



FMDQ SPOTLIGHT

NEWSLETTER EDITION 69 – JULY 2020



FMDQ

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



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FMDQ Exchange Holds 1st Members' Only Meeting for 2020

In line with the commitment of FMDQ Securities Exchange Limited (FMDQ Exchange or the Exchange) to develop the Nigerian financial markets and in its capacity as a market organiser, the Exchange hosted its Members on Friday, July 3, 2020 in line with its commitment to effective stakeholder engagement. The Meeting which held virtually via Zoom Cloud Meetings aimed to provide an avenue for interactions between FMDQ Exchange and stakeholders in its markets; to help design, develop and sustain the architecture of the market in which the participants operate. In attendance at the Meeting were key stakeholders in FMDQ Holding PLC (FMDQ or FMDQ Group)'s markets, represented by the respective FMDQ Exchange membership categories (Dealing, Associate & Registration Members).

Deliberations were centred on FMDQ Exchange's strategic initiatives including product and market development roadmap, technology, and related infrastructure, etc.; providing the Members an opportunity to exchange and receive feedback/suggestions for consideration and adoption by the Exchange towards shaping the market architecture and improving the depth and competitiveness of the Nigerian financial market, in line with their needs and the value-adding services provided by FMDQ.

FC4S Lagos, PwC Nigeria Host Session on Portfolio Diversification in Emerging Markets

As the tenets of sustainable finance aim to incorporate environmental, social and governance (ESG) factors into investment decisions and portfolios, towards improved access to sustainable capital, risk management, operational efficiency and creation of sustainable long-term value and returns to investors and the society at large, policy makers and financial market participants all over the world and in particular, in emerging markets continue to chart the course towards sustainable investment and development in their respective economies particularly in the face of the COVID-19 pandemic. The pandemic has created yet another important opportunity for issues concerning sustainable finance and responsible investment tools and mechanisms to be put into focus once again.

To further bridge the knowledge gap as well as provide insights on how participants can leverage sustainable finance to diversify their investment portfolios during this time and beyond, the Financial Centre for Sustainability, Lagos (FC4SL), in partnership with PricewaterhouseCoopers (PwC) Nigeria and with the continued collaboration of FMDQ acting as Secretariat to FC4SL, executed a stakeholder sensitisation webinar session themed "***Sustainable Finance in Emerging Markets: Portfolio***

Diversification” on Tuesday, July 7, 2020, as part of the Market Education and Sensitisation campaigns efforts of the Research, Education and Engagements Thematic Area of FC4SL.

Welcoming participants to the session, the Chairman of FC4SL and Chief Executive Officer of FMDQ Group, Mr. Bola Onadele. Koko, noted that, “Sustainable development is the pathway leading to the future that we all desire. Certainly, it offers the template for balanced economic growth; social justice and equality; infrastructure development and responsible management of the earth’s environment and scarce resources. More importantly, it is a credible source of diversification for the Nigerian economy as it will attract capital from both foreign and domestic interests in sectors requiring urgent attention.”

Also speaking during the session, the Executive Director, Growing Business Capital, Dr. Natalie Beinisch highlighted the importance of businesses adopting a financially sustainable strategy. According to her, “After more than a decade of research, we can say with a high level of confidence that sustainable approaches to management is likely to preserve the value of business. That, combined with the demand from institutional investors for impact-oriented investment solutions means it is an exciting time to develop new products across all asset classes that support the sustainable growth of Nigerian businesses and satisfy investor demand”. In alignment with the increasing relevance of sustainable development, the Partner & Chief Economist, PwC West Africa, and Thematic Lead, Research, Education and Engagements, FC4SL, Dr. Andrew Nevin, noted simply that “All finance in the 2020s will be sustainable finance”.

With an annual global estimation of about US\$ 5.00 – 7.00 trillion required to meet the United Nations Sustainable Development Goals (SDGs), it is of utmost importance that both private and public sectors in emerging markets work together to drive capital into these investable solutions. Conscious effort must, therefore, be made by key stakeholders to present these global sustainability challenges as financially attractive and bankable solutions in order to attract investors.

