FMDQ SPOTLIGHT

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Inspiring the Next Generation: FMDQ Group Hosts Ekiti State University Students for an Enlightening Study Tour

FMDQ Group PLC ("**FMDQ Group**"), through its corporate responsibility initiative, FMDQ Next Generation Financial Markets Empowerment Programme ("**FMDQ-Next**"), successfully hosted students from Ekiti State University on a three-day Study Tour at Exchange Place. The Tour was organised in collaboration with the CFA Society Nigeria as part of their University Outreach Initiative. The Study Tour, which took place from September 17 – 19, 2024, provided the students with a unique opportunity to gain hands-on experience in the financial markets, further reinforcing FMDQ Group's commitment to nurturing future finance and investment professionals.

The Study Tour featured a series of engaging activities that offered the students a comprehensive learning experience. The day kicked off with a tour of Exchange Place, where the students had an exclusive opportunity to explore the intricacies of FMDQ Group and its diverse range of business services. During their visit to the FMDQ Archives, they delved into the company's rich history, its various subsidiaries, and the significant milestones achieved since its inception in 2013. This tour not only familiarised them with the physical space but also provided valuable insights into FMDQ Group's growth and its establishment as a key financial market infrastructure (FMI) in the Nigerian financial sector. During the teaching segment, the students were tutored about the different financial markets, key market players, the basic financial market concepts, and various investment vehicles, among other. The excursion was an interactive and impactful session and would undoubtedly remain unforgettable to the students.

Addressing the students, the President of CFA Society Nigeria, Mrs. Ibukun Oyedeji, CFA, stated, "At CFA Society Nigeria, our mission is to cultivate a new generation of finance and investment professionals who embody the highest standards of ethics, education, and excellence." She continued, "We believe that by providing young minds with access to practical experiences like this Study Tour, we can help instil in them the values of integrity, professionalism, and lifelong learning qualities that are essential for shaping a sustainable future for the finance industry. We thank FMDQ Group for honouring the invitation to host the students of Ekiti State University and for reinforcing our shared commitment to advancing financial literacy."

Additionally, the Chancellor of Ekiti State University, Dr. Tunji Olowolafe, who was present with the students at Exchange Place, encouraged them to remain open-minded and eager to learn. He remarked, "This is a unique opportunity to gain practical insights into the financial markets, an area that influences every aspect of our lives, from personal savings to national economic development. Understanding the value of finance will not only shape your professional careers but also empower you to make informed decisions in your daily lives. Embrace this experience fully, as it will serve as a foundation for your future success."

The Group Chief Operating Officer, FMDQ Group, Ms. Kaodi Ugoji, remarked, "At FMDQ Group, we are deeply committed to advancing financial literacy and empowering the next generation of professionals. As a fervent advocate for youth education and the empowerment of future generations in support of the United Nations' Sustainable Development Goal 4 – Quality Education, FMDQ-Next is dedicated to nurturing financially astute individuals who can contribute to Nigeria's development. By providing students with real-world exposure to the financial markets, we aim to inspire and equip them with the skills necessary to shape the future of the industry."

Since FMDQ-Next launched in July 2018, over one thousand, two hundred (1,200) participants, from primary students, through to fresh graduates, have been positively impacted through: five (5) Summer Camps; eight (8) Excursions; eight (8) Virtual Financial Literacy Sessions; seventeen (17) Trading Challenges; and fifteen (15) Internships. FMDQ-Next reflects FMDQ Group's unwavering commitment to driving innovative programmes that pave the way for a sustainable financial future, empowering the next generation to thrive in an evolving global economy.

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99th Cleared Naira-Settled Non-Deliverable Forwards Contract Matures and Settles on FMDQ Exchange

On Wednesday, September 25, 2024, the 99th Cleared Naira-Settled Non-Deliverable Forwards ("**Cleared USD/NGN NDFs**") contract – NGUS SEP 25 2024, with a nominal value of $0.003 billion, matured and settled on FMDQ Securities Exchange Limited ("**FMDQ Exchange**" or the "**Exchange**"). This brings the total value of matured FX Futures contracts on the Exchange, since its inception of the market in June 2016, to approximately $67.68 billion, with a total of circa $67.79 billion so far traded.

The matured contract was valued for settlement against the NAFEX (Nigerian Autonomous Foreign Exchange Fixing) using the FMDQ Exchange reference Spot FX rate published the same day. The associated clearing and settlement activities were carried out by FMDQ Clear Limited ("**FMDQ Clear**") accordingly.

Additionally, FMDQ Exchange introduced a new contract, NGUS SEP 26 2029, with a rate of $/₦5,289.90, which replaces the matured contract. The Exchange has also updated quotes for the existing 1 to 60-month contracts.

For more information on the Cleared USD/NGN NDF contracts, please visit our website at www.fmdqgroup.com/exchange/market-products/derivatives/ or contact our Derivatives Business Group at dbg@fmdqgroup.com.

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Update on Clearing and Settlement Activities

As a Central Counterparty, FMDQ Clear continues to play a crucial role in providing clearing services that effectively eliminate counterparty default risk, ensure settlement finality, and enhance the integrity, resilience and stability of the Nigerian financial markets.

The tables below provide an overview of the clearing and settlement activities across the derivatives (currency futures) and fixed income markets. For more information on FMDQ Clear, please click here.

Table 1: Clearing and Settlement Activities in the Currency Futures (Derivatives) Market

S/N	Currency Futures	July 2024	August 2024	Change (%)
Clearing				
1	No. of Cleared Contracts	6,255	6,255	N/A
2	Value of Cleared Contracts **($'bn)**	67.79	67.79	N/A
3	Value of Open Contracts **($'bn)**	0.13	0.11	15.38
Settlement				
4	No. of Matured & Settled Contracts	6,237	6,239	0.03
5	Value of Matured & Settled Contracts **($'bn)**	67.66	67.68	0.03

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

S/N	Sovereign Fixed Income	July 2024	August 2024	Change (%)
1	Total Value of Trades Processed **(₦'bn)**	12,400.26	17,699.92	42.70
2	Value of Trades Settled **(₦'bn)**	11,309.52	16,765.69	48.20
3	Value of Unsettled Trades **(₦'bn)**	1,090.74	934.23	14.40

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

S/N	Non-Sovereign Fixed Income	July 2024	August 2024	Change (%)
1	Total Value of Trades Processed **(₦'bn)**	0.99	0.40	59.60
2	Value of Trades Settled **(₦'bn)**	0.99	0.40	59.60
3	Value of Unsettled Trades **(₦'bn)**	0.00	0.00	N/A

Update on Admitted Securities on FMDQ Depository

FMDQ Depository Limited ("**FMDQ Depository**"), registered by the Securities Exchange Commission (SEC), Nigeria, is committed to providing a secure depository for financial market assets and ensuring the smooth settlement of capital market transactions. Complementing the clearing services provided by FMDQ Clear, FMDQ Depository offers market participants a seamless straight-through-processing experience.

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

- Nosak Distilleries Limited ₦2.51 billion Series 4 Tranche B Commercial Paper ("CP") under its ₦20.00 billion CP Issuance Programme
- Infinity Microfinance Bank Limited ₦0.36 billion Series 3 CP under its ₦5.00 billion CP Issuance Programme
- Skymark Partners Limited ₦1.28 billion Series 29, ₦1.59 billion Series 30 and ₦1.85 billion Series 31 CPs under its ₦10.00 billion CP Issuance Programme

For more information on FMDQ Depository service offerings, please click here.

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FMDQ Exchange Approves Maiden Sultiva Wakalah's ₦20.00 billion Non-Interest Commercial Paper Programme

FMDQ Exchange remains steadfast in its commitment to advance the Nigerian financial markets by continually improving transparency and operational efficiency, thus promoting the sustainable growth of the debt markets. In line with this mandate, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the registration of the **Sultiva Wakalah SPV Limited ₦20.00 billion Non-Interest CP Issuance Programme**.

Sultiva Wakalah SPV Limited ("**Sultiva**" or "the **Issuer**"), a private limited liability company incorporated in Nigeria, has launched this ₦20.00 billion Non-Interest CP Programme under a Wakalah Agreement with TrustBanc Holdings Limited. Through this programme, Sultivah will periodically issue Non-Interest CP Notes to invest in non-interest financing ventures. Sponsored by Coronation Merchant Bank Limited (Lead Sponsor) and Marble Advisory Limited (Co-Sponsor), both Registration Members (Quotations) of the Exchange, this CP Programme positions the Issuer to efficiently raise short-term capital from the Nigerian debt markets, allowing it to access liquidity through CP issuances up to the Programme's limit.

FMDQ Exchange remains committed to driving innovation and transformation in the Nigerian financial markets, providing a robust and dynamic marketplace for all participants through cutting-edge infrastructure and innovative market solutions, thereby reinforcing Nigeria's competitive standing on the international financial stage. FMDQ Exchange will continue to sustain issuers with tailored financing options to help them achieve their strategic objectives, while deepening and positioning the Nigerian debt markets for sustainable growth.

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FMDQ Exchange Demonstrates Continued Support for Infrastructure Growth with Registration of INT Towers Commercial Paper Programme

As part of its commitment to fostering infrastructure development in Nigeria, FMDQ Exchange continues to provide a vital platform for the registration and issuance of debt securities, such as the **INT Towers Limited ₦300.00 billion CP Issuance Programme.** This registration demonstrates FMDQ

Exchange's dedication to facilitating capital access for key sectors, enabling companies to meet their funding needs while contributing to the growth of critical infrastructure, particularly in the telecommunications sector. Through innovative financial solutions, FMDQ Exchange continues to play a pivotal role in shaping Nigeria’s economic landscape.

INT Towers Limited is a wholly owned subsidiary of IHS Towers Group (“**IHS Towers**”), one of the largest independent owners, operators and developers of shared communications infrastructure in the world, with operations in ten (10) countries, including Nigeria, Cameroon, Cote d’Ivoire, Rwanda and Zambia, amongst others. This CP Programme, sponsored by Rand Merchant Bank Nigeria Limited (*Lead Sponsor*), Chapel Hill Denham Advisory Limited and Stanbic IBTC Capital Limited (*Co-Sponsors*), all of whom are Registration Members (Quotations) of the Exchange, positions the Issuer to efficiently raise short-term capital from the Nigerian debt Markets, allowing it to access liquidity through CP issues up to the Programme’s limit.

FMDQ Exchange is dedicated in providing corporates with uninterrupted access to a credible and robust platform for the registration, listing, quotation, and trading of debt securities. The Exchange continues to offer tailored and value-adding services through regular information disclosure. Additionally, it provides comprehensive support for a streamlined and seamless process, foster transparency, and information symmetry, and promote credibility.

Other securities admitted to the Exchange platform in September 2024, include:

- Dangote Cement PLC ₦8.42 billion Series 15 and ₦45.68 billion Series 16 CPs under its ₦300.00 billion CP Programme
- Skymark Partners Limited ₦1.28 billion Series 29, ₦1.59 billion Series 30 and ₦1.85 billion Series 31 CPs under its ₦10.00 billion CP Programme

FMDQ Group is Africa’s first vertically integrated FMI group, strategically positioned to provide registration, listing, quotation and noting services; integrated trading platform, clearing & central counterparty, and settlement services for financial markets 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 Report

The FMDQ Market Turnover Report shows the turnover on all products traded in the FMDQ secondary market – Foreign Exchange (FX), Treasury Bills (T.bills), OMO Bills, Central Bank of Nigeria ("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 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 – August 2024)

Product Category	(₦'mm)	($'mm)
Foreign Exchange	100,818,740	70,095
Foreign Exchange Derivatives	28,053,141	20,512
Treasury Bills	27,972,682	20,046
OMO Bills	28,512,261	20,089
CBN Special Bills	2,929,215	2,337
FGN Bonds	16,268,053	11,882
Promissory Notes	22,203	18
Other Bonds*	8,318	7
Eurobond	394,746	276
Repurchase Agreements/Open Repos	73,518,791	52,080
Unsecured Placements/Takings	419,775	305
Money Market Derivatives	-	-
Commercial Papers	-	-
Sukuk Bonds	576,239	457
Total	**279,494,163**	**198,105**

No. of Business Days	165	165
Average Daily Turnover	**1,693,904**	**1,201**

Average Year-to-Date (YTD) $/₦ @ 1,410.84
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, 2024; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for Jan. – Aug. 2024 was ₦279.49 trillion. Trading activities in the FX market (Spot FX and FX Derivatives) contributed the largest share, accounting for 46.11% of overall market turnover. Repurchase Agreements (Repos) followed, representing 26.30%, whilst transactions in OMO Bills accounted for 10.20%. Bonds, T.bills, CBN Special Bills, Promissory Notes and Unsecured Placements & Takings accounted for 6.17%, 10.01%, 1.05%, 0.01% and 0.15% of the overall market turnover, respectively.

FMDQ Dealing Member (Banks) League Table (January – August 2024)

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.

RANK	DEALING MEMBER (BANKS)
1	Stanbic IBTC Bank PLC
2	United Bank for Africa PLC
3	First Bank of Nigeria Limited
4	Access Bank PLC
5	Standard Chartered Bank Nigeria Limited
6	Wema Bank PLC
7	Citibank Nigeria Limited
8	Zenith Bank PLC
9	Sterling Bank PLC
10	First City Monument Bank Limited

During the review period, Stanbic IBTC Bank PLC, United Bank for Africa PLC, and First Bank of Nigeria Limited ranked 1st, 2nd and 3rd postions, respectively, based on value traded. The top ten (10) Dealing Member (Banks) collectively accounted for 66.26% (₦193.59 trillion), while the top three (3) accounted for 55.71% (₦107.86 trillion) of the overall turnover of trades in the secondary market.

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Improving Credit Ratings: Strategies and Implications

In our previous articles, we covered the concept, benefits, and limitations of credit ratings, the roles of credit rating agencies, and the factors they consider in assessing creditworthiness of issuers and debt instruments. *(Click here to view previous article)*

In this article, we will explore the relationship between credit risk and effective risk management, laying the foundation for strategies that corporate issuers and institutions can adopt to improve their credit ratings. Additionally, we will examine the broader implications of improved ratings on the financial markets.

Credit Risk and Risk Management

In most cases, when a borrower defaults on payments of interest or principal, investors can recover some portion of the debt's value, thereby minimising potential losses. The possible loss for investors has two (2) key components:

- **Probability of Default** (also known as "**Default Risk**")**:** The likelihood of a borrower failing to meet their obligations to pay the full amount of interest or principal promptly, as specified in the debt agreement
- **Loss Severity** (or "**Loss Given Default**"): A measure of the potential financial loss for investors in the event of default, including the portion of the debt's value and any unpaid interest lost

Therefore, a key tool available to every Issuer is the choice of risks it undertakes in allocating its limited resources effectively. An issuer with a strong risk management culture, where risk is embedded in every decision and strategy, is more likely to perform well in both favourable and challenging times due to improved decision-making. As a result, credit rating agencies consistently prioritise risk profiling of issuers to assess potential threats and dangers posed to their assets. This analysis forms the basis for the periodic adjustments to the issuer's credit rating.

Risk Profiling of Issuers

Every issuer has a distinct risk profile based on the assets it aims to protect, the goals it seeks to achieve, and their capacity and willingness to manage risks. Sovereigns and corporate issuers use these profiles to align their strategies and actions with their risk appetite, i.e., the level of risk they are willing to accept after implementing the relevant controls. Broadly, credit rating agencies classify risk profiles into two (2) categories to determine the probability of default and the potential severity of losses in the event of default. These categories are detailed in the table below:

Category	Factors Considered	Description
Financial Risk Profile	Capital Adequacy	Gauges an issuer's available capital and its ability to absorb losses and continue functioning during financial difficulties
	Asset Quality	Evaluates the quality and trend of an issuer's assets, including its investment policies and debt practices
	Liquidity/Funding	Assesses an issuer's ability to meet short-term obligations and maintain sufficient cash reserves
	Earnings	Analyses the profitability, income generation and the long-term viability of an issuer
	Sensitivity to Market Risk	Assesses the impact of changes in interest rate, exchange rate, and commodity prices on an issuer
Non-Financial Risk Profile	Management Expertise	Evaluates management's ability to identify and respond to financial stress, considering its business strategy & performance
	ESG[1] Considerations	Assesses how an issuer safeguards the environment, manages relationships, and adheres to governance standards
	Operating Environment	Evaluates internal threats and external events impacting an issuer's operations and beyond its control.

Strategies for Improving Credit Ratings

S/N	Best Practice	Description	Factors Affected
1.	**Standardised and Timely Financial Reporting**	Accurate, timely and transparent financial reporting improves investors' perception of an issuer's operating environment, enhancing its credit ratings. Issuers should ensure their financial statements are clear, accurate, and comply with recognised reporting standards. Clear disclosures on profitability, liquidity, and debt provide reliable data for rating agencies and the investing public	▪ Management Expertise ▪ Operating Environment ▪ ESG Considerations
2.	**Effective Debt Management**	Corporations should prioritise maintaining healthy debt-to-equity ratios, proactively refinancing high-interest debt, and avoiding overleveraging. At the	▪ Asset Quality ▪ Sensitivity to market Risk

[1] Environmental, Social & Governance Factors

		same time, Sovereigns need to control debt-to-GDP ratios and explore local currency borrowing to mitigate currency risks.	
3.	**Maintaining Transparency and Strong Corporate Governance**	Credit rating agencies consider governance practices as key risk indicators. Issuers should implement robust internal controls, comply with regulations, maintain transparent policies, and conduct third-party audits to enhance credibility and influence ratings positively	▪ ESG Considerations
4.	**Diversifying Revenue Streams**	Diversifying revenue reduces reliance on single income sources, providing protection against market fluctuations. Corporations should expand revenue streams, while sovereigns can diversify their economies to lower reliance on specific commodities or sectors	▪ Earnings
5.	**Managing Risk Exposure**	Building robust risk management frameworks is essential for maintaining strong credit ratings. Corporations should mitigate operational, financial, and market risks with hedging strategies and insurance, while sovereigns should have contingency plans for economic shocks	▪ Management Expertise ▪ Operating Environment
6.	**Optimising Liquidity Management**	Corporations should maintain sufficient cash reserves and optimise working capital. Sovereigns should build foreign reserves and monitor account balances to reassure agencies of their ability to meet obligations	▪ Liquidity and Funding ▪ Asset Quality

Implications of Enhanced Credit Ratings

Considerations	Implications
Cost of Capital	Enhanced credit ratings typically lead to lower borrowing costs, significantly reducing interest expenses and improving the overall financial performance of an issuer
Investment Appeal	Higher ratings increase an issuer's attractiveness to investors, leading to better access to capital markets, a broader investor base, and potentially more favourable financing terms
Market Position	Improved credit ratings build market confidence in the issuer, enhancing their ability to secure more complex forms of financing, such as securitisation
Financial Stability	Stronger ratings contribute to financial stability by reducing refinancing risks and providing more favourable terms in capital markets, supporting long-term strategic goals and resilience
Economic Stability	Higher credit ratings contribute to overall economic stability by reducing systemic risk and fostering confidence among market participants

Conclusion

Improving credit ratings is not just beneficial for individual corporations and institutions but also has wide-reaching effects on broader financial markets. By adopting strategies such as efficient debt management and diversifying revenue streams, issuers can boost their creditworthiness. As highlighted in this series, while credit ratings are essential for assessing credit risk, they should be considered alongside other factors to make informed financial decisions.

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