



FMDQ SPOTLIGHT

NEWSLETTER EDITION 85 – NOVEMBER 2021





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Congratulations

to all Nominees, Finalists & Winners of the 4TH ANNUAL FMDQ GOLD AWARDS

FMDQ Exchange

Nigeria's Largest Exchange
by Market Turnover



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AWARD
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FMDQ Clear

Nigeria's Premier
Central Counterparty

FMDQ Depository

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Securities Depository



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AWARDS

FMDQ Private Markets

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AWARD
WINNERS



*Thank you to all our stakeholders for 8 years of
collaboration with FMDQ towards making the
Nigerian financial market*

G

Global
Competitiveness

O

Operational
Excellence

L

Liquidity

D

Diversity



To see the full list of winners and Awards descriptions, visit
www.fmdqgroup.com/goldawards

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• GLOBAL COMPETITIVENESS • OPERATIONAL EXCELLENCE • LIQUIDITY • DIVERSITY

A Great Leap for Sustainable Finance in Nigeria, As FMDQ Group Launches Africa's Premier Green Exchange

▪ **FMDQ Exchange Signs Listing Agent Agreement with Luxembourg Stock Exchange**

The ongoing 26th United Nations Climate Change Conference of the Parties (“COP26”) has once again set sustainability and sustainable finance at the fore of global conversations, as world leaders have collectively resolved to tackle climate change. It has therefore become imperative to deepen the sustainable finance ecosystem to foster more sustainable investments for the achievement of these lofty aims. As a sustainability focused financial market infrastructure (FMI) group, FMDQ Holdings PLC’s (“FMDQ Group” or “FMDQ”) strong commitment to its five (5) Sustainability Pillars – Business, Markets, People, Community and Environment, and recognition of the need for Nigeria to continuously stay at the forefront of the global sustainable finance drive, have seen the Group take the lead in championing sustainable finance initiatives in the Nigerian financial markets. In furtherance of this, FMDQ Group, through its wholly owned subsidiary, FMDQ Securities Exchange Limited (“FMDQ Exchange”), on November 8, 2021, launched the pioneer Green Exchange in Africa – FMDQ Green Exchange, introducing a platform specifically for green and sustainable securities.

FMDQ Green Exchange (the “Green Exchange”), a virtual information repository platform dedicated to driving the growth of green and sustainable securities and providing reliable green data in the Nigerian financial markets – through promoting transparency, good governance, and compliance – by showcasing securities issuances that align with global Environmental, Social and Governance (“ESG”) principles, was launched in a prestigious ceremony that saw the virtual and physical attendance of the Nigerian financial markets stakeholders, including the Executive Governor of Lagos State, Mr. Babajide Sanwo-Olu as the Special Guest of Honour, ably represented by the Special Adviser to the Lagos State Government on the Sustainable Development Goals (“SDGs”) and Investments, the Director-General of the Securities and Exchange Commission, Nigeria, Mr. Lamido Yuguda, the pioneer Issuers of green securities on FMDQ Exchange – Debt Management Office, Nigeria (DMO); Access Bank PLC; and North South Power Company Limited (NSP), sustainability enthusiasts, as well as notable stakeholders in the global sustainable finance space, amongst others.

Mr. Bola Onadele. Koko, Chief Executive Officer, FMDQ Group, during his opening address, said “with climate change increasingly becoming one of the biggest risks facing the world today and in recognition of an even greater need to promote economic development in Nigeria through green and sustainable finance, FMDQ Group considered it pertinent to launch the FMDQ Green Exchange initiative. We are indeed proud to note that the launch of Nigeria’s premier Green Exchange places Nigeria, and by extension, Africa, amongst other global jurisdictions with securities exchanges with such exclusive platforms, such as the Luxembourg Stock Exchange, which launched the world’s first

and leading dedicated platform for sustainable finance (the Luxembourg Green Exchange), amongst others.”

