FMDQ SECURITIES EXCHANGE PLC
2018
ANNUAL REPORT & ACCOUNTS

FMDQ Securities Exchange

5th ANNIVERSARY

Tiny Footsteps ... Lasting Strides

GLOBAL COMPETITIVENESS | OPERATIONAL EXCELLENCE | LIQUIDITY | DIVERSITY

FMDQ Securities Exchange 5th Anniversary

Tiny Footsteps ...Lasting Strides

2013
Birth of FMDQ

Financial Markets Dealers Association

2014
SETTING THE TRANSFORMATION AGENDA

- Launch of the FMDQ-Bloomberg E-Bond Trading and Surveillance System
- Securities and Exchange Commission's approval of the FMDQ Bond Listing & Quotation Rules
- Rejuvenation of the Commercial Paper (CP) Market through the introduction of CP Quotation Rules and Process

2015
ESTABLISHMENT OF DEBT CAPITAL MARKETS SECURITIES EXCHANGE

- Listing of Pioneer Corporate & Sovereign Bonds
- Launch of FMDQ Data & Information Repository: e-Markets Portal
- Admission as a full member of the African Securities Exchange Association
- Pioneer Debt Capital Markets Worshop

2016
MARKET INFRASTRUCTURE & STANDARDISATION

Launch of:
- OTC FX Futures product
- Short-Term Bonds
- Debt Capital Markets Development Project
- FMDQ Academy

2017
PRODUCT DIVERSIFICATION

- Listing of Pioneer Sovereign Sukuk & Eurobonds
- Listing of Pioneer Infrastructure Debt Fund
- Noting of Private Companies' Bonds
- Launch of FMDQ Clear
- Introduction of Nigerian Autonomous Foreign Exchange Rate Fixing

2018
MARKET DIVERSIFICATION

- Launch of FMDQ Proprietary Trading System – Q-ex
- Co-branding of S&P FMDQ Nigerian Sovereign Bond Index
- Activation of the Derivatives Market Project
- Listing of Pioneer Sovereign Green Bonds

YEARS OF COLLABORATION INNOVATION & TRANSFORMATION

FMDQ Securities Exchange PLC

An Integrated Financial Markets Infrastructure Group

▪ Exchange ▪ Clearing ▪ Depository

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NOTICE OF THE 7TH ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting ("AGM") of FMDQ Securities Exchange PLC (the "Company") will be held at FMDQ Securities Exchange PLC, Exchange Place, 35, Idowu Taylor Street, Victoria Island, Lagos State, on Friday, July 26, 2019 at 11:00 AM prompt to transact the following:

ORDINARY BUSINESS

1. To lay before the members, the Audited Annual Financial Statements and Other Information for the year ended December 31, 2018, together with the reports of the Directors, the Auditors, and the Audit Committee thereon
2. To re-appoint Messrs. KPMG Professional Services as the Company's External Auditors and to authorise the Directors to fix the remuneration of the External Auditors
3. To elect the members of the Audit Committee

SPECIAL BUSINESS

1. To ratify the appointment of additional Directors of the Company
2. To fix the remuneration of Directors of the Company
3. To consider and, if thought fit, to pass the following, with or without modification, as special resolutions of the Company:

(a) "That, subject to the approval of the Securities and Exchange Commission and any other applicable regulatory agency, the Company and its current subsidiaries—FMDQ Clear Limited, FMDQ Depository Limited and iQx Consult Limited—be re-organised into a capital market group/holding structure such that (i) the Company's current securities exchange business and incidental licenses are transferred to a wholly owned newly incorporated subsidiary of the Company with the name FMDQ Securities Exchange Limited (or such other name approved by the Corporate Affairs Commission); (ii) the Company becomes a non-operating holding company; and (iii) FMDQ Securities Exchange Limited and the current subsidiaries of the Company remain wholly owned operating subsidiaries of the Company"

(b) "That in furtherance of resolution (a) above and subject to obtaining relevant regulatory approvals, the name of the Company be and is hereby amended and changed from FMDQ Securities Exchange PLC to FMDQ Holdings PLC"

(c) "That the Memorandum and Articles of Association of the Company be and is hereby altered by substituting FMDQ Securities Exchange PLC with FMDQ Holdings PLC anywhere appearing in the said document and updating the objects contained therein to that of a non-operating holding company"

(d) "That the Board of Directors of the Company and the Company Secretary be and are hereby authorised to take all steps to give effect to these resolutions including, without limitation, the preparation, execution, and filing of all necessary documents, notifications, forms and agreements with, and as required by the Securities and Exchange Commission, Corporate Affairs Commission, or any other regulatory agency"

NOTES

1. Proxy

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his/her/its stead. A proxy need not be a member. For the appointment to be valid the duly completed and duly sealed proxy form must be deposited at the office of the Company Secretary, FMDQ Securities Exchange PLC, Exchange Place, 35, Idowu Taylor street, Victoria Island, Lagos State, not less than forty-eight (48) hours before the time fixed for the meeting.

2. Audit Committee

In accordance with section 359(5) of the Companies and Allied Matters Act 2004, any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least twenty-one (21) days before the AGM.

3. Appointment / Ratification of the Appointment of Additional Directors

Mr. Patrick Akinwuntan was appointed a Director of the Company by the Board on October 2, 2018. Messrs. Ebenezer Onyeagwu and Emeka Emuwa were appointed Directors of the Company by the Board on June 19, 2019. All appointments are being presented for shareholders' approval. Directors' profiles are contained in the Annual Report for your reference.

S/N	NAME	CLASS OF DIRECTOR
1.	Mr. Patrick Akinwuntan	Non-Executive Director
2.	Mr. Ebenezer Onyeagwu	Non-Executive Director
3.	Mr. Emeka Emuwa	Non-Executive Director

BY ORDER OF THE BOARD

Ajibola Asolo
Company Secretary
FRC/2015/NBA/00000013523
FMDQ Securities Exchange PLC
Exchange Place
35, Idowu Taylor Street
Victoria Island
Lagos State
Nigeria
June 26, 2019

About This Report

Board Responsibility for Annual Report

The Board of Directors of FMDQ Securities Exchange PLC (hereinafter, the "Company, "FMDQ", the "Exchange", or the "Securities Exchange") affirms that this Annual Report (Report) has been prepared in line with the Commission's Code of Corporate Governance for Public Companies and global best practices. The Board confirms responsibility for the integrity of the Report, and believes the Report addresses the material issues and fairly presents the performance of FMDQ Securities Exchange PLC. The Board is comfortable with the reliability and integrity of the information contained herein.

Disclaimer

Some of the statements in the Report may contain progressive statements concerning the Company's Strategy, performance and growth. Readers are cautioned not to place undue reliance on the progressive statements. Legislation in Nigeria governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope and Boundaries

This Report presents the consolidated activities and Audited Financial Statements of the Exchange for the year ended December 31, 2018. It also describes the strategic path that has been taken over the past year and the way this fits into the Company's Strategy, the operating environment in which the Company operates as well as its business and operational models.

2018 Footprints

Over
₦182 trillion
($505 billion)
2018 turnover

195
members
across the Nigerian financial markets

36 **Bonds / Sukuk**
(Excl. Eurobonds) value at
₦632 billion
($1.74 billion)

25 Registered
Commercial Paper Programmes, valued at over
₦1 trillion
($4.54 billion)

121
Quoted Commercial papers valued at
₦854 billion
($2.35 billion)

Over **266 Listed/Quoted Federal Government** of **Nigeria Debt Securities** valued at over

₦48 trillion **($196 billion)**

3 Global Standards
Benchmarks:
Nigerian Autonomous Foreign Exchange Fixing **(NAFEX)**
Nigerian Inter-bank Offered Rate **(NIBOR)**
Nigerian Inter-bank Treasury Bills' True Yield Fixing **(NITTY)**

Over
$18 billion
OTC FX Futures Traded
(circa **$13 billion** settled)

- **African Securities Exchanges Association (Full Member)**
- **World Federation of Exchanges (Affiliate)**
- **International Capital Markets Association (Member)**
- **International Organisation of Securities Commissions (Affiliate Member)**

As @ December 31, 2018; *Naira-Denominated Bonds/Sukuk (excluding Conventional FGN Bonds and FGN Savings Bonds)

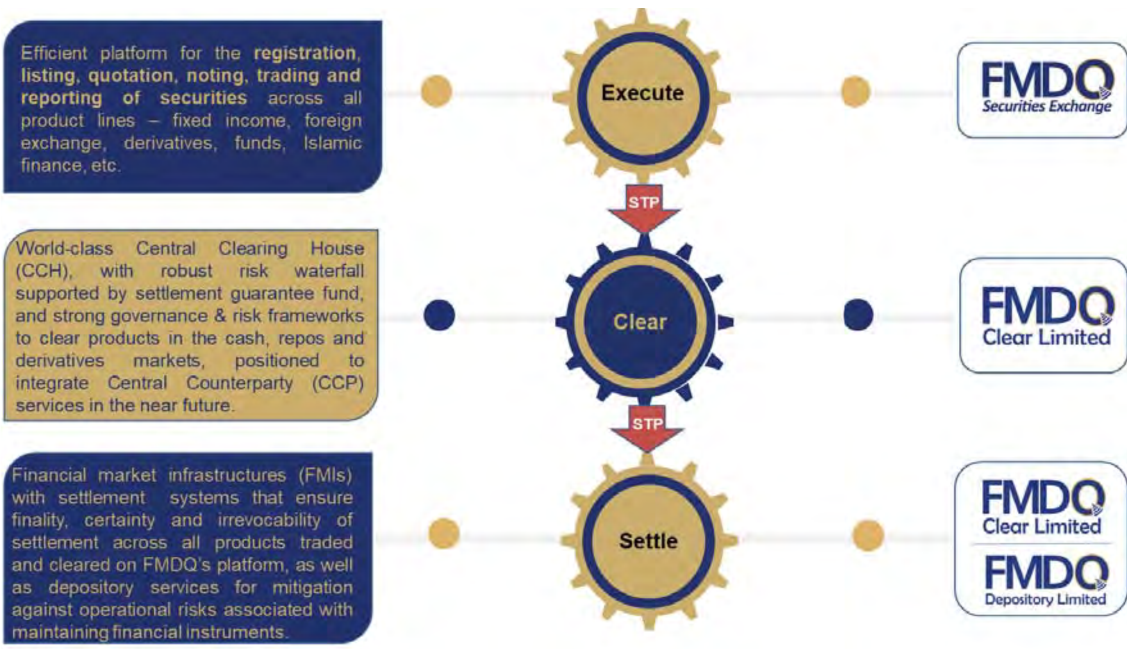
Company Profile

Overview

FMDQ Securities Exchange PLC is Nigeria's budding integrated financial markets infrastructure (FMI) group, operating the foremost debt securities, currency and derivatives securities exchange in the country - with an average annual market turnover of circa N136 trillion (US$548 billion) over the last five (5) years - as well as the only central clearing house, FMDQ Clear Limited (FMDQ Clear), and a central securities depository, FMDQ Depository Limited (FMDQ Depository).

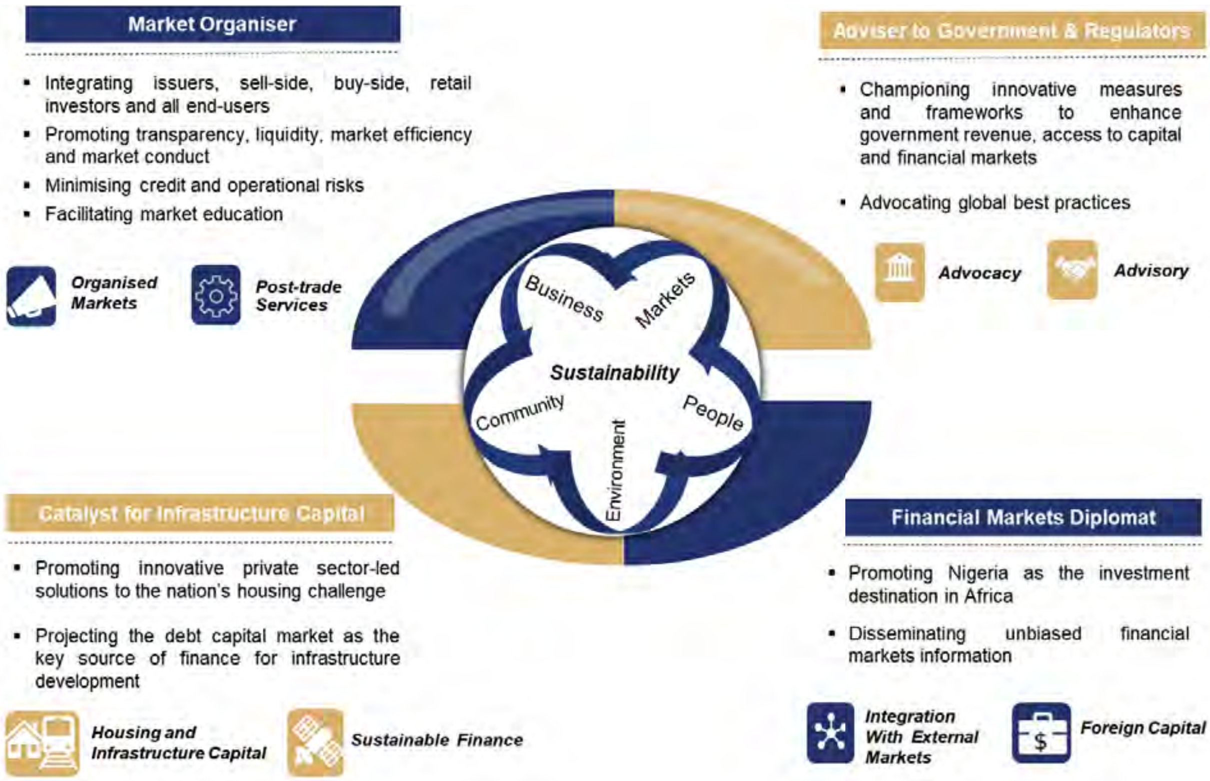
Registered as an OTC Market and self-regulatory organisation (SRO) by the Securities and Exchange Commission (SEC or the Commission), Nigeria, in 2012, launched on to the Nigerian financial market in 2013, and subsequently, as a Securities Exchange in March 2019, the Exchange offers, amongst other world-class services, an efficient platform for the registration, listing, quotation, trading, order execution, trade reporting of fixed income, currency and derivative products, supported by its wholly owned clearing house and depository, offering clearing and settlement services in the Nigerian financial markets.

FMDQ provides a world-class market governance structure for the markets within its purview: fixed income (money, repurchase agreement (repo), commercial papers (CPs), treasury bills and bonds), currencies and derivatives; offering registration, listings & quotations (for bonds, CPs, treasury bills and funds), memberships, market connectivity, data & information, market regulation and post-trade services, with straight-through-processing (STP) capabilities, to the various stakeholders within its markets, in collaboration with key financial markets stakeholders.



FMDQ's audacious aspiration to become Africa's most diversified and integrated FMI group, driven by innovation, collaborative relationships and technology, is now crystallising with the existence of a securities exchange, a clearing house and central securities depository in the group, providing world-class services in the Nigerian financial markets.

In achieving its mandate, FMDQ plays the following strategic roles in the Nigerian financial ecosystem, embedded by its sustainability pillars:



Corporate Statements

Our VISION

To be No. 1 in Africa in the Fixed Income and Currency markets by 2019

Our MISSION

To empower the financial markets to be innovative and credible, in support of the Nigerian economy

Teamwork and Collaboration

Our overall mandate of organising the Nigerian financial market imposes the need for our people to work together on a cross-functional basis whilst the company collaborates in humility with our stakeholders to foster shared understanding and combined action.

Innovation

Through teamwork and collaboration, we consistently develop forward thinking ideas into product and market development initiatives that create value for our stakeholders.

Integrity

Our market organisation and governance responsibilities are underpinned by objectivity in every aspect, and we can be trusted to act rightly and professionally in delivering our mandate.

Value-adding

Our passion for growth and development of the financial market motivates engagement and collaboration with our stakeholders, as we consistently seek opportunities to deliver value.

Value Proposition

FMDQ, in furtherance of its vision to be No. 1 in Africa in the Fixed Income and Currency markets by 2019 and its mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy, is committed to the development of its markets through the introduction of innovative products and the institutionalisation of robust market architecture.

With its value proposition hinged on Transparency, Integration, Regulation and Education, FMDQ continually explores new avenues to maximise its offerings to various stakeholders, focusing on its system and product innovation activities and market integration agenda.

The FMDQ "GOLD" Agenda

FMDQ remains committed to transforming the Nigerian financial markets, through its "GOLD" (Global Competitiveness, Operational Excellence, Liquidity and Diversity) Agenda, which serves at the Exchange's methodology for assessing the quality of the markets under its purview.

This Agenda also presents opportunities for reforms with far reaching implications for the development of the Nigerian financial markets.

Memberships

In line with its commitment to drive market and product development, and in its capacity as a securities exchange and self-regulatory organisation, the FMDQ platform through the collaborative efforts of its membership base which spans across market makers, dealers, regulators, issuers, issuing houses, brokers, investors and end-users facilitates integration across the Nigerian financial markets, which serve to support the Exchange's unwavering commitment to consistently create long-term value for its stakeholders.

Dealing Member	Registration Member	Associate Member	Affiliate Member
Banks	Listings	Inter-Dealer Brokers	Standard
Specialists	Quotations	Brokers	Fixed Income
		Clients	Regulator
			FX Trading
			FX Trading (Corporate)

FMDQ has four (4) broad membership categories - Dealing, Associate, Registration and Affiliate - uniquely designed and connected to promote access, liquidity, governance, innovation and growth in the Nigerian financial markets. FMDQ's membership categories are highlighted as follows:

Category	Sub-categories	
Dealing Member	This membership category comprises institutions that make market in the products traded on the Exchange and is made up of two (2) sub-categories:	
	Banks	These institutions are Central Bank of Nigeria (CBN)-licenced banks that provide liquidity and make market on all products traded in the FMDQ markets - fixed income, money market, currencies and derivatives. The Dealing Member (Banks) [DMBs] provide almost 100% of the overall liquidity in the FMDQ markets. As at December 31, 2018, there were twenty-eight (28) FMDQ-licenced DMBs.
	Specialists	Dealing Member (Specialists) [DMSs] are licenced to make market, improve price formation and liquidity in fixed income products admitted for trading on the Exchange. DMSs are typically non-bank financial institutions (NBFIs), (i.e. investment banking firms and securities dealing/stockbroking firms. As at December 31, 2018, there were fourteen (14) FMDQ DMSs.

Category	Sub-categories	
Registration Member	This membership category comprises institutions that make market in the products traded on the Exchange and is made up of two (2) sub-categories:	
	Listings	This sub-category is made up of SEC-licenced issuing houses, authorised by FMDQ to function as sponsors of issuers of publicly offered/privately placed fixed income securities, including bonds (sovereign, agency, sub-national, corporate, supra-national, short-term and Sukuk), asset-backed securities, mortgage-backed securities, funds (mutual and exchange traded), among others, for listing and/or noting on the Exchange. As at December 31, 2018, there were twenty-nine (29) Registration Member (Listings).
	Quotations	These are financial institutions authorised by FMDQ to act as sponsors of issuers of commercial papers and other short-term debt securities, for quotation on the Exchange. There were thirty-three (33) Registration Member (Quotations) as at December 31, 2018.

<table>
<tr><th>Category</th><th colspan="2">Sub-categories</th></tr>
<tr><td rowspan="4">Associate Member</td><td colspan="2">FMDQ Associate Members are classified into three (3) sub-categories. As at December 31, 2018, they were fifty-one (51) Associate Members. These sub-categories include:</td></tr>
<tr><td>Inter-Dealer Brokers</td><td>Institutions in this sub-category facilitate liquidity in the FMDQ markets by offering brokerage services amongst FMDQ Dealing Members, and between FMDQ Dealing Members and other financial institutions such as pension fund administrators, fund managers, and insurance companies. These institutions are registered by the Securities and Exchange Commission (SEC) as inter-dealer brokers and are authorised by FMDQ to provide their services on the FMDQ platform. There were four (4) Associate Member (Inter-Dealer Brokers) as at December 31, 2018.</td></tr>
<tr><td>Brokers</td><td>These institutions are SEC-registered "brokers" or "broker/dealers" authorised by FMDQ to perform brokerage services on its platform. They provide liquidity in the FMDQ fixed income and money markets; brokering transactions between FMDQ Dealing Members and clients (i.e. investors) only. As at December 31, 2018, there were nine (9) registered Associate Member (Brokers).</td></tr>
<tr><td>Clients</td><td>This sub-category is made up of vibrant non-bank institutional investors that actively participate in the FMDQ markets as end-users of the products traded on platform. Associate Member (Clients) consist of select institutional investors (pension fund administrators, other asset/fund managers, insurance companies and other corporates). There was a total of thirty-eight (38) Associate Member (Clients) as at December 31, 2018.</td></tr>
</table>

<table>
<tr><th>Category</th><th colspan="2">Sub-categories</th></tr>
<tr><td rowspan="6">Associate Member</td><td colspan="2">This membership category is split into four (4) sub-categories to accommodate the diverse market participants, i.e. institutions and individuals, with an affiliation with the financial markets and keen interest in the FMDQ markets, through access to data & information and direct market connectivity. This membership category does not confer any Member participatory or voting rights/authority on the Exchange. There were a total of forty (40) Affiliate Members as at December 31, 2018:</td></tr>
<tr><td>Standard</td><td>Affiliate Members under this sub-category avail on FMDQ's mandate of consistently adding long-term value to a vast range of stakeholders and are consequently provided with an information repository for the Nigerian fixed income, currency and derivatives markets. This sub-category was established to meet the increasing need for data, information and analytics, whilst providing accurate, transparent and insightful comprehensive financial market data, pre and post-trade information services, among others, for the benefit and use of its varied stakeholders, via the FMDQ e-Knowledge module, a bespoke online knowledge centre, within its e-Markets Portal. Institutions and individuals registered in this sub-category have a deep desire to build capacity and financial markets know-how by taking advantage of FMDQ's commitment to facilitate same.</td></tr>
<tr><td>Fixed Income</td><td>This newly established category constitutes of small- to medium-sized institutional investors in the fixed income market, seeking a regulated platform to access the FMDQ fixed income markets and execute transactions with FMDQ DMBs and Brokers.</td></tr>
<tr><td>Regulators</td><td>The Affiliate Member (Regulator) category constitutes of financial market regulators who seek visibility and market data access rights over the market activities of their respective supervisees in FMDQ markets. The Exchange provides this service through the provision of relevant FMDQ proprietary trading, reporting and surveillance systems.</td></tr>
<tr><td rowspan="2">FX Trading</td><td>This membership sub-category is specific for corporate institutions desirous of executing FX trades with CBN-Authorised FX Dealers (i.e. FMDQ DMBs) through relevant FMDQ-advised FX Trading and Surveillance System(s). Institutions under this sub-category, are authorised to trade FX with DMBs and are entitled to the additional benefits granted the Affiliate Members under the "Standard" sub-category.</td></tr>
<tr><td>FX Trading (Corporates) – This membership category is an off-shoot of the Affiliate Member (FX Trading) category, which is ideal for institutions that require access to trade on the FMDQ-Advised FX Trading System(s) strictly for engaging in FX-related transactions with FMDQ DMBs, without the additional benefits availed institutions in the Affiliate Member (Standard) category.</td></tr>
</table>

Dear Shareholders,

I am pleased to welcome you to the 7th Annual General Meeting of our Company. As it is customary, I will present the Annual Report and Accounts of FMDQ Securities Exchange PLC for the year ended December 31, 2018. The year marked FMDQ's fifth anniversary in the Nigerian financial markets landscape. It was indeed a rewarding year for the Company, notwithstanding the macroeconomic challenges, both nationally and globally.

Dr. Okwu Joseph Nnanna

Chairman, FMDQ Securities Exchange PLC

Specifically, 2018 was the year in which we consolidated our business offering, by extending it from just the provision of a trading venue for execution, to the clearing and settlement spectrum of the securities transaction cycle. With the invaluable support of the Securities and Exchange Commission and other key stakeholders, we have also worked hard to implement robust linkages and consolidated our business model.

Operating Environment

Global economic growth in 2018 was 3.70 per cent, slightly lower than projected by the International Monetary Fund. The lower than expected growth was attributed to the challenging macro-economic conditions and geo-political tensions, such as the China - US trade tensions, a slowdown in Chinese and European growth, lack of clarity around the United Kingdom's Brexit moves, and the financial crises in Argentina and Turkey. Additionally, the tightening of monetary policy in advanced economies influenced investors' appetite for emerging market securities and fuelled selloffs which consequently elevated inflationary and foreign exchange pressures in several emerging markets.

On the home front, Nigeria emerged from the effects of the economic recession, recording a Gross Domestic Product (GDP) of 1.90 per cent in 2018, an improvement from the 0.83 per cent recorded in 2017. Although revenues from the oil and gas sector contracted in the second quarter of the year, the non-oil economy bolstered growth, reflecting a recovery in services and industry (primarily information and communications technology, mining, and manufacturing). The agricultural sector also drove real growth, aided by government's interventions in the form of low-interest credit and subsidised farm inputs. These interventions enhanced access to finance by rural farmers, which in turn resulted in improved food production in the country. The year-on-year end-period headline inflation in 2018 stood at 11.40 per cent compared to 15.40 per cent in 2017. The government continued its Eurobond programme which was aimed at reducing debt service cost and successfully executed two (2) Eurobond issuances totaling $5.28 billion.

Financial Performance

A review of our financial results reveals positive performance across all financial metrics and improved strategic positioning of the business. The Consolidated Revenue stood at ₦13.20 billion, with the Company's Revenue at over ₦13.25 billion, a change of 423.81 per cent and 427.89 per cent from 2017, respectively, due to the diversification and expansion of the business to incorporate clearing and settlement services. Though Consolidated Expenses increased from ₦2.20 billion in 2017 to ₦5.99 billion in 2018, the Consolidated Profit before Tax at ₦7.21 billion in 2018, significantly surpassed ₦349.76 million recorded in 2017.

This improved performance is attributable to the successful operationalisation of FMDQ Clear Limited, our wholly owned clearing and settlement company.

Turnover from trading activities on our platform, in the fixed income, currency, and foreign exchange product lines, also exceeded the 2017 performance by 22 per cent, to hit ₦182.62 trillion in 2018. A detailed account of the Company's consolidated financial performance is set out in the Financial Statements in the Annual Report.

Corporate Development

Our Securities Admission business continued to grow in 2018 as we admitted seventy-eight (78) debt securities, up 58 per cent from the fifty (50) securities admitted in the previous year, with a total value of ₦1,027.15 billion in 2018, compared to ₦236.87 billion in 2017. The Federal Government of Nigeria (FGN) Green Bond and Sukuk was ₦110.69 billion, the Lagos State Government Series II Tranche A and B bonds amounted to ₦85.14 billion and commercial papers (CPs) was valued at ₦505.30 billion. A total of sixty (60) CPs, fifteen (15) Bonds and three (3) Funds were listed and quoted on our platform during the year.

The Company's membership base also saw growth, as the year closed with a total of one hundred and ninety-five (195) Members, up 7 per cent from one hundred and eighty-one (181) recorded in the previous year. This growth was seen across all Membership categories. Having identified the need to integrate non-bank financial institutions, i.e. investment banking firms, securities trading (stockbroking) firms, and registered OTC fixed income dealing firms into the FMDQ market, the Company activated the Dealing Member (Specialists) (DMS) category at the end of the year, and set out to develop a robust market architecture in a phased approach to ensure adequate onboarding and preparedness of these Members to participate in the FMDQ fixed income securities market. The Exchange also held its two (2) Members' Only Meetings, bringing together all Members with participatory rights, to collaboratively drive FMDQ's market development agenda.

Following registration of FMDQ Clear Limited by SEC as a clearing and settlement company in Nigeria in November 2017, the Company's central clearing house subsidiary became operationalised on January 2, 2018. This was further supported by the launch of the Company's proprietary market system, FMDQ Q-ex - customised fully integrated multi-asset trading system with attendant post-trade services' capabilities. The System was integrated with the CBN's Scripless Securities Settlement System (S4) - depository for sovereign fixed income securities - to help de-risk the financial markets by providing straight-through-processing capabilities for efficient settlement in the fixed income market, and promote market integrity by reducing the frequency of occurrence of unsettled trades by circa 95 per cent in the secondary fixed income market.

Furthermore, during the year, the Exchange launched the FMDQ Derivatives Market Development Project to concentrate corporate effort targeted towards developing a more vibrant derivatives market in Nigeria. The first phase of the Project focused on developing the relevant market framework and the delivery of introductory training and empowerment sessions to market participants. The second phase of the Project has been broadly focused on activities and deliverables relating to legal and regulatory documentation, system deployment, operational readiness, risk management documentation, product development, stakeholder engagement, and further training sessions towards the launch of the initial products in 2020.

Sustainability & Corporate Responsibility

FMDQ has continued to leverage on the Exchange's unique position of influence to promote good governance and foster long term economic growth and sustainable prosperity for all. A detailed account of our Sustainability efforts is set out in the Sustainability Section of this Report. Furthermore, during the year, the Exchange launched the FMDQ Next Generation Financial Market Empowerment Initiative (FMDQ-Next). This is a learning and development programme aimed at promoting financial market awareness and literacy among students across all levels. Since its launch, the FMDQ-Next Initiative positively impacted over forty (40) secondary school students. In 2019, the Initiative intends to reach about 350 students.

Strategic Collaborations

FMDQ engaged in key collaborative efforts during the year. A tripartite Cooperation Agreement was executed by FMDQ, Financial Sector Deepening Africa and Climate Bonds Initiative to jointly develop the Nigerian Green Bonds Market over a three (3) year period through the Nigerian Green Bond Market Development Programme. As a starting point, the Programme led to the execution of a series of events which involved empowerment sessions for key regulatory agencies and roundtable sessions aimed at demystifying the concept of green bonds as an alternative financing instrument for capital market stakeholders.

In addition, as part of our initiatives to promote the Nigerian debt capital markets as a source for long term finance, the FMDQ Debt Capital Markets Development (DCMD) Project 2020/25 activated its sixth Sub-Committee - the Infrastructure Sub-Committee - consistent with FMDQ's mandate to drive private capital towards infrastructure development in the country.

The Exchange also partnered with International Finance Corporation and Family Homes Fund to hold a maiden Housing Roundtable. The Stakeholder Engagement section of the Report provides more details on the Company's strategic collaborations.

Governance

In 2018, Dr. Sola Adeduntan, Dr. Demola Sogunle, and Mr. Bayo Adeyemo retired from the Board, while Mr. Kayode Akinkugbe, Mr. Sam Ocheho, and Mr. Patrick Akinwuntan were appointed to the Board, in line with the FMDQ Board Composition Principles.

As required by the Securities and Exchange Commission Code of Corporate Governance for Public Companies, PricewaterhouseCoopers was engaged to conduct the third assessment of the performance of the Board in 2018. The assessment revealed that FMDQ's Directors retain a high-level of competence and provide adequate oversight of the Company's affairs. The Report on the output of the evaluation process is set out in this Annual Report.

Outlook for 2019

The long-term objective of FMDQ and its subsidiaries, which is now crystallising, is to provide (a) an innovative and effective capital formation platform for companies and governments (sovereign and subnational) to seamlessly raise, manage, and deploy capital; (b) an accompanying integrated clearing system designed to guarantee counterparties' financial performance while ensuring the safety and soundness of the markets by addressing the risk management needs of market participants; and (c) a dependable assets depository anchored on modern technology to secure value, efficiency, and opportunities for investors. 2019 will see us executing steps to achieve this ambition.

Following the successful operationalisation of its wholly owned central clearing house (CCH) subsidiary, FMDQ Clear, in 2018, the Company will focus on strengthening further, the clearing and settlement franchise, operationally and strategically, and enhance its readiness to operate a full-fledged central counterparty (CCP) in 2019. The objective would be to further boost its value delivery to the fixed income, foreign exchange and derivatives markets.

In addition, FMDQ incorporated another wholly owned subsidiary, FMDQ Depository Limited. Consequently, plans are underway to operationalise the depository subsidiary in the second half of 2019. This subsidiary will advance our strategic intent to provide innovative services across the entire value-chain of the Nigerian financial market infrastructure space.

Furthermore, the Company considers it pertinent to adopt a capital market group structure to ensure that we consolidate our modest corporate growth, burgeoning markets-technology expertise, and unique understanding of our markets.

We are on track in executing our 5-Year Strategic Plan which ends in 2019 and commence the development of the Strategic Plan for the next Horizon (2020 – 2024).

Given the outlook of improving macroeconomic conditions, the Company remains resolute in taking advantage of these opportunities to grow its earnings, thereby improving profitability, and delivering returns to our shareholders.

Conclusion

My sincere gratitude goes to our Board of Directors for their exemplary leadership and support throughout the course of 2018. Let me also recognise the efforts and hard work of our dedicated Management and Staff towards implementing the Strategic Initiatives of the Company.

On behalf of the Board, my profound appreciation goes to our shareholders, especially the CBN and FMDA, our regulator - the SEC, and all other stakeholders, including market participants, for the integral support and confidence reposed in the Company.

We believe that the opportunities in our country and markets are enormous and a great deal of work remains outstanding in harnessing them. We will continue to work collaboratively with our stakeholders to empower the markets to be innovative and credible, in support of the Nigerian economy.

Dr. Okwu Joseph Nnanna

Chairman, FMDQ Securities Exchange PLC

During its first Lustrum, FMDQ's performance was reflective of its ever-intensifying commitment to proactively deliver value to stakeholders, and the Exchange successfully consolidated past gains and took on new frontiers through the operationalisation of a post-trade financial market infrastructure, thus enhancing efficiency in FMDQ's market. I am therefore pleased, on behalf of Management, to present you with the highlights of the consolidated performance and key activities of FMDQ Securities Exchange PLC, for the year ending December 31, 2018.

Mr. Bola Onadele. Koko

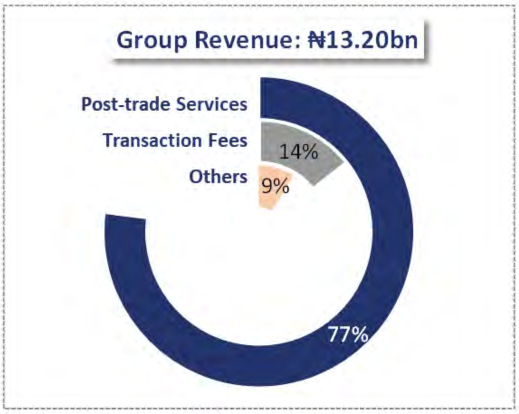
Managing Director/CEO, FMDQ Securities Exchange PLC

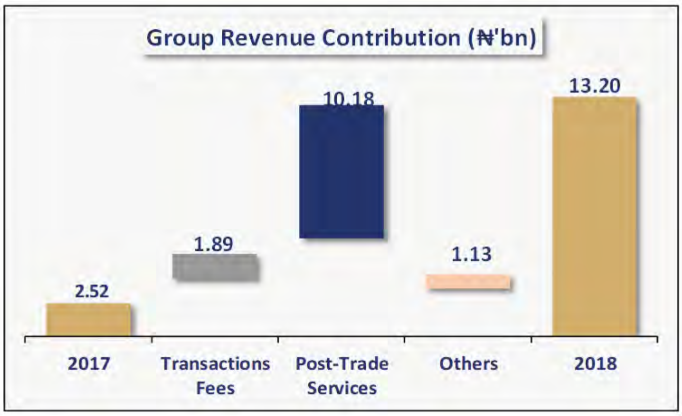
2018 Performance Review

A. Revenue

I. Group

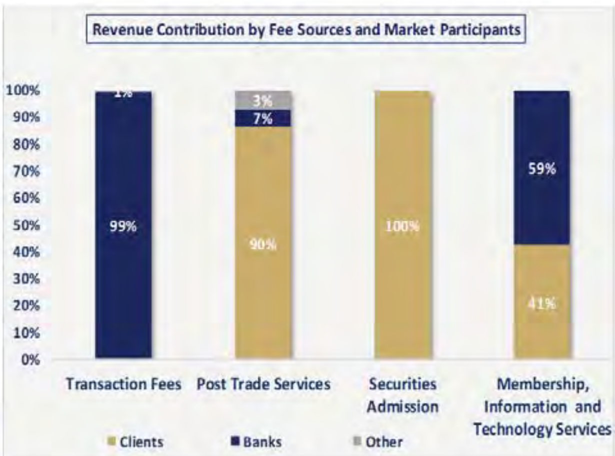
2018 was a record-breaking year for FMDQ, with total Group revenue of ₦13.20bn compared to ₦2.52bn in 2017, driven mainly by the introduction of post-trade services in 2017, with realised revenue in 2018. Post-trade services revenue, which contributed 77.12% to the Group revenue, was earned by the Exchange's wholly owned clearing house subsidiary, FMDQ Clear, for clearing, margin administration, collateral management and settlement, among others, in relation to derivatives and sovereign fixed income securities. Included in the post-trade services revenue is a one-off (non-recurring) gross income of c. ₦3.46bn earned by the Exchange as a result of additional treasury activities carried out in 2017, in support of the post-trade services franchise.





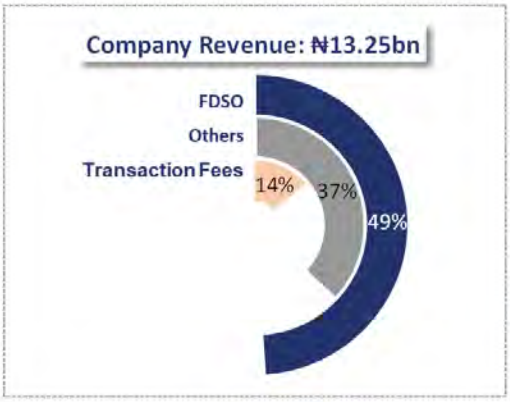
Contribution to Group Revenue (₦'bn)

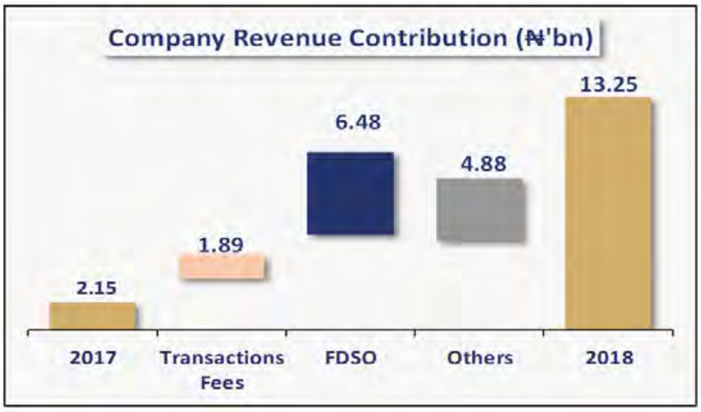
Revenue generated by the Group was from diverse sources with the Clients (non-bank) to which services are rendered, contributing c. 64.33% to overall revenue; the Dealing Member (Banks), also core recipients of the Group's services, contributing c. 30.56%; and c. 5.11% contributed by other sources.



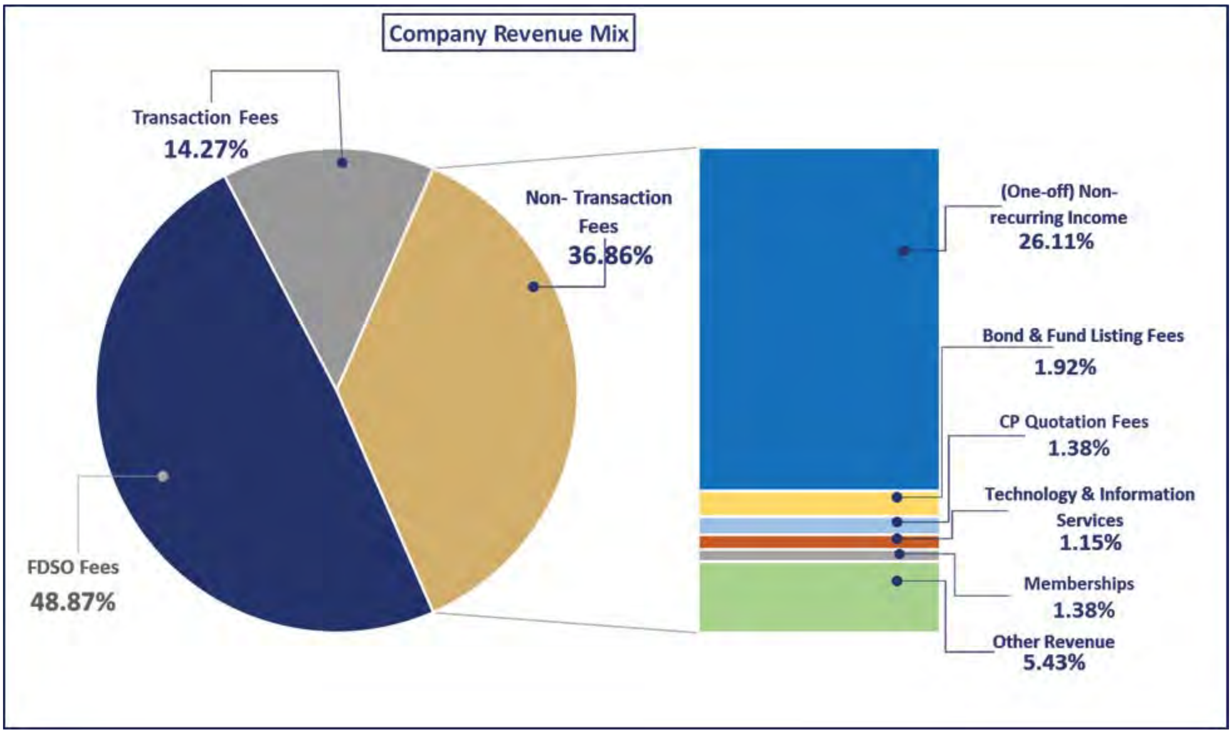
II. Company

In 2018, the Exchange recorded total revenue of ₦13.25bn, a significant increase from ₦2.51bn in 2017. The revenue performance of the Exchange was impacted by revenue from fees earned for Franchise Development Support & Outsourcing (FDSO) services provided to FMDQ Clear, which contributed 48.87% to the Exchange's total revenue, a one-off (non-recurring) gross income which contributed 26.11%, Transaction Fees contributing 14.27% and the balance in other revenue.





Contribution to Company Revenue (₦'bn)



The Exchange remains committed to actively driving further diversification of its revenue base to ensure the sustainability of earnings and future financial performance.

