

Starting Out with Confidence

- In the Nigerian Stock Market



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Help Mail



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Subject Matter: Online Training Help

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THE Central Message!

Knowing **WHERE TO GO** and **WHO TO ASK** for help when you need it can actually make the investment process easier and may make it more profitable for you.

A professional who tries to steer you forcefully to a particular financial product as a planning solution or who regularly tries to sell you something instead of listening to your needs may not be the right financial advisor for you.

Starting out with Confidence

- 💡 Guide to choosing the right Stockbroker
- 💡 Cost elements involved and implications
- 💡 Making the stockbroker earn his money
- 💡 Protecting yourself
- 💡 Procedure for complaint
- 💡 The On-line Options
- 💡 Summary



Define Your Investment Objective

- Long-term Savings
- Speculation
- Control Acquisition
- Novelty



Choosing Your Stockbroker

**FIND PEOPLE WHO GIVE YOU
THE FEELING THAT THEY
TRULY UNDERSTAND YOUR
GOALS AND YOUR
LIMITATIONS!**



Choosing Your Stockbroker

- Who is a Stockbroker?
- Why do you need a Stockbroker?
- Basic Services offered by Stockbrokers
 - Traditional Brokerage
 - Investment Advisory
 - Portfolio Management

What to look out for



Legal Status



Integrity



Expertise



Experience



Responsiveness



Peculiar Considerations 1

■ HOW OFTEN WILL YOU TRADE?

- ❑ If you are going to trade often, find a broker that offers you lower dealing charges perhaps based on a higher annual account fee
- ❑ Better still, ask for an annual fee waiver based on specified amount of trades in a year

■ TYPE OF BROKER ACCOUNT DESIRED

- ❑ Need to understand the types of broker accounts offered and determine the that best suits your need.

■ ACCESSABILITY

- ❑ Is Online and Offline capability important to you?
- ❑ Require ad-hoc statements or valuation of some or all of your holdings?



Peculiar Considerations 2

■ IS CUSTOMER SERVICE IMPORTANT TO YOU?

- ❑ Chances are the answer is yes, but how important?
- ❑ Form a list of questions important to you and see how each broker rates on these criteria.



■ DO YOU DESIRE SHAREHOLDER SERVICES?

- ❑ Do you want company reports and interim statements of companies you invest in delivered automatically to you? If yes, confirm if broker can provide this service. After all, he must have access to them to continue to give you 'cutting-edge' advice as advertised.

■ DO YOU WANT FOREIGN DEALING?

- ❑ If yes, confirm if the stockbroker does and how much charges. Otherwise get in touch with those focussed on foreign markets, including TICN.

You are ready to choose!

You should now have a clearer idea of what you want from your broker, and how much you're prepared to pay for it.

The next stage is to find out who's offering what you need. You can find out more about approved brokers through the **Nigerian Stock Exchange**.

Once you've done that, you're ready to BUY your first share.

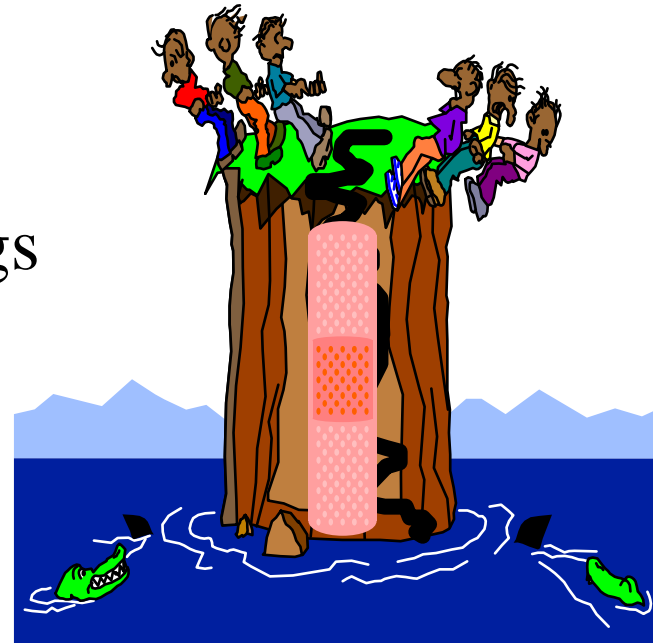


But just before you put the call through.....

