



# ***FMDQ SPOTLIGHT***

NEWSLETTER EDITION 70 – AUGUST 2020



**FMDQ**

The logo features the letters 'FMDQ' in a bold, dark blue, sans-serif font. To the left of the 'F' are three horizontal bars of varying lengths, colored grey, yellow, and blue from top to bottom. The letter 'Q' has a stylized white and blue striped tail.



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## **CAMA 2020 Netting Provisions: Game Changer for FMDQ Derivatives and Central Counterparty Agenda, Positions Nigerian Financial Market for Radical Transformation**

The Nigerian financial market and the economy, as a whole, are set to receive the long-awaited boost to spur economic development and the repositioning of Nigeria as a compelling destination of capital, with the Presidential assent of the Companies and Allied Matters Bill 2020, consequently introducing the Companies and Allied Matters Act (CAMA) 2020, which has repealed and replaced the 30-year old CAMA 1990. This historic act by the President, Muhammadu Buhari, on this important piece of legislation, is expected to usher in a new wave of innovative developments, significantly improving the ease of doing business in Nigeria, and ushering in a new paradigm in the Nigerian financial market.

Chief of the several impactful provisions in the CAMA 2020, is the inclusion of netting and bankruptcy remoteness provisions which signal the birth of a new financial market in Nigeria. Indeed, these game changing provisions will cure critical legal deficiencies that hitherto affected the development of the financial markets, with the netting provisions addressing the credit risk challenges, operational and legal bottlenecks of gross settlement for spot and derivatives transactions, and the bankruptcy remoteness provisions tackling the uncertainty around the finality of settled transactions whilst securely ring-fencing collaterals placed in execution of financial contracts.

This Act is instrumental, in no small measure, to the successful takeoff of the derivatives market in Nigeria, a much-desired development, which will provide, amongst others, a wide range of risk management opportunities, enhanced market liquidity, improved price discovery, reduced risk capital charges and transaction costs as well as increased financial markets stability. Indeed, as far back as 2015, FMDQ Holdings PLC (FMDQ or FMDQ Group), in line with its mandate to build a thriving derivatives market in Nigeria, facilitated a feasibility study on the introduction of derivatives in the Nigerian financial market, and the findings showed that the critical success factors for a derivatives market include, but are not limited to, effective management of counterparty risk through the activation of a central counterparty (CCP), and adequate legal framework, both of which have been fully addressed in the CAMA 2020.

According to the Chief Executive Officer of FMDQ Group, Mr. Bola Onadele. Koko, “the CAMA 2020 commendably sets the tone for the galvanisation of key innovations in the market, providing enabling legal backing for netting, bankruptcy remoteness and attendant regulatory frameworks for the smooth functioning of financial markets in Nigeria. With FMDQ Securities Exchange Limited (FMDQ Exchange or the Exchange) as a market organiser for the fixed income, foreign exchange and derivatives markets in Nigeria, and given the domestic and global call to improve participation in the markets by providing hedging opportunities to support investor interest, the Exchange is set to

support the establishment of a well-functioning derivatives market in Nigeria, following its launch of a Derivatives Market Project in 2017, and the planned activation of derivative products, in 2020, to hedge interest rate risks, in addition to the existing currency risk hedging product, the OTC FX Futures product. To ensure the successful activation of the derivatives market, FMDQ Clear Limited (FMDQ Clear), Nigerian's first central clearing house (CCH), is well positioned to providing the much-needed CCP services, upon regulatory approval, and has proactively set aside a default resolution reserve with a near-term target of ₦20.00 billion, which will enable the novation of financial transactions in the Nigerian financial market to a well-capitalised Clearing House, thereby de-risking counterparty risks prevalent in derivative contracts, provision of clearing services for spot and derivatives products towards ensuring settlement finality for financial market transactions, and introduction of even greater efficiency and stability to the Nigerian financial markets."

He further stated that the contributions of all the Nigerian financial system regulators in the market development cannot be over-emphasised; with the foresight of the Securities and Exchange Commission (SEC) over the years, in approving the registration of the FMDQ Entities, the erstwhile OTC market in 2012, FMDQ Clear in 2017, and FMDQ Depository Limited (FMDQ Depository) and FMDQ Exchange, both in 2019, providing the market with a one-stop shop for the end-to-end execution of financial market transactions. Further, the Central Bank of Nigeria (CBN) introduced in 2016, with FMDQ Exchange, the OTC FX Futures market, ahead of the launch of other derivative products, which fostered stability in the FX market, with circa US\$50.00 billion worth of contracts so far executed on FMDQ Exchange and cleared by FMDQ Clear.

