



FMDQ SPOTLIGHT

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NEW STORIES

FMDQ Securities Exchange Limited Holds its 5th Annual Members' Induction Programme

In fulfilment of one of its Strategic Initiatives, which is to ensure that all FMDQ Securities Exchange Limited ("FMDQ Exchange" or the "Exchange")'s Registration Members' Authorised Representatives are appropriately onboarded, the Exchange conducted an Induction Programme ("the Programme") for Authorised Representatives of its Registration Members (Listings & Quotations).



FMDQ Securities Exchange Limited

Welcomes you to its

2022 INDUCTION PROGRAMME FOR REGISTRATION MEMBERS' AUTHORISED REPRESENTATIVES

| | | | |
|-----------------------------------|-------------------------|--|---|
| DATE September 28, 2022 | TIME 10:00 AM | VENUE  zoom |  |
|-----------------------------------|-------------------------|--|---|

SPEAKERS



Ms. Tumi Sekoni
Managing Director
FMDQ Securities Exchange Limited



Ms. Jumoke Olaniyan
Senior Vice President
Business Development
FMDQ Securities Exchange Limited



Mr. Ebenezer Nwoji
Vice President
Market Oversight
FMDQ Securities Exchange Limited



Mr. Oluwaseun Afolabi
Vice President
Market Architecture
FMDQ Securities Exchange Limited



Mr. Mahmud Muhtar
Divisional Head (Exchanges)
Securities and Exchange Commission
Nigeria

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 meg@fmdqgroup.com

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The Programme formally introduced the Registration Members' Authorised Representatives to FMDQ Exchange's markets and products in a bid to ensure they are adequately equipped to perform their respective functions within the Exchange's markets. The Programme also sensitised them on their roles and responsibilities within the FMDQ financial market ecosystem and provided guidance on regulatory compliance obligations. As part of its value add, the Programme featured a presentation by Mr. Mahmud Muhtar, Divisional Head (Exchanges), Securities and Exchange Commission, Nigeria, where participants were availed requisite information on the importance of governance and regulation in the debt capital markets.

Recognising its Members as critical stakeholders to the achievement of FMDQ Exchange's mandate of developing the Nigerian financial markets in collaboration with stakeholders, the Exchange shall continue to sensitise its Members and proactively work together to empower the financial markets for economic progress towards delivering prosperity.

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75th FX Futures Contract Matures and Settles on FMDQ Exchange

On Wednesday, September 28, 2022, the 75th FX Futures contract – NGUS SEP 28 2022, with a nominal value of \$647.87 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 \$58.24 billion; with a total of circa \$62.26 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-four (74) maturities, introduced a new contract, NGUS SEP 29 2027, for \$1.00 billion at \$/₦659.31 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 Limited

During the month of September, 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.

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 | July 2022 | August 2022 | Change (%) |
|-------------------|---|-----------|-------------|------------|
| Clearing | | | | |
| 1. | No. of Cleared Contracts | 5,788 | 5,830 | 0.73 |
| 2. | Value of Cleared Contracts (\$'bn) | 60.87 | 61.42 | 0.90 |
| 3. | Value of Open Contracts (as of August 31, 2022) (\$'bn) | 3.76 | 3.83 | 1.86 |
| Settlement | | | | |
| 4. | No. of Matured & Settled Contracts | 5,548 | 5,579 | 0.56 |
| 5. | Value of Matured & Settled Contracts (\$'bn) | 57.10 | 57.60 | 0.88 |

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

| S/N | Sovereign Fixed Income | July 2022 | August 2022 | Change (%) |
|-----|--|-----------|-------------|------------|
| 1. | Total Value of Trades Processed (₦'bn) | 2,890.45 | 4,117.21 | 42.44 |
| 2. | Value of Trades Settled (₦'bn) | 2,503.14 | 3,915.54 | 56.43 |
| 3. | Value of Unsettled Trades (₦'bn) | 387.31 | 201.67 | (47.93) |

