subsequently reviewed the documents submitted by the Issuing House after its Completion Board Meeting and made relevant recommendations for further action.

#### Liquidation of Unit Trust Scheme

The Commission reviewed the operations of the under-listed schemes and wrote an opinion on the legality of terminating them based on the provisions of their various Trust Deeds.

- Devcom Mutual Fund
- ii) Rims Trust Scheme
- III) Indo-Nigeria Unit Trust Fund
- iv) Gloria Unit Trust
- (v) Consortium Resource Investment
- (VI) Centre Point Unit Trust
- (vii) First Interstate Unit Trust

The Commission noted that some of the schemes were ripe for liquidation considering their various stages of distress and negative manifestations.

In addition, an opinion on the commencement of the pre-liquidation process of the distressed schemes is being considered by the commission for further action. A report on the pre-liquidation meeting between the Securities and Exchange Commission and distressed Unit trust schemes held at the

Lagos Zonal office of the Commission on the 29" and 30" of June 2006 is being considered.

Based on a request received by the Commission for a merger of some schemes, the provisions on Merger/Liquidation contained in the respective Trust Deeds of Consortium Resource Investment Funds, Center Point Unit Trust Scheme and First Interstate Unit Trust Schemes are being reviewed.

3) Coral Income and Coral Ethical Funds
The commission is considering the legal
issues raised in respect of documents
submitted in support of the application for
the registration of the above funds. It is
also considering the reviewed and
amended documents submitted in respect
of the Funds. It reviewed the Completion
Board Meeting, and the documents in
support of the application for the
registration of the un-allotted balance of
N2, 100.00 units of the Coral Income Fund
and 9,960 units of the Coral Ethical Fund.

#### 4) Paramount Equity Fund

The Fund Managers to the above mentioned Fund applied for registration of additional units/increase in minimum subscription amount for the Fund-Following the review of the Trust Deed and the confirmation that Provision was made for such increase, the application was approved.

The Commission also reviewed documents submitted by the same Fund seeking for an amendment to its Trust Dood.

#### 5) UBA Capital and Trust Limited

Documents for registration of UBA Equity Fund, UBA Balanced Fund, UBA Bond Fund and UBA Money Market Fund were submitted by the above named Fund Manager. The documents were vetted and observations were communicated to the Fund Manager for further action.

The Commission reviewed the documents executed by relevant parties at the Completion Board Meeting and observations were forwarded for further

action as a precedence to the Final approval of the funds.

#### 6) A-Z Mutual Fund Annual General Meeting

The Commission made observations and also gave its recommendations on a letter submitted to it by the fund manager stating its inability to hold its AGM for the financial year ended 31st October, 2005 within the statutory period.

#### 7) First Interstate Unit Trust Fund

The Commission reviewed the documents submitted for termination of the Fund and observed that they are in line with the laid down requirements.

#### 8) Avante Real Estate Investment Trust Scheme (Real Estate Fund)

The Commission reviewed documents submitted by Ocean and Oil Holdings in respect of Avante Real Estate Investment Trust Scheme and came up with legal opinion and observations on it.

#### 9) Coral Growth Fund

The Commission reviewed and vetted the proposed Supplemental Trust Deed and Notice of 1<sup>th</sup> Annual General Meeting of the Fund.

#### 10) Oceanic Vintage Fund

The Commission reviewed the documents executed by relevant parties to the Completion Board Meeting in respect of the proposed offer for subscription of 2,000,000,000 units of N1.00 each in the Oceanic Vintage Fund.

#### 333 Skye Shelter Fund

The Commission reviewed and vetted the documents of Skyo Shelter Fund on its proposed offer for subscription of 20,000,000 units of N100.00 each at par.

#### 12) Kakawa Guaranteed Income Fund

The Commission reviewed documents submitted in respect of the Fund's proposed offer of 1,000,000,000 units of N1.00 each.

#### 13) DVCF Oil and Gas Fund

The Commission reviewed accompanying documents forwarded in respect of the application of Deap Capital Limited for the registration and authorization of 1 billion units of N1.00 each in the DVCF Oil and Gas Fund

### 14) IBTC Ethical Fund and IBTC Equity Fund

The Commission gave its legal opinion on the IBTC Ethical Fund's request for the change of its financial year and the IBTC Nigeria Equity Fund amendment of its sixth supplemental Trust Deed without statutory approval.

#### 15) The Lead Capital Fund

The Commission reviewed Lead Capital's application for the registration and authorization of 1 Million units of N1000 each.

The opinion in respect of Lead Capital's application to hold its Completion Board Meeting out of time was considered by the Commission.

#### 16) Rims Unit Trust

The Commission considered a legal opinion on Rims Unit Trust's proposal to merge with Associated Properties and Trust Pic.

#### APPENDIX A

#### **NET ASSET VALUE AS AT DECEMBER 2006**

S/NO.	NAME OF SCHEME	Net Asset Value	
1	GLORIA	8,055,932	
2	ABACUS	21,425,084	
3	INDO	20,013,270	
4	FIRST INT.	22,849,268	
5	DENHAM MG.	47,450,692	
6	RIMS	6,534,882	
7	LEAD	9,010,714	
8	CONTINENTAL	14,586,022	
9	DEVCOM	2,279,763	
10	MBA	194,549,774	
11	PARAMOUNT	196,719,609	
12	CENTREPOINT	279,971,439	
13	CONSORTIUM	13,404,953	
14	DISCOVERY	3,157,655,642	
15	IBTC EQUITY	20,122,926,577	
16	NIDF	1,732,965,051	
17	NESF	957,519,993	
18	NIG. GLOBAL	47,450,692	
19	IMB	22,503,0207	
20	NIGF	1,974,523,159	
21	FRONTIER	278,967,039	
22	A-Z	358,789,787	
23	CORAL GROWTH	2,716,340,387	
24	IBTC ETHICAL	2,410,838,540	
25	LEGACY	1,046,077,480	
26	CORAL INCOME	493,284,732	
27	CORAL ETHICAL	471,754,402	
28	UBA BALANCED	2,059,567,211	
29	UBA BOND	2,083,325,747	
	UBA M/MKT	2,299,602,673	
	UBA EQUITY	1,002,274,839	
	TOTAL	N44,275,745,560	



The Investment and Securities Act (ISA) No. 45 of 1999, Section 8 (P), empowers the Commission to promote investor education and the training of all categories of Intermediaries in the securities industry. Section 8 (t) empowers the Commission to conduct research into all or any aspect of the securities industry. A part of section 8 (e) also empowers the Commission to organize training programmes and disseminate information necessary for establishment of securities exchanges and Capital Trade Points. The Department is also responsible for SEC strategic planning and implementation of servicom issues.

In executing its developmental mandate, the Commission employs the tools of Workshops, enlightenment campalgns, Seminars, exhibitions, production of regular and special publications etc.

#### 1.0 MARKET DEVELOPMENT.

In its effort to develop the market, the Commission undertook the following activities in the course of the year.

- A workshop on Resuscitating the Nigerian Corporate Bond Market
- A Conference on NEEDS: Strengthening the capital market for a private sector led Economic Growth.
- Public Enlightenment to Ekiti state to interact with the State government officials on Opportunities in the Nigerian capital market for the Industrial development of the State.
- Participated at three International Trade Fairs (Kaduna, Abuja and Kwara)
- Reviewed and reprinted several publications such as Shareholders Rights and Responsibilities, Public Offering & Sale of Securities, Capital Market Glossary, and Twenty years of Securities Market Regulation etc.
- Hosted students on educational visits from eleven Universities, three Polytechnics and one Secondary School.

### 2) PLANNING AND SERVICOM ACTIVITIES

- In pursuit of its strategic planning and Servicomm activities, the following were carried out by SEC in 2006.
- 2.1 Collation, Analysis and Presentation to Management of 2006 Action Plan: The 2006 Action plans of the various Departments and offices in the Commission were collated, analyzed and consolidated into a one-stop operational plan document for the Commission.

#### 2.2 MONITORING OF ACTION PLANS

The plans monitoring exercise for the 2006 was conducted accordingly. The exercise was aimed at monitoring the implementation of the Commission's operational plans submitted by the various departments/zonal offices in 2006 with a view to analyzing gaps vis-à-vis level of compliance and achievements in the execution of the plans. Observed constraints militating against the implementation of the plans and possible remedies were highlighted. It is important to note that most of the observed challenges were in the areas of capacity building of staff, Information technology, inadequate manpower as well as office accommodation. These have been adequately incorporated into the 2007 plan and budget.

#### 2.2.0 MONTHLY MANAGEMENT MEETING

The conduct of monthly management meeting is one of the strategies adopted by the Commission for the attainment of its vision, mission and objectives. The meeting was conducted as scheduled in 2006.

Decision on strategic issues and challenges facing the Commission in particular and the capital market in general were adequately addressed during the meetings.

#### 2.2.1IMPLEMENTATION OF SEC SERVICOM ACTIVITIES.

The SEC SERVICOM Unit is domiciled in Research and Planning Department, Since

- Its creation, the following have been achieved:
- Successful launching of SEC SERVICOM unit and the inauguration of the SEC SERVICOM Committee on Tuesday November 7, 2006.
- Appointment of the SEC Nodal Officer, charter development officer, customer care/ complaints officers and service improvement officer.
- The unit, since its creation, has been effectively and efficiently liaising with office of the SERVICOM National Coordinator and also that of the Nodal Officer in the Ministry of Finance and other relevant agencies/parastatals.
- Monitoring of 'IN' and 'OUT" Register of all the offices in the Commission and the zonal offices. The exercise is being carried out on weekly basis with a view to ensure compliance with SERVICOM work ethics and principles and in consonance with SEC core values.

### 3) LIBRARY AND INFORMATION SERVICES

The SEC Library in the course of 2006 procured relevant books on capital market, finance economics, legal issues etc.

Libraries were set up in Port Harcourt and Kano Zonal Offices respectively.

Researchers numbering one hundred and thirty seven (137) from territory institutions across the country sourced and used capital market information.

The Commission was able to liaise with sister organizations and international organizations like World Bank, United State Information Services (USIS) atc to exchange information vital to the development of the capital market in Nigeria.

#### 4) INTERNATIONAL RELATIONS

The year 2006 witnessed a flurry of activities in the international scene. The Commission attended the 31\* International Organization of Securities Commissions (IOSCO) Annual

Conference, which was held in Hong Kong from 5-8 June, 2006. More than 600 delegates from around the world, including representatives from more than 100 countries attended.

At the conference, during the Africa/Middle East Regional Committee 'AMERC' meeting, the DG of SEC, Musa Al-faki was re-elected as Chairman of AMERC for another 2 two years.

# SEC QUALIFIES AS SIGNATORY TO IOSCO 'MMOU' (MULTILATERAL MEMORANDUM OF UNDERSTANDING) UNDER APPENDIX"A"

It was a momentous year for the Securities and Exchange Commission of Nigeria and the country when the Commission qualified as signatory to Appendix "A" of IOSCO MMOU at the 31" Annual Conference of IOSCO in Hong Kong.

After three years of vigorous screening. It was a historic event, a milestone achievement and an unforgettable day as SEC Nigeria joined 34 other Securities regulators, mostly from the industrialized nations, which had qualified under the Appendix "A".

#### **Benefits of Qualification**

- The Commission is now considered as a regulator having a regulatory framework that is fully compliant with international best practices and standards.
- SEC joins the upper echelon of securities regulators worldwide
- Nigeria's investment climate will be considered by global investors as more conducive, transparent and protective to both direct and portfolio investors
- High regard and attention by International Financial Institutions such as World Bank, International Monetary Fund (IMF), the International Federation of Accountants (IFAC), Public Interest Oversight Board (PIOB). All these work closely with IOSCO on various issues.

 More effective consultation, cooperation and exchange of information towards combating cross-border securities crimes, terrorist financing and money laundering.

#### ICAP SOUTH AFRICA VISIT TO NIGERIA

ICAP South Africa visited Nigeria on 5th to 7th July 2006 where several meetings were held with representatives of the following institutions and sub-committees:

- The Nigerian Stock Exchange
- Capital Market Committee CMC subcommittee on over-the counter market
- CMC sub- committee on bonds
- The Debt Management Office
- The Central Bank of Nigeria
- Federal Mortgage Bank of Nigeria
- National Pension Commission

As a follow up of the meeting in July, ICAP members re- visited Abuja on the 15<sup>th</sup> of November and Lagos on the 16<sup>th</sup> of November respectively.

Given the federal government's recent efforts in developing the secondary bond market in Nigeria, the company saw an opportunity and proposed to seek joint venture between ICAP Johannesburg and Nigeria through an establishment of a Nigerian bond desk in South Africa, during the initial phase, with a view to establishing a full-fledged bond trading business in the country when it becomes commercially viable.

All these can be attributable to the new investment status of the country as a result of SEC's qualification as a signatory to IOSCO MMOU and the recent "BB- Minus rating by "Fitch" International Rating Agency as well as the aggressive market development initiatives by SEC.

ICAP is a global voice and inter-dealer broker in the wholesale market for OTC, derivatives, fixed income securities, financial products and foreign exchange, energy and credit and equity derivatives. It has offices in London, New York, Tokyo and Johannesburg.

#### IOSCO TECHNICAL COMMITTEE, EXECUTIVE COMMITTEE, EMERGING MARKETS COMMITTEE ADVISORY BOARD MEETINGS AND TECHNICAL COMMITTEE CONFERENCE IN LONDON

The Commission attended the above meetings which were held from 14 to 17 November, 2006. There was also a Technical Committee meeting and a conference. The purpose of these events was to promote a dialogue with the financial community on the work of IOSCO's Technical Committee and its five standing committees. The focus was to engage with stakeholders on what IOSCO sees as the current and emerging issues and how it is responding, and to encourage a debate on areas of mutual interest.

#### MEETING WITH INVESTMENT CLIMATE FACILITY (ICF) SOUTH AFRICA

The Commission met with the representatives of ICF on 30<sup>th</sup> and 31<sup>th</sup> October, 2006 in Johannesburg, South Africa. Mr. Hugh Scott, Senior Investment Climate Advisor explained that the ICF intended to make Africa a better place to do business while the obstacles to investments are removed.

Mr. Hugh revealed that seven projects had already been approved in Ghana, Senegal and Rwanda. The essence of the meeting was primarily for capacity building purposes and for ICF projects in Nigeria and other African countries.

#### Other Activities

During the period, the Commission made enquiries from US Securities and Exchange Commission, Securities Commission Malaysia, Securities and Exchange Board of India etc on e-Dividend payments to know what was applicable in their various jurisdictions. Other enquiries were made from Securities and Exchange Board of India, Securities Commission Malaysia and Financial Services Board of South Africa on the laws governing acquisition of shares in their jurisdictions. e-Dividend will help

enhance operations in the Nigerian capital market and reduce the problems associated with the conventional means of dividend payment.

Also during the year, the Commission participated at the IOSCO EMC meeting held in China from 18-22 September, 2006. The various working groups reviewed their surveys and reported to the plenary session in the EMC. The surveys are still being considered and will be made available when concluded by the various working groups to enable the Commission benchmark those practices.

Working Group 1 (WG1) on Disclosure and Accounting discussed the progress on the road to convergence, institutional arrangements within International Federation of Accountants (IFAC), Public Interest Oversight Board (PIOB), structural and process reforms etc.

#### 5) RESEARCH ACTIVITIES

The following research activities were carried out by SEC during the period under review.

- 2005 Economic Review and its implication for the market.
- Prepared brief on the activities of the Commission during the visit of World Bank Officials.
- Preparation of capital market activities for the visit of Joint World Bank IDFID Financial.

- Review of the ICAP proposal to Nigeria on the issuance of bonds.
- Prepared a paper titled "Effect of Government Reform Agenda on the Nation's Economy presented at CAMCAN workshop".
- Brief by the Securities and Exchange Commission on mainstreaming Government activities into the NEPAD framework.
- Banking sector reforms and the challenges faced by the Securities and Exchange Commission.
- Memorandum submitted by the Securities and Exchange Commission to the meeting of the National Council on Industry (NCI) Bauchi, Bauchi state, on recent contribution of the Securities and Exchange Commission to Government Economic Reform Agenda and positioning the capital market for economic development during the year.
- Review of the Nigerian Stock Exchange Rules and Regulations Governing Dealing members.
- Contribution of SEC towards the ongoing Economic reform programme of the Federal Government.

#### Statistics and Summary

- a. Created additional data base/ updated regular database.
- b. Conducted special studies/surveys on relevant topical issues on:
- Second tier Securities Market (SSM).
- Share ownership/shareholding Pattern of Quoted Companies (2005 edition).
- Cost of Raising Issues on The Nigerian Capital Market (2005 edition).
- Update on Nigerian Capital Market Statistical and Economic Bulletin 2005.
- d. Compiled Financial Analysis of Quoted Companies, in terms of their Assets, Liabilities, Network, Turnover, PBT and PAT.
- Updated the Commission's Databank on the Capital Market.



Sylvester O. Akele

#### **MERCERS AND TAKEOVERS**

were Insurance issues due to the sector, one (1) from Banking sector and one the Manufacturing sector.

twenty two (22) applications were in 2005. Thirteen (13) applications were approved and a total of three (3) merger applications were aborted. This was an applications were aborted. This was an applications were approved and one (1) erger application aborted, while in 2005, then (15) applications were approved (mostly sanks due to the Banking Consolidation).

with respect to Acquisitions and Takeovers, a total of ten (10) applications were received in 2006, in addition to the thirteen (13) outstanding issues brought forward from the previous year, out of which ten (10) applications were approved.

The increased activities involving mergers, acquisitions and other forms of business combinations in the last two (2) years stems from the ongoing Federal Government reforms in the financial sector of the economy. These reforms include directives by government that Banks recapitalize by year 2005 and the Insurance sector as at February 2007.

The following applications involving the under listed proposed mergers were received in 2006:

#### MERGERS

- Custodian and Allied Insurance Company Limited (CAI), Fire, Equity & General Insurance Co. Ltd and SIGNAL Insurance Company Limited (SIGNAL).
- UBA Insurance Ltd and Central Insurance Company Limited.
- African Alliance Insurance Ltd , Fire Equity and General Insurance Ltd and African Reality Company Ltd.

- Standard Trust Assurance Pic and Summit Insurance Company Ltd.
- Admiral Insurance Company Ltd, Atlantic Insurance Company Ltd and Elmac Assurance (Nigeria) Company Ltd.
- NEM Insurance Company Plc, and Vigilant Insurance company Ltd.
- BAICO Insurance Pic and Alliance and General Insurance Company Ltd.
- Linkage Assurance Plc , and Central Insurance Company Ltd.
- International Energy Insurance Company Ltd and Rivbank Insurance Company Ltd.
- Sterling Assurance Nigeria Ltd ,Newline Insurance Company Ltd and Universe Re-Insurance Company Ltd.
- Regency Insurance Plc, Destiny Insurance Company Ltd, Capital Express General Insurance Ltd and Nigeria Alliance Assurance Corporation Ltd.
- Royal Exchange Assurance (Nigeria) Plc, Lion of Africa Insurance Company Ltd and African Prudential Insurance Company Ltd.
- Scheme of Arrangement and Restructuring of Oando Nigeria Ptc.
- Equity Indemnity Insurance Company Ltd ,Phoenix of Nigeria Assurance Pic and First Assurance Pic.
- Consolidated Risk Insurers Plc, Perpetual Assurance Company Ltd ,Trust and Guarantee Insurance Company Ltd and Oasis Insurance Plc.
- AIICO Insurance Plc, NFI Insurance Plc and Lamda Insurance Company Ltd
- Admiral Insurance Company Ltd, Crusader Insurance Company (Nigeria) Ltd, Elmac Assurance (Nigeria) Ltd, Golden Insurance Company Ltd , Refuge Insurance Company

Ltd and Royal Trust Assurance Company Ltd.

- IBTC Chartered Bank Plc and Stanbic Nigeria Ltd.
- Custodian and Allied Insurance Ltd and Fire , Equity and General Insurance Company Ltd.
- Capital Express Insurance Company Ltd., Regency Life Assurance and Pensions Ltd.
- Sovereign Trust Insurance Pic , Confidential Insurance Pic, Coral International Insurance Company Ltd and Prime Trust Insurance Company.
- Flour Mills of Nigeria Pic and Golden Fertilizer Company Ltd.

#### APPLICATIONS PROCESSED

 THE MERGER INVOLVING CUSTODIAN AND ALLIED INSURANCE LTD, FIRE, EQUITY AND GENERAL CO. LTD AND SIGNAL INSURANCE COMPANY LTD (SIGNAL)

The application was filed by Chapel Hill Advisory Partners, Dynamic Portfolio Ltd and MBC Securities Ltd on behalf of the merging companies. One of the Insurance companies Fire, Equity and General Insurance Company Ltd ( FEGIC) later pulled out of the merger arrangement.

#### Resultant Company

The Resultant Company is Custodian Insurance Co. Ltd

#### **Processing Stage**

The application was granted formal approval on May 19, 2006

#### THE MERGER BETWEEN UBA INSURANCE LTD AND CENTRAL INSURANCE COMPANY LTD.

The application was jointly filed by UBA Global Markets Ltd and BGL Securities Ltd on behalf of the merging Companies.

#### Resultant Company

The Resultant Company would have been UBA Insurance Ltd.

#### Processing Stage

The application was granted Approval In Principle and the transaction was later aborted.

# 3. THE MERGER INVOLVING AFRICAN ALLIANCE INSURANCE LTD, FIRE EQUITY & GENERAL INSURANCE LTD AND AFRICAN REALITY INSURANCE COMPANY LTD

The application was filed through their financial adviser, Intercontinental Capital MarketS Limited.

#### **Resultant Company**

The resultant Company would have been African Alliance Insurance Company Limited

#### **Processing Stage**

The application was aborted

#### 4. THE MERGER BETWEEN CUSTODIAN & ALLIED INSURANCE CO. PLC AND FIRE, EQUITY & GENERAL INSURANCE CO. LTD

The application was jointly filed through their Financial Advisers, Chapel Hill Advisory Partners Ltd, Dynamic Portfolio Ltd on behalf of the Companies.

#### Resultant Company.

The resultant Company is Custodian and Allied Insurance Company Pic.

#### **Processing Stage**

The application has been granted Formal approval.

#### 5. THE MERGER BETWEEN FLOUR MILLS OF NIGERIA PLC AND GOLDEN FERTILIZER COMPANY LTD

The application was filed through their Financial adviser, the Law Chambers of FRA Williams, however, due to their non registration as an Issuing House, Chapel Hill advisory Partners Ltd were appointed to replace them.

#### Resultant Company

Flour Mills of Nigeria is the resultant Company.

#### Processing Stage

The application was granted formal approval on November 20, 2006.

#### THE MERGER OF NEM INSURANCE CO. PLC, VIGILANT INSURANCE CO. LTD AND ACEN INSURANCE CO. PLC.

The application was filed through their financial advisers, BGL Securities Limited, Core Trust & Investment Limited and Independent Securities Limited. Acen Insurance Co. Plc later pulled out of the merger transaction, leaving NEM Insurance Co. Plc and Vigilant Insurance Co. Ltd to complete the transaction.

#### Resultant Company

The resultant company is NEM Insurance Co. Ltd.

#### **Processing Stage**

The application was under processing as at the end of 2006.

#### 7. THE MERGER BETWEEN BAICO INSURANCE PLC AND ALLIANCE AND GENERAL INSURANCE CO. LTD.

The application was filed through their financial advisers, FBN Capital Market Limited and Greenwich Trust Limited.

#### Resultant Company

BAICO Insurance would have been the resultant company.

#### Processing Stage

The application was still under processing as at the end of 2006.

#### S. THE MERGER OF LINKAGE ASSURANCE PLC, CENTRAL INSURANCE CO. LTD AND NASAL INSURANCECO.LTD

The financial advisers to the proposed merger, FBN Capital Market Limited, Diamond Securities Limited and BGL Securities Limited filed the application on

behalf of the merging companies. Nasal Insurance Co. Ltd later pulled out of the merger transaction.

#### Resultant Company

Linkage Assurance Plc is the expected resultant company.

#### **Processing Stage**

The application was still under processing.

# 9. THE MERGER BETWEEN INTERNATIONAL ENERGY INSURANCE CO. LIMITED AND RIVBANKINSURANCE CO. LTD.

Chapel Hill Advisory Partners Limited and Integrated Trust and Investment Ltd, Financial Advisors to the merger, filed the application on behalf of the companies.

#### Resultant company

The resultant company is International Energy Insurance Company Ltd.

#### **Processing Stage**

The application was granted Formal Approval on November 20, 2006.

### 10. THE SCHEME OF ARRANGEMENT AND RESTRUCTURING OF DANDO NIGERIA PLC.

The application was filed by FCMB Capital Markets Ltd. and IBTC Chartered Bank Pic, Issuing houses/ Financial Advisers to the transaction.

#### RESULTANT COMPANY

Oando Marketing Company was to be carved out of Oando Pic

#### Processing stage

The application was granted Approval In-Principle on October 26, 2006.

#### 11. MERGER OF STERLING ASSURANCE NIGERIA LTD, NEWLINE INSURANCE CO. LTD AND UNIVERSE REINSURANCE CO. LIMITED

The application was filed by their financial advisers, FCMB Capital Markets Ltd, MBC Securities Ltd and Chapel Hill Advisory Partners Limited.

#### Resultant Company

The resultant company is Storling Assurance Nigeria Ltd.

#### **Processing Stage**

The draft scheme document was cleared on December 6, 2006.

#### 12. MERGER OF REGENCY INSURANCE PLC, DESTINY INSURANCE CO. LTD, CAPITAL EXPRESS GENERAL INSURANCE LTD AND NIGERIAN ALLIANCE ASSURANCE CORPORATIONLTD.

