FMDQ OTC PLC

2017

ANNUAL REPORT & ACCOUNTS

FMDQ OTC Securities Exchange

Transforming the Nigerian **Financial Markets**

FMDQ OTC Securities Exchange

Transforming the Nigerian Financial Markets

Fixed Income ▪ Currencies ▪ Derivatives

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NOTICE OF THE 6TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 6th Annual General Meeting ("AGM") of FMDQ OTC PLC (the "Company") will be held at FMDQ OTC PLC, 35 Idowu Taylor Street, Victoria Island, Lagos, on Friday, July 27, 2018 at 10:00 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, 2017, together with the reports of the Directors, the Auditors and the Audit Committee thereon

2. To appoint 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 and appoint Directors of the Company

2. To lay before the members for consideration and approval, particulars of the Directors' remuneration and compensation as contemplated in the Companies and Allied Matters Act 2004

NOTES

1. Proxy

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in 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 OTC PLC, No. 1 Olosa Street, Victoria Island, Lagos, not less than forty-eight (48) hours before the time fixed for the meeting.

2. Voting

On a show of hands, every member present in person or proxy shall have one vote and, on a poll, every member shall have one vote for every share of which it is the holder.

3. 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.

4. Ratification of the Appointment of a Director

Dr. Demola Sogunle was appointed as a Non-Executive Director with effect from July 18, 2017. This appointment is being presented for members' approval. The profiles of all the Company's Directors are contained on the Company's website.

BY ORDER OF THE BOARD

Ajibola Asolo
Company Secretary
FRC/2015/NBA/00000013523
FMDQ OTC PLC
1, Olosa Street
Victoria Island
Lagos
June 20, 2018

ABOUT THIS REPORT

Board Responsibility for Annual Report

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

Disclaimer

Some of the statements in the Annual 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 Annual Report presents the activities and Audited Financial Statements of the OTC Exchange for the year ended December 31, 2017. 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.

COMPANY PROFILE

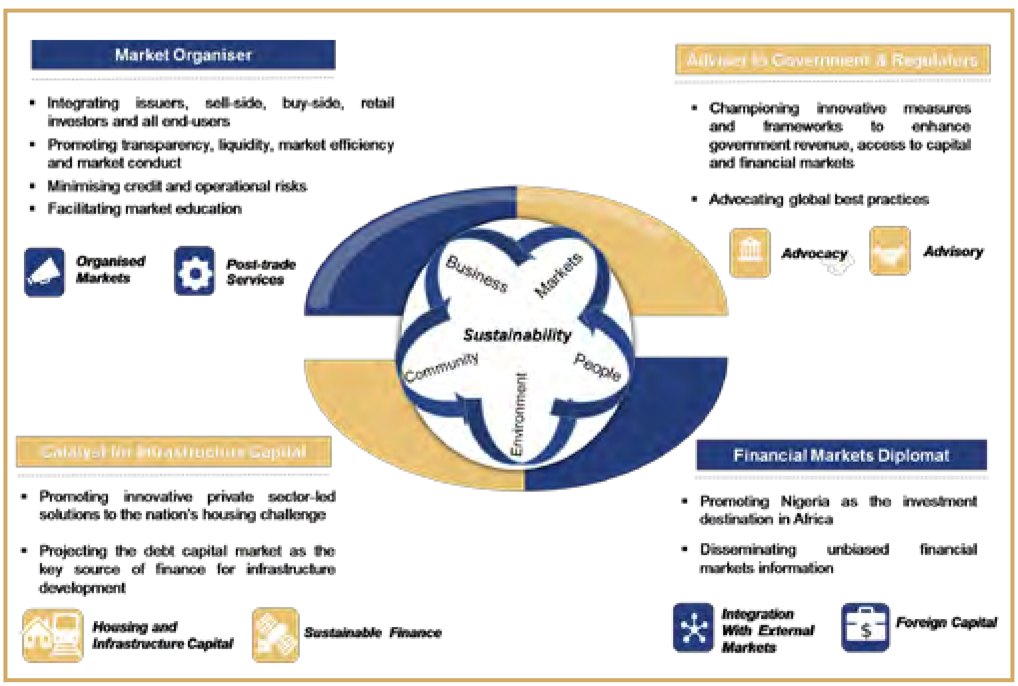
WHO WE ARE

FMDQ OTC Securities Exchange is Nigeria's foremost debt capital, currencies and derivatives over-the-counter (OTC) securities exchange, offering, amongst other world-class services, an efficient platform for the registration, listing, quotation, noting, trading, order execution, and trade reporting of fixed income, currency and derivative products. With an average annual market turnover of circa ₦124 trillion ($560 billion) over the last four (4) years, FMDQ operates the largest securities exchange in Nigeria.

FMDQ was registered by the Securities and Exchange Commission (SEC), Nigeria, in 2012, and launched on to the Nigerian financial market in 2013, and uniquely combines the functions of a securities exchange - providing a platform for businesses and governments to seamlessly raise capital, as well as organising and deepening the markets - and a self-regulatory organisation - responsible for regulating the activities of its Members in the markets under its governance.

FMDQ, through effective collaboration with key financial markets stakeholders, provides a world-class market governance structure for the OTC markets within its purview: fixed Income (money, 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, noting and post-trade services to the various stakeholders within its markets.

In line with 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

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.

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

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.

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 championing the advancement of its markets through the introduction of innovative products and the institutionalisation of robust market architecture.

Continually exploring new avenues to maximise its offerings to various stakeholders, FMDQ's value proposition is hinged on Transparency, Integration, Regulation and Education, with its system and product innovation activities and market integration agenda geared towards transforming the Nigerian financial markets and empowering the economy.

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 OTC 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.


G
Global Competitiveness
Governance
Transparency
Professionalism
Payment & Settlement Technology
Documentation
Central Clearing
Trade Repository
O
Operational Excellence
Certification
Standardisation
Market Information
Legal Support
Clearing
Delivery versus Payment/ Delivery versus Free
Market Systems
Straight-through-Processing
L
Liquidity
Network Effects
Trade Volume
Trading Intensity
D
Diversity
Product Diversification
Market Diversification
Market Players/Foreign Participation

Memberships

MEMBERSHIPS

As a financial market organiser and frontline regulator, FMDQ provides a platform for the effective integration of participants in the Nigerian financial markets at various levels, including, but not limited to, market makers, dealers, financial markets regulators, issuers, issuing houses, brokers, investors and end-users. FMDQ's diverse membership categories are therefore structured to address the needs of these stakeholders, whilst supporting the realisation of some of the OTC Exchange's objectives, which include, among others:

- Boosting market liquidity
- Improving network effects and reducing market failure
- Implementing effective governance structures
- Facilitating market integration
- Fostering market innovation and development

FMDQ has four (4) broad membership categories – Dealing, Associate, Registration and Affiliate Members - which support the OTC Exchange's unwavering commitment to consistently create long-term value for its various stakeholders.

These membership categories were created to promote integration, growth and diversity in the Nigerian financial markets, and foster the alignment of the domestic markets with global standards. FMDQ's membership categories are highlighted as follows:

Category	Sub-Category	
 Dealing Members	This membership category, which is further made up of two (2) sub-categories (Banks and Specialists), consists of institutions that make market in the product traded on FMDQ:	
	Banks	The Dealing Member (Banks) (DMBs) are banks licenced by the Central Bank of Nigeria (CBN) that provide liquidity and make market in products traded in the FMDQ OTC markets. These products include, but are not limited to, currencies, fixed income, money market, and derivative. These CBN-licenced banks provide circa 99% of the overall liquidity in the FMDQ OTC markets. As at December 31, 2017, there were **twenty-seven (27)** FMDQ-licenced DMBs.

	Specialists	Dealing Member (Specialists) (DMSs) are non-bank financial institutions - investment banking firms, securities dealing firms and experienced registered over-the-counter (OTC) fixed income investment firms - licenced to make market, improve price formation and liquidity in all fixed income products admitted for trading on FMDQ. The DMSs will serve as key avenues for retail participation in the fixed income market. Institutions in this sub-category clear and settle trades through settlement banks, i.e. FMDQ DMBs. As at December 31, 2017, there were **nineteen (19)** provisionally-licenced FMDQ DMSs.

Category	**Sub-Category**	
Associate Meembers	FMDQ Associate Members are classified into three (3) sub-categories. As at December 31, 2017, they were **forty-eighty (48)** Associate Members. These sub-categories include:	
	Inter-Dealer Brokers	Institutions in this sub-category offer brokerage services amongst FMDQ Dealing Members. These institutions are registered by the Securities and Exchange Commission (SEC) as inter-dealer brokers and are authorised by FMDQ to provide their services, thereby facilitating liquidity, on the its platform. There were **three (3)** Associate Member (Inter-Dealer Brokers) as at December 31, 2017.
	Brokers	These institutions are registered with the SEC as “brokers” or “broker/dealers” and are authorised by FMDQ to provide their services, as Associate Member (Brokers), on its platform. Associate Member (Brokers) provide liquidity in the FMDQ fixed income and money markets, offering brokerage services between FMDQ Dealing Members and clients (i.e. investors) only. There were **seven (7)** Associate Member (Brokers) as at December 31, 2017.
	Clients	This sub-category is made up of select institutions that actively participate in the FMDQ OTC markets as end-users of the products traded on the platform. Associate Member (Clients) largely consist of institutional investors (pension fund administrators, other asset/fund managers, insurance companies, other corporates (non-bank)). There were **thirty-eight (38)** Associate Member (Clients) as at December 31, 2017.

Category	Sub-Category	
Registration Members	These are institutions licenced by FMDQ to sponsor/facilitate the introduction of fixed income securities for registration, listing, quotation or noting on the FMDQ platform. FMDQ Registration Members, further categorised into Registration Member (Listings) and Registration Member (Quotations), were a total of **fifty-six (56)** institutions as at December 31, 2017.	
	Listings	This sub-category is made up of SEC-registered issuing houses, authorised by FMDQ to act as sponsors of issuers of publicly offered/ privately placed fixed income securities, including bonds, asset-backed securities, mortgage-backed securities, mutual and exchange traded funds, among others, for listing and/or noting on FMDQ. There were **twenty-eight (28)** Associate Member (Clients) as at December 31, 2017.
	Quotations	These are financial institutions authorised by FMDQ to act as sponsors of issuers of short-term debt securities, e.g. commercial papers, for quotation on the OTC Exchange. As at December 31, 2017, there were a total of **twenty-eight (28)** Members in this sub-category.
Category	**Sub-Category**	
Affiliate Members	Standard	This membership sub-category was established to meet the increasing need for data, information and analytics by various stakeholders, and geared towards providing accurate, transparent and insightful comprehensive financial market data, and pre/post-trade information, among others, for the benefit and use of FMDQ's varied stakeholders. Institutions and individuals registered in this sub-category have keen interest in and are affiliated with the FMDQ markets and benefit immensely from the OTC Exchange's commitment to develop the Nigerian financial markets competence through knowledge and information.
	Regulator	This sub-category is made up of financial market regulators seeking visibility and market data access rights over the market activities of their respective supervisees within the FMDQ markets. The OTC Exchange is able to facilitate this value-add through the development and provision of relevant FMDQ proprietary trading, reporting and surveillance systems.
	FX Trading	This membership sub-category was established for corporate institutions seeking to execute FX trades with CBN-Authorised FX Dealers (i.e. FMDQ DMBs). Institutions under this sub-category, are authorised to trade FX with DMBs via the relevant FMDQ-advised FX Trading and Surveillance System(s) and have access to the additional benefits granted the Affiliate Members under the "Standard" sub-category.
		FX Trading (Corporates) – This variant of the Affiliate Member (FX Trading) membership category, caters to corporate institutions seeking to execute FX trades with CBN-Authorised FX Dealers (i.e. FMDQ DMBs) via the relevant FMDQ-advised Trading and Surveillance System(s) only

Dear Distinguished Shareholders,

It is with great pleasure that I welcome you to the 6th Annual General Meeting of our Company, the first in my capacity as Chairman of the Board of Directors. I have the honour and privilege to present the Annual Report and Accounts of the FMDQ OTC PLC for the year ended December 31, 2017.

Dr. Okwu Joseph Nnanna

Chairman, FMDQ OTC Securities Exchange

Operating Environment

The global economy picked up in 2017, despite the pessimistic predictions following the rise of populism, Brexit concerns and geopolitical tensions. Nonetheless the year showcased the strongest global growth of 3.6 per cent since 2011, driven by strong global trade and GDP growth, as well as subdued inflationary pressures.

In Nigeria, our gross domestic product (GDP) emerged from recession by achieving a growth rate of 0.83 per cent, an improvement from the -1.58 per cent recorded in 2016. The oil sector, which has witnessed limited investments in CAPEX, recorded a growth of 4.79 per cent compared to -14.45 per cent in 2016, this represents a significant improvement, while the non-oil sector's contribution of 92.83 per cent raised hopes for Nigeria's growth projections for 2018, driven by agriculture, trade, services and transport. Headline Inflation (on a Year-on-Year basis) moderated to 15.44 per cent nevertheless, a lull in the labour market persisted as the economy wrestled with job creation for a budding labour force despite the country's improving growth position.

Pro-market FX reforms by the Central Bank of Nigeria (CBN) characterised by the introduction of the Investors' and Exporters' (I&E) FX Window, in April 2017, significantly improved foreign currency liquidity and exchange rate stability in the macroeconomy. The I&E FX window represents a game changer in the FX management regime of the monetary authority. Total FX flows through the Window has exceeded USD 45 billion to date. The weighted average rate in the I&E FX window in the fourth quarter 2017 was $/₦360.46.

Financial Performance

Notwithstanding Nigeria's macroeconomic challenges, the OTC Exchange recorded a revenue of ₦2.57 billion, up 26 per cent from 2016, the highest recorded since its inception in 2013, however due to investments made in strategic market development initiatives during the year, the operating expenses also grew by 39 per cent to ₦2.22 billion, leading to a decline of 20.58 per cent in Profit before Tax (PBT), at ₦349.76 million, when compared to 2016. Turnover from trading activities on our platform also recorded the highest value since inception at ₦142.03 trillion, a 25 per cent increase when compared to the previous year, with increased trading activities seen in the Treasury Bills and Foreign Exchange product lines. A detailed account of the Company's financial performance is set out in the CEO's Review.

Corporate Development

Our Listings & Quotations business thrived in 2017 as we admitted an impressive number of fifty (50) debt securities, up 74 per cent from the previous year, with a total value of ₦236.87bn. We recorded a total of thirty-seven (37) Commercial Papers (CPs), ten (10) Bonds and three (3) Funds quoted and listed on our platform. Furthermore, we also attracted foreign currency-denominated securities listings to the tune of $4.98bn, with the Federal Republic of Nigeria making history by listing, for the first time on a Nigerian Exchange, its Eurobonds and the inaugural Diaspora Bond on the OTC Exchange. This was a major feat for FMDQ and Nigeria as a whole, as this promotes, among others, visibility for the issues and financial inclusion, and demonstrated the government's commitment to drive the growth and development

of not only our debt capital market (DCM), but also our local financial markets by bridging the long-term financing gaps for economic development and enhancing the global competitiveness of our financial markets.

The Company also experienced growth in its membership base, as the year closed with a total of one hundred and eighty-one (181) Members, up 16 per cent from the previous year. This growth was seen across all Membership categories.

During the year, we held two (2) Members' Only Meetings, which brought together all our Members, with the exception of Affiliate Members (who do not have rights to participate), to collectively contribute and influence a variety of initiatives championed by the Company, spanning across market development and regulation, market connectivity and technology, in order to aid market architecture development.

Furthermore, the Company successfully secured the Securities and Exchange Commission (SEC) registration for FMDQ Clear Limited (FMDQ Clear), the pioneer central clearing house in Nigeria and a fully-owned subsidiary of FMDQ, to function as a clearing and settlement company in the capital market. This represents a critical milestone for FMDQ and indeed for the market, as FMDQ Clear will help build a robust, and transparent financial system. The SEC also approved the OTC Exchange's Sukuk Listing Rules, which outline the requirements for the listing of Sukuk on FMDQ, which seeks to promote diversity, depth and financial inclusion through the development of a vibrant non-interest capital market, in line with the SEC's 10-Year Capital Market Master Plan.

During the year, our Sustainability & Corporate Responsibility franchise was activated, in order to prioritise and create more focus to our Sustainability agenda. A detailed account of our Sustainability efforts is set out in the Sustainability section of this Report. Furthermore, our corporate responsibility efforts were focused on our communities, as we continued to provide support to different groups in our society, including our elderly citizens who may have been neglected, children who have been orphaned, the vulnerable youth in society requiring rehabilitation and children with special needs. FMDQ will continue to widen its reach in 2018, with a view to providing financial market education to students at primary, secondary and university levels, as well as fresh graduates, in line with the Company's corporate responsibility agenda.

Strategic Collaborations

During the year, FMDQ partnered with S&P Dow Jones Indices by the signing of a memorandum of understanding (MoU) for the development and publication of co-branded fixed income indices in the Nigerian financial market. The MOU is geared towards providing investors with adequate benchmarks for the fixed income market and to provide transparent and credible information to the investing public and other persons with interest in the Nigerian financial market.

Furthermore, the Debt Capital Markets Development (DCMD) Project 2020/25, supported by the Climate Bonds Initiative, launched the Sustainable Finance Sub-Committee (SFS), a major driver for advancing the growth and development of sustainable finance in Nigeria. Its key focus includes Green Bonds, Impact Investing, Microfinance, Credits for Sustainable Projects to Active Ownership, and Financial Inclusion, amongst others. More details of our strategic engagements are provided in the Stakeholder Engagement section of the Annual Report.

Governance

Dr. (Mrs.) Sarah O. Alade, OON, retired as chairman of the Board on April 28, 2017 after four years of meritorious service to our organisation. We sincerely wish her well in her future endeavours.

Furthermore, Mr. Yinka Sanni, representing the Bankers' Committee, retired from the Board in the second quarter of the year and was replaced by Dr. Demola Sogunle with effect from July 18, 2017. We also wish him well.

Following the maiden assessment of the performance of the Board in 2016, by PricewaterhouseCoopers (PWC), we re-engaged the same consultants to conduct a second assessment of the performance of the Board in 2017. Consistent with the SEC's Code of Corporate Governance for Public Companies (the Code), the assessment covered all aspects of the Board's structure. I am glad to report that our Directors were creditably acquitted in the evaluation of their competencies.

At FMDQ, we understand that the diversity of the Board is not just a social good but more importantly, a business imperative and as such we will continue to strive to improve gender diversity by increasing female representation on the Board, as well as increasing the number of independent Directors on the Board, in order to adhere to corporate governance best practice.

Conclusion

I sincerely like to thank the Board of Directors for its uncommon leadership and strategic guidance in achieving the goals we have set out over the period.

It is noteworthy that the achievements made by the Company could not have been attained without the unrelenting passion and dedication displayed by our Management and Staff.

Finally, on behalf of the Board, I would also like express our appreciation to our shareholders especially, the CBN and FMDA, as well as other stakeholders for their continued support and confidence in FMDQ. Together we shall continue to achieve greater success in the years ahead.

Okwu Joseph Nnanna, *Ph.D, FCIB*
Chairman

2017 was a productive and rewarding year in the execution of the Company's Strategy, despite the slow start and gloomy predictions, as the OTC Exchange was able to position better towards becoming a fully diversified and integrated Exchange.

I am therefore pleased, on behalf of Management, to present you with the highlights of the performance and key activities of FMDQ OTC Securities Exchange, for the year ending December 31, 2017.

Mr. Bola Onadele. Koko

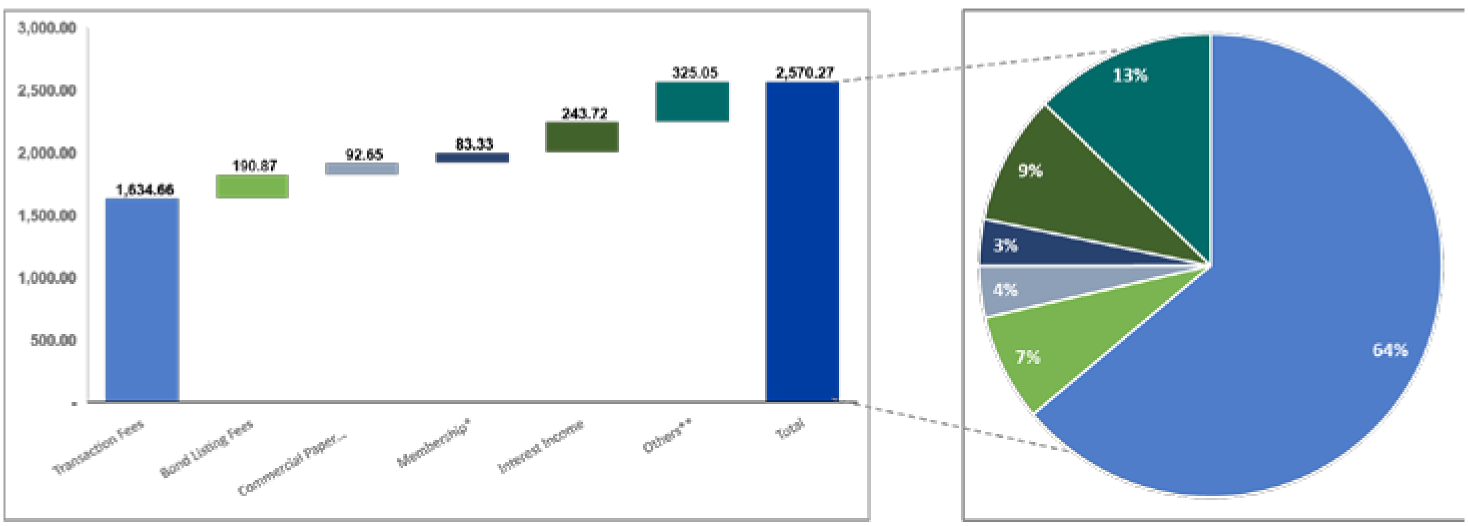
Managing Director/CEO
FMDQ OTC Securities Exchange

Performance Review

a. Revenue

In 2017, FMDQ recorded a commendable financial performance with total revenue of ₦2.57bn; a 25.94% increase from ₦2.04bn in 2016. Despite the recessionary trends which shaped activities for most of 2017, FMDQ delivered a good performance across all revenue lines.

Contribution to Total Revenue (₦'bn



*Inclusive of application fees and annual subscription dues

**Inclusive of Insurance claims, Technology services and others

The OTC Exchange's revenue diversification drive was a major factor that aided the sustained financial performance through the challenging market conditions of 2017, further reinforcing its role as Nigeria's foremost debt capital, currency and derivatives OTC securities exchange. As a result, the Company experienced an increase in the contribution of non-transaction fees to total revenue from 32.29% in 2016 to 36.00% in 2017. Non-transaction fees comprised revenue from bond/fund listings fees, commercial paper (CP) quotations fees, membership application fees, membership dues, interest income and technology services, amongst others.

Revenue Lines	2017 (₦'000)	2016 (₦'000)	Variance (%)
Transaction Fees	1,634,659.00	1,381,919.00	18.29
Bond Listing Fees	190,868.00	164,725.00	15.87
Commercial Paper Quotation Fees	92,645.00	33,993.00	172.54
Membership*	83,330.00	119,747.00	(30.41)
Interest Income	243,723.00	193,204.00	26.15
Technology Services	115,714.00	24,036.00	381.42
Information Services	24,029.00	1,678.00	1,332.00
Gain on Foreign Exchange Revaluation	101,279.00	117,702.00	(13.95)
Others**	84,028.00	3,901.00	2,054.01
Total	**2,570,275.00**	**2,040,905.00**	**25.94**

*Includes Membership Application Fees and Annual Dues
**Includes Sponsorship Income, Penalties/Fines, Strategic Initiatives Revenue and Fund Listing Fees

b. Expenses

Total operating expenses increased by 38.74% from ₦1.60bn to ₦2.20bn as the Company took strides to expand its franchise with significant investments on training and development, business development, strategic initiatives, technology development and corporate development, amongst others. Furthermore, there was c. 31% increase in the staff population as the Company undertook activities geared towards the achievement of the Company's strategic objectives, resulting in a 17%

Year Ended December 31	2017 (₦'000)	2016 (₦'000)	Variance (%)
Revenue	2,570,275.00	2,040,905.00	25.94
Operating Expenses	(2,220,515.00)	(1,600,531.00)	38.74
Profit Before Tax	349,759.00	440,375.00	(25.91)
Tax Expense	(113,000.00)	(118,505.00)	(4.87)
Total Comprehensive Income	236,759.00	321,870.00	(35.95)

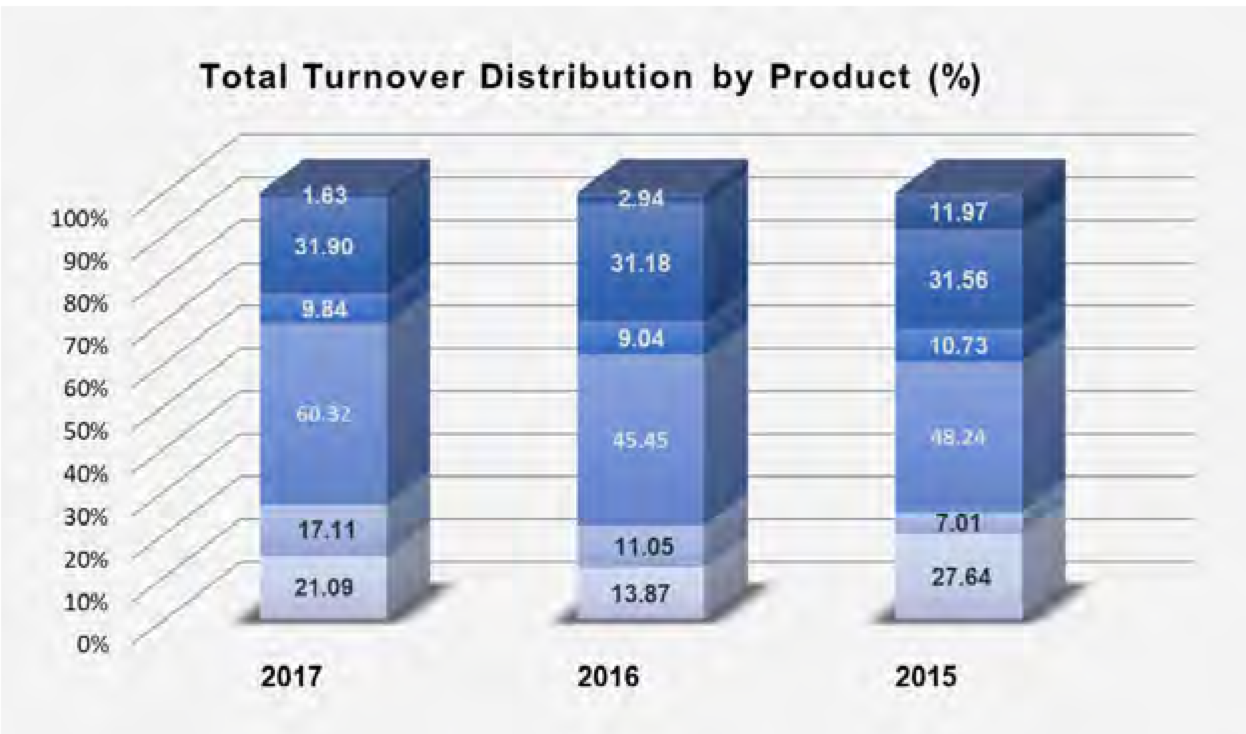
Market Review

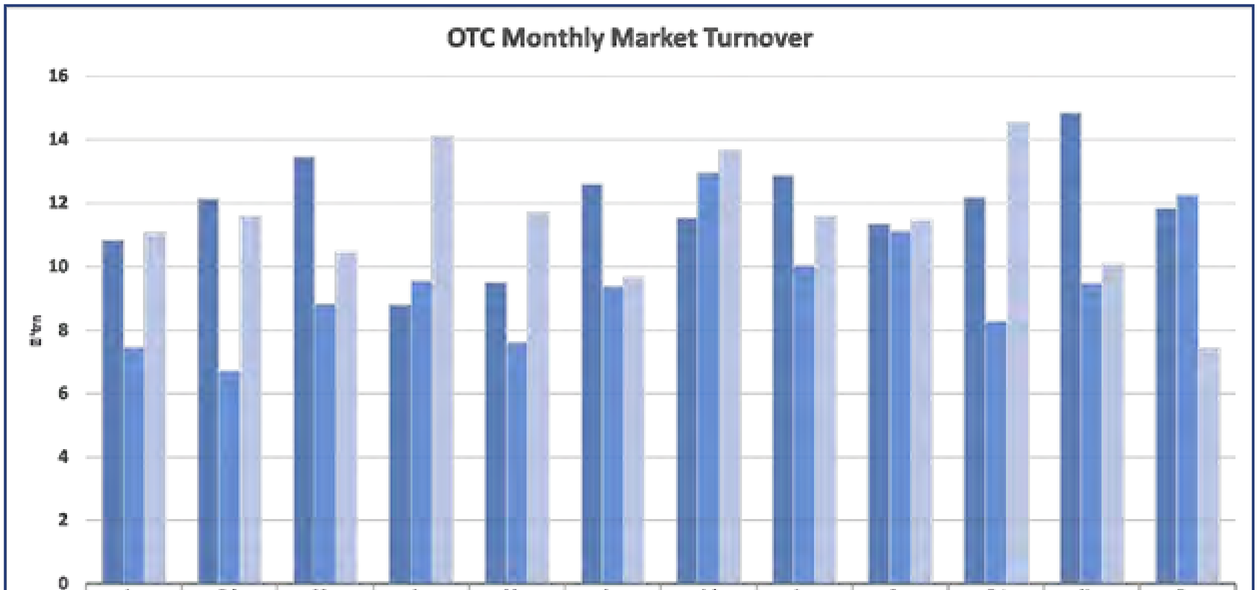
The OTC Exchange's total market turnover in the fixed income and currency (FIC) markets totaled ₦142.03trn in 2017, 25.00% higher than the value recorded for the same period in 2016 (₦113.66trn). The top three (3) contributors to market turnover were the Treasury Bills, Repos/ Buy-backs and Foreign Exchange market segments, accounting for 42.48%, 22.46% and 14.85% respectively of the value traded in the market.

