



# ***FMDQ SPOTLIGHT***

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## ***NEW STORIES***

### **FMDQ-Next Holds Financial Literacy Webinar and Makes Donation to Partner Charities in Commemoration of Children's Day**

In commemoration of Children's Day, an annual event celebrated on May 27<sup>th</sup> in Nigeria, to celebrate children and raise awareness about issues that affect children, FMDQ Group, in line with its Corporate Responsibility Agenda, to support growth and development in its immediate host communities and to promote financial literacy for the next generation, in support of SDG 1 - No Poverty and SDG 4 – Quality Education, marked Children's Day over two (2) days.

On May 27, 2021, donations of food and household items were made to FMDQ's partner charities focused on children, - Echoes of Mercy and Hope Foundation, Living Fountain Orphanage and Modupe Cole Memorial Childcare and Treatment Home School -, to show its consistent support to their welfare and development. While on May 29, 2021, FMDQ, through its flagship corporate responsibility programme, FMDQ Next Generation Financial Markets Empowerment Programme ("FMDQ-Next" or the "Programme") – a learning and development initiative aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary, tertiary), as well as fresh graduate; also in partnership with 9ijakids - an edutech company focused on enhancing the learning experience of kids –, held a webinar, themed, "**How Money Smart Kids Create Wealth**", for children between the ages of 8 and 14 years.

The aim of the financial literacy webinar was to equip all the participants with knowledge on the value of money and savings, basic financial market concepts, the different investment vehicles available, practical steps to take on commencing their investing journey and key attitudes for wealth creation. The participants also had an opportunity to hear directly from a "kidpreneur" – Oneil Shallangwa, a 15-year-old entrepreneur, who is the founder of iSave Nigeria, a business that focuses on teaching both adults and kids the importance of financial discipline using modern and creative boxes to change lives one day at a time. The participants had an exciting time learning, played fun and interactive financial market games and other energising activities; with a competition at the end to assess the knowledge learnt during the webinar. The Programme attracted over seventy-seven (77) participants across the country.

Since FMDQ-Next launched in July 2018, over seven hundred and thirty-two (732) participants, from primary school through to fresh graduates have been positively impacted. The Programme has also had 2 Summer Camps, 5 Excursions, 10 Trading Challenges and 8 Internships, with fundamental skills, which include but not limited to leadership, negotiation, decision making and strategic thinking, developed during the programme, to aid success in their professional journeys.

The FMDQ-Next Initiative has birthed various innovative and exciting programmes, ranging from Teach-a-class sessions – involving fun, educational and interactive financial markets exercises and activities; Excursions and Tours – where students are given the opportunity to visit FMDQ Group, as

well as local and international financial markets institutions; Trading Simulation Exercises – where students learn how to trade a variety of securities in the financial market through the management of a virtual portfolio in a simulated environment; and, Summer Camp programmes, specifically for primary and secondary school students who learn about the financial market over the summer holidays.

As a responsible organisation committed to nation building, FMDQ will continue to reiterate its dedication to ensuring that the next generation is empowered to build a sustainable financial future and equipped with the right tools to navigate and succeed in the future.

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

On Wednesday May 26, 2021, the 59<sup>th</sup> FX Futures contract – NGUS MAY 26 2021 with a nominal value of \$998.48 million, matured and settled on FMDQ Securities Exchange Limited (“FMDQ Exchange” or the “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 \$51.11 billion; with a total of about \$54.88 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 Limited (“FMDQ Clear”).

The Central Bank of Nigeria (CBN), as observed over the last fifty-eight (58) maturities, introduced a new contract, NGUS MAY 27 2026 for \$1.00 billion at \$/₦613.76 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.

[Click here to view Open Contracts](#)

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## At a Glance: Update from FMDQ Clear

Following the receipt of an approval-in-principle to become Nigeria's premier Central Counterparty, FMDQ Clear, 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.

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

S/N	Currency Futures (as of April 30, 2021)	March		Change (%)
<b>Clearing</b>				
1	No. of Traded & Cleared Contracts	5,333	5,363	0.56
2	Value of Traded & Cleared Contracts (\$'bn)	54.37	54.74	0.68
3	Value of Open Contracts (as of April 30, 2021) (\$'bn)	5.01	4.63	(7.58)
<b>Settlement</b>				
4	No. of Matured & Settled Contracts	4,901	4,973	1.47
5	Value of Matured & Settled Contracts (\$'bn)	49.36	50.11	1.52

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

S/N	Sovereign Fixed Income	March	April	Change (%)
1	Total Value of Trades Processed (₦'bn)	5,571.71	3,920.50	(29.64)
2	Value of Trades Settled (₦'bn)	5,304.73	3,616.07	(31.83)
3	Value of Unsettled Trades (₦'bn)	266.97	304.43	14.03

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

S/N	Non-Sovereign Fixed Income	March	April	Change (%)
1	Total Value of Trades Processed (₦'bn)	5.56	3.23	(41.99)
2	Value of Trades Settled (₦'bn)	0.08	0.38	379.32
3	Value of Unsettled Trades (₦'bn)	5.48	2.84	(48.14)

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

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

FMDQ Depository Limited (“FMDQ Depository”), the choice securities depository for the Nigerian capital market, following its operationalisation in 2019, has continued to leverage on the collaboration of its stakeholders across the Nigerian capital market to deliver on its operational mandate, to implement value-added products and service offerings. FMDQ Depository complements the clearing function discharged by FMDQ Clear by providing 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.

FMDQ Depository will continue to avail the requisite infrastructure to deliver a client-focused depository of choice, providing benefits including an efficient and seamless processing, accurate and timely information, reliable platform for recordkeeping, amongst others.

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

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## FMDQ LISTINGS & QUOTATIONS

### FSDH Funding SPV PLC Lists Series 1 Bonds on FMDQ Exchange

FMDQ Exchange is pleased to announce the approval, by the Board Listings and Markets Committee, of the **listing of the FSDH Funding SPV PLC ₦7.05 billion Tranche A and ₦4.95 billion Tranche B Series 1 Fixed Rate Bonds** (“the Bonds”) under its ₦30.00 billion Debt Issuance Programme on its platform. FSDH Funding SPV PLC is a special purpose vehicle set up to raise capital from the Nigerian debt capital market (DCM) for FSDH Merchant Bank Limited.

Speaking on the successful issuance of the Bonds, the Director, FSDH Funding SPV PLC, Mr. Adekunle Awojobi, stated that “we are pleased about the successful ₦12.00 billion capital-raise under the FSDH Funding SPV PLC’s ₦30.00 billion Debt Issuance Programme. The bond issue is the first series under the programme and comprises of two Tranches (Tranche A & B) of subordinated and senior bond notes, each with a 5-year tenure. The listing of the bonds on FMDQ’s platform will help provide visibility and enhance the liquidity of the bonds. The net proceeds of the bond issue will be used to fund the growth of risk assets of the Sponsor, FSDH Merchant Bank Limited (the “Bank”). A portion of the bond issuance will serve the dual purpose of shoring up the Bank’s Tier 2 capital, in line with its Internal Capital Adequacy Assessment Process”. He concluded by saying “we would like to thank and commend UCML Capital Limited for facilitating the listing of the bonds on FMDQ Exchange and the issuing houses, Stanbic IBTC Capital Limited, FSDH Capital Limited, Rand Merchant Bank Nigeria Limited, and United Capital PLC for their support in ensuring the successful capital raise”.

Also, the Director, UCML Capital Limited (the Sponsor of the Bond on the Exchange and a Registration Member Listings of FMDQ Exchange), Mr. Egie Akpata commented, “we are delighted at the successful listing of the ₦12.00 billion FSDH Funding SPV PLC Series 1 (Tranche A & Tranche B) bonds on FMDQ Exchange. The listing of the bonds on the Exchange allows for liquidity and trading of the bonds which is positive for the investors. We are glad that UCML Capital Limited was instrumental in the successful listing of the bonds on FMDQ Exchange and thank the Board and Management of FSDH Merchant Bank Limited for the opportunity to work with them”.

