



FMDQ SPOTLIGHT

NEWSLETTER EDITION 121 – NOVEMBER 2024





C O N T E N T S

▪ **New Stories**

- FMDQ Group PLC Hosts its 7th Annual GOLD Awards for the Nigerian Financial Markets
- FMDQ Rings the Bell for Climate for the Second Consecutive Year
- 101st Cleared Naira-Settled Non-Deliverable Forwards Contract Matures and Settles on FMDQ Exchange

▪ **At a Glance**

- Update on Clearing and Settlement Activities
- Update on Admitted Securities on FMDQ Depository

▪ **FMDQ Listings & Quotations**

- A.R.N Foods Limited Registers ₦5.00 Billion Commercial Paper Programme on FMDQ Exchange
- FMDQ Exchange Advances Corporate Funding Access with Quotation of MeCure Industries PLC Commercial Papers
- Other Securities Admissions on FMDQ Exchange

▪ **FMDQ Turnover and Dealing Member (Banks) League Table**

- FMDQ Turnover & Dealing Member (Banks)' League Table Report (January - October 2024)
- FMDQ Dealing Member (Banks) League Table (January – October 2024)

▪ **FMDQ Learning**

- Financial Risk Management

FMDQ Group PLC Hosts its 7th Annual GOLD Awards for the Nigerian Financial Markets

In line with its commitment to transform the Nigerian financial markets through its "GOLD" (Global Competitiveness, Operational Excellence, Liquidity, and Diversity) Agenda, FMDQ Group PLC ("FMDQ Group" or the "Group") once again hosted its 7th annual GOLD Awards (the "FMDQ GOLD Awards") in Lagos, on November 8, 2024, to recognise individuals and institutions whose expertise, leadership, and dedication have been integral to shaping the markets.

The prestigious event, designed to acknowledge and celebrate the contributions of market participants, whose participation in the FMDQ markets and across the financial market infrastructure value chain of FMDQ's business – Exchange, Central Counterparty, Depository – as well as Private Markets, have played a key role in fostering the growth of the Nigerian financial markets and positively impacted the development of the economy was graced by the Director-General, Securities and Exchange Commission, Nigeria, Dr. Emomotimi Agama, as the Special Guest of Honour, along with various stakeholders, industry leaders, and esteemed guests.

Delivering the Welcome Address, Dr. Jibril Aku, the Group Chairman of FMDQ Group, stated, "In a year marked by global and domestic economic uncertainties, our financial markets have had to adapt in the face of significant challenges. However, it is through these very challenges that our market participants have demonstrated remarkable resilience and innovation. Your unwavering commitment has been instrumental in driving stability and sustaining growth in Nigeria's financial ecosystem, and it is our privilege to celebrate these achievements with you." In his Keynote Address, Dr. Emomotimi Agama, the Director-General, Securities and Exchange Commission ("SEC"), Nigeria, stated, "Over the years, FMDQ has played a transformative role in revolutionising the capital market in Nigeria, particularly in providing innovative solutions for investors, especially in the fixed income and bond markets. FMDQ has provided leadership and transparency to a key sector of the capital market that, hitherto, nobody knew about and wasn't even counted as part of the capital market. Due to the nature of the investment in fixed income space, it is vital for regulators and investors to have a clear view of the size and depth of the markets. This has definitely contributed to improved liquidity and strengthening of the financial market infrastructure landscape in Nigeria".

The prestigious 2024 GOLD Awards were presented following a rigorous verification process by Ernst & Young, Nigeria (EY), underscoring the integrity and credibility of the accolades. The GOLD Awards spanned five (5) broad categories: FMDQ Primary Market Awards, FMDQ Secondary Market Awards, FMDQ Members' & Clients' Choice Awards, FMDQ Leadership Award and FMDQ Recognition Award. A total of twenty-six (26) awards were presented, with Chapel Hill Denham Advisory Limited and Stanbic IBTC Bank Limited emerging as the winners of the Primary Market Champion Award (FMDQ

Capital Markets Securities Origination) and Secondary Market Champion Award (FMDQ Dealing Member of the Year), respectively. Whilst the Primary and Secondary Markets Awards were data-driven, the FMDQ Members' & Clients' Choice Awards provided a unique opportunity for the FMDQ Exchange's Members and clients to nominate and vote for active participants across the fixed income and currencies markets.



