

ARTICLE SERIES

EXPLORING THE NGX TECH BOARD AND HOW IT CAN IMPACT ON TECH STARTUPS



BACKGROUND

In a bid to attract tech companies operating in Nigeria to list on the Nigerian Stock Exchange, the Nigerian Exchange Group (NGX), operators of the Nigerian bourse, announced in February 2022 that they intend to revise listing rules to make them startup-friendly. They further indicated they would develop a board tailored after the National Association of Securities Dealers Automated Quotation (NASDAQ)[1].

Currently, the NSE Rulebook 2015 broadly requires that companies must have broken even; that is, achieved parity between profits and operating costs, before they can be listed. Listing on the Main Board for example, requires amongst other things, a pre-tax profit of N300 million to N600 million cumulatively[2] for one to three previous fiscal years,[3] depending on the listing standard.

The nature of most startups require that they go through series of funding in a bid to acquire customers rapidly, develop novel product offerings and enter several markets, before they can achieve profitability. For instance, Jumia, considered the Amazon of Africa, was founded in Nigeria over a decade ago and operates in several markets, but is yet to achieve profitability. Notwithstanding, it became the first African tech company to be listed on the New York Stock Exchange (NYSE) in 2019[4].

Consequently, in order to replicate the conditions that make Nigerian tech companies prefer foreign initial public offerings (IPOs) and provide entry and exit opportunities for local investors,[5] the NGX announced in October 2022 that it was working with the Securities and Exchange Commission (SEC), the Central Securities Clearing Systems (CSCS), and the Nigerian Pension Funds Operations Association (PenOp)[6] to introduce a specialized tech board.

This collaborative approach finally came to fruition, as on December 15, 2022, SEC approved the 'Rules for Listing on NGX Technology Board ('the Rules')'. [7] This approval followed deliberation on the draft Rules by the Regulation and New Business Committee of the NGX RegCo (the regulatory arm of the Nigerian Exchange Group), consideration of stakeholder comments on the exposure draft, and approval by the Board of NGX RegCo. The Rules thus went through an internally rigorous process before submission to the SEC for approval.

[1] Shuaibu F, 'Nigerian Bourse to Revise Listing Rules to Attract Tech Coys' (Daily Trust, 16 February 2022) <https://dailytrust.com/nigerian-bourse-to-revise-listing-rules-to-attract-tech-coys/> accessed 4 January 2023

[2] NSE Rulebook 2015, Issuers' Rules, Rule 1.1 (b) (iii)

[3] Ibid, Rule 1.1 (a) (iii)

[4] Hale K, 'Jumia, Africa's Amazon, Curtailing Losing Streak By Moving Executives Back From Dubai' (Forbes) <https://www.forbes.com/sites/korihale/2022/12/08/jumia-africas-amazon-curtailing-losing-streak-by-moving-executives-back-from-dubai/> accessed 4 January 2023

[5] 'NGX Eyes \$1bn Tech Market, to Launch Specialised Board for Listing' (TheCable, 7 October 2022) <https://www.thecable.ng/ngx-eyes-1bn-tech-market-to-launch-specialised-board-for-listing> accessed 4 January 2023

[6] Ibid

[7] Ada A, 'SEC Approves NGX Technology Board Listing Rules' (DAILY TIMES Nigeria, 19 December 2022) <https://dailytimesng.com/sec-approves-ngx-technology-board-listing-rules/> accessed 4 January 2023

RELEVANCE OF THE TECH BOARD

As at December 2022, the most profitable company listed on the Nigerian bourse was Zenith Bank PLC (Zenith Bank) with a market capitalisation of \$1.64 billion[8]. While an impressive feat, the most valuable startup in Nigeria, Flutterwave, was in fact not listed on the exchange. While it took Zenith Bank 32 years to achieve a valuation of \$1.64 billion, Flutterwave achieved a valuation of \$3 billion, in six years on the back of its Series D fundraising round in early 2022.[9]

Flutterwave, a cross-border fintech payment platform, is not the only company in Nigeria with high valuation outside the Nigerian bourse, thus denying Nigerians and the investing public the opportunity to list, invest and tap into local fundraising. OPay, another fintech company, crossed the \$2 billion valuation mark in 2022,[10] slightly higher than the combined valuation of GTCO and Access Bank PLC, two local financial institutions listed on the Nigerian Exchange.