B. Expenses

The period saw an increase in the Group operating expenses by circa 176.04%, from ₦2.17bn to ₦5.99bn in line with the Group's commitment to boost operational efficiency, pursue market development initiatives and develop its people to support the execution of corporate goals. The expenses also include ₦2.28bn payable to third parties, including futures clients, on income made on treasury activities carried out in support of the post-trade services franchise. Furthermore, there was a marked increase of 205.77% in personnel expenses, largely on the back of remuneration benchmarking and increased headcount to support the execution of the Strategic Objectives, closing the year with sixty-nine (69) Staff, a 25.00% increase from 2017.

Performance Summary

Year Ended December 31	2018 (₦'000)	2017(₦'000)	Variance (%)
Revenue	13,203,865.00	2,522,341.00	423.81
Operating Expense	(5,981,298.00)	(2,172,582.00)	176.04
Profit Before Tax	7,208,815.00	349,759.00	1,961.08
Tax Expense	(1,572,763.00)	(113,000.00)	1,291.82
Other Comprehensive Income	12,654.00	74,649.00	
Total Comprehensive Income	5,648,706.00	311,408.00	1,713.92

Market Review

Turnover in the fixed income, currency and derivatives markets for 2018 was ₦182.86trn, representing a 28.74% increase in the turnover reported in 2017. Activity in the Treasury Bills (T.bills) market remained the most dominant in 2018 contributing 39.44% to total turnover in 2018, despite a 300bps reduction in its contribution from 2017. Increased activity by foreign portfolio investors in the first half of the year also helped drive transactions in the foreign exchange market, which contributed 24.05% to total market turnover in 2018 from 14.85% in 2017.

Product Category	Turnover (₦'bn) 2018	Turnover (₦'bn) 2017	Change
Foreign Exchange	43,975.10	21,094.09	108.47%
Foreign Exchange Derivatives	23,748.09	17,106.83	38.82%
Treasury Bills	72,122.54	60,320.60	19.57%
FGN Bonds	11,800.47	9,836.17	19.97%
Other Bonds*	105.53	33.57	214.36%
Eurobonds	74.57	86.51	(13.80%)
Repurchase Agreements/Buy-Backs	30,179.75	31,902.30	(5.40%)
Unsecured Placements/Takings	824.32	1,627.86	(49.36%)
Money Market Derivatives	25.55	22.90	11.58%
Commercial Papers	0.88	-	-
Total Market Turnover (₦'bn)	**182,856.80**	**142,030.84**	28.74%
Total ($'bn)	*505.00*	*447.35*	12.89%
No. of Trading Days	*248*	*248*	-
Average Daily Turnover (₦'bn)	*737.33*	*572.70*	28.75%
Average Daily Turnover (($'bn))	*2.04*	*1.80*	13.33%
Average USD/NGN rate	*361.98*	*317.50*	14.01%

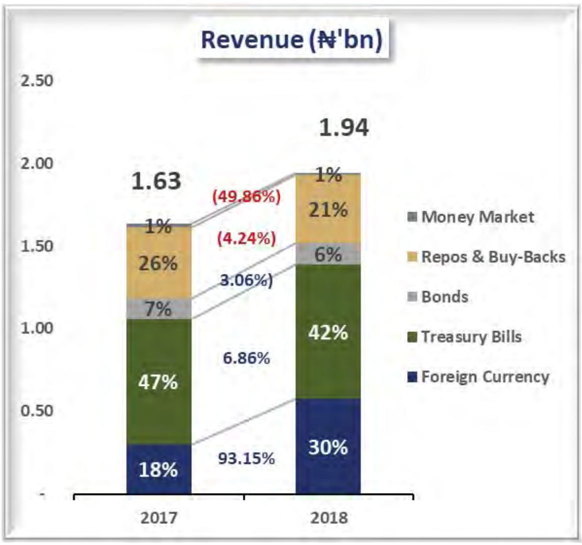
*Other Bonds include Agency, Sub-national, Corporate & Supranational Bonds

Business Development – Revenue Drive

Business performance in 2018 was underscored by the sustained need for hedging products, introduction of post-trade activities, regulatory support received by FMDQ, as well as improved macroeconomic conditions in the second half of the year as the economy continued in its recovery path, resulting in a marked improvement in business activities. Increasing oil prices led to a build-up in the foreign reserves while decreased yields in developed economies sustained interest in Nigerian fixed income securities; boosting activity in both the fixed income and foreign exchange markets, while also driving demand for the derivatives product for hedging FX risk exposures. Stability in market activity paved the way for business opportunities and contributed to an overall improved economy.

1. Transaction Fees

In line with the growth and trend in market turnover by product, Net Transactions Fees earned by the Exchange recorded a growth of 19.17%. Transaction fees earned on T.bills turnover maintained its contribution as the major driver of Transaction Fees, accounting for 42.99% of Net Transaction Fees, closely followed by FX which contributed 29.24%. During the year, FMDQ worked on various initiatives targeted at deepening and boosting liquidity in the fixed income market, and it is expected that these initiatives will continue to support market turnover and invariably Transaction Fees growth in the coming years.



Product Category	2018	2017	Variance (%)
	(₦'000)		
Foreign Currency	552,988.00	298,255.00	85.41
Treasury Bills	813,047.00	762,044.00	6.69
Bonds	124,288.00	121,121.00	2.61
Repos & Buy-Backs	413,651.00	431,959.00	(4.24)
Money Market*	10,750.00	21,280.00	(49.48)
Gross Transaction Fees	1,914,724.00	1,634,659.00	17.13
Transaction Fee Expense	(23,768.00)	(47,933.00)	(50.41)
Net Transaction Fees	1,890,956.00	1,586,726.00	19.17

*Includes Unsecured Placement/Takings and Commercial Papers

2. Post-Trade Services

The key driver of the revenue performance attributed to post-trade services was the commencement of the Clearing and Management Fee regime on derivatives, with this business service accounting for 77.12% of the Group's revenues.

An integral step towards the actualisation of our corporate goals is the provision of world-class post-trade services focused on minimising counterparty risk faced by market participants and guaranteeing finality of transaction settlement. FMDQ Clear was established as a vertically integrated central clearing house for the FMDQ markets, building on our capabilities as the clearing house for the derivatives market, towards becoming a full-fledged central counterparty (CCP). In addition, FMDQ Clear completed the integration of the FMDQ Proprietary Market (Q-ex) System with the CBN's S4 for the facilitation of straight-through-processing of spot fixed income transactions for sovereign securities amongst market participants.

FMDQ Exchange and FMDQ Clear continue to work on strategic initiatives and projects which will drive the actualisation of our broader objectives from a clearing and settlement standpoint, especially in the area of derivatives market development as we plan for the impending launch of exchange-traded derivatives products.

3. Securities Admissions

The Registration, Listings and Quotations Franchise creates an effective avenue for the admission of the debt securities of institutions from various sectors of the economy. In 2018, the Federal Government of Nigeria, through the Debt Management Office, pioneered the listings of the Federal Government of Nigeria (FGN) Green Bond and Sukuk in Nigeria, with face values of ₦10.69bn and ₦100.00bn respectively. FMDQ also admitted the Lagos State Government Series II Tranche A and B bonds with face values of ₦46.37bn and ₦38.77bn respectively. A total of sixty (60) commercial papers were quoted on the Exchange in 2018, while fifteen (15) bonds and three (3) funds were listed. The total value of commercial papers issued in 2018 was ₦505.30bn, from thirteen (13) institutions, as issuers continue to take advantage of the favourable pricing available in the market. The total value of corporate bonds listed was ₦119.69bn from eleven (11) issuances by nine (9) institutions, while the total value of the three (3) funds listed by two (2) institutions was ₦186.01bn.

Total activity in the securities admissions service contributed 3.31% to Group revenue with a value of ₦437.09mm, depicting a 47.41% increase from ₦296.51mm reported in 2017. Revenue from bond listings contributed the highest in this segment at 52.28% while earnings from commercial paper quotations contributed 41.72%. Sustained efforts are currently ongoing to create more awareness, as well as improve the time-to-market for prospective securities registrations and issuances to stimulate increased primary market activity.

The admission of these debt securities, spanning different sectors of the economy, are outlined below.

BONDS LISTING

- Viathan Funding PLC Series 1 ₦10.00bn Bond
- Federal Roads Sukuk Company 1 PLC ₦100.00bn Bond
- LAPO Micro-Finance Bank SPV PLC Series 1 ₦3.15bn Bond
- Lagos State Government of Nigeria Series 2 Tranche I & II ₦85.14bn Bond
- Federal Republic of Nigeria ₦10.69bn Green Bond
- UPDC PLC Series 1 ₦4.36bn Bond
- NMRC PLC Series 2 ₦11.00bn Bond
- C&I Leasing PLC Series 1 ₦7.00bn Bond
- Wema Funding SPV PLC ₦17.68bn Bond
- Union Bank of Nigeria PLC Series 1-2 ₦13.50bn Bond
- Flour Mills of Nigeria PLC Series 1-2 ₦20.11bn Bond
- Sterling Investment Management SPV PLC Series 2 ₦32.89bn Bond

COMMERCIAL PAPERS QUOTATION

- Access Bank PLC ₦87.00bn Series 13, 15-18
- Coronation Merchant Bank Limited ₦20.00bn Series 1-2
- Dangote Cement PLC ₦100.00bn Series 1-4
- Dufil Prima Foods PLC ₦12.04bn Series 5-6
- FSDH Merchant Bank Limited ₦33.90bn Series 5-8
- Flour Mills of Nigeria PLC ₦18.60bn Series 1-4
- Lafarge Africa PLC ₦45.91bn Series 1-7
- Nigerian Breweries PLC ₦27.52bn Series 11-15
- Sterling Bank PLC ₦101.24bn Series 4 Tranche A & B , Series 5-7
- UPDC PLC ₦35.45bn Series 16-31 under the ₦20.00bn Programme
- Eterna PLC ₦3.00bn Series 1
- Stanbic IBTC Bank PLC ₦13.22bn Series 44-45
- FBNQuest Merchant Bank Limited ₦7.42bn Series 1-4

FUNDS LISTING

- Stanbic IBTC Money Market Fund
- Chapel Hill Denham Nigeria Infrastructure Debt Fund Series 2
- Chapel Hill Denham Nigeria Infrastructure Debt Fund Series 3

4. Private Companies' Bonds Noting

The FMDQ Private Companies' Bonds Noting franchise which seeks to support the participation of credible private companies in the debt capital markets through the provision of a platform that serves as an information repository of all the activities of private companies in the Nigerian bond market saw the noting of the Municipality Waste Management Contractors Limited Bond Programme during the year.

5. Data and Information Services

A total number of thirty-three (33) subscribers were profiled on the bespoke information repository (e-Markets Portal) for access to key market information – real-time and historical - on the fixed income and currency markets. In 2018, the total number of local data subscribers were twenty-three (23) while ten (10) international institutions, inclusive of three (3) data redistributors, subscribed to the Portal for access to securities valuation, real-time prices, trading data, market data, and analytical reports. As data becomes more important for informed business and decision making, FMDQ is currently instituting a more data-oriented management culture that will drive the adoption of integrated management information systems. Total revenue generated from subscription to the Portal amounted to ₦36.13mm, depicting an increase of c. 50% from ₦24.01mm recorded in 2017.

6. Memberships

At the end of 2018, membership of the Exchange stood at a total number of one hundred and ninety-five (195), a 7% increase from the total number of one hundred and eighty-one (181) members recorded in 2017. This was largely due to the increased subscription in the Registration Member category which resulted in an increase in the admission of securities on the Exchange. The year 2018 also saw significant growth in the Affiliate Membership category as well as the introduction of the Affiliate Member (Fixed Income) membership category, aimed at providing a platform for small-to-medium sized institutional investors who seek to access the fixed income market through trade execution with FMDQ-licenced Dealing Members and Brokers.

In buttressing FMDQ's initiative at integrating the Nigerian capital markets, 2018 witnessed the implementation of the Dealing Member (Specialists) market. This effort further serves to integrate the market segments in the Nigerian fixed income market by availing the opportunity for non-bank financial institutions to trade in a liquid market with the banks who have committed to support the DMS market with trading liquidity in the fixed income market. The trading, reporting, clearing, and settlement of transactions in the DMS market are done on a robust integrated multi-trading, web-based proprietary reporting and surveillance System, FMDQ Q-Deal. The total revenue earned from Membership amounted to ₦115.32mm in 2018, a 38.39% increase from ₦83.33mm reported in 2017.

Further, as FMDQ advances towards providing robust post-trade services, through its wholly-owned subsidiary, FMDQ Clear, the anticipation of a clearing membership category beckons in order to address imminent market participation and concealed market risk.

FMDQ Membership Base

7. Technology Services

The sustained need to invest in technology in order to drive product and market innovation cannot be underestimated, which is why FMDQ strives to provide robust, efficient and secure technology services aimed at supporting and furthering market development.

In a bid to optimise its proprietary market systems offerings to the market, FMDQ commenced the operationalisation of the first phase of its Proprietary Market System, FMDQ Q-ex, with the Q-ex Clearing and Settlement System Solution. The System has been integrated with the CBN's S4 to provide straight-through processing capabilities for efficient settlement in the fixed income market. This initiative has tremendously improved the efficiency of the trading, reporting and settlement processes in the sovereign fixed income market and has further developed the Nigerian financial market in general. The bespoke settlement solution operated by FMDQ Clear, streamlines business processes, reduces friction along the fixed income trades settlement value-chain and boosts the productivity of market participants, thereby promoting the efficiency of the FMDQ Group's post-trade services offerings. Efforts are currently on-going at activating the next set of modules of the Q-ex System for the efficient integration of the markets. Revenue from Technology services amounted to ₦115.50mm in 2018 and contributed 0.87% to total revenue.

Market Surveillance

In the capacity of an SRO, FMDQ has a mandate to uphold integrity as well as credibility and confidence within its markets. Part of this mandate is achieved through the Exchange's surveillance and enforcement responsibilities which are stated in the SEC Rules and Regulations (2013).

The following initiatives were carried out during the year in line with FMDQ's SRO mandate:

- **Enhancement of Fixed Income trade and settlement surveillance:** The deployment of the FMDQ Q-ex proprietary market system, during the period under review, has aided the improved monitoring of unsettled trades in FMDQ's fixed income markets. This has helped to ensure that FMDQ market stakeholders are protected against the systemic risk that may arise when market participants fail to abide by the rules of participating in the FMDQ markets
- **Commencement of surveillance over the activities of Buy-Side on Pen Dealer:** Surveillance information on PenDealer is also shared with the relevant regulators. to enhance the integrity of service to the investing clients
- **Commencement of monitoring of DMS activities:** Following the launch of the market segment and the activation of the bespoke system, the FMDQ Q-Deal system, the Exchange commenced monitoring of the Members' trading activities to ensure orderliness and transparency within the market
- **Activation of inspection of FMDQ Members:** This was done by adopting a risk-based approach, involving a risk profiling of Members for efficient allocation of resources in the inspection

Risk Management

The successful execution of FMDQ's Strategic Initiatives to achieve set Strategic Objectives is hinged on the management of risks inherent in its business operations. In light of the growing cyber threats in the securities markets, 2018 saw the activation of the Group's Information Security Management System franchise, to maintain the soundness, efficiency and stability of the Nigerian financial markets and address systemic risk. With the short-to-medium-term plan to align its information security management practices with best global standards, through the attainment of International Organisation for Standardisation (ISO) 27001, Management has not relented in its effort of building resilience in its business operations through technology infrastructure.

In pursuit of the FMDQ's Strategic Objectives, in the second quarter of 2018, our business operations were reviewed, taking congnisance of the operating environment, stakeholders' expectations and availability of resources required to deliver on our mandate, and the risk appetite of the Group was defined through a reiterative process. With the development of FMDQ's Risk Appetite, the level of risk FMDQ is willing to accept in order to meet its Strategic Objectives has been defined to protect and enhance value for our stakeholders, guide our attitude towards risk, as well as the execution of the Corporate Strategy going forward.

Supporting our risk appetite framework, is the risk culture across the organisation which determines how our people manage risk on a daily basis. Our risk culture is evolving, with the timely identification and reporting of risk exposures, a strong tone from the top in relation to risk accountability and incorporation of risk analysis into strategic business decisions.

With the key role we play as a securities exchange within the financial markets, we understand that the management of risk associated with our Information Technology (IT) infrastructure and business operations cannot be overemphasised. FMDQ therefore consistently identifies and manages risks inherent in key processes such as business continuity management plan, through periodic Business Impact Analysis and simulation exercises.

Technology

In June 2018, in line with regulatory requirements and FMDQ's aspirations of global competitiveness and operational excellence of the Nigerian financial markets, FMDQ succeeded in expanding its technology market systems offering by deploying its Proprietary Market System (Q-ex) with the Clearing and Settlement System module being the first delivery. The module delivers efficient post-trade services for fixed income trades. Consequently, all Delivery vs Payment (DvP) settlement procedures for trades on sovereign securities are now executed on Q-ex. Post go-live reviews conducted with our Dealing Members demonstrate that envisaged benefits continue to be realised.

A phased delivery of the Q-ex modules is ongoing with the imminent go-live of the Repo Collateral Management System and subsequently the Derivatives Trading and Clearing System.

FMDQ continues to make improvements to new and existing technology resources as we strive to meet the growing demands of our stakeholders.

Stakeholder Focus

In its quest to become a fully diversified and integrated market infrastructure, FMDQ leverages on and continues to collaborate with its diverse world of stakeholders to facilitate the efficient delivery of the Exchange's mandate and agenda for the Nigerian financial markets. From domestic to international engagements, FMDQ strives to proactively align itself, remain current with industry trends and seek out new opportunities to positively impact its business franchise and markets.

In line with this, and in addition to serving in various capacities in the Financial Markets Sub-Committee of the Bankers' Committee, Association of Securities Exchanges of Nigeria (secretariat), and African Securities Exchanges Association (workgroups), amongst others during the year, FMDQ engaged stakeholders directly or otherwise through participation at several events, both locally and internationally, as highlighted below:

Local Engagement	International Engagement
▪ Periodic Reports & Strategic Meetings with the SEC, CBN, DMO, PenCom and NAICOM ▪ Strategic Meetings with the Presidency, National Assembly, Federal Ministry of Finance and Federal Ministry of Environment ▪ African Securities Exchanges Association, 22nd Annual Conference ▪ Nigerian Economic Summit Group (NESG), 24th Nigerian Economic Summit ▪ Investment and Securities Tribunal (IST), Stakeholders Workshop ▪ Association of Issuing Houses of Nigeria, Inaugural Dinner ▪ Lagos Chamber of Commerce & Industry, Economic & Business Outlook Seminar ▪ Thomson Reuters, Nigeria Showcase Event ▪ Bloomberg Capital Markets Forum 2018 ▪ S&P Dow Jones Indices, Global Dinner ▪ Capital Markets Solicitors Association, Annual Business Lunch ▪ Women in Management, Business and Public Service (WIMBIZ), CEO/Policy Maker Breakfast Series 2018 ▪ Comercio Partners - TradeFi Application Launch ▪ BusinessDay, CEO Forum 2018 ▪ BusinessDay, Nigeria Economic Outlook 2018	▪ 13th World Exchange Congress, Oman ▪ General Assembly & 58th Annual Meeting of the World Federation of Exchanges (WFE), Greece ▪ 20th Annual Africa Business Conference, United States ▪ 2018 Annual Green Bond Conference, United Kingdom ▪ IOMA: WFE Clearing & Derivatives Conference, United States ▪ 50th International Capital Markets Association (ICMA) Annual General Meeting and Conference, Spain ▪ 2018 Association of Asset Custodians of Nigeria Annual Nigeria Investor Day, United Kingdom ▪ 2018 Thomson Reuters Africa Summit, South Africa ▪ ASEA 7th Building African Financial Markets Seminar, Kenya ▪ J.P. Morgan Credit & Equity Emerging Markets Conference, United Kingdom ▪ Foreign Portfolio Investor Roadshows

Key Highlights of 2018

Despite the economic headwinds experienced, the year 2018 was marked by the actualisation of strategic and indeed, far-reaching initiatives towards expanding the scope of the FMDQ franchise, as well as setting the tone for future engagements. From franchise-promoting to business-impacting, these initiatives were instrumental in shaping the face of the business and brand. Notable amongst these are the following:

- Launch of the Green Bond Market Development Programme
- Listing of the pioneer Federal Government of Nigeria Roads Sukuk and Green Bond
- Unveiling and operationalisation of wholly owned FMDQ Clear Limited
- Incorporation of new wholly owned subsidiary, FMDQ Depository Limited
- Implementation of straight-through-processing for the Nigerian Fixed Income Market
- Relocation to New Business Complex, Exchange Place
- Launch of FMDQ Next Generation Empowerment Programme (FMDQ-Next)
- Hosting of the British Prime Minister, Ms. Theresa May in Exchange Place
- Commencement of co-branding of Fixed Income Indices with S&P Dow Jones Indices
- Achievement of full revival of CP Market, with registered programmes crossing the ₦1.00trn mark
- Admission as Member of International Organisation of Securities Commissions (IOSCO)
- Receipt of Capital Markets Correspondents Association of Nigeria (CAMCAN) Award for the Development and Transformation of the Nigerian Debt Capital Market
- Launch of the Dealing Member (Specialists) Market
- Commemoration of 1st Lustrum Anniversary
- Hosting of Maiden FMDQ GOLD Awards

Strategic Outlook

The strategic horizon for FMDQ in 2019 is the integration of our markets with external markets, with a focus on consolidating operations across the full value chain of the financial market, to operate a fully diversified and integrated financial market infrastructure group, offering execution, clearing and settlement opportunities to market stakeholders.

Furthermore, in line with FMDQ's market integration agenda, 2019 will see the full operationalisation of the DMS market to reduce fragmentation and further consolidate the markets, as well as foster retail participation in the fixed income markets.

FMDQ will also work assiduously to implement its Derivatives Market Implementation Roadmap towards developing the derivatives market, with the target of ensuring market readiness ahead of launching derivative products into the financial market landscape in subsequent years.

In support of the derivatives market agenda, and to promote settlement finality in the market, thereby reducing market uncertainty, FMDQ will focus on developing the operational capabilities of its clearing house subsidiary, FMDQ Clear, as well as position it to operate a central counterparty for fixed income, currency and derivative products in the near future. Furthermore, the operationalisation of its recently SEC registered depository, FMDQ Depository, will be a major focus for the Group in 2019.

FMDQ will continue to leverage its positioning in the Nigerian financial markets to drive sustainability for the Group's business operations, as well as for market participants, and will put in efforts to upscale its FMDQ-Next programme towards impacting a wider range of students and fresh graduates in line with its corporate responsibility agenda.

FMDQ and its subsidiaries remain committed to continue working assiduously in 2019, to deliver other innovative and key market development initiatives, including but not limited to:

- Activation of new products such as repurchase agreement (Repo) with collateral management service
- Infrastructure/Housing development
- Sustainable Finance development
- Development and launch of new/co-branded indices
- Development of Five-Year Strategic Plan (2020 – 2024)
- Strategic engagement within the commodities and equities markets

As we look ahead to 2019 with cautious optimism, FMDQ will continue to consolidate on achievements over its first lustrum, towards building a sustainable and well-diversified Group, consistently adding value to all stakeholders, and delivering exceptional value to its shareholders.

Appreciation

2018 was a year of expansion, learning and inspirational growth and we are mindful that these could not be achieved without the unwavering support of all our stakeholders, local and international. I therefore owe a huge debt of gratitude to our agile and incredibly supportive Members, partners and stakeholders, without whom our efforts would have yielded diminished results.

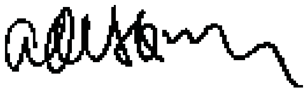
The drive towards delivering a world-class financial market that serves as the engine room of a booming economy indeed requires the attention and commitment of all stakeholders and, on this note, it is important to duly acknowledge the exemplary thought-leadership of the capital markets apex regulator, the SEC, for incredible foresight and support for credible development initiatives, and the apex bank, the CBN, for its support and collaboration on far-reaching market initiatives. In the same vein, the ongoing support of the DMO and PenCom, amongst others, cannot be overstated.

The unflinching support of our FMDQ Board Members, and their guidance over the last five (5) years have been exemplary, having seen the Company, from a budding OTC Market to a full-fledged securities exchange, and now a budding financial markets infrastructure group. I thank all the Directors, past and present, for their support.
I also wish to extend my gratitude to the Directors who resigned from the Board during the review period and the current year - Dr. Adesola Adeduntan, Dr. Demola Sogunle, Mr. Bayo Adeyemo, Mr. Segun

Agbaje, Mr. Charles Kie, Mr. Peter Amangbo and Mr. Uzoma Dozie - in line with the Exchange's Board Composition Framework. Your service to FMDQ will always be appreciated and remembered.

To our talented, hardworking and zealous staff and Management, I would like to commend and appreciate you for embarking on this journey with me, towards building a world-class financial markets infrastructure group.

As we embark on the second phase of our lustrum journey, we must remain committed to collaboratively deliver innovative and forward thinking solutions to the market, in line with our mission to 'empower the financial markets, to be innovative and credible, in support of the Nigerian economy.

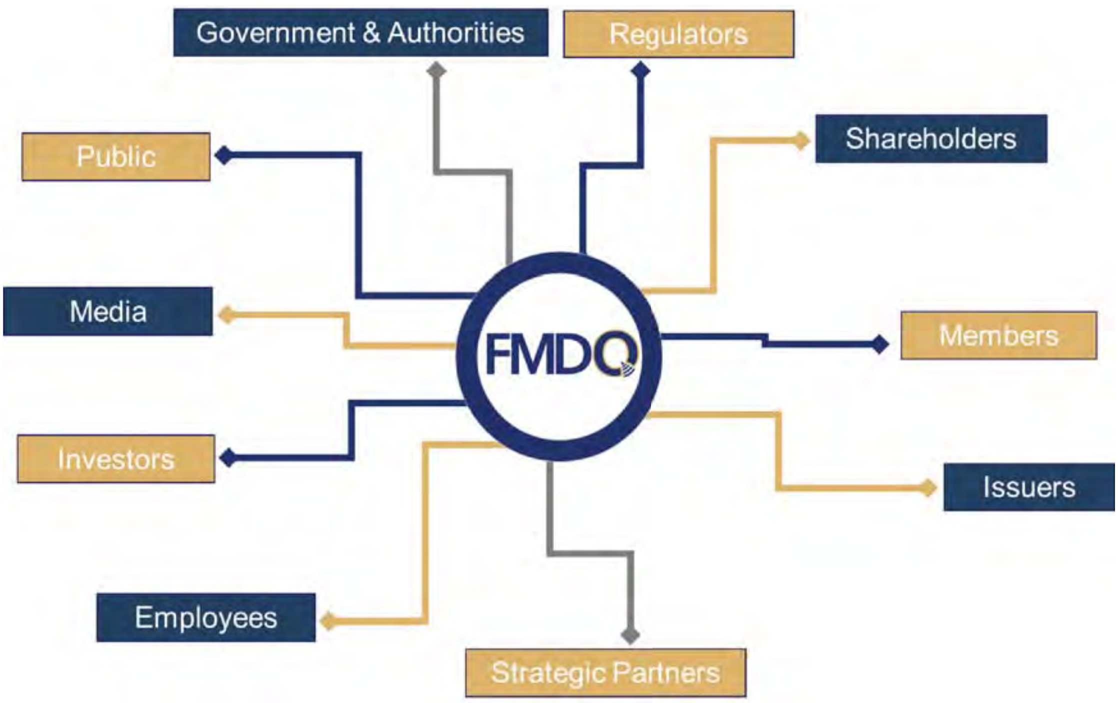


Bola Onadele. Koko
Managing Director/CEO

Sustainability Strategy

As a budding integrated financial markets infrastructure group, the need for participative, collaborative and informative relationships with stakeholders cannot be overemphasised. FMDQ, therefore strives to develop and maintain mutually beneficial relationships, strategic partnerships and technical alliances with a wide range of local and international stakeholders in its pursuit to transform the Nigerian financial markets.

Key Stakeholder Groups



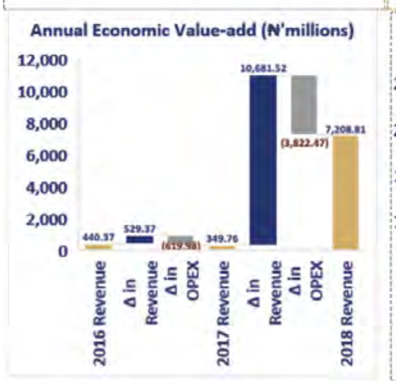
Stakeholder & Key Interest	Engagement Channels	Engagement Focus
Financial Market Regulators, Government & Authorities Financial markets development, in line with global standards and best practices	Periodic reports, presentations, trainings/seminars, meetings and FMDQ websites (corporate, Academy and DCMD Project) and e-Markets portal	Regulatory issues, development of products and services, market surveillance, market rules & interventions, investor protection mechanisms, compliance, tax and financial performance
Shareholders Return on Investment and value-creation	AGM, Annual Report & Accounts, periodic reports, meetings, press releases and FMDQ corporate website	Financial performance, growth areas, company sustainability, and new initiatives
Members Tailor-made innovations to deepen and strengthen the Nigerian financial markets and alignment to global standards	Trainings/seminars, conferences, advertisements, press releases, newsletter, reports, one-on-one meetings, Members' meetings, FMDQ websites (corporate, Academy and DCMD Project) and e-Markets portal	Market development & governance activities, new products, services and initiatives
Issuers Value-add for listings and quotations of securities on FMDQ's platform	Presentations, road shows bespoke listing & quotation ceremonies, meetings, conferences, FMDQ GOLD Awards, reports, advertisements, press releases/articles and FMDQ corporate website	Registration, listing and quotation and noting requirements, current and historical information of issues, etc.
Investors Knowledge of the FMDQ markets, regulations and investor protection mechanisms	Presentations, road shows, conferences, meetings, reports, advertisements, press releases/articles, social media, FMDQ websites (corporate, Academy and DCMD Project)	FMDQ markets, products, and investor education
Media Visibility for FMDQ's markets and franchise, financial markets literacy and awareness	Interviews, press releases/articles, advertisements, reports, newsletter, presentations, seminars, conferences meetings, social media and FMDQ websites (corporate, Academy and DCMD Project)	Initiatives and trends in the business and franchise, products, services and value-adding initiatives
Employees Company strategy, values, policies, learning & development, motivation and retention strategies	Acculturation sessions, meetings, training needs analysis, emails, performance reviews, team building sessions, FMDQ Staff Club, GOLD Hive and FMDQ websites	Development and training, health and safety, remuneration, personnel welfare, company financial performance and code of conduct & ethics

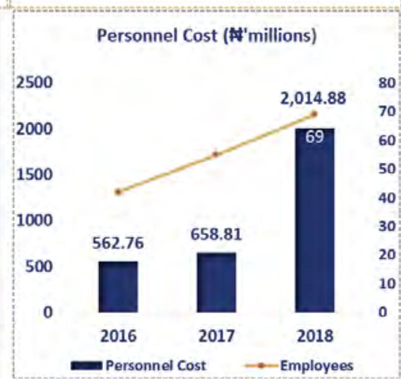
VALUE CREATED FOR STAKEHOLDERS

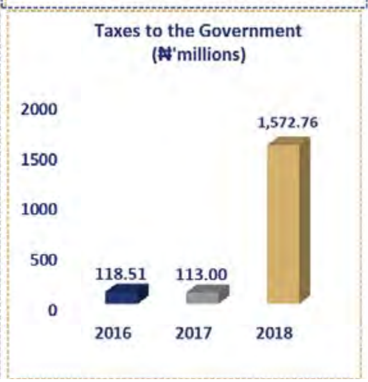
To ensure consistent value creation to all our stakeholders, FMDQ continues to identify and collaborate with stakeholders towards the implementation of strategic initiatives which align our interests, summarily communicated in our mission – to empower the financial markets to be innovative and credible, in support of the Nigerian economy – with those of all our stakeholders.

FMDQ recognises that delivery of consistent stakeholder value requires sustainable business practices, operational resilience, innovative products and services, as well as consistent engagement and collaboration with all stakeholders. Consequently, FMDQ remains committed and focused on initiating, supporting and partnering with relevant stakeholders on market development activities capable of impacting the Nigerian financial markets and the economy positively.

Economic Value







Non-Economic Value

At FMDQ, we believe in learning, unlearning and relearning through research, innovation and collaboration in the delivery of strategic initiatives, which create non-economic value for all stakeholders. In addition to making FMDQ a responsible corporate citizen, this non-economic value also contributes towards the repositioning and reaffirmation of the Nigerian financial markets as efficient for capital formation and allocation. Within the year in review and building on the progress from 2017 towards the actualisation of the Exchange's Strategic Objectives, FMDQ and its stakeholders recorded some notable achievements across various categories.

Listings and Quotations	**Pioneer Listing of the Federal Republic of Nigeria Green Bond** In a historic feat, the Federal Republic of Nigeria (FRN), through the Debt Management Office (DMO) and Ministry of Environment (MoE), in April 2018, listed Series 1 totalling ₦10.69billion of its 5-Year Fixed Rate Green Bond issuance on FMDQ. The bond, issued in 2017, was the first Green Bond in the Nigerian DCM. The proceeds from the issuance were geared toward the provision of access to electricity for forty-five (45) communities across the country, development of off-grid Independent Power Plants (IPP) for universities and the creation of afforestation programs that aim to increase forest coverage through the plantation of seedlings to cover 131,000 hectares of land. This is yet another commendable feat for the FRN, with the MoF, MoE and DMO, in their respective roles, addressing environmental challenges as well as championing development in the Nigerian DCM.
	Pioneer Listing of the Federal Government of Nigeria Roads Sukuk The FGN, through the MoF and the DMO, again demonstrated its unrelenting commitment to the development of Nigeria's infrastructure sector via the Nigerian DCM, by listing the pioneer sovereign Sukuk; the ₦100.00 billion Federal Roads Sukuk Company PLC 7-Year 16.47% Ijarah Sukuk due 2024 on FMDQ. The proceeds from the issuance of this Sukuk were used to construct and rehabilitate earmarked roads across the six (6) geopolitical zones of Nigeria.
	Quotation of the Largest Corporate Commercial Paper Issue on FMDQ Another noteworthy and commendable event in the Nigerian fixed income market in 2018 was the issuance of a ₦50.00 billion CP by Dangote Cement PLC under its ₦150.00 billion Domestic CP Programme. The issuance by Dangote Cement PLC - Africa's largest cement producer and a subsidiary of Dangote Group (the largest indigenous industrial conglomerate in Sub-Saharan Africa) - represents a significant milestone due to a myriad a reasons such as the size, credit rating and strategic importance of the issuer, which essentially helped pave the way for the introduction of a benchmark for the corporate CP segment of the market.

Market Development	**Integration with CBN for Straight-Through-Processing of Fixed Income Settlement** In June 2018, FMDQ, in collaboration with the Financial Markets Dealers' Association (FMDA) and CBN achieved a commendable feat in the fixed income market by integrating the FMDQ Proprietary Market System (Q-ex System) with the CBN's Scripless Securities Settlement System (S4) to facilitate the straight-through-processing (STP) of fixed income trades settlement. The integration of FMDQ's Q-ex System with CBN S4 (depository for sovereign fixed income securities) has helped improve the operational efficiency in the settlement of transactions and increased market integrity by reducing the frequency of occurence of unsettled trades by c.95% in the secondary fixed income market.
	Launch of the Nigerian Green Bond Market Development Programme FMDQ, in partnership with Climate Bond Initiative (CBI), UK and Financial Sector Deepening (FSD) Africa - a UK-Aid initiative - launched the Nigerian Green Bond Market Development Programme (the Programme) to educate stakeholders on and promote the issuance of green debt securities targeted at environmental-friendly projects and investments in Nigeria. The 3-year Programme will help generate awareness and drive the required engagements to integrate the principles of green financing into the Nigerian DCM, as well as support the development of guidelines and listing requirements for green bonds in Nigeria. Furthermore, the Programme will help drive the development of Nigeria-based licenced verifiers towards the proliferation of an active green bond market in Nigeria, and support broader DCM reforms that have/will have an impact on the Nigerian fixed income market.
	Launch of the FMDQ Dealing Member (Specialists) Market In living up to its reputation as the foremost market development-focused securities exchange in Nigeria and in pursuit of its long-term agenda to foster market integration, improve network effects and promote liquidity in the Nigerian financial markets, FMDQ launched Phase II of the Dealing Member Specialists (DMS) market in December 2018. The DMS market was established to provide seamless integration of SEC-registered securities dealers (members of the FMDQ DMS membership category) and the existing inter-bank market, to enhance liquidity and also serve as an efficient channel for boosting retail participation in the Nigerian fixed income market. To support the DMS market, FMDQ developed and deployed a robust web-based proprietary trading, reporting and surveillance System - Q-Deal - to facilitate the trading, reporting, clearing and settlement of transactions in the DMS market.

Market Development	**Operationalisation of FMDQ Clear and Partnership with Frontclear** Following the SEC Registration of FMDQ Clear as a clearing and settlement company in the Nigerian financial markets in November 2017, FMDQ commenced operationalisation of its wholly-owned clearing house subsidiary on January 2, 2018. As part of its efforts towards further strengthening the Nigerian financial markets, and to boost confidence amongst market participants thereby increasing participation, FMDQ, in recognition of the importance of minimising settlement risk in the Nigerian financial markets, through FMDQ Clear, entered a partnership with FrontClear Management B.V. (a Netherlands-based development finance company), to provide a guarantee for counterparty credit risk in the fixed income market in the form of a Settlement Guarantee Fund (SGF). The SGF is a third-party guarantee which, when fully activated, will protect participants in FMDQ's markets from settlement defaults, and will represent the first of its kind in sub-saharan Africa. This partnership will further enhance FMDQ Clear's capabilities towards becoming a world-class financial market infrastructure.
	Partnership with Thomson Reuters to strengthen Nigerian Financial Market FMDQ and Thomson Reuters, the world's leading source of intelligent information for businesses and professionals, in July 2018, announced a strategic collaboration to deepen capacity to help drive liquidity and enhance the visibility of the Nigerian financial markets to domestic and international investors. The two (2) institutions committed to combine forces to help drive Nigeria's global competitiveness and visibility to global investors.
	Commencement of Co-branded Indices with S&P Dow Jones Indices FMDQ, in partnership with S&P Dow Jones Indices (SPDJI), the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators (e.g. the S&P 500® and the Dow Jones Industrial Average®), in July 2018, launched a co-branded fixed income index. The successful launch of the S&P/FMDQ Nigeria Sovereign Bond Index marked the activation of the inaugural co-branded indices with SPDJI. The S&P/FMDQ Nigeria Sovereign Bond Index, formerly branded as S&P Nigeria Sovereign Bond Index, tracks the performance of local currency denominated sovereign debt publicly issued by the government of Nigeria in its domestic market. A range of other S&P/FMDQ Fixed Income indices will be developed in due course.

Market Governance	**Development of Infractions and Penalites Guides** In order to maintain the credibility and integrity of FMDQ markets, it is imperative for the conduct of market activities and participants to be in line with global best practices. Consequently, FMDQ developed new Infractions and Penalties Guides to clearly define market infractions and relevant penalties for committing such infractions, to dissuade market participants from engaging in disruptive and manipulative activities which may destabilise the market. The CP Infractions & Penalties Guides and the OTC FX Futures Market Infractions & Penalties Guides, both of which have been included as addenda to the FMDQ Commercial Paper Registration and Quotation Rules and the FMDQ OTC FX Futures Market Operational Standards respectively, were developed. Furthermore, the Members' Compliance Infractions & Penalties Guide was also developed pursuant to the Membership Agreements executed by all Members of the Exchange.

Franchise Development	**Relocation to new Business Complex - Exchange Place** FMDQ, in July 2018, relocated to its new business complex, Exchange Place, located at 35, Idowu Taylor Street, Victoria Island, Lagos. The relocation, which was necessitated by the Exchange's rapid growth over the last five (5) years, brought an end to FMDQ's occupancy at its pioneer offices. From FMDQ Q-Hub, a well-equipped trading simulation room for the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next); to a world-class media room for the efficient dissemination of market-impacting news and information about FMDQ and its markets; to the FMDQ Archives, a museum-style historical exhibit of key milestones achieved in the Nigerian financial markets, showcasing and preserving the markets and chronicles the history of FMDQ as an agent of change in the financial market from its beginnings in 2013 till date, Exchange Place is a suitable business complex which showcases FMDQ's transparency agenda, digitalisation and positions FMDQ to perform its roles in the Nigerian financial markets more effectively.
	Launch of the FMDQ Next Generation Empowerment Programme FMDQ, also in July 2018, launched FMDQ-Next, its flagship corporate responsibility programme, and a learning and development initiative aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary and tertiary), as well as fresh graduates within the country, making financial market education accessible to students from different backgrounds, and empowering the next generation of Nigerian youth to be financially astute, ultimately adding value to their society in the future. The FMDQ-Next initiative is an expression of the FMDQ's ongoing commitment to the community in which it operates, as the Programme will bolster the students' academic abilities and help demystify the workings of the financial market at early age, further enhancing their professional marketability and ability to positively contribute to society in the future. Over forty (40) secondary school students were impacted by the Programme in 2018, and the Initiatives aims to impact three hundred and fifty (350) participants across all levels in 2019.

<table>
<tr><td rowspan="3">Franchise Development</td><td>Hosting of the British Prime Minister at Exchange Place
FMDQ marked a historic event when it played host to the British Prime Minister, Ms. Theresa May, the British business delegation and the Nigerian business community, at its Exchange Place premises in August 2018. Ms. May visited Nigeria as part of her African tour to strengthen bilateral relations between Nigeria, and Africa as a whole, through improved trade and investment relations between the United Kingdom and Africa.

The choice of FMDQ as the most suitable location for the event, generated positive spotlight on the work and efforts of FMDQ in the Nigerian financial markets.</td></tr>
<tr><td>FMDQ Wins Capital Markets Awards
Following its 2017 BusinessDay Award as 'Most Innovative in Financial Markets', FMDQ was recognised, in 2018, with the Capital Market Correspondents Association of Nigeria (CAMCAN) Nigerian Capital Market Performance Award in recognition of its contribution towards the development and transformation of the Nigerian DCM.

The Award underlines and validates FMDQ's efforts towards revolutionising the Nigerian debt markets in alignment with its corporate mandate, as well as the acceptance and far-reaching impact of its initiatives in the markets.

FMDQ was also recognised by the National Assembly with an Award for its consistent support towards the development of capital markets legislation.</td></tr>
<tr><td>FMDQ Commemorates Fifth Anniversary and Hosts Maiden GOLD Awards
FMDQ, on November 7, 2018, marked its Fifth Year Anniversary, following its launch onto the Nigerian financial markets landscape in 2013. As part of the commemoration of the 1st Lustrum, the Exchange hosted, on November 9, 2018, key financial market stakeholders, at the maiden FMDQ GOLD Awards (the GOLD Awards), providing a platform to acknowledge and formally recognise the contributions of local and international market participants to the development of the FMDQ markets in line with its GOLD Agenda.

