THE INVESTMENT AND SECURITIES ACT (ISA) AMENDMENT BILL

Senator Mohammed Hassan ***(Yobe South)***

Mr. President, distinguished colleagues, the Investment and Securities Act is the regulatory and institutional framework on which the investment and securities market in Nigeria operates. The Act establishes the Securities and Exchange Commission as the apex regulatory authority for the Nigerian Capital Market as well as regulator of the market to ensure the protection of investors, ensure competition, efficiency, transparency and development of the market in an orderly fashion.

The amendment here seeks to strengthen the capacity of the Securities and Exchange Commission to deliver regulation of the market in an environment that is fair, equitable and accountable. This has become very necessary as we are striving to curtail corruption and strengthen our agencies capacity to be accountable and operate within international best practice orientation. This amendment heavily leans to improving the SEC' regulation especially on bonds. This is to ensure and to maintain proper standards of conduct and professionalism in the bond securities business.

Mr. President, distinguished colleagues, we have seen a new and worrying practice where public institutions accessing the bond market in a manner that undermines the integrity of the market and weaken its ability to grow efficiently for the use of genuine investors in the public or private sector. A case in point here is where bond proceeds are applied for projects other than those for which the bond was first issued. With these amendments, the investing public is more than ever, guaranteed that their investment and risk is as placed on the bond offer. The SEC can now appoint a reputable financial institution licensed by the Commission as Custodians, for the purpose of warehousing bond proceeds for the duration of the execution of projects noted on the prospectus of such bond.

Also, the current amendment seeks to strengthen the Securities and Exchange Commission's power to enhance investors' confidence and improve ease of investing and doing business in Nigeria. This bill targets to reduce the cost of compliance to existing regulatory requirements that do not add to the efficiency of the market.

Distinguished colleagues, it is time for us to do whatever it takes to attract more and more investment into the country. This we can only achieve if we remove all the regulatory clogs in our market and free it up for greater efficiency and private sector enablement. It starts with cutting out unnecessary burden especially those that we can do without and has no clear and apparent usefulness. The amendment proposed here will see to the reduction of some of these unfair obligations on public limited companies. For instance, the obligation for public limited companies to register all their shares with the Securities and Exchange Commission where there is no immediate intention to issue all those new shares to investors. This amounts to frontloading of cost, which the affected company could have allocated to other needs.

Mr. President, distinguished colleagues, we have proposed here amendments that will now make it clear that whilst public limited companies are required to register their shares and other securities with the Securities and Exchange Commission before the said securities are to be issued, they do not need to do so immediately the securities are created if there is no immediate intention to issue those securities.

Another issue, you would find that this amendment has sought to address is the issue of technological adaptation. While there have been watershed changes in the technology in which the market operates today, there has been very little done to integrate and adapt the regulatory framework to meet with and be in tandem with the advancements that have been so far introduced in the market both locally and internationally. For example, public prospectuses are still expected to be printed and circulated in hard copies to prospective investors as part of the public offering requirements for shares. This requirement cost a whole lot of money to comply with and reduces the ability of our people to take the opportunity offered in the market to increase their investment. The beyond the cost, is the limitation it places on accessing these instruments. The amendment sought would expand the applicable window for public offers to include offering placed on websites and other electronic means without the need for hard copy prospectus. This would also reduce the cost of processing an offer both at the regulatory level and at the market level. It will also deepen participation in the market across physical spaces.

Mr. President Distinguished Colleagues, the current amendment also serves as an anti-corruption scheme as it has provisions that will further update the regulatory framework in the market to reduce the potential for insider trading and other such market vices. This has become necessary due to the vulnerabilities that has arising by the impact of technology and other recent advancements in the operation of the market. Insider trading regulation, remains a very important internationally accepted indicator of the level of advancement, integrity and transparency in the market. It is therefore crucial today as we strive to meet international best practices in our market practices and rules, that we are seen to be updating our regulations to ensure that we narrow the gap for market vulnerability to manipulation, to the barest minimum.

It is also envisaged that the current amendment would help align the market regulation with the coming into force of the Federal Competition and Consumer Protection Bill when passed to avoid overlaps and confusion in the market regulation scheme.

The implications of these amendment will be to deepen the reliability, attractiveness and culture of the Nigerian market to operate within the globally accepted standards of market operations. The implications for the Nigerian economy will be very positive as we work our way up towards a complete diversification of the Nigerian economy and the participation of the private sector in all aspects of our economy.

Mr. President, distinguished colleagues, this bill is one of our priority bills aimed at improving the Nigerian business environment and providing the right framework for greater accountability and stem the tide of corruption which has become critical for a proper development of the Nigerian market. I therefore ask all of us to support this bill and pass it through second reading.

Thank you Your Excellency.