



# FMDQ SPOTLIGHT



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# Contents

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- **New Stories**

- FMDQ Releases e-Discovery 2.0
- FMDQ Unveils its Proprietary Market Information Data Centre – FMDQ e-MarketData

- **FMDQ Turnover and Dealing Members' League Table**

- FMDQ OTC Market Turnover (January - July 2015)
- Top 10 Dealing Members in FMDQ Market (January - July 2015)

- **Upcoming Events**

- FMDQ Debt Capital Market (DCM) Workshop

- **FMDQ Learning**

- Introduction to Sukuk

## ***New Stories***

### **FMDQ Releases e-Discovery 2.0**

“FMDQ e-Discovery” (e-Discovery), the electronic price discovery portal providing online activity information on the FMDQ OTC PLC (FMDQ) fixed income and foreign exchange (FX) markets, has been upgraded to add more value to users and FMDQ stakeholders as a whole. The e-Discovery upgrade provides the following additional features:

- Historical data on Central Bank of Nigeria (CBN) FX rates for the current day and the preceding nine (9) days;
- Executed transactions in the FX market for the current day;
- Executed transactions on Federal Government of Nigeria (FGN) bonds & treasury bills for the current day

FMDQ remains unwavering in its commitment to continue to provide value to its stakeholders, and consequently welcomes any feedback and suggestions on further developments to e-Discovery that will serve to suit the needs of users and stakeholders.

Click [here](#) to launch e-Discovery

[Back to Top](#)

### **FMDQ Unveils its Proprietary Market Information Data Centre – FMDQ e-MarketData**

FMDQ is pleased to announce the launch of the first version of “FMDQ e-MarketData” (e-MarketData), another module in its unique e-Markets solution, offering a wide range of debt capital, money and FX markets requirements – from unprecedented price discovery through to efficient membership registration. e-MarketData is FMDQ’s exclusive financial market data centre, which warehouses, in a single repository, an extensive array of Nigerian OTC market-related data, readily accessible (online) and in an easy-to-use format for FMDQ stakeholders. The development of e-MarketData is in line with FMDQ’s mandate to develop and revolutionise the Nigerian OTC markets, with availability of robust, complete and accurate financial market data, which is at the forefront of the critical requirements for successfully delivering on the defined mandate.

e-MarketData aggregates and provides primary market and OTC market data for fixed income and currency products and their derivatives. The data is compiled from multiple sources including, but not limited to, the Central Bank of Nigeria (CBN), the Debt Management Office (DMO), FMDQ Bloomberg E-Bond Trading System (E-Bond), Thomson Reuters FX Dealing 3000 System and weekly trade data submissions from FMDQ Dealing Members. Users are empowered to view, extract and combine relevant data for research and analytical purposes. For example, users can query the database to extract details of

182-day Nigerian Treasury Bills' auctions with stop rates between 11.75% and 12.50% conducted between January 2008 and June 2015 or extract OTC market turnover for each quarter in 2014. e-MarketData contents are based on internal evaluations, market regulators' and operators' needs and/or recommendations, data availability and periodic benchmarking with established financial markets' data hubs, among others.

User access to e-MarketData shall be provided on a restricted basis to FMDQ stakeholders per individual per institution, and financial market regulators.

FMDQ e-Markets is an FMDQ technology initiative designed to suit the needs of various stakeholders in the FMDQ market. The e-Markets Portal consists of various sub-segments of tools to promote transparency and enhance the efficiency of different activities in our market. e-Markets sub-segments include:

- **e-MarketData:** Complete market information
- **e-Discovery:** The online price discovery portal, providing online activity prices in the fixed income and currency markets
- **e-Broker:** Online data reporting tool for Associate Members (Inter-Dealer Brokers and Brokers)
- **e-Registration:** The online tool for membership, issuer, issue and eligible investors registrations (*Coming soon!*)
- **e-Subscription:** The online tool for subscription to issues (*Coming soon!*)

[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 (Agency, Sub-national, Corporate & Supranational bonds)). 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).

[Back to Top](#)

## FMDQ OTC Market Turnover (January – July 2015)

	Turnover (₦'bn)
Foreign Exchange	17,825
Foreign Exchange Derivatives	5,066
Treasury Bills	26,819
FGN Bonds	5,307
Other Bonds	14
Eurobonds	33
Repurchase Agreements/Buy-Backs	18,922
Unsecured Placements/Takings	8,213
Money Market Derivatives	101
	<b>82,301</b>
<i>USD equivalent (bn)</i>	<i>419</i>
<b>No. of Business Days</b>	<b>144</b>
<b>Average Daily Turnover</b>	<b>572</b>
<i>USD equivalent (bn)</i>	<i>3</i>

Note: USD/₦ @ 196.61

[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 (Repos, 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 – July 2015)

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

All Dealing Members maintained their positions on the League Table except United Bank for Africa PLC (UBA) and Skye Bank PLC that swapped 6<sup>th</sup> and 5<sup>th</sup> positions respectively due to increased trading activity in FX and Unsecured Placement/Taking transactions by UBA. The

top 10 Dealing Members account for 71% (₦58.5 trillion) of the overall turnover in the market, with the top 3 accounting for 38% (₦22.2 trillion) of this sub-section of the market.