Usually, startups like Flutterwave and OPay have sought and obtained listing in foreign markets, while majorly operating in Nigeria and other African markets. Flutterwave for instance, took steps to go public and list on the US-based NASDAQ, an exchange popular with tech companies, seeking to use the monies raised to expand its African market, and introduce new products in lending.[11]

While the gains of these intentions might be targeted at the Nigerian marketplace, continued listing of Nigerian startups abroad represents a form of capital flight that denies Nigerians the opportunity to stake a claim in the companies revolutionizing service delivery and support their growth.

WHY TECH COMPANIES IN NIGERIA PREFER FOREIGN LISTINGS: NASDAQ AND NYSE IN FOCUS

Thus far, a background into the Rules and its relevance have been provided. It is necessary to consider the appeal of foreign listings, over and above local listings, as a prelude to considering how the Rules enhance Nigeria's position as a potential destination for listing of tech companies.

[8] 'Zenith Bank | ZENITHBA - Market Capitalization' <https://tradingeconomics.com/zenithba:nl:market-capitalization> accessed 4 January 2023

[9] Kene-Okafor T, 'African Fintech Flutterwave Triples Valuation to over \$3B after \$250M Series D' (TechCrunch, 16 February 2022) <https://techcrunch.com/2022/02/16/african-fintech-flutterwave-triples-valuation-to-over-3b-after-250m-series-d/> accessed 4 January 2023

[10] Ibid

[11] 'Flutterwave Planned IPO and the Lessons for Nigeria' (Punch Newspapers, 11 September 2022) <https://punchng.com/flutterwave-planned-ipo-and-the-lessons-for-nigeria/> accessed 4 January 2023

COMPARING NASDAQ AND THE NGX GROWTH BOARD

Generally, NASDAQ is preferred by tech companies for its lower listing fees and minimum requirements.[12] A company seeking to list on the NASDAQ must pay an entry fee based on the number of shares listed, and the specific market to be listed on.

Where the company intends to list on the NASDAQ Capital Market, the market valuation should be at least \$35 million. The entry fee ranges from \$50,000 to \$75,000, with \$5,000 being a non-refundable application fee. Where the company desires to list on the NASDAQ Global Select and Global Markets, the applicable entry fee ranges from \$150,000 to \$295,000 with \$25,000 being a non-refundable fee[13]. The market valuation here should be at least \$100 - \$110 million.[14]

NASDAQ was the first to offer a complete electronic trading experience, where no specialists or brokers are physically present on the trading floor.[15] NASDAQ also has partnerships with the London Stock Exchange (LSE) and the OMX,[16] which comprises of the Stockholm Stock Exchange (Sweden), Helsinki Stock Exchange (Finland), Tallinn Stock Exchange (Estonia), Riga Stock Exchange (Latvia), and Vilnius Stock Exchange (Lithuania), thus covering the entire Nordic region.[17]

Via partnerships like the one with OMX, companies listed on the NASDAQ gain increased visibility in the global investment marketplace, gain access to a broad base of investors, and deeper pools of liquidity.[18]

Conversely, the NGX offers three boards, namely:

- Premium Board – targeted at elite issuers that meet the most stringent corporate governance standards;
- Main Board – targeted at established companies with track record of accomplishment; and
- c. Growth Board – targeted at small cap and growth oriented companies seeking to raise capital and boost share liquidity.

[12] 'Why List on the Nasdaq Versus Other Stock Exchanges?' (Investopedia) <https://www.investopedia.com/ask/answers/062215/what-are-advantages-and-disadvantages-listing-nasdaq-versus-other-stock-exchanges.asp> accessed 4 January 2023

[13] 'Fees | Nasdaq | Cross-Border Listings Guide | Baker McKenzie Resource Hub' <https://resourcehub.bakermckenzie.com/en/resources/cross-border-listings-handbook/north-america/nasdaq/topics/fees> accessed 4 January 2023

[14] 'Principal Listing and Maintenance Requirements and Procedures | Nasdaq | Cross-Border Listings Guide | Baker McKenzie Resource Hub' <https://resourcehub.bakermckenzie.com/en/resources/cross-border-listings-handbook/north-america/nasdaq/topics/principal-listing-and-maintenance-requirements-and-procedures> accessed 4 January 2023