Winners in the various categories in the primary and secondary fixed income and currency markets, as well as Members' & Clients' Choice categories, received GOLD Awards during the well-attended ceremony. Special recognition awards were also presented to four (4) financial market doyens - market luminaries - and other market impacting individuals and corporates (media and technology partners).</td></tr>
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External Governance

In implementing FMDQ's mandate, the Exchange, also on behalf of its subsidiaries, maintains a synergetic relationship with its government and regulators stakeholder group in order to provide long-term value and create an enabling environment for its market participants. Over the period, in a bid to ensure adequate coverage of FMDQ markets and business in the extant regulation in the Nigerian financial markets, the Exchange provided feedback and made recommendations to effective/proposed regulation issued/exposed by the relevant financial market regulatory authorities.

S/N	Government/Regulatory Stakeholder	Engagement Focus
1.	Office of the Vice President	FMDQ engaged the Office of the Vice President via the Presidential Task Force on Housing (PTFOH) alongside members of the PTFOH led by the Minister of Housing, the Senior Special Adviser (SSA) to the President on Infrastructure, the Deputy Chief of Staff (DCOS) to the President, Heads of Military and Paramilitary agencies and other key government officials and market stakeholders on the proposed housing reforms aimed at addressing the challenges facing the Nigerian housing sector.
2.	Presidential Enabling Business Environment Council (PEBEC)	FMDQ organised the debut DCM's Ease of Doing Business Sensitisation Session with the twin objectives of: ▪ Providing an avenue for the Enabling Business Environment Secretariat (EBES) to update and educate stakeholders in the Nigerian DCM on its reform initiatives and the impact on the businesses of DCM stakeholders ▪ Affording DCM stakeholders an opportunity to provide feedback to the EBESs on the challenges experienced on the back of the reforms, as well as proffering suggestions that will enhance and engender an optimal environment for conducting business in Nigeria. The event which held in FMDQ's Exchange Place, on November 22, 2018, had in attendance the EBES team led by Dr. Jumoke Oduwole, Senior Special Assistant to the President on Industry, Trade and Investment, Office of the Vice President (OVP), members of the DCMD Project Implementation Committees, as well as representatives from various capital markets associations and government agencies.

3.	National Assembly	Owing to the need to keep abreast of all legislation affecting the capital markets whilst enforcing our function as a self-regulatory organisation, the Exchange had several engagements with the National Assembly within the year, ranging from participation at various public hearings of critical bills in the Nigerian capital markets landscape to attendance at the National Assembly Capital Markets Stakeholders' Forum, which saw FMDQ being recognised with an award for its consistent support towards the development of the capital markets legislation.
4.	Securities and Exchange Commission	To continue to create an enabling environment for its stakeholders and promote the growth of an efficient capital market, FMDQ maintains a symbiotic relationship with the SEC. Engagements were enhanced via quarterly Technical Committee of Exchanges (TCOE) meetings, position papers and exposure draft feedback/responses outlining our perspectives and making recommendations with respect to current and proposed regulation in order to instil best practice standards and appropriate governance of market participants.
5.	Central Bank of Nigeria	The evolution of the Nigerian financial market is vivid proof that efficient and progressive regulation and governance remain the nucleus of growth and development of the Nigerian economy. The CBN has been a great forerunner and trailblazer to the remarkable evolution of the Nigerian FX market and has consistently stayed true to its mandate to restore liquidity whilst promoting stability and entrenching confidence in the market. Most especially, following engagements with various stakeholders in the Nigerian financial markets, FMDQ, in collaboration with the CBN, conducted a review of the extant regulation governing the Naira-settled OTC FX Futures product launched by the CBN in June 2016 – OTC FX Futures Market Operational Standards (the Standards). Having conducted thorough assessment of prevailing market conditions, FMDQ engaged the CBN towards proposing initiatives to ensure the OTC FX Futures product remained a market-focused and efficient tool to facilitate ease of doing business in the Nigerian financial markets, boost flow of foreign capital to the nation, promote trade and investments to the benefit of Nigerians, and encourage innovative, market development-focused regulation.

FMDQ Workgroups

In 2018, the Nigerian economy continued on its recovery path, achieving a real GDP growth of 2.38% and surpassing prior growth forecast of 1.90% by the International Monetary Fund. The financial sector contributed circa 3.13% to the nominal economic growth while contributing 2.72% to the real growth in GDP in 2018.

To support the full economic recovery and drive sustainable economic growth through the Nigerian financial markets, FMDQ, in line with its strategic role as Market Organiser and Financial Markets Diplomat, continues to leverage on the experience and ideas of seasoned experts through the FMDQ Market Development Workgroup (FMDW).

FMDQ Market Development Workgroup

The FMDW was established in 2015 with the sole objective of facilitating broad industry engagement towards formulating and reviewing strategies which support the development of a financial market to meet the diverse and multi-dimensional demands of a developed and internationally integrated economy. The Workgroup consists of key institutions in the Nigerian financial markets with the essential expertise and resources needed to provide a well-rounded approach to advising, implementing and advocating best practice initiatives across the various financial market products.

The FMDW 3-fold Mandate

Market Systems and Infrastructure

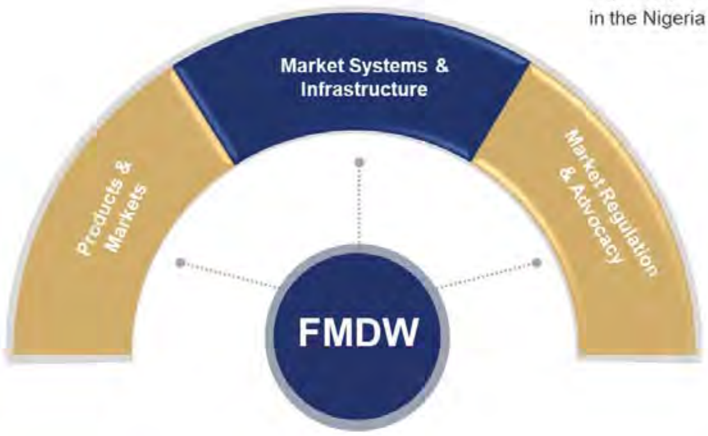
Review the effectiveness of the **Market Systems** and support the development of Market **Infrastructure** to help prevent systemic risk in the financial markets

Products & Markets

Support the development of innovative **Products** to enhance liquidity and efficiency in the various segments of the Nigerian Financial **Markets**

Market Regulation & Advocacy

Proffer recommendations on best practice **Market Regulation** and Standards and **Advocate** for progressive change in the extant regulatory framework to foster stability in the Nigeria financial system



Composition & Membership of FMDQ Market Development Workgroup

To achieve the above and promote inclusiveness, the FMDW membership structure covers key market participants such as the buy-side, sell-side and trade associations.

2018 in Focus – Products and Market Development

Launch of FMDQ Fixed Income Settlement Straight-Through-Processing Solution (FMDQ Q-ex)

In line with our GOLD Agenda to promote operational excellence and with the support of the CBN and FMDQ DMBs, FMDQ successfully deployed a fixed income STP settlement solution via its Proprietary Market System – FMDQ Q-ex. FMDQ Q-ex was integrated with the CBN's S4 to providing seamless and efficient settlement of fixed income cash transactions.

The deployment of the FMDQ Q-ex Settlement Solution operated by FMDQ Clear, streamlined business processes, reducing friction along the fixed income trades settlement value-chain, boosted productivity of the market participants and promoted efficiency of post-trade services by reducing the frequency of occurrence of unsettled trades by c. 95% in the sovereign fixed income secondary market.

FMDQ Derivatives Market Development Project

The FMDQ Derivatives Market Development Project formally kicked off in 2018 and was structured for delivery in three (3) phases towards the introduction of exchange-traded derivatives. The following activities and milestones were delivered as part of Phase I and Phase II of the FMDQ Derivatives Market Development Project in 2018:

- Development of the market assessment report, relevant market framework and structure
- Delivery of introductory training sessions for all market participants and regulators
- Regulatory engagements with the relevant regulators
- Drafting of market rules and relevant agreements
- Drafting of operational and product governance documents

Dealing Member (Specialists)

In line with the Exchange's mandate to enhance liquidity in the Nigerian DCM, FMDQ launched its DMS membership category, for non-bank financial institutions and securities dealing firms to act as market makers in the FMDQ fixed income securities market.

In June 2016, FMDQ launched Phase I of the DMS Market, which commenced as a closed market where DMSs traded T.bills with maximum tenors of ninety-one (91) days solely amongst themselves; with a daily end-of-day position close-out. Following several engagements with market participants, FMDQ activated the development of Phase II of the Market and launched in December 2018, where DMSs traded all Treasury Bills and Open Market Operations Bills amongst themselves and DMBs, for their proprietary trading positions and on behalf of Clients.

FMDQ S&P Fixed Income Indices

In 2018, the FMDQ-SPDJI Index Operation and Joint Marketing Agreement was executed, thus creating the platform for the launch of fixed income indices co-branded by FMDQ and SPDJI. The agreement is for FMDQ and SPDJI to collaborate in the development of fixed income indices relevant for both performance measurement and product development in the Nigerian financial markets. The first co-branded index launched was the FMDQ/S&P Nigeria Sovereign Bond Index. The next index anticipated for introduction under the collaboration agreement will be a T.bills Index, the first of its kind in the Nigerian financial markets.

FMDQ Academy

As a thought-leader in the Nigerian financial markets space, FMDQ continued to focus on market education through its fully sponsored Academy, in line with the Exchange's market and product development agenda in the fixed income, currencies and derivatives markets. Two (2) additional free course modules were included in the Learning Management System, increasing the number of available courses to five (5) in 2018. The Academy is set to roll out face-to-face and tailored learning programs, with a focus on the Derivatives Markets, amongst others in 2019.

2018 in Focus – Services

Securities Admission Service

The Exchange provides a platform for a wide range of domestic and international companies to raise capital by providing an efficient securities admission service via a well-regulated market, for issuers and for the benefit of the general investing public.

2018 saw improved strength in the number of admissions, as the Exchange onboarded fifteen (15) bond listings, ranging from the sovereign, sub-national, financial, manufacturing, oil and gas and fast-moving consumer goods sectors; eight (8) registered CP programmes, sixty (60) quoted commercial papers, and three (3) Funds.

It is also useful to note that in 2018, the number of corporate bond listings and CP quotations on the Exchange increased by five (5) and twenty-three (23) respectively from FY 2017, largely dominated by the financial services sector (details provided in the 'Sectoral Contribution to Listings & Quotations in 2018).

Memberships

FMDQ provides an organised and efficient platform where financial market participants can actively participate in the primary and secondary markets.

Our membership framework is structured to integrate different sectors and interest groups, ranging from the dealers, market regulators, market makers, investors, brokers and other interested participants aligned with international best practices. As at December 2018, there were one hundred and ninety-five (195) Members cutting across banks, non-bank financial institutions, pension fund operators, issuing houses, other corporates, regulators and individuals participating in the FMDQ markets.

FMDQ provides the requisite governance to maintain market integrity and sanctity towards improving network effects and ultimately, the efficiency of the Nigerian financial markets.

Market Connectivity

FMDQ, in its goal to maximise operational efficiency in the Nigerian financial markets, provides bespoke technology solutions which are in alignment with global standards.

These tailored and proprietary systems facilitate trade execution and online real-time price discovery, thereby enhancing market transparency, credibility, governance and liquidity. The Exchange continues to innovate to meet the requirements of the market, whilst providing new solutions to the development of the Nigerian financial markets.

Data and Information

FMDQ provides the requisite Nigerian fixed income, currency and derivatives markets information through its e-Markets Portal via the FMDQ e-Knowledge module. FMDQ e-Knowledge serves as the central information repository for FMDQ markets-related data, pre- and post-trade information, among others, for the benefit and use of FMDQ stakeholder groups and the public at large. The Exchange provides accurate, transparent and robust financial markets information and is continually improving as the central information repository in the Nigerian financial markets.

Market Regulation

In 2018, the Exchange enhanced its regulatory supervision and constantly sought ways to align with local and global best practices, driven by the need to ensure that Members of the Exchange and the Clearing House participants remain adequately governed.

The ultimate objective is to ensure that participants across the financial markets value chain – execution, clearing and settlement - are confident in efficient, transparent and well-regulated FMDQ markets for capital raising and to fulfil investment and trading requirements.

Post-Trade Services

FMDQ's post-trade activities focuses on mitigating pre-settlement risks through collateral management, enhancing productivity gains and optimising the allocation of resources amongst market participants.

These activities are provided through its wholly owned clearing house subsidiary,

FMDQ Clear, which facilitates seamless clearing and settlement of executed and/or reported Spot transactions and derivatives contracts from FMDQ's trading systems; via STP connections with other key settlement entities/financial market infrastructures which includes the CBN, CSCS, and NIBSS.
The core of FMDQ Clear is risk management, which brings stability to the financial market through the control of diverse risks faced in the clearing and settlement of trade transactions.

2019 Outlook – Products and Market Development

Introduction of Fixed Income Derivatives

FMDQ, in recognition of the role derivatives can play in the achievement of its transformational agenda for the Nigerian financial markets, will focus its products development efforts on the introduction of exchange-traded derivatives, by deploying required resources and collaborating with the market towards the delivery of activities and milestones earmarked for each phase of the FMDQ Derivatives Market Development Project. In 2019, FMDQ will continue the implementation of the Project Plan targeted at the delivery of the following, towards the launch of derivatives products in 2020:

- Exposure and Approval of the Derivatives Market Rules
- Onboarding of Clearing and Trading Members
- Market-wide Education and Sensitisation Training/Workshop Sessions
- Regulatory Engagements
- Product Development
- Deployment of the Market System(s)

These activities are expected to culminate in the launch of the market with the introduction of fixed income derivatives in 2019/2020.

Bilateral Repurchase Agreement with Collateral Management

In order to improve liquidity and further deepen the Nigerian fixed income market, FMDQ identified opportunities for improvement in the repo market and initiated the Bilateral Repo with Collateral Management initiative. This initiative is targeted at enhancing the repo market through the provision of third-party collateral management service to market participants thereby minimising risks and defragmenting the Nigerian fixed income markets. In addition, the initiative also seeks to collaborate with the market to achieve some standardisation in the repo market through the execution of repo transactions under one (1) market documentation.

Key activities and deliverables planned towards the go-live of the Bilateral Repo with Collateral Management Market in 2019 are as follows:

- Finalisation of relevant market documentation
- Engagement of market participants on operational issues
- Market-wide assessment of the System
- Training and workshop sessions
- Implementation of a straight-through real time settlement of repo transactions

Benchmark Integrity

In the wake of concerns about the integrity and accuracy of benchmarks, the European Commission issued a regulation which prohibits investments by European entities in instruments which reference benchmarks administered in third-world countries like Nigeria. To ensure compliance with the precepts of the European Union (EU) Benchmark Regulation (BMR) and in line with the precepts of Principle 17 of the International Organisation of Securities Commission (IOSCO) Principles for Financial Benchmarks

(PFB), the Exchange engaged an external auditor to conduct an independent review of FMDQ's compliance with IOSCO PFB. The IOSCO PFB articulates globally accepted policies, guidelines and standards for benchmark-related activities and helps identify certain broad, generic risks to the credibility of benchmarks arising from vulnerabilities in the benchmarks' methodologies, as well as transparency and governance arrangements.

Furthermore, to consolidate efforts towards ensuring full compliance to the EU BMR, the Exchange has commenced engagements with prospective partners to support in ensuring full compliance with the Benchmark Regulation before the stipulated deadline of December 31, 2021.

Clearing and Settlement Services

Having received the SEC registration for and fully operationalised its wholly owned central clearing house subsidiary, FMDQ Clear, in November 2017 and January 2018, respectively, the Company will focus on strengthening the clearing and settlement franchise; and enhancing its readiness to operate a full-fledged central counterparty (CCP) in 2019, to further boost its value delivery to the markets under FMDQ's purview.

Furthermore, FMDQ incorporated another wholly owned subsidiary, FMDQ Depository Limited, in 2018 and commenced an application to the SEC for the registration of the subsidiary to provide depository services in the Nigerian capital market. Having recently received the SEC registration in 2019, plans are underway to operationalise the depository subsidiary in the second half of 2019.

The implementation of the aforementioned initiatives will secure FMDQ's ambition of becoming a fully integrated and diversified financial instructure group, providing services across the full value chain of the securities spectrum.

FMDQ Sustainability Policy

Introduction

FMDQ recognises the imperative role it plays in the Nigerian financial market and the opportunities its business presents in its ability to promote sustainable economic growth and development in the wider economy; and as such understands that the delivery of long term business success and value creation is not only hinged on financial, but also environmental and social performance. The Policy, developed in line with the SEC's Code of Corporate Governance for Public Companies, 2014, requirements for sustainability reporting and the (Ten) Principles of the United Nations (UN) Global Compact, which prioritises four (4) key areas - Human Rights, Labour, Environment and Anti-Corruption - aims to guide the Company in:

- providing a frame of reference for integrating sustainability in our business activities
- developing a sustainable value system and a principled approach to doing business
- being intentional about making a positive impact on our relationships with all our stakeholders
- dealing with business opportunities and risks in terms of direct and indirect sustainability impacts

Strategic Approach

FMDQ, through its activities, aims to achieve sustainability in the areas it actively operates and impacts, as such, its Sustainability Strategy is guided by five (5) main Sustainability Pillars:

- Our Business - To ensure that sustainability practices are a core part of the Company's business strategy, where sustainability is embedded across FMDQ's business operations and activities
- Our Markets - To promote responsible business practices and sustainable development in our markets and wider economy
- Our People - To create a work environment that attracts, fosters engagement and retains talented employees of diverse backgrounds to fulfil their potential
- Our Community - To champion capital market education for the next generation and empower the communities in which we operate, to advance socio-economic development in our nation
  Our Environment - To actively manage our environmental impacts derived from the activities of running the Company's operations

Our Sustainability Commitment

Environment

FMDQ recognises that the economic activities involved in running its business may have impacts that could threaten the environment, and therefore is committed to a responsible approach to the environment. Our major environmental impacts include, but are not limited, to energy usage, emissions from generator use and transport, materials usage such as paper, and waste. These areas have informed the scope of our sustainability and corporate responsibility environmental focus, with the ultimate drive to become an environmentally sustainable exchange and positively impact the environment in which we operate in.

Anti-Corruption

FMDQ is committed to applying high standards of honesty and integrity consistently across its operations and in all its business dealings. We are guided and operate in accordance with our core values and are committed to applying the principles of integrity, transparency, accountability and ethics to prevent corruption and bribery in all its forms, which include, facilitation payments, fraud, extortion, collusion, money laundering, an offer or receipt of any in-kind benefits such as, free goods, gifts, loans, fees, rewards, holidays, or special personal services or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust, for the purpose of an inappropriate advantage, or that can result in moral pressure to receive such an advantage in the conduct of the enterprise's business. FMDQ does not tolerate any of these forms of corruption and bribery in the running of its business or in those with whom it does business.

Human Rights and Labour Standards

At FMDQ, respect for human rights is of paramount value to us. We strive to respect and promote human rights in all our business activities in adherence with the UN Guiding Principles on Business and Human Rights, alongside Labour Standards as described in the International Labour Organisation (ILO)'s Declaration on Fundamental Principles and Rights at Work, in our relationships with our employees, suppliers and vendors. This is in line with our commitment to reduce as much as possible any potential negative impacts on society. FMDQ, therefore commits to, amongst others, prohibiting the use of all forms of forced labour, child labour, modern forms of slavery and human trafficking in any business activity engagement.

Diversity & Inclusion

At FMDQ, we are committed to creating an inclusive workplace culture and environment that fully embraces and promotes diversity and equal opportunity, where each employee is treated with respect and can fulfil potential. We do not discriminate on the grounds of gender, age, colour, physical appearance or disability, marital status, national origin, citizenship status, race, religion, political affiliation (or the lack of one), sexual orientation, thinking styles, personality traits (e.g. introverts or extroverts), family status, veteran status or other legally protected category. We value, respect and leverage on the idiosyncratic creative potential and unique contributions that individuals of different backgrounds, exposure, experience and perspectives bring to help in proffering innovative solutions; to enhance the understanding of the needs of our diverse stakeholders, tailor our products and services accordingly and to build a high performing, creative and more innovative organisation that delivers positive business results.

Our commitment to diversity & inclusion extends to all areas of business, including but not limited to Recruitment and Selection, Board & Management Appointments, Attraction & Retention of Employees, Promotion & Career Progression, Performance Management, Remuneration, Training & Development, Talent Management, Succession Planning, Redeployment and Redundancy.

Work Place Health & Safety

At FMDQ, we consider our employees to be one of our most valuable assets and thus are committed to achieving the highest standards of health and safety, by providing and maintaining a work environment that minimises any risks that might jeopardise the health and safety of our employees, visitors and people our operations impact, as we believe that a safe and healthy workplace is a fundamental right of every person and precursor to business success.

Communicable and Serious Diseases

FMDQ is committed to ensuring a consistent and equitable approach regarding the prevention of communicable and serious diseases, such as HIV/AIDS, malaria, among employees and their families, and the management of the consequences of same, including the care and support of employees living with the diseases. This Policy ensures that:

- Employees or potential employees with Communicable and Serious Diseases (CSD) will be protected against discrimination, victimisation or harassment
- Regulatory requirements, with regard to CSD, is complied with
- The privacy of person(s) with a communicable or serious disease is protected
- Accidental infection of others within the workplace is avoided
- Appropriate awareness and education programmes are provided

Corporate Social Investment

As a responsible organisation that understands the significant role it can play in helping solve some of our societal problems, FMDQ has identified the ways in which it can support its host communities by championing capital market education for the next generation and through the empowerment of the communities in which it operates, to advance socio-economic development in our nation, by engaging in the following key initiatives:

1. Next Generation Financial Market Empowerment Programme – a learning and development initiative aimed at promoting financial market awareness, development and literacy among students across all levels (primary, secondary and tertiary), as well as fresh graduates, within the country. FMDQ aims to make financial market education accessible to both disadvantaged and privileged students.

2. FMDQ Staff Corporate Social Responsibility (CSR) Initiative - an initiative championed by FMDQ Staff, from honorariums, funds raised through auctions carried out on gifts received, and contributions from staff, which are donated to select charity organisations. The Initiative focuses on four (4) main categories, namely, Orphanages, Centres for Youth Rehabilitation, Homes for the Elderly and Special Needs Centres.

Other Reference Policies

The table below provides a summary of other reference FMDQ Policies and Guidelines that support the Company's sustainability commitments and approach to its business activities and operations.

Theme	Policy/Guideline	Policy Summary
Governance	Code of Conduct (Corporate Governance Manual)	This Policy outlines the principles governing FMDQ's business activities and operations, ensuring that it conducts its business in accordance with the highest standards of business ethics and compliance. The Policy covers Corporate Governance Principles and Structure, Compliance with Laws, Rules & Regulations, Code of Conduct for Directors & Management, Corporate Opportunities, Confidentiality, Protection and Proper use of Company Assets, Fair Dealing, Record Keeping, etc.
	Anti-Money Laundering & Combating the Financing of Terrorism	The Anti-Money Laundering & Combating the Financing of Terrorism Policy (AML/CFT Policy) sets out the guidelines for FMDQ's compliance with AML/CFT obligations under the law, as well as regulatory directives, and actively prevents any transaction that facilitates criminal activities.
	Risk Management	This Policy defines the approach adopted by FMDQ in identifying and assessing the risks associated with its business, ensuring that they are adequately managed.
	Conflict of Interest (FMDQ Staff Handbook)	This Policy sets out FMDQ's approach to identifying potential conflicts of interest, ensuring they are effectively managed and prevented from materialising, to mitigate against reputational, regulatory or financial impact to FMDQ.

	Whistleblowing	This Policy outlines the whistleblowing provisions in place to report any concerns regarding malpractice or misconduct within FMDQ. Through this Policy, FMDQ aims to promote and encourage ethical behaviour and decision making that underpin and support FMDQ's values in an open, fair and transparent manner and at the same time avoiding the occurrence of unethical behaviour. It also provides an avenue for stakeholders to raise concerns and receive assurance that they will be protected from reprisals or victimisation for whistleblowing.
	Corporate Communications	The Policy defines and provides guidelines on the extent, quality and output of communication with FMDQ external stakeholders and on the adherence to and quality of internal communications in line with FMDQ-approved standards.
	Business Continuity Management	The Policy is designed to guide FMDQ Staff on how to minimise the impact to the market or stakeholders in the event of a disruption to normal business activity or operation.
	Brand Management	This Policy sets out the guidelines for the management, enhancement and preservation of the corporate brand identity of FMDQ.
Social/ Governance	Remuneration Policy	This Policy describes the basic principles of FMDQ's Remuneration Policy for Directors (Executive and Non-Executive), Management and staff. It provides an objective, adaptable and competitive remuneration structure that is tailored to specific circumstances of the organisation, in order to attract, motivate and retain highly skilled and performing staff and Management, as well as Executive Directors; has regard for job content and the performance of teams and individual employees; reflects market best practices and incentivises and motivates Non-Executive Directors and employees.

	Promotion Policy	This Policy provides an overview of the promotion guidelines for FMDQ and is aimed at enabling Executive Management determine and award promotions within the organisation.
	Gifts & Honorariums (Corporate Governance Manual and FMDQ Staff Handbook)	This provides guidance on how to account for any gifts or honorariums received. This Policy is used alongside the AML/CFT Policy.

Enforcement

Disciplinary action will be taken against any employee who is found to be in breach of the Policy. Allegations of discrimination which are not made in good faith will also be treated as a disciplinary matter. Failure of relevant stakeholders e.g. consultants, vendors, and clients, to comply with this Policy may result in their contracts being terminated.

Sustainability Report

As a responsible organisation that imbibes best practices and a principled value system, FMDQ's corporate sustainability strategy is guided and expressed through its five (5) sustainability pillars – Business, Markets, People, Community and Environment.

Our Sustainability Policy further outlines our strategic approach, commitments and principles guiding FMDQ's sustainability agenda. The scope of the Policy and respective guidelines set out the requirements for the operations and activities of the Exchange and its subsidiaries.

Supporting Sustainable Development

The need for exchanges, corporate institutions, governments, regulators, and non-governmental organisations to come together to solve some of our pressing societal ills cannot be overemphasised. FMDQ, as an agent of change, is taking large strides in the commencement of its sustainability journey, to begin to play its part in addressing some of the challenges being faced in the country. Though, the very essence of FMDQ grew from the need to make the financial markets more transparent and credible, our raison d'etre is very swiftly evolving to capturing the environmental and social aspects in assessing our performance and impact.

The United Nation's Sustainable Development Goals (SDGs) provides a blueprint to achieve a better and more sustainable future for all. The Goals address social issues such as poverty eradication, education, gender equality. They also address environmental issues, such as climate change, efficient use of resources, amongst others.

At FMDQ, we are intentional about making sure that our activities and operations contribute towards the achievement of some of the UN SDGs, as we believe that the delivery of long-term economic growth, business success and value creation is not only hinged on financial, but also social and environmental performance, hence, the Exchange supports thirteen (13) of the seventeen (17) SDGs, including, Decent Work and Economic Growth, Quality Education, Climate Action, Responsible Consumption and Production, Sustainable Cities & Communities, amongst others, with the long-term overall aim of delivering prosperity to Nigerians.

BUSINESS

To ensure sustainability practices are embedded and guide FMDQ's business operations and activities

SDG Impact Area

Corporate Governance

In 2018, FMDQ remained unwavering in its commitment to the corporate governance standards, as set out by the SEC's Code of Corporate Governance for Public Companies, as we understand that our success is not only defined by our ability to provide a transparent and efficient marketplace, but also by our commitment to high standards of corporate governance, social and environmental stewardship.

Our approach to conducting business is deeply rooted in our desire to uphold the highest standards of corporate governance, given the role that we play in the financial market ecosystem. In addition, as we are guided by our core values of Teamwork and Collaboration, Innovation, Integrity and Value-adding, and this ingrains and strengthens our ability to maintain our business integrity and professionalism in all our activities and operations, in order to consistently maintain the confidence of our varied stakeholder base.

The FMDQ Board will continue to provide adequate leadership and oversight over the activities of the Exchange, including FMDQ's Sustainability Strategy to ensure that the Company continues to run in a sustainable manner.

Further information on corporate governance, information security and business continuity can be found in the Risk Management and Governance Sections of the Report. FMDQ also has policies covering Anti-bribery and Corruption, Anti-Money Laundering, Conflicts of Interest and Whistleblowing, which can be found on the FMDQ website - www.fmdqotc.com.

Stakeholder Engagement

At FMDQ, we continue to pursue opportunities to create value for our stakeholders through regular engagement via multiple channels, in order to understand their expectations, and provide innovative solutions that will benefit the stakeholders.

Regular engagement with our stakeholders is a key priority for us, and we attribute our successes over the last five (5) years to the important relationships we have built and the shared values we have created for our stakeholders. Our stakeholder base includes our employees, shareholders, members, issuers, investors, regulators, government authorities, strategic and media partners.

More information about our stakeholders groups and how we engaged them during the year are captured in the Sustainability Strategy Section of this Report.

MARKETS

Our strategic agenda is to promote responsible business practices and sustainable development in our markets and wider economy

SDG Impact Area

Economic Development

FMDQ continues to champion the development of the Nigerian debt capital markets through its Debt Capital Market Development (DCMD) Project 2025, aimed at promoting the achievement of the overarching desire of fostering a highly liquid, deep, efficient and well- developed DCM, in order to boost growth and support the future development aspirations of the Nigerian economy, and has continued to push forward the implementation of various recommendations in support of its overall objectives.

The DCMD Project through its six (6) Sub-Committees, including Sustainability Finance and Infrastructure & Housing, during the year, explored measures to promote supportive government policies, sound legal and regulatory framework, increase retail participation, as well as stimulate stakeholders' confidence, which is critical to the development of the Nigerian DCM.

Sustainable Finance Initiatives & Partnerships

2018 was a notable year for the listing of sustainable securities, as the Exchange admitted a total of six (6) green and sustainable bonds and funds, with a total programme value of circa ₦600.00 billion. The proceeds of these securities are tied to investments in renewable energy, infrastructure and power.

FMDQ formalised its partnership with CBI and FSD Africa through the execution of a tripartite Cooperation Agreement to support the development of the Nigerian Green Bond Market Development Programme for a 3-year period. The purpose of this partnership is to support the development of guidelines and listing requirements for green bonds in Nigeria, develop a pool of Nigeria-based licenced verifiers to support issuers, develop a pipeline of green investments and facilitate engagement with extant and potential investors and create awareness and drive education required to integrate the principles of green financing into the Nigerian DCM, thereby facilitating the establishment and development of the green bond market in Nigeria.

In recognition of the urgent need for climate financing, during the year, FMDQ also partnered with the United Nations Environment Programme (UNEP) and the DCMD Project 2025 Sustainable Finance Sub-Committee, in December 2018, to launch the Nigerian Sustainable Finance Roadmap Report, with the expectation that this will pave the way for better diffusion of sustainable finance practices needed to lift millions of Nigerians out of the poverty thresholds, in line with the tenets of the 2030 Sustainable Development Goals and in fulfilment of the Paris Agreement.

In a bid to promote sustainable markets, enhance corporate transparency and performance in relation to environmental, social and governance issues, FMDQ obtained memberships of key market development focused associations, including International Capital Market Association (ICMA), African Securities Exchanges Association (ASEA), World Federation of Exchanges (WFE) and the International Organisation of Securities Commissions (IOSCO). FMDQ was also instrumental in the setup of the Association of Securities Exchanges of Nigeria (ASEN), which seeks to promote cooperation between member exchanges, collect and share information and promote capacity building in the Nigerian capital markets.

In the course of the year, FMDQ joined the United Nations Sustainable Stock Exchanges (SSE) Initiative, as an observer, with a view to obtaining full membership in the near future. The SSE Initiative provides an effective platform for peer-to-peer dialogue among global exchanges, exploring how stock exchanges can work together with investors, regulators, and companies on how to promote better markets through more sustainable business practices and encourage sustainable investment.

FMDQ representatives also joined the ASEA Sustainability Working Group to develop a Sustainability Road Map that outlines policies and actions to promote better ESG performance and disclosure standards. The ASEA Working Group aims to unify and align ASEA member exchanges efforts and practices around sustainability, to create durable wealth for its stakeholders, by delivering value and supporting economic growth in the region.

Financial Market Education & Capacity Building

To promote sustainability of the markets, during the year, FMDQ continued to promote financial literacy, and enhance stakeholders awareness, including its investors and the wider community via seminars, workshops, trainings, boot camps, amongst others, to foster the understanding of our markets, products and services offered, in support of the development of the capital market.

FMDQ Academy, our market education franchise, also continued to promote financial literacy via the FMDQ Spotlight Newsletter, a medium where knowledge is shared about the products, services, markets, amongst others, in the monthly newsletter disseminated to all FMDQ stakeholders and made available via the FMDQ website for a wider audience to access.

PEOPLE

FMDQ is committed to creating a work environment that attracts, fosters engagement and retains talented employees of diverse backgrounds to fulfil their potential

SDG Impact Area

Our continued success can be attributed to one of our most valued stakeholder groups, FMDQ Employees, as they have been instrumental in the achievement of the Exchange's Strategic Objectives, over the last five (5) years. As such, we recognise our responsibilities to continually invest in their career and professional development, as well as their wellbeing. We are committed to fostering a culture that promotes shared understanding and collaborative spirit amongst staff.

Learning & Development

In the pursuit of a high performance organisation, to continually develop our talent and to encourage employees to reach their full potential, in 2018, FMDQ invested heavily in the training of all its employees, covering both technical and non-technical trainings. In addition, all employees were required to complete a mandatory training via the FMDQ Academy Group's e-Learning platform, covering courses on Fixed Income, Foreign Exchange and Derivatives Products, to ensure that all employees have a basic understanding of financial markets products, regardless of their core function at the Company.

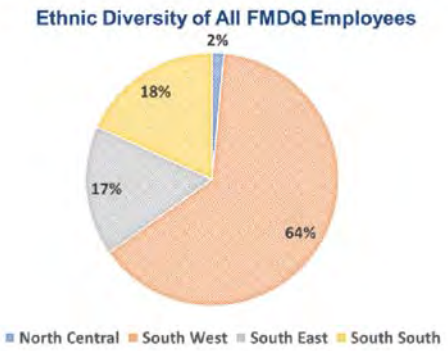
In line with FMDQ's Employee Value Proposition, to manage career and talent through learning and development, as well as inspire high standards of leadership and management, in the course of the year, the Staff Leadership Development Series (SLDS) was launched. The SLDS is a series of highly participatory and engaging staff sessions, aimed at enhancing staff leadership capacity and competencies, facilitated by industry experts and national icons, who share their leadership experiences, challenges and successes, in a bid to foster the sustainable development of leaders across FMDQ's workforce.

During the year, FMDQ also introduced weekly Knowledge Sharing Sessions, with the aim of providing capital market focused enlightenment to new employees and to expand the employees' horizon beyond local markets to the international space – gearing staff to strive towards reaching proposed benchmarks.

FMDQ provides a variety of learning and development opportunities which include Conferences, Seminars, Workshops, Model Market Study Tours and Monthly Staff Empowerment Sessions.

Diversity & Inclusion

At FMDQ, we value and celebrate the rich dimensions of diversity within each employee, and leverage on the creative potential and unique contributions that our employees of different backgrounds, exposures, experiences and perspectives, bring to support the Exchange's goals. We are also committed to eliminating discrimination on the grounds of gender, physical appearance or disability, age, marital status, national origin, race, citizenship status, religion, amongst others.



Gender Diversity	Men	Women
The Board	10	1
Executive Committee	2	2
Management	7	5
All Staff	29	38

Gender Diversity

FMDQ consistently seeks to attract and retain the very best talent. As at December 31, 2018, we had a total number of sixty-seven (67) employees, of which 57.00% are female, with a 50:50 male to female ratio on the Executive Committee and 71.00% on the Business Leadership Committee (Management). Female representation on the Board is however limited, but work has commenced with a view to increasing female representation in the near term.

During the year, FMDQ continued to collaborate with organisations and business leaders to champion the advancement of women in the workplace. The Exchange, in solidarity with the international community, for the first time, marked the International Women's Day at its business complex, by holding a special evening with its employees, where they were inspired by business leaders who spoke on career positioning and corporate etiquette.

Ethnic Diversity

FMDQ continually seeks out opportunities to recruit the best candidates from all ethnic groups and backgrounds, with the aim of building a diversified workforce. More focus, however, will be placed in recruiting from the northern region of Nigeria, where we have the least representation.

Health & Well Being

FMDQ is committed to maintaining a safe environment for all its employees and promotes a healthy lifestyle to help enhance the quality of life of all its employees. We ensure that the environment poses low risk to its employees' health and safety.

As a socially responsible organisation, FMDQ is committed to protecting human rights in all its business activities in adherence with the UN Guiding Principles on Business and Human Rights, and upholding Labour Standards as described in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, in our relationships with our employees, suppliers and vendors.

Due to the fast-paced environment we operate in, during the year, a blood pressure monitor was installed, to help employees regularly monitor their blood pressure. We also continued to offer all our employees' free access to medical care plans that include their spouses and children, as well as free access to gym facilities. Our staff welfare policies were enhanced to encourage work-life-balance by enforcing the implementation of a daily office shutdown policy for employees.

COMMUNITY

To champion financial markets education for the next generation & empower the communities in which we operate to advance socio-economic development in our nation

SDG Impact Area

Corporate Philanthropy

As a good corporate citizen, FMDQ is interested in giving back to the communities within which it operates. During the year, employees, through the FMDQ Staff Corporate Social Responsibility (CSR) Initiative, participated in the Company's very first live auction, where all gifts received from stakeholders were donated to a pool and auctioned to the highest bidder. Through the auction, employees were able to raise a record breaking ₦1.89 million, albeit ₦2.00 million was donated to our partner charities in cash donations and provisions, which included food, clothing, house-hold items, amongst others.

The FMDQ Staff CSR focuses on four (4) impact areas, Orphanages, Youth Rehabilitation Centres, Homes for the Elderly and Special Needs Centres for the under privileged. In what was a humbling and heartwarming experience, the visits to our partner charities provided an avenue for employees to, beyond offering material and financial support, offer comfort, reassurance and hope to the children and adults at all four (4) facilities.

We continued to promote gender equality by supporting Echoes of Mercy Foundation, one of our partner charity organisations, a rehabilitation centre for young women between the ages of 14 – 22 years, who have been victims of abuse, homelessness and human trafficking. The support provided to this charity is in line with the Company's desire to promote the economic empowerment of women.

Corporate Social Investment

Beyond corporate philanthropy, FMDQ prioritises investment in the community, as during the year, the Exchange launched its flagship corporate responsibility programme, the FMDQ Next Generation Financial Market Empowerment Initiative (FMDQ-Next) as a response to the educational challenges in society. More information on this initiative is captured in the Special Report on FMDQ-Next.

Employee Volunteering

In order to encourage giving back to society, not just in financial terms, FMDQ employees are encouraged to also give back their time, knowledge and expertise via the FMDQ-Next Initiative, where they teach and provide the students with practical perspectives on the mechanisms of the financial market. This not only benefits the participants that are learning from the best practitioners, but also provides an enhanced sense of purpose for the facilitators, which has a positive impact on productivity and morale, and also further helps hone their skills, positively impacting job performance and growth for both FMDQ and the employees, impacting the economy and society in the long run.

The Environmental dimension of sustainability concerns an organisation's impacts on living and non-living natural systems, including land, air, water and ecosystems. Relevant risks to the natural environment include climate change, environmental pollution, natural resource and raw material scarcity, water availability, loss of biodiversity and ecosystems. At Exchange Place, FMDQ's building complex, we recognise that energy consumption accounts for the largest component of our environmental footprint, as such we are making efforts to manage and reduce our negative footprint, by developing policies and plans to make our offices more energy efficient, starting with the use of LED lighting and the installation of motion detectors in some enclosed office areas to control the use of lighting and the corresponding energy consumption.

To reduce paper waste, enterprise printers have also been installed to keep track of each employee's paper usage, in order to promote efficient use of paper. The Exchange is also mindful of conserving water usage, as such installed high efficiency lavatories to help minimise water consumption.

The Exchange recognises that there are more opportunities to pursue environmental stewardship and intends to take active strides in implementing more initiatives to improve energy efficiency, waste management and recycling. It also plans to hold sensitisation sessions and campaigns to create awareness amongst FMDQ employees about environmental sustainability, to educate employees on the impacts and benefits of the green initiatives to be implemented, in order to garner their support and inculcate green practices in employee behaviour.

In doing so, FMDQ has a greater impact not just on its own footprint, but also on the wider communities, as employees can then take these green practices into their homes and communities, thereby expanding the reach of these sustainable practices.

Special Report on FMDQ-Next

The FMDQ Next Generation Financial Market Empowerment Initiative (FMDQ-Next) is a learning and development programme aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary and tertiary), as well as fresh university graduates in Nigeria. As FMDQ's Flagship Corporate Responsibility Programme, the Initiative was launched in response to the dearth of financial knowledge in society, especially as financial education/literacy does not exist in schools' curricula, and therefore required knowledge is not substantially transferred. In recognition that one of the major keys to national development is quality education, FMDQ is addressing this issue at the foundational level by focusing its financial market education agenda on the next generation.

The FMDQ-Next Initiative was launched in July 2018, with the aim of making financial markets education accessible to students and university graduates from different ethnic and social backgrounds, empowering the next generation of Nigerian youth to be financially astute, ultimately adding value to their society in the future.

The Initiative is delivered via in-school/after school, summer camp and graduate programs.