[Back to Top](#)

## ***Upcoming Events***

### **FMDQ Debt Capital Market Workshop**

FMDQ, in partnership with the Securities and Exchange Commission (SEC) and International Finance Corporation (IFC), will host a Workshop on “Nigeria’s Debt Capital Market (DCM)” on October 27, 2015. 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. More details of the Workshop will be communicated in due course.

[Back to Top](#)

## ***FMDQ Learning***

### **Introduction to Sukuk**

The emergence of Sukuk has been one of the most significant developments in Islamic capital markets in recent years. Sukuk instruments, simply put, act as a bridge, linking Sukuk issuers with a wide pool of investors, many of whom are seeking to diversify their holdings beyond traditional asset classes. Funds raised through Sukuk can be allocated in an efficient and transparent way to infrastructure initiatives and other ‘Shari’ah-compliant/ethical’ projects.

Sukuk in general may be understood as Shari’ah-compliant bonds, given that they are Islamic financial certificates that share the qualities of bonds. In its simplest form, Sukuk represents ownership of an asset as they cannot be described as debt but as trust in certain Shari’ah-compliant assets relating to particular projects or special investment activities. The claim embodied in Sukuk is not simply a claim to cash flow but an ownership claim. A sukuk investor has a common share in the ownership of the assets linked to the investment although this does not represent a debt owed by the issuer of the bond. The Sukuk structure is different to that of conventional bonds as the latter are interest bearing securities, whereas Sukuk are basically investment certificates consisting of undivided beneficial ownership claims in a pool of assets. Therefore, Sukuk holders are entitled to a share in the revenues generated by the Sukuk assets. The sale of Sukuk relates to the sale of a proportionate share in the asset.

Investors in Sukuk lease back the assets over a specified period for a specified cost. This 'rent' replicates conventional interest on a fixed-income debt security.

#### Features and Benefits of Sukuk

- Sukuk gives investors partial ownership in the Shari'ah-compliant assets on which the Sukuk are based
- Each Sukuk represents a share of the underlying asset
- Face value of Sukuk is based on the market value of the underlying Shari'ah-compliant assets
- Sukuk are secondary market tradable Shari'ah-compliant capital market products providing medium to long-term fixed or variable rates of return
- They are assessed and rated by international/local rating agencies, which investors use as guidelines to assess risk/return parameters of a Sukuk issue
- Sukuk provide regular periodic income streams during the investment period with easy and efficient settlement and a possibility of capital appreciation of the Sukuk
- Sukuk holders receive a share of profits from the underlying asset (and accept a share of any loss incurred)
- Sukuk holders are affected by costs related to the underlying asset. Higher costs may translate to lower investor profits and vice versa

The most common types of Sukuk are project-specific, asset-specific, and balance sheet-specific.

- Project-Specific Sukuk: Under this category, money is raised through Sukuk for a specific project. The Qatar Global Sukuk, issued by the Government of Qatar in 2003 to mobilise resources for the construction of Hamad Medical City (HMC) in Doha, is an example of a project-specific Sukuk
- Asset-Specific Sukuk: Under this arrangement, the resources are mobilised by selling the beneficiary right of the assets to the investors. An example of an asset-specific Sukuk is the US\$250 million five-year Ijara Sukuk issued to fund the extension of the airport in Bahrain. In this case, the underlying asset was the airport land sold to a Special Purpose Vehicle (SPV)
- Balance Sheet-Specific Sukuk: An example of the balance sheet-specific use of Sukuk funds is the Islamic Development Bank (IDB) Sukuk issued in August 2003. The IDB mobilised these funds to finance various projects of their member countries. The IDB made its debut resource mobilisation from the international capital market by issuing US\$400 million five-year Sukuk which fell due for maturity in 2008

Sukuk have, since 2000, become important Islamic financial instruments in raising funds for long-term project financing. The first Sukuk were issued by Malaysia in 2000, followed by Bahrain in 2001. The corporate sector and state governments have since then used Sukuk as

an alternative source of raising finance, tapping into today's appetite for ethical finance which has been growing in popularity.

[Back to Top](#)

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