[15] 'Why List on the Nasdaq Versus Other Stock Exchanges?' (Investopedia) <https://www.investopedia.com/ask/answers/062215/what-are-advantages-and-disadvantages-listing-nasdaq-versus-other-stock-exchanges.asp> accessed 4 January 2023

[16] Ibid

[17] 'What Is OMX Nordic Exchanges' <https://capital.com/omx-nordic-exchanges-definition> accessed 4 January 2023

[18] 'NASDAQ and OMX to Combine' (NASDAQ, 25 May 2007) <https://ir.nasdaq.com/news-releases/news-release-details/nasdaq-and-omx-combine> accessed 4 January 2023

Startups, especially those in their early stages, tend to be flexible in their approach to corporate governance and may not have a track record of accomplishments for eligibility to the Premium and Main Boards. They are however growth oriented and seek to raise capital. Thus, the Growth Board would be appropriate for startups and early stage tech companies in Nigeria.

The Growth Board offers listing in two segments, the Entry Segment and the Standard Segment. Application fee on the Entry Segment is N250,000 while listing fee is N200,000. On the Standard Segment, application fee is 0.1% of the offer size, while the applicable listing fee here is computed like the Premium and Main Board.[19] For the Premium Board, Main Board, and Growth Board (Standard Segment), the **'Market Capitalisation/Nominal Value Fees Graduation Metrics' (the Metrics)**, issued by the former Nigerian Stock Exchange, remains applicable.[20] The Metrics lists a range of market capitalisations, from below N50 million, to above N200 billion, and the relevant listing fees for each range of market capitalisation. For a company with a market capitalisation between N40 billion to N60 billion (similar to the range for the NASDAQ Global Market), the listing fee is N3.08 million. Where market capitalisation is between N16 billion to N17 billion (similar to the range for the NASDAQ Capital Market), the relevant listing fee is N2.38 million.

What this shows is that the preference for the NASDAQ over the NGX Growth Board is not a result of cost-effectiveness, as NASDAQ listing costs significantly more. It thus suggests that NASDAQ is preferred for benefits that go beyond and compensate for higher cost of listing. Top on the advantages that the NASDAQ presents is the fact that by listing on it, Nigerian tech companies are able to access investors, not just in the American market, but in six other investor ecosystems. As such, the higher cost of listing may be easily recouped, compared to the NGX Growth Board, which costs less, but has fewer cross-border advantages, and is far less automated.

COMPARING THE NYSE AND THE NGX GROWTH BOARD

Compared to the NASDAQ, listing on the NYSE costs higher, but it is considered more prestigious to the former. Indeed, some companies that were listed on the NASDAQ have transited to the NYSE as their valuation grew. As such, the NASDAQ is sometimes considered a stepping stone to NYSE listing. This is not to say that firms have not transited from the NYSE to NASDAQ, but it is less common.[21]

[19] 'Listing Fees - Nigerian Exchange Limited' <https://ngxgroup.com/exchange/raise-capital/listing-fees/> accessed 4 January 2023

[20] 'Market Capitalisation/Nominal Value Fees Graduation Metrics', Nigerian Stock Exchange <https://ngxgroup.com/?wpdmdl=29789&ind=1619391129773> accessed 4 January 2023

[21] 'Why List on the Nasdaq Versus Other Stock Exchanges?' (Investopedia) <https://www.investopedia.com/ask/answers/062215/what-are-advantages-and-disadvantages-listing-nasdaq-versus-other-stock-exchanges.asp> accessed 4 January 2023

Also, the NYSE has larger volatility, more visibility and greater certainty of execution, compared to NASDAQ.[22] The NYSE is able to deliver this because it engages human traders, each dedicated to a listed stock, overseeing its activity from opening bell to closing auction. This person can intervene when needed, for instance, in managing initial trades for an IPO.[23]

NYSE offers separate markets, similar to what NASDAQ offers. The NYSE's markets are:[24]

- NYSE – for mid and large cap companies across all verticals
- NYSE American – for small cap companies
- NYSE Arca – an electronic marketplace for ETPs
- NYSE Bonds – a marketplace for bonds

