ALP | NG & CO.

THE ALP REVIEW

FINANCIAL SERVICES AND CAPITAL MARKETS



www.alp.company

ALP | NG & Co.

TABLE OF CONTENTS

CBN Introduces the Electronic Foreign Exchange Matching System (EFEMS) 1

CBN Releases the Nigerian Foreign Exchange Code Book 1

CBN Issues Directives on the Implementation of the Foreign Currency Disclosure, Deposit, Repatriation and Investment Scheme 2024 2

CBN Issues Directives on Cash Availability over the Counter in Deposit Money Banks (DMBs) and Automated Teller Machines (ATMs) 2

Grocer's US$440bn is Africa's Biggest IPO of 2024 3

Nigerian Senate Passes Investment and Securities Bill 2024 3

Ethiopian Securities Exchange Launches Interbank Money Market Platform 3

SEC Announces New Registration Requirement for Capital Market Operators 4

CBN Introduces the Electronic Foreign Exchange Matching System (EFEMS)

On 2 December 2024, the Central Bank of Nigeria (CBN) introduced the Bloomberg BMatch system as the Electronic Foreign Exchange Matching System (EFEMS) for foreign exchange transactions in the Nigeria Foreign Exchange Market (NFEM). The system, which went live on 1 December 2024, requires all authorised dealers to conduct their interbank Foreign Exchange (FX) transactions through EFEMS. The Bloomberg BMatch platform is designed to enhance the integrity and operational efficiency of the FX market by providing transparent, automated trade matching, thereby improving market efficiency and price discovery.

This initiative aims to establish a more market-driven exchange rate, reduce speculative activities, and minimize market distortions. It will also enable the CBN to effectively monitor market performance and manage data in its regulatory capacity. Dealers in the interbank FX market must ensure they have the necessary technology and resources to integrate with this new platform. Additionally, it is essential for dealers to train relevant personnel to effectively operate and manage the system.

The CBN will collaborate with the Financial Market Dealers Association (FMDA) to publish real-time prices and buy/sell order data, further enhancing market transparency.

Dealers must ensure compliance with existing regulations, complete necessary training, and integrate the system ahead of its full implementation. This is crucial for achieving the full benefits of the system and meeting the regulatory requirements set by the CBN.
This new approach is expected to stabilize exchange rates, improve liquidity, and create a more efficient FX market, benefiting both domestic and international investors.

Comment: This initiative is expected to stabilize exchange rates and improve liquidity, benefiting both domestic and international investors. Dealers must ensure timely system integration and staff training to achieve full compliance with the new EFEMS guidelines and regulations. Furthermore, banks in the interbank FX market must ensure they have the necessary technology and resources to integrate with the Bloomberg BMatch platform. Full compliance with the operational guidelines and standards associated with the system will be crucial for ensuring seamless trading and meeting the regulatory requirements set by the CBN.

For more information, please click here.

CBN Releases the Nigerian Foreign Exchange Code Book

On 2 October 2024, the Central Bank of Nigeria (CBN) introduced the Nigeria Foreign Exchange (FX) Code Book to set standards for the FX market. Effective from 14 October 2024, the Code aims to improve price discovery, market discipline, and transparency, aligning with global best practices. Market participants must submit self-assessments and compliance reports to the CBN by 31 December 2024, with full compliance required by that date. Non-compliance may result in penalties.

The FX Code is based on six principles which include the requirement that:
(a) participants must act ethically to maintain fairness and integrity in the market;
(b) a sound governance framework is required to ensure proper oversight and responsible market engagement;
(c) careful negotiation and execution of transactions are essential to maintaining a fair, open, liquid, and transparent FX market;
(d) participants should communicate clearly and accurately while safeguarding confidential information, fostering transparency and effective market communication;
(e) a robust risk management and compliance framework must be in place to identify, manage, and report risks associated with FX market participation; and
(f) efficient, transparent, and risk-mitigating post-trade processes must be implemented to ensure the smooth and timely settlement of FX transactions.

Comment: All market participants, including banks, financial institutions, authorized dealers, and foreign exchange market operators, are expected to fully comply with the principles outlined in the FX Code from 31 December 2024.

