



FMDQ SPOTLIGHT



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News Stories

Kenyan Financial Market Delegates Visit FMDQ

Senior Representatives of the Central Bank of Kenya, the Kenyan National Treasury and the Capital Markets Authority, Kenya, led by a delegate from the Nigerian Debt Management Office (DMO), were received on a study tour to FMDQ OTC PLC (FMDQ) on August 26, 2015. The interactive session, organised by FMDQ's Management Team, presented an opportunity for the delegates to gain knowledge on the Nigerian OTC market, using FMDQ as a model OTC securities exchange and self-regulatory organisation.

This tour provided, among other benefits, the opportunity for the delegates to learn about the evolution of FMDQ, its key operations and linkages with other key market participants, the workings of the FMDQ Bloomberg E-Bond Trading System and the role of FMDQ in the Nigerian financial market.

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FMDQ Introduces New Membership Category: Affiliate Members

As part of FMDQ's continued progress towards delivering on one of its mandates - to develop the Nigerian financial markets through capacity building, thereby increasing market confidence and efficiency - the securities exchange is pleased to announce the launch of a new category of membership, "**Affiliate Members**". Affiliate membership is ideal for institutions and individuals with a keen interest in the FMDQ OTC markets, and an association with the financial markets, but not in a full participatory role as either a Dealing, Associate or Registration Member of FMDQ, taking advantage of the Exchange's commitment to develop the Nigerian financial markets via capacity building through knowledge and information dissemination.

Affiliate Members can avail on FMDQ's core value proposition of consistently adding value to a vast range of stakeholders and consequently be provided with benefits including but not limited to financial market knowledge acquisition, trades/investments monitoring ability, tools to enable informed investment decisions and efficient price discovery, as well as access to a repository of fixed income and currency market information, all through a new and innovative soon-to-be-deployed online module, FMDQ "**e-Knowledge**".

The FMDQ **e-Knowledge** module will contain a bouquet of tools providing information relating to, amongst other things, financial market news, fundamentals, tips and education, historical facts about the financial market, market & model prices and rates of FMDQ products, securities & instruments, analytics, etc., contributed by various sources. Affiliate Members will be granted access to invaluable and expedient information on the FMDQ markets, among others, through **e-Knowledge**.

e-Knowledge, the FMDQ bespoke online “knowledge centre”, will house the following sub-modules:

- **“e-Discovery”** - Daily activity information on the FMDQ fixed income and currency markets
- **“e-MarketData”** – Financial market data centre for primary financial and OTC market-related data, for fixed income and currency products and their derivatives
- **“e-Analytics”** – End-user analytics on the FMDQ fixed income and currency markets
- **“e-MarketMedia”** – FMDQ & market news updates, knowledge tips & titbits, and social media interaction
- **“e-MarketReports”** – A repository of various reports on FMDQ OTC market activities and events analysis

[Click here to become an FMDQ Affiliate Member](#)

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SEC-Lotus Capital Holds Islamic Finance Educational Session for FMDQ: Understanding Sukuk

The Securities and Exchange Commission (SEC) has developed a 10-year master plan for Non-interest Capital Market (NICM) development in Nigeria. This is to support the Regulator’s efforts towards developing a fair, efficient, transparent and world-class capital market. FMDQ in conjunction with SEC will be working towards achieving this goal and expand NICM’s contribution to the Debt Capital Market (DCM) to at least 25% in the next ten (10) years. FMDQ will be promoting and developing the NICM through product and market innovation via partnerships with market stakeholders (regulators, investors, market operators etc.). It is believed NICM will play a very key role in the national growth and development and enhance global competitiveness of the Nigerian capital market.

SEC, in its bid to kick-start the NICM development programme, held, in conjunction with Lotus Capital Ltd., an educational session with members of staff of FMDQ on “Understanding Sukuk”. The enlightening and interactive session, providing an introduction to Islamic finance, covered various aspects of Sukuk (from growth of the Sukuk market to the types of Sukuk and the rationale for Sukuk issuance). Learnings from the session will aid FMDQ in sharpening its roadmap to developing (along with key stakeholders) Islamic debt finance in Nigeria towards capital market development and economic growth. Development of the Islamic debt finance market falls within FMDQ’s medium-term strategic initiatives of the promotion of product and market innovation towards the development of the nation’s debt capital market for global competitiveness.

Islamic finance can be defined as a financial system that operates according to the Islamic law. Banks, fund managers, capital market operators, investment firms and insurance companies in this system are governed by both Islamic laws and the finance industry rules and regulations that apply to their conventional counterparts.

