FMDQ SPOTLIGHT

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FMDQ and S&P Dow Jones Indices Commence Co-branding of Indices

FMDQ OTC Securities Exchange ("FMDQ" or the "OTC Exchange"), the foremost debt capital, foreign exchange and derivatives over-the-counter ("OTC") securities exchange in Nigeria, and S&P Dow Jones Indices ("S&P DJI"), the world's leading provider of financial market indices, had in 2017, announced the signing of a cooperation agreement to create and launch co-branded fixed income indices. On July 2, 2018, the successful transition of the S&P/FMDQ Nigeria Sovereign Bond Index marked the activation of the inaugural co-branded index under the agreement. A range of other S&P/FMDQ Fixed Income indices will be developed under the agreement.

The S&P/FMDQ Nigeria Sovereign Bond Index, formerly branded as S&P Nigeria Sovereign Bond Index, tracks the performance of local currency denominated sovereign debt publicly issued by the government of Nigeria in its domestic market.

Alex Matturri, CEO of S&P Dow Jones Indices said: "We are pleased to collaborate with FMDQ to create benchmarks for Nigeria's domestic fixed income markets. This is S&P Dow Jones Indices' first-ever agreement with an Africa-based securities exchange to offer fixed income indices. The successful transition of the S&P/FMDQ Nigeria Sovereign Bond Index marks the beginning of our joint efforts to establish a more transparent environment for market participants to gain insights into the Nigerian capital markets."

According to Mr. Bola Onadele. Koko, Managing Director/CEO, FMDQ, "FMDQ, as part of its "GOLD" (Global Competitiveness, Operational Excellence, Liquid & Diverse) agenda for the Nigerian financial markets, is committed to developing and increasing the market accessibility for all stakeholders including the investors. We are delighted to collaborate with S&P Dow Jones Indices to further deepen the markets through these index-based solutions and measures. As we see more domestic and global demand for diverse and innovative investment products, the S&P/FMDQ index family will critically serve to raise the global exposure of the Nigeria fixed income assets and represent an opportunity to increase trading flows to the Nigerian financial markets."

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FMDQ and Thomson Reuters Partner to Strengthen Nigerian Financial Market

Thomson Reuters, the world's leading source of intelligent information for businesses and professionals, and Nigeria's foremost debt capital and OTC Exchange, FMDQ OTC Securities Exchange have announced a strategic collaboration to deepen capacity to help drive liquidity and enhance the visibility of the Nigerian financial market to domestic and international investors.

Making the announcement at a Signing Ceremony on 27 July 2018, the two organisations committed to combine forces to help drive Nigeria's global competitiveness and visibility to global investors.

Mr. Bola Onadele. Koko, Managing Director/CEO, FMDQ OTC Securities Exchange said: "We are pleased to be formalising our partnership with Thomson Reuters as we cooperate towards the development of the Nigerian financial markets. Having sought a like-minded company with similar values and drive to FMDQ, I believe that this partnership will see both parties leveraging on the knowledge, experience, expertise and uniqueness of one another, in a bid to deepen the markets' capacity and enhance its visibility to domestic and international investors, he added."

Sneha Shah, Managing Director for Africa at Thomson Reuters said, "Thomson Reuters has been investing in Nigeria and Africa for over 100 years, and has worked closely with FMDQ and the Central Bank of Nigeria to support the development of the market over the years. FMDQ has been a key driver of many of the financial market innovations coming from Nigeria and these are going to be important for other developing markets as well."

“Nigeria is an economic giant of West Africa and the continent and it is vital that global companies who want to reach the fastest growing markets in the world have access to the opportunities here. We are excited about the opportunity this partnership brings to help drive sustainable long-term investment into Nigeria.”

Part of the action plan includes conducting joint financial markets events that promote transparency and liquidity as well as skills training to educate the market.