The application was jointly filed by Dominion Trust Ltd, San Trust Securities Ltd, Greenwich Trust Ltd and Meristem Securities Ltd, the Financial Advisers/ Issuing Houses to the merging companies.

#### Resultant Company

The resultant company is Regency Allianco Insurance Pic.

#### Processing stage

The application was granted Approval In Principle on October 18, 2006.

#### 13. MERGER BETWEEN STANDARD TRUST ASSURANCE PLC AND SUMMIT INSURANCE CO. LTD

The financial advisers to the above merger, Chapel Hill Advisory Partners Ltd, filed the application on behalf of the merging companies.

#### Resultant Company

The resultant company is STACO Insurance plc.

#### Processing Stage

The Application was granted Formal Approval on November 9, 2006.

# 14. THE MERGER OF ADMIRAL INSURANCE CO. LTD, ATLANTIC INSURANCE CO. LTD AND ELMAC ASSURANCE (NIG) CO. LTD

The application was filed through the companies' financial advisers, Sterling Capital Markets Ltd, Nigerian Stockbrokers Ltd and Partnership Investment Co. Ltd on behalf of the companies.

#### Resultant Company

The resultant company would have been Equinox Assurance Co. Nig. Pic.

#### **Processing Stage**

The application was later aborted.

#### 15. THE MERGER OF CAPITAL EXPRESS INSURANCE CO. LTD AND REGENCY LIFE ASSURANCE & PENSIONS CO. LTD

The application was filed jointly by Intercontinental Securities Ltd, and Intercontinental Capital Markets Ltd, the Issuing Houses/Financial Advisers to the merging companies.

#### Resultant Company

The resultant Company is Capital Express Insurance Co. Ltd.

#### Processing stage

The application was granted Approval In Principle on December 12, 2006.

#### 16. THE MERGER OF AIICO INSURANCE PLC, NFI INSURANCE PLC AND LAMDA INSURANCE CO. LTD

The application was jointly filed by Sterling Capital Markets Ltd, Greenwich Trust Ltd and Nigerian Stockbrokers Ltd, the Financial Advisers/Issuing Houses to the merging companies.

#### Resultant Company

ATICO Insurance Plc is the resultant Company.

#### **Processing Stage**

The application was still under processingl.

# 17. THE MERGER OF ROYAL EXCHANGE (NIGERIA) ASSURANCE PLC, LION OF AFRICA INSURANCE CO. LTD, PHOENIX OF NIGERIA ASSURANCE PLC AND AFRICAN PRUDENTIAL INSURANCE CO. LTD.

The application was jointly filed by Vetiva Capital Management Ltd, Afribank Nigeria Plc and Diamond Bank Plc, the Financial Advisors/Issuing Houses to the merging Lion of Africa Insurance Co. Ltd

- Company

Assurance (Nigeria) Pic is

Stage

cation was still under processing.

FIDENCE INSURANCE PLC,
SALINTERNATIONAL INSURANCE
LTD AND PRIME TRUST
SURANCE CO. LTD

application was jointly filed by securities Ltd, Skye Bank Plc, Fidelity Securities Ltd and Capital Bancorp the Issuing houses/financial advisers merging companies.

Resultant Company

Sovereign Trust Insurance Pic is the resultant company.

Processing stage

The application was granted Approval In Principle on December 11, 2006.

PROPOSED MERGER OF CONSOLIDATED RISK INSURERS PLC, PERPETUAL ASSURANCE COMPANY LTD, TRUST & GUARANTEE INSURANCE COMPANY LTD AND OASIS INSURANCE PLC

The application was jointly filed by BGL Securities Ltd, FCMB Capital Markets Ltd and Vetiva Capital Management Ltd, Issuing Houses/ Financial Advisers to the merging companies.

Resultant Company

Not stated.

**Processing Stage** 

The application was granted Approval. In Principle on December 27, 2006 but was later aborted.

20.PROPOSED MERGER OF IBTC CHARTERED BANK PLC AND STANBIC BANK (NIGERIA) LTD. The application was jointly filed by IBTC Asset Management Ltd and Afrinvest (West Africa) Ltd, acting as the Issuing Houses/ Financial Advisers to the merging companies.

Resultant Company

The resultant company will be IBTC Chartered Bank Plc.

Processing Stage

The application was granted Approval In Principle on November 28, 2006.

21. PROPOSED MERGER OF EQUITY
INDEMNITY INSURANCE COMPANY
LTD, PHOENIX OF NIGERIA
ASSURANCE PLC AND FIRST
ASSURANCE PLC

The application was jointly filed by Vetiva Capital Management Ltd, Diamond Bank Pic and FCMB Capital Markets Ltd, on behalf of the merging companies.

Resultant Company

First Assurance Plc will be the resultant Company.

Processing Stage

The application was granted Approval In Principle on November 20, 2006 but Phoenix of Nigeria Assurance Piclater pulled out of the transaction.

22. PROPOSED MERGER OF ADMIRAL INSURANCE COMPANY LTD, CRUSADER INSURANCE CO. (NIG) PLC, ELMAC ASSURANCE (NIG) LTD, GOLDEN INSURANCE CO. LTD, REFUGE INSURANCE COMPANY LTD AND ROYAL TRUST ASSURANCE CO. LTD

Sterling Capital Market Ltd, FBN Capital Market Ltd, Capital Bancorp Ltd, Nigerian Stockbrokers Ltd, Partnership Invest Co. Ltd and Ecobank Nigeria Pic, Financial Advisers / Issuing Houses jointly filed the application on behalf of the merging companies.

Resultant Company

Crusader Insurance Nigeria pic was to emerge as the resultant company.

**Processing Stage** 

The Commission received a letter dated December 27, 2006 from the Financial Advisors/ Issuing Houses, informing the Commission that the application has been changed from merger to acquisition transaction. It is being considered.

## The following five (5) applications were carried forward from the previous year (2005):

- Merger of Oceanic Bank International Plc and International Trust Bank Plc
- Merger of Unity Bank Plc, Bank of the North Ltd, NNB International Bank and New Africa Bank Ltd.
- Merger of First Inland Bank Plc, IMB International Plc and NUB International Bank Plc.
- Merger of citizens International Bank Plc, Guardian Express Bank Plc, ACB International Bank Plc, Omega Bank Plc, Trans-International bank Plc and Fountain Trust Bank Plc.
- Merger between First City Monument Bank Pic and Nigerian American Bank Ltd.

**Applications Processed** 

1. MERGER OF OCEANIC BANK INTERNATIONAL PLC AND INTERNATIONAL TRUST BANK PLC

The application was filed by the financial advisers of the Banks, BGI Securities Ltd and Future View Securities Ltd.

#### Resultant Bank

The Resultant Bank is Oceanic Bank International Plc.

**Processing Stage** 

Formal Approval has been granted to the scheme but the Commission is still awaiting the Gazetting of their Court sanction. 2. MERGER OF UNITY BANK PLC ,NNB BANK INTERNATIONAL PLC, BANK OF THE NORTH LTD AND NEW AFRICA BANK PLC

> IBTC PLC, IBTC Asset Management Ltd and Partnership Investment Ltd filed the application in their capacity as Issues Houses/Financial Advisers to the merging Banks.

#### Resultant Bank

The resultant Bank is Unity Bank Plc.

**Processing Stage** 

The application was granted Formal Approval on February 9, 2006.

3. MERGER OF FIRST INLAND BANK PLC.
IMB INTERNATIONAL BANK PLC AND
NUB INTERNATIONAL BANK LTD.

International Capital Markets Ltd.
Integrated Trust and Investment Ltd and
Magnartis Finance and Investment Ltd in
their capacity as issuing Houses / Financial
Advisors filed the application on behalf of
the merging banks.

Resultant Company

The resultant Bank is First Inland Bank Pic.

**Processing Stage** 

The application was granted formal approval on February 23, 2006.

4. MERGER OF CITIZENS
INTERNATIONAL BANK PLC.
GUARDIAN EXPRESS BANK PLC, ACB
INTERNATIONAL BANK PLC, OMEGA
BANK PLC, TRANS INTERNATIONAL
BANK PLC AND FOUNTAIN TRUST
BANK PLC.

The application was filed by BGL Securities
Ltd, Future view Securities Ltd, Chape H
Advisory Partners Ltd, Afribant
International Ltd, Greenwich Trust Ltd and
BGL Ltd.

#### Resultant Bank

The resultant bank is Spring Bank Pic.

#### Processing stage

application has been granted formal acroval but the Commission is still asseting the filling of the gazetted copy of the Court sanction of the scheme.

#### WERGER BETWEEN FIRST CITY WONUMENT BANK PLC AND WIGERIAN-AMERICAN BANKLTD.

The above merger application was filed by FDRB Capital Markets Ltd, Chapel Hill Advisory Partners Ltd and BGL Securities Itsuing Houses/ Financial Advisers to merging companies.

#### Resultant Company

The resultant company is FCMB Plc.

#### Processing Stage

The application was granted formal approval on December 20, 2005.



Ms. Daisy Ekineh
Director/HOD Securities & Investment Services

### THE FOLLOWING APPLICATIONS INVOLVING ACQUISITIONS WERE RECEIVED IN 2006:

- Transfer of Dumez Nigeria Pic shares to Kamfin Lebanon holding S.A.L
- Acquisition of Universal Trust Bank Trustees Ltd by Union Bank Trustees Ltd
- Transfer of 30,000,000 ordinary shares of N2:00 each in Regency Overseas Company Ltd to Fenwick Overseas Ltd
- Transfer and Registration of shares from Vestagaard Frandsen S. A. to Vestagaard Frandsen Nig Ltd
- Acquisition of Dangote Salt Ltd by National Salt Company of Nigeria
- Acquisition of Lexington International Insurance Ltd and Lister Insurance by Goldlink Insurance Ltd
- Acquisition of Danjay Telecoms Ltd by Jap Telecoms Ltd
- Acquisition of NASAL Insurance Ltd by Industrial and General Insurance Ltd

## THE FOLLOWING APPLICATIONS WERE PROCESSED AND CONCLUDED DURING THE YEAR UNDER REVIEW:

 Transfer of Dumez Nigeria Plc shares to Kamfin Lebanon Holding S.A.L

This application was filed by Reward Investment Services Ltd on behalf of Kamfin Lebanon Holding S. A. L. The transaction involved the transfer of 2,249,004 and 52,000,008 units of Dumez Nig Plc shares from DUMEZ Nig Investment Ltd and SOGEA SATOM respectively to Kamfin Lebanon Holdings S.A.L. The transaction has been processed and approved.

Transfer of 30,000,000 ordinary shares
of N2:00 each in Regency Overseas
Company Ltd to Fenwick Overseas Ltd.
This transaction was in respect of the
transfer of 30,000,000 ordinary shares of
Regency Overseas Company Ltd to Fenwick
Overseas Holding Ltd. The transaction was
processed and approved.

 Acquisition of Lexington International Insurance Company Ltd and Lister Insurance Company Ltd by Goldlink Insurance Company Ltd.

The application was in respect of acquisition of all the assets, liabilities and business undertakings of Lexington International Insurance Ltd and Lister Insurance Ltd by Goldlink Insurance Ltd. The acquisition was processed and approved.

 Acquisition of Danjay Telecoms Ltd by Jap Telecoms Nigeria Ltd.

Northbridge Investments and Trust Ltd on behalf of Jap Telecoms Ltd forwarded a letter of intent to the Commission in respect of the acquisition of Danjay Telecoms Ltd balap Telecoms Ltd. The company was requested to submit the required documents, which they did and the transaction was concluded.

 Takeover of National Bank of Nigeria Pic by Wema Bank Pic.

The Commission granted its final approvafor the takeover of National Bank Pic by Wema Bank Pic.

 Union Merchant Bank Ltd: Transfer of shares

A final approval has been communicated to Union Bank Pic for the transfer of 161,764,705 ordinary shares of Union Bank Pic in exchange for 2,750,000.00 ordinary shares of Union Merchant Bank Ltd.

- Takeover of Universal Trust Bank Pic and Broad Bank Pic by Union Bank Pic The Commission granted its final approve for the takeover of Universal Trust Bank Pic and Broad Bank Pic by Union Bank Pic.
- 8. Acquisition of shares in Nigerian Embroidery Lace Manufacturing Company by Jupiter Assets ManagementLtd

This transaction involved the transfer of 4,501,765 ordinary shares of Nigerian Embroidery Lace Manufacturing Company Ltd at N2.00 per share, to Jupiter Asset Ltd. The transaction was

### Mosument Bank Pic (FCMB)

the acquisition of Midas Bank Ltd,
on a notional purchase consideration
contained an additional payment to
contained and additional p

### The Off of Goodwill against Reserves Share Premium in respect of FCMB

Monument Bank Plc forwarded a set for approval of the Commission to off goodwill against reserves in the premium account of the Bank. The was reviewed and approved.

## FROM THE REVIEW OF DAILY

issuing Houses on behalf of the source involved, the Commission also and out review of daily newsphers to transactions involving mergers, asstons and takeovers as reported by the media.

a result, some transactions were confied as reported to have been coulded. The companies involved were sed to confirm the authenticity of the companies and furnish the Commission with season of the transaction. Some of the companies responded but up to December the transactions were not concluded.

# THE FOLLOWING APPLICATIONS WERE BROUGHT FORWARD FROM THE PREVIOUS YEAR AS WELL AS THOSE THAT WERE NOT CONCLUDED DURING THE YEAR:

Divestment of 70% GTB stake in ARM Ltd to Top Management of ARM Ltd): Management Buy-Out This transaction involved the transfer of 70% stake of GTB in ARM Ltd to ARM Management Buy-out Ltd. The transaction was still under processing during the year.

#### 2. Proposed Acquisition of African Development Insurance Company Ltd (ADIC) by Diamond Bank Pic

Vetiva Capital Management Ltd filed an application on behalf of Diamond Bank Pic in respect of acquisition of 95% share capital of African Development Insurance Company Ltd, ("ADIC") by Diamond Bank Pic. The transaction was still under processing during the year.

#### 3. Acquisition of Universal Trust Bank Trustees Ltd by Union Bank Trustees

Union Bank Trustees Ltd (a subsidiary of Union Bank of Nigeria Plc) wrote to the Commission seeking guidance on the procedure to acquire Universal Trust Bank Trustees Ltd. In its response, the Commission forwarded the relevant requirements to the Company. The application was still outstanding as at December 2006.

#### 4. Transfer and Registration of new shares from Vestagaard Frandsen to Vestagaard Frandsen Nigeria Ltd

This transaction involved the transfer and registration of new shares transferred to Vestaguard Frandsen Nigeria Ltd from Vestaguard Frandsen S. A. as at year-end, the transaction was still pending.

#### Acquisition of Dangote Salt Ltd by National Salt Company of Nigerla Plc (NASCON)

This application was filed by Vetiva Capital Management Ltd on behalf of "NASCON" Plc. The transaction involved the acquisition of all the assets, liabilities and business undertakings of Dangote Salt Ltd ("DSL") by National Salt Company of Nigeria Plc (NASCON). The transaction was still outstanding during the year.

#### 6. Proposed Acquisition of NASAL Insurance Company Ltd by Industrial and General Insurance Company Ltd (IGI)

This application was forwarded by Greenwich Trust Ltd and Diamond Securities Ltd on behalf of the companies. The transaction was for the acquisition of the entire assets, liabilities and business undertakings of NASAL Insurance Ltd by IGI. The application was still under processing during the year.

#### Acquisition of Vmobile Nigeria Limited by Celtel

This transaction emanated from a newspaper review, which indicated that Celtel Nigeria Limited has acquired 100% equity holdings of Vmobile Nigeria Ltd. Celtel Nigeria has confirmed the story in the affirmative and provided more details on the transaction. Consequently, they were to regularize the transaction by forwarding the Commission's requirements. The transaction was still outstanding during the year.

#### 8. Acquisition of shares in Avon Crown Caps and Containers Nigeria Plc by Wilco Corporation Ltd

This transaction involved the transfer of 99,708, 219 ordinary shares in Avon Crown Caps and Containers Nigeria Plc, from Mr N.P. Kirpalani to Wilko Corporation Ltd. A letter was sent to Mr N.P. Kirpalani informing him that he can only transfer the shares on the floor of The Nigerian Stock Exchange on a normal basis. The transaction has been kept in view.

#### Acquisition of 51% stake in Gaslink Nigeria Ltd by Oando Nigeria Pic

This transaction is an acquisition of 51% stake in Gaslink Nigeria Ltd by Oando Nigeria Plc. As at year end, the transaction was still pending.

#### 10. Acquisition of Postal Life and General Insurance Ltd by Industrial and General Insurance Ltd

This application was in respect of acquisition of Postal Life and General Insurance Company Ltd by Industrial and General

Insurance Company Ltd, forwarded a Greenwich Trust Ltd acting as finance advisers to the companies. The companies informed on the need to apparate apparate Financial Advisers for transaction. The transaction was accounted to the contract of the companies of the companies and the companies of th

#### 11. Acquisition of shares in Clarian Nigeria Ltd to Clariant International Ltd

This application involved the transfer 28,000,000 ordinary shares in Claracter Nigeria Ltd from Noval Ltd to Claracter International Ltd. The transaction was an view pending submission of outstanding documents.

#### 12. Transfer of shares in Spie Batignolles Nigeria Ltd to Spie Batignolles T.P

This transaction involved the transfer of 5,400,000 ordinary shares in Spie-Batignolles Nigeria Ltd from Spie-S. A to Spie Batignolles T. P. The transaction was kept. In view pending submission of outstanding documents.

#### 13. Transfer of shares in Globe Spinning Mills Nigeria Plc to Majestic Assets Management Ltd

This transaction involved the transfer of 90,000,000 ordinary shares in Globe Spinning Mills Nigeria Pic from Bhojsons Holding Ltd to Majestic Assets Management Ltd. The transaction was kept in view pending submission of outstanding documents.

#### 14. Transfer of shares in Bhojsons Ltd to Majestic Assets Management Ltd

The transaction involved the transfer of 45,377,494 ordinary shares of Bhojsons Ltd to Majestic Asset Management Ltd. The transaction was kept in view pending the submission of outstanding documents.

#### 15. Acquisition of Depot Facility of Marca International by Zenon Petroleum and gas ltd

This transaction emanated from newspaper review which indicated that Zenon Petroleum & Gas has acquired the Depot facility of Marca International. The company was requested to regularize the acquisition. The transaction was kept in view pending submission of outstanding documents.

Acquisition of Standard Life Insurance
Ltd by Standard Alliance Insurance Plo
This transaction involved the acquisition of
Standard Life Insurance Company Ltd by
Standard Alliance Insurance Plc. The
transaction was still pending during the

17. Transfer of shares in Bhojraj Industries
Pic to Jupiter Assets Management Ltd
This transaction involved the transfer of
18,699,185 ordinary shares of N2.00 each in
Bhojraj Industries Pic from Bhojsons
Holdings Ltd to Jupiter Assets Management
Ltd. The transaction was kept in view
pending submission of outstanding
documents.

#### 1.0 INTRODUCTION

The Commission recently participated in the meetings of the Emerging Markets Committee (EMC) of the International Organisation of Securities Commissions (IOSCO) which held in Barbados. One of the main presentations at the meeting by the London Stock Exchange was on Alternative Investment Market (AIM) which is similar to the Second Tier Securities Market (SSM) or Emerging Markets of The Nigerian stock Exchange. The ATM was established in 1995 and consists of smaller growing companies similar to the vision that motivated the establishment of the second tier securities market (SSM) in 1985. While ATM has been growing impressively in the last 10 years, unfortunately same can not be said of the 20. year old SSM in Nigeria, in spite of the well known advantages of being listed on a Stock Exchange.

- The quotation of a company's shares on the stock exchange enables the existing shareholder to easily convert his holding to liquid cash which otherwise would have been locked up in the equity of the company. In essence, the investors can sell shares whenever they so wish to meet their financial needs. This fact makes it easier and usually cheaper for listed companies to raise additional equity capital as individual and institutional investors are more willing to subscribe to new equity of listed companies because of the liquidity provided by the market.
- Quotation enhances a company's accountability and transparency as well as credit rating. It also exposes the company to high standards of disclosure and monitoring as well as give products or services higher visibility which help to increase sales and attract new business opportunities.
- Quotation also makes it easier and sometimes cheaper for a company to expand by acquisition. The company with marketable shares may issue new shares as an alternative in whole or part to fund acquisitions. Even a company that is a target of an acquirer will be more attractive if its shares are listed on an exchange.

There are currently only sixteen companion under the SSM, with majority of the located in Lagos, and operating below his capacity. It is the concern over the liminumber of listed companies on the SSM at their generally unimpressive performant that motivated, the Research & Marie Development Department of Commission to carry out a study on the vertice of the commission to carry out a study on the vertice of the commission to carry out a study on the vertice of the carry out a study of th

#### 2.0 OBJECTIVES OF THE STUDY:

The specific objectives of the study are to

- appraise the growth of SSM market in the last 20 years.
- appraise the performance of SSP companies over the years.
- Identify constraints/problems beneficed by the companies.
- make appropriate recommendations are identify measures/incentives that coaccelerate their growth.
- make any other recommendation as may be deemed necessary

#### 3.0 METHODOLOGY

Surveys were carried out through personal administration of questionnaires to the sixteen (16) SSM companies most of which are located in Lagos. The questionnaires those not located in Lagos were sent boost. The survey team also interviewed some of the managing directors of the affected companies. A different questionnaire was sent to The Nigerial Stock Exchange to capture its perspective.

#### 4.0 LIMITATIONS OF THE STUDY

Most of the SSM companies did not responto the questionnaires sent to them as at the period of this analysis despite the deadling of January, 2006 given to them. Of the Sixtoen (16) questionnaires administered only three (3) have been received. The response rate of only 19 per cent considered not sufficient for a final report Consequently, reminders were sent to the companies that are yet to respond, while

teen companies gority of them sting below half over the limited on the SSM and se performance arch & Market nent of the tudy on the way

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#### TUDY

them as at the e the deading thom. Of the administration per cent is a final report to the assort to the assort to the assort, while

follow up visit may be embarked upon subject to management approval. However The Nigerian Stock Exchange whose perspective was considered very important to the study had responded to the questionnaires sent to it. Additionally, the responses received is supplemented in this report by the interview conducted on officials of some of the companies,

#### 5.0 DATA ANALYSIS / FINDINGS.

The Nigerlan second tier securities market (SSM) was created in 1985 on the Nigerian Stock Exchange as a window for enabling smaller indigenous companies to be quoted and given access to source funds from the capital market which had hitherto been available to only big and mainly foreignowned companies. According to The higerian Stock Exchange, the objective for establishing the Second-tier Secunties Market also known as Emerging market accordes:

- To empower Nigerian entrepreneurs towards better achievements and to maintain life long enduring enterprises that would out live them.
- The aim of the Emerging market was to provide opportunities for Indigenous

companies who seek funds for enhancement of operational efficiency, diversifications, and expansion.

- c) The need for the growth of the small and medium sized companies was recognized by The Nigerian Stock Exchange as important and necessary tools for the growth of an independent vibrant economy.
- d) To deepen the market with a wider variation of tradable instruments for investors to generate income.

To achieve these objectives, Companies on the SSM were to be subjected to less stringent listing requirements by The NSE compared to their first-tier-market counterparts. Below are some of the requirements for listing on the SSM and the first tier market.

### SOME REQUIREMENTS FOR BOTH FIRST-TIER AND SECOND-TIER (SSM) MARKET IN NIGERIA

REQUIREMENTS	FIRST-TIER	SECOND-TIER
Corporate status	Company must be registered as a public companies and allied matters ACT, 1999.	same
Restrictive clause	All restrictive clauses on transfer of shares in the memorandum and Articles of Association of the company must be expunged.	same
Submission of company's Annual report and Account:	The company must submit to the exchange an audited financial statement and business records of the past five years.	same
Timeliness of data	The data of the last of such statement must not exceed nine month	same
Amount of money to be raised	The amount of money that can be raised is unlimited depending on the borrowing power of the company.	The amount of money that can be raised is limited to twenty million naira (N20million) subject to the borrowing power of the company.
Annual listing fees	The company will be subject to payments of annual listing fees which are based on market capitalisation.	Listing the company will be subject to payment of N50, 000 annually.
Shares to be offered to public	At least 25 % of the nominal value of the share of the company must be offered to the public	At least 10 % of the nominal value of the share of the company must be offered to the public
No, of share holders	The number of shareholders of the company must not be less than 300.	The number of share holders must not be less than 200
Post Listings requirements	After listing the company must submit half yearly and annual accounts to the exchange for presentation to the market operators.	Samo
Payment for Securities to be offered	Securities must be fully paid up at the time of allotment.	Same
Securities allottement	Securities not allotted must be were housed and sold on the floor of the exchange.	Same

## CASES, companies must be registered as UK public limited under the companies Act, 1980)

percentage of the below to the	Not prescribed but 10% is the guideline	FULL LISTING 25%		
many record	3 years, new ventures under certain conditions. Latest audited figures not more than 9 months old	5 years, latest figures not more than 6 months old		
Moreom market	No lower limit but in excess of £500,000 normally expected	£500,000,but in practice much higher		
pre-tax profits	Generally expected to exceed £200,000.	No minimum but in practice normally not less than £1mn.		
S E entry fee	Nil	Scale from nil to £15,000		
S E annual fee	£1,500	Scale from £500 to £3,500		
need one  Not required but sponsor will probably need one		Required		
Short-form Accountants report	Required (except for entry by introduction)	Required		
Adequacy of working capital report	Directors declaration only	Required from directors and sponsors		
Future undertaking	General undertaking	Listing agreement		
External service	Card required (Green)	Card required(White and yellow)		

#### NUMBER OF LISTED COMPANIES

Details SSM companies listed, including, date incorporated and dates listed are as in table below. Table (1)

COMPANIES	DATE INCORPORATED	DATE LISTED ON THE NSE
West African Aluminum Product PLC.	1976	06/09/1989
Amino International PLC	1981	01/02/1990
Juli PLC		02/11/1986
Krabo Nig plc	1977	21/08/1991
Rokana Industries plc	1978	05/11/1991
Smart products Nig plc	1966	26/07/1992
Tropical petroleum product plc	1980	8/02/1990
Capital oil pic	1985	May,1990
Union ventures &petr plc	1976	30/03/1993
Adswitch plc	1982	1991
Afrik pharm plc	1972	26/06/1992
Cutix plc	1982	12/08/1987
New park plc		15/08/1989
Rak unity petr.product		21/03/1989
Udeofson Garment factory	1986	4/05/1994
Flexible Packaging plc		01/04/1993

Data gathered from The NSE indicate that in the over-twenty years of its existence; only 30 companies have been listed on the SSM out of which 14 have graduated to the first tier or main board. Some of the remaining companies have serious organizational problems.

