



FMDQ SPOTLIGHT

NEWSLETTER EDITION 65 – MARCH 2020





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While You #StayHome and #StaySafe, We are Here for You.



HOTLINES

FMDQ Exchange

09070359954
09070359962
09070359959

FMDQ Clear

09070478290
09070359960

FMDQ Depository

09070359957
09070478278

FMDQ Group

09070359970
09070359962

Other general matters

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COVID-19 Update

A Message from our Chief Executive Officer

Dear Esteemed Stakeholder,

I hope that you and your loved ones are safe and are taking necessary precautions to remain so. We empathise with the families of casualties affected by the coronavirus (COVID-19) outbreak.

As we are all aware, this pandemic, which has affected over 194 countries, including Nigeria, has escalated significantly over the last few weeks and we all need to continue to do our part, individually and collectively, to manage the situation.

As we navigate through this global emergency, the health and safety of our employees and stakeholders remain our top priority, and as such, we are constantly monitoring and assessing the impact of the outbreak, whilst implementing key measures to mitigate associated risks. Specifically, in the past weeks, FMDQ Holdings PLC (FMDQ or FMDQ Group) commenced thermal checks and the use of hand sanitisers at the entrance of our offices, Exchange Place, to prepare all employees and guests to access the building; instituted an hourly cleaning regime in the offices to protect all stakeholders; placed a travel restriction on international and more recently, local travel and practiced social distancing. More recently, we placed a full restriction on physical meetings for FMDQ employees at Exchange Place and other external sites; commenced the frequent dissemination of information to our employees; and activated remote working for non-critical staff, amongst other measures.

Upon careful consideration of the situation, and in a bid to do our part to manage the pandemic and keep employees and their families safe, FMDQ Group, effective today, March 26, 2020, has activated remote working for all its employees. To ensure that business operations continue to run seamlessly, all employees have been equipped with adequate business communications and efficiency tools to enable them work effectively from home.

We are fully aware that as a financial market infrastructure group in Nigeria, providing listing, trading, clearing, settlement and data & information services, our role and mandate remain critical to the functioning of the Nigerian financial markets. In view of this, FMDQ Group has taken deliberate steps to implement measures that will uphold the sanctity of our markets and ensure continued operational excellence. We have fully activated our Business Continuity Management Plan which supports all our business services and operations, allowing our Members, clients and other stakeholders to conduct their business on our platforms as normal.

All our trading platforms, operated by FMDQ Securities Exchange Limited (FMDQ Exchange) - FMDQ-Bloomberg E-bond Trading System (E-bond), Thomson Reuters Foreign Exchange Trading (TRFXT) System, FMDQ Clients' Trading, Reporting & Surveillance System (PenDealer), FMDQ Trading, Reporting and Surveillance System for FMDQ Dealing Members (Specialists) (Q-Deal) and FMDQ Futures Trading & Reporting System (FFTRS) - are web-based and can therefore fully support remote trading by our Members. Similarly, our proprietary clearing and settlement system, FMDQ Q-ex System, also web-based, can be accessed remotely, thereby ensuring that all related services are

seamlessly conducted by our clearing and settlement subsidiaries, FMDQ Clear Limited (FMDQ Clear) and FMDQ Depository Limited (FMDQ Depository), respectively.

Whilst we are exercising all best efforts to ensure business continuity for the market operations, we expect that all our relevant stakeholders have also actively implemented contingency and business continuity plans as necessary to ensure we minimise any disruptions to the Nigerian financial market.

Our colleagues remain available to assist with any enquiries you may have and can be reached via their regular contact details (email and mobile phone). You may also contact us via our digital channels - @FMDQGroup (Twitter, Instagram, Facebook and LinkedIn) - and we will continue to provide more updates through these channels as well as our website (www.fmdqgroup.com). Furthermore, all letters to FMDQ Group should be channelled through info@fmdqgroup.com for timely attention.