As part of this partnership, Thomson Reuters and FMDQ will work closely across their continental and global offices - including providing FMDQ access to Thomson Reuters’ Innovation Lab in Cape Town, South Africa - to drive innovation in FX, Fixed Income, Risk Management and the Financial Market.

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FMDQ Announces New Board Members at its 6th Annual General Meeting

The Board of Directors of FMDQ OTC Securities Exchange (“FMDQ” or the “OTC Exchange”) has, at its 6th Annual General Meeting (AGM), which held at the OTC Exchange’s new building complex - Exchange Place, 35 Idowu Taylor Street, Lagos - on Friday, July 27, 2018, announced the appointment of five (5) new Directors to the Board of the Company, effective immediately.

As part of the ordinary business of the AGM, the shareholders ratified the appointment of Mr. Segun Agbaje (Managing Director/CEO of Guaranty Trust Bank PLC); Mr. Uzoma Dozie (Group Managing Director/CEO of Diamond Bank PLC); Mr. Charles Kie (outgoing Managing Director of Ecobank Nigeria PLC); Mr. Kayode Akinkugbe (Managing Director/CEO of FBNQuest Merchant Bank); and Mr. Samuel Ocheho (Head, Global Markets West Africa, Stanbic IBTC Bank PLC), as Non-Executive Directors of FMDQ.

Furthermore, the shareholders ratified the retirement of four (4) Non-Executive Directors, following the end of their terms in accordance with the Company’s governance guidelines, from the Board - Dr. Demola Sogunle (served on the Board from 2017 – 2018), Dr. Adesola Adeduntan (served on the Board from 2016 – 2018), Mr. Kennedy Uzoka (served on the Board from 2016 – 2018); and Mr. Bayo Adeyemo (served on the Board from 2014 – 2018). The changes in the Board have brought the total number of Directors on FMDQ to eleven (11).

During the AGM, the shareholders also received the Financial Statements of the OTC Exchange for the year ended December 31, 2017, together with the Reports of the Directors and Auditors to the Shareholders; reappointed the Auditors, Messrs. KPMG Professional Services, to serve as the Company’s External Auditors for another year, and authorised the Directors to fix the External Auditors’ remuneration. In addition, the following three (3) new members were appointed to serve on the Company’s Audit Committee – Mr. Nnamdi Okonkwo (Managing Director/CEO of Fidelity Bank PLC); Mr. Abubakar Jimoh (Managing Director/CEO of Coronation Merchant Bank Limited); and Mrs. Hamda Ambah (Managing Director/CEO of FSDH Merchant Bank Limited).

Presiding over the AGM, the Chairman of FMDQ, Dr. Okwu Joseph Nnanna, stated that “An impressive number of fifty (50) debt securities, up 74% from the previous year, with a total value of ₦236.87bn, was admitted on the OTC Exchange. FMDQ recorded a total of thirty-seven (37) Commercial Papers (CPs), ten (10) Bonds and three (3) Funds quoted and listed on our platform. Furthermore, we also attracted foreign currency-denominated securities listings to the tune of $4.98bn, with the Federal Republic of Nigeria making history by listing, for the first time on a Nigerian Exchange, its Eurobonds and the inaugural Diaspora Bond on the OTC Exchange”. The Chairman also listed some of the major achievements FMDQ in 2017 as the successful registration of FMDQ Clear Limited (FMDQ Clear), a fully-owned subsidiary of FMDQ, by the Securities and Exchange Commission (SEC), the approval of the OTC Exchange’s Sukuk Listing Rules by the SEC, and the partnership with S&P Dow Jones Indices by the signing of a memorandum of understanding (MoU) for the development and publication of co-branded fixed income indices in the Nigerian financial market, whilst thanking all stakeholders for their unrivalled support.