FMDQ OTC Market Annual Turnover (2015 - 2017)

Products	2017 Turnover (₦'mm)	2016 Turnover (₦'mm)	2015 Turnover (₦'mm)
Foreign Exchange	21,094,093.00	13,874,729.00	27,635,846.00
Foreign Exchange Derivatives	17,106,834.00	11,053,082.00	7,012,768.00
Treasury Bills	60,320,604.00	45,454,164.00	48,235,627.00
FGN Bonds	9,836,169.00	9,036,989.00	10,733,768.00
Other Bonds*	33,569.00	40,305.00	130,504.00
Euro Bond	86,508.00	53,991.00	38,875.00
Repurchase Agreements/Buy Backs	31,902,299.00	31,181,222.00	31,564,102.00
Unsecured Placements/Takings	1,627,864.00	2,943,230.00	11,973,135.00
Money Market Derivatives	22,897.00	15,870.00	101,235.00
Commercial Papers	-	4,817.00	
Total	**142,030,837.00**	**113,658,399.00**	**137,425,860.00**
USD Equivalent ('mm)	**450,891.55**	**444,846.96**	**697,947.00**
No. of Business Days	248	252	245
Average Daily Turnover	572,705.00	451,025.00	560,922.00
USD Equivalent ('mm)	1,818.11	1,765.26	2,849.00
Average USD/NGN rate	315.00	255.50	196.90

Other bonds includes include Agency, Sub-national, Corporate & Supranational Bonds





	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	10.84	12.14	13.47	8.79	9.49	12.62	11.54	12.89	11.34	12.18	14.85	11.86
2016	7.46	6.73	8.82	9.55	7.61	9.38	12.96	10.04	11.12	8.27	9.48	12.26
2015	11.06	11.59	10.47	14.11	11.71	9.67	13.69	11.59	11.48	14.54	10.09	7.43

Business Development – Revenue Drive

FMDQ business lines, financial position and operating performance are impacted by market activity levels. These in turn are impacted by various other factors including the number of listed issuers, the number of listings, the volume and value of financial instruments traded etc. Market activity levels are also significantly influenced by economic factors and government/regulatory policies (domestic and international) and in general, the structure of the financial markets. Slowing economic conditions can lead to a reduction in business activities and revenue. Changing levels of volatility are also impacted by economic activities. FMDQ's diversified business model mitigates these risks, as revenue is earned from a range of activities and services. The expansion into new services is designed to further diversify the OTC Exchange's revenue over time.

FMDQ's business performance in 2017 was reflective of the modest improvement in the country's economy and subsequently financial markets, which saw the country exit from an economic recession during the year. The launch of the Investors' & Exporters' (I&E) FX Window (in April 2017), following the introduction of the Naira-settled OTC FX Futures product in the prior year, facilitated the recuperation of investor (domestic and foreign) confidence and FX market liquidity, paving the way for new business opportunities and contributing to an overall improvement in the economy. The increased foreign investors' participation towards the end of the year further bolstered the liquidity of the FX market.

a. Transaction Fees

Overall market activity levels have direct impact on FMDQ's Transaction Fees revenue. Consequently, the modest improvement in the economy which led to slightly improved market turnover in 2017 when compared with 2016, had a corresponding effect on Transaction Fees revenue. Transaction Fees revenue increased by 18.30% in 2017 to ₦1.63bn from ₦1.38bn in 2016. Activities in the Treasury Bills and Secured Money Market (Repos/Buy-Backs) product categories were the main drivers for Transaction Fees revenues generated, contributing over 70.00% to overall Transaction Fees revenue generated in 2017; a similar result to what occurred in 2016. Transaction Fees continues to capture the bigger share of overall FMDQ revenue when compared with Non-Transaction Fees, although the share has considerably reduced from 2016's. In 2017, Transaction Fees percentage contribution to overall revenue was recorded at 63.50%.

Product	Transactions Fees (₦'000)	
	2017	2016
Foreign Currency	298,255.00	198,422.00
Treasury Bills	762,044.00	602,061.00
Bonds	121,121.00	110,624.00
Repos & Buy-Backs	431,959.00	431,303.00
Money Market	21,280.00	39,509.00
Total	**1,634,659.00**	**1,381,919.00**

b. Listings and Quotations

FMDQ, through its Listings and Quotations franchise, provides a reliable and efficient platform for companies to list and quote debt securities. The OTC Exchange admitted debt securities from different sectors of the economy, ranging from government, financial services institutions to companies in the real estate and fast-moving consumer goods industries and other corporate institutions. In 2017, the OTC Exchange admitted to its listings board, three (3) Federal Government of Nigeria (FGN) Eurobonds with total face value of $4.00bn, with the Federal Republic of Nigeria making history by listing, for the first time on a Nigerian Exchange, alongside the listing of the pioneer FGN Diaspora bond with face value of $0.30bn.

The Company also admitted thirty-seven (37) commercial papers (CPs) series, alongside ten (10) bonds issues and three (3) mutual funds. Eight (8) companies issued and quoted the thirty-seven (37) CPs which were worth ₦155.25 million, while six (6) issuers listed ten (10) bonds on the OTC Exchange. The percentage contribution of the listings and quotations fees line to total revenue in 2017 stood at 11.37%.

- **Securities Listed/Quoted on FMDQ in 2017**

The FGN continued to support the development of the markets with its sustained FGN bonds and Treasury bills issuances, which were listed and quoted respectively on FMDQ. The OTC Exchange, in furtherance of its commitment to facilitate the development of the Nigerian debt capital markets, continues to collaborate with key stakeholders to further initiatives that will ensure the realisation of this objective. Notable of one of these initiatives was the introduction of the FMDQ Private Companies' Bonds Noting Service in 2017.

Bonds Listings

- Federal Republic of Nigeria $3.00bn Eurobond
- Federal Government of Nigeria $1.00bn Eurobond
- Federal Government of Nigeria $0.30bn Diaspora Bond
- Lagos State Government ₦47.00bn Bond - Series 1
- Forte Oil PLC ₦9.00bn Bond - Series 1
- FCMB Financing SPV PLC ₦5.10bn Bond - Series 3
- Mixta Real Estate PLC ₦4.50bn Bond - Series 1
- Dufil Prima Foods PLC ₦10.00 Bond - Series 1

CPs Quotations

- Dufil Prima Foods PLC ₦4.84bn Series 2 - 4
- Sterling Bank PLC ₦4.59bn Series 1 - 3
- UACN Property Development Company PLC ₦11.24bn Series 4 - 12
- Nigerian Breweries PLC ₦2.22bn Series 10
- Access Bank PLC ₦88.39bn Series 4 - 12
- FSDH Merchant Bank Limited ₦14.41bn Series 3 - 4
- Ecobank Nigeria Limited ₦12.53bn Series 2
- Wema Bank Nigeria PLC ₦17.03bn Series 1 - 2

Funds Listings

- Chapel Hill Denham Nigeria Infrastructure Debt Fund - ₦11.36bn
- Stanbic IBTC Bond - ₦1.14bn
- Stanbic IBTC Dollar Fund - $0.03bn

c. Information Services

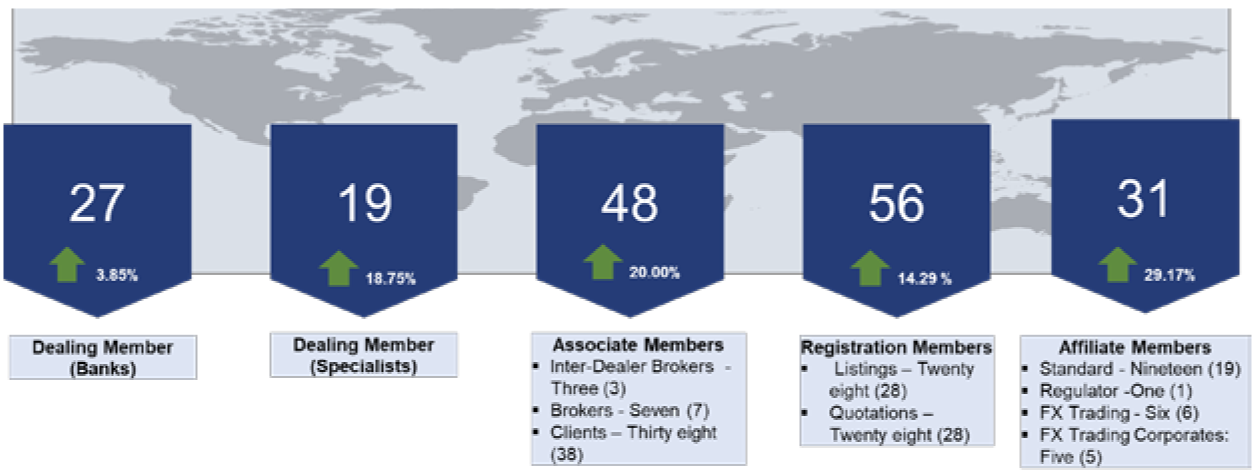
FMDQ maintained its value-add as the information repository for the fixed income and currency markets in Nigeria through its e-Markets Portal. The robust Portal for key market information and knowledge continues to be instrumental in the provision of a host of data and information – real-time and historical – serving to further enhance market transparency and support stakeholders with access to crucial and timely information on the Nigerian financial markets. The FMDQ e-Markets Portal provides an avenue where subscribers can access pre-trade, post-trade and historical information on prices in the Nigerian debt and currency markets, as well as access securities valuation, real-time prices, trading data, market data and analytical reports for informed

business and investment decision-making. In 2017, the OTC Exchange acquired a total number of thirty-three (33) information services subscribers, local and international.

d. Memberships

FMDQ's membership base continues to increase in alignment with the OTC exchange's drive to integrate the Nigerian financial markets, improve network effects, promote market liquidity and reduce market failure. By the end of 2017, FMDQ's membership base had grown to a total of one hundred and eighty-one (181) Members - with one hundred and thirty-one (131) full participating Members (i.e. the Dealing Member (Banks), Associate Members and Registration Members); nineteen (19) provisional Members i.e. the Dealing Member (Specialists); and thirty-one (31) Affiliate Members.

Membership Base



e. Technology Services

FMDQ, understanding the importance of robust, efficient and secure technology in supporting and furthering market development, continues to optimise its proprietary market systems offerings to the market. 2017 saw the deployment of the FMDQ Clients' Automated Trading, Reporting & Surveillance System (PenDealer System), whilst the OTC Exchange enhanced its Futures Trading & Reporting System (FFTRS) and Q-Deal System (for the Derivatives market and Dealing Member (Specialists) market respectively). Revenue from FMDQ's Technology Services in 2017 contributed 0.37% to overall revenue.

2017 also saw the development of an electronic trading system for the FX market as required by the financial market regulator, the Central Bank of Nigeria. FMDQ successfully developed and deployed a “Trade Flow” Reporting System (FX Match) for the matching and aggregation of transactions from the FX trading systems on the OTC Exchange. This System will act as a repository for all trades executed in the FX market by the FX Authorised Dealers (FMDQ DMBs), aggregating the trades executed on the various trading systems in the FX market and performing a post-trade function of matching all sale transactions to purchase transactions. The System is expected to go-live in 2018.

The OTC Exchange will, in 2018, expand its technology market systems offering with the deployment of its Proprietary Market System, FMDQ Q-ex, in line with regulatory requirements and FMDQ’s aspirations of global competitiveness and operational excellence of the Nigerian financial markets. The full deployment FMDQ Q-ex shall be based on a phased delivery plan, with the Q-ex Clearing and Settlement System Solution being the first delivery to go-live. This solution will facilitate straight-through-processing capabilities for the clearing and settlement of sovereign fixed income transaction between market participants on the OTC Exchange’s platform. Extensive collaboration with and support from market stakeholders and financial market regulators were evident during 2017 in preparation for, and to ensure the success of, this much-needed market development initiative in 2018.

Market Surveillance

FMDQ, as an SRO, has a mandate to uphold integrity and improve credibility and confidence within its markets. This mandate is achieved partly through the OTC Exchange’s surveillance and enforcement responsibilities as provided in the SEC Rules and Regulations 2013.

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

- The activation of FMDQ Whistleblowing Policy which set forth procedures for channeling anonymous tips on allegations of misconduct against the OTC Exchange’s staff or Members by a ‘whistleblower’
- The commencement of fixed income trade settlement surveillance to ensure that FMDQ Dealing Member (Banks) are protected against systemic risks arising from unsettled trades in the fixed income market
- Validation of Futures Bank’s OTC FX Futures transactions
- Activation of investigation function to uphold integrity and improve market confidence within FMDQ markets
- Activation of Penalties Regime on Dealing Member (Banks)’ failure to settle trades

Risk Management

The changing business environment presents an array of events that could adversely affect the operations and financial performance of FMDQ. As part of its commitment to consistently create value for its stakeholders, the OTC Exchange has continuously strengthened its Enterprise Risk Management (ERM) franchise to proactively support the management of enterprise-wide risks to create value.

In line with the above, a robust ERM Framework, which employs a holistic and integrated approach to risk management was designed to facilitate comprehensive risk management processes through which the OTC Exchange identifies, assesses, evaluates, manages and monitors the risks inherent in its strategy and business operations. The ERM Framework, supported by a strong risk management culture, aids the Company to achieve set Strategic Objectives. The major highlights of the risk management activities include:

Business Continuity

Business Continuity is a top priority for FMDQ and a comprehensive Business Continuity Management Plan (BCMP) has been developed and tested to ensure continuity of business in the event of a disaster. As part of the BCMP, appropriate systems with adequate capacity, facilities and resources have been put in place to manage risks that could interrupt the operation of critical business functions of the OTC Exchange.

Risk Assessment and Reporting

FMDQ's exposure to the identified risk categories are periodically reviewed and reported to the Board to ensure an enterprise-wide appreciation of the risks the Company faces and guide the decision-making process on mitigation strategies.

Risk Culture

Improving risk culture is one of the fundamental tools for effective risk management in FMDQ. The ERM franchise continues to drive the culture through continuous communication with employees on the Company's expectations. In other to institutionalise a risk management culture, a Risk Taxonomy was developed for FMDQ, with clear definitions of the identified risk categories.

Stakeholder Focus

In line with one of our core values, Teamwork and Collaboration, FMDQ intentionally seeks out opportunities to collaborate with partners to increase its value proposition and provide innovative solutions to our varied stakeholders groups and markets. To achieve this business imperative, there is continuous engagement with our various stakeholders to increase our exposure to other markets, exchanges, etc, and stay abreast of key trends in our industry.

During the year, FMDQ held and participated in a number of events, both local and international, and engaged with stakeholders as highlighted below:

Local Engagement

- Periodic Reports & Strategic Meetings with the SEC, CBN, DMO, PenCom and NAICOM
- Strategic Meetings with the Presidency, National Assembly and Federal Ministry of Finance
- FMDQ Members Only Meeting
- Capital Markets Solicitors Association's Structured Products Solutions Summit
- 21st Annual Chartered Institute of Stockbrokers' Conference
- National Branding Conference 2017
- 23rd Nigerian Economic Summit
- 2017 Lagos Chamber of Commerce & Industry Presidential Policy Dialogue
- Chartered Institute of Stockbrokers 2017 National Annual Workshop
- Chartered Global Management Accountants Series on the "Future of Finance"
- BusinessDay CEO Forum
- Women in Management, Business and Public Service (WimBiz) CEO/Policy Maker Interactive Breakfast Meeting

International Engagement

- The 2017 World Exchange Congress, Budapest
- Economic World Economic Forum on Africa, South Africa
- 2017 Annual Nigeria Investor Day in London, United Kingdom – Organised by the Association of Asset Custodians of Nigeria, United Kingdom
- 21st Annual African Securities Exchanges Association Conference, Egypt
- Thomson Reuters Africa Summit 2017, South Africa
- Financial Times Africa Summit 2017, United Kingdom
- The 6th Building African Financial Markets (BAFM) Seminar, Morocco
- Nigerian Capital Market Forum, United Kingdom
- Citi's Direct Custody and Clearing Clients' Event
- Foreign Portfolio Investor Roadshows

The Association of Securities Exchanges of Nigeria (ASEN) was incorporated in 2017, primarily aimed at providing a forum where Exchanges in Nigeria can discuss matters of common interest and advocate for policies and laws that protect the general interests of the Nigerian capital market. The ASEN currently comprises five (5) member Exchanges, and FMDQ was appointed as the Secretariat for the Association.

Strategic Outlook

As FMDQ enters into its fifth year of operations in 2018, the focus remains steadfastly on becoming a fully diversified and integrated market infrastructure group, and this will commence with the operationalisation of FMDQ Clear, the OTC Exchange's wholly-owned clearing and settlement subsidiary. The launch of FMDQ's Proprietary Market System, Q-ex, and the integration of its settlement solution with that of the CBN's Scripless Securities Settlement System (S4) will also be of priority to FMDQ in 2018 as this will provide a seamless, straight-through-processing of trades

consummated in FMDQ's fixed income markets. Furthermore, in line with the Company's 2018 Strategic Horizon – Market Diversification – FMDQ will work assiduously to build its derivatives markets by launching new products on to the financial market landscape; continuously drive the development of the debt capital market; whilst exploring the activation of new markets. Furthermore, efforts will be geared towards positioning the FMDQ Academy as a consolidated learning centre, to support FMDQ's market development agenda, and foster financial market education amongst market participants.

The activation of FMDQ's flagship corporate responsibility programme, the Next Generation Financial Market Empowerment Programme (NGFMEP), will be one of FMDQ's focuses in 2018. The programme is a learning and development initiative aimed at promoting capital 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.

FMDQ remains unwavering to fully embody its evolving role in the Nigerian financial markets landscape, to unlock capital for infrastructural development in support of the Nigerian Economic Recovery and Growth Plan, to be the financial markets diplomat with both local and international stakeholders, increase economic development advocacy with key government and regulatory agencies, in addition to its marker organising role.

Looking ahead in 2018, FMDQ will continue to build on successes of the previous years and will remain resolute in its drive continually deliver exceptional value to shareholders, other stakeholders and the economy as a whole.

Appreciation

I would like to thank all our stakeholders, including our Members, issuers on our platform and partners for their unwavering support for FMDQ throughout the year. The exemplary leadership displayed by our Board members, and their passion for the development of not only the Company, but the financial markets, have been second to none, and my appreciation goes out to Directors for their constant support.

I wish to extend my gratitude to Mrs. Bola Adesola, who left the Board within the current year, and the four (4) outgoing Directors, Dr. Sola Adeduntan, Mr. Kennedy Uzoka, Dr. Demola Sogunle, and Mr. Bayo Adeyemo, for their colossal contributions to FMDQ, and wish them all the best in their endeavours.

The support of the SEC, the apex regulator of the capital markets, as well as the CBN, the apex bank, in the development of FMDQ's market over the years, has been very instrumental to the growth and successes recorded by the OTC Exchange, and I am grateful for this support. I also wish to acknowledge the DMO and PenCom for partnering with FMDQ in the development of the debt capital markets.

At the heart of FMDQ are its talented and dedicated staff and Management, who have been central to the implementation and achievement of FMDQ's Strategy over the years and responsible for the seamless operation of the OTC Exchange in our markets, and I would like to express my gratitude for their passion, hard work, commitment, sacrifice and support in the delivery of their responsibilities.

My team and I remain unyielding in our commitment to continue to provide unprecedented solutions that will aid the development of our financial markets, in line with our GOLD Agenda.

Bola Onadele. Koko
Managing Director/ Chief Executive Officer

Sustainability Strategy

SUSTAINABILITY STRATEGY

FMDQ maintains a continuous and purposeful dialogue with its stakeholders in its pursuit to transform the Nigerian financial markets, and therefore prioritises interactions with its wide range of stakeholders to develop and foster participative, collaborative, informative and mutually beneficial relationships.

FMDQ's relationship and engagement with key stakeholders are summarised below:

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, 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, technology and initiatives
Issuers Value-add for registration, listing, quotation and noting of securities on FMDQ's platform	Presentations, road shows, bespoke listing & quotation ceremonies, meetings, reports, advertisements, press releases/articles and FMDQ corporate website	Registration, listing, 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, 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, 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, FMDQ Intranet and FMDQ websites	Development and training, health and safety, remuneration, personnel welfare, company financial performance and code of conduct & ethics
Public Corporate Social Responsibility (CSR), financial markets education and awareness	Advertisements, engagement sessions, press releases/articles, social media, FMDQ websites (corporate, Academy and DCMD Project)	FMDQ business and franchise, products, services and initiatives, financial markets literacy initiatives and CSR activities

VALUE CREATED FOR STAKEHOLDERS

Recognising the importance of creating and adding value to stakeholders, FMDQ remains steadfast in its commitment to continuously identify and implement strategic initiatives focused on driving change, thereby maximising stakeholder value and developing the Nigerian financial markets and economy at large. Our value creation process stems from our vision -To be No. 1 in Africa in the Fixed Income and Currency markets - and is therefore embedded in our business model towards the attainment of this vision.

FMDQ understands that creating value for the benefit of stakeholders on a sustainable basis requires explicit commitment to ethical business practices, responsible corporate citizenship and sustainable market development. Therefore, the Company is focused on promoting the development of the markets within its purview, with the collective support of its diverse stakeholders.

ECONOMIC VALUE

Item	₦'000	
	2017	2016
Revenue	1,878,382.00	1,575,123.00
Other Income	691,892.00	465,783.00
Operating Expenses	(2,220,515.00)	(1,600,531.00)
Total Economic Value Created	349,759.00	440,375.00

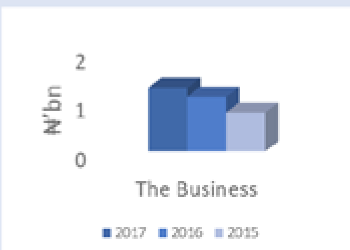
The Business

₦1.29bn

FMDQ Retained in 2017

16.00%

₦1.11bn reinvested in the business in 2016



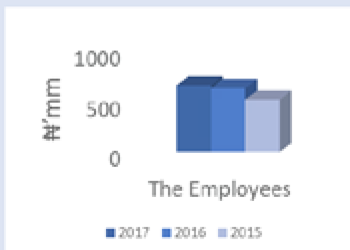
The Employees

₦658.81mm

FMDQ Paid in 2017

4.36%

₦631.31mm paid as salaries and benefits in 2016



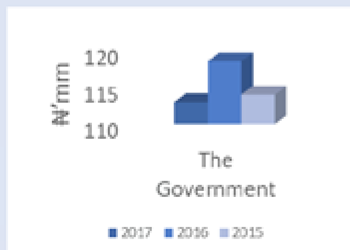
The Government

₦113.00mm

FMDQ Paid in 2017

4.65%

₦118.51mm paid as taxes to Federal Government of Nigeria in 2016



NON-ECONOMIC VALUE

At FMDQ, it is imperative to positively "disrupt" status-quo, foster an enabling environment and invariably create non-economic value for the varied stakeholder groups, through proactive product and market development initiatives and/or collaborations, inter alia. Building on the gains of the FY 2016, activities in select areas were central to FMDQ's business and purpose and continued to contribute towards the realisation of the OTC Exchange's Strategic Objectives. Within the year in review, the business franchise was marked with achievements in various categories, which served to impact positively, the market development agenda of FMDQ.

Listings and Quotations

Pioneer Listing of the Federal Republic of Nigeria Eurobond

In what was the first of its kind in Nigeria, the Federal Government, through the Debt Management Office (DMO), listed its Eurobond issuances totalling about $4.50 billion under its $4.50 billion Global Medium-Term Note Programme on the domestic exchanges including FMDQ, with the OTC Exchange being among the stakeholders to play a considerable role in promoting this laudable initiative. This listing underscored the importance of developing the domestic debt capital markets, in line with the drive to make it a globally competitive, diverse and effective channel for addressing the long-term financing needs of stakeholders.

Listing of the Pioneer Federal Republic of Nigeria Diaspora Bond

In the month of December, the Federal Republic of Nigeria (FRN), through the DMO, listed its first-ever Diaspora Bond on FMDQ. The FRN $300.00 million 5.625% Diaspora Bond due 2022 issued in June 2017, was listed on the OTC Exchange to promote, among others, visibility for the issues and financial inclusion.

Listing of the Pioneer Nigeria Infrastructure Debt Fund

In yet another remarkable and historic feat, FMDQ, admitted the pioneer Nigeria Infrastructure Debt Fund (NIDF) to its platform. The Chapel Hill Denham NIDF was the first-ever created and listed infrastructure debt fund in Nigeria (and Sub-Saharan Africa) and aims to provide investors access to infrastructure projects as an asset class, while providing the benefit of predictable returns available from long-dated infrastructure debt investments.

Market Development

Formalisation of Partnership with S&P Dow Jones Indices

To provide investors with a consistent, credible and objective measure for the performance of their investments in the Nigerian fixed income markets, FMDQ formalised its 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®), through the signing of a memorandum of understanding (MoU) for the development and publication of co-branded fixed income indices in the Nigerian financial market. The co-branded indices will serve as acceptable benchmarks for the fixed income market and provide transparent and credible information to the investing public and other persons with interest in the Nigerian financial market.

