



FMDQ SPOTLIGHT

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NEW STORIES

79th FX Futures Contract Matures and Settles on FMDQ Exchange

On Wednesday, January 25, 2023, the 79th FX Futures contract – NGUS JAN 25 2023, with a nominal value of \$217.19 million, matured and settled on FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**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 \$59.49 billion; with a total of circa \$63.87 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 the 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-eight (78) maturities, introduced a new contract, NGUS JAN 26 2028, for \$1.00 billion at \$/₦696.58 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](#)

Update on Clearing and Settlement Activities

FMDQ Clear continued to offer bespoke risk management services to de-risk the Nigerian financial markets by eliminating inherent counterparty risks, delivering capital and cost efficiencies to its Members, and facilitating settlement finality across all cleared 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	November 2022	December 2022	Change (%)
Clearing				
1	No. of Cleared Contracts	5,946	5,969	0.39
2	Value of Cleared Contracts (\$'bn)	63.12	63.57	0.70
3	Value of Open Contracts (as of December 31, 2022) (\$'bn)	4.00	4.29	7.33
Settlement				
4	No. of Matured & Settled Contracts	5,663	5,674	0.19
5	Value of Matured & Settled Contracts (\$'bn)	59.12	59.28	0.25

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

S/N	Sovereign Fixed Income	November 2022	December 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	8,250.12	19,180.40	132.49
2	Value of Trades Settled (₦'bn)	7,359.90	9,435.02	28.2
3	Value of Unsettled Trades (₦'bn)	890.22	9,745.38	994.72

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

S/N	Non-Sovereign Fixed Income	November 2022	December 2022	Change (%)
1	Total Value of Trades Processed (₦'bn)	8.46	1.37	(83.81)
2	Value of Trades Settled (₦'bn)	7.46	1.32	(82.31)
3	Value of Unsettled Trades (₦'bn)	1.00	0.05	(95.00)

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

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Update on Admitted Securities on FMDQ Depository

FMDQ Depository Limited (“**FMDQ Depository**”), as a credible and effective Depository in the Nigerian debt markets, offering differentiated services, continued its operations of responsive and unparalleled settlement services for fixed income securities trades with zero incidences of failed settlement cycles and zero settlement default attributable to the Company’s technology platforms, operational and risk management framework.

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

- Highway Infrastructure SPV Limited ₦65.00 billion Series 1 Short Term Bond
- MTN Nigeria Communications PLC ₦10.09 billion Series 1 (Tranche A) and ₦104.91 billion Series 1 (Tranche B) Fixed Rate Bonds
- Mecure Industries Limited ₦2.21 billion Series 5 Commercial Paper
- Capitalsage Technology Limited ₦1.02 billion Series 2 Commercial Paper
- Skymark Partners Limited ₦1.41 billion Series 7 Commercial Paper

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

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The Nigerian Commercial Paper (“CP”) market continues to provide corporate and commercial businesses across the various sectors of the Nigerian economy, an avenue for the generation of short-term funding to meet their needs. In keeping with its mandate to continuously enhance its service offerings and generate long-term value for its stakeholders in the Nigerian debt markets, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the quotation of the **Mixta Real Estate PLC ₦0.60 billion Series 12 and ₦2.21 billion Series 13 CPs under its ₦25.00 billion CP Issuance Programme** on the Exchange Platform.

Mixta Real Estate PLC (“**Mixta**”), a subsidiary of Mixta Africa, is a leading real estate development company in Nigeria. Mixta has a strong track record and diverse real estate portfolio, with operations spanning the residential, commercial, and retail sectors of the Nigerian real estate industry. Mixta has successfully developed well over five thousand (5,000) properties spanning across affordable homes, luxury residences, commercial projects and continues to seek innovative solutions to activate development finance for affordable housing in Nigeria. The net proceeds from the CPs, which are sponsored by FBNQuest Merchant Bank Limited, a Registration Member (Quotations) of FMDQ Exchange, will be utilised by the Issuer to support its short-term working capital and funding requirements.

As an Exchange with a commitment to facilitate growth and development in the Nigerian debt markets and the economy at large, FMDQ Exchange shall sustain its efforts in supporting Issuers with tailored financing options to enable them to achieve their strategic objectives, while also deepening and effectively positioning the Nigerian debt markets for growth, in support of the realisation of a globally competitive and vibrant economy.

