FMDQ SPOTLIGHT

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CONTENTS

NEW STORIES

27th OTC FX Futures Contract Matures and Settles on FMDQ

On Wednesday, September 26, 2018, the 27th OTC FX Futures contract, NGUS SEP 26 2018, with contract amount of $830.66 million, matured and settled on FMDQ OTC Securities Exchange ("FMDQ" or the "OTC Exchange"). 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 $11.85 billion; with a total of about $15.75 billion worth of OTC FX Futures contracts traded so far.

The contract, which stopped trading on September 18, 2018, 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.

The Central Bank of Nigeria (CBN), as observed over the last twenty-six (26) maturities, introduced a new contract, NGUS SEP 18 2019 for $1.00 billion at $/₦365.62, to replace the matured contract. The apex Bank also refreshed its quotes on the existing 1 to 11-month contracts. The contracts quotes are published daily on FMDQ's website at www.fmdqotc.com and on the FMDQ Twitter page, @FMDQOTCExchange.

Back to Top

Corporates Continue to Boost Liquidity in the Commercial Papers Market, Quote Additional Series on FMDQ

Given the increasingly competitive and demanding market environment, corporate entities have continued to seek innovative ways to source funding to finance their institutional needs, thereby tapping into the commercial papers (CP) market to raise short-term finance to support their business operations. The past few months have seen increased participation in the issuing and quotations of CPs on FMDQ, which have all been successful as investors scrambled to partake in the offers.

The month of September also saw key activities in the CP quotations space on the OTC Exchange, wherein the Board Listings, Markets and Technology Committee of FMDQ approved the quotation of Access Bank PLC ₦28.79bn Series 18 CP under its ₦100.00bn CP Programme, Sterling Bank PLC ₦14.40bn Series 6 and ₦32.58bn Series 7 CP under its ₦100.00bn CP Programme and Flour Mills of Nigeria PLC ₦8.01bn Series 1 CP under its ₦100.00bn CP Programme.

With its streamlined and efficient registration process, FMDQ has continued to show its steadfastness in aligning the Nigerian debt capital markets to international standards, through the promotion and provision of a world-class quotations service, availing issuers and investors the much-needed global visibility, confidence and protection in the markets.

Back to Top

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 (Repurchase Agreements (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 - August 2018)

Product Category	(₦'mm)	($'mm)
Foreign Exchange	28,277,012	78,323
Foreign Exchange Derivatives	15,104,769	41,842
Treasury Bills	45,668,397	126,517
FGN Bonds	8,038,350	22,261
Other Bonds*	101,377	281
Eurobonds	50,941	141
Repurchase Agreements/Buy-Backs	17,808,284	49,325
Unsecured Placements/Takings	601,704	1,668
Money Market Derivatives	25,550	71
Commercial Papers	-	-
Total	**115,676,385**	**320,427**
No. of Business Days	167	167
Average Daily Turnover	**692,673**	**1,919**

Average YTD $/₦ @ 360.99

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 @ September 5, 2018; Figures reported by Dealing Member (Banks) on a week-ending basis

FMDQ OTC Securities Exchange

The total turnover for the January to August 2018 period amounted to ₦115.68 trillion. Trading activities in T.bills contributed the largest to overall turnover, accounting for 39.48% of the market. FX market transactions (Spot FX and FX Derivatives) accounted for 37.51%, whilst Repos/Buy-Backs product categories accounted for 15.39% of overall market turnover. Bonds and Unsecured Placements & Takings, which contributed the least to overall market turnover, accounted for 7.08% and 0.54% respectively.

Back to Top

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - August 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	ECOBANK NIGERIA LIMITED
6	CITIBANK NIGERIA LIMITED
7	GUARANTY TRUST BANK PLC
8	UNION BANK OF NIGERIA PLC
9	ZENITH BANK PLC
10	FIRST BANK OF NIGERIA LIMITED

The top ten (10) Dealing Member (Banks) accounted for 76.71% (₦88.74 trillion) of the overall turnover in the market, with the top three (3) accounting for 62.27% (₦59.70 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.