Speaking to the financial performance of FMDQ, the Managing Director/CEO of FMDQ, Mr. Bola Onadele. Koko, noted that in 2017, FMDQ recorded a commendable financial performance with total revenue of ₦2.57bn; a 25.94% increase from ₦2.04bn in 2016, which was driven by the OTC Exchange’s revenue diversification drive. Optimistic of the future, he further restated FMDQ’s commitment to becoming a fully diversified and integrated market infrastructure group, commencing with the operationalisation of FMDQ Clear, and the activation of its multi-asset Proprietary Market System, FMDQ Q-ex, to facilitate straight-through-processing in the fixed income markets through the integration of FMDQ’s trading systems with the Central Bank of Nigeria (CBN)’s settlement system. He also revealed that the full activation of FMDQ’s flagship corporate responsibility programme, the Next Generation Financial Market Empowerment Programme (“FMDQ Next”) will be achieved in 2018, to foster financial markets education amongst students – primary, secondary and university levels – and fresh graduates in Nigeria.

FMDQ, as a change agent, and in its quest towards becoming a fully diversified and integrated market infrastructure, providing an Exchange – an efficient platform for registration, listing, quotation, noting, trading, order execution and trade reporting within its markets (fixed income, currency and derivatives); a central clearing house – facilitating the clearing, settlement and delivery of securities and financial market products within the Nigerian capital market; as well as offering a full suite of products, inter alia, remains resolute in its commitment to its strategic mandate of aligning the markets within its purview to international standards.

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FMDQ Relocates; Opens "Exchange Place"

FMDQ, at a momentous occasion hosted by its Board and Management on July 27, 2018, launched and opened the doors of its new office complex, Exchange Place, to its stakeholders. This relocation comes timely, even as the OTC Exchange strives to deliver on its expanded roles of a market organiser, adviser to governments & regulators, catalyst for infrastructure capital and financial markets diplomat, towards transforming the Nigerian financial markets and by extension, boosting growth and development in the country. From well-equipped training rooms to support FMDQ's mandate of empowering its Members, market participants and indeed staff; a world-class media room for the efficient dissemination of market-impacting news and information about FMDQ and its markets; to an archives room to showcase and preserve the markets' and FMDQ's history and heritage, Exchange Place is a more suitable complex which depicts transparency, digitalisation and "globality", among others, and positions FMDQ to perform its roles in the Nigerian financial markets more effectively.

As part of events which unfolded alongside the launch of Exchange Place, the OTC Exchange also commenced its flagship corporate responsibility programme - FMDQ's Next Generation Financial Market Empowerment Programme - a learning and development initiative aimed at promoting financial markets education among students across all levels (primary, secondary and tertiary), as well as fresh graduates, within the country. A bespoke facility, FMDQ Q-Hub, was also developed in support of this FMDQ-championed initiative which provides, among others, a dedicated trading simulation room, to provide practical and hands-on experience for these younger generation to trade the different financial market securities in a simulated environment.

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25th OTC FX Futures Contract Matures and Settles on FMDQ

The Central Bank of Nigeria ("CBN") has remained consistent in its support for the operations of the OTC FX Futures market by continuing to provide quotes for open contracts for the past twenty-five (25) maturities, replacing matured contracts and actively refreshing its quotes on the existing 1- to 11-month contracts on a monthly basis. The 25th OTC FX Futures contract, NGUS JUL 25 2018, with notional amount of $405.66 million, matured and settled on FMDQ on July 25, 2018. This maturity brings the total value of matured Naira-settled OTC FX Futures contracts on FMDQ, since the inception of the market in June 2016, to circa $10.67 billion; with a total of about $14.99 billion worth of OTC FX Futures contracts traded so far.

The matured contract was valued for settlement against the NAFEX – the Nigerian Autonomous Foreign Exchange Fixing – the FMDQ reference Spot FX rate published same day. The associated clearing/settlement activities were effected accordingly. A new contract NGUS JUL 24 2019 for $1.00 billion at $/₦363.58 was introduced by the CBN to replace the matured contract and the quotes on the existing 1- to 11-month contracts were refreshed. The contracts quotes are published daily on FMDQ's website at www.fmdqotc.com and on the FMDQ Twitter page, @FMDQOTCExchange.