The Leadership Award (FMDQ Capital Market Catalyst), in recognition of an entity's potential to significantly impact the Nigerian capital markets, facilitate access to capital, value transfer and deliver effective and efficient risk management, was presented to the Federal Government of Nigeria (represented by the Federal Ministry of Finance) for the establishment of the maiden Domestic FGN US Dollar Bond Programme). Furthermore, a highlight of the night was the presentation of the Recognition Award (FMDQ Markets Enabler) by the Group Chairman of FMDQ Group, Dr. Jibril Aku and the Group Chief Executive Officer, Mr. Bola Onadele. Koko, to the worthy recipient, Dr. Emomotimi Agama, the Director-General of the SEC, who was recognised as a capital markets connoisseur with a track record of dedicated contribution and impact in the developmental history of the Nigerian capital markets over a sustained period through knowledge transfer, policy formulation and collaboration; with an undeniable and insatiable hunger for market development, and is uniquely positioned to achieve groundbreaking change and rapid development in the Nigerian capital markets for nationwide prosperity.



As part of the evening's entertainment, the young graduates of the FMDQ Next Generation Financial Markets Empowerment Programme ("FMDQ-Next") 2024 Summer Camp (Primary School Stream), via a captivating playlet, demonstrated their learnings from the Programme. Through their performance, they explored several key topics, including the diverse range of financial products traded in FMDQ's markets and the comprehensive services offered by FMDQ Group and its subsidiaries. FMDQ-Next

stands as FMDQ's flagship corporate responsibility initiative, dedicated to promoting financial market awareness and literacy among students at all academic levels, equipping them with the essential knowledge needed to navigate the financial landscape.

Please click [here](#) to view more photo highlights from the 2024 FMDQ GOLD Awards.

[Back to Top](#)

#FMDQGOLDAwards
#2024GOLDAwards
#FMDQ@11



Congratulations to the

2024 FMDQ

GOLD

AWARDS

WINNERS!



*Recognising Excellence in the Fixed Income,
Currencies & Derivatives Markets*

For more information, visit

www.fmdqgroup.com/goldawards

**AWARDS
VERIFIER**



Shape the future
with confidence

• EXCHANGE • CENTRAL COUNTERPARTY • DEPOSITORY • PRIVATE MARKETS

goldawards@
fmdqgroup.com
www.fmdqgroup.com/
goldawards

FIXED INCOME

CURRENCIES

DERIVATIVES

EQUITIES

+234 907 035 9971

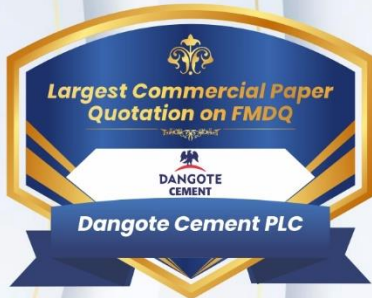
@FMDQGroup

• GLOBAL COMPETITIVENESS • OPERATIONAL EXCELLENCE • LIQUIDITY • DIVERSITY

#FMDQGOLDAwards
#2024GOLDAwards
#FMDQ@11



PRIMARY MARKET AWARDS



#FMDQGOLDAwards
 #2024GOLDAwards
 #FMDQ@11



SECONDARY MARKET AWARDS



MEMBERS' & CLIENTS' CHOICE AWARDS



LEADERSHIP AWARD

RECOGNITION AWARD



FMDQ Rings the Bell for Climate for the Second Consecutive Year

The 29th United Nations Climate Change Conference (“COP29” or the “Conference”), held from November 11–22, 2024, played a pivotal role in advancing the global climate agenda, with a focus on the implementation of the Paris Agreement and accelerating climate action worldwide. This year’s conference brought together governments, organisations, and stakeholders to address critical issues such as climate finance, transparency frameworks, and global emission reduction strategies, all while fostering collaboration on innovative solutions for sustainable development.

As climate change remains one of the most pressing global challenges, the financial sector — especially the Financial Market Infrastructures — play a vital role in driving the transition to a more sustainable, environmentally conscious economy. Building on this crucial role, the World Federation of Exchanges (WFE), the global industry association representing over two hundred and fifty (250) Exchanges and Central Counterparties worldwide, launched the ‘Ring the Bell for Climate’ initiative, a global campaign aimed at highlighting the importance of sustainable investment practices, green finance, and corporate climate disclosures. The initiative is marked by bell-ringing ceremonies at Securities Exchanges and Central Counterparties worldwide.