The FMDQ-Next Initiative:

- Introduces participants to the world of finance and investments, exposing them a wide range of skills which position them for personal growth and innovation thinking for the future
- Helps demystify the workings of financial markets for the participants, empowering them to be financially astute from an early age
- Teaches participants principles to create and manage wealth
- Enhances the professional marketability of the youth, therefore developing Nigeria's local technical capital
- Provides opportunities for students to interact with financial market participants, gaining practical knowledge about key concepts

The programme is deployed through the various initiatives:

- **Teach-a-Class** – These involve fun, educational and interactive financial markets exercises and activities, facilitated by in-house professionals and financial market institutions, exposing students to the world of finance, money, savings, personal finance, investment management and other financial market concepts
- **Trading Simulation Exercises** – Students learn how to trade a variety of securities in the financial market through the management of a virtual portfolio in a simulated environment
- **Excursions & Tours** – Students are given the opportunity to visit the Exchange, as well as local and international financial markets institutions, exposing them to the workings of the financial market, its players, history, varied functions, career options, amongst others
- **Adopt-a-School** – This initiative supports educational institutions by helping to create a conducive learning environment for financial markets education

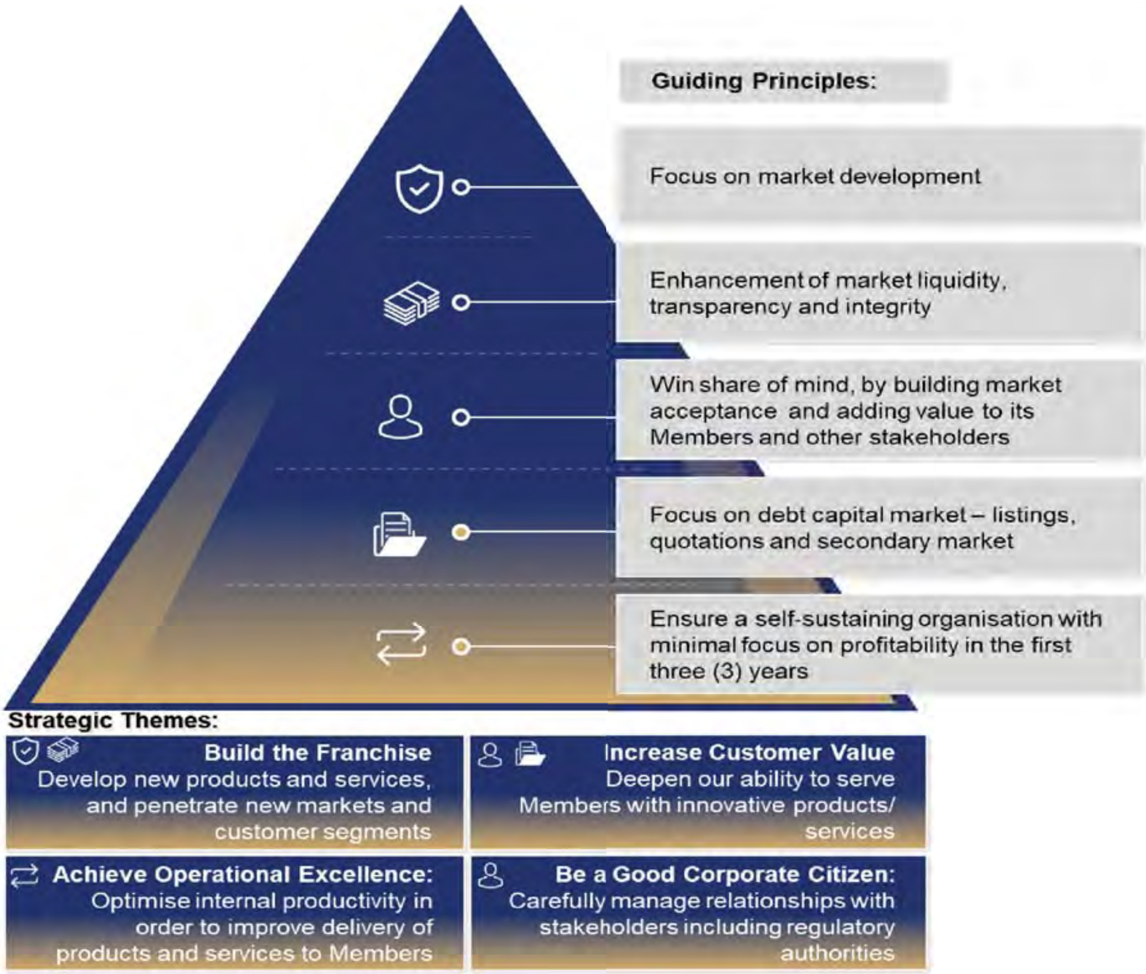
Within FMDQ's building complex, Exchange Place, is a dedicated state-of-the-art Trading Simulation Room – the Q-Hub – developed solely in support of this Initiative, to provide practical and hands-on experience for these younger generation to trade the different financial market securities in a simulated environment.

Strategic Journey

FMDQ Strategic Journey

With an audacious vision - *"To be the No. 1 in Africa in the Fixed Income and Currency markets by 2019"* - FMDQ continued to work assiduously towards the implementation of the Corporate Strategy, with a focus on Market Diversification for 2018.

FMDQ 5-Year Strategy



FMDQ 5-Year Horizon (2015 - 2019)

FMDQ Corporate Scorecard

Review of 2018

FMDQ activated its strategic focus for 2018, being Market Diversification, whilst also sustaining efforts towards Product Diversification to fortify gains made in 2017, due to its desire to continue deepening and diversifying the Nigerian capital market.

During the year, FMDQ intensified its efforts towards the development of its derivatives market, focusing on the development of market rules, supporting legal and process documentation, systems deployment, market education, and stakeholder engagement & sensitisation. The output of the foregoing will lead to products being launched in 2020. The Exchange also commenced preliminary activities and strategic engagement within the commodities and equities markets.

Following its long-held desire to foster market integration, improve network effects and promote liquidity in the Nigerian financial markets, FMDQ launched its DMS Market, which went live at the end of the year. This unprecedented market development initiative comes on the back of the fragmentation identified in the fixed income market and will not only promote consolidation in the fixed income market, but foster retail participation.

In a bid to provide credible benchmarks for its markets, FMDQ signed a Cooperation Agreement with S&PDJI, the world's leading provider of financial market indices, to create and launch co-branded fixed income indices. In July 2018, the co-branded S&P/FMDQ Nigeria Sovereign Bond Index was launched, as a first of others to come in response to the growing investor appetite for credible and valuable data and information. Furthermore, the Exchange entered into a strategic collaboration with Thomson Reuters, one (1) of the world's leading sources of intelligent information for businesses and professionals. Both institutions aim to work together to deepen capacity , drive liquidity and enhance the visibility of the Nigerian financial market to domestic and international investors, with the overall objective to drive Nigeria's global competitiveness and visibility to global investors.

In the same vein, a Cooperation Agreement was signed between FMDQ, FSDA and CBI towards supporting the development of the Nigerian Green and non-Government Bonds markets for a period of three (3) years, leading to the launch of the Nigerian Green Bond Market Development Programme. This commitment to joint action signals the importance placed on aligning with global efforts to ensure sustainability remains at the heart of industry practices and overall economic development, and to fostering the development of the green bond market in Nigeria.

A critical development enhancing the value-proposition of the Nigerian financial markets in 2018 was the operationalisation of FMDQ Clear Limited, FMDQ's wholly owned clearing and settlement subsidiary, set up to promote settlement finality through robust risk management practices and operationally efficient processes. In congruence with this, FMDQ secured the critical and commendable support of the CBN and the FMDQ Dealing Member (Banks) to achieve the successful deployment of a settlement solution for straight-through-processing in the fixed income market, through the integration of its proprietary market system – FMDQ Q-ex – with the CBN's S4. This contributed, in no small measure, to a marked decrease in the rate of settlement failure in Nigeria and thus boosted market confidence to impressive levels.

As part of its agenda to become a fully diversified and integrated financial market group, FMDQ, in addition to FMDQ Clear, incorporate another wholly owned subsidiary, FMDQ Depository Limited, to provide settlement and custodial services to the market. This subsidiary has recently received the SEC's registration as a central securities depository (CSD) and will commence full operationalisation by mid-year in 2019.

FMDQ, launched and opened the doors of its new office complex, Exchange Place, to its stakeholders in July. From FMDQ Q-Hub, the well-equipped trading simulation room for the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next) - a learning and development initiative aimed at promoting awareness of financial markets and literacy among the youth in Nigeria; to a world-class media room for the efficient dissemination of market-impacting news and information about FMDQ and its markets; to the FMDQ Archives, a museum-style historical exhibit of key milestones achieved in the Nigerian financial markets, showcasing and preserving the markets and chronicles the history of FMDQ as an agent of change in the financial market from its beginnings in 2013 till date, Exchange Place is a suitable business complex which showcases FMDQ's transformation agenda, and positions the Group to perform its roles in the Nigerian financial markets more effectively.

Shortly after its relocation to Exchange Place, FMDQ hosted the British Prime Minister, Ms. Theresa May, in August 2018. Ms. May visited Nigeria as part of her tour of select African countries with the aim of improving their trade and investment relations with the United Kingdom.

FMDQ, in September, was honored to win an award "In Special Recognition of FMDQ's Contribution towards the Development and Transformation of the Nigerian Debt Capital Market" at the Capital Markets Correspondents Association of Nigeria (CAMCAN) Nigerian Capital Market Performance Awards 2018. The Award pays tribute to and validates FMDQ's efforts towards transforming the Nigerian debt market and confirms that it lives true to its culture of innovation, through the implementation of forward-thinking initiatives for the development of a well-developed debt capital market in Nigeria.

Strategic Positioning

In achieving its mission to empower the financial market to be innovative and credible, in support of the Nigerian economy and its vision of becoming No. 1 in the fixed income and currency markets by 2019, FMDQ will focus on "Integration with External Markets" in 2019. The launch of the co-branded indices (S&P/FMDQ Nigeria Sovereign Bond Index) with S&PDJI, highlights the beginning of the integration with external markets.

Following the approval by the SEC to set up a CSD, the operationalisation of FMDQ Depository will commence in earnest in 2019. The CSD will introduce post-trade services which include depository (safekeeping), settlement, collateral management, securities lending and borrowing, asset services amongst other value-adding services.

01 Market Activation/Integration

- Full operationalisation of the DMS Market to further enhance market integration and retail participation
- Development of the Nigerian Derivatives Market
- Activation of Repo Trading and Collateral Management Service
- Expansion of Fixed Income Market
- Development of Sustainable Finance Initiatives

05 Capacity Building

- Financial Market Education and Capacity Building through FMDQ Academy
- Implementation of FMDQ Market Competency Framework

02 Technology & Market Infrastructure

- Positioning of FMDQ Clear as a CCP
- Operationalisation of FMDQ Depository
- Development of Repo Trading and Collateral Management FMDQ's PMS

04 Information Services

- Development and launch of new/co-branded indices (S&P/FMDQ Fixed Income indices)
- Upgrade of Information Portal

03 Sustainability Agenda

- Enhancement of FMDQ Sustainability and Corporate Responsibility Agenda
- Expansion of FMDQ-Next Programme
- Development of Infrastructure/Housing Initiatives

Special Report on FMDQ's 1st Lustrum

With the aim of promoting market development, the Nigerian financial market regulators, architects and founding treasurers, subject-matter experts and indeed, a host of other domestic and international stakeholders gathered on November 7, 2013, to witness the launch of FMDQ – a SEC registered OTC Market, which morphed into a full-fledged securities exchange, and now a budding financial markets infrastructure group - on which much hope was pinned for positive transformation in the Nigerian financial markets landscape. The Exchange, having sustained its commitment through the years to transform and make the Nigerian financial markets "**G.O.L.D**" – **G**lobally Competitive, **O**perationally Excellent, **L**iquid and **D**iverse, with the invaluable support of its stakeholders and market participants, achieved its first lustrum on November 7, 2018.

To commemorate the 1st lustrum, a week-long series of activities (November 5, 2018 – November 10, 2018) were undertaken towards re-living the memories of the early days, appreciating the value-adding, immeasurable contributions of and collaboration with its varied stakeholders, franchise promoters and other market participants within the FMDQ markets and setting the tone for the next lustrum. The highlights of the week are as follows w:

November 5, 2018

FMDQ Visits Strategic Media Partner, BusinessDay Media Limited - *Recognising and appreciating the formidable role played by the media in the development of the Nigerian financial markets.*

November 7, 2018

FMDQ Holds Reception to Mark its Fifth Year Anniversary *– Celebrating the remarkable efforts of FMDQ's champions, regulatory visionaries, financial markets architects, national icons, its ever-committed employees and other key stakeholders through the years.*

November 8, 2018

FMDQ Launches Its Inaugural Staff Leadership Development Series *- Enhancing staff leadership capacity and competencies, through industry experts and national icons - with Mr. Fola Adeola, MFR, as our first guest speaker - who share their experiences and wealth of knowledge with FMDQ's staff on critical subjects like leadership, accountability and responsibility, amongst others.*

November 9, 2018

***FMDQ Hosts Maiden FMDQ GOLD Awards** – Recognising the contribution of market participants and distinguished doyens whose activities significantly contributed to the growth and development of the FMDQ markets – fixed income, foreign exchange and derivatives – making them **GOLD**.*

In attendance at this maiden FMDQ GOLD Awards, were the Governor of the CBN, Mr. Godwin Emefiele, who was the Special Guest of Honour, the Deputy Governors of the CBN, including Dr. Okwu Joseph Nnanna (also Chairman, Board of Directors, FMDQ), former and current Board of Directors of FMDQ, the Nigerian financial markets regulators, FMDQ's Members, and other players in the Nigerian financial markets, such as, issuers, investors, solicitors, media, international stakeholders, franchise promoters and industry experts, captains of the Nigerian financial markets, amongst others.

The CBN Governor, who was bestowed with the "FMDQ Game Changer Award", commended FMDQ on having proven to be a reliable partner to the CBN, especially given its strong support during the stabilisation of the Nigerian FX market and the launch of the OTC FX Futures market. The Governor added that *"FMDQ's contributions towards the development of a well-functioning and transparent financial system have immensely helped to ensure system liquidity and significantly deepened the Nigerian markets"; he* committed that the CBN will continuously support FMDQ in the joint quest to make the financial markets "GOLD".

November 10, 2018

***Media Parley with FMDQ** - Fostering shareds understanding and strengthening the relationship with print, electronic and online media partners, whose efforts enhance the visibility of FMDQ and its markets to the world.*

Governance Structure

Corporate Governance Report

a. The Company's Approach to Corporate Governance

The Exchange maintains an intense commitment to strong corporate governance as the Company recognises that good corporate governance practice increases effectiveness of the Board of Directors (the Board). The Board, therefore, is fully devoted to ensuring that the Company meets best practice corporate governance principles and adheres to high ethical standards, values and behaviours. To this end, the Board has put in place relevant structures, policies and processes to ensure adherence with the *Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011* (the "**SEC Code of Corporate Governance**"), relevant provisions of extant law—such as, but not limited to the *Investments and Securities Act 2007*, the *Companies and Allied Matters Act 2004*, etc.—and global best practices, to deliver sustainable value for the Company's shareholders, employees, communities, and other stakeholders. The responsibilities of the Board are detailed in the Board charter. The Board's conduct is also governed by the Company's Memorandum and Articles of Association. All Board Committees have charters which inform their activities.

The Company's guiding corporate governance principles are documented in the *Code of Corporate Governance Manual*, which was approved by the Board on October 30, 2015. This document, along with all the other corporate governance documents (such as, but not limited to, Whistleblowing Policy, Corporate Communications Policy, Insider Dealing Policy, Anti-money Laundering and Combating the Financing of Terrorism Policy, etc.) which underpin the Company's governance architecture, are regularly updated from time to time.

The Company's approach to corporate governance is guided by the following core principles, which, as noted, are enshrined in the *Corporate Governance Manual*:

Principle	Description
Ethical Culture	Trust, integrity and good governance shall be hallmarks of the Board's governance approach. In setting the tone at the top, the Board shall nurture the strong corporate values that are well entrenched in the culture of FMDQ and reinforces the ethical principles on which FMDQ's reputation and success are founded. These values shall be extended into every segment of the Company's operations and business activities.
Stewardship	The members of the Board shall be the stewards of FMDQ, exercising independent judgment in supervising Management and safeguarding the interests of shareholders, discharging the Company's function as a self-regulatory organisation and strengthening its focus as a market organiser. In fulfilling its stewardship role, the Board shall seek to instil and foster a corporate environment founded on integrity and to provide Management with

Principle	Description
	sound guidance in pursuit of long-term shareholder value, safeguarding the integrity of FMDQ as a self-regulatory organisation and market organiser.
Independence	Independence from Management is fundamental to its role, and, in order to ensure that this independence continues to inform the Board's decision-making process, the Board shall put effective mechanisms in place to safeguard this independence. Also, it will be ensured that independent Non-Executive Directors sit on the Board to provide assurance that the Board does not itself become an echo-chamber.
Oversight of Strategy	The members of the Board are the key advisors to Management, overseeing strategic direction and the formulation of plans, considering both the opportunities and risks of FMDQ's businesses. In carrying out this oversight role, the Board shall actively engage in setting the long term strategic goals for the organisation, reviewing and approving business strategies, corporate financial objectives and financial and capital plans that are consistent with the strategic goals, and monitoring the Company's performance in executing strategies and meeting objectives.
Oversight of Risk	A key priority of the Board shall be embedding a strong risk management culture throughout the organisation and overseeing the frameworks, policies and processes adopted to identify principal risks to the business and systems implemented to manage those risks. The Board shall actively monitor the organisation's risk profile relative to risk appetite and shall seek to ensure that Management's plans and activities provide an appropriate balance of return for the risks assumed and are prudently focused on generating shareholder value and safeguarding the integrity of FMDQ.
Accountability & Transparency	The Board shall carefully define the expectations and scope of duties of the Board, its Committees and Management and shall be accountable to FMDQs' shareholders as well as other stakeholders and the SEC. Transparency is fundamental to good governance, and the Board shall take seriously FMDQ's commitment to constructive stakeholder engagement, clear and comprehensive disclosure and financial reporting and its role as a public interest entity.
Continuous Improvement	The Board shall be committed to continuous improvement of FMDQ's corporate governance principles, policies and practices, which are designed to align the interests of the Board and Management with those of shareholders, to support the

Principle	Description
	stewardship role of the Board, and to enhance the Board's ability to safeguard the interests of shareholders through independent supervision of management. To ensure that these policies and practices meet or exceed evolving best practices and regulatory expectations, FMDQ's corporate governance system shall be subject to ongoing review by the Board Governance and HR Committee.

b. Founding of FMDQ Depository Limited

During the period under review, the Company founded FMDQ Depository Limited to carry on business as a central securities depository. FMDQ Depository Limited was incorporated by the Corporate Affairs Commission in December 2018.

c. Compliance with the Securities and Exchange Commission's Code of Corporate Governance and Required Assurances

Throughout the year ended December 31, 2018, the Company sought to comply with the provisions of the SEC Code of Corporate Governance. The Company, as such, applied the principles of the SEC Code of Corporate Governance to its corporate governance structure and practices.

The Board assures stakeholders that an able internal audit function exists in the Company and that, similarly, the risk management control and compliance functions and mechanisms are operational and functional within the Company.

d. Shareholding

The Company is owned by the following:

- Central Bank of Nigeria
- Financial Market Dealers Association
- NSE Consult Limited (a fully owned subsidiary of The Nigerian Stock Exchange)
- Seventeen (17) commercial banks, four (4) merchant banks and one (1) discount house

e. Cross-shareholding

The Company does not hold shares or rights in any entity that is a shareholder of FMDQ; hence there is no cross shareholding.

Power	Components
	▪ Approval of any significant change in accounting policies or practices ▪ Appointment (or removal) of the Company Secretary ▪ Authorisation for Directors' conflicts or possible conflicts of interest ▪ Recommendation to the shareholders of the appointment or removal of auditors ▪ Approval of allotment of shares
Financial Dealings	▪ Approval of Annual Budgets ▪ Approval of sale of assets in accordance with limits specified by the Board from time to time ▪ Approval of capital expenditure or investments in accordance with limits specified by the Board from time to time ▪ Approval of Leases ▪ Approval of accounting and investment policy ▪ Approval of changes in major banking relationships ▪ Approval of profit appropriation
Regulatory Requirements	▪ Approval of resolutions and corresponding documentation for shareholders at Annual General Meetings ▪ Approval of all shareholder circulars, prospectuses and listing particulars ▪ Approval of press releases concerning matters decided by the Board
Board Membership and Board Committees	▪ Approval of FMDQ Board structure, size and composition, including appointments and removals ▪ Succession planning for the Board and Management ▪ Approval of FMDQ Board Committee membership ▪ Approval of continuation in office of Directors seeking re-election at the AGM
Expenses in the Ordinary Course of Business	▪ Approval of all expenses over ₦20,000,000:00 in the ordinary course of business or as may be prescribed by the Board from time to time

f. Board of Directors

The Board of FMDQ Securities Exchange PLC is accountable to its shareholders for the overall direction and control of the Company. It is committed to high standards of governance designed to protect the interests of its shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability. The profiles of the Company's Directors are set out in the Board of Directors section of this Report.

The Board is duly constituted to provide support for, and control of the activities of the Executive Committee—chaired by the Managing Director/Chief Executive Officer—to ensure effective day-to-day management of the Company. The Board is responsible for monitoring Management's implementation of the Company's strategic plans and initiatives for the long-term benefit of the Company and its shareholders. Directors act in manner that will enhance the value of shareholders by exercising reasonable care, skills, diligence and independent judgment, whilst taking into consideration the impact of the business on the community and the interest of stakeholders. The Board has adopted a formal schedule of matters specifically reserved to it. Key matters reserved to the Board are set out in the table which follows:

Power	Components
Strategy & Management	▪ Approval of the Company's Strategic Plan ▪ Review of delivery of the strategy and performance against Strategic Plan ▪ Approvals for recruitment and selection of Senior Vice President and above ▪ Promotion to levels from Senior Vice President and above
Structure and Capital	▪ Proposal of major changes to the Company's corporate structure, excluding internal reorganisations, which may be approved by the Managing Director/Chief Executive Officer ▪ Proposal of changes relating to the Company's capital structure or its status as a PLC ▪ Approval of Capital Plan, as may be applicable
Legal Requirements	▪ Approval of Financial Statements ▪ Proposal on appropriation of profits in line with the Company's Appropriation Policy ▪ Approval of Annual Report and Accounts

Power	Components
	▪ Approval of any significant change in accounting policies or practices ▪ Appointment (or removal) of the Company Secretary ▪ Authorisation for Directors' conflicts or possible conflicts of interest ▪ Recommendation to the shareholders of the appointment or removal of auditors ▪ Approval of allotment of shares
Financial Dealings	▪ Approval of Annual Budgets ▪ Approval of sale of assets in accordance with limits specified by the Board from time to time ▪ Approval of capital expenditure or investments in accordance with limits specified by the Board from time to time ▪ Approval of Leases ▪ Approval of accounting and investment policy ▪ Approval of changes in major banking relationships ▪ Approval of profit appropriation
Regulatory Requirements	▪ Approval of resolutions and corresponding documentation for shareholders at Annual General Meetings ▪ Approval of all shareholder circulars, prospectuses and listing particulars ▪ Approval of press releases concerning matters decided by the Board
Board Membership and Board Committees	▪ Approval of FMDQ Board structure, size and composition, including appointments and removals ▪ Succession planning for the Board and Management ▪ Approval of FMDQ Board Committee membership ▪ Approval of continuation in office of Directors seeking re-election at the AGM
Expenses in the Ordinary Course of Business	▪ Approval of all expenses over ₦20,000,000:00 in the ordinary course of business or as may be prescribed by the Board from time to time

Power	Components
Disposal of the Company's Fixed Assets	▪ Approval of the disposal of assets in accordance with limits specified by the Board from time to time
Remuneration	▪ Approval of the framework for remuneration packages of the Managing Director/Chief Executive Officer and the Executive Directors ▪ Proposal of Chairman and Non-Executive Directors' remuneration ▪ Approval of the framework for remuneration packages of executives in specialist roles ▪ Determination and authorisation of employee shares/compensation schemes
Corporate Governance	▪ Approval for process of the Board performance evaluation process ▪ Determination of independence of Non-Executive Directors ▪ Approval of Corporate Governance framework ▪ Appointment (or removal) of members of Executive Management
Delegation of Authority	▪ Approval of Board and Board Committee Charters

g. Board Balance and Independence

The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge to enable it and its Committees discharge their duties and responsibilities effectively, as required by the SEC Code of Corporate Governance. The independence of the Board from Management is a notion that the Board takes seriously; to this end, the Board and all Board Committees are chaired by Non-Executive Directors, while the Board Regulation and Risk Management Committee (BRRMC) —which is the Board Committee responsible for overseeing the Company's self-regulatory organisation franchise—is chaired by an Independent Director. All Directors have access to the advice and services of the Company Secretary; in addition, the Board solicits for external opinion and counsel as and when required.

The Directors have a broad range of skills and experience and, thus, bring independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct which are integral to the success of the Company. Ms. Daisy Ekineh, who has over thirty (30) years' experience in the capital market, serves as an Independent Non-Executive Director on the Board. She plays an active role in various committees whilst acting as a watchdog in the interest of shareholders and relevant stakeholders. She also chairs the Company's capital market subsidiaries, FMDQ Clear Limited and FMDQ Depository Limited.

h. Board Structure

The Board comprises eleven (11) Directors which include: nine (9) Non-Executive Directors, one (1) Independent Director and One (1) Executive Director, who is the Managing Director/Chief Executive Officer. The Board is responsible for the governance of the Company and is committed to ensuring that effective corporate governance is put in place and adhered to.

As stipulated in the SEC Code of Corporate Governance, the offices of Chairman and Managing Director/Chief Executive Officer are separate and distinct with a clear division of responsibilities. The Chairman provides leadership to the Board whilst ensuring its effectiveness in discharging its supervisory duties. The Board delegates responsibility for the day-to-day management of the Company to the Managing Director/Chief Executive Officer but retains responsibility for the overall strategy and direction of the Company. The Managing Director/Chief Executive Officer is the head of the Management Team who then delegates authority to the appropriate Senior Executives for specific activities and transactions.

During the reporting period, members of the Board of Directors were as follows:

S/N	Director	Role
1.	Dr. Okwu Joseph Nnanna *(representing Central Bank of Nigeria)*	Chairman
2.	Mr. Jibril Aku *(representing FMDA Board of Trustees)*	Vice Chairman
3.	Mr. Peter Amangbo *(representing Systemically Important Banks)*	Non-Executive Director
4.	Dr. Sola Adeduntan*** *(representing Systemically Important Banks)*	Non-Executive Director
5.	Mr. Uzoma Dozie* *(representing Financial Markets Active Banks)*	Non-Executive Director
6.	Mr. Patrick Akinwuntan** *(representing Financial Markets Active Banks)*	Non-Executive Director
7.	Mr. Kennedy Uzoka *(representing Financial Markets Active Banks)*	Non-Executive Director

S/N	Director	Role
8.	Mr. Kayode Akinkugbe*/Mr. Demola Sogunle*** (*representing Bankers' Committee*)	Non-Executive Director
9.	Mr. Sam Ocheho*/Mr. Bayo Adeyemo*** (*representing FMDA Governing Council*)	Non-Executive Director
10.	Mr. Dapo Akisanya (*representing Buy-side*)	Non-Executive Director
11.	Ms. Daisy Ekineh (*Independent Non-Executive Director*)	Independent Director
12.	Mr. Bola Onadele. Koko (*Managing Director*)	Managing Director/Chief Executive Officer

* -- Appointed to the Board with effect July 27, 2018

** -- Appointed to the Board with effect October 2, 2018

*** -- Retired from the Board with effect July 27, 2018

i. Board Meeting Attendance in the Year Ended December 31, 2018

The attendance at Board meetings for the year ended December 31, 2018 is outlined as follows:

S/N	Director	Mar 16	May 18	Jul 27	Sep 6	Oct 2	Oct 26	Dec 20
1.	Dr. Okwu Joseph Nnanna (Chairman)	✓	✓	✓	✓	✓	x	x
2.	Mr. Jibril Aku (Vice-Chairman)	✓	✓	✓	✓	✓	✓	✓
3.	Mr. Peter Amangbo	✓	✓	✓	✓	✓	x	x
4.	Mr. Kennedy Uzoka	✓	✓	✓	✓	✓	✓	✓
5.	Mr. Uzoma Dozie*	N/A	N/A	N/A	✓	✓	x	✓
6.	Mr. Patrick Akinwuntan***	N/A	N/A	N/A	N/A	N/A	✓	✓

S/N	Director	Mar 16	May 18	Jul 27	Sep 6	Oct 2	Oct 26	Dec 20
7.	Mr. Kayode Akinkugbe *	N/A	N/A	N/A	✓	✓	✓	✓
8.	Mr. Samuel Ocheho*	N/A	N/A	N/A	✓	✓	✓	✓
9.	Ms. Daisy Ekineh	✓	✓	✓	✓	✓	✓	✓
10.	Mr. Dapo Akisanya	✓	✓	✓	✓	✓	✓	✓
11.	Dr. Demola Sogunle**	✓	✓	✓	N/A	N/A	N/A	N/A
12.	Mr. Bayo Adeyemo**	✓	✓	✓	N/A	N/A	N/A	N/A
13.	Dr. Sola Adeduntan**	✓	x	✓	N/A	N/A	N/A	N/A
14.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓	✓	✓

* -- Appointed to the Board with effect from July 27, 2018

** -- Retired from the Board with effect from July 27, 2018

*** -- Appointed to the Board with effect from October 2, 2018

N/A -- *means member was not a member of the body at the time of the subject meeting*

When arranging meetings on short notice, every attempt is made to accommodate Directors' diaries; however, inevitably, not all Directors are able to attend all such meetings. When Directors have not been able to attend meetings due to conflicts in their schedule, they received and reviewed papers to be considered at the relevant meeting. Where they had comments or concerns on the matters to be discussed, they provided these to the Committee or Board in advance of the meeting, as relevant.

j. Retirement of Directors

Dr. Sola Adeduntan, Dr. Demola Sogunle, and Mr. Bayo Adeyemo retired from the Board during the reporting period.

k. Appointments to the Board and Directors' Appointment Policy

With the Company's Articles of Association providing that section 259(1) and (2) of the *Companies and Allied Matters Act 2004* shall not apply, the Board has adopted a formal 'Directors' Appointment Policy', which outlines the policy to be observed when appointing Directors to the Board of Company. It consists of: (i) a process flow; (ii) checklist; and (iii) the composition of the Board of Directors based on the Company's shareholding configuration from which Directors are to be drawn.

The objectives of this Policy are:

(a) to ensure that the process of appointing a Director is undertaken in an objective, clear and transparent manner;

(b) to ensure that the appointments are made on the basis of an assessment of skills, knowledge and experience, having regard to the nature of scope of the Company's objectives and activities; and

(c) to outline the Board's composition, drawn from and representative of its shareholding configuration.

A detailed appointment letter spelling out comprehensive terms as it relates to the role, duties and responsibilities, performance evaluation process, code of conduct and obligations on disclosures is issued to Directors upon joining the Board.

Mr. Kayode Akinkugbe, Mr. Sam Ocheho, and Mr. Patrick Akinwuntan were appointed to the Board during the reporting period.

l. Compliance with Statutory Returns

The Board aimed to ensure all regulatory reports for 2018 were made to regulators promptly. No fine was levied against the Company in 2018.

m. Board Performance and Evaluation

As required by the SEC Code of Corporate Governance, PricewaterhouseCoopers Chartered Accountants, on the approval of the Board, was engaged to conduct the 2018 FMDQ Board Evaluation and they commenced the evaluation process in February 2018. They conducted an on-site exercise in the FMDQ offices for three (3) weeks, met with relevant personnel and examined relevant documentation from 2018. They also conducted interviews with the Board Chair and Chairs of the Board Committees and administered questionnaires. An extract in relation to the output of this process which was transmitted to the Board by PricewaterhouseCoopers Limited is set out below.

pwc

10 May 2019

The Chairman

FDMQ Securities
Exchange Plc
35, Idowu Taylor Street
Victoria Island
Lagos

REPORT TO THE DIRECTORS OF FMDQ SECURITIES EXCHANGE ON THE OUTCOME OF THE 2018 BOARD EVALUATION

PricewaterhouseCoopers ("PwC") was engaged to carry out an evaluation of the Board of Directors of FMDQ Securities Exchange Plc. (" FMDQ SEC") or ("the Company") as required by Section 15.1 of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies in Nigeria ("the Code" or "SEC Code"). The evaluation covers the Board's structure, composition, responsibilities, processes, relationships and performance of the Committees for the period ended 31 December 2018.

The Board is responsible for the preparation and presentation of the information relevant to its performance. Our responsibility is to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 7 January 2019. In carrying out the evaluation we have relied on representations made by members of the Board and Management and on the documents provided for our review.

The Board has complied significantly with the provisions of the SEC Code. Areas of strength include: the Board's oversight of the Company's implementation of long term strategy, financial performance and strong oversight risk management practices.

Areas of improvement and other findings were also highlighted in the course of our review. Details of these are contained in the full Report to the Board.

Yours faithfully,
for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Partner
FRC/2017/ICAN/00000016659

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng, *TIN: 01556757-0001*

Partners: S Abu, O Adeola, W Adetokunbo-Ajayi, UN Akpata, O Alakhume, C Azubu, E Erhie, D McGraw, U Muogilim, P Obianwa, T Ogundipe, C Ojechi, O Oladipo, P Omontuemhen, O Osinubi, T Oyedele, AB Rahji, O Ubah

n. Board Training and Development

Upon appointment to the Board, all Directors receive an onboarding pack, which helps to familiarise Directors with the Company's operations, and affairs, as well as the Company's strategy documents and the regulatory framework within which the Company operates. The onboarding is usually organised by the Company Secretary in conjunction with the Company's Strategy Team.

As part of the induction process, new Directors meet with the Company's Executives to receive briefings on operational matters and Strategic Initiatives to help inform their understanding of the Company's business operations and other relevant areas.

The Company is committed to ensuring that Directors attend trainings to continually update their skills and knowledge of the Company's business, relevant operating environment and overall economic landscape to assist them effectively discharge their duties.

o. Code of Business Conduct and Ethics for Directors and Conflict of Interest Policy

The Company has a robust Code of Business Conduct and Ethics (the Code) for Directors, which sets out to ensure that Directors are making ethical decisions when performing their duties. The Code is intended to provide Directors guidance with respect to recognising and handling areas of ethical issues, information on how to report unethical conduct and to help foster a culture of openness and accountability.

The document applies to all Directors. Directors are encouraged to ask questions about circumstances that they require clarity as far as the provisions of the Code is concerned. Such questions should be directed to the attention of the Chairman of the Board Governance and Human Resources Committee who may consult with the Company Secretary, or outside counsel, as appropriate.

In addition, the Board has adopted a Conflict of Interest Policy, which outlines guidelines and procedures in connection with the identification, disclosure and management of any real, potential or perceived conflicts of interest on the Board of FMDQ. It provides a systematic mechanism for disclosing and evaluating potential and actual conflicts and procedures for the Board, or a committee with Board-delegated authority, in considering any transaction or arrangement where a conflict may exist.

The Policy is intended to supplement, not replace, applicable laws governing conflicts of interest, such as the *Companies and Allied Matters Act* 2004, the *Investments and Securities Act 2007* and any other relevant laws.

p. Whistleblowing Policy

Not applicable during the reporting period.

q. Audit Committee

The Statutory Audit Committee was established in accordance with the provisions of the *Companies and Allied Matters Act 2004*. The Committee is constituted of Non-Executive Directors and shareholders of the Company. The Non-Executive Directors who serve on the Committee are determined by the Board, while shareholders elect their representatives at the Annual General Meeting. Any member may nominate a shareholder to the Committee by giving a written notice of such nomination to the Company Secretary at least twenty-one (21) days before the AGM.

The composition and attendance chart of the Audit Committee for the period is set out as follows:

S/N	Name	Interest Represented	Mar 9	Jun 5	Nov 23
1.	Mr. Nnamdi John Okonkwo (Chair)	Shareholders	N/A	N/A	✓
2.	Mr. Peter Amangbo	Board of Directors	✓	✓	N/A
3.	Mr. Dapo Akisanya	Board of Directors	X	✓	N/A
4.	Mr. Kayode Akinkugbe*	Board of Directors	N/A	N/A	✓
5.	Mr. Patrick Akinwuntan**	Board of Directors	N/A	N/A	X
6.	Mr. Uzoma Dozie*	Board of Directors	✓	✓	X
7.	Dr. Adesola Adeduntan***	Board of Directors	✓	✓	N/A
8.	Mr. Ifie Sekibo	Shareholders	✓	✓	N/A
9.	Mr. Herbert Wigwe	Shareholders	✓	✓	N/A
10.	Mr. Abubakar Jimoh	Shareholders	N/A	N/A	✓
11.	Mrs. Hamda Ambah	Shareholders	N/A	N/A	✓

** – Became a Board of Directors' representative after appointment to the Board on July 27, 2018*

*** – Became a Board of Directors representative after appointment to the Board on October 2, 2018*

N/A – means member was not a member of the body at the time of the subject meeting

**** – retired from the Board effective July 27, 2018*

r. Reports of Board Committees

The Board has, as noted above, adopted a formal Board charter that details the Board's role, authority, responsibilities, membership and operations. The Charter sets out the matters specifically reserved for the

Board and the powers delegated to its Committees. The Board has four (4) Board Committees. A summary of their activities during the reporting period is set out as follows:

- ## Board Regulation and Risk Management Committee (BRRMC)

The Committee was created by the Board to advance the Company's regulatory and supervisory functions as a self-regulatory organisation under the *Investments and Securities Act 2007*, in addition to exercising oversight over the nature, extent and approach of the Company's enterprise-wide risk management plan.

The attendance at BRRMC meetings for the year ended December 31, 2018 is outlined as follows:

S/N	Director	Meeting Dates			
		Mar 29	Jul 10	Sep 24	Dec 11
1.	Ms. Daisy Ekineh (Chair)	✓	✓	✓	✓
2.	Mr. Dapo Akisanya	✓	✓	✓	✓
3.	Mr. Bayo Adeyemo	✓	N/A	N/A	N/A
4.	Dr. Demola Sogunle**	x	✓	N/A	N/A
5.	Mr. Peter Amangbo	✓	X	x	✓
6.	Mr. Patrick Akinwuntan*	N/A	N/A	N/A	✓
7.	Mr. Bola Onadele. Koko	✓	✓	✓	✓

** -- Appointed to the Board with effect from October 2, 2018*

*** -- Retired from the Board with effect from July 27, 2018*

N/A – means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, BRRMC sought to enhance the Company's regulatory and supervisory functions as a self-regulatory organisation. The Committee, *inter alia*, oversaw the registration of FMDQ DMBs with the SEC, the activation of the Information Security Management (ISM) franchise and implementation of the Information Security Classification, the development of the Risk Appetite and

Systems Control Frameworks, and the development of pertinent risk-related policies as they apply to the Company.

- ### Board Listings, Markets and Technology Committee (BLMTC)

The Committee was created to consider the Company's listings, notings and quotations propositions, as a securities exchange in Nigeria, in addition to overseeing its technology architecture. The Committee, in the course of 2018, oversaw impactful advancement of the activation of FMDQ's Proprietary Market System and the continued implementation of the Company's technology offering, which is key to its proposition as a technology-driven securities exchange.

The attendance at BLMTC meetings for the year ended December 31, 2018 is outlined below.