Initial listing fee for the NYSE is a flat rate of \$295,000 for common stock. Any additional class of common stock will attract a flat fee of \$5,000. There is also an annual fee of at least \$74,000, which increases depending on the number of shares listed. Notwithstanding, there is a cap on how much an issuer will be made to pay in a calendar year - \$500,000.[25]

To list on the NYSE, a company must have a minimum of 1.1 million publicly held shares, and have at least one of the following:

- At least 400 holders of 100 shares or more, and an average monthly trading volume of at least 100,000 shares for the most recent six months; or
- At least 2,200 holders and an average monthly trading volume of at least 100,000 shares for the most recent six months; or
- At least 500 holders and an average monthly trading volume of at least 1 million shares for the most recent 12 months.

However, where the listing is in connection with an IPO, Option A above is compulsory. The market value of the shares must be at least \$40 million for IPO companies, or \$100 million for companies seeking to transfer their listing to the NYSE or list existing securities. The shares must also have a minimum closing price (or offering price where connected with an IPO) of at least \$4 per share at the time of listing.[26]

The cost of listing on the NYSE is significantly higher than the NASDAQ and far greater than the NGX Board. It is also far more stringent in its requirements. Yet it remains the preferred place for listing companies as it offers real benefits that far outweigh the costs.

[22] Jacobs K, 'African Tech Company Lists on NY Stock Exchange' (CA GLOBAL FINANCE, 1 May 2019) <https://www.banking-recruitment-jobs.com/en/african-tech-company-lists-on-ny-stock-exchange/> accessed 4 January 2023

[23] 'Listing at NYSE' <https://www.nyse.com/listings> accessed 5 January 2023

[24] 'NYSE Listings Process & Requirements' <https://www.nyse.com/listings-process> accessed 5 January 2023

[25] 'Fees | New York Stock Exchange | Cross-Border Listings Guide | Baker McKenzie Resource Hub' <https://resourcehub.bakermckenzie.com/en/resources/cross-border-listings-handbook/north-america/new-york-stock-exchange/topics/fees> accessed 5 January 2023

[26] 'Principal Listing and Maintenance Requirements and Procedures | New York Stock Exchange | Cross-Border Listings Guide | Baker McKenzie Resource Hub' <https://resourcehub.bakermckenzie.com/en/resources/cross-border-listings-handbook/north-america/new-york-stock-exchange/topics/principal-listing-and-maintenance-requirements-and-procedures> accessed 5 January 2023

It has been earlier said that NYSE listing is more prestigious, compared to NASDAQ listing. Common reasons for listing on the NYSE are increased liquidity, accessing institutional funds otherwise subject to foreign investment restrictions, establishing commitment to local markets, facilitating share ownership by local employees, and using securities as acquisition currency. However, the trading volume of shares listed on the NYSE tend to be lower than expected levels after listing. The real value of NYSE listing thus tends to be the attention it brings and positioning for global investors.[27]

The NYSE itself is located in New York's financial district and offers significant networking opportunities. Through each week, events hold, bringing investors together. It is regularly visited by political and cultural leaders, and these visits are well reported in the press, thus providing quality coverage for any relevant listed company. The NYSE is already home to 80% of the Fortune 100 and 75% of the S&P 500.[28]

Summarily, the choice of listing on the NYSE, NASDAQ, or any of the NGX boards, is not a price sensitive choice. If it were, local tech companies would prefer NGX listing over the other two. The NASDAQ and NYSE are preferred for the associated benefits they come with.

NASDAQ offers an automated trading experience and simultaneous access to seven exchanges, by one listing. The NYSE offers prestige, accessing funding opportunities targeted at American companies, wider media attention, and a global pool of potential investors.

With the benefits of foreign listing established, the benefits (or not) of local listing will now be considered.