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

| S/N | Non-Sovereign Fixed Income | July 2022 | August 2022 | Change (%) |
|-----|--|-----------|-------------|------------|
| 1. | Total Value of Trades Processed (₦'bn) | 6.60 | 8.31 | 25.91 |
| 2. | Value of Trades Settled (₦'bn) | 0.14 | 2.25 | 15.07 |
| 3. | Value of Unsettled Trades (₦'bn) | 6.46 | 6.07 | (6.04) |

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

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At a Glance: Update from FMDQ Depository Limited

As a strategically integrated Central Securities Depository, FMDQ Depository Limited (“**FMDQ Depository**”) complements the securities admission services offered by FMDQ Exchange and the clearing function discharged by FMDQ Clear, by offering market participants an unrivalled opportunity to experience enhanced straight-through-processing.

In September 2022, FMDQ Depository successfully admitted the following securities on its platform:

- Jilnas Nigeria Limited ₦2.87 billion Series 1 (Tranche A) and ₦0.23 billion Series 1 (Tranche B) Commercial Papers
- KSIP Funding SPV Limited ₦20.00 billion Private Company Bond
- FBNQuest Merchant Bank Limited ₦4.22 billion Series 5 Commercial Paper
- TrustBanc Holdings Limited ₦4.98 billion Series 11 Commercial Paper
- Infinity Microfinance Bank Limited ₦0.23 billion Series 1 Commercial Paper
- Parthian Partners Funding SPV PLC ₦10.00 billion Series 1 Fixed Rate Short-Term Bond
- Lekki Gardens Estate Limited ₦0.70 billion Series 1 (Tranche B) Commercial Paper

The securities admitted by 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](#)

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FMDQ LISTINGS & QUOTATIONS

FMDQ Exchange Approves ₦30.00 billion Commercial Paper Programme to Boost Agriculture

Access to capital remains a top priority for corporates, as capital is required to fund business expenditure, expansion aspirations and/or existing debt obligations, and the debt markets fulfil this funding requirement by availing competitive financing to corporates and governments. FMDQ Exchange, in furtherance of its commitment to the transformative development of the Nigerian debt markets, has approved the registration of the **Johnvents Industries Limited ₦30.00 billion Commercial Paper ("CP") Programme** on its platform, in September 2022.

Johnvents Industries Limited ("**Johnvents Industries**") is a wholly indigenous-owned agribusiness that provides modern information and communication tools, macro-loans, and farm inputs, such as seedlings and fertilisers, to support farmers and finance their businesses in Nigeria, via its subsidiaries – Johnvents Procurements, Johnvents Cocoa Factory and Johnvents AgriTrade. The CP Programme, which is sponsored by United Capital PLC – a Registration Member (Quotations) of FMDQ Exchange, will avail the Issuer, Johnvents Industries, the opportunity to raise short-term finance from the Nigerian debt markets through CP issuances within the Programme limit.

As Nigeria's largest securities exchange by market turnover, FMDQ Exchange will continue to provide a liquid, transparent and efficient market geared towards supporting the aspirations of corporates, such as Johnvents Industries, to unlock the required capital to bridge the funding gap in Nigeria's agriculture sector.

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FMDQ Exchange Admits the LFZC Funding SPV PLC ₦25.00 billion 20-Year Infrastructure Bond

In another historic feat, Nigeria's largest securities exchange by market turnover, FMDQ Exchange, has listed the LFZC Funding SPV PLC ₦25.00 billion Series 2 Fixed Rate Bond under its ₦50.00 billion Bond Issuance Programme on the Exchange's Platform. This issuance, by LFZC Funding SPV PLC ("**LFZC SPV**" or the "**Issuer**"), has broken a record as the corporate bond issued with the longest tenor - 20 years - in the Nigerian debt markets.

LFZC SPV is a special-purpose vehicle set up by Lagos Free Zone Company to raise finance through the listing of debt securities, which would be used to boost its business expansion exercise and to restructure the company's debts over a specified period. The Lagos Free Zone, covering an area of eight hundred and thirty (830) hectares, is the first private sector-led initiative in Nigeria.

