



# ***FMDQ SPOTLIGHT***

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# C O N T E N T S

## ■ New Stories

- FMDQ Group Becomes an Observer Member of ICMA Green Bond Principles
- 68<sup>th</sup> FX Futures Contract Matures and Settles on FMDQ

## ■ At a Glance

- Update on Clearing and Settlement Activities
- Update of Admitted Securities on FMDQ Depository

## ■ FMDQ Listings & Quotations

- FSDH Merchant Bank Limited Quotes Series 6 & 7 Commercial Papers on FMDQ Exchange
- FMDQ Exchange Admits the Stanbic IBTC Bank PLC Series 3 Commercial Paper on its Platform
- MTN Nigeria Communications PLC Lists ₦89.99 billion Series 2 Fixed Rate Bond on FMDQ Exchange
- Coronation Merchant Bank Quotes Additional Commercial Papers Worth ₦34.51 billion on FMDQ Exchange
- FMDQ Exchange Admits the Mixta Real Estate PLC Series 1 and 2 Commercial Papers on its Platform
- FMDQ Exchange Admits Sundry Foods Funding SPV PLC Series 1 Bond on its Platform

## ■ FMDQ Turnover and Dealing Member (Banks) League Table

- FMDQ Market Turnover Report (January 2022)
- Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January 2022)

## ■ FMDQ Learning

- Introduction to Non-interest (Islamic) Finance



### **FMDQ Group Becomes an Observer Member of ICMA Green Bond Principles**

The Organisation for Economic Co-operation and Development estimates that a yearly capital inflow of \$6.90 trillion is required up to 2030 to meet climate and development objectives, this is yet to be achieved; revealing that the potential of the global green finance market remains to be fully harnessed. Amongst many important players in global sustainable finance, the International Capital Market Association (ICMA), through its Green Bond Principles, have continued to set the market standard for issuing green, social, sustainability and sustainability-linked bonds in order to attract the required capital to finance sustainable development initiatives.

FMDQ Group PLC (“FMDQ Group” or “FMDQ”), in alignment with its drive to champion sustainable finance, and institute global best practices in the operation of the FMDQ Green Exchange, sought and was granted approval to be an Observer Member of the ICMA Green Bond Principles. The ICMA Green Bond Principles, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuance of a green bond. The Green Bond Principles aims to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment.

As a Member of ICMA since 2015, this admission to ICMA’s Green Bond Principles will provide FMDQ up to date information on latest developments in the global green bond market, enable FMDQ play a practical role in shaping the future of the green bond market, and provide FMDQ access to the leading global framework for the issuance of sustainable bonds. Speaking to this development, the Managing Director, FMDQ Securities Exchange Limited (“FMDQ Exchange” or “the Exchange”), Ms. Tumi Sekoni said “We are pleased to announce FMDQ’s admission as an Observer Member of the ICMA Green Bond Principles. This admission is particularly important to FMDQ Green Exchange as it provides issuers the assurance of our compliance with globally acceptable standards for raising green capital”.

[Back to Top](#)

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

On Wednesday February 23, 2022, the 68<sup>th</sup> FX Futures contract – NGUS FEB 23 2022, with a nominal value of \$566.38 million, matured and settled on FMDQ Exchange. This maturity brings the total value of matured FX futures contracts on the Exchange, since the inception of the market in June 2016, to circa \$55.01 billion; with a total of circa \$59.38 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-seven (67) maturities, introduced a new contract, NGUS FEB 24 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](http://www.fmdqgroup.com)

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

[Back to Top](#)

## At a Glance: Update from FMDQ Clear

During the month of February, 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 January 31, 2021)	December 2021	January 2022	Change (%)
<b>Clearing</b>				
1	No. of Traded & Cleared Contracts	5,671	5,682	0.19
2	Value of Traded & Cleared Contracts (\$'bn)	59.23	59.34	0.19
3	Value of Open Contracts (as of Jan. 31, 2022) (\$'bn)	5.33	4.90	(8.12)
<b>Settlement</b>				
4	No. of Matured & Settled Contracts	5,285	5,321	0.68
5	Value of Matured & Settled Contracts (\$'bn)	53.90	54.44	1.01