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## **FC4S Lagos Partners FMDQ, FSD Africa, CBI to Engage LASG on Capacity Building Roundtable for Sustainable Finance; Signs Declaration with LASG**

Following the successful launch of the Financial Centre for Sustainability (FC4S) Lagos, an initiative set on inspiring a greener Nigeria through sustainability principles, in collaboration with market stakeholders, a Declaration was co-signed by the Executive Governor, Lagos State, Mr. Babajide Sanwo-Olu and the Chairman, FC4S Lagos, Mr. Bola Onadele. Koko. This Declaration, a crucial step towards operationalising FC4S Lagos, conveys the commitment of the Lagos State Government and FC4S Lagos, as well as other key stakeholders, to advance green and sustainable finance in the Nigerian financial markets, in line with the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement.



To further support the entrenchment of sustainable finance in the Nigerian financial markets, FC4S Lagos, in partnership with the implementing partners of the Nigeria Green Bond Market Development Programme (NGBMDP) – FMDQ, Climate Bonds Initiative (CBI) UK, and Financial Sector Deepening (FSD) Africa – organised a Capacity Building Roundtable Webinar (Roundtable) for the Executive Council of Lagos State Government, themed “The Role of Sustainable Finance Instruments in Driving Economic Development” on Wednesday, August 5, 2020.

The closed Roundtable, which brought together members of the Lagos State Executive Council, including Commissioners, Special Advisers and Permanent Secretaries of Lagos State Ministries, Departments and Agencies, was delivered as part of the advocacy efforts of FC4S Lagos in driving the entrenchment of Sustainable Development Goals (SDGs) in institutions at the subnational and sovereign level in Nigeria. The Roundtable highlighted the sustainable finance opportunities and dimensioned how the State Government can leverage the debt capital markets to finance its huge infrastructure projects. Lagos State, which has continued to experience an exponential growth in population due to rural-urban migration amongst other factors, remains limited by land mass and therefore, continues to seek innovative ways to address sustainable development and infrastructure growth in the State. This has become more pertinent as the State seeks to flatten the curve of the global COVID-19 pandemic for which it is unsurprisingly the epicenter of the nation.

Mr. Bola Onadele. Koko, Chief Executive Officer, FMDQ Group and Chairman, FC4S Lagos, during his opening address stated “finance plays a pivotal role in attaining the United Nations 2030 SDGs, especially through the creation of alternative sources of investment, mitigation of risks and the transversal effects of ethical investments”. He further stated that “through the issuance of sustainable

finance instruments, the Lagos State Government would be able to fund projects that attract the right pools of foreign investors, as it strives towards the actualisation of the “THEMES” Agenda which cuts across six (6) strategic development focus areas namely; Traffic Management and Transportation, Health and Environment, Education and Technology, Entertainment and Tourism as well as Security and Governance, making Lagos a 21st Century Economy”. He reiterated that “FC4S Lagos, in collaboration with the implementing partners of the NGBMDP; FMDQ, FSD Africa and CBI UK, will continue to support the Lagos State Government to expand its capital pool by leveraging on private sector investments through the wide array of available sustainable finance instruments within the debt capital markets”.

Speaking about the success of the roundtable, the Executive Governor of Lagos State, Mr. Babajide Sanwo-Olu, stated, “having deliberated about the plethora of social challenges targeted by the government’s THEMES Agenda, it was also a delight to discuss the benefits of innovative sustainable finance instruments. Indeed, the interest, readiness, and commitment of our partners are a testament to the beginning of a meaningful and sustainable collaboration towards ending our social challenges. As a government, we look forward to continued collaboration with FC4S Lagos, FMDQ, CBI UK, FSD Africa and other international and domestic private sector stakeholders, in ensuring that these development opportunities are realised for the sustainable development of Lagos State”. Supporting the Executive Governor’s view, Dr. Obafemi Hamzat, Deputy Governor of Lagos State, averred that “one major point of interest is that sustainable financing instruments do not just look at the traditional areas requiring financing – such as road and rail infrastructure, rather, they include funding options for ‘the biggest businesses for humanity’, which are education and healthcare”.