Specifically, we have provided the following dedicated numbers on which you can reach us to discuss any matters that may come up during this period:

- FMDQ Exchange - Jumoke (09070359954), Dipo (09070359989), Ebenezer (09070359959)
- FMDQ Clear – Ayo (09070478290), Segun (09070359960)
- FMDQ Depository - Emmanuel (09070359957), Tayo (09070478278)
- FMDQ Group – Uzoamaka (09070359970)
- Other general matters - +234-1-7008555, +234-1-2778771 (redirected)

The situation remains extremely fluid and we will continue to update our stakeholders over the coming weeks. Our thoughts and prayers remain with everyone during this difficult period and we thank you for your support and cooperation as we jointly work to continually develop and protect the Nigerian financial market.

Stay safe!

Bola Onadele. Koko
Chief Executive Officer
FMDQ Group

AFEX and FMDQ Sign MoU to Promote Product Innovation for Nigeria's Capital Market

In a signing ceremony on March 4, 2020, at the AFEX Commodities Exchange Limited (AFEX) offices in Abuja, AFEX and FMDQ Group formalised their partnership by executing a Memorandum of Understanding (MoU), solidifying their mutual interest in developing products to deepen the Nigerian capital market.

The collaboration between AFEX and FMDQ recognises the importance of product innovation to market development and encouraging participation of a wider swathe of investors in the capital market. Holding the promise for developing new markets, the partnership will help deliver new initiatives focused on deepening the Nigerian capital market. Key on the roster of positive impact that will stem from the partnership between the two (2) Securities and Exchange Commission (SEC)'s-registered Exchanges is the unlocking of additional sources of finance for the agriculture sector in Nigeria. Products developed under this new partnership will support innovative financing structures for the sector that will leverage AFEX's established infrastructure and supply chain network and FMDQ's extensive experience as innovators in the Nigerian financial markets.



Speaking to stakeholders present at the signing ceremony, Mr. Ayodeji Balogun, Chief Executive Officer of AFEX, said “AFEX is on a path to building Africa’s second commodities derivative market, and this partnership sets the tone for that journey. We are extremely proud to be collaborating with FMDQ, as this helps our goal of increasing our product offerings to investors. We see a clear path to product innovation that will unlock a wider range of products that are able to be traded within Nigeria’s capital markets, promoting broad-based wealth creation that’s accessible to every Nigerian.”

According to the Chief Executive Officer, FMDQ Group, Mr. Bola Onadele. Koko, “We are delighted to announce this collaboration agreement between FMDQ and AFEX. As members of the SEC’s Implementation Committee on Commodities Trading Ecosystem, an area of focus for this partnership will be the Nigerian Agricultural Commodities Ecosystem. Our goal at FMDQ is to support the growth of the sector through commercial and market-driven propositions. Through the partnership, we will be introducing new products aimed at de-risking the value chain, attracting capital market funding to the sector and diversifying the existing products available to investors in this space.”



During the event, both parties reiterated the need for continuous cooperation, alluding to the frontloading of relevant initiatives and campaigns to educate the market on the results of product and market development activities.

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FMDQ Commemorates the 2020 International Women's Day

...Empowers Women to Become Change Agents

FMDQ Group, in acknowledging the important role women play in their communities and the world at large, commemorated the 2020 International Women's Day (IWD) celebrations with a two (2)-daylong event. The International Women's Day is an annual celebration which takes place every March 8, to recognise and commemorate the social, economic, cultural, and political achievements of women all over the world. The global theme for 2020 was #EachForEqual with a central idea that 'An Equal World is an Enabled World'.

The first day's event scheduled for Sunday, March 8, 2020, involved a visit to one of FMDQ's partner charity, Echoes of Mercy & Hope Foundation, Lagos. The visit led by female staff of FMDQ aimed at empowering the young girls towards striving to excel in their chosen paths and career.

On Monday, March 9, 2020, FMDQ, joined over seventy-five (75) exchanges around the world to ring the bell for gender equality. The 'Ring the Bell Ceremony' is focused on raising awareness of the pivotal role of the private sector in advancing gender equality to achieve the United Nation's Sustainable Development Goal 5, focused on the achievement of gender equality, the empowerment of women and girls.



