FMDQ SPOTLIGHT

FMDQ
...empowering the OTC markets

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Contents

New Stories

Bank of Uganda Pays Courtesy Visit to FMDQ

The FMDQ OTC PLC (FMDQ) team welcomed representatives of the Financial Market Department of the Bank of Uganda led by a delegate from the Nigerian Debt Management Office on a study tour to the OTC securities exchange.

Desirous of further developing its bond market alongside building strategic alliances, the Bank of Uganda, sought to engage FMDQ, in its capacity as a frontline regulator for all (excluding equities) secondary market activities and a platform provider for the efficient listing, quoting and trading of bonds. Whilst acknowledging the impact of FMDQ in the Nigerian financial market landscape, with emphasis on technology as a key enabler of its activities, the representatives noted that effective collaboration with other domestic and international financial market infrastructures such as FMDQ will serve to foster active market development in the Ugandan financial market and encourage cross-border capacity building.

Back to Top

Building Strategic Alliances: FMDQ OTC PLC Visits the International Capital Market Association (ICMA) Limited, London

Management representatives of FMDQ, Mr. Bola Onadele. Koko, MD/CEO and Ms. Kaodi Ugoji, Head, Strategy & Corporate Communications Group, recently met with senior executives of ICMA Limited at the Association's office in London, UK, with a view to exploring and building strategic collaboration opportunities towards the development of the Nigerian financial markets.

As a trade association and self-regulatory organisation (SRO), ICMA is committed to promoting best market practices through the development of appropriate, industry accepted guidelines, rules, recommendations and standard documentations. The Association also focuses on bringing all segments of the capital markets together and encouraging dialogue between the industry and governments, regulators and central banks – at national and international levels. With a view to becoming an Associate Member of this body, FMDQ, through this membership, expects to support its market development initiatives as well as boost capacity building and education for its Members and stakeholders.

Back to Top

FMDQ Listings & Quotations

FMDQ Lists ₦15.54bn Stanbic IBTC Bank PLC Bond

Following the listing of the pioneer corporate bond, the ₦30.5bn UBA Bond on its platform, FMDQ, in June 2015, welcomed another corporate bond listing on the OTC securities exchange, the 13.25% Stanbic IBTC Bank PLC ₦15.54bn Series 1 (Tranches A & B) 10-Year Subordinated Notes under a ₦150.00bn Structured Note Programme due in 2024 (the Stanbic IBTC Bond) listing. In commemoration of this listing, FMDQ hosted the issuer, represented by the Chief Executive Officer of Stanbic IBTC Bank PLC, Mr. Yinka Sanni, and key members of the team to a Listing Ceremony for the issue. The issuing house/sponsor of the Stanbic IBTC Bond on FMDQ platform, Stanbic IBTC Capital Ltd., was also present at the Ceremony and represented by the Head of Debt Capital Markets, Mr. Kobby Bentsi-Enchill.

The Ceremony was marked by the signing of the FMDQ Bond Listing Register and the presentation of the Stanbic IBTC Bond Listing Certificate, and subsequently, the presentation of the Listing mementos. The FMDQ Bond Listing Register was signed by the issuer, issuing house/sponsor and FMDQ, represented by the FMDQ Board Vice-Chairman and Member, Board Listings and Quotations Committee, Mr. Jibril Aku, and FMDQ MD/CEO, Mr. Bola Onadele. Koko. The presentation of the Stanbic IBTC Bond Listing Certificate was made to the issuer by Mr. Aku.

Ahead of the presentation of the Stanbic IBTC Bond Listing mementos, in the form of the unveiling of the FMDQ Bond Listing Scroll; the presentation of the FMDQ Bond Listing Plaque to the Issuer; and the autographing of the FMDQ Bond Listing Wall of Fame; Mr. Sanni noted that the Stanbic IBTC Bond was the second corporate bond to be listed on the OTC securities exchange and that the issuer, Stanbic IBTC Bank PLC, was pleased to achieve this milestone and contribute to the deepening of the Nigerian debt capital markets. The ₦15.54bn bond issue was the first series issued under Stanbic IBTC's Structured Note Programme and comprised of two tranches of fixed and floating rate notes and has a tenor of 10 years, making it notable for being the longest tenored bond in its asset class to be issued in the Nigerian debt capital market.

Mr. Sanni further highlighted that the Stanbic IBTC Bond was being listed on FMDQ because of the exchange's provision of a dedicated OTC platform serving to enhance the liquidity of bonds and other securities traded on FMDQ. He concluded by noting that growth in secondary market liquidity will contribute immensely to the growth in the overall domestic bond market, highlighting that FMDQ's value proposition for the transformation of the Nigerian financial market, will help deepen secondary market liquidity and transparency, thus further aligning it with international best practices.

Stanbic IBTC Bank PLC is currently the largest contributor to the overall turnover in the FMDQ secondary market.

Click to view details of bonds listed on FMDQ platform

Back to Top

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). FX and Money Market Derivatives are embedded in the FX and Unsecured products categories. 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).