In alignment with its commitment to advancing sustainable financial markets and contributing to the growth of the Nigerian economy, FMDQ participated in the global financial markets initiative ‘Ring the Bell for Climate’, for the second consecutive year, in support of COP29’s goals. The ceremony, held on Friday, November 22, 2024, showcased FMDQ staff actively demonstrating support for climate action.



FMDQ remains committed to fostering a resilient and sustainable financial ecosystem in Nigeria, continuously championing climate-friendly and sustainable practices that contribute to the global fight against climate change.

[Back to Top](#)

101st Cleared Naira-Settled Non-Deliverable Forwards Contract Matures and Settles on FMDQ Exchange

On Wednesday, November 27, 2024, the 101st Cleared Naira-Settled Non-Deliverable Forwards (“Cleared USD/NGN NDFs”) contract – NGUS NOV 27 2024, with a nominal value of \$15.00 million, matured and settled on FMDQ 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 \$67.70 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 accordingly.

Additionally, FMDQ Exchange introduced a new contract, NGUS NOV 28 2029, with a rate of \$/₦5,523.30, 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.

[Back to Top](#)

Update on Clearing and Settlement Activities

As a Central Counterparty, FMDQ Clear plays a vital role in providing clearing services that mitigate counterparty default risk, ensure settlement finality, and strengthen the integrity, resilience, and stability of Nigeria's 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	September 2024	October 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)	0.11	0.10	(4.59)
Settlement				
4.	No. of Matured & Settled Contracts	6,241	6,242	0.02
5.	Value of Matured & Settled Contracts (\$'bn)	67.68	67.68	0.01

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

S/N	Sovereign Fixed Income	September 2024	October 2024	Change (%)
1	Total Value of Trades Processed (₦'bn)	18,609.29	20,875.34	12.18
2	Value of Trades Settled (₦'bn)	16,862.37	18,679.19	10.77
3	Value of Unsettled Trades (₦'bn)	1,746.92	2,196.16	25.72

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

S/N	Non-Sovereign Fixed Income	September 2024	October 2024	Change (%)
1	Total Value of Trades Processed (₦'bn)	2.78	1.13	59.34
2	Value of Trades Settled (₦'bn)	2.78	1.13	59.34
3	Value of Unsettled Trades (₦'bn)	0.00	0.00	N/A

Update on Admitted Securities on FMDQ Depository

FMDQ Depository Limited (“**FMDQ Depository**”), is committed to providing a secure depository for financial market assets while enabling the seamless settlement of capital market transactions.

Central to FMDQ Group's mission is a dedication to innovation, ensuring efficient market-making for all securities on the FMDQ Platform. This is achieved through integrated and streamlined linkages between FMDQ Exchange, FMDQ Clear, and FMDQ Depository, fostering a robust and reliable ecosystem for the Nigerian capital markets.

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

- Valency Agro Nigeria Limited ₦2.74 billion Series 1, ₦4.01 billion Series 2, ₦3.29 billion Series 3 and ₦3.38 billion Series 4 Commercial Papers (CPs) under its ₦40.00 billion CP Issuance Programme
- Johnvents Industries Limited ₦4.26 billion Series 10 and ₦14.55 billion Series 11 CPs under its ₦30.00 billion CP Issuance Programme
- TGI Foods SPV PLC ₦9.83 billion Series 1 and ₦19.16 billion Series 2 CPs under its ₦100.00 billion CP Issuance Programme
- Skymark Partners Limited ₦0.32 billion Series 32, ₦0.71 billion Series 33 and ₦1.49 billion Series 34 CPs under its ₦10.00 billion CP Issuance Programme
- Zeenab Foods Limited ₦0.68 billion Series 2 Tranche A, ₦1.30 billion Series 2 Tranche B, ₦0.66 billion Series 2 Tranche C and ₦0.10 billion Series 2 Tranche D CPs under its ₦20.00 billion CP Issuance Programme
- Romco Recycling Company Limited ₦0.99 billion Series 4 CP under its ₦6.00 billion CP Issuance Programme
- Robust International Commodities Limited ₦0.77 billion Series 16 and ₦3.77 billion Series 17 CPs under its ₦30.00 billion CP Issuance Programme
- Domestic Federal Government of Nigeria \$0.92bn Series 1 Bond under its \$2.00 billion Domestic FGN US Dollar Bond Programme