Subscribe to FMDQ’s [YouTube Channel](#) to watch the recording of the subject webinar as well as others delivered by FMDQ towards the growth and development of the Nigerian financial market.

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FMDQ Holdings PLC Holds its 8th Annual General Meeting

FMDQ, Africa’s first vertically integrated financial market infrastructure (FMI) group, held its 8th Annual General Meeting (AGM) on Friday, July 24, 2020, following the respective AGMs of its wholly owned subsidiaries - FMDQ Securities Exchange, FMDQ Clear Limited (FMDQ Clear), and FMDQ Depository Limited (FMDQ Depository), on Thursday, July 23, 2020. In compliance with the COVID-19 directives

and guidelines of the Lagos State Government that prohibits gatherings of more than twenty (20) persons, and FMDQ's commitment to keeping its staff and stakeholders safe, the AGMs held virtually, with the shareholders and other attendees participating in the proceedings via Zoom Cloud Meetings.

Presiding over the FMDQ Group AGM, the newly appointed Group Chairman of the Board of Directors, Dr. Kingsley Obiora, presented the Financial Statements for the year ended December 31, 2019, to shareholders, together with the Reports of the Directors and Auditors. He stated that "FMDQ achieved a resilient performance amidst the challenging operating environment, due to strategic initiatives implemented in its first strategic lustrum (2015 - 2019), which mitigated the impact of volatile market conditions." According to Dr. Obiora, "2019 was a year of growth, expansion, and reorganisation for FMDQ, with the consolidation of its flagship wholly owned subsidiary, FMDQ Exchange, the second year of the operationalisation of its wholly owned subsidiary, FMDQ Clear, and the activation of another wholly owned subsidiary, FMDQ Depository, making significant progress in its bid to help de-risk the financial markets by constructing market infrastructures in all components of the capital market value chain, from pre-trade, trade to post-trade."

He further stated that through FMDQ Securities Exchange, the Group admitted a total of eighty-four (84) securities split across bonds, commercial papers (CPs), and funds from various sectors for listing and quotation on the platform of its platform, in addition to the registration of several CP Programmes. 2019 also saw the strengthening of the operational and strategic capacities of FMDQ's clearing, settlement, and depository businesses in line with their drive to create value for stakeholders in the Nigerian financial market. Consequently, FMDQ Clear focused on building operational readiness and capabilities to extend its services from just clearing and settlement to providing central counterparty (CCP) services in the near term, whilst FMDQ Depository leveraged the digitised and integrated structure of FMDQ Group to operationalise its new business; yielding positive results and further paving the way for the Depository to actualise its vision of becoming the Depository of Choice in Nigeria.

Furthermore, as part of the Ordinary Business of the AGM, the shareholders of FMDQ ratified, amongst other things, the appointment of the new Group Chairman, Dr. Kingsley Obiora, Deputy Governor, Economic Policy Directorate, Central Bank of Nigeria (CBN); Mr. Emeka Onwuka, OON, Partner and Head of Private Clients & Family Wealth Practice at Andersen Tax in Nigeria; and Mr. Sadiq Mohammed, Deputy Group Chief Executive Officer of the Asset & Resource Management (ARM) both serving as Non-Executive Directors on the Board of FMDQ.

Looking ahead, the Group Managing Director/CEO of FMDQ, Mr. Bola Onadele. Koko, noted FMDQ's commitment, with the support and collaboration of its stakeholders, to the development of a thriving derivatives market in Nigeria by launching new hedging products in 2020. Furthermore, the Group shall continue to enhance the readiness of FMDQ Clear to operate a fully-fledged CCP upon regulatory approval, whilst making efforts through FMDQ Depository to facilitate interoperability amongst the central securities depositories in Nigeria to enable seamless processing of clients' transactions. Also, with the incorporation of its newest wholly owned subsidiary, FMDQ Private Markets Limited (FMDQ Private Markets) in January 2020, the Group shall focus on promoting the development of organised private capital, providing the much-needed transparency in the market for private debt and equity

securities, by eliminating information asymmetry and ultimately improving credibility in the market for private issuances.

