



# ***FMDQ SPOTLIGHT***

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## NEW STORIES

### **FMDQ Advances Thought Leadership in the Derivatives Market, Launches “Q-Estimator”**

FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) continues to play a pivotal role in the development of the derivatives market in Nigeria as it positions for the activation of innovative market offerings. The Exchange recently added a new offering to its universe of innovation with the launch of an automated hedging calculator – “**Q-Estimator**”, to equip market participants with a tool that aids strategic and informed investment decision making in the Nigerian financial markets, particularly the derivatives market. The Q-Estimator provides market participants the opportunity to estimate the total cost to be incurred at the point of purchase of derivatives contracts on the Exchange.

Derivatives are primarily risk management instruments used to hedge against financial exposures from unforeseen and unwanted fluctuations in the rates or prices of an underlying asset. In the global financial system, hedging products are market enablers, allowing businesses and investors around the world to invest freely, effectively hedge their risks and invariably contribute to economic growth.

The Q-Estimator, the first of its kind, aids trading simulation, wherein market participants simulate positions in the market to estimate profit or loss at a predetermined maturity date. The introduction of Q-Estimator will benefit all existing and prospective clients of the FMDQ Exchange-Traded Derivatives (“**ETD**”) market, which include, but are not limited to, banks, fund/asset managers, insurance companies, corporate institutions, foreign investors, and individuals.

The launch of the Q-Estimator builds on the robust capacity development programmes that FMDQ Exchange continues to host, in preparing prospective investors for the launch of its Exchange Traded Derivatives products. Since activating the FMDQ Derivatives Market Development in 2018, FMDQ Exchange, through the FMDQ Academy franchise, has organised series of bespoke training sessions, benefitting over 2,600 participants, including financial market regulators, financial institutions, relevant market associations, corporates, media practitioners, etc. These trainings are specially designed to address the diverse interests represented in the derivatives market and provide a holistic understanding of the market ahead of the imminent launch of the FMDQ ETD market. The Exchange will continue to focus its efforts on facilitating the development of a thriving derivatives market, working assiduously to deliver innovative and critical market development initiatives, with the support of its stakeholders.

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## **FMDQ Group PLC Delights the Next Generation with Financial Literacy Summer Camp**

In furtherance of its commitment to fostering financial literacy in the younger generation, FMDQ Group PLC ("**FMDQ Group**"), through its flagship corporate responsibility programme, FMDQ Next Generation Financial Markets Empowerment Programme ("**FMDQ-Next**") - a learning and development initiative aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary, and tertiary), as well as fresh graduates - successfully executed the 3<sup>rd</sup> edition of its FMDQ-Next Summer Camp Programme (the "**Programme**") at its business complex, Exchange Place, in Lagos.

The free and highly coveted Programme, which was designed for Primary School (ages 8–10) and Secondary School (ages 11–16) students, was delivered in two (2) Streams, having Primary and Secondary sections, which ran between August 3 – 26, 2022. The Programme provided a fun and exciting learning experience through educational and interactive financial market exercises and activities and offered participants the opportunity to learn about the workings of the financial market, the concept of savings and investment, the various investment vehicles, and the roles of the different financial market participants, amongst others. Surpassing expectations, the Programme which positively impacted a total of one hundred and thirty (130) students, was oversubscribed by over 64% within the first three (3) days of the call for registration. The participants, strictly selected on a first-come, first-served basis, were prestigiously catered for and given a tour of Exchange Place, the FMDQ world-class Archives, and experienced a live feel of the FMDQ Studio and live market sessions through the FMDQ market systems, as well as quality interaction time with the CEO of FMDQ Group and other senior executives.

The Secondary School participants were given the added opportunity to trade currencies with their peers in a simulated environment in FMDQ Q-Hub (a state-of-the-art Trading Simulation Room), using the FMDQ-Next bespoke trading system – which provides participants with practical trading experience, enabling them to execute trades, identify risk exposures, and manage virtual portfolios with the goal of making profits. Each Secondary Stream ended with a trading competition with the top three (3) finalists awarded fantastic prizes, such as laptops and tablets, as well as future internship positions at FMDQ Group. The Primary School participants were not left out of the prize giving as the top three (3) finalists in each Stream were also awarded fantastic prizes. Beyond promoting financial markets education, the Programme also provided an avenue for participants to display talents in music, drama and arts, with Talent Shows that enabled participants to showcase their talents in singing, dancing, playing musical instruments and portrait drawing.

As an internationally recognised Programme which attracted the attention of the then Prime Minister of the United Kingdom, Ms. Theresa May, in 2018, the Programme participants were visited by a delegation from Standard Bank Group, South Africa, who shared inspiring nuggets of wisdom for the financial markets. In the same vein, the Chief Executive Officer, Stanbic IBTC Bank PLC, Mr. Wole Adeniyi, also visited the Programme participants and awarded gifts of cash prizes to the top three (3) Primary School participants and internship opportunities to the three (3) finalists of the Secondary School Trading Challenge in both Streams.



Touting the benefits of the Programme, parents/guardians and participants alike have been replete with applause for the 2022 edition of the Programme. Speaking on the Programme, Mrs. Nzenwanyi Ndukwe, a parent who enrolled three (3) children, stated ‘I piqued interest in the Programme and was excited to enroll my kids because I want them to be equipped and ahead of their peers, and programmes like this are perfect to get them to the right place because the world is fast changing. My kids have learnt so much and they are telling me things about the financial markets that I did not know, and I am learning as well. I appreciate FMDQ-Next for this opportunity as it has been an eye opener for my kids as well as for me’. Also speaking on the Programme, Ebineme Ebitonmor, a student of Chrisland School and a Secondary School class participant, said “I have learnt about how Exchanges work and how small companies who cannot raise funds via an Exchange can raise money through the private market. I am really excited to be part of this Programme. One of the reasons this Programme is important is for the future generation to learn about financial market and the global market”.

Looking ahead with great anticipation to the 2023 edition of the FMDQ-Next Summer Camp Programme amidst resounding positive feedback from this edition, FMDQ Group, through FMDQ-Next, remains committed to championing financial markets education and awareness amongst its target audience to the end of empowering them to be financially astute, value-adding individuals.

Since FMDQ-Next launched in July 2018, over eight hundred and sixty-two (862) participants, from primary students through to fresh graduates, have been positively impacted through three (3) summer camps; five (5) excursions; eight (8) Virtual Financial Literacy Sessions; twelve (12) Trading Challenges; and eight (8) Internships. The FMDQ-Next initiative is an expression of FMDQ Exchange’s ongoing

commitment to continually innovate and implement initiatives that ensure a sustainable financial future for the next generation.

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

On Wednesday, August 31, 2022, the 74<sup>th</sup> FX Futures contract – NGUS AUG 31 2022, with a nominal value of \$494.60 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 \$57.60 billion; with a total of circa \$61.36 billion traded so far.

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 and settlement activities were effected accordingly by FMDQ Clear Limited (FMDQ Clear).

The Central Bank of Nigeria (CBN), as observed over the last seventy-three (73) maturities, introduced a new contract, NGUS AUG 25 2027, for \$1.00 billion at \$/₦652.29 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](#)

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## At a Glance: Update from FMDQ Clear

FMDQ Clear, as a Securities and Exchange Commission registered Central Counterparty, is saddled with the mandate of providing efficient post-trade services and guaranteeing settlement finality, i.e., the irrevocability of settlement, to eliminate the inherent counterparty risk and enhance the stability of the Nigerian financial markets.

In view of this mandate, 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	June 2022	July 2022	Change (%)
<b>Clearing</b>				
1	No. of Traded & Cleared Contracts	5,764	5,788	0.42
2	Value of Traded & Cleared Contracts (\$'bn)	60.67	60.87	0.33
3	Value of Open Contracts (as of July 31, 2022) (\$'bn)	3.77	3.76	(0.27)
<b>Settlement</b>				
4	No. of Matured & Settled Contracts	5,532	5,548	0.29
5	Value of Matured & Settled Contracts (\$'bn)	56.90	57.10	0.35

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

S/N	Sovereign Fixed Income	June 2022	July 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	3,374.66	2,890.45	(14.35)
2	Value of Trades Settled (₦'bn)	2,932.63	2,503.14	(14.65)
3	Value of Unsettled Trades (₦'bn)	442.03	387.31	(12.38)

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

S/N	Non-Sovereign Fixed Income	June 2022	July 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	7.92	6.60	(16.67)
2	Value of Trades Settled (₦'bn)	3.87	0.14	(96.38)
3	Value of Unsettled Trades (₦'bn)	4.05	6.46	59.51

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

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

As the Depository subsidiary of FMDQ Group, FMDQ Depository continues to actively collaborate with FMDQ Exchange, FMDQ Clear, and FMDQ Private Markets, in the development of products and services in both the primary and secondary markets.

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

- Daraju Industries Limited ₦7.50 billion Series 1 and ₦2.46 billion Series 2 Commercial Papers
- TrustBanc Holdings Limited ₦0.86 billion Series 9 and ₦1.36 billion Series 10 Commercial Papers
- Artery Infrastructure SPV Limited ₦50.00 billion Series 1 Short Term Bond
- Robust International Commodities ₦4.03 billion Series 1 and ₦0.84 billion Series 2 Commercial Papers
- MeCure Industries Limited ₦4.00 billion Series 4 Commercial Paper
- Bigoz Logistics Limited ₦0.66 billion Series 1 (Tranche A) Commercial Paper
- Coleman Technical Industries Limited ₦2.51 billion Series 5 and ₦7.50 billion Series 6 Commercial Papers

Having positioned itself to provide a secure depository for financial market assets, as well as facilitate settlement of capital market transactions, FMDQ Depository will continue to focus on transformational initiatives through digitisation to accelerate operational excellence, risk management efficiencies and upscaling of service delivery.

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

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In another bold move that reinforces its positioning as the leading destination for capital raising by discerning issuers, FMDQ Exchange, Nigeria’s largest securities exchange by market turnover, through its Board Listings and Markets Committee, has approved the registration of the **Sundry Foods Limited ₦10.00 billion Commercial Paper (“CP”) Issuance Programme** on its platform in August 2022.

The successful registration of this CP Programme, which is sponsored by CardinalStone Partners Limited (the Lead Sponsor), SCM Capital Limited and Stanbic IBTC Capital Limited, all Registration Member (Quotations) of the Exchange, strategically positions the Issuer to raise short-term finance from the Nigerian debt markets at specific times during the CP Programme validity it deems strategically viable, through CP issuances, within the CP Programme limit.

Also, the Managing Director, CardinalStone Partners Limited, Mr. Michael Nzewi stated “CardinalStone Partners Limited is pleased to have spearheaded the registration of the debut CP Programme for Sundry Foods Limited. We believe our role in assisting Sundry Foods Limited with raising capital will actualise its strategic growth objectives by providing opportunities to access a wider universe of market participants”. Equally, the Chief Executive, Stanbic IBTC Capital Limited, Mr. Funso Akere, stated that “Stanbic IBTC Capital is delighted to have acted as the co-Arranger to the establishment of Sundry Foods Limited’s ₦10.00 billion CP Issuance Programme. The CP Programme will enable Sundry Foods Limited issue commercial papers to diversify its funding sources in order to facilitate business growth and optimise its funding costs by accessing short-term funding at relatively competitive interest rates from institutional investors”.

The registration of this CP Programme on the Exchange's platform validates FMDQ Exchange's conscious drive to support the goals of corporate businesses and to deepen the Nigerian debt markets. In support of its mandate to align the Nigerian debt markets with international best practices and standards, the Exchange will continue to provide a dynamic and innovative platform for capital formation, offering institutions the support required to positively impact their sectors and the overall economy.

### **Nigerian Breweries PLC Registers ₦100.00 billion Commercial Paper Programme on FMDQ Exchange**

Committed to accelerating the development of the Nigerian debt markets by providing a reliable and credible platform to support capital formation, FMDQ Exchange, the preferred platform for the registration, listing, quotation, trading and reporting of financial market securities, through its Board Listings and Markets Committee, welcomed the registration of the **Nigerian Breweries PLC ₦100.00 billion Commercial Paper Issuance Programme** on its platform in August 2022.

Nigerian Breweries PLC ("**Nigerian Breweries**" or the "**Issuer**") is the pioneer and largest brewing company in Nigeria, engaged in the making and selling of lager, stout, non-alcoholic malt, and soft drinks. Nigerian Breweries operates over ten (10) breweries and approximately two (2) malting plants across the country. Through the registration of this CP Programme, which is sponsored by Stanbic IBTC Capital Limited (the *Lead Sponsor*), FCMB Capital Markets Limited and FBNQuest Merchant Bank Limited, all Registration Member (Quotations) of the Exchange, the Issuer is availed the opportunity to raise short-term finance from the Nigerian debt markets at a time it deems suitable, through CP issuances, within the CP Programme limit.

The successful admittance of one hundred and two (102) securities, valued at ₦3.36 trillion, on its platform so far in the year 2022 attests to the efficient and uniquely tailored listing and quotation service offered by FMDQ Exchange. As a securities exchange with a commitment to facilitate growth and development in the Nigerian debt markets and the Nigerian economy at large, FMDQ Exchange will continue to promote an efficient, transparent, and well-regulated market, which will attract and retain both domestic and foreign investors.

## **C & I Leasing PLC Registers its ₦50.00 billion Commercial Paper Programme on FMDQ Exchange**

Corporate institutions continue to successfully tap the Nigerian debt markets to access stable finance to fund key activities in their organisations. The commercial paper market, as administered by FMDQ Exchange, continues to provide issuers with renewed opportunities to grow their businesses and maintain the much-needed restored confidence of investors, whilst contributing to the overall growth of the Nigerian economy. In this regard, FMDQ Exchange is pleased to announce the approval of the registration of the **C & I Leasing PLC ₦50.00 billion Commercial Paper Programme** on its platform.

C & I Leasing PLC (the “**Issuer**”) is a diversified, leasing and business service conglomerate providing support services to various indigenous and multinational organisations in West Africa along three (3) lines: Fleet Management, Personnel Outsourcing, and Marine Service. The company provides transportation logistics solutions in the form of car and marine vessel rental, fleet management and automobile distribution through its wholly owned subsidiaries: C & I Marine, C & I Fleet Management, C & I Outsourcing, and CITRACKS. The successful registration of this CP Programme, which is sponsored by Cordros Capital Limited (the Lead Sponsor) and Kairos Capital Limited, both Registration Member (Quotations) of the Exchange, tactically positions the Issuer to raise short-term finance from the Nigerian debt markets at strategically viable times during the CP Programme validity, through CP issuances, within the CP Programme limit.

With a vision to be “the most attractive Exchange in Africa by 2025”, FMDQ Exchange will continue to lead the transformation of the Nigerian debt markets by providing a cost-effective, efficient, well-regulated, transparent, and trusted platform for capital raising whilst adding value to its diverse stakeholder groups. The Exchange will also continue to sustain its efforts in supporting issuers with tailored financing options to enable them to achieve their strategic objectives, as well as deepen and effectively position the Nigerian debt markets for global competitiveness.

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## **CitiTrust Holdings PLC Becomes a Part of FMDQ Exchange’s Thriving Commercial Paper Market**

In another remarkable achievement that continues to shape the world of corporate debt financing and testifies to the unique and credible platform for the registration, listing, quotation and trading of



debt securities provided by FMDQ Exchange, the Exchange is pleased to welcome the **registration of the CitiTrust Holdings PLC ₦50.00 billion Commercial Paper Programme** on its platform. The successful registration of this CP Programme on the Exchange in August 2022, following the approval of the Board Listings and Markets Committee, attests to the highly efficient time-to-market and uniquely tailored securities admission service offered by the Exchange.

This significant milestone for CitiTrust Holdings PLC (“**CitiTrust Holdings**” or the “**Company**”), a leading Pan-African financial and investment conglomerate in Nigeria, has seen it join other corporate institutions across various sectors of the economy, enjoying the benefits of visibility, transparency and liquidity for issuers and issues that come with the FMDQ Exchange Quotations Service.

This CP Programme registration, which is sponsored by Boston Advisory Limited – a Registration Member (Quotations) of the Exchange – strategically positions CitiTrust Holdings to raise short-term finance easily and quickly from the Nigerian debt markets. By the registration of its CP Programme and quotation of subsequent CPs from the Programme on FMDQ Exchange, the Company will avail on exceptional benefits which include, but are not limited to, unrivalled and efficient platform for access to capital, enhanced investor confidence, continuous information disclosure to protect investor interest, effective price formation, and increased global visibility.

### **FMDQ Exchange Approves the Registration of the Infinity Microfinance Bank ₦5.00 billion Commercial Paper Programme on its Platform**

Having successfully met the FMDQ Exchange Commercial Paper Quotation requirements and following the subsequent approval of the Board Listings and Markets Committee of FMDQ Exchange, the **Infinity Microfinance Bank Limited ₦5.00 billion CP Programme** was admitted on the Exchange’s platform on August 24, 2022. The successful registration of this CP Programme is yet another notable stride in FMDQ Exchange’s drive to develop a vibrant and efficient debt market despite economic and market uncertainties. The Nigerian CP market continues to provide issuers with a renewed opportunity to grow their businesses and restore the much-needed confidence of investors, whilst contributing to the overall growth of the Nigerian economy.

Infinity Microfinance Bank Limited (the “**Issuer**”) is a financial establishment that focuses on small and medium-sized business enterprises and provides services such as the mobilisation of small savings and the provision of small business loans. This CP Programme which is sponsored by FSDH Capital limited - a Registration Member (Quotations) of the Exchange - will avail the Issuer the opportunity to raise short-term finance from the Nigerian CP market.

According to the Managing Director, Infinity Microfinance Bank Limited, Mr. Oludotun Adewunmi, “Infinity Microfinance Bank Limited is pleased to announce the quotation of its ₦5.00 billion

Commercial Paper Issuance Programme on FMDQ Exchange. The CP Programme is an important strategic move for the Bank towards achieving its mandate of supporting the growth of low-income households as well as micro, small & medium-sized enterprises across Lagos State. The registration of this CP Programme, in addition to allowing Infinity Microfinance Bank broaden its sources of funding, has availed the Bank with a platform to raise short-term finance, within the CP Programme limit, from the Nigerian debt markets when it deems suitable”.

Commenting on the successful registration of the Programme, Mr. Tolu Osinibi, Managing Director, FSDH Capital Limited (“**FSDH Capital**”) said, “FSDH Capital is pleased to have advised Infinity Microfinance Bank Limited on this landmark registration of its ₦5.00 billion Commercial Paper Issuance Programme. This is the first CP Programme to be registered by a microfinance bank on FMDQ Exchange and without a doubt sets the pace for other duly licensed and regulated microlending institutions seeking to raise capital via the issuance of commercial papers. The admission on the FMDQ Exchange platform will deliver maximum market visibility and enhanced liquidity of CPs issued under the CP Programme. We are thankful to the Board and management of Infinity Microfinance Bank Limited for trusting FSDH Capital to execute this landmark transaction and provide the expert guidance required to navigate the challenges faced by first-time issuers in the markets”.

As part of its mandate to organise and govern markets within its purview and align the Nigerian debt markets with international best practices and standards, FMDQ Exchange will continue to promote credibility for securities admitted on its platform, through its highly efficient registration, listing and quotation service, instituting requisite world-class standards to drive transparency, governance, market oversight and liquidity to power growth in the Nigerian financial markets.

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### **FMDQ Exchange Admits the Accelerex SPV PLC Bond on its Platform**

FMDQ Exchange, Nigeria’s largest securities exchange by market turnover, continues to be the preferred destination for issuers seeking to raise capital via the debt markets. Through its first-class Securities Admission Service, FMDQ Exchange facilitates capital formation by delivering an efficient, cost-effective and timely securities admission process for debt securities such as bonds, funds, and commercial papers, among others. It is in this regard that the Exchange is pleased to announce the admission for listing on its platform, the **Accelerex SPV PLC ₦2.28 billion Series 1 Fixed Rate Bond under its ₦20.00 billion Bond Issuance Programme**.

Accelerex SPV PLC (the “**Issuer**”) is a special purpose funding vehicle established by Global Accelerex Limited to raise capital from the debt markets through the listing of debt securities. Global Accelerex Limited is a provider of electronic payment and business management solutions in Nigeria and is certified by the Central Bank of Nigeria as a Payment Terminal Service Provider and Payment Solution Service Provider, to deliver innovative technology solutions in a secure and reliable manner to businesses and consumers across channels. The proceeds generated from the Accelerex SPV PLC Series 1 Bond, which is sponsored by FBNQuest Merchant Bank Limited (*Lead Sponsor*), Greenwich Merchant Bank Limited and Renaissance Securities (Nigeria) Limited – all Registration Member (Listings) of the Exchange, will be used by the Issuer to fund the purchase of terminals across Nigeria and offset the costs of the Company’s capital expenditure, amongst others.

In support of its mandate to align the Nigerian debt markets with international best practices and standards, FMDQ Exchange will continue to provide a dynamic and innovative platform for capital formation, offering institutions the support required to impact their businesses, sectors and the overall economy.

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 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 Exchange Market Turnover Report shows the turnover on all products traded in the FMDQ Exchange secondary market – Foreign Exchange (FX), Treasury Bills (T.bills), OMO Bills, CBN Special Bills, Promissory Notes, Bonds (Federal Government of Nigeria (“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 Exchange 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 - July 2022)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	20,463,243	48,825
Foreign Exchange Derivatives	14,915,995	35,595
Treasury Bills	8,123,435	19,383
OMO Bills	17,698,306	42,315
CBN Special Bills	12,995,822	30,926
FGN Bonds	9,075,551	21,717
Promissory Notes	1,000	2
Other Bonds*	10,682	26
Eurobond	265,001	631
Repurchase Agreements/Open Repos	31,858,571	75,824
Unsecured Placements/Takings	803,628	1,918
Money Market Derivatives	3,623	9
Commercial Papers	-	-
<b>Total</b>	<b>116,214,857</b>	<b>277,171</b>
<b>No. of Business Days</b>	<b>142</b>	<b>142</b>
<b>Average Daily Turnover</b>	<b>818,414</b>	<b>1,952</b>

Average YTD \$/₦ @419.29

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 @ August 11, 2022; Figures reported by Dealing Member (Banks) on a week-ending basis



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The total turnover for the January – July 2022 period amounted to ₦116.21 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 30.44% of overall market turnover. Repurchase Agreements (Repos) accounted for 27.41%, whilst transactions in OMO Bills accounted for 15.23%. CBN Special Bills, Bonds, T.bills, and Unsecured Placements & Takings accounted for 11.18%, 8.05%, 6.99%, and 0.69%, of overall market turnover.

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

The FMDQ Exchange 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.	FIRST BANK OF NIGERIA LIMITED
6.	ZENITH BANK PLC
7.	CORONATION MERCHANT BANK LIMITED
8.	STANDARD CHARTERED BANK NIGERIA LIMITED
9.	FIRST CITY MONUMENT BANK LIMITED
10.	STERLING BANK PLC

Stanbic IBTC Bank PLC, United Bank for Africa PLC, and Access Bank 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. The top ten (10) Dealing Member (Banks) accounted for 75.44% (₦97.38 trillion), while the top three (3) accounted for 40.97% (₦55.07 trillion) of the overall turnover of trades in the secondary market.

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## Introduction to Bonds 1 – Characteristics of Bonds and Bond Issuances

One of the ways by which institutions (governments or corporates) raise capital to fund their various projects or other financial needs apart from getting loans, is by borrowing from the public (institutional and individual investors) through the issuance of debt securities (fixed income instruments).

This FMDQ learning segment series will focus on introducing you to bonds, their unique features and types.

Fixed income instruments broadly refer to any type of security or investment vehicle that provide regular and fixed/predetermined returns to the lender (also referred to as the “investor”). The terms of the investment i.e., tenor, date, time, and amount of periodic returns, as well as the repayment of principal is typically predetermined at the start of the investment and contained in the Offer Memorandum (or Prospectus) of the security. Fixed income securities include Bonds, Commercial Papers, Treasury Bills and Promissory Notes.

A bond is a long-term debt security issued by institutions seeking capital (i.e., borrower) to investors (capital providers or lenders) in exchange for periodic payment of predetermined interest (coupon) and principal amount over the tenor of the security. Bonds are used by governments, international institutions and corporate institutions to fund capital projects and other financing needs.

The institution seeking capital, or the borrower, is referred to as the Bond Issuer or simply Issuer, and the investors providing capital (i.e., lenders) are referred to as the Bondholders. Therefore, the bond is essentially a certificate serving as a proof of the Issuer’s indebtedness to the Bondholders.

Bonds may vary based on the type of issuer, currency of issuance, frequency of coupon, the bond structure and uses of the bond proceeds etc. (Types of Bonds would be discussed in the subsequent edition). However, regardless of the type/structure of bonds, they all have features or characteristics that are common.

The generic features of a Bond include the following:

- **Par/Face/Principal Value:** This refers to the nominal value of the bond. i.e., the amount that is payable to the Bondholder as principal repayment of investment in the bond. It is either payable as a lump sum on the maturity date of the bond or a part of periodic repayment by the issuer
- **Coupon:** This is the periodic interest amount payable by the issuer to investors/Bondholders during the life of the bond. It is determined based on the agreed coupon rate at the bond issuance and payable either quarterly, semi-annually or annually depending on the specification by the issuer at issuance

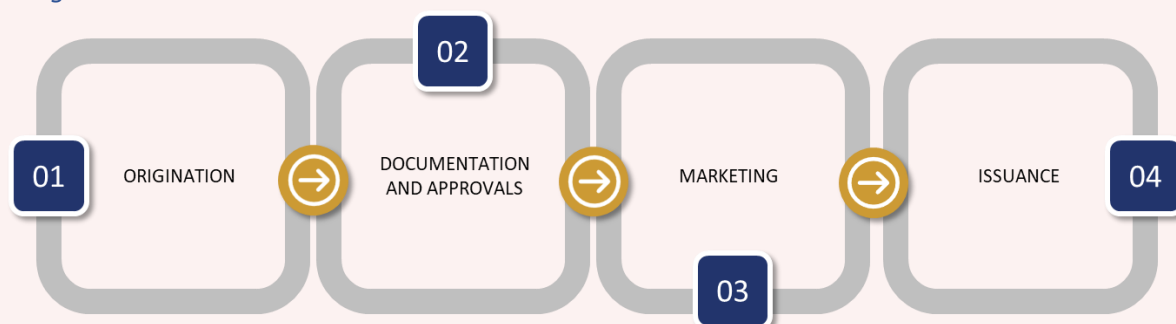


- **Tenor:** This is the length of time between the *issuance date* of the bond and its *maturity date*. The **Issuance Date** is the date on which the bond is issued to investors and interest begins to accrue on the bond. The **Maturity Date**, on the other hand, is the date on which the Bond Issuer repays all outstanding debt (principal value and coupon) to the Bondholders
- **Bond Rating:** Bond Rating is used to measure the credit quality of a bond. The ratings are issued by credit rating agencies such as Moody's, Fitch Ratings, Standard & Poor's, Agusto & Co. and provide evaluations of a Bond Issuer's financial strength and capacity to meet its debt obligations to the Bondholder

## How Bond is Issued

Bonds are typically issued in the primary market by governments, corporates and supranational institutions, seeking to raise capital in the financial market. The issuance process, is as follows:

Image 1: Bond Issuance Process



- **Origination:** During this phase, the prospective issuer approaches its bank or financial advisor on its capital needs and jointly, an assessment of the prospective issuer's financial status and the appropriateness of a bond under the market conditions (i.e., investors' appetite and general trend in interest rates) is conducted. This phase is typically concluded by the formal decision to proceed with the proposed issuance of the bond, as well as appointment of relevant parties to the bond issue
- **Documentation and Approvals:** This phase entails the preparation of the company for the planned bond issuance, and it involves the preparation of relevant legal and financial documents (Transaction documents) as well as obtaining regulatory approvals and credit ratings. This is usually the longest phase of the process
- **Marketing:** This phase involves the marketing and pitching of the bond to prospective investors via various means, including roadshows, presentations, emailing, etc. It is very important to provide as much relevant information about the issuer to prospective investors and to assess investors' appetite for the bond. The information gathered during this phase is critical to the determination of the actual time of issuance of the bond

- **Issuance:** This is the final phase of the process wherein the issuer, through its advisors, announces the offer of the bond to investors and formally proceeds to receive bids for investment in its bond. Bond issuances may be done via two (2) approaches:
  - a. **Auctions:** This is the process where investors indicate the value they intend to buy (bid) the bond, while the issuer determines the value of the bond using the bids placed by investors and issues the bonds to the investors
  - b. **Book Building:** This is the process where advisers to the issuer solicit for bids from investors who indicate the value and the price for which they want to buy the bond from the issuer.

Following the receipt of bids for the bond under one of the approaches above, the issuer, with the support of its advisers, allocates the bonds to successful investors.

After issuance in the primary market, a Bondholder (investor) may decide to sell its holdings in a bond issue before maturity. Consequently, the secondary market is where the original investors in a bond (during its issuance in the primary market) and other investors may buy or sell (monetise) the bond.

Unlike the primary market, where the proceeds of the bond issuance are received by the issuer, secondary market transactions do not usually involve the issuer and the exchange of cash for bonds, and vice versa, strictly between investors in the bond.

In the secondary markets, the bonds can either be sold over-the-counter (OTC) or on a Securities Exchange.

Key terms of a bond in the secondary market include:

- **Price:** This refers to the price investors are willing to pay for a bond. Bond prices are typically affected by demand and supply factors such as prevailing interest rates, amongst other factors
- **Yield to Maturity:** This is the total return expected to be earned on a bond if the bond is held to maturity by the investor, with all payments made as scheduled and reinvested at the same rate

### Benefits of the Bond Market

Some of the benefits of bond markets to an economy include the following:

- A bond market provides an alternative source of funding/capital for borrowers (deficit entities e.g., Government, corporates etc.) seeking to finance infrastructure development and capital-intensive projects. Conversely, it provides an alternative means of investment for investors (lenders or surplus entities – local or foreign) in an economy
- Increased participation in the bond market helps increase the contribution of the capital market to the gross domestic product of the economy
- The bond market is an excellent tool for investors and traders as it is the baseline for interest rates on different financial instruments

The bond market attracts foreign portfolio investors who are critical in supplementing the domestic savings levels and facilitate inflows of foreign financial resources into the domestic economy, thereby supporting economic growth.

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