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## **Leveraging the Nigerian Debt Capital Markets for Infrastructure: FMDQ Hosts Infrastructure Development Webinar**

The Debt Capital Markets Development (DCMD) Project Infrastructure Finance Sub-Committee, in line with its Terms of Reference (ToR) to facilitate the uptake of capital markets products as a means of financing infrastructure, recently facilitated a webinar to create a platform for expert discussions on infrastructure development in Nigeria leveraging the Nigerian debt capital markets (DCM). The forum which targeted stakeholders and players in the construction, mines & steel, oil & gas, health, transportation, education and information technology sectors among others, was geared towards critically discussing how domestic and foreign infrastructure financing can be raised through different financing models to create an enabling environment for private investments in Infrastructure.

The session which featured discussants and panelists including Mr. Bolaji Balogun, Chief Executive Officer, Chapel Hill Denham & Chair, Steering Committee, FMDQ DCMD Project, Professor Gbolahan Elias, SAN, Principal Partner, G.Elias & Co., Mr. Wale Shonibare, Energy Financial Solutions, Policy & Regulation, African Development Group, Mr. Daniel Mueller, Head, Origination & Structuring, Infrastructure Credit Guarantee Company Limited, Engr. Chidi K.C. Izuwah Snr., Director General, Infrastructure Concession Regulatory Commission, Dr. Farouk Aminu, Head, Investment Supervision Department, National Pension Commission, Mr. Haresh Aswani, Managing Director, Africa, Tolaram Group, and Mr. Taiwo Adeniji, Senior Director, Investments, Africa Finance Corporation; and was moderated by Dr. Wura Abiola, Managing Director, Management Transformation Limited & Co-Chair, DCMD Project Infrastructure Finance Sub-Committee. Discussions were focused on the opportunities and challenges of benchmarking the Nigerian debt infrastructure market, identifying the scope of de-risking tools in enhancing bankability of infrastructure projects, and government incentives and legislation reforms to unlock infrastructure development in Nigeria, amongst others.

Delivering the opening remarks, Mr. Bola Onadele. Koko, Chief Executive Officer, FMDQ Group, stated that “infrastructure development is critical for economic growth, reduced poverty, job creation as well as improving the wellbeing of the citizenry and the debt capital market provides a key avenue through which infrastructural growth can be fostered to promote economic development”. He further stated “at FMDQ, we recognise the increasing role of the inclusion of private capital in the Nigerian capital market which had hitherto been serviced only by public companies. FMDQ Private Markets Limited was incorporated to enable private companies irrespective of size access the markets for funding and raise vital capital to expand operations and function as efficiently as possible within their various sectors”.

According to Mr. Bolaji Balogun, Chief Executive Officer, Chapel Hill Denham & Chair, Steering Committee, FMDQ Debt Capital Markets Development Project, “it is absolutely clear that if any country wants to develop, the country develops primarily around the base of a deep and liquid domestic debt capital market and therefore, the role that FMDQ Group plays in this respect is pivotal”.

FMDQ serves as the DCMD Project Office, working closely with the stakeholders through the committees and sub-committees, to drive the process of review and implementation of the initiatives required to transform the Nigerian DCM within the 10-year project implementation horizon of 2015 – 2025. As part of its mandate to make the Nigerian financial markets “GOLD” – Globally Competitive, Operationally Excellent, Liquid and Diverse.

To view the recording of the webinar, [click here](#)

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## Update on FMDQ's Corporate Social Responsibility Initiatives

As a socially responsible organisation, FMDQ is involved and committed to initiatives towards supporting the general wellbeing of its stakeholders. In so doing, efforts are continuously channelled towards identifying ways through which the organisation can, through its corporate social responsibility (CSR) initiatives, positively impact its community and markets so as to foster sustainable development in the nation.

During the period in view, FMDQ was involved in the following CSR activities:

- In pursuit of FMDQ's agenda, over the years, to support education, specifically, financial markets literacy, for the next generation of Nigerians - from primary school, through to university students, and fresh graduates – FMDQ launched its flagship corporate responsibility initiative, the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next). In support of this overarching goal, FMDQ Group, in partnership with the Lagos State Government and Robert & John Limited, presented e-learning devices preloaded with Government accredited curriculum to the Lagos State Government for onward dissemination to students and teachers of public schools in the State as part of steps move 1 million students to e-learning, especially following the abrupt shutdown of physical educational activities in the country brought about by the COVID-19 pandemic