FMDQ Depository Limited is pleased to welcome the admission of the Domestic Federal Government of Nigeria US Dollar Bond on its platform:

**Federal Government of Nigeria
\$0.92bn Series 1 Bond Under its
\$2.00bn Domestic FGN US
Dollar Bond Programme**

November 2024



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

[Back to Top](#)



@FMDQGroup



www.fmdqgroup.com





FMDQ LISTINGS & QUOTATIONS

A.R.N Foods Limited Registers ₦5.00 Billion Commercial Paper Programme on FMDQ Exchange

FMDQ Exchange in its unwavering commitment to advancing the Nigerian debt markets, continues to provide innovative and efficient financing solutions that support issuers in achieving their strategic objectives while fostering the growth and resilience of the markets. In line with this mission, the FMDQ Exchange Board Listings and Markets Committee has approved the **registration of A.R.N Foods Limited's ₦5.00 billion CP Programme** on its platform.

A.R.N Foods Limited ("A.R.N Foods"), a key player in the agricultural sector, aims to use this CP Programme to access the critical capital for its operations, enhance food security, and drive growth within Nigeria's agricultural value chain. This initiative aligns seamlessly with FMDQ Exchange's commitment to supporting critical sectors of the economy by facilitating access to tailored and transparent financing solutions. Sponsored by Pathway Advisors Limited, the registration of this CP Programme on FMDQ Exchange provides A.R.N Foods with enhanced transparency, increased visibility to a diverse investor base, and efficient price discovery, further positioning the CP Programme for success.

FMDQ Exchange remains a trailblazer in innovation and progress within the Nigerian financial markets, offering a robust and adaptable platform equipped with state-of-the-art infrastructure and forward-thinking solutions. By fostering a dynamic environment for market participants, the Exchange continues to elevate Nigeria's prominence in the global financial landscape.

FMDQ Exchange Advances Corporate Funding Access with Quotation of MeCure Industries PLC Commercial Papers

FMDQ Exchange remains steadfast in its commitment to advancing the Nigerian debt markets by providing a transparent, efficient, and well-regulated platform for the issuance and trading of debt securities. Reinforcing its dedication to supporting corporate entities in achieving their financial objectives, FMDQ Exchange, through its Board Listings and Markets Committee, has approved the quotation of the **MeCure Industries PLC ₦3.03 billion Series 1 and ₦6.29 billion Series 2 CPs under its ₦40.00 billion CP Issuance Programme** on its platform.

MeCure Industries PLC (“**MeCure Industries**” or the “**Issuer**”) is a leading company in the pharmaceutical industry and, for over a decade, has leveraged the power of technology and innovation to advance medical practice. MeCure Industries pioneered the development of groundbreaking products, including the pharmaceutical industry’s first tablet-in-a-capsule formulation, Liquitab Floatcap. By quoting these CPs, which are sponsored by Cordros Capital Limited (*Lead Sponsor*), AllCO Capital Limited, CardinalStone Partners Limited, FSDH Capital Limited, Greenwich Merchant Bank Limited, United Capital PLC (*Co-Sponsors*), all Registration Members (Quotations) of the Exchange, the Issuer will benefit from enhanced visibility in the financial markets, access to a diversified investor base, and increased credibility due to FMDQ Exchange’s robust governance and operational standards.

FMDQ Exchange continues to revolutionise Nigeria’s financial markets by providing a cutting-edge platform that seamlessly connects issuers with diverse funding opportunities. Harnessing its innovative market solutions and streamlined processes, the Exchange enables corporates to secure capital efficiently while ensuring maximum market visibility and investor engagement. By championing transparency, strong governance, and operational excellence, FMDQ Exchange will continue to foster confidence among stakeholders and empower issuers to achieve their strategic goals and contributing to a robust, adaptive financial ecosystem.