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FMDQ Exchange Admits Valency Agro Nigeria Limited Series 14 and 15 Commercial Papers on its Platform

Despite the contribution to the economy, Nigeria's agricultural sector faces many challenges which impact on its productivity, causing corporates operating within the sector to explore viable means of raising capital to sustain operations and deliver value to their customers. These challenges include worsening insecurity, climate change, poor land tenure system, high production cost and poor distribution of inputs, limited financing, poor access to markets, amongst others, The Nigerian debt markets continue to stand as a sustainable financing option as it provides 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, Nigeria's largest securities exchange by market turnover, approved quotation of the **Valency Agro Nigeria Limited ₦0.16 billion Series 14 and ₦0.70 billion Series 15 CPs under its ₦20.00 billion CP Programme** on its platform. Valency Agro Nigeria Limited ("Valency Agro" or the "Issuer") is a subsidiary of Valency International Pte Limited – an international commodity trading house with presence in over fifteen (15) countries – that deals in the sourcing, production, and trading of agro and consumer food products. The net proceeds from these CPs, which are sponsored by FBNQuest Merchant Bank Limited (Lead Sponsor), Coronation Merchant Bank Limited and Nova Merchant Bank Limited (Co-Sponsors) – all Registration Members (Quotations) of FMDQ Exchange, will be used by the Issuer for its short-term financing requirements.

The quotation of these CPs reiterates the efforts of the Exchange to project the debt markets as the key source of finance for the agriculture sector in Nigeria. 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.

Veritasi Homes & Properties Limited Taps the Commercial Paper Market... Quotes Commercial Papers on FMDQ Exchange

FMDQ Exchange, once again demonstrated its commitment in enhancing access to capital for real estate development for the good of the Nigerian economy at large. FMDQ Exchange, through its Board Listings and Markets Committee approved the quotation of the **Veritasi Homes and Properties Limited ₦0.70 billion Series 4 (Tranche A) and ₦2.77 billion Series 4 (Tranche B) CPs under its ₦10.00 billion CP Programme** on its platform.

Veritasi Homes & Properties Limited (“**Veritasi**” or the “**Issuer**”) is a premium real estate company providing marketing, advisory and developmental services across the real estate value chain in Nigeria. The company’s vision is to be a world-class real estate development company driven by value innovation and optimum service to deliver affordable homes. The quotation of these CPs, sponsored by Mega Capital Financial Services Limited – a Registration Member (Quotations) of FMDQ Exchange, strategically positions the Issuer to raise short-term finance easily and quickly from the Nigerian debt markets. 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.

In accordance with its strategic objectives to provide credible market structures to corporate and commercial businesses with the opportunities to meet their short-term funding requirements, FMDQ Exchange will continue to provide a liquid, transparent and efficient market geared towards supporting the aspirations of corporates, such as Veritasi, to unlock the required capital to bridge the funding gap in Nigeria’s real estate sector.

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FMDQ Exchange Supports Infrastructure Development with the Listing of Family Homes Sukuk Issuance Program PLC Ijarah Sukuk

Coming shortly on the heels of the quotation of the Veritasi Homes and Properties Limited CPs, FMDQ Exchange once again demonstrated its commitment in enhancing access to capital for infrastructure development for the good of the Nigerian economy at large. To this end, FMDQ Exchange is pleased to announce and welcome the listing of the Family Homes Sukuk Issuance Program PLC ₦20.00 billion Series 2 Ijara Lease Sukuk under its ₦30.00 billion Sukuk Issuance Programme on its platform.

Family Homes Sukuk Issuance Program PLC (“**Family Homes**” or the “**Issuer**”) is a body incorporated under Family Homes Funds Limited for the purpose of raising finance through debt markets. Family Homes Funds Limited is a social housing initiative promoted by the Federal Government of Nigeria as part of its Social Intervention Programme with initial shareholding by the Federal Ministry of Finance and the Nigeria Sovereign Investment Authority. The net proceeds from this Sukuk listing, which is sponsored by Chapel Hill Denham Advisory Limited, a Registration Member (Listings) of the Exchange, will be used by the Issuer to finance and develop affordable homes for low-income earners.

