

The ALP Review

CAPITAL MARKETS

Q2 2024

(1) **NGX Group's Investment in Ethiopian Securities Exchange (ESX)**

Nigerian Exchange Group Plc (NGX Group) has made a significant investment in the Ethiopian Securities Exchange (ESX), marking its entry into East Africa. This move, supported by FSD Africa and Trade and Development Bank Group (TDB), aims to foster growth and innovation in the African capital markets.

By this investment, NGX Group not only aim to contribute to robust regulatory frameworks and foster best practices within the ESX ecosystem but also provide technical assistance and capability enhancements to support ESX's operations and development.

Important stakeholders of the NGX have highlighted the strategic importance of this investment in promoting economic development and transparency in the region. The investment has also led to Mr. Temi Popoola, Group Managing Director/CEO of NGX joining the ESX's board as an NGX Group nominee. Following the capital raise, the Ethiopian Government will retain a 25% of the ESX, with private sector players holding 75%.

Comment

The NGX Group's investment in the Ethiopian Securities Exchange (ESX) is a strategic move that highlights the Group's commitment to fostering growth and innovation within African capital markets. We believe that the collaboration is capable of facilitating cross-border investment flows, enhance liquidity, and promote economic development across Africa.

[For more information, please click here](#)

(2) **Fund TLcom Capital Raises \$154 Million for African Start-Ups**

On 22 April 2024, TLcom Capital announced the completion of a \$154 million fundraising round aimed at investing in African technology start-ups.

This new raise nearly doubles their previous fund, signaling a potential resurgence in dealmaking within the continent's tech sector. The Africa-focused venture capital firm, which has supported numerous tech start-ups in East and West Africa over the past seven years, attracted significant investments from the US and Europe.

This milestone highlights growing global confidence in Africa's tech industry, even as the sector has faced a global downturn in funding. TLcom's strategic expansion into Southern Africa and Egypt aims to solidify its presence in Africa's largest markets.

Comment

TLcom's substantial raise reflects a positive shift in global investor sentiment towards African tech. As the sector navigates funding challenges, this investment provides critical support to start-ups, fostering growth and innovation.

[For more information, please click here](#)

(3) SEC to Delist Naira from Peer-to-Peer Platforms

In a communication dated 7 May 2024, the Director-General of Securities and Exchange Commission (SEC), Emomotimi Agama, disclosed Nigeria’s intentions to remove the Naira from all peer-to-peer crypto platforms to mitigate manipulative practices affecting the local currency in the foreign exchange market.

The decision to delist the Naira from P2P platforms aims to address ongoing manipulation concerns. The SEC also expressed plans to update its guidelines to ensure best practices.

Several fintech companies, including OPay, Palmpay, Kuda, Moniepoint, and Paga, have notified their customers of their intention to, in addition to sharing such customer’s details with relevant authorities, close the accounts of any customer found to have engaged in crypto or other virtual asset transactions. These fintech firms emphasised their lack of licence to trade cryptocurrency or facilitate P2P transactions.

Comment

We believe that this decision may lead to heightened pressure on the Naira, as there will be high demand for dollars for trading purposes.

For more information, please click [here](#)

(4) SEC Releases Exposure Draft on New Rules for Issuance and Allotment of Private Companies’ Securities

On 7 May 2024, the Securities and Exchange Commission (SEC) announced its Exposure Draft on the Proposed New Rules for the Issuance and Allotment of Private Companies’ Securities.

The draft introduces significant changes, including eligibility requirements, detailed registration processes, and specific conditions for issuing debt securities such as plain vanilla bonds and debentures. It aims to ensure that only financially stable private companies can issue securities, thereby protecting investors and maintaining market integrity.

The proposed rules mandate private companies to have a minimum operational track record, undergo ratings by recognised agencies, and restrict offerings to qualified investors.

In addition, the rules set stringent reporting and compliance obligations to enhance transparency and accountability. The SEC has invited stakeholders to review the draft and provide feedback, reflecting its commitment to fostering a robust and regulated capital market.

Comment

Stakeholders are encouraged to engage with the draft to shape a balanced regulatory framework that supports both innovation and economic stability. We expect some changes to the exposure draft depending on feedback from stakeholders.

