



FMDQ SPOTLIGHT

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NEW STORIES

71st FX Futures Contract Matures and Settles on FMDQ Exchange

On Wednesday May 25, 2022, the 71st FX Futures contract – NGUS MAY 25 2022 with a nominal value of \$642.41 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 \$56.59 billion; with a total of circa \$59.92 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 seventy (70) maturities, introduced a new contract, NGUS MAY 26 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 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	March 2022	April 2022	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	5,703	5,709	0.11
2	Value of Traded & Cleared Contracts (\$'bn)	59.60	59.67	0.11
3	Value of Open Contracts (as of Apr. 30, 2022) (\$'bn)	4.09	3.72	(9.02)
Settlement				
4	No. of Matured & Settled Contracts	5,427	5,457	0.55
5	Value of Matured & Settled Contracts (\$'bn)	55.51	55.94	0.78

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

S/N	Sovereign Fixed Income	March 2022	April 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	4,421.86	3,532.56	(20.11)
2	Value of Trades Settled (₦'bn)	4,168.31	3,377.45	(18.97)
3	Value of Unsettled Trades (₦'bn)	253.55	155.11	(38.82)

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

S/N	Non-Sovereign Fixed Income	March 2022	April 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	28.14	6.35	(77.43)
2	Value of Trades Settled (₦'bn)	20.54	4.41	(78.53)
3	Value of Unsettled Trades (₦'bn)	7.59	1.94	(74.45)

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

At a Glance: Update from FMDQ Depository

FMDQ Depository Limited ("FMDQ Depository")'s role as a Central Securities Depository complements the clearing function discharged by FMDQ Clear by providing the requisite framework for collateral caching, asset servicing and settlement services in the Nigerian financial markets, offering market participants an unrivalled opportunity to experience enhanced straight-through-processing.

During the period under view, FMDQ Depository successfully admitted the following securities on its platform:

- FBNQuest Merchant Bank Limited ₦14.69 billion Series 3 and ₦10.31 billion Series 4 Commercial Papers
- MeCure Industries Limited ₦2.24 billion Series 3 Commercial Paper
- Rand Merchant Bank Nigeria Limited ₦4.50 billion Series 1 and ₦10.50 billion Series 2 Commercial Papers
- Veritasi Homes and Properties Limited ₦2.53 billion Series 1 and ₦3.00 billion Series 2 Commercial Papers
- MTN Nigeria Communications PLC ₦51.38 billion Series 1 and of ₦75.62 billion Series 2 Commercial Papers
- SKLD Integrated Services Limited ₦0.50 billion Series 1 Commercial Paper

FMDQ Depository, leveraging on the effective support and collaboration of its stakeholders remains committed to delivering innovative and key market development initiatives in line with its vision "To be a foremost and diversified Depository in Africa by 2025".

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

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In another remarkable achievement that continues to shape the world of corporate debt financing, and attests to the unique and credible platform offered by FMDQ Exchange (“Exchange”) for the registration, listing, quotation, and trading of debt securities, the Exchange is pleased to welcome the **registration of the UAC of Nigeria PLC ₦45.00 billion Commercial Paper (CP) Programme** on its platform. The timely registration of this CP Programme follows due approval from the Exchange’s Board Listings and Markets Committee, and attests to the highly efficient time-to-market and uniquely tailored listing and quotation service offered by the Exchange.

UAC of Nigeria PLC (“UAC”) is a leading diversified Company, operating in the Food and Beverage, Real Estate, Paint and Logistics sectors of the economy. This CP registration, which is sponsored by Stanbic IBTC Capital Limited – a Registration Member (Quotations) of the Exchange, strategically positions UAC to raise short-term finance easily and quickly from the Nigerian debt capital market (DCM). By the registration of its CP Programme and quotation of subsequent CPs on FMDQ Exchange, UAC will enjoy exceptional benefits which include, but are not limited to, unrivalled and efficient platform for access to capital, value transfer and risk management, enhanced investor confidence, effective price formation and global visibility.

MTN Nigeria Communications PLC Quotes Commercial Papers with Total Value of ₦127.00 Billion on FMDQ Exchange

The Nigerian debt capital market continues to play an important role in the efficient mobilisation and allocation of resources in the economy to effectively support corporates looking to expand their business operations. In this regard, FMDQ Exchange is pleased to announce the approval and admission of the **MTN Nigeria Communications PLC (“MTN Nigeria”) ₦150.00 billion CP Programme and the ₦51.38 billion Series 1 and ₦75.62 billion Series 2 CPs under its ₦150.00 billion CP Issuance Programme** on its platform. The quotation lend credence to the innovation, efficiency, and

operational excellence for which the Exchange is reputed for as endorsed by issuers, investors, and other market stakeholders.

MTN Nigeria is one of Africa's largest providers of communications services and Nigeria's premier provider of connectivity, communication and collaboration solutions. MTN Nigeria is a member of MTN Group – a multinational telecommunications group, which operates in 21 countries in Africa 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. The proceeds from these issuances, which are co-sponsored by Stanbic IBTC Capital Limited – *Lead Sponsor*; Chapel Hill Denham Advisory Limited, Coronation Merchant Bank Limited, FBNQuest Merchant Bank Limited, FSDH Capital Limited, Standard Chartered Capital & Advisory Nigeria Limited and UCML Capital Limited (*Co-Sponsors*) – all Registration Member (Quotations) of the Exchange, will be utilised by MTN Nigeria to support its short-term working capital and funding requirements.

As an exchange with a commitment to facilitate growth and development in the Nigerian DCM and the 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.

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FMDQ Exchange Admits the Prima Corporation Limited Series 2 Commercial Paper on its Platform

As part of its drive to provide extraordinary value to its stakeholders and foster development in the Nigerian financial markets at large, FMDQ Exchange continues to avail its credible and efficient platform as well as its tailored registration, listing and quotation services to suit the needs of its varied market stakeholders. The Exchange, following the due approval of its Board Listings and Markets Committee is pleased to welcome the **quotation of the Prima Corporation Limited ₦7.02 billion Series 2 CP under its ₦30.00 billion CP Programme on its platform**. Prima Corporation Limited is a leading manufacturer of preforms and caps in West Africa, supplying a host of international and local brands.

The timely admission of this CP, and in general, all securities on FMDQ Exchange, are reflective of the potential of the Nigerian debt capital market and the commendable level of confidence demonstrated by both issuers and investors in the market. This CP which is sponsored by United Capital PLC – a Registration Member (Quotations) of FMDQ Exchange, shall be availed the benefits of the value-driven

quotation service on the Exchange, including global visibility through its website and systems, transparency through its inclusion in the FMDQ Daily Quotations List, credible price formation and continuous information disclosure through FMDQ's Quoted Commercial Paper Status Report, to protect investor interest. The Exchange will continue to work closely with its stakeholders to provide access to capital for issuers seeking to raise debt finance by providing an enabling platform that promotes requisite secondary market liquidity, among other benefits.

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PAT Digital Infra Fund SPV PLC Lists its Debut Bond on FMDQ Exchange

FMDQ Exchange through its Board Listings and Markets Committee, has approved the **listing of the PAT Digital Infra Fund SPV PLC ₦10.00 billion Series 1 Senior Guaranteed Fixed Rate Bond under its ₦50.00 billion Bond Issuance Programme** on the Exchange's Platform. The PAT Digital Infra Fund SPV Bond, guaranteed by InfraCredit, joins a host of other corporate debt securities issued on FMDQ Exchange's platform this year, actively tapping the Nigerian debt capital market to raise funds to meet working capital requirements.

PAT Digital Infra Fund SPV PLC is a special purpose funding vehicle established by Pan African Towers Limited ("Pan African Towers") to raise finance from the DCM through the listing of debt securities. Pan African Towers is a telecommunications infrastructure company and wireless service facilitator in Nigeria aimed at catering to the telecommunication needs ranging from broadband, mobile telephony to other local value-added services in Africa. Commenting on the successful bond Issuance, the Chairman, Pan African Towers, Mr. Oluwole Adeleke stated, "PAT Digital Infra Fund SPV PLC is grateful for InfraCredit's support in its first issuance in the debt capital market. The guarantee is essential to the Company's vision in being the number one wholly indigenous owned digital telecommunications infrastructure and wireless service facilitator in Nigeria. We have demonstrated capacity to achieve faster growth with solid top and bottom-line performance supported by long-term contracts with leading service providers in mobile telecommunication and internet services in Nigeria. We would also like to thank all our transaction parties for working with us in delivering a successful transaction".

Also commenting on the issuance, the sponsor of the bond and a Registration Member (Listings) of FMDQ Exchange, Chapel Hill Denham Advisory Limited, represented by its Managing Director, Mrs. Kemi Awodein stated, "the firm is honoured to have been mandated on this milestone transaction. PAT Digital Infra Fund SPV PLC's successful Issuance of the ₦10.00 billion Series 1 bond is significant for the company's long-term vision and was well received given the invaluable support provided by

the unconditional credit backing from InfraCredit. We pride ourselves on our ability to consistently deliver innovative products and are excited to have delivered a bond that improves digital infrastructure in Nigeria, enhances job creation, and domestic economic growth, as well as reduces Pan African Tower's carbon emission".

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.

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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 - April 2022)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	11,564,037	27,745
Foreign Exchange Derivatives	8,766,506	21,030
Treasury Bills	4,217,826	10,122
OMO Bills	12,440,277	29,852
CBN Special Bills	4,109,111	9,859
FGN Bonds	6,547,204	15,714
Promissory Notes	1,000	2
Other Bonds*	10,332	25
Eurobond	138,304	332
Repurchase Agreements/Open Repos	14,594,263	35,014
Unsecured Placements/Takings	476,389	1,143
Money Market Derivatives	500	1
Commercial Papers	-	-
Total	62,865,749	150,840
No. of Business Days	82	82
Average Daily Turnover	766,655	1,840

Average YTD \$/₦ @416.77

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 @ May 15, 2022; Figures reported by Dealing Member (Banks) on a week-ending basis



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The total turnover for the Jan. – Apr. 2022 period amounted to ₦62.87 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 32.34% of overall market turnover. Repurchase Agreements (Repos) accounted for 23.21%, whilst transactions in OMO Bills accounted for 19.79%. Bonds, T.bills, CBN Special Bills, and Unsecured Placements & Takings accounted for 10.65%, 6.71%, 6.54% and 0.76%, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - April 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.	STANBIC IBTC BANK PLC
2.	UNITED BANK FOR AFRICA PLC
3.	ACCESS BANK PLC
4.	ECOBANK NIGERIA LIMITED
5.	ZENITH BANK PLC
6.	FIRST BANK OF NIGERIA LIMITED
7.	CORONATION MERCHANT BANK LIMITED
8.	FIRST CITY MONUMENT BANK LIMITED
9.	STANDARD CHARTERED BANK NIGERIA LIMITED
10.	STERLING BANK PLC

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. The top ten (10) Dealing Member (Banks) accounted for 75.46% (₦48.96 trillion), while top three (3) accounted for 39.63% (₦27.26 trillion) of the overall turnover of trades in the secondary market.

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Understanding the Cost of Hedging

Hedging is not alien to the financial markets as it is used by market participants as a risk management strategy to manage or mitigate potential losses in investments. In the 'FMDQ Learning' segment of previous editions (Q1 2020, May, June, and July 2021) and the first two (2) editions of the FMDQ Thought Leadership Series, readers have been introduced to the concept of hedging with derivatives, from the global and local perspectives, as well its opportunities within the Nigerian markets.

Consider Adesons Holdings PLC ("Adesons" or the "Company"), a fast-moving consumer goods company, which invests its excess cash in sovereign bonds (i.e., Federal Government of Nigeria Bonds). Adesons will typically sell its bond investments when it requires cash to meet unplanned expenditure and may incur losses on such sales due to market rate volatilities at the time the Company needs to sell its bonds. To minimise the potential losses to be incurred on its bond investments, Adesons can sell Bond Futures in the derivatives market to mitigate the risk of price falling.

For example, if Adesons purchased the bonds in its portfolio at a price of 100.00, it can sell Bond Futures contract at 105.00. Through this Bond Future transaction, Adesons has effectively hedged its bond investments against future fluctuation in bond prices until the maturity of the Bond Futures contract. Consequently, if the price of the bonds falls to 97.00, the price of the Bond Futures is expected to fall as well to 102.00. Hence, instead of Adesons incurring a loss of 3.00 (i.e., Sale Price of 97.00 LESS Purchase Price of 100.00), it will not incur a loss because the 3.00 loss will be offset by a gain of 3.00 on the Bond Futures contract (Adesons sold the Bond Futures at 105.00 LESS the current price of 102.00).

Whilst Adesons could have gained or lost from the Futures transaction illustrated, depending on the direction of the market at the maturity of the Bond Futures Contract, the Company would have also incurred some costs by going into the derivatives transaction. These costs are referred to as the Cost of Hedging.

The Cost of Hedging is the cost associated with taking positions (buy or sell) in a derivatives market for the purpose of hedging against potential losses in the underlying Spot market. It puts into consideration every applicable fee incurred by the market participant upon entering such transaction and is calculated with the formular:

Multiplier * Futures Price * Number of Contract *(All Applicable Fees).

Drawing from Adeson's scenario, if the applicable fees incurred are maintenance fee, transaction fee and clearing fees, the formular for the Cost of Hedge would then be as follows:

$\text{Multiplier} * \text{Futures Price} * \text{Number of Contract} * ((\text{Maintenance Fee} * (\text{Contract Tenor} \div 12)) + \text{Transaction Fee} + \text{Clearing Fees})$

Where “Maintenance Fee * (Contract Tenor ÷ 12)” is the prorated maintenance fee.

The applicable fees are described in the table below:

Table 1: Description of Applicable Fees

S/N	Hypothetical Applicable Fees	Description
1.	Multiplier	Multiplier is the fixed number which is used to calculate the exposure (in money terms) of a futures contract
2.	Futures Price	This is the price at which the Futures contract is purchased at execution date
3.	Maintenance Fees	This is a fee payable to the Central Counterparty on a monthly basis for the management and administration of executed Exchange-Traded Derivatives contracts from initiation till expiry
4.	Contract Tenor	This is the period between the trade date and the expiry date of the derivatives contract
5.	Transaction Fees	This is the fee payable for the execution of derivatives contracts on the Exchange
6.	Clearing Fees	This is the fee payable for the clearing, settlement as well as administrative tasks including substitutions, clarifications, trade validations etc. of executed contracts

The parameters for the estimation of the Cost of Hedge are outlined in the table below:

Parameter	Value
Multiplier	1
Futures Price	105.00
Number of Contract	10
Contract Tenor	3 months
Maintenance Fee	3.00%
Transaction Fee	5.00%
Clearing Fee	5.00%

The Cost of Hedging for Adesons’ transaction would therefore be:

$$\begin{aligned}
 &1 \times 105 \times 10 \times \{(3\% \times (3 \div 12)) + 5\% + 5\%\} \\
 &= 1050 \times 10.75\% \\
 &= \text{N}112.88
 \end{aligned}$$

The Cost of Hedge is one of the factors considered for market participation as it helps market participants weigh and assess the potential benefit of the intending hedge transaction.

In a bid to promote transparency in the FMDQ Exchange-Traded Derivatives (ETD) market, the Exchange aims to launch a calculator to aid seamless and accurate estimation of the applicable cost of participating in the ETD market.

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