It was observed that while there appeared to have been an initial enthusiasm at the inception of the market resulting in a steady but slow growth over time, SSM sector growth has in recent times been declining and had indeed become stagnant in terms of number of companies listed. Thus, while the number peaked in 1993 with twenty-three (23) listed companies, it has dropped to nineteen (19) by 1997 and further to sixteen (16) in 1998 where it remained to date. Indeed, there had been no new listings on the SSM for over a decade, after the listing of Udeofson Garment Factory in April 1994. See table 2below

#### (TABLE 2)

YEAR	NO OF (SSM) DURING THE PERIOD
1985	1
1986	3
1987	1
1988	6
1989	9
1990	16
1991	19
1992	21
1993	23
1994	21
1995	20
1996	20
1997	19
1998 -	16
1999	16
2000	16
2001	16
2002	16
2003	16
2004	16
2005	16

#### Market Capitalisation (2001-2005)

Similarly, the market capitalisation of the second tier securities market has been less than impressive as its fortunes especially as a percentage of total market capitalisation has been fluctuating.

The market capitalisation of the SSM as at 2001 stood at N0.24 billion, or US\$1,778. (In using the 2006 exchange rate of N130 to a dollar as at March 2006). This is quite insignificant when

compared with N648.5 billion for the first-tier market. The figures represent 0.04 per cent of the total market capitalisation of companies listed on The NSE. In 2005 it rose slightly to N1.30 billion (\$0.01billion) compared to N2, 523.5 billion of the first-tier market, thereby accounting for a pairty 0.05 per cent of the total equity market capitalizations during the year. See table 3

#### TABLE (3)

YEAR	(SSM) N"B	FIRST-TIER N"B	% OF TOTAL
2001	0.24	648.5	0.04
2002	0.60	748.7	0.08
2003	0.80	1324.8	0.06
2004	0.50	1,925.9	0.03
2005	1.30	2,523.5	0.05

#### PERFORMANCE OF SSM COMPANIES:

The poor performance of the SSM companies in terms of market capitalisation may itself be a reflection of investor's disapproval of their corporate performance in terms of networth. Turnover and profit after tax as reflected in the table below. As was indicated earlier, many of the companies had not responded to our questionnaires at the time of this report. All efforts to get the audited annual reports of many of them also falled as they seem to have been defaulting on their post. Listing reporting obligations to regulatory authorities. The table below is therefore in respect of only 7 of the 16 listed companies with many of the indicators. being incomplete. The pattern of unimpressive corporate performance is however clear in most cases with the possible exemptions of one or two companies such as Cutix plc .Even companies which have moved up to the main board have generally not performed well enough to justify

their upgrading. It is of course instructive to note that no SSM company has graduated to the main board in the seven years since 1998 when Aluminums Extrusions Ltd was so upgraded.

## FIVE YEAR PERFORMANCE OF SOME SECOND TEIR SECURITIES MARKET (SSM) COMPANIES (2000 - 2004)

Company	Year 2000 (1)	2001 (2)	% Change Btw (2 & 1)	2002 (3)	% Change btw (3 & 2)	2003 (4)	% Change btw (4 & 3)	2004	% Change btw (5 & 4)
Ad switch Plc	NM	NM		NM		NM		, NM	1
Networth Sumover	32.95 35.31 4.86	37.95 97.39 11.64	15.17 175.81 139.51	25.43 97.39 11.67	(32.99) 0.00 0.26	25.43 97.39 11.67	0.00 0.00 0.00	28.38 15.26 17.39	11.60 (84.33) 49.01
Capital Oil Pic						1	7		
networth iumover PAT Cutix PIc	24.09 72.48 7.46	20.62 47.56 5.97	(14.40) (34.38) (19.97)	0.00 0.00 0.00	(100.00) (100.00) (100.00)	0.00 0.00 0.00		0.00 0.00 0.00	11
Networth Tumover	64.15 202.05 23.64	72.71 284.30 18.37	13.34 40.71 (22.29)	90.52 387.20 26.70	24,49 36,19 45,35	67.34 375.03 27,26	(25.61) (2.88) 2.10	122.37 132.67 35.42	81.72 15.06 29.93
Dull Pic						5,		153	
Nenoth Tunore act	33.32 52.47 0.96	58.69 73.08 1.28	76.14 39.28 33.33	57.29 80.92 1.55	(2.39) 10.73 21.09	97.10 92.94 10.30	69.49 14.85 564.52	111.85 150.12 0.55	15.19 61.52 (94.66)
New Pack Pic									
IC Secon	0.00 0.00 0.00	30.47 120.30 2.70		0.00 0.00 0.00	(100.00) (100.00) (100.00)	0.00 0.00 0.00		0.00 0.00 0.00	
Smart Products Migeria Pic			5.5	Line					
least lanes ar	59.15 9.21 (13.19)	65.60 0.38 5.64	10.90 (95.87) (142.76)	110.24 8.74 (7.10)	58.05 2,200.00 (225.89)	64.25 8.78 0.24	(41.72) 0.46 (103.38)	0.00 0.00 0.00	(100.00) (100.00) (100.00)
amon Ventures Membeum Pic									
Special Special Sections	26.94 62.21 0.80	18.37 62.01 0.80	(31.81) (0.32) 0.00	17.41 66.65 0.89	(5.23) 7.48 11.25	11.43 77.63 1.80	(34.35) 16.47 102.25	0.00 0.00 0.00	(100.00 (100.00 (100.00

#### PRE AND POST LISTING SHAREHOLDING PATTERN OF SOME SELECTED SSM COMPANIES ON THE NSE

COMPANIES	PRE LISTING	POST LISTING	% CHANGE
KRABO NIG PLC	6	6057	100,850
CAPITAL OIL PLC	36	13,000	36,011
WAPCO PLC	2	5000	249,900
ADSWITCH PLC	18	3771	20,850
TOTAL	62	27,828	

One of the visible benefits of the creation of the second-tier securities and a strong reason was to ensure their survival and growth and also potential to distribute wealth through share ownership, as can be seen above, available data for four companies listed on the SSM created additional 27,766 shareholders as the number of shares grew by 447.8 per cent from only 62 to 27,828. The impact will definitely be more impressive had it been possible to get data for all SSM companies.

#### 6.0 PROBLEMS FACING THE SSM SECTORS

The following major problems militating against the growth of SSM companies were identified by respondent companies.

- 1. Low patronage by government
- 2. Dumping of substandard goods
- 3. Preference for imported goods
- Exposure to unnecessary harassment and taxes
- 5. Fear of Dilution of ownership
- 6. Lack of education and enlightenment
- Low capacity utilization, due to unreliable infrastructure i.e. electricity, water and inaccessibility to finance because of stringent conditions

- Cost of raising funds and servicing the funds is too high
- 9. Political and economic instability
- Channeling resources to other sectors other than the second fier securities market (SSM)
- Lack of raw materials incase of manufacturing companies
- 12. Lack of capital
- Most companies could not raise money through the capital market due to poor performance

#### 14. THE NSE'S PERSPECTIVE

However, The NSE in its submission on the SSM listed five major causes of the unimpressive growth of the SSM as follows:

- Management of these companies have falled over the years to update the records with The Exchange as investors don't know about their operations and are scared to further involved themselves investing in them. This is one of the listing requirements they fail to abide to.
- Stockbrokers don't try to promote the any more as they feel that the rates of returns on investments in The Emergina Market are not profitable.

Majority of the companies are still being munifike they are one man businesses.

The economic policies, political instability and ideologies under which the SME'S operate have not been recognized as part and parcel of the national economic sevelopment, coupled with poor economic records of most developing contries which can be regarded as a lead to their inefficiencies, lack of motivation and promotions.

They tack professional and managerial sees and limitations in handling policies and operational problems and sourcing for

above position by the Nigerian Stock change raises several questions that require further in depth consideration appropriate measures to tackle them. These issues include the effectiveness or menuse of a regulatory regime that several the companies to flow their post and obligations over the years. There is the need to review government's towards small and medium

### LESSONS FROM OTHER

phenomenal growth of some market which originally target companies in other jurisdictions agest that given the right policy and contain environment, the SSM has the potential for growth. Some examples will send to support this view.

The Alternative Investment Market of the London stock exchange: The Alternative Investment market of the London stock exchange was established in 1995 to cater for small, growing companies. As at the end of October 2005, AIM had a total of 1,332 listed companies with a total market capitalisation of £47.4 billion.196 of the listed companies were international companies spread across 22 countries.

One interesting features of AIM is that except for a small decline in 1999, the market has experienced consistent growth in number of listed companies. 80 per cent of the companies listed on AIM are capitalized up to £50 million. According to the London stock exchange, the phenomenal growth of the Alternative Investment market has been propelled by the following factors.

- Regulatory structure
- Broad range of sectors
- Strong established networth
- International investment, and
- Tax advantages

#### Nasdag Stock Market Inc:

Although an over the counter market and thus, not a regular stock exchange the phenomenal growth of the NASDAQ stock market has been of interest to many market watchers. According to MLoll and Julian G Bulk (1981), the overthe counter securities market OTC has historically been the providing ground for an unseasoned company to prepare itself for eventual listing on an organised exchange, but the NASDAO as an over the counter market has over the year's grown beyond initial expectations. It is therefore not surprising that many newspapers including the Comet (p.40) reported on April 12, 2006 that Nasdaq has become the biggest shareholder in the London Stock Exchange, having bought a 15 per cent stock in LSE. reported to be Europe's largest stock market. In effect what was conceived as an alternative market for smaller companies was gradually taking over the LSE.

### A CLOSER LOOK AT THE UNITED KINGDOM'S USM

In the area of listing requirements for the SSM, those of Nigeria and United Kingdom (UK) are similar. However, the UK demands three (3) year trading record for the SSM while in the case of Nigeria, 5 years is required. This is perhaps one of the reasons why the United Kingdom SSM has considerably

performed better than the Nigerian SSM. The figures available to us showed that the market capitalisation for UK SSM grew consistency from £mn 2, 361 in 1983 to £mn 2,863 in 1984. It rose further to £mn3, 132 in 1985. This indicated a percentage increase of 32.7 between 1983 and 1985. In the case of Nigeria, the growth rate was obviously lower, though there were no figures for the corresponding periods for comparism as The Nigerian market was established only in 1985.

Using the percentage growth as a yard stick, for instance, the market value for the Nigerian SSM which stood at N0.60 billion in 2002 rose to N0.80 billion in 2003 but fell to N0.50 billion in 2004. This represented a drop of 16.7 per cent in three years (between 2002 and 2004). The market capitalisation however rose to N1.30 billion in 2005. Mainly as due to rise in the prices of Cutix Plc with other securities listed on the SSM recording significant losses in value. And Adswitch Plc listed under the SSM. Cutix Plc also declared bonus issues which added to the number of its outstanding shares.

Similarly, the number of listings on the UK SSM grew from 97 in 1981 to 158 in 1982, reaching 268 in 1984 and 300 in 1985. This showed a growth of 209.3 per cent between 1981 and 1985, the Nigerian market had remained static at 16 in the last 8 years (1998-2005).

Based on the various issues raised above, the following recommendations are being made to encourage the listing of smaller indigenous. Nigerian companies and indeed generally enhance the growth of small and medium sized companies in Nigeria.

#### 7.0 RECOMMENDATIONS

 There is need for SEC and The Nigerian Stock Exchange, and other stakeholders to meet to deliberate on moving the SSM forward.

- The listing cost and conditions of SSM companies should be lowered further
- Visible campaign for government patronage of products of quoter indigenous companies
- 4. Render assistant in debt recoveries
- Indigenous companies should be encouraged by way of various incentives including waivers / reduction in some of the listing requirements
- Concerted effort should be made to help indigenous companies that are quoted to attract quality investment by taking advantage of the opportunities in SMIE.
- Tax incentive should be introduced to encourage indigenous companies to get quoted.
- Structural support from SEC, CBN etc.
- Creation of a forum whereby the Commission and the companies on the second tier market can meet on a regular basis to discuss their problems.
- The SEC and NSE should as a matter of urgency meet to fashion out specific short, medium and long term measures to move the SSM forward.
- In view of the relatively low level of responses by SSM companies there is a need for follow up visit to enable us prepare the final report.

#### 8.0 CONCLUSION:

Based on the above findings, there is need for regular meetings with the representatives of SEC, NSE and members of the affected companies, as a matter or urgency in order to overcome the problems,

There is need also, for the Commission, to make presentation during the next FSRCC Meeting on ways of reviving issues concerning SSM companies so as to have first hand information and recommend to government.

Also the issue of giving tax incentives to companies would assist in reviving the SSM and also encourage those that are not quoted to be quoted on the Nigerian stock exchange.

Similarly, the average Dividend yield (DY) for UK market recorded a percentage change point of 1.78 in 5 year ended

1984.It stood at .35 per cent and 2.13 per cent in 1980 and 1984 respectively. The Nigerian market had recorded marginal Increase of 0.06 in percentage change point the average DY was 8.69 per cent in 2001 and 8.75 per cent (2005). The fact is that been dormant, a lot need to be done to encourage more listings on the Nigerian SSM and those ready listed to be given insensive to enable them perform better.

### SECRETARIAT AND LEGAL ADVISORY SERVICES

The Securities and Exchange Commission exercises its powers of regulating and developing the capital market through its enabling law, the Investments and Securities Act No. 45 1999 as well as its Rules and Regulations.

In exercising its mandate through the ISA and the Rules and Regulations the Commission came-up with various Legal Opinions and amended some aspects of its Rules and Regulations. It also undertook a review of the Investments and Securities Act (ISA) 1999 in collaboration with other stakeholders.

#### A. LEGALOPINIONS

The following legal opinions were expressed by the Commission during the year under review.

#### 1. Freedom of Information Bill 2004

The Commission was invited to a consultation by the Schate Ad-Hoc Committee on the Freedom of Information Bill which was passed by the House of Representatives in 2004.

The Bill was to make public records and Information more freely accessible/available to the public with requests for access to information to be legally enforceable against government and other public institutions and private companies performing public functions.

Public institutions would be required under the bill to grant a request to access documents/information by the public within a period of 7 days of receipt of the request. The period might be extended depending on the nature of information requested. The bill also provided for the right to deny requests if they would be injurious to the conduct of international affairs and Nigerian security.

The Commission was of the opinion that freedom of access to information was one

of the pillars of democracy and the passage of the Freedom of Information Bill wood engender transparency and accountabin the conduct of government business are also go a long way to enhance democravalues in Nigeria.

# 2. Request for Amendment to the Decision of SEC's Administrative Proceedings Committee (APC) in the Matter of Chief M. A. Omisade M. Alpha Merchant Bank Plc

On the above matter, the Commission opined that the APC being a quasi-judice body which adjudicates on capital marketaffairs had performed its duty, therefore had no further authority to revisit the matter because it had become function officio.

It further opined that where there had been a final judgment delivered on the monts of a case, the same parties would be barres from bringing a second suit on the same claim arising from the same transaction because it constituted resiguicata.

The Commission opined that the complainant be advised to seek redress an appellate court if he remained dissatisfied with the decision of the AHC.

# 3. Proposed Extra-Ordinary General Meeting to Consider and Approve to Creation of a Special Reserve Transfer From the Share Premium Account.

The Commission's opinion was sought whether or not United Bank for Africa (UBA) could create a special Research Account of N14.08 billion through transfer of an equal amount from stappremium account for the purpose of with off the good-will of N14.08 billion and from its merger with the then Standarfrust Bank (STB).

The Commission was also to consider approval of a resolution to be passed

and accept convertible loans of being converted to ordinary

commission opined that Section 321 & (3) of CAMA which provided for a second a company's share premium and did not authorize the Bank to a special reserve account from the care premium account.

turther opined that writing off goodwill besupposed an acquisition process since an acquiring company would pay for the accodwill of the acquired company.

Since the document filed before the Commission was a merger between UBA and STB, the issue of writing off goodwill was not the issue as the banks had merged and should benefit from their collective goodwill.

It was the Commission's opinion that Paragraph 21(2) of Schedule 2 of CAMA referred to in the 3" paragraph of the letter from LIBA Pic to it did not provide that goodwill could be written off from distributable reserves, and suggested that the Bank be advised that it could not create a special Reserve Account out of the share premium account.

On the Issue of convertible loans, the Commission was of the view that this could be likened to debentures which could be made redeemable or irredeemable and advised that the loans be made redeemable so that Section 172 of CAMA could apply, and the Bank could accept convertible loans with a view to converting them to ordinary shares of the Bank.

#### Exemption of the Bureau of Public Enterprises (BPE) from the Provisions of the ISA

The Bureau of Public Enterprises (BPE) wrote to the Minister of Finance for

exemption from the provisions of the ISA relating to sale of securities of public enterprises to the public by way of private placement.

The Commission opined that it regulates private placements in order to protect investors and that the requirements were not as stringent as those for public offers. However, the Issuer would still be required to make some disclosures in a placement memorandum which would give the investors information to enable them make an informed decision.

The Commission was of the view that it would not be in the public interest to grant the exemption from compliance with the laws, rules and regulations of SEC.

It further opined that it was more compelling for due process to be observed in the privatization of any enterprise, since it would give the process both credibility and legitimacy so that post privatization problems would not arise, that would cast doubt on the transparency of the process.

#### Capital Raising Exercise through Convertible Preference Shares: Vetiva Capital Management Ltd

Vetiva Capital Management Ltd sought the Commission's advice on whether to appoint a Trustee and Solicitor to the Trust as part of the professional parties in a proposed offer being packaged by them for one of their clients.

The client proposed to issue convertible and irredeemable preference shares.

The Commission reviewed the proposal and was of the opinion that preference shares were usually made redeemable i.e. the company had the option to buy all or a portion of the shares at a price fixed in the Articles of Association. It further stated that companies preferred to have their preference shares redeemable because the fixed dividend rates might eventually

become too high if the company was doing well.

The Commission also pointed out that preference shares had aspects similar to debts, because dividend rates for a shareholder was fixed like interest rates on debts. However, that still did not make it a debt instrument and there was no trust created in the issuance of preference shares.

The Commission opined that there would be no need for a Trustee or Solicitor to the Trust since none was created.

# Proposed Capital Restructuring / Consolidation of SKYE Bank Plc

GTI Capital Ltd wrote to the Commission informing it that its services had been retained by SKYE Bank to reconstruct and consolidate the share capital of the Bank.

The bank wanted to consolidate its outstanding shares. The resultant effect would be that each shareholder would be allotted 1 reconstructed share for every 3 he/she held prior to the merger.

The bank informed the Commission that upon consolidation, its balance sheet value would remain unchanged as the excess amount of the paid up capital would be transferred to its capital reserve and would remain in the shareholders fund.

The Commission opined that since the ISA and the Commission's Rules and Regulations allow corporate bodies to consolidate their share capital into shares of larger or lesser amounts than its existing shares, it could approve the proposal of SKYE Bank Plc in respect of the consolidation in strict compliance with the requirements of the Commission's Rules and the provisions of the ISA and CAMA.

#### FNC Igwe and De-Cannon Investment Ltd

Opinion was sought on whether or not the suspension placed on De-Cannon

Investment Ltd should be reinstated after was found liable for non-purchase and lodgment of certain quantity of stocks was mandated to purchase in favour of the Complainant.

The Commission opined that, all the accruals and dividends of the Complainant be calculated to ascertain the true position of the outstanding benefits to the Complainant, and also to debunk the Company's claim that the computation was made in error.

The Commission also opined that it could go ahead and re-instate the suspension of De-Cannon Invest. Ltd until it fully complied with the directives of the APC.

#### Order of the Federal High Court in the Flour Mills of Nigeria Plc Matter: Effect on the Powers of the Commission

The Commission's attention was drawn to a publication in a magazine called "The Nation" titled "Ukeje to SEC: You Cannot Create a Cartel of Lawyers".

The publication reported that the Chief Judge of the Federal High Court Lagos, Justice Rose Ukeje, in a suit initiated by Flour Mills of Nigeria in a bid to consolidate their merger with Golden Fertilizer Co. Ltd, one of its subsidiaries, handed down certain orders against the Commission's action in processing the merger application.

The Magazine reported that SEC was ordered to dismantle all the mechanism and action in support of the "unconstitutional act" of registering legal practitioners before they represent clients in matters involving the Commission.

The Commission obtained and reviewed the Certifled True Copy (CTC) of the judgment and pointed out that it was not a party in the suit and that it only became aware of the matter by a letter from the firm of FRA Williams, where the Commission was invited by the Court to appear and state its

Reciliants.

also noted that the Commission was given an opportunity to adequately and itself on the issue and that the Court when it decided that the commission's action of registering actors was unconstitutional, since it was acted by the ISA and the Rules and agulations made pursuant to the Act.

The Commission had appointed a solicitor to represent it in the appeal against the decision.

#### Set Off of Goodwill Against Reserves In Share Premium In Respect Of FCMB Plc.

First City Monument Bank Plc had by their letter dated August 2, 2006 sought the Commission's approval that part of the share premium account be used to write off the total of N3,878,890,392.00 being goodwill arising from its consolidation.

They also stated that they would be calling an EGM to ratify their board resolution and that at their AGM held on October 13, 2005, the bank was authorized to issue short notice for its meeting.

On the first issue, the Commission opined that Section 105 of CAMA allowed for capital reduction of the share premium and goodwill was an intangible asset which could be capitalized. The amount of reduction could thereafter be reconstituted into a special reserve for other purposes e.g setting off goodwill.

On the issue of whether the bank could reduce the period of notice for an EGM, Section 217 of CAMA provided that the notice required for all types of general meetings was 21 days from the date on which the notice was sent out.

Section 217(2) also provides that a general meeting of a company shall notwithstanding that it is called by a shorter notice than that specified in subsection 1 be deemed to have been duly called if it is so agreed in the case of a meeting called as the annual general meeting by all members entitled to attend and vote thereat.

At the bank's AGM held on October 13, 2005, the shareholders resolved that a shorter notice than 21 days by advertisement in the newspaper be given.

The Commission advised that, going by the provisions of Section 217(1) of CAMA, the Bank should be discouraged from the practice of reducing the period of notice so as not to disenfranchise shareholders that might not be opportuned to see the advert.

#### ICAP Enquiries on Bond Trading in Nigeria

The Commission sought opinion on whether ICAP South Africa having Identified Nigeria as a business centre could conduct its brokering business outside Nigeria with only electronic links with the primary dealers in Nigeria, and also whether foreign institutions, such as Banks would be allowed to trade directly as primary dealers over the counter in Nigerian market.

The Commission observed that it's Rules and Regulations were silent on the type of business they wanted to undertake in Nigeria but Rule 38 provides that "a company in Nigeria applying as rating agency may be affiliated to a foreign rating company". The Commission opined that it's position be communicated to ICAP South Africa, while the matter be forwarded to the Rules Committee for deliberation.

#### B. LITIGATIONS

#### 1 Nigerian Stock Exchange Vs. Apex Securities Ltd Suit No. IST/OA/01/2005

The above suit was instituted by the Nigeria Stock Exchange against Apex Securities Ltd. The Commission was not a party to the suit but had been directed by the Investments & Securities Tribunal (IST) to, along with the NSE, review the earlier decision taken by the NSE to revoke the dealing license of Apex Securities Ltd, and report back to the Tribunal within 4 weeks from the date of the judgment.

In order to give effect to the directive, the Commission liaised with the NSE on the issue and provided an update to the tribunal.

#### 7Up Bottling Company Plc Vs SEC & O r s S u i t N o . FHC/L/CS/896/2002

This matter arose from a complaint lodged by Mr. Hussain El-Khalid, one of the sons of the Late Mohammed El-Khalid, founder of 7Up Bottling Co. Plc who dled in 1992.

The Complainant alleged that prior to the death of his father, the Late Mohammed El-Khalid and nine of his children owned shares in the company, but upon the death of their father in 1992, his shares were transferred to three of his brothers, and that his shares disappeared from the company's records from 1978 without authorization.

After investigation by the Commission, the matter was referred to the APC for determination. At the end of its hearing, APC directed among others that the Complainant be reinstated with his shares including all accrued benefits such as dividends, rights and bonuses from 1978 to date of full restoration.

Dissatisfied with the directives of the APC, 7Up Bottling Co. filed the above suit at the FHC Lagos, seeking among other reliefs, a declaration that the directives of the

Commission be declared ultra vires, nu and void. After reviewing the evidence before it, the Court dismissed the case in favour of the Commission.

In its bid to enforce its directives, the Commission by a letter dated December 19, 2005 wrote to the company informing it of its intention to take appropriate enforcement action if it failed or neglected to comply with the decision of the APC.