To commemorate this notable event, FMDQ Exchange hosted the Issuer, Lagos Free Zone Company, represented by the Chief Executive Officer, Mr. Dinesh Rathi and other representatives of Lagos Free Zone Company. Also present at the Ceremony were the sponsors of the issue and Registration Member (Listings) of FMDQ Exchange – Stanbic IBTC Capital Limited, FCMB Capital Markets Limited and FSDH Capital Limited, as well as other parties to the issue.

Ms. Tumi Sekoni, Managing Director, FMDQ Exchange, whilst welcoming the guests, congratulated the Issuer and went on to express FMDQ Exchange's pleasure at the listing of the LFZC SPV bond on its platform, , stating that this is yet another highly exemplary and indeed, positive step towards addressing some of the infrastructural challenges in the nation. She further stated that FMDQ Exchange, being an Exchange with a passion for infrastructure and sustainable development in Nigeria, has again demonstrated its unflinching commitment in this regard by providing due diligence and availing its credible and efficient platform for the listing and trading of debt securities.

Mr. Dinesh Rathi, whilst delivering the special address, stated "this is a milestone transaction for us at Lagos Free Zone Company and it is a testament to the capacity of the Nigerian debt markets as a veritable source of domestic capital for infrastructural development in Nigeria. The response to this bond programme further strengthens our commitment to realise our vision and thereby enhance Nigeria's competitive positioning with our continuous focus on Ease of Doing Business parameters and world class infrastructure, embedded with all modern facilities. We are particularly excited by the confidence demonstrated by Pension Fund Managers and other institutional investors at this milestone issuance, and we appreciate the team at Infrastructure Credit Guarantee Company Limited ("**InfraCredit**"), Stanbic IBTC Capital Limited and other parties to the transaction for this novel structure, which helps to de-risk the transaction and aligns the interest of different stakeholders."

Delivering the sponsor's remarks, Stanbic IBTC Capital Limited, on behalf of the other sponsors to the listing, through its Chief Executive, Mr. Funso Akere, mentioned that "Stanbic IBTC Capital, FCMB Capital Markets Limited, FSDH Capital Limited and Radix Capital Partners are delighted to have acted as Issuing Houses to LFZC SPV's ₦25.00 billion 13.25% 20-year Infrastructure bond issuance, which is the second issuance under its ₦50.00 billion bond issuance programme. The Series 2 Bond Issuance was 139.00% subscribed and attracted wide participation from pension funds who have a growing demand for quality long-dated debt instruments. The success of the transaction demonstrates investors' confidence in Lagos Free Zone Company and the free zone's impact on socio-economic and industrial development in Nigeria. We expect this should encourage other corporates to tap the domestic capital markets to raise local currency funding for viable infrastructure projects."

According to Mr. Chinua Azubike, Chief Executive Officer, InfraCredit, guarantor to the bond "this is yet another milestone transaction, and we are pleased to have supported the successful issuance of

this Series 2 Bond following the maiden issuance in 2021. The success of special economic zones in Nigeria is critical to accelerating industrialisation, attracting local and foreign direct investment, job creation, and inclusive growth, however one key barrier we have unlocked with our guarantee, is enabling companies like Lagos Free Zone Company access up to twenty (20) year local currency finance from domestic pension funds at scale to match the long-term lifecycle of infrastructure investment needed to develop these zones, it is evident that local pension fund investors are playing an important role in supporting private sector led infrastructure development in Nigeria.

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FMDQ Exchange Welcomes the Union Bank of Nigeria PLC Commercial Paper Programme to its Platform

Nigeria's largest securities exchange by market turnover, FMDQ Exchange, has once again demonstrated operational excellence in the processing and approval of the registration of the Union Bank of Nigeria PLC ₦100.00 billion CP Programme, on the Exchange platform in September 2022. This registration will bring the total number of securities admitted on FMDQ Exchange to one hundred and ten (110) with a total market value of ₦3.36 trillion.