Launch of the Nigerian Autonomous Foreign Exchange Fixing

In April 2017, the CBN introduced the Investors' & Exporters' FX Window (I&E FX Window), which set out a single and autonomous FX market structure for investors' and exporters' activities in the Nigerian FX market towards maintaining FX market stability. Following this, FMDQ developed and launched the NAFEX – the Nigerian Autonomous Foreign Exchange Fixing - to serve as the reference rate for activities in the I&E FX Window. The NAFEX represents Spot FX market rates in the I&E FX Window and supports appropriate benchmarking and facilitation of derivatives activities in the Window.

Launch of the FMDQ Clients' Fixed Income Trading, Reporting & Surveillance System

To improve market connectivity in the Nigerian fixed income market for the clients (buy-side), as well as promote effective oversight for financial market regulators, specifically the National Pension Commission (PenCom) in the first instance, over the activities of their supervisees, FMDQ launched a Clients' Fixed Income Trading, Reporting & Surveillance System - the PenDealer System - to facilitate this objective. The PenDealer System provides a seamless avenue for Pension Fund Operators to engage in activities in the fixed income market with banks (FMDQ DMBs), whilst providing a means for PenCom to maintain adequate oversight over the activities of the Pension Fund Operators in said market, thus improving market integrity, enhancing governance over pension assets and bolstering investor confidence.

Activation of Sustainable Finance Initiatives

In acknowledgement of the crucial role which sustainability plays in strengthening financial stability and supporting overall economic growth, the FMDQ Debt Capital Markets

Development (DCMD) Project 2020/25, following collaborative engagements with UK-based Climate Bonds Initiative (CBI) and the United Nations Environment Programme (UNEP) Inquiry to drive the introduction of Sustainable Finance initiatives in Nigeria, activated a new Sub-Committee, the Sustainable Finance Sub-Committee, to be a catalyst for propelling the growth and development of sustainable finance in Nigeria. The Sustainable Finance Sub-Committee has as key focus areas, issues ranging from impact investing, green bonds, microfinance, credits for sustainable projects to active ownership, and financial inclusion.

The DCMD Project also partnered with UNEP Inquiry in conducting a survey on the Nigerian financial system, geared towards producing a wealth of data and intelligence, drawing on both domestic knowledge and international experience of the respondents, for the development of a Sustainable Finance Roadmap for Nigeria. The survey also assisted in providing insights on sustainable finance opportunities and challenges in Nigeria, as well as the optimum strategy for mobilising the Nigerian financial system to help deliver the transition to a low carbon, resilient and inclusive economy as part of the wider shift to sustainable development.

Market Governance

Inauguration of the Board of Trustees of the FMDQ Investor Protection Fund

In compliance with the provisions of Part XIV of the Investments and Securities Act (ISA) 2007, FMDQ formally inaugurated the Board of Trustees (BoT) of the Investor Protection Fund (FMDQ-IPF or the Fund) in July 2017. The inauguration of the BoT is a significant milestone in the achievement of the OTC Exchange's mandate to provide a secure and credible platform supported by global best practices, and serves as a catalyst for sustaining investor confidence in the Nigerian financial markets.

The BoT is charged with the responsibility of giving effect to the provisions of the ISA 2007 which requires all securities exchanges to establish and administer an investor protection fund for the purpose of compensating investors who suffer pecuniary losses arising from insolvency, bankruptcy, or negligence of a dealing member of that exchange, as well as defalcation committed by a dealing member or any of its directors, officers, employees, or representatives in relation to securities, money or any property entrusted to, received, or deemed received by the dealing member in the course of its capital market activities.

Approval of the FMDQ Sukuk Listing Rules

Following a series of stakeholder engagements between the SEC and FMDQ towards developing the Nigerian Non-interest Capital Market, during the year, the SEC approved the FMDQ Sukuk Listing Rules. Consequently, FMDQ has sufficiently positioned the platform to list and provide post-listings compliance for sovereign, sub-national and corporate non-interest debt securities.

Commencement of the Private Companies' Bonds Noting Service

Another significant milestone was achieved in the Nigerian debt capital markets as FMDQ commenced a Noting Service for Private Companies' Bonds (PCB Noting Service). The PCB Noting Service provides a robust and efficient platform for private limited companies issuing long-term debt securities (i.e. bonds), enabling them comply with global best practice disclosure standards, hence providing adequate protection for investments in the securities. Through the Noting Service, FMDQ provides a platform for the disclosure of private companies' activities in the Nigerian bond market, serving as an information repository for recording these activities.

Under this exclusive service, accessibilty to previously inaccessible information on private companies' debt securities is provided to only qualified institutional investors (QIIs) via a restricted portal, the FMDQ PCB Portal. The PCB Noting Service is availed to private limited companies with issued debt securities (bonds) upon the satisfaction of the requirements as outlined in FMDQ PCB Noting Guidelines. By implication, due diligence, information transparency and post-issuance compliance are accorded to these securities and private companies in line with the investor protection goal of FMDQ.

Franchise Development Activities

Hosting of the 2017 Nigerian Debt Capital Markets Conference & Awards

FMDQ brought together a wide audience of local and international financial markets participants/subject-matter experts with varying focuses and interests in the Nigerian and global financial markets space, at the OTC Exchange's 2017 Nigerian Debt Capital Markets Conference & Awards, themed: Positioning for Growth. In addition, the OTC Exchange recognised and presented awards to ten (10) market participants/key stakeholders in the Nigerian DCM who had performed creditably in relation to primary market activities, over a 2-year period (September 2015 – August 2017), in its maiden DCM Awards event.

Award for Most Innovative in Financial Markets

FMDQ was honored with the 'Most Innovative in Financial Markets' Award at the first BusinessDay Top 25 Most Innovative Companies & Institutions in Nigeria Awards 2017. This Award further validated FMDQ's efforts of availing the markets unique opportunities to thrive and aligning its operations and activities towards transforming the Nigerian financial markets through its "GOLD" (Global Competitiveness, Operational Excellence, Liquid and Diverse) agenda.

RELATIONSHIP WITH ENTITIES - EXTERNAL GOVERNANCE

FMDQ recognises the importance of maintaining a balanced relationship with the key regulatory agencies in the financial markets as well as relevant government institutions with direct or indirect oversight of its core business segments. In view of this, FMDQ has, over the years, continued pursuing its deliberately designed government and regulatory engagement plan which was implemented via regular meetings and consultations with its stakeholders within this space. This ensures that regulatory and government institutions are kept abreast of developments in the OTC Exchange as well as key trends in the OTC markets space, thereby promoting enhancement in the oversight functions. The table below highlights the regulatory/government institutions engaged within the 2017 financial year and the focus of the engagements.

S/N	Government/Regulatory Stakeholder	Engagement Focus
1	The Presidency	FMDQ engaged the Presidency to seek support in advancing the development of the debt capital markets via participation in the 2017 Debt Capital Markets Conference (DCMC). Consequently, the Vice President (represented by the Director-General of the Debt Management Office) presented a special keynote address highlighting the government's commitment to economic growth, diversification and the creation of an enabling business environment capable of attracting capital into the country. FMDQ pursuant to its mission of empowering the financial markets to be innovative and credible in support of the Nigerian economy also engaged the Special Adviser to the President on Economic Matters on a number of initiatives aimed at showcasing how the debt capital markets (DCM) can be utilised as a tool in catalysing the rapid realisation of the government's economic agenda encapsulated in the Economic Recovery and Growth Plan (ERGP). Furthermore, FMDQ in solidarity with ongoing efforts by the Presidency to provide a conducive environment for businesses to thrive, participated in the official roundtables/briefing sessions organised by the Enabling Business Environment Secretariat (EBEC) of the Presidential Enabling Business Environment Council (PEBEC). The OTC Exchange also commenced discussion on how PEBEC's initiatives would be exposed to stakeholders in the Nigerian DCM via focused group sensitisation/awareness sessions.

2	National Assembly	Recognising the vital role of the National Assembly in the economy, FMDQ continued its engagement with the legislature via the Office of the Senate President and the respective Senate and House Committees on Capital Market & Institutions to support the development, review and passage of critical bills affecting the Nigerian capital markets. Consequently, an interactive session was held with the Senate Committee on Capital Market to update the Committee's knowledge and understanding of FMDQ's business, highlight key challenges affecting the Nigerian capital markets, and explore opportunities of collaboration between the Committee and the OTC Exchange. During the year, FMDQ also supported the Senate in its bid to drive the passage of three (3) key bills focused on Foreign Exchange, Credit Bureau and Payment Systems. FMDQ also participated in the Senate's Technical Committee review of the bills on the Investment and Securities Act 2007 and the Companies and Allied Matters Act (CAMA).
3.	Securities and Exchange Commission (SEC)	As a SEC-registered self-regulatory organisation (SRO), FMDQ engages the SEC on a regular basis on several issues/ initiatives. Importantly, the period under review witnessed several firsts in terms of the focus of engagements between the Commission and the OTC Exchange, as highlighted below: ▪ The inaugural Technical Committee on Exchanges and Self-Regulatory Organisations (TCOE) meeting, provided an avenue for FMDQ and heads of relevant departments/ divisions within SEC to deliberate on some key technical issues impacting the OTC Exchange's operations ▪ The maiden Knowledge Sharing Session (KSS) facilitated by the OTC Exchange aimed at updating participants at SEC on the key trends in the development and regulation of OTC Exchanges post the 2007-8 global financial meltdown

		Rule Filings Part of the OTC Exchange's mandate is to provide appropriate governance for the markets under its purview through the development of robust market regulation to cut across the value chain of the FMDQ markets. In line with the FMDQ Rule Making Process, the following Rules received the approval of the SEC during the year: ▪ ***Sukuk Listing Rules***: In line with the FMDQ strategic focus to provide a platform for the listing/quotation and trading of products within the full spectrum of the debt capital markets space and in consonance with the SEC's 10-Year Nigerian Capital Market Master Plan (2015-2025) which seeks to promote diversity, depth and financial inclusion through the development of a vibrant non-interest capital market (NICM), FMDQ developed Sukuk Listing Rules which outline the requirements for the listing of Sukuk on the OTC Exchange. The Sukuk Listing Rules, which are in alignment with the current regulatory framework of the SEC for Sukuk as provided in the SEC Rules and Regulations 2013, were developed following research into global best practices with examples from notable NICM hubs such as Malaysia and Dubai. The Rules set out the eligibility criteria for Sukuk issuers and the issues to be admitted to the Quotations List of the OTC Exchange and also prescribe the post-listing/quotation compliance requirements for all listed Sukuk in order to promote continuous disclosure and transparency in furtherance of FMDQ's market governance mandate **Advocacy Proposals** As an agent of progressive change in the Nigerian financial markets landscape, the OTC Exchange engages the SEC to propose various enhancements to the regulatory environment and overall market architecture, to align the Nigerian capital markets with global best practices. The following advocacy proposals were adopted by the SEC during the year: ▪ ***Permitted Trading Status ("PTS") for Nigerian Corporate Eurobonds:*** FMDQ secured "no objection" to commence the assignment of PTS to Eurobonds (issued by Nigerian entities) on the FMDQ platform pursuant to Rule 185 of the SEC's Rules & Regulations 2013 ▪ ***Amendment to the Rule on Trading in Unlisted Securities*:** The SEC amended its Rules on ***Trading in Unlisted Securities*** to include debt securities. As a consequence of this amendment, all exchange of debt securities issued in Nigeria or issued offshore by Nigerian entities (e.g. Eurobonds), in the Nigerian capital markets shall be executed on or reported to a SEC-registered Securities Exchange or approved trading facility

FMDQ WORKGROUPS

In 2017, the Nigerian economy exited a recession which saw growth contracting for six (6) consecutive quarters, resulting in a significant improvement in the financial sector, as the economy experienced 0.80% growth. The financial sector which contributed circa 2.60% to economic growth, recorded a growth rate of 1.92% in 2017.

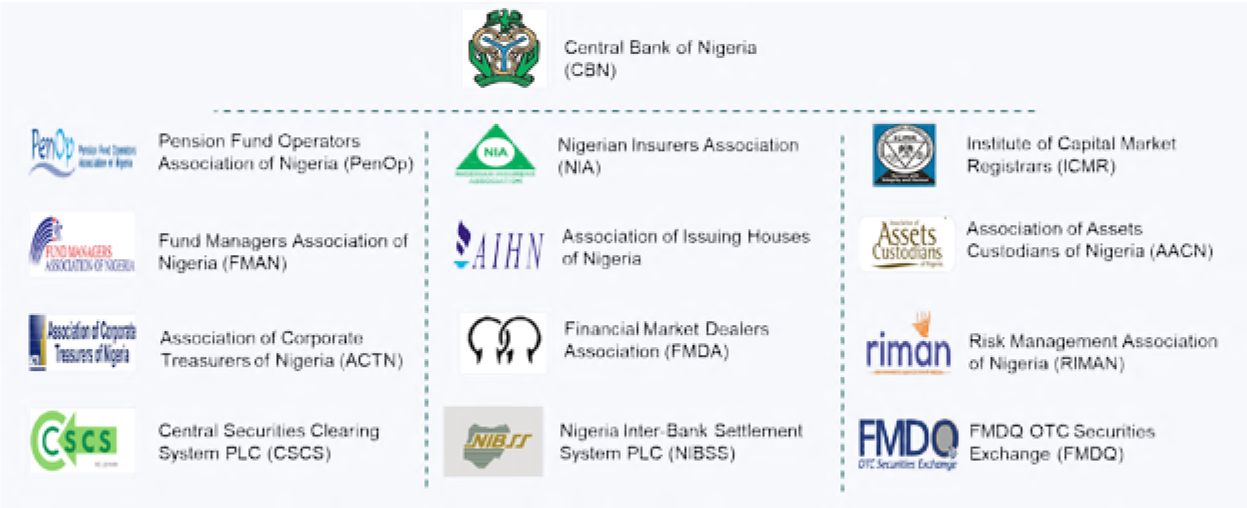
To promote sustainable economic growth through the Nigerian financial markets, FMDQ, in line with its mandate as a market organiser in the Nigerian financial markets, with a keen focus on market and economic development, continues to leverage on the experience and ideals of seasoned experts through two (2) Workgroups - FMDQ Market Development Workgroup (FMDW) and Financial Market Support for Economic Development (FMSED).

- **FMDQ Market Development Workgroup (FMDW)**

The FMDW is a Workgroup constituting of institutions who are strategically positioned in the Nigerian financial market ecosystem and possess the requisite expertise and resources needed to provide a holistic approach to advising, implementing and advocating best practice initiatives across the various financial market products, to ensure global competitiveness, operational excellence, liquidity and diversification. The FMDW was established in 2015 with the objective to broaden industry engagement towards focusing on reviewing and formulating comprehensive strategies for the financial markets to meet the diverse and complex demands of a more developed and internationally integrated economy.

Consequently, the mandate of the Workgroup is centred on three (3) major themes geared towards achieving the above set-out objective.

To achieve the above and promote inclusiveness, FMDQ established a membership structure that was robust by covering key market participants such as buy-side, sell-side and trade associations. The current structure is as follows:



During the year, the OTC Exchange engaged with several of the Workgroup member associations on various initiatives including: engagement with AACN on the development of the Fixed Income Securities Investment Clients Services (FISICS) Rules, engagement with PenOps on the development and launch of the PenDealer System, and engagement with FMDA on the exposure of various draft market rules and pricing methodologies, to mention a few.

- **Financial Market Support for Economic Development Workgroup (FMSED)**

The FMSED was established to articulate and device means through which activities in the Nigerian financial market could serve as effective catalysts for sustainable economic development. The Workgroup is charged with the responsibility of advising, advocating and harnessing best practices in the global financial market to ensure the Nigerian economy fully harmonises and channels resources towards the development of the economy. This translated to the mandate of the Workgroup which is centred on three (3) major themes as follows:

Accordingly, the Workgroup comprises of experts which cut across diverse segments of the Nigerian economy with demonstrable contribution and commitment to economic development in Nigeria. During the year, the FMSED welcomed a new member, Mr. Ayo Gbeleyi, former Commissioner of Finance, Lagos State seeking to leverage on his vast experience in the public and private sectors of the economy. Consequently, the current constitution of the Workgroup is as detailed below:

In line with the increasing focus of government on infrastructure development as an output of the Economic Growth & Recovery Plan (EGRP) 2017-2020, it has become increasingly evident that alternative sources of financing are needed to support the governments goals. Consequently, it became imperative to stimulate innovative ways to harness the Nigerian debt capital markets for financing infrastructure development in the nation. Accordingly, in 2017, the Workgroup activated and focused on a related initiative: **Tax Incentives for Infrastructure Bond and Funding**. The relevance of this initiative further came to the fore, evidenced by some of the under-listed market developments/initiatives in 2017:

- The successful issuance and listing of the Chapel Hill Denham Nigeria Infrastructure Debt Fund (NIDF)
- Discussions and consensus at the 2017 Nigerian Debt Capital Markets Conference, outlining the importance of funding infrastructure projects through the debt capital markets
- The Debt Capital Markets Development (DCMD) Project Sustainable Finance Sub-Committee Launch

Consequently, the Workgroup, during the year, deliberated on and developed a position paper titled ***"Tax Incentives for Infrastructure Bonds and Funds***" which contained, amongst other things, impediments to investments in infrastructure and recommendations on how to use tax incentives as a tool to encourage investments in infrastructure bonds and funds. The Workgroup continues to work on this initiative including conduction of stakeholder engagements towards finalising a firm plan of action for the achievement of the initiative.

KEY FOCUS AREAS

- Products Innovation & Market Development

In 2017, FMDQ continued to focus on consolidating on the requisite market infrastructure and standardisations initiatives identified in 2016, essentially setting the stage for the introduction of new products into the market. Primary focus areas for OTC Exchange within the year covered:

1. Development of the Client Fixed Income Trade Execution, Reporting and Surveillance System

In September 2017, the OTC Exchange successfully launched the FMDQ Clients' Trading, Reporting & Surveillance System (the PenDealer System) for the fixed income market.

The PenDealer System is a bespoke application developed by FMDQ with the aim of fostering governance and transparency in the activities of Institutional Clients in the Nigerian fixed income market. The System serves as a platform for Institutional Clients to transact with FMDQ-licenced market makers (i.e. Dealing Members and Associate Member (Brokers)) to promote market transparency, efficiency and surveillance of the activities of the Institutional Clients.

Following its launch, the PenDealer System has been used by Pension Fund Administrators (PFAs) to execute fixed income securities transactions with FMDQ Dealing Member (Banks,) as well as report transactions executed through FMDQ Associate Member (Brokers). FMDQ also commenced the upgrade of the Surveillance module for the National Pension Commission to improve its real-time surveillance capabilities of the PFAs.

The OTC Exchange commenced engagements in 2017 towards the next development phase of the PenDealer System, the development of a straight-through-process flow for the settlement of transactions executed/reported on the System and the integration of other market participants, including Pension Fund Custodians responsible for the settlement and custody of the fixed income securities transacted by the PFAs.

The next phase for the integration is expected to be concluded in 2018.

2. Dealing Member (Specialists) Market

FMDQ launched the Dealing Member (Specialists) (DMS) membership category, for non-bank financial institutions, i.e. investment banking firms, securities dealing firms and experienced registered OTC fixed income dealing firms, to make market in the FMDQ fixed income securities market, generate additional liquidity in the market and serve as an effective and efficient channel for the further integration of retail participants into the market.

In June 2016, FMDQ launched Phase One of the DMS market which commenced as a closed market where DMSs traded treasury bills (T.bills) with maximum tenors of 91 days solely amongst themselves. As part of the implementation exercise for the DMS market, a robust electronic proprietary trading and reporting system, also referred to as **"Q-Deal"**, was deployed to facilitate trading and the management of trading capital of all DMSs.

In 2017, the OTC Exchange proceeded to activate Phase Two of the DMS market which seeks to integrate the DMSs into the inter-bank fixed income market, trading all T. bills tenors (i.e. 91, 182 and 364 days) as well as the CBN Open Market Operations (OMO) bills of all tenors, amongst themselves and with FMDQ Dealing Member (Banks); for their proprietary trading positions and on behalf of clients. Therefore, to support the settlement of payable amounts and securities under the aforementioned structure and implement effective risk management, FMDQ developed a framework for a Settlement Bank structure, through which all DMS trading obligations will be settled. The Settlement Bank will provide settlement services to the DMSs which include, inter alia, Trading Capital management, Asset custody and provision of Trading Lines to support the creation of trading positions for the DMSs. The framework also outlines the necessary clearing, settlement and risk management structures assigned to an FMDQ-designated Clearing House.

Consequently, FMDQ has commenced engagements on finalising the design and operationalisation of the new DMS Trading Market Structure with the designated Settlement Bank. Furthermore, the OTC Exchange has engaged the Securities and Exchange Commission to facilitate an accelerated registration process for DMS institutions under the capital market category of "Dealer" or "Broker/ Dealer" as part of the requirements to be fully licenced to operate in the DMS market.

Phase Two of the DMS Market is expected to be completed and launch in 2018.

3. FMDQ Derivatives Market Development Project

Following the relative success of the Naira-Settled OTC FX Futures product introduced in June 2016 and the recommendations from the Feasibility Study on the Introduction of Derivatives in Nigeria (the "Study") commissioned in 2016, the FMDQ Derivatives Market Project was launched to drive the implementation of the Study's recommendations and eventual launch of the proposed FMDQ Derivatives Market.

In preparation for the eventual rollout of the FMDQ Derivatives Market in 2018, the following key activities were carried out during the year:

- Development of a Project Plan for the FMDQ Derivatives Market Project
- The activation of the Derivatives Market Group to ensure proper focus on and dedication to the Project
- Engagement of a consultant with the requisite experience in the development of derivative markets in Africa to as part of the Project

As a prerequisite to the successful development of a derivatives market, FMDQ Clear Limited, a wholly-owned subsidiary of FMDQ, was incorporated as a centralised clearing and settlement mechanism for the derivatives market. FMDQ Clear Limited will clear all currently FMDQ-traded derivatives products, as well as future derivatives products to be developed by FMDQ.

4. Proprietary Market System (PMS)

In line with FMDQ's strategic plan to operate a PMS, a robust enterprise grade private cloud solution designed to deliver demanding performance, reliability, security and recoverability standards were implemented for hosting the market system. The private cloud is co-located locally to future-proof the implementation from any change of posture in national data sovereignty (residency and domiciliation) policies and requirements. In addition, integration with the CBN's Scripless Securities Settlement System (S4) was completed to facilitate straight-through-processing capabilities between the trade execution and settlement solutions for our fixed income market. The test phase of the system deployment commenced with a view to fully activating the aforementioned solutions in 2018.

KEY PRODUCT & MARKET DEVELOPMENT FOCUS FOR 2018

1. 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, initiated the FMDQ Derivatives Market Development Project which is focused on ensuring the actualisation of the proposed derivatives market and its desired goals.

FMDQ will continue the implementation of the Project Plan with specific activities focused on the following:

- Development of Market Framework and Rules
- Onboarding of Clearing and Trading Members
- Education and Sensitisation of Market Participants and other Stakeholders
- Derivatives Products Development

These activities are expected to culminate in the full activation of the market with the introduction of Fixed Income Derivatives in 2018.

2. Benchmark Integrity

FMDQ has an established reputation for transparent, robust, rules-driven pricing methodologies and is committed to maintaining global best practice standards in its Fixings Administrator role. In line with this philosophy and to promote transparency in the administration of FMDQ's bouquet of Fixings, the OTC Exchange shall seek to publish a Statement of Compliance in 2018 with respect to the recommendations made by the International Organisation of Securities Commissions **("IOSCO")** in the Principles for Financial Benchmarks Final Report (the IOSCO Principles).

FMDQ fully embraces the IOSCO Principles and endorses IOSCO's objective to address conflicts of interest in the benchmark-setting process, enhance the reliability of benchmark determinations, and promote transparency and openness. Consequently, the OTC Exchange shall undergo a Fixings

Audit in compliance with Principle 17 of the IOSCO Principles towards obtaining an independent assurance of the assertions by FMDQ in its Statement of Compliance.

3. Index Development Strategic Partnership – FMDQ S&P Fixed Income Indices

With the execution of the FMDQ-S&PDJI Index Operation and Joint Marketing Agreement for the development and publication of co-branded fixed income indices in the Nigerian financial market, FMDQ is now set to commence work on the development and launch of the first new/co-branded index in 2018 – a Treasury Bills Index.

4. Automatic Settlement for Fixed Income Transactions

In 2018, on-boarding of Dealing Member (Banks) to FMDQ's PMS, Q-ex Settlement System, will be completed and subsequently, efficient post-trade services, underpinned by Service Level Agreements, with all market participants on the System will be activated. In addition, the enhancement of transparency and integrity in our fixed income market is of utmost importance and consequently, initiatives that facilitate automatic and guaranteed settlement of fixed income trades will be implemented. These include application systems for standardised repo trades and centralised collateral management complemented by an effective settlement default management framework.

KEY FOCUS AREAS

- **Services**

1. Registrations, Listings, Quotations and Notings

In support of the Company's mandate to align the Nigerian DCM with international best practices and standards, the FMDQ Registrations, Listings and Quotations service, during the year, continued to provide a dynamic and innovative platform for capital formation; offering governments, corporate institutions and individuals the support they require to impact their sectors and the economy at large. Products falling within this sphere include but are not limited to bonds (short-term and long-term), CPs and Funds (fixed income and money market mutual funds and exchange traded funds), among others.

In 2017, the OTC Exchange onboarded ten (10) corporate bond listings, cutting across the financial, manufacturing, oil and gas and fast-moving consumer goods sectors; and thirty-seven (37) CP quotations from companies within the fast-moving consumer goods, real estate and financial sectors.

Private Companies Bonds' Noting: To further deepen the DCM, particularly in the area of infrastructure development, FMDQ engaged and obtained the requisite nod from the SEC on the provision of a service for the disclosure of activities of private companies in the debt capital markets with a view to further developing that market. Consequently, FMDQ commenced the service to 'note' private companies bonds' (PCBs) on its platform towards the end of the year in review. PCBs are bonds typically issued in the private market via private placements and traded bilaterally in the secondary market.

The FMDQ PCBs Noting Service therefore, prescribes minimum standards for private companies looking to tap the Nigerian debt capital markets for their capital raising and other financing needs. Through the restricted FMDQ PCB Portal, the OTC Exchange provides the required due diligence and transparency for these securities towards a more credible market.

From improved market credibility, continuous information disclosure, to enhanced secondary market liquidity and effective price formation, FMDQ continues to lay the foundation for sustainable and efficient financing in the Nigerian DCM via its Registrations, Listings, Quotations and Notings services.

2. Memberships

In 2017, FMDQ continued to manage and expand its membership base. From Dealing, Associate, Registration, to Affiliate memberships, FMDQ's membership framework connects different sectors and markets interests; providing the requisite governance structures to maintain the integrity and sanctity of the markets towards improving network effects and ultimately, the efficiency of the Nigerian financial markets.

As at December 2017, there were a total of 181 Members cutting across banks, non-bank financial institutions, pension fund operators, issuing houses, other corporates, regulators and individuals participating or interested in the FMDQ markets.

3. Market Connectivity

To fully integrate the domestic and (international where applicable) markets, support and boost trading and connectivity of market participants (including financial markets regulators) in the FMDQ markets, facilitate best- execution and real-time price discovery, as well as improve credibility, transparency, governance and market liquidity, FMDQ, provides bespoke and proprietary technology in alignment with global standards and its mandate of operational excellence. The OTC Exchange continues to upgrade its technology solutions to meet the ever-changing needs of the market, whilst providing new solutions to existing requirements. Major focus in 2018 will be on straight-through-processing and clearing and settlement solutions, among others.

4. Data and Information

FMDQ serves as the central repository for information on the Nigerian fixed income, currency and derivatives markets through its e-Markets Portal via the FMDQ e-Knowledge module. FMDQ e-Knowledge continues to be improved and effectively managed to provide accurate, transparent, insightful and comprehensive financial markets data, pre- and post-trade information, among others, for the benefit and use of FMDQ stakeholder groups and the public at large.