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FMDQ Listings & Quotations

FMDQ Welcomes the Quotation of ₦8.15bn Wema Bank PLC Commercial Paper

Having successfully met the quotation requirements as contained in the FMDQ Commercial Paper (CP) Quotation Rules, the FMDQ Board Listings and Quotations Committee granted its approval for the quotation of the Wema Bank PLC ₦8,154,803,000.00 Series 1 Commercial Paper (CP) Notes under a ₦20,000,000,000.00 Commercial Paper Issuance Programme (the Wema Bank CP) on FMDQ. Consequently, the Wema Bank CP was admitted to the FMDQ Quotations List in September 2015.

The Wema Bank CP is the second CP, following the pioneer quotation of the Stanbic IBTC Bank PLC CP, to be quoted on FMDQ. To commemorate the quotation of the Wema Bank CP, an FMDQ Quotation Ceremony was held, with the issuer, Wema Bank PLC, being the guest of honour. FMDQ played host to the issuer, represented by the MD/CEO Wema Bank PLC, Mr. Segun Oloketuyi and other key representatives of the bank, and the arranger/Registration Member (Quotations) of FMDQ, represented by the MD/CEO, FBN Capital Ltd., Mr. Kayode Akinkugbe along with other key representatives of the institution.

Whilst congratulating Wema Bank, Mr. Bola Onadele. Koko, MD/CEO of FMDQ noted that as a securities exchange, FMDQ promotes credibility for quoted CPs, through a highly efficient registration process. CP issuers quoting their securities on FMDQ gain access to a wide range of knowledgeable and capitalised investors through FMDQ Members. Investors, on the other hand, enjoy improved liquidity which serves to ensure ease of entry and exit from the CP market.

He added that the CP gains access to the full complement of an FMDQ quotations service; which includes but not limited to the global visibility through its inclusion to the FMDQ Bloomberg E-Bond trading system and on the quotations page of the FMDQ website. Others include the transparency drive which is also characterised by continuous disclosure of relevant information (such as issuer, issuance type, outstanding value and issuer history) on instruments quoted on its platform.

Ahead of the signing of the FMDQ Quotations Register and the presentation of the CP Quotation Certificate, Mr. Oloketuyi, whilst making a brief address highlighted that six (6) years ago, Wema Bank took a decision to refocus its operations and build a sustainable institution. The Bank's transformation was implemented in three phases; firstly to stabilise the Bank, secondly to prepare the building blocks for growth and thirdly to go for growth. The Bank is now within the third phase of the transformation project and the official listing of the Wema Bank CP is a testament of the success of the ongoing transformation project. As the Bank continues to build on the success recorded in the various initiatives embarked

upon, there has been an increase in patronage, clientele and transaction dynamics. Similarly, commercial customer transactions have increased, hence, the need to meet the short cycle financing needs of these customers.

Also speaking on the transaction, Mr. Akinkugbe, stated, “We are pleased to have advised Wema Bank on setting up its ₦20billion Commercial Paper programme, and despite fairly volatile market conditions, we leveraged FBN Capital’s distribution platform to successfully arrange the first tranche of ₦8.15billion. This CP transaction is the first time Wema Bank is accessing the public market since the global financial crisis in 2008 and signals an affirmation by investors of the successful transformation of Wema Bank to a well capitalised financial institution. Quoting the Wema Bank CP on FMDQ will provide investors with a transparent and efficient platform for price determination, liquidity and execution of trades.”

As a securities exchange and self-regulatory organisation, with a commitment to facilitate growth and development in the financial market and Nigerian economy at large, FMDQ is unwavering in its mandate to promote an efficient, transparent and well regulated market, which will attract and retain investors (domestic and foreign). Issuers have the opportunity to leverage on the provisions of this unique exchange to meet their short and long-term funding needs even as the financial markets become aligned with international best practices/standards.

[Click to view details of the Wema Bank CP Quoted on FMDQ](#)

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FMDQ Hosts Pioneer Listing of the Nigeria Mortgage Refinance Company PLC (PLC) Bond

FMDQ recorded yet another milestone achievement in the development of the Nigerian debt capital market as it listed the Nigeria Mortgage Refinance Company PLC (NMRC) ₦8,000,000,000 Series 1, 15-Year 14.9% Fixed Rate Bond under a ₦140,000,000,000.00 Medium-Term Note Programme (the NMRC Bond) on its platform. To which end, FMDQ played host to the issuer, represented by the MD/CEO NMRC, Prof. Charles Inyangete and the Registration Member (Listings)/sponsor of the bond on FMDQ, represented by the MD, Dunn Loren Merrifield Advisory Partners Ltd., Mr. Chinua Azubike, to a prestigious Listing Ceremony in commemoration of this landmark event.