Delivering his keynote address, the Executive Governor of Lagos State, represented by his Special Adviser on the SDGs and Investments, Mrs. Solape Hammond, said “the value that a Green Exchange such as this brings, providing investors a transparent, effective platform for accessing the African sustainability finance market and thereby opening the doors of deep sustainable funds for infrastructure and social development, is almost immeasurable. There is therefore no doubt that the FMDQ Green Exchange will assist in unlocking sustainable resiliency.” He also reiterated Lagos State’s commitment to championing and supporting initiatives geared towards the sustainable socio-economic development of Lagos State, and the nation at large.

In an equally exciting development poised to further deepen the Nigerian debt capital market and as a highlight of the launch ceremony, FMDQ Exchange and the Luxembourg Stock Exchange (LuxSE) executed a Listing Agent and Cooperation Agreement to facilitate the dual listing of securities issued by financial institutions and corporates domiciled in Nigeria on both FMDQ Exchange and LuxSE markets. Speaking to this development, Ms. Julie Becker, Chief Executive Officer, LuxSE stated “we are pleased to enter into this Cooperation Agreement with FMDQ Exchange and will work together to create synergies and connections across our markets. I would like to congratulate FMDQ Exchange on the launch of the FMDQ Green Exchange and I look forward to further exploring new fields of cooperation in the area of green finance.” Lauding this initiative, Ms. Tumi Sekoni, Managing Director, FMDQ Exchange, said “Indeed, we are excited to be executing a Listing Agent & Cooperation Agreement with LuxSE, and hopeful that this partnership will birth an avenue for FMDQ Exchange and LuxSE to achieve formidable market cooperation and promote even greater information symmetry for the benefit of the Nigerian and global financial markets”.

The ceremony culminated with Goodwill Messages from FMDQ’s markets stakeholders, including Ms. Patience Oniha, Director-General, DMO; Mr. Herbert Wigwe, Group Managing Director/CEO, Access Bank PLC; Engr. Olubunmi Peters, Executive Vice Chairman/ CEO, NSP; Dr. Doyin Salami, Vice Chairman, Financial Centre for Sustainability, Lagos; Mr. Bolaji Balogun, Chairman, Steering Committee, FMDQ Debt Capital Market Development Project; Mr. Ben Llewellyn-Jones, OBE, Deputy High Commissioner, British High Commission, Lagos, amongst many others.

Not resting on its laurels, FMDQ Group shall continue to place financial innovation at its core as it leverages on global best practices to deliver unrivaled value to the Nigerian financial markets, with the support of its varied stakeholders.

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FMDQ Group Celebrates Resilience in the Nigerian Financial Markets... Unveils Winners of its 4th Annual GOLD Awards

In keeping with its corporate tradition, FMDQ Group has announced the winners of the 2021 edition of the FMDQ GOLD Awards. Launched in 2018 to mark the 1st FMDQ Lustrum, the FMDQ GOLD Awards ("GOLD Awards") was birthed to recognise the efforts and contributions of market participants whose activities in the FMDQ markets – Fixed Income, Currencies and Derivatives markets – play a key role in fostering the growth and development of the Nigerian financial markets. The GOLD Awards acknowledges the valuable efforts of these stakeholders, whose participation in the FMDQ markets and across the financial market infrastructure (FMI) value chain of FMDQ's business – Exchange, Central Counterparty, Depository – as well as Private Markets, have positively shaped the course of the markets and invariably impacted the development of the Nigerian economy.

Now in its fourth (4th) year, the 2021 FMDQ GOLD Awards covered the review period of October 2020 to September 2021. The year 2021 has seen the gradual recovery of the global economy following the economic disruption caused by the COVID-19 pandemic in 2020. The Nigerian economy has also reflected this recovery as evidenced in the 2021 Q2 real Gross Domestic Product (GDP) of 5.01%, compared to the 2020 Q2 real GDP of -3.62%. The FMDQ markets rightly recorded some growth, particularly the Fixed Income market as seen in the volume of admitted securities (eighty-two (82) in 2020, compared to one hundred and fifteen (115) recorded so far in 2021). The GOLD Awards rightly celebrates and recognises the diverse market participants that have contributed to this growth, which have invariably fueled the growth of the Nigerian economy.