For more information, please click here.

CBN Issues Directives on the Implementation of the Foreign Currency Disclosure, Deposit, Repatriation and Investment Scheme 2024

On 5 November 2024, the Central Bank of Nigeria (CBN) issued guidelines to operationalize the Foreign Currency Disclosure, Deposit, Repatriation, and Investment Scheme, which follows the Executive Order No. 15 released by the Honourable Minister of Finance and Coordinating Minister of the Economy on 8 April 2024. These guidelines outline specific responsibilities and detailed instructions for the participation of commercial, merchant, and non-interest banks in the scheme.

One of the primary responsibilities of the banks is to open domiciliary accounts for participants, receive deposits of Internationally Tradable Foreign Currencies (ITFCs), and issue receipts within 24 hours, confirming the originating country of the funds. Banks are also tasked with tracking and reporting participants' investments in permissible sectors to the CBN, submitting monthly reports that detail participant data, transaction summaries, and the status of investments.

In addition, the guidelines emphasise compliance with Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT), and Countering Proliferation Financing (CPF) laws.

Banks must ensure that funds deposited under the scheme are not derived from illegal sources, and they are required to conduct thorough customer due diligence to identify the beneficial owner of the funds. These guidelines became effective from 6 November 2024.

Comment: TThe CBN's guidelines on the Foreign Currency Disclosure, Deposit, Repatriation, and Investment Scheme aim to enhance transparency, attract foreign currency inflows, and stabilize the exchange rate. By enforcing compliance with anti-money laundering laws, the guidelines will reduce financial crime risks. The guidelines are also expected to lead to market-driven exchange rate and improve liquidity, benefiting both domestic and international investors. However, successful implementation will depend on banks' compliance through training and system integration.

For more information, please click here.

CBN Issues Directives on Cash Availability over the Counter in Deposit Money Banks (DMBs) and Automated Teller Machines (ATMs)

On 29 November 2024, the Central Bank of Nigeria (CBN) issued a directive to Deposit Money Banks (DMBs) regarding cash availability over the counter and at Automated Teller Machines (ATMs). The CBN emphasised the need for efficient cash disbursement to customers and informed that it would enhance its oversight to ensure compliance.



The public is encouraged to report instances where they are unable to access cash, either over the counter or through ATMs, using the designated reporting channels.

This initiative aims to enhance cash circulation and tackle any challenges that hinder accessibility. DMBs are expected to comply with this directive by ensuring a consistent supply of cash and addressing banking disruptions, ultimately boosting public confidence in the banking system.

Comment: This initiative aims to enhance cash circulation and tackle any challenges that hinder accessibility. DMBs are expected to comply with this directive by ensuring a consistent supply of cash and addressing banking disruptions, ultimately boosting public confidence in the banking system.

For more information, please click here.

Grocer's US$440bn is Africa's Biggest IPO of 2024

On 15 November 2024, Boxer Retail Ltd, a South African grocery chain and the fastest- growing discount retailer in the country, launched an Initial Public Offer (IPO) aiming to raise between ZAR 8.0 billion (US$440 million) and ZAR 8.5 billion (US$467 million). The IPO, which opened on 11 November and closed on 22 November, is available to qualified investors. Boxer, a subsidiary of Pick n Pay, plans to list on the Johannesburg Stock Exchange (JSE) on 28 November. With 500 stores and plans to open 65 more by the end of 2024, Boxer has seen considerable growth; holding 68% of South Africa's discount grocery market.

Pick n Pay will retain a 60 - 65% stake in Boxer after the IPO, which is expected to value the company at ZAR 21.1 billion to ZAR 24.7 billion.

Comment: The launch of Boxer's IPO represents growth for the company and offers it the opportunity to attract additional investment for long term growth.

For more information, please click here.

Nigerian Senate Passes Investment and Securities Bill 2024

With the aim of reforming Nigeria's capital market to attract investment and foster capital formation, the Nigerian Senate has passed the Investments and Securities Bill, 2024. Co-sponsored by Senate Leader Bamidele Opeyemi and Osita Izunaso, Chairman of the Senate Committee on the Capital Market, the bill seeks to repeal the Investments and Securities Act of 2007 to better align the market with global standards. After the Senate considered and voted in favour of the bill, it will be sent to President Bola Tinubu for assent.

