



FMDQ SPOTLIGHT

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NEW STORIES

FMDQ Becomes Full Member of World Federation of Exchanges

Following on the heels of a challenging but productive year in 2021, the year 2022 has commenced with its own share of developments in the Nigerian financial markets, with FMDQ (formerly FMDQ Holdings PLC) transitioning into **FMDQ Group PLC**. Over the years, FMDQ has evolved from an OTC Market to a full-fledged Securities Exchange, to a budding financial market infrastructure (FMI) Group, now structured as a Securities and Exchange Commission (SEC)-registered Capital Market Holding Company, warehousing five (5) wholly owned subsidiaries, including FMDQ Securities Exchange Limited (Nigeria's largest Exchange by Market Turnover - with an annual average of c. N166 trillion), FMDQ Clear Limited (Nigeria's only operating Central Counterparty - with over c. \$60 billion derivatives contracts cleared), FMDQ Depository Limited (Nigeria's integrated Securities Depository), FMDQ Private Markets Limited (Nigeria's Private Capital Marketplace Organiser) and iQx Consult Limited (an Information Technology Services Company). This change of name is intended to better position the Group to consolidate on its Vision ***"To be the leading African builder of ecosystems of financial infrastructure and services for markets,"*** and there are no changes to the business operations, governance structure, corporate structure or any other aspect of the business, as a result of this name change.

Furthermore, in an equally exciting development, FMDQ Group has been admitted as a full Member of the prestigious World Federation of Exchanges (WFE) after four (4) years of being an Affiliate. The WFE is the global industry group for exchanges and clearing houses, representing over 250 market infrastructures ranging from those that operate the largest financial centres to those that run frontier markets. The WFE works with standard-setters, policy makers, regulators, and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The achievement to become one of the over seventy (70) members of WFE indicates the recognition of quality and reliable services offered by FMDQ across its FMI value chain - Exchange, Central Counterparty, Depository, as one of the criteria for WFE membership is that the FMI plays an active role in the development of their local economy.

The journey, beginning in 2017, with FMDQ's acceptance as an Affiliate of WFE, saw the Group successfully scale through the rigorous membership application process, including an onsite inspection at FMDQ's business complex, Exchange Place, in 2019 and physical interviews with the Securities and Exchange Commission, Nigeria, the Central Bank of Nigeria, FMDQ's Members and other key market stakeholders, by a delegation of WFE Members, led by Ms. Nandini Sukumar, the Chief Executive Officer of WFE.

Speaking on this development, Mr. Bola Onadele. Koko, Chief Executive Officer, FMDQ Group said "FMDQ recognises the importance of forging alliances with key financial market Associations, both

domestic and international, to enhance market development and better equip the Group to foster growth and development in the Nigerian financial markets. We are excited to be admitted as a member of the WFE as this not only validates the strides FMDQ has made in the Nigerian financial markets and beyond, but also provides an important and all-encompassing platform for advocacy, research, peer review and reference for international standards, which is required in the actualisation of our mandate to make the Nigerian financial markets GOLD – **G**lobally Competitive, **O**perationally Excellent, **L**iquid and **D**iverse”.

This admission bears many progressive implications for FMDQ Group’s market development agenda, particularly for its Exchange and Central Counterparty businesses. Becoming a Member will add credence to FMDQ Securities Exchange’s registration, listing and quotation services, as well as give market stakeholders additional confidence in FMDQ Clear’s central counterparty services, as the membership reflects a stamp of confirmation of FMDQ Group’s commitment to promoting international best practices.