FMDQ Group provides an efficient one-stop platform for the seamless execution, clearing, settlement, risk management and depository of financial market transactions, as well as data and information services across the fixed income, currencies and derivatives markets, through its wholly owned subsidiaries – FMDQ Exchange, FMDQ Clear, FMDQ Depository and FMDQ Private Markets.

To access 2019 Annual Report & Accounts of FMDQ Group, please click here – [2019 Annual Report](#)

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Over \$48bn Contracts Traded So Far as 49th FX Futures Contract Matures and Settles on FMDQ

On Wednesday July 29, 2020, the 49th FX Futures contract – NGUS JUL 29 2020 with a nominal value of \$1,369.38 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 \$36.16 billion; with a total of about \$48.39 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-eight (48) maturities, introduced a new contract, NGUS JUL 30 2025 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 and on the FMDQ Twitter page, [@FMDQGroup](https://twitter.com/FMDQGroup)

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At a Glance: Update from FMDQ Clear

FMDQ Clear, having assumed the responsibility of a critical financial market infrastructure in the Nigerian financial market landscape, has through its efficient and credible risk management activities continued to boost the integrity of the Nigerian financial market.

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

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

S/N	Currency Futures (as at May 30, 2020)	May	June	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	4,763	4,838	1.57
2	Value of Traded & Cleared Contracts (\$'bn)	46.79	47.96	2.50
3	Value of Open Contracts (as at May 30, 2020) (\$'bn)	13.94	13.17	(5.52)
Settlement				
4	No. of Matured & Settled Contracts	3,423	3,595	5.02
5	Value of Matured & Settled Contracts (\$'bn)	32.86	34.79	5.87

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

S/N	Sovereign Fixed Income	May	June	Change (%)
1	Total Value of Trades Processed (₦'bn)	2,790.90	5,139.99	84.17
2	Value of Trades Settled (₦'bn)	2,729.59	5,028.82	84.23
3	Value of Unsettled Trades (₦'bn)	61.31	111.16	81.03

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

S/N	Non-Sovereign Fixed Income	May	June	Change
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				(%)
1	Total Value of Trades Processed (₦'bn)	1.32	3.66	177.27
2	Value of Trades Settled (₦'bn)	1.16	3.66	215.51
3	Value of Unsettled Trades (₦'bn)	0.16	0.00	N/A

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

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At a Glance: Update from FMDQ Depository

From availing uncompromised data and information to innovative and efficient operational processes enabled by dynamic technology, FMDQ Depository has provisioned the requisite infrastructure to deliver a client-focused depository of choice, with excellent operational capabilities tailored to provide value-adding services to stakeholders in the Nigerian financial market.

Within the period in view, and given stakeholders continued validation of its relevance to the market, FMDQ Depository onboarded the assets of one of Nigeria's telecommunications giant, MTN Nigeria Communications PLC, following its debut entrance into the Nigerian capital market with the issuance of a ₦100.00 billion CP notes, onto its platform. In addition, the Depository also admitted the ₦20.00 billion Series 1 & 2 United Capital PLC Bond under its ₦30.00 billion Fixed Rate Bond Issuance Programme on its platform, and continues to significantly link securities and cash in a way that enhances delivery versus payment.

For more on the service offerings offered by FMDQ Depository, please click [here](#)

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FMDQ LISTINGS & QUOTATIONS

FMDQ Exchange Admits Debt Securities of Axxela Funding, United Capital, Others to the Exchange's Platform

The critical role which debt markets play in facilitating sustainable growth and development cannot be overemphasised. The Nigeria debt market capital (DCM) plays an important role in the efficient mobilisation and allocation of resources in the economy and despite the impact of the current times, the market has continued to effectively support corporates looking to expand their business operations. It is in this regard that FMDQ in its role as a market organiser of the Nigerian DCM, amongst others, has continued to provide stakeholders in the Nigerian capital market with a credible and robust platform for capital access, risk management and transfer of value.