The winners of the 2021 FMDQ GOLD Awards, as verified by Ernst & Young Nigeria, a global assurance services firm, were announced via publication on Friday, November 5, 2021. Recipients of this year's GOLD Awards include, but are not limited to: BUA Cement PLC with two (2) Awards in the Primary Market Category (Largest Corporate Bond Listing on FMDQ and Single Largest Corporate Debt Issue on FMDQ); Stanbic IBTC Capital Limited and Stanbic IBTC Bank PLC, took home two (2) Awards in the Primary Market Category (FMDQ Exchange Registration Member (Listings) and FMDQ Capital Markets Securities Origination) and three (3) Awards in the Secondary Market Category (FMDQ FX Market Liquidity Provider, FMDQ OTC FX Futures Bank and FMDQ Dealing Member of the Year), respectively. Other prestigious Awardees include Chapel Hill Denham Advisory Limited, J.P. Morgan LLC, Zedcap Partners Limited, all bagging an Award each from the Secondary Market Category. In the FMDQ Leadership Category, the Central Bank of Nigeria bagged the Award for FMDQ Capital Market Catalyst, for its establishment of InfraCo PLC which is expected to ease Nigeria's infrastructure deficit, significantly deepen the Nigerian capital markets, and increase the supply of potentially investment-grade assets. All validated results, including winners, nominees & finalists, and awards descriptions, are available on FMDQ GOLD Awards website – www.fmdqgroup.com/goldawards/.

Speaking to the GOLD Awards, the Chief Executive Officer, FMDQ Group, Mr. Bola Onadele. Koko, congratulated the winners of this year's GOLD Awards, while applauding the FMDQ market participants for their resilience and demonstrated dedication to the Nigerian financial market. Mr. Onadele also commended the winners of the FMDQ GOLD Awards, noting that their efforts and doggedness to deliver superior value and innovative solutions to their various stakeholders, have led

to the development of the Nigerian financial towards making it GOLD - **G**lobally competitive, **O**perationally excellent, **L**iquid, and **D**iverse.

FMDQ, supported by its stakeholders, will continue to work towards the advancement of the Nigerian financial markets, with the FMDQ GOLD Agenda serving as its guiding compass. FMDQ Group is Africa's first vertically integrated FMI group, strategically positioned to provide registration, listing, quotation and noting services; integrated trading, clearing & central counterparty, settlement, and risk management for financial market transactions; depository of securities, 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 Limited, FMDQ Depository Limited and FMDQ Private Markets Limited.

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Congratulations
to the



2021 FMDQ GOLD AWARDS WINNERS!!!

Recognising Excellence in the Nigerian Fixed Income, Currencies and Derivatives Markets

Primary Market Awards

Primary Market Champion Award

Largest Corporate
Bond Listing on FMDQ



BUA Cement PLC

FMDQ Capital Markets
Securities Origination



Stanbic IBTC Capital PLC

Largest Corporate Bond
Lodgement on FMDQ



Flour Mills of Nigeria PLC

Largest Fund Manager
on FMDQ



CHAPEL HILL DENHAM
Chapel Hill Denham
Management Limited

Largest Commercial
Paper Quotation on FMDQ

CORONATION

Coronation Merchant Bank
Limited

Largest Commercial Paper
Lodgement on FMDQ



Union Bank of Nigeria PLC

Largest Private
Companies' Securities
Noting on FMDQ



Garden City Receivables
Management Limited

Largest Private
Companies' Securities
Lodgement on FMDQ



Garden City Receivables
Management Limited

Single Largest Corporate
Debt Issue on FMDQ



BUA Cement PLC

FMDQ Registration
Member (Listings)



Stanbic IBTC Capital
Limited

FMDQ Registration
Member (Quotations)



