

Driving Innovation Across Nigeria's Financial Markets



Mr. Emmanuel Alao
Chief Operating Officer
FMDQ Depository Limited

Innovation in financial markets is often associated with visible developments such as new trading platforms, financial instruments, digital solutions and emerging technologies. However, some of the most consequential innovations happen behind the scenes, through the infrastructure and processes that enable transactions to be recorded, settled, transferred and serviced efficiently. For Nigeria, the next phase of financial market development should focus not simply on adopting new technologies, but on improving how the market functions, support capital formation and enable robust response to the needs of its participants.

Innovation Begins with Market Needs

Financial markets exist to connect capital with those who need it. Innovation should therefore address the constraints that affect the speed of value delivery, cost, transparency and certainty with which capital moves. This solution can take different forms - technology can drive automation, enablement of straight-through processing capabilities, adoption of digitised documentation and/or gaining better access to data. Furthermore, operational innovation may include standardisation of processes, strengthening of controls and reduction of duplication, while structural innovation can improve interoperability between market infrastructures, facilitate access to securities and enhancement of collateral management and asset servicing capabilities. The common thread is simple:

innovation should solve market needs and create measurable value.

Transforming the Market Beyond Trading

What is obvious to most people is trading but it's only a part of the financial market lifecycle. Transactions must also be confirmed, cleared where applicable, settled and recorded with securities held and serviced throughout their lifecycle. This makes post-trade infrastructure an important frontier for innovation. Efficient depository, settlement, custody and asset servicing arrangements provide the foundation for secure ownership, timely settlement and effective risk management. Digitalisation and automation can further strengthen these functions by reducing manual interventions, improving data integrity and enabling efficient movement of data which translates to timely delivery of obligations and entitlements that are essential for markets to function properly.

The effectiveness of the wider market also depends on how its different components interact. Regulators, Capital Market Operators, Financial Market Infrastructures, and other ecosystem participants all have distinct roles, but fragmented processes can create unnecessary friction and risks. Consequently, the adoption of technology platforms that enable interoperability should therefore be viewed as a market development priority, with the potential to improve efficiency, strengthen transparency and enable participants to interact more seamlessly across the financial market ecosystem.

Developing Products for a Changing Market

Innovation must also extend products and services available to market participants. The development of instruments that address different capital requirements, promote sustainability, enable risk management, etc. demonstrates the market's ability to respond to evolving financing / investment and risk management needs. In addition, newer and evolving technology stacks are enabling new asset types (virtual assets for instance) and new ways of representing assets (whole vs fractional referenced as tokenisation) with unique value

propositions to market participants. The opportunity therefore exists to ensure that the infrastructure supporting these products and services smartly evolve for issuance, custody, trading, settlement and attendant asset servicing requirements.

It's also important to assess new developments based on problems solved and value delivery rather than novelty. A new platform or technology has limited value if it does not address a genuine market need, support regulatory oversight, improve efficiency, strengthen transparency or enhance market participant's experience. Consequently, innovative application of technology should continue to be leveraged as an enabler of possibilities for driving market development.

Trust and Resilience

Innovation must also enable, build and sustain trust. Market Participants need confidence that transactions will be processed accurately, captured beneficial ownership records of securities will remain uncompromised, obligations will be fulfilled when contractually due and critical systems will remain available and resilient. As financial markets become increasingly digitalised, the need for stronger governance, adoption of global standards-based practices, cybersecurity, effective controls and operational resilience of deployed technology systems and solutions cannot be over-emphasised. In essence, for an increasingly technology driven interconnected ecosystem, industry-wide approach must be taken to ensure trust is established and resilience is secured.

The Road Ahead

Nigeria does not need innovation for innovation's sake. It needs purposeful innovation that strengthens infrastructure, improves market access, supports capital formation and enables

participants to operate with greater efficiency and confidence. For market institutions, the question should extend beyond individual platforms or products but rather, how we can make the financial market work better for the well-being and prosperity of everyone.

The answer may be new technology, but it may equally be a better process, stronger interoperability, improved data quality or a more responsive service. The overarching objective should be meaningful improvement to market functions and an ecosystem that collectively evolves and is responsive to the country's economic needs.

“As financial markets become increasingly digitalised, the need for stronger governance, adoption of global standards-based practices, cybersecurity, effective controls and operational resilience of deployed technology systems and solutions cannot be over-emphasised.”

Seamless Settlement, Every Time

Efficient settlement is critical to market confidence. FMDQ Depository Limited enables the **secure transfer** of securities and funds through Delivery versus Payment (DvP), reducing risk and enhancing reliability.

Discover our settlement process

FMDQ
DEPOSITORY

Scan Here
to know more



<https://fmdqgroup.com/depository/>