GENERAL TRENDS IN TECH COMPANIES CURRENTLY LISTED ON THE NGX

Generally, tech companies in Nigeria, with the sole exception of MTN (the only tech company listed on the Premium Board), have not fared well on the NGX, further dampening real interest for other tech companies to consider local listing and IPOs.[29]

For instance, Chams Plc, a provider of smart card technologies, payment collection and identity management systems was listed on the Main Board in 2008 with a share price of N2.62;[30] but its share price has ranged between N0.29 on the high side and N0.20 on the low side,[31] with a market cap of N1.13 billion (\$2.46 million).[32]

[27] 'Listing on the NYSE - Is It Worth It?' (Practical Law) [http://uk.practicallaw.thomsonreuters.com/7-100-8087?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](http://uk.practicallaw.thomsonreuters.com/7-100-8087?transitionType=Default&contextData=(sc.Default)&firstPage=true) accessed 5 January 2023

[28] Cunningham S, 'An Insider's View of Why Companies Pick the New York Stock Exchange' (New York Stock Exchange, 5 April 2019) <https://medium.com/new-york-stock-exchange/an-insiders-view-of-why-companies-pick-the-new-york-stock-exchange-4d790d762fab> accessed 5 January 2023

[29] 'How Nigerian Tech Companies Listed on the NSE Fared during the Lockdown' (Techpoint Africa, 6 June 2020) <https://techpoint.africa/2020/06/06/stocks-nigerian-tech-companies-lockdown/> accessed 4 January 2023

[30] '4 Nigerian Tech Companies on the NSE Currently Trading below Their IPO Listing Price' (Techpoint Africa, 10 September 2018) <https://techpoint.africa/2018/09/10/nigerian-tech-companies-stock-exchange/> accessed 5 January 2023

[31] Adamolekun R, 'Access, Caverton, Chams, Top Stocks to Watch This Week' (Premium Times Nigeria, 12 July 2021) <https://www.premiumtimesng.com/news/top-news/473055-access-caverton-chams-top-stocks-to-watch-this-week.html> accessed 5 January 2023

[32] 'Chams Plc (NGX:CHAMS) Stock Quote' <https://afx.kwayisi.org/ngx/chams.html#:~:text=The%20International%20Securities%20Identification%20Number,Nigerian%20Stock%20Exchange%20equity%20market.> accessed 5 January 2023

Similarly, Omatek a computer equipment manufacturer, distributor, seller and engineering services provider, listed on the Main Board in 2008 with a share price of N5.14.[33] Its share price has ranged from N0.34 on the high side, and N0.20 on the low side, with a market cap of N588 million (\$1.28 million).[34]

Courteville Business Solutions Plc started as a provider of financial services but pivoted to tech. It was listed on the Main Board of the NSE in 2009 with a share price of N2.50. [35] Its share price has however trended downwards to N0.20, with a market cap of N1.63 billion (\$3.54 million). [36]

When the market cap of these companies is juxtaposed with the requirements for the less stringent NASDAQ, none of them is eligible for listing on that board. Combined with weak share prices and devaluation of the currency over time, there is little to suggest that tech companies listed on the NGX have gained much from it as most shareholders have lost 80 – 90% of their shareholding value since listing.[37]

While general macroeconomic trends in the country have also trended downwards, contributing to weaker share prices, the overall customer base and real market demand of their services may also contribute to the weak valuations of tech companies listed on the NGX.

We will now consider how the approved Rules and the Tech Board may improve the situation and possibly provide benefits that match with the NASDAQ or NYSE.

THE RULES FOR LISTING ON THE TECHNOLOGY BOARD OF NGX (THE EXCHANGE)

The Technology Board (the Tech Board) is described as a specialized platform for tech-based companies to list and raise capital on The Exchange.[38] It introduces two segments, namely, the Startup Tech Segment, and the Big Tech Segment.[39]

The Big Tech Segment is a Tech Board's platform for tech companies with market capitalization between \$100 million and \$1 billion, while the Startup Tech Segment is the platform for startups and fintech companies with market capitalisation between \$1 million and \$100 million.[40] By creating these distinct segments, the NGX hopes to entice big tech companies already operating in Nigeria to list locally.