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A Corporate Benchmark at Last; as FMDQ Admits the ₦50.00 billion Dangote Cement CPs on its Platform

Great news for the Nigerian debt markets as the establishment of a corporate benchmark for the short-end of the debt curve looks set to becoming a possibility! In another note-worthy and commendable event in the FMDQ markets, the Dangote Group, known to be the largest indigenous industrial conglomerate in Sub-Saharan Africa, through its subsidiary, Dangote Cement PLC, Africa's largest cement producer, successfully raised from the Nigerian commercial paper (CP) market, ₦50.00 billion worth of CP notes. With due diligence provided by its Board Listings, Markets and Technology Committee, FMDQ admitted on its platform, the largest CP issuance by a corporate in Nigeria - **the Dangote Cement PLC ₦50.00 billion Series 1 & 2 CP Notes under its ₦150.00 billion Domestic CP Issuance Programme**. Following the resuscitation of the Nigerian CP market by FMDQ in 2014, transparency, price discovery, liquidity, efficient quotation processes, amongst others, have been established in the market, paving the way for issuers and investors to effectively and sustainably meet their funding needs, as well as contribute to the development of the nation's debt markets.

To commemorate this remarkable and historic feat, a most prestigious Ceremony was held at the offices of the OTC Exchange on Thursday, July 19, 2018. Present at the well-organised Ceremony were the Group Chief Executive Officer, Dangote Cement PLC, Mr. Joseph Makoju, Group Chief Financial Officer, Dangote Cement PLC, Mr. Brian Egan, along with other key representatives from Dangote Cement PLC. Also present at the Ceremony were the Chief Executive Officer, Stanbic IBTC Bank PLC, Dr. Demola Sogunle, the Executive Director and Head, Debt Capital Markets, Stanbic IBTC Capital Limited, Mr. Kobby Bentsi-Enchill, the sponsor of the issue and Registration Member (Quotations) of FMDQ and key representatives from Banwo & Ighodalo, and Deloitte and Touche, amongst others.

Welcoming the guests to the Ceremony, Ms. Tumi Sekoni, Associate Executive Director, FMDQ, commended the issuer and sponsor of the issue for achieving this milestone, noting that their decision to raise funds from the debt markets was testament to the restoration of confidence in the Nigerian CP market, which had been marked by an extended period of dearth of activity, significantly weakened issuer interest and diminished investor confidence. She further commented that the issuance would encourage other corporates to effectively tap the potential burgeoning CP market to finance their short-term funding needs, thereby adding more depth and breadth to the Nigerian debt capital markets (DCM). She concluded by adding that the quotation of the CPs would undoubtedly pave the way for the establishment of a globally recognised non-financial corporate benchmark for the Nigerian CP market, owing to the associated rating and reputation garnered by the Dangote conglomerate and encouraged the issuer to continue to tap the debt markets to ensure the actualisation of the desire for a corporate benchmark in the Nigerian debt markets.

Mr. Joseph Makoju, Group Chief Executive Officer of the Dangote Cement PLC, during the issuer's special address, stated, "this is the largest commercial paper issuance of any Nigerian company and we are delighted to list it on FMDQ, which has significantly contributed to the development of the domestic debt capital markets in Nigeria. By promoting transparency, governance, integrity and efficiency in the CP market, FMDQ is encouraging issuers like ourselves to explore alternative funding sources in the Nigerian capital markets."

