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FMDQ Exchange Holds Naira-Settled Exchange-Traded FX Futures Webinar Session for End-Users

Further to the activation of the FMDQ Exchange-Traded Derivatives (ETD) market with the introduction of two (2) pioneer products – Federal Government of Nigeria (FGN) Bond Futures and Naira-settled Exchange-Traded FX Futures ("**FX Futures**"), FMDQ Securities Exchange Limited ("**FMDQ Exchange**" or the "**Exchange**") organised a webinar Session to drive participation in the FMDQ ETD market and boost the knowledge of stakeholders in the recently introduced FMDQ ETD market (the "**Session**").

The Session which held on Thursday, September 28, 2023, themed, "**Navigating FX Market Volatility with FMDQ Exchange-Traded FX Futures**", was organised to sensitise end users in the FMDQ ETD market, on particularly the FX Futures, exploring the market structure, features, applicability as well as providing a comprehensive comparison vis-à-vis the extant Naira-settled OTC FX Futures ("**OTC FX Futures**"). Additionally, as a result of the operational changes in the FX market and the cessation of rate quotation for the one (1) to twelve (12) month contracts in the OTC FX Futures market by the Central Bank of Nigeria (CBN), the Session was aimed at sensitising market participants on the value proposition presented by the FX Futures market in hedging FX risk inherent in the Nigerian financial markets.

The target audience for the Session were end users in the real and financial sectors such as corporate treasurers, asset/fund managers, investment bankers, etc., who may have exposure to adverse movement in the Nigerian FX market through investment, commercial or operational activities and seek to explore risk management tools that will aid investment/treasury management as well as promote budgeting and financial planning.

Facilitated by Mr. Abiodun Agboola, Head, Derivatives Market Group in FMDQ Exchange, the Session, availed market participants the opportunity to seek clarification and further guidance on navigating the adverse price and rate movements in the Nigerian financial markets, using the FMDQ Derivatives market, specifically ETD products, in a bid to optimise investment returns, business profits and efficiency in business operations.

In line with its mandate to deepen the Nigerian financial markets and empower the markets for economic prosperity, FMDQ Exchange will continue to engage and sensitise stakeholders on the opportunities in the FMDQ Derivatives market including, inter alia, risk management, financial planning, and investment diversification.

87th FX Futures Contract Matures and Settles on FMDQ Exchange

On Thursday, September 28, 2023, the 87th FX Futures contract – NGUS SEP 28 2023, with a nominal value of \$0.65 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 \$62.88 billion; with a total of circa \$67.79 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**”).

[Click here to view Open FMDQ OTC FX Futures Contracts](#)

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Update on Clearing and Settlement Activities

Given its status as a Central Counterparty, FMDQ Clear continues to provide clearing services in the Nigerian financial markets to eliminate counterparty default risk, ensure settlement finality, improve the integrity, resilience and stability of the Nigerian financial markets.

In line with 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 2023	August 2023	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	6,253	6,253	N/A
2	Value of Traded & Cleared Contracts (\$'bn)	67.78	67.78	N/A
3	Value of Open Contracts (\$'bn)	6.26	5.56	(11.31)
Settlement				
4	No. of Matured & Settled Contracts	5,847	5,890	0.74
5	Value of Matured & Settled Contracts (\$'bn)	61.52	62.23	1.15

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

S/N	Sovereign Fixed Income	July 2023	August 2023	Change (%)
1	Total Value of Trades Processed (₦'bn)	15,943.66	12,116.63	(24.00)
2	Value of Trades Settled (₦'bn)	12,888.53	11,099.32	(13.88)
3	Value of Unsettled Trades (₦'bn)	3,055.13	1,017.31	(66.70)

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

S/N	Non-Sovereign Fixed Income	July 2023	August 2023	Change (%)
1	Total Value of Trades Processed (₦'bn)	0.00	2.80	N/A
2	Value of Trades Settled (₦'bn)	0.00	2.80	N/A
3	Value of Unsettled Trades (₦'bn)	0.00	0.00	N/A

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 Exchange Commission, Nigeria (**SEC**), is positioned to provide a safe depository for financial markets assets, as well as facilitate the settlement of capital market transactions.

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

- Emerging Africa Capital Limited ₦3.25 billion Series 5 and ₦2.04 billion Series 6 Commercial Papers (**CPs**) under its ₦15.00 billion CP Issuance Programme
- Voda Infrastructure Management Limited ₦17.89 billion Series 1 Guaranteed Fixed Rate Bond under its ₦70.00 billion Private Company Bond Issuance Programme
- Lagos Free Zone Company ₦4.00 billion Series 3 and ₦3.78 billion Series 4 CPs under its ₦30.00 billion CP Issuance Programme
- Veritasi Homes & Properties Limited ₦0.64 billion Series 6 (Tranche A) and ₦0.53 billion Series 6 (Tranche B) under its ₦10.00 billion CP Issuance Programme

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

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FMDQ LISTINGS & QUOTATIONS

Lagos State Government Lists ₦115.00 Billion Series 1 Fixed Rate Bond on FMDQ Exchange

FMDQ Exchange, in furtherance of its commitment to enhance access to capital to address socio-economic challenges as well as champion development in the Nigerian debt markets, has approved the listing of the **Lagos State Government ₦115.00bn Series 1 Fixed Rate Bond under its ₦1.00 trillion Debt and Hybrid Instrument Issuance Programme** on its platform. The Lagos State has once again demonstrated its unwavering commitment to developing various sectors through the Nigerian debt markets.

The ₦115.00bn bond, sponsored by Chapel Hill Denham Advisory Limited (*Lead Sponsor*), Apel Asset Limited, Capital Bancorp PLC, Chartwell Securities Limited, Comercio Partners Capital Limited, Cordros Capital Limited, Coronation Merchant Bank Limited, Dynamic Portfolio Limited, FBNQuest Merchant Bank Limited, FCMB Capital Markets Limited, Kairos Capital Limited, Kedari Capital Limited, LeadCapital PLC, Phoenix Global Capital Markets Limited, Quantum Zenith Capital & Investments Limited, Radix Capital Partners Limited, Stanbic IBTC Capital Limited, United Capital PLC, and Vetiva Capital Management Limited (*Co-Sponsors*) – all Registration Member (Listings) of FMDQ Exchange, strategically positions the Lagos State Government to raise the necessary financial resources for executing a series of priority projects within the State.

FMDQ Exchange will continue to demonstrate its commitment to projecting the debt markets as the key source to finance for economic growth. The Exchange is optimistic about the potential of the markets within its purview and will continue to provide tailored and value-adding services, offer end-to-end support, foster transparency, and promote the credibility of its markets.

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VFD Group PLC Quotes Additional Commercial Paper on FMDQ Exchange

FMDQ Exchange continues to demonstrate its commitment to fostering the development of the Nigerian debt markets by championing and supporting strategic market-driven initiatives, as well as remaining the choice platform for the registration, listing, quotation, trading and reporting of financial

securities, amongst other activities. In keeping with this commitment, FMDQ Exchange, through its Board Listings and Markets Committee, approved the quotation of the VFD Group PLC ₦5.90 billion Series 2 CP under its ₦20.00 billion CP Issuance Programme, on its platform. This quotation brings the total number of CPs quoted on FMDQ Exchange in 2023 to two hundred and one (201) with a total market value of ₦1.84 trillion.

VFD Group PLC (“**VFD Group**”) is a financial services firm that caters to the investment needs of retail & institutional investors across all tiers for direct market gain and leverages its portfolio, ranging from financial services to asset management, real estate, and fintech for the benefit of its stakeholders. The funds generated from the VFD Group Series 2 CP, which is sponsored by Kairos Capital Limited (*Lead Sponsor*), Afrinvest Capital Limited, Emerging Africa Capital Limited, and Quantum Zenith Capital & Investments Limited (*Co-Sponsors*), all Registration Member (Quotations) of FMDQ Exchange, will be used by the Issuer to support its short-term funding requirements.

The timely admission of this CP issue, and in general, all securities on FMDQ Exchange, is a testament to the efficiency of the Exchange’s Securities Admission Service. This CP, like all other securities listed and quoted on the Exchange’s platform, shall be availed global visibility through the Exchange’s website and systems, transparency through its inclusion in the FMDQ Daily Quotations List, governance and continuous information disclosure to protect investors’ interest, credible price formation, amongst other benefits.

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FMDQ Exchange Admits AB Microfinance Bank Limited Commercial Paper Programme on its Platform

As the leading organiser for the Nigerian debt markets space, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the **registration of the AB Microfinance Bank Limited ₦9.00 billion CP Programme** on its platform. The registration of this CP Programme strategically positions AB Microfinance Bank Limited to raise short-term finance from the Nigerian debt markets easily, through CP issues within its CP Programme limit and quoted on FMDQ Exchange for visibility of the issue and desired transparency for the investors.

AB Microfinance Bank is a national microfinance bank licenced by the Central Bank of Nigeria to provide banking and loan services to individuals and businesses. The successful registration of this CP Programme, which is sponsored by DLM Advisory Limited - a Registration Member (Quotations) of

FMDQ Exchange, validates the Exchange's conscious drive to support the goals of corporate businesses and to deepen the Nigerian financial markets.

To fulfil its mission of enhancing the Nigerian financial markets, FMDQ Exchange will continue to facilitate the efficient allocation of capital by providing a credible platform for capital formation and effective intermediation, ultimately contributing to the promotion of 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.

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 (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 data, collated from the weekly trade data submissions by FMDQ Dealing Member (Banks), represents trades executed amongst the Dealing Member (Banks), Dealing Member (Banks) & Clients, and Dealing Member (Banks) & the CBN.

FMDQ Exchange Market Turnover (January – August 2023)

Product Category	(N'mm)	(\$'mm)
Foreign Exchange	26,326,908	48,389
Foreign Exchange Derivatives	18,487,611	35,649
Treasury Bills	13,219,221	23,725
OMO Bills	16,988,207	31,731
CBN Special Bills	10,803,125	20,602
FGN Bonds	16,693,459	31,406
Promissory Notes	1,909	4
Other Bonds*	150	0
Eurobond	123,424	205
Repurchase Agreements/Open Repos	35,417,820	63,275
Unsecured Placements/Takings	1,642,622	3,152
Money Market Derivatives	15,000	29
Commercial Papers	4,600	10
Sukuk Bonds	109,794	188.1
Total	139,833,851	258,366
No. of Business Days	161	161
Average Daily Turnover	868,533	1,605

Average YTD \$/₦ @ 541.22

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 @ September 8, 2023; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January - August 2023 period amounted to ₦139.83 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 32.05% of overall market turnover. Repurchase Agreements (Repos) accounted for 25.33%, whilst transactions in OMO Bills accounted for 12.15%. Bonds, T.bills, CBN Special Bills, Promissory Notes, Unsecured Placements & Takings and Money Market Derivative accounted for 12.11%, 9.45%, 7.73%, 0.001%, 1.17% and 0.01%, of overall market turnover.

FMDQ Dealing Member (Banks) League Table (January - August 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	United Bank for Africa PLC
2	Stanbic IBTC Bank PLC
3	Access Bank PLC
4	First Bank of Nigeria Limited
5	Zenith Bank PLC
6	Coronation Merchant Bank Limited
7	Ecobank Nigeria Limited
8	Polaris Bank Limited
9	Sterling Bank PLC
10	Standard Chartered Bank Nigeria 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 73.56% (₦102.86 trillion), while the top three (3) accounted for 57.92% (₦59.57 trillion) of the overall turnover of trades in the secondary market.

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Beginners Knowledge on FMDQ Exchange-Traded Derivatives Market – Series

III

In the preceding article, we discussed the FMDQ Federal Government of Nigeria (FGN) Bond Futures Product. We covered its key features, how the FMDQ FGN Bond Futures market works, users and uses, amongst other pertinent information. ([Click here to view previous article](#)).

In this edition, we will thoroughly explore the FMDQ Naira-Settled Exchange-Traded FX Futures ("FX Futures" or "NSEFF") product, one of the pioneer FMDQ Exchange-Traded Derivatives (ETD) products activated in July 2023. We will discuss its characteristics, how the FX Futures market works, the users and uses, as well as the differences between the extant Naira-settled OTC FX Futures product and FX Futures.

Introduction to FMDQ FX Futures

NSEFF are financial derivatives that require the contract holders to exchange cashflows on a specific date based on the predetermined rate of the United States Dollar (USD) relative to the Nigerian Naira (NGN). These are standardised contracts that serve as a risk management tool for hedging against FX risks, and investment option for enhancing portfolio performance, and gaining foreign currency exposure.

FMDQ FX Futures Contract Specifications

S/N	Item	Description
1.	Underlying	Exchange rate of one (1) US Dollar to the Nigerian Naira (i.e., \$/₦ exchange rate)
2.	Contract Code	NGN-USD [MMYY]
3.	Central Counterparty	FMDQ Clear
4.	Trading Hours	9:00 AM – 3:00 PM
5.	Settlement Method	Cash settled in Nigerian Naira
6.	Contract Size	\$100,000.00
7.	Expiry Date	Last Wednesday of each Contract Month
8.	Contract Expiry Months	Monthly contracts for thirteen (13) consecutive months and quarterly contracts (March, June, September, and December)
9.	Final Settlement Price	FMDQ Exchange Spot Fixing on Expiry Date
10.	Quote Convention	Futures Price; in Nigerian Naira per US Dollars to two (2) decimal points

How the FMDQ FGN Bond Works

Step	Action	Description
1.	Listing Approval	SEC-approved NSEFF contracts are listed for trading on the FMDQ Q-ex Trading System, or another system designated by FMDQ Exchange
2.	Trade Execution	Derivatives Trading Members access the FMDQ Q-ex Trading System for trade initiation, execution, and management. The FMDQ Q-ex Trading System offers transparent, competitive pricing and smooth trade execution in the FMDQ FX Futures market
3.	Transparency and Price Information	FMDQ Exchange publishes relevant price data for NSEFF contracts via accessible channels to enhance transparency and price discovery
4.	Trade Clearing	FMDQ Clear centrally clears executed trades through novation, assuming roles of buyer and seller
5.	Initial Margin Requirement	Users of FMDQ FX Futures provide Initial Margin, also known as "good-faith-deposit", to FMDQ Clear to mitigate counterparty risk. FMDQ Clear determines Initial Margin amount for each contract, which is displayed as a percentage of the contract's notional value
6.	Variation Margin Requirement	Open positions in the NSEFF market are valued daily by FMDQ Clear using the mark-to-market approach as specified in the Contract Specification . The gains/losses from daily valuation are settled as Variation Margins between holders of open positions and FMDQ Clear through the Clearing Members.
7.	Daily Settlement	All Variation Margin obligations are settled before the market opens on the next business day



Users & Uses of FMDQ FX Futures

The FMDQ FX Futures market caters to a user category comprising banks, non-bank financial institutions, other corporate entities, government-related entities, and other participants in the financial markets, which have exposure to FX risks in the Nigerian financial markets arising from operational, commercial or investment activities.

The table below shows the summary of the users against the typical uses of the FMDQ FX Futures.

S/N	Use	User			
		Banks	Non-Bank Financial Institutions	Government & Related Entities	Other Corporates
1.	Risk Management Tool				
2.	Investment Option				
3.	Modification of Portfolio Allocation				
4.	Trading Income Generation				

Legend

	Applicable
	Not Applicable

Difference Between the Extant Naira-Settled OTC FX Futures Contract and FMDQ FX Futures

We note that the recently introduced FMDQ FX Futures is similar to the extant Naira Settled OTC FX Futures product as they are both used to hedge against FX exposure in the Nigerian financial markets.

However, there are distinct features between both products and are enlisted in the table below.

S/N	Feature	NSEFF	Naira-Settled OTC FX Futures
1.	Listed and traded on an exchange	✓	✓
2.	Bilaterally negotiated and executed	✗	✓
3.	Standardised quantity	✓	✗
4.	Standardised tenor	✓	✓
5.	Margining and daily mark-to-market	✓	✓
6.	Novated by FMDQ Clear	✓	✗
7.	Bilateral counterparty risk	✗	✓
8.	Request for Eligible Underlying Transaction	✗	✓

As we conclude our discussion on FMDQ FX Futures, it is essential to note the following key features of the product:

1. FMDQ FX Futures represent financial derivatives specifically crafted to exchange cashflows on a predetermined date, contingent on USD to NGN exchange rates
2. They serve as tools for managing FX risk, enhancing investment portfolios, and gaining exposure to foreign currencies
3. A wide spectrum of users partakes in this market, including banks, non-bank financial institutions, governmental bodies, other corporates, and various other market participants with inherent exposure to FX risk
4. NSEFF plays a significant role in contributing to economic growth and fostering diversification within the financial markets

For detailed information about the FMDQ ETD market, kindly visit our [ETD webpage](#) or contact the Derivatives Business Group via email at dbg@fmdqgroup.com.

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