



# ***FMDQ SPOTLIGHT***

NEWSLETTER EDITION 103 – May 2023





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## ***NEW STORIES***

### **Nigeria Launches a 10-Year National Housing Strategy Blueprint to Provide Quality Housing for Nigerians**

Nigeria, Africa's most populous nation with an even rapidly growing population, faces a frightening housing deficit which continually robs its citizenry of a fundamental human need. It is on this premise that the Federal Ministry of Works and Housing, in collaboration with FMDQ Group PLC ("**FMDQ Group**" or the "**Group**"), Africa's first vertically integrated financial market infrastructure group and the Office of the Vice President of Nigeria, has taken a significant stride in addressing Nigeria's housing challenges with the launch of the highly anticipated 10-Year National Housing Strategy Blueprint ("**Housing Blueprint**") for Nigeria. The Housing Blueprint was officially launched by the Honourable Minister of Works and Housing, Mr. Babatunde Raji Fashola, SAN, CON, in Abuja on Friday, May 26, 2023.

The Housing Blueprint, a collaborative effort between the Federal Ministry of Works and Housing, FMDQ Group, the Office of the Vice President of Nigeria, PricewaterhouseCoopers ("**PwC**") and other key housing stakeholders outlines a holistic approach to tackle Nigeria's housing deficit and create a vibrant housing market. It encompasses vision results, success pillars, and strategic objectives to deliver quality housing for all Nigerians and foster home ownership from an early age of thirty (30) through a new culture of building a credible credit history and consistently contributing towards home ownership, thereby nullifying the current state of saving to own a home at over fifty (50) years of age.

The challenges in the Nigerian housing sector consist of land, infrastructure deficit, housing construction, high construction cost, fragmentation, household demand, lack of access to affordable financing options, and policy inadequacy. The Housing Blueprint addresses these challenges by setting ambitious targets to bridge the housing deficit and create a supportive ecosystem for the housing sector. The Housing Blueprint also aims to harmonise existing housing policies/initiatives and states improvements to be made for land administration and titling, reduction of housing construction cost, improvement in housing quality across the country, bridging the housing deficit, establishment of housing assistance models to address social housing need, enhancing access to housing finance, promotion of flexible payment options, and deepening capital market activities towards providing quality housing for all Nigerians.

In his remarks, the Honourable Minister of Works and Housing stated "the Housing Blueprint is a welcomed strategy from the private sector which is the real driver of the housing sector. He charged all stakeholders to focus on the implementation of its initiatives as they have the capacity to attract capital into the housing sector". The Honourable Minister handed over the Blueprint to the office of the Permanent Secretary, Federal Ministry of Works and Housing, as a key document that should be passed on to the next Honourable Minister of Works and Housing in Nigeria.

Speaking at the launch, the Chief Executive Officer of FMDQ Group, represented by Mr. Emmanuel Etaderhi, Senior Vice President, Government & Regulatory Relations, FMDQ Group PLC, explained the rationale behind FMDQ Group's involvement in the development of the Housing Blueprint. He stated that the financial market plays a pivotal role in developing enduring solutions to the country's myriad of economic challenges and FMDQ Group, in line with its strategic role as a market organiser, adviser to government and regulators, financial markets diplomat, and catalyst for infrastructure capital, thought it prudent to champion this initiative as its contribution to the development of Nigeria's housing sector.

Also speaking at the launch, Dr. Andrew Nevin, Advisory Partner and Chief Economist, PwC, established that the housing sector has always been a key area of focus for PwC as a vibrant housing sector creates job opportunities which can lead to economic benefits for Nigeria as well as personal benefits for Nigerians through the provision of a safe place for every individual. Dr. Nevin expressed his confidence towards the successful implementation of the Housing Blueprint due to the support of the Federal and State Governments in Nigeria.