Protecting Yourself

- **Usual Conflict Areas**

- Prices
- Service
- Conflicting records of holdings
- Instructions



What to do **1**

- 💡 Issue directives in writing
- 💡 Keep records of your correspondences
- 💡 Obtain Contract Notes and Statements of Accounts
- 💡 Obtain independent statements from CSCS
- 💡 Consider opening a CSCS Special Account



What to do 2

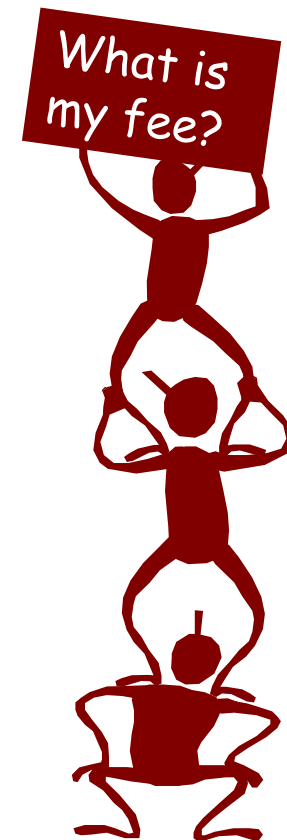
- Use the CSCS Telephone Enquiry Service
- Consider stating price limits on Orders
- Never sign blank Sales Mandates or Transferor's portion of Transfer Forms
- Reconcile Broker's statements with CSCS and Registrars records regularly



Costs Involved

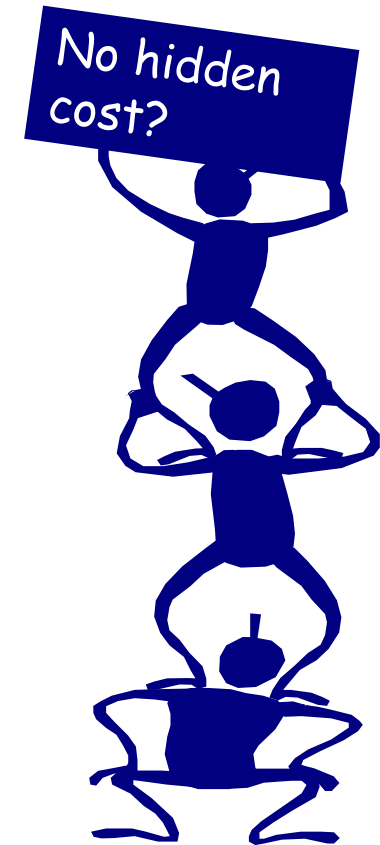
- Brokerage – Payable on purchases and sales.
 - **Graduated Scale**
 - 1st =N=250,000 2.75%
 - Next =N=250,000 2.5
 - Next =N=500,000 2.25
 - Next =N=2million 2%
 - Next =N=2million 1.5%
 - Above =N=5million 1%
 - **Negotiated Fixed Rate**
- SEC Fee – 1% of consideration payable on purchases
- NSE Fee – 0.7% consideration payable on sales
- CSCS Fee – 0.3% of consideration payable on sales.
- Contract Stamp – 0.075% of consideration payable on purchases and sales.
- VAT - 5% of Brokerage payable on purchases and sales
- Total – 3.9625% of Consideration

NOTE: Consideration = Price x Units sold/Bought



Other Charges

- 💡 Investment Advisory fee
- 💡 Portfolio Management fee
- 💡 Fees payable for related services
 - Share Transmission
 - Verification => Depository
 - Revalidation of Dividend Warrants
 - Collection of Share Certificates and Dividend Warrants
 - Change of Address, etc.



Charges as at Jan 2007

NEW STATUTORY FEE STRUCTURE

The statutory fee structure for buying and selling stocks is provided in the tables below:

BUYING

| | |
|---------------|---|
| 1. CSCS | 0.1% of Consideration |
| 2. Stamp Duty | 0.075% of Consideration |
| 3. VAT | 5% of Brokers Commission (or 0.1375% of Consideration) |
| 4. SEC Fee | 1% of Consideration |
| TOTAL | 1.3125% |

New Fee Structure...*contd*

SELLING

| | |
|---------------|---|
| 1. CSCS Fee | 0.45% of Consideration |
| 2. Stamp Duty | 0.075% of Consideration |
| 3. VAT | 5% of Brokers Commission (or 0.1375% of Consideration) |
| 4. NSE Fee | 0.65% of Consideration |
| TOTAL | 1.3125% |

Charges.....

**Breaking
News!**



With Effect from April 24, 2007

- ❶ A new minimum capital base has been approved by the Federal Government for all capital market operators in the country, with December 31, 2008 as deadline.
- ❷ The Federal Ministry of Finance also approved a reduction in transaction costs in the capital market by about 40%.
- ❸ Under the new capital base regime, which takes immediate effect, the minimum paid up capital for issuing houses has been increased from N150m to N2bn, while broker-dealers' capital base has been increased from N70m to N1bn.
- ❹ Clearing and settlement agencies are now to have a capital base of N1bn up from N500m while registrars are now to have N500m, up from N50m.
- ❺ Underwriters, who before now had a minimum capital requirement of N100m are now to have N2bn, while that of fund/portfolio managers has been increased from N20m to N500m. That of corporate sub-brokers with a current capital base of N5m was increased to N50m.

Changes *continued*.....

- The Finance Ministry also announced
 - ❑ a new minimum capital base of N2 billion for market makers;
 - ❑ an 80% mandatory underwriting for Public Offers;
 - ❑ a mandatory underwriting of all offers; and
 - ❑ a code of conduct for shareholders' associations in the country.

- This, according to SEC, is to reduce the incidence of under-subscription and ensure that the issuing houses and stockbrokers have higher stakes in the issues they bring to the market

- By the approvals, average equities transaction cost in the primary market, which currently stands at 6.92%, has been reduced to 4.32%, while transaction cost on bonds has been reduced from 7.03% to 4.79%.

- In the secondary market, total transaction costs on equities have also been slashed. For instance, equities transaction cost on the buy side has been reduced from 4.07% to 2.36%, while the commission on the sales is now 2.65% from the earlier cost of 4.12%. This took effect from April 24, 2007.

Conflict Resolution 1

- 💡 Discuss issues with Stockbroker
- 💡 Confirm Stockbroker's representations with CSCS/NSE.
- 💡 Lodge complaint with NSE
- 💡 Attend Joint Monitoring Committee (**JMC**) sittings to defend your case. (**JMC** is an investigative Panel Made up of Representatives of NSE, CSCS and Stockbrokers)
- 💡 Lodge complaint with SEC if not satisfied with **JMC** ruling



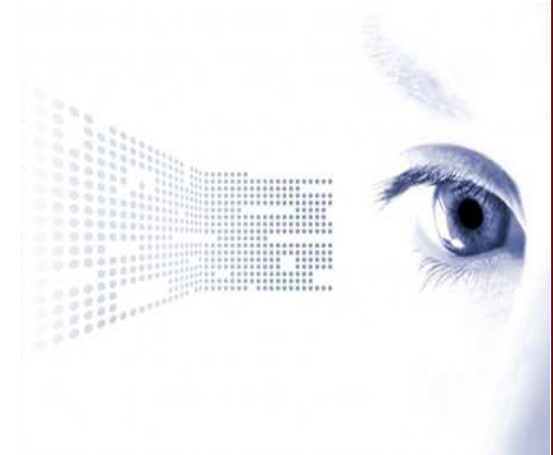
Conflict Resolution 2

- 💡 Attend Administrative Procedures Committee (**APC**) sittings to defend your case.
- 💡 If not satisfied with APC ruling, file case with Investment & Securities Tribunal (**IST**)
- 💡 **IST** has the status of an High Court.
- 💡 Next is the Court of Appeal
- 💡 The Supreme Court has the final say.



Recent Stockmarket Technological Advancements

- 💡 Automated Trading System (ATS)
- 💡 Transactions settlement/Clearing Cycle now T + 3.
- 💡 CSCS Telephone Enquiry Service
- 💡 NSE Internet Portal launched.
- 💡 Trading can now be monitored live!
- 💡 Remote Trading has is on!
- 💡 Options Trading to be introduced soon.



Now You Can Act!



Check though that you have covered all the 'bases'

Now Put through that Call...

...After you read through the other relevant topics

Take Away

**You Must Avoid giving Hostages to
fortune, like Getting an Expensive
spouse, an expensive House, and a
Style of living that never lets you
afford the time to plan carefully your
Investment and Future**



Other Free Training Courses Online – (1)



• **Making Money in the Nigerian Stock Market** – A Foundational Guide

• **Starting out with Confidence**



• **Becoming your own stock analyst**

• **Selecting a Fund Manager**



• **Clubbing to Wealth**

Free Training Courses Online – (2)

- **Parable of the Monkey Market**
 - **Interpreting Stock Tables**
- **A Fools Guide to Investing** – *B. Oni*
 - **Stock Selection Process**
- **Be a CEO of your Own Money** – *P. Babalola*
 - **Monetize Your Certificate**
- **Other E-books available online**

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End

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