S/N	Director	Meeting Dates									
		Mar 28	Jun 13	Jul 13	Jul 24	Aug 2	Aug 16	Aug 23	Sep 25	Sep 28	Nov 27
1.	Mr. Jibril Aku (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Uzoma Dozie*	N/A	N/A	N/A	N/A	✓	✓	✓	x	X ✓	✓
3.	Mr. Dapo Akisanya	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4.	Mr. Bayo Adeyemo **	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
5.	Dr. Demola Sogunle**	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
6.	Mr. Sam Ocheho*	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓
7.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

** -- Appointed to the Board with effect from July 27, 2018*

*** -- Retired from the Board with effect from July 27, 2018*

N/A – means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, the Committee considered and approved the listings and quotations of the following securities and products on the FMDQ Platform:

A. Bond Listings

S/N	Issuer	Description	Approval Date
1.	Viathan Funding PLC	**₦10.00bn** Senior Guaranteed Series 1 Bond under its **₦50.00bn** Bond Issuance Programme	Jan 25, 2018
2.	Federal Roads Sukuk Company PLC	**₦100.00bn** Sukuk Bond	Feb 14, 2018
3.	LAPO MFB SPV PLC	**₦3.15bn** Series 1 Fixed Rate Unsecured Bond under a **₦20.00bn** Bond Issuance Programme	Feb 28, 2018
4.	Lagos State Government of Nigeria	Series 2 Tranche I (**₦46.37bn**) and Tranche II (**₦38.77bn**) Fixed Rate Bonds under its **₦500.00bn** Debt Issuance Programme	Mar 1, 2018
5.	Federal Republic of Nigeria Green Bond	**₦10.69bn** Green Bond	Apr 5, 2018
6.	UACN Property Development Company PLC	**₦4.36bn** Series 1 Bond under a **₦20.00bn** Debt Issuance Programme	July 18, 2018
7.	Nigerian Mortgage Refinance Company	**₦11.00bn** Series 2 Bond under a **₦440.00bn** Debt Issuance Programme	July 25, 2018
8.	C & I Leasing PLC	**₦7.00bn** 5-Year Series 1 16.54% Fixed Rate Senior Secured Bond	Aug 7, 2018
9.	Wema Funding SPV PLC	**₦17.68bn** Series 2 Fixed Rate Bond	Nov 23, 2018
10.	Union Bank of Nigeria PLC	**₦7.19bn** Series 1 and **₦6.31bn** Series 2 Fixed Rate Bonds	Nov 27, 2018

S/N	Issuer	Description	Approval Date
11.	Flour Mills of Nigeria PLC	**₦10.11bn** Series 1 and **₦10.00** Series 2 Fixed Rate Bonds	Dec 6, 2018
12.	Sterling Investment Management SPV PLC	**₦32.90bn** Series 2 Bond under a **₦65.00bn** Debt Issuance Programme	Dec 24, 2018

B. Fund Listings

S/N	Fund Manager	Description	Approval Date
1.	Stanbic IBTC Asset Management Limited	₦171.75bn Stanbic IBTC Money Market Fund	Jan 5, 2018
2.	Chapel Hill Denham Management Limited	Chapel Hill Denham Nigeria Infrastructure Debt Fund Series 2: 58,256,093 Units of ₦100.00 each issued at ₦103.20 and Series 3: 77,283,915 Units of ₦100.00 each issued at ₦106.75 under the ₦200.00bn Issuance Programme	Sep 28, 2018

C. Commercial Paper Registration

S/N	Issuer	Description	Approval Date
1.	UACN Property Development Company PLC	**₦2.72bn** Series 16, **₦319.75mm** Series 17, **₦3.42bn** Series 18 and **₦2.06bn** Series 19 CP	Jan 11, 2018

S/N	Issuer	Description	Approval Date
		Notes under its **₦24.00bn** Commercial Paper Programme	
2.	Dufil Prima Foods PLC	**₦4.53bn** Series 5 and **₦7.51bn** Series 6 CP Notes under its **₦30.00bn** Commercial Paper Programme	Jan 23, 2018
3.	Access Bank PLC	**₦255.89mm** Series 13, and **₦32.78bn** Series 15 CP Notes under its **₦100.00bn** Commercial Paper Programme	Feb 8, 2018
4.	UPDC PLC	**₦1.96bn** Series 20 and **₦1.96bn** Series 21 CP Notes under its **₦24.00bn** Commercial Paper Programme	Feb 19, 2018
5.	Sterling Bank PLC	**₦10.18bn** Series 4 and **₦25.37bn** Series 5 CP Notes under its **₦100.00bn** Commercial Paper Programme	Mar 2, 2018
6.	FSDH Merchant Bank Limited	**₦4.51bn** Series 5 and **₦14.05bn** Series 6 CP Notes under its **₦30.00bn** Commercial Paper Programme	Mar 16, 2018
7.	Access Bank PLC	**₦25.18bn** Series 17 CP under its **₦100.00bn** Commercial Paper Programme	Apr 3, 2018
8.	Sterling Bank PLC	**₦18.69bn** Series 4 Tranche B CP under its **₦100.00bn** Commercial Paper Programme	May 9, 2018
9.	Nigerian Breweries PLC	**₦0.69bn** Series 11 and **₦15.75bn** Series 12 CP under its **₦100.00bn** Commercial Paper Programme	May 21, 2018
10.	UPDC PLC	**₦0.72bn** Series 22, **₦0.87bn** Series 23, ₦1.05bn Series 24, **₦0.52bn** Series 25, **₦5.03bn** Series 26, **₦0.80bn** Series 27 and **₦4.01bn** Series 28 CP Notes under its **₦24.00bn** Commercial Paper Programme	May 21, 2018

S/N	Issuer	Description	Approval Date
11.	Lafarge Africa PLC	**₦0.80bn** Series 1, **₦6.53bn** Series 2, ₦1.71bn Series 3, and **₦19.87bn** Series 4 CPs under its **₦60.00bn** Commercial Paper Programme	May 30, 2018
12.	Coronation Merchant Bank Limited	**₦1.49bn** Series 1 and **₦18.51bn** Series 2 CPs under its **₦100.00bn** Commercial Paper Programme	Jun 29, 2018
13.	UPDC PLC	**₦10.66bn** Series 29 - 31 CPs under a **₦24.00bn** Commercial Paper Programme	Jul 11, 2018
14.	Dangote Cement PLC	**₦50.00bn** Series 1 & 2 CPs under a **₦150.00bn** Commercial Paper Programme	Jul 11, 2018
15.	Lafarge Africa PLC	**₦11.15bn** Series 5 - 6 Commercial Papers	Jul 30, 2018
16.	Nigerian Breweries PLC	**N11.08bn** Series 13 – 15 CPs under its **₦100.00bn** Commercial Paper Programme	Oct 15, 2018
17.	Sterling Bank PLC	**₦14.40bn** Series 6 and **₦32.58bn** Series 7 CPs under its **₦100.00bn** Commercial Paper Programme	Aug 31, 2018
18.	Access Bank PLC	**₦28.79bn** Series 17 CP under its **₦100.00bn** Commercial Paper Programme	Sep 7, 2018
19.	Flour Mills of Nigeria PLC	**₦8.01bn** Series 1 CP under its **₦100.00bn** Commercial Paper Programme	Sep 25, 2018
20.	FBNQuest Merchant Bank Limited	**N7.42bn** Series 1 – 4 CPs under its ₦100.00bn Commercial Paper Programme	Nov 15, 2018
21.	Lafarge Africa PLC	**N5.83bn** Series 7 CP under its **₦60.00bn** Commercial Paper Programme	Dec 3, 2018
22.	Stanbic IBTC Bank PLC	**N1.82bn** Series 44 CP and **N11.40bn** Series 45 CP under its ₦100.00bn Multicurrency Commercial Paper Programme	
23.	Flour Mills of Nigeria PLC	**₦5.18bn** Series 2, **₦4.24bn** Series 3 and **₦1.17bn** Series 4	Dec 6, 2018
24.	Dangote Cement PLC	**₦15.00bn** Series 3 and **₦35.00bn** Series 4	

S/N	Issuer	Description	Approval Date
25.	Mixta Real Estate PLC	**₦11.92bn** Series 1 - 2 CPs	Feb 6, 2019
26.	FSDH Merchant Bank PLC	**₦275.58mm** Series 7 and **₦15.084bn** Series 8 CPs under its **₦30.00bn** Commercial Paper Programme	Dec 20, 2018
27.	Eterna Oil PLC	**₦3.00bn** Series 1 CP under its **₦10.0bn** Commercial Paper Issuance Programme	Dec 31, 2018

- **Board Finance and General-Purpose Committee (BFGPC)**

The Committee was created by the Board to oversee the Company's financial affairs, strategy, and operational structure/approach. The Committee supports and advises the Board in exercising this responsibility and exercises authority delegated to it by the Board in relation to matters as set out as its mandate.

The attendance at BFGPC meetings for the year ended December 31, 2018 is outlined as follows:

S/N	Director	Meeting Dates					
		Mar 16	Apr 5	Jul 13	Jul 17	Sep 25	Dec 14
1.	Mr. Peter Amangbo (Chair)	✓	✓	✓	✓	X	X
2.	Mr. Kayode Akinkugbe*	N/A	N/A	N/A	N/A	✓	✓
3.	Mr. Uzoma Dozie*	N/A	N/A	N/A	N/A	X	X
4.	Mr. Sam Ocheho*	N/A	N/A	N/A	N/A	✓	✓
5.	Mr. Bayo Adeyemo**	✓	✓	✓	✓	N/A	N/A
6.	Dr. Sola Adeduntan**	✓	✓	X	✓	N/A	N/A
7.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓	✓

** -- Appointed to the Board with effect from July 27, 2018*

*** -- Retired from the Board with effect from July 27, 2018*

N/A – means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, the Committee, amongst other things, upgraded the Company's corporate governance and administrative architecture by updating the existing Corporate Policies and approving new ones. The Committee also accepted and oversaw the execution of the proposition to position FMDQ as a High-Performance Organisation (HPO) over the period.

Company's Remuneration Policy

Policy Statement

The purpose of this Policy is to provide stakeholders with an understanding of the remuneration philosophy and policy applied by the Company for employees, Management and Directors (executive and non-executive). FMDQ believes in performance motivation with the use of a transparent reward system and has established this as a continued practice in the organisation.

Remuneration Philosophy

The Company's Board of Directors and its Governance and Human Resources Committee set a remuneration philosophy which is tailored to specific circumstances of the organisation in order to enable FMDQ attract, motivate and retain highly skilled and performing staff and Management, including Executive Directors. The philosophy is reflective of market best practices and incentivises all employees and the Non-Executive Directors (NEDs) to pursue the short and long-term growth and successes of FMDQ within an appropriate control framework, to promote sustainable value creation for shareholders. The Company's remuneration scheme, which is objective, transparent and in line with best practices, shall also be subject to the following:

a) Transparent Communication/ Non-Discriminatory Practices

- All forms of discrimination are not acceptable, i.e. race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, age, disability, religion, belief, political opinion, culture, language, etc.
- While remuneration in FMDQ shall be free of discriminatory distinction, objective distinction based on performance and demonstration of pre-defined competencies shall be applied
- All information required to take decisions regarding remuneration shall be communicated frankly and openly, while the confidentiality of the personal remuneration information of individuals shall be guarded
- The Company shall reward all staff fairly and consistently according to their roles and individual value-add to the organization

b) Performance-driven Remuneration

- FMDQ strives to strengthen the link between performance and remuneration by establishing and operating a performance management system that makes it possible to differentiate between excellent, average and below average performers

c) Affordability

- FMDQ sets limits with regard to remuneration and other human resource costs, informed by its Strategic Plan, as well as consideration of the annual budgetary realities, peers' pay scales and inflation rate

d) Benchmarking

- FMDQ may participate in an annual benchmarking compensation/remuneration survey to determine the competitiveness and fairness of its pay structure

Remuneration Structure for Employees

The Company shall adopt a remuneration structure which is mindful of the total cost of each employee to the Company and allocates a total value to an employee's role/ job content and Grade & Level, as approved by the Board Governance and Human Resources Committee.

Remuneration for Non-Executive Directors

NEDs shall receive fixed annual fees for service rendered on the Board and Board Committee meetings. The component of NEDs' remuneration may include:

i. A sitting allowance for each Board Committee and Board meetings attended during the year Chairing a Committee shall attract a higher allowance

ii. An annual vacation allowance for the NED and

iii. Any other as may be approved by the Board and shareholders of the Company

Compliance

The Company complies with all applicable laws and codes.

Review

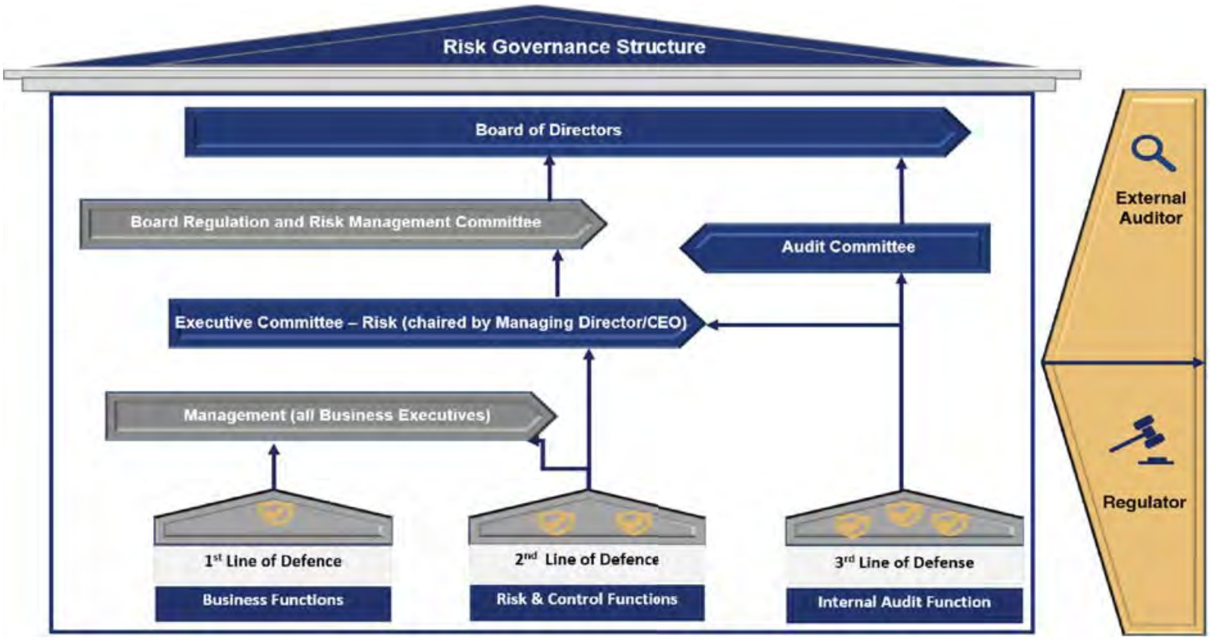
The Board Governance and Human Resources Committee, in performance of its duties under the Board Charter, shall review the Company's Remuneration Policy. It shall put to the Board any proposal it deems timely with respect to the items included and the amount earmarked to them. This Policy will be reviewed at least every 2 years from the effective date.

Compliance, Risk and Control

Governance, Risk & Compliance Structure (Internal Stakeholders and Responsibilities)

FMDQ developed a Governance, Risk and Compliance (GRC) Framework based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework 2013, the ISO 31000 Risk Management and IOSCO principles and guidelines, to drive the implementation of its enterprise-wide risk management system. The GRC Framework is supported by a governance structure to guide the identification, assessment, management and communication of risks across the Company.

The risk governance structure of FMDQ, which is based on the "Three (3) Lines of Defence" model, is as shown below.



- The Board bears the ultimate responsibility for the oversight of the risk management programme, approval of the GRC Framework and risk appetite limits. The Board Regulation and Risk Management Committee supports the Board through the monitoring of compliance with risk policies, adequacy of internal controls, the risk profile of FMDQ against Board-approved risk appetite and reporting of risk management matters to the Board

- The Audit Committee monitors and reviews the activities of internal audit, ensuring that internal audit has necessary resources and access to information to perform its role. The Committee also receives reports from the internal audit function on the efficiency and adequacy of the Company's risk management programme

- The Executive Committee-Risk, supported by the risk and compliance functions, ensures full implementation of appropriate risk management processes and methodologies, monitors the application and effectiveness of risk management processes and champions risk management initiatives across the Company

- Management is at the forefront of risk management implementation and is responsible for the continuous development of the risk management capabilities of Staff; ensuring that risk management is embedded in all key processes and activities of Business Units within FMDQ

The roles and responsibilities of relevant stakeholders within the GRC Framework, in line with the "Three (3) Lines of Defence" model, are summarised below.

Risk Management Framework	Risk Appetite & Strategy	Risk Management Policies	Risk Management Methodologies	Risk Management Reporting	Regulatory Change
First Line of Defence Day to day management & risk control	• Adheres with defined processes and complies with limits	• Executes tasks adhering to policies • Provides feedback on the controls and policies in place	• Develops business processes, controls and policies aligned with the risk appetite	• Provides input for risk reporting • Implements reporting framework	• Reviews the impact of regulatory requirements to processes, policies and controls
Second Line of Defence Risk policies, methodologies & oversight	Monitors compliance with regulatory requirements Supports the business in development of risk appetite & strategy	Inputs to the business to develop and maintain policies Monitors compliance Develops and enforces risk governance model	Defines the risk controls & processes Monitors effectiveness of controls & residual risk Monitors application of methodologies	Develops and maintains reporting framework Monitors data accuracy, risk reporting trends and issues	Identifies and assesses relevant regulatory changes Supports any updates required Monitors execution of change
Third Line of Defence Independent assurance	• Independent monitoring of articulation of risk appetite and organisational compliance with limits framework	• Independent monitoring of compliance with policies	• Independent review of appropriateness of and compliance with controls and processes	• Independent monitoring of the risk reporting framework • Tests implementation and data accuracy	• Tests implementation of process, policy and control

Risk Management Process/Policy Framework

The risk management process of FMDQ conforms with ISO 31000 Risk Management and COSO (the standards which guided the development of the Company's GRC Framework) and forms the basis by which the Company identifies, evaluates, manages and reports the risks inherent in its business operations in a structured and cyclical manner. The illustration below depicts the elements of the risk management process in FMDQ.

To operationalise the risk management process is the Company's Risk Management Policy, which provides guidance on the management of risks to support the achievement of the corporate goals of FMDQ. The Policy shares the Company's risk philosophy to all staff, shapes the risk culture across the Company and ensures consistent application of risk management processes both top-down and bottom-up. Through the communication of the Policy, staff are aware that identification, evaluation, management and reporting of risks in their Business Units is their responsibility.

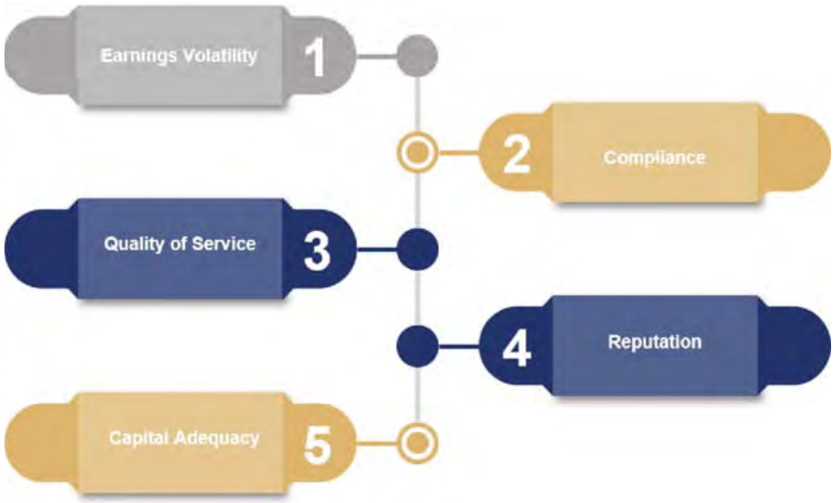
Risk Profile

FMDQ, as a financial market infrastructure, faces a number of broad risk categories that could impede the achievement of its corporate goals and objectives if not properly managed. The profiling of risk inherent in the Company's business operations guides the enterprise-wide risk assessment process carried out on an annual basis. To ensure consistent approach to management and reporting of risks, FMDQ has standardised the definitions of the risks that affect its business operations; classifying these under nine (9) broad risk categories as shown below.

Risk Indicators

FMDQ established key metrics - Risk Indicators- to monitor identified top risks and provide early signal of increasing risk exposures. Most importantly, the Company leverages risk indicators to drive the effective implementation of its risk appetite framework as these indicators link real-time exposure levels to risk appetite. The Board defined the risk appetite for FMDQ, and Management cascaded the set risk appetite to relevant Business Units through thresholds and tolerance limits. Risk indicators are designed to track the Company's risk exposure against the defined thresholds and tolerance limits. Where an indicator value breaches the threshold limits, it is escalated for remedial actions. The periodic monitoring of established risk indicators by Management provides assurance to the Board that the Company's risk exposure from its business operations remains within approved risk appetite.

Establishment of FMDQ's risk thresholds stems from the overarching Risk Appetite Statement of the Exchange, guided by five (5) broad parameters as highlighted below.



Risk Reporting

The risk management function, on a periodic basis, evaluates the Company's exposure to the defined broad risk categories and reports the result of the assessment to the Board and Management. The broad risk categories and key mitigations in place are illustrated below.

Risk Category	Description	Mitigation Strategy
Strategic Risk	The uncertainties in the Company's strategic intent and in the achievement of its strategic goals and objectives.	▪ Monitoring of new trends in technology ▪ Periodic evaluation of execution of Company's Strategic Initiatives ▪ Development of Risk Appetite Framework ▪ Assessment of Strategic Risk
Business Risk	The possibility that the Company's operations or competitive environment will cause it to generate financial results that are worse than expected.	▪ Environmental scanning of competitors' activities and innovations ▪ Monitoring of projects to ensure that project objectives are met
Regulatory Risk	The potential impact of a change in laws, rules and regulations that affect the business and any other activities of the Company.	▪ Periodic monitoring of changes in regulatory landscape, standards and requires both globally and locally ▪ Close engagement with relevant regulators
Operational Risk	The probability of a loss as a result of failed or inadequate processes, people, systems and external events. These risks include legal risks but exclude strategic and reputational risks.	▪ Annual review of the Risk Control Self-Assessment ▪ Business Continuity Management Plan (BCMP) and data centre business continuity arrangement ▪ Annual review of key frameworks, policies and procedures (CRC Framework, ISMS Framework, BCMP) ▪ Independent assessment of the Company's IT infrastructure by an external party

Risk Category	Description	Mitigation Strategy
Hazard Risk	A major exogenous or endogenous factor which affects the environment in which the Company operates. Many of these factors, however, cannot be controlled.	▪ Development of Business Continuity Management Plan ▪ Establishment of physical security measures and enhancements ▪ Implementation of occupational, health & safety procedures ▪ Conduct fire drills and trainings
Financial Risk	The risk that movement in prices of financial assets will lead to a loss (Market Risk) and the risk that a company or bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process to fulfil financial obligation (Liquidity Risk).	▪ Establishment of investment limits and asset allocation via investment Policy ▪ Definition of quality of assets ▪ Conduct periodic gap analysis ▪ Conduct periodic sensitivity analysis
Credit Risk	The risk of an economic loss from the failure of a counterparty to fulfill its contractual obligations, or from the increased risk of default during the term of the transaction.	▪ Establishment of investment limit ▪ Definition of credit rating guiding eligibility of investible securities ▪ Conduct periodic aging analysis

Risk Category	Description	Mitigation Strategy
Financial Accounting/Reporting Risk	The risk to the reliability of information reported in the Company's financial statements.	▪ Internal control review of Company's management account as well as investment securities validation ▪ Independent audit of Company's Financial Statements
Compliance Risk	The potential impact of exposure to regulatory or legal penalties, financial forfeiture and material loss as a result of failure to act in accordance with statutory laws, rules and regulations, internal policies and code of conduct, or prescribed best practices. This may expose the Company to the risk of fines, penalties and litigation.	• Compliance monitoring programme and periodic update of Compliance Register and Calendar • Periodic scanning of regulatory environment • Review and interpretation of rules and regulations by legal functions (both in-house and external) • Training and awareness program

Risk Monitoring

Through the risk management function, FMDQ continues to monitor its risk exposure across the Company's value chain, whilst deploying appropriate risk management tools. The effectiveness of extant controls and implementation of new controls are monitored through the real-time reporting of the risk and loss events experienced during the day-to-day execution of Business Units' processes. Validated by the periodic tracking of the new controls identified from risk assessment exercises conducted by Business Units, the key risk indicators track the trend of top risks vis-à-vis the Company's risk appetite.

The robust monitoring across all Business Units provides assurance that the key risks that could impede the achievement of the corporate objectives are adequately addressed. It also informs the effective allocation of resources during the Company's budgeting process as identified areas with key risks are prioritised and cost-benefit analysis is carried out on the recommended mitigation strategies before implementation.

SEC Supervisory Report

As a securities exchange and self-regulatory organisation (SRO) registered with the SEC, FMDQ is mandated by law to comply with rules and regulations of the Commission, in its capacity as the apex regulator of the Nigerian capital markets.

The Commission, empowered by the Investments and Securities Act, 2007, in the exercise of its general and specific rule-making authority, adopts a consultative approach by obtaining inputs from capital market operators and participants before its final adoption.

In its supervisory role, the Commission periodically conducts routine inspections, audit and inquiries into the activities of capital market operators, to ensure uniformed compliance with its provisions. The Board of Directors and Management, in line with their commitment, adhered to relevant SEC Rules and Regulations, as well as relevant recommendations from the Commission in their quest to develop the Nigerian capital markets, during the period under review.

Anti-Fraud Policy

Fraud as an illegal act, is characterised by deceit, concealment, or violation of trust. These acts are not dependent upon the application of, or threat of violence or physical force. It is perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of service; or to secure personal or business advantage.

Fraud may include, but are not limited to the following:

a. Falsification or alteration of accounting records
b. Profiteering as a result of insider knowledge of company activities
c. Misappropriation of assets or theft
d. Misrepresentation of facts
e. Accepting or seeking anything of material value from contractors, vendors, etc.
f. Suppression or omission of the effects of transactions from records or transactions without substance
g. Intentional misapplication of accounting policies or willful misrepresentation of transactions of the organisation's state of affairs

h. Misapplying corporate funds

i. Manipulation of information systems applications and data for personal advantage

FMDQ is committed to the highest standards of ethical behaviour and has implemented controls for providing a system of detection and prevention of fraud, reporting of fraud or suspected fraud and appropriate dealing of issues relating to fraud. Priority is given to the establishment of a corporate working culture that enhances ethical values and promotes individual responsibility. In line with this commitment, an assessment of the Company's business operation was conducted to identify, assess, evaluate, mitigate, monitor and report the likelihood of the occurrence of fraud-related incidents, ensure efficiency and effectiveness, and provide reasonable assurance regarding the achievement of the Company's Strategic Objectives.

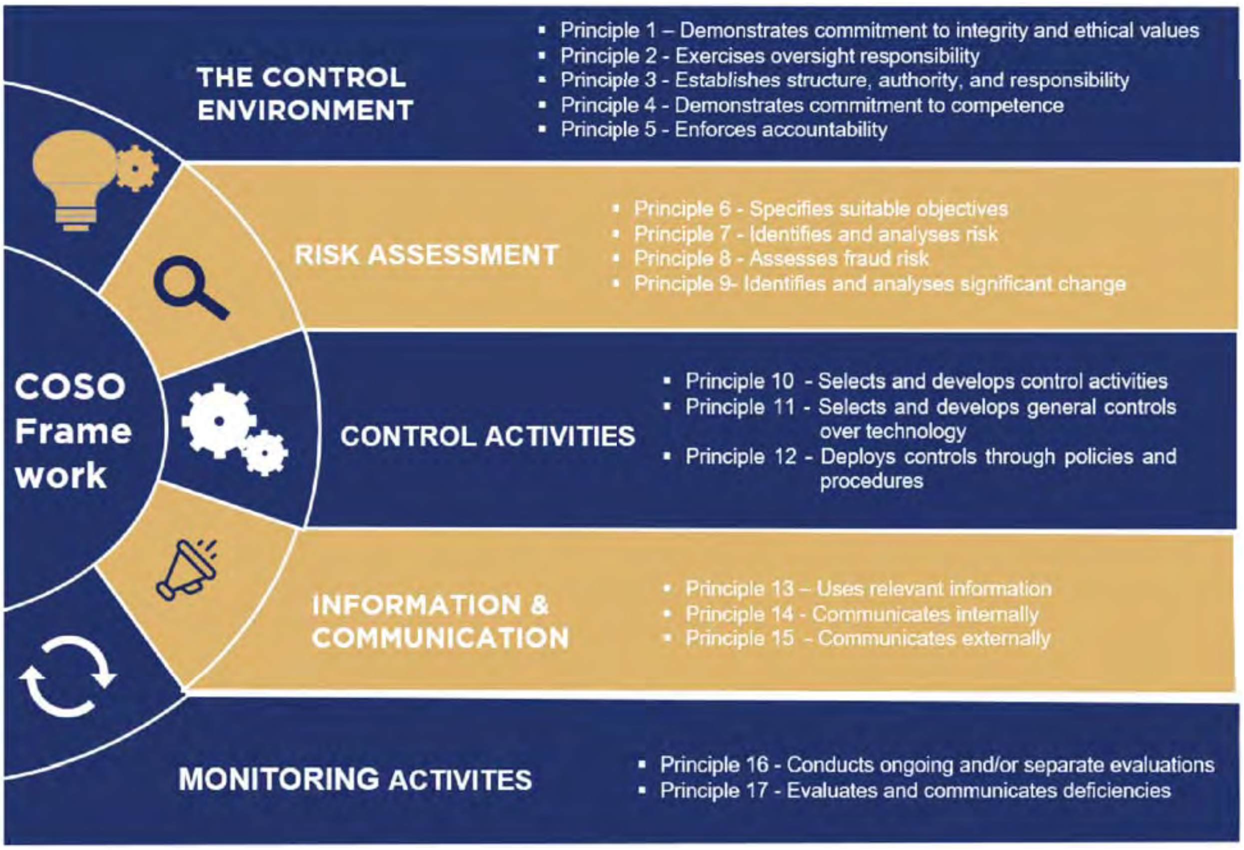
The mitigation of the assessed risks led to the implementation of certain internal control processes, policies and procedures to adequately address the likelihood of fraud within the Company. Management's risk appetite to fraud risks is near zero and as result, review of controls designed to mitigate fraud risk are considered pertinent.

Internal Control Report

The Internal Control systems ensure that material errors or inconsistencies in the financial statements are identified and corrected. FMDQ's Internal Control Policy is patterned after the COSO Framework.

COSO defines internal control as "a process effected by an entity's Board of Directors, Management and other personnel, to provide reasonable assurance regarding the achievement of objectives" in three categories -- effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

The Framework is made up of five (5) integrated components, comprising of seventeen (17) principles as illustrated below, and FMDQ fulfils the following applicable principles:



FMDQ's approach to the implementation of these components, as well as the principles are highlighted below.

Component	Principle	Our Approach
Control Environment	1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability	▪ FMDQ has demonstrated commitment to integrity and ethical values through the Staff Handbook and Constitution ▪ FMDQ Board of Directors have established independence from management and exercised oversight of the development and performance of the Company's activities ▪ The Company's Organisational Structure shows appropriate authorities and responsibilities in the pursuit of the Company's objectives
Risk Assessment	6. Specifies suitable objectives 7. Specifies suitable objectives 8. Assesses fraud risk 9. Identifies and analyses significant change	▪ Board approves the Compliance, Risk and Control (CRC) Framework and Risk Management Policy, with oversight power domiciled with the Board Regulation and Risk Management Committee ▪ The Internal Auditors takes into cognisance the risk of fraud in planning its audit engagements
Control Activities	10.Selects and develops control activities 11.Selects and develops general controls over technology 12.Deploys control through policies and procedures	▪ FMDQ's risk assessment process, identifies existing and new controls which are monitored accordingly. Automated controls are recommended for the risks identified during the risk assessment process
Information and Communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally	▪ Management understands the need for timely, reliable and accurate information flow within the Company ▪ Staff Meetings and Empowerment Sessions are held regularly to enforce the policies and procedures of the Company. For the externals, the Annual Reports are publicised on the Company's corporate website, making available information on the financial performance
Monitoring Activities	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies	▪ Standard Policies and Procedures (SPPs) are developed and approved for use in the Company ▪ SPPs highlights requirement for reporting, the frequency of reporting as well as those within the organisation to whom the report would be directed to ▪ The corrective actions on identified deficiencies in the Audit Reports are monitored actively by Management and an update report is also provided to the Board Regulation and Risk Management Committee on a quarterly basis

Information Security Report

The evolving technology landscape and globalisation of financial markets have presented a growing number of cyber-security threats spanning misuse by insiders, cyber intrusion, denial of service attacks, cyber misconduct, etc. Despite deploying state-of-the-art security measures, there have been an increased sophistication and complexity, which had widened the potential for infiltration and large-scale damage, especially amongst players in the financial markets, particularly securities exchanges, which have been hit by cyber-attacks over the years.

FMDQ, in its commitment to build an efficient and stable securities markets supported by a robust technology infrastructure, strengthened its Information Security Management System (ISMS) franchise to address the potential operational risk inherent in its business operations and systemic risk to the Nigerian financial markets, which could crystallise from successful attempts by cyber-attackers to compromise the confidentiality, availability, integrity of FMDQ's data or systems.

The Company understands the risk of financial / reputational loss and/or inability to deliver services to market participants due to unauthorised access, use, disclosure, disruption, modification, or destruction of organisational data and/or systems and has put relevant mitigation strategies in place. Some of the controls designed and operated by FMDQ to manage cyber-security issues include:

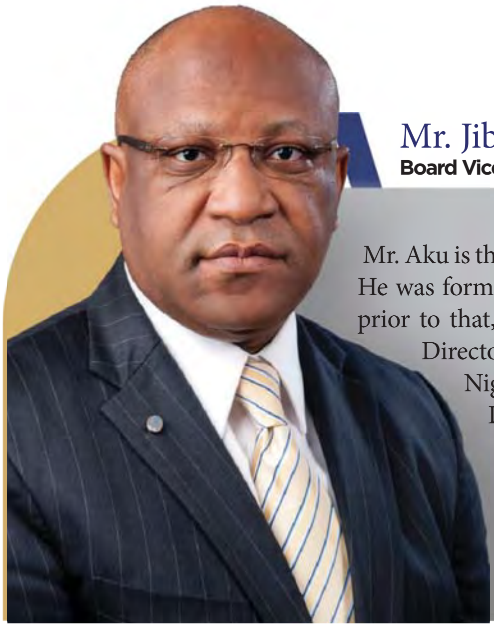
- Extensive information technology (IT) control measures aligned with the ISO framework and polices - to prevent, detect and respond to cyber security threats such as third-party risks, sophisticated malware, system vulnerabilities and access control, as well as enhancing our security event detection and incident response processes
- Board-approved Information Security Management Framework and Policies - which guide the operationalisation of the controls such as administrative, physical and technical
- Periodic information security training and sensitisation of the FMDQ people remains a key component of the control framework
- Regular testing of security controls and incident response processes are undertaken, both internally and externally to provide assurance over the effectiveness of cyber security controls and recovery processes. The security test is achieved through Internal Vulnerability Assessment and an independent assessment from an external consultant's perspective
- FMDQ has well established and regularly tested business continuity and crisis management procedures and continues to invest in and enhance its information security control environment, cyber defences and operational processes, including its recovery capability

Board of Directors

Dr. Okwu Joseph Nnanna
Chairman, Board of Directors

Dr. Nnanna is the Deputy Governor, Economic Policy Directorate, Central Bank of Nigeria (CBN), which comprises the Financial Markets Department, amongst others. He represents the CBN on the Board of FMDQ.

He is the Chair of the Africa Finance Corporation and a life member of the Nigerian Economic Society. He has served on the Boards of many organisations, including the Board of the International Monetary Fund. He also served as a Technical Assistant to the National Economic Management Team and the Presidential Steering Committee on Global Economic Crisis.



Mr. Jibril Aku
Board Vice-Chairman, and Chair, Board Listings, Markets and Technology Committee

Mr. Aku is the Chairman of the Board of Directors of SunTrust Bank Nigeria Limited. He was formerly Group Head Strategy of Ecobank Transnational Incorporated and prior to that, the Managing Director/CEO of Ecobank Nigeria Limited, Executive Director of Afribank PLC (now Skye Bank PLC) and Treasurer of Citibank Nigeria Limited. He is a member of and represents the Financial Markets Dealers' Association Board of Trustees on the Board of FMDQ.

He is also Chairman of FMDQ NIBOR Committee and the erstwhile President of the Money Market Association of Nigeria (now FMDA).

Ms. Ekineh is the Technical Advisor to the Capital Market Master Plan Implementation Council. She was a one-time Chair of the African & Middle East Regional Committee of the International Organisation of Securities Commissions. She serves as an Independent Non-Executive Director and was appointed to the Board of FMDQ pursuant to the Company's Articles.

She previously served as the Chief Operating Officer of Global Mandate Consulting Limited, former Acting Director-General of the Securities and Exchange Commission, Nigeria, as well as Executive Commissioner (Operations), and Director, Securities, and Investment Services at the Commission She is the Chairman of FMDQ Clear Limited and FMDQ Depository Limited.

MS. DAISY EKINEH

Chair, Board Regulation and Risk Management Committee

Mr. Uzoka is the Group Managing Director/CEO of United Bank for Africa PLC (UBA). Prior to this appointment, he served as the CEO of UBA Africa, managing the Group's country subsidiaries across eighteen countries in Africa, as well as supervised key strategic support areas in Digital Banking, Information Technology and Personal Banking. He represents Financial Markets Active Banks on the Board of FMDQ.

MR. KENNEDY UZOKA

Chair, Board Governance and Human Resources Committee

Mr. Akinkugbe is the Managing Director/CEO of FBNQuest Merchant Bank Limited. Prior to this appointment, he served as the Deputy Managing Director of FBNQuest Capital Limited, and later as the Managing Director/CEO. He is the Chairman of FBNQuest Capital Limited and previously worked with Deutsche Bank where he was Head of Sub-Saharan Africa coverage. He represents the Bankers' Committee Financial Markets Sub-Committee on the Board of FMDQ.

MR. KAYODE AKINKUGBE

Chair, Board Finance and General Purpose Committee

Mr. Onyeagwu is the Group Managing Director/CEO of Zenith Bank PLC. He represents Systemically Important Banks on the Board of FMDQ.

He joined Zenith Bank PLC in 2002 and was appointed Executive Director of the bank in 2013, in charge of Lagos and South-South Zones as well as strategic groups/business units of the bank, including Financial Control & Strategic Planning, Treasury and Correspondent Groups, Human Resources Group, Oil and Gas Group, and Credit Risk Management Group, etc.

MR. EBENEZER ONYEAGWU

Non-Executive Director

Mr. Emuwa is the Group Managing Director/CEO of Union Bank of Nigeria PLC. He represents Financial Market Active Banks on the Board of FMDQ.

He joined Union Bank of Nigeria PLC in 2012 after 25 years at Citibank Nigeria Limited where he rose through the ranks from Management Associate in 1986 to Managing Director, Citibank Nigeria Limited, and Citi Country Officer, Nigeria. He has extensive experience in credit risk management, strategy, negotiating, leadership and people management in addition to treasury, corporate finance and cash management product training.

MR. EMEKA EMUWA

Non-Executive Director

Mr. Akinwuntan is the Managing Director & Regional Executive, Ecobank Nigeria PLC. Prior to this, he was Group Executive, Consumer Bank in the same bank, where he held various other group responsibilities, including, Group Executive Director Domestic Bank, Group Executive Director, Operations, Technology, Transaction and Retail Banking, as well as Managing Director of eProcess International, Ecobank's Pan-African Technology and Shared Service subsidiary.

He is a Chartered Accountant, Senior Honorary Member of the Chartered Institute of Bankers of Nigeria, Chairman of the Board of Directors of Accion Microfinance Bank Limited and Chairman of the Advisory Board of Retail Banking Councils for Africa. He represents Financial Markets Active Banks on the Board of FMDQ.

MR. PATRICK AKINWUNTAN

Non-Executive Director

Mr. Akisanya is the Managing Director/CEO of AXA Mansard Pensions Limited. Prior to this appointment, he worked with Asset and Resource Management Company Limited (ARM Group) in various capacities including Head, Investment Management & Research; Executive Director, ARM Pension Managers Limited; and Executive Director, ARM Securities Limited. He represents the Pension Fund Operators Association of Nigeria on the Board of FMDQ.

He is currently an Executive Committee member of Pension Fund Operators Association of Nigeria, which he serves as Head, Technical Committee.

MR. DAPO AKISANYA

Non-Executive Director

Mr. Ocheho is the Head, Global Market Nigeria, Stanbic IBTC Bank PLC. Prior to joining Stanbic IBTC Bank, he served as the Chief Dealer in Bond Bank (now Skye Bank), First City Monument Bank and Kakawa Discount House Limited. He is a non-Executive Director of Stanbic IBTC Stockbrokers Limited. He is also the President of FMDA and represents the Governing Council on the Board of FMDQ.

MR. SAMUEL OCHEHO

Non-Executive Director

Mr. Onadele is the pioneer Managing Director/CEO of FMDQ Securities Exchange PLC. Prior to this engagement, he was the President of FDHL, a financial markets and risk management consulting firm he founded in 2001 where he provided business leadership in the empowerment of the Nigerian financial markets.

He started his professional career with Coopers and Lybrand Associates, an international firm of Chartered Accountants before joining FCMB. His banking career spanned across Citibank Nigeria (Chief Dealer), FCMB Limited (Treasurer), Trust Bank of Africa (Merchant Bankers) (Managing Director/CEO) and Leadbank PLC (Chief Operations Officer). He is a member of the Board of Trustees of FMDA.

MR. BOLA ONADELE. KOKO

Managing Director/CEO

Audit Committee

Mr. Okonkwo is the Managing Director/CEO, Fidelity Bank PLC, where he also served as the Executive Director in charge of the Bank's businesses in Southern Nigeria until 2014. He has over two (2) decades of experience in the banking sector, having worked at Merchant Bank of Africa, Nigeria, Guaranty Trust Bank and United Bank for Africa, where he was the Regional CEO of the bank's West Africa Monetary Zone covering Ghana, Liberia and Sierra Leone. Mr. Okonkwo also serves as a Non-Executive Director of Nigeria Inter-Bank settlement system Plc and Unified Payment Services Limited.

MR. NNAMDI OKONKWO

Committee Chair

Mr. Jimoh is the Managing Director/CEO of Coronation Merchant Bank, which morphed from Associated Discount House Limited (ADHL). He has worked for more than 20 years in treasury, credit risk management and project management capacities. One of his notable achievements include the transformation of ADH from a failing Discount House to a Merchant Bank (Coronation Merchant Bank Group) with an A rating .

MR. ABUBAKAR JIMOH

Member

Mrs. Ambah is the Managing Director/CEO of FSDH Merchant Bank Limited, where she was previously an Executive Director. She has over three (3) decades of professional work experience in the financial services sector. She is a member of the Nigerian Chartered Institute of Stockbrokers and was awarded the 1999 IBTC award for the best examination candidate in Corporate Finance.

MRS. HAMDA AMBAH

Member

FMDQ Audit Committee Members (Directors)

The FMDQ Board representation on the Audit Committee includes the following Directors:

- Mr. Dapo Akisanya
- Mr. Kayode Akinkugbe
- Mr. Patrick Akinwuntan

Management Team

Mr. Bola Onadele. Koko
Managing Director / CEO

Mr. Onadele is the pioneer Managing Director/CEO of FMDQ. He is an economist and first class chartered accountant. Koko has over twenty-five (25) years' financial services experience and twenty (20) years' involvement in financial markets architecture and diplomacy.

He championed various market structures, fixings and infrastructure in the Nigerian financial markets, some of which include: the two-way quoting system, the Nigerian Inter-bank Offered Rate (NIBOR), the Nigerian Interbank Foreign Exchange Fixings (NIFEX) and the Nigerian Inter-bank Treasury Bills' True Yields (NITTY) fixings; and FMDQ. He is a Non-Executive Director of FMDQ Clear Limited and FMDQ Depository Limited.

Ms. Kaodi Ugoji
Associate Executive Director

Ms. Ugoji is the Head of Corporate Development Directorate, comprising five Divisions – Marketing Communications, Assurance Services, Strategic Planning, Finance Services and Academy. She also oversees the operations of General Internal Services Group. She holds a Master's degree in Finance and Management from Cranfield University, UK, a Bachelor's degree in Accountancy from the Rivers State University of Science and Technology, Nigeria, and a Professional Certificate in Strategic Management from Harvard University, USA.

Kaodi has over seventeen years' experience in Treasury, Asset Management, Business Development, Project Management and Strategy functions of various organisations. She is a Non-Executive Director of FMDQ Clear Limited and FMDQ Depository Limited.

Ms. Tumi Sekoni
Associate Executive Director

Ms. Sekoni is the Head of Capital Markets Directorate, comprising four Divisions – Business Development, Market Architecture, Economic Development and Market Oversight. She also oversees the Business Innovation Group. She holds an MBA from Durham Business School, UK and a Bachelor's degree in Economics from the University of Lagos, Nigeria.

Over the last seventeen years, she has built her career across Trading, Operations, Business Analysis and Project Management in various organisations. She is a Non-Executive Director of FMDQ Clear Limited and FMDQ Depository Limited.

Mr. Emmanuel Etaderhi
Senior Vice President

Mr. Etaderhi is the Head, Economic Development Division, comprising three Groups – Government & Regulatory Relations, Financial Sector Development and Debt Markets Support. He holds a Master's degree in Management, a Master's degree in Economics and a Bachelor's degree in Business Administration from the University of Lagos, Nigeria.

Emmanuel's work experience of over twenty-five years spans across the Financial Services and Power & Energy Sectors, where he was Head of Financial Advisory & Economic Research at Financial Derivatives Company Limited, Head of Research at Keystone Bank Limited and Acting Head, Strategy/Chief Economist at Unity Bank PLC. Prior to joining FMDQ in 2014, he served the Delta State Government as Special Assistant to the Finance Commissioner.

Mr. Dipo Omotoso
Vice President

Mr. Omotoso is the Head, Market Oversight Division, comprising three Groups – Market Services, Examination and Member Regulation. He holds a Post Graduate Diploma in Management, an MBA from the University of Calabar, Nigeria, and a Bachelor's degree in Chemistry from Obafemi Awolowo University, Nigeria.