CHAPEL HILL DENHAM
Chapel Hill Denham Advisory
Limited

Most Active Securities
Lodgement Sponsor



CHAPEL HILL DENHAM
Chapel Hill Denham Advisory
Limited

Most Active Custodian
on FMDQ



Zenith Pensions Custodian
Limited

Most Active Transaction
Sponsor



CHAPEL HILL DENHAM
Chapel Hill Denham
Management Limited

Debt Capital Market
Solicitor



BANWO & IGHODALO
Banwo & Ighodalo



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Congratulations
to the

2021 FMDQ GOLD AWARDS WINNERS!!!

Recognising Excellence in the Nigerian Fixed Income, Currencies and Derivatives Markets

Secondary Market Awards

Secondary Market Champion Award

**FMDQ Fixed Income
Market Liquidity Provider**

Access Bank PLC

FMDQ Dealing Member of the Year

Stanbic IBTC Bank
Stanbic IBTC Bank PLC

**FMDQ OTC FX
Futures Bank**

Stanbic IBTC Bank
Stanbic IBTC Bank PLC

**Most Active Corporate
(Domestic) in the FX
Futures Market**

Crown Flour Mills Limited

**FMDQ Money Market
Liquidity Provider**

United Bank for Africa PLC

**FMDQ FX Market
Liquidity Provider**

Stanbic IBTC Bank
Stanbic IBTC Bank PLC

**Most Active Corporate
(Foreign) in the FX
Futures Market**

SCB London Emerging Markets

**FMDQ Member Compliance
(Joint Winners)**

Fidelity Bank PLC Heritage Bank PLC Polaris Bank Limited Standard Chartered Bank Nigeria Limited

Congratulations
to the

2021 FMDQ GOLD AWARDS WINNERS!!!

Recognising Excellence in the Nigerian Fixed Income, Currencies and Derivatives Markets

Members' and Clients' Choice Awards

Best Brokerage Service



Zedcap Partners
Limited

**Most Active Buy-side
Participant in the Fixed
Income Market**



Stanbic IBTC Asset
Management Limited

**Most Active Corporate
In the FX Market**



Olam Group

**Most Active Foreign
Portfolio Investor in the Fixed
Income and Currency
Markets**

J.P.Morgan

J.P. Morgan Securities
LLC

FMDQ Leadership Awards

**Financial Services
Regulator Market
Transformation
Initiative**



Securities and Exchange Commission, Nigeria
(Registration of FMDQ Clear Limited
as a Central Counterparty)

**FMDQ Capital Market
Catalyst**



Central Bank of Nigeria
(Establishment of InfraCo PLC)

65th FX Futures Contract Matures and Settles on FMDQ

On Wednesday November 24, 2021, the 65th FX Futures contract – NGUS NOV 24 2021 with a nominal value of \$651.73 million, matured and settled on FMDQ 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 \$53.35 billion; with a total of circa \$58.72 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 sixty-four (64) maturities, introduced a new contract, NGUS NOV 25 2026 for \$1.00 billion at \$/₦614.32 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

[Click here to view Open FMDQ OTC FX Futures Contracts](#)

At a Glance: Update from FMDQ Clear

FMDQ Clear is Nigeria's premier Central Counterparty. Registered by the SEC, FMDQ Clear provides post-trade services to enhance the integrity of and eliminate the inherent counterparty risks in financial market transactions, whilst facilitating settlement finality, towards delivering capital and cost efficiencies, and de-risking the Nigerian financial markets.