For more information, please click [here](#)

(5) Wema Bank Successfully Concludes N40bn Rights Issue

Wema Bank, Nigeria's pioneering innovative bank and the creator of Africa's first fully digital bank, ALAT, has successfully completed the first tranche of its recapitalisation exercise. This milestone achievement follows the approval of its N40 billion Rights Issue by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC). The Rights Issue, initiated in December 2023, was fully subscribed, reflecting strong confidence from shareholders.

This initiative is part of Wema Bank's ambitious two-year N150 billion capital raise exercise. It aligns with the CBN's recent directive for commercial banks to raise fresh capital within 24 months, aimed at boosting the Nigerian economy and fortifying the financial services sector. Wema Bank's successful N40 billion raise is a significant step toward meeting the CBN's capitalisation requirements.

In addition to this financial achievement, Wema Bank's corporate ratings were affirmed at BBB by Fitch and upgraded to BBB+ by Agosto & Co., showcasing the bank's robust financial health and strategic foresight. The next tranche of the capital raise is expected to commence in Q4 2024.

Comment

This early accomplishment of its capital raise not only highlights Wema Bank's robust financial planning but also signals a strong vote of confidence from its shareholders. The development, no doubt, presents Wema Bank as a forward-thinking bank.

For more information, please click [here](#)

(6) Guaranty Trust Holding Company Plc (GTCO) Announces Proposed Offering of Ordinary Shares to Raise N500 Billion

Guaranty Trust Holding Company Plc (GTCO), has filed a preliminary "red herring" prospectus with the Securities and Exchange Commission (SEC) for a proposed offering of ordinary shares to raise up to N500 billion.

This marks the first issuance under a newly established multi-currency securities issuance programme aimed at raising up to \$750 million (or equivalent in Nigerian Naira) in the Nigerian/international capital markets during its validity period.

Key Highlights:

- **Proposed Offering:** Ordinary shares of 50 kobo each in GTCOPLC's share capital.
- **Objective:** To raise gross proceeds of up to N500 billion.
- **Use of Proceeds:** (i) For growth and expansion of GTCOPLC's Group businesses through investments in technology infrastructure, establishment of new subsidiaries, and selective acquisitions of non-banking businesses, and (ii) recapitalisation of Guaranty Trust Bank Limited (GTBank Nigeria).



- **Target Investors:** Eligible investors and a retail offering within Nigeria for the Nigerian Tranche and private placing to qualified institutional buyers outside Nigeria for the International Tranche.
- **Listing and Trading:** Application to be made for listing on the Nigerian Exchange Limited (NGX) Official List.
- **Anticipated Timing:** The offering is expected to open by July 2024.

Comment

Potential investors are advised to keep an eye on this upcoming opportunity, especially given GTCO's robust market presence and strong financial performance and engage the services of their financial and legal advisors should they choose to invest in the offering.

SEC Directs Capital Market Operators to Implement Robust Risk Management Frameworks

In a decisive move to fortify the financial stability and transparency of Nigeria's capital market, the Securities & Exchange Commission (SEC) on 14 June 2024, has mandated all Capital Market Operators (CMOs) to implement a comprehensive Enterprise Risk Management (ERM) framework.

This framework must align with international standards such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization (ISO 31000), and Financial Action Task Force (FATF) Recommendations.

The directive emphasises the development of an ERM framework that encompasses risk governance structure, systematic risk identification, mitigation strategies, amongst others.

In addition, CMOs are required to submit a board-approved risk management policy on or before 30 September 2024 to obtain a “No Objection” and provide annual risk profiles not later than 31 January of each year.

This initiative is part of SEC's broader strategy to implement Risk-Based Supervision (RBS) and enhance Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)/Countering Proliferation Financing (CPF) measures in the capital market.

For more information, please click [here](#)

Comment

The SEC's directive is a significant step towards bolstering investor confidence and ensuring the resilience of the Nigerian capital market. CMOs are advised to proactively embrace these guidelines to enhance their operational integrity and risk management capabilities.

For more information, please click [here](#)

(8) Investor Alert – \$Davido Meme Coin Disclaimer

On 14 June 2024, the Securities and Exchange Commission (SEC) Nigeria issued a warning regarding the \$Davido meme coin, purportedly associated with the famous Nigerian artist, David Adeleke, popularly known as Davido.