During the period in view, FMDQ Exchange admitted the listing of the following securities to its platform:

- Axxela Funding 1 PLC ₦11.50 billion Series 1 Bond under its ₦50.00 billion Bond Programme
- United Capital PLC Series 1 ₦10.00bn Fixed Rate Bond under its ₦30.00bn Bond Programme
- LAPO MFB SPV PLC Series 2 ₦6.20 billion Fixed Rate Bond under its ₦20.00 billion Bond Issuance Programme

In the same vein, the Exchange admitted the quotation of the following Commercial Paper (CP) notes

- Guinness Nigeria PLC ₦2.50 billion Series 1 and ₦2.50 billion Series 2 CP notes under its ₦10.00 billion CP Programme
- Mixta Real Estate PLC ₦1.91 billion Series 24, ₦0.50 billion Series 25, ₦1.03 billion Series 26 and ₦1.50 billion Series 27 CP notes under its ₦20.00 billion CP Programme

The admittance of these securities is testament to the opportunities which the DCM avails to corporates in diverse business areas and further, to the potential of the market to support stakeholders effectively even as they carry on their activities in the face of the pandemic. These securities, by their listings and quotations on FMDQ, shall be admitted onto the FMDQ Daily Quotations List; thus, promoting the much-needed transparency for investors and providing a credible basis for portfolio valuation daily. Also, through the global visibility which the FMDQ website and systems guarantee, the corporate profile of the issuer is raised even further ahead of tapping into other opportunities in the Nigerian capital market.

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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 - June 2020)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	19,505,027	52,741
Foreign Exchange Derivatives	20,621,142	55,226
Treasury Bills	2,951,918	7,786
OMO Bills	36,776,314	98,268
FGN Bonds	13,249,666	35,433
Other Bonds*	1,103	3
Eurobonds	271,236	715
Repurchase Agreements/Buy-Backs	22,939,555	60,974
Unsecured Placements/Takings	888,626	2,376
Money Market Derivatives	77,344	208
Commercial Papers	-	-
Total	117,281,931	313,731
<i>No. of Business Days</i>	123	123
<i>Average Daily Turnover</i>	953,512	2,551

Average YTD \$/₦ @ 376.26

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 @ July 6, 2020; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January - June 2020 period amounted to ₦117.28 trillion. Trading activities in FX (Spot FX and FX Derivatives) contributed the largest to overall turnover, accounting for 34.21% of the market. Transactions in OMO bills accounted for 31.36% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 19.56%, and Bonds, Treasury Bills, Unsecured Placements & Takings and Money Market Derivatives representing 11.53%, 2.52%, 0.76% and 0.07% respectively, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - June 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	ZENITH BANK PLC
7	CORONATION MERCHANT BANK LIMITED
8	CITIBANK NIGERIA LIMITED
9	ECOBANK NIGERIA LIMITED
10	KEYSTONE BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 79.22% (₦92.91 trillion) of the overall turnover in the market, with the top three (3) accounting for 62% (₦57.62 trillion) of this sub-section of the market. Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC maintained the 1st, 2nd and 3rd positions respectively, in the value traded for the review period.

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FMDQ Fixed Income Primary Market Sponsors' League Table (January – June 2020)

The FMDQ Fixed Income Primary Markets Sponsors' League Table shows the rankings of sponsors of fixed income securities (excluding FGN Bonds and T.bills) on FMDQ. The Registration Member (Listings) (RML) and Registration Member (Quotations) (RMQ) (collectively referred to as Registration Members or RMs) are the FMDQ-authorized sponsors of securities listed and quoted on the Exchange.