To ensure the execution of the initiatives contained in the Housing Blueprint, FMDQ Group working in concert with the Federal Government of Nigeria, development finance institutions and other key housing stakeholders will establish a Housing Development Initiative Programme Management Office that will engage with all relevant stakeholders. This would constitute a double win as it would also lead to the achievement of the United Nations' Sustainable Development Goal Eleven (SDG 11) - Sustainable Cities and Communities – to which Nigeria is committed.

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## **FMDQ-Next Commemorates Children's Day, Holds Excursion for Secondary Schools**

Children's Day in Nigeria, celebrated annually on May 27, holds deep significance that reverberates nationwide as it strives to honour, protect, and nurture the rights, growth, and joyful essence of the nation's children. In line with FMDQ Group's Corporate Responsibility Agenda, and its focus on promoting financial literacy for the next generation, FMDQ Group, through its flagship corporate responsibility programme, FMDQ Next Generation Financial Markets Empowerment Programme ("FMDQ-Next"), commemorated the 2023 Children's Day by hosting students from Caro Favoured School and Prince Charles International School, on a one-day excursion at FMDQ's business complex, Exchange Place, on Friday, May 26, 2023.

The excursion was marked by a series of captivating events that provided the participating students and their tutors with a multifaceted learning experience. Commencing with a tour of Exchange Place, the students were given an exclusive opportunity to delve into the intricacies of FMDQ Group as a company and the wide array of business services it offers. Whilst touring the FMDQ Archives, the students explored the rich history of the company, its diverse subsidiaries, and the achievements of FMDQ Group from its inception in 2013. This tour not only acquainted them with the physical space but also offered valuable insights into the company's evolution and establishment as a critical financial market infrastructure group ("FMI") in the Nigerian financial market. During the teaching segment, the students were tutored on the importance of money, savings, investments, and different investment vehicles. The students were also enlightened on the financial markets and basic concepts within the financial markets, the roles different market participants play, and important market stakeholders. The excursion was an interactive and impactful session and would undoubtedly remain unforgettable to the students and facilitators.

As a fervent advocate for youth education and empowerment of future generations in support of SDG 4 – Quality Education and SDG 1 – No Poverty, FMDQ-Next is invested in nurturing the next generation to be financially astute individuals with the capacity to contribute to the development of Nigeria. By combining theoretical learning with practical experiences, such as excursions, the program aims to bridge the gap between academic knowledge and real-world experience. At the end of the day, the students not only expanded their knowledge but also developed a profound appreciation for the intricate workings of the financial markets.

Since FMDQ-Next launched in July 2018, over eight hundred and ninety (890) participants, from primary students, through to fresh graduates, have been positively impacted through three (3) Summer Camps; six (6) Excursions; eight (8) Virtual Financial Literacy Sessions; twelve (12) Trading Challenges; and eight (8) Internships with FMDQ Group. The FMDQ-Next initiative is an expression of FMDQ Group's ongoing commitment to continually implement innovative initiatives that ensure a sustainable financial future for the next generation.

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## **83<sup>rd</sup> FX Futures Contract Matures and Settles on FMDQ Exchange**

On Wednesday, May 31, 2023, the 83<sup>rd</sup> FX Futures contract – NGUS MAY 31 2023, with a nominal value of \$0.75 billion, 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 \$60.82 billion; with a total of circa \$66.53 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 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 eighty-two (82) maturities, introduced a new contract, NGUS MAY 31 2028, for \$1.00 billion at \$/₦703.61 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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## Update on Clearing and Settlement Activities

During the month of May, 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	March 2023	April 2023	Change (%)
<b>Clearing</b>				
1	No. of Traded & Cleared Contracts	6,070	6,093	0.38
2	Value of Traded & Cleared Contracts (\$'bn)	65.04	65.30	0.41
3	Value of Open Contracts (\$'bn)	5.14	5.23	1.69
<b>Settlement</b>				
4	No. of Matured & Settled Contracts	5,721	5,739	0.31
5	Value of Matured & Settled Contracts (\$'bn)	59.89	60.07	0.30