Dipo has over seventeen years' of work experience in Securities Trading, Treasury Operations, Treasury Risk Management and Product Strategic Planning, Development and Management. His career spans across the Nigerian Stock Exchange, BGL Securities Limited and Diamond Bank PLC. Prior to joining FMDQ in 2018, he served as the Head, Markets & Treasury Services at SunTrust Bank Limited.

Ms. Jumoke Olaniyan
Vice President

Ms. Olaniyan is the Head, Market Architecture Division, comprising three Groups – Market Development, Market Regulation and Derivatives Market. She holds a Bachelor's degree in Accounting from the University of Jos, Nigeria and is a Certified Treasury Dealer. As a Dealer and later a Research and Capacity Development Consultant, her over thirteen years of work experience spans across Training, Consulting and Banking, within various organisations including IBFCAgusto Training Limited (now IBFCAlliance Limited), FDHL and Guaranty Trust Bank PLC.

Jumoke developed and facilitated several financial markets training programs and authored the Financial Markets Diagnosis and Outlook Reports for the CBN and the SEC.

Mrs. Shola Olufosoye
Vice President

Mrs. Olufosoye is the Head, Information Technology Division, comprising three Groups – Application Management, Infrastructure Management and Enterprise Technology Services. She holds a Bachelor's degree in Mathematics from the University of Ado-Ekiti, Nigeria and a Postgraduate Diploma in Computer Science from the University of Lagos, Nigeria.

Shola has over twenty-five years' experience in Relationship Management, Banking, Information Technology and Internal Audit. Her career spans across Customer & Relationship Management in Citibank Nigeria Limited, Head of Information Technology with First City Monument Bank Limited and subsequently Chief Information Officer of Computer Warehouse Group. She served on the Technology Committee which saw the creation of ValuCard Nigeria Limited and Interswitch PLC.

Mr. Emmanuel Alao
Senior Vice President

Mr. Alao is the Head, Depository Operations Division of FMDQ Depository Limited, a wholly owned subsidiary of FMDQ. He holds a Master's degree in Business Administration from CASS Business School, City University, London and a Bachelor's degree in Electronics & Electrical Engineering, University of Benin, Nigeria.

Emmanuel's work experience of over twenty-six years spans across Technology, Project Management and Consulting functions with several organisations including Citibank Nigeria, FCMB Limited, London International Financial Futures & Options Exchange, JPMorgan Chase, Santander UK, KPMG UK and Air Peace Nigeria Limited.

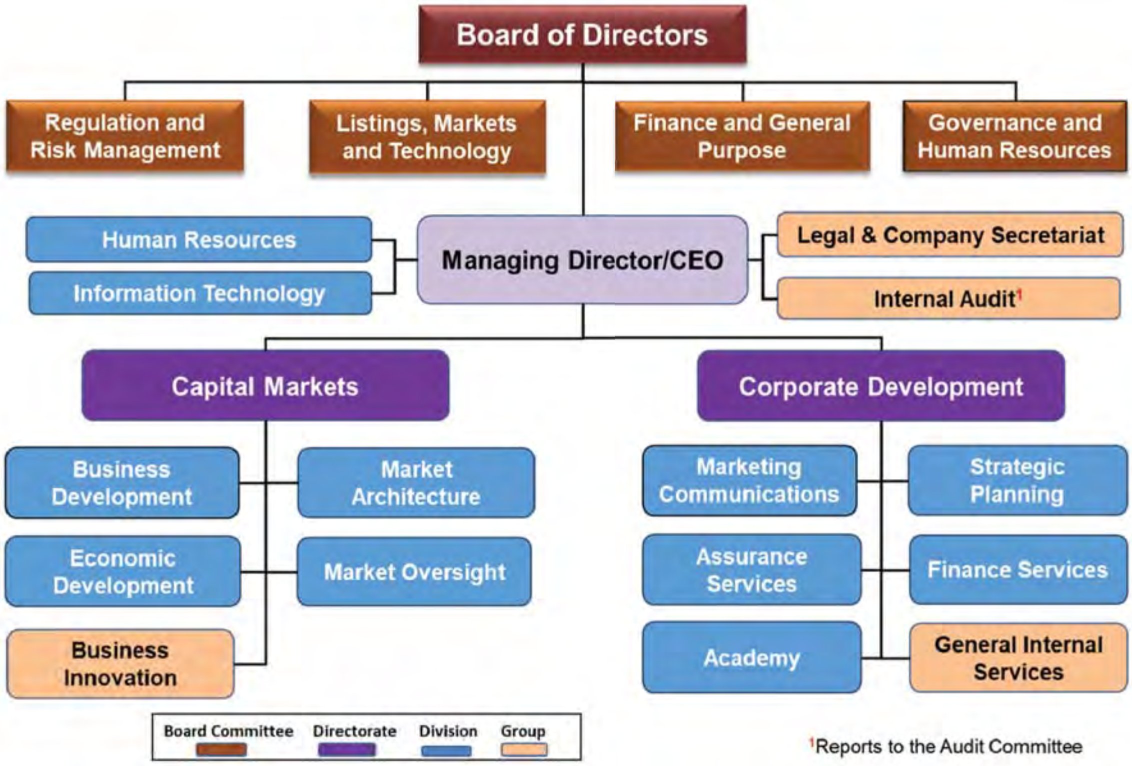
Mr. Emeka Atuma
Vice President

Mr. Atuma is the Head, Depository Assurance Division of FMDQ Depository Limited, a wholly owned subsidiary of FMDQ. He holds an MBA from Manchester Business School, UK and a Master's degree in Accounting from Olabisi Onabanjo University, Ogun State, Nigeria. In addition to being certified in Risk and Information System Control, he is a Financial Risk Manager, a Certified Information System Auditor and a fellow of the Institute of Chartered Accountants of Nigeria.

Prior to joining FMDQ in 2014, Emeka was Head of Operational Risk Management at Fidelity Bank PLC. He also worked as an Internal Control Officer at FinBank PLC and a Financial/Treasury Accountant at Great Brands Nigeria Limited.

Organisation Structure

The FMDQ Organisation Structure has evolved, based on the Company's strategic direction, to ensure it is positioned adequately to succeed in its highly competitive markets.



This structure sought to ensure grouping of functions with similarities in their operations/objectives, whilst achieving additional balance in the allocation of responsibilities for effective monitoring of organisational output.

Working at FMDQ

Our Employee Value Proposition (EVP) represents our promise to our employees and shows our commitment to ensuring successful employee engagement to enable our people grow whilst delivering excellent service to all stakeholders. Constantly, we seek to promote a culture of continuous learning, innovation, collaboration and high standards of performance and in line with this, our EVP inculcates key elements of the Most-Wanted Employer Attributes of 2017, such as Challenging Work, Friendly Environment and Ethics[1].

Communication Policy

Policy Statement

FMDQ is committed to the dissemination of timely, accurate and quality information to its internal and external stakeholders. All internal and external communications should be aimed towards the achievement of FMDQ's vision and mission and should be in line with its approved Strategy. All external communication must be approved by Communications Group (CMG), through the Directorate Head, Corporate Development. The MD/CEO shall approve all communication with government representatives and FMDQ's regulators, as well as confidential or sensitive information. Exceptions may exist in situations where such communication is part of a Group's functions; for example, Business Origination Group's communication with its existing/potential Members and clients and Market Services Group's communication with existing FMDQ Members, to mention a few.

All presentations/materials for external use must be reviewed by CMG prior to exposing these documents to the stakeholders to ensure brand compliance and accuracy of information related to the Company. This includes presentations to external stakeholders at meetings, seminars, conferences, etc. and materials to be uploaded to the website.

FMDQ's relationship with the Press Media, particularly business reporters, is at the heart of its success. The media, which serves as the medium through which FMDQ reaches its external stakeholders, is accorded high priority in FMDQ. As such, communication with media is to be handled with the highest levels of sensitivity and professionalism and must always be handled by CMG as this is the approved Group for communication and interface with the media. Only Authorised Persons shall be permitted to grant interviews of any sort (print, TV, online) and be quoted with respect to FMDQ's external communications.

Guidelines for Internal Communication

FMDQ's internal communication is targeted at all its internal stakeholders, towards the achievement of its overall objectives. Furthermore, internal communication is aimed at strengthening the organisational culture and feeling of commitment among the internal stakeholders, thereby increasing active participation and team spirit.

Internal communication shall be handled by the Groups responsible for such correspondence, including Strategy, Corporate Affairs and Human Resources Groups (for Staff members) and Legal & Company Secretariat Group (for Board of Directors).

Communication between and amongst Staff members must be professional at all times. Staff members are to be addressed by either their first names or by their initials in all written communication, except letters which must bear the full name of the Staff member. The use of titles, nicknames or any other names is strictly prohibited in written communication.

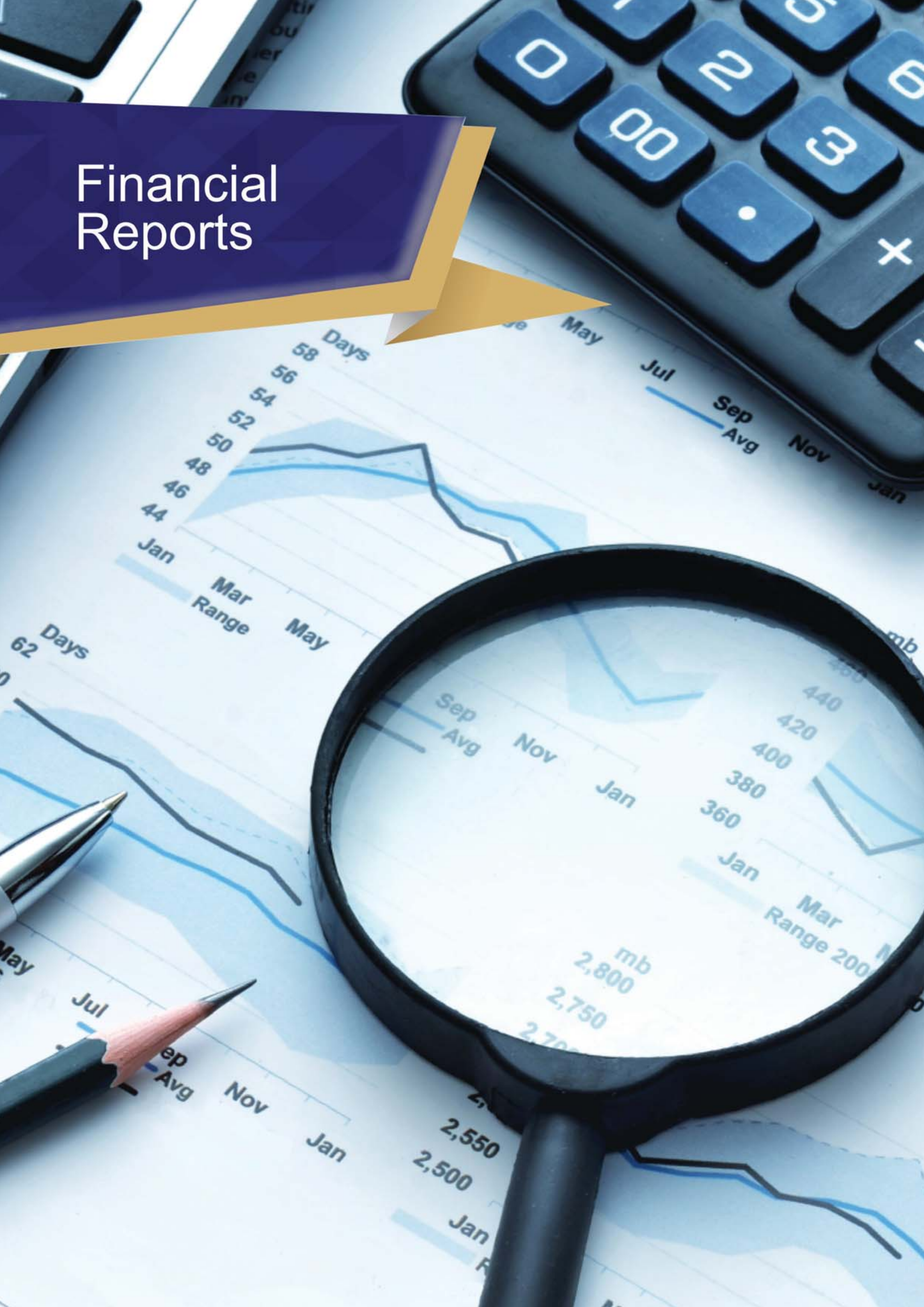
Disclosure of Confidential Information

FMDQ is committed to providing timely, accurate, and complete disclosure of its basic company information in an appropriate manner. Disclosure of confidential information is however strictly prohibited as detailed in the FMDQ Confidentiality and Non-Disclosure Agreement which is signed by all Staff members upon assumption of duty. Violation of this Agreement may attract legal redress.

Public Statements of Personal Opinion

FMDQ Staff members should refrain from making public statements of personal opinion regarding FMDQ, its markets and the Nigerian financial markets as a whole, and from presenting personal opinion regarding the Securities Exchange as facts. Such public statements may include quotes given to media, contribution to blogs, published articles, etc. Any such public statements must be approved by the MD/CEO before publication.

Financial Reports



Directors' Report
For the year ended 31 December 2018

The Directors present their annual report on the affairs of FMDQ Securities Exchange PLC ("the Company") and its subsidiary together with the audited financial statements and auditor's report for the year ended 31 December 2018.

(a) Legal form

FMDQ Securities Exchange PLC, formerly FMDQ OTC PLC was incorporated in Nigeria under the Companies and Allied Matters Act on 6 January 2011 as a public liability company, and was registered by the Securities and Exchange Commission on 6 November 2012 to perform its functions as a securities exchange and self-regulatory organisation.

The Company commenced operations on 1 January 2013.

(b) Principal Activities

The principal activities of the Company are developing, organising and regulating the fixed income, currencies and derivatives markets, and providing a platform for registration, listing, quotation, noting and trading of debt securities, as well as trading of currencies and derivatives.

The Company has a wholly owned subsidiary, FMDQ Clear Limited, a Securities and Exchange Commission registered clearing and settlement company, which was established to operate a securities clearing and settlement system for the confirmation, facilitation, clearing and settlement of securities, trades and contracts in the capital and financial markets.

The results of the subsidiary have been consolidated in these financial statements

(c) Operating Results

Highlights of the Group's operating results for the year are as follows:

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Operating income	13,203,865	2,522,341	13,250,430	2,505,833
Profit before taxation	7,208,815	349,759	6,172,807	349,371
Taxation	(1,572,763)	(113,000)	(1,562,502)	(113,000)
Profit after tax	5,636,052	236,759	4,610,305	236,371

(d) Proposed dividend

No dividend was proposed by the Board of Directors in respect of the financial year ended 31 December 2018. (December 2017: Nil).

(e) Directors and their Interests

The Directors who held office during the year and to the date of this report were:

Name of Director	Position
Dr. Okwu Joseph Nnanna	Chairman
Mr. Jibril Aku	Vice Chairman
Mr. Bola Onadele. Koko	Managing Director/CEO
Mr. Peter Amangbo	Director
Mr. Kennedy Uzoka	Director
Mr. Kayode Akinkugbe*	Director
Ms. Daisy Ekineh	Director (Independent)
Mr. Sam Ocheho*	Director
Mr. Dapo Akisanya	Director
Mr. Patrick Akinwuntan**	Director
Mr. Uzoma Dozie*	Director
Mrs. Bola Adesola***	Director
Mr. Bayo Adeyemo****	Director
Dr. Ademola Sogunle****	Director
Dr. Adesola Adeduntan****	Director

* Appointed 27 July 2018
** Appointed 2 October 2018
*** Resigned 31 January 2018
**** Resigned 27 July 2018

None of the Directors have an interest in the shareholding of the Company as required to be disclosed under section 275 of the Companies and Allied Matters Act (CAMA) of Nigeria.

(f) Directors' interest in contracts

None of the Directors have notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of Nigeria, of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

(g) Major shareholding

According to the register of members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2018.

Name	2018 No of shares	2018 % Holding	2017 No of shares	2017 % Holding
Central Bank of Nigeria	100,000,000	15.61%	100,000,000	15.61%
Financial Markets Dealers Association (FMDA)	79,074,074	12.34%	79,074,074	12.34%
NSE Consult Limited	41,666,667	6.50%	41,666,667	6.50%

The analysis of the distribution of the shares of the Company at the end of the financial year is as follows:

31 December 2018

Share range (Local shareholders)	No. of Shareholders	% Holding	No. of holdings
1-15,000,000	18	42.14%	270,000,000
15,000,001 and above	8	57.86%	370,740,741
	26	100.00%	640,740,741

31 December, 2017

Share range (Local shareholders)	No. of Shareholders	% Holding	No. of holdings
1-15,000,000	18	42.14%	270,000,000
15,000,001 and above	8	57.86%	370,740,741
	26	100.00%	640,740,741

(h) Property and equipment

Information relating to changes in property and equipment is given in Note 26 to the financial statements.

(i) Charitable contributions and other donations

The Company made no charitable contributions and donations during the year (December 2017: Nil).

(j) Employment of disabled persons

The Company had no disabled person in its employment as at 31 December 2018 (2017: Nil). The applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as much as possible, be identical with that of other employees.

* Appointed 27 July 2018
** Appointed 2 October 2018
*** Resigned 31 January 2018
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(k) Health, safety and welfare at work

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The Company retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Company's expense. Fire-fighting equipment are installed in strategic locations within the Company's premises.

(l) Employee consultation and training

The Company places considerable value on the involvement of its employees and has a policy of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company.
The Company places emphasis on employee development and training. Members of staff embarked on different training programs in the course of the year.

(m) Events after the end of the reporting date

There were no events after the end of the reporting period which could have a material effect on the financial position of the Company as at 31 December 2018 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

(n) Auditors

Messrs KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditors of the Company. In accordance with section 357 (2) of the Companies and Allied Matters Act of Nigeria, therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Mr. Ajibola Asolo
Company Secretary
FRC/2015/NBA/00000013523
27 March 2019

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2018

The Directors accept responsibility for the preparation of the annual consolidated and seperate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Group (and Company)'s ability to continue as a going concern and have no reason to believe the Group (and Company) will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Dr. Okwu Joseph Nnanna	Mr. Bola Onadele. Koko
Chairman	Managing Director/CEO
FRC/2015/ICENNIG/00000011557	FRC/2014/ICAN/00000008637
27 March 2019	27 March 2019

Audit Committee Report

For the year ended 31 December 2018

To the members of FMDQ Securities Exchange PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of FMDQ Securities Exchange PLC hereby report on the financial statements for the year ended 31 December 2018 as follows:

(i) We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperation of Management and staff in the conduct of these responsibilities.

(ii) We are of the opinion that the accounting and reporting policies of the Company are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2018 were satisfactory and reinforce the Company's internal control systems.

(iii) After due consideration, the Audit Committee accepted the report of the auditors that the financial statements were in accordance with ethical practices and generally accepted accounting principles and give a true and fair view of the state of the Company's financial affairs.

(iv) We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from Management in the course of their final audit and we are satisfied with Management's responses thereon and with the effectiveness of the Company's system of accounting and internal control.

Mr. Nnamdi John Okonkwo

Chairman, Audit Committee

FRC/2013/ICAN/00000006963

25 March 2019

Members of the Audit Committee are:

1. Mr. Nnamdi John Okonkwo*	Shareholder representative	Chairman
2. Mr. Abubakar Jimoh*	Shareholder representative	Member
3. Mrs. Hamda Ambah*	Shareholder representative	Member
4. Mr. Kayode Akinkugbe*	Director	Member
5. Mr. Patrick Akinwuntan*	Director	Member
6. Mr. Uzoma Dozie*	Director	Member

* Appointed on 27 July 2018

KPMG

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **FMDQ Securities Exchange PLC**

Report on the Audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of FMDQ Securities Exchange PLC (the "Company") and its subsidiary (together, "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 141 to 189.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiary as at 31 December 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Key Audit Matter highlighted below applies to both the consolidated and separate financial statements.

Recognition of Income

During the year, the Group recognized an additional income stream described as treasury income in the Group, and other income in the Company, earned from investing "margin funds" and "client resolution funds". Margin funds represent margin deposits received from the Central Bank of Nigeria (CBN), while client resolution funds represent outstanding settlements due to foreign currency futures clients who are yet to claim their funds as a result of incomplete documentation among other reasons.

The Group invests these funds through a fund manager and the amount due to the Group as income is dependent on the interest earned on the underlying assets in which the funds were invested.

The measurement of the aforementioned income stream is considered to be of most significance to the audit due to the size of the amount recognized as income by the Group.

Procedures

Our procedures included the following with respect to the year ended 31 December 2018:

- We evaluated the appropriateness of the Group's accounting policy on accounting for income in line with the relevant International Financial Reporting Standards
- We obtained the Group's computation of treasury income and checked the underlying data to supporting documentation;
- We re-performed calculation of the income recognized by the Group and compared with the amounts in the financial statements;
- We obtained the fund manager's report and confirmed total amount of the interest earned on the underlying assets in which the funds were invested

The Group's accounting policy on income and the related notes are shown in notes, 5.5, 5.16, 5.17, 9, 14, 22 and 23.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprise the Directors' Report, Statement of Directors' Responsibilities, Corporate Information, Audit Committee report, Other National Disclosures (but does not include the consolidated and separate financial statements and our audit report thereon), which we obtained prior to the date of the auditor's report. It also includes financial and non-financial information such as Corporate Governance Report, Performance Review, Corporate Social Responsibility, Notice of Annual General Meeting, Chairman's Statement, Chief Executive Officer's Review, Report to the Directors on the outcome of the Board Evaluation, Sustainability Strategy, Report on Compliance, Risk and Control, amongst others, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with the IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the

Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.
In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:

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Nneka Eluma, *FCA*
FRC/2013/ICAN/00000000785
For:
KPMG Professional Services
Chartered Accountants

28 March 2019

Lagos, Nigeria

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

in thousands of Naira	*Notes*	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Treasury income	9	8,338,042	-	-	-
Treasury expense	10	(3,336,855)	-	-	-
Net treasury income		5,001,187	-	-	-
Transaction fees (net)	11	1,890,956	1,586,726	1,890,956	1,586,726
Clearing and futures management fees	12	4,355,978	-	-	-
Interest income	13	252,994	243,723	170,634	227,215
Other income	14	1,696,770	590,613	11,182,860	590,613
Gain on foreign exchange revaluation	15	5,980	101,279	5,980	101,279
Total Operating Income		13,203,865	2,522,341	13,250,430	2,505,833
Impairment charge on financial asset	17	(8,927)	-	(3,697)	-
Personnel Expenses	16	(2,014,881)	(658,814)	(1,941,326)	(658,814)
Other operating expenses	18	(3,731,285)	(1,445,313)	(4,892,643)	(1,429,193)
Depreciation	26	(235,132)	(68,455)	(235,132)	(68,455)
Amortisation	27	(4,825)	-	(4,825)	-
Profit before taxation		7,208,815	349,759	6,172,807	349,371
Income tax expense	19(a)	(1,572,763)	(113,000)	(1,562,502)	(113,000)
Profit after taxation		5,636,052	236,759	4,610,305	236,371
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
FVOCI debt instruments - net change in fair value	37(i)	12,654	74,649	16,632	76,303
Other comprehensive income, net of income tax		12,654	74,649	16,632	76,303
Total comprehensive income for the year		5,648,706	311,408	4,626,937	312,674

The accompanying notes form an integral part of these financial statements.

Consolidated and Seperate Statements of Financial Position

As at 31 December 2018

in thousands of Naira	*Notes*	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
ASSETS					
Cash and cash equivalents	20	721,353	347,979	536,018	345,254
Investment securities	21	12,033,788	1,791,572	1,841,640	1,279,826
Client resolution fund (CRF) asset	22	33,792,665	-	-	-
Margin and fixings variance settlement assets	23	130,150,700	-	-	-
Other assets	24	2,053,907	262,880	6,078,281	277,777
Investment in subsidiary	25	-	-	500,000	500,000
Property and equipment	26	1,543,218	614,123	1,543,218	614,123
Intangible assets	27	15,675	18,002	15,675	18,002
Total assets		**180,311,306**	**3,034,556**	**10,514,832**	**3,034,982**
LIABILITIES					
Client resolution fund (CRF) liability	29	33,792,665	-	-	-
Margin and fixings variance settlement liabilities	30	130,150,700	-	-	-
Other liabilities	28	7,044,237	942,017	2,221,892	941,177
Provisions	31	22,754	21,246	22,754	21,246
Current tax liabilities	19(c)	1,508,690	41,589	1,498,429	41,589
Deferred tax liabilities	19(d)	181,841	67,991	181,841	67,991
Total liabilities		**172,700,887**	**1,072,843**	**3,924,916**	**1,072,003**
EQUITY					
Share capital	32(a)	640,741	640,741	640,741	640,741
Share premium	32(c)	21,148	21,148	21,148	21,148
Retained earnings	32(d)	4,695,328	298,070	3,669,193	297,682
Fair value reserve	32(e)	(32,866)	(45,520)	(27,234)	(43,866)
Other reserves	32(f)	2,286,068	1,047,274	2,286,068	1,047,274
Total equity		**7,610,419**	**1,961,713**	**6,589,916**	**1,962,979**
Total liabilities and equity		**180,311,306**	**3,034,556**	**10,514,832**	**3,034,982**

These financial statements were approved by the Board of Directors on 27 March 2019 and signed on its behalf of its Board of Directors by:

Dr. Okwu Joseph Nnanna
Chairman
FRC/2015/ICENNIG/00000011557

Mr. Bola Onadele. Koko
Managing Director/CEO
FRC/2014/ICAN/00000008637

Additionally certified by:

Ms. Kaodi Ugoji
Chief Financial Officer*

* The Chief Financial Officer was granted a waiver by the Financial Reporting Council (FRC) to sign the 2018 Annual Report of FMDQ Securities Exchange PLC pending when the Company regularises her registration with the FRC.

The accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statements of Changes in Equity
For the year ended 31 December 2018

Group
31 December 2018

in thousands of Naira	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance as at 1 January 2018		640,741	21,148	(45,520)	298,070	1,047,274	1,961,713
Total comprehensive income for the year							
Profit for the year		-	-	-	5,636,052	-	5,636,052
Other comprehensive income		-	-	12,654	-	-	12,654
Total comprehensive income		**-**	**-**	**12,654**	**5,636,052**	**-**	**5,648,706**
Transactions with owners, recorded directly in equity							
Appropriation of profit	32(f)	-	-	-	(1,238,794)	1,238,794	-
		-	**-**	**-**	**(1,238,794)**	**1,238,794**	**-**
Balance as at 31 December 2018		**640,741**	**21,148**	**(32,866)**	**4,695,328**	**2,286,068**	**7,610,419**

31 December 2017

in thousands of Naira	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance as at 1 January 2017		640,741	21,148	(120,169)	1,108,585	-	1,650,305
Total comprehensive income for the year							
Profit for the year		-	-	-	236,759	-	236,759
Other comprehensive income		-	-	74,649	-	-	74,649
Total Comprehensive income		-	-	74,649	236,759	-	311,408
Transactions with owners, recorded directly in equity							
Transfers to other reserves	32(f)	-	-	-	(1,000,000)	1,000,000	-
Appropriation of profit	32(f)	-	-	-	(47,274)	47,274	-
		-	-	-	(1,047,274)	1,047,274	-
Balance as at 31 December 2017		**640,741**	**21,148**	**(45,520)**	**298,070**	**1,047,274**	**1,961,713**

Company

31 December 2018

in thousands of Naira	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance as at 1 January 2018		640,741	21,148	(43,866)	297,682	1,047,274	1,962,979
Total comprehensive income for the year							
Profit for the year		-	-	-	4,610,305	-	4,610,305
Other comprehensive income		-	-	16,632	-	-	16,632
Total comprehensive income		**-**	**-**	**16,632**	**4,610,305**	**-**	**4,626,937**
Transactions with owners, recorded directly in equity							
Appropriation of profit	32(f)	-	-	-	(1,238,794)	1,238,794	-
		-	**-**	**-**	**(1,238,794)**	**1,238,794**	**-**
Balance as at 31 December 2018		**640,741**	**21,148**	**(27,234)**	**3,669,193**	**2,286,068**	**6,589,916**

31 December 2017

in thousands of Naira	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance as at 1 January 2017		640,741	21,148	(120,169)	1,108,585	-	1,650,305
Total comprehensive income for the year							
Profit for the year		-	-	-	236,371	-	236,371
Other comprehensive income		-	-	76,303	-	-	76,303
Total Comprehensive income		-	-	76,303	236,371	-	312,674
Transactions with owners, recorded directly in equity							
Transfers to other reserves	32(f)	-	-	-	(1,000,000)	1,000,000	-
Appropriation of profit	32(f)	-	-	-	(47,274)	47,274	-
		-	-	-	(1,047,274)	1,047,274	-
Balance as at 31 December 2017		**640,741**	**21,148**	**(43,866)**	**297,682**	**1,047,274**	**1,962,979**

The accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statements of Cash Flows
For the year ended

in thousands of Naira	Notes	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Cash flows from operating activities					
Profit for the year		5,636,052	236,759	4,610,305	236,371
Income tax expense	19(a)	1,572,763	113,000	1,562,502	113,000
Profit before taxation		7,208,815	349,759	6,172,807	349,371
Adjustments for:					
Depreciation of property and equipment	26	235,132	62,200	235,132	62,200
Gain on disposal of property and equipment	37(ii)	(1,334)	(7,998)	(1,334)	(7,998)
Impairment charge on financial assets	17	8,927	-	3,697	-
Amortisation of intangible asset	27	4,825	6,255	4,825	6,255
Unrealised foreign exchange gain on Eurobond	37(vii)	(7,097)	(101,451)	(7,097)	(101,451)
Interest income	13	(252,994)	(243,723)	(170,634)	(227,215)
		7,196,274	**65,042**	**6,237,396**	**81,162**
Changes in:					
Other assets	37(vi)	(1,783,857)	(98,961)	(5,788,104)	(113,858)
Other liabilities	37(v)	6,383,045	234,858	1,445,743	234,018
		11,795,462	**200,939**	**1,895,035**	**201,322**
Tax paid	19(c)	(12,973)	(22,271)	(12,973)	(22,271)
VAT paid	37(v)	(405,175)	(108,381)	(289,378)	(108,381)
Net Cash from operating activities		11,377,314	70,287	1,592,684	70,670
Cash flow from investing activities					
Interest received	37(iv)	262,925	248,536	180,565	232,028
Acquisition of property and equipment	26	(1,172,730)	(219,287)	(1,172,730)	(219,287)
Acquisition of intangible assets	27	(2,490)	(6,228)	(2,490)	(6,228)
Proceeds from sale of property and equipment	37(ii)	9,837	8,495	9,837	8,495
(Purchase)/sale of investment securities	37(i)	(10,226,949)	(67,479)	(542,569)	445,921
Acquisition of subsidiary	25	-	-	-	(500,000)
Net Cash used in investing activities		**(11,129,407)**	**(35,963)**	**(1,527,387)**	**(39,071)**
Cash flow from financing activities					
Deposit for shares	28	124,350	-	124,350	-
		124,350	**-**	**124,350**	**-**
Net increase in cash and cash equivalents		**372,257**	**34,324**	**189,647**	**31,599**
Effect of exchange rate changes on cash and cash equivalents	37(vii)	1,117	172	1,117	172
Cash and Cash Equivalents at the beginning of the year		347,979	313,483	345,254	313,483
Cash and cash equivalents at end of the year		**721,353**	**347,979**	**536,018**	**345,254**

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated and Separate Financial Statements

1 Reporting entity

FMDQ Securities Exchange PLC, formerly FMDQ OTC PLC (the 'Company') is a public liability company incorporated in Nigeria under the Companies and Allied Matters Act. The Company was incorporated on 6 January 2011 and commenced operations in January 2013. The address of its registered office is 35 Idowu Taylor Street, Victoria Island, Lagos.

In 2017, the Company invested in a new entity, FMDQ Clear Limited. It is a wholly-owned subsidiary of FMDQ Securities Exchange PLC. As such, the consolidated and separate financial statements as at and for the year ended 31 December 2018 therefore comprise the Company and its subsidiary (together referred to as 'the Group').

FMDQ Securities Exchange PLC's principal activities is to function as a market organiser, with dual responsibilities of a securities exchange and self-regulatory organisation. It is regulated by the Securities and Exchange Commission. Its subsidiary, FMDQ Clear Limited, a SEC-registered clearing and settlement company was established to perform the functions of confirmation, facilitation, clearing and settlement of securities, trades and contracts in the capital and financial markets.

2. Changes in accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated and separate financial statememts. The Group adopted the following new standards and amendments including any consequential amendments to other standards with the initial date of application of 1 January 2018.

(a) IFRS 9 Financial Instruments

The Group had adopted IFRS 9,"Financial Instruments" as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated and separate financial statements. The Group did not early adopt IFRS 9 in previous periods.

The major change in the adoption of IFRS 9 relates to the impairment of financial assets. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instrument Disclosures*. Consequently for notes disclosure, the consequential amendments to IFRS 7 disclosures have also been applied in the current period as shown in note 6. The comparative period disclosures repeat those disclosures made in the prior year.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.

Notes to the Consolidated and Separate Financial Statements

Classification and measurement on financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value thorugh other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

1 January 2018

Group *In thousands of Naira*	**Notes**	**Original Classification under IAS 39**	**New Classification under IFRS 9**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
Financial assets					
Cash and cash equivalents	20	Loans and receivables	Amortised cost	347,979	347,979
Other financial assets (net)	24	Loans and receivables	Amortised cost	48,263	48,263
Investment securities:					
Treasury bills	21	Availabe for sale	FVOCI-debt	695,299	695,299
FGN Bonds	21	Available for sale	FVOCI-debt	470,629	470,629
Eurobonds	21	Available for sale	FVOCI-debt	625,644	625,644
				2,187,814	2,187,814
Financial liabilities					
Other liabilities	28	Other financial liabilities	Amortised cost	710,800	710,800
				710,800	710,800

1 January 2018

Company *In thousands of Naira*	**Notes**	**Original Classification under IAS 39**	**New Classification under IFRS 9**	**Carrying amount under IAS 39**	**Carrying amount under IFRS 9**
Financial assets					
Cash and cash equivalents	20	Loans and receivables	Amortised cost	345,254	345,254
Other financial assets (net)	24	Loans and receivables	Amortised cost	63,912	63,912
Investment securities:					
Treasury bills	21	Availabe for sale	FVOCI-debt	183,553	183,553
FGN Bonds	21	Available for sale	FVOCI-debt	470,629	470,629
Eurobonds	21	Available for sale	FVOCI-debt	625,644	625,644
				1,688,992	1,688,992
Financial liabilities					
Other liabilities	28	Other financial liabilities	Amortised cost	709,960	709,960
				709,960	709,960

Notes to the Consolidated and Separate Financial Statements

Group *In thousands of Naira*	**Notes**	**IAS 39 carrying amount as at 31 December 2017**	**Reclassification**	**Remeasurement**	**1 January 2018 Carrying amount under IFRS 9**
Financial assets					
Amortised costs					
Cash and cash equivalents	20				
Brought forward: *Loans and receivables*		347,979			
Remeasurement			-	-	
Carried forward: *Amortised cost*					347,979
Other financial assets (net)	24				
Brought forward: *Loans and receivables*		48,263			
Remeasurement			-	-	
Carried forward: *Amortised cost*					48,263
Total amortised cost		396,242	-	-	396,242

Company *In thousands of Naira*	**Notes**	**IAS 39 carrying amount as at 31 December 2017**	**Reclassification**	**Remeasurement**	**1 January 2018 Carrying amount under IFRS 9**
Financial assets					
Amortised costs					
Cash and cash equivalents	20				
Brought forward: *Loans and receivables*		345,254			
Remeasurement			-	-	
Carried forward: *Amortised cost*					345,254
Other financial assets (net)	24				
Brought forward: *Loans and receivables*		63,912			
Remeasurement			-	-	
Carried forward: *Amortised cost*					63,912
		409,166	-	-	409,166

Notes to the Consolidated and Separate Financial Statements

Group *In thousands of Naira*	**Notes**	**IAS 39 carrying amount as at 31 December 2017**	**Reclassification**	**Remeasurement**	**1 January 2018 Carrying amount under IFRS 9**
Financial assets					
FVOCI - debt					
Treasury bills	21				
Brought forward: Available for sale		695,299			
Reclassfied to: FVOCI - debt			(695,299)		
Remeasurement				-	
Carried forward: FVOCI					695,299
FGN Bonds	21				
Brought forward: Available for sale		470,629			
Reclassfied to: FVOCI - debt			(470,629)		
Remeasurement				-	
Carried forward: FVOCI					470,629
Eurobonds	21				
Brought forward: Available for sale		625,644			
Reclassfied to: FVOCI - debt			(625,644)		
Remeasurement				-	
Carried forward: FVOCI					625,644
Total FVOCI		1,791,572	(1,791,572)	-	1,791,572

Company *In thousands of Naira*	**Notes**	**IAS 39 carrying amount as at 31 December 2017**	**Reclassification**	**Remeasurement**	**1 January 2018 Carrying amount under IFRS 9**
Financial assets					
FVOCI - debt					
Treasury bills	21				
Brought forward: Available for sale		183,553			
Reclassfied to: FVOCI - debt			(183,553)		
Remeasurement				-	
Carried forward: FVOCI					183,553
FGN Bonds	21				
Brought forward: Available for sale		470,629			
Reclassfied to: FVOCI - debt			(470,629)		
Remeasurement				-	
Carried forward: FVOCI					470,629
Eurobonds	21				
Brought forward: Available for sale		625,644			
Reclassfied to: FVOCI - debt			(625,644)		
Remeasurement				-	
Carried forward: FVOCI					625,644
Total FVOCI		1,279,826	(1,279,826)	-	1,279,826

Notes to the Consolidated and Separate Financial Statements

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has assessed that the application of IFRS 9's impairment requirements at 1 January 2018 would not have any material impact on the opening financial statement. Thus, no transition adjustments were recognised.

(b) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and related interpretations. The standard contains a single model that applies to contracts and two approaches to recognising revenue: at a point in time or over time. The model features a contract based five step analysis of transactions to determine how much and when revenue is recognised. The Group has adopted the following new standards and amendments including any consequential amendments to other standards with initial date of January 1, 2018. The adoption of IFRS 15 did not impact the timing or amount of fee income from contracts with customers and the related assets and liabilities recognised by the Group. Interest income earned on investment securities is within the scope of IFRS 9 and is not impacted by the adoption of IFRS 15. Accordingly, the impact on the comparative information is limited to new disclosures requirements.

Significant accounting policies

Except for the changes explained in note 2, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

3 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and its interpretation committee effective and available as at 31 December 2016. These financial statements comply with the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria (FRC) Act, 2011.

The consolidated and separate financial statements were authorised for issue by the Directors on 27 March 2019.

4 Basis of preparation

(a) **Basis of measurement**

The consolidated and separate financial statements have been prepared on the historical cost basis except for FVOCI financial assets measured at fair value and financial assets measured at amortised cost.

(b) **Functional and presentational currency**

The consolidated and separate financial statements are presented in Naira, which is the Group's functional currency. Unless otherwise stated, financial information presented in Naira has been rounded to the nearest thousand.

(c) **Use of estimates and judgments**

The preparation of the consolidated and seperate financial statements in conformity to IFRS requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or the period of the revision and future periods, if the revision affects both current and future years.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 7.

Notes to the Consolidated and Separate Financial Statements

4.1 New standards, interpretations and amendments to existing standards that are not yet effective

(i) IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles of the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 *Leases, and related interpretations*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating expenses.

IFRS 16 replaces existing leases guidance, including IAS 17- *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases- Incentive*s and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases on its current office building. The nature of expense related to the lease will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group is currently assessing the potential impact of IFRS 16 on the financial statements.

(ii) IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, it provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgments made;
- Assumptions and other estimates used; and
- The potential impact of uncertainties that are not reflected.

The Group will adopt the amendments for the year ending 31 December 2019.

4.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having control over an investee.

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). When the proportion of the equity held by non controlling interests (NCIs) changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated and Separate Financial Statements

(b) Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity relating to a subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(c) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(e) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

5.1 Translation of foreign currencies

Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and are recognised in the profit or loss. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

Translation differences on equities measured at fair value through other comprehensive income are included in other comprehensive income and transferred to the fair value reserve in equity.

5.2 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, operating accounts with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

5.3 Financial instruments

(a) Recognition and initial measurement

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and subsequent measurement

Financial assets: Policy applicable from 1 January 2018

The Group classifies financial assets into the following categories: amortized cost and FVOCI.
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling

Notes to the Consolidated and Separate Financial Statements

financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:
– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Group's Management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely principal and interest (SPPI) assessment
In assessing whether the contractual cash flows are solely principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:
- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features
- prepayment and extension features and
- terms that limit the Group's claim to cash flows from the specified assets.

Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI for debt instruments are reclassified to profit or loss.

Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:
– loans and receivables;
– held to maturity and;
– available for sale
- fair value through profit or loss (FVTPL)

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, is a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the Consolidated and Separate Financial Statements

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and the rewards of the ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(d) Modifications of financial assets and liabilites

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (c)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Notes to the Consolidated and Separate Financial Statements

(e) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(f) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(g) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. Market is regarded as active if transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on a going basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximises the use of relevant technique incorporating all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures the assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to see a net long position (or paid to transfer a net short position) for a particular exposure.

5.4 Impairment of financial instruments

Policy applicable before 1 January 2018

(i) Objective evidence of impairment

At each reporting date, the Group assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:
– Delinquency in contractual payments of principal or interest;
– Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
– Breach of loan covenants or conditions;
– Initiation of bankruptcy proceedings;
– Deterioration of the borrower's competitive position;
– Deterioration in the value of collateral; and
– Downgrading below investment grade level.

Notes to the Consolidated and Separate Financial Statements

The Group first assessed whether objective evidence of impairment existed individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss existed were not included in a collective assessment of impairment.

(ii) Measurement of impairment

The amount of impairment loss for financial assets carried at amortised cost was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in profit or loss. If a financial instrument had variable interest rates, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables and held-to-maturity investments. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss.

If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent year, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

(iii) Reversal of impairment

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss.

(iv) Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Trade and other receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Notes to the Consolidated and Separate Financial Statements

(v) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit inpaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the assets original effective interest rate.

IFRS 9 ECL Impairment model uses a three stage approach based on the extent of credit deterioration since origination:
Stage 1 – 12-month ECL applies to all financial assets that have not experienced a Significant Increase in Credit Risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month probability of default (PD) that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses. The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the areas of assessing whether the credit risk of an instrument has increased significantly since initial recognition and incorporating forwardlooking information into the measurement of ECLs.