RANK	BONDS	COMMERCIAL PAPERS
	REGISTRATION MEMBER (LISTINGS) (RMLs)	REGISTRATION MEMBER (QUOTATIONS) (RMQs)
1.	Stanbic IBTC Capital Limited	Stanbic IBTC Capital Limited
2.	Chapel Hill Denham Advisory Limited	FBNQuest Merchant Bank Limited
3.	United Capital PLC	Chapel Hill Denham Advisory Limited
4.	FBNQuest Merchant Bank Limited	FCMB Capital Market Limited
5.		Union Capital Market Limited
6.		Coronation Merchant Bank Limited
		EAC Advisory Limited
8.		Renaissance Securities Nigeria Limited
		Rand Merchant Bank Nigeria Limited
10.		United Capital PLC
11.		Citibank Nigeria Limited
12.		Cordros Capital Limited

The top three (3) sponsors in both the bond and CP markets were Stanbic IBTC Capital Limited, Chapel Hill Denham Advisory Limited and FBNQuest Merchant Bank Limited, contributing 73.71% to total issuances in the review period. Stanbic IBTC Capital Limited, occupying the 1st position, contributed 41.23% to total issuances and participated in both the bond and CP markets. Chapel Hill Denham Advisory Limited and FBNQuest Merchant Bank Limited contributed 20.37% and 12.10% respectively to total issuances in the period.

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FMDQ Fixed Income Primary Market Solicitors' League Table (January – June 2020)

The FMDQ league table represents the top solicitors of debt securities listed and/or quoted on FMDQ excluding FGN Bonds and T.bills.

RANK	BONDS	COMMERCIAL PAPERS
	SOLICITORS TO THE ISSUE	SOLICITORS TO THE ISSUE
1.	Banwo & Ighodalo	Banwo & Ighodalo
	Solola Akpana & Co.	Aluko & Oyebode
3.	Olaniwun Ajayi LP	Udo Udoma & Belo Osagie
4.	The New Practice	G. Elias & Co.
5.	P.O Akinrele & Co.	Olaniwun Ajayi LP

6.	Templars	
7.	Aluko & Oyebode	

The most active solicitor for the review period was Banwo & Ighodalo participating as solicitors in both the bond and CP markets for the review period. Aluko & Oyebode and Udo Udoma & Belo Osagie ranked 2nd and 3rd respectively by value, participating solely in the CP market. The top three (3) solicitors for the first half of 2020 (in both the bond and CP markets) contributed 69.17% to total issuances.

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UPCOMING EVENTS

The DCMD Project Infrastructure Finance Sub-Committee Webinar Session

The Debt Capital Markets Development (DCMD) Project Infrastructure Finance Sub-Committee, in line with its Terms of Reference to facilitate the uptake of capital market products as a means of financing infrastructure, has finalised plans to execute a webinar on **Thursday, August 6, 2020** to create a platform for expert discussions on infrastructure development in Nigeria via the Nigerian DCM culminating in the issuance of a variety of short- and long-term debt securities.

The webinar themed **“Leveraging the Debt Capital Markets for Infrastructure Development”** is geared towards critically assessing and discussing how domestic and foreign infrastructure financing can be raised through different financing models to create an enabling environment for private investments in infrastructure in Nigeria.

For more information on the webinar, see embedded banner.

DCMD PROJECT 2020/2025 **DEBT CAPITAL MARKETS DEVELOPMENT PROJECT 2025** **FMDO**

Infrastructure Finance Sub-Committee Webinar

Theme:
Leveraging the Debt Capital Markets for Infrastructure Development

Thursday, August 6, 2020 **11:00 AM (WAT)** **zoom** **YOUTUBE LIVE**

SPEAKERS:

 Mr. Bola Onadele, Koko Chief Executive Officer, FMDQ Group	 Mr. Bolajii Balogun Chief Executive Officer, Chief Hill Danbani & Chair, Steering Committee, FMDQ Debt Capital Markets Development Project	 Dr. Z. Wura Abiola Managing Director, Management Transformation Limited & Chair, FMDQ Debt Capital Markets Development Project Infrastructure Finance Sub-Committee	 Prof. Gbolahan Elias Principal Partner, G. Elias & Co.	 Mr. Daniel Mueller Head, Origination & Structuring, Infrastructure Credit Guarantee Company Limited
 Engr. Chidi K.C. Izuwah Snr. Director General Infrastructure Concession Regulatory Commission	 Mr. Diliver Andrews Executive Director and Chief Investment Officer, Africa Finance Corporation	 Mr. Wale Shonibare Director, Energy Financial Solutions, Policy & Regulation, African Development Bank Group	 Mr. Hareesh Aswani Managing Director, Africa, Tolaram Group	 Dr. Farouk Aminu Head, Investment Supervision Department, National Pension Commission