By a letter dated January 5, 2006 from Ajumogobia & Okeke, Solicitors representing 7Up Plc., the Commission was informed that the Plaintiffs had appealed against the decision of the FHC Lagos to the Court of Appeal, Lagos.

A Motion on Notice seeking for an order extending the time within which the Defendants/Applicants might apply for leave to appeal against the ruling of the FHC, Lagos was filled. It also sought for an order granting leave to appeal against the said ruling.

After reviewing the Motion on Notice, the Dept. opined that the Commission should stay further action on the matter pending the outcome of the ruling of Court of Appeal on the prayers sought by the Plaintiff before further advice would be given to Management on the next line of action.

#### Benue Investments & Property Co. Ltd Vs SEC & 6 Ors Appeal No. IST/APP/02/2006

This suit was instituted by the Appellants against the Commission and 6 Others at the Investments & Securities Tribunal challenging the decision of the Commission over its directives to Dangote Industries Ltd (DIL) to:

(A) Pay a premium of a certain amount to BIPC (the 1" Appellant) for the 432,104,491 shares it renounced to DIL during the BCC Plc's rights issue of 2005. (8) BIPC be allotted a part of the said rights allotted to it during the rights issue to enable it raise its shareholding in BCC PIc to the maximum of 9%.

> The Appellants sought for an injunction to stop the Respondents including the Commission from:

> Going on with all processes and proceedings relating to the BCC Plc's rights issue pending the determination of the Appeal.

Transferring the proceeds in respect of the 432,104,491 units belonging to BIPC pending the determination of the Appeal.

The Motion on Notice, the affidavit in support thereof and the Appellant's brief had been served on the Commission which appointed a law firm to represent it.

After several hearings on the appeal the parties decided to settle the matter out of court, by signing the terms of settlement.

#### Mr. A. Anyanbule Vs SEC & 8 Ors Appeal No. IST/APP/01/06

The Appellant had been invited by the Administrative Proceedings Committee (APC) of the Commission and he was found to have falled in carrying out his client's instructions to purchase shares, thereby volating the Rules and Regulations of the Commission.

Appellant from engaging in any business in the capital market. It also directed that actions of the Appellant be reported to the Chartered Institute of Stockbrokers (CIS) and any other professional bodies he belonged to. The APC further directed that the Appellant be reported to the Economic and Financial Crimes Commission (EFCC) to further investigation.

The Appellant was dissatisfied with the decision of the APC and appealed to the

IST seeking that all actions on the decision of the APC be suspended pending the determination of the Appeal. A law firm was appointed to represent the Commission in the case.

#### Alh. Zubairu Mohammed & Ors Vs Inland Bank Plc & Anor Suit No. IST/OA/07/2005

Applicants filed this action against Inland Bank Plc and IBN Securities Ltd, Registrars to the 1\* Respondent.

The Applicants are claiming for the account of the equity investment in the 1\* Respondent and also seeking orders to compel the Respondents to deliver to them bonus share certificates and for the payment of dividends on the account of their investments.

SEC and EFCC were joined as desirable and necessary parties to the suit as corespondents so that both might be bound by the outcome of the judgment.

One of the Commission's Solicitors was to handle the suit.

A written address has already been filed on the matter.

### Blue Chip Acquisition & Investment Co. Ltd Vs SEC & 4 Ors Suit No. IST/APP/01/2005

Bluechip Acquisition & Investment Co. Ltd filed the above action against the Commission and 4 others challenging the decision of the Commission not to summon and investigate the activities of Zenith Bank, IBTC Ltd, FBN Ltd and First Registrars Nig. Ltd (all of them registered operators in the capital market).

The Appellants alleged that the Commission had refused to investigate the above named operators and impose appropriate sanctions on them and therefore sought an injunction from the IST to compel the Commission to investigate and impose sanction on the market operators.

After reviewing the Court processes served on it, the Commission opined that a Law firm versed in capital market activities be appointed to defend it at the IST.

The IST, after evaluating the documentary and oral evidence adduced by the parties, ruled that it was not mandatory for the Appellant to complain to the Commission before commencing an action at the IST. It therefore directed the Commission to investigate the 2<sup>rd</sup> and 5<sup>th</sup> Respondents, referred to above and take necessary action upon conclusion of investigation.

By a letter dated April 5, 2006, the Law firm appointed to represent the Commission in the matter forwarded a copy of the Certified True Copy of the judgment of the IST signifying the conclusion of the matter.

#### Suit No. FHC/L/CS/535/2005 Flour Mills of Nig. Plc Vs Golden Fertilizer Co. Ltd.

A motion on Notice and an affidavit in support of motion for the adoption of revised scheme of arrangement for the merger of Flour Mills of Nig. Plc and Golden Fertilizer Co.; was forwarded to the Commission by Chief Rotimi Williams Chambers on behalf of the 2 companies, for review and advice.

The companies proposed to merge and had taken steps to consummate the merger without forwarding the scheme of arrangement to the Commission for prior review and approval, In contravention of Section 99(2) of the ISA and Rules 229 and 231 of the Rules and Regulations made pursuant to the Act.

In their bid to actualize the merger, the companies sought an order of the Federal High Court, Lagos to compel the Commission to ratify the purported merger and all the merger documents already executed between the merging companies.

The Court sat on April 24, 2006 to hear the application, but the matter was adjourned to May 22, 2006 to afford the Commission an opportunity to attend Court and present its position on the application filed by the companies for approval of their proposed scheme of arrangement.

The Commission sent its legal officers to the Court to explain the Commission's position, while the companies were advised to withdraw the law suit and regularize their papers with the Commission.

# Suit No. FHC/L/CS/1022/2004 Rodleem Invest. & Property Co. Ltd 4 10 Ors Vs SEC & 3 Others

The Plaintiffs in the above suit contended that they were the beneficial owners of shares held in the 3" defendant (Union Bank of Nigeria Pic UBN). They also alleged that UBN Pic had deprived them of their dividends by hiding behind the 4" defendant (the Commission) falsely claiming that SEC had suspended the plaintiff's rights to their dividends on the various shares held by the 3" defendant.

The cause of action against the Commission was that UBN Pic had refused to pay dividend to the plaintiffs on the ground that the Commission directed that they stop payment.

The plaintiffs had been facing charges of fraud and had their accounts frozen by the Central Bank of Nigeria (CBN).

The matter suffered series of adjournments because of the plaintiff's failure to put up appearance whenever the matter came up for hearing.

The Commission's Solicitors in the matter subsequently moved a motion to strike out the name of the Commission from the matter.

In its judgment delivered on May 16, 2006, the Court struck out the matter for want of diligent prosecution. This brought the matter to its conclusion.

#### Sult No. FHC/L/CS/172/2003 Richmond Securities Ltd Vs SEC

The above suit was instituted against Fittoo Securities Ltd, the Nigerian Stock Exchange and the Commission.

The subject of litigation was the alleged lifegal transfer of the dealing license of the plaintiff to Fittoo Sec. Ltd with the approval of NSE and SEC.

The Commission was joined as the 2<sup>st</sup> defendant because of its regulatory function in the capital market and for the approval it gave for the assignment of the dealing license.

The matter was discontinued in the course of hearing and was subsequently struck out. This brought the matter to its conclusion.

#### Suit No. FHC/ABJ/CS/409/05 Daily Times of Nig. Pic & 2 Ors Vs Central Bank of Nigeria & 7 Ors

This matter is one of the three similar suits instituted by the plaintiff against the Commission and 9 others.

The suit arose from the purported sale of the 1° Plaintiff, Daily Times of Nigeria Picto Folio Communications Itd with a loan of N750 million obtained from Hallmark Bank Pic (now in distress). The plaintiffs sought a declaration to prohibit the Commission from approving and registering the securities of Daily Times Pic pending the determination of an appeal on the same issue filed at the Court of Appeal.

Notice of Preliminary objection to the 1"
Plaintiff's motion on Notice dated June 5,
2006 and a Counter-Affidavit on same were
forwarded to the Commission by Counsel
to the 2" Plaintiff for response and
necessary action on June 22, 2006.

The Court Processes had been reviewed and forwarded to the Law firm of Ado Adamu & Co, Counsel representing the Commission for necessary action.

#### Suit No. IST/APP/04/2005 Gossord Securities Ltd Vs SEC

The above named suit was an appeal against the decisions of the Administrative Proceedings Committee (APC) of the Commission made on January 30, 2003. The Appellant was invited for administrative hearing by the APC and was subsequently found liable and penalized for unauthorized sale of some shares belonging to investors without their mandate.

Three (3) years after APC's decision, the Appellant felt dissatisfied with the decision and filed an appeal at the IST and sought for an order to set aside the decision of the APC.

The Commission approved the appointment of one of its external Solicitors to defend it in the appeal.

Judgment in the matter had been delivered in favour of the Commission, hence bringing the matter to its conclusion.

### ITI Nominees Ltd Vs Acen Insurance Co. & 5 Others Suit No. FHC/L/CP/396/2006

This suit was instituted by ITI Nominees Ltd against Acen Insurance Co. Pic at the Investments & Securities Tribunal, Abuja and the Commission was joined as the 5° Respondent. Similar action had earlier been instituted by the 1\* Defendant at the Federal High Court, Lagos on the same issue.

The Court processes served on the Commission in respect of the matter were reviewed by it and it observed that the outcome of the action would not in any way affect its functions. The Commission therefore advised that it was not necessary to appoint an external Counsel to defend the matter. Consequently, the Commission directed a watch on the respective briefs and a report be given after every hearing.

#### Nwazota Williams & 5 Others Vs Benue Investment & Property Co. Ltd & 5 Others Suit No. IST/APP/04/2006

The above suit was instituted against the Commission and 8 others at the Investments & Securities Tribunal as an appeal against the decision of the Commission in respect of Benue Cement Co. Plc's rights issue in 2005.

The Appellants are appealing against the decision of the Commission and asking the Tribunal, amongst other reliefs to dismiss Dangote Industries Ltd's claim of 265,153,241 units of BIPC Ltd's rights in BCC Pic, which they alleged was validly traded and noted to them.

They also allege that they were not parties to the out of Court settlement that culminated in the judgment of the IST in the previous similar case. They are therefore praying that the Tribunal set aside the decision of the Commission.

The Commission had approved the appointment of one of its retained Counsels to represent it in the matter.

#### 14. ACEN Insurance Co. Pic Vs ITI Nominees Ltd & 4 Ors Suit No. IST/OA/03/06

The Applicant is an insurance company while the 1<sup>st</sup> and 2<sup>mt</sup> Respondents are companies with 25% equity holding in the Applicant.

The 3<sup>rd</sup> Respondent is the MD/CEO of the 1<sup>rd</sup> and 2<sup>rd</sup> Respondents.

NAICOM and SEC were joined in the action as the 4<sup>th</sup> and 5<sup>th</sup> Respondents respectively.

The Applicant alleged that the 1°, 2° and 3° Respondents wanted to thwart its effort in complying with NAICOM's directive to insurance companies to shore up their paid up share capital or be liquidated by December 31, 2006.

The Court processes served on the Commission in respect of the matter were reviewed by it. No cause of action was found against it, thus it was advised that there was no need to retain an external Counsel to defend it.

The Commission had instructed its in-house legal officers to watch brief on behalf of it till the time the matter is determined.

# 15. Buhari Dangaladima & Anor Vs Diamond Bank Pic & 3 Ors FHC/L/CS/507/06 This is a matter filed by the Plaintiffs who are the President and Secretary General, respectively, of the Association of Senior Staff of Banks, Insurance and Financial Institutions (ASSBIFI), African International Bank Pic (AIB) chapter.

The Plaintiffs and those they represent are employees and owners of 12% equity shareholding in AIB. The 1<sup>st</sup> and 2<sup>st</sup> Defendants are Diamond Bank Plc and AIB Ltd while the 3<sup>st</sup> and 4<sup>st</sup> defendants are CBN and SEC.

The Plaintiffs filed the sult with the aim of protecting their 12% shareholding in ALB

following the acquisition of AIB by Diamond Bank Pic.

The Court processes in respect of the matter were served on the Commission but after the review of same by it., it advised that since there was no specific claim against the Commission, and it was only sued as a nominal party, there was no need to appoint an external Counsel to represent it.

It therefore advised that in-house counsel should watch brief on behalf of the Commission and report back after each hearing of the matter.

#### Chief Ezemegbe Livinus Vs NSE & SEC Suit No. IST/OA/06/06

The above suit was instituted by Chief Exemegbe Livinus against the Commission and the Nigerian Stock Exchange at the Investments & Securities Tribunal.

The Applicant alleged that sometime in 2004 he gave Apex Securities Ltd 302,500 units of UAC shares and 128,657 units of Union Bank shares to sell, but the proceeds were not remitted to him after the sale. He thereafter instructed the company to buy shares of Zenith and Guaranty Trust Banks for him with the proceeds but that the shares were not bought.

The Applicant then wrote a petition to the Joint Monitoring Committee (JMC) of the NSE, whereupon Apex Securities Ltd admitted liability and promised to pay the Applicant the value of shares.

Apex Securities Ltd thereafter paid the Applicant N5 million out of the agreed sum but later on informed him that it could not pay him the remaining balance because its former Managing Director had amongst other things misappropriated the company's money which included the Applicant's.

The Applicant subsequently instructed his

Solicitors to write to NSE and SEC to pay him the balance of debt owed him by Apex Securities Ltd from the Investors Protection Fund, since Apex Securities Ltd had been suspended indefinitely from participating in capital market activities by the Commission after it was found liable of being used to dispose shares of investors without authority.

Other reliefs sought for by the Applicant were for a declaration that by virtue of the provisions of Sections 149 and 171 of the ISA, the Applicant was entitled to be paid from the Investor Protection Fund (IPF).

The Applicant hinged his claim on Section 161(1) & (2) and 162 of the ISA which provides that the Commission may cause to be published in a daily newspaper circulating generally in Nigeria, a notice specifying a date not earlier than 3 months of the publication which claims for compensation from the Investors Protection Fund may be made. The Commission by virtue of these provisions also had to allow and settle any claims for compensation from IPF respectively.

The Commission had approved the appointment of an external Solicitor to represent the Commission in the matter.

#### 17. De-Cannon Investments Ltd Vs. May & Baker Nigeria Plc & 4 Ors Suit No. FHC/L/CS/635/2006

The Plaintiff filed this action against the Commission and 4 others at the Federal High Court, Lagos. The Commission is named as the 5" Respondent.

The Plaintiff is a registered stockbroker with the Commission and was appointed as a broker to the public offer of May & Baker Nig. Pic by the 2" & 3" Defendants who acted as Joint Issuing houses to the offer for a fee of N1 million.

While packaging the offer, the Commission forwarded to the Issuer deficiencies it discovered in the registration status of the parties to the offer based on which the Issuer directed the Issuing houses to omit the name of the plaintiff as a party to the offer.

Aggrieved by the omission of its name, the Plaintiff filed this suit against the Commission, the Joint Issuing houses and the Issuer seeking for the following relets:

- A declaration that the letter of appointment dated 17<sup>th</sup> May 2006 appointing the plaintiff as a stockbroker to the 1<sup>th</sup> defendant's public issue which was accepted by the plaintiff is still valid and subsisting.
- An order compelling the defendants to reinstate the plaintiff's name as stockbroker to the 1" defendant's public offer for subscription of 372,000,000 ordinary shares of 50k each at N4.00 per share.
- 3. An order of perpetual Injunction restraining the defendants, agents, privies, officials, whether by themselves or acting through others, from releasing to the public, the public offer of the 1° defendant slated for 28th July, 2006 or at any other day whatsoever without first relisting or reinstating the plaintiff's name in the list of parties to the issue as joint stockbrokers and receiving agents published in the prospectus of the 1st defendants.
- The sum of N25m as damages for the embarrassment suffered by the plaintiff by the exclusion of its name from the prospectus.
- Cost of the litigation assessed at N5, 000,000.
   The Commission had approved the

The Commission had approved the appointment of one of its retained Solicitors to handle the matter on its behalf. Counsel had reported that he had entered appearance for the Commission when the matter came up for hearing on September 13, 2006 but was adjourned to October 23, 2006 for further hearing.

# 18. Capital Oil Plc Vs SEC & Anor Sult No. IST/APP/06/06

This action was filed by Capital Oil Pic against the Commission and 5 Star Asset Management Limited at the Investments & Securities Tribunal (IST). The Commission is the 1° Respondent.

The action arose as a result of a petition by 5 Star Asset Management Ltd to the Commission that the Appellant had refused to transfer to it 38,708,520 units of shares it purchased from Capital Oil Pic after it had fully paid for same.

The Appellant claimed that it had signed 2 separate agreements i.e. Share Purchase Agreement and Shareholders agreements, wherein the 2<sup>rd</sup> Respondent agreed to pay the sum of N13,160,890.00 for the shares allotted to it.

The Appellant's reason for not crossing the shares to the 2<sup>rd</sup> Respondent was because the 2<sup>rd</sup> Respondent was unable to pay for the shares as at when due thereby casting doubt in the mind of the Appellant that the 2<sup>rd</sup> Respondent would not be able to meet up with its obligations under Clause 3.2 of the Shareholders agreement signed between the two which provided that the 2<sup>rd</sup> Respondent would invest the sum of N121,548,340.00 in the business operations of the Appellant.

The Appellant consequently refused to cross over the shares unless the 2<sup>rd</sup> Respondent gave a re-assurance that it could meet the stated obligations to which the 2<sup>rd</sup> Respondent refused.

The two feuding parties were invited by the Commission for an amicable resolution of the matter at the end of which the Commission directed the Appellant to cross the shares to the 2" Respondent.

The Appellant felt dissatisfied with the decision of the Commission and filed this appeal at the Investments & Securities Tribunal claiming amongst other reliefs that the Commission did not take into

Sespondent in reaching this decision.

ssues and allegations raised in the speak were considered to be a great standard to the statutory powers of the statutory powers of the samulation which ought to be defended.

Commission therefore approved the appointment of an external Counsel to research in the Appeal.

During the year nine (9) agreements in which the Commission is a party, were drafted/reviewed'.

### BOARD SECRETARIAT SERVICES

During the year 2006, secretariat and logistics services were rendered to the following meetings:

- General Board meetings of the Commission Board Establishment Committee meetings
- Board Tenders Committee meetings
- Projects Committee meetings
- Finance and General Purpose Committee meetings

# D. REVIEW OF THE INVESTMENTS & SECURITIES ACT (ISA) 1999

Between the years 2003 - 2006 SFC together with other stakeholders in the Nigerian capital market carried out a comprehensive review of the ISA to strengthen it, remove observed ambiguities and also enhance the on-going Federal Government economic reform initiatives and the international competitiveness of the Nigerian Market.

The amendment centered on regulatory as well as other key issues such as adequate empowerment of SEC to perform its functions effectively and exercise its powers, compliance with international best practice to ensure investor protection, fair, efficient and transparent market and to

reduce systemic risk.

The review also addressed the requirement of the International Organization of Securities Commissions (TOSCO) (of which Nigeria is a member) that a capital market regulator should be operationally independent and accountable in the exercise of its function and also have adequate powers, resources and the capacity to perform its functions.

The major highlights of the amendments relate to the following areas:

- Composition and professionalisation of the Board of the Commission
- Powers of the Commission
- Whistle blowing
- Internal control system and other corporate responsibilities
- Decriminalization of some offences
- Mergers and Takeover
- Disclosure requirements

The recommended amendments were tabled before the National assembly in 2006.

#### E. AMENDMENTS TO THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION

During the year under review the Commission drafted Rules on the following areas.

#### (i) SHELF REGISTRATION SCHEME PROPOSED REGISTRATION REQUIREMENTS

Shelf Registration is a filling undertaken by issuers intending to access the market in the near future.

#### Scope of Securities

Shelf Registration shall be applicable to all types of registrable securities equities and debt instruments as specified by Rule 40, SEC Rules and Regulations

- 2. Eligibility for use of the shelf system Unless otherwise indicated in writing by the Commission, all public companies listed on the Nigerian Stock Exchange for a minimum period of twelve months are eligible to issue, offer for subscription or purchase, or issue an invitation to subscribe for or purchase securities in accordance with a shelf registration scheme;
- (A) provided that:
- no prosecution has been commenced against either the issuer or any of its subsidiaries in respect of any breach of any securities or Banking laws or the Companies and Allied Matters Act 1990;
- (ii) no action has been taken against the listed corporation by the Nigerian Stock Exchange in respect of any breach of the listing requirements of the Stock Exchange; and
- (iii) neither the issuer nor any of its subsidianes has breached any terms and conditions in respect of borrowed monies which has resulted in the occurrence of an event of default and an immediate recall of such borrowed monies, during the twelve calendar months immediately preceding the date of application to the Commission for registration of the shelf prospectus and during the effective period of the shelf prospectus;
- (iv) the company must have a minimum corporate rating of "BBB" by a recognised Risk Rating Agency duly registered by the Commission.
- (b) the issuer must have obtained the approval of the Commission under its Rules on Public Offerings of shares and Debt Securities in respect of the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase the securities.

- Requirement for shelf prospectus and supplementary shelf prospectus
- (1) Subject to regulation 8, a person may issue, offer for subscription or purchase or make an invitation to subscribe for or purchase securities under a shell registration scheme where at the time of the issue, offer or invitation there is in force a shelf prospectus as updated by a supplementary shelf prospectus, both of which have been registered by the Commission;
- (2) A shelf prospectus shall be effective for a period of two years from the date of its issue and it shall not be renewed.
- Contents of shelf prospectus and supplementary shelf prospectus
- (1) A shelf prospectus shall
- (A) comply with the general form and contents of a prospectus as set out in Sections 48 to 63 of the Investments and Securities Act 1999 and Rules 52 to 59 SEC Rules and Regulations;
- (b) be dated and that date shall, unless the contrary is proved, be taken as the date of issue of the shelf prospectus;
- (c) state that the sholf prospectus has been registered by the Commission and that a copy of the shelf prospectus has been lodged with the Registrar General of the Corporate Affairs Commission:
- (d) state that the registration of the shelf prospectus and supplementary shelf prospectus shall not be taken to indicate that the Commission endorses or recommends the securities or assumes responsibility for the correctness of any statements made or opinions or reports expressed therein;
- (e) contain a statement that no securities will be allotted or issued on the basis of the shelf prospectus road together with the

supplementary shelf prospectus later than two years after the date of the issue of the shelf prospectus;

- if it contains any statement made by an expert or contains what purports to be a copy of or an extract from a report, memorandum or valuation of an expert, state the date on which the statement, report, memorandum or valuation was made and whether or not it was prepared by the expert for incorporation in the shelf prospectus;
- (g) state that no prosecution has been commenced against either the issuer or any of its subsidiaries, during the twelve calendar months immediately preceding the date of application to the Commission for registration of the shelf prospectus in respect of any breach or contravention of any securities or banking laws or the Companies and Allied Matters Act 1990 or the listing requirements of a Securities Exchange (if applicable);
- (n) contain the relevant disclosures to state that neither the issuer nor any of its subsidiaries has, during, the twelve calendar months immediately preceding the date of application to the Commission for registration of the shelf prospectus, breached any terms and conditions in respect of borrowed monies which has resulted in the occurrence of an event of default and an immediate recall of such borrowed monies; and
- set out such other information as may be specified by the Commission.
- (2) A supplementary shelf prospectus shall
- (a) be dated and that date shall, unless the contrary is proven, be taken as the date of issue of the supplementary shelf prospectus;
- (b) state such information as may be specified

- in the Commission's Guidelines on General Contents of Prospectuses;
- (c) state the offer period which should be no longer than one month from the date of the issue of the supplementary prospectus or such longer period as may be allowed in writing by the Commission;
- (d) disclose such information where a matter has arisen and information in respect of that matter would have been required by the Investments and Securities Act, SEC Rules and Regulations or any listing requirements of a Securities Exchange, (if applicable) must be disclosed in the prospectus if the matter had arisen at the time the shelf prospectus was prepared;
- disclose such information where there has been a significant change affecting a matter disclosed in the shelf prospectus;
- (f) disclose such information where the shelf prospectus contains a material statement or information that is false or misleading;
- (g) disclose such information where the shelf prospectus contains a statement or information from which there is a material omission;
- (h) contain the relevant disclosures stating that no prosecution has been commenced against either the issuer or any of its subsidiaries during the twelve calendar months immediately preceding the date of application to the Commission for registration of the shelf prospectus and during the effective period of the shelf prospectus, in respect of any breach or contravention of any securities or banking laws or the Companies and Allied Matters Act 1990 or the listing requirements of a Securities Exchange (if applicable);
- contain the relevant disclosures to state that neither the issuer nor any of its

subsidiaries has, during the twelve calendar months immediately preceding the date of application to the Commission for registration of the shelf prospectus and during the effective period of the shelf prospectus, breached any terms and conditions in respect of borrowed monies which has resulted in the occurrence of an event of default and an immediate recall of such borrowed monies:

- (j) state that the supplementary shelf prospectus has been registered by the Commission and that a copy has been lodged with the Registrar-General of the Corporate Affairs Commission.
- (3) Notwithstanding the provisions of sub regulation (1) and (2) above, the Commission may, either on the written application of any person referred to in sub regulation 4(1) or of its own accord, make an order relieving such person from or approving any variation of the requirements of these Regulations relating to the form and content of a shelf prospectus or a supplementary shelf prospectus.
- (4) In making an order under sub regulation (3) above, the Commission may impose such terms and conditions as it deems fit;
- (5) The Commission shall not make an order under the sub regulation (3) above unless it is satisfied that
- (a) compliance with the requirements of these Regulations is unnecessary for the protection of persons who may normally be expected to deal in securities, being persons who would reasonably be expected to understand the risks involved; or
- (b) compliance with the requirements of these Regulations would impose an unreasonable burden on the issuer.