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

S/N	Sovereign Fixed Income	December 2021	January 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	3,268.30	3,695.10	13.06
2	Value of Trades Settled (₦'bn)	3,087.24	3,470.14	12.40
3	Value of Unsettled Trades (₦'bn)	181.05	224.96	24.25

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

S/N	Non-Sovereign Fixed Income	December 2021	January 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	12.22	0.76	(93.78)
2	Value of Trades Settled (₦'bn)	5.18	0.62	(88.03)
3	Value of Unsettled Trades (₦'bn)	7.04	0.14	(98.01)

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

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

As a strategically positioned Central Securities Depository, FMDQ Depository Limited (“FMDQ Depository”) complements the clearing function discharged by FMDQ Clear by offering market participants an unrivalled opportunity to experience enhanced straight-through-processing.

In February 2022, FMDQ Depository successfully onboarded the following securities to its platform:

- TrustBanc Holdings Limited ₦3.02 billion Series 5 Commercial Paper
- Ardova PLC ₦11.44 billion Series 1 Tranche A Bond
- Nova Merchant Bank Limited ₦6.07 billion Series 1 and ₦6.80 billion Series 2 Commercial Papers
- Necit Nigeria Limited ₦2.17 billion Series 1 Commercial Paper

The securities admitted on FMDQ Depository will continue to enjoy efficient and seamless processing, accurate and timely information, reliable platform for recordkeeping, amongst others. FMDQ Depository is well positioned to provide a safe depository for financial markets assets, as well as facilitate settlement of capital market transactions.

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

[Back to Top](#)



## FMDQ LISTINGS & QUOTATIONS

### **FSDH Merchant Bank Limited Quotes Series 6 & 7 Commercial Papers on FMDQ Exchange**

Following due diligence, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the **quotation of the FSDH Merchant Bank Limited ₦8.91 billion Series 6 and ₦15.47 billion Series 7 Commercial Papers under its ₦40.00 billion Commercial Paper Issuance Programme** on its platform. The quotation of these CPs joins a host of other corporate securities issued on FMDQ Exchange's platform this year, actively tapping the debt capital market (DCM) as a viable avenue to raise funds to meet working capital requirements. The timely admission of these CPs, and in general, all securities on FMDQ Exchange, are reflective of the potential of the Nigerian DCM and the commendable level of confidence demonstrated by both issuers and investors in the market.

FSDH Merchant Bank Limited ("FSDH") is a subsidiary of FSDH Holdings Company Limited, offering a broad range of financial services, including corporate banking and treasury services. The net proceeds from the quotation of these CPs, which are sponsored on FMDQ Exchange by Stanbic IBTC Capital Limited and FSDH Capital Limited – both Registration Member (Quotations) of the Exchange, will be utilised to support the company's short term financing requirements.

As an Exchange positioned to bring about revolutionary changes in the Nigerian capital market, FMDQ Exchange, through the collective efforts of its varied stakeholders, shall continue to articulate and deliver value-adding initiatives to improve and make the Nigerian financial markets globally competitive, operationally excellent, liquid, and diverse.

[Back to Top](#)

### **FMDQ Exchange Admits the Stanbic IBTC Bank PLC Series 3 Commercial Paper on its Platform**

Committed to the continuous empowerment of the Nigerian financial markets and the provision of uninterrupted services to all its stakeholders, FMDQ Exchange is pleased to announce the approval of the quotation of the **Stanbic IBTC Bank PLC ("Stanbic IBTC Bank" or "the Issuer") ₦25.50 billion Series 3 CP under its ₦100.00 billion Multi-Currency CP Issuance Programme** on the Exchange's platform.

The proceeds from this issuance will be used solely to support the Issuer's short-term funding requirements, as part of its asset and liability management strategy for its banking operations.

Stanbic IBTC Bank, a subsidiary of Stanbic IBTC Holdings PLC, is a commercial bank in Nigeria that offers a wide range of personal and business banking, as well as investment and wealth management services, through its over one hundred and eighty (180) branches across Nigeria and online banking platforms. The successive and successful admittance of securities listed and quoted so far in the year 2022, following the due approvals obtained from its Board Listings and Markets Committee, attests to the highly efficient time-to-market and uniquely tailored listings and quotations service offered by FMDQ Exchange.