According to the SEC, meme coins, often promoted through social media and celebrity endorsements, are cryptocurrencies inspired by internet memes and jokes. They are not designed to function as a legitimate medium of exchange or represent traditional financial instruments like shares or debentures.

The SEC cautions the public that meme coins like \$Davido have no fundamental value and are purely speculative. Investing in such coins carries significant risk, and individuals should proceed with full awareness of these risks.

Capital Market Operators are also advised to steer clear of instruments outside the SEC's regulatory scope, including meme coins.

For more information, please contact CorporateCommercial@alp.company

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Comment

It is expedient to exercise caution when considering investments in meme coins. While they might seem appealing due to celebrity endorsements and social media hype, their speculative nature poses substantial risks. Investors are encouraged to seek regulated and stable investment opportunities. In addition, since the promoters of, and, the meme coins are not regulated by the relevant authorities, it may be difficult for the relevant authorities to issue and enforce any sanctions against such promoters, leaving investors without protection.

For more information, please click [here](#)



(9) SEC Releases Framework on Accelerated Regulatory Incubation Programme (ARIP) for the Onboarding of Virtual Assets Service Providers (VASPs)

On 21 June 2024, the Securities and Exchange Commission (SEC) announced the introduction of the Accelerated Regulatory Incubation Program (ARIP) to facilitate the onboarding of Virtual Assets Service Providers (VASPs).

This initiative comes as part of the ongoing amendments to the Rules on Digital Assets Issuance, Offering Platforms, Exchange, and Custody to better align with the current market realities.

SEC has provided a special window for the onboarding of VASPs and directs all current and prospective VASPs to visit the [SEC ePortal](#) to complete the application process within 30 days of the announcement.

Key Highlights of the Framework

- **Applicability:** The framework applies to Virtual Assets Service Providers (VASPs) and other digital investment service providers seeking the Commission's registration or have approached the commission for registration.
- **Eligibility:** Entities that can apply into the ARIP shall be incorporated and have an office in Nigeria with the CEO/managing director resident in Nigeria, the entity must be performing investment and securities business and be seeking registration or have pending virtual asset related applications with the commission.

- **Application Step:** The applicant shall first complete and submit an initial assessment form via [SEC ePortal](#) and complete the other application steps.
- **Application Requirements:** The Applicant shall meet the necessary application requirements provided in the framework.
- **Operation Fees:** The applicant shall pay a non-refundable fee of N2,000,000,000 (Two Million Naira), show evidence of required shareholder fund and Current Fidelity Bond covering at least 25% of the required shareholder fund.
- **Termination/Removal:** The Commission may terminate participation in ARIP where the participant is no longer fit to participate or there has been a breach of any conditions imposed or the participant has deviated from the operational plan.
- **Penalties/Sanctions:** Failure of the ARIP Participants to comply with any requirements in the framework shall make them liable to a penalty of not less than N5,000,000 (Five Million Naira) at first instance and further N200,000 (Two hundred Thousand Naira) for every day of default.

Comment

All operating and prospective VASPs are advised to complete the application process not later than 21 July 2024 and file their application through a registered solicitor or adviser.

[For more information, please click here](#)

SEC Directs Fund Managers (10) to Declare Exposures to Heritage Bank

In a communication dated 14 June 2024, the Securities and Exchange Commission (SEC) has directed all Nigerian fund managers to furnish detailed reports regarding their investments in the recently liquidated Heritage Bank via email. SEC has set a deadline of 30 June 2024 for this exercise.

By this exercise, SEC is particularly concerned with assessing the potential impact on the capital market and understanding the extent of proprietary and client funds tied to the bank. Consequently, fund managers have been asked to provide thorough information on their exposure levels to Heritage Bank concerning both proprietary and client funds.

Comment

All fund managers with investments in Heritage Bank are hereby advised to furnish comprehensive details regarding their exposure levels to Heritage Bank not later than 30 June 2024.

[For more information, please click here](#)

Federal High Court Sentence (11) Famzhi Boss to Five Years Imprisonment for Ponzi Investment Scam

On 19 June 2024, the Securities and Exchange Commission (SEC) reported that the Managing Director of Famzhi Interbiz Ltd, Mariam Suleiman, has been sentenced to five years imprisonment without the option of a fine for defrauding investors of over N2 billion.