The Bell Ceremony was followed by a commemorative event which held at Exchange Place and featured, amongst other activities, a documentary filmed by both male and female staff of FMDQ providing insights on their desired legacies and on becoming change agents in the world; a Career Talk on "Becoming a Change Agent in Your World" facilitated by Mrs. Ifeyinwa Ighodalo, Chairman, Board of Trustees Women in Management and Business (WIMBIZ); and a Mental Health Talk on "Mitigating

the Stress of Success” wonderfully delivered by Ms. Ladipo Aduralere of Mentally Aware Nigeria Initiative.



Notably, the 2020 FMDQ IWD also recognised the special role played by women in media across various walks of life. The event, therefore, provided a unique opportunity to celebrating the achievements of the everyday woman in media across the print, online, & electronic channels in the Nigerian financial market. In this regard, the audience applauded goodwill messages from some of the partner media houses present at this event, including, Ms. Chinenye Joel Nwokeoma, President, Capital Markets Correspondents Association of Nigeria (CAMCAN); Ms. Clara Nwachukwu, Business Editor, The Guardian Newspaper and Ms. Ijeoma Ude, Advert Manager, BusinessDay Media Limited, amongst others.



With a female representation of 67% on FMDQ's Executive Management Committee, 50% representation in its Business Executives and 56% in the total workforce, FMDQ prides itself as a progressive organisation; one that is committed to the values of sustainability and which provides a level playing field for everyone, irrespective of gender, to thrive.

[Click here to view more photos from this event.](#)

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Nigerian Senate Committee on Capital Market Visits FMDQ

In an epoch event which heralded the beginning of continued collaborations and successful engagements, the Management of FMDQ Group hosted the Executive Members of the Ninth (9th) Nigerian Senate Committee on Capital Market (the Senate Committee or Committee) led by the Committee Chairman, His Excellency, Senator Ibikunle Amosun and accompanied by Ms. Mary Uduk, Ag. Director-General, SEC, and other SEC representatives on a courtesy visit on Thursday, March 19, 2020, to Exchange Place, Lagos.

The Senate Committee on Capital Market is the legislative arm of the government responsible for providing supervision over the Nigerian capital market and proffering strategic direction, where required, for the associated regulators, operators, and financial market infrastructures such as FMDQ. Happening at an auspicious time, this very important visit provided a conducive avenue for the Senate Committee and FMDQ, Africa's one-stop platform for the seamless execution, clearing and settlement of trades, to collaboratively discuss further areas of mutual interest as well as associated initiatives towards building a resilient capital market in Nigeria. This is well in line with FMDQ's "GOLD" – Global Competitiveness, Operational Excellence, Liquidity and Diversity – Agenda for the empowerment and alignment of the Nigerian financial market with its international counterparts.



Welcoming the Senators to Exchange Place, Mr. Bola Onadele. Koko, Chief Executive Officer of FMDQ Group expressed his delight and applauded the Senate Committee for its efforts at bridging the gap between the legislators and the market; stressing the importance of stakeholder engagement such as this to the achievement of the desired economic progress in Nigeria. Koko, as he is fondly called by the market, also recognised the commitment of the Committee to foster a collaborative capital market in support of the realisation of the 10-Year Nigerian Capital Markets Master Plan and further, Nigeria's Economic Recovery and Growth Plan.

Also commenting on the engagement between the Senate Committee and FMDQ Group, the Senate Committee Chair, Senator Ibikunle Amosun, commended FMDQ on the "laudable initiatives being implemented to deepen the capital market". He went on to offer the "unequivocal support of the Committee to FMDQ Group to propel growth and improve investor confidence in the Nigerian financial market."

Presenting initiatives to unlock Nigeria's potential through the capital markets, Mrs. Adaze Uzor-Kalu, Head of External Relations at FMDQ Group, highlighted FMDQ's role in championing the realisation of the Nigeria that we desire. She noted that, through the Group's strategic initiatives focused on the growth of various sectors of the economy including Housing, Transport, Power, etc. that the Nigerian capital market is able to effectively support national development whilst boosting the economic impact of Small-and Medium- Scale Enterprises towards promoting prosperity for all.





Following the signing of the e-Visitor's Register by the Senate Committee Chairman and the presentation of the FMDQ tombstone, Ms. Kaodi Ugoji, the Group Chief Operating Officer at FMDQ Group, thanked the Executive Delegation for its recognition of FMDQ's achievements in the Nigerian financial market, and reiterated the Group's unwavering commitment to work with the Legislators and other capital market stakeholders to make the Nigerian financial market credible and globally competitive.