Highlights of the Ceremony, as have become customary of FMDQ, included the signing of the FMDQ Bond Listings Register, presentation of the FMDQ Listing Certificate and Plaque by FMDQ Board Vice-Chairman, Mr. Jibril Aku, unveiling of the FMDQ Listing Scroll and the autographing of the FMDQ Bond Listing Wall.

Whilst commending the NMRC visioning team, the MD/CEO of FMDQ, Mr. Bola Onadele. Koko noted that the issuance of this bond by NMRC and subsequent listing on FMDQ, mark

essential steps towards development of not only the corporate bond market in Nigeria, but also the Nigerian housing market through the creation of long term funding for mortgage financing. Listing of NMRC bonds on FMDQ will help create liquidity for these instruments, price formation for the issuance of new bonds, price discovery for investors in these securities and foster market transparency. FMDQ will provide the necessary secondary market platform for the bonds to thrive and by extension ensuring success of the Nigerian primary and secondary mortgage markets.

According to Prof. Inyangete, “the successful completion of the bond issuance and the investor interest generated by the issue underscores the confidence reposed in the underlying principle and operational model of the NMRC. The market has bought into NMRC’s objective of intermediating long term funds from the capital market to the development of the mortgage industry and ultimately bridging Nigeria’s housing deficit by providing affordable housing finance. NMRC is committed to transmitting the full benefit of the pricing efficiency achieved in its funding cost to home borrowers through the participating primary mortgage lenders, thereby driving activities that will deepen the mortgage market”.

Also speaking at the ceremony, Mr. Azubike highlighted that the successful debut of this landmark bond issue has engendered market confidence in the credit standing of NMRC as a bond issuing entity, allowing NMRC to connect the Nigerian mortgage market to the capital markets, particularly the pension fund investors which account for 78% of the bond investors, adding that this will unlock the potential for increased mortgage volumes and sustainable housing market supply.

The issuance of this bond by NMRC and subsequent listing on FMDQ, mark essential steps towards development of not only the corporate bond market in Nigeria, but also the Nigerian housing market through the creation of long term funding for mortgage financing. Listing of NMRC bonds on FMDQ will help create liquidity for these instruments, price formation for the issuance of new bonds, price discovery for investors in these securities and foster market transparency. FMDQ will provide the necessary secondary market platform for the bonds to thrive and by extension ensuring success of the Nigerian primary and secondary mortgage markets. FMDQ, in partnership with NMRC and other key stakeholders will engage in relevant initiatives and campaigns to educate the market on mortgage-related debt instruments, like Mortgage-Backed Securities, Real Estate Investment Trusts, Sukuk, among others, in readiness for the ensuing housing revolution the Nigerian market is positioned to experience.

The FMDQ Listings and Quotations Franchise continues to grow. Also in the course of September, FMDQ’s Board Listings and Quotations Committee approved the listing of two (2) other bonds on FMDQ; one (1) sub-national bond, the Benue State Government ₦4.95bn, 7-Year 16.5% 27-Feb-2022 Bond, and another corporate bond, the Fidelity Bank PLC ₦30.0bn, 7-Year 16.48% 13-May-2022 Bond. These listings provide the bonds with the

necessary visibility and transparency typical of a thriving and globally competitive debt capital market.

FMDQ, shall provide continuous information disclosure on these bonds to include price/value data and detailed issuers'/issue information to stakeholders via the 'Listings & Quotations' page on FMDQ website. The bonds shall be included on the FMDQ-Bloomberg E-Bond Trading System (E-Bond) and also on the FMDQ website, providing issuers, investors, dealers, regulators and the general public with tools for improved price discovery and transparency.

[Click to view details of Bonds listed on FMDQ](#)

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FMDQ Turnover & Dealing Members' League Table

The FMDQ OTC Market Turnover Report shows the turnover on all products traded on the FMDQ secondary market – Foreign Exchange (FX), Treasury Bills (T.Bills), Money Market (Repurchase Agreements (Repos)/Buy-Backs and Unsecured Placements/Takings) and Bonds (Federal Government of Nigeria (FGN) Bonds, Eurobonds & Other Bonds (Agency, Sub-national, Corporate & Supranational)). FX and Money Market Derivatives are embedded in the FX and Unsecured products categories respectively. These figures exclude primary market auctions in T.Bills, Bonds and FX.

The data, collated from the weekly trade data submissions by FMDQ Dealing Members, represents trades executed between Dealing Members, Dealing Members & Clients, and Dealing Members & the Central Bank of Nigeria (CBN).

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FMDQ OTC Market Turnover (January – August 2015)

	Turnover (₦'bn)
Foreign Exchange	19,835
Foreign Exchange Derivatives	5,539
Treasury Bills	31,739
FGN Bonds	6,062
Other Bonds	18
Eurobonds	33
Repurchase Agreements/Buy-Backs	21,354
Unsecured Placements/Takings	9,212
Money Market Derivatives	101
	93,894
<i>USD equivalent ('bn)</i>	<i>477</i>
No. of Business Days	162
Average Daily Turnover	580
<i>USD equivalent ('bn)</i>	<i>3</i>

Note: USD/₦ @ 196.7

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The FMDQ League Table shows the rankings of FMDQ Dealing Members across all products traded on the FMDQ platform – FX, FX Derivatives, T.Bills, Bonds (FGN Bonds, Eurobonds and Other Bonds), Money Market (Repos/Buy-Backs and Unsecured Placements/Takings) and Money Market Derivatives. The rankings represent the cumulative value across all products traded by the Dealing Members.

Top 10 Dealing Members in FMDQ Market (January – August 2015)

Rank	Dealing Member
1	Stanbic IBTC Bank PLC
2	Access Bank PLC
3	Diamond Bank PLC
4	First Bank of Nigeria Limited
5	United Bank for Africa PLC
6	Skye Bank PLC
7	Ecobank Nigeria Limited
8	Union Bank of Nigeria PLC
9	Standard Chartered Bank Nigeria Limited
10	Citibank Nigeria Limited

The League Table positions were largely maintained from July 2015 except for a couple of changes - Diamond Bank PLC occupied the 3rd position, displacing First Bank of Nigeria Ltd. from 3rd place to occupy 4th place. Similarly, Union Bank of Nigeria PLC moved up the League Table from 9th to 8th place, displacing Standard Chartered Bank Nig. Ltd. who occupied the 9th position. Increased trading activity in FX and T.Bills by Diamond Bank PLC and also trading activity improvement in Repos/Buy-Backs and Unsecured Placements/Takings by Union Bank of Nigeria PLC accounted for the position jumps by the two (2) Dealing Members. The top ten (10) Dealing Members account for 71% (₦67 trillion) of the overall turnover in the market, with the top three (3) accounting for 42% (₦27.9 trillion) of this sub-section of the market.

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Upcoming Events

FMDQ Debt Capital Market Workshop

FMDQ, in collaboration with the International Finance Corporation and supported by the Securities and Exchange Commission will host a Workshop on “Nigeria’s Debt Capital Market (DCM)” on October 27 - 28, 2015. This Workshop themed – Towards a Brighter Future: Issues & Prospects, aims to be the catalyst for the rejuvenation and growth of the Nigerian DCM. It will focus on identifying the challenges in the Nigerian DCM and drill down to practical and implementable solutions. More details of the Workshop will be communicated in due course.

