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# Post-trade risk and custody specialists

PRESS ANNOUNCEMENT

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## Thomas Murray Upgrades the Central Securities Depository Risk Assessment for Nigeria's Central Securities Clearing System (CSCS) PLC from A to A+ with a Positive Outlook

LONDON - Thomas Murray, the global post-trade risk and custody specialists, has upgraded the CSD assessment for Nigeria's Central Securities Clearing System (CSCS) PLC from A to A+, which denotes a 'Low' Overall Risk. The overall assessment consists of the following components:

CSD Risk Assessment		Overall Risk	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Asset Safety Risk	Asset Servicing Risk	Financial Risk	Operational Risk	Governance & Transparency
CSCS Risk Grade:		A+	A+	A+	A-	AA-	N/R	AA-	A+	A

The Overall Assessment of 'A+' reflects a weighted average of seven risk components. The assessment for Asset Servicing Risk has been omitted from the Overall Risk assessment since CSCS takes no active part in the entitlement calculation or processing of corporate actions in the market. Three risk components have been upgraded and one has been downgraded:

- Asset Commitment Risk from AA- to A+: There has been no change to settlement practices that would impact asset commitment periods, the downgrade is due to an increased proportion of settlement relating to on-exchange trading, which carries a longer asset commitment period than OTC trades.
- Asset Safety Risk from A to AA-: Based upon legal framework enhancements, particularly surrounding the nominee concept, improved reconciliation processes with registrars and increased automation surrounding account control.
- Financial Risk from A+ to AA-: Due to consistently increasing profits posted in recent years giving strong ratio performances and an increased diversification of income.
- Operational Risk from A to A+: This reflects improvements in internal controls and procedures, staff training commitments and disaster recovery and business continuity arrangements and facilities following the move to new back up sites.

The outlook for the CSCS risk assessment is 'positive' owing to the fact that there are numerous pending developments scheduled for implementation within the short to medium term. Official time schedules have not been announced in all cases, but it is anticipated that, upon implementation, these developments have the potential to improve the risk assessment of CSCS. These include:

- CSCS is looking to become a direct member of the Central Bank of Nigeria (CBN) RTGS system, ensuring that DVP settlement would be realised for both on-exchange and OTC transactions by linking the securities leg and cash leg of settlement. CBN approval would be required prior to establishing a link meaning that the timeframe for this would be largely dependent on the CBN.
- Following the implementation of the new TCS BaNCS clearing and settlement system, CSCS has been testing different SWIFT message types with participants, which, once live, will help achieve higher levels of straight-through processing (STP) in the market.
- CSCS Draft Amended Rules are awaiting SEC approval. Amended Rules clearly state CSCS liability for losses incurred by participants, and the maximum amount payable by CSCS which is the amount recovered from the insurers and responsible persons.

Once in place, this will dissipate ambiguities around CSCS liability and potential claims on CSCS financial resources.

Jim Micklethwaite, Director, Head of Operations for Thomas Murray said: "Thomas Murray is delighted to announce an upgrade to the overall risk assessment of CSCS. The upgrade across several areas recognises the significant and widespread improvements to processes and controls put in place over the last few years by CSCS, particularly due to the upgraded functionality within its new core system, TCS BaNCS. We will monitor CSCS's improvements as they continue to adopt international best practices."

Haruna Jalo-Waziri, Managing Director (MD) of CSCS said: "The upgrade from A to A+ is a significant milestone towards being a globally respected and leading central securities depository in Africa. The key upgraded areas further indicate that we have made notable improvements in managing our market's overall risks as we increasingly continue to align ourselves with global best practices. I am extremely proud of the collective efforts made over the years by our committed staff to enable us to make such progress."

The CSD risk assessment reviews and assesses the risk exposures for investors associated with the processes the CSD has in place to facilitate the safekeeping and the clearing and settlement of securities, where applicable. It assesses eight key risks (assessment components). The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure. It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the assessment, the scope and quality of the depository's services is assessed. The assessments are on a consistent global scale, using the familiar AAA to C grading scale. Once the grading is assigned there is an ongoing surveillance process to monitor the depository.

Thomas Murray maintains proprietary assessments of over 140 CSDs globally as part of the Thomas Murray Depository Risk Assessment services.

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## About Thomas Murray

Thomas Murray is a specialist custody risk assessment, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The Company monitors and analyses over 320 custodians globally and evaluates the risk of over 140 CSDs, 30 CCPs and over 90 capital market infrastructures. The company has a strong position as a provider of public and private risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

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## About the Central Securities Clearing System (CSCS)

The Central Securities Clearing System (CSCS) is a public limited company incorporated on 29 July 1992 under the Companies and Allied Matters Act 1990 and commenced operations on 14 April 1997.

CSCS operates a computerised depository, clearing and settlement system for securities transactions in the Nigerian Capital Market. Transactions executed on the Nigerian Stock Exchange (NSE) and OTC platforms (NASD and FMDQ) settle at CSCS. CSCS acts as a depository for equities, corporate bonds, federal government savings bonds, ETFs, REITs and mutual funds. As part of Project Meridian, CSCS migrated its core clearing and settlement software to TCS BaNCS on 23 October 2017.

CSCS is regulated by the Securities and Exchange Commission (SEC) and is registered by the Corporate Affairs Commission. The activities of CSCS are governed by the Investment and Securities Act 2007, the Companies and Allied Matters Act 2004, and by the SEC Rules.

<https://www.cscs.ng>

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