5. Market Regulation

FMDQ is an SRO and frontline regulator of its Members, regulating the activities of the Members in the markets within the OTC Exchange's purview. FMDQ, driven by the principles of transparency, consistency and fairness, provides oversight to promote orderliness and to ensure the financial markets are credible and transparent, as part of efforts towards maintaining market confidence and ensuring investor protection. Key activities in this regard include the review and continuous development of robust Rules & Regulation to govern FMDQ Members, products and markets in line with global best practices; maintenance of the OTC Exchange's Investor Protection Fund in line with the Investment and Securities Act, Nigeria; provision of due diligence for securities sought to be registered, listed, quoted or noted on the platform of the OTC Exchange and surveillance of the markets towards maintaining credibility and high professionalism.

6. Post-Trade Services

From mitigating pre-settlement risks, enhancing productivity gains and optimising the allocation of resources amongst market participants, FMDQ's post-trade activities, done through its clearing subsidiary, include trade matching, risk management (margining), collateral management and settlement.

As an innovative OTC Exchange, this service which will be provided through FMDQ's wholly-owned subsidiary, FMDQ Clear Limited, facilitates seamless clearing and settlement of executed and/or reported Spot transactions and derivatives contracts from FMDQ's trading systems; via straight-through-processing connections with other key settlement entities/financial market infrastructures including the Central Bank of Nigeria, Central Securities Clearing System PLC, and the Nigeria Inter-Bank Settlement System PLC.

SUSTAINABILITY AGENDA

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 & 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 OTC 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 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. **New 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

FMDQ formally activated its Sustainability & Corporate Responsibility franchise this year, through the inclusion of the Sustainability & Corporate Responsibility Group in the Company's Organisation Structure, in order to prioritise and give more focus to the Company's Sustainability agenda, in recognition of the imperative role it plays in the Nigerian financial market and the opportunities its business presents in the promotion of sustainable economic growth and development in the wider economy.

To achieve this business imperative, we have developed a Sustainability Policy and Framework, which details our Sustainability Strategy and is guided by our five (5) main Sustainability Pillars, which are: Our Business, Our Markets, Our People, Our Community and Our Environment, as these are the areas our business actively impacts and where we aim to achieve sustainability. These five (5) strategic pillars will also aid our support of six (6) of the United Nations (UNs) Sustainable Development Goals (SDGs).

Our Business

We have taken our first steps in the process of embedding sustainability in all aspects of the Company through the development of our Sustainability Framework and Policy, to guide the Company in putting the right processes in place to ensure that sustainability is completely ingrained, influences business activities across all our operations and guides the Company in more sustainable decision-making practices.

Corporate Governance

FMDQ is committed to promoting high standards of corporate governance as guided by its Corporate Governance Manual, in accordance with the core principles of ethical culture, stewardship, independence, oversight of risk, accountability & transparency and continuous improvement. Other policies which further speak to our corporate governance approach include but are not limited to our Whistleblowing, Insider Dealing, Anti-money Laundering and Combating the Financing of Terrorism, Risk Management and Corporate Communications Policies.

FMDQ, guided by its core values, is also committed to applying high standards of integrity in all its business dealings, applying the principles of transparency, accountability and ethics to prevent corruption and bribery in all its forms.

More details of our corporate governance efforts can be found in the Corporate Governance section of the Annual Report.

Stakeholder Engagement

Stakeholder engagement is a fundamental component of FMDQ's business, as the OTC Exchange actively engages its different stakeholders on various matters to seek and understand their viewpoints and expectations on the numerous market initiatives FMDQ champions. Such engagements ensure that the solutions FMDQ brings into the markets effectively meet the needs of its varied stakeholder base. These continuing dialogues significantly improve FMDQ's understanding of its stakeholders' perspectives and aids more informed decision making. During the year, FMDQ engaged its stakeholders, both international and domestic, on a variety of initiatives through different channels.

In line with our commitment to foster and implement high standards of international best practices and also in support of the UN's Sustainable Development Goals 17 – "Partnership for the Goals" – to support global partnership for sustainable development, amongst others, FMDQ took a progressive step towards integration with global financial markets by becoming an Affiliate of the World Federation of Exchanges (WFE), promoting visibility of the OTC Exchange in the international markets and providing opportunities for more collaboration with other Exchanges.

Our Markets

With the strategic agenda to promote responsible business practices and sustainable development in our markets and wider economy, FMDQ is championing the development of the debt capital market through the Debt Capital Market Development (DCMD) Project and has defined the DCMD Project transformation levers, which include Sustainable Finance, Housing, Infrastructure, Regulation Consolidation, Market Liquidity & Enhancement and Investors, Issuers & Intermediaries Engagement/ Education, as the catalysts that will lead to the sophistication, advancement and transformation of the Nigerian DCM into a world class, properly functioning and globally competitive DCM.

During the year, the DCMD Project launched the Sustainable Finance Sub-Committee (SFS), with a focus on Impact Investing, Green Bonds, Microfinance, Credits for Sustainable Projects, Active Ownership, Financial Inclusion, etc.

As part of our effort to promote market education, dialogue, collaboration and ultimately development in the capital market, FMDQ, during the year organised workshops, seminars and meetings for a wide range of market participants to enhance their awareness and understanding of FMDQ's products, services, market development initiatives, amongst others. Towards the end of the year, FMDQ organised the Debt

Capital Market Conference, which attracted local and international financial markets participants, and brought together subject-matter experts with varying focuses and interests in the Nigerian and global financial markets space, providing a platform to deliberate on strategies and other pre-requisites needed to position the DCM to support sustainable economic growth and development.
FMDQ's commitment to sustainability is in line with its mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy.

Our People

As a responsible employer, FMDQ is committed to creating a work environment that attracts, fosters engagement and retains talented employees of diverse backgrounds, and as such provides various programmes and opportunities to support these objectives.

Training & Development

In its pursuit to become a high performance organisation that continues to deliver superior value to its stakeholders, FMDQ is committed to providing training and development opportunities to its employees to develop and equip them to deliver their best performance, achieve corporate objectives and help them fulfil potential. During the year, all FMDQ employees attended trainings, with over 35% of employees attending role-specific trainings, both locally and internationally. Other development opportunities for employees include:

- Conferences/Seminars/Workshops
- Model Market Study Tours
- Mentorship Programmes
- Monthly Staff Empowerment Sessions

Compensation & Benefits

One of FMDQ's offerings in its Employee Value Proposition is to provide competitive pay & benefits, and reward for achievement & excellence for its employees. In addition to the periodic rewards and benefits, the following initiatives were also introduced during the year to motivate and incentivise employees towards high performance:

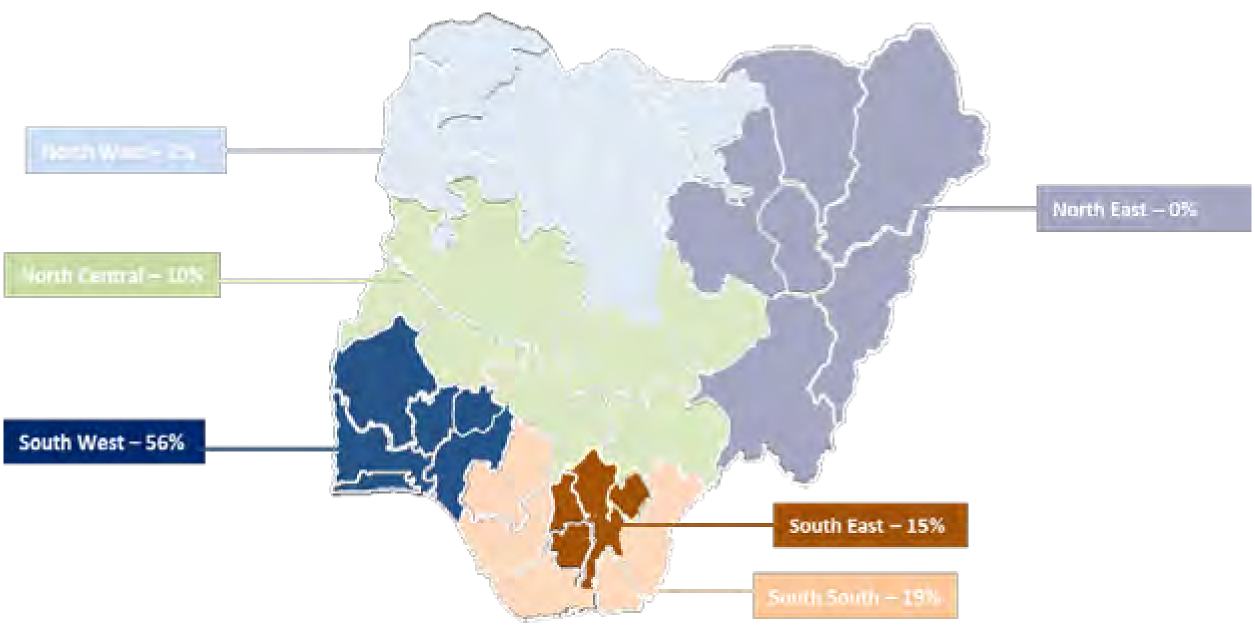
- **CEO Awards:** The CEO Awards was introduced during the year to recognise staff that performed excellently in the previous year. There was a total of seven (7) employees rewarded for excellent performance during the year
- **Staff Loan Interest Subsidy:** In recognition of its employees' need to meet personal short-to

long-term obligations, the Company introduced the Staff Loan Interest Subsidy Scheme to support to employees in the repayment of their loan interest obligations

Diversity & Inclusion

FMDQ is intentional about attracting the best talent from diverse backgrounds and is committed to

an inclusive workplace culture that promotes equal opportunity, where each employee is treated with respect and is able to fulfil potential, and as such, we do not discriminate on the grounds of gender, physical appearance or disability, age, marital status, national origin, race, citizenship status, religion, political affiliation (or the lack of one), gender, thinking styles, personality traits, etc.



Gender Diversity

Whilst there is a balanced mix of male and female professionals across all employees within FMDQ, in line with goal 5 of the UN's SDGs to achieve gender equality, the Company will continue to strive to improve gender diversity by increasing female representation on its Board.

Ethnic Diversity

As Nigeria is a nation of diverse cultures, FMDQ constantly seeks opportunities to include individuals from all ethnic groups and backgrounds in its recruitment process, with the aim of building a diversified workforce for the Company.

Health & Wellbeing

At FMDQ, our people are our greatest asset and as such, we ensure that we provide an environment that is safe for them to work in and one that promotes a healthy lifestyle, wellness and enhances the quality of life of our employees.

Some of the health and wellness initiatives we currently have in place include:

- **Medical Scheme** – FMDQ offers all its employees access to free medical care via its Health Maintenance Organisations (HMO) services, also available to employees' dependants
- **Access to Gym Facilities** - FMDQ continues to offer to all its employees free access to gym facilities to encourage a healthy lifestyle
- **Health Educational Talks** - Due to the fast-paced environment we operate in, during the year, the Company organised a workshop on how to reduce stress levels and this proved to be a successful

event which was well attended by all employees of FMDQ

- **Work-Life-Balance** – In a bid to promote healthy employee relationships, camaraderie, personal development and enhance work-life-balance, the FMDQ Club (the "Club" or "Staff Club") was activated. The Staff Club, which is fully funded by the Company, is responsible for organising socials, sports and various interest club activities. During the year, the Club organised a few social events including the Company's very first End of Year Party.

Our Community

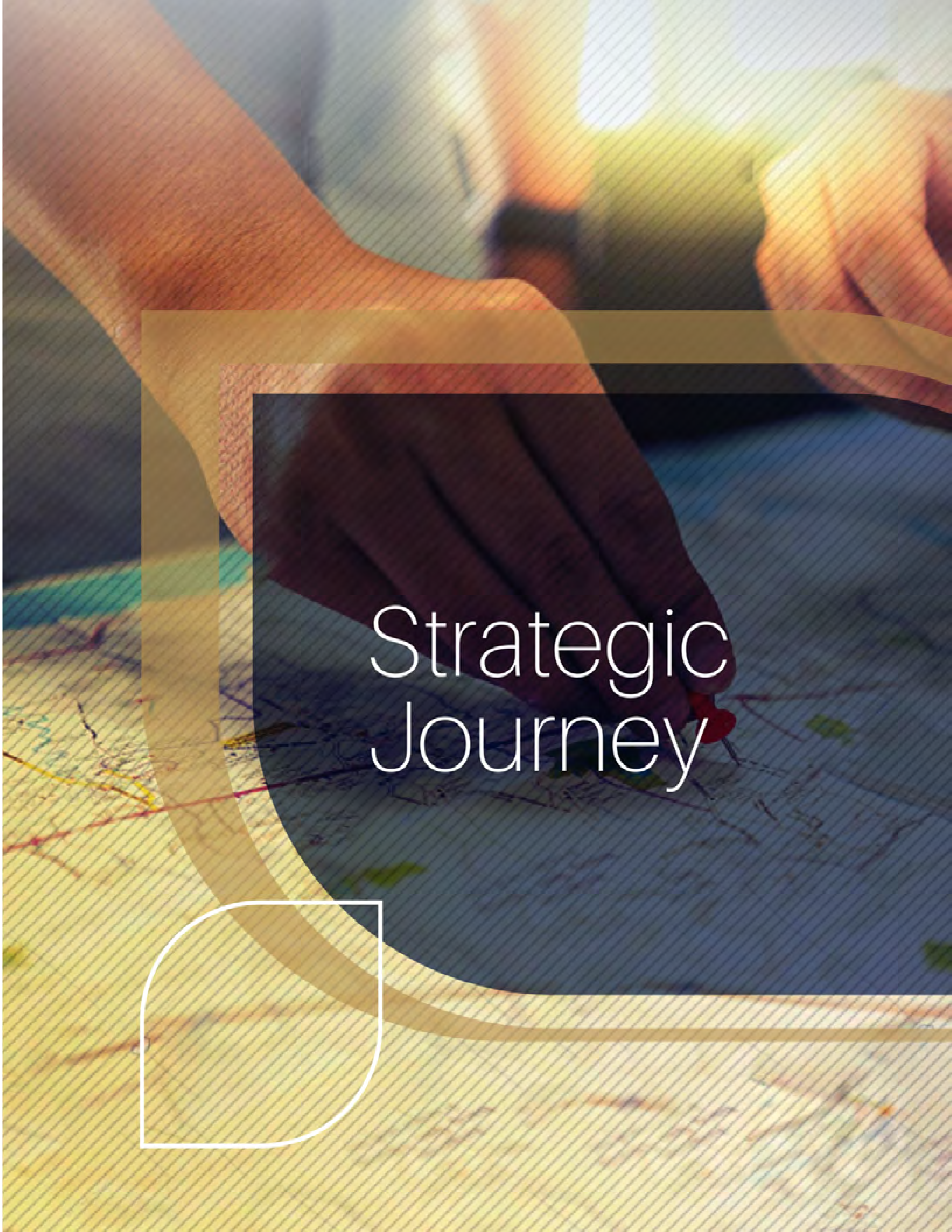
The main objective of the Community pillar of our sustainability strategy is to champion financial markets education for the next generation and empower the communities in which we operate to advance socio-economic development in our nation. As a good corporate citizen, FMDQ is committed to playing a leading role in influencing change and making significant impact in the communities in which it operates in. Therefore, as part of the FMDQ Staff Corporate Social Responsibility initiative, during the year, employees organised and participated in an auction session, of which the proceeds were used to support their select four (4) charities, categorised as follows; Orphanages, Youth Rehabilitation Centres, Homes for the Elderly and Special Needs Centre.

Corporate Social Investment

The Next Generation Financial Market Empowerment Programme is FMDQ's key Corporate Responsibility Programme, which is a learning and development initiative aimed at promoting capital market awareness, development 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, empowering the next generation of Nigerian youth to be financially astute, and adding value to their society in the future. This Programme will be launched in 2018.

Our Environment

FMDQ is committed to actively managing the environmental impacts derived from running the OTC Exchange, in recognition 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 with a view to conducting its business activities in a way that protects the environment. Our key focus will be on the reducing our emissions, improving energy efficiency, waste management initiatives, amongst others.

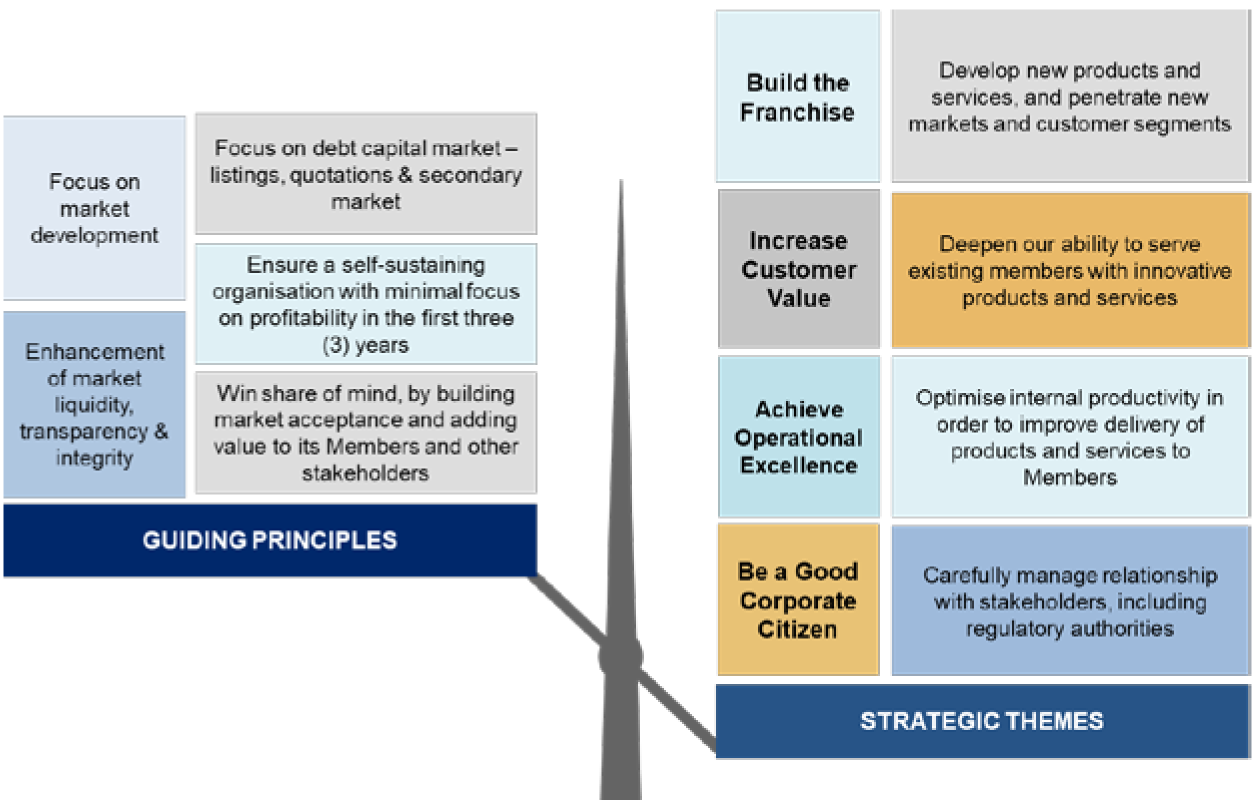


Strategic Journey

STRATEGIC JOURNEY

In an ever changing financial markets landscape, corporate strategy must remain relevant and effective towards the achievement of the Comapany's long-term goals. This resonated with FMDQ in 2017 as its strategic focus of positioning itself as a diversified and integrated OTC Exchange, through product innovation, collaborative relationships and technology, was impactful in delivering value to stakeholders.

With the Company commencing its fourth year in its five-year Strategic Plan, with a vision to be No. 1 in Africa in the Fixed Income and Currency markets in 2019, the quest for continuous pursuit for product and market diversification, market risk management initiatives, regulatory advocacy and stakeholder engagement towards achieving a transparent, efficient and credible financial market ecosystem, has become even more pertinent.



FMDQ 5-Year Strategy

FMDQ 5-Year Strategic Horizon: 2015 - 2019

Corporate Score Card - Review of 2017

Amidst the recessionary trends and other economic challenges experienced in the Nigerian economy in 2017, FMDQ recorded some breakthroughs in the implementation of its corporate strategy, with the 2017 Horizon - "Product Diversification", in furtherance of its agenda to develop the Nigerian debt capital, foreign exchange (FX) and derivatives markets to global standards.

FMDQ started the year with the quotation of the N35.00bn Access Bank PLC Commercial Paper (CP) under its N100.00bn CP Programme and the Listing of Pioneer Debt Capital Exchange Traded Fund (ETF) - The Vetiva S&P Nigerian Sovereign Bond ETF. Furthermore, in a bid to provide investors with a consistent, credible and objective measure for the performance of their investments in the Nigerian fixed income markets, FMDQ formalised its partnership with S&P Dow Jones Indices, through the signing of a memorandum of understanding (MoU) for the development and publication of co-branded fixed income indices in the Nigerian financial market. The co-branded indices will serve as acceptable benchmarks for the fixed income market and provide transparent and credible information to the investing public and other persons with interest in the Nigerian financial market.

Following the launch of the Naira-settled OTC FX Futures market in 2016, the Nigerian Autonomous Foreign Exchange Fixing (NAFEX) was developed and launched in April to serve as a reference rate for I&E FX Window, launched by the CBN. The NAFEX was developed to represent Spot FX market rates in the I&E FX Window and support appropriate benchmarking and facilitation of derivatives activities in the FX Window.

In furtherance of its diversification agenda and in aligning with the debt capital market agenda of SEC's 10-Year Nigerian Capital Market Master Plan, FMDQ gained approval from the SEC for the FMDQ Sukuk Listing Rules. This approval followed series of stakeholder engagements between the SEC and FMDQ with a view to determining the readiness of the OTC Exchange towards developing the Nigerian Non-Interest Debt Capital Market.

In response to the CBN's directive to all Authorised Dealers mandating that they execute all FX trades with their corporate clients only through the FMDQ-advised Trading & Surveillance System, FMDQ launched the corporate institutions' onboarding process in June to facilitate the seamless integration of both local and international corporate institutions on its trading platform.

In the last quarter of the year, FMDQ strengthened its strides in the debt capital markets by organising the Debt Capital Market Conference, which attracted local and international financial markets participants, and brought together subject-matter experts with varying focuses and interests in the Nigerian and global financial markets space, providing a platform to deliberate on strategies and other pre-requisites needed to position the DCM to support sustainable economic growth and development. In addition, the Debt Capital Market Project launched the Sustainable Finance Sub-Committee with a focus on Impact Investing, Green Bonds, Microfinance, Credits for Sustainable Projects, Active Ownership, Financial Inclusion, amongst others.

In a significant milestone for the nation's financial markets, the SEC registered FMDQ Clear Limited ("FMDQ Clear"), the first central clearing house in Nigeria, a wholly-owned clearing and settlement subsidiary of FMDQ. As part of its continued pursuit to strengthen the Nigerian financial markets, and in a bid to promote settlement finality on products traded, FMDQ has plans to activate the clearing house to deliver highly efficient post-trade services across Nigeria's fixed income and derivatives markets, addressing some of the key drivers for the development of the markets – risk mitigation, capital efficiency and price transparency, while ensuring safety, stability, confidence and ultimately, inclusiveness in the marketplace.

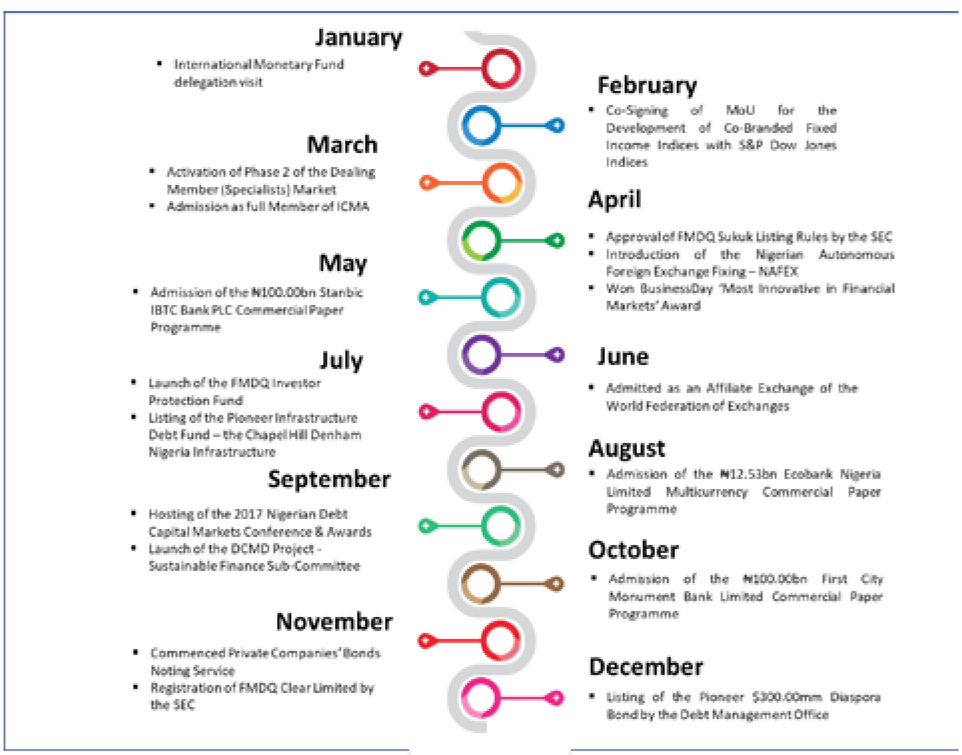
Other initiatives activated in 2017 include the following, inter alia:

- The launch of the FMDQ Investor Protection Fund to protect investors against financial losses arising from insolvency, bankruptcy or negligence of a Dealing Member of the OTC Exchange

- The introduction of the bespoke technology solution - Clients' Fixed Income Trading, Reporting & Surveillance System (the PenDealer System) - was also introduced to enable real-time surveillance capabilities in the trading activities of Pension Fund Administrators by their Regulator – PenCom; the activation of the Private Companies' Bonds Noting Service
- The listing of the pioneer Infrastructure Debt Fund, the first-ever listed infrastructure debt fund in Nigeria (and Sub-Saharan Africa), which aims to enable investors access infrastructure as an asset class, while providing the benefit of predictable returns available from long-dated infrastructure debt investments

FMDQ was admitted as an Affiliate of the World Federation of Exchanges (WFE) during the year, further expanding the Company's access to international markets; and to give credence to all the innovative and value-added initiatives embarked on by the OTC Exchange, in April 2017, the Company won the BusinessDay Most Innovative in Financial Markets Award in the Top 25 Most Innovative Companies and Institutions in Nigeria Awards.

Highlights of 2017



Strategic Positioning

As FMDQ develops towards becoming a fully-integrated and diversified Exchange, the expansion of its markets and infrastructure is becoming more imperative for the Company and aligns well with the 2018 Strategy Horizon, "Market Diversification". Following the Feasibility Study on the Introduction of Derivatives to FMDQ's markets in 2015, and the subsequent launch of the OTC FX Futures market in 2016, FMDQ has commenced work for the rollout of the Derivatives Implementation Plan, with the introduction of derivatives products in to the market.

The operationalisation of FMDQ Clear, the wholly-owned subsidiary of FMDQ, as a central clearing house (CCH) will commence in 2018, following the SEC's registration as a clearing and settlement company. The CCH will not only introduce post-trade services to the OTC cash markets, it will clear the derivatives products activated on the OTC Exchange, ahead of the establishment of a central counterparty (CCP), upon finalisation of the supporting legislation in Nigeria.