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FMDQ Learning

Understanding the Concept of Asset Securitisation

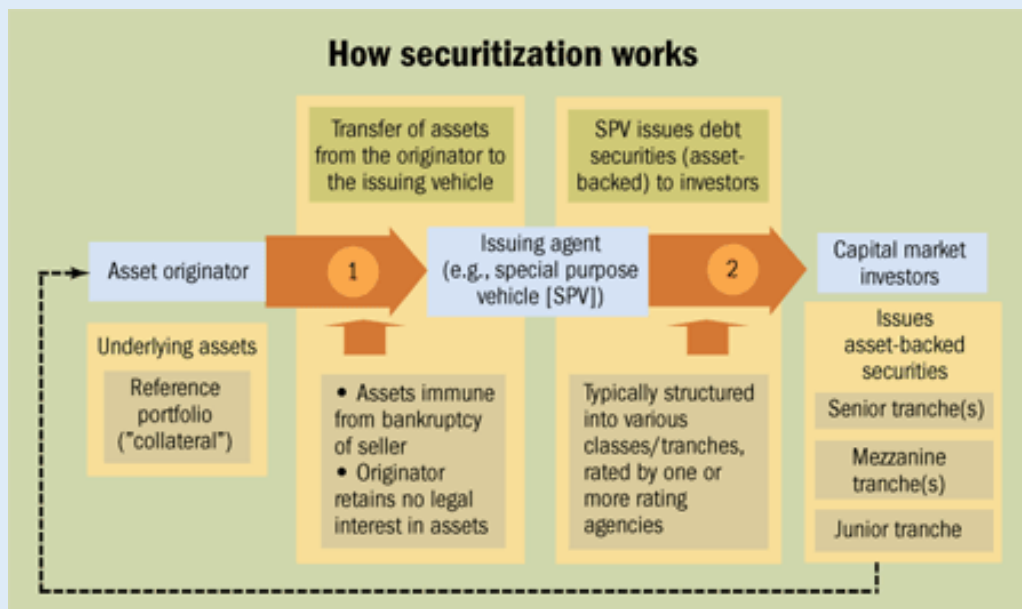
Asset securitisation is the creation and issuance of debt securities or bonds, whose payments of principal and interests are derived from cash flows generated by separate pools of assets. It is a form of secured funding through issuance of bonds in a specific pool of assets, and used by financial institutions and businesses to immediately realise the value of cash producing assets like loans, leases or trade receivables. These assets are pooled, packaged as a security (the security is backed by the assets) and sold to investors who buy interests in the pool rather than in the specific assets. Asset securitisation allows originators to unlock the value of upfront assets.

The following are examples of asset securitisation:

- **Mortgage-Backed:** Residential and Commercial Mortgage-Backed Securities fall into this category
- **Retail Loan Pools:** Examples include loan receivables, trade receivables, equipment lease and consumer credit

Initiating securitisation requires the creation of a Special Purpose vehicle (SPV) which is legally separate from the original holder of the assets. In a typical transaction, the owner sells its assets to the SPV. The payment streams generated by the assets will be repackaged to back an issue of bonds. The bonds are exchanged with an underwriter for cash, who then sells the securities to investors.

The diagram below, adapted from the International Monetary Fund (IMF) magazine, “Finance and Development” (September 2008), illustrates the basic mechanism of securitisation.



Parties involved in a securitisation transaction

- **The Originator:** This is the entity on whose books the assets to be securitised exist
- **The SPV:** This is the issuer of the bond/security. The SPV buys the assets to be securitised from the originator, holds the assets in its books and makes an upfront payment to the originator
- **The Investors:** These could be either individuals or institutions who invest in the debt instrument formed from the assets securitised
- **The Obligor:** This is the originator’s debtor or the borrower of the original loan
- **The Rating Agency:** The rating process assesses the strength of the cash flows and the mechanism designed to ensure full and timely payment
- **Administrator:** Also referred to as Paying Agent. Administrators collect payments due from the obligors and pass them to the SPV

- **Trustees:** Administer the duties on the SPV and ensure that all the parties involved in the securitisation transaction perform in accordance with the Securitisation Trust Agreement
- **Structurer:** Plans, organises and structures the overall transaction in conjunction with the originator. The structurer is involved in the ongoing processing and supervision of the transaction. Amongst other roles performed, the structurer also advises on the optimum selection of assets for the credit pool to be sold

Below are the most identified reasons for asset securitisation:

- **Funding & Liquidity:** Securitisation provides originators with an additional source of funding and transforms illiquid assets into debt securities that can be readily sold in a market, thereby increasing liquidity
- **Asset & Liquidity Management:** Securitisation can be used to significantly reduce any interest rate risk associated with an asset/liability mismatch on the originator
- **Enhancement of Return on Assets/Return on Equity:** Securitisation can improve an institution's return on assets and equity. Institutions can remove assets from their books, thereby freeing up their balance sheets, and either invest the proceeds in more lucrative transactions, begin the loan origination process again, and/or utilise turnover & volume to generate profits

Securitisation allows institutions to transform into liquid assets (e.g. bonds), loans/assets that otherwise would be stuck on the balance sheet until their maturities. With new funds raised through securitisation, these institutions (the originators) can increase profitability by diversifying investments into more lucrative asset classes.

Securitisation offers advantages for the sellers (originators) – reduction of debt in balance sheet thereby creating additional liquidity to enable the institutions make new loans; the investors – portfolio diversification, accessibility to asset classes not directly/easily available in the markets, attractive risk/return profiles; and the market as a whole – spreading of risk within the market thereby reducing risk concentration within specific market participants.

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