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

S/N	Sovereign Fixed Income	March 2023	April 2023	Change (%)
1	Total Value of Trades Processed (₦'bn)	15,072.43	12,154.24	(19.36)
2	Value of Trades Settled (₦'bn)	13,345.05	9,661.80	(27.60)
3	Value of Unsettled Trades (₦'bn)	1,727.38	2,492.44	44.21

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

S/N	Non-Sovereign Fixed Income	March 2023	April 2023	Change (%)
1	Total Value of Trades Processed (₦'bn)	6.73	7.33	8.92
2	Value of Trades Settled (₦'bn)	6.72	6.33	(5.80)
3	Value of Unsettled Trades (₦'bn)	0.01	1.00	9900.00

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**”), registered by the Securities and Exchange Commission, Nigeria, has continued to provide centralised securities depository and post-trade services in the Nigerian Capital Markets; complementing the clearing function being discharged by FMDQ Clear and offering market participants an unrivalled opportunity to experience enhanced straight-through-processing.

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

- FBNQuest Merchant Bank Limited ₦4.36 billion Series 18 and ₦3.63 billion Series 19 Commercial Papers (“**CPs**”) under its ₦100.00 billion CP Issuance Programme
- SKLD Integrated Services Limited Issue of ₦0.25 billion Series 4 and ₦0.56 billion Series 5 CPs under its ₦2.00 billion CP Issuance Programme
- Trustbanc Holdings Limited ₦0.53 billion Series 14 and ₦0.65 Series 15 CPs under its ₦20.00 billion CP Issuance Programme
- LFZC Funding SPV PLC ₦17.50 billion Fixed Rate Infrastructure Bond
- Skymark Partners Limited ₦0.27 billion Series 9, ₦2.31 billion Series 10, ₦0.63 billion Series 11 CPs under its ₦5.00 billion CP Issuance Programme
- United Capital PLC ₦2.26 billion Series 1 and ₦7.83 billion Series 2 CPs under its ₦100.00 billion CP Issuance Programme

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

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## FMDQ LISTINGS & QUOTATIONS

### **FCMB Group PLC Lists its Pioneer Bond of ₦20.69 Billion on FMDQ Exchange**

As a Securities Exchange with a commitment to facilitate growth and development in the Nigerian debt markets and the economy at large, FMDQ Exchange continues to promote an efficient, transparent, and well-regulated markets, which attract and retain both domestic and foreign investors. It is in this regard that the Exchange, through its Board Listings and Markets Committee, has approved the listing of **FCMB Group PLC ₦20.69 billion Series 1 Fixed Rate Resettable NC5.25 Additional Tier 1 Subordinated Bond** under its **₦300.00 billion Debt Issuance Programme** on its platform in May 2023.

FCMB Group PLC (“**FCMB Group**” or the “**Issuer**”) is a bank-led financial services group, headquartered in Lagos, Nigeria, with operating companies divided along three business groups – Commercial, Retail and Investment Banking. The FCMB Group bond, which is sponsored by Chapel Hill Denham Advisory Limited (Lead Sponsor) and FCMB Capital Markets Limited (Co-Sponsor) – both Registration Member (Listings) of FMDQ Exchange, will be used by the Issuer to purchase Intercompany Notes to be issued by First City Monument Bank Limited (the “**Bank**”), for purposes of the Bank financing incremental term lending in focus sectors and shoring up the Bank’s regulatory capital base.

Speaking on the successful bond issuance, the Group Chief Executive, FCMB Group PLC, Mr. Ladi Balogun, stated “FCMB Group is grateful to our investors, advisers and regulators (particularly the Securities and Exchange Commission, Nigeria and the Central Bank of Nigeria) for their support on the maiden issuance under our ₦300.00 billion Programme. The innovative structure of a perpetual, income yielding bond that qualifies as Tier 1 capital - a first of its kind in the domestic capital markets - achieves three objectives for investors: it is non-dilutive for existing shareholders; creates capacity for improved earnings and dividends per share; and provides an attractive income stream to investors. We are also pleased to support our largest banking subsidiary towards the attainment of its growth, risk management and strategic objectives with this investment.”