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 October 31, 2021)	September 2021	October 2021	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	5,546	5,596	1.26
2	Value of Traded & Cleared Contracts (\$'bn)	57.37	58.46	2.42
3	Value of Open Contracts (as of Oct. 31, 2021) (\$'bn)	4.85	5.74	25.63
Settlement				
4	No. of Matured & Settled Contracts	5,169	5,194	0.68
5	Value of Matured & Settled Contracts (\$'bn)	52.49	52.72	0.65

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

S/N	Sovereign Fixed Income	September 2021	October 2021	Change (%)
1	Total Value of Trades Processed (₦'bn)	3,766.15	2,187.58	(42.00)
2	Value of Trades Settled (₦'bn)	3,637.22	2,012.06	(45.00)
3	Value of Unsettled Trades (₦'bn)	128.93	175.52	36.00

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

S/N	Non-Sovereign Fixed Income	September 2021	October 2021	Change (%)
1	Total Value of Trades Processed (₦'bn)	0.30	1.25	315.00
2	Value of Trades Settled (₦'bn)	0.15	0.59	294.00
3	Value of Unsettled Trades (₦'bn)	0.15	0.66	337.00

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

At a Glance: Update from FMDQ Depository

As Nigeria's Integrated Securities Depository, FMDQ Depository continues to provide a safe depository for financial markets assets, as well as facilitate settlement of capital market transactions. In the period under review, FMDQ Depository successfully admitted the Euniseil Limited ₦3.50 billion Series 1 Commercial Paper under its ₦10.00 billion Commercial Paper Issuance Programme.

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.

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

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FMDQ LISTINGS & QUOTATIONS

FMDQ Exchange Approves Registration of DLM Capital Group Limited ₦20.00bn CP Programme on its Platform

FMDQ Exchange, following the due diligence of its Board Listings and Markets Committee has, yet again, approved the Registration of the DLM Capital Group Limited ₦20.00 billion Commercial Paper (CP) Programme on its platform. DLM Capital Group Limited (“DLM Capital Group”) is a leading Development Investment Bank that provides innovative solutions to economic and social development problems. The Investment Bank comprises of subsidiaries in corporate finance advisory, trustee, asset management, and securities trading arms, to sovereign/sub-sovereign entities as well as private & non-private corporations.

Speaking on the importance of the programme registration, the Group Chief Executive Officer/Managing Director, DLM Capital Group Limited, Mr. Sonnie Ayere, stated that “DLM Capital Group is pleased to announce the quotation of its ₦20.00 billion CP Issuance Programme on FMDQ Exchange. The Funding Programme is an important strategic move towards achieving the DLM Capital Group’s developmental mandate of supporting the sustainable growth of small & medium sized corporates across the country in addition to supporting our growing retail and consumer finance business”.

Also, the sponsor of the CP Programme and a Registration Member (Quotations) of the Exchange, FBNQuest Merchant Bank Limited represented by the Head, Investment Banking, Mr. Patrick Mgbenwelu, said “FBNQuest Merchant Bank Limited is pleased about its role as Lead Arranger on the quotation of DLM Capital Group’s ₦20.00 billion CP Programme and its plans on the subsequent issues under the Programme. FBNQ Merchant Bank’s role reinforces our commitment to support medium and large companies in accessing the capital market for raising short-, medium- and long-term funding for their working capital requirements and capital expansion”.

As part of efforts towards unlocking the potential of the Nigerian economy, FMDQ Exchange, a wholly owned subsidiary of FMDQ Group, shall continue to support institutional growth and stimulate continuous development of the economy at large, through the promotion and provision of a world-class listings and quotations service, in line with its mandate.

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FMDQ Exchange Admits Neveah Limited ₦10.00bn Commercial Paper Programme on its Platform

Corporate institutions have continued to explore alternative financing options by tapping the debt capital market to sustain their business activities and plug capital shortfalls. FMDQ Exchange provides access to capital for corporates institutions through its efficient and proficient Securities Admissions Franchise. In demonstration of this, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the registration of the Neveah Limited ₦10.00 billion CP Programme on its platform.

The continuous admission of securities to FMDQ Exchange's platform is reflective of the potential of the Nigerian debt capital market ("DCM") and the commendable level of confidence demonstrated by both issuers and investors in the market. Commenting on the successful CP registration, the Chief Executive Officer, Neveah Limited, Mr. Ibidapo Lawal, stated "the programme registration represents a milestone in Neveah Limited's strategic transformation plan. This opportunity to access an alternative source of funding will help to meet our short-term working capital needs."