- In the same vein, as a member of the Capital Market Support Committee for COVID-19 (CMSCC), a commendable initiative of the SEC, set up to provide support to the vulnerable groups on behalf of the Nigerian capital markets, FMDQ Group donated the sum of Sixty Million Naira (₦60.00 million) to support the initiative. This is in addition to other community-wide corporate responsibility activities aimed at providing some relief to the affected and vulnerable members of the community, including procurement and distribution of face masks to the Government, charitable organisations, and other vulnerable groups
- FMDQ also donated the sum of Ten Million Naira (₦10.00 million) to Ogun State Trust Fund (OGSTF) to support its mission of creating a safe and secure Gateway State, and Five Thousand (5,000) face masks to ensure the safety of OGSTF personnel and security agencies in the execution of their duties
- Also during the period in view, FMDQ Group, through the FMDQ-Next initiative observed the International Youth Day 2020 in line with the global agenda to celebrate mainstream young peoples' voices, actions, and initiatives, as well as their meaningful, universal, and equitable engagement. FMDQ-Next is a learning and development initiative aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary, and tertiary), as well as fresh graduates within the country. Since inception in July 2012, with over 342 volunteer hours by FMDQ Staff, FMDQ-Next has impacted over 420 participants between the ages of 6-22 years through its summer camps, trading challenges and teach-a-class programmes, amongst others



- Following the exponential outbreak of COVID-19 across the globe, the World Health Organisation ((WHO), Pandemic Action Network , amongst others, teamed up to organise the World Mask

Week, running from August 7 - 14, 2020, with the aim of promoting the use of facemasks in public. In line with FMDQ's commitment to promoting good health and wellbeing, in support of the UN SDG 3, FMDQ joined the local and international community to mark the World Mask Week by donating face masks to vulnerable groups and students within its host community, and is committed to continuing this campaign as part of its contribution to creating awareness on how to mitigate the spread of the COVID -19

**FMDQ-Next** **FMDQ**

**WORLD MASK WEEK**

**- EXCHANGE - CLEARING - DEPOSITORY - PRIVATE MARKETS**

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## **50<sup>th</sup> FX Futures Contract Matures and Settles on FMDQ**

On Wednesday August 26, 2020, the 50<sup>th</sup> FX Futures contract – NGUS AUG 26 2020 with a nominal value of \$1,583.70 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 \$37.74 billion; with a total of about \$49.32 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-nine (49) maturities, introduced a new contract, NGUS AUG 27 2025 for \$1.00 billion at \$/₦590.10 to replace the matured contract. The apex bank also refreshed its quotes on the existing 1 to 60-month contracts.

The contracts quotes are published daily on FMDQ's website at [www.fmdqgroup.com](http://www.fmdqgroup.com) and on the FMDQ Twitter page, [@FMDQGroup](https://twitter.com/FMDQGroup).

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## At a Glance: Update from FMDQ Clear

Following the Presidential assent to the CAMA 2020 bill, ushering in a wave of new developments into the Nigerian financial market, FMDQ Clear continues to ramp up its activities towards supporting the development of a thriving derivatives market as well as its transitioning into a fully-developed CCP to support the stability of and uphold the integrity of the financial markets. In continuing to deliver post-trade services that will eliminate the inherent risks to bilateral trades in the Nigerian financial market provide an overview of the clearing and settlement activities cutting across the derivatives (currency futures) and fixed income markets.

**Table 1: Clearing and Settlement Activities in the Derivatives (Currency Futures) Market**

S/N	Currency Futures (as at July 31, 2020)	June	July	Change (%)
<b>Clearing</b>				
1	No. of Traded & Cleared Contracts	4,838	4,904	1.36
2	Value of Traded & Cleared Contracts (\$'bn)	47.96	48.82	1.79
3	Value of Open Contracts (as at July 31, 2020) (\$'bn)	13.17	12.66	(3.87)
<b>Settlement</b>				
4	No. of Matured & Settled Contracts	3,595	3,746	4.20
5	Value of Matured & Settled Contracts (\$'bn)	34.79	36.16	3.94

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

S/N	Sovereign Fixed Income	June	July	Change (%)
1	Total Value of Trades Processed (₦'bn)	5,139.99	3,418.59	(33.49)
2	Value of Trades Settled (₦'bn)	5,028.82	3,293.02	(34.52)
3	Value of Unsettled Trades (₦'bn)	111.16	125.57	12.96