Furthermore, the Lead Sponsor of the bond on the Exchange, Chapel Hill Denham Advisory Limited, through its Managing Director, Mr. Lanre Buluro, said “Chapel Hill Denham Advisory Limited is pleased to have acted as Financial Adviser to FCMB Group PLC on the issuance of the ₦20.69 billion Perpetual Fixed Rate Resettable NC5.25 Additional Tier 1 Subordinated Bond. This novel transaction structure provides a unique opportunity for banks and other domestic capital market participants to access financing from the investing public with more favourable terms and conditions than a conventional bond issuance, while meeting investors’ return requirements. Consequently, we would like to thank FCMB Group PLC, the financial and capital market regulators, and the investor community for their support in ensuring the successful capital raise.”

FMDQ Exchange will continue to work collaboratively with market stakeholders to align the nation's debt markets to international standards, and will, through the promotion of product and service innovation and championing of key market development initiatives, take commendable steps to ensure that growth and development opportunities abound for the markets under its purview.

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### **FMDQ Exchange Admits Fast Credit Limited's ₦5.00 Billion Commercial Paper Programme on its Platform**

As part of its mandate to champion and support market-driven initiatives aimed at providing liquidity and facilitating growth and development in the Nigerian financial markets, as well as tailor its registration, listing and quotation services to suit the needs of institutions seeking to raise capital from the Nigerian debt markets, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the **registration of Fast Credit Limited ₦5.00 billion CP Programme** on its platform in May 2023. The registration of this CP Programme reinforces the confidence demonstrated by issuers in FMDQ Exchange's platform, and the Nigerian debt markets as a viable marketplace to raise funds to meet funding requirements of various companies.

Fast Credit Limited (the "**Issuer**") is a leading financial institution duly licensed by the Central Bank of Nigeria to provide financial services such as investment and loan products to both public and private sector employees and small and medium-sized enterprises. The CP Programme, which is sponsored by Stanbic IBTC Capital Limited (*Lead Sponsor*), United Capital PLC and FSL Capital Limited (*Co-Sponsors*) – all 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.

Through consistent collaboration with its stakeholders, FMDQ Exchange has continued to deepen and effectively position the Nigerian debt markets for growth. The Exchange shall continue to provide and promote an efficient, transparent, and well-regulated CP market, targeted at supporting the aspirations of issuers and attracting both domestic and foreign investors.

## **FMDQ Exchange Welcomes the United Capital PLC Commercial Papers on its Platform**

Committed to delivering exceptional value to its stakeholders, FMDQ Exchange demonstrated its resolve as it again achieved swift time to market for the approval of the **registration of the United Capital PLC ₦100.00 billion CP Issuance Programme and quotation of the United Capital PLC ₦2.26 billion Series 1 and ₦7.83 billion Series 2 CPs under its ₦100.00 billion CP Issuance Programme** on its platform. These admissions reconfirm the Exchange as the choice platform for the registration, listing, quotation and trading of financial securities in the Nigerian financial markets.

United Capital PLC (“**Issuer**”) is a leading financial services group focused on leveraging technology to empower businesses, individuals, and governments with excellent financial services. The proceeds from the quotation of the Series 1 and 2 CPs, which are sponsored by Rand Merchant Bank Nigeria Limited (*Lead Sponsor*), United Capital PLC, ARM Securities Limited, Coronation Merchant Bank Limited and FSDH Capital Limited (*Co-Sponsors*) - all Registration Member (Quotations) of FMDQ Exchange, would be used by the Issuer to fund its short-term working capital requirements and general corporate purposes.