Delivering the Registration Member (Quotations)' remarks, Mr. Kobby Bentsi-Enchill reaffirmed Stanbic IBTC Group's commitment towards contributing to the development of a world class capital market in Nigeria. He said, "the domestic capital markets are gradually deepening and growing in sophistication, as prospective issuers become aware of the various financing options available to them via the capital markets. This is evidenced by the decision of Dangote Cement PLC to tap the CP market, being their inaugural issuance in the Nigerian DCM. At Stanbic IBTC, we partner with our clients to deliver holistic, innovative and cutting-edge financial solutions that help them to achieve their funding objectives. In doing so, we are able to bring the full weight of our franchise to support our clients, enabling them to achieve a transformed business and customer service experience."

Mr. Bola Onadele. Koko, Managing Director/CEO of FMDQ, whilst giving the closing remarks, applauded the issuer for the remarkable step taken and commented, "the entry of the Dangote Group to the Nigerian DCM, will not only re-ignite the appetite of local and foreign portfolio investors in the debt markets, but is also a very welcome development, as the criticality of the implementation of the Basel 3 regulations framework to strengthen the risk management of banks lays credence to the urgent need for financial market participants (corporates, governments etc.) to effectively tap the debt markets for their funding needs." He further commented that FMDQ shall continue to promote market development in collaboration with its stakeholders, to make the markets within its purview globally competitive and well-aligned to support economic growth and development for the benefit of the citizenry.

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FMDQ Supports Sustainable Development and Climate Change Solutions… Admits the Pioneer FGN Green Bond to its Platform

Globally, countries are resorting to mobilising funds from the DCM to finance environmentally friendly projects to support development for the good of their people. The Federal Government of Nigeria (FGN), through the Ministry of Finance (MoF), Ministry of Environment (MoE) and the Debt Management Office (DMO), has taken a cue from other countries, by listing the first green bond in the Nigerian DCM - the Federal Government of Nigeria ₦10.69 billion Series 1 5-Year 13.48% Fixed Rate Bonds due 2022 - on FMDQ. The proceeds from the issuance will be used to provide access to electricity for forty-five (45) communities across the country, develop off-grid Independent Power Plants (IPP) for universities and create afforestation programs that aim to increase forest coverage through the plantation of seedlings to cover 131,000 hectares of land. This is yet another commendable feat for the FGN, with the MoF, MoE and DMO, in their respective roles, addressing environmental challenges as well as championing development in the Nigerian DCM.

To commemorate these remarkable achievements, the OTC Exchange hosted the FGN, represented by the Director-General of the DMO, Ms. Patience Oniha, along with other key representatives from the DMO to an impressive and memorable Ceremony. Also present at the Ceremony were the Honourable Minister of State for Environment, Mallam Ibrahim Usman Jibril, the sponsor of the issue and Registration Member (Listings) of FMDQ, Chapel Hill Denham Advisory Limited, represented by its Managing Director, Investment Banking, Mrs. Kemi Awodein, along with key representatives from Chapel Hill Denham Advisory Limited, and other parties to the issue.

Ms. Tumi Sekoni, Associate Executive Director, FMDQ, whilst welcoming the guests gathered to commemorate this milestone, congratulated the issuer for the successful issue of the debut ₦10.69 billion 5-Year green bond in the DCM. She highlighted that the Bond would help address the nation's infrastructure gap and environmental challenges in a sustainable manner to deliver prosperity for Nigerians and further deepen the domestic DCM by increasing the range of investible debt securities in the markets, invariably contributing to Nigeria's development. She further reiterated the OTC Exchange's commitment to continue to support the initiatives of the DMO towards the development of a highly liquid, deep and well-developed DCM in Nigeria.