Union Bank of Nigeria PLC ("Union Bank") is one of Nigeria's long-standing banking institutions that offers a portfolio of banking services to individuals, small and medium-scale enterprises, commercial and corporate clients. The registration of this CP Programme, which is sponsored by UCML Capital Limited (Lead Sponsor), Standard Chartered Capital & Advisory Nigeria Limited and Renaissance Securities (Nigeria) Limited – all Registration Member (Quotations) of FMDQ Exchange, tactically positions Union Bank to raise short-term finance from the Nigerian debt markets easily and quickly at a time in the future it determines suitable, through CP issues, within the CP Programme limit.

In support of its mandate to deepen the Nigerian financial markets, FMDQ Exchange will continue to support the efficient allocation of capital by providing a credible platform for capital formation and effective intermediation towards fostering economic growth and development. The Exchange will continue to fulfil its market development, organiser, and governance mandates, by providing a cost-effective, efficient, well-regulated, transparent, and trusted platform where the raising and transfer of capital can take place, whilst adding value to its diverse stakeholder groups.

Coleman Technical Industries Limited Quotes Additional Commercial Papers on FMDQ Exchange

FMDQ Exchange through consistent collaboration with its stakeholders, continues to deepen and effectively position the Nigerian debt markets for growth in support of the realisation of a globally competitive and vibrant economy. In keeping to its commitment of providing a reliable and credible platform to support capital formation, FMDQ Exchange is pleased to announce the quotation of the Coleman Technical Industries Limited ₦2.51 billion Series 5 and ₦7.50 billion Series 6 CPs under its ₦20.00 billion CP Issuance Programme on the Exchange Platform.

Coleman Technical Industries Limited ("**Coleman**" or the "**Issuer**") is West Africa's largest producer and distributor of electrical wires and cables. The quotation of these CPs, sponsored by Coronation Merchant Bank Limited (Lead Sponsor), Afrinvest Capital Limited, CardinalStone Partners Limited, FSDH Capital Limited and SFS Financial Services Limited - all Registration Member (Quotations) of FMDQ Exchange, strategically positions the Issuer to raise short-term finance easily and quickly from the Nigerian debt markets. The Issuer will also benefit from FMDQ Exchange's diversified market stakeholders, its highly responsive and efficient listing and quotation processes, and credible benchmark pricing required for appropriate portfolio valuation, amongst others.

Speaking on the successful issuance of the CPs, the Managing Director/Chief Executive Officer, Coleman Technical Industries Limited, Mr. George Onafowokan, stated "we are delighted to have successfully concluded our series 5 & 6 CP issuance in the Nigerian debt markets. The issuance comes at a positive time for Coleman, on the heels of a strong 2022 first half earnings and continuing success in our capital management program. Diversifying our funding sources with this CP issuance at a competitive rate will further enable us to achieve our strategic objectives. We are pleased by the success of the CP issuance and grateful to the investor community for supporting the transaction."

Also, the Chief Executive Officer, Coronation Merchant Bank Limited, Mr. Banjo Adegbohunge, stated "we are pleased to have supported Coleman Technical Industries Limited, in this largest commercial paper issuance by a cable and wires company in Nigeria. This issuance underscores the critical role of the Nigerian financial market in providing funding to the private sector for sustainable development. This collaboration is in line with our commitment to add value to our customers and to enable them achieve their strategic goals. We thank the board and management of Coleman for their commitment and dedication throughout the process, and the investing community for supporting the issue."

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FMDQ Exchange Supports Infrastructure Development with the Registration of Julius Berger Nigeria PLC Commercial Paper Programme

FMDQ Exchange, the largest securities exchange in Nigeria by market turnover, through its Board Listings and Markets Committee, has approved the registration of the **Julius Berger Nigeria PLC ₦30.00 billion CP Programme** on the Exchange. This feat demonstrates FMDQ Exchange's positioning as the preferred platform for debt securities, and further reinforces the Exchange's commitment to enhancing access to capital for infrastructure development for the good of the Nigerian economy at large, through its credible and transparent platform.