The successful admission of these CPs as well as other securities 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. As part of its efforts towards unlocking the potential of the Nigerian economy, FMDQ Exchange shall continue to support institutional growth and stimulate continuous development of the economy at large, through the provision of a world-class Securities Admission Service, in line with its mandate.

## **UAC of Nigeria PLC Quotes Additional ₦2.80 Billion Commercial Paper on FMDQ Exchange**

In another remarkable achievement that continues to shape the world of corporate debt financing, and attests 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 announce the approval for the **quotation of the UAC of Nigeria PLC ₦2.80 billion Series 3 CP under its ₦45.00 billion CP Issuance Programme** on its platform in May 2023.

UAC of Nigeria PLC (“**UAC**”) is a leading diversified Company, operating in the Food and Beverage, Real Estate, Paint and Logistics sectors of the economy. The quotation of this CP, which is sponsored by Stanbic IBTC Capital Limited (*Lead Sponsor*), FCMB Capital Markets Limited and Rand Merchant Bank Nigeria Limited (*Co-Sponsors*) – all Registration Member (Quotations) of the Exchange, strategically positions UAC to benefit from the Exchange’s enabling platform that promotes requisite secondary market liquidity, among other benefits.

By quoting this CP on FMDQ Exchange, UAC will enjoy from the exceptional benefits, including but not limited to, transparency, capital access, investor confidence, price formation, global visibility, amongst others. FMDQ Exchange remained unflinchingly committed to developing the Nigerian debt markets through its highly efficient platform, promoting unrivalled world-class standards to support the aspirations of corporate entities, such as UAC.

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## **Niger Delta Exploration & Production PLC Lists its Debut Series 1 Bond on FMDQ Exchange**

FMDQ Exchange, through its Board Listings and Markets Committee, has approved the **listing of the Niger Delta Exploration & Production PLC ₦10.32 billion Series 1 Fixed Rate Bond under its ₦20.00 billion Debt Issuance Programme** on the Exchange's Platform in May 2023. Niger Delta Exploration & Production PLC joins a host of other corporate debt issuers on FMDQ Exchange's platform this year, actively tapping the Nigerian debt markets to raise funds to meet its working capital requirements.

Niger Delta Exploration & Production PLC ("**NDEP**" or the "**Issuer**") is Nigeria's first integrated oil and gas investment company that offers services such as exploration, development, and production of oil and natural gas, as well as investment in downstream, midstream, and upstream assets. The NDEP bond, which is sponsored by FSDH Capital Limited (*Lead Sponsor*) and FBNQuest Merchant Bank Limited (*Co-Sponsor*) – both Registration Member (Listings) of FMDQ Exchange, will be used by the Issuer for the construction of head office, campsite, trailer park and ancillary support facility, road upgrade and expansion as well as other working capital requirements.

Speaking on the successful bond issuance, the Chief Executive Officer, Niger Delta Exploration & Production PLC, Mr. Adegbite Falade, stated "the continuous improvement and deepening of our operations and value offering to our stakeholders form the core of our business at Niger Delta Exploration & Production PLC. We are therefore elated to announce the listing of our ₦10.32 billion 5-year 17.00% Senior Unsecured Fixed Rate Series 1 Bond on FMDQ Exchange. This capital raise will help us further strengthen our operations as well as fund our Naira-based expansion needs."

Furthermore, the Lead Sponsor of the bond on the Exchange, FSDH Capital Limited, through its Managing Director, Mr. Tolu Osinibi, said "FSDH Capital Limited is proud to announce that it has successfully advised its client, Niger Delta Exploration & Production PLC, on the issuance of its ₦10.32 billion Series 1 Fixed Rate Bond under the company's ₦20.00 billion Bond Issuance Programme registered with the Securities & Exchange Commission. This historic bond issuance is the first of its kind in Nigeria's upstream oil & gas sector and was achieved amidst a period of increasing interest rates, demonstrating the strength and resilience of the local debt capital market." He goes on to say "as the lead financial adviser and Issuing House for this landmark transaction, FSDH Capital Limited played a crucial role in ensuring its success. Despite being a first-time corporate Issuer without an



external credit enhancement, Niger Delta Exploration & Production PLC was able to raise ₦10.32 billion at an uncommon tenor, thanks to FSDH Capital's expert guidance and support. This achievement underscores the robust regulatory environment, quality issuers, and sophisticated investor class in Nigeria's capital market. FSDH Capital Limited is proud to have been a part of this milestone transaction, which serves as a testament to the strength and potential of the Nigerian capital market."