As issuers continue to tap the Nigerian debt capital market to meet their funding needs effectively and sustainably, FMDQ Exchange will continue to work collaboratively with market stakeholders to align the nation’s debt capital market to international standards, and will, through the promotion of product and service innovation and the championing of key market development initiatives, take commendable steps to ensure that growth and development opportunities abound for the markets under its purview.

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## **FMDQ Exchange Admits Coronation Merchant Bank Limited's Commercial Papers on its Platform**

FMDQ Exchange, in providing the choice platform for the registration, listing, quotation, trading and recording of financial securities, approved the **quotation of the Coronation Merchant Bank Limited ₦0.71 billion Series 13 and ₦14.13 billion Series 14 Commercial Papers in March 2021, and the ₦1.41 billion Series 15 and ₦20.19 billion Series 16 CPs in May 2021, both under its ₦100.00 billion CP Programme**, on its platform. The net proceeds from these CPs will support the Issuer's short term funding requirements.

Coronation Merchant Bank Limited ("Coronation MB" or the "Bank") provides merchant banking services, which include assets/fund management services, securities trading, treasury services, investment banking and corporate banking services to corporate institutions, institutional investors and high net worth individuals. The Bank aims to place its clients ahead of the curve in their sphere of operations and by so doing, deliver sustainable value to its shareholders whilst positively impacting on the Nigerian economy.

Commenting on the completion of the commercial papers quotation, the MD/CEO, Coronation Merchant Bank Limited, Banjo Adegbohunge, stated, "we are delighted at the successful issuance and subsequent quotation of the Bank's ₦0.71 billion Series 13 and ₦14.13 billion Series 14 Commercial Papers. This transaction further underscores the confidence of investors in our brand and entrenches our continuous leadership in the use of market instruments to create shared prosperity for all stakeholders".

The timely admission of these CP issues, and in general, all securities on FMDQ Exchange, is a testament of the efficiency of the FMDQ Exchange securities quotation process. As is tradition for FMDQ Exchange, the Coronation Merchant Bank CPs, which were sponsored on the Exchange by Chapel Hill Denham Advisory Limited, a Registration Member (Quotation) of FMDQ Exchange, shall be availed global visibility through the Exchange's website and systems, governance and continuous information disclosure to protect investors' interest, credible price formation, amongst other benefits derived from the FMDQ Exchange platform.

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## **FMDQ Exchange Admits Mixta Real Estate PLC's ₦0.96 billion Series 35 Commercial Paper on its Platform**

FMDQ Exchange continues to fulfill its mandate to further deepen and effectively position the Nigerian Debt Capital Market for growth, in support of the realisation of a globally competitive and vibrant economy. In this vein, FMDQ Exchange through its Board Listings and Markets Committee, has approved **the quotation of the ₦0.96 billion Series 35 Mixta Real Estate PLC CP under its ₦20.00 billion CP Issuance Programme** on its platform. The proceeds from this CP quotation will be used to finance Mixta Real Estate PLC's short-term funding requirements.

Mixta Real Estate PLC ("Mixta"), a subsidiary of Mixta Africa, is a leading real estate development company in Nigeria, with a strong track record and diverse real estate portfolio, and operations spanning the residential, commercial, and retail sectors of the Nigerian real estate industry. It has successfully developed well over 5,000 properties spanning across affordable homes, luxury residences, and commercial projects, and continues to seek innovative solutions to activate development finance for affordable housing in Nigeria.

The quotation of the Mixta Real Estate PLC ₦0.96 billion Series 35 CP, which was sponsored on the Exchange by FBNQuest Merchant Bank Limited, a Registration Member (Quotation) of FMDQ Exchange, is further testament to FMDQ's leadership and resilience in providing the required support to businesses, corporates and government entities through the delivery of innovative and value-adding capital market solutions. As part of efforts towards unlocking the potential of the Nigerian economy, FMDQ Exchange shall continue to support institutional growth and stimulate continuous development of the economy at large, through the provision of a world-class Quotations Service, in line with its mandate.