- (6) A shelf prospectus or supplementary shell prospectus shall be deemed to have complied with all the requirements of these Regulations relating to the form and content of a shelf prospectus or supplementary shelf prospectus, as the case may be, if it is issued in compliance with an order made under sub regulation 3.
- Requirement to lodge copy of shelf prospectus and supplementary shelf prospectus

An issuer shall cause a copy of the shall prospectus and supplementary shell prospectus registered by the Commission under this Regulation and a copy of the form of application accompanying such shelf prospectus to be lodged with the Registrar-General of the Corporate Affairs Commission before the date of issue of the shelf prospectus or the supplementary shelf prospectus, as the case may be.

7. Issuing of shelf prospectus

Upon the registration of the shelf prospectus by the Commission, the issuer is allowed to issue the shelf prospectus, provided that

- (a) securities are only to be issued upon the registration of a supplementary shelf prospectus by the Commission; and
- (b) the form of application which would facilitate the issue of, offer for subscription or purchase of, or the making of an invitation to subscribe for or purchase of securities on the basis of the shell registration scheme is attached to the supplementary shelf prospectus and not the shelf prospectus.
- Delivery of Shelf Documents to the Public (Prospective Investors)

All shelf documents shall be made accessible to prospective Investors and the general public by publishing same on the websites of the Securities and Exchange Commission and the Issuer.

Fees for Shelf Registration
 All Issuers shall pay a filing fee of NSU,000

at the time of placement of documents on the shelf and the appropriate fees for registration as spelt out in Schedule One of these Rules and Regulations at the time of the issuance of the securities.

#### H3 - REGULATION OF REAL ESTATE INVESTMENT SCHEMES

The provisions of rule 41(1) shall apply to Real Estate Investment Schemes.

#### **Rule 250**

#### Application for Registration of the Securities of Real Estate Investment Schome

An application for Registration of the securities of REIS shall be filed with the Commission together with application for authorization of the Fund.

Real Estate Investment Scheme (REIS) may be constituted in any of the following ways:

as a company, or as a trust.

#### Rule 251 Company

company authorized to carry on the business of Real Estate Investment is hall neet the following requirements before its securities can be registered by the commission;

Endence of Incorporation with Corporate

must have the minimum capital

estate and real estate related

Trace a prospectus.

The rame (s) and address(es) of directors

Manager (s) appointed to real estate held by the Fund.

mer of units and nominal value per

unit, provided that the initial value of units shall not be less than N I billion and any subsequent issue not less than N500 million.

#### Rule 252

#### Registration of prospectus.

The prospectus of Real Estate Investment Company shall be registered by the Commission under the Investment and Securities Act. In addition to the requirements set out for Unit Trust Scheme Prospectus, management companies with Real Estate Investment Company shall fulfill the following requirements.

#### Rule 253

#### Requirements as to form of Prospectus.

The Securities and Exchange Commission has approved the issue, offer or invitation in respect of the public offering and the approval shall not be taken to indicate that the Commission recommends the public offering. The Commission shall not be liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever arising from reliance upon the whole or part of the contents of the prospectus.

The valuation approved or accepted by the Commission shall only be utilized for the purpose of the proposal submitted to and approved by it and shall not be construed as an endorsement by the Commission on the value of the subject assets for any other purpose.

#### Rule 254

#### Statements as Required in Prospectus.

There shall be set forth on the outside front cover of every prospectus the following statement printed in red ink;

THIS PROSPECTUS AND THE UNITS

WHICH IT OFFERS HAVE BEEN REGISTERED BY THE SECURITIES AND EXCHANGE COMMISSION. THE INVESTMENT AND SECURITIES ACT 1999 PROVIDES FOR CIVIL AND CRIMINAL LIABILITIES FOR THE ISSUE OF PROSPECTUS WHICH CONTAINS FALSE OR MISLEADING INFORMATION. REGISTRATION OF THIS PROSPECTUS AND THE UNITS WHICH IT OFFERS DOES NOT RELIEVE THE PARTIES OF ANY LIABILITY ARISING UNDER THE ACT FOR FALSE OR MISLEADING STATEMENTS CONTAINED OR FOR ANY PROSPECTUS

#### Rule 255 Content of Prospectus

- In addition to the provisions of rule 245 the prospectus of a listed real estate company or real estate investment fund shall contain the following:
- (a) Corporate directory of
- (i) Valuer(s)
- (ii) Issuing House,
- (iii) Registrar,
- (Iv) Underwriter,
- (V) Solicitor to the Issue, and
- (vi) Reporting accountant
- (vil) Rating Agency,
- (viii) Custodian/Trustee.
- (b) Key Data Section
- The following warning statements shall be stated in bold characters:
- A statement that the rental yield on real estate held by the Fund is not equivalent to the yield of the units
- (ii) A statement that the value of the real

estate may fluctuate.

(c) Valuation Statement

The details on the valuation of real estate(s) held by company shall be disclosed indicating date of last valuation value of the estates and the basis of valuation, revaluation surplus/deficit net value and any other relevant information.

Rule 256 Underwriting

- All public issues of Real Estate Investment Scheme shall be firmly underwritten to the extent hereunder provided.
- (2) The provisions of rule 75(2), (3) and (5) (7) shall apply.

#### Rule 257 Amount to be underwritten

- The amount or percentage of the issue underwritten by any Issuing House shall not be less than 35% of the number of units issued for subscription.
- (2) The level of underwriting commitment at any time shall not be more than 2<sup>1</sup>/<sub>2</sub> times the paid-up share capital and reserves of the underwriter in the aggregate.

#### Rule 258

#### **Underwriting Commission**

The provisions of rule 77 shall apply.

#### **Rule 259**

#### Time Amount Underwritten is Made Available

The provisions of rule 78A (1) shall apply.

#### Rule 260

#### Minimum Level of Subscription

- The public issue of Real Estate Investment Scheme shall be cleared for allotment by the Commission only if it is subscribed up to 25% in addition to the Underwritten 35%.
- (2) The Issuing House shall notify the Commission of the level of subscription within six weeks after the close of the offer and the Commission may, in the interest of

- the investing public, direct that the issue be aborted.
- (3) The Issuing House shall publish in at least two daily national newspapers, details of the decision to abort the offer not later than five working days after the Commissions' directive that the issue be aborted.
- (4) The Registrar to the issue shall return monles to subscribers to the aborted issue not later than 30 days of the decision to abort the issue.

### Rule 261 Investment Outlets

- For listed real estate investment company, the following requirements shall apply:
  - At least 75% of the company's total assets shall be in Real Estate. The remaining 25% may be invested in Real Estate related assets. Provided that not more than 10% shall be invested in liquid assets.
  - For unlisted Real Estate Investment Company, the following shall apply:
    - At least 70% of the REIS assets shall be invested in real estate, A maximum of 10% of Fund's assets shall be invested in liquid assets at all times and 20% may be invested in other assets i.e. real estate and appropriate estate related assets.
    - The level of developmental activity allowed must not exceed 20% of the gross value. The development be limited to a minimum period of 2 years before it is sold.
  - The assets of Real Estate Investment Fund, whether listed or unlisted shall not be masted offshore.

#### Rule 262

#### Valuation Report

A valuation report by a real estate valuer registered by the Commission shall be filed with the Commission every two years.

#### Rule 263

#### Quarterly Return

A quarterly return on the performance status of the scheme shall be filed by the company with the Commission.

#### Rule 264

#### Insurance

The company's real estate assets shall be insured by the company.

#### Rule 265

#### Borrowing

The company in real estate business shall be allowed to borrow a maximum of 25% of its paid up capital.

#### iv. RULE 90 - PRIVATE PLACEMENT Conditions for Approval of Offer

Private placement by public companies shall be subject to the following conditions:

- (i) The company shall show evidence of dire need of fresh funds or technical expertise and shall satisfy the Commission that private placement remains the only viable option to achieving the said objective.
- (II) The securities shall not be offered to more than 50 subscribers.
- (iii) The resolution of the company authorizing the placement shall be Special as defined in Companies and Allied Matters Act and shall state the number of shares to be offered and the price.
- (iv) The notice of the general meeting authorizing the placement shall be published in two national daily newspapers and evidence of the publications shall be filed with the Commission.
- (vi) The aggregate number of shares to be offered through the private placement by a public quoted company shall not exceed 30% of the issued paid up capital prior to the Issue. Provided that when the company is ailing, it may offer a higher number of shares subject to the approval of the Commission.
- (vii) The price of the securities of the company if quoted shall be on technical suspension during the period of placement.

(viii) The offer shall be for a period as proposed by the issuer and approved by the Commission but not exceeding 10 Working days provided that the Commission may extend the period under special Circumstances.

#### Rule 97

#### Placement Memorandum

Where a private placement is proposed in line with this regulation, the Issuer shall file two copies of the placement memorandum containing, amongst others, the following:

- (i) Summary of the offer
- (ii) Financial Summary for five years, or less if the company is less than five years old
- (iii) Directors/Parties
- (iv) Chairman's letter
- (v) Profit Forecast (Optional)
- (vi) Historical financial information containing the accounting policies, balance sheets, profit and loss accounts, cash flow statements and notes on the Accounts.
- (v) Statutory / General information stating date of incorporation, registration number and share capital history of the company, the principal shareholders, directors' interests, subsidiaries and associated companies, extracts from the articles of association, Claims and litigations, material contracts, consents, documents available for inspection, underwriting and any other material information
- (vI) Placement period
- (VII) Application form.
- v. AMENDMENT OF RULE 9 POWER OF THE COMMISSION TO DEMAND AND EXAMINE RECORDS REQUIRED TO BE MAINTAINED

Rulo 9 (1) is amended by deleting the name "market operators" and inserting the words "entity" after the word "any" in line.

The amended subsection (1) now roads:

(1) The Commission may pursuant to the provisions of the Act, at any time it deems fit, examine the records and affairs of or call for information from any entity covered by the provisions of the Act.

New sub-rules (2) - (7) are created as follows:

- (2) An entity whose affairs are being inspected and every director, officer and employee thereof shall produce to the inspecting officer such books, securities, accounts, records and other documents in its custody or control and furnish him with such statements and information relating to its activities as the inspecting officer may require within such period as the inspecting officer may specify.
- (3) An entity being inspected shall allow the inspecting officer to have access to his or its premises or any premises occupied by any other person on his or its behalf and also extend facility for examining any books, records, documents and computer data in his or its possession or such other person and provide copies of documents or other materials which, in the opinion of the inspecting officer, are relevant for the purposes of the inspection.
- (4) The inspecting officer shall examine or record the statements of any director, officer or employee of the entity.
- (5) Every director, officer or employee of the entity being inspected shall give the inspecting officer all assistance in connection with the inspection as the inspecting officer may require.
- (6) The Commission may appoint an auditor to inspect or investigate, as the case may bo, the books of accounts, records, documents or affairs of the entity;

Provided that the auditors so appointed shall have the same powers as vested in the inspecting officer under s u brules (4) and (5) and the entity and its directors, officers and employees shall be

under the same obligations towards the auditor so appointed as mentioned in the said sub-rules.

The Commission shall recover from the entity such expenses including fees paid to the auditor as may be incurred by it for the purposes of inspecting the books of accounts, records and documents of the entity.

Existing Rule 9(2) becomes 9 (8).

The words "person who" after "Any" are deleted and replaced with the words "entity which" to read as follows:

Any entity which fails or neglects to comply with any request or stipulation in accordance with the foregoing provisions of this regulation shall be liable to a fine of N2,500.00 for every day such failure, refusal or neglect occurs and in addition to any other disciplinary measure the Commission may impose for the protection of investors.

A new sub-rule(9) was created to read as follows:

(9) "Entity" under this rule means market operator, person or institution covered by the provisions of the Act.

The draft rules were exposed to stakeholders in the market for their inputs/comments and observations. The Commission further co-coordinated the collation of the various inputs from the market and stakeholders on the various rules formulated.

The Commission has published the approved amendments to its Rules and Regulations.



Mrs. Salamatu H. Suleiman
Director Secretariat & Legal Advisory Dept/
Secretary to the Commission.

During the year under review, the Commission handled various investigations, enforcement and compliance cases.

#### A. ENFORCEMENT

#### REFUSAL OF REGISTRATION TO SIMEON DARE OSIKOMAIYA

The Commission suspended the application of one Mr. Simeon Dare Osikomalya as a dealing clerk under Lion Stockbrokers Ltd pending the conclusion of investigation by Economic and Financial Crimes Commission, EFCC. He was formerly an employee of Beachgrove Securities and Investment Limited (a stockbroking firm currently under investigation by the EFCC for misappropriation of funds and illegal sale of investors' stocks). Mr. Osikomaiya wrote to state that he was not involved in any fraudulent dealing while he was with Beachgrove Securities and Investment Limited.

The Commission wrote to The NSE, EFCC, CIS and CSCS requesting for information on the said Mr. Simeon Dare Osikomaiya to confirm his involvement or otherwise in any of the complaints against Beachgrove Securities and Investment Limited.

#### COMPLAINTS AGAINST FIVE STOCKBROKINGFIRMS

The Commission received a letter from The Nigerian Stock Exchange forwarding complaints against five stock broking firms. Upon review of the complaints, it was discovered that most of them are entirely new complaints, which are unknown to the Commission.

The Commission is considering the under listed steps on the complaints;

a) To refer the additional new complaints against 3 of the stock broking firms (Akitorch Securities limited, Halsed Securities limited and Beachgrove Securities Limited) to the Economic and Financial Crimes Commission (EFCC) for consolidation since several compagainst them were earlier forwarded to EFCC.

- B) The complaints against Viva Secur Limited will be referred to the Economic Financial Crimes Commission (EFCC fresh complaints;
- c) The 29 new complaints against Asset P
  Securities Limited will be added to existing 22 cases pending before Administrative Proceedings Communicated (APC) or alternatively to be handed over the Economic and Financial Crime Commission (EFCC) for further investigation.
- GILJOHN INVESTMENT (Unregistered Operator) and UIDC SECURITIES LIMITED

(Unlawful aiding of an unregistered operator (Giljohn Investment Limited) to perfect Capital Market transactions by UIDC Securities Limited)

The Commission received complaints
December 2004 and May 2005 respective
from two investors against Giffor
Investment limited which is an unregistere
(illegal) operator and its Managing direct
(John Nsofor) regarding the non lodgment
various shares worth over N 5 million. Uffor
Securities Limited, a registered operator
with the Commission was its allege
accomplice in perfecting transactions on the
floor of The Nigerian Stock Exchange.

The Commission investigated the matter an held an all parties meeting where UIDC Securities limited admitted liability for the transactions of the unregistered operator Giljohn Investment limited. The matter was forwarded to the police while UIDC Securities limited was fined by the Commission for its participation in the Illegal transaction.

#### ASWANI INDUSTRIES PLC VS FIRST REGISTRARS LIMITED

(Mismanagement of N33 million repayments due to debenture stockholders in the Aswani Plc N40 million debenture stock of 1995/1998 and reconciliation of interest payment records thereto).

To facilitate/ensure full payment to all the bondholders concerned, several letters were written to them requesting that they forward to the Commission:

- Confirmation of all payments they had received from First Registrars so far;
- The actual number of tranches of payment;
   and
- The sums paid to them for every tranche.

The Commission directed First Registrars Nigeria Ltd to convene an all parties meeting to discuss all outstanding issues relating to the above matter and present a report on the outcome to it.

Following the Impasse reached in resolving the matter and considering the total amount involved, the complaint as it relates to MBA Securities Limited was referred to the Economic and Financial Crimes Commission (EFCC) where the Commission was invited to clarify issues and to provide further information on the former staff of MBA Securities Ltd who were in EFCC custody.

Furthermore, letters were written to the Central Securities Clearing System Limited (CSCS) and the Institute of Capital Market Registrars (ICMR) to enquire about the shareholding of directors of MBA Securities Limited, and the possibility of using their shares to settle the debenture holders. These organizations replied with the required information. Though the known and forwarded shareholdings of the directors were inadequate to meet the debenture holders' requirements, the CSCS and ICMR were—directed to place caution

on the accounts pending further developments.

#### NIGER DELTA EXPLORATION AND PRODUCTION PLC'S 2001 PUBLIC UNQUOTED OFFER AND PRIVATE PLACEMENT.

The Commission observed some Irregularities in the 2001 public offer and private placement of the Niger Delta Exploration And Production Plc.

At the conclusion of the Commission's investigations which involved an all parties meeting, warning letters were issued to the parties to desist from acts inimical to the growth and development of the Capital Market. The parties involved promised to scrupulously observe all capital market regulatory laws in the future.

#### THE ESTATE OF ALHAJI IBRAHIM KHALIL AGAINST PROMINENT SECURITIES LTD AND GTI CAPITAL LTD.

The estate complained about the unauthorized sale of Union Bank of Nigeria Plc shares by Prominent Securities Limited and GTI Capital Limited. GTI Capital Limited resolved the complaint as it related to it but Prominent Securities Limited failed to do so then.

As a result of the Commission's efforts to resolve the complaint, Prominent Securities Limited made a full and final settlement cheque for N147, 288.78 (including accrued dividends) in favour of the estate which it delivered to the Commission for onward delivery to the estate. The estate however failed to come for the collection till it expired. When this happened a second time to another cheque dated 18" November 2005, the Commission requested the operator to revalidate the cheque in the Commission's name for collection by the complainant whenever it desires.

The operator was then penalized and directed to pay a fine for violations of various securities laws in relation to this complaint.

#### GUINNESS NIGERIA PLC:

This matter which was for enforcement action relates to the non-remittance of declared dividend to Union Registrars Ltd for 2003-2004 by Guinness Nigeria Pic.

After reviewing the matter, the Commission conducted an inspection visit to Guinness Nigeria Pic and Union Registrars Ltd to confirm whether remittances of all the declared dividends were made. During the visit, Union Bank Pic confirmed in writing that they had received the entire dividend monies from Guinness Nigeria Pic.

 WEMA BANK PLC'S 2004 PUBLIC OFFER FOR SUBSCRIPTION OF 5 BILLION ORDINARY SHARES OF 50K EACH AT N3.50K PER SHARE - Nonremittance of issue proceeds

The handling of the remittance of issue proceeds in this issue was done in a less than professional manner thus raising suspicion/collusion by the parties.

During the offer, the issuer directly received application monies from some investors thereby bypassing other parties e.g. the issuing houses, receiving bankers and receiving agents.

The Commission issued warning letters to the relevant parties for non-remittance of proceeds in the public offer.

#### ADAMA JUBRILLA VS NIGERIAN STOCKBROKERS LTD

#### Non- lodgment of 1,500 units of First Bank of Nigeria Plc shares paid for since 1998

The complainant alleged that he bought 1,500 units of First Bank of Nigeria Pic shares sometime in 1998 through the operator but that up to the date of his complaint, the operator persistently refused and neglected to forward his shares certificate to him.

The Commission's efforts to resolve the complaint revealed that there was no evidence in existence to prove that the investor had ever been credited with the totality of his investment till date or that he owned any such shares.

After reviewing the matter the Commission penalized the operator through fine and a warning letter to desist from further violations of SEC Rules and Regulations for its failure to perfect the complainant mandate for 2022 days and also for its failure to respond to the Commission's letters for 1957 days.

#### MORGAN TRUST & ASSET MANAGEMENT PLC

Several complaints were lodged with the Commission against the operator for fraudulent activities bordering on unauthorized sale of clients' shares, fallure/refusal to meet its financial obligations to its clients, etc. The Commission conducted investigations. Based on its findings, the matter was reported to the Economic and Financial Crimes Commission (EFCC) which commenced its own criminal investigation.

The matter was also reported to the Central Bank of Nigeria (CBN) because of the money market aspect of the complaints.

Subsequently, a joint target inspection was conducted by the Commission and the CBN at the operator's office in Lagos from 22°° - 23°¹ May, 2006. A full joint-report into the matter is being finalized.

#### PRIVATIZATION OF NIGERIAN CEMENT COMPANY PLC, NKALAGU

The Commission reviewed the privatization programme of the above company which was carried out without informing the Commission and the BPE.

The Commission reviewed the matter and it's position on it is being finalized.

#### SEARCH ON PATEMECO INTERNATIONAL LIMITED AT THE CORPORATE AFFAIRS COMMISSION (CAC)

The Commission In November, 2005 conducted a search at the Corporate Affairs Commission (CAC) in order to ascertain the Directors of Patemeco International Ltd.

During the search, it was discovered that no company with such name was ever registered at the Corporate Affairs Commission (CAC).

Also, it was further discovered that the address of the purported company or its Managing Director could not be traced by its lawyers.

The findings are being considered by the Commission for necessary action.

#### EAGLE STOCKBROKERS LTD

Securities trading and Investment Limited applied to the Commission to be recognized as the operator that bought Eagle Stockbrokers' trading license and to contribute N 8 million for the settlement of the liabilities of Eagle Stockbrokers Limited to its clients.

The Commission accepted the request of Securities Trading and Investment Ltd to pay N 8 million as partial payment of Eagle Stockbroker's liabilities and for it to be recognized as an operator.

The company was then recognized and registered on the condition that it sorts out the remaining liabilities in conjunction with Eagle Stockbrokers Ltd.

#### MR. JAMES KOLEOSHO VS. UBA REGISTRARS AND OTHERS

This complaint relates to the fraudulent sale of 40,000 units of UBA shares belonging to the complainant by the operator.

Upon a review of the matter by the Commission, it was discovered that

investigations in the matter were inclusive. Consequently, the Commission conducted an on-site inspection on UBA Registrars and the CSCS in respect of the matter. Pre-enforcement inspection of the books of UBA Registrars and CSCS in respect of the matter was conducted during which UBA Registrars was directed to forward some documents. UBA Registrars is yet to forward the documents that were requested.

The matter is still being considered by the Commission.

#### DANIEL NWAGWU vs. UNION REGISTRARSLTD

This is a complaint about the nonpayment of outstanding dividends to the complainant and withholding of share certificates for bonus issues of Guinness Nig. Plc from him.

A letter was written to the complainant to confirm receipt of the bonus certificates and dividend warrants based on the Registrar's assertions. The complainant's response is being awaited.

# OKEBIYI vs. ICON STOCKBROKERS LTD

Mr. Okebiyi complained to the Commission about the non-lodgment of 1000 units of Nig. Breweries Plc shares by the operator.

Based on a computation by the Commission, a letter was written to the complainant through his attorney informing him that he was the one actually indebted to ICON Stockbrokers Limited and not the other way round, the Commission therefore advised him to seek further redress from appropriate quarters, if he was not satisfied with its decision.

#### COMPILATION OF LIST OF OPERATORS INVOLVED IN UNAUTHORIZED SALE OF SHARES.

The Commission compiled cases against operators who were involved in unauthorized sale of shares from year 2000

to date.

NOSPETCO OIL & GAS LTD (Illegal operator in the Capital Market)

The Company was found to be soliciting for deposits illegally from the public. The Commission reported the company to EFCC, CBN and CAC, for further action.

RIVERSIDE TRUST LTD
 (Unauthorized sales of shares and non-remittance of proceeds of sale)

Following the receipt of over 10 complaints against the operator, the Commission referred the matters to the EFCC.

ET & T Stockbrokers Limited

This is a case of an unregistered and illegal operator duping innocent investors. The matter has been reported to the Economic and Financial Crimes Commission (EFCC) for further investigation and any other necessary action.

 Ude Simon Mary Okafor vs Cashville Investments and Securities Limited The complaint is about the unauthorized sale of 1000 units of Nestle Pic shares.

The Commission commenced investigations into the directorship of Cashville Investments and Securities Limited at the Corporate Affairs Commission (CAC) Abuja but later referred the matter to its Lagos Zonal Office for further action since all the parties are resident there. The search result conducted at CAC, Abuja was equally forwarded to Lagos office for further action.

 Chief Sunday S. Oderinto vs Emmanuel Bankole This is a complaint regarding the non purchase of shares paid for. Mr. Emmanuel Bankole, a former staff of Shalom Investments and Securities Limited, Lagos (broker/dealer), while in that employment, collected N532, 343.00 from the complainant in November 2004 for the acquisition of 20, 300 units of First Bank of Nigeria Pic shares for him but as at 3" February 2005 had acquired only 18,425 units leaving a balance of 1, 874 units.

While the matter was pending, he left the employ of Shalom Investments and Securities Limited and joined an outrit called Top-Earning Investment Securities Limited Lagos (not registered with the Commission in any capacity).

This matter has also been referred to the Lagos Zonal Office for further action since a the parties are resident there.

 Blessed Chambers & Partners (for and on behalf of Bassey Etim Bassey)

The above named law firm petitioned the EFCC on 21\* June 2006 alleging that its client Bassey Etim Bassey paid Ecobari Nigeria Pic (Uyo branch) the sum of N320 000,000 for 100,000 units of the banks shares on 18th August 2005 but discovered to his dismay on 18th April 2006 when he received his share certificate that only 10,000 units were credited to him. The EFCC referred the petition to the SEC since it was a capital market-related one.

The petition has been referred to the Port Harcourt Zonal Office '(PHZO) for further action since all the parties are resident in that zone. Furthermore, apart from acknowledging receipt of the petition to the EFCC, the complainants have been notified to direct all further inquiries/information to the PHZO.

B. ADMINISTRATIVE PROCEEDINGS COMMITTEE (APC) MATTERS

The APC of the Commission sat on the 6th of April, 2006 to take final decisions in the following matters:

 a. APC/1-22/2005: 22 Complaints against Asset Plus Securities Ltd;

- APC/23/2005: Asset Plus Securities Ltd V Jim Ogugua
  - HEARING OF THE APC IN THE MATTER
    OF APC/1-22/2005; COMPLAINTS
    AGAINST ASSET PLUS SECURITIES
    LTD (Unauthorised sale of some
    investors stocks)

This matter was brought before the APG. In its decision, the APC held Asset plus, its Directors and Principal Officers liable jointly and severally to restore the Investors affected.