Julius Berger Nigeria PLC ("**Julius Berger**" or the "**Issuer**") is a leading Nigerian company offering holistic services such as planning, design, engineering, construction, operation and maintenance of buildings, infrastructure and industry projects. The CP Programme, which is sponsored by Stanbic IBTC Capital Limited (Lead Sponsor) and FCMB Capital Markets Limited – both Registration Member (Quotations) of FMDQ Exchange, will avail the Issuer, the opportunity to raise short-term finance from the Nigerian debt markets through CP issuances within the Programme limit.

The Managing Director, Julius Berger, Dr. Lars Richter, commented on the successful CP Programme registration, stating "Julius Berger is pleased to have completed the establishment of its ₦30.00 billion CP Issuance Programme on FMDQ Exchange. The establishment of the CP Programme will enhance Julius Berger's long-term strategy to boost financial flexibility and strengthen its competitive advantage in the construction sector. Issuance of commercial papers will support the Company's short-term capital and funding requirements, enabling the Company diversify funding sources and unlock more value for stakeholders."

Equally speaking on the significance of the successful issuance, the lead sponsor of the CP Programme and a Registration Member (Quotations) of the Exchange, Stanbic IBTC Capital Limited, represented by its Chief Executive, Mr. Funso Akere, said "Stanbic IBTC Capital Limited is pleased to have advised Julius Berger on the establishment of its inaugural ₦30.00 billion CP Issuance Programme, which will enable it access competitively priced short-term funding from institutional investors. Julius Berger plans to issue CPs on various tenors under the Programme in order to optimise its funding costs and diversify its funding sources."

Also, the co-sponsor of the CP Programme, FCMB Capital Markets Limited, through the Head, Debt Solutions, Mr. Ikehukwu Omeruah, stated "FCMB Capital Markets Limited is pleased to have acted as co-sponsor to the registration of Julius Berger's debut CP Programme on FMDQ Exchange. Julius Berger is a household name in the Nigerian lexicon, playing a prominent role in the development of the country's infrastructure. The establishment of the CP Programme provides a platform for the Company to diversify sources of debt funding to include non-bank investors, thereby increasing resources available for strategic planning while also reducing average cost of borrowing."

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Jilnas Nigeria Limited Joins Other Corporate Issuers to Quote Commercial Papers on FMDQ Exchange

Committed to developing the Nigerian debt markets by providing a reliable and credible platform to support capital formation, FMDQ Exchange, Nigeria's largest securities exchange by market turnover, through its Board Listings and Markets Committee, has approved the quotation of the **Jilnas Nigeria Limited ₦2.87 billion Series 1 (Tranche A) and ₦0.23 billion Series 1 (Tranche B) CPs under its ₦5.00 billion CP Issuance Programme** on its platform. The successful admittance of these CPs continues to validate FMDQ Exchange as the preferred platform for the registration, listing and quotation of debt securities in the Nigerian financial markets, and lays credence to the innovation, efficiency, and operational excellence for which the Exchange is highly reputed for.

Jilnas Nigeria Limited (the “**Issuer**”) is an indigenous company engaged in the production of edible vegetable oil through extraction, refining, bleaching and deodorising/de-acidification. The Jilnas Nigeria CPs, which are sponsored by Boston Advisory Limited (Lead Sponsor) and United Capital PLC, both Registration Member (Quotations) of FMDQ Exchange, will be used by the Issuer for its general corporate purposes and short-term funding requirements.

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.