As is the corporate tradition, this CP which is sponsored by Stanbic IBTC Bank Limited – a Registration Member (Quotations) of FMDQ Exchange, will enjoy exceptional benefits which include, but are not limited to, global visibility through its website and systems, credible price formation and continuous information disclosure to protect investor interest, amongst others. FMDQ Exchange shall continue to sustain its efforts in supporting issuers with financing options to enable them achieve their strategic goals, deepen, and effectively position the Nigerian debt capital market for growth in support of the realisation of a globally competitive and vibrant economy.

[Back to Top](#)

## **MTN Nigeria Communications PLC Lists ₦89.99 billion Series 2 Fixed Rate Bond on FMDQ Exchange**

In keeping to its commitment of providing a reliable and credible platform to support capital formation, FMDQ Exchange is pleased to announce the approval and admission for the listing of the **MTN Nigeria Communications PLC ("MTN Nigeria" or "MTN") ₦89.99 billion Series 2 Senior Unsecured Fixed Rate Bond under its ₦200.00 billion Bond Issuance Programme** on its platform. The proceeds from this issuance will be utilised by MTN Nigeria to part-refinance the various loans/facilities that have been obtained from respective Nigerian banking and financial institutions in the ordinary course of its business.

MTN Nigeria is Nigeria's premier provider of connectivity, communication and collaboration solutions, and the largest privately owned mobile operator in Africa, Europe, and the Middle East. The company serves over seventy-seven (77) million subscribers with national coverage and a fibre network that reaches every state in the nation. Commenting on the successful bond issuance, the Chief Executive Officer, MTN Nigeria Communications PLC, Mr. Karl Toriola stated, "MTN is very appreciative of the domestic investor community for their unwavering confidence in our long-term strategy. Being able



to rely on our debt capital market to fund our long-term financing and infrastructure investment objectives is important for our business. In line with the Company's strategy, the Series 2 bond will enable us diversify our funding sources and further extend the maturity profile of the company's debt portfolio. We also thank all our transaction parties for working with us to deliver another successful transaction".

Also speaking on the successful bond issuance, the sponsor of the bond and a Registration Member (Listings) of FMDQ Exchange, Chapel Hill Denham Advisory Limited, represented by the Managing Director, Mrs. Kemi Awodein, mentioned that "the firm is honoured to have yet again led another landmark transaction, working in conjunction with the six (6) joint issuing houses. The Series 2 ₦89.99 billion bond was priced to reflect the Company's credit profile and recorded robust demand and an oversubscription from circa one hundred (100) investors spread across several investor segments. This issuance is also reflective of MTN's strong competitive position, earnings and cash flow. The firm prides itself on the ability to consistently deliver excellent results and we are excited to be part of this landmark transaction."

As a securities exchange with a commitment to facilitate growth and development in the Nigerian debt capital market and the Nigerian economy at large, FMDQ Exchange will continue to show its commitment to promoting an efficient, transparent, and well-regulated market, which will attract and retain both domestic and foreign investors.

[Back to Top](#)

### **Coronation Merchant Bank Quotes Additional Commercial Papers Worth ₦34.51 billion on FMDQ Exchange**

The Nigerian debt capital market has continued to witness significant activity with diverse corporate institutions and government, tapping the market as an efficient alternative to meet their funding and liquidity requirements. Still in the month of February, FMDQ Exchange, through its Board Listings and Markets Committee, approved for quotation on its platform, **the Coronation Merchant Bank Limited ₦9.62 billion Series 21 and ₦24.89 billion Series 22 CPs under its ₦100.00 billion CP Issuance Programme.**

Coronation Merchant Bank Limited ("Coronation Merchant Bank" 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 net proceeds from the Coronation Merchant Bank CPs will be used to support the Bank's short term funding requirements.