In a bid to drive transparency and efficiency in the markets, FMDQ will focus on activating its Proprietary Market System (PMS), FMDQ Q-ex, to further position itself as an SRO as well as a single source of market data. Furthermore, the integration of the settlement solution of the PMS with that of the CBN's S4 to provide a seamless, straight-through-processing of trades consummated in FMDQ's fixed income markets, will be an area of focus for FMDQ in 2018.

Governance Structure

GOVERNANCE STRUCTURE

Corporate Governance Report

a. The Company's Approach to Corporate Governance

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

The Company's approach to corporate governance are 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 reinforce 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 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 in order to see to it 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, taking into account 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 FMDQ's 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 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 Human Resources Committee.

b. Founding of FMDQ Clear Limited and iQx Consult Limited

During the period under review, the Company founded two (2) companies: FMDQ Clear Limited, a clearing and settlement company, registered by the SEC, and iQx Consult Limited, a corporate solutions vehicle. FMDQ Clear Limited, which is regulated by the SEC was registered in November 2017.

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

Throughout the year ended December 31, 2017, 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.

During the reporting period, the SEC conducted a corporate governance review of the Company. All observations conveyed by the regulator to the Company have since been acted upon by Management. The ones which require time are being tracked and addressed, with regular reports being transmitted to the Board on these.

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 (FMDA)

- NSE Consult Limited (a fully owned subsidiary of The Nigerian Stock Exchange)
- Eighteen (18) commercial banks, four (4) merchant banks and one (1) discount house

e. Board of Directors

The Board of FMDQ OTC 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 on the Company's website: https://www.fmdqotc.com/about/board-of-directors/

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 a manner that will enhance of 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, selection and promotions of 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 ▪ 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
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
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

f. 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—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.

g. Board Structure

The Board comprises ten (10) Directors which include: eight (8) 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 roles of Chairman and Managing Director/Chief Executive Officer are distinct and separate with a clear division of responsibilities. The Chairman provides leadership to the Board whilst ensuring its effectiveness of 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 then delegates authority to the appropriate Senior Executives for specific activities and transactions.

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

S/N	Director	Role
1.	Dr. Okwu Joseph Nnanna*/ Dr. (Mrs.) Sarah Alade, OON (representing Central Bank of Nigeria)	Chairman
2.	Mr. Jibril Aku (representing FMDA Board of Trustees)	Vice Chairman
3.	Dr. Sola Adeduntan (representing Systemically Important Banks)	Non-Executive Director
4.	Mr. Peter Amangbo (representing Systemically Important Banks)	Non-Executive Director
5.	Mrs. Bola Adesola** (representing Financial Markets Active Banks)	Non-Executive Director
6.	Mr. Kennedy Uzoka (representing Financial Markets Active Banks)	Non-Executive Director
7.	Mr. Demola Sogunle***/ Mr. Yinka Sanni (representing Bankers' Committee)	Non-Executive Director
8.	Mr. Bayo Adeyemo (representing FMDA Governing Council)	Non-Executive Director
9.	Mr. Dapo Akisanya**** (representing Buy-side)	Non-Executive Director
10.	Ms. Daisy Ekineh (Independent Non-Executive Director)	Independent Director
11.	Mr. Bola Onadele. Koko (Managing Director)	Managing Director/Chief Executive Officer

* - Appointed to the Board with effect April 28, 2017 in place of Dr. (Mrs.) Sarah Alade, OON, who retired with effect April 28, 2017

**- Retired from the Board with effect January 31, 2018

***- Appointed to the Board with effect July 18, 2017 in place of Mr. Yinka Sanni who retired with effect April 28, 2017

****- Appointed to the Board with effect January 31, 2017

N/A – Not applicable

h. Board Meeting Attendance in the Year Ended December 31, 2017

The attendance at Board meetings for the year ended December 31, 2017 is outlined as follows:

S/N	DIRECTOR	20th Board Meeting (Feb 17)	21st Board Meeting (Apr 28)	22nd Board Meeting (Jul 18)	23rd Board Meeting (Jul 28)	24th Board Meeting (Oct 27)	25th Board Meeting (Dec 15)
1	Dr. (Mrs.) Sarah Alade, OON	✓	✓	N/A	N/A	N/A	N/A
	Dr. Okwu Joseph Nnanna* (Chairman)	N/A	N/A	✓	✓	✓	✓
2	Mr. Jibril Aku (Vice Chairman)	✓	✓	✓	✓	✓	✓
3	Dr. Adesola Adeduntan	✓	✗	✗	✗	✗	✗
4	Mr. Peter Amangbo	✓	✓	✓	✓	✓	✓
5	Mrs. Bola Adesola	✓	✓	✓	✓	✗	✗
6	Mr. Kennedy Uzoka	✓	✓	✓	✓	✓	✓
7	Mr. Bayo Adeyemo	✓	✓	✓	✓	✓	✗
8	Mr. Sadiq Mohammed	✓	N/A	N/A	N/A	N/A	N/A
	Mr. Dapo Akisanya**	N/A	✗	✓	✓	✓	✓
9	Ms. Daisy Ekineh	✓	✓	✓	✓	✓	✓
10	Mr. Yinka Sanni	✓	✓	N/A	N/A	N/A	N/A
	Dr. Demola Sogunle ***	N/A	N/A	N/A	✗	✓	✓
11	Mr. Bola Onadele. Koko (Managing Director)	✓	✓	✓	✓	✓	✓

* - Appointed to the Board with effect from April 28, 2017, in place of Dr. (Mrs.) Sarah O. Alade, OON, who retired from the Board with effect from April 28, 2017
** - Appointed to the Board with effect from January 31, 2017 in place of Mr. Sadiq Mohammed who retired from the Board with effect from December 31, 2016
*** - Appointed to the Board with effect from July 18, 2017 in place of Mr. Yinka Sanni who retired from the Board with effect from April 28, 2017

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.

i. Retirement of Directors

Dr. (Mrs.) Sarah O. Alade, Mr. Yinka Sanni and Mrs. Bola Adesola retired from the Board during the reporting period.

j. Appointments to the Board

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.

k. Compliance with Statutory Returns

The Board aimed to ensure all regulatory reports for 2017 were made to regulators promptly. This was the case with all regulators save with the SEC in relation with the 2017 Annual Report (not to be confused with the 2017 Financial Statement) which was filed late due to a misconstruction of pertinent rules. The Board has put in place a mechanism to ensure this does not occur again in the future.

l. Board Performance and Evaluation

As required by the SEC Code of Corporate Governance, PricewaterhouseCoopers Limited, on the approval of the Board, was engaged to conduct the 2017 FMDQ Corporate Governance Review and commenced the evaluation process in February 2018. They conducted an on-site exercise in the FMDQ offices for two (2) weeks, met with relevant personnel and examined relevant documentation from 2017. An extract in relation to the output of this process which was transmitted to the Board by PricewaterhouseCoopers Limited is set out on page 98.

m. 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 and the Company's Strategy Group working together.

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.

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

The Company has a robust Code of Business Conduct and Ethics for Directors, which set outs to ensure that Directors are making ethical decisions when performing their duties. This 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.

o. Whistleblowing Policy

FMDQ in its capacity as a self-regulatory organisation, is committed to the preservation of the integrity of the Nigerian financial markets. In line with this commitment, FMDQ has developed a Whistleblowing Policy, which aims to provide an avenue for stakeholders (Members, employees, regulators, investors, industry professionals, issuers and the general public) to provide tips regarding activities/issues (unlawful, unfair and/or unauthorised activities and practices, abusive conduct, incomplete and/or inaccurate reporting, violations of FMDQ Rules, inter alia) within the FMDQ markets.

p. 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	DIRECTOR	MEETING DATES			
		Feb 16	May 19	Sep 6	Nov 29
1.	Mr. Herbert Wigwe (Chair)*	✓	✓	✓	✓
2.	Dr. Adesola Adeduntan**	✗	✓	✓	✓
3.	Mr. Peter Amangbo**	✓	✓	✓	✓
4.	Mr. Dapo Akisanya**	✓	✓	✓	✓
5.	Mr. Uzoma Dozie*	✓	✓	✓	✓
6.	Mr. Ifie Sekibo*	✗	✓	✓	✓

* - representing shareholders
** - representing Board of Directors

q. 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 Risk Management Framework.

The attendance at BRRMC meetings for the year ended December 31, 2017 is outlined as follows:

S/N	DIRECTOR	MEETING DATES			
		Apr 12	Jul 5	Oct 4	Dec 6
1.	Ms. Daisy Ekineh (Chair)	✓	✓	✓	✓
2.	Mr. Dapo Akisanya	✓	✓	✓	✓
3.	Mr. Bayo Adeyemo*	✓	N/A	N/A	N/A
4.	Dr. Demola Sogunle**	N/A	N/A	✓	✓
5.	Mr. Peter Amangbo	✓	✓	✓	✓
6.	Mr. Bola Onadele. Koko	✓	✓	✓	✓

*- Ceased to be a member of BRRMC after the meeting of April 12, 2017
** - Appointed to the Board with effect from July 18, 2017

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 activation of Whistleblowing Policy Portal, the inauguration of the Board of Trustees for the Investor Protection Fund, the advancement of the World-Class Rule Book Project, supervised the procurement of SEC's 'no-objection' to the FMDQ Private Companies' Bonds Noting Rules and proposition, and oversaw 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 provide direction in connection with the Company's registration, listings, notings and quotations franchise as well as its technology and other market development initiatives.. The Committee also oversaw impactful advancement of the development 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, 2017 is outlined as follows:

S/N	DIRECTOR	MEETING DATES								
		Apr 7	Jul 7	Sep 12	Oct 6	Oct 13	Oct 16	Oct 23	Nov 21	Dec 7
1.	Mr. Jibril Aku (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Yinka Sanni*	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Dr. Demola** Sogunle	N/A	N/A	✓	✓	✓	✓	✓	✓	✗**
3.	Mr. Dapo Akisanya	✓	✓	✓	✓	✓	✓	✓	✓	✓
4.	Mr. Bayo Adeyemo	✓	✓	✓	✓	✓	✓	✓	✓	✓
5.	Mrs. Bola Adesola	✗	✗	✗	✗	✗	✗	✗	✓	✓
6.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓	✓	✓	✓	✓

*- Ceased to be a member of BRRMC after the meeting of April 12, 2017
** - Appointed to the Board with effect from July 18, 2017

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. Listings

S/N	Issue	Approval Date
1.	Forte Oil PLC N9,000,000,000.00 Series 1 17.50% Fixed Rate Unsecured Bond under a N50,000,000,000.00 Bond Issuance Programme	February 9, 2017
2.	FCMB Financing SPV PLC N5,104,000,000.00 7-year 17.25% Series 3 Fixed Rate Unsecured Bond under its N100,000,000,000.00 Debt Issuance Programme	February 15, 2017
3.	Federal Republic of Nigeria $1.00bn Eurobond	March 3, 2017
4.	Lagos State Government of Nigeria N47,000,000,000.00 Series 1 7-year 16.50% Fixed Rate Bond due 2023 under a N500,000,000,000.00 Debt Issuance Programme	March 10, 2017
5.	Mixta Real Estate PLC N4,500,000,000.00 17% Series 1 Fixed Rate Senior Guaranteed Bond due 2022	April 3, 2017
6.	Federal Republic of Nigeria US. $300,000,000.00, 5.625% Diaspora Bonds due 2022	June 30, 2017
7.	Dufil Prima Foods PLC N10.00bn Series 1 Fixed Rate Bond under its N40.00bn Bond Issuance Programme	October 18, 2017
8.	Federal Republic of Nigeria $1.50bn 10-Year Eurobond	December 21, 2017
9.	Federal Republic of Nigeria $1.50bn 30-Year Eurobond	December 21, 2017

B. Fund Listings

S/N	Issue	Approval Date
1.	Chapel Hill Denham Nigeria Infrastructure Debt Fund Series 1: 49,500,000 Units of N100.00 each issued at N101.20 under the N200,000,000,000.00	July 14, 2017
2.	Stanbic IBTC Bond Fund	December 18, 2017
3.	Stanbic IBTC Dollar Fund	December 18, 2017

C. Commercial Paper Registration

S/N	Issue	Approval Date
1.	Stanbic IBTC Holdings PLC N20.00bn Multicurrency CP Programme	May 11, 2017
2.	Rand Merchant Bank Nigeria Limited N80.00bn Commercial Paper Programme	May 16, 2017
3.	Stanbic IBTC Bank PLC N100.00bn Commercial Paper (CP) Programme	May 19, 2017
4.	Wema Bank PLC N50.00bn Commercial Paper Programme	September 14, 2017
5.	Lafarge Africa PLC N60.00bn Commercial Paper (CP) Programme	October 17, 2017
6.	First City Monument Bank Limited N100.00bn Commercial Paper (CP) Programme	October 25, 2017
7.	Mortgage Warehouse Funding Limited N20.00bn Commercial Paper (CP) Programme	November 28, 2017

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

The Committee was created by the Board to oversee the Company's financial disposition, strategy and operational structure. 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, 2017 is outlined as follows:

S/N	DIRECTOR	MEETING DATES				
		Feb 17	Apr 7	Jul 6	Oct 4	Dec 6
1.	Mrs. Bola Adesola (Chair)	✓	✓	✗	✗	✗
2.	Mr. Peter Amangbo	✓	✓	✓	✓	✓
3.	Mr. Bayo Adeyemo	✓	✓	✓	✓	✓
4.	Dr. Sola Adeduntan	✓	✓	✗	✗	✓
5.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓

Activities for Period Under Review

During the period under review, the Committee, amongst other things, received, reviewed and considered statements of financial position as presented by Management, and reported thereon to the Board. Additionally, the Committee, oversaw the advancement of the FMDQ's Market Diversification Project, received and considered the output of Management's 2017 Strategy Session, oversaw the registration of FMDQ Clear Limited with the Commission and oversaw the activation of FMDQ's Sustainability & Corporate Responsibility Franchise.

- **Board Governance and Human Resources Committee (BGHRC)**

The Committee was created by the Board to oversee the Company's corporate governance and human capital structures.

The attendance at BGHRC meetings for the year ended December 31, 2017 is outlined as follows:

S/N	DIRECTOR	MEETING DATES				
		Mar 29	Apr 10	Jul 14	Oct. 4	Dec. 6
1.	Mr. Kennedy Uzoka (Chair)	✓	✓	N/A	N/A	N/A
2.	Mr. Yinka Sanni*	✓	✓	✓	✓	✓
3.	Ms. Daisy Ekineh	✓	✓	✓	✓	✓
4.	Mr. Bayo Adeyemo	N/A	N/A	✓	✗	✓

* - Retired from the Board with effect from April 28, 2017

Activities for Period Under Review

During the period under review, the Committee, amongst other things, upgraded, further, the Company's corporate governance and administrative architecture by updating the OTC Exchange's Corporate Policies. The Committee also oversaw the continuous process of curing deficiencies highlighted by the SEC and the Company's corporate governance consultants 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 organisation

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.

30 May 2018

The Chairman
FMDQ OTC Plc.
1, Olosa Street
Victoria Island
Lagos, Nigeria

Dear Sir,

Report to the Directors of FMDQ OTC Plc. on the outcome of the Board Evaluation for the year end 31 December 2017

PricewaterhouseCoopers Limited (“PwC”) was engaged to carry out an evaluation of the Board of Directors of FMDQ OTC Plc. 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 for the year ended 31 December 2017.

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 12 December, 2017. 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.

FMDQ OTC Plc. achieved significant compliance with the provisions of the Code. Areas of strength noted include, diverse mix of skill, knowledge and experience on the Board, induction programme for newly appointed Directors during the year, and approval of Remuneration and Succession Planning policies. Furthermore, the Compliance Risk and Control Framework was updated with the results of the periodic risk and control self assessment carried out within the year.

We also identified areas for improvement during the course of our reviews. Board members should endeavour to participate in periodic, relevant, professional continuing education programmes/training in line with the requirements of the SEC Code. Details of our other findings are contained in our full report to the Board.

We also facilitated a Self & Peer assessment of each Director’s performance in the year under review. This assessment covered the Director’s time commitment to the business of the Company, commitment to continuous learning and development and a self & peer assessment. Each individual Director’s Assessment report was prepared and made available to them respectively while a consolidated report of the performance of all Directors was also submitted to the Board Chairman.

Yours faithfully,
For: PricewaterhouseCoopers Limited

Femi Osinubi
Director
FRC/2017/ICAN/00000016659

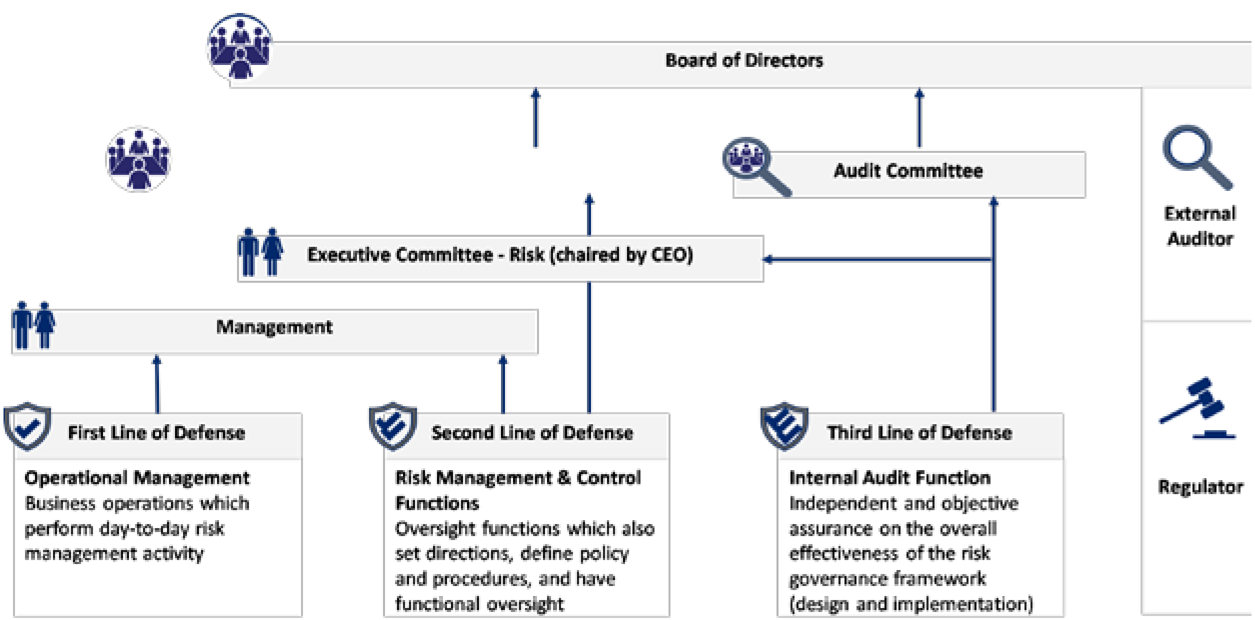
PricewaterhouseCoopers Limited
Landmark Towers, 5B Water Corporation Road, Victoria Island, P O Box 2419, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng TIN: 00290010-0001 RC39418

Compliance, Risk and Control

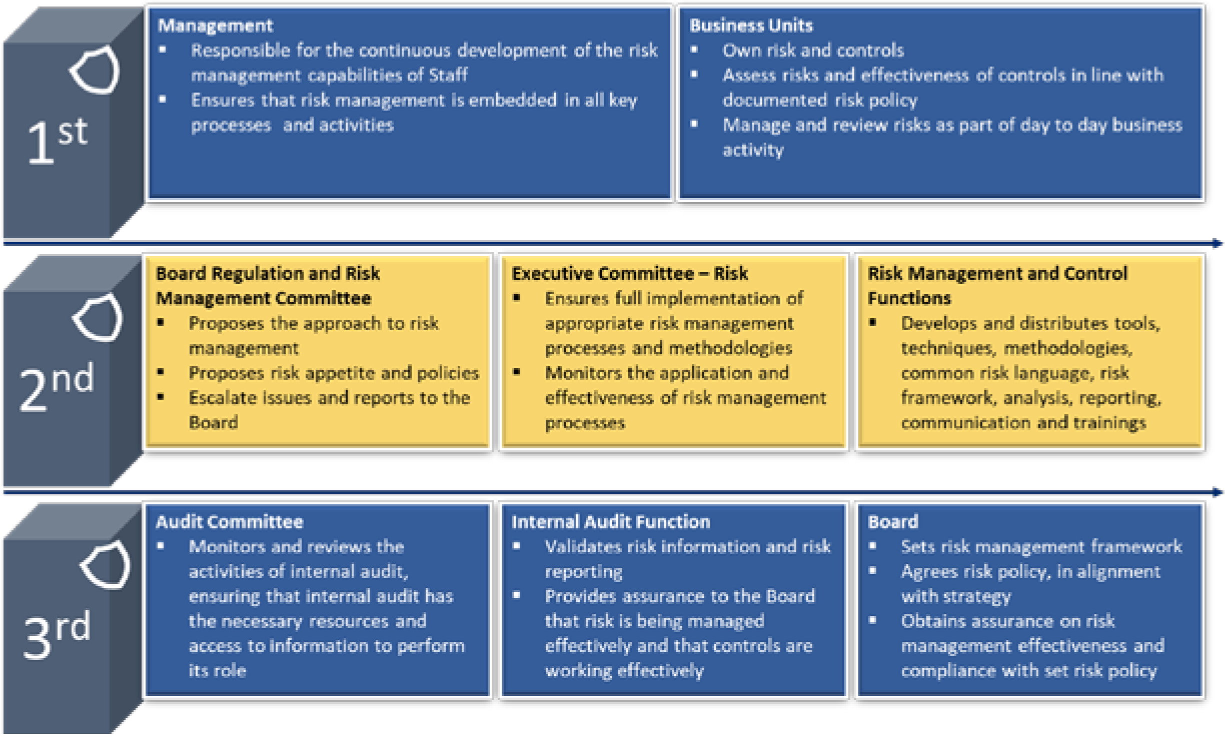
COMPLIANCE, RISK & CONTROL

Governance, Risk & Compliance Structure

In line with global best practices adopted by Financial Market Infrastructures (FMIs), FMDQ manages the risks inherent in its business operations through the implementation of a Governance, Risk and Compliance (GRC) Framework which combines risk management frameworks such as ISO 31000:2009 Risk Management - Principles and Guidelines, Committee of Sponsoring Organisations of the Treadway Commission (COSO) and International Organisation of Securities Commissions (IOSCO) – Principles for Financial Market Infrastructures (PFMI). The OTC Exchange's GRC Framework is supported by governance, people and processes. A key feature of the governance structure is the implementation of the three (3) lines of defence which establishes clear responsibilities and accountabilities for the management of risks. The chart below presents an overview of the OTC Exchange's risk management governance structure, including the reporting relationships of its support functions and independent control.



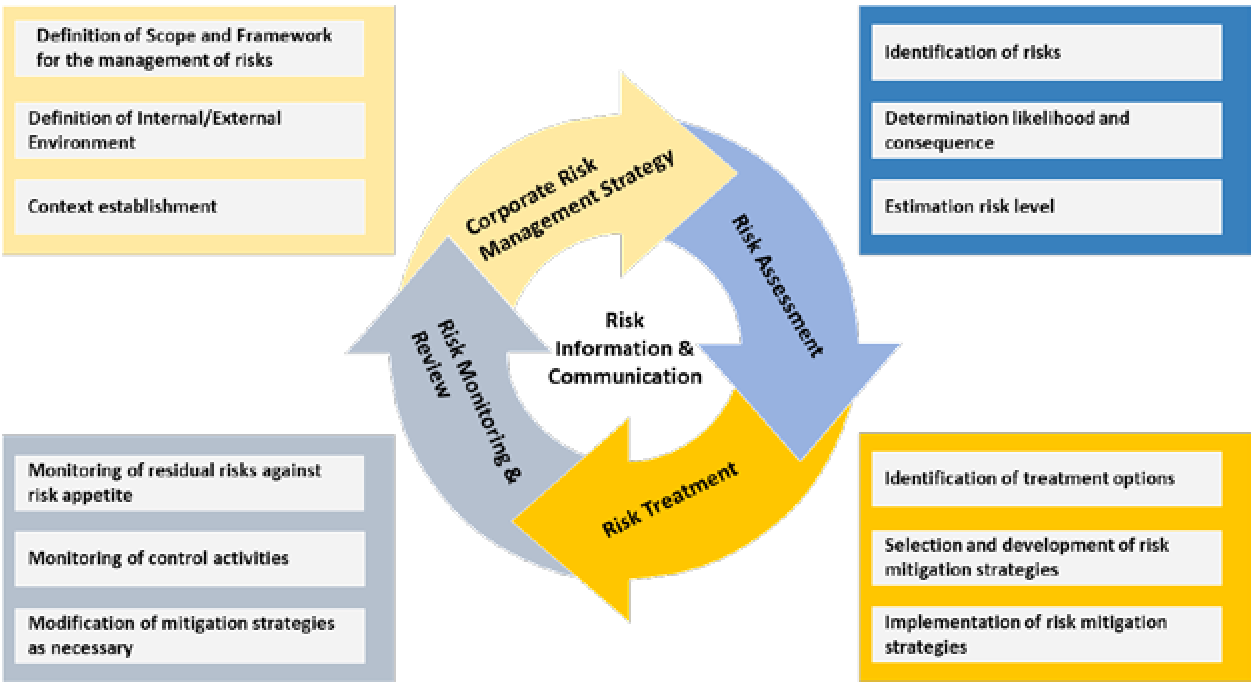
The Board has the ultimate accountability for the risk and related control environment and is responsible for oversight of risk both directly and through the Board Regulation and Risk Management Committee (BRRMC). The overview of stakeholders' roles and responsibilities consistent with the three (3) lines of defence is illustrated below.



RISK MANAGEMENT PROCESS/POLICY FRAMEWORK

The risk management framework in FMDQ sets the tone for the establishment of its risk management process. The OTC Exchange has developed a risk management lifecycle with structured process for the identification, assessment, communication, monitoring and reporting which ensures the continuous review of risk exposures and effectiveness of risk mitigation strategies and controls across all Business Units.

With the development of robust risk management tools to support the risk management process and reporting, the GRC Framework ensures the effective assessment and monitoring of the OTC Exchange's risks to guide strategic decision-making process. The chart below illustrates the risk management lifecycle in FMDQ.



The risk information and communication elements are continuous processes which ensure that relevant information is identified, captured and communicated in a form and timeframe that enable Business Units carry out their responsibilities. Effective communication also occurs across other elements in the risk management lifecycle and flows down, across and up the OTC Exchange.

Risk Management Policy

The Risk Management Policy is an integral part of FMDQ's Enterprise Risk Management Framework (ERM). It provides guidance on the management of risk to support the achievement of the OTC Exchange's corporate goals and objectives, protects employees and business assets as well as ensures financial sustainability. Also driven by the Policy is the risk philosophy and culture of FMDQ which covers the roles and responsibilities of all the internal stakeholders in the organisation. The notable attributes of the Risk Management Policy are:

- Understanding that every employee is a risk manager
- Ensuring that risk assessment is conducted on new projects and/or activities
- Timely reporting of loss events and emerging risk events across all Business Units
- Understanding of the broad risk categories and other risk taxonomy in the Company
- Possessing a good grasp of the internal stakeholders' roles and responsibilities in the identification, evaluation, management and monitoring of the risks inherent in the OTC Exchange

Risk Profile

The management and reporting of risks are crucial to the management of risk and FMDQ has categorised its risk exposures into broad categories. This allows the risk management function to appropriately articulate and present the risk profile of the Exchange to relevant stakeholders. The risks inherent in the Exchange's business operations include strategic, business, regulatory, operational, financial risks, financial accounting/reporting, credit, compliance and hazard risks. FMDQ's risks have been aligned with the nine (9) risk categories for the Enterprise Risk Management as illustrated below.