[Click here to view more photos from this event.](#)

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The 45th FX Futures Contract Matures and Settles on FMDQ Exchange

On Wednesday March 25, 2020, the 45th FX Futures contract – NGUS MAR 25 2020 with a nominal value of \$1,279.22 million, matured and settled on FMDQ Securities Exchange. This maturity brings the total value of matured currency futures contracts on the Exchange, since the inception of the market in June 2016, to circa \$28.84 billion; with a total of about \$42.42 billion so far traded.

The matured contract was valued for settlement against the NAFEX – the Nigerian Autonomous Foreign Exchange Fixing – the FMDQ Exchange reference Spot FX rate published same day. The associated clearing/settlement activities were effected accordingly by FMDQ Clear.

The Central Bank of Nigeria (CBN), as observed over the last forty-four (44) maturities, introduced a new contract, NGUS MAR 26 2025 for \$1.00 billion at \$/₦405.16 to replace the matured contract. The apex bank also published its quotes on the existing 1 to 60-month contracts. The contracts quotes are published daily on FMDQ's website at www.fmdqgroup.com and on the FMDQ Twitter page, [@FMDQGroup](https://twitter.com/FMDQGroup).

[Click here to see all Open Contracts.](#)

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At a Glance: Update from FMDQ Clear

FMDQ Clear, set to become the Central Counterparty for the Nigerian financial market, remained committed to its mandate of providing reliable and credit clearing, risk management and collateral management services, amongst others. The Clearing House continued to drive efficiency in its operations, delivering value to the Nigerian financial market and making it seamless for investors to clear and manage their risks effectively.

The tables below provide an overview of the clearing and settlement activities cutting across the derivatives (currency futures) and fixed income markets for January and February 2020.

Table 1: Clearing and Settlement Activities in the Currency Futures Market

S/N	Currency Futures	January	February	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	3,507	3,687	5
2	Value of Traded & Cleared Contracts (\$'bn)	35.31	38.43	9
3	Value of Open Contracts (\$'bn)	9.78	10.87	11
Settlement				
4	No. of Matured & Settled Contracts	2,854	2,986	5
5	Value of Matured & Settled Contracts (\$'bn)	25.53	27.56	8

Table 2: Clearing and Settlement Activities in the Sovereign Fixed Income Market

S/N	Sovereign Fixed Income	January	February	Change (%)
1	Total Value of Trades Processed (₦'bn)	6,390.89	7,218.31	13
2	Value of Trades Settled (₦'bn)	6,215.07	6,927.57	11
3	Value of Unsettled Trades (₦'bn)	175.82	290.75	65

Table 3: Clearing and Settlement Activities in the Non-Sovereign Fixed Income Market

S/N	Non-Sovereign Fixed Income	January	February	Change (%)
1	Total Value of Trades Processed (₦'bn)	2.83	5.51	95
2	Value of Trades Settled (₦'bn)	0.33	3.65	1006
3	Value of Unsettled Trades (₦'bn)	2.50	1.86	(26)

For more on FMDQ Clear, please click [here](#)

At a Glance: Update from FMDQ Depository

FMDQ Depository, the choice securities depository for the Nigerian capital market, is positioned to provide excellent and efficient settlement, asset servicing and unrivalled information repository services, amongst others, completing the post-trade spectrum for trades executed on FMDQ.

Having recently commenced operations, FMDQ Depository, for the period covering January to March, 2020, successfully onboarded the following securities to its platform, offering them benefits including an efficient and seamless processing, accurate and timely information, reliable platform for record-keeping, amongst others. The securities include:

- The Lagos State ₦100.00 billion Series 3 Bond under its ₦100.00 billion Fixed Rate Bond Issuance Programme
- The Citibank Nigeria Limited ₦2.50 billion Series 1 and ₦2.50 billion Series 2 Commercial Papers under its ₦36.00 billion Commercial Paper Issuance Programme
- The Eterna PLC ₦3.00 billion Series 2 Commercial Paper under its ₦10.00 billion Commercial Paper Issuance Programme
- The First City Monument Bank PLC ₦29.47 billion Series 1 Commercial Paper under its ₦100.00 billion Commercial Paper Issuance Programme
- Sterling Bank PLC ₦6.85 billion Series 1 Tranche A and ₦8.15 billion Series 2 Tranche A CPs under its ₦100.00 billion CP Issuance Programme

To entrust your investments to FMDQ Depository and experience its efficient services, click [here](#) to know more.



FMDQ LISTINGS & QUOTATIONS

FMDQ Exchange Admits Lagos State Government and Eat & Go SPV PLC Bonds

Committed to fostering development by championing and supporting market-driven strategic initiatives, FMDQ Securities Exchange, Nigeria's efficient platform for the registration, listing, quotation, trading and recording of financial market products including fixed income, currencies and derivatives, admitted the Lagos State Government ₦100,000,000,000.00 Series 3 Fixed Rate Bond (the "Lagos State Bond") and the Eat & Go Finance SPV PLC ₦11,500,000,000.00 Series 1 14.25% Fixed Rate Senior Unsecured Bond (the "Eat & Go SPV Bond") for listing on its platform.

The Eat & Go SPV Bond is the first debt security of a restaurant franchise in Nigeria to be listed on the Exchange; attesting to the potential of the capital markets to support the needs of diverse stakeholder categories.

As is the FMDQ Exchange practice, the Bonds shall be availed global visibility through the Exchange's website and market Systems for trading, including the FMDQ-Bloomberg E-Bond Trading and Reporting System; governance and information disclosure via the relevant Listings and Quotations pages on the FMDQ Exchange website as part of steps to maintain due diligence on the Bonds and protect investors' interests; credible price formation; inter alia. In addition, following this listing, FMDQ Group, as Africa's first vertically integrated financial market infrastructure Group, through its Exchange, Clearing and Depository subsidiaries, shall provide end-to-end services from trade execution to clearing, risk management and settlement of transactions for the Bonds.

As part of efforts towards unlocking the potential of the Nigerian economy, FMDQ promotes market development in collaboration with its varied stakeholders towards making the FMDQ markets, and indeed, the Nigerian financial markets, globally competitive and well-aligned to promote the required innovation to support economic growth and development in Nigeria.

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FMDQ Exchange Welcomes the Registration of the Sterling Bank PLC ₦100.00 Billion Commercial Paper Programme, Others, to its Platform

In line with its mandate to foster development in the Nigerian Capital Market, FMDQ Exchange, welcomed the registration of the Sterling Bank PLC ₦100.00 billion Commercial Paper (CP) Programme to its platform.

In the same vein, for the period in view, the following commercial paper issues were also quoted on the Exchange:

- The Eterna PLC ₦3,000,000,000.00 Series 2 CP under its ₦10,000,000,000.00 CP Issuance Programme
- The Nigerian Breweries PLC ₦1,070,922,000.00 Series 5 and ₦52,758,073,000.00 Series 6 CPs under its ₦100,000,000,000.00 CP Issuance Programme
- The Coronation Merchant Bank Limited ₦4,310,181,000.00 Series 5 and ₦11,897,807,000.00 Series 6 CPs under its ₦100,000,000,000.00 CP Issuance Programme
- The Mixta Real Estate ₦1,099,581,000.00 Series 16, ₦2,416,515,000.00 Series 17 and ₦4,575,818,000.00 Series 18 CPs under its ₦20,000,000,000.00 CP Issuance Programme
- The First City Monument Bank Limited ₦29,466,703,000.00 Series 1 CP under its ₦100,000,000,000.00 CP Issuance Programme
- The Stanbic IBTC Bank PLC ₦25,000,000,000.00 Series 54 CP under its ₦100,000,000,000.00 Multi-currency CP Issuance Programme
- The Dufil Prima Foods PLC ₦1,052,000,000.00 Series 1 and ₦14,026,000,000.00 Series 2 CPs under its ₦30,000,000,000.00 CP Issuance Programme

FMDQ Exchange is committed to powering the growth of the Nigerian capital market through its efficient platform for trading, clearing and settlement of transactions. The Exchange prides itself on its product and market development initiatives as well as its active stakeholder engagement towards promoting an efficient, transparent and well-regulated market, which will attract and retain domestic and foreign investors.