As part of its commitment to continually deliver exceptional value to the Nigerian financial markets and its stakeholders, FMDQ Exchange shall continue to validate its operational mandate of aligning the markets within its purview to international standards, striving to ensure they emerge as globally competitive, operationally excellent, liquid, and diverse. Through its continued support for institutional growth, the Exchange shall always contribute its quota to rejuvenating the vibrancy of the Nigerian economy.

[Back to Top](#)

### **FMDQ Exchange Admits the Mixta Real Estate PLC Series 1 and 2 Commercial Papers on its Platform**

FMDQ Exchange through its Board Listings and Markets Committee, has granted the approval for the **quotation of the Mixta Real Estate PLC (“Mixta Real Estate” or “the Issuer”) ₦3.25 billion Series 1 and ₦5.05 billion Series 2 CPs under its ₦25.00 billion CP Issuance Programme**, on its platform. The concurrent listings and quotations by corporates across diverse sectors continue to validate FMDQ Exchange as the choice platform for the registration, listing and quotation of debt securities in the Nigerian financial markets. It also lays credence to the innovation, efficiency, and operational excellence for which the Exchange is reputed for as endorsed by issuers, investors, and other market stakeholders.

Mixta Real Estate is a subsidiary of Mixta Africa and a leading real estate development company in Nigeria. The company has a strong track record, diverse real estate portfolio, and operations spanning the residential, commercial, and retail sectors of the Nigerian real estate industry. The quotation of these CPs, which are sponsored by FBNQuest Merchant Bank Limited, a Registration Member (Quotations) of the Exchange, strategically positions Mixta Real Estate to benefit from FMDQ Exchange’s diversified investor base, its highly responsive and efficient listing and quotation processes, and credible benchmark pricing required for appropriate portfolio valuation, amongst others.

In its role as a market organiser for the Nigerian DCM, FMDQ Group PLC will continue to sustain efforts in ensuring that stakeholders have uninterrupted access to a credible and robust platform which allows for capital raising, risk management and transfer of value, through its wholly owned Securities Exchange, Central Counterparty and Depository.

## **FMDQ Exchange Admits Sundry Foods Funding SPV PLC Series 1 Bond on its Platform**

Committed to the continuous development of the Nigerian financial market, in collaboration with market stakeholders, FMDQ Exchange, has through its Board Listings and Markets Committee, approved the listing of the **Sundry Foods Funding SPV PLC ₦2.50 billion Series 1 Fixed Rate Bond under its ₦20.00 billion Multi-Instrument Debt Issuance Programme**. Sundry Foods Funding SPV PLC is a special purpose vehicle set up by Sundry Foods Limited (“Sundry Foods”) to raise finance through the Nigerian debt capital market.

Sundry Foods is one of the leading food services companies in Nigeria operating in the quick service restaurant, bakery and catering segments. The Company has over one hundred and thirty (130) branches around the country and these house its array of brands such as Kilimanjaro, Pizza Jungle, Nibbles Creamery, Nibbles Bakery, Kiligrill and Sundry Foods Services. Speaking on the importance of the bond listing, the Managing Director, Sundry Foods, Mr. Ebele Enunwa, stated “we are very proud of this landmark transaction, which is the first ever bond issued by an indigenous player in the quick service restaurant space in Nigeria. This has given us the opportunity to diversify our funding sources and to develop new outlets in line with our business plan and the opportunities in the marketplace”.

Commenting on the transaction, the Group Managing Director, CardinalStone Partners Limited - sponsor of the bond listing and a Registration Member (Listings) of the Exchange - Mr. Michael Nzewi, stated “CardinalStone Partners Limited is pleased to have sponsored the successful listing of the Series 1 bond issuance of ₦2.50 billion working with two joint issuing houses. CardinalStone Partners Limited is pleased with its intermediation and advisory role in assisting businesses to access alternative sources of funding through the domestic debt market”.

As issuers continue to tap the Nigerian debt capital market to meet their funding needs, FMDQ will continue to articulate and pioneer, 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, the bonds shall be availed all the benefits of FMDQ Exchange’s prestigious listings and quotations 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 (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, FMDQ Depository 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.