Risk Reporting

FMDQ demonstrates how well key risks are managed through a consistent form of reporting and collaboration amongst stakeholders (Board, Committees, Executive Committee, Management etc.) in line with its broad risk categories. To provide a comprehensive view of the OTC Exchange's business activities, risks and opportunities are evaluated in a structured way, combining elements of top-down and bottom-up approaches. The centralised risk management function periodically evaluates the profiles of the broad risk categories and reports same to Management, Executive Committee – Risk, Board Regulation and Risk Management Committee and to the Board.

Strategic Risk

FMDQ understands that product failures and execution of its strategy are key risks that could impede the achievement of its Strategic Objectives. Accordingly, the OTC Exchange has put in place a proactive and continuous engagement structure to ensure that stakeholders understand the benefits of relevant products before introduction. The OTC Exchange also engages stakeholders on trainings for capacity development.

The OTC's Strategic Initiatives are also periodically reviewed by its Management Steering Committee which provides the opportunity to review performance and make adjustments to the strategic initiatives and its executions

Business Risk

With focus on Fixed Income and Currency, the OTC Exchange's revenue streams could be adversely impacted as a result of low activity in its market from unfavourable changes in the overall economic climate. Due to the importance of this risk Management addressed this at the strategic level through the assessment of its strategic risks. This assessment lead to the development of controls to minimise the risks

Regulatory Risk

As a Financial Market Infrastructure, FMDQ is subject to the increasing and changing regulatory demand both locally and globally which pose risks to the business sustainability of the OTC Exchange. The notable potential regulatory changes are the proposed amendments to the Companies and Allied Matters Bill (CAMA) 2004 and Investments and Securities Act (ISA) 2007. This two bills could impact the business structure and operations of the OTC Exchange.

The local and international regulatory landscape are periodically monitored to identify, assess and manage the controls which mitigates Regulatory Risk. For example the introduction of General Data Protection Regulation (GDPR) by the European Union (EU)

Operational & Hazard Risks

The key areas of focus within the operational risk management scope for 2017 were business continuity and cyber risk. FMDQ developed a robust framework for its business continuity and disaster recovery plans to provide reasonable assurance of business continuity for its critical business functions and systems in the event of disruptions.

Holistically, the OTC Exchange maintains a comprehensive policy and procedure to provide a well-controlled environment to minimise operational risks inherent in its business operations. In addition, the centralised risk management function creates awareness and drives the culture of 'every employee is a risk manager'.

Financial Risk

The financial operations of FMDQ expose it to liquidity and market risks. Liquidity is crucial for the operations and provision of working capital requirements of the OTC Exchange and it has put in place a comprehensive and conservative set of liquidity and funding policies. Whilst the finance function has the primary responsibility to manage liquidity risk, the centralised risk management function is an independent risk management function responsible for control and oversight of liquidity risk management through matching and limit governance.

Market risk arises from the OTC exposure to interest rate and foreign exchange risks. These risks are managed through sensitivity and gap analyses.

Credit Risk

The main credit risk of FMDQ arises from its financial investments and deposits with the banks. The risk is managed through robust policy and procedure which covers asset selection, asset allocation, credit rating, etc.

Government securities and other investment grade assets in line with the OTC Exchange's risk appetite account for the largest proportion of its investment portfolio. The centralised risk management function monitors the OTC Exchange's exposure to credit risk through the assessment of potential credit rating downgrades, monitoring actual position against target limits approved by its Board.

Financial Accounting Risk

The management controls put in place by Management to ensure a high integrity financial reporting is adequately and independently being validated by different functions in the OTC Exchange. The Internal Control Units ensures that processes and policies are properly followed before posting whilst the risk management function ensures that identified risks are adequately mitigated.

The internal audit provides assurance to Management on the adequacy of the controls and the risk management function also independently reviews and validates the valuation of the OTC Exchange investment portfolio

Compliance Risk

The compliance function has a structured program to manage risks that might arise from non-compliance to rules, statutes, regulations, by-laws, etc. The function developed a robust catalogue of all the regulations that guide the operations of the OTC Exchange with responsible internal stakeholders that should comply.

In addition to the periodic review and modification of the catalogue to reflect revised and new regulations, internal stakeholders are prompted to comply with relevant rules and regulations. The OTC Exchange has a zero tolerance to sanctions and penalties that could arise from non-compliance with regulations and the appetite is constantly communicated to all employees.

Risk Monitoring

FMDQ conducts an annual risk assessment programme where risks inherent in its operations are identified and assessed in line with its broad risk categories. This exercise allows the OTC Exchange to evaluate its extant risk mitigation strategies and recommend new action plans to address residual risks that exceed its risk appetite. The new mitigation strategies along with the high severity residual risks are closely monitored through the OTC Exchange's centralised risk function and reported to the Board on a periodic basis.

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

SEC-Supervisory Report

FMDQ, registered as an OTC securities exchange and self-regulatory organisation (SRO), is required by law to comply with the provisions of the Investments and Securities Act, 2007, and the Securities and Exchange Commission Rules and Regulations, 2013, as enforced by the SEC.

The SEC, in its regulatory supervisory role, has carried out two (2) inspections on FMDQ since inception, and subsequently forwarded an Inspection Report detailing certain noted exceptions, together with recommendations to FMDQ.

The Board of Directors and Management, having committed to adhere to the SEC Rules and Regulations, had as at the end of 2017, successfully closed out on all, but one exception. The outstanding exception – integration of FMDQ Trading Systems with the CBN S4 has been completed in 2018, with the activation of FMDQ's Proprietary Market System, Q-ex.

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 or threat of violence or of 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 involve:

a. Falsification or alteration of accounting records
b. Misappropriation of assets or theft
c. Suppression or omission of the effects of transactions from records or transactions without

substance

d. Intentional misapplication of accounting policies or wilful misrepresentation of transactions of the organisation's state of affairs
e. Misapplying corporate funds
f. Manipulation of information systems applications and data for personal advantage

FMDQ is committed to the highest standards of ethical behaviour and values. Its topmost priority is 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 organisation. Management's risk appetite to fraud risks is close to zero and as a result, a control designed to mitigate fraud risk is always taken seriously.

Internal Control Report

In 2017, an external assessment of the internal controls system was carried out by PricewaterhouseCoopers (PwC) to provide Management with insights into the state of controls within the Company. The assessment was done using the Committee of Sponsoring Organisations of the Treadway Commission ("COSO")'s Internal Control—Integrated Framework (the Framework) as the benchmark framework for internal control activities. This Framework is made up of five (5) integrated components; broken down into seventeen (17) principles. The five components are:

1. The Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring Activities

The Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across FMDQ. The Board of Directors and Management establish the tone at the top regarding the importance of internal controls, including expected standards of conduct. FMDQ fulfils the following applicable principles:

Principle 1: Demonstrate commitment to integrity and ethical values: FMDQ has defined ethical concerns and standards in the Staff Handbook and Constitution.

Principle 2: Ensure that Board exercises oversight responsibility: The Board of FMDQ is governed by the Board Charter and Board Committees' Charters which defines the responsibilities of individual and collective Directors. There are currently four (4) Board Committees established to ensure effective oversight of the Company's activities.

Principle 3: Establish structures, reporting lines, authorities and responsibilities: FMDQ's Organisational Structure shows the existing functions and clearly outlines the authority levels.

Principle 4: Demonstrate commitment to a competent workforce: Staff members have achievable Key Performance Indicators (KPIs) which form the basis for their performance appraisal and are discussed and agreed with their supervisors.

Principle 5: Hold people accountable for internal control responsibilities: Adopting the three (3) lines of defence framework in FMDQ has formed a basis of holding everyone accountable for risks and controls.

Risk Assessment

For guidance in conducting risk assessment in the Company, FMDQ adopted the COSO Principles 6 - 9 below:

Principle 6: Specify appropriate objectives: FMDQ's Board and Management set Strategic Objectives, targets, and support initiatives with timelines using a balance scorecard approach (Financial, Customer, Internal Processes, and Learning and Growth perspectives). Periodic Strategy Sessions are also held to discuss the status of the Strategic Initiatives.

Principle 7: Identify and analyse risks: FMDQ has adopted the Governance, Risk and Compliance (GRC) Model in developing its Compliance, Risk and Control (CRC) Framework and Risk Management Policy. Governance for risk management starts from the Board who approves the Framework and Policy, with an oversight power domiciled with the Board Regulation and Risk Management Committee (BRRMC). Risk assessment is performed on an annual basis using the workshop approach and a Risk Register is developed cataloguing all identified risks, controls in place and/or new controls proposed to reduce risk severity levels.

Principle 8: Evaluate fraud risks: The risk of fraud is considered as part of the operational risk management process. Management ensures the effectiveness of the internal control system within FMDQ. In addition, the Internal Auditors consider the risk of fraud in planning audit engagements.

Principle 9: Identify and analyse changes that could significantly affect internal controls: Changes and their impact on internal controls are considered as part of the annual risk assessment carried out by the Risk Management, Compliance & Control, and Internal Audit Groups.

Control Activities

Control activities are the actions established through policies and procedures that help ensure Board directives on controls to mitigate assessed risks are followed by Management. FMDQ fulfils the following applicable COSO Principles 10 – 12:

Principle 10: Select and develop control activities that mitigate risks: Existing controls are identified, and new controls proposed as part of FMDQ's risk assessment process.

Principle 11: Select and develop technology controls: Controls can either be manual or automated. FMDQ's Management is of the view that automated controls should be considered first for identified risks before manual controls are considered.

Principle 12: Deploy control activities through policies and procedures: Standard procedure manuals exist for most of the business Units in the Company. In addition, quarterly reporting on the state of internal controls are prepared by the Internal Control Officer to the Board Regulation and Risk Management Committee.

Information and Communication

Information is necessary for FMDQ to carry out internal control responsibilities. Management obtains/generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control.

Communication is the iterative process of providing, sharing, and obtaining necessary information. FMDQ fulfils the following applicable principles 13 – 15:

Principle 13: Use relevant, quality information to support the internal control function: Policies and procedures are communicated to employees via the intranet and email. In addition, staff meetings are regularly held to inform and reinforce policies and procedures

Principle 14: Communicate internal control information internally: Management reports to the Board Regulation and Risk Management Committee on a quarterly basis on the state of internal controls in FMDQ. Key policies such as the Whistleblowing Policy, Code of Conduct, Disciplinary Policy, etc., are duly communicated to all staff and posted to the intranet. The Internal Audit function reviews the state of controls in the Company and provides an independent report to the Audit Committee on a quarterly basis.

15. Principle 15: Communicate internal control information externally: Annual General Meetings (AGM) are organised and attended by external parties such as shareholders who actively participate in proceedings. FMDQ's Annual Reports are publicised on the Company's corporate website, making available information on the financial performance of FMDQ to external parties. Key information communicated via the Company's website include:

a. The Governance Structure
b. Risk Management Activities
c. The Whistleblowing Policy

d. FMDQ Market Bulletin
e. Rules Books for Treasury, Money Market, Foreign Exchange and Government Bonds
f. Market Conduct and Regulation
g. Complaints and Dispute Resolution
h. Market Surveillance and Enforcement
i. Corporate Communications Policy

Monitoring Activities

Monitoring activities involves ongoing monitoring, separate evaluations and or a combination of both activities. Management's ongoing monitoring involves all processes and procedures established by it to review received reports, establish indicators, review performance and the reviewing of transactions reported through escalation triggers. Management carries out separate evaluation through reporting of control exceptions to the Board Committees and the Board. The Internal Audit also carries an evaluation of the controls during their audit and prepares an assurance report to Management, Audit Committee and the Board.

FMDQ fulfils the monitoring activities by following the applicable principles 16 – 17:

Principle 16: Perform ongoing or periodic evaluations of internal controls (or a combination of the two): Management has put processes in place to evaluate and monitor on an on-going basis, the internal control activities in the Company. One of the processes is ensuring that all policies are reviewed and approved by the Board Committees and the Board. Management also ensures Standard Policies and Procedures are developed and approved for use in the Company. To ensure an independent evaluation, PwC was engaged in 2017 to perform an independent evaluation of the Internal Control Unit of the Company. The Report from this engagement is presently being implemented to strengthen the control activities in FMDQ.

Principle 17: Communicate internal controls deficiencies: The Internal Audit Group assesses and reports control deficiencies in its Audit Reports and presents same to Audit Committee. Management actively monitors corrective actions on these deficiencies and an update report is also provided to the Board Regulation and Risk Management Committee on a quarterly basis.

Board of Directors

DR. OKWU JOSEPH NNANNA

Chairman, Board of Directors, FMDQ OTC Securities Exchange

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, FMDQ OTC Securities Exchange

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 FMDA 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).

Dr. Adeduntan is the Managing Director/CEO of First Bank of Nigeria Limited. Prior to this appointment, he was Executive Director/Chief Financial Officer of the bank. He has also served as a Senior Vice President & Chief Financial Officer at Citibank Nigeria Limited, and worked in a managerial position in KPMG Professional Services. He represents Systemically Important Banks on the Board of FMDQ OTC Securities Exchange.

He is a Director of Africa Finance Corporation and a member of Sigma Educational Foundation.

DR. SOLA K. ADEDUNTAN
Non-Executive Director, FMDQ OTC Securities Exchange

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.

MS. DAISY EKINEH
Chair, Board Regulation and Risk Management Committee, FMDQ OTC Securities Exchange

Mr. Uzoka is the Group Managing Director/CEO of United Bank of Africa PLC (UBA). Prior to this appointment, he served as the CEO 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, FMDQ OTC Securities Exchange

Dr. Demola Sogunle is the Chief Executive of Stanbic IBTC Bank PLC. Prior to this appointment, he served the Stanbic IBTC Group in various capacities, including the Deputy Chief Executive of Stanbic IBTC Bank PLC and Chief Executive of Stanbic IBTC Pension Managers Ltd., amongst other roles. He represents the Bankers' Committee Financial Markets Sub-Committee on the Board of FMDQ.

He is a member of the Global Association of Risk Professionals.

DR. DEMOLA SOGUNLE
Non-Executive Director, FMDQ OTC Securities Exchange

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

He has served Zenith Bank PLC in various capacities: as the Head of Financial Control and Strategic Planning, Head of the Corporate & Retail Banking Group and the bank's Group Zonal Head, Lagos.

MR. PETER AMANGBO
Chair, Board Finance and General Purpose Committee, FMDQ OTC Securities Exchange

Mr. Adeyemo is the Country Treasurer & Markets Head, Citibank Nigeria Limited. He is a member of and represents the FMDA Governing Council on the Board of FMDQ.

He is also the Chairman, Automation Committee of the FMDA and serves as a member of the SEC Capital Market Committee (Sub-committee on Exchanges).

MR. BAYO ADEYEMO
Non-Executive Director, FMDQ OTC Securities Exchange

Mr. Akinsanya 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 PenOp, which he serves as Head, Technical Committee.

MR. DAPO AKISANYA
Non-Executive Director, FMDQ OTC Securities Exchange

Mr. Onadele is the pioneer Managing Director/CEO of FMDQ OTC Securities Exchange. 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, FMDQ OTC Securities Exchange

Audit Committee

Mr. Wigwe is the Group Managing Director/CEO, Access Bank PLC, where he also served as the Group Deputy Managing Director from 2002 – 2014. He started his professional career with Coopers and Lybrand Associates, an international firm of Chartered Accountants before joining Guaranty Trust Bank PLC. He was an Executive Director of Guaranty Trust Bank PLC. He is the Chairman of The Access Bank (UK) Limited.

MR. HERBERT WIGWE
Committee Chair

Mr. Sekibo is the pioneer Managing Director/CEO of Heritage Bank PLC. HE has over two (2) decades of professional work experience spanning across the financial services and energy sectors. In 2003, he led a team which acquired Global Assurance Company Limited, birthing a new institution, International Energy Insurance PLC, a frontline Insurance Company in Nigeria, which he served as Executive Vice Chairman.

MR. IFIE SEKIBO

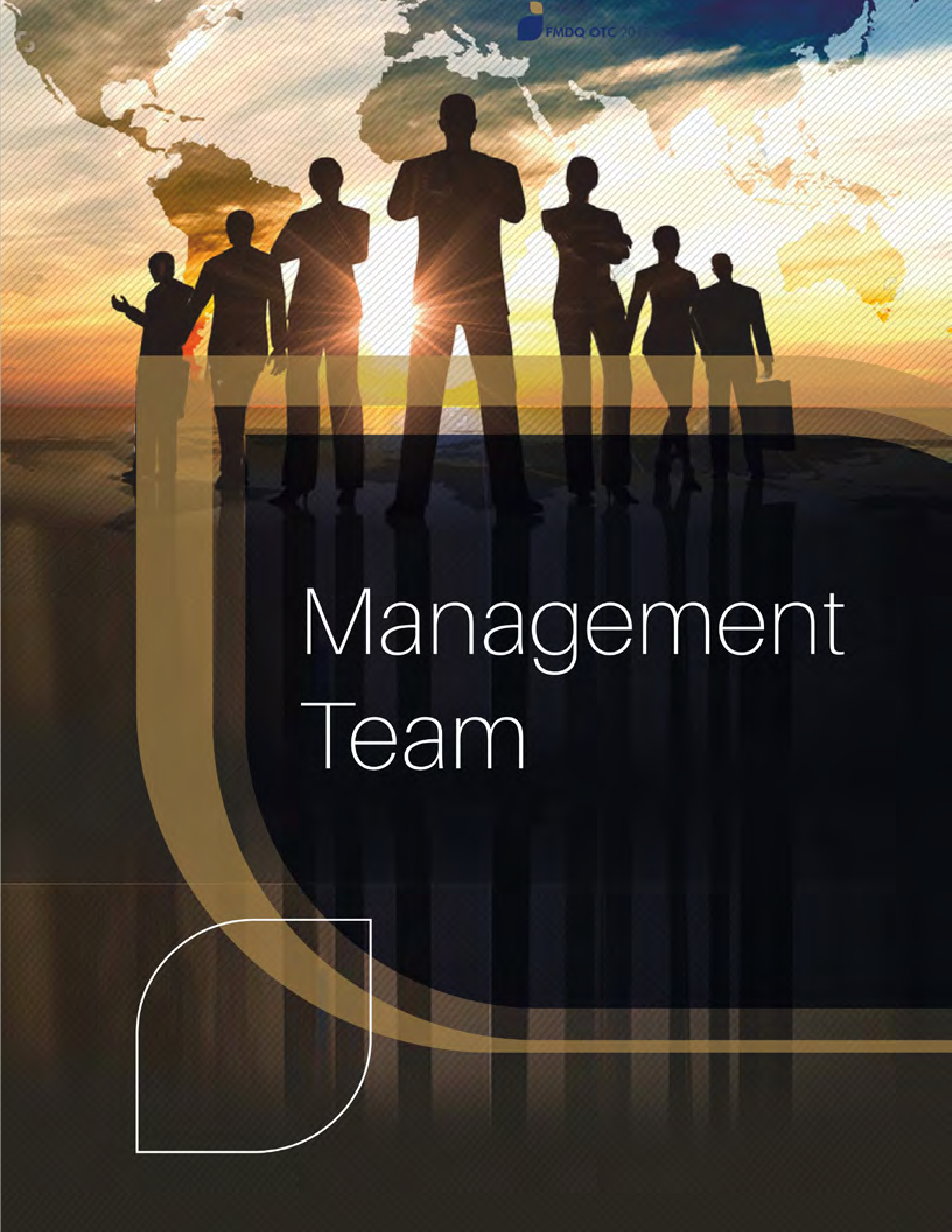
Mr. Dozie is the Group Managing Director/CEO of Diamond Bank PLC. He started his banking career with Guaranty Trust Bank PLC, and later moved to Citizens International Bank Limited. He has been a Director of one of the faculties at the Lagos Business School since 2007.

MR. UZOMA DOZIE

FMDQ Audit Committee Members (Directors)

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

- Mr. Peter Amangbo
- Dr. Sola Adeduntan
- Mr. Dapo Akisanya



Management Team

Mr. Bola 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.

MR. BOLA ONADELE. KOKO
Managing Director/CEO

Ms. Ugoji is the Head of Corporate Development Directorate, comprising three (3) Divisions – Corporate Planning, Corporate Services and Assurance Services. 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 sixteen (16) years' experience in Treasury, Asset Management, Business Development, Project Management and Strategy functions of various organisations, including Guaranty Trust Bank PLC, Hermes Investment Managers Limited, London, UK and Diamond Bank PLC. Prior to joining FMDQ, she was the Head of Treasury Operations in Guinness Nigeria PLC.

MS. KAODI UGOJI
Associate Executive Director

Ms. Sekoni is the Head of Capital Markets Directorate, comprising three (3) Divisions – Business Development, Market Architecture and Economic Development. 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 sixteen (16) years, she has built her career across Trading, Operations, Business Analysis and Project Management in various organisations including Guaranty Trust Bank PLC, Goldman Sachs International, UBS London and Merrill Lynch.

MS. TUMI SEKONI
Associate Executive Director

Mr. Etaderhi is the Head of Economic Development Division. 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-four (24) 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 FMDQ, he served the Delta State Government as Special Assistant to the Finance Commissioner.

MR. EMMANUEL ETADERHI
Senior Vice President

Mr. Alao is the Head of Business Innovation Division. 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-five (25) 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. EMMANUEL ALAO
Senior Vice President

Ms. Olaniyan is the Head of Market Architecture Division. 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 eleven (11) 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 Securities and Exchange Commission.

MS. JUMOKE OLANIYAN
Vice President

Mr. Atuma is the Head of Assurance Services Division. 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 FMDQ, 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.

MR. EMEKA ATUMA
Vice President

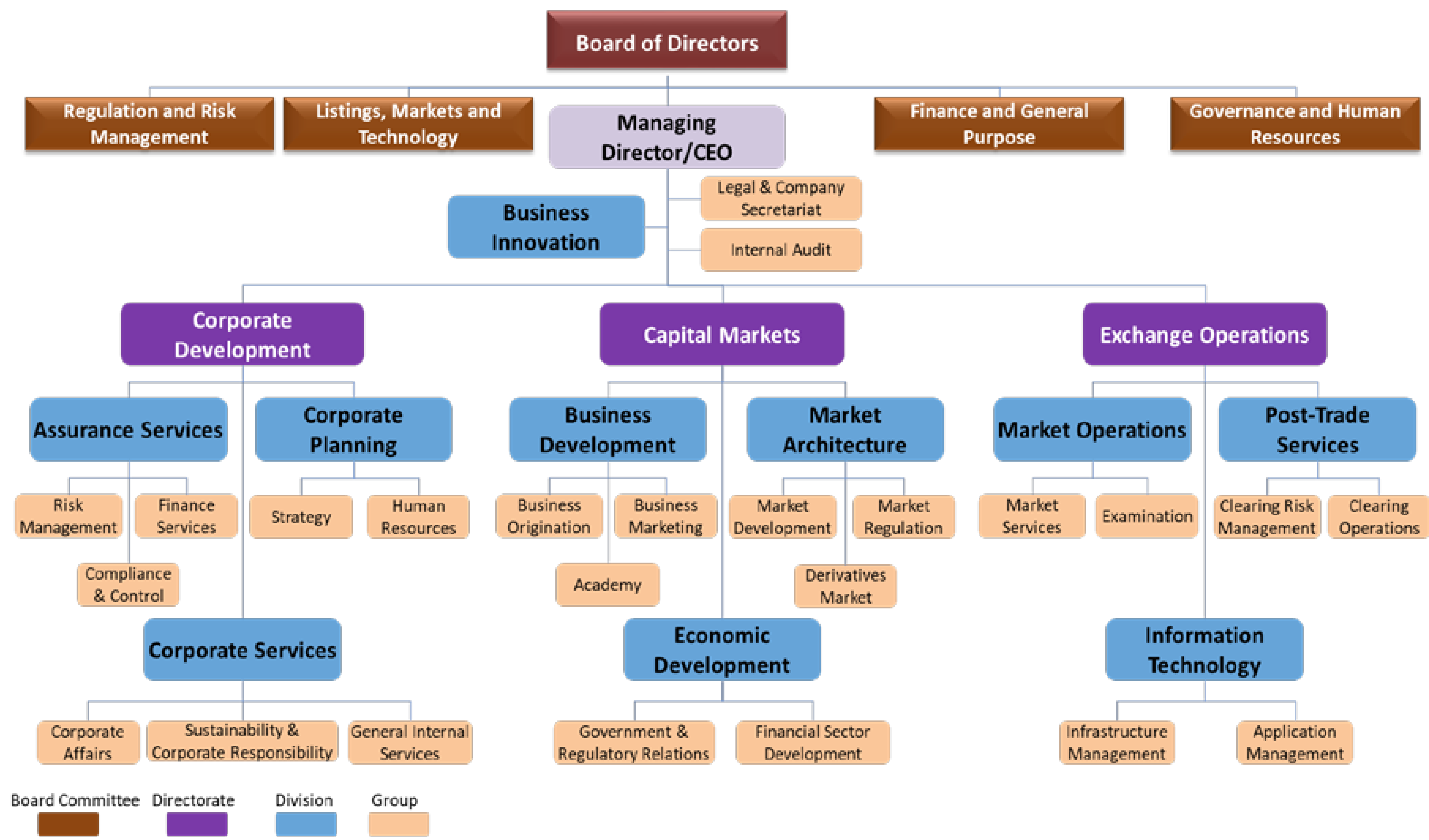
Mrs. Olufosoye is the Head of Information Technology Division. She holds a Bachelor's degree in Mathematics from the University of Ado-Ekiti, Nigeria and a Postgraduate Diploma in Computer Science from the University of Lagos, Nigeria.

Shola has over twenty-four (24) 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.

MRS. SHOLA OLUFOSOYE
Vice President

Organisation Structure

The FMDQ Organisation Structure is made up of three (3) Directorates, ten (10) Divisions and twenty-four (24) Groups.



CORPORATE 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
All external communication must be approved by Corporate Affairs Group (CAG), through the Head, Corporate Services Division. 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 CAG 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 CAG 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 OTC 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 2017

The Directors present their annual report on the affairs of FMDQ OTC PLC ("the Company") and its subsidiary together with the audited financial statements and auditor's report for the year ended 31 December 2017.

(a) Legal form

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 organization.
The Company commenced operations on 1 January 2013.

(b) Principal activities

The principal activities of the Company are developing, organizing and regulating the platform for listing, quotation, registration, trading of debt securities, as well as trading of currencies and derivatives.

In 2017, the Company invested in a new entity, FMDQ Clear Limited. It is a wholly owned subsidiary of FMDQ OTC PLC. FMDQ Clear Limited 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-17	Company 31-Dec-17	Company 31-Dec-16
Operating income	2,570,274	2,553,766	2,040,906
Profit before tax	349,759	349,371	440,375
Taxation	(113,000)	(113,000)	(118,505)
Profit after taxation	236,759	236,371	321,870

(d) Proposed dividend

No dividend was proposed by the Board of Directors in respect of the financial year ended 31 December 2017. (December 2016: Nil).

(e) Directors and their interests

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

Dr. Okwu Joseph Nnanna*	-	Chairman
Mr. Jibril Aku	-	Vice Chairman
Mr. Bola Onadele. Koko	-	Managing Director/Chief Executive Officer
Dr. Adesola Adeduntan	-	Director
Mrs. Bola Adesola	-	Director
Mr. Bayo Adeyemo	-	Director
Ms. Daisy Ekineh	-	Director (Independent)
Mr. Dapo Akisanya	-	Director
Mr. Kennedy Uzoka	-	Director
Mr. Peter Amangbo	-	Director
Dr. Demola Sogunle**	-	Director
Dr. (Mrs.) Sarah Alade ***	-	Director
Mr Yinka Sanni ****	-	Director

* Appointed to the Board with effect April 28, 2017
** Appointed to the Board effective July 18, 2017
*** Resigned from the Board effective April 28, 2017
**** Resigned from the Board effective April 28, 2017

Directors' Report (Continued)

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 2017.