According to the sponsor of the CP Programme and a Registration Member (Quotations) of the Exchange, Mr. Babatunde Ajayi, Head, Capital Markets and Advisory, United Capital PLC ("United Capital"), stated that "United Capital is delighted to act as the Sponsor and Sole Arranger on the Transaction. Neveah Limited is a registered exporter of agro-commodities and minerals with the Nigerian Export Promotion Council (NEPC) and the Company was able to attain an investment-grade rating from Data Pro, enabling its first entry to the capital markets. The approved CP Programme will enable Neveah Limited to tap the DCM. Given the numerous opportunities in the agro-commodities and mineral space, United Capital is committed to the growth of the industry which is largely underdeveloped partially due to access to financing".

FMDQ Exchange shall continue to sustain its efforts in supporting issuers with tailored financing options to enable them achieve their strategic goals, 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 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) Commercial Papers, CBN Special Bills and Money Market (Repurchase Agreements 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 - October 2021)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	23,488,837	57,270
Foreign Exchange Derivatives	23,580,178	57,598
Treasury Bills	15,087,204	36,821
OMO Bills	32,391,393	79,429
CBN Special Bills	7,395,674	17,988
FGN Bonds	16,904,583	41,345
Promissory Notes	135,139	338
Other Bonds*	29,570	71
Eurobond	485,724	1,184
Repurchase Agreements	41,091,456	100,227
Unsecured Placements/Takings	1,977,818	4,833
Money Market Derivatives	12,110	31
Commercial Papers	-	-
Total	162,579,686	397,136
No. of Business Days	205	205
Average Daily Turnover	793,072	1,937

Average YTD \$/₦ @409.38

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), Central Bank of Nigeria

Source: FMDQ Data Portal as @ November 8, 2021; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the Jan. – Oct. 2021 period amounted to ₦162.58 trillion. Trading activities in FX (Spot FX and FX Derivatives) contributed the largest to overall turnover, accounting for 28.95% of the market. Repurchase Agreements (Repos) accounted for 25.27%. whilst transactions in OMO Bills in accounted for 19.92%. Bonds, Treasury Bills, Unsecured Placements & Takings, CBN Special Bills, Promissory Notes and Money Market Derivatives accounted for 10.71%, 9.28%, 1.22%, 4.55%, 0.08% and 0.01% respectively, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - October 2021)

The FMDQ Dealing Member (Banks) League Table shows the rankings of the top ten (10) Dealing Member (Banks) in the FMDQ markets by overall market turnover.

RANK	DEALING MEMBER (BANKS)
1.	STANBIC IBTC BANK PLC
2.	ACCESS BANK PLC
3.	UNITED BANK FOR AFRICA PLC
4.	ZENITH BANK PLC
5.	FIRST BANK OF NIGERIA LIMITED
6.	ECOBANK NIGERIA LIMITED
7.	CORONATION MERCHANT BANK LIMITED
8.	FIRST CITY MONUMENT BANK LIMITED
9.	POLARIS BANK LIMITED
10.	GUARANTY TRUST BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 75.97% (₦123.52 trillion) of the overall turnover of trades in the secondary market, with the top three (3) accounting for 64.35% (₦79.48 trillion) of this sub-section of the market. Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC ranked 1st, 2nd and 3rd positions respectively, in the value traded for the review period.

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Risk Management in the Repurchase Agreement Market

In the October 2021 edition of the Learning Article ([read here](#)), we highlighted some of the challenges in the Nigerian Repurchase Agreements (“Repos”) market and their causes. As a refresher, a Repo, is a financial market transaction between two (2) counterparties in which one party (Repo Seller) sells a financial asset to the other party (Repo Buyer) at an agreed price and simultaneously commits to buy (i.e., repurchase) the same or identical financial asset from the Repo Buyer at an agreed price (Purchase Price) at a future date. The difference between the sale and repurchase price reflects the rate of interest to be earned by the Repo Buyer.