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67th FX Futures Contract Matures and Settles on FMDQ

On Wednesday January 26, 2022, the 67th FX Futures contract – NGUS JAN 26 2022, with a nominal value of \$544.94 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 \$54.44 billion; with a total of circa \$59.31 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 sixty-six (66) maturities, introduced a new contract, NGUS JAN 27 2027 for \$1.00 billion at \$/₦626.97 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](#)

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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 December 31, 2021)	November 2021	December 2021	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	5,642	5,671	0.51
2	Value of Traded & Cleared Contracts (\$'bn)	58.80	59.23	0.73
3	Value of Open Contracts (as of Dec. 31, 2021) (\$'bn)	5.45	5.33	(2.17)
Settlement				
4	No. of Matured & Settled Contracts	5,241	5,285	0.84
5	Value of Matured & Settled Contracts (\$'bn)	53.35	53.90	1.02

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

S/N	Sovereign Fixed Income	November 2021	December 2021	Change (%)
1	Total Value of Trades Processed (₦'bn)	3,374.81	3,268.30	(3.00)
2	Value of Trades Settled (₦'bn)	3,135.47	3,087.24	(2.00)
3	Value of Unsettled Trades (₦'bn)	239.34	181.05	(24.00)

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

S/N	Non-Sovereign Fixed Income	November 2021	December 2021	Change (%)
1	Total Value of Trades Processed (₦'bn)	9.33	12.22	31.00
2	Value of Trades Settled (₦'bn)	9.22	5.18	(44.00)
3	Value of Unsettled Trades (₦'bn)	0.12	7.04	(5766.00)

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

At a Glance: Update from FMDQ Depository

FMDQ Depository Limited ("FMDQ Depository"), through its provision of custody and settlement services, strives for excellence in its quest to provide unrivalled and value-adding services to financial market stakeholders, particularly, issuers and investors.

To kick off the year 2022, FMDQ Depository successfully onboarded the following securities to its platform, offering them benefits including efficient and seamless processing, accurate and timely information, reliable platform for recordkeeping, amongst others.

- TrustBanc Holdings Limited ₦2.58 billion Series 4 Commercial Papers
- MTN Nigeria Communications PLC ₦90.00 billion Series 2 Senior Unsecured Fixed Rate Bond
- CapitalSage Technology Limited ₦2.27 billion Series 1, ₦1.11 billion Series 2, ₦930.00 million Series 3 and ₦1.65 billion Series 4 Private Notes
- Sundry Foods Funding SPV PLC ₦2.50 billion Series I Fixed Rate Bond

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

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

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FMDQ LISTINGS & QUOTATIONS

FMDQ Kicks Off 2022 with the Admission of MeCure Industries Limited Series 1 & 2 Commercial Papers on FMDQ Exchange

FMDQ Exchange continues to avail its credible and efficient platform as well as tailor its listing and quotation services to suit the needs of issuers looking to seamlessly raise finance from the debt capital market (DCM). In a remarkable start to the year 2022, FMDQ Exchange has approved for quotation, the **MeCure Industries Limited ₦0.49 billion Series 1 and ₦1.44 billion Series 2 Commercial Papers (CPs) under its ₦20.00 billion CP Issuance Programme** on its platform.

MeCure Industries Limited (“MeCure Industries” or the “Issuer”) is a leading human therapeutics company in the pharmaceutical industry in Nigeria. MeCure Industries pioneered the development of novel products and launched the pharmaceutical industry’s first tablet in a capsule formulation called ‘Liquitab Floatcap’.

Commenting on the successful CPs quotation, the Chairman/CEO, MeCure Industries Limited, Mr. Samir Udani, stated that “the issuance will help the company meet its short-term working capital and funding requirements. It will also strengthen our commitment to building and shaping positively, the healthcare Industry in Nigeria”. Also speaking on the transaction, the sponsor of the CP and a Registration Member (Quotations) of the Exchange, Cordros Capital Limited, represented by the Executive Director, Mr. Femi Ademola, CFA, stated, “Cordros Capital is proud to have sponsored the quotation of the MeCure Industries Limited ₦0.49 billion Series 1 and ₦1.44 billion Series 2 CPs under the ₦20.00 billion CP programme. This transaction has provided an alternative source of funding to the Issuer and will assist in bolstering its working capital. Hence, positioning it as a leader in the Pharmaceutical Industry”.