Name	2017 No. of shares	2017 % Holding	2016 No. of shares	2016 % 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 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

31 December 2016

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 18 to the financial statements.

(i) Charitable contributions and other donations

The Company made no charitable contributions and donations during the year. (2016: Nil).

(j) Employment of disabled persons

The Company had no disabled person in its employment as at 31 December 2017 (2016: 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.

Directors' Report (Continued)

(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 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 2017 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
19 March 2018

Statement of Directors' Responsibility in Relation to the Financial Statements for the year ended 31 December 2017

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
Chairman
19 March 2018
FRC/2015/ICENNIG/00000011557

Mr. Bola Onadele. Koko
Managing Director/CEO
19 March 2018
FRC/2014/ICAN/00000008637

Audit Committee Report

for the year ended 31 December 2017

To the members of **FMDQ OTC 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 OTC PLC hereby report on the financial statements for the year ended 31 December 2017 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 2017 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. Herbert Wigwe
Chairman, Audit Committee
FRC/2013/ICAN/00000001998
19 March 2018

Members of the Audit Committee are:

1	Mr. Herbert Wigwe	Shareholder representative	Chairman	
2	Mr. Ifie Sekibo	Shareholder representative	Member	
3	Mr. Uzoma Dozie	Shareholder representative	Member	
4	Mr. Peter Amangbo	Director	Member	
5	Mr. Adesola Adeduntan	Director	Member	
6	Mr. Dapo Akinsanya	Director	Member	(Appointed effective 28 April, 2017)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **FMDQ OTC PLC**

Report on the Consolidated and Seperate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FMDQ OTC Plc ("the Company") and its subsidiary (together, "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December, 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 130 to 163

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, 2017, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. We have determined that there are no key audit matters to communicate in our report.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the Directors' report, Statement of Directors' responsibilities, Audit committee report and Other national disclosures, but does not include the consolidated and separate financial statements and our audit report thereon.

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 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 Board 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.

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,

In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books and the Group and 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:

Nneka

Nneka Eluma
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
27 March 2018
Lagos, Nigeria

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

For the year ended 31 December 2017

In thousands of Naira	**Notes**	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Transaction fees	7	1,634,659	1,634,659	1,381,919
Interest income	8	243,723	227,215	193,204
Other income	9	590,613	590,613	348,081
Gain on foreign exchange revaluation	10	101,279	101,279	117,702
Operating income		2,570,274	2,553,766	2,040,906
Personnel expenses	11	(658,814)	(658,814)	(562,761)
Other operating expenses	12	(1,493,246)	(1,477,126)	(967,655)
Depreciation and amortisation	18,19	(68,455)	(68,455)	(70,115)
Profit before income tax		349,759	349,371	440,375
Income tax expense	13(a)	(113,000)	(113,000)	(118,505)
Profit after income tax		236,759	236,371	321,870
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Available-for-sale financial assets – net change in fair value		74,649	76,303	(73,359)
Other comprehensive income, net of income tax		74,649	76,303	(73,359)
Total comprehensive income for the year		311,408	312,674	248,511

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

Consolidated and Separate Statements of Financial Position

As at 31 December 2017

In thousands of Naira	**Notes**	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
ASSETS				
Cash and cash equivalents	14	347,979	345,254	313,483
Investment securities	15	1,791,572	1,279,826	1,552,978
Other assets	16	262,880	277,777	185,080
Investment in subsidiay	17	-	500,000	-
Property and equipment	18	614,123	614,123	457,533
Intangible asset	19	18,002	18,002	18,029
Total assets		3,034,556	3,034,982	2,527,103
LIABILITIES				
Other liabilities	20	942,017	941,177	815,540
Provisions	21	21,246	21,246	21,246
Current tax liability	13 (c)	41,589	41,589	23,772
Deferred tax liability	13 (d)	67,991	67,991	16,240
Total liabilities		1,072,843	1,072,003	876,798
EQUITY				
Share capital	22 (a)	640,741	640,741	640,741
Share premium	22 (b)	21,148	21,148	21,148
Fair value reserve	22 (d)	(45,520)	(43,866)	(120,169)
Retained earnings	22 (c)	298,070	297,682	1,108,585
Other reserves	22 (e)	1,047,274	1,047,274	-
Total equity		1,961,713	1,962,979	1,650,305
Total liabilities and equity		3,034,556	3,034,982	2,527,103

These financial statements were approved by the Board of Directors on 19 March 2018 and signed on behalf of the 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:

Mr. Emeka Atuma (Chief Financial Officer)
FRC/2016/ICAN/00000013891

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

Consolidated and Separate Statement of Changes in Equity

Group

(a) ***For the year ended 31 December 2017***

In thousands of Naira	Share capital	Share Premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance 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 for the year	-	-	74,649	236,759		311,408
Transactions with owners, recorded directly in equity:						
Transfer to other reserves	-	-	-	(1,000,000)	1,000,000	-
Appropriation of profit				(47,274)	47,274	-
Balance at 31 December 2017	640,741	21,148	(45,520)	298,070	1,047,274	1,961,713

Company

(b) ***For the year ended 31 December 2017***

In thousands of Naira	Share capital	Share Premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance 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 for the year	-	-	76,303	236,371		312,674
Transactions with owners, recorded directly in equity:						
Transfer to other reserves	-	-	-	(1,000,000)	1,000,000	
Appropriation				(47,274)	47,274	
Balance at 31 December 2017	640,741	21,148	(43,866)	297,682	1,047,274	1,962,979

(c) ***For the year ended 31 December 2016***

In thousands of Naira	Share capital	Share Premium	Fair value reserve	Retained earnings	Other reserves	Total equity
Balance at 1 January 2016	640,741	21,148	(46,810)	786,715	-	1,401,794
Total comprehensive income for the year						
Profit for the year	-	-	-	321,870	-	321,870
Other comprehensive income	-	-	(73,359)	-	-	(73,359)
Total comprehensive income for the year	-	-	(73,359)	321,870	-	248,511
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Balance at 31 December 2016	640,741	21,148	(120,169)	1,108,585	-	1,650,305

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2017

In thousands of Naira	Notes	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Cash flows from operating activities				
Profit for the year		236,759	236,371	321,870
Taxation	13	113,000	113,000	118,505
Profit before tax		349,759	349,371	440,375
Adjustments for:				
Depreciation of property and equipment	18	62,200	62,200	54,209
Gain on disposal of property and equipment	9	(7,998)	(7,998)	-
Allowance for other assets	12	-	-	5,063
Amortisation of intangible asset	19	6,255	6,255	15,906
Unrealized foreign exchange gains on Eurobond	27 (vii)	(101,451)	(101,451)	(112,764)
Interest income	8	(243,723)	(227,215)	(193,204)
		65,042	81,162	209,585
Changes in:				
- Other assets	27 (vi)	(98,961)	(113,858)	(112,936)
- Other liabilities	27 (v)	234,858	234,018	254,072
Interest income received	27 (iv)	248,536	232,028	118,821
Tax paid	13 (c)	(22,271)	(22,271)	(208,410)
VAT paid	27 (v)	(108,381)	(108,381)	(93,519)
Net cash generated from operating activities		318,823	302,698	167,613
Cash flows from investing activities				
Acquisition of property and equipment	18	(219,287)	(219,287)	(427,077)
Acquisition of intangible asset	27 (iii)	(6,228)	(6,228)	(9,065)
Proceeds from sale of Property and equipment	27 (ii)	8,495	8,495	-
(Purchase)/Sale of investment securities	27 (i)	(67,479)	445,921	265,669
Acquisition of subsidiary	17	-	(500,000)	-
Net cash used in investing activities		(284,499)	(271,099)	(170,473)
Net increase in cash and cash equivalents		34,324	31,599	(2,860)
Effect of exchange rate changes on cash and cash equivalents	27 (vii)	172	172	(4,938)
Cash and cash equivalents at beginning of year		313,483	313,483	321,281
Cash and cash equivalents at end of the year	14	347,979	345,254	313,483

Notes to the Financial Statements

1 Reporting entity

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 1 Olosa Street, Victoria Island, Lagos.

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

FMDQ OTC PLC's principal activities is to function as an over-the-counter market, with dual responsibilities of a securities exchange and self-regulatory organization. It is regulated by the Securities and Exchange Commission. FMDQ Clear Limited 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.

2 Basis of preparation

(a) *Statement of compliance with International Financial Reporting Standards and other regulatory requirements*

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 19 March 2018.

(b) *Basis of measurement*

The consolidated and separate financial statements have been prepared on the historical cost basis except for available-for-sale financial assets measured at fair value and held-to-maturity financial assets measured at amortised cost.

(c) *Functional and presentation currency*

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

(d) *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 5.

3 Significant accounting policies

The accounting policies set out below have been consistently applied to all years presented in these consolidated and separate financial statements.

(a) Transaction fees

Fee income on principal activity as an over-the-counter (OTC) platform are recognised in the period in which the services are rendered.

(b) Interest

Interest income are recognised in profit or loss using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Notes to the Financial Statements

Interest income presented in the statement of comprehensive income include interest on financial assets measured at amortised cost calculated on an effective interest rate basis.

(c) Income tax expense

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.

(d) Financial instruments

(i) Recognition

Financial instruments include all financial assets (cash and cash equivalents, investment securities and receivables) and financial liabilities (other liabilities). All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the Company commits to purchase or sell the instruments (trade date accounting).

(ii) Classification and subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(a) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost, using the effective interest rate method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

(i) sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset’s fair value;

(ii) sales or reclassifications attributable to non-recurring isolated events beyond the Company’s control that could not have been reasonably anticipated.

(b) Financial assets held at fair value through profit or loss

This category has two sub-categories; financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets may be designated at fair value through profit or loss when:

Notes to the Financial Statements

(i) The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

(ii) A group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

(c) Available-for-sale

Available-for-sale investments are non-derivative investments that were designated by the Company as available-for-sale or are not classified as another category of financial assets, or strategic capital investments held for an indefinite year of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest rate method. Foreign exchange gains or losses on available-for-sale equity securities are recorded completely in other comprehensive income. Foreign exchange gains or losses on the interest income on available-for-sale debt securities are recognized in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.
A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Company has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease are recognised and presented within loans and receivables.

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's financial statements.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

(iii) 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 amortization using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iv) 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Notes to the Financial Statements

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 Company 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 Company 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 Company 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.

Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Impairment of financial assets

(i) Assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Company then assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Impairment losses on assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. 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 recognised 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.

Notes to the Financial Statements

(ii) Available-for-sale financial assets

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.

(vi) Financial Liabilities

Recognition

The Company recognises financial liabilities initially at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement

Subsequent to initial recognition, the Company classifies its financial liabilities as other financial liabilities measured at amortised cost or fair value through profit or loss.

(vii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle 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 IFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(viii) Derecognition of financial instruments

The Company 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 has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Where the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

(e) Foreign currency transactions

Transactions in foreign currency are translated into the functional currency of the Company at the exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in the OCI:
- Available-for-sale equity investments (except on impairment, in which case, foreign currency differences that have been recognized in the OCI are reclassified to profit or loss);

Notes to the Financial Statements

(f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

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

(g) 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. Other income is recognised when the right to receive income is established. The fees are earned over the period during which the services were rendered.

(h) 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.

(i) 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 Company. 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.

(j) Property and equipment

(i) Recognition and 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 Company 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 recognized on items of property and equipment that are under construction.

(iv) *De-recognition*

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.

Notes to the Financial Statements

(k) Intangible assets

Computer software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company 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.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(l) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of tangible and intangible 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 Company 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.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company 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 Company 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 Company 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 Company recognizes any impairment loss on the assets associated with that contract.

Notes to the Financial Statements

(n) 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 Company 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 Company'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 Company also operates a defined contribution plan called "Directors' Exit Pay" for its Executive and Non-Executive Directors. Under this plan, 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.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Company 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 Company 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.

(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 Company 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.

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

(p) Leases

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

The Company as a lessor

Rental income from an operating lease is recognized 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 recognized on a straight-line basis over the lease term.

Notes to the Financial Statements

The Company as a lessee

Operating lease payments are recognized 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 recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized 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.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Standard not yet effective	Date Issued	Effective period	Summary of the requirements and impact assessment
IFRS 9- Financial Instruments	July 2014	1 January 2018 Early adoption is permitted	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard may have a significant impact on the Group and Company, which will include changes in the measurement bases of the Group's and Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group and Company. The Company is assessing the impact of the standard on its financial statements.
IFRS 15 - Revenue from contracts with customers	May 2014	1 January 2018 Early adoption is permitted	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Company is assessing the impact of the standard on its financial statements. So far, the Company does not expect any significant impact.

Notes to the Financial Statements

Standard not yet effective	Date Issued	Effective period	Summary of the requirements and impact assessment
IFRS 16 - Leases	January 2016	1 January 2019 Early adoption is permitted only for entities that adopt IFRS 15 Revenue from Contracts with Customers, at or before the date of initial application of IFRS 16.	IFRS 16 was published in January 2016. It sets out the principles for 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 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors . IFRS 16 also includes extensive new disclosure requirements for both lesees and lessors. The Company is assessing the impact of the standard on its financial statements. So far, the Company does not expect any significant impact.

Other standards, amendments and interpretations
The following standards, amendments to standards and interpretations are not applicable to the business of the Group and will therefore have no significant impact on future financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). Effective 1 January 2018
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4). Effective 1 January 2018
- IFRIC 22 Foreign currency transactions and advance consideration. Effective 1 January 2018
- Transfers of Investment Property (Amendments to IAS 40). Effective 1 January 2018
- Annual improvements to IFRSs 2014 – 2016 Cycle - Effective 1 January 2018
- IFRIC 23 Uncertainty over Income Tax Treatments- Effective 1 January 2019
- Long-Tern Interests in Associates and Joint Venture (Amendments to IAS 28) - Effective 1 January 2019
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) - Effective 1 January 2019
- IFRS 17 Insurance Contracts - Effective 1 January 2021

Notes to the Financial Statements

4 Financial Risk Management

(a) Introduction and overview

The Group's vision is to be Number one (1) 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:

- Credit risk
- Liquidity risk
- Market risk

(b) 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 debt securities.

(i) Exposure to credit risk

The Group's exposure to credit risk is influenced mainly by the characteristics of its bankers and Dealing Members. Management considers the default risk of the industry in which the banks operate based on economic factors as this may have an influence on credit risk.

The Group is exposed to credit risk on its balances with banks, receivables, staff advances and investment debt securities. In 2017: 72% (2016: 73%) of the Company's revenue was attributable to interest income and fees earned on OTC transactions.

(ii) Available for sale instruments

The Group's 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 Company 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.

The Group did not have any available-for-sale investments that were impaired as at 31 December 2017.

(iii) Cash and cash equivalents

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

The carrying amount of the Company's financial assets which represent the maximum exposure to credit risk at the reporting date were as follows:

In thousands of Naira	Note	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Cash and cash equivalents	14	347,979	345,254	313,483
Investment securities	15	1,791,572	1,279,826	1,552,978
Other financial assets	16	48,263	63,912	122,986
		2,187,814	1,688,992	1,989,447

(c) Liquidity risk

Liquidity risk is the potential loss arising from the Company'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 Company's risks such as credit, market and operational risks.

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

(i) *Maturity analysis for financial assets and financial liabilities*

The table below presents the cash flows payable by the Company for financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows because the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

Notes to the Financial Statements

Group
31 December 2017

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 3 months	3 - 6 months	6months - 1 year	Over 1 year
Cash and cash equivalents	14	347,979	347,979	347,979	-	-	-
Investment securities	15	1,791,572	2,042,712	133,879	185,533	425,300	1,298,000
Other financial assets (net)	16	48,263	53,326	53,326	-	-	
		2,187,814	2,444,017	535,184	185,533	425,300	1,298,000
Other financial liabilities	20	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 2017

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 3 months	3 - 6 months	6months - 1 year	Over 1 year
Cash and cash equivalents	14	345,254	345,254	345,254	-	-	-
Investment securities	15	1,279,826	1,501,149	-	-	203,149	1,298,000
Other financial assets (net)	16	63,912	68,975	68,975	-	-	
		1,688,992	1,915,378	414,229	-	203,149	1,298,000
Other financial liabilities	20	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

Company
31 December 2016

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 3 months	3 - 6 months	6months - 1 year	Over 1 year
Cash and cash equivalents	14	313,483	313,483	186,660	-	126,823	-
Investment securities	15	1,552,978	2,459,125	-	345,046	508,194	1,605,885
Other financial assets (net)	16	122,986	124,178	77,712	-	46,466	-
		1,989,447	2,896,786	264,372	345,046	681,483	1,605,885
Other liabilities	20	616,183	637,429	-	637,429	-	-
		616,183	637,429	-	637,429	-	-
Gap (asset -liabilities)		1,373,264	2,259,357	264,372	(292,383)	681,483	1,605,885

As part of the management of its liquidity risk, the Company 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.

(d) 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 Company'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 optimizing return.

Notes to the Financial Statements

(i) *Exposure to interest rate risk*

The Company is exposed to an insignificant level of interest rate risk (i.e. the general market 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 with fixed rates. Similar to the last financial year, interest rates were fairly volatile in the year. These changes could have a negative impact on the net interest income, if not properly managed.

The table below shows the sensitivity of interest income to changes in interest rate as at 31 December 2017. The analysis is based on the assumption that the ineterest increased/decreased by 200bp and 500bp with all variables held conststant.

Group

Scenario level	**200bps**	**500bps**
In thousands of Nigerian Naira	31-Dec-17	31-Dec-17
Interest income as reported	43,100	43,100
Sensitivity of interest income to increase in interest rate	(53,861)	(137,510)
Sensitivity of interest income to decrease in interest rate	52,351	128,070

Company

Scenario level	**200bps**	**500bps**
In thousands of Nigerian Naira	31-Dec-17	31-Dec-17
Interest income as reported	243,723	243,723
Sensitivity of interest income to increase in interest rate	(50,395)	(128,913)
Sensitivity of interest income to decrease in interest rate	48,846	119,237

(ii) *Exposure to exchange rate*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because the Company 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 Company's revenue.

The exchange rate as at 31 December 2016 and 31 December 2017 were N305/$ and 360/$ respectively.

Exposure to currency risk

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

Company	**USD**	**NGN**
In thousands of Nigerian Naira	31-Dec-16	31-Dec-16
Bank balance	19	5,758
Investment securities	1,800	549,000
	1,819	554,758

Sensitivity analysis of exchange rates

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

Group

Scenario level	**200bps**	**200bps**
In thousands of Nigerian Naira	Bank Balances	Investment Securities
31 December 2017		
Increase	668	12,960
Decrease	(668)	(12,960)

Notes to the Financial Statements

Scenario level	**500bps**	**500bps**
In thousands of Nigerian Naira	Bank Balances	Investment Securities
31 December 2017		
Increase	1,671	32,400
Decrease	(1,671)	(32,400)

Company

Scenario level	**200bps**	**200bps**
In thousands of Nigerian Naira	Bank Balances	Investment Securities
31 December 2017		
Increase	668	12,960
Decrease	(668)	(12,960)
31 December 2016		
Increase	115	10,980
Decrease	(115)	(10,980)

Scenario level	**500bps**	**500bps**
In thousands of Nigerian Naira	Bank Balances	Investment Securities
31 December 2017		
Increase	1,671	32,400
Decrease	(1,671)	(32,400)
31 December 2016		
Increase	288	27,450
Decrease	(288)	(27,450)

(e) Risk prevention strategies

The Company 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 Company'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 Company adopt a detective or corrective controls. The Company believe that even after controls are put in place there could be residual risks. The Company also evaluate the residual risks and then design a risk treatment plan for such risks with high residual risks.

(f) 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 Company's strategic plan. Specifically, the Company considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Company's assessment taking account of the Company business strategy and value creation to all its stakeholders. The Company is not exposed to any externally imposed capital requirement.

		Group	Company	Company
In thousands of naira	Note	31-Dec-17	31-Dec-17	31-Dec-16
Paid up share capital	20	640,741	640,741	640,741
Shareholders' funds		1,961,713	1,962,979	1,650,305

Notes to the Financial Statements

5 Use of estimates and judgements

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

(a) *Determining fair values*

The Company's policy on fair value measurements is discussed under note 3(d)(iv).

The Company 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 significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

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 2017

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Available for sale investment securities	15	1,791,572	-	-	1,791,572
		1,791,572	-	-	1,791,572

Company

31 December 2017

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Available for sale investment securities	15	1,279,826	-	-	1,279,826
		1,279,826	-	-	1,279,826

31 December 2016

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Available for sale investment securities	15	-	425,657	-	425,657
		-	425,657	-	425,657

Notes to the Financial Statements

(b) ***Valuation techniques and inputs used in the fair value measurement***

The price used in determining the fair value of the FGN Bonds, Treasury bills and Eurobonds is the average of prices at which trades in the instruments were done towards the end of the year . The prices are publicly quoted with an active market; hence, valuation done is considered to be level 1.

(c) ***Allowance for impairment losses***

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3(d)(v).

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) Financial asset and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

(i) In classifying financial assets as held-to-maturity, the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 3(d)(ii)(a).

Details of the Company's accounting classification and measurement basis of financial assets and liabilities are given in note 6.

(e) Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

(f) Recognition of deferred tax assets

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.

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.

6 Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below set out the Company's classification of each class of financial assets and liabilities, and their fair values. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value:

Notes to the Financial Statements

Group

31 December 2017

In thousands of Naira	Note	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	14	-	347,979	-	-	347,979	347,979
Investment securities	15	-	-	1,791,572	-	1,791,572	1,791,572
Other financial assets	16		53,326	-	-	48,263	48,263
		-	401,305	1,791,572	-	2,187,814	2,187,814
Other financial liabilities	20	-	-	-	710,800	710,800	710,800
		-	-	-	710,800	710,800	710,800

Company

31 December 2017

In thousands of Naira	Note	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	14	-	345,254	-	-	345,254	345,254
Investment securities	15	-	-	1,279,826	-	1,279,826	1,279,826
Other financial assets	16		68,975	-	-	63,912	63,912
		-	414,229	1,279,826	-	1,688,992	1,688,992
Other financial liabilities	20	-	-	-	709,960	709,960	709,960
		-	-	-	709,960	709,960	709,960

Company

31 December 2016

In thousands of Naira	Note	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	14	-	313,483	-	-	313,483	313,483
Investment securities	15	1,127,321	-	425,657	-	1,552,978	1,246,070
Other financial assets	16		122,986	-	-	122,986	122,986
		1,127,321	436,469	425,657	-	1,989,447	1,682,539
Other financial liabilities	20	-	-	-	616,183	616,183	616,183
		-	-	-	616,183	616,183	616,183

Notes to the Financial Statements

7 Transaction fees

Transaction fees income comprises fees earned on the over the counter (OTC) transactions carried on by the Company's Dealing Members. Transaction fees can be analysed as follows:

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Transaction Fees- foreign currency trading	192,475	192,475	162,593
Transaction Fees- treasury bills trading	757,322	757,322	590,625
Transaction Fees- repo transactions	255,314	255,314	290,509
Transaction Fees- open buy back transactions	176,645	176,645	140,794
Transaction Fees- money market transactions	21,280	21,280	39,509
Transaction Fees - FX Derivatives	105,780	105,780	35,829
Transaction Fees - FGN Bonds	120,515	120,515	110,319
Transaction Fees - Eurobonds	606	606	305
IDB - All Products	4,722	4,722	9,709
DMS - TX Fees - All Products	-	-	1,727
	1,634,659	1,634,659	1,381,919

8 Interest income

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Treasury Bills	102,901	86,393	49,312
Fixed Deposit	17,084	17,084	6,652
Call Deposit	1,412	1,412	1,115
FGN Bonds	68,930	68,930	94,861
Eurobond	53,396	53,396	41,264
	243,723	227,215	193,204

(a) The Company did not recognise any interest income on impaired financial assets in current year as there were no impaired financial assets. (2016: Nil)

9 Other income

In thousands of Naira	Group 31 Dec 2017	Company 31-Dec-17	Company 31-Dec-16
Sponsorship income	57,013	57,013	-
Membership application fees	9,250	9,250	45,850
Membership subscription dues	74,080	74,080	73,897
Insurance claims	-	-	228
Bond listing fees	190,868	190,868	164,725
Penalties/Fines (See note (a) below)	4,515	4,515	4,620
Commercial Papers quotation fees	92,645	92,645	33,993
Technology services (See note (b) below)	115,714	115,714	24,036
Strategic Initiative Revenue (See note (c) below)	5,809	5,809	-
Gain on sale of PPE	7,998	7,998	-
Others	32,721	32,721	732
	590,613	590,613	348,081

(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 subscriptions by affiliate members who are institutions and individuals with keen interest in FMDQ over-the-counter (OTC) markets and an association with the financial markets, but not in full participatory role as a full member.

10 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 2017	Company 31-Dec-17	Company 31-Dec-16
Gain on foreign exchange revaluation	101,279	101,279	117,702
	101,279	101,279	117,702

Notes to the Financial Statements

11 Personnel expenses

In thousands of Naira	Group 31 Dec 2017	Company 31-Dec-17	Company 31-Dec-16
Wages and salaries	295,478	295,478	354,077
Other staff cost	300,470	300,470	180,428
Pension cost	62,866	62,866	28,256
	658,814	658,814	562,761

(i) 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-17	Company 31-Dec-17	Company 31-Dec-16
N60,001 - N2,000,000	-	-	-
N2,000,001 - N3,000,000	4	4	3
N3,000,001 - N4,000,000	2	2	8
N4,000,001 - N5,000,000	8	8	4
N5,000,001 - N6,000,000	7	7	-
N6,000,001 - N7,000,000	3	3	1
N7,000,001 - N8,000,000	11	11	7
N8,000,001 - N9,000,000	6	6	7
Above N9,000,000	14	14	12
	55	55	42

(ii) The average number of full time persons employed during the year by the Company was as follows:

	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Management staff	9	9	9
Non management staff	46	46	33
	55	55	42

12 Other operating expenses

In thousands of Naira	Group 31 Dec 2017	Company 31-Dec-17	Company 31-Dec-16
Directors' emoluments (See note (i) below)	455,238	455,238	205,634
Auditor's remuneration	22,400	21,600	17,640
Professional fees	56,618	43,328	41,011
Professional fees- Legal	5,199	5,199	9,309
Stationery and office expenses	8,151	8,151	2,707
Bank charges	1,388	1,190	3,702
Travel expense	41,530	41,408	12,635
Training and development expense	38,172	38,172	10,946
Information technology expense	95,880	95,880	58,116
Publicity and advertising expense	9,221	9,221	5,937
Insurance expense	4,639	3,826	7,309
Penalties and fines (See note (vi))	-	-	(43,322)
SEC fees	153,480	153,480	134,393
Transaction fee expense (See (iii) below)	47,933	47,933	89,074
Corporate gifts	28,432	28,432	12,992
Professional membership	284	284	183

Notes to the Financial Statements

Allowance for other assets	-	-	5,063
General administrative expenses	167,803	166,906	97,869
Business Development	102,929	102,929	98,097
Strategic initiatives (See (iv) below)	79,207	79,207	52,054
Directors' Allowances (See note (ii) below	90,915	90,915	107,328
Bond listing /quotation events	4,295	4,295	14,330
Rent expense (See note 26)	27,028	27,028	24,648
Corporate Development	20,341	20,341	-
VAT and WHT expense	32,163	32,163	-
	1,493,246	1,477,126	967,655

(i) Directors' remuneration

	Company	Company
In thousands of Naira	31-Dec-17	31-Dec-16
Highest paid Director	455,238	205,634

(a) The highest paid Director's remuneration represents the MD/CEO’s salary for the year including the annual bonus and exit pay

(ii) Allowance paid to Non-Executive Directors during the year:

	Company	Company
In thousands of Naira	31-Dec-17	31-Dec-16
Sitting allowances	7,220	6,740
Retirement contributions (See (v) below)	36,041	6,000
Other allowances	47,654	94,588
	90,915	107,328

(iii) The amount represents fees charged by the CBN in respect of securities trading which is borne by the Company on behalf of the dealing

(iv) 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.