This significant judgement, delivered by Justice Inyang Ekwo of the Federal High Court in Abuja, comes as a major boost to the enforcement activities of the SEC. Suleiman and Famzhi Interbiz Ltd were found guilty on counts one and two of the charges brought against them by the Federal Government and the court ordered that all properties belonging to the defendants be sold, with the proceeds used to compensate the victims of the crime.

This development follows an earlier public notice issued by the SEC disclaiming the activities of Famzhi Interbiz Ltd.

Comment

This landmark development serves as a stern warning to unregulated entities and highlights the SEC's commitment to protecting investors in the capital markets.

[For more information, please click here](#)

(12) SEC Releases Disclaimer on Alpha Trust Investment Club (ATIC) Activities

In a communication dated 26 June 2024, the Securities and Exchange Commission (SEC) has notified the general public that Alpha Trust Investment Club and its investment schemes are not registered or authorised with the SEC.

The SEC further issued a warning to the public and investment promoters that any person or entity that engages in investment and securities business without prior registration with the SEC is in contravention of the Investment and Securities Act 2007.

The SEC strongly advises the public to verify the registration status of any investment promoters or entities and their products before engaging with them.

Comment

This disclaimer from the SEC highlights the importance of due diligence in making investment decisions. Investors are therefore advised to always confirm the legitimacy of investment opportunities to avoid falling victim of unregulated schemes.

[For more information, please click here](#)

(13) UK Government Backs Nigeria's Capital Market Development Through MOBILIST Programme

On 22 May 2024, the United Kingdom Government reaffirmed its commitment to supporting Nigeria's capital market through the Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) programme. This initiative aims to drive economic growth by mobilising institutional capital via innovative financial products.

The programme aims to channel private capital towards companies addressing development issues and climate change, aligning with the UK's conviction.

Comment

The UK's MOBILIST programme represents a strategic effort to bolster Nigeria's capital market, enabling sustainable development and economic resilience. It is our believe that the programme would bring about crucial development, job opportunities, and improved incomes.

[For more information, please click here](#)

**SEC Releases Framework on
 (14) Banking Sector Recapitalisation
 Programme**



On 28 March 2024, the Central Bank of Nigeria (CBN) via a circular mandated a recapitalisation programme for banks to strengthen their asset base and support economic growth in line with the Federal Government of Nigeria’s target of achieving a US\$1 trillion economy by 2030.²

Following this development, the Securities and Exchange Commission (SEC), as the regulatory institution mandated to regulate and develop the Nigerian capital market, has issued a framework dated 21 June 2024 which outlines the guidelines and procedures banks are required to follow to raise the required capital (the Framework).

The objective of the Framework is, amongst others, to serve as a comprehensive guide for Banks/Holding Companies and market participants to navigate the recapitalisation programme effectively.

The Framework highlights the following capital raising options; rights issue, public offer, private placements, and mergers and acquisitions.

2. Please read our Q1 2024 report and article on this development [here](#)

Key Highlights of the Framework

Capital Raising Options: Banks can raise capital through rights issues, public offers, private placements, and mergers and acquisitions.

Steps/Procedure for Registration: Applications should be submitted electronically to offerapplications@sec.gov.ng. Subsequently, the submitted documents will undergo review. Where deficiencies are observed, they will be communicated electronically to the applicants. Upon receiving communication about deficiencies, the timeline for processing the application resets. In the absence of any deficiencies, approval will be granted and communicated accordingly.

- **Documentation Requirements and Applicable Fees:** The Framework highlights specific documents and fees required for various capital raising methods in compliance with the Investments and Securities Act 2007 and SEC’s Rules and Regulations.
- **Penalty:** Where an application is returned as being incomplete, a penalty of N1,000,000 and a re-filing fee of N100,000, payable exclusively by the Issuing House, shall apply.

Comment

Although the framework is a comprehensive guide to effectively navigating the recapitalisation programme, it must however be read in conjunction with the relevant provisions of the Investment and Securities Act 2007 and the SEC’s Rules and Regulations.

For more detailed information, banks and market participants can refer to the full framework document, which includes step-by-step procedures, applicable fees, and documentation requirements necessary for different capital-raising activities.

For more information, please click [here](#)

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