Inputs into measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD)
- exposure at default (EAD)

ECL for exposures in stage 1 (12-months ECL) is calculated by multiplying the 12-months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

These parameters are generally derived externally from standard and poor's (S&P), moody's, fitch and they are adjusted to reflect forward-looking information as described above.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group plans to estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, and counterparty industry. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

EAD represents the expected exposure in the event of a default. The Group expects to derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount at the time of default.

Notes to the Consolidated and Separate Financial Statements

Forward looking information (FLI)
The Group will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Group intends to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process would involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations and selected private-sector and academic forecasters.The base case is expected to represent a most-likely outcome and be aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios would represent more optimistic and more pessimistic outcomes.

Impairment on trade receivables - the simplified approach
Loss allowance on trade receivables or contract assets that result from transactions in the scope of IFRS 15 or on lease receivables that result from transactions in the scope of IAS 17 may be measured using a simplified approach. The Group's trade receivables do not contain a significant financing components and have a short duration, typically less than 12 months which means that measuring the loss allowance as lifetime ECLs generally does not differ from measuring at 12 month ECLs. Trade receivables without a significant financing component are measured on initial recognition at the transaction price determined in accordance with IFRS 15 and do not have a contractual interest rate. This implies that the effective interest rate for these receivables is zero accordingly, the discounting of cash shortfalls to reflect the time value of money when measuring ECL is not generally required.

(vi) Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 90 days past due;
– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

(vii) Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are charged to profit and loss and deducted from the gross carrying amount of the assets.
For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

5.5 Revenue recognition
(i) Interest income and expense

Policy before 1 January 2018
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows. Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Notes to the Consolidated and Separate Financial Statements

Policy from 1 January 2018

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018). The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rate of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(ii) Other income

Other income comprises insurance claims, sponsorship income, bond listing fees, technology services, penalties and fines on Dealing Members, membership dues, application fees, commercial paper quotation fees, strategic initiative revenue, margin management fee, processing fees, franchise development support and outsourcing (FDSO) income and any other income earned from non-core operations. Other income is recognised when the the performance obligations have been satisfied.

(iii) Treasury income

Treasury income represents total interest income earned by the Group from investing the Client Resolution Fund (CRF) assets and margin and fixing variance settlement funds. The Group invests the funds in treasury bills and other money market instruments, through a Fund Manager- Stanbic IBTC Asset Management Limited (SIAML). The income is recognized using effective interest rate.

(iv)Treasury expense

Treasury expense represents total interest expense to be paid to the FX futures customers on the outstanding CRF liabilities. The liabilities represent settlement amounts due on matured FX futures transactions, but which are yet to be claimed by the customers. The Group pays an agreed percentage of the outstanding amounts to the customers.

(v) Processing fees

Processing fee is computed as a third of the total interest earned by the clients on the CRF. The processing fee is earned when the client makes a claim on the FX futures settlement amount by purchasing spot FX for the underlying contract. The unearned portion of the processing fee is recognised as a liability, and unwinds to profit or loss as the client makes claim for the settlement amount sequel to purchase of spot FX.

Notes to the Consolidated and Separate Financial Statements

(vi) Franchise development support and outsourcing (FDSO) income

FDSO income represents fees earned from FMDQ Clear Limited, a wholly-owned subsidiary, in respect of the outsourced services rendered by the parent Company. The fees are accrued in line with the executed agreement with the parent Company, which requires FMDQ Clear Limited to pay 85% of its realised revenue, excluding interest income on proprietary capital.

(vii) Transaction fees

Transaction fees represent fees charged by the Company on the face value of the secondary market transactions carried out by its Dealing Members on its platform. The Company charges a fee on the face value of the transactions executed.

(viii) Clearing and futures management fees

Clearing fee is earned by the Group on clearing services carried out on the FX futures transactions that are traded on the platform of the parent Company, FMDQ Securities Exchange PLC. The fee is a one-off payment and is computed as 0.05% of the face value of the FX futures contract. It is accrued as the income is earned.

5.6 Prepayments

Prepayments are essentially prepaid rent in advance and insurance paid in advance. Prepayments are carried at cost less amortisation expensed in profit or loss.

5.7 Contingent liabilities

Contingent liabilities are probable obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. However, they are recognised, if it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Contingent liabilities are disclosed in the financial statements when they arise.

5.8 Property and equipment

(i) Recognition amd measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The costs of the day-to-day repairs and maintenance of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.
The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Leasehold improvements	over the period of the lease
Motor vehicles	4 years
Furniture, fittings and equipments	4 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Depreciation is not recognised on items of property and equipment that are under construction.

Notes to the Consolidated and Separate Financial Statements

(iv) Derecognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

5.9 Intangible assets

Computer software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.
Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.
Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

5.10 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis can be identified.
Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

5.11 Leases

The Group's leases are classified as operating leases; these are leases where the lessor retains the risks and rewards of ownership of the underlying asset.

A Group Company as a lessor

Rental income from an operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

A Group Company as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated and Separate Financial Statements

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

5.13 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

The Group operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2014, with contributions based on the sum of employees' basic salary, housing and transport allowance in the ratio 8% by the employee and 10% by the employer.

The Group's contribution to this scheme is charged to profit or loss in the period to which they relate. Contributions to the scheme are managed by other appointed pension managers on behalf of the beneficiary staff in line with the provisions of the Pension Reform Act.

The Group also operates a defined contribution plan called "Directors' Exit Pay" for its Executive and Non-Executive Directors. Under this plan, the Group contributes 50% of the Executive Director's annual gross salary and 50% of the Non-Executive Directors' annual Director's fees for every year of service.

The Group's contributions are managed by a separate Fund Manager and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the Directors upon exit.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Notes to the Consolidated and Separate Financial Statements

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.14 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credit and deductible temporary differences only, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.15 Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on ordinary shares

Dividends on the Group’s ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Group’s shareholders. Dividends for the year that were declared after the year end of the reporting period are dealt with in subsequent events note.

5.16 Client resolution fund (CRF) assets and liabilities

Client resolution fund represents funds held by the Company with respect to settlement amounts on matured FX futures transaction traded on FMDQ's platform, but which are yet to be claimed by the FX futures clients as at the end of the reporting period. The clients are entitled to a fixed interest percentage on the outstanding balance, pending when they claim the funds. The Group invests these funds in treasury bills and other money market instruments and earns interest on the investment. These funds are recognised in the books as assets, and corresponding liabilities (CRF liabilities). In line with the Group’s accounting policy, CRF assets and liability are classified and measured at amortised cost.

Notes to the Consolidated and Separate Financial Statements

5.17 Margin and fixings variance settlement assets and liabilities

Margin funds represent cash margins pledged to FMDQ Clear Limited by the Central Bank of Nigeria for its open OTC FX Futures contracts. Margin fund assets and liabilities are classified and measured at amortised cost.

Fixings variance settlement funds represent a collection of settlement amounts derived from fixings variance generated when open NiFEX-based contracts were benchmarked against NAFEX upon the introduction of the NAFEX fixings in April 2017 by the Central Bank of Nigeria. It applies to contracts for which Clients elected NiFEX on their open contract as at the date of commencement of the NAFEX fixings. FMDQ Clear Limited invests these funds in treasury bills and all returns on the investment are fully paid to the CBN. No fees are charged by FMDQ Clear Limited for the administration of these funds. The balances are recognised in the books as assets, and corresponding liabilities.

6 Financial Risk Management

(a) Introduction and overview

The Group's vision is to be Number one in Africa in the Fixed Income and Currency Markets by 2019. Its mission is to empower the financial markets to be innovative and credible, in support of the Nigerian economy. In pursuing its vision, the Group has identified the need to focus on risk management. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group has exposure to the following risks from financial operations:
(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, receivables and investment in debt securities.

Investment securities

The Group limits its exposure to credit risk by investing mostly in highly liquid money and capital market instruments issued by the Central Bank of Nigeria. The Group invested in a Eurobond issued by the First Bank of Nigeria Limited (FBN). FBN is considered a top tier bank in Nigeria with solid financial performance and strong financial reporting ratios.

Client resolution fund (CRF) assets at amortised cost

CRF assets represents unclaimed client fund which have been invested in government securities. The funds are under the custody of a fund manager, and the credit risk is directly linked on the underlying government securities, which are mostly treasury bills.

Margin and fixings variance settlement assets at amortised cost

The funds are under the custody of a fund manager, and the credit is directly linked to the credit risk on the underlying government securities, which are mostly treasury bills.

Cash and cash equivalents

The Group held bank balances with local banks, assessed to have good credit ratings based on the Group's policy.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

		Carrying amount			
in thousands of Naira	Notes	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Cash and cash equivalents	20	721,353	347,979	536,018	345,254
Investment securities	21	12,033,788	1,791,572	1,841,640	1,279,826
Other assets	24	1,486,648	48,263	5,511,773	63,912
Client resolution fund assets	22	33,792,665	-	-	-
Margin and fixings variance settlement assets	23	130,150,700	-	-	-

Notes to the Consolidated and Separate Financial Statements

The following table represents an analysis of the credit quality of debt securities at amortised cost, FVTOCI and FVTPL (2017: Held-to-maturity, available for sale and held-for-trading). It indicates whether assets measured at amortised cost or FVTOCI were subject to 12-month ECL or lifetime ECL allowance and in the latter case, whether they were credit-impaired.

GROUP	2018				2017		
	FVOCI	Amortised cost		Total	Amortised cost	Available for sale	Total
in thousands of naira	12- month ECL	12- month ECL	Lifetime ECL				
BBB- to AAA	-	107,775	-	107,775	22,879	-	22,879
BB- to BB+	-	-	-	-	-	-	-
B- to B+	12,033,788	166,052,519	5,063	178,091,370	373,363	1,791,572	2,164,935
C to CCC+	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-
Gross carrying amount (2018: amortised cost before loss allowance)	12,063,868	166,160,294	5,063	178,229,225	396,242	1,791,572	2,187,814
Loss allowance	-	(8,928)	(5,063)	(13,991)	(5,063)	-	(5,063)
Amortised cost	12,063,868	166,151,366	-	178,215,234	391,179	1,791,572	2,182,751
Carrying amount	12,033,788	166,151,366	-	178,185,154	396,242	1,791,572	2,187,814

COMPANY	2018				2017		
	FVOCI	Amortised cost		Total	Amortised cost	Available for sale	Total
in thousands of naira	12- month ECL	12-month ECL	Lifetime ECL				
BBB- to AAA	-	34,259	-	34,259	20,154	-	20,154
BB- to BB+	-	-	-	-	-	-	-
B- to B+	1,841,640	6,017,230	5,063	7,863,933	393,825	1,279,826	1,673,651
C to CCC+	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-
Gross carrying amount (2018: amortised cost before loss allowance)	1,865,686	6,051,489	5,063	7,922,238	413,979	1,501,149	1,915,128
Loss allowance	-	(3,698)	(5,063)	(8,761)	(5,063)	-	(5,063)
Amortised cost	1,865,686	6,047,791	-	7,913,477	408,916	1,501,149	1,910,065
Carrying amount	1,841,640	6,047,791	-	7,889,431	408,916	1,279,826	1,688,742

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.
The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 90 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Notes to the Consolidated and Separate Financial Statements

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

Definition of default
The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group

In assessing whether a borrower is in default, the Group considers indicators that are:
- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Collateral
The Group does not hold collateral.

(ii) Liquidity risk
Liquidity risk is the potential loss arising from the Group's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other Group's risks such as credit, market and operational risks.

The Group maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation.

Maturity analysis for financial assets and financial liabilities

Group
31 December 2018

in thousands of Naira	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and cash equivalents	20	721,353	722,570	722,570	-	-	-
Investment securities	21	12,033,788	12,381,170	9,916,471	-	1,704,291	760,408
Other financial assets (net)	24	1,486,648	1,486,648	1,486,648	-	-	-
CRF Assets	22	33,792,665	33,792,665	33,792,665	-	-	-
Margin and fixings variance settlement assets	23	130,150,700	130,150,700	130,150,700	-	-	-
		178,185,154	178,533,753	176,069,054	-	1,704,291	760,408
Other financial liabilities	28	(5,662,817)	(5,662,817)	(5,662,817)	-	-	-
CRF Liabilities	29	(33,792,665)	(33,792,665)	(33,792,665)	-	-	-
Margin and fixings variance settlement liabilities	30	(130,150,700)	(130,150,700)	(130,150,700)	-	-	-
		(169,606,182)	(169,606,182)	(169,606,182)	-	-	-
Gap (asset - liabilities)		8,578,972	8,927,571	6,462,872	-	1,704,291	760,408

Notes to the Consolidated and Separate Financial Statements

31 December 2017

in thousands of Naira	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and cash equivalents	20	347,979	347,979	347,979	-	-	-
Investment securities	21	1,791,572	2,042,712	133,879	185,533	425,300	1,298,000
Other financial assets (net)	24	48,263	53,326	53,326	-	-	-
		2,187,814	2,444,017	535,184	185,533	425,300	1,298,000
Other financial liabilities	28	(710,800)	(710,800)	-	(710,800)	-	-
		(710,800)	(710,800)	-	(710,800)	-	-
Gap (asset - liabilities)		1,477,014	1,733,217	535,184	(525,267)	425,300	1,298,000

Company

31 December 2018

in thousands of Naira	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and cash equivalents	20	536,018	537,235	537,235	-	-	-
Investment securities	21	1,841,640	2,154,875	26,221	-	1,368,246	760,408
Other financial assets (net)	24	5,511,773	5,511,773	5,511,773	-	-	-
		7,889,431	8,203,883	6,075,229	-	1,368,246	760,408
Other financial liabilities	28	(2,051,893)	(2,051,893)	-	(2,051,893)	-	-
		(2,051,893)	(2,051,893)	-	(2,051,893)	-	-
Gap (asset - liabilities)		5,837,538	6,151,990	6,075,229	(2,051,893)	1,368,246	760,408

31 December 2017

in thousands of Naira	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and cash equivalents	20	345,254	345,254	345,254	-	-	-
Investment securities	21	1,279,826	1,501,149	-	-	203,149	1,298,000
Other financial assets (net)	24	63,912	68,975	68,975	-	-	-
		1,688,992	1,915,378	414,229	-	203,149	1,298,000
Other financial liabilities	28	(709,960)	(709,960)	-	(709,960)	-	-
		(709,960)	(709,960)	-	(709,960)	-	-
Gap (asset - liabilities)		979,032	1,205,418	414,229	(709,960)	203,149	1,298,000

As part of the management of its liquidity risk, the Group holds liquid assets comprising of cash and cash equivalents and securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

(iii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Exposure to interest rate risk

The Group is exposed to interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates) because it invests in financial instruments like FGN bonds, Eurobonds and Treasury bills measured at fair value through other comprehensive income. This implies that the changes in market interest rates can have material impacts on the carrying amounts of the financial instruments. The impact of rate changes could have an adverse impact on the Company's financial position if not properly managed.

The table below shows the sensitivity of the carrying amount of the financial instruments as at 31 December 2018. The analysis is based on the assumption that interest rates increased/decreased by 200bp and 500bp with all variables held conststant.

Notes to the Consolidated and Separate Financial Statements

Group

Scenario *in thousands of Naira*	**200bps** **31-Dec-18**	**500bps** **31-Dec-18**
Financial instruments measured at fair value- year end balance	12,033,788	12,033,788
Impact of increase in interest rate on carrying amount	(42,620)	(106,550)
Impact of decrease in interest rate on carrying amount	42,620	106,550

Company

Scenario *in thousands of Naira*	**200bps** **31-Dec-18**	**500bps** **31-Dec-18**
Financial instruments measured at fair value- year end balance	1,841,640	1,841,640
Impact of increase in interest rate on carrying amount	(34,409)	(86,022)
Impact of decrease in interest rate on carrying amount	34,409	86,022

Exposure to exchange rate

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because the Group has invested in a Eurobond and has bank accounts denominated in foreign currency in which transactions denominated in foreign currency are carried out. A significant change in the exchange rates between the Naira (functional and presentation currency) relative to the US dollar may have an effect on the Group's revenue.

The exchange rate as at 31 December 2018 was $/N364.18 (31 December 2017: $/N360)

Exposure to currency risk

Group and Company *in thousands of Naira/USD*	**USD** **31-Dec-18**	**NGN** **31-Dec-18**
Bank balance	22	8,180
Investment securities	1,800	655,524
	1,822	663,704

Group and Company *in thousands of Naira*	**USD** **31-Dec-17**	**NGN** **31-Dec-17**
Bank balance	93	33,414
Investment securities	1,800	648,000
	1,893	681,414

Sensitivity analysis of exchange rates

Arising from exchange rate flunctuations, the Company is exposed to changes in exchange rates. The following shows the sensitivity of the Company's income to changes in exchange rate:

Notes to the Consolidated and Separate Financial Statements

Group and Company

Scenario level	**200bps**	**200bps**
in thousands of Naira	Bank Balances	Investment Securities
31 December 2018		
Increase	(164)	(13,110)
Decrease	164	13,110
Scenario level	**500bps**	**500bps**
Increase	(409)	(32,776)
Decrease	409	32,776
Scenario level	**200bps**	**200bps**
31 December 2017		
Increase	668	12,960
Decrease	(668)	(12,960)
Scenario level	**500bps**	**500bps**
Increase	1,671	32,400
Decrease	(1,671)	(32,400)

(iv) Risk prevention strategies

The Group has adopted the risk and control self-assessment model to aid the identification, assessment and control of risks to prevent it from crystallising. Using this methodology, every activity or process is believed to have inherent risk(s). The model involves upfront risk identification, assessment, quantification and mitigation. The Group's strategy for preventing risks is to identify the risk ahead and design preventive controls that reduces the impact of the risk when it occurs. In a situation where there is no preventive controls or it will be costly to put such a control the Group adopt a detective or corrective controls. The Group believe that even after controls are put in place there could be residual risks. The Group also evaluate the residual risks and then design a risk treatment plan for such risks with high residual risks.

(b) Capital management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Group’s strategic plan. Specifically, the Group considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Group's assessment taking account of the Group business strategy and value creation to all its stakeholders. The Group is not exposed to any externally imposed capital requirement.

in thousands of naira	Note	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Paid up share capital	32	640,741	640,741	640,741	640,741
Shareholders' funds		7,610,419	1,961,713	6,589,916	1,962,979

Notes to the Consolidated and Separate Financial Statements

7 Use of estimates and judgments

These disclosures supplement the commentary in financial risk management. Key sources of estimation uncertainty are as disclosed below:

(a) ***Determining fair values***

The Group's policy on fair value measurements is discussed under note 5.3(g).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

(i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

(ii) Level 2 : Valuation techniques based on observable inputs, either directly - as prices, or indirectly- derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs could have a significant effect on the instrument's valuation. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The Group did not disclose the fair value information for financial assets and liabilities not measured at fair value because the carrying amounts are reasonable approximation of fair value.

Financial instruments measured at fair value

The following tables set out the categorisation into levels of the fair value hierarchy of financial instruments measured at fair value.

Group

31 December 2018

in thousands of Naira	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	12,033,788	-	-	12,033,788
		12,033,788	-	-	12,033,788

31 December 2017

in thousands of Naira	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	1,791,572	-	-	1,791,572
		1,791,572	-	-	1,791,572

Notes to the Consolidated and Separate Financial Statements

Company
31 December 2018

in thousands of Naira	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	1,841,640	-	-	1,841,640
		1,841,640	-	-	1,841,640

31 December 2017

in thousands of Naira	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	1,279,826	-	-	1,279,826
		1,279,826	-	-	1,279,826

(b) ***Valuation techniques and imputs used in fair value measurement***
The price used in determining the fair value of the FGN Bonds, Treasury bills and Eurobonds is the price of FGN Bonds, Treasury bills and Eurobonds with similar maturity and discount as quoted on the FMDQ. This is publicly available and represents the price at which the instruments would be transacted at the reporting date.

(c) ***Allowance for impairment losses***
Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 5.4.
The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a debtor's financial situation and estimate of cash flows considered recoverable are independently approved by the financial control function.

(d) ***Income tax***
Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments established during the year for such years.
Total amount of tax payable under the Companies Income Tax Act (CITA) is determined on the higher of two components namely:

- company income tax (based on taxable income (or loss)) for the year; or
- minimum tax (determined based on the sum of 0.125% of revenue in excess of N500,000.00 and the highest of 0.25% of revenue of N500,000.00, 0.5% of gross profit, 0.25% of paid-up share capital and 0.5% of net assets)

Taxes based on taxable profit for the year are presented as current income tax in line with IAS 12, whereas taxes which are based on gross amount are outside the scope of IAS 12 and therefore are not presented as current income tax.

(e) ***Recognition of deferred taxes***
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Notes to the Consolidated and Separate Financial Statements

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

8 Classification of financial assets and liabilities and fair value hierarchy

The table below set out the Company's classification of each class of financial assets and liabilities, and their fair values.

Group
31 December 2018

in thousands of Naira	Notes	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	-	721,353	721,353	2
Investment securities	21	-	12,033,788	-	12,033,788	1
Other financial assets (net)	24	-	-	1,486,648	1,486,648	2
Client resolution fund assets	22	-	-	33,792,665	33,792,665	1
Margin and fixings variance settlement assets	23	-	-	130,150,700	130,150,700	1
		-	12,033,788	166,151,366	178,185,154	
Other financial liabilities	28	-	-	5,662,817	5,662,817	2
Client resolution fund liabilities	29	-	-	33,792,665	33,792,665	1
Margin and fixing variance settlement liabilities	30	-	-	130,150,700	130,150,700	1
		-	-	169,606,182	169,606,182	

31 December 2017

in thousands of Naira	Notes	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	-	347,979	347,979	2
Investment securities	21	-	1,791,572	-	1,791,572	1
Other financial assets (net)	24	-	-	48,263	48,263	2
		-	1,791,572	396,242	2,187,814	
Other financial liabilities	28	-	-	710,800	710,800	2
		-	-	710,800	710,800	

Company
31 December 2018

in thousands of Naira	Notes	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	-	536,018	536,018	2
Investment securities	21	-	1,841,640	-	1,841,640	1
Other financial assets (net)	24	-	-	5,511,773	5,511,773	2
		-	1,841,640	6,047,791	7,889,431	
Other financial liabilities	28	-	-	(2,051,893)	(2,051,893)	2
		-	-	(2,051,893)	(2,051,893)	

Notes to the Consolidated and Separate Financial Statements

31 December 2017

in thousands of Naira	Notes	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	-	345,254	345,254	2
Investment securities	21	-	1,279,826	-	1,279,826	1
Other financial assets (net)	24	-	-	63,912	63,912	2
		-	1,279,826	409,166	1,688,992	
Other financial liabilities	28	-	-	709,960	709,960	2
		-	-	709,960	709,960	

9 Treasury income

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Treasury income (See note (a))	8,338,042	-	-	-
	8,338,042	-	-	-

(a) The amount represents interest income earned from investing the client resolution fund (CRF) assets as a result of additional treasury activities carried out by the Group. The Group invests the fund in treasury bills and other money market instruments, through a Fund Manager- Stanbic IBTC Asset Management Limited (SIAML).

10 Treasury expense

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Treasury expense (See note (a) below)	3,336,855	-	-	-
	3,336,855	-	-	-

(a) The amount represents interest to be paid to the clients on the outstanding Client Resolution Fund**.**

11 Transaction fees (net)

Transaction fees income comprises fees earned on the secondary market transactions carried on by the Company's Dealing Members. Transaction fees can be analysed as follows:

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Transaction Fees- foreign currency trading	355,372	192,475	355,372	192,475
Transaction Fees- treasury bills trading	808,921	757,322	808,921	757,322
Transaction Fees- repo transactions	219,575	255,314	219,575	255,314
Transaction Fees- open buy back transactions	194,076	176,645	194,076	176,645
Transaction Fees- money market transactions	10,750	21,280	10,750	21,280
Transaction Fees - FX Derivatives	197,616	105,780	197,616	105,780
Transaction Fees - FGN Bonds	123,787	120,515	123,787	120,515
Transaction Fees - Eurobonds	501	606	501	606
IDB - All Products	4,126	4,722	4,126	4,722
	1,914,724	**1,634,659**	**1,914,724**	**1,634,659**
Transaction fees expense (See note (a) below)	(23,768)	(47,933)	(23,768)	(47,933)
	1,890,956	**1,586,726**	**1,890,956**	**1,586,726**

(a) The amount represents fees charged by the CBN for settlement of executed fixed income securities which is borne by the Company on behalf of the Dealing Members.

Notes to the Consolidated and Separate Financial Statements

12 Clearing and futures management fees

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Clearing fee	1,425,677	-	-	-
Futures management fee	2,930,301	-	-	-
	4,355,978	-	-	-

13 Interest income

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Treasury bills	128,069	102,901	45,709	86,393
Fixed deposit	14,119	17,084	14,119	17,084
Call deposit	3,271	1,412	3,271	1,412
FGN bonds	50,035	68,930	50,035	68,930
Eurobond	57,500	53,396	57,500	53,396
	252,994	**243,723**	**170,634**	**227,215**

14 Other income

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Sponsorship income	48,000	57,013	48,000	57,013
Membership application fees	19,688	9,250	19,688	9,250
Membership subscription dues	95,631	74,080	95,631	74,080
Insurance claims	220	-	220	-
Bond listing fees	228,527	190,868	228,527	190,868
Penalties and fines (See note (a) below)	4,000	4,515	4,000	4,515
Commercial paper quotation fees	182,336	92,645	182,336	92,645
Technology services (See note (b) below)	115,500	115,714	115,500	115,714
Strategic initiative revenue	-	5,809	-	5,809
Gain on sale of property and equipment	1,334	7,998	1,334	7,998
Franchise dev support (FDSO) (See note (e) below	-	-	6,475,879	-
Loss on disposal of financial securities (FGN bonds)	(11,704)	-	(11,704)	-
Margin management fees (See note (c) below	357,832	-	147,312	-
Processing fees (See note (d) below	472,557	-	233,160	-
Accruals no longer required	15,144	-	15,144	-
Other revenue (See note (f) below)	167,705	32,721	3,627,833	32,721
	1,696,770	590,613	11,182,860	590,613

(a) Penalties /fines- This relates to monies received for infraction of trading regulations by Dealing Members.

(b) This income relates to system usage fees charged on all trades done on FFTRS (FMDQ Futures Trading & Reporting System) by its Dealing Members.

(c) This income relates to 1% management fee charged to the CBN on the management of the margin funds. This includes 0.375% which is recognised as an expense with respect to 0.125% and 0.25% for settlement agency and investment management fees respectively.

(d) Processing fee is computed as one third of the total interest earned by the clients on the client resolution fund. The processing fee is earned when the client makes a claim on the FX futures settlement amount by purchasing spot FX for the underlying contract.

(e) FDSO income represents fees earned from FMDQ Clear Limited, a wholly-owned subsidiary, in respect of the franchise development support and outsourced services rendered by the parent Company. The fees are accrued in line with the executed agreement with the parent Company, which requires FMDQ Clear Limited to pay 85% of its realised revenue, excluding interest income on proprietary capital. This is recognized as income in the Company's books and as expense in the subsidiary's books. Both transactions were eliminated upon consolidation.

Notes to the Consolidated and Separate Financial Statements

(f) Included in other revenue for the Company is one-off (non-recurring) treasury income earned by the Company, as a result of additional treasury activities through investing of client resolution funds in treasury bills and other money market instruments. This income was earned by the Company for facilitating the treasury activities prior to operationalisation of its clearing and settlement subsidiary, FMDQ Clear Limited. Subsequently, all clearing operations and the attendant revenue were recognised in the books of the subsidiary, FMDQ Clear Limited.

15 Gain on foreign exchange revaluation

The unrealised gain is largely due to the foreign exchange differences arising from the Eurobond.

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Loss on cash and cash equivalents	(1,117)	(172)	(1,117)	(172)
Gain on foreign exchange revaluation- Eurobond	7,097	101,451	7,097	101,451
	5,980	**101,279**	**5,980**	**101,279**

16 Personnel expenses

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Wages and salaries	436,405	295,478	389,680	295,478
Productivity bonus (See note (i) below)	1,117,178	165,343	1,100,178	165,343
Other staff cost	369,412	135,127	362,475	135,127
Pension cost	91,886	62,866	88,993	62,866
	2,014,881	**658,814**	**1,941,326**	**658,814**

(i) Employee high performance bonus implemented by the Board of Directors in 2018.

(ii) Employees earning over N60,000 per annum, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments in the following ranges:

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
N60,001 - N2,000,000	-	-	-	-
N2,000,001 - N3,000,000	10	4	8	4
N3,000,001 - N4,000,000	2	2	2	2
N4,000,001 - N5,000,000	6	8	6	8
N5,000,001 - N6,000,000	7	7	6	7
N6,000,001 - N7,000,000	5	3	5	3
N7,000,001 - N8,000,000	7	11	6	11
N8,000,001 - N9,000,000	-	6	-	6
Above N9,000,000	32	14	29	14
	69	55	62	55

Notes to the Consolidated and Separate Financial Statements

(iii) The average number of full time persons employed during the year by the Company was as follows:

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Management staff	11	9	10	9
Non-management staff	58	46	52	46
	69	55	62	55

17 Impairment charge on financial asset

	Notes	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Impairment charge on financial asset	17	8,927	-	3,697	-
		8,927	-	3,697	-

18 Other operating expenses

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Director's emoluments (See note (i) below)	495,284	455,238	495,284	455,238
Audit fees	36,750	22,400	26,250	21,600
Professional fees	62,613	56,619	59,988	43,328
Professional fees (legal)	8,338	5,199	8,338	5,199
Stationery and office expenses	-	8,151	-	8,151
Bank charges (See note 33(d))	3,686	1,388	3,402	1,190
Travel and lodging expense	55,924	41,530	55,664	41,408
Training and development expense	86,093	38,172	82,173	38,172
Information technology expense	132,145	95,880	132,145	95,880
Publicity and advertising expense	-	9,221	-	9,221
Insurance expense	14,456	4,639	13,704	3,826
Penalties and fines (See (ii) below)	209	-	209	-
SEC regulatory expense	188,756	153,480	188,756	153,480
Corporate gifts	-	28,432	-	28,432
Professional membership	57	284	57	284
General administrative expenses	310,151	167,803	300,058	166,906
Business development expense	102,391	102,929	93,733	102,929
Strategic initiative expense (See (iii) below)	193,960	79,207	193,960	79,207
Directors' allowances (See note (iv) below)	1,079,846	90,915	1,079,846	90,915
Bond listing /quotation events	15,416	4,295	15,416	4,295
Rent expense (See note 36)	104,711	27,028	104,711	27,028
Corporate development	136,664	20,340	136,664	20,341
VAT and WHT expense	-	32,163	-	32,163
Settlement agency fees, investment management fees and other investment expenses (see note (v) below)	380,041	-	1,902,285	-
VAT expense	323,794	-	-	-
	3,731,285	**1,445,313**	**4,892,643**	**1,429,193**

(i) Directors' remuneration

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Board Chairman allowances	14,872	11,267	14,872	11,267

Notes to the Consolidated and Separate Financial Statements

Highest paid Director	495,284	455,238	495,284	455,238

The highest paid Director's remuneration represents the MD/CEO's salary for the year including the annual bonus and exit pay (accrued annually and payable at the end of the employment term).

(ii) This represents penalty paid by the Company to the Securities and Exchange Commission (SEC) due to late filing of its financial statements for the year ended 31 December 2017.

(iii) The amount represents expenses incurred for discretionary projects and programs outside of the organisation's day-to-day operational activities, that are designed to help the organisation achieve its Strategic Objectives.

(iv) Allowance paid to the Directors during the year:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Sitting allowances	9,425	7,220	9,425	7,220
Retirement contributions (see note (vi) below)	12,500	36,041	12,500	36,041
Other allowances (See note (vii) below	1,057,921	47,654	1,057,921	47,654
	1,079,846	90,915	1,079,846	90,915

(v) Other Investment Expenses represent one-off (non-recurring) treasury expenses (interest) to be paid to clients on the outstanding Client Resolution Fund.

(vi) Retirement contributions are in respect of the Non-Executive Directors' Exit pay payable to an external fund, Stanbic IBTC Asset Management Limited (SIAML).

(vii) This includes the Managing Director/CEO's long-term incentive, paid in 2018, upon completion of the 1st term of the employment contract.

19 Income tax expense

(a) The tax charge for the year comprises:

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Income tax	1,306,114	15,960	1,306,114	15,960
Tertiary education tax	101,971	2,466	101,971	2,466
NITDA Levy	71,989	3,459	61,728	3,459
Prior year under provision	-	18,203	-	18,203
See note (c) below	1,480,074	40,088	1,469,813	40,088
Deferred tax charge for the year (See note 19(d)(ii))	113,850	51,751	113,850	51,751
	1,593,924	91,839	1,583,663	91,839
Impairment on witholding tax receivables	(21,161)	21,161	(21,161)	21,161
	1,572,763	113,000	1,562,502	113,000

(b) The effective tax reconciliation is as follows:

	Rate %	Group 31-Dec-18	Rate %	Company 31-Dec-18	Rate %	Group and Company 31-Dec-17
Profit before income tax		7,208,815		6,172,807		349,759
NITDA Levy		(71,989)		(61,728)		(3,459)
		7,136,826		6,111,079		346,300
Tax using the domestic corporation tax	30	2,141,048	30	1,833,324	30	120,771
Non-taxable income	(25)	(1,767,811)	(7)	(404,866)	(28)	(96,608)
Non-allowable expenses	-	4,559	-	4,559	12	43,548
Prior year under provision	-	-	-	-	5	18,203
Unrecognised deferred tax asset impact	15	1,055,221	-	-	-	-
NITDA Levy	1	71,989	1	61,728	1	3,459
Impairment on WHT	-	(21,161)	-	(21,161)	6	21,161
Tertiary education tax	1	88,918	1	88,918	1	2,466
Income tax charge	22	1,572,763	25	1,562,502	27	113,000

(c) Current tax liabilities

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Balance at the beginning	41,589	23,772	41,589	23,772
Tax charge (See note 19(a))	1,480,074	40,088	1,469,813	40,088
Tax paid	(12,973)	(22,271)	(12,973)	(22,271)
Balance at the end	1,508,690	41,589	1,498,429	41,589

(d) Deferred tax liabilities

(i) Deferred tax liability is attributable to the following:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Property and equipment	181,841	67,991	181,841	67,991
	181,841	67,991	181,841	67,991

(ii) Movement in temporary differences during the year:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Opening balance	67,991	16,240	67,991	16,240
Deferred tax charge (See note19(a))	113,850	51,751	113,850	51,751
Closing balance	181,841	67,991	181,841	67,991

(iii) Unrecognised deferred tax asset

The Group has an unrecognised deferred tax asset in respect of its subsidiary, FMDQ Clear Limited, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Impairment allowance on other assets	1,569	-	-	-
Tax losses	1,058,515	4,836	-	-
	1,060,084	4,836	-	-

20 Cash and cash equivalents

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Cash and bank balances	494,810	214,979	309,475	212,254
Placement with Banks	226,543	133,000	226,543	133,000
	721,353	**347,979**	**536,018**	**345,254**

Included in the cash and cash equivalents are cash balances of N536,017,828 (31 Dec 2017: N345,253,656) with Guaranty Trust Bank PLC, Access Bank PLC, Zenith Bank PLC and Stanbic IBTC Bank PLC. (See note 33(d)).

21 Investment securities

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Debt securities (measured at fair value through other comprehensive income) (see note (i) below)	12,033,788	1,791,572	1,841,640	1,279,826
	12,033,788	**1,791,572**	**1,841,640**	**1,279,826**
Current	11,175,524	695,300	983,376	183,553
Non-current	858,264	1,096,273	858,264	1,096,273
	12,033,788	**1,791,573**	**1,841,640**	**1,279,826**

(i) The Group's debt securities measured at fair value through other comprehensive income can be analysed as follows:

Treasury bills- FVOCI	11,175,524	695,299	983,376	183,553
FGN Bonds- FVOCI	202,393	470,629	202,393	470,629
Euro bond- FVOCI	655,871	625,644	655,871	625,644
	12,033,788	**1,791,572**	**1,841,640**	**1,279,826**

22 Client resolution fund asset

in thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Client resolution fund asset (See note (a) below)	33,792,665	-	-	-
	33,792,665	**-**	**-**	**-**
Current	33,792,665	-	-	-
Non-current	-	-	-	-
	33,792,665	**-**	**-**	**-**

(a) Client resolution fund asset represents funds held by the Company with respect to settlement amounts on matured FX futures transaction traded on FMDQ's platform, but which are yet to be claimed by the FX futures clients as at the end of the reporting period. The clients are entitled to a fixed interest percentage on the outstanding balance, pending when they claim the funds. The Group invests these funds in treasury bills and other money market instruments and earns interest on the investment. These funds are recognised in the books as assets, and corresponding liabilities (CRF liability). See note 29.

23 Margin and fixings variance settlement assets

in thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Margin fund asset (See note (a) below)	88,143,024	-	-	-
Fixings variance settlement (See note (b) below)	42,007,676	-	-	-
	130,150,700	-	-	-

(a) Margin funds represent cash margins pledged to FMDQ Clear Limited by the Central Bank of Nigeria for its open OTC FX Futures contracts. The balances are recognised in the books as assets, and corresponding liabilities.

(b) Fixings variance settlement funds represent a collection of settlement amounts derived from fixings variance generated when open NiFEX-based contracts were benchmarked against NAFEX upon the introduction of the NAFEX fixings in April 2017 by the Central Bank of Nigeria. It applies to contracts for which Clients elected NiFEX on their open contract as at the date of commencement of the NAFEX fixings. FMDQ Clear Limited invests these funds in treasury bills and all returns on the investment are fully paid to the CBN. No fees are charged by FMDQ Clear Limited for the administration of these funds. The balances are recognised in the books as assets, and corresponding liabilities (See note 30).

24 Other assets

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Account receivables (See note 33(d))	1,490,844	45,974	361,476	45,974
Staff advances	8,524	7,234	8,524	7,234
Intercompany receivables	-	-	5,149,263	15,649
Other receivables	1,271	118	1,271	118
Financial assets	1,500,639	53,326	5,520,534	68,975
Prepayments	130,367	196,152	129,616	195,400
WHT receivables	436,892	39,626	436,892	39,626
	2,067,898	289,104	6,087,042	304,001
Allowance for other assets	(13,991)	(5,063)	(8,761)	(5,063)
Allowance for doubtful WHT receivables	-	(21,161)	-	(21,161)
	2,053,907	262,880	6,078,281	277,777
Current	2,053,907	262,880	6,078,281	277,777
Non-current	-	-	-	-
	2,053,907	262,880	6,078,281	277,777

25 Investment in subsidiary

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Investment in FMDQ Clear Limited	-	-	500,000	500,000
	-	-	500,000	500,000

Notes to the Consolidated and Separate Financial Statements

26 Property and equipment

Group and Comapny

In thousands of Naira	Leasehold improvements	Motor vehicles	Office Equipment	Computer equipments	Work-in-progress	Total
Cost						
Balance as at 1 January 2018	29,151	269,240	80,741	55,888	345,712	780,732
Additions	528,361	132,985	459,183	44,364	7,837	1,172,730
Disposals	-	(35,445)	-	-	-	(35,445)
Reclassifications	-	-	353,549	-	(353,549)	-
Balance as at 31 December 2018	557,512	366,780	893,473	100,252	-	1,918,017
Balance as at 1 January 2017	29,151	148,490	68,563	359,341	-	605,545
Additions	-	164,850	12,178	42,259	-	219,287
Disposals	-	(44,100)	-	-	-	(44,100)
Reclassifications	-	-	-	(345,712)	345,712	-
Balance as at 31 December 2017	29,151	269,240	80,741	55,888	345,712	780,732
Accumulated Depreciation						
Balance as at 1 January 2018	29,151	70,214	44,853	22,391	-	166,609
Charge for the year	23,337	78,072	112,246	21,477	-	235,132
Disposals	-	(26,942)	-	-	-	(26,942)
Balance as at 31 December 2018	52,488	121,344	157,099	43,868	-	374,799
Balance as at 1 January 2017	28,944	78,212	27,088	13,768	-	148,012
Charge for the year	207	35,605	17,765	8,623	-	62,200
Disposals	-	(43,603)	-	-	-	(43,603)
Balance as at 31 December 2017	29,151	70,214	44,853	22,391	-	166,609
Carrying amounts						
As at 31 December 2018	505,024	245,436	736,374	56,384	-	1,543,218
As at 31 December 2017	-	199,026	35,888	33,497	345,712	614,123

(a) There were no authorised or contracted capital commitments as at the end of the reporting period (31 December 2017: Nil)
(b) There were no capitalised borrowing costs related to the construction of property and equipment during the year (31 December 2017:Nil)
(c) There were no leased assets included in this property and equipment as at year end (31 December 2017: Nil)
(d) There were no impairment losses on any class of property and equipment (31 December 2017: Nil)
(e) The Computer hardware that was acquired to support the Private Cloud System has been developed by the Group. Thus a reclassification from work-in-progress.
(f) All classes of property and equipment are non-current.

Notes to the Consolidated and Separate Financial Statements

27 Intangible assets

Group and Comapny

In thousands of Naira	Computer Software	Work-in-progress	Total
Cost:			
Balance as at 1 January 2018	82,702	9,065	91,767
Additions	2,490	-	2,490
Balance as at 31 December 2018	85,192	9,065	94,257
Balance as at 1 January 2017	85,539	-	85,539
Additions	6,228	-	6,228
Reclassifications	(9,065)	9,065	-
Balance as at 31 December 2017	82,702	9,065	91,767
Accumulated Amortisation			
Balance as at 1 January 2018	73,757	-	73,757
Amortisation during the year	4,825	-	4,825
Balance as at 31 December 2018	78,582	-	78,582
Balance as at 1 January 2017	67,510	-	67,510
Amortisation during the year	6,255	-	6,255
Balance as at 31 December 2017	73,765	-	73,765
Carrying amounts			
As at 31 December 2018	6,610	9,065	15,675
As at 31 December 2017	8,937	9,065	18,002

(a) There were no impairment losses on intangible assets (31 December 2017: Nil)
(b) The intangible assets are non-current assets.