As issuers tap the Nigerian DCM to meet their funding needs effectively and sustainably, as well as contribute to the development of the nation through their activities, FMDQ Exchange will continue to work collaboratively with market stakeholders to align the nation’s DCM 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 Mixta Real Estate PLC Commercial Paper Programme on its Platform

Coming shortly on the heels of the recent quotation of the McCure Industries Limited ₦0.49 billion Series 1 and ₦1.44 billion Series 2 CPs on its platform, FMDQ Exchange, following the due diligence of its Board Listings and Markets Committee has approved the registration of the **Mixta Real Estate PLC ₦25.00 billion CP Issuance Programme** on its platform. The successful registration of this CP programme is testament to the opportunities which the Nigerian debt capital market (DCM) avails to corporate entities in diverse business areas.

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. The registration of this CP Programme, which is sponsored by FBNQuest Merchant Bank Limited, a Registration Member (Quotations) of the Exchange, strategically positions Mixta to raise short-term finance from the Nigerian DCM easily and quickly at a time in the future it determines suitable, through CP issues, within the CP Programme limit.

As part of its mandate to organise and govern markets within its purview, and promote credibility and transparency in the Nigerian DCM space, FMDQ Exchange shall continue provide an innovative and efficient platform targeted at supporting the aspirations of corporate entities, and making the Nigerian financial markets globally competitive, operationally excellent, liquid and diverse, in line with FMDQ Group’s ‘GOLD’ Agenda, with a view to achieving its full potential of driving growth and development in the nation.

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FMDQ Exchange Admits the Babban Gona Farmers Services Nigeria Limited Commercial Paper Programme on its Platform

The Nigerian DCM provides the opportunity for institutions looking to unlock the required financing in Nigeria’s agriculture sector. In keeping with its mandate to continuously enhance its service offerings and generate long-term value for its stakeholders in the Nigerian DCM, FMDQ Exchange through its Board Listings and Markets Committee, has approved the registration of the **Babban Gona Farmer Services Nigeria Limited ₦15.00 billion CP Programme** on its platform.

Babban Gona Farmer Services Nigeria Limited (“Babban Gona” or “the Issuer”) is a social enterprise that seeks to sustainably improve the lives of smallholder farmers in Nigeria through the provision of comprehensive farming services. Speaking on the successful registration of the CP Programme, the Managing Director, Babban Gona Farmer Services Nigeria Limited, Mr. Bukola Masha, stated “we are an agricultural franchise committed to curbing the growing trend of poverty and violence in Africa by creating opportunities of dignified and fulfilling work for the rural farmer youths. We aim to make farming more profitable for smallholder farmers as we support them across the entire production chain. With the successful registration of this ₦15.00 billion CP Programme, we are a step closer to achieving this goal; we are delighted at the opportunity to diversify our short-term funding sources and look forward to the participation of the investment community when we launch Series 1 of the CP Programme”.

Also commenting on the registration of the CP Programme, the sponsor of the CP Programme and a Registration Member (Quotations) of the Exchange, FCMB Capital Markets Limited, through its Ag. Managing Director, Mr. Abimbola Kasim, stated “FCMB Capital Markets is pleased to have sponsored the registration of the Babban Gona CP Programme. Babban Gona is an impact company, operating in the agriculture space by providing practical and innovative solutions to smallholder farmers, leveraging technology to make farming more profitable by creating millions of youth jobs (“agripreneurs”) and stimulating strong economic growth. We provided the required support that has enabled the Issuer to comply with the requirements for registering its debut CP Programme with which it will make an entry into the Nigerian DCM. Given the critical role of agriculture to the country and Babban Gona’s innovative delivery approach, we will continue to support the company’s objectives”.