As a catalyst for infrastructure development, the listing of the Sukuk on FMDQ Exchange’s platform demonstrates its commitment to projecting the debt markets as the key source of finance for

infrastructure growth. The Exchange will continue to promote credibility for securities admitted on its platform, through its highly efficient Securities Admission 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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Zedcrest Capital Limited Joins FMDQ Exchange's Thriving Commercial Paper Market

Access to capital remains a top priority for corporates, as it is required to fund business expenses, expansion aspirations and existing debt obligations. The debt markets satisfy this requirement by providing sustainable and efficient financing through access to capital, thereby helping corporates diversify their funding. FMDQ Exchange, through its listing and quotation service, continues to enable corporates to tap the Nigerian debt markets by providing uninterrupted access to a credible and robust platform which allows for capital raising, risk management and transfer of value.

In furtherance to this commitment, FMDQ Exchange is pleased to welcome the **registration of the Zedcrest Capital Limited ₦15.00 billion CP Programme** on its platform, following the approval of the Board Listings and Markets Committee. Zedcrest Capital Limited (the “**Issuer**”), a subsidiary of Zedcrest Group Limited, is a proprietary & capital management firm investing in debt & equity capital markets, business acquisitions and buyouts. The successful registration of this CP Programme, which is sponsored by Cardinal Stone Partners Limited – 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, 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.

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 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) CPs 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 Exchange Market Turnover (January – December 2022)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	36,939,168	86,136
Foreign Exchange Derivatives	27,678,533	64,555
Treasury Bills	16,424,862	38,211
OMO Bills	31,886,137	74,556
CBN Special Bills	19,004,302	44,610
FGN Bonds	13,981,136	32,770
Promissory Notes	1,000	2
Other Bonds*	15,182	36
Eurobond	446,429	1,043
Repurchase Agreements/Open Repos	52,346,800	122,366
Unsecured Placements/Takings	1,148,088	2,701
Money Market Derivatives	13,929	32
Commercial Papers	200	0
Total	199,885,765	467,019
No. of Business Days	248	248
Average Daily Turnover	805,991	1,883

Average YTD \$/₦ @421.98

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)

Source: FMDQ Data Portal as @ January 6, 2022; Figures are reported by Dealing Member (Banks) on a week-ending basis



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The total turnover for the Jan. – Dec. 2022 period amounted to ₦199.89 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 32.33% of overall market turnover. Repurchase Agreements (Repos) accounted for 26.19%, whilst transactions in OMO Bills accounted for 15.95%. CBN Special Bills, Bonds, T.bills, Eurobonds and Unsecured Placements & Takings accounted for 9.51%, 7.00%, 8.22%, 0.22% and 0.58%, of overall market turnover.

FMDQ Dealing Member (Banks) League Table (January – December 2022)

The FMDQ Exchange Dealing Member (Banks) League Table shows the rankings of the top ten (10) Dealing Member (Banks) in the FMDQ Exchange markets by overall market turnover, respectively.

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	STANDARD CHARTERED BANK NIGERIA LIMITED
9	STERLING BANK PLC
10	FIRST CITY MONUMENT BANK LIMITED

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 74.51% (₦222.31 trillion), while the top three (3) accounted for 40.80% (₦121.74 trillion) of the overall turnover of trades in the secondary market.

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FMDQ Exchange Fixed Income Primary Markets Sponsors' League Table (January – December 2022)

The FMDQ Exchange Fixed Income Primary Markets Sponsors' League Table shows the rankings of sponsors of fixed income securities (excluding FGN Bonds and T.bills) on FMDQ Exchange. The Registration Member (Listings) ("RMLs") and Registration Member (Quotations) ("RMQs") (collectively referred to as "Registration Members" or "RMs") are FMDQ Exchange's authorised Sponsors of securities listed and quoted on the Exchange.