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## **FMDQ Exchange Admits the Union Bank of Nigeria PLC Series 8 and 9 Commercial Papers on its Platform**

Committed to delivering exceptional value to the Nigerian financial markets and its stakeholders, FMDQ Exchange demonstrated its steadfastness as it again achieved swift time to market for the approval of the **quotation of the Union Bank of Nigeria PLC ₦2.58 billion Series 8 and ₦32.38 billion Series 9 Commercial Papers under its ₦100.00 billion Commercial Paper Issuance Programme** on the FMDQ Exchange platform.

These admissions to FMDQ Exchange's platform are yet again reflective of the potential of the Nigerian DCM and the commendable level of confidence demonstrated by both issuers and investors in the market. They also validate the efficient processes and integrated systems through which FMDQ Holdings PLC ("FMDQ Group" or "FMDQ") and its wholly owned subsidiaries – FMDQ Exchange, FMDQ Clear, and FMDQ Depository - has sustained its uninterrupted service delivery to the market and its diverse stakeholders.

The proceeds from the quotation of these issuances, which were co-sponsored by FMDQ Exchange Registration Members (Quotations) - Renaissance Securities (Nigeria) Limited, Standard Chartered Capital & Advisory Nigeria Limited and UCML Capital Limited, will be used to support Union Bank's short-term funding requirements and thus, validates the mandate of the Exchange to provide a reliable platform to support the capital raising needs of the stakeholders.

The Chief Executive Officer, Union Bank, Emeka Okonkwo mentioned that "the series 8 and 9 commercial paper issuance under our ₦100.00 billion Domestic Debt Issuance programme is another strategic milestone in our bid to establish Union Bank as a leading financial institution in Nigeria. The net proceeds from the issuance will further diversify our sources of capital as we continue to accelerate business growth and drive our long-term strategy. Since the registration of the Debt Issuance Programme in 2018, we have continued to see active participation from the market, demonstrating continued investor confidence in Union Bank and its growth trajectory". Also commenting on the issue, the Ag. Chief Executive Officer and Director Financing, Renaissance Securities (Nigeria) Limited, Samuel Sule, expressed that "Renaissance Capital is pleased to have partnered with Union Bank on successfully accessing the domestic commercial paper markets once again. Union Bank is an established and sophisticated issuer and has proven its ability to navigate our everchanging rate and liquidity environments on numerous occasions. The solid participation by institutional investors on this oversubscribed dual series issuance underscores the sustained confidence in Union Bank's medium-term strategy and highlights the Bank's attractive credit story".

In keeping with its commitment to the development of the DCM, FMDQ Exchange shall sustain its efforts in supporting issuers with tailored financing options to enable them achieve their strategic objectives, deepen and effectively position the Nigerian DCM for growth, in support of the realisation of a globally competitive and vibrant economy.

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## **FMDQ Exchange Welcomes the International Breweries PLC Pioneer CP Programme on its Platform**

As the largest fixed income Exchange in Nigeria, FMDQ Exchange continues to avail its credible platform, as well as tailor its Registration, Listings and Quotations services to suit the needs of institutions seeking to raise capital from the Nigerian DCM. In keeping with this mandate, FMDQ Exchange through its Board Listings and Markets Committee has approved the **Registration of the International Breweries PLC ₦65.00 billion Commercial Paper Issuance Programme** on its platform in anticipation of raising short-term finance from the Nigerian DCM.

International Breweries PLC (“the Issuer”) is a Nigeria-based brewery that manufactures, packages and markets beer and other non-alcoholic beverages, with four (4) production facilities across Nigeria. The short-term finance will be raised via CP issues within the approved CP Programme limit and quoted on FMDQ Exchange for visibility of the issue and desired transparency for investors. CPs quoted on FMDQ Exchange benefit from the commendable and efficient CP quotation process, in addition to continuous provision of invaluable information and price formation as part of the Exchange’s commitment to organise, govern and enforce transparency in the Nigerian fixed income market space.