Back to Top

Introduction to Sustainable Finance

This edition of FMDQ Spotlight provides an overview of sustainable finance, including but not limited to its various categories and rising importance in the economy. Sustainable finance refers to any form of financial service that integrates the Environment, Social and Governance (ESG) Criteria into business and investment decisions for the common good of clients and the economy at large.

A sustainable financial centre is a financial marketplace that contributes to sustainable development and value creation in economic, environmental and social terms. In other words, sustainable finance ensures and improves economic efficiency, prosperity and economic competitiveness both today and in the long-term, while contributing to protecting and restoring ecological systems, as well as enhancing cultural diversity and social well-being.

Environment, Social and Governance Factors

The table below provides a breakdown of initiatives/projects that are considered "sustainable":

Environmental	Social	Governance
▪ Climate change ▪ Greenhouse gas emissions ▪ Resource depletion ▪ Waste and pollution ▪ Deforestation	▪ Working conditions, including slavery and child labour ▪ Local communities, including indigenous communities ▪ Conflict and humanitarian crises ▪ Health and safety ▪ Employee relations and diversity	▪ Bribery and corruption ▪ Executive compensation ▪ Management diversity and structure

Categories of Sustainable Finance

1. **Socially Responsible Investing (SRI) or Social Investment** – This is a finance strategy that seeks to consider both financial returns and social/environmental good to bring about a positive change in a society. This favors an economy by encouraging portfolio management companies and investors to consider extra-financial and non-financial criteria when selecting asset values.

Socially responsible investors encourage corporate practices that promote environmental stewardship, consumer protection, human rights and diversity, amongst others.

2. **Green Finance** – This includes all financial transactions that support climate-related or environmental projects. One of its main tools is green bonds. 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 organisations, and public entities. A complementary approach in green finance is the decarbonising of investor portfolios by financing companies that limit their ecological footprint.

3. **Social Finance**. This includes savings and assets invested into social finance products. This sector offers funding to projects that do not fit into classic financing circuits, such as businesses tied to employment, international solidarity and the environment.

4. **Social Business**. This refers to businesses whose ends are not only lucrative, but primarily social in nature. In addition, they follow viable economic models and profits are reinvested in order to combat exclusion, protect the environment or promote development and solidarity. Social business comes in three (3) main forms:

    - Microfinance – This is a solution that facilitates access to credit for the most disadvantaged populations
    - Impact Investing – This refers to investing in companies with a strong social or environmental impact
    - Social Impact Bonds (SIBs) – These are bonds repaid to investors only if the project's social objective is met

Sustainable Finance and its Rising Importance

It is estimated that between $5.00 -$7.00 trillion of investment in green infrastructure globally would be required to mitigate the effects of climate change in order to meet the goals of the Paris Agreement. It is clear that public finance alone cannot fund this amount, but will play a major role in securing private sector contributions. Today, companies and governments are pursuing sustainability strategies, and globally, there is a rising need and huge opportunity for all sectors (public and private), especially in the area of technologies and development of new businesses, that meet the needs of socio-economic changes. Individuals and institutions that are able to key into these opportunities are definitely positioned for astronomical growth and wealth creation.

At the local level, the Federal Government of Nigeria (FGN), in its effort to bridge the sustainable finance gap, raised funds from the debt capital markets (DCM) through the Ministry of Finance (MoF), Ministry of Environment (MoE) and the Debt Management Office (DMO), for environmentally friendly projects to support development for the good of its citizenry. The FGN listed 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, in July 2018.

Sustainable finance has become topical in financial markets across the globe. Concerns for sustainability, centred around the ability of organisations to function optimally in the present without necessarily jeopardising the future, have also become a major focus around the global financial markets. In the years to come, the question of sustainable finance will greatly influence institutional objectives, strategies and their day-to-day management.

Back to Top

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