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FMDQ TURNOVER & DEALING MEMBER (BANKS) LEAGUE TABLE

FMDQ Turnover & Dealing Member (Banks)' League Table Report

The FMDQ 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 Market Turnover (January - February 2020)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	10,638,637	29,216
Foreign Exchange Derivatives	8,108,830	22,273
Treasury Bills	14,598,029	40,095
FGN Bonds	5,533,835	15,201
Other Bonds*	-	-
Eurobonds	32,211	88
Repurchase Agreements/Buy-Backs	7,360,171	20,221
Unsecured Placements/Takings	343,503	943
Money Market Derivatives	50,244	138
Commercial Papers	-	-
Total	46,665,460	128,175
No. of Business Days	44	44
Average Daily Turnover	1,060,579	2,913

Average YTD \$/₦ @ 364.07

mm – million

*Other Bonds include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

Note: Figures may be subject to change due to potential adjustments from Dealing Member (Banks)

Source: FMDQ Data Portal as @ March 6, 2020; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January – February 2020 period amounted to ₦46.67 trillion. Trading activities in FX (Spot FX and FX Derivatives) contributed the largest to overall turnover, accounting for 40.17% of the market. Treasury Bills transactions accounted for 31.28% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 15.77%, and Bonds, Unsecured Placements & Takings and Money Market Derivatives representing 11.93%, 0.74% and 0.11% respectively, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - February 2020)

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	FIRST BANK OF NIGERIA LIMITED
6	CITIBANK NIGERIA LIMITED
7	ECOBANK NIGERIA LIMITED
8	CORONATION MERCHANT BANK LIMITED
9	ZENITH BANK PLC
10	FIRST CITY MONUMENT BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 74.27% (₦50.83 trillion) of the overall turnover in the market, with the top three (3) accounting for 54.37% (₦27.63 trillion) of this sub-section of the market. Stanbic IBTC Bank PLC, Access Bank PLC occupied the 1st and 2nd positions respectively, while United Bank for Africa PLC obtained the 3rd position in the value traded for the review period.

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Global Trends and Emerging Opportunities in the Nigerian Derivatives Market

Introduction

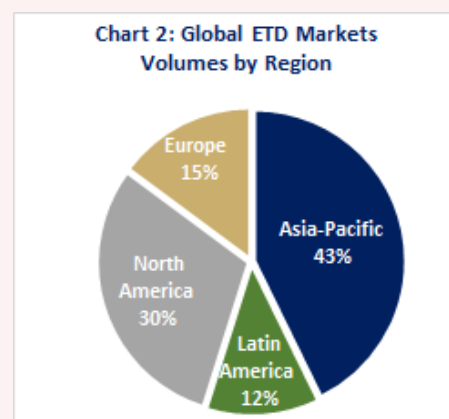
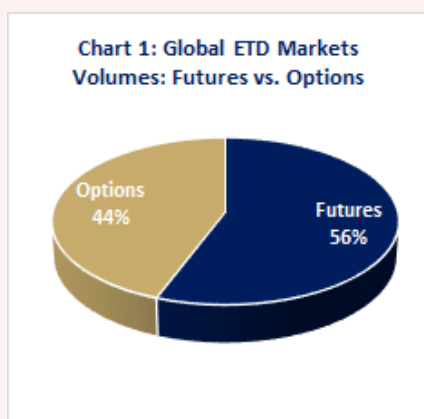
Derivatives markets have witnessed tremendous growth in recent years with the notional principal of derivatives increasing from c.\$93.02 trillion in 1998 to \$690.37 trillion in 2018, representing over 8 times (8x) the world's gross domestic product. As discussed in our previous publications, derivatives play a useful and important role in risk management (i.e. hedging) and have become the major contributor to the stability of financial markets globally, with 92% of the world's 500 largest companies managing their risks using derivatives.

This article highlights the trends in the global exchange-traded derivatives (ETD) markets and focus on opportunities for derivatives markets in emerging/frontier economies such as Nigeria.