## **Fidson Healthcare PLC Quotes First Series from its CP Programme on FMDQ Exchange**

Corporate institutions have continued to explore alternative financing options by tapping the debt capital market to raise capital to sustain their business activities. FMDQ Exchange, the choice platform for the registration, listing, quotation and trading of securities in Nigeria, has through its Board Listings and Markets Committee, approved the quotation of the **Fidson Healthcare PLC ₦4.50 billion Series 1 Commercial Paper under its ₦10.00 billion Commercial Paper Issuance Programme** on its platform.

Fidson Healthcare PLC (“Fidson Healthcare” or “the Issuer”) is a leading pharmaceutical manufacturing company that is engaged in manufacturing and sales of pharmaceutical and healthcare products in Nigeria. With over thirty-five (35) registered pharmaceutical products, across different therapeutic areas, in the pharmaceutical industry, the proceeds from this issuance will be used by Fidson Healthcare to finance its short-term working capital requirements.

Speaking on the successful issuance of the Fidson Healthcare Series 1 CP, the Chief Financial Officer, Fidson Healthcare, Mr. Imokha Ayebae, stated “the debut CP Issuance will allow Fidson Healthcare

broaden its sources of funding and lower our overall cost of borrowing. It will also strengthen our commitment to the vision of building sustainable brands that will foster our expansion and growth plans in the pharmaceutical industry across West Africa. We acknowledge the support of the investor community in ensuring the success of the CP issuance. We will continue to assure their confidence in us as we deliver on our objectives of innovation and development within the Nigerian healthcare space”.

The Head, Investment Banking, FSDH Capital Limited – sponsor of the CP on the Exchange and Registration Member (Quotation) of FMDQ Exchange – Mr. Taiwo Olatunji, also commented saying “we are pleased that FSDH Capital Limited was hand-picked by Fidson Healthcare to act as Sponsor and Lead Arranger on the company’s debut CP issuance. We believe that the CP Issuance has provided the company with access to a wider pool of well-informed investors, increased liquidity and increased visibility within the Nigerian DCM”.

FMDQ Exchange will continue to lead the revolution in the development of the Nigerian DCM by providing credible market structures to corporate and commercial businesses with the opportunities to meet their short-term funding requirements, whilst building their profiles in the Nigerian DCM space. FMDQ Exchange remains positive about the possibilities of the Nigerian DCM and will continue to implement, with the support of its stakeholders, initiatives to improve and make the Nigerian DCM Globally competitive, Operationally excellent, Liquid and Diverse, in line with its **GOLD** Agenda.

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## **TrustBanc Holdings Limited Quotes Maiden Commercial Paper Series on FMDQ Exchange**

The Nigerian Commercial Paper market continues to provide corporate entities across the various sectors of the Nigerian economy, an avenue to raise funds to meet shortfalls in their working capital, as well as other short-term expenditures. Following due diligence process, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the quotation of the TrustBanc Holdings Limited ₦0.20 billion Series 1 CP under its ₦10.00 billion CP Issuance Programme on its platform. The quotation of the maiden CP series, following the successful registration of the CP Programme in April 2021, is further validation of FMDQ Exchange as the choice platform for the registration, listing, quotation, trading and recording of financial securities in the Nigerian financial market.

TrustBanc Holdings Limited (“TrustBanc Group” or “the Issuer”) is a registered brand investment management firm that offers an array of financial services such as banking, brokerage, forex trading,

and wealth management, through its subsidiaries - TrustBanc Asset Management Limited, TrustBanc Capital Limited, TrustBanc Microfinance Bank, TrustBanc Artur Limited and Primelink Bureau De Change. The proceeds from the quotation of this CP will be used to fund the Issuer's short-term financing requirement.

The TrustBanc Holdings CP, which was sponsored on the Exchange by UCML Capital Limited, a Registration Member (Quotation) of FMDQ Exchange, like all other securities, shall be made visible to investors and other market participants through the FMDQ Exchange's website and systems, as well as FMDQ's Daily Quotations List. Investors shall also benefit from the continuous information disclosure and transparency availed to this CP. FMDQ Exchange is committed to remaining innovative and providing timely and cost-efficient services to support its stakeholders, particularly issuers and investors, towards accessing capital, managing risks and invariably, improving their corporate profile.