[33] '4 Nigerian Tech Companies on the NSE Currently Trading below Their IPO Listing Price' (Techpoint Africa, 10 September 2018) <https://techpoint.africa/2018/09/10/nigerian-tech-companies-stock-exchange/> accessed 5 January 2023

[34] 'Omatek Ventures (NGX:OMATEK) Stock Quote' <https://afx.kwayisi.org/ngx/omatek.html> accessed 5 January 2023

[35] Ohwovoriorle O, 'These 5 Stocks Are Trading at the Lowest Price Ever on the NSE' (Nairametrics, 25 May 2018) <https://nairametrics.com/2018/05/25/5-lowest-priced-stocks-on-the-nigerian-stock-exchange/> accessed 5 January 2023

[36] 'Courteville Business Solutions (NGX:COURTVILLE) Stock Quote' <https://afx.kwayisi.org/ngx/courteville.html> accessed 5 January 2023

[37] Ohwovoriorle O, 'These 5 Stocks Are Trading at the Lowest Price Ever on the NSE' (Nairametrics, 25 May 2018) <https://nairametrics.com/2018/05/25/5-lowest-priced-stocks-on-the-nigerian-stock-exchange/> accessed 5 January 2023

[38] Rules for Listing on the Technology Board, Rule 1.3

[39] Ibid, Rule 1.1

[40] Ibid, Rule 2

LISTING ON THE STARTUP TECH AND BIG TECH SEGMENTS OF THE TECH BOARD

An issuer within the stated market cap for the Startup Tech or Big Tech Segments who wishes to be listed will make a written application to the NGX.[41] The Board of the NGX will authorize listing if several requirements are met by the issuer. These requirements are largely the same for both segments, save number of shareholders, free float requirements, and market capitalisation. The common requirements are as follows:[42]

- A public company limited by shares or where a private company, incorporates a special purpose vehicle (SPV) or holding company as the public company to be listed;
- A core investor or strong technical partner with at least one year operating track record;
- Operating for at least 12 months prior to the receipt of the application for listing;
- Undertake to ensure that its promoters or directors retain at least 50% of their shares in the issuer, for at least six months from the date of listing (the lock-up period), and will not directly or indirectly sell or offer to sell the securities during that period; and
- Other listing requirements as may be stipulated by the NGX from time to time.

DIFFERENCES IN LISTING REQUIREMENTS BETWEEN THE STARTUP TECH AND BIG TECH SEGMENTS

The listing requirements for both segments are largely similar, but there are important additional requirements that are unique to each segment, which prospective issuers should take note of. They are set out as follows:

[41] Ibid, Rule 3.1, 4.1

[42] Ibid, Rule 3.2, 4.2

S/N**STARTUP TECH SEGMENT****BIG TECH SEGMENT**

1. A minimum of two shareholders or such number of shareholders as the NGX may determine from time to time;[43]

A minimum of five shareholders or such number of shareholders as the NGX may determine from time to time; [44]
2. A minimum market capitalisation of not less than \$1 million but not more than \$100 million at the CBN NAFEX conversion rate, on the date the NGX receives application for listing;[45] The NGX has the discretion from time to time to review the capitalisation requirements

-A minimum market capitalisation of not less than \$100 million and not more than \$1 billion at the NAFEX conversion rate, on the date the NGX receives application for listing;[46] The NGX has the discretion from time to time to review the capitalisation requirements
3. -If raising capital at the point of listing, should have a minimum float of 5% of its issued share capital, or the value of its free float should be at least \$50,000 at the NAFEX conversion rate at the time the NGX receives the issuer's application;[47] The NGX has the discretion from time to time to review the free float requirements

-If raising capital at the point of listing, should have a minimum float of 10% of its issued share capital, or the value of its free float should be at least \$5 million at the NAFEX conversion rate at the time the NGX receives the issuer's application;[48] The NGX has the discretion from time to time to review the free float requirements

[43] Ibid, Rule 3.2.3

[44] Ibid, Rule 4.2.4

[45] Ibid, Rule 3.2.5

[46] Ibid, Rule 4.2.7

[47] Ibid, Rule 3.2.6

[48] Ibid, Rule 4.2.6

METHODS OF LISTING

The Rules permit listing in nine different ways, namely:
[49]

- Direct listing;
- Initial public offer (IPO);
- Memorandum listing;
- Accelerated book building;
- Dual listing;
- Reverse acquisition/takeover/merger;
- Depositary receipts;
- Special Purpose Acquisition Companies (SPACs); or

Any other method that the NGX Board prescribes from time to time.