It further directed that their shares be sold to restitute the investors and also banned some of the Directors/Principal officers of Asset Plus from holding any directorship position in any public Company in Nigeria.

The decision was forwarded to the EFCC and the Corporate Affairs Commission (CAC)

# HEARING OF THE APC IN THE MATTER OF APC/23/2005: ASSET PLUS SECURITIES LTD V JIM OGUGUA

This matter borders on unauthorized sale of investors' shares. The Commission received a letter from Falcon Securities Ltd which was appointed to sell the stocks of Jim Ogugua held in the names of Edmund Okechukwu and Bretwood Securities Ltd for the purpose of restoring some of the investors: Falcon Securities Ltd report showed that the sum of N359,926.34 was realized. However, it complained that it could not sell the FSB Pic converted shares belonging to Edmund Okechukwu since the conversion certificate of Fidelity Bank Pic had been sent to Mr. Jim Ogugua.

Mr. Jim Ogugua was later directed to forward all certificates in his possession to enable Falcon Securities Ltd transact in them.

The said certificates have been forwarded to Falcon Securities Ltd and the Registrars,

First Registrars Ltd have been advised to lift the caution placed on the shares to enable them to be sold. Decisions on the matter are being finalized.

#### C. COMPLIANCE MATTERS

# FNC IGWE VS DE-CANON INVESTMENT LIMITED:

The APC sat in August 2005 and after taking evidence from both parties, directed the operator to repurchase the complainant's stocks with all the accruals.

The Commission forwarded to the operator, the stock market price list and the Commission's calculations of the accrued benefits to be paid to the complainant as at April 4, 2006.

De-Canon Investments Ltd however instituted a suit against the complainant and refused to pay the accrued benefits. It was suspended by the Commission for it's refusal to comply with the APC decision.

The operator's suspension was lifted after it paid a First Inland Bank Plc Bank Draft No. 00005247 dated 30/11/2006 to the Commission as final settlement of the outstanding payment it owed the investor.

The operator has fully complied with the APC decision in respect of the above matter.

# NON-VERIFICATION OF UNILEVER NIGERIA PLC SHARE CERTIFICATES

The complainant in formed the Commission that it bought 141,000 units of Unilever shares, which was issued with 141,000 Units as bonus shares.

He confirmed that he sold the original 141,000 Units. However, union Registrars refused to allow him access to the bonus shares because he did not produce the original evidence of ownership.

He however produced a Police report that he lost the originals to fire which also disfigured him physically and killed his wife and child

After thorough investigation, the Commission directed the Registrars to release the bonus shares to him and he was duly notified.

SUIT NO: IST/OA/03/2005;
 NIGERIAN STOCK EXCHANGE VS.
 APEX SECURITIES AND ORS.

The Commission received a letter from GAB ANNA Chambers forwarding the decision of the IST in respect of The NSE vs. Apex Securities Ltd matter.

The Commission reviewed the IST judgment directing the SEC and NSE to review The NSE decision to determine the suitability of Apex Securities Ltd to continue to carry on business as a stockbroker in the Capital Market and report back to the Tribunal.

The Commission will conduct an inspection of the books of the operator.

 NON COMPLIANCE BY PUBLIC UNQUOTED COMPANIES WITH THE REQUIREMENTS OF THE ISA 1999

The Commission in an earlier letter to the Corporate Affairs Commission (CAC) had requested for a list of all public companies registered with it to enable the Commission identify the Companies that have failed to register their securities.

A reminder was written to the CAC requesting an updated list of all public companies registered with the CAC. The CAC has not responded.

- MATTERS REFERRED TO THE CENTRAL BANK OF NIGERIA
- CRIMINAL NEGLIGENCE OCCASIONING LOSS TO EFFICIENCE CONCEPTS LIMITED

The Commission received a letter for Chidel, Onuora &Co. (Solicitors to complainant, Efficience Concepts wherein they complained of injustice doubt to their client by Skye Bank.

The Commission reviewed the complaand discovered that it was purely a bantransaction. The Commission there advised the Solicitors to channel to complaints to the Central Bank of Niger Skye Bank or alternatively, to appropriate court of law.

OFFICIALS OF OASIS SAVINGS E LOANS LIMITED AND OME SECURITIES & FINANCE LIMITED

The Commission received a complaint fruone, Mr. Victor Lai Fadahun who alleged the his shares which he used to guarantee a loain favour of Sea Duck Ltd and granted b Oasis Savings & Loans Ltd, were so without his consent by OMF Securities Ltd.

The Commission held an all parties meeting to determine the liabilities of the operators involved. Investigations revealed that OMF Securities Ltd did not commit any illegality in the course of the transaction.

The Commission forwarded the matter to the CBN to assess the statement of account of Sea Duck Ltd (the borrower company) for the period of the transaction, to determine whether Oasis Savings and Loans Ltd acted professionally in the management of the loan account.

### ENFORCEMENT ACTIONS CONCLUDED

The Commission concluded action on Companies that fail to file quarterly returns. The Companies are:

- Dependable Securities Ltd
- Falcon Securities Ltd
- Resand Securities Ltd
   The cases on the three companies above were closed.

#### BAICO INSURANCE PLC (Non-rendition of quarterly returns on the utilization of the issue proceeds)

This matter was carmarked for enforcement action for non- rendition of returns on utilization of issue proceeds.

After a review of the case, some vital issues/documents on the matter were found missing. The Commission is therefore undertaking a thorough investigation as a pre-requisite for Enforcement action to commerce.

#### FIRST INTERSTATE BANK PLC RIGHTSISSUE OF 223,409,095 ORDINARY SHARES

(Non- rendition of quarterly returns on the utilization of the issue proceeds)

First Interstate Bank Pic (Issuer), Lighthouse Asset Management Ltd (Issuing House) and Interstate Securities Ltd (Issuing House) failed to submit returns on rendition of Issue Proceeds contrary to the provisions of Rule 65(2) of SEC Rules and Regulations.

The Commission penalized the Issuing House and directed it to file the necessary returns.

Interstate Securities Ltd In a letter dated May 26, 2006 forwarded the said returns, and it is being evaluated.

# BONKOLANS MATTERS SEC VS BONKOLANS INVESTMENT AND SECURITIES LTD &ORS

- The Commission came up with an updated report on the recovery of shares fraudulently sold during the Bonkolans scam and also, reviewed the compliance status of the 20 operators involved in the scam.
- In the meantime, the Commission suspended the operators that had not fully complied with the decision of the APC from

- all Capital Market activities and the withdrawal of the Registration of those that were yet to commence the buy back of the shares.
- The under listed operators have fully complied with the APC decision on the Bonkolans scam. The Commission therefore closed their cases.
- > BGL Securities Limited
- Falcon Securities Limited
- Valmon Securities Limited
- Gidaunniya Investment Limited
- The Commission also liaised with the EFCC, CSCS and NSE towards the restitution of the victims of the Bonkolans scam.
- The Commission held a meeting with the EFCC to work out modalities on how to commence restitution of the affected investors.
- The Commission appointed IBTC Asset Management Limited to utilize the funds (N10m) available to the Commission to repurchase the shares in order to restore the defrauded investors.
- At the request of the Commission, the CSCS also forwarded the current volume and value (as at October 26, 2006) of shares fraudulently sold by Bonkolans Investment Ltd. The total value was calculated at:
- Nestle Plc shares N1,004,058,738.5
- Unilever Plashares N32,850,139.12

#### PEAK SECURITIES LTD

Peak Securities Ltd forwarded the sum of N10m (Ten million Naira) in furtherance of the buy back directive.

The Commission conducted an inspection of the office of the operator to verify its books and ensure that Peak Securities is fit to function in the capital market in view of the fact that the operator has been on suspension for the past four years. The report of the inspection is being considered.

### PRUDENTIAL SECURITIES MATTERS

The Commission held several meetings with the operator with a view to resolving the various complaints against it.

S/N Complainant		Status		
1.	CLETUS OKECHUKWU OKEREKE	500 units of Unipetrol, 1000 units of PZ plc, 2000 units. Total Plc , 66 units of Nigerian Bottling Co. and 274 Unit of Codbury are still outstanding		
2.	MR. SIMON M. DIM V. PRUDENTIAL SECURITIES LTD	The matter is yet to be resolved.		
3.	EMEKA OKEKE	The matter has been resolved pending confirmation from the Registrars, CSCS and the complainant.		
1.	NWANKWO BENNETH	Prudential Securities Ltd agreed to buy back the following shares:  166 Units of Guinness Nigeria Pic and 1200 Units of Benue Cement.  477 Units of Guinness Nigeria Pic.  Prudential Securities Ltd is to buy back and forward the complainant's stock position and cheque to the Commission before the end of 2006.		
•8	DONATUS DIM	The case is pending in court.		
	OLUFEMI FALANO	Resolution of the matter was confirmed		
	AGU- UME DAVID	Prudential Securities Ltd is to get the Complainant to confirm resolution in writing.		
		The Commission is to confirm that its letter got to the Complainant. The Complainant is to get back to the Commission on or before November 25, 2006.		
		Prudential Securities Limited was given temporary clearance subject to confirmation from the Economic and Financial Crimes Commission		

5/N	Complainant	Status		
12.	DANIEL NWOKOLO	Prudential Securities Ltd is to buy 1000 Units of First Bank Nigeria Plc.		
11.	MICHAEL OKONKWO	Prudential Securities Ltd produced the missing Certificates for 350 Units of PZ Pic and 400 Units of UAC Nigeria Pic. The Commission is to forward the Certificates to its Port Harcourt Zonal Office for physical collection by the Complainant.		
12.	MENTUS EZEH AND MRS AGUSTINA UDORUI	The Commission wrote requesting a confirmation of resolution from the Complainant.		
13.	DAMIAN CHISOM DURU	The Commission wrote to the Complainant requesting a confirmation of resolution and whether he has received his dividend warrant. In the absence of a response from the Complainant the case shall be closed.		
14.	ENGR J.S.A OTUBAGA	The Commission is still awaiting confirmation of resolution from the Complainant.		
15.	JAJA ANOZIE. O	The case has been temporarily closed pending confirmation from the Complainant.		
16.	UKAEJA RITA NGOZI	Prudential Securities Limited is to write to the Registrars to confirm who has been receiving the bonuses and dividends.  The Commission sent a letter to CSCS requesting for		
		information on how the shares got to APEX Securities. Temporary clearance was given.		
17.	BENJAMIN IHEKANANDU	Prudential Securities Ltd is to write to the Registrars to find out if the Certificates have been transferred and to whom and on whose authority.		
18.	SYLVERIA ADEYINKA	Prudential Securities Ltd has agreed to pay all the accruals.		
19.	ILEKA EDWIN	The Commission is to write to the Registrars and to Lombard Securities.		
20.	EMMANUEL OKOLI	Prudential Securities Ltd has agreed to buy back 531 Units of Guinness Breweries Pic on or before December 31, 2006 and all accruals.		
21.	MRS ADERONKE OGUNBANJO	Complainant is to confirm resolution.		

S/N	Complainant	Status		
22.	MR KANU MGBEMENA	The complaint was that of transfer, Prudential Securities Ltd was able to locate the Certificate for 84 Units of Ni and they offered to buy back 149 Units of Berger Paints Pic and 117 Units of Unilever.		
		The Commission is to forward the Certificate to the Complainant.		
ONC and claimed that there were no ad outstanding on the UAC Nigeria Pic. The Commission forwarded the docume Prudential Securities I to the Compila The Complaint on UAC Nigeria Pictures		Prudential Securities Ltd presented a CSCS history of UAC and claimed that there were no accruals outstanding on the UAC Nigeria PIc.  The Commission forwarded the documents tendered by Prudential Securities I td to the Complainant.  The Complaint on UAC Nigeria PIc was cleared but the Nigerian Breweries PIc accruals were outstanding.		
24.	VICTOR OKOYE	The complaint of the investor is yet to be resolved. In a meeting held on November 22, 2006 between the Commission and Prudential Securities, it was resolved that a meeting will be convened between the operator and the complainant to sort out the contention between both parties.		
25.	PRINCE MOSES OLUDE	Prudential Securities Limited is to get the Complainer write the Commission confirming resolution of the matter.		
26.	KENNETH NWATU	The case is pending in court.		
27.	OKPARA PETER IFEANYI			
28.	SODIYA OLUBODE	Prudential Securities Limited was given temporary clearance, the Commission wrote to Lagos Zonal Office requesting that they forward the letter of confirmation of resolution from the complainant.		
29.	ALHAJA G.A. BIOBAKU	Matter resolved		
30.	ENGR. O.B. OLUKOYA	The matter is pending in court.		
31.	OLATUNDE C.O.	The matter has been resolved pending confirmation by the complainant.		

S/N	Complainant	Status	
32.	B.O.FAMODIMU	The Commission wrote to the Complainant requesting for proof of payment of the debit note, lack of confirmation will result in the closure of the case.  It was also noted that Prudential Securities Limited has no counterclaim	
33.	OYEDELE OJEWOLE	The Commission made inquiries as to the A.P.C decision that was made on this complaint.	
34.	CHIEF NWOSU	The case has been closed.	
35.	IYABODE M. BAKARE	Prudential Securities Limited provided a breakdown of the shares that were transferred to Solid Rock from Prudential Securities Limited.	
36.	IGBASANMI OLATOMIDE	The Commission wrote requesting for confirmation of resolution of the complaint.	
37,	K.C. EJERE	Prudential Securities Limited presented a Werna Bank cheque for the sum of N38, 653. The Commission forwarded the cheque to the complainant informing him that the cheque represented full and final payment on the complaint.  Prudential Securities Limited was granted temporary clearance.	
38.	NIDB TRUSTEES LIMITED	The Cheque presented by Prudential Securities Limited which was forwarded to the Complainant was returned as not having been honoured.  The letter from NID8 and the returned cheque have been forwarded to Prudential Securities Limited and the case reopened.	
39.	CLETUS OKECHUKWU	Mr. Otunni agreed to handle the settlement of the outstanding within 2 weeks from November 23, 2006.	
40.	BENNETH NWANKWO	The Outstanding are the following: 2,831 Units of First Bank Ptc, 1000 Units of Unitever and a short fall of 25 Units of Afribank as at February 13,	

### NATIONAL PENSION COMMISSION

The National Pension Commission sent a list of companies whose investors and directors applied for Pension Fund Administrator licenses. While investigating, it was discovered that one Mr. Lekan Are had appeared before the APC and was held jointly and severally liable with Nigbel Securities Limited to restore the complainant's stocks. This information was forwarded to the National Pension Commission.

#### D. INVESTIGATION

# SUMMARY OF COMPLAINTS RECEIVED AND TREATED WITHIN THE PERIOD UNDER REVIEW:

The Commission investigated a total of one thousand, five hundred and forty seven (1,547) complaints within the period under review and the breakdown is as follows:-

- outstanding complaints brought forward from 2005 = 1,071
- New complaints received in year 2006 = 476
- ➤ Total = 1,547

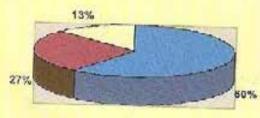
The various complaints relate to Stockbrokers and Registrars and are classified accordingly as follows:-

#### (A) COMPLAINTS AGAINST BROKERS

- (a) Complaints brought forward = 553
  (b) New complaints = 232
  Total 797
- (B) COMPLAINTS AGAINST REGISTRARS
- (a) Complaints brought forward 565
  (b) New complaints 244
- Total 750
  (C) COMPLAINTS TRANSFERRED FOR
- (D) OPERATORS SUSPENDED
- (E) OUTSTANDING CASES CARRIED FORWARD 470

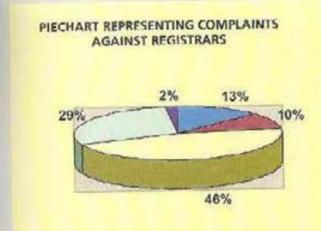
ANALYSTS OF THE VARIOUS COMPLAINTS IS TABULATED AS FOLLOWS:-				
Unauthorized/ Fraudulent sale of shares	Non lodgment/ purchase of shares	Non-remittance of sale proceeds	Irregularities by Commercial banks	Total
480	215	102		797

## 'PIE CHART REPRESENTING COMPLAINTS AGAINST STOCKBROKERS'



- Unauthorized sale of shares
- Non-lodgement/purchse of shares
- Non-remittance of sale proceeds

	NATURE	OF VIOLATIO	N BY STOCK	BROKERS	
ten- tesuance of Certificate	Non-Receipt of Bonus/Dividend Warrant	Fraudulent conversion of share certificate	Non- verification of shares certificates	Miscellaneous	Total
95	75	345	220	15	750





- Transfer of Account in the CSCS.
- Complaints by beneficiaries in respect of deceased investor's shares.
- Loss of Certificate.

#### 2:0 RESOLVED CASES

The Commission closed three hundred and thirty five (335) cases after the complaints against Stockbrokers and Registrars as well as Miscellaneous Matters were satisfactorily resolved.

#### **OPERATORS SUSPENDED**

Following the Commission's resolve to suspend operators who have become recalcitrant and have remained nonchallant in the resolution of complaints received against them from Investors, the following operators were suspended from market activities.

- Santrust Securities Limited = suspension lifted
- AAA Stockbrokers Limited. = licence revoked

- Morgan Trust Limited. = licence revoked
- Prudential Securities Limited = suspension not lifted
- Solid Rock Securities Limited.= suspension not lifted
- Reward Investments Limited. =suspension not lifted
- 7. Investment Monitors Limited. =suspension not lifted

It is pertinent to state that the following criterion were used to determine the suspension:

- Number of complaints against an Operator;
- · Value of shares involved in the complaints;
- · Period of preliminary investigation;
- Non-compliance with the Commission's directive to restore the shares within a time frame.

#### MAJOR COMPLAINTS

The major complaints involving large sum of money received by the Commission within the period under review are as follows:

# 1. BENUE CEMENT COMPANY (BCC) RIGHTS BELONGING TO THE BENUE INVESTMENT AND PROPERTY COMPANY LIMITED

The complaints were received through a letter dated January 30, 2006 from Benue Investment and Property Company and a petition received from BIC Securities pertaining to alleged unprofessional conduct of Afribank Registrars Limited and Intercontinental Capital Market Limited in respect of Benue Cement Co. Rights offer of 1,980,000,000 units.

Several meetings were held among the Parties and the Commission with a view to resolving the matter.

#### 2. SALE OF 406,914 UNITS OF UNILEVER SHARES BELONGING TO HRH EZE G.C.O. ONYEKA

The complainant lodged a complaint in respect of unauthorized sale of his 406,000 units. The Commission's investigation revealed that the complainant accessed funds from Niger Delta Mortgage Bankers and deposited the share certificates covering the above stated shares.

The shares were converted and sold by City Finance Securities. The complainant's shares were valued at N5,774,731.53 and a cheque covering 2,500,000.00 was received from the Operator based on the Commission's directives.

The sum of 3,2/4,731.53 still remains outstanding against the operator. The operator is currently on suspension by The NSE.

# 3. VARIOUS COMPLAINTS AGAINST ET & T

Following receipt of complaints from three

oomplainants namely: Okonkon AAkor Godwin Gabriel and Elder Esua
Akpan in respect of fraudulent disposa
shares, by ET RT. The complaints
investigated and it was found that
alleged operator was not registered
the Commission.

# 4. ALLEGED FRAUDULENT SALE OF STOCKS BELONGING TO THE ESTATE OF LOUIS EJIKEME ONOR

The Commission received a letter complaint from the Administrators of the Estate of Louis Effkeme Onor in respect of the alleged fraudulent sale of their shares by one Mr. Kingsley Oblka. The shares we confirmed by CSCS to have been said through Molten Trust Limited.

The matter was investigated and the Commission lifted the caution placed on the 9, 853 Units worth N610, 543, 53 of NBC to offset Mr. Obika's claims.

#### ALL-PARTIES MEETING

The effectiveness and efficacy of convening all parties meetings towards resolving capital market disputes cannot be over emphasized. It has strengthened the Commission's investigation technique and resulted in timely resolution of complaints. From January to date, the Commission has convened several all parties meetings which includes the following.

- Benue Investment and property company Limited Vs ICML and ANP Registrars Limited.
- Mrs. Oriachi Vs Intercontinental Securities Limited and AIL Securities Limited.
- Floco Verwaltungs Limited Vs Golden Guinea Nigeria Plc.
- 4. Sanni Bako Vs AP Registrars
- 5. Stanbic Nominees and A.G. Leventis.
- Union Merchant Bank Vs Fidelity Bank.

- Five Star Asset Management Limited vs Capital oil Pic.
- ACEN Insurance

#### CASES RECEIVED FROM EFCC

The Economic and Financial Crimes Commission (EFCC) forwarded the underlisted cases to the Commission for investigation and necessary action.

- Engr. Issac C. Dimakume Vs Afrique Sec. 8. Fin (Springboard Trust Ltd, Sb754
- Oqazi C. Chinaga Vs Apt Securities & Funds Limited Sb1074
- Amos Adepoju Vs Global Asset Management - SB 952
- Dikibujiri Z. Saddon Vs ESL Securities
   Limited Sb1101
- Tambaya B. Duniya Vs Riverside Trust Limited -Sb1102
- fi. Engr. T. O. Ibrahim Vs Fedol Equity Trust -Sb1125
- Estate of Nsc E. Asuqwo Vs Gidanuiya Invest.Ltd -SB
- B. Plus Onah Ossai Vs Oceanic Bank Plus -Sb1547
- EFCC Investigation against NB Plc & Others
   Misc91
- EFCC Vs Bestlink Investment Limited Misc96

# COMPLAINTS AGAINST MORIBUND STOCKBROKING FIRMS

The Commission has received complaints against operators that have gone under and whose dealing licenses have been transferred to other operators in the market. There is need for a position on this matter as investor's have continued to rely on the Commission's intervention to avoid losing their investment.

Prominent among these Operators are the following:-

- Eagle Stockbrokers Ltd.
- ML Securities Ltd.

#### Outstanding Securities

The Nigerian Stock Exchange (NSE) being the body to which these operators belong should be advised on the need to access the investor's protection fund kept by it. The transfer of dealing licence has generated a lot of controversy. Therefore operators who purchase dealing licence from alling houses will not get automatic registration with the Commission for the reasons canvassed above.

#### MONEY LAUNDERING ACTIVITIES

The Money Laundering (prohibition) Act (the Act), 2004 gives the Commission (among other regulatory institutions), the responsibility to monitor money laundering 'activities'.

In compliance with the Act, the Commission carried out the following activities within the period under review.

#### RENDITION OF WEEKLY RETURNS BY OPERATORS

From January to date, the Commission received a total of one thousand five hundred and fifteen (1,515) reports, comprising of one hundred and sixty five thousand, five hundred and sixty six accounts transactions (165,566) that relate to Sections 2, 6 and 10 of the Act. The reports were from various operators and Settlement Banks.

The breakdown of the returns is presented in the table below:

MONEY SECTIONS	ACCOUNTS TRANSACTIONS
Mandatory Disclosure (sec.10)	161,280
Suspicious Transactions (Sec.6)	2,189
Foreign Exchange Transactions (sec.2)	2,097
TOTAL	165,566

The above reports have been analyzed forwarded to the Nigerian Financial Intelligence Unit for further processing in accordance with the Money Laundering guidelines.

#### OBSERVATION

- Within the period under review, the Commission recorded a few transactions in respect of suspicious and foreign Exchange (forex) transactions.
- The Commission has recorded tremendous increase in returns from operators compared with the preceding year. This was as a result of the Commission's follow up and circulars issued to all the operators.
- The Commission also observed late rendition and most operators were not consistent in their submission of weekly returns.
- MONEY LAUNDERING TARGET INSPECTION

INSPECTION OF OPERATORS IN PREPARATION FOR THE VISIT OF THE EUROPEAN UNION GROUP AND THE FINANCIAL ACTION TASK FORCE (FATF) TO NIGERIA

The Commission carried out a routine inspection on thirty (30) Stock ofirms (30) as a result of information received from NFIU informing the Commission of an impending visit by the European Union Group and the Financial Action Task Force (FATF) to the country; The FATF visited the country in May 2006 in order to check the country's level of compliance with the international standards and regulations on money laundering.

In preparation for their visit the Commission visited thirty (30) Stock broking Firms in April 2006. The operators visited were randomly selected with a view to looking into their activities to ascertain their level of compliance with international Money Laundering standards. The Operators inspected were:

Alliance Capital Management Limited

- BFCL Assets & Securities Limited
- BGL Securities Limited
- · Centre Point Investment Limited
- Clearview Investment Co. Limited
- Consolidated Investment Limited
- Decanon Investment Limited
- · De-lords Securities Limited
- · Dominion Trust Limited
- ESL Securities Limited
- Eurocomm Securities Limited
- First Allstate Securities Limited
- · Foresight Securities Investment Limited
- Greenwich Securities Limited
- Hedge Securities & Investment Limited
- Heritage Investment and Securities Limited
- IBN Securities Limited
- IBTC
- Intercontinental Securities Limited
- · Investment Monitors Limited
- Lakeworth Investment & Securities Limited
- Marriot Securities & Investment Company
- Maxifund Investment & Securities Limited
- Resano Securities Limited
- Reward Investment & Securities Ltd
- · Rolex Securities Limited
- CSL Stockbrokers Limited
- Topmost Finance & Co Limited
- UBA Securities Services Limited
- Valmon Securities Ltd

#### SECOND VISIT OF THE INTER EUROPEAN UNION GROUP AND FATF TO NIGERIA

In view of deficiencies observed during the last target inspection conducted on thirty stockbroking firms between April and May 2006, coupled with the determination of the Commission to ensure that all operators in the capital market adhere strictly to the provisions of the Act, before the next visit of the above mentioned groups that visited the country in September 2006, the Commission inspected the following forty (40) stockbroking firms.