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FMDQ Exchange Welcomes the latest \$4.00 billion Eurobonds of the Federal Government of Nigeria to its Platform

In continuous demonstration of excellent service delivery by FMDQ Exchange, FMDQ Exchange is pleased to announce the listing of the **Federal Government of Nigeria 6.125% \$1.25bn SEP 2028, 7.375% \$1.50bn SEP 2033 and 8.250% \$1.25bn SEP 2051 Eurobonds** under its Global Medium-Term Note Programme on its platform. The listing of these foreign currency-denominated debt securities is yet another commendable feat for the Federal Government of Nigeria (FGN) through the Debt Management Office (DMO), Nigeria, and demonstrates the government’s unrelenting commitment to supporting the development of the nation’s DCM towards sustainable economic development.

These issuances represent the FGN's seventh (7th) Eurobond issuances, following the issuances in 2011, 2013, 2017 and 2019. The admission of these Eurobonds, co-sponsored by Chapel Hill Denham Advisory Limited and FSDH Merchant Bank Limited, both Registration Members (Listings) of the Exchange, is reflective of the potential of the Nigerian DCM and the commendable level of confidence demonstrated by both issuer and investors, and validates the efficient processes and integrated systems through which FMDQ Group, via its wholly owned subsidiaries – FMDQ Exchange, FMDQ Clear, FMDQ Depository - has sustained its service delivery to the market and its diverse stakeholders.

Speaking on the successful issuance of the Eurobonds, the Director-General, Debt Management Office, Nigeria, Ms. Patience Oniha, commented that "this issuance was one of the largest financial trades in Africa in 2021 and also aligns the objectives of the Nigeria's Debt Management Strategy (2020-2023). Investors' keen interest in the issuance as shown by the Order Book of over \$12.00 billion demonstrated confidence in Nigeria's economy, with bids being received from international investors across Europe, America and Asia as well as robust participation from domestic investors. The Eurobonds enabled access to International Capital Markets inflow of foreign exchange and increased our External Reserves. DMO achieved this successful outing through the team of International Arrangers, Nigerian Bookrunner, the Financial Adviser and the Legal Advisers. The proceeds of the Eurobonds were applied to part-finance the deficit in the 2021 Appropriation Act. The Eurobonds have been listed on the London Stock Exchange and FMDQ Exchange".

Also commenting on the successful issuance, the co-sponsor of the Eurobonds and a Registration Member (Listings) of the Exchange, Chapel Hill Denham Advisory Limited, through its Chief Executive Officer, Mr. Bolaji Balogun, stated that "Chapel Hill Denham is honoured to have acted as Nigerian Bookrunner and Joint Lead Manager on the FGN's \$4.00 billion Triple-Tranche Issuance. The FGN and DMO appointed a Nigerian Bookrunner for the first time on a Sovereign Issuance and the firm delivered the largest ever domestic demand on a Eurobond Issuance, enabling the FGN price tightly, notwithstanding tricky market conditions". Also, the co-sponsor of the Eurobonds and a Registration Member (Listings) of the Exchange, FSDH Merchant Bank Limited, through its Managing Director, Mrs. Bukola Smith, said "FSDH Merchant Bank Limited is pleased to have acted as Financial Adviser to the FGN on the issuance of the \$4.00 billion Triple-Tranche Eurobonds. The Eurobonds were oversubscribed by 300% and saw significant demand from a diverse cohort of large ticket investors and was indicative of confidence in Nigeria and our economy; despite the challenges caused by the COVID-19 pandemic. The listing of the Eurobonds on FMDQ Exchange will provide visibility and enhance the liquidity of the Eurobonds. We would like to thank the FGN, the DMO and the investor community for their support in ensuring the successful capital raise".

In delivering on its mandate as a market organiser, FMDQ Exchange remains committed to articulating and pioneering, with the support of its key stakeholders, innovative ways to improve and make the Nigerian financial markets globally competitive, operationally excellent, liquid, and diverse. As is the corporate tradition for FMDQ Exchange, these Eurobonds shall be availed all the benefits of FMDQ Exchange's prestigious listing and quotation service, including global visibility through the FMDQ Exchange website and systems, governance, credible price formation and continuous information disclosure to protect investor interest, amongst others.