FMDQ Group is Africa's first vertically integrated financial market infrastructure group, strategically positioned to provide registration, listing & quotation services, seamless trading, clearing, settlement, risk management, and depository of financial market transactions, as well as data and information services, across the debt capital, foreign exchange, derivatives and equity markets, through its wholly owned subsidiaries – FMDQ Exchange, FMDQ Clear and FMDQ Depository.

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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), OMO Bills, Bonds (FGN Bonds, other Bonds (Agency, Sub-national, Corporate & Supranational) Eurobonds & Promissory Notes)) Commercial Papers, CBN Special Bills 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 Central Bank of Nigeria (CBN).

### FMDQ Market Turnover (January - April 2021)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	7,207,856	12,420
Foreign Exchange Derivatives	10,526,498	18,863
Treasury Bills	5,517,237	9,889
OMO Bills	19,746,898	40,856
CBN Special Bills	2,204,287	4,199
FGN Bonds	7,272,198	13,001
Other Bonds*	94,600	238
Eurobond	188,219	382
Repurchase Agreements/Buy-Backs	12,588,764	22,422
Unsecured Placements/Takings	1,137,719	2,381
Money Market Derivatives	12,110	31
Commercial Papers	-	-
<b>Total</b>	<b>66,496,386</b>	<b>124,681</b>
No. of Business Days	83	83
Average Daily Turnover	<b>801,161</b>	<b>1,502</b>

Average YTD \$/₦ @404.48

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 @ May 11, 2021; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the Jan. – Apr. 2021 period amounted to ₦66.50 trillion. Trading activities in OMO Bills contributed the largest to overall turnover, accounting for 29.70% of the market. Transactions in FX (Spot FX and FX Derivatives) accounted for 26.67% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 18.93%. Bonds, Treasury Bills, Unsecured Placements & Takings, CBN Special Bills and Money Market Derivatives accounted for 11.36%, 8.30%, 1.71%, 3.31%, and 0.02% respectively, of overall market turnover.

### **Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - April 2021)**

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	ACCESS BANK PLC
2	STANBIC IBTC BANK PLC
3	ZENITH BANK PLC
4	UNITED BANK FOR AFRICA PLC
5	FIRST BANK OF NIGERIA LIMITED
6	POLARIS BANK LIMITED
7	CORONATION MERCHANT BANK LIMITED
8	STANDARD CHARTERED BANK NIGERIA LIMITED
9	CITIBANK NIGERIA LIMITED
10	FBNQUEST MERCHANT BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 77.33% (₦51.42 trillion) of the overall turnover in the market, with the top three (3) accounting for 67.18% (₦34.54 trillion) of this sub-section of the market. Access Bank PLC, Stanbic IBTC Bank PLC and Zenith Bank PLC gained 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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## Introduction to Bond Futures

In previous editions of FMDQ Learning, we discussed the different types of Derivatives and their uses. As a refresher, you may recall that Derivatives are securities that derive their values from underlying assets, securities, rates, indexes or events, and are either traded over-the-counter (OTC) or on Securities Exchanges, resulting in the categorisation of Derivatives markets into OTC and Exchange-Traded Derivatives (ETD) markets. Furthermore, we introduced the four (4) main types of Derivatives products: **Forwards, Futures, Options and Swaps**.

This edition builds on the concepts introduced in the previous articles on Derivatives, and specifically focuses on a type of Futures contract called **Bond Futures**.

Futures contracts are a type of Derivatives traded on Securities Exchanges which create contractual obligations on a specified date, at a predetermined price/rate for the transacting counterparties to do any of the following:

- Buy or sell the underlying
- Exchange cash flows based on the underlying

In the case of Bond Futures, they are a class of ETD contracts which have Bonds (usually Sovereign Bonds) as their underlying asset. They are also referred to as Long-Term Interest Rate (LTIR) Futures due to their underlying asset being debt securities which have maturities of greater than one (1) year.