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

S/N	Non-Sovereign Fixed Income	June	July	Change (%)
1	Total Value of Trades Processed (₦'bn)	3.66	7.11	94.26
2	Value of Trades Settled (₦'bn)	3.66	4.85	32.51
3	Value of Unsettled Trades (₦'bn)	0.00	2.26	N/A

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

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### **At a Glance: Update from FMDQ Depository**

During the period in view, FMDQ Depository continued to deliver on its operational mandate to implement value-added products and service offerings; with FMDQ Group providing efficient listing and trading services through FMDQ Exchange and the much-required risk management, clearing and settlement services through FMDQ Clear; offering market participants an unrivalled opportunity to experience enhanced liquidity and straight-through-processing.

As a strategically positioned Central Securities Depository, FMDQ Depository provides the requisite framework for collateral caching, asset servicing and settlement services in the Nigerian financial markets, offering market participants an unrivalled opportunity to experience enhanced straight-through-processing whilst maintaining and enhancing market efficiency.

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

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## FMDQ LISTINGS & QUOTATIONS

### **Capital Market Provides Succour to Nigerian Corporates Amidst COVID-19 Recovery, as FMDQ Admits New Debt Securities to its Platform**

As corporates and organisations spring into the second half of the year with renewed hope for the return of normalcy to the overall business environment, signalled by the easing of lockdown restrictions among other steps taken by the Federal Government of Nigeria to curtail the impact of the COVID-19 pandemic and ensure that the economy gets back on track, the Nigerian DCM has continued to demonstrate buoyancy and resilience in the face of the pandemic, authenticating its role and increased capacity to support domestic economic growth by providing alternative capital sources as well as the much needed liquidity to boost working capital for corporates and governments. This remains a commendable development characterised by the towering levels of confidence demonstrated by both issuers and investors as they continue to tap the market to meet their short- and long-term business and investment objectives, respectively.

This confidence can be attributed to various factors including the integrity, professionalism, innovation, and value which FMDQ Group has fostered in the market since its inception. These sustained efforts, not just by FMDQ, but the wider Nigerian financial market stakeholder community saw the admission for listing of the Dangote Cement PLC ₦100.00 billion Bond and quotation of the MTN Nigeria Communications PLC ₦100.00 billion Commercial Paper notes as recent yet long-awaited corporate benchmarks (the largest corporate bond and commercial papers so far recorded) through FMDQ Exchange. In keeping to its commitment of providing a reliable and credible platform to support capital formation, the Exchange admitted for listing, the United Capital PLC Series 1 ₦10.00 billion Fixed Rate Bond under its ₦30.00 billion Bond Programme and the LAPO MFB SPV PLC Series 2 ₦6.20 billion Fixed Rate Bond under its ₦20.00 billion Bond Issuance Programme.

According to the Managing Director, Investment Banking, United Capital, Babatunde Obaniyi, “the Series 1 bond issuance adds to the impressive portfolio of innovative and landmark transactions which are the hallmark of the United Capital brand. The bonds, which have a tenor of 5 years, recorded a 124% subscription, with commitments received from Pension Funds (comprising 64% of the issue), other financial institutions as well as high net worth individuals. This very strong outcome further affirms buy-side investors’ confidence in United Capital PLC and is a testament to the leading role the organisation continues to play in the financial services space.”

Commenting on the transaction, the Managing Director, LAPO Microfinance Bank Ltd., Cynthia Ikponmwo, reiterated that, “LAPO Microfinance Bank Limited remains committed to its goal of economic empowerment of low-income households through access to finance. This additional capital will be deployed to enhance our capacity to meet the needs of micro and small enterprises, especially actors in the rural economy. The bonds were oversubscribed by ₦0.2 billion, an unprecedented feat

in the subsector, despite market uncertainties and a demonstration of confidence by investors given the strong corporate governance and fundamentals of the Microfinance Bank.”