The bill, which aims to introduce a reformed capital market framework by 2025, focuses on regulating the market to ensure investor protection, transparency, and reduced systemic risk. Key proposals include stiffer penalties for onzi and pyramid scheme operators, the regulation of exchanges and financial market infrastructures, and oversight of new businesses, mergers, takeovers, collective investment schemes, and the commodities ecosystem. The bill has received unanimous support from stakeholders.

Cooment: The passage of the Investments and Securities Bill, 2024, is instrumental in modernizing Nigeria's capital market.



The bill contains provisions that align with global standards, promoting investment and capital formation.

It introduces stiffer penalties for offenses under the Act when passed, better regulation of exchanges, and enhanced investor protection. These reforms aim to boost market transparency, reduce risks, and increase investor confidence, ultimately supporting the growth and stability of Nigeria's financial markets.

For more information, please click here.

Ethiopian Securities Exchange Launches Interbank Money Market Platform

The Ethiopian Securities Exchange (ESX) launched an Interbank Money Market trading platform, developed by InfoTech Group and managed by ESX. The platform allows short-term borrowing and lending between banks to improve liquidity management. Wegagen Bank and Awash International were the first to utilise the platform. This move aims to enhance financial stability, reduce systemic risks, and foster transparency and competition among banks.

Comment: The launch of the Interbank Money Market platform by the Ethiopian Securities Exchange (ESX) is an advancement in Ethiopia's financial system. It enhances liquidity management among banks, reduces systemic risks, and promotes transparency and competition, ultimately improving credit access for businesses and supports economic growth. The platform also lays the foundation for regional financial integration, facilitating smoother cross-border financial transactions and creating opportunities for lending and investment within the East African region.

For more information, please click here.

By improving financial connectivity, the platform strengthens Ethiopia's role in regional markets, attracting foreign investments, and fostering policy coordination, contributing to long-term economic stability and growth.

For more information, please click here.

SEC Announces New Registration Requirement for Capital Market Operators

The Securities and Exchange Commission (SEC) has introduced a new requirement for Capital Market Operators (CMOs) renewing their registration for 2025. CMOs must now submit proof of membership in a trade group - a formally recognised association that represents the interests of members within the capital market.

Examples of qualifying trade groups include the Association of Securities Dealing Houses of Nigeria (ASDH), the Chartered Institute of Stockbrokers (CIS), and other similar entities that uphold industry best practices. This requirement must be met as part of their renewal application, which is due by 31 January 2025. Failure to comply may result in penalties or exclusion from capital market activities.

The move was praised by industry leaders, including Sam Onukwue, Chairman of the Association of Securities Dealing Houses of Nigeria, who called it a step toward greater market transparency. Analysts believe the directive will enhance accountability and protect investors.

Cooment: This new directive the new requirement may raise practical concerns, such as the potential cost of membership for smaller operators or the administrative burden of ensuring compliance within the limited timeframe. It will be important for the SEC and trade groups to engage stakeholders, provide guidance on the registration process, and facilitate a smooth transition for CMOs that may not yet be affiliated with a trade group.

For more information, please click here.



CONTACT US:

Lagos
15 Military Street, Onikan, Lagos

+234 201 700 2570-9

Abuja
3 Lobito Crescent, Wuse 2, Abuja

+234 209 700 2570-9

www.alp.company

alp@alp.company

ALP NG & Co

alpng.co

ALPNigeria

DISCLAIMER

All rights asserted and reserved. This publication is for general guidance only. It does not contain definitive advice.

Whilst every effort has been made to ensure accuracy, this publication is not an exhaustive analysis of the area of law or issues discussed. ALP NG & Co. cannot accept responsibility for any loss incurred by any person acting or refraining from acting as a result of the material in this publication. If you require any advice concerning individual problems or other expert assistance, we recommend that you consult a competent professional adviser.

ALP NG & Co. is an Africa-focused law firm with member law firms across Africa.