Ms. Patience Oniha, during the issuer's special address, stated, "the issuance of the nation's first sovereign green bond further demonstrates Nigeria's commitment to the protection of the environment. Nigeria endorsed the Paris Agreement on Climate Change on September 21, 2016 and undertook to achieving the Nationally Determined Contributions (NDCs), aimed at reducing carbon emissions by 20% unconditionally and 45%, with international support, by 2030. These projects require funding and the issuance of the green bond, the proceeds from which are dedicated to financing environmental projects, signals the Government's commitment to funding the NDCs. The Debt Management Office worked with the Federal Ministry of Environment and other stakeholders to develop guidelines and operational procedures for the green bond and the issuance of the debut green bond. The FGN has led this issuance, adhering to globally accepted standards and requirements, setting a precedence for other categories of issuers such as sub-national governments and corporates to issue green bonds. Further to the listing of this instrument, the DMO expects that trading will not only bring about climate change awareness but will also diversify the Nigerian capital markets and attract more investors".

In his keynote address, the Honourable Minister of State for Environment, Mallam Ibrahim Usman Jibril, commented, "the listing of the FGN green bond enables the Federal Government deliver on program forty-seven (47) of its economic recovery and growth plan."

Delivering the Registration Member (Listings) remarks, Mrs. Kemi Awodein, highlighted, "the FGN's issuance of a debut green bond reiterates the commitment to honoring the Paris Agreement signed in 2016. This landmark issuance also demonstrates the nation's increasing innovation in debt capital markets and provides capital for stemming the adverse effects of climate change. In addition, the issuance of Nigeria's debut green bond is important as it opens up a new vista for financing low carbon infrastructure, given the significant infrastructural deficit in the country. With the Sovereign having now set a benchmark, we expect other issuers including states and corporates to begin to explore the possibilities of issuing green bonds. We congratulate the FGN, the DMO, the Federal Ministry of Environment, Transaction Advisers and the Green Bond Advisory Group on the Listing."

Mr. Bola Onadele. Koko, Managing Director/CEO of FMDQ, in his closing remarks, applauded the Federal Government of Nigeria, through the Ministry of Finance, Ministry of Environment and the DMO, for achieving this landmark, stating that this was yet another highly exemplary and indeed, positive step towards addressing some of the infrastructure and environmental challenges in the nation. He also commended the sponsor to the issue and Registration Member (Listings) of FMDQ, as well as other parties to the issue, for their concerted efforts towards ensuring the success of the issuance. He further reiterated that through consistent collaboration with its stakeholders, FMDQ shall continue to further deepen and effectively position the Nigerian DCM for growth, in support of the realisation of a globally competitive and vibrant economy.

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FMDQ TURNOVER & DEALING MEMBER (BANKS) LEAGUE TABLE

FMDQ Turnover & Dealing Member (Banks) League Table Report

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), Bonds (FGN Bonds, other Bonds (Agency, Sub-national, Corporate & Supranational) & Eurobonds)) Commercial Papers and Money Market (Repos/Buy-Backs and Unsecured Placements/Takings). These figures exclude primary market auctions in T.bills and Bonds.

The data, collated from the weekly trade data submissions by FMDQ Dealing Member (Banks), represents trades executed amongst the Dealing Member (Banks), Dealing Member (Banks) & Clients, and Dealing Member (Banks) & the CBN.

FMDQ OTC Market Turnover (January - June 2018)

Product Category	(₦'mm)	($'mm)
Foreign Exchange	20,910,271	57,983
Foreign Exchange Derivatives	11,437,062	31,714
Treasury Bills	34,929,234	96,861
FGN Bonds	5,591,587	15,505
Other Bonds*	89,309	248
Eurobonds	38,556	107
Repurchase Agreements/Buy-Backs	12,870,503	35,689
Unsecured Placements/Takings	505,383	1,402
Money Market Derivatives	25,550	71
Commercial Papers	-	-
Total	**86,397,455**	**239,579**

No. of Business Days	126	126
Average Daily Turnover	**685,694**	**1,901**

Average YTD $/₦ @ 360.61
mm - million
**Other Bonds include Agency, Sub-national, Corporate & Supranational Bonds*
Note: Figures may be subject to change due to potential adjustments from Dealing Member (Banks)
Source: FMDQ Data Portal as @ July. 4, 2018; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January to June 2018 period amounted to ₦86.40 trillion. Trading activities in T.bills contributed the largest to overall turnover, accounting for 40.86% of the market. FX market transactions (Spot FX and FX Derivatives) accounted for 37.44% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 14.90%, and Bonds and Unsecured Placements & Takings representing 6.62% and 0.58% respectively, of overall market turnover.