In support of the Exchange's 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 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 Market Turnover Report details the turnover on all products traded in the FMDQ secondary market – Foreign Exchange (FX), Treasury Bills (T.bills), OMO Bills, CBN Special Bills, Promissory Notes, Bonds (Federal Government of Nigeria (“FGN”) Bonds, other Bonds (Agency, Sub-national, Corporate, Supranational, Sukuk & 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 information was collated from the weekly trade data submissions by FMDQ Dealing Member (Banks), represents trades executed amongst the Dealing Member (Banks), Dealing Member (Banks) & Clients, and Dealing Member (Banks) & the CBN.

## FMDQ Exchange Market Turnover (January – April 2023)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	11,718,657	25,375
Foreign Exchange Derivatives	9,582,594	20,748
Treasury Bills	5,536,703	11,988
OMO Bills	8,738,093	18,922
CBN Special Bills	5,519,900	11,953
FGN Bonds	8,559,926	18,537
Promissory Notes	1,909	4
Other Bonds*	100	0
Eurobond	37,489	81
Repurchase Agreements/Open Repos	14,511,266	31,418
Unsecured Placements/Takings	381,541	826
Money Market Derivatives	11,000	24
Commercial Papers	4,600	10
Sukuk Bonds	36,227	78.4
<b>Total</b>	<b>64,640,005</b>	<b>139,965</b>
<b>No. of Business Days</b>	<b>80</b>	<b>80</b>
<b>Average Daily Turnover</b>	<b>808,000</b>	<b>1,750</b>

Average YTD \$/₦ @ 461.92

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), CBN - Central Bank of Nigeria

Source: FMDQ Data Portal as @ May 12, 2023; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the Jan. – Apr. 2023 period amounted to ₦64.64 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 32.95% of overall market turnover. Repurchase Agreements (Repos) accounted for 22.45%, whilst transactions in OMO Bills accounted for 13.52%. Bonds, T.bills, CBN Special Bills, Unsecured Placements & Takings, Money Market Derivative and commercial papers accounted for 13.36%, 8.57%, 8.54%, 0.59%, 0.02% and 0.01% of total market turnover, respectively.

### **FMDQ Dealing Member (Banks) League Table (January - April 2023)**

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	First Bank of Nigeria Limited
5	Coronation Merchant Bank Limited
6	Ecobank Nigeria Limited
7	Zenith Bank PLC
8	Polaris Bank Limited
9	Sterling Bank PLC
10	Standard Chartered Bank Nigeria Limited

Based on value traded during the review period, 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. The top ten (10) Dealing Member (Banks) accounted for 73.62% (₦47.59 trillion) of the overall turnover in the secondary market, while top three (3) accounted for 43.60% (₦26.18 trillion).

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## A Refresher on Derivatives and Exchange-Traded Derivatives – Series II

In our previous article, we discussed the concept of derivatives, various types of derivatives, differences between Over-the-Counter (“OTC”) Derivatives and Exchange-Traded Derivatives (“ETD”), as well as the users and uses of Derivatives. ([Click here to view previous article](#)).

This edition will focus on the intricacies of ETDs whilst leveraging on the detailed background provided in the previous article.