Other securities admitted to the Exchange platform in November 2024 include:

- Dufil Prima Foods Limited ₦28.62bn Series 8 CP under its ₦50.00bn CP Programme
- Skymark Partners Limited ₦0.32bn Series 32, ₦0.71bn Series 33 and ₦1.49bn Series 34 CPs under its ₦10.00bn CP Programme
- DLM Capital Group Limited ₦1.40bn Series 15 Tranche A and ₦3.60bn Series 15 Tranche B CPs under its ₦20.00bn CP Programme
- Daraju Industries Limited ₦3.97bn Series 28 and ₦2.20bn Series 29 CPs under its ₦20.00bn CP Programme
- Valency Agro Nigeria Limited ₦3.29bn Series 3 and ₦3.39bn Series 4 CPs under its ₦40.00bn CP Programme
- Robust International Commodities Limited ₦0.77bn Series 16 and ₦3.77bn Series 17 CPs under its ₦30.00bn 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.

[Back to Top](#)

FMDQ TURNOVER & DEALING MEMBER (BANKS) LEAGUE TABLE

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, 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 – October 2024)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	132,264,400	89,638
Foreign Exchange Derivatives	34,930,200	24,776
Treasury Bills	34,086,886	23,847
OMO Bills	37,618,592	25,747
CBN Special Bills	2,929,215	2,337
FGN Bonds	20,110,287	14,270
Promissory Notes	23,452	19
Other Bonds*	8,318	7
Eurobond	465,851	321
Repurchase Agreements/Open Repos	93,215,875	64,320
Unsecured Placements/Takings	488,337	348
Money Market Derivatives	350	0
Commercial Papers	-	-
Sukuk Bonds	715,526	543
Total	356,857,287	246,174
No. of Business Days	203	203
Average Daily Turnover	1,757,918	1,213

Average Year-to-Date (YTD) \$/₦ @ 1,449.62

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 @ November 6, 2024; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for Jan. – Oct. 2024 period amounted to ₦356.86 trillion. Trading activities in the FX (Spot FX and FX Derivatives) market had the largest contribution, accounting for 46.85% of overall market turnover. Repurchase Agreements (Repos) accounted for 26.12%, whilst transactions in OMO Bills accounted for 10.54%. Bonds, T.bills, CBN Special Bills, Promissory Notes and Unsecured Placements & Takings accounted for 5.97%, 9.55%, 0.82%, 0.01% and 0.14% of overall market turnover.

FMDQ Dealing Member (Banks) League Table (January – October 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 Limited
2	United Bank for Africa PLC
3	First Bank of Nigeria Limited
4	Standard Chartered Bank Nigeria Limited
5	Wema Bank PLC
6	Access Bank PLC
7	Zenith Bank PLC
8	Sterling Bank PLC
9	Citibank Nigeria Limited
10	Ecobank Nigeria Limited

Stanbic IBTC Bank Limited, United Bank for Africa PLC, and First Bank of Nigeria Limited ranked 1st, 2nd and 3rd respectively, based on value traded during the review period. The top ten (10) Dealing Member (Banks) accounted for 69.20% (₦246.91 trillion), while the top three (3) accounted for 38.66% (₦137.94 trillion) of the overall turnover of trades in the secondary market.

[Back to Top](#)



Financial Risk Management

Our previous article explored the fundamentals of risk management, including an overview of what risk is, the various types of risks, and the significance of implementing a robust risk management framework. (Click [here](#) to view the previous article). Building on this foundation, this article delves deeper into **financial risk**, examining effective strategies for managing it, while focusing on **hedging** as a vital tool in financial risk management.

Financial risk emerges primarily from interactions within financial markets due to volatility in asset prices, interest rates, foreign exchange rates, or credit defaults. Broadly categorised into market, credit, and liquidity risks, these risks pose challenges that businesses must navigate to protect their financial stability. Effective financial risk management is not about eliminating risk entirely; rather, it involves gaining a comprehensive understanding of the inherent risks, accurately quantifying exposures, and striking the right balance between pursuing desired returns and minimising potential losses. At the heart of this process lies the concept of risk appetite.

Risk Appetite

Risk appetite refers to the amount and type of financial risk an organisation is willing to accept to achieve its objectives. It determines the level of loss or failure the organisation is prepared to endure. Risk appetite is dynamic; it evolves with changes in the business environment and objectives. For example, during a financial boom, companies may embrace higher risks in pursuit of aggressive growth. However, in a downturn, that appetite may contract, shifting focus toward stability and survival.