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Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - June 2018)

The FMDQ League Table shows the rankings of its top ten (10) Dealing Member (Banks) by overall market turnover in the FMDQ Markets.

RANK	DEALING MEMBER (BANKS)
1	STANBIC IBTC BANK PLC
2	ACCESS BANK PLC
3	UNITED BANK FOR AFRICA PLC
4	STANDARD CHARTERED BANK NIGERIA LIMITED
5	CITIBANK NIGERIA LIMITED
6	ECOBANK NIGERIA LIMITED
7	UNION BANK OF NIGERIA PLC
8	FIRST BANK OF NIGERIA LIMITED
9	GUARANTY TRUST BANK PLC
10	ZENITH BANK PLC

The top ten (10) Dealing Member (Banks) accounted for 76.32% (₦65.94 trillion) of the overall turnover in the market, with the top three (3) accounting for 59.30% (₦39.10 trillion) of this sub-section of the market. Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC were the leaders in the value traded for the overall over-the-counter (OTC) market, ranking 1st, 2nd and 3rd respectively.

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Introduction to Green Bonds – Part 2

This edition of FMDQ Spotlight focuses on the second of a two (2)-part series on an 'Introduction to Green Bonds'. The first part, published in the June 2018 edition of FMDQ Spotlight, focused on green bond principles, use of green bond proceeds, management of green bond proceeds, benefits of green bond to issuers and investors, amongst others.

This edition concludes the 2-part series on the 'Introduction to Green Bonds' and will focus on parties involved in a green bond issuance, green bond taxonomy and the importance of green bonds to the Nigerian debt capital markets.

By way of a reminder, green bonds are fixed income securities issued to raise capital specifically to support climate-related or environmental projects. Ideally, bonds categorised as 'green' imply that proceeds raised from their issuance will be tagged for projects intended to benefit the environment. Green bonds could be issued by financial, non-financial and/or public entities.

Parties involved in a Green Bond Issuance

- **Issuer:** Any company, government agency or financial institution that develops, registers and sell bonds to finance green projects that generate climate or other environmental benefits. The issuer usually selects a financial institution as an underwriter to administer the issuance of the bond

- **Investors:** Are individuals, companies, institutional investors (e.g. hedge fund managers, insurance companies, asset managers, investment companies, investment trust companies, mutual fund managers, pension fund managers, sovereign wealth fund managers, endowment fund managers, etc.) who buy green bonds with the expectation of a financial return

- **Credit Rating Agencies and Auditors:** Are institutions responsible for verifying compliance with the standards for green bonds or established credit standards

- **Regulators**: Financial authorities responsible for regulating capital markets; they examine the qualifications of underwriters as well as the securitisation of credit assets and bonds' custodial arrangements; and regulate the issuance, clearing and settlement provisions. Regulators include securities commissions and other regulatory bodies, including exchanges and central banks

- **Credit Guarantors and other Intermediaries**: Creditor guarantors are institutions that provide credit guarantees and credit enhancement products in secondary markets, thus modifying the risk profile of the underlying bond. A wide range of financial intermediaries offers a variety of intermediation and credit enhancement services, including raising investor capital, establishing special purpose vehicles etc.

Green Bond Taxonomy

The aim of the green bond taxonomy is to provide broad guidance to prospective green bonds issuers and investors. The green bond taxonomy helps to break down green bonds projects into categories which relate to what is being financed rather than the industrial sector classification of the issuer.