[Back to Top](#)

# 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 2022)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	2,716,690	6,520
Foreign Exchange Derivatives	1,502,766	3,607
Treasury Bills	541,922	1,301
OMO Bills	2,712,084	6,509
CBN Special Bills	1,110,210	2,664
FGN Bonds	1,664,664	3,995
Promissory Notes	-	-
Other Bonds*	6,801	16
Eurobond	41,063	99
Repurchase Agreements/Buy-Backs	3,778,962	9,069
Unsecured Placements/Takings	57,442	138
Money Market Derivatives	-	-
Commercial Papers	-	-
<b>Total</b>	<b>14,132,603</b>	<b>33,918</b>
No. of Business Days	19	19
Average Daily Turnover	<b>743,821</b>	<b>1,785</b>

Average YTD \$/N @416.67

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 @ February 8, 2022; Figures reported by Dealing Member (Banks) on a week-ending basis



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The total turnover for the January 2022 period amounted to ₦14.13 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 29.86% of overall market turnover. Repurchase Agreements (Repos) accounted for 26.74%, whilst transactions in OMO Bills accounted for 19.19%. Bonds, T.bills, CBN Special Bills, and Unsecured Placements & Takings accounted for 12.12%, 3.83%, 7.86% and 0.41%, of overall market turnover.

### **Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January 2022)**

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.	ACCESS BANK PLC
2.	STANBIC IBTC 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.	STANDARD CHARTERED BANK NIGERIA LIMITED
9.	STERLING BANK PLC
10.	GUARANTY TRUST BANK LIMITED

The top ten (10) Dealing Member (Banks) accounted for 78.17% (₦11.05 trillion) of the overall turnover of trades in the secondary market, with the top three (3) accounting for 50.24% (₦5.55 trillion) of this sub-section of the market. Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC ranked 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> positions respectively, based on value traded for the review period.

[Back to Top](#)



## Introduction to Non-interest (Islamic) Finance

Non-interest (Islamic) finance refers to financial services or investments that are specifically designed to comply with the tenets of Islamic law (Shari'ah), with two fundamental principles: *the sharing of profit and loss*, and *the prohibition of the collection and payment of interest by lenders and investors*. Other principles of Islamic finance would be discussed later in this article.

The origin of non-interest (Islamic) finance can be traced back to the Medieval era when European countries started establishing branches of their banks in the middle east due to development in trading systems and ongoing business transactions with residents of the region. Some of these banks adopted the tradition of the region which was primarily a non-interest financial system based on a profit and loss sharing method. This afforded these banks the opportunity to meet the needs of local business people who were Muslims.

Over the years, the non-interest (Islamic) finance landscape has evolved and emerged as a notable source of financing globally, which caters to the financing needs of both Muslims and Non-Muslims. Currently, the non-interest (Islamic) finance sector is growing at a rate of 15% - 25% per year, with Islamic financial institutions managing assets worth over \$2.70 trillion globally<sup>1</sup>. According to the [2020 Islamic Finance Development Report](#) by Refinitiv and the Islamic Corporation for the Development of the Private Sector ("ICD")<sup>2</sup>, global non-interest (Islamic) Finance assets are forecasted to reach \$3.69 trillion by 2024.

### **Principles of Non-interest (Islamic) Finance:**

As stated earlier in this article, non-interest (Islamic) finance strictly complies with Shari'ah principles. These principles govern the activities and transactions in the non-interest (Islamic) finance landscape, and they are:

- **Paying or charging an interest** - According to Shari'ah, interest (riba) is usury (*extortion*) and is strictly prohibited
- **Investing in prohibited businesses** - Shari'ah principles prohibit investing in certain businesses or activities (*referred to as Haram*). Some of these include but are not limited to producing and selling alcohol or pork, pornography, gambling, weapons, etc.

<sup>1</sup><https://www.qardus.com/news/the-islamic-financial-services-industry-statistics#:~:text=Currently%2C%20the%20Islamic%20finance%20sector,over%202.7%20trillion%20USD%20globally.>

<sup>2</sup> The private sector development arm of the Islamic Development Bank

- **Speculation (Maisir) and Uncertainty/Risk (Gharar)** – Shari'ah strictly prohibits any form of speculation/gambling or contracts where the ownership of goods depends on an uncertain event in the future. For instance, short selling a security
- **Profit/loss sharing** - Parties entering the contracts in non-interest (Islamic) finance share profit/loss and risks associated with the transaction

### Products in Non-interest (Islamic) Finance

Non-interest (Islamic) finance market products are developed in line with an underlying mode of finance contract which abides with Shari'ah principles. Some of the underlying contract types include:

- **Mudarabah** - This is a form of partnership where one (1) party provides capital for investment in a business activity while the other provides expertise and management of the capital. Any profits accrued are shared between the two (2) parties on a pre-agreed basis, while loss of capital is borne only by the provider of the capital and the other party loses time and effort invested in the project
- **Murabahah** - This refers to a contract of sale in which the seller declares his cost and profit. Non-interest (Islamic) banks have adopted this as a mode of financing. As a financing technique, it involves a request by the client to the bank to purchase certain goods for him. The bank does that for a definite profit over the cost, which is stipulated in advance
- **Musharakah** – This refers to a partnership contract between two or more parties to finance a business venture whereby all parties contribute capital either in the form of cash or in kind for the venture. Any profit derived from the venture will be distributed based on a pre-agreed profit-sharing ratio, but a loss will be shared on the basis of capital contribution
- **Ijarah** - This refers to a leasing agreement whereby a bank buys an item for a customer and then leases it back to the customer over a specific period
- **Istisnah** - This is a contract whereby a party undertakes to produce a specific thing which is possible to be made according to certain agreed specifications at a determined price and for a fixed date of delivery. It is a contract where a seller sells to a purchaser an asset which is yet to be constructed, built, or manufactured according to agreed specifications and to be delivered on an agreed specified future date at an agreed pre-determined price
- **Wakalah** - This is a contract whereby Islamic financial institutions manage funds on behalf of their customers. This involves providing agency charges as against fund management fees
- **Wadiah** - This is a safe custody contract, where a person is entrusted to keep an asset for the benefit of the owner

## Non-interest (Islamic) Finance in Nigeria

Non-interest (Islamic) finance in Nigeria is still at an early stage of development but with huge potential being the fifth (5<sup>th</sup>) country with the largest Muslim population globally (after Indonesia, Pakistan, India, and Bangladesh), and an increase in regulatory support.

In 2013, the Central Bank of Nigeria (“CBN”) established the Financial Regulation Advisory Council of Experts (“FRACE”) to ensure that products and services offered by non-interest (Islamic) financial institutions satisfy the requirements for compliance with Shariah principles underpinning their mode of operation. Furthermore, the FRACE may also avail its expertise to other regulatory agencies in the Nigerian financial sector in non-interest (Islamic) financial services. The improved regulatory framework by the CBN and other relevant regulators in the Nigerian non-interest (Islamic) finance market contributed to the significant increase in industry players with up to twenty (20) firms offering non-interest financial services in the banking, insurance and asset management industries.

So far, there are three (3) full-fledged non-interest (Islamic) banks, two (2) conventional banks operating non-interest (Islamic) windows, four (4) takaful firms (non-interest insurance), several funds, as well as several non-interest (Islamic) finance legal/regulatory frameworks supporting the non-interest (Islamic) finance market in Nigeria. Some of these legal or regulatory frameworks include: CBN Guidelines on Shariah Governance for Non-Interest Financial Institutions, CBN Guidelines for the Regulation and Supervision of Non-interest (Islamic) Microfinance Banks in Nigeria, PENCOM<sup>3</sup> Operational Framework for Non-Interest Fund (Fund VI), NAICOM<sup>4</sup> Operational Guidelines for Takaful-Insurance Operators, NDIC<sup>5</sup> Framework for Non-interest Deposit Insurance in Nigeria, etc. These regulatory frameworks will be discussed in the subsequent editions of the article.

[Back to Top](#)

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<sup>3</sup> The National Pension Commission

<sup>4</sup> The National Insurance Commission

<sup>5</sup> Nigeria Deposit Insurance Corporation



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[Back to Top](#)