RANK	BONDS	RANK	COMMERCIAL PAPERS (CP)
	REGISTRATION MEMBER (LISTINGS) (RMLs)		REGISTRATION MEMBER (QUOTATIONS) (RMQs)
1 st	Standard Chartered Capital & Advisory Nigeria Limited	1 st	Stanbic IBTC Capital Limited
2 nd	Stanbic IBTC Capital Limited	2 nd	FBNQuest Merchant Bank Limited
3 rd	United Capital PLC	3 rd	Coronation Merchant Bank Limited
4 th	FCMB Capital Markets Limited	4 th	FSDH Capital Limited
5 th	Quantum Zenith Capital & Investments Limited	5 th	UCML Capital Limited
6 th	Vetiva Capital Management Limited	6 th	Standard Chartered Capital & Advisory Nigeria Limited
7 th	FBNQuest Merchant Bank Limited	7 th	Chapel Hill Denham Advisory Limited
8 th	Coronation Merchant Bank Limited	8 th	United Capital PLC
8 th	Meristem Capital Limited	9 th	FCMB Capital Markets Limited
8 th	Ecobank Development Company Limited	10 th	EAC Advisory Limited
8 th	Absa Capital Markets Nigeria Limited	11 th	NOVA Merchant Bank Limited
8 th	Rand Merchant Bank Nigeria Limited	12 th	CardinalStone Partners Limited
8 th	Futureview Financial Services Limited	13 th	Afrinvest Capital Limited
9 th	Chapel Hill Denham Advisory Limited	14 th	FSDH Merchant Bank Limited
10 th	FSDH Capital Limited	15 th	Renaissance Securities Nigeria Limited
11 th	CardinalStone Partners Limited	16 th	Boston Advisory Limited
12 th	Planet Capital Limited	17 th	Rand Merchant Bank Nigeria Limited
13 th	Renaissance Securities Nigeria Limited	18 th	SFS Financial Services Limited
14 th	Greenwich Merchant Bank Limited	19 th	Cordros Capital Limited
		20 th	Kairos Capital Limited
		21 st	Qualinvest Capital Limited
		22 nd	Mega Capital Financial Services Limited
		23 rd	DLM Advisory Limited
		24 th	Constant Capital Markets & Securities Limited
		25 th	Radix Capital Partners Limited
		26 th	Quantum Zenith Capital & Investments Limited
		27 th	Vetiva Capital Management Limited
		28 th	SCM Capital Limited

Total Market Participation Analysis Full-Year 2022 (Bond and CP markets)

The top three (3) Sponsors were (in order) Stanbic IBTC Capital Limited, Standard Chartered Capital & Advisory Nigeria Limited and FBNQuest Merchant Bank Limited contributing 32.00% to total issuances in the bonds and CP categories for the review period. In the bond market, the top three (3) Sponsors were Standard Chartered Capital & Advisory Nigeria Limited, Stanbic IBTC Capital Limited and United Capital PLC. In the CP market, the top three (3) Sponsors were Stanbic IBTC Capital Limited, FBNQuest Merchant Bank Limited and Coronation Merchant Bank Limited.

Fixed Income Primary Markets Solicitors' League Table (January – December 2022)

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

RANK	BONDS SOLICITORS	RANK	COMMERCIAL PAPERS (CP) SOLICITORS
1 st	<i>Olaniwun Ajayi LP</i>	1 st	<i>Aluko & Oyebode</i>
2 nd	<i>Aluko & Oyebode</i>	2 nd	<i>Udo Udoma & Belo-Osagie</i>
3 rd	<i>The New Practice</i>	3 rd	<i>Banwo & Ighodalo</i>
4 th	<i>Templars</i>	4 th	<i>G. Elias & Co.</i>
5 th	<i>Banwo & Ighodalo</i>	5 th	<i>The New Practice</i>
6 th	<i>G. Elias & Co.</i>	6 th	<i>Olaniwun Ajayi LP</i>
7 th	<i>Sefton Fross</i>	7 th	<i>Advocaat Law Practice</i>
8 th	<i>Duale, Ovia & Alex Adedipe</i>	8 th	<i>Detail Commercial Solicitors</i>
8 th	<i>Metropolitan Law Firm</i>	9 th	<i>Sefton Fross</i>
9 th	<i>OAKE Legal</i>	10 th	<i>TOLG Advisors</i>
		11 th	<i>Africa Law Practice NG & Company</i>
		12 th	<i>Ajumogobia & Okeke</i>
		13 th	<i>Mathmer Legal Practitioners</i>
		14 th	<i>Templars</i>
		14 th	<i>Adeniji Kazeem & Co.</i>

Total Market Participation Analysis Full-Year 2022 (Bond and CP markets)

The top three (3) Solicitors for the review period in the bond market were Olaniwun Ajayi LP, Aluko & Oyebode and The New Practice contributing 81.43% to issuances in the bonds category for the review period. In the CP market, the top three (3) Solicitors were Aluko & Oyebode, Udo Udoma & Belo-Osagie and Banwo & Ighodalo contributing 73.30% to issuances in the CP category for the review period.