The table below gives a breakdown of classification of green bond projects:

Classification	Description	Examples
Transport	▪ Highly efficient vehicles that meet mandatory emission standards ▪ Improved technology for aviation fuels – e.g. bio-kerosene production (subject to feedstock standards) ▪ Fully dedicated rail lines, or related infrastructure for transportation	▪ Rail ▪ Vehicles ▪ Mass Transit ▪ Bus Rapid Transport ▪ Water-borne Transport ▪ Alternative Fuel Infrastructure
Energy	▪ Development, construction and operation of generation facilities, where 100% of electricity is derived from solar energy resources ▪ Small hydro facilities that require little or no reservoirs ▪ Development, construction and operation of generation geothermal energy facilities	▪ Solar ▪ Wind ▪ Geothermal ▪ Hydropower ▪ Bioenergy ▪ Marine Renewable Energy ▪ Energy Distribution and Management
Water	▪ Land management to reduce possible erosion and siltation which would include increased dam heights, enlarged floodgates, de-silting gates and expanded installation capacity to accommodate increased river flows at hydroelectric power plants	▪ Built (grey) Infrastructure ▪ Green and Hybrid Infrastructure
Low-Carbon Buildings	▪ The use of energy efficient technology/products for buildings that meet industry metrics	▪ Residential ▪ Commercial ▪ Products for Building Carbon Efficiency
Information Technology and Communication	▪ The use of conferencing software and centres directly designed to reduce private vehicle and air-travel ▪ Investing in fibre-optic cables, renewable energy-powered mobile base stations and other low carbon sources	▪ Power Management ▪ Broadband ▪ Resource Efficiency ▪ Teleconferencing
Waste Pollution and Control	▪ Products/technologies that reduce and capture carbon emissions ▪ Composting	▪ Recycling facilities ▪ Recycled Products and Circular Economy

	▪ Circular economy activities that lead to lower lifecycle energy and carbon usage	▪ Waste to Energy ▪ Methane Management
Nature-Based Assets	▪ Include forestry activities that substantially avoid or reduce carbons sequestration. Examples include afforestation and re-vegetation ▪ Agricultural activities that increase soil-based carbon sequestration, reduce carbon emissions and improve climate resilience	▪ Agricultural Land ▪ Forests (managed and unmanaged) ▪ Wetlands ▪ Degraded Lands ▪ Other Land Uses (managed and unmanaged) ▪ Fisheries and Aqua Culture
Industry and Energy Intensive Commercial	▪ Improved industrial processes through cleaner production/manufacturing e.g. "Green cement" and cement manufactured with lower clinker content ▪ Highly efficient consumer/industrial equipment	▪ Manufacturing ▪ Energy Efficiency Processes ▪ Energy Efficiency Projects ▪ Data Center ▪ Process and Fugitive Emissions ▪ Energy Efficient Appliances ▪ Combined Heat and Power

Importance of Green Bonds

Green bonds have grown rapidly in recent years and emerged as an effective investment tool to finance critical infrastructure needs such as railways, roads, airports, buildings, energy and water, and at the same time, achieve positive returns for the environment and society. Investors in the green bond markets have become increasingly interested in holding green bonds within their own portfolios. The appeal of green bonds to investors includes: making investments with an environmental impact; being at the forefront of climate finance; sending a signal to stakeholders of their commitment to responsible investment; and aligning their investing activities with their own principles.

However, the developing green market must deal with several challenges such as clear definition of what is considered "green", procedures on how the green bond proceeds should be used, tracked, managed and reported, and the lack of verification requirements over the information reported. Given that green bonds are long-term financing vehicles, the reputational risk to issuers extends for many years across the life of the bond and beyond. However, being an investment instrument for sustainable projects, green bonds present an opportunity for sustained and better returns in future. The introduction of the first green bond into the Nigerian DCM, by the FGN, provides an alternative means of financing capital intensive green infrastructure projects in Nigeria, and presents opportunities to fund solutions to environmental and climate challenges, invariably contributing to Nigeria's development.

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