FMDQ Group is Africa's first vertically integrated financial market infrastructure 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. As a sustainability-focused FMI group, FMDQ Group, through FMDQ Exchange, operates Africa's premier Green Exchange – FMDQ Green Exchange - positioned to lead the transition towards a sustainable future.

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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 in the FMDQ secondary market – Foreign Exchange (FX), Treasury Bills (T. bills), OMO Bills, CBN Special Bills, Promissory Notes, Bonds (FGN Bonds, other Bonds (Agency, Sub-national, Corporate & Supranational) & Eurobonds) Commercial Papers and Money Market Transactions (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 - December 2021)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	29,454,299	71,592
Foreign Exchange Derivatives	28,728,144	69,956
Treasury Bills	19,175,615	46,654
OMO Bills	39,110,620	95,569
CBN Special Bills	9,872,352	23,925
FGN Bonds	19,360,783	47,242
Promissory Notes	135,139	338
Other Bonds*	49,479	119
Eurobond	801,072	1,942
Repurchase Agreements/Buy-Backs	50,115,489	121,899
Unsecured Placements/Takings	2,110,261	5,152
Money Market Derivatives	12,110	31
Commercial Papers	-	-
Total	198,925,362	484,418
No. of Business Days	248	248
Average Daily Turnover	802,118	1,953

Average YTD \$/N @410.41

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 @ January 7, 2022; Figures reported by Dealing Member (Banks) on a week-ending basis



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The total turnover for the Jan. – Dec. 2021 period amounted to ₦198.93 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 29.25% of overall market turnover. Repurchase Agreements (Repos) accounted for 25.19%, whilst transactions in OMO Bills accounted for 19.66%. Bonds, T.bills, CBN Special Bills, Unsecured Placements & Takings, Promissory Notes and Money Market Derivatives accounted for 10.16%, 9.64%, 4.96%, 1.06%, 0.07% and 0.01% respectively, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - December 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.	GUARANTY TRUST BANK LIMITED
9.	FIRST CITY MONUMENT BANK LIMITED
10.	POLARIS BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 74.79% (₦219.31 trillion) of the overall turnover of trades in the secondary market, with the top three (3) accounting for 44.69% (₦131.05 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, based on value traded for the review period.

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FMDQ Fixed Income Primary Markets Sponsors' League Table (January – December 2021)

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 Exchange. The Registration Member (Listings) ("RML") and Registration Member (Quotations) ("RMQ") (collectively referred to as "Registration Members" or "RMs") are FMDQ Exchange's authorised sponsors of securities listed and quoted on the Exchange.

RANK	BONDS	RANK	COMMERCIAL PAPERS
	REGISTRATION MEMBER (LISTINGS) (RMLs)		REGISTRATION MEMBER (QUOTATIONS) (RMQs)
1 st	Stanbic IBTC Capital Ltd.	1 st	Chapel Hill Denham Advisory Ltd.
2 nd	UCML Capital Ltd.	2 nd	Stanbic IBTC Capital Ltd.
3 rd	Chapel Hill Denham Advisory Ltd.	3 rd	Coronation Merchant Bank Ltd.
3 rd	Tiddo Securities Ltd.	4 th	UCML Capital Ltd.
5 th	United Capital PLC	5 th	EAC Advisory Ltd.
6 th	Absa Capital Markets Nigeria Ltd.	6 th	FBNQuest Merchant Bank Ltd.
6 th	Standard Chartered Capital and Advisory Nigeria Ltd.	7 th	Renaissance Securities Nigeria Ltd.
8 th	Planet Capital Ltd.	8 th	FSDH Capital Ltd.
9 th	FBNQuest Merchant Bank Ltd.	9 th	Standard Chartered Capital & Advisory Nigeria Ltd.
9 th	Coronation Merchant Bank Ltd.	10 th	United Capital PLC
11 th	FCMB Capital Markets Ltd.	11 th	Afrinvest (West Africa) Nigeria Ltd.
12 th	Rand Merchant Bank Nigeria Ltd.	12 th	FCMB Capital Markets Ltd.
13 th	Cordros Capital Ltd.	12 th	CardinalStone Partners Ltd.
14 th	FSDH Capital Ltd.	14 th	Cordros Capital Ltd.
15 th	DLM Advisory Ltd.	14 th	Vetiva Capital Management Ltd.
16 th	EAC Advisory Ltd.	16 th	DLM Advisory Ltd.
16 th	Vetiva Capital Management Ltd.		
16 th	Renaissance Securities Nigeria Ltd.		
16 th	CardinalStone Partners Ltd.		