Listing is permitted in Naira and foreign currencies based on valuation, the rationale being to enable issuers raise capital in any currency depending on their strategy and capital requirement.[50]

OBLIGATIONS UPON LISTING ON TECH BOARD

The NGX will annually review an issuer's eligibility to remain on the Tech Board for both segments.[51] To remain on the Tech Board, irrespective of the segment, an issuer is required to fulfill the following obligations:[52]

- Filing with the NGX its quarterly accounts approved by its Board of Directors, unaudited or audited;
- Submission of audited annual financial reports and statement;
- Maintaining the minimum free float requirement (5% and 10% for Startup Tech and Big Tech Segments);
- Minimum corporate governance requirements as prescribed by the NGX. Issuers are also required to comply with the SEC's Corporate Governance Guidelines and disclose compliance in their annual report;[3]
- All other listing obligations stipulated under the Listings Rules of the NGX.

MIGRATION BETWEEN THE LISTING SEGMENTS

An issuer listed on the Startup Tech Segment can be transferred to the Big Tech Segment upon successful application.[54] Although not expressly stated, an issuer that wishes to transfer to the Big Tech Segment must be able to meet the specific listing requirements for that segment.

[51] Ibid, Rule 7.1
[52] Ibid, Rule 7.2
[53] Ibid, Rule 8.1
[54] Ibid, Rule 10.1

On the other hand, an issuer already listed on the Big Tech Segment can be transferred to the Startup Tech Segment where it is unable to maintain the eligibility criteria.[55] This might happen where its market cap drops below \$100 million, free float drops below 10% or \$5 million, or shareholders drops below five. Before the transfer, the NGX may in consultation with the issuer, give notice and time to correct the deficiency. Failure to do so within time, the issuer may be transferred to the Startup Tech Segment or any listing board (Premium Board, Main Board, or Growth Board), subject to their agreement and meeting the relevant listing requirements.

FEES

The Rules do not state any express fees for application or listing. It however gives the NGX power to publish, review, and fix fees for listing, subject to the SEC's approval.[56]

COMMENTARY ON THE RULES AND POTENTIAL IMPACT

The Rules are innovative in the introduction of distinct segments that cater to large and small cap tech companies, permitting companies to list without a long operating track record or breaking even, and even while capital is being raised.

[51] Ibid, Rule 7.1
[52] Ibid, Rule 7.2
[53] Ibid, Rule 8.1
[54] Ibid, Rule 10.1
[55] Ibid, Rule 10.2
[56] Ibid, Rule 9.1

The permission to list in any currency may help the importation of foreign exchange and aid tech companies that seek to hedge against a weak Naira.

Once the Tech Board is operational and issuers are listed, the success of the Board may be impacted by the market share and demand for the services of the tech company in question, and the prevailing macro-economic conditions at the time.

Notwithstanding, the impact and appeal of the Tech Board can be greatly enhanced if the NGX adopts some of the strategies of the NASDAQ and NYSE discussed in this article. These include the following:

- seeking out partnerships with tech boards in other African countries or even the NASDAQ that enable cross-listing or wider access to a pool of investors;
- facilitating fora for issuers and investors to network;
- offering a completely automated trading experience, in line with its tech focus; and
- liaising with the National Council for Digital Innovation and Entrepreneurship, to be established by virtue of the **Nigeria Startup Act 2022**, and the National Information Technology Development Agency (NITDA) so that the listing application process is available on the proposed Startup Portal for labelled startups.

CONCLUSION

We have considered the approved Tech Board and the factors that make the NASDAQ and NYSE preferred exchanges for listing. In comparison with existing boards in Nigeria, we have shown that the choice for preferred listing is not subject to cost, but rather, the associated benefits that an exchange can deliver. Compared to the existing Growth, Main, and Premium Boards, the approved Tech Board comes with listing requirements tailored to the tech ecosystem. Its real value however, is likely to lie in the associated benefits it can offer.

Notwithstanding, we can expect implementation of the **Rules for Listing on the NGX Technology Board** to commence sometime in 2023. By tapping the local market, it promises to expand funding sources for startups in Nigeria, which took a hit in 2022, and has historically depended more on foreign investment.

With the right set of collaborations and awareness, the NGX Tech Board is a potential game changer and a window into the African market, not just for Nigerian startups, but for big tech companies.

[51] Ibid, Rule 7.1
[52] Ibid, Rule 7.2
[53] Ibid, Rule 8.1
[54] Ibid, Rule 10.1
[55] Ibid, Rule 10.2
[56] Ibid, Rule 9.1

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