28 Other liabilities

Other liabilities balance comprises

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Account payables	3,977,258	128,062	396,499	128,062
Accruals	1,533,501	297,093	1,503,336	296,253
Accruals for Directors exit pay (See note (ii) below)	27,708	285,645	27,708	285,645
Deposit for shares	124,350	-	124,350	-
Financial liabilities	5,662,817	710,800	2,051,893	709,960
Regulatory fees (SEC) (See note (i) below)	17,925	158,588	17,925	158,588
Unearned fee income (See note (iii) below)	1,363,495	72,629	152,074	72,629
	7,044,237	942,017	2,221,892	941,177
Current	7,044,237	942,017	2,221,892	941,177
Non-current	-	-	-	-
	7,044,237	942,017	2,221,892	941,177

(i) SEC charged 10% on net realised transactions fee income by the Company on secondary market trading on FMDQ's markets as SEC fees for the year.

(ii) Amount represents accruals for Directors exit pay which is payable to the Fund Manager. The Company contributes 50% of the Executive Director's annual gross salary and 50% of the Non-Executive Directors' annual Director's fees for every year of service. The Company's contributions are managed by a separate Fund Manager and the Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the Directors upon exit.

(iii) Amount relates to processing fee income for which the performance obligation is yet to be fulfilled. Processing fee is computed as one third of the total interest earned by the clients on the customer resolution fund, and is earned when the settlement amount is paid out to the customer after making a valid claim.

29 Client resolution fund liability

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Client resolution fund liabilities (See note 22)	33,792,665	-	-	-
	33,792,665	**-**	**-**	**-**
Current	33,792,665	-	-	-
Non-current	-	-	-	-
	33,792,665	**-**	**-**	**-**

30 Margin and fixings variance settlement liabilities

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Margin fund liabilities (See note 23)	88,143,024	-	-	-
Fixings variance settlement liabilities (See note 23)	42,007,676	-	-	-
	130,150,700	-	-	-

31 Provisions

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Balance at the beginning	21,246	21,246	21,246	21,246
Additions	1,508	-	1,508	-
Balance at the end	22,754	21,246	22,754	21,246
Current	-	-	-	-
Non-current	22,754	21,246	22,754	21,246
	22,754	21,246	22,754	21,246

The provision balance relates to PAYE and WHT tax liability resulting from a revised assessment carried out by LIRS during its tax audit exercise conducted for 2015 and 2016 financial year.

32 Capital and Reserve

(a) Share Capital

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Authorised - 1,000,000,000 Ordinary shares of N1.00 each (31 December 2017: 1,000,000,000 of N1.00 each	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid 640,740,741 (31 December 2017: 640,740,741) Ordinary shares of N1.00 each	640,741	640,741	640,741	640,741

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Company.

(c) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

(d) Retained earnings

Retained earnings is the profit generated by the Group not yet distributed to shareholders as dividends. During the previous year, the Board of Directors approved a transfer of N1billion into a sinking fund reserve for the purpose of asset acquisition. It was further agreed that 20% of annual profit be transfered into financial market development fund reserve. The movement in retained earnings is as follows:

in thousands of Naria	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Balance, beginning of the year	298,070	1,108,585	297,682	1,108,585
Profit for the year	5,636,052	236,759	4,610,305	236,371
Transfer from retained earnings	(1,238,794)	(1,047,274)	(1,238,794)	(1,047,274)
Balance, end of the year	4,695,328	298,070	3,669,193	297,682

(e) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired. The movement in fair value reserves is as follows:

in thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Balance, beginning of the year	45,520	120,169	43,866	120,169
Movement in fair value reserves	12,654	74,649	16,632	76,303
Balance, end of the year	32,866	45,520	27,234	43,866

(f) Other reserves

This relates to the sinking fund reserve that was created during the previous year for the purpose of executing the OTC Exchange's capital projects. The Board of Directors approved a transfer of N1billion into a sinking fund reserve for the purpose of asset acquisition. It was further agreed that 20% of annual profit after tax be transfered into Financial market development fund reserve.

33 Group subsidiaries and related party transactions

(a) Parent and ultimate controlling party

FMDQ Securities Exchange PLC is the ultimate parent company with one subsidiary, FMDQ Clear Limited.

(b) Subsidiaries

The Group's investment in subsidiaries as at 31 December 2018 are shown below

Entity	**Year-end**	**Form of Holding**	**Effective holding**	**Nominal share capital held**	**Country of incorporation**	**Nature of Business**
FMDQ Clear Limited	31 Dec	Direct	100%	500,000,000	Nigeria	Securities clearing and settlement

(c) Condensed financial information

The condensed financial data of the consolidated entity as at 31 December 2018, are as follows:

Condensed profit or loss — **31 December 2018**

In thousands of Naira	Group balances	Elimination entries	FMDQ Securities Exchange PLC	FMDQ Clear Limited
Operating income	13,203,865	(6,475,879)	13,250,430	7,951,559
Impairment charge on financial asset	(8,927)	-	(3,697)	(5,230)
Personnel expenses	(2,014,881)	-	(1,941,326)	(73,555)
Operating expenses	(3,731,285)	6,475,879	(4,892,643)	(6,836,766)
Depreciation amd amortisation	(235,132)	-	(235,132)	-
Amortisation	(4,825)	-	(4,825)	-
Profit before tax	7,208,815	-	6,172,807	1,036,008
Taxation	(1,572,763)	-	(1,562,502)	(10,261)
Profit after tax	5,636,052	-	4,610,305	1,025,747
Other comprehensive income/(loss)	12,654	-	16,632	(3,977)
Total comprehensive income for the year	5,648,706	-	4,626,937	1,021,770

Condensed financial position — **31 December 2018**

In thousands of Naira	Group balances	Elimination entries	FMDQ Securities Exchange Plc	FMDQ Clear Limited
Cash and cash equivalents	721,353	-	536,018	185,335
Investment securities	12,033,788	-	1,841,640	10,192,148
Client resolution fund (CRF) assets	33,792,665	-	-	33,792,665
Margin and fixings variance settlement assets	130,150,700	-	-	130,150,700
Other assets	2,053,907	5,194,104	6,078,281	1,124,886
Investment in subsidiary	-	(500,000)	500,000	-
Property and equipment	1,543,218	-	1,543,218	-
Intangible assets	15,675	-	15,675	-
	180,311,306	**4,694,104**	**10,514,832**	**175,445,734**
Financed by:				
Client resolution fund (CRF) liabilities	33,792,665	-	-	33,792,665
Margin and fixings variance settlement liabilities	130,150,700	-	-	130,150,700
Other liabilities	7,044,237	5,194,104	2,221,892	9,971,608
Provisions	22,754	-	22,754	-
Current tax liability	1,508,690	-	1,498,429	10,257
Deferred tax liability	181,841	-	181,841	-
Share capital	640,741	(500,000)	640,741	500,000
Share premium	21,148	-	21,148	-
Fair value reserves	(32,866)	-	(27,234)	(5,632)
Retained earnings	4,695,328	-	3,669,193	1,026,136
Other reserves	2,286,068	-	2,286,068	-
	180,311,306	**4,694,104**	**10,514,832**	**175,445,734**

The condensed financial data of the consolidated entity as at 31 December 2017, are as follows:

Condensed profit or loss **31 December 2017**

In thousands of Naira	Group balances	Elimination entries	FMDQ Securities Exchange PLC	FMDQ Clear Limited
Operating income	2,522,341	-	2,505,833	16,508
Personnel expenses	(658,814)	-	(658,814)	-
Operating expenses	(1,445,313)	-	(1,429,193)	16,120
Depreciation amd amortisation	(68,455)	-	(68,455)	-
Profit before tax	349,759	-	349,371	32,628
Taxation	(113,000)	-	(113,000)	-
Profit after tax	**236,759**	**-**	**236,371**	**32,628**
Other comprehensive income/(loss)	74,649	-	76,303	(1,654)
Total comprehensive income/ for the year	**311,408**	**-**	**312,674**	**30,974**

Condensed financial position **31 December 2017**

In thousands of Naira	Group balances	Elimination entries	FMDQ Securities Exchange PLC	FMDQ Clear Limited
Cash and cash equivalents	347,979	-	345,254	2,725
Investment securities	1,791,572	-	1,279,826	511,746
Other assets	262,880	15,649	277,777	752
Investment in subsidiary	-	(500,000)	500,000	-
Property and equipment	614,123	-	614,123	-
Intangible assets	18,002	-	18,002	-
	3,034,556	**(484,351)**	**3,034,982**	**515,223**
Financed by:				
Other liabilities	942,017	15,649	941,177	16,489
Provisions	21,246	-	21,246	-
Current tax liability	41,589	-	41,589	-
Deferred tax liability	67,991	-	67,991	-
Share capital	640,741	(500,000)	640,741	500,000
Share premium	21,148	-	21,148	-
Fair value reserves	(45,520)	-	(43,866)	(1,654)
Retained earnings	298,070	-	297,682	388
Other reserves	1,047,274	-	1,047,274	-
	3,034,556	**(484,351)**	**3,034,982**	**515,223**

(d) Related party transactions

Key Management is defined as members of the Board of Directors. Furthermore, the Company had transactions with some of its shareholders. The balances as at year end and the amounts during the year of these transactions are as disclosed below:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Cash and cash equivalents (see (a) below & note 20)	721,353	347,979	536,018	345,254
Bank charges (see (b) below & note 18)	3,686	1,388	3,402	1,190
Account receivables (see (c) below & note 24)	1,490,844	45,974	361,476	45,974
Director's fees, emoluments and allowances (see (d) below & 18)	1,575,130	546,153	1,575,130	546,153
Transaction fee income (net) (see (e) below & note 11)	1,890,956	1,586,726	1,890,956	1,586,726
Sponsorship income(see (f) below & note 14)	48,000	57,013	48,000	57,013
FDSO income (See (g) below & note 14)	-	-	6,475,879	-
Intercompany receivables (See note 24)	-	-	5,149,263	15,649

(a) Cash and cash equivalents is represented by bank balances held with Guaranty Trust Bank PLC, Zenith Bank PLC and Access Bank PLC who are also shareholders in the Company.

(b) Bank charges represent charges paid on the Company's bank balances held with Guaranty Trust Bank PLC, Zenith Bank PLC and Access Bank PLC who are also shareholders in the Company.

(c) Accounts receivable is represented by transaction fees receivable from trades executed on the platform by the Dealing Members of the Company during the financial year. These Dealing Members are also shareholders in the Company.

(d) Directors' fees and allowances is represented by emoluments and allowances accrued during the year for the Board of Directors.

(e) Transaction fee income represents income earned on transaction fees charged to Dealing Members who are also shareholders in the Company.

(f) The sponsorship income includes amount received from some sponsors who are also shareholders in the Company to finance its debt capital conference and awards.

(g) The FDSO income represents fees earned from FMDQ Clear Limited, a wholly owned subsidiary, in respect of the franchise development and outsourced services rendered by the parent Company. The fees are accrued in line with the executed agreement with the parent Company, which requires FMDQ Clear Limited to pay 85% of its realised revenue, excluding interest income on proprietary capital.

34 Contingent liabilities, litigations and claims

The Company in its ordinary course of business, is presently not involved in any case as a defendant or plantiff (31 December 2017: Nil).

35 Events after reporting period

There were no events after the end of the reporting period which could have a material effect on the financial position of the Company as at 31 December 2018 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

36 Operating leases: Leases as Lessee

The Company leases its old head office building under an operating lease. The lease runs for 5 years with an option to renew the lease after that date. Lease payments are renegotiated annually to reflect market rentals. Under the lease agreement, the Company is restricted from entering into any sub-lease agreements. However, the Lease terminated on 1 January 2019.

The old head office lease was entered into in 2014 as lease of building. The Company determined that the lease is an operating lease and the Company does not have any interest in the residual value of the building. As a result, it was determined that substantially all of the risks and rewards of the building are with the landlord.

There are no future minimum lease payments as the amounts are determined annually.

Lease expense of N104,711,000 (2017: N27,028,000) was recognised in profit or loss. See note 18.

In addition, the Company entered into another lease agreement as a sub-lessee during the prior year for its new head office building. The lease runs for 5 years with an option to renew at the expiration of the lease term. A total amount of N154,896,943 was paid for the period spanning February 2018 to January 2020.

37 Cashflow workings

(i) Investment Securities

in thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Balance at the beginning of the year	1,791,572	1,552,977	1,279,826	1,552,978
Fair value gain recognised in OCI	12,654	74,649	16,632	76,303
Gain on foreign exchange revaluation (note 15)	5,980	101,279	5,980	101,279
Interest receivable	(3,367)	(4,813)	(3,367)	(4,813)
Balance at the end of the year (See note 21)	(12,033,788)	(1,791,572)	(1,841,640)	(1,279,826)
Movement in investment securities	**(10,226,949)**	**(67,479)**	**(542,569)**	**445,921**

(ii) Property and equipment

in thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Balance at the beginning of the year	614,123	457,533	614,123	457,533
Balance at the end of the year (See note 26)	(1,543,218)	(614,123)	(1,543,218)	(614,123)
	(929,095)	**(156,590)**	**(929,095)**	**(156,590)**
Explained by:				
Acquisition of property and equipment (See note 26)	(1,172,730)	(219,287)	(1,172,730)	(219,287)
Gain on disposal of PPE (See note 14)	(1,334)	(7,998)	(1,334)	(7,998)
Proceeds on disposal	9,837	8,495	9,837	8,495
Depreciation	235,132	62,200	235,132	62,200
	(929,095)	**(156,590)**	**(929,095)**	**(156,590)**

(iii) Intangible assets

in thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Balance at the beginning of the year	18,002	18,029	18,002	18,029
Balance at the end of the year (See note 27)	(15,675)	(18,002)	(15,675)	(18,002)
	2,327	27	2,327	27

(iv) Interest received

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Interest income (See note (i))	252,994	243,723	170,634	227,215
Prior year interest receivable	11,202	16,015	11,202	16,015
Current year interest receivable	(1,271)	(11,202)	(1,271)	(11,202)
Interest received	262,925	248,536	180,565	232,028

(v) Other liabilities

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Balance at the beginning ot the year	(942,017)	(815,540)	(941,177)	(815,540)
VAT paid	405,175	108,381	289,378	108,381
Deposit for shares	(124,350)	-	(124,350)	-
Balance at the end of the year (See note 28)	7,044,237	942,017	2,221,892	941,177
Movement in other liabilities	6,383,045	234,858	1,445,743	234,018

(vi) Other assets

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Balance at the beginning ot the year	262,880	185,080	277,777	185,080
Impairment on other assets	(13,991)	-	(8,761)	-
Impairment on WHT receivables	-	(21,161)	-	(21,161)
Write back of prior year WHT receivables	21,161	-	21,161	-
Balance at the end ot the year (See note 24)	(2,053,907)	(262,880)	(6,078,281)	(277,777)
Movement in other assets	(1,783,857)	(98,961)	(5,788,104)	(113,858)

(vii) Effect of exchange rate changes in cash and cash equivalents

in thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Gain on foreign exchange revaluation on Eurobond	7,097	101,451	7,097	101,451
Exchange rate changes in bank balances	(1,117)	(172)	(1,117)	(172)
Gain on foreign exchangs revaluation (See note 15)	5,980	101,279	5,980	101,279

Other National Disclosures

Value Added Statement
for the year ended 31 December 2018

In thousands of Naira	Group 31-Dec-18	%	Group 31-Dec-17	%	Company 31-Dec-18	%	Company 31-Dec-17	%
Operating income	13,203,865		2,522,341		13,250,430		2,505,833	
Brought in goods and services - local	(10,915,500)		(2,988,941)		(11,903,996)		(2,972,821)	
	2,288,365	100	(466,600)	100	1,346,434	100	(466,988)	100
Distribution of Value Added								
To Employees								
Employees as wages and salaries	(2,014,881)	(88)	(658,814)	141	(1,941,326)	(144)	(658,814)	141
To Government								
Government as tax	(1,572,763)	(69)	(113,000)	24	(1,562,502)	(116)	(113,000)	24
Retained in business								
- For replacement of property and equipmen	235,132	10	62,200	(13)	235,132	17	62,200	(13)
- For replacement of intangible asset	4,825	-	6,255	(1)	4,825	-	6,255	(1)
- To augment reserves	5,636,052	246	236,759	(51)	4,610,305	342	236,371	(51)
	2,288,365	99	(466,600)	100	1,346,434	99	(466,988)	100

Other National Disclosures

Financial Summary

Group

In thousands of Naira	31-Dec-18	31-Dec-17
ASSETS		
Cash and cash equivalents	721,353	347,979
Investment securities	12,033,788	1,791,572
Client resolution fund (CRF) ssset	33,792,665	-
Margin and fixings variance settlement assets	130,150,700	-
Other assets	2,053,907	262,880
Property and equipment	1,543,218	614,123
Intangible assets	15,675	18,002
Total Assets	180,311,306	3,034,556
LIABILITIES		
Client resolution fund (CRF) liability	33,792,665	-
Margin and fixings variance settlement liabilities	130,150,700	-
Other liabilities	7,044,237	942,017
Provisions	22,754	21,246
Current tax liability	1,508,690	41,589
Deferred tax liabilities	181,841	67,991
Total Liabilities	172,700,887	1,072,843
EQUITY		
Share capital	640,741	640,741
Share premium	21,148	21,148
Retained earnings	4,695,328	298,070
Fair value reserves	(32,866)	(45,520)
Other reserves	2,286,068	1,047,274
Total Equity	7,610,419	1,961,713
Total Equity and Liabilities	180,311,306	3,034,556

Group

In thousands of Naira	31-Dec-18	31-Dec-17
Operating Income	13,203,865	2,522,341
Impairment charge on financial assets	(8,927)	-
Operating expenses	(5,986,123)	(2,172,582)
Profit before taxation	7,208,815	349,759
Taxation	(1,572,763)	(113,000)
Profit after taxation	5,636,052	236,759

Other National Disclosures

Financial Summary

Company

In thousands of Naira	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
ASSETS					
Cash and cash equivalents	536,018	345,254	313,483	321,281	129,438
Investment securities	1,841,640	1,279,826	1,552,978	1,699,921	1,218,725
Other assets	6,078,281	277,777	185,080	77,207	80,317
Investment in subsidiary	500,000	500,000	-	-	-
Property and equipment	1,543,218	614,123	457,533	84,665	93,275
Intangible assets	15,675	18,002	18,029	24,870	54,693
Total Assets	10,514,832	3,034,982	2,527,103	2,207,944	1,576,448
LIABILITIES					
Other liabilities	2,221,892	941,177	815,540	676,233	326,644
Provisions	22,754	21,246	21,246	-	-
Current tax liability	1,498,429	41,589	23,772	116,290	145,014
Deferred tax liabilities	181,841	67,991	16,240	13,627	15,570
Total Liabilities	3,924,916	1,072,003	876,798	806,150	487,228
EQUITY					
Share capital	640,741	640,741	640,741	640,741	640,741
Share premium	21,148	21,148	21,148	21,148	21,148
Retained earnings	3,669,193	297,682	1,108,585	786,715	427,331
Fair value reserves	(27,234)	(43,866)	(120,169)	(46,810)	-
Other reserves	2,286,068	1,047,274	-	-	-
Total Equity	6,589,916	1,962,979	1,650,305	1,401,794	1,089,220
Total Equity and Liabilities	10,514,832	3,034,982	2,527,103	2,207,944	1,576,448

Company

In thousands of Naira	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
Operating Income	13,250,430	2,505,833	2,040,906	2,076,441	1,753,006
Operating expenses	(7,077,623)	(2,156,462)	(1,600,531)	(1,602,671)	(1,044,487)
Profit before taxation	6,172,807	349,371	440,375	473,770	708,519
Taxation	(1,562,502)	(113,000)	(118,505)	(114,347)	(160,584)
Profit after taxation	4,610,305	236,371	321,870	359,423	547,935

MEMORIES OF 2018: Notable Dates

January

- Operationalisation of FMDQ Clear Limited
- Stanbic IBTC Money Market Fund and Stanbic IBTC Bond Fund Admitted for Listing on FMDQ
- ₦8.53 billion UACN Property Development Company PLC Commercial Paper Notes Admitted on FMDQ
- ₦12.04 billion Dufil Prima Foods PLC Commercial Paper Notes Quoted on FMDQ
- ₦10.00 billion Viathan Funding PLC Bond Listed on the FMDQ

February

- ₦33.04 billion Access Bank PLC Commercial Paper Notes Admitted on FMDQ
- ₦100.00 billion Federal Roads Sukuk Company PLC, Ijarah Sovereign Sukuk, of the Federal Government of Nigeria Admitted for Listing on FMDQ
- ₦3.93 billion UACN Property Development Company PLC Commercial Paper Notes Quoted on FMDQ
- ₦3.15 billion LAPO MFB SPV PLC Bond Listed on FMDQ

March

- ₦85.14 billion Lagos State Government of Nigeria Bonds Listed on FMDQ
- FMDQ Commemorates 2018 International Women's Day
- ₦18.56 billion FSDH Merchant Bank Limited Commercial Paper Notes Admitted on FMDQ
- FMDQ Partners with Financial Sector Development Africa and Climate Bonds Initiative to Develop Green Bonds in Nigeria

April

- ₦10.69 billion Green Bond of the Federal Government of Nigeria Listed on FMDQ
- ₦100.00 billion Coronation Merchant Bank Limited Commercial Paper Programme Registered on FMDQ

May

- ₦18.69 billion Sterling Bank PLC Commercial Paper Notes Quoted on FMDQ
- ₦16.43 billion Nigerian Breweries PLC Commercial Papers Notes Quoted on FMDQ
- ₦871.61 million UACN Property Development Company PLC Commercial Paper Notes Quoted on FMDQ
- FMDQ Commercial Paper Market Hits ₦1.00 trillion Mark
- FMDQ Clear and Frontclear Partner to Deliver First-Class Clearing Structure in Nigeria
- ₦26.43 billion Lafarge Africa Commercial Papers Notes Quoted on FMDQ

June

- FMDQ Announces the Operationalisation of FMDQ Clear
- Launch of Nigerian Green Bond Market Development Programme by FMDQ, CBI and FSD Africa
- CBN, FMDQ, FMDA Deliver Straight-Through-Processing to the Nigerian Fixed Income Market
- ₦150.00 billion Dangote Cement PLC Commercial Paper Programme Registered on FMDQ
- ₦20.00 billion Coronation Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ
- FMDQ Hosts 1st Bi-Annual "Members Only" Meeting for 2018

July

- ₦10.66 billion UACN Property Development Company Limited Commercial Paper Notes Quoted on FMDQ
- ₦4.36 billion UACN Property Development Company Limited Bond Listed on FMDQ
- ₦50.00 billion Dangote Cement PLC Commercial Paper Notes Quoted on FMDQ
- ₦11.08 billion Nigerian Breweries PLC Commercial Paper Notes Quoted on FMDQ
- ₦11.00 billion Nigeria Mortgage Refinance Company PLC Bond Listed on FMDQ
- Launch of the FMDQ New Office Premises - Exchange Place
- 6th Annual General Meeting of FMDQ
- Activation of FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next)
- FMDQ and Thomson Reuters Partner to Strengthen Nigerian Financial Markets
- ₦11.15 billion Lafarge Africa PLC Commercial Paper Notes Quoted on FMDQ

August

- FMDQ Admitted as an Affiliate Member of IOSCO
- ₦5.85 billion Lafarge Africa PLC Commercial Paper Notes Quoted on FMDQ
- ₦7.00 billion C & I Leasing PLC Bond Listed on FMDQ
- ₦46.98 billion Sterling Bank PLC Commercial Paper Notes Quoted on FMDQ
- ₦28.70 billion Access Bank PLC Commercial Paper Notes Quoted on FMDQ
- ₦50.00 billion Dangote Cement PLC Commercial Paper Notes Quoted on FMDQ
- ₦100.00 billion Union Bank of Nigeria PLC Commercial Paper Programme Registered on FMDQ
- ₦100.00 billion Flour Mills of Nigeria PLC Commercial Paper Programme Registered on FMDQ
- FMDQ Hosts Ms. Theresa May, British Prime Minister, at Exchange Place
- FMDQ Hosts Mr. Frank Aigbogun, CEO & Publisher, BusinessDay Media Limited, at Exchange Place

September

- ₦8.01 billion Flour Mills of Nigeria PLC Commercial Paper Notes Quoted on FMDQ
- ₦14.26 billion Chapel Hill Denham Nigeria Infrastructure Debt Fund Listed on FMDQ
- FMDQ Wins Capital Market Correspondents Association of Nigeria Award "In Special Recognition of FMDQ's Contribution Towards the Development and Transformation of the Nigerian Debt Capital Market"

October

- ₦100.00 billion FBNQuest Merchant Bank Limited Commercial Paper Programme Registered on FMDQ
- FMDQ Hosts Bootcamp Training for Corporates in the Nigerian Debt Capital Market
- ₦20.00 billion United Capital PLC Commercial Paper Programme Registered on FMDQ
- FMDQ Hosts the Nigerian Green Bond Development Programme Investors Capacity Building & Training
- ₦10.59 billion Flour Mills of Nigeria PLC Commercial Paper Notes Quoted on FMDQ

November

- ₦7.42 billion FBNQuest Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ
- FMDQ Celebrates 1st Lustrum
- FMDQ Launches Staff Leadership Development Series
- FMDQ Holds Maiden FMDQ GOLD Awards
- FMDQ Holds Media Parley
- ₦15.33 billion FSDH Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ
- FMDQ Hosts Series II Investors Housing Roundtable
- FMDQ Hosts Ms. Arunma Oteh, OON, Vice President and Treasurer, World Bank
- ₦17.68 billion Wema Funding SPV PLC Bond Listed on FMDQ
- ₦15.00 billion Mixta Real Estate PLC Commercial Paper Programme Registered on FMDQ
- ₦13.50 billion Union Bank of Nigeria PLC Bond Listed on FMDQ

December

- ₦20.11 billion Flour Mills of Nigeria PLC Bond Listed on FMDQ
- FMDQ Hosts 2nd Bi-Annual "Members Only" Meeting for 2018
- ₦10.00 billion Eterna PLC Commercial Paper Programme Registered on FMDQ
- FMDQ Launches Phase II of the DMS Market and Q-Deal
- ₦32.90 billion Sterling Investment Management SPV PLC Bond Listed on FMDQ
- ₦3.00 billion Eterna Oil PLC Commercial Paper Notes Quoted on FMDQ

FMDQ in the News

BUSINESS DAY

NEWS YOU CAN TRUST | **WEDNESDAY 13 JUNE 2018 | VOL. 15, NO 74 | N300 @businessdayng www.businessdayonline.com facebook.com/businessdayonline @businessDayNG

CALEB OJEWALE, ANTHONIA OBOKOH, & MICHAEL ANI

Less than 24 hours after BusinessDay reported the number of Nigerian trained medical doctors working in the UK, the number increased by one when BusinessDay checked again yesterday bringing Nigerian doctors practicing in the country to 5,340, ac-

Continues on page 4

Stanbic IBTC aggressive fund, United Capital, ARM lead equity funds performance in 2018

L-R: Bola Onadele. Koko, non-executive director, FMDQ Clear Limited; Daisy Ekineh, chairman board of directors; Omolola Olowu, company secretary, and Kaodi Ugoji, non-executive director, at the first annual general meeting of FMDQ Clear Limited, a wholly-owned subsidiary of FMDQ OTC Securities Exchange in Lagos, yesterday.

inability to release cargoes

IFEOMA OKEKE

The new Customs Area Comptroller, of Murtala Muhammed International Airport (MMIA) Jayne Shoboiki is causing untold hardship and chaos for Nigerians who

Continues on page 46

Inside

Ikeja Military Cantonment owes N1.57bn unpaid electricity bill P. 47

24 | THE GUARDIAN, Tuesday, July 24, 2018

Business

www.guardian.ng

'Listing of N10b FGN Green bond on FMDQ will deepen DCM'

By Helen Oji

THE FMDQ OTC Securities Exchange has said the listing of the N10.69 billion 5-year FGN Green bond on its platform would further deepen the Debt Capital Market (DCM), by increasing the range of investible securities in the market.

The Managing Director/CEO, FMDQ OTC Securities Exchange, Bola Onadele, while addressing financial market dealers at the pioneer listing of the bond in Lagos, on Friday, said the bond would accelerate the growth of DCM, and help address Nigeria's infrastructure gap and environmental challenges in a sustainable manner.

He reiterated the OTC Exchange's commitment to supporting initiatives of the Debt Management Office (DMO), towards the development of a highly liquid, deep and well-developed DCM in Nigeria.

He added that through consistent collaboration with its stakeholders, FMDQ would further deepen and position the Nigerian DCM for growth, in support of the realisation of a globally competitive and vibrant economy.

Also speaking at the occasion, the Director-General, DMO, Patience Oniha, explained that the issuance of the nation's first sovereign green bond further demonstrates Nigeria's commitment to the protection of the environment.

"Nigeria endorsed the Paris Agreement on Climate Change on September 21, 2016, and undertook to achieving the Nationally Determined Contributions (NDCs), aimed at reducing carbon emissions by 20% unconditionally and 45%, with international support, by 2030. These projects require funding and the issuance of the green bond, the proceeds from which are dedicated to financing environmental projects, signals the Government's commitment to funding the NDCs.

According to her, countries across the globe are resorting to mobilising funds from the DCM to finance environmentally friendly projects to support national development.

She added that DMO has taken a cue from other countries, by listing the first green bond in the Nigerian DCM.

"The Debt Management Office worked with the Federal Ministry of Environment and other stakeholders to develop guidelines and operational procedures for the green bond and the issuance of the debut green bond.

"The FGN has led this issuance, adhering to globally accepted standards and requirements, setting precedence for other categories of issuers such as sub-national governments and corporates to issue green bonds. Further to the listing of this instrument, the DMO expects that trading will not only bring about climate change awareness but will also diversify the Nigerian capital markets and attract more investors."

BUSINESS/MONEYGUIDE

FMDQ OTC, S&P Dow Jones Indices Brand Nigeria's Sovereign Bond Index

Commercial Paper issuance hits N1trn on FMDQ reforms

BUSINESS DAY

FMDQ unveils critical Clearing Infrastructure

... positions to bolster liquidity and financial system stability in Nigeria through establishment of first-class central clearing and settlement structure

BUSINESS DAY

FMDQ Clear joins forces with Frontclear to deliver clearing structure for OTC market

to significantly improve access to repos, interest rate, currency derivatives

BUSINESS DAY

Pictorial Highlights of FMDQ's 1st Lustrum


FMDQ
GOLD AWARDS


FMDQ
OTC Securities Exchange
5th


Mr. Fola Adeola

Pictorial Highlights of the 2018 FMDQ Maiden GOLD Awards


FMDQ

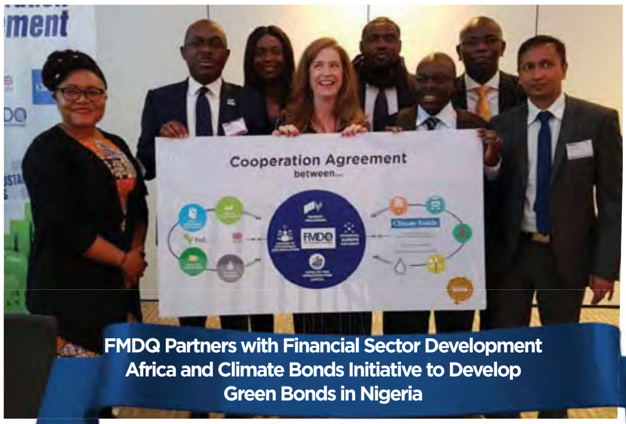
Maiden GOLD Awards Winners


FMDQ
5th
Recognising Excellence in the Nigerian Fixed Income, Currencies & Derivatives Markets...
Congratulations to the Maiden FMDQ GOLD Awards Winners!!!
Secondary Market Awards Category (2013 - 2018)
FMDQ 1st Lustrum Dealing Member
Stanbic IBTC
Stanbic IBTC Bank PLC
This award goes to the FMDQ Dealing Member with the highest turnover in the products traded on FMDQ over the first five (5) years of FMDQ.
FMDQ Fixed Income Market Liquidity Provider
access
Access Bank PLC
This award goes to the FMDQ Dealing Member with the highest turnover in fixed income securities on FMDQ.
FMDQ Money Market Liquidity Provider
FirstBank
First Bank of Nigeria Limited
This award goes to the FMDQ Dealing Member with the highest turnover in money market products on FMDQ.
FMDQ FX Market Liquidity Provider
Stanbic IBTC
Stanbic IBTC Bank PLC
This awards goes to the FMDQ Dealing Member with the highest turnover in FX on FMDQ.
FMDQ OTC FX Futures Bank
Zenith Bank PLC
This award goes to the FMDQ Dealing Member with the highest value of executed OTC FX Futures contracts on FMDQ.
FMDQ Member Compliance
Stanbic IBTC
Stanbic IBTC Bank PLC
This award goes to the Dealing Member with the least number of infractions, thereby most compliant to the market rules and guidelines of FMDQ.
Members' & Clients' Choice Awards Category (2013 - 2018)
Regulator Market Transformation Initiative
SEC NIGERIA
This award goes to the Securities and Exchange Commission for the action/initiative during the last 5 years that has had the most significant and progressive transformation in the capital markets. This action/initiative has caused a glaring positive difference in the markets and has made for an improved market.
Regulator Market Transformation Initiative
Pension Reform Act 2014
This award goes to National Pension Commission for the action/initiative during the last 5 years that has had or has the potential to have the most significant and progressive transformation in the capital markets. This action/initiative has caused a glaring positive difference in the markets and has made for an improved market.
Debt Capital Markets Development Catalyst
NMRC
Nigeria Mortgage Refinance Company PLC
This award goes to an institution that was established to fulfil a fundamental gap in the DCM; and has the potential to galvanise and propel development in the DCM.
Most Active Buy-side Participant in the Fixed Income Market
Stanbic IBTC
Stanbic IBTC Pension Managers Limited
This award goes to the buy-side participant that has been voted the most active player in the fixed income market by FMDQ Dealing Members.
Most Active Foreign Portfolio Investor in the Nigerian Fixed Income and Currency Markets
J.P.Morgan
J.P. Morgan, United Kingdom
This award goes to the institution that has been voted by FMDQ Dealing Members as the most active foreign portfolio investor in the Nigerian fixed income and currency markets, contributing significantly to foreign currency inflows to the nation.
Most Active Corporate in the Foreign Exchange Market
MTN
MTN Nigeria Communications Limited
This award goes to the institution that has been voted the most active non-bank corporate player in the foreign exchange market by FMDQ Dealing Members.
Best Brokerage Service
PARTHIAN
Parthian Partners Limited
This award goes to the FMDQ Associate Member (Inter-Dealer Brokers) voted by Members as providing the most exemplary brokerage service.


FMDQ OTC Securities Exchange
5th ANNIVERSARY
Tiny Footsteps ...Lasting Strides
Recognising Excellence in the Nigerian Fixed Income, Currencies & Derivatives Markets...
Special Recognitions and GOLD Award Recipients
FMDQ Game Changer
Mr. Godwin Emefiele, CON
Governor, Central Bank of Nigeria
FMDQ Markets Legacy Award
Ms. Arunma Oteh, OON
Vice President & Treasurer, World Bank
FMDQ Markets Legacy Award
Emir of Kano, H.R.M. Muhammadu Sanusi II, CON
FMDQ Lustrum Personality
Mr. Jingdong Hua
Vice President & Treasurer, International Finance Corporation
Financial Market Architects
Mr. Aigboje Aig-Imoukhuede, CON
Mr. Akinsowon Dawodu
Mrs. Sola David-Borha
Financial Markets Dealers Association
Regulatory Visionaries (Individuals)
Ms. Arunma Oteh, OON
Emir of Kano, H.R.M. Muhammadu Sanusi II, CON
Dr. Abraham Nwankwo
Dr. (Mrs.) Sarah O. Alade, OON
Special Recognition (Technology Partners)
Bloomberg
THOMSON REUTERS
FMDQ GOLD AWARDS
Special Recognition (Media Partners)
BUSINESS DAY
CHANNELS
proshare
Regulatory Visionaries (Institutions)
Central Bank of Nigeria
Debt Management Office, Nigeria
SEC NIGERIA
Securities and Exchange Commission, Nigeria
Financial Market Champions
G. ELIAS & Co.
G. Elias & Co
FDHL
FDHL
mt
Management Transformation Limited
FMDQ Markets Luminaries
Mr. Fola Adeola, MFR
Mr. Jim Ovia, CON
Mrs. Funke Osibodu
Mr. Atedo Peterside, CON

Pictorial Highlights of Key Engagements in 2018

FMDQ Commemorates 2018 International Women's Day

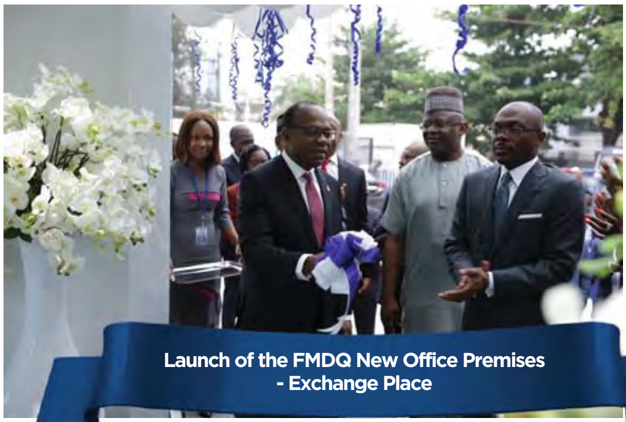


FMDQ Partners with Financial Sector Development Africa and Climate Bonds Initiative to Develop Green Bonds in Nigeria

FMDQ Clear and Frontclear Partner to Deliver First-Class Clearing Structure in Nigeria

Launch of Nigerian Green Bond Market Development Programme by FMDQ, Climate Bonds Initiative and Financial Sector Deepening Africa

FMDQ Hosts 1st Bi-Annual "Members Only" Meeting for 2018



Launch of the FMDQ New Office Premises - Exchange Place

6th Annual General Meeting of FMDQ

Activation of FMDQ Next Generation Financial Markets Empowerment Programme (FMDQ-Next)

FMDQ and Thomson Reuters Partner to Strengthen Nigerian Financial Market

FMDQ Wins Capital Market Correspondents Association of Nigeria Award *"In Special Recognition of FMDQ's Contribution Towards the Development and Transformation of the Nigerian Debt Capital Market"*

FMDQ Hosts Bootcamp Training for Corporates in the Nigerian Debt Capital Market

FMDQ Hosts the Nigerian Green Bond Development Programme Investors Capacity Building & Training

FMDQ Celebrates 1st Lustrum

FMDQ Hosts Maiden GOLD Awards

FMDQ Hosts Ease of Doing Business Sensitisation Session

FMDQ Hosts Series II Investors Housing Roundtable

FMDQ Hosts 2nd Bi-Annual "Members Only" Meeting for 2018

FMDQ Launches Phase II of the DMS Market

Listing and Quotation Ceremonies in 2018

Stanbic IBTC Dollar, Money Market and Bond Funds Listing Ceremony

Viathan Funding PLC Bond Listing Ceremony

Federal Government of Nigeria Sukuk Listing Ceremony

LAPO MFB SPV PLC Bond Listing Ceremony

Federal Government of Nigeria Green Bond Listing Ceremony

Dangote Cement PLC Commercial Paper Quotation Ceremony

C & I Leasing PLC Bond Listing Ceremony

Union Bank of Nigeria PLC Bond Listing Ceremony

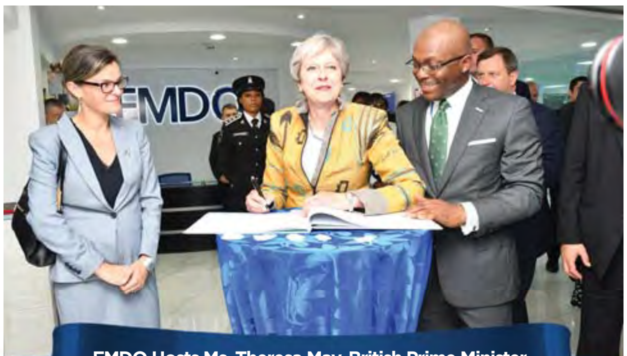
Flour Mills of Nigeria PLC Bond Listing Ceremony

Federal Government of Nigeria Green Bond Listing Ceremony

Federal Government of Nigeria Sukuk Listing Ceremony

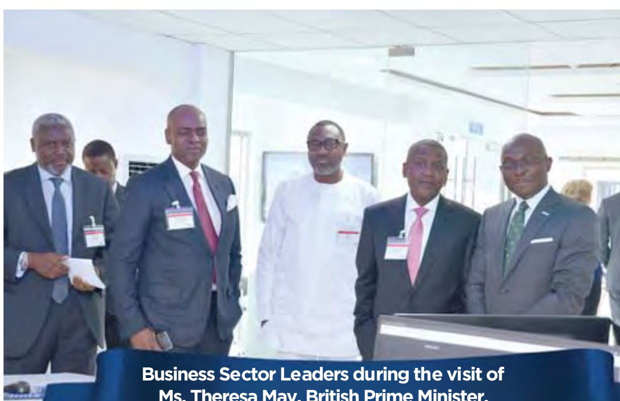
Flour Mills of Nigeria PLC Bond Listing Ceremony

Key Stakeholder Visits In 2018



FMDQ Hosts Ms. Theresa May, British Prime Minister, at Exchange Place

Business Sector Leaders during the visit of Ms. Theresa May, British Prime Minister, at Exchange Place



Business Sector Leaders during the visit of Ms. Theresa May, British Prime Minister, at Exchange Place

FMDQ Hosts Mr. Frank Aigbogun, CEO & Publisher, BusinessDay Media, at Exchange Place

FMDQ at the World Federation of Exchanges 58th General Assembly & Annual Meeting in Greece

FMDQ Hosts Ms. Arunma Oteh, OON, Vice President and Treasurer, World Bank

FMDQ People

Executive Committee

Business Leadership Committee

Management Committee

Mr. Bola Onadele. Koko (MD/CEO) with 2018 Highly Exceptional Employees

All Staff

Corporate Information

Registered Office:	Exchange Place 35, Idowu Taylor Street Victoria Island Lagos, Nigeria
RC No.:	929657
Company Secretary	Mr. Ajibola Asolo Exchange Place 35, Idowu Taylor Street Victoria Island Lagos, Nigeria
Chairman:	Dr. Okwu Joseph Nnanna
Vice Chairman:	Mr. Jibril Aku
Other Directors:	Mr. Kennedy Uzoka Mr. Patrick Akinwuntan Ms. Daisy Ekineh Mr. Ebenezer Onyeagwu Mr. Emeka Emuwa Mr. Dapo Akisanya Mr. Kayode Akinkugbe Mr. Samuel Ocheho
Managing Director/CEO:	Mr. Bola Onadele. Koko
Auditor	KPMG Professional Services KPMG Towers Bishop Aboyade Cole Street Victoria Island Lagos, Nigeria
Bankers	Access Bank PLC Guaranty Trust Bank PLC Stanbic IBTC Bank PLC Zenith Bank PLC