Total Market Participation Analysis FY 2021 (Bond and CP markets)

The top three (3) Sponsors in both the bond and CP markets were Stanbic IBTC Capital Ltd., Chapel Hill Denham Advisory Ltd. and UCML Capital Ltd. contributing 45.14% to total issuances in the review period. Stanbic IBTC Capital Ltd., occupying the 1st position, contributed 17.66% to total issuances and participated in both the bond and CP markets, whilst UCML Capital Ltd. and Chapel Hill Denham Advisory Ltd. participating in the bond and CP markets and contributed 15.64% and 11.84% respectively to total issuances.

FMDQ Fixed Income Primary Markets Solicitors' League Table (January – December 2021)

The FMDQ Primary Market Solicitors League Table shows the rankings of solicitors of fixed income securities (excluding FGN Bonds and T. bills) listed and/or quoted on FMDQ Exchange.

RANK	BONDS SOLICITORS	RANK	COMMERCIAL PAPERS SOLICITORS
1 st	Aluko & Oyeboode	1 st	Aluko & Oyeboode
2 nd	Udo Udoma & Belo-Osagie	2 nd	Udo Udoma & Belo-Osagie
3 rd	Olaniwun Ajayi LP	3 rd	Banwo & Ighodalo
4 th	Banwo & Ighodalo	4 th	G. Elias & Co.
5 th	The New Practice	5 th	Olaniwun Ajayi LP
6 th	G. Elias & Co.	6 th	Duale, Ovia & Alex Adedipe
7 th	F.O Akinrele & Co.	7 th	Advocaat Law Practice
8 th	Perchstone & Graeys	8 th	The New Practice
		9 th	Adeniji Kazeem & Co.

Total Market Participation Analysis FY 2021 (Bond and CP markets)

The most active Solicitor for the review period was Aluko & Oyeboode participating as solicitor in both the bond and CP markets for the review period. Udo Udoma & Belo-Osagie came in second place participating in both the bond and CP markets while Banwo & Ighodalo came in third place participating in the bond and CP markets. The top three (3) solicitors for FY 2021 (in both the bond and CP markets) contributed 75.04% to total issuances.

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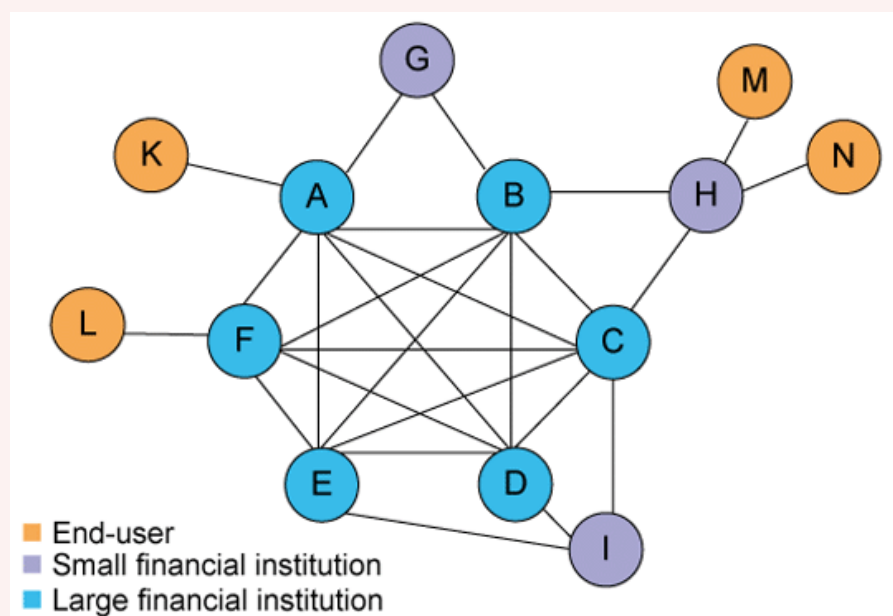


History and Evolution of Central Counterparty Clearing

In previous issues of FMDQ Learning (January, February, March – 2020), we have shared the history, types and uses of Derivatives, and a comparison between Over-the-Counter (OTC) Derivatives and Exchange-Traded Derivatives (ETDs). In a later issue (April 2021), we discussed the risk in the Derivatives market and the role the Central Counterparty (CCP) plays in managing these risks particularly in the ETDs market.

To serve as a recap, the Derivatives Market as it were, started off as bilateral transactions (OTC), arising from the need to secure prices of commodities in the future or delivery at a later date. Then, counterparties agreed on terms of the transaction which include *inter alia*: the underlying commodity [now may include a security, asset, or event] ("Underlying"), the quantity/size of the Underlying, the future price, settlement date etc. and transactions were hopefully settled on the agreed future date.

Fig 1: Illustration of Bilateral Transactions



Source: Reserve Bank of Australia, Central Clearing of OTC Derivatives in Australia (June 2011)

However, there lies a risk, a possibility of a counterparty not fulfilling its obligation (Counterparty Risk), resulting in a loss for the other party. This was the case prior to the existence of early Derivatives Exchanges such as the Dojima Rice Exchange, Osaka Japan and Chicago Board of Trade ("CBOT") which birthed the era of the ETDs and CCPs.

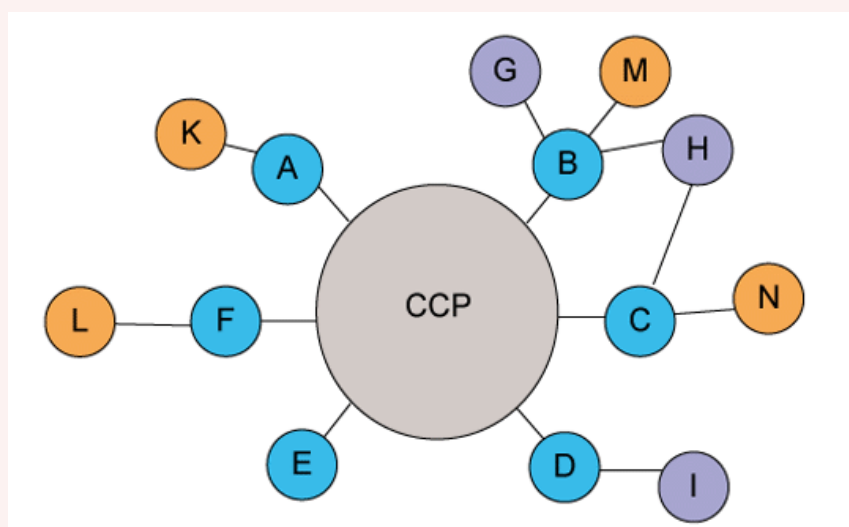
This article aims to give a brief history of the emergence of CCPs, the importance in the capital market and relevance in the Nigerian financial markets.

Further to the creation of Derivatives Exchanges (“Exchanges”), the Exchanges, e.g. CBOT, introduced consequences to reduce the rate of default on contracts and promote adherence to its rules. For example, members could be barred from the trading floors if they defaulted. Other risk management tools such as initial and variation margin requirements for contracts traded on the Exchanges were also introduced.

Later on, Exchanges set up Clearing Houses to facilitate the clearing (i.e., the process of transmitting, reconciling and, in some cases, confirming transfer orders prior to settlement, potentially including the netting of orders and the establishment of final positions for settlement¹) of transactions. These Clearing Houses were simply mechanisms to reduce transactions costs by calculating members’ net obligations to post margins and to settle contracts.² At the time, in a case of a default, Clearing Houses were not obligated to cover the losses to other members exceeding the margin posted by the defaulting member. Some of the Clearing Houses later evolved into CCPs, adopting the *complete clearing system* of settlement – which interposes the Clearing House as a counterparty to each side of every exchange-traded contract³, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts⁴. This process is referred to as Novation. With this, the CCP is obliged to cover the total losses of a defaulting member.

This approach has been adopted by CCPs globally till date.

Fig 2: Illustration of Transactions with a CCP



Source: Reserve Bank of Australia, Central Clearing of OTC Derivatives in Australia (June 2011)

¹ Glossary of Terms Related to Payment, Clearing and Settlement Systems - European Central Bank

² Central Counterparty Clearing: History, innovation, and regulation - Randall S. Kroszner

³ Origins of the Modern Exchange Clearinghouse: A History of Early Clearing and Settlement Methods of Futures Exchange – James T. Moser (1994)

⁴ CPSS-IOSCO (2012)

A Safer Capital Market - The Role of the CCP

The global financial markets react to a variety of events (politically, economically or environmentally driven), with impact intensified during crises periods. However, CCPs have successfully demonstrated their resilience during crises, as observed in the Global Financial Crisis (2008 - 2009) and the recent Coronavirus ("COVID-19") pandemic of 2020.

The centrally cleared markets have proven to be a safe haven for market participants during these periods of extreme stress, as CCPs are able to continually provide market participants with a forum to effectively manage their risks, whilst providing transparency and operational reliability. Thus, over the years, CCPs have evolved from clearing ETDs to a wider range of products across spot and OTC Derivatives market.

The fundamental role of the CCP cuts across providing risk management solutions and promoting operational efficiency. In line with global standards, the CCP is expected to perform the following roles:

- Interpose itself between counterparties to contracts traded in one or more financial markets through the process of Novation
- Implement a robust risk management system
- Establish and maintain a Default Fund to mitigate the risk of default by a Clearing Member
- Provide efficient operational systems and technology infrastructure for market transparency
- Promote financial system stability

The Relevance of a CCP in the Nigerian Financial Markets

Following the release of the Derivatives Market & Central Counterparty Rules by the Securities and Exchange Commission ("SEC") in December 2019 and the repeal and re-enactment of the CAMA⁵ 2020, the critical building blocks to enable a vibrant and thriving ETDs market and the regulatory basis for the establishment of a CCP, underpinned by the much-needed legal framework addressing bankruptcy remoteness and netting arrangements, have been set in motion. This formed a major milestone for the Nigerian financial markets as it re-defines the landscape for financial transactions and introduces a wide range of possibilities to the scope of permissible products that can be developed towards delivering prosperity to the Nigerian economy.

Consequently, with FMDQ Clear being fully registered by the SEC as a CCP in June 2021, FMDQ Clear has transitioned from being a Central Clearing House, from inception with valuable experience on the workings for centrally cleared products, to commence the provision of CCP services for financial markets products.

With the introduction of a CCP in the Nigerian financial markets, the CCP will interpose itself between counterparties, thereby aggregating and consolidating counterparty risks and reducing complexities that will enhance trading liquidity of cleared products towards international standards and volumes. Furthermore, with the robust risk management structures and financial resources put in place, the CCP is able to manage consolidated risks thereby unlocking value for market participants within its

⁵ Companies and Allied Matters Act

value chain in line with what is currently applicable in comparable emerging and developed financial markets.

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