(v) Retirement contributions are in respect of the Non-Executive Directors' Exit pay payable to an external fund.

(vi) The amount represents a write back in 2016, of an excess in the estimate of a present obligation to SEC in 2015 in respect of penalties and fines for non filing of annual returns for the months of January to March 2015 and penalties and fines for late remittances to other regulatory bodies.

13 Income tax expense

a. The tax charge for the year comprises:

	Group	Company	Company
In thousands of Naira	31-Dec-17	31-Dec-17	31-Dec-16
Income tax	15,960	15,960	14,926
Tertiary education tax	2,466	2,466	2,985
NITDA Levy	3,459	3,459	4,360
Prior year under provision	18,203	18,203	93,621
See note (c) below	40,088	40,088	115,892
Deferred tax charge for the year (See note 13(d)(ii))	51,751	51,751	2,613
	91,839	91,839	118,505
Impairment on witholding tax receivables	21,161	21,161	-
	113,000	113,000	118,505

Notes to the Financial Statements

b. The effective tax reconciliation is as follows:

	Rate %	Group and Company 31-Dec-17	Rate %	Company 31-Dec-16
Profit before tax		349,759		440,375
NITDA Levy		(3,459)		(4,360)
		346,300		436,015
Tax using the domestic corporation tax	30	120,771	30	130,804
Non-taxable income	(28)	(96,608)	(77)	(90,942)
Non-allowable expenses	12	43,548	(10)	(11,347)
Prior year under provision	5	18,203	79	93,621
NITDA Levy	1	3,459	4	4,360
Investment credit allowance	0	-	(9)	(10,976)
Impairment on WHT	6	21,161	0	-
Tertiary education tax	1	2,466	3	2,985
Income tax charge	27	113,000	20	118,505

c. Current tax liability

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Balance at the beginning	23,772	23,772	116,290
Tax charge (See note a below)	40,088	40,088	115,892
Tax paid	(22,271)	(22,271)	(208,410)
Balance at the end	41,589	41,589	23,772

d. Deferred tax liability

(i) Deferred tax liability is attributable to the following:

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Property and equipment	67,991	67,991	16,240
	67,991	67,991	16,240

(ii) Movement in temporary differences during the year:

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Opening balance	16,240	16,240	13,627
Profit or loss (See note 13(a))	51,751	51,751	2,613
Closing balance	67,991	67,991	16,240

(iii) *Unrecognized deferred tax asset*

The Group have an unrecognized 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.

In thousands of Naira	Group Gross amount 31-Dec-17	Group Tax effect 31-Dec-17	Company Gross amount 31-Dec-17	Company Tax effect 31-Dec-17
Tax losses	16,120	4,836	-	-
	16,120	4,836	-	-

14 Cash and cash equivalents

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Cash and bank balances	214,979	212,254	313,483
Placements with banks	133,000	133,000	-
	347,979	345,254	313,483

Notes to the Financial Statements

15 Investment securities

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Held-to-maturity investments debt securities-Treasury bills	-	-	420,467
Available for sale investments debt securities-Treasury bills	695,299	183,553	-
Held-to-maturity investments debt securities-FGN Bonds	-	-	706,854
Available for sale investments debt securities-FGN Bonds	470,629	470,629	-
Available for sale investments debt securities- Eurobonds	625,644	625,644	425,657
	1,791,572	1,279,826	1,552,978
Current	695,299	183,553	420,467
Non-current	1,096,273	1,096,273	1,132,511
	1,791,572	1,279,826	1,552,978

The treasury bills were initially held-to-maturity, however, the tainting rule applied due to the fact that a significant portion of the treasury bills portfolio held was sold during the year. Hence, there was a reclassification from held-to-maturity to available-for-sale for all the instruments in the Company's portfolio.

16 Other assets

Other assets balance comprise

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Accounts receivable (See note 22(d))	45,974	45,974	126,409
Staff advances	7,234	7,234	1,640
Other receivables	118	15,767	-
Financial asset	53,326	68,975	128,049
Prepayments	196,152	195,400	40,740
WHT tax receivable	39,626	39,626	21,354
	289,104	304,001	190,143
Allowance for other assets	(5,063)	(5,063)	(5,063)
Allowance for doubtful WHT receivables	(21,161)	(21,161)	-
	262,880	277,777	185,080
Current	262,880	277,777	185,080
Non-current	-		
	262,880	277,777	185,080

17 Investment in subsidiary

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
Investment in FMDQ Clear Limited (See note i)	-	500,000	-
	-	500,000	-

(i) The Company invested in a new entity, FMDQ Clear Limited in the current year. FMDQ Clear Limited is a wholly owned subsidiary of FMDQ OTC PLC. FMDQ Clear Limited 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. See the condensed financial information of FMDQ Clear Limited in note 22(c).

Notes to the Financial Statements

18 Property and equipment

Group and Company

The movement on these accounts during the year was as follows:

In thousands of Naira	Leasehold improvements	Motor vehicles	Furniture and fittings	Computer equipment	Work-in-progress	Total
Cost:						
Balance 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)
Reclassification	-	-	-	(345,712)	345,712	-
Balance as at 31 December 2017	29,151	269,240	80,741	55,888	345,712	780,732
Balance as at 1 January 2016	28,689	90,450	44,891	14,438	-	178,468
Additions	462	58,040	23,672	344,903	-	427,077
Disposals	-	-		-	-	-
Balance as at 31 December 2016	29,151	148,490	68,563	359,341	-	605,545
Accumulated Depreciation						
Balance as at 1 January 2017	28,944	78,212	27,088	13,768	-	148,012
Depreciation for the year	207	35,605	17,765	8,623	-	62,200
Disposal	-	(43,603)	-	-	-	(43,603)
Balance as at 31 December 2017	29,151	70,214	44,853	22,391	-	166,609
Balance as at 1 January 2016	27,311	46,008	13,452	7,032	-	93,803
Depreciation for the year	1,633	32,204	13,636	6,736	-	54,209
Disposals	-	-	-	-	-	-
Balance as at 31 December 2016	28,944	78,212	27,088	13,768	-	148,012
Carrying amounts						
At 31 December 2016	207	70,278	41,475	345,573	-	457,533
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 2016: Nil).

(b) There were no capitalised borrowing costs related to the construction of property and equipment during the year (31 December 2016:Nil)

(c) There were no leased assets included in this property and equipment as at year end (31 December 2016: Nil)

(d) There were no impairment losses on any class of property and equipment (31 December 2016: Nil)

(e) Work-in-progress represents the cost of computer hardware which is not yet in use. The Computer hardware was acquired to support the Private Cloud System which is currently been developed by the Company.

Notes to the Financial Statements

19 Intangible asset

Group and Company
2017

In thousands of Naira	Computer Software	Work-in-progress	Total
Cost:			
Balance at 1 January 2017	85,539	-	85,539
Acquisitions	6,228		6,228
Reclassification	(9,065)	9,065	-
Balance as at 31 December 2017	82,702	9,065	91,767
Accumulated Amortisation			
Balance at 1 January 2017	67,510	-	67,510
Amortisation for the year	6,255	-	6,255
Balance as at 31 December 2017	73,765	-	73,765
Carrying amounts			
At 31 December 2017	8,937	9,065	18,002

Company
2016

In thousands of Naira	Computer Software	Work-in-progress	Total
Cost:			
Balance at 1 January 2016	76,474	-	76,474
Acquisitions	9,065	-	9,065
Balance as at 31 December 2016	85,539	-	85,539
Accumulated Amortisation and impairment losses			
Balance as at 1 January 2016	51,604	-	51,604
Amortisation for the year	15,906	-	15,906
Balance as at 31 December 2016	67,510	-	67,510
Carrying amounts			
At 31 December 2016	18,029	-	18,029

(a) There were no impairment losses on the intangible assets (31 December 2016: Nil)
(b) The intangible assets are non-current assets

20 Other liabilities

Other liabilities balance comprise

In thousands of Naira	Group 31 Dec 2017	Company 31-Dec-17	Company 31-Dec-16
Account Payables	128,062	128,062	286,298
Accruals	297,093	296,253	329,885
Accruals for Directors exit pay (See note (ii) below)	285,645	285,645	-
Financial liabilities	710,800	709,960	616,183
Regulatory fees (SEC) (See note (i) below)	158,588	158,588	134,393
Unearned fee income	72,629	72,629	64,964
	942,017	941,177	815,540
Current	942,017	941,177	815,540
Non-current	-	-	-
	942,017	941,177	815,540

Notes to the Financial Statements

(i) SEC charged 10% on realised transactions fee income by the Company on secondary market trading on the FMDQ OTC markets as SEC fees for the year after bank charges and CBN refund have been deducted.

(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.

21 Provisions

In thousands of Naira	Group 31 Dec 2017	Company 31-Dec-17	Company 31-Dec-16
Balance at the beginning	21,246	21,246	941
Additions (See note (i) below)	-	-	20,305
Balance at the end	21,246	21,246	21,246
Current	-	-	
Non-current	21,246	21,246	21,246
	21,246	21,246	21,246

(i) The balance relates to the provision made by the Company in respect of PAYE and withholding tax assessment by the Lagos State Internal Revenue Service (LIRS) based on the tax audit exercise conducted by the tax authorities for 2013 - 2015 financial year.

22 Capital and reserves

(a) *Share capital*

In thousands of Naira	Group 31 Dec 2017	Company 31-Dec-17	Company 31-Dec-16
Authorised - 1,000,000,000 Ordinary shares of 1Naira each (31 December 2016: 1,000,000,000 of N1.00 each)	1,000,000	1,000,000	1,000,000
Issued and fully paid 640,740,741 (31 December 2016: 640,740,741 Ordinary shares of N1.00 each)	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.

(b) *Share Premium*

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) *Retained earnings*

Retained earnings is the profit generated by the Company not distributed to shareholders as dividends. During the 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 this sinking fund reserve.

(d) *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

(e) *Other reserves*

This relates to the sinking fund reserve that was created during the 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 this sinking fund reserve.

23 Group subsidiaries and related party transactions

(a) *Parent and ultimate controlling party*

FMDQ OTC Plc is the ultimate parent company with one subsidiary, FMDQ Clear Limited.

Notes to the Financial Statements

(b) *Subsidiaries*

The Group's investment in subsidiaris as at 31 December 2017 are shown below

Entity	Form of Holding	Effective holding	Nominal share capital held	Country of incorporation	Nature of Business
FMDQ Clear Limited	Direct	100%	500,000,000	Nigeria	Securities clearing and settlement

(c) *Condenced financial information*

The condensed financial data of the consolidated entity as at 31 December 2017 are as follows:

Result of operation

In thousands of naira	FMDQ OTC Plc	FMDQ Clear Ltd	Consolidated journal entries	Group
Operating income	2,553,766	16,508	-	2,570,274
Personnel expenses	(658,814)	-	-	(658,814)
Operating expenses	(1,477,126)	(16,120)	-	(1,493,246)
Depreciation and amortization	(68,455)	-	-	(68,455)
Profit before tax	349,371	388		349,759
Taxation	(113,000)	-	-	(113,000)
Profit after tax	236,371	388		236,759
Other comprehensive income/(loss)	76,303	(1,654)	-	74,649
Total comprehensive income/(loss) for the year	312,674	(1,266)		311,408

Financial Position

Assets				
Cash and cash equivalents	345,254	2,725	-	347,979
Investment securities	1,279,826	511,746	-	1,791,572
Other assets	277,777	752	(15,649)	262,880
Investment in subsidiay	500,000	-	(500,000)	-
Property and equipment	614,123	-	-	614,123
Intangible asset	18,002	-	-	18,002
	3,034,982	515,223	(515,649)	3,034,556
Financed by:				
Other liabilities	941,177	16,489	(15,649)	942,017
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	(500,000)	640,741
Share premium	21,148	-	-	21,148
Fair value reserve	(43,866)	(1,654)	-	(45,520)
Retained earnings	297,682	388	-	298,070
Other reserves	1,047,274	-	-	1,047,274
	3,034,982	515,223	(515,649)	3,034,556

(d) *Related parties 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	Note	2017	2016
Cash and cash equivalents (See (a) below)	14	345,254	313,483
Bank charges (see (b) below)	12	1,190	3,702
Account receivables (see (c) below)	16	45,974	126,409
Directors's fees, emoluments and allowances (see (d) below)		546,153	244,417
Transaction fee Income (see (e) below)		1,629,937	1,239,272
Transaction fee expense (see (f) below)		47,933	89,074
Sponsorship income (see (g) below)		10,100	-
		2,626,541	2,016,357

(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.

Notes to the Financial Statements

(b) Bank charges represents 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 OTC 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) Transaction fee expense represents refunds from transaction fee income earned by the Company paid to Central Bank of Nigeria (CBN) who is also a shareholder in the Company.

(g) The sponsorship income represents amount received from sponsors who are also shareholders in the Company to finance its debt capital conference and awards.

24 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 2016: Nil).

25 Events after the 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 2017 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

26 Operating Leases: Leases as Lessee

The Company leases its head office building under an operating lease. The lease runs for a year 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.

The 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 N27,027,777 (2016:N24,648,000) was recognised in profit or loss. See note 12.

In addition, the Company entered into another 10year lease agreement during the year under review for its new office building. However, a total amount of N154,896,943 was paid for the period commencing February 2018 to January 2020.

	27 Cashflow workings	Group	Company	Company
	In thousands of Naira	31-Dec-17	31-Dec-17	31-Dec-16
(i)	*Investment Securities*			
	Balance at the beginning of the year	1,552,978	1,552,978	1,701,968
	Fair value gain recognized in OCI	74,649	76,303	73,359
	Gain on foreign exchange revaluation	101,279	101,279	117,702
	Interest receivable	(4,813)	(4,813)	(74,382)
	Movement in investment securities	67,479	(445,921)	(265,669)
	Balance at the end of the year (See note 15)	1,791,572	1,279,826	1,552,978
(ii)	*Property and equipment*			
	Balance at the beginning of the year	457,533	457,533	84,665
	Additions	219,287	219,287	427,077
	Gain on disposal of PPE	7,998	7,998	-
	Proceeds on disposal	(8,495)	(8,495)	-
	Depreciation	(62,200)	(62,200)	(54,209)
	Balance at the end of the year (See note 18)	614,123	614,123	457,533

Notes to the Financial Statements

	In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16
(iii)	*Intangible assets*			
	Balance at the beginning of the year	18,029	18,029	24,870
	Additions	6,228	6,228	9,065
	Amortisation	(6,255)	(6,255)	(15,906)
	Balance at the end of the year (See note 19)	18,002	18,002	18,029
(iv)	*Interest income received*			
	Interest income	243,723	227,215	193,204
	Prior year interest receivable	16,015	16,015	-
	Current year interest receivable	(11,202)	(11,202)	(74,383)
	Interest received	248,536	232,028	118,821
(v)	*Other liabilities*			
	Balance at the beginning of the year	815,540	815,540	676,233
	VAT paid	(108,381)	(108,381)	(93,519)
	Movement in other liabilities	234,858	234,018	254,072
	Balance as at the end of the year (See note 20)	942,017	941,177	815,540
(vi)	*Other assest*			
	Balance at the beginning of the year	185,080	185,080	77,207
	Movement in other assets	98,961	113,858	112,936
	Impairment losses	(21,161)	(21,161)	(5,063)
	Balance as at the end of the year (See note 16)	262,880	277,777	185,080
(vii)	*Effect of exchange rate changes in cash and cash equivalent*			
	Gain on foreign exchange revaluation on Euro bond	101,451	101,451	112,764
	Exchange rate changes in bank balance	(172)	(172)	4,938
	Gain on foreign exchange revaluation (See note 10)	101,279	101,279	117,702

Other National Disclosures
Value Added Statement

For the year ended 31 December 2017

In thousands of Naira	Group 31-Dec-17	%	Company 31-Dec-17	%	Company 31-Dec-16	%
Operating income	2,570,274		2,553,766		2,040,906	
Brought in goods and services -local	(1,493,246)		(1,477,126)		(899,110)	
Value added	1,077,028	100	1,076,640	100	1,141,796	100
Applied to pay:						
- Employees as wages and salaries	658,814	63	658,814	64	631,306	56
- Government as taxes	113,000	9	113,000	9	118,505	10
Retained in the business:						
- For replacement of property and equipment	62,200	5	62,200	5	54,209	5
- For replacement of intangible asset	6,255	1	6,255	1	15,906	1
- To augment reserves	236,759	22	236,371	21	321,870	28
Value added	1,077,028	100	1,076,640	100	1,141,797	100

Other National Disclosures

Financial Summary

Statements of financial position

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16	Company 31-Dec-15	Company 31-Dec-14	Company 31-Dec-13
ASSETS						
Cash and cash equivalents	347,979	345,254	313,483	321,281	129,438	26,258
Investment securities	1,791,572	1,279,826	1,552,978	1,699,921	1,218,725	352,319
Other assets	262,880	277,777	185,080	77,207	80,317	122,820
Investment in subsidiary	-	500,000	-	-	-	-
Property and equipment	614,123	614,123	457,533	84,665	93,275	94,719
Intangible asset	18,002	18,002	18,029	24,870	54,693	35,614
Total assets	3,034,556	3,034,982	2,527,103	2,207,944	1,576,448	631,730
LIABILITIES						
Other liabilities	942,017	941,177	815,540	676,233	326,644	90,445
Provisions	21,246	21,246	21,246	-	-	-
Current tax liability	41,589	41,589	23,772	116,290	145,014	-
Deferred tax liability	67,991	67,991	16,240	13,627	15,570	-
Total liabilities	1,072,843	1,072,003	876,798	806,150	487,228	90,445
Net assets	1,961,713	1,962,979	1,650,305	1,401,794	1,089,220	541,285
CAPITAL AND RESERVES						
Share capital	640,741	640,741	640,741	640,741	640,741	535,000
Share premium	21,148	21,148	21,148	21,148	21,148	-
Fair value reserve	(45,520)	(43,866)	(120,169)	(46,810)	-	-
Retained earnings	298,070	297,682	1,108,585	786,715	427,331	-120,604
Other reserves	1,047,274	1,047,274	-			
Capital contribution	-	-	-	-	-	126,889
Shareholders' funds	1,961,713	1,962,979	1,650,305	1,401,794	1,089,220	541,285

Statements of profit or loss and other comprehensive income

In thousands of Naira	Group 31-Dec-17	Company 31-Dec-17	Company 31-Dec-16	Company 31-Dec-15	Company 31-Dec-14	Company 31-Dec-13
Operating Income	2,570,274	2,553,766	2,040,906	2,076,401	1,753,006	155,653
Operating expenses	(2,220,515)	(2,204,395)	(1,600,531)	(1,602,671)	(1,044,487)	(289,008)
Profit/(loss) before taxation	349,759	349,371	440,375	473,730	708,519	(133,355)
Taxation	(113,000)	(113,000)	(118,505)	(114,347)	(160,584)	-
Profit/(loss) after taxation	236,759	236,371	321,870	359,383	547,935	(133,355)

NOTABLE DATES AND EVENTS IN 2017

JAN	▪ International Monetary Fund Delegates visited FMDQ
FEB	▪ ₦4.50bn Dufil Prima Commercial Paper Notes admitted on FMDQ ▪ FMDQ signed Memorandum of Understanding with S&P Dow Jones Indices for the Development and Publication of Co-Branded Fixed Income Indices ▪ ₦9.00bn Forte Oil PLC Bond admitted on FMDQ ▪ ₦2.40bn Sterling Bank PLC Commercial Paper Notes admitted on FMDQ ▪ ₦5.10bn FCMB Financing SPV PLC Bond admitted on FMDQ ▪ International Finance Corporation (IFC)'s Vice President & Treasurer, Mr. Jindong visited FMDQ
MAR	▪ Dealing Member (Specialists) Market (Phase 2) activated ▪ FMDQ, in partnership with Frontclear, organised Central Clearing House Workshop ▪ USD1.00bn FGN Eurobond listed on FMDQ ▪ Lagos State Commissioner for Finance, Mr. Akinyemi Ashade, visited FMDQ ▪ ₦47.00bn Lagos State Bond listed on FMDQ ▪ FMDQ was admitted as a Full Member of International Capital Market Association
APR	▪ ₦4.50bn Mixta Real Estate PLC Bond admitted on FMDQ ▪ ₦7.28bn UPDC PLC Commercial Paper Notes admitted on FMDQ ▪ ₦2.22bn Nigerian Breweries PLC Commercial Paper Notes admitted on FMDQ ▪ FMDQ Sukuk Listing Rules approved by SEC ▪ ₦40.48bn Access Bank PLC Commercial Paper Notes, quoted on FMDQ ▪ NAFEX - the Nigerian Autonomous Foreign Exchange Fixing – Introduced ▪ FMDQ hosted Central Bank of Liberia on a Study Tour ▪ FMDQ held its 5th Annual General Meeting ▪ Dr. Sarah Alade, OON, retires as Chairman of FMDQ Board of Directors ▪ FMDQ won BusinessDay 'Most Innovative in Financial Markets' Award
MAY	▪ ₦20.00bn Stanbic IBTC Holdings PLC Commercial Paper Programme registered on FMDQ ▪ FMDQ commenced publication of Weekly Turnover in Investors' & Exporters' FX Window ▪ ₦80.00bn Rand Merchant Bank Nigeria Limited Commercial Paper Programme registered on FMDQ ▪ ₦100.00bn Stanbic IBTC Bank PLC Commercial Paper Programme registered on FMDQ
JUN	▪ ₦2.08bn and ₦105.00mm Sterling Bank PLC Commercial Paper Notes quoted on FMDQ ▪ ₦1.05bn UPDC PLC Commercial Paper Notes quoted on FMDQ ▪ FMDQ admitted as an Affiliate Exchange of the World Federation of Exchanges ▪ ₦2.01bn and ₦12.40bn FSDH Merchant Bank Limited Commercial Paper Notes quoted on FMDQ

JUL	▪ FMDQ launched the FMDQ Investor Protection Fund ▪ FMDQ relaunched its Corporate Website ▪ FMDQ hosted the First Bi-annual "members only" meeting for 2017 ▪ Pioneer Infrastructure Debt Fund – the Chapel Hill Denham Nigeria Infrastructure Debt Fund – listed on FMDQ ▪ FMDQ held the Inaugural FMDQ Members' Authorised Representatives Induction Programme
AUG	▪ ₦414.51mm Dufil Prima Foods PLC Commercial Paper Notes quoted on FMDQ ▪ ₦12.53bn Ecobank Nigeria Limited Multicurrency Commercial Paper Programme quoted on FMDQ ▪ FMDQ visited Filipino Capital Market Operators on a coordinated study tour in the Philippines
SEP	▪ ₦50.00bn Wema Bank PLC Commercial Paper Programme registered on FMDQ ▪ FMDQ hosted the 2017 Nigerian Debt Capital Markets Conference & Awards ▪ The Debt Capital Market Development Project launched its Sustainable Finance Sub-Committee
OCT	▪ ₦79.31mm, ₦1.49bn and ₦26.80bn Access Bank PLC Commercial Paper Notes quoted on FMDQ ▪ ₦3.41mm and ₦13.62bn Wema Bank PLC Commercial Paper Notes quoted on FMDQ ▪ ₦60.00bn Lafarge Africa PLC Commercial Paper Programme registered on FMDQ ▪ ₦10.00bn Dufil Prima Foods PLC Bond admitted on FMDQ ▪ ₦100.00bn First City Monument Bank Limited Commercial Paper Programme registered on FMDQ ▪ Cocktail Reception & Dinner Party in Honour of Past Chairman, Dr. (Mrs.) Sarah O. Alade, OON, and retired Non-Executive Directors
NOV	▪ FMDQ commenced Private Companies' Bonds Noting Service ▪ FMDQ received SEC's registration for FMDQ Clear Limited ▪ Ambassador of France to Nigeria, Mr. Denis Gauer, visited FMDQ ▪ ₦20.00bn Mortgage Warehouse Funding Limited Commercial Paper Programme registered on FMDQ
DEC	▪ FMDQ hosted the Second Bi-annual "members only" meeting for 2017 ▪ Pioneer $300.00mm Diaspora Bond and $3.00bn Eurobond listed on FMDQ ▪ FMDQ Market Turnover hits ₦142.03trn mark

Pictorial Highlights of Key Engagements in 2017

Execution of Memorandum of Understanding with S&P Dow Jones Indices

FMDQ's 5th Annual General Meeting

Dr. Sarah Alade, OON, retires as Chairman of FMDQ Board of Directors; hands over to Dr. Okwu Joseph Nnanna

FMDQ Wins BusinessDay 'Most Innovative in Financial Markets' Award

The Launch of the FMDQ Investor Protection Fund

First Bi-annual "Members Only" Meeting for 2017

Inaugural FMDQ Members' Authorised Representatives Induction Programme

Sendforth for Dr. Abraham Nwankwo, outgoing Director-General, Debt Management Office

The 2017 Nigerian Debt Capital Markets Conference & Awards

The Launch of the DCMD Project Sustainable Finance Sub-Committee

Cocktail Reception & Dinner Party in Honour of Past Chairman, Dr. (Mrs.) Sarah O. Alade, OON, and Retired Non-Executive Directors

Second Bi-annual "Members Only" Meeting for 2017

Listings and Quotations Ceremony in 2017

Forte Oil PLC Bond Listing Ceremony

Vetiva S&P Nigerian Sovereign Bond ETF Listing Ceremony

Federal Republic of Nigeria Eurobond Listing Ceremony

Chapel Hill Denham Nigeria Infrastructure Debt Fund Listing Ceremony

Wema Bank PLC Commercial Paper Quotation Ceremony

Dufil Prima Foods PLC Bond Listing Ceremony

Key Stakeholder visits/representations in 2017

International Finance Corporation's Vice President & Treasurer, Mr. Jingdong Hua Visited FMDQ

Lagos State Commissioner for Finance, Mr. Akinyemi Ashade, Visited FMDQ

FMDQ Hosted Central Bank of Liberia on a Study Tour

Ambassador of France to Nigeria, Mr. Dénis Gauer, visited FMDQ

FMDQ in the News

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FMDQ lists $1bn FGN Eurobonds

MARKET NEWS

FMDQ Launches Investor Protection Fund to Compensate Investors

DAILY PRICE LIST FOR MUTUAL FUNDS, REITS and ETFS

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STOCK INDEX (AS AT FEBRUARY 1)

FMDQ Records N142trn Turnover In 2017

CBN Raises N252.9bn Through T-Bills

capital market

FMDQ charts path for debt capital market growth

By a written resolution of the members of the company dated ... 2017 the following resolutions were passed pursuant to Section 263(8) of the Companies and Allied Matters Act C20, 2004 as if they had been passed at a general meeting of the Company duly convened:

1. A Special Resolution to the effect that:

the affairs of **T.D. WILLIAMSON NIGERIA LIMITED** be

By a written resolution of the members of the company dated ... 2017 the following resolutions were passed pursuant to Section 263(8) of the Companies and Allied Matters Act C20, 2004 as if they had been passed at a general meeting of the Company duly convened:

1. A Special Resolution to the effect that:

the affairs of **T.D. WILLIAMSON NIGERIA LIMITED** be wound up pursuant to Section 457 of the Companies and Allied Matters Act, 2004.

2. An ordinary resolution to the effect that:

Friday 27 October 2017 BUSINESS DAY 11

Deepening Nigerian debt capital markets

JINGDONG HUA & BOLA ONADELE

Jingdong Hua is Vice President and Treasurer, International Finance Corