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COUNSEL AND SECRETARIAT TO THE ASSOCIATION:  
BAKER & MCKENZIE LLP  
  
GLOBAL  
ATT: ROBIN TRUESDALE  
815 CONNECTICUT AVENUE, N.W.  
WASHINGTON, D.C. 20006  
TEL: 202 452 7000  
FAX: 202 452 7074  
  
WWW.THEAGC.COM

26 Spetember 2022

**DELIVERED BY EMAIL**

Haruna Jalo-Waziri  
MD/Chief Executive Officer  
Central Securities Clearing System Plc

With a copy to

Lamido Yuguda  
Director General  
Securities and Exchange Commission Nigeria

Re: Planned implementation of T+1 settlement cycle for NGX listed equities

Dear Jalo

The Middle East and Africa Committee of the Association of Global Custodians (“AGC”) and its member firms are writing to express their views and high-level recommendations on the planned implementation of the T+1 settlement cycle for Nigerian Exchange Limited (NGX) listed equities. This is further to the presentation given by Central Securities Clearing System (“CSCS”) at the AGC meeting of Wednesday, 20 July 2022. As the CSCS has not formally communicated any market documents on the planned initiative, the views and recommendations are based on the limited information that is available to AGC and its members at the time of writing this letter. As such they do not go into the merits or otherwise of the proposed extent of settlement acceleration.

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It is the consensus of the AGC that the transition from a T+3 to a T+1 settlement cycle is a complex project. It is clear from our understanding of current market operating conditions that the transition will require amendments to a variety of timing, technical and operational elements of clearing and settlement in the market. It is anticipated that market participants, including the CSCS, will require significant lead times to implement the change successfully without disrupting market operations.

We therefore ask that CSCS take note of the below listed issues and consider the recommendations:

**Issues**

1. CSCS has not formally communicated the plan in sufficient detail to enable adequate market consultation with all stakeholders. AGC has not received any documents detailing the project objectives, target settlement model, delayed operational timelines, road map, or project timetable.
2. There are unresolved issues in the market that could delay and/or complicate the implementation of T+1 if not addressed. In our view, these include dual depository account reform, end-to-end automation of settlement processes and STP improvement in addition to the resolution of the constant setbacks with the RTGS system. Existing and known challenges in the post trade environment suggest that conditions are not optimal for any level of settlement cycle reduction.
3. The introduction of T+1 will require significant changes across the market. Examples of foreseeable changes include the introduction of an effective trade fails management process to replace the mandatory settlement model, and the adjustment of the foreign exchange (FX) and Certificate of Capital Importation (CCI) processes that support T+3 settlement.
4. The indication that the introduction of T+1 settlement for equities will be implemented by the end of Q4 2022 is, by our calculations, unrealistic.

**Recommendations**

1. A consultation document on CSCS's T+1 proposal. Areas of consideration include:
  - a. Provide an end-to-end articulation of the operational, technical, risk, and regulatory changes, and/or optional approaches that are proposed.
  - b. Give insight into the CSCS's rationale for moving to T+1 settlement.

This will start a process whereby CSCS can facilitate the development of agreed operational and technical project artefacts that are approved and ratified by market participants. Market participants would be able to use the documents to facilitate client engagements, and to execute the project.

2. A project timetable is proposed that takes into consideration the following:
  - a. The time required for the market to deliver a project without delays and execution uncertainty and includes a contingency date to allow for resolution of unexpected issues.

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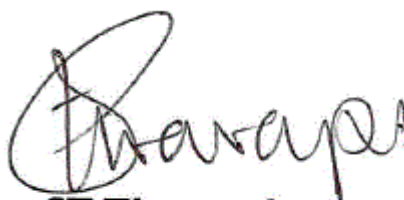
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- b. Affording market participants sufficient time to consult and engage the CSCS on the detailed plans and options.
- c. Time to conduct assessments of the impact that the proposed changes might have from an operational, technical, risk, and regulatory viewpoint on their respective operations. CSCS' project plan should account for and accommodate requests for system development where required.
- d. Time to engage other market infrastructure, such as the Central Bank of Nigeria on the Certificate of Capital Importation (CCI) process which authenticates all flows for Investments for Foreign Portfolio Investors. The CCI process currently takes 24 hours and would not support a proposed T+1 settlement.

A project of this magnitude needs to factor in all dependencies inclusive of custodian, broker and client readiness when determining an implementation date. We would recommend avoiding the last quarter of the year as this period has IT system freeze periods that come into effect in mid-November for most global institutions. We suggest that planning for T+1 implementation should also consider existing projects, for example Q4 2022 already has a high number of year end and high impact projects scheduled, such as ISO 20022.

The AGC remains committed to representing the needs of foreign portfolio investors in giving input on capital market developments. We would very much appreciate your willingness to consider the views expressed in this letter; and we would be pleased to provide further information upon request in relation to the concerns we have raised.

Sincerely,



**CT Tinavapi**

The Association of Global Custodians  
By: Catherine Tinavapi