Back to Top

FMDQ OTC Market Turnover (January – May 2015)

	Turnover (₦'bn)
Foreign Exchange	12,712
Foreign Exchange Derivatives	4,036
Treasury Bills	17,376
FGN Bonds	3,804
Other Bonds	8
Eurobonds	30
Repurchase Agreements/Buy-Backs	14,757
Unsecured Placements/Takings	5,875
Money Market Derivatives	49
	58,647
USD equivalent (bn)	*299*
No. of Business Days	101
Average Daily Turnover	581
USD equivalent (bn)	*3*

Back to Top

The FMDQ League Table shows the rankings of its Dealing Members across all products traded on the FMDQ platform – FX, FX Derivatives, T.Bills, Bonds (FGN Bonds, Eurobonds and Other Bonds), Money Market (Repurchase Agreements, Buy-Backs and Unsecured Placements/Takings) and Money Market Derivatives. It depicts the overall ranking for the cumulative value traded across all products.

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

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

All Dealing Members maintained their positions on the League Table except Access Bank PLC and First Bank of Nigeria Ltd. who swapped positions at 2nd and 3rd due to increase in FX Derivatives, T.Bills and FGN Bonds transactions by Access Bank PLC; and Skye Bank PLC and United Bank for Africa PLC who swapped positions at 5th and 6th due to increase in T.Bills, Repos/Buy-Back and Unsecured Placement/Taking transactions by Skye Bank PLC.

Back to Top

Upcoming Events

FMDQ "Members Only" Bi-Annual Meeting

As part of its commitment to develop the Nigerian financial markets and in recognition of the crucial roles its various stakeholders play in this development, FMDQ is thrilled to host its Members to the first FMDQ Bi-Annual "Members Only" Meeting for 2015. Following on from the inaugural FMDQ "Members Only" Meeting held in December 2014, where the FMDQ Market Architecture was crafted, the second of its kind will focus on, among other agenda items, the current position of the market vis-à-vis decisions taken and recommendations made at the inaugural "Members Only" Meeting. The Meeting will also highlight new initiatives as they impact the market and provide for an interactive session where Members can deliberate on issues and make contributions to the ultimate benefit of our budding financial markets. The meeting will be convened in July 2, 2015 at The George Hotel, Ikoyi, and is “by invitation” only.

Back to Top

FMDQ Debt Capital Market Workshop

FMDQ, in partnership with the Securities and Exchange Commission (SEC), will be holding a Workshop on “Nigeria’s Debt Capital Market (DCM)”. This Workshop which aims to be the catalyst for the rejuvenation and growth of the Nigerian DCM, will focus on challenges in the Nigerian DCM and drill down to practical and implementable solutions. All DCM stakeholders are encouraged to attend. Details of the Workshop will be communicated in due course.

Back to Top

FMDQ Learning

Introduction to Bond Forwards

“Forwards” are non-standardised contracts between two parties to buy or to sell assets at specified future times at prices agreed upon today, making it a type of derivative instrument. The price of the underlying instrument, in whatever form, is paid before control of the instrument changes. Therefore for bond forwards, this is one of the many forms of buy/sell orders where the time and date of trade is not the same as the value date where the securities themselves are exchanged. The difference between the spot and the forward price is the forward price is the forward premium or forward discount, generally considered in the form of a profit, or loss, by the purchasing party.

The specified price on the bond reflects current interest rates on the desired term of the financing and therefore locks in current yields. In most cases the future sale of the bond never actually takes place, rather there is a cash settlement reflecting the then price on the bond. The price of a bond forward contract is calculated by subtracting the present value of coupon payments over the life of the contract from the bond price, and compounding this by the risk free rate over the life of the contract. The value of the contract is the bond price less the present value of coupons less the present value of the price that will be paid at expiration.

Forward contracts can be on an individual issue as well as on a portfolio of bonds or on a bond index. While the number of coupon payments for the life of the bond may exceed the life of the contract, only the payments during the contract period are considered. This is because some bonds will have maturities much longer than the duration of the contract, and contract participants are hedging for price movements over a shorter period of time.

Benefits of bond forwards include:

- Provision of a hedge against rising bond yields
- Similar to other hedges, cancellation or amendment unrestrictions
- No associated fees or premiums
- Independence from any cash financing (e.g. Private Placements)

Drawbacks from bond forwards include:

- No opportunity to benefit from lower bond yields
- Although an effective hedge of underlying securities interest rates, there is no mitigation against the risk of the bonds going "off-the-run"

Forward contracts are very similar to futures contracts, except that they are not exchange-traded, or defined on standardised assets. Forward contracts specifications can be customised and may include mark-to-market and daily margin calls. A forward contract arrangement might call for the loss party to pledge collateral or additional collateral to better secure the party at gain. The terms of the forward contract will determine the collateral calls based upon certain "trigger" events relevant to a particular counterparty such as, among other things, credit ratings, value of assets under management or redemptions over a specific time frame.

Back to Top