Attendance is Free Register via www.fmdqgroup.com/registration/

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Commercial Papers - Historical Background & Key Features

This is the first part of a three-fold article on CPs. Whilst this edition will seek to introduce the general concept and history of CPs, subsequent articles will focus on the types of CPs, parties involved in a CP transaction and investing in CPs.

Introduction

CPs are short-term debt securities (*usually no longer than 270 days in tenor*) issued by large credit-worthy corporates. They are unsecured promissory notes by an Issuer to pay to an investor, a certain sum at a future date. Due to their relatively short maturity period, CPs are referred to as low-risk investments, offering competitive returns to investors in compensation for the Issuer's credit risk. CPs serve as an alternative and cheaper source of working capital finance for corporates relative to traditional overdrafts and other short-term facilities provided by banks to efficiently manage financial performance.

Brief History

The history of CPs can be traced back a century ago in New York, when merchants began to sell their short-term obligations to dealers that acted as middlemen. These CPs were purchased at a discounted value by the dealers, who then passed them to the banks or other investors. However, the borrower then repays the investor an amount equal to the par value of the CP. Following the American Civil War which lasted from 1861-1865, the United States (US) Federal Reserve Bank began trading CPs along with treasury bills to raise or lower the level of monetary reserves circulating among banks, thereby stimulating and stabilising money supply in the economy. This was sustained until the end of World War II, when an increasing number of corporates began to issue CPs driving the growth and significance of the US CP market.

The CP market also witnessed a significant growth in the 1970s, driven by the emergence and growth of Money Market Mutual Funds (MMMF¹). As the MMMF industry grew, smaller investors gained a way to access the CP market through investment in MMMFs as the funds were both large and sophisticated enough to efficiently trade in the CP Market for the fund and ultimate benefit of the retail investors (i.e. the unit holders) thus increasing CP trading volume. The next significant growth in the CP market was witnessed in the early 1980s, particularly with the creation of Asset-Backed Commercial Paper (ABCP), a type of CP backed by the future cash flows from a wide variety of financial assets typically known as "receivables".

¹ An **MMMF** is a kind of mutual fund that invests only in highly liquid near-term instruments such as cash, cash equivalent securities, and high credit rating debt-based securities with a short-term maturity (usually less than 13 months).

CPs were introduced to Nigeria in 1962 to finance the marketing and exporting operations of the then Northern Marketing Board. Under that arrangement, the Marketing Boards met their cash requirements by drawing ninety-day (90-day) bills of exchange on the Boards which could then be discounted with the commercial banks participating in the scheme. The role of the Central Bank of Nigeria in this instance was to provide rediscounting facilities for the bills. Today, Commercial Papers in Nigeria are quoted on the platform of FMDQ Securities Exchange and traded via the FMDQ-Bloomberg E-Bond Trading and Surveillance System.

Key Features

The following are some of the distinct features of CPs:

- i. CPs act as an evidence certificate for unsecured debt
- ii. They are issued at a discount or may be interest bearing
- iii. They may be issued for tenors ranging between fifteen (15) days and two hundred and seventy (270) days
- iv. CPs typically offer better returns (i.e. higher discount rates) than treasury bills to attract investors' interest
- v. CPs are unsecured instruments that are not backed by any assets. The liquidity of the issuer and established earning power serves as a guaranty to the transaction

Summary

The global economy has benefitted from the growth of the CP market. They have proven to be vital in accessing short-term liquidity, which is fundamental to the optimal functioning of the economy.

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