FMDQ Group PLC 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 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, Central Bank of Nigeria (“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 - August 2022)

| Product Category | (N'mm) | (\$'mm) |
|----------------------------------|--------------------|----------------|
| Foreign Exchange | 22,962,152 | 54,640 |
| Foreign Exchange Derivatives | 16,989,152 | 40,420 |
| Treasury Bills | 9,438,254 | 22,443 |
| OMO Bills | 20,667,821 | 49,226 |
| CBN Special Bills | 14,885,251 | 35,323 |
| FGN Bonds | 9,544,284 | 22,808 |
| Promissory Notes | 1,000 | 2 |
| Other Bonds* | 10,682 | 26 |
| Eurobond | 286,659 | 681 |
| Repurchase Agreements/Open Repos | 36,045,829 | 85,569 |
| Unsecured Placements/Takings | 913,658 | 2,174 |
| Money Market Derivatives | 4,123 | 10 |
| Commercial Papers | - | - |
| Total | 131,748,864 | 313,321 |

| | | |
|------------------------|---------|-------|
| No. of Business Days | 162 | 162 |
| Average Daily Turnover | 813,265 | 1,934 |

Average YTD \$/N @421.21

mm – million

* Other Bonds include Agency, Sub-national, Corporate & Supranational Bonds

Note: Figures may be subject to change due to potential adjustments from Dealing Member (Banks) or CBN

Source: FMDQ Data Portal as @ September 9, 2022; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the Jan. – Aug. 2022 period amounted to ₦131.75 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 30.32% of overall market turnover. Repurchase Agreements (Repos) accounted for 27.36%, whilst transactions in OMO Bills accounted for 15.69%. CBN Special Bills, Bonds, T.bills and Unsecured Placements & Takings accounted for 11.30%, 7.47%, 7.16% and 0.70% of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January - August 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 1st, 2nd, and 3rd positions respectively, based on value traded for the review period. The top ten (10) Dealing Member (Banks) accounted for 77.15% (₦101.64 trillion), while the top three (3) accounted for 43.42% (₦57.21 trillion) of the overall turnover of trades in the secondary market.

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Introduction to Bonds 2 – Types of Bonds

In the first edition of this Series, we discussed the generic features of bonds. These features, such as the face value, coupon, tenor etc., are common to all types of bonds. Subsequently, we discussed the bond issuance process. ([Click here to view previous article](#)).

This edition captures the different types of bonds there are. Bonds may be categorised based on various classification schemes. These categories/classifications are as detailed below:

1. Classification by Type of Issuer

As stated earlier, bonds are used by governments and corporate institutions to fund capital projects and other financing needs.

- **Government Bonds:** These are issued by various arms of government in a country to raise funds for capital projects and other financing needs. They include Sovereign Bonds - issued by the central or federal government; and Subnational/Municipal Bonds issued by regional, state, and local government authorities within a country
- **Corporate Bonds:** These are issued by public and private companies to finance capital projects and long-term capital needs. They are issued by companies looking to raise long-term capital but do not want to raise equity
- **Supranational Bonds:** These are issued by large multilateral corporations or institutions focused on specific economic, social, and humanitarian development objectives to meet their financing needs. These multilateral corporations or institutions are usually international entities which either finance corporations in multiple countries or projects directly, in line with their objectives e.g. African Development Bank

2. Classification by Currency of Issuance

This categorisation of Bonds focuses on the currency denomination of the bond and results in the classification of bonds into two (2) main categories, and they are:

- **Local Currency Bonds:** These are bonds that are issued in the domestic currency of the bond Issuer. For example, a Nigerian institution issuing a naira denominated bond
- **Foreign Currency Bonds:** These are bonds that are issued in a currency different from the Bond Issuer's domestic currency. For example, a Nigerian institution issuing a dollar

denominated bond. Examples of these bonds are Foreign Bonds, Eurobonds, and Global Bonds

3. Classification by Type of Coupon

Bonds may also be classified based on the type/nature of coupon payable on the bonds. The key types of bonds under this classification are:

- **Fixed Rate Bonds:** These are bonds which pay a fixed amount in coupon throughout the life of the bond. Their coupon rates are fixed at issuance and not adjusted; hence the Issuer pays the same amount in coupons until maturity
- **Floating Rate Bonds:** These are bonds which pay a variable amount in coupon throughout the life of the bond. The variable amount of coupon is due to the coupon rate being determined based on a variable rate or reference/benchmark rate such as inflation
- **Zero Coupon Bonds:** These are bonds that do not pay regular interest during the life of the bond. Interest is paid at maturity only. These bonds are purchased at a discount, less than its par value and redeemed at its full-face value. For example, Company A issues a zero-coupon bond at 10.00%. The Bondholder purchases the bond for 90.00% of its nominal value and receives 100.00% of its nominal value at maturity of the bond

4. Classification by Bond Structure

Bonds may be classified based on their structure. Key types of bonds under this classification include:

- **Bonds with Embedded Options (i.e., Callable and Puttable Bonds):** These bonds have embedded options for the early repayment of the bond's principal by the Issuer or early redemption of the principal by the investors (thereby shortening the tenor of the bond). Such bonds are either **Callable Bonds**, which grant the Issuer the right to repay the bond's principal to investors partially or in full, or **Puttable Bonds** which grant the Bondholders/investors the right to redeem their investment and receive their principal before maturity
- **Option-Free Bonds (i.e., Plain Vanilla Bonds):** This is the most common type of bond issued in financial markets. They are fixed rate bonds without any embedded options for early repayment by the Issuer or early redemption by the investors
- **Convertible Bonds:** These are bonds which give the Bondholders the right to convert the bonds into predetermined number of shares of the issuer thereby converting such investment from a fixed income to an equity investment
- **Inflation-Protected Bonds:** These bonds periodically adjust the principal of the bond for inflation. They help protect Bondholders from capital erosion due to time-value of money which investors in fixed rate (plain vanilla) bonds must contend with



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- **Bullet Bonds:** A bullet bond is a bond whose entire principal value is paid in one lump sum on the maturity date
- **Amortised Bond:** This is a bond whose payment schedule requires periodic payment of both interest and principal. This differs from a bullet bond, whose entire payment of principal occurs at maturity. The amortised bond's outstanding principal amount is reduced to zero by the maturity date for a fully amortised bond, but a balloon payment is required at maturity to retire the bond's outstanding principal amount for a partially amortised bond

5. Classification by Use of Bond Proceeds

Bonds may also be classified based on the use of proceeds by the issuer. Key types of bonds under this classification include:

- **Traditional Bonds** are bonds that are issued to finance capital projects or other financing needs of the Bond Issuer
- **Sustainability Bonds** are bonds where the proceeds are exclusively applied to finance climate, environmental and social projects. The use of proceeds is typically predetermined and specified by the Bond Issuer. Examples of these bonds are green bonds and blue bonds

6. Classification by Use of Bond Prices

Bonds may also be classified based on the prices of the bonds. *Bond pricing will be discussed in the subsequent edition.* Key types of bonds under this classification include:

- **Par Bond** - A Bond is said to be at par where the bond trades at its face value. In this case, the coupon rate is identical to the market interest rate i.e., Yield to Maturity ("YTM")
- **Premium Bond** - In this case, the coupon rate is higher than the YTM. i.e., the bondholder is receiving returns (coupon payments) higher than the YTM. This implies that an investor would be willing to purchase the bond at a premium to its face value because its coupon return is higher than the current YTM. In other words, the bond is generating a return higher than the market interest rate and, therefore, investors are willing to purchase the bond at a premium
- **Discount Bond** - In this case, the coupon rate is lower than the YTM. This implies that an investor would be willing to purchase the bond at a discount to its face value in order to receive the par value of the bond at maturity, even though the bondholder initially paid an amount that is less than the bond's par value

It is noteworthy that the YTM is inversely proportional to the price of the bond. The higher the YTM the lower the price and vice versa. This is because most bonds pay a predetermined coupon (interest rate) that becomes more attractive if current interest rates fall, driving up the demand and the price of the bond, and vice-versa.

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