Some of the challenges in the extant Nigerian Repo market include:

- Lack of price discovery
- Inadequate/irregular collateral valuation
- Lack of collateral substitution

This edition aims to explain some of the risks in the Repo market and tools to manage such risks. Consider these scenarios –

Bank A (Repo Buyer) agrees to enter a Repo transaction with Bank B (Repo Seller). At initiation, Bank A lends cash (say: ₦100.00 million) to Bank B whilst Bank B provides securities (for example a Federal Government of Nigeria (“FGN”) for a term of seven (7) days. During the tenor of the Repo transaction, there may be a significant change in the price of the security (i.e., the FGN bond) and the value of the security as collateral falls below its initial value. This will in turn mean the Repo Buyer is holding securities less than the value paid for.

In a different transaction, Bank C (Repo Buyer) agrees to enter a Repo transaction with Bank D (Repo Seller). At initiation, Bank C is required to lend cash (say ₦50.00 million) to Bank D, whilst Bank D provides securities (say: Nigerian Treasury bills), and Bank D is required to repurchase the securities at an agreed price. At maturity of the Repo transaction, either of the parties may default on their obligations; say Bank D may be unable to repurchase the securities or Bank C is unable to provide the securities. If any of these happens, the other party will be at a loss.

The Scenarios explained above reveal the major risks in the Repo market. These risks are the market risk (scenario 1) and the counterparty risk (scenario 2).

Market risk is the change in value of the securities due to price movement. A rise in the price of securities (collateral in a Repo transaction) indicates that the Repo Seller has offered more (in terms of value) to the Repo buyer and a fall in the price of the collateral means the Repo Buyer has offered more cash than the value of collateral transferred in the Repo Transaction. Counterparty risk on the other hand is the possibility of either of the counterparties in a Repo transaction not fulfilling its

obligation, as in the case of Bank C and D. In a Repo transaction, both parties are exposed to counterparty risk; the Repo Seller, on settlement date, may not have sufficient cash to meet its obligations, conversely, the Repo Buyer, may not have the securities to meet its obligation on the maturity date of the Repo transaction.

Repo Market Risk Management Tools

Considering the risks stated above, to mitigate the impact of price movement on the value of the security (the market risk), a Haircut may be adopted. A Haircut is an agreed percentage discount applied to the market value of a collateral to fix the Purchase Price at the start of a Repo. For example, in the case of Bank A and Bank B, if a Haircut is applied, the Repo Buyer would be required to provide excess security. The excess security provided would be aimed at managing the risk in case the value of the collateral declines during the term of the Repo. Consequently, the value of the security can be monitored daily (or more frequently, depending on the volatility of the securities) such that if there is a change in the price of the security and the value of the Repo collateral falls below a predetermined threshold, there shall be a collateral top upon the Repo Seller. The Repo Seller would therefore be required to provide additional securities to the Repo Buyer to ensure the value of the collateral is equivalent to the cash consideration in the Repo transaction. Alternatively, if the price of the securities and the value of the Repo collateral rises above the predetermined threshold, the Repo Buyer shall be required to return securities or provide additional cash to the Repo Seller to ensure the value of collateral transferred in a Repo transaction is equivalent to the cash consideration. This process is referred to as **Collateral Management**.

In the event of a default (*a situation where a party to a Repo transaction is unable to fulfil their obligations, as illustrated in the second scenario*), a **Default Management** process which may include inter alia, suspending the defaulting party from trading activities, liquidation of the defaulting party's assets to meet its obligation etc. The aim of the Default Management is to ensure that the settlement obligations are fulfilled.

These risk management tools are widely adopted across the global Repo markets. As such, to standardise the Nigerian Repo market and ensure it is operating in line with global best practice, FMDQ Exchange initiated the Bilateral Repo with Collateral Management Project to effectively manage the risks associated with the Repo market, promote market participation and liquidity.

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