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Introduction to Commercial Papers I – Characteristics and Benefits

In the previous series, which set the tone for the discussion on fixed income securities, we discussed bonds – characteristics, the different types of bonds which may be categorised based on various classification schemes such as type of issuer, currency of issuance, type of coupon, bond structure, use of bond proceeds, and bond prices, key stakeholders in the bond market, bonds investment risks, relationship between key financial terms in the bond market, as well as an introduction to the Nigerian bond market. ([Click here to view previous series](#))

This FMDQ learning segment series will focus on introducing another fixed income security – Commercial Papers (“CPs”), their unique features, benefits, issuance processes, key stakeholders, amongst other relevant information.

CPs are unsecured short-term interest bearing or discounted money market instruments, issued in the form of promissory notes by corporates to fund working capital requirements. They can be issued for tenors of up to two hundred and seventy (270) days and are typically issued at a discount and redeemed at par (face value amount) upon maturity. This means that the CPs are purchased at a discount to its face value in order to receive the par value at maturity, even though the investor initially paid an amount that is less than the CP’s face value. Par/face value refers to the nominal value of the CP i.e., the amount that is payable to the investor as principal repayment of investment in the CP.

Globally, CPs were first introduced over one hundred and fifty (150) years ago when New York merchants began to sell their short-term obligations to dealers in order to access capital needed to cover short-term obligations. These dealers, or middlemen, purchased the CPs at a discount from their par value and sold to banks and other investors. The merchants would repay the investors an amount equal to the par value of the CPs.

Being short term debt instruments, CPs are traded in the money market as opposed to the capital markets which is better suited for longer-term securities such as bonds. However, they may be issued to and held by individuals, deposit money banks, corporates, foreign institutional investors, etc. Basically, CPs provide a convenient financing method because they allow issuers to avoid the hurdles and expense of applying for and securing other lines of credit from financial institutions. Funds are provided by investors who are willing to purchase the debt security (CP) on a discounted basis. Furthermore, investors can diversify investment portfolios and earn good returns.

Features of Commercial Papers

- **Discounted Securities:** Typically, CPs are sold at a discount from face value and are akin to T.bills because they are both offered at discount rates. Whereas T.bills are issued by the Federal Government, CPs are issued by corporate entities. Consequently, they are inherently riskier and attract higher returns compared to government securities
- **Pricing:** The pricing of CPs is dependent on the issuer's credit rating, market conditions and demand. Firms with excellent credit ratings from a recognised rating agency can sell at lower discount rates, meaning that there is a possibility that they may borrow at a rate lower than the prevailing market value. CP offerings with lower ratings pay higher interest rates. Due to the similarity of CPs to T.bills, T.bills are the primary benchmark used in pricing CPs, however, other money market instruments, such as fixed deposits may also impact the pricing of CPs
- **Tenor:** CPs are short-term debt securities that their maturities range between a minimum of fifteen (15) days and a maximum of two hundred and seventy (270) days
- **Unsecured Securities:** Per definition, CPs are unsecured debt securities. Where the CPs are guaranteed, to make it more marketable in the money market, the securities are secured and backed by the guarantor. On the other hand, where the CP is not secured or guaranteed (Clean CPs), it is backed solely by the financial strength of the issuer
- **Negotiable (Secondary Market):** It can be bought and sold in the secondary market, making it a liquid investment

Benefits of Commercial Papers

Some of the benefits of CPs markets include the following:

- **Affordable Short-Term Capital for Corporates:** For companies, CPs serve as an affordable and quick way to get the cash they need for operating expenses and other short-term expenses. CPs provide continuous source of funding for corporates as the maturity of the securities can be tailored to meet short-term debt obligations
- **Low Risk of Default:** Most companies that issue CPs are large, creditworthy corporations and the CPs often get credit ratings from ratings agencies. As a result, there's low investment risk when you invest in highly rated CPs
- **Allows for Portfolio Diversification for Investors:** Debt securities like CPs are an effective way for investors to diversify their portfolio and offset higher-risk investments like stocks
- **Simplicity & Flexibility:** The advantage of CPs lies in its simplicity. It involves hardly any documentation between the issuer and investor. Similarly, the issuer can issue CPs with the maturities tailored to match the cash flow of the company

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