Global Trends in ETD Markets

ETD markets are dominated by Futures and Options while the OTC derivatives markets remain dominated by Forwards and Swaps. The global derivatives markets have experienced significant growth over the years and transactions volumes in ETD markets (mainly futures and options contracts traded on exchanges) reached an all-time high in 2019.

According to the Futures Industry Association, the global ETD markets experienced a 13.7% increase in 2019, reaching an all-time high of 34.47 billion contracts in traded volumes with Open Interest of over 900 million contracts. (see [Chart 1 below](#)). Majority of the growth in global ETD markets activity were localised in the Asia-Pacific (29.10%) and Latin America (47.60%) regions (see [Chart 2 below](#))



In terms of types of ETD contracts, equity index, agricultural and energy futures and options were the major drivers of the number of contracts traded in 2019 as volatility in equity, agricultural commodities and crude oil prices continue to drive market activity.

Emerging Opportunities in the Derivatives Markets of Developing Economies

Globalisation and integration of financial markets continue to present opportunities for the development of ETD markets in developing economies such as India, Brazil, South Africa, Nigeria, Indonesia, Mexico, Russia, etc. The ETD markets in these countries continue to drive the growth in the global ETD markets. Notably in 2019, the ETD market of National Stock Exchange of India overtook the Chicago Mercantile Exchange Group in terms of volumes of ETD contracts traded while Brasil Bolsa Balcão S.A. in Brazil recorded the second largest growth in trading volumes with a 51% increase in ETD contracts traded.

Some of the key factors driving the activity in ETD markets in developing economies include *inter alia*:

- **Output Growth:** Strong historical and forecast economic growth continue to drive demand and supply thereby creating uncertainties about future prices and the need for hedging
- **Capital Flows:** Higher economic growth forecasts compared to developed/advanced economies result in inflow of foreign capital as foreign investors look to tap into better returns in developing economies. However, the higher risks and perceived inefficiencies associated with financial markets of developing economies help drive the demand for derivatives
- **Nature of the Local Economy:** Majority of developing economies are resource-based or agrarian in nature and dependent on the banking sector for financing thereby raising the need for commodity and interest rate derivatives
- **Improvements in Legal and Regulatory Environment:** Enactment of laws and regulations to support development of derivatives (especially ETD) markets as developing economies look to remain attractive to foreign investors
- **Increased Awareness and Local Participation in Capital Markets:** Increased knowledge about capital market products and participation by local investors have also accelerated the development of ETD markets

Opportunities in the Derivatives Market in Nigeria

In Nigeria, like the developing countries mentioned above, the derivatives market is dominated by OTC derivatives market. However, unlike those countries, Nigeria does not have an active ETD market. The OTC derivatives market in Nigeria is dominated by FX derivatives regulated by the CBN in its capacity as the regulator of the FX market, with a strong emphasis on the use of derivatives strictly for hedging purposes only.

However, in 2016, the CBN in collaboration with FMDQ Exchange introduced the first and only “exchange-listed” OTC derivatives contract in Nigeria – the Naira-settled OTC FX Futures (“OTC FX Futures”). The OTC FX Futures contracts are listed and traded on FMDQ Exchange between banks and the CBN. These contracts have features of both OTC and exchange-traded derivatives and will be covered in greater details in the subsequent editions of our learning articles.

However, efforts are under way by FMDQ Exchange towards the development of a standard ETD markets. Some of the key factors hindering the launch of standardised derivatives market as well as

the development of ETD markets in Nigeria for which FMDQ Exchange is at the forefront of included: lack of enabling laws and regulations, underdevelopment of market infrastructures and low awareness and knowledge about derivatives. Recently, efforts at enacting requisite laws have been renewed and the SEC, in its capacity as the regulator of the Nigerian capital markets released relevant regulations to support the development of ETD markets in Nigeria.

Conclusion

The growth trend in global derivatives markets especially the performance of ETD markets in developing markets compared to those in developed economies is indicative of the opportunities that abound in the Nigerian financial markets, especially as most of the factors driving market activity as described above are relevant to the Nigerian economy. It is expected that with the enabling regulations and the imminent support of all stakeholders and regulators, that the FMDQ initiative of launching a derivatives market in Nigeria shall be operationalised.

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