ETDs are standardised contracts traded on exchanges, such as FMDQ Exchange, and backed by the clearing house or central counterparty (“CCP”), such as FMDQ Clear. ETDs differ from OTC derivatives in terms of their standardised nature, level of liquidity, and ability to be traded on the secondary market and most importantly, the presence of risk management mechanisms, due to the roles of the exchanges and CCPs in the ETD market.

### Features of ETDs

- **Standardisation:** ETD contracts have defined contract specification in terms of the size, expiration date, tenors, etc., as determined by the exchange. Hence, contract terms cannot be changed by transaction counterparties or investors. Similarly, these specific terms make it easy for investors to determine which contracts can be bought or sold and the amount of such contracts that matches their risk exposures
- **Credit Risk Management:** With the presence of the CCP in the ETD market, counterparty credit risk is effectively mitigated through a combination of two processes: novation and margining. Through the novation service, the CCP acts as the counterparty for each transaction, effectively becoming the seller to every buyer, and the buyer to every seller. The CCP provides credit guarantee by requiring a good-faith deposit (known as initial margin) to take position in the ETD market. The initial margin deposited is a form of performance bond which can be increased/eroded by gains/losses on every ETD contract daily. Daily gains and losses are determined by marking the investor’s position to market while the sufficiency of margin is determined via the process of margining
- **Transparency:** Regulated markets, such as the ETD market, are generally transparent with full information on all transactions disclosed to exchanges and regulatory bodies, when required. Exchanges also provides updated information about prices and volumes of contracts traded



- **Liquidity:** The standardisation of contract terms makes it easy for the investor to access the market and determine the availability and volume of contracts that can be bought or sold, thereby facilitating a more liquid market for ETDs

### **Key Stakeholders in the ETD Market**

- Regulators:** These are regulatory or self-regulatory institutions that govern and have oversight of all activities in the ETD market. They are responsible for setting rules that govern the market and grant requisite approval for activities in the market
- Financial Market Infrastructures:** These institutions deliver services critical to the smooth functioning of the financial markets. They act as a coordinating system, bringing a network of counterparties together to support trading liquidity, financial stability and operational efficiency. In the ETD market, these institutions include the following:
  - **Securities Exchange:** This is a platform wherein which derivatives contracts are executed. The securities exchange is responsible for ensuring the efficiency and credibility of the ETD market by organising the market, promoting market standards, and establishing a robust market structure
  - **Central Counterparty:** This is a risk management powerhouse that ensures settlement finality in the ETD market through its effective and efficient risk management structures that are put in place and implemented timely and in an orderly manner to ensure financial stability
  - **Trading Members:** These are direct members of the securities exchange, who are authorised to execute trades in derivatives for their own account and/or for their clients' accounts in line with the rules set out by the exchange
  - **Clearing Members:** These are direct members of the CCP, who are authorised to clear and settle trades executed by the Trading Members on the CCP system. They carry out risk management activities on behalf of the Trading Members
  - **End-Users:** These are investors who buy or sell contracts through the Trading Members in the ETD market. They include, but are not limited to, institutional investors (domestic and international), asset/fund managers, corporates, commercial institutions, and individuals

### **Conclusion**

While Futures and Options are traditionally considered the two (2) main types of ETDs, it must be noted that regulatory developments across the world following the 2008/2009 global financial crisis, as well as sophistication in the financial markets, is driving the expansion of products listed and traded on exchanges.

In addition to being used for hedging risks, ETDs have become more popular amongst investors as an investment product due to their standardised nature and leverage, thereby promoting the depth and liquidity in global financial markets.

In Nigeria, FMDQ Group, through its wholly owned subsidiaries, FMDQ Exchange (*Securities Exchange*) and FMDQ Clear (*CCP*), is championing the course for the development of a well-functioning and world-class ETD market. FMDQ Exchange is at the final stage of launching a thriving derivatives market in Nigeria, which will cut across various underlying assets such as interest rate, currency, commodities, etc., in a bid to further drive and deepen the sophistication and diversity of the Nigerian financial markets, in line with global markets and practices.

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