FMDQ remains committed to the development of the Nigerian financial market and has continued to sustain its efforts in supporting stakeholders with tailored offerings to enable them achieve their strategic objectives, deepen and effectively position the Nigerian capital market 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 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 - July 2020)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	20,893,215	56,324
Foreign Exchange Derivatives	23,428,061	62,469
Treasury Bills	3,754,461	9,857
OMO Bills	41,878,407	111,434
FGN Bonds	15,682,451	41,711
Other Bonds*	1,139	3
Eurobonds	297,670	783
Repurchase Agreements/Buy-Backs	29,012,488	76,645
Unsecured Placements/Takings	949,627	2,534
Money Market Derivatives	102,494	273
Commercial Papers	-	-
<b>Total</b>	<b>136,000,014</b>	<b>362,032</b>
<i>No. of Business Days</i>	146	146
<i>Average Daily Turnover</i>	<b>931,507</b>	<b>2,480</b>

Average YTD \$/N @ 377.87

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 @ August 7, 2020; Figures reported by Dealing Member (Banks) on a week-ending basis



The total turnover for the January - July 2020 period amounted to ₦136.00 trillion. Trading activities in FX (Spot FX and FX Derivatives) contributed the largest to overall turnover, accounting for 32.59% of the market. Transactions in OMO bills accounted for 30.79% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 21.33%, and Bonds, Treasury Bills, Unsecured Placements & Takings and Money Market Derivatives representing 11.75%, 2.76%, 0.70% and 0.08% respectively, of overall market turnover.

### **Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - July 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	FIRST BANK OF NIGERIA LIMITED
5	STANDARD CHARTERED BANK NIGERIA LIMITED
6	ZENITH BANK PLC
7	CORONATION MERCHANT BANK LIMITED
8	GUARANTY TRUST BANK PLC
9	CITIBANK NIGERIA LIMITED
10	ECOBANK NIGERIA LIMITED

The top ten (10) Dealing Member (Banks) accounted for 79.39% (₦107.97 trillion) of the overall turnover in the market, with the top three (3) accounting for 62.02% (₦66.97 trillion) of this subsection of the market. Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC maintained the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> positions respectively, in the value traded for the review period.

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## Commercial Papers - Types & Common Terminologies

### Introduction

In the July edition, we introduced Commercial Papers (CPs) as short-term debt instruments issued by large corporations to meet short-term obligations. CPs serve as an alternative source of working capital for corporates compared to traditional overdrafts and other short-term facilities provided by banks.

### Types of Commercial Papers

CPs can be categorised into two types – **Clean** and **Guaranteed** CPs. Typically, CP transactions in the Nigerian financial market are regulated by the ***Guidelines on the Issuance and Treatment of Bankers' Acceptance and Commercial Papers of the Central Bank of Nigeria*** and the ***Commercial Paper Registration and Quotation Rules (the "Rules") of FMDQ Securities Exchange***.

- i. **Clean CPs** – These are also referred to as unsecured/traditional CPs. Typically, CPs are unsecured debt instruments and are therefore not required to be backed by collateral. Hence, Clean CPs are issued without any form of credit enhancement. Clean CPs are solely reliant on an issuer's goodwill, qualitative (e.g. corporate governance) and quantitative (rating issued by a recognised rating agency and business track record) factors amongst others. Based on FMDQ Rules, it can only be issued to Qualified Institutional Investors (QIIs) and other Eligible Investors
- ii. **Guaranteed CPs (GCPs)** – GCPs are also known as secured CPs. They can be backed by other financial assets, approved securitisation mechanisms or entities *such as the Government, CBN-licensed Banks, Development Finance Institutions, Credit Guarantee Agencies and Corporations, etc*). Based on FMDQ Rules, a GCP can be issued to all categories of Investors

### Common Terminologies

The following are commonly used terminologies in a CP transaction:

- i. **Issuer:** This is the entity that intends to raise short-term finance through the issuance of CPs
- ii. **Issue Date:** This is the date on which the CP is issued to investors
- iii. **Discreet Issue:** This is a single CP issuance which is not established under a CP Programme
- iv. **Information Memorandum:** This is a document which serves to provide prospective investors with information on the issuer and CPs sought to be issued under the Programme/Discreet Issuance

- v. **Programme:** This is the method of issuance of CPs that allows for multiple issues covered by a standardised documentation framework
- vi. **Underwriting Agreement:** This is an agreement to buy all or part of the new issue of CPs to be offered/held for sale with a view to a resale and not as a form of investment
- vii. **True Yield:** This is the effective return on investment (ROI) in a CP transaction
- viii. **Tenor:** This is the time frame within which a CP is issued. Based on the issuer's need, a CP usually has a minimum and maximum tenor of 15 days and 270 days, respectively

In the next edition of Spotlight, discussions shall center on investing in commercial papers, having covered the historical background of CPs, key features, types, and common terminologies.

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