A clearly articulated risk appetite provides a benchmark for decision-making, helping firms navigate uncertain environments. It ensures that actions to mitigate financial risks align with long-term objectives and resource capabilities.

Financial Risk Management Framework

Following the determination of an organisation's risk appetite, managing financial risk effectively demands a structured, proactive, and continuous approach. A robust framework for managing risk includes the following key steps in addition to determining risk appetite.

- i. **Risk Identification:** Systematically identifying potential financial risks tied to market dynamics, credit arrangements, or internal liquidity challenges

- ii. **Risk Assessment:** Once risks are identified, the next step is to assess the likelihood and impact of identified risks. This involves evaluating both the probability of occurrence and the severity of its consequences, using both quantitative and qualitative tools. Tools such as value-at-risk, stress testing, and scenario analysis are used to quantify financial risks, helping firms prioritise their responses
- iii. **Mitigation Strategies:** Establishing mechanisms to limit financial risk exposure. This includes strategies such as diversification, counterparty exposure limits, or hedging instruments
- iv. **Monitoring:** Financial risks are dynamic and require ongoing monitoring. Organisations establish regular reporting mechanisms and risk dashboards to track exposure and ensure risks remain within acceptable levels

The risk management framework should be geared towards measuring, managing and ensuring compliance with the risk appetite of the organisation while adapting to evolving market conditions.

Hedging: A Critical Financial Risk Management Tool

Hedging plays a critical role in managing financial risk by offsetting potential losses. This involves taking positions in financial instruments such as [derivatives](#), using strategies that offset potential losses in one area by generating gains in another. For instance, a firm exposed to currency fluctuations may use forward contracts to lock in exchange rates, safeguarding profitability.

The choice of hedging tools depends on the type and magnitude of the risk. [Derivative instruments](#) like options, futures, and swaps offer tailored solutions to mitigate specific risks, enabling firms to operate with greater confidence in volatile markets.

Conclusion

Financial risk management is not a one-time exercise; it is a continuous and evolving process that must keep pace with changes in the business and financial landscape. By defining a clear risk appetite, implementing robust frameworks, and leveraging hedging tools, organisations can effectively navigate financial markets complexities.

By adopting a disciplined and proactive approach, businesses will protect themselves from financial shocks and position for sustainable growth. In the final article of this series, we will explore case studies of major financial disasters, drawing valuable lessons to inform effective risk management practices.

[Back to Top](#)

DISCLAIMER

The FMDQ Learning segment is produced by FMDQ Group PLC ("FMDQ Group") and its subsidiaries ("FMDQ") for information purposes only. FMDQ IS NOT an investment advisor, and it does not endorse or recommend any securities or other investments. Market data and certain other information that may appear in this segment, as well as reference materials and/or links to other sites, have been compiled from publicly available sources believed to be reliable and are for general informational purposes only. It does not constitute any offer, recommendation, or solicitation to any person to enter any transaction or adopt any hedging, trading, or investment strategy, nor does it constitute any prediction to likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration contained therein. All rates and figures appearing are for illustrative purposes only. The accuracy or completeness of the information contained herein is not guaranteed and is not intended to be relied upon for investment purposes.

FMDQ, its subsidiaries, affiliates, third party information providers, or any of these entities' officers, employees, directors, or agents have not: (1) attested to the merit of the information provided in this segment or on any of these securities; or (2) endorsed or sponsored any of these securities. ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.

All information is provided "as is" without warranty of any kind. FMDQ, its subsidiaries, affiliates, and the third-party information providers make no representations and disclaim all express, implied, and statutory warranties of any kind to user and/or any third-party including warranties as to accuracy, timeliness, completeness, merchantability, or fitness for any purpose.

Unless, in the event of willful tortious misconduct or gross negligence, FMDQ, its subsidiaries, affiliates and the third-party information providers have no liability in tort, contract, or otherwise (and as permitted by law, product liability), to user and/or any third party. FMDQ, its subsidiaries, affiliates and the third-party information providers shall under no circumstance be liable to user, and/or any third party for any lost profits or lost opportunity, indirect, special, consequential, incidental, or punitive damages whatsoever, even if FMDQ has been advised of the possibility of such damages.