Bond Futures are among the most popular and liquid ETD contracts in financial markets globally due to their applicability for hedging interest rate risk and establishing fixed income investment positions. According to the World Federation of Exchanges (WFE), the notional value of LTIR Futures at the end of 2020 stood at \$222.24 trillion<sup>1</sup> accounting for 14.89% of the notional value of all Futures contracts traded on Exchanges which report data to the WFE.

Some of the popular users of Bond Futures include:

- Banks, Central Banks, and Monetary Authorities
- Non-bank Financial Institutions such as Insurance Companies, Fund/Asset Managers, Securities Dealing Firms, etc.
- Corporates
- Individuals

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<sup>1</sup> <https://www.world-exchanges.org/storage/app/media/WFE%20Annual%20Statistics%20Guide%202020%20v15.xlsx>

## Bond Futures Contract Specifications

Bond Futures are typically ETD contracts; hence they are standardised financial products created by Securities Exchanges. Although, the Securities Exchange, in the creation of Bond Futures contracts will typically engage relevant market participants and stakeholders, the Securities Exchange is ultimately responsible for specifying the parameters of the Bond Futures contracts listed and tradable on its platform, as well as relevant standards for the day-to-day trading and risk management of the Bond Futures contracts in the market. All this information is typically contained in a summarised document referred to as the “Contract Specification” of the Bond Futures, and some of the key parameters shown on the Contract Specification of a Bond Futures contract are shown in the table below:

S/N	Parameters	Definition
1	<b>Contract Name</b>	This provides summary indication of the tenor and underlying bond of a Bond Futures contract. <i>(e.g., 5-Year FGN Bond Futures)</i> .
2	<b>Underlying</b>	This will state relevant information about the Bond(s) on which the Bond Futures contract is based. <i>(e.g., Federal Government Bond with equivalent term to maturity of five (5) years)</i> .
3	<b>Notional Value or Contract Size</b>	This indicates the value of the Bond(s) that makes up one (1) unit of the Bond Futures contract. <i>(e.g., ₦50,000,000.00)</i> .
4	<b>Expiry Date</b>	This indicates the exact date the Bond Futures would mature, and all positions in the Bond Futures contract must be settled.
5	<b>Settlement Method</b>	<p>This indicates the approach by which the Bond Futures contracts are settled after expiration; Bond Futures contracts can either be <i>physically settled</i> or <i>cash settled</i>.</p> <p>For physically settled contracts, the seller is required to deliver the underlying bond to a pre-specified depository account while the buyer of the contract pays the pre-agreed price for it.</p> <p>In the case of cash-settled contracts, settlement takes place in the form of cash movement between both parties depending on the value of the underlying bond relative to the Bond Futures price at expiration.</p>
6	<b>Initial Margin Requirement</b>	<p>This indicates the minimum (and acceptable) collateral that is required to be deposited by counterparties to a Bond Futures contract with the Central Counterparty (CCP), as a good-faith deposit to secure the performance of obligations on the contract.</p> <p>It may be stated either as a percentage of the notional value of the Futures contract position <i>(e.g., 10% of notional value)</i> or in absolute money terms. <i>(e.g., ₦100,000.00 per contract)</i>.</p>
7	<b>Mark-to-Market Methodology</b>	This indicates the approach for the daily valuation (marking-to-market) of positions in the Bond Futures contract by the CCP.

8	<b>Variation Margin Requirement</b>	This indicates the (minimum) acceptable collateral receivable or payable by the CCP from/to counterparties for meeting margin requirements that arise as a result of daily valuation (marking-to-market) of positions in the Bond Futures contract.
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## Conclusion

Bond Futures are very popular ETD products due to the broad use by financial markets participants in managing interest rate and price risks in raising debt capital via bank loans or capital market issuances or investment in fixed income securities. Due to the low-risk nature of Sovereign Bonds and the standardised nature of ETD products, Bond Futures contracts attract multiple participants across the financial markets. This makes them liquid and helps create hedging opportunities for market participants, thereby improving market efficiency.

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