#### Team A

- Colvia Securities Limited
- Camry Securities Limited
- 3. UBA Securities Limited
- 4. EBN Securities Limited
- Emerging Capital Limited

coutor Fin. & Securities Limited Coital Bancorp Limited Investment Limited In Brook Securities Limited

#### Bam B

rade Securities Limited
Inamic Securities Limited
Selity Union Securities Limited
Securities Limited
Inpire Securities Limited
Investment & Securities Limited

#### sam C

Trust & Investment Limited
S Securities Limited
ext Africa Securities Limited
ext Securities Limited
ext Securities Limited
ext Securities Limited
ESL Securities Limited
exharts Investment & Securities Limited
exharts Investment & Securities Limited
Capital Resources Limited

moper Fleming Stockbrokers Limited

#### sam D

ane Securities Limited
sial Securities Limited
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set Altantic Securities Limited
into Securities Limited
into Securities Limited
into Securities Limited
sertbeat Investment Limited
on Stockbrokers Limited
ser Horizon Securities Limited

essence of the target inspection was to sertain the following:

easure the operator's level of compliance on the Act.

Exermine whether the anomalies observed using the last inspection has been rectified.

track suspicious transactions directly from

the records of the operators.

To confirm the authenticity of the reports being forwarded by the operators and determine why some operators were yet to comply with the provisions of the Act.

# TARGET INSPECTION ON REGISTRARS BASED ON OBSERVED/ ALLEGED/REPORT OF UNETHICAL AND UNPROFESSIONAL PRACTICES

The Increasing spate of fraudulent practices in the capital market by the operators and the blame on the Registrars by the stockbroking firms necessitated the inspection on some Registrars.

Such complaints include;

- Timing of the circulation of notices for AGM's and verifiable evidences.
- 2. Transaction period of signature verification.
- 3. Weak and inefficient internal control.
- Late dispatch of share certificates and dividend warrants to shareholders.
- Misappropriation of dividends.
- Treatment of Proxies at AGM's.
- Holding period of funds for dividend payment domlolled with Registrars. At what date are funds lodged with Registrars? When is it remitted?, what are the limiting factors?.

The following Registrars were inspected from 19" to 23" July 2006;

- 1. Union Registrars Ltd,
- African Petroleum Registrars,
- Nigerian Breweries Registrars
- 4. City Securities Ltd.
- NAL Registrars Ltd.

#### FINDINGS

# ON DELAY IN CERTIFICATE VERIFICATION

Most of the Registrars inspected argued that the shareholders themselves contribute to the delay in verifying certificates by not providing adequate information.

The inspection revealed that some shareholders do not even sign the application form at the time of buying the shares especially during public offers.

That stocks purchased by some State Investment Companies on behalf of the State civil servants do no have adequate Information and signatures of staff allottees.

On the use of bankers confirmation to assist in verification, the Registrars argued that it is not correct for the stock brokers to submit certificates with bankers confirmation except when demanded by the Registrar as experience has shown that such bankers confirmation were forged.

On the use of Letter of Indemnity by the stock brokers, the Registrars argued that the attitude of the low net worth stock broker was a major cause for concern.

#### DISPATCH OF CERTIFICATES AND DIVIDEND WARRANTS.

It was discovered that the Registrars were in default of the provisions of Rules 200 to 204 of the Commissions Rules and Regulations which are basically on the time frame within which to dispatch certificate and dividends to shareholders.

According to the Registrars, compliance with the rules was not feasible because of the volume of stocks, the number of the shareholders and the time required to sign and seal the certificates before dispatching them.

The inspection revealed that some companies did not release dividend money to the Registrars in bulk but rather in batches contrary to rules of the Commission.

Some companies maintain and control their dividend through the company's main account instead of the Registrars. African Petroleum Registrars Ltd, for example, was still operating as a department under direct

control of AP Plc even though it had beregistered as a limited Liability compasince 2004.

On electronic dividend payment known a dividend, almost every Registrar support but some of them highlighted support limitations that may hinder its effectiveness.

Such limitations expressed by the Recommincluded:

- 1. Cost who bears the COT charges?
- 2. Every holder must have bank account
- The fear of making the shareholder account known to the general public
- A shareholder who owes the bank may want his dividend paid through that bank.
- The bank charges may be in some case more than the value of the dividend.

The above limitations were amplified by the Nigerian Brewerles Registrars. According to the Registrars, out of over 150,00 shareholders of Nigerian Brewerles less than 8,000 chose the option of paying the dividends through the bank and that in a number of cases the dividends were returned unclear due to the following reasons:

- a. Incorrect account number
- b. Closure of account
- c. Different names
- d. Frozen account

# ON USE OF PROXIES BY SHAREHOLDERS ASSOCIATIONS AT AGM'S.

Some of the Registrars admitted the fact that some shareholders Associations have a way of getting proxy forms but that their usage was not automatic as the provisions of the relevant laws have to be complied with.

#### INTERNAL CONTROL SYSTEMS

Inspection also revealed that the companies have embarked on computerization of their operations. Some have developed and installed soft wares system which made record of shareholders and certificate verification efficient and timely.

Some of the companies have weak internal control system.

A comprehensive report of the inspection and the necessary actions to be taken are being considered by the Commission.

## TARGET INSPECTION ON STOCKBROKINGFIRMS

The Commission conducted Target issection of the under listed stock broking the with a view to resolving outstanding complaints against the operators, assess the market operators' compliance with the provisions of the Act and know your disturber requirements (KYC).

- City Finance Ltd
- Dmas Investment & Trust Company Ltd
- IMB Investment & Trust Company Ltd
- IMB International Bank (Registrars Department)
- Afribank International Bank Pic
- Occupan Trust Ltd
- SAA Stockbrokers Ltd
- Aaset Plus Securities Ltd
- Falcon Securities Ltd
- Trust Ltd
- Procential Securities Ltd
- Securities Ltd
- Registrars Ltd

#### E MONITORING

Section 3(F) of the ISA No: 45 of 1999
the Commission to register and
corporate and individual Capital
corporators as defined in section 30 of

Exchange Commission adopted

Becaute rules and regulations, the

Exchange Commission adopted

Bos of On and Off Site Inspection

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#### EINSPECTION

## 1.191 returns were reviewed

	comprising:	
1	Broker dealer	625
1	Issuing house	157
1	Registrars	105
V	Portfolio/Fund Manager	109
1	Trustees	67
1	Investment Adviser	48
V	SRO	2
1	Utilization of Issue Proceeds	78
		1.191

The observed deficiencies were communicated to the operators concerned.

Highlights arising from the review of the returns include:

- Wrong classification of balance sheet items.
- Submission of incomplete returns by Companies.
- Late and non submission of quarterly returns by operators. To check this occurrence, the Commission charges penalties depending on the number of days the default lasted. In recent times, the default rate is on the decrease, indicating improvement in the compliance level of operators.
- Failure of the operators to submit a comprehensive schedule of investments in quoted securities.
- Failure to make adequate provisions for reduction in the value of quoted securities.
- Submission of unsigned and unstamped bank reconciliation statements etc.
- The balance sheet of seventeen (17) companies reviewed in the period did not balance as expected. This indicates deficient book keeping. The Commission has imposed appropriate penalty and in some cases undertook on-site inspection.

#### ON-SITE INSPECTION

A total of twelve operators were inspected comprising of eight companies covered under routine, while four firms were covered undertarget inspection. These include:

#### Routine

- a) Capital Partners Limited
- b) Capital Trust Broker
- c) Consolidated Finance and Securities limited
- d) Platinum Capital Limited
- e) Independent Securities Umited

- f) Altrade Securities Limited
- g) Imperial Finance and Securities Limited
- h) All Crown Investment Limited
- i) Sigma Securities Limited

A major issue observed from the inspection was that most of the houses inspected did not have documented operational manuals and internal control procedures for guiding their daily core operations. This would allow room for haphazard operational procedures thereby making unethical practices by the staff guite possible.

#### Target Inspection

Target inspections were conducted by the Commission as follows:

#### Union Registrars Limited

This was prompted by the concern that Nigerian Brewerles Pic failed to remit full dividends for payment of shareholders. This inspection revealed that the full amount was actually remitted.

#### **Indemnity Finance Limited**

This company was inspected because the Commission observed that although it fell in the group of the most capitalized stock broking firms, it was not actively engaged in the capital market activities. The inspection confirmed that the company was engaged in some other business where it was still experiencing problems.

#### **PSI Securities Limited**

There was no sufficient disclosure of the revaluation of land and building in the schedule of fixed assets.

#### Alliance Capital Management Company Limited.

Major highlights from the inspection include:

- One of the companies had only one sponsored individual in its employment instead of the required two.
- The asset mix of one of the firms did not comply with the ratio of 60:40 for liquid and fixed assets as prescribed by Rule 17(4).
- In one of the companies there was no competent individual to take care of financial record keeping as well as preparation of financial statements.

#### INVESTORS ENTITLEMENTS

Information contained in the third question 2006 returns submitted by register revealed that:

DESCRIPTION	AMOUNT
Unclaimed Dividends (above 15 months)	7,833,169,186
Current Dividends being paid (under 15 months)	12,944,839,051
Unclaimed return monies	978,434,901

#### INVESTORS FUNDS

Investors funds under management as a September 2006 amounted to N59,591,766,071.00 with most of the function set of the fundamental and money markets as given below:

Capital market - N 17,493,032,128.00

Money market - N39,974,763,279.00

Un-invested funds - N 2,123,970,655.00

A substantial portion of the funds under management by portfolio and fund managers were managed under the unit trusts schemes.

#### CLIENTS DEPOSIT FOR SHARES

Funds deposited by investors for purchase of shares (unexecuted mandates) amounted to N6, 063,625,229.00 as at September 2006.

#### INVESTORS PROTECTION FUND

From review of returns submitted by the Nigeria Stock Exchange it was observed that investors whose funds become trapped in insolvent stock broking firms hardly recover their funds. In order to strengthen investors' confidence the Commission is working with the Nigerian Stock Exchange to address this problem.

#### **ETTIVITIES OF IN-HOUSE REGISTRARS**

the registrars function should be performed corporate entities the underlisted companies and in-house registrars departments are no performing the function:

Serger Paints pic Oramu Oil Paim pic FE Industries pic

are on to ensure that the remaining inegistrars departments comply fully with

eated development the Commission
of that in some cases where companies
e egistrars, efforts were not made to
exact all relevant documents were handed
easy registrar. For such cases express
eare given for all relevant documents

## MERLIGHTS OF ANNUAL GENERAL

panies that held their annual general sector comment on compilance with sector powernance code and on their part sector of the sector to this issue.

# OF ISSUE PROCEEDS OF

conducted on-site inspection
about of issue proceeds for funds
are to owing state governments:

Sate revenue bond

State revenue bond

State revenue bond

State revenue bond

security bond

and electricity projects
and electricity projects
associately on the lives of the
asso of Cross River State
of the funds sourced were
associately projects. However, in

one of the states visited it was observed that not all the projects recorded in the approved offer documents were executed.

The Commission also carried out an inspection on the utilization of Issue proceeds on First City Monument Bank.

#### REDEMPTION OF BONDS

The N4 billion Ekiti State's floating rate redeemable bond was fully redeemed while bonds Issued by other state governments are due for redemption on the dates indicated below:

5/NO	STATE	INSTRUMENT	VALUE N Billion	YEAR OF FINAL REDEM- PTION
1.	Edo	Floating Rate Revenue Bond	1	2006
2.	Akwa Ibom	-	6	2005
3.	Delta	70	5	2007
4.	Crass Rom	Floating Rate Revenue Redeemable (Tourism Development Bond)	4	2007
5.	Lagos	Redeemable Revenue Bond	15	2009

As at the time of preparing this report the Commission was yet to receive confirmation of the redemption of the Edo and Akwa-Ibom states government bonds.

#### OTHER MATTERS

- c. The Commission commenced the process of developing a net capital requirement (Net Capital Rule) for stock broking firms. The essence is to ensure that stock broking firms maintain a healthy level of liquidity in order to protect investors' funds and securities.
- The Commission is addressing the issue of fractional shares in the capital market and the consequences of allowing the matter to remain unaddressed.

- The issue of non-lodgment of share transfer forms with registrars due to the frequency of exchange of shares. The Commission is sensitizing stakeholders on this issue.
- The Commission took steps to contact Diamond bank plc in respect of its moves to take over the distressed ALB bank in order to impress on the bank the need to secure investors funds (unclaimed dividends and return monies) trapped in the later.
- a It was noted that public companies who had unsubscribed, warehoused shares, were paying dividend in respect of those shares. Since the shares were not underwritten, it was wrong for dividend to be paid for those shares, as there were no shareholders for the shares.
- The Commission is working towards addressing the lingering issue of moribund companies whose securities are listed on the exchange.

#### TREND ANALYSIS FOR RATIOS

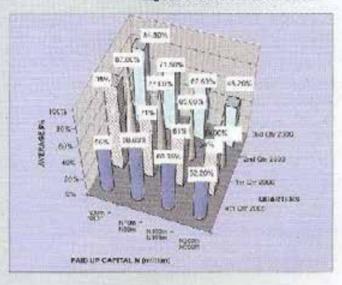
In an attempt to develop performance marks for the purposes of compariso Commission is developing a data baselight set back due to the fact that pathe last share capital increment required share capital for broker/dewas N20 million, however, it has now increased to N70 million. Consequents data bank has been revised in the log present realities.

Sequel to the increase in share capital Capital Market Operators and separation of broker/ dealer function. Brokers and Dealers functions as well as separate share capitals assigned to the the market now has four categories of stapitals. Under the regime, please overloaf the trend analysis of the operators performance of the operators based "CAMEL RATING"

#### **EQUITY TO TOTAL ASSETS**

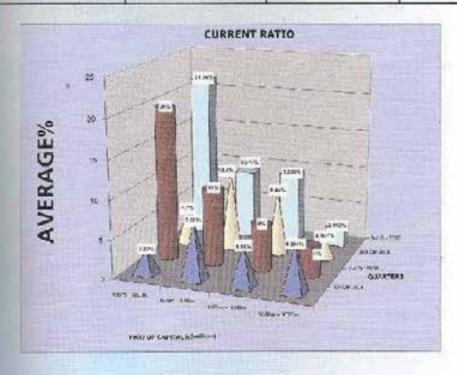
_116	N30m N60m	N70m N99m	N100m N199m	N200m N600m
4th Qtr 2005	56%	68.63%	60.36%	52.20%
1st Qtr 2006	95%	71%	61%	54%
2nd Qtr 2006	87.00%	77.00%	65.00%	69.00%
3rd Qtr 2006	84.50%	71.50%	62.60%	48.20%

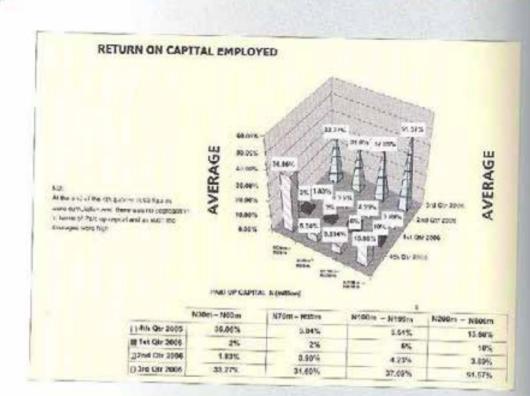
#### **EQUITY TO TOTAL ASSETS**

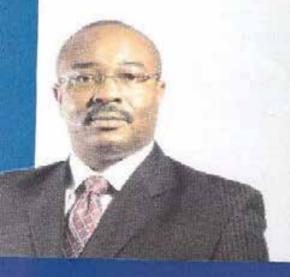


#### **CURRENT RATIO**

N30m N60m	N70m N99m	N100m N199m	N200m N600m
3.27	7.58	5.18	6.204
20	10	6	- 4
4.7	10.4	8.44	2.937
21.36	8.977	9.226	2.449







Udora Charles Afamefuna
Deputy Director/HOD Investigation & Enforcement

# FINANCIAL STANDARDS & CORPORATE GOVERNANCE

In pursuit of the implementation of good corporate governance amongst quoted companies and with a view to maintaining confidence in the stock market, the Commission through the Financial Standards and Corporate Governance Department carried out the following activities during the period under review.

#### ANALYSIS OF ANNUAL REPORTS (ISSUES AND OBSERVATIONS)

Reports of 70 Companies in various sectors of the economy in the year 2006. The aim of the review was to encourage issuers in the Nigerian Capital Market to improve the saality of their financial reporting, so as to more up investors confidence in the market. It will also reduce on site respection and therefore the cost of market requestors.

Annual Reports of the seventy (70) sected companies reviewed during the manage as follows;

2	2
mobile & tyre	2
ec .	2 2 2
name & Paints	2
and office equipment	2
SIEMBER CO.	2
TOTAL TOTAL	5
mang market	1
Domestic product	3
ing materials	4
D CET	5
	2
and publishing	5
Severage & Tobacco	4
	25
Marketing)	2
	70

# HIGHTS OF OBSERVATIONS

Commission observed the following

#### MEDIT AND LOSS

profitability and liquidity

b. The published profit and loss account in some companies did not include appropriation accounts, which is a complete departure from the usual company presentation format as could be confirmed from the prior year's presentation.

#### **BALANCE SHEET**

- Some companies did not treat their unclaimed dividends as liabilities until they revert to the company's assets in accordance with the law.
- Some of the companies are highly geared.
- Some of the companies suffer poor working capital management.

#### AUDITORS' REPORT

Non-fixing of ICAN official seal on the Audited annual report and accounts and non signing of Auditor's reports in a few cases.

# RESPONSES RECEIVED FROM COMPANIES

Observed lapses were communicated to Companies and their responses were duly received. Major highlights in the responses from the companies were:

#### Profitability and working Capital Management:

The companies affected intend to raise additional capital by going to the capital market. The proceeds will be invested in fixed assets (plants) and raw materials acquisition (working capital management). These are expected to boost profitability and improve working capital positions.

#### Debt profile:

Concerned companies noted the Commission's comments and had taken appropriate cost reduction measures.

#### Depreciation Policy:

All the Companies noted the Commission's comments on the issue. The Commission also recommended External Auditors for appropriate action that would be taken on the company.

#### 3. WORK PROCEDURE AND HALF YEARLY RETURN FORM FOR PUBLIC QUOTED COMPANIES ON CORPORATE GOVERNANCE AND FINANCIAL REPORTING

The Commission has put together a draft form and published it on it's website for comments.

With this form, companies will be required to disclose half yearly issues relating to their corporate governance and other financial disclosure compliance.

#### a. Inter-Agencies Meeting on Corporate Governance Issues

As part of the Commission's strategy in implementing the Code of Corporate Governance amongst Shareholders Associations, the Commission hosted a special meeting on the governance of Shareholders Associations with representatives of the CBN, BPE, CAC, NAICOM, and The NSE in order to.

- Promote corporate fairness, transparency and accountability
- Protect and enforce the rights and privileges of all shareholders as well as directors
- Ensure that the shareholders individually, collectively and positively influence the standard of corporate governance with a view to maximizing stake holder value.

#### b. World Bank

During the year, meetings were held with representatives of NASB on Corporate Financial Reporting reform under the aegis of the World Bank. As requested, the Commission submitted its input into the Nigerian Accounting Standards Board work plan which was approved by the Ministry of Finance and The World Bank for Implementation.

Based on the agreed 14 point country action plan approved for the Commission, it is required to start its capacity building (specific and general) plan, acquire a mini professional library, and design its own software and hardware.

The Commission would hold Reworkshops/seminars in three (3) resnamely Port Harcourt, Kano, and, Laga National workshop in Lagos in 2007.

# 4. LIAISON WITH OTHER PROFESSIONAL BODIES

#### a. Nigerian Accounting Standards Board (NASB)

The Commission, during the period uncertainty, collated Internal comments of following Exposure Drafts from the Nigeral Accounting Standards Board (NASB):

- a. Segmental reporting
- b. Interim financial reporting
- c. Research & development cost
- d. Provisions, contingent liabilities a contingent assets,

This is preparatory to the upcoming Council meeting of the NASB that would approve the issuance of the new Accounting Standards for public use.

#### B. Institute of Chartered Accountants of Nigeria (ICAN)

The Institute of Chartered Accountants of Nigeria (TCAN) issued eleven (11) sets of Exposure Drafts as part of its efforts in regulating auditing practices in the country. The Institute also requested the Commission's comment on the Exposure Drafts.

#### 1. COMPOSITION OF BOARD

The Commission took note of the composition of the Board in line with the requirements of its Code of Corporate Governance.

The Board of Public Companies should have the following attributes:

 The size of the board should be determined in the main by the nature, size and complexity of the company as well as its stage of development. The code prescribes

- a minimum of five and a maximum of fitteen.
- A mix of skills and experience of the Board members that would be needed to effectively perform its oversight functions.
- A substantial degree of independence from management to enable it provide objective independent judgment of its oversight function.
- Majority of its directors on the board should be non-executive to ensure the independence of management. The positions of the CEO and Chairman should be held by different individuals.

#### **Board Organization**

- The Board of Public Companies should make use of Committees to address key areas in more depth than may be possible in a full board meeting.
- Membership and chairmanship of the committees should be decided by the full board.
- The committees should report their activities to the Board on regular basis.
- The committees to be established in this regard include but are not limited to Audit, Remuneration/compensation, Finance, Nominating/ corporate governance atc. The responsibilities of each committee should be clearly defined.

#### 2. AUDIT COMMITTEE

 It is said that a qualified, independent and tough minded audit committee represents the most reliable guardian of the public interest.

The objectives of audit Committee Include:

- Increasing public confidence in the credibility and objectivity of published financial information.
- Assisting the directors (especially nonexecutive directors) in meeting their responsibilities of financial reporting.

the independent position of a

additional channel of communication

#### Composition and Role

- An audit committee should have well defined charter/terms of reference in accordance with \$359 (3&4) of CAMA.
- The Committee should be composed of equal number of Directors and Shareholders subject to a maximum of six.
- Membership should be for a fixed tenure but should be eligible for re-election.
- Non-executive directors serving on the Committee should be independent of the company (i.e. free from any business or other relationship).
- Members of the Committee should be able to read and understand basic financial statements, and should be capable of making valuable contributions to the Committee
- Undertakes on behalf of the shareholders responsibilities for oversight of effective internal control, reliable financial reporting which complies with regulatory requirements and corporate code of conduct.
- The Committee should review not only external auditor's reports but also most importantly, the report of the internal auditor.
- The performance of the Committee and its members should be evaluated periodically.
- The Committee should maintain constructive dialogue with the external auditors and the board and enhance the credibility of financial disclosures.

# Observations/ lapses from some of the reviews carried out by the Commission. In the course of the Commission's review, the following were observed in the market.

- Some companies either do not invite the Commission or send in their invitations for Annual General Meetings (AGM's) late to the Commission. This sometimes affects monitoring of AGM's by the Commission.
- All companies are required to state their compliance with the Code of Corporate Governance in their Annual Reports and Accounts. But only very few are complying with this disclosure requirement.

- Some companies do not include in their Annual Reports and Accounts, the remuneration of its executive/non-executive members and nomination of shareholders to the different committees of the companies, as required by the Code of Corporate Governance.
- In some cases, the Commission observed the nomination of same company's finance Director as a member of their company's Audit Committee which should not be.

**ACTION TAKEN** 

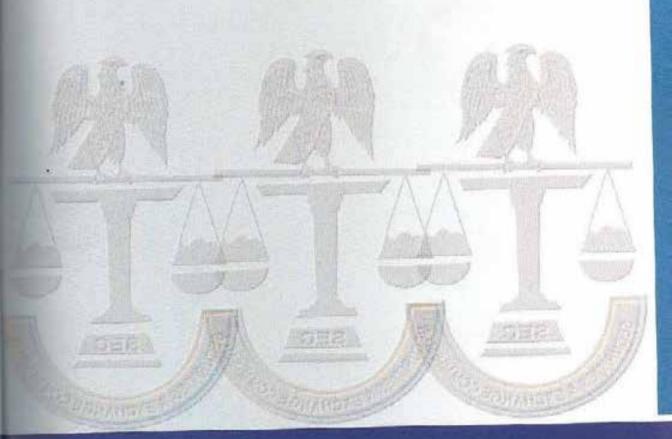
- The Commission sent letters to the quoted companies concerned on the need to disclose areas of compliance with the Code of Corporate Governance in their Annual report and Accounts.
- · The Commission is currently reviewing the

Code of Corporate Governance with a to recommending grey areas and remoinconsistency capitalized on by companies.



Section4

SERVICE DEPARTMENTS



#### Project e-SEC

In meeting the challenges for effective regulation in the face of improved technology within the Securities' market, the Securities & Exchange Commission (SEC), brought new technological initiatives to bear on its internal processes and external activities. These initiatives, which are simply referred to as Project e-SEC, witnessed a tremendous level of progress during the year under review.

With a view to ensuring its alignment with the Commission's corporate vision, Project e-SEC was, among other objectives, designed to effectively and efficiently automate the Commission's back office operations. It was also to support real-time online operations of the Commission's front end activities.

In brief, the following represents the progress attained during the review period:

#### Lawson ERP Implementation

The series of implementation steps carried out during the year culminated into a preliminary go-live of the ERP software application. To fully consolidate the application, the following exercises would be undertaken in 2007 to enable SEC derive optimal benefits from the integrated system:

- a) Life data input for all modules
- b) Parallel running of the various modules & processes
- c) Generation of Reports (standard & customized)
- d) Periodic closing of transactions (monthly, quarterly & annually)
- e) End user trainings for post go-live self confidence
- f) System Administrators trainings for post golive technical support.

#### e-Surveillance

Following the completion of civil and technical works at the SEC's Head office in Abuja and its Zonal offices in Lagos, Kano and Port Harcourt, the period under review witnessed the actualization of the c-

Surveillance links of the Commission with Nigeria Stock Exchange (NSE) in La Thus, SEC can now log on to the traerigine of the NSE and monitor traactivities online real time.

To facilitate the effective use of surveillance tool, a hands on train programme was attended by the release staff of the Commission during the period.

#### Image/Document Management.

The review period witnessed the success completion of the implementation of preliminary phase of the image/Document, Management System which involved the installation, configuration and running of the software application. Over 500 pages of SEC's vital document were scanned upon completion consolidate the gains derivable from system, arrangements were perfected during the year to extend scanning as storage services to cover the remaining documents of SEC, which number over million pages.

#### On-Line Registration Management System (eFORMS)

During the review year, the preliminary design and development of this Application was completed. The Beta version of the system, which was also configured on SECs Server during the year, is presently being tested by the Commission.

It is expected that, in year 2008, the necessary hosting plan would be put in place to facilitate the early deployment of this application for use by SEC and the general public.

#### Voice Over Internet Protocol (VOIP)

The use of Internet bandwidth to make voice calls between the SEC's Head office and its three (3) Zonal offices were initiated during the period under review. Upon completion, toll free lines are expected to be available in Abuja and the Zonal offices of the Commission.

#### Dynamic Capital Market Databank

The Commission, during the year, embarked on the development of a Capital Market Databank. Designed to be dynamic in nature, the databank portal, upon completion, is expected to provide rich capital market information for investors, market operators, researchers, academicians and the general public.

#### Dynamic Websites

The design and development of dynamic websites for both the SEC and NCMI were independently commenced within the year under review. Unlike, the former static websites, the two sites, upon completion, will enable on-line real time up loading of information.

#### New e-mail Regime

In its effort to re-brand the conventional way of electronic communication within and outside the Commission, our Mail Exchange Server was successfully configured during the period. In line with the Commission's new domain name (i.e. <a href="www.sec.gov.ng">www.sec.gov.ng</a>), all e-mail addresses would now be in the form of <a href="www.sec.gov.ng">wsec@sec.gov.ng</a> while the Commission's official address now becomes <a href="mailto:sec@sec.gov.ng">sec@sec.gov.ng</a>.

With a view to consolidating the gains of the corporate mail system, plans are under way by the Commission to extend the corporate mail services to the Zonal offices in 2007.

#### I-guard Blometric Devices

A Biometric device known as **IGUARD** was installed and configured in the Lagos Zonal Office during the period under review. The device, which has been designed for effective security, is to serve as an access control mechanism to the e-surveillance facility room. Five staff of the Commission were successfully trained on the operation of the tool.

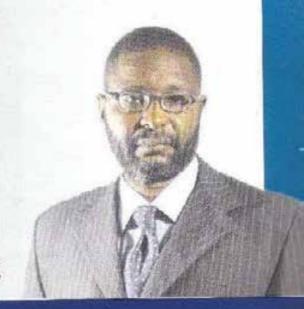
#### Wide Area Network (WAN)

The installation of the Commission's Wide Area Network (WAN) was completed and tested during the review period.

With the WAN in place, all Zonal offices as well as the Head office can now monitor trading on the floor of the NSE directly from their location. Furthermore, based on their individual access privileges, Zonal offices can log on to any SEC's Application on the network.

#### IT Literacy Training

The Information Technology Department designed and effectively ran IT Literacy training programmes for staff of the Commission during the year. This was in line with the Commission's goal that all staff should be IT literate by the end of 2006. Altogether, about 120 staff, from both the Head Office and NCMI, were trained.



Abubakar Tijjani Abba Departy Director/HOD Information Technology The Investments and Securities Act No. 45 1999 vested the Commission with increased responsibilities and challenges. For effective execution of her mandates, the Commission intensified training and good welfare packages to equip staff to cope with the new challenges in the capital market.

The Human Resources Department has the responsibility of recruiting, developing and retaining highly skilled and motivated staff for the effective and efficient regulation and development of the Nigerian capital market.

Below is the report of activities of the Department for 2006:

#### CREATION OF NEW CADRE/ ELONGATION OF SECRETARIAL CADRE

The Board of the Commission, at its 20% and 21% 'meetings' held on May 24% and July 5% - 6%, 2006, approved the creation of new cadre and elongation of the Secretarial Cadre respectively in the Commission. They are:

- 1. Principal Manager
- 2. Deputy Manager
- Chief Personal Secretary (Equivalent of Principal Manager)

 Principal Personal Secretary (Equivalent of Senior Manager)

#### 2. LIFE ASSURANCE FOR STAFF

Management of the Commission granted approval for staff group life Assurance. It is effective from 14° March 2006 for (1) one year.

#### 3. PROMOTIONS

The Commission's Board at its meeting held on 24° May, 2006 approved Executive/Senior Staff promotions for the years ended 2003, 2004 & 2005 respectively, 192members of staff benefited.

Also, the Executive Management Committee at its meeting of August 10, 2006 approved Junior staff promotions for the years ended 2004 & 2005. 128 members of staff benefited.

# TRAINING AND MANPOWER DEVELOPMENT

#### (a) FOREIGN TRAINING.

The analysis of foreign training programmmes attended by various categories of staff is as follows:

S/N	Level	Numbers of Participation	%
1	Top Executive	4	3.3
2	Director	6	5
3	Deputy Director	16	13.3
1	Assistant Director	25	21
5	Senior Manager	23	19.2
6	Manager	39	32.5
7	Board and Visiting Prof	3	2.5
8	Non SEC Staff	3	2.5
9	Assistant Manager	1	0.8
$\neg$	TOTAL	120	100

IOSCO PROGRAMMES/COURSES: participation in TOSCO Programmes is inclusive of both SFC staff and non SEC staff

Level	Number of Participants	%
Top Executive	7	175
Director	8	17.5
Deputy Director	3	20
Assistant Director		7.5
Senior Manager	3	7.5
Manager	2	5
	3	7.5
Board and Visiting Prof	3	7.5
Assistant Manager		
Non SEC Staff	11	27.5
TOTAL	40	100

#### LOCAL COURSES

A total of 392 members of staff attended local training programmes during the period under review.

Levi	Executive	Number of Participants	9/6
lob !	executive		
Direc	tor	6	
Depu	ty Director		1.53
Assis	tant Director	26	6.63
	r Manager	17	4.34
Mana	Committee of the Commit	25	6.38
100000000000000000000000000000000000000	Marie Control of the	32	8.15
	ant Manager	102	26.02
-	Supervisor	59	17.06
Super		18	4.59
Senior	Clerk/Clerk/Messenger	56	14.29
Secret	arles		
Total	Total	41	10.15
	The state of the s	392	100



#### (d) IN-HOUSE COURSES

Within the year under review, 15 In-House Workshops were conducted for 456 members of Se of different levels. Below is the list of the workshops and number of staff that benefited freech course.

S/N	WORKSHOP TITLE	No. Of Participants
1	Induction Course for NYSC/IT engaged in the Commission (Batch A)	89
2	The New Pension Law and how it Operates	30
3	The Making of the 21" Century Personal Assistant's and Secretaries	25
4	Attitudinal Re-Orientation for Effective and Efficient Productivity	27
5	Effective Management Techniques for Higher Result	27
6	Financial Analysis Treasury Management and Accounts Reconciliation	28
7	Effective Security	30
8	Corporate Drivers	28
9	Front Office Staff for Awareness and Re-Orientation	30
10	Effective Management Techniques for Higher Result (2 Run)	27
1	Work Attitude and Corporate Culture	28
2	Value for Money Audit	27
3	Corporate Fraud Training (Money Laundering and Cyber Crime) (Second Run)	30
	TOTAL	456

In general, a total of 1,008 (one thousand and eight) participation per head were recorded in various courses/Training during the period under review. Below is the Summary:

Local Courses	392
In-House	456
Total	 1,008

From the foregoing, it is noted that 2006 recorded an unprecedented number of staff participation in various courses. This is, no doubt, a mark of confirmation of the Commission's commitment to staff capacity building with a view to ensuring effective and efficient job delivery.

#### STAFF WELFARE

#### NATIONAL HEALTH INSURANCE SCHEME(NHIS)

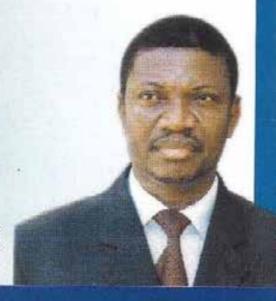
Following the Federal Government's directive for the commencement of registration of public servants with the NHTS, staff of the Commission were registered and are awaiting cards from the NHIS.

#### LONG SERVICE AWARD

During the period under review, four (4) staff of the Commission were granted long service awards for serving the Commission meritoriously for a period of ten years and above.

#### LOANS:

A total of eighty eight (88) staff benefited from various loans offered by the Commission during the review period.



A.U.O. Anyameluhor Deputy Director/HOD Human Resources The Corporate Affairs Department is principally responsible for managing the public relations matters of the Commission by ensuring that adequate publicity of the activities of the Commission are carried out.

During the year under review, the department sustained its good relations with the media. Protocol services were also rendered to major stakeholders.

Highlights of some of the major activities are as follows:

#### 1. MEDIA

Following increasing activities of the Commission and the greater need to communicate with various stakeholders, media activities during the year were enormous and the department was sufficiently empowered to carry out these functions, thereby making the Commission to be more visible in the media.

Several press releases were issued and published in the national dailies, Nigerian Television Authority, AIT, Federal Radio Corporation of Nigeria and other major media institutions both locally and internationally. These releases were issued to bring the Commission's positions, darifications and polices to the various stakeholders and the general public.

The department also published several circulars and public notices on major policy decisions, and other actions taken by the Commission in its bid to make the market more transparent.

Special reports and supplements were made in major newspapers while various other reports were syndicated on important issues. Other activities of the Commission, including signing of MMOU with foreign regulators, were made adequately publicized during the year.

Also, in order to ensure better reportage of the capital market in particular and the Nigerian economy in general, the department, in conjunction with the Nigerian Capital Market Institute (NCMT), organized training sessions for journalists.

The Commission also sponsored training programmes organized by the Finance Correspondents Association of Nigeria (FICAN), an umbrella body for finance sector reporters and the Capital Market Association of Nigeria (CAMCAN), a body of capital market reporters.

#### 2. PUBLICATION

The bi-monthly SEC News magazine edited by the department containing issues on latest developments in the capital market and the Commission, were published as scheduled throughout the year under review.

#### 3. PUBLIC RELATIONS

During the period under review, the department addressed specific communication challenges which delivered measurable and positive image for the Commission with its numerous stakeholders.

The department also processed travel documents for staff of the Commission who attended foreign courses and conferences.

#### 4. PROTOCOL

The department has been directly involved in the Commission's events and conferences by providing protocol services and such events have significantly impacted favourably on public perception of the Commission and its role in developing and regulating the Nigerian Capital Market.

#### 5. CORPORATE GIFTS

Customized gifts have been a potent tool which the department used in supporting

the Commission's enlightenment programmes.

Both internally and externally our corporate responsibilities have been well spread to create positive perception as a socially responsible regulator.

Ismaila Moh'd Ville
Assistant Director/HOD Corporate Affairs

# THE NIGERIAN CAPITAL MARKET INSTITUTE (NCMI)

In the quest for an institution for training and development in the capital market in Nigeria and pursuant to S.8(p) of the Investments and Securities Act (ISA) 1999, which empowers the Securities and Exchange Commission (SEC) to promote investor's education and training of all categories of intermediaries in the securities industry, the Nigerian Capital Market Institute (NCMI) was established.

The Nigerian Capital Market Institute is therefore established to provide continuing education to all operators and other stakeholders in the market in order to fill the Knowledge gaps in the industry. It is also required to build capacity and update knowledge on topical issues affecting the market. The Nigerian Capital Market Institute is a training and market research institute.

The training mandate of the institute is the provision of educational and training services to all investors and intermediaries in the securities industry. To this end, the institute designs and delivers purpose-built and appropriate courses to meet the specific training needs of capital market operators and other stakeholders.

The aim is to develop and maintain a critical mass of enlightened capital market professionals who posses the requisite technical and analytical skills to function effectively and creditably with good understanding of best practices in the capital market.



#### PROGRAMME

During 2006, the Nigerian Capital Market Institute conducted seven (7) workshops with a total of 432 participants. The participants cut across the entire market operators and other stakeholders. The interactions and participation at the programme were highly impressive and qualitative.

Worthy of mention was the mandatory workshop jointly organized by The NCMI and Chartered Institute of Stockbrokers (CIS) which was a big success with attendance on the average of over 120 participants. The beauty of the mandatory workshop was the intensity of the programme content, the knowledge acquired, interaction, practical issues and information sharing.

Of note was the workshop on Effective Capital Market Operation and Renewal Strategies. The participants called for the institutionalization of the programme and that it be made compulsory / mandatory for all new entrants and renewals in capital market operations.

#### 2007 PROGRAMMES

The programme outlook for 2007 was fashioned out to include development programmes in line with the programme blue print. The development programmes are in modular forms. Modules 1 and 2 are basic foundation stages, modules 3 and 4 are intermediate stage while module 5 is the advanced stage. Stage 1 entails understanding capital market, module 2 dwells on capital market operation, module 3 touches on corporate finance and investment banking while module 4 captures investment management. The last module relates to advance investment management.

The Institute is also planning to organize a workshop for capital market operators and CEOs of public companies on the utilization of half yearly roturn forms to test compliance with corporate governance and financial reporting.

Abdul Zubairu

Deputy Director/Head, The Migerian Capital Market Institute (NCMI) During 2006, the Administration Department provided services in the areas of purchases, supplies, premises maintenance, transport and communication.

The Department, under the directive of Management, ensured the acquisition of a Head office building in Abuja and a zonal office building in Victoria Island, for the Lagos Zonal Office as well as a permanent office for the Nigerian Capital Market Institute in Abuja.

#### PURCHASES AND SUPPLY

The Department made purchases and ordered for the supply of essentials within the limited resources at its disposal as provided in the budget.

#### Stores

A total of 182 items inspected and certified by the Quality Control Committee were received into the store. They include

- a. Printed items
- b. Stationary
- c. Electrical items
- d. Office equipment
- Provisions

#### 2. PRE-QUALIFICATION EXERCISE

The Department undertook the prequalification of suppliers for the following items:

- Office stationery and accessories
- Electrical/Electrical accessories
- IT stationeries and Accessories
- Beverages and other provisions
- Toiletries and sanitary items
- Printing of SEC forms/Publications and other customized items

A total of 87 companies applied, out of which 47 met the criteria of the Commission.

#### 3. PREMISES AND MAINTENANCE

Premises and maintenance Division carried out several activities towards providing a conductive working environment for the Commission. These activities include the following:

#### i. Head Office

In ensuring that the Commission relocates to it's permanent head office, the Commission, after observing due process, ensured the provision of the following in the new Head Office.

- Partitioning of all floors
- Provision and installation of suspended ceiling
- Provision and installation of PABX facilities
- Provision of public address system.
- Provision of fire fighting equipment
- Relocation of the chilling machines from the halls
- Marbling of the executive floor
- Installation of vertical window blinds
- Provision of DSTV facilities
- Installation of surveillance security system
- · General furnishing of the offices

A new Security outfit, Lynx Security, was engaged for the office.

#### ii. Lagos Zonal Office:

In order to reduce the rent burden of the Commission, a suitable office was purchased for the Lagos Zonal Office at No. 3, Idejo Street, Victoria Island. The Commission is working towards making arrangements to make the office habitable for staff.

# iii. Nigarian Capital Market Institute [NCMI]

In pursuant to the Commission's goal of making the Institute achieve International standards, a sizable property located at 14, Yauri Close, Garki II, Abuja, was acquired.

Efforts are in place to ensure that alteration and other architectural works are done towards having open halls for conferences, lecture halls, business centre etc.

#### 4. TRANSPORT AND COMMUNICATION

The transport unit continued to maintain all official motor vehicles towards addressing the vehicular needs of the Head office and zonal offices.

In the area of communication, the following installations were made:

- PABX installation at Kano zonal office.
- Faxfilm/Fax machines Intercellular lines
- Modular jack socket
- Inverter, regulator and back-up battery

Also, repairs were carried out on the PABX machines and intercomlines.



# Section 5 zonal offices



#### KANO ZONAL OFFICE

In pursuance of the objectives of establishing Zonal offices a lot of progress has been made since the inception of the Kana Zonal Office (KZO) in July 2002.

The report of the activities of KZO as at the end of 2006 is as follows.

- Investigation and Enforcement A total of 184 cases were handled and processed during the period under review.
- Registration of Market Operators Four (4) applications for registration of market operators are under going various stages of processing.
- 3. The First Zonal Conference on Reactivation of the Bond Market. This conference was hosted by the Kano Zonal Office between November 29- 30, 2006 at the Murtala Mohammed Library Complex, Kano. It was attended by participants from both the public and private sector of the economy, mostly from Kano, Jigawa, Yobe, Katsina, Kaduna, Zamfara, Sokoto and Taraba states as well as the Federal Capital Territory.

- 4. Public Enquirles and Students Excursions: A total of 270 persons visited KZO during the period under review, including students on educational excursion from the following institutions:
- Jigawa State Polytechnic
- Kano State Polythecnic
- Accounting Students Association of the Bayero University, Kano.
- 5 Trading at Kano Trading Floor of The NSE: Trading activities were not recorded on the Kano Trading floor of The NSE for a 3 month period in 2006. This is attributed to connectivity problem with NITEL. However, the exchange has assured that work was being done on its VSAT programme for smooth linkage with the trading engine in Lagos.



### HARCOURT ZONAL OFFICE

==20 carried out the following activities e-year under review

#### PLAINTS RECEIVED

the year under review, a total of 37

#### SOLVED COMPLAINTS

of five (5) complaints were resolved.

# ESSTRATION / RECOGNIZED

Tane attended to the following during seried under review

BRANCHES OF THE NIGERIAN

BRANCHES OF THE NIGERIAN

BRECHANGE (NSE)

#### GENERAL MEETINGS ATTENDED:

Breweries Plc

Auminum Extrusion Industries

#### The Union Bank Pic

STATEUTIX PIC

Shareholders of International
Shareholders of International
Shareholders of International

and the late

Fund.

JAPAUL Oil & Maritime Services

### HUBBUK Pic

- Assurance

#### NET DEVELOPMENT

# MEMBERS OF SEC WITH MEMBERS WITHIN PORT

session for the SEC board Stakeholders within the area of PHZO was held during the SEC Board Members to the Zonal

# ENUGU

represented the Commission at international trade fair held from Friday 13" March Monday 10" April, 2006

#### 2<sup>ND</sup> ALL-NIGERIA SECONDARY SCHOOLS QUIZ COMPETITION ON THE NIGERIAN CAPITAL MARKET

The 2" all Nigerian Secondary Schools quiz competition for South-South Zone was conducted at the PHZO during the period under review.

#### TALK ON CAPITAL MARKET OPERATIONS/ INAUGURATION OF CAPITAL MARKET CLUB IN SECONDARY SCHOOLS

Public awareness of the capital market in secondary schools and the launching of capital market clubs were carried out in the following schools namely:

- Federal Government College, Ikot Obio Itong Mkpat Enin, Akwa- Ibom state.
- Jephthah Comprehensive Secondary School, Port Harcourt.

#### PARTICIPATION AT THE 2<sup>NO</sup> PORT, HARCOURT INTERNATIONAL TRADE FAIR FROM 8<sup>NI</sup>- 18<sup>NI</sup> DECEMBER, 2006

The PHZO represented the Commission at the 2" Port Harcourt International Trade Fair held on the 8" - 18" December, 2006.

#### PUBLIC ENLIGHTENMENT PROGRAMMEAT BENINCITY

During the period under review the PHZO represented the Commission at the above mentioned programme held on the 14" December, 2006 at the Benin Club, Benin City



Mr. U. S. Mohammed Director/Hood, Port Harmourt Zonal Office

## LAGOS ZONAL OFFICE

Below is the summary of the activities of the Lagos Zonal Office for the year 2006:

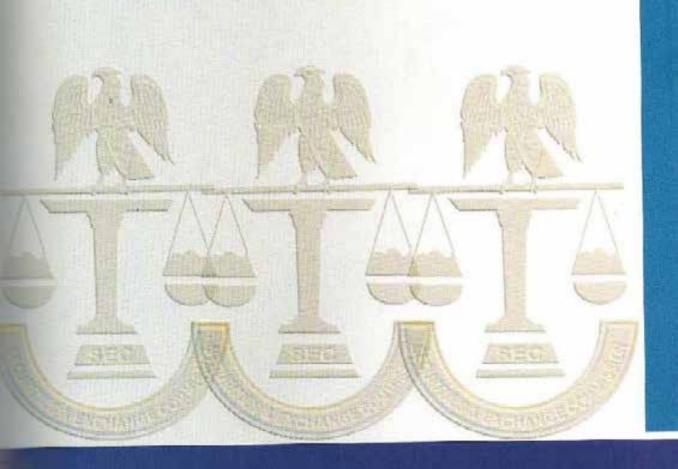
	Investigation and Enforcement (I&E)		
i)	Total number of Cases treated		
H)	Cases concluded and closed		681
iii)	Cases recommended for enforcement		95
	The state of the children of the state of th		4
	Registration and Recognized Investment		
715200	exchanges (RRIE)		
i)	Annual General Meetings attended		22
ii)	Extra Ordinary General Meetings attended		33
iii)	Completion Board Meetings attended		18
lv)	Pre-registration inspections	111 200	33
v)	Police Clearance reports processed		157
vi)	Other Inspections (Target, Routine etc.)		508
0	Trapectoris (larger, Routine etc.)	-	27
	Admin/Research & Market Development		
i)	CMC Meetings hosted		
ii)	Students Excursion hosted	10	4
iii)	Quiz competitions for secondary schools		2
iv)	Sub-committee meetings/Meetings with		2
10	Stakeholders hosted		
	Systemotocis Hosted		43

## Other major events hosted in the zone

- Workshop on the reactivation of Bond Market at Ijebu Ode
- Annual Capital Market Conference. ii)



# Section 6 ANNUAL ACCOUNTS



Chief John D. Edozien Chairman

Musa Al-Faki Director General

Suleiman A. Kwari Member

Elder David O. Ogwu . Member

HRH, Igwe Frank O. Nweke Member

Alh. Shaaba Laflagi Member

Alh. Hamidu Mahmud (Walin Mubi) Member

Sir Kayode Julius Otitoju Member

Alh. Mohammed Danjani Usman Auyo Member

Alh. J. I. Zarewa (Rep. Fed. Min. of Finance) Member

Dr. Chidozie Emenuga (Rep. of CBN) Member

Mrs. Salamatu Hussaini-Suleiman Secretary

Auditors Messrs Ugochukwu Nwankwo & Co

(Chartered Accountants)
1, Obalodu Street
Ilupeju, Lagos

Bankers Zenith Bank Pic

Fidelity Bank Pic

Guaranty Trust Bank Pic First City Monument Bank

Access Bank Pic Central Bank of Nigeria

Head Office SEC Tower

Plot 272, Samuel Adesujo Ademulegun Stroot,

Central Business District P.M.B. 315, Garki Abuja

Lagos Zonal Office No 3, Idejo Street,

Off Adeole Odeku Street, Victoria Island Marina

P.M.B. 12538, Lagos

Kano Zonal Office African Alliance House (4th Floor)

F1, Sani Abacha Way/ Airport Road

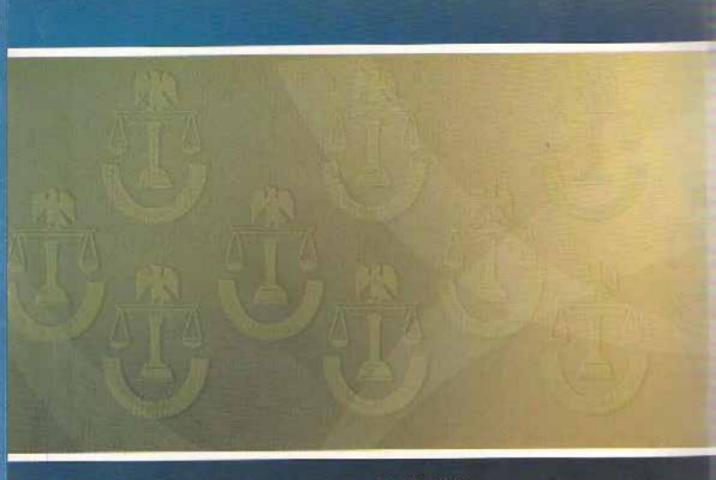
Opposite KLM Airlines

Kano

Port Harcourt Zonal Office First Bank Building

22/24 Aba/ Port Harcourt Road

Port Harcourt



#### Corporate Head Office

SEC Tower Plot 277, Samuel Adesujo Ademulegun Street, Central Business District P.M.B. 315, Garki Abuja

#### Lagos Zonal Office

No 3, Idejo Street, Off Adeola Odeku Street, Victoria Island Manna P.M.B. 12638, Lagos

#### Kano Zonal Office

Aintain Alliance House (4th Floor) F1, Sani Abacha Way/ Airport Road Outcome KLM Airlines Kano

#### Port Harcourt Zonal Office

First Bank Building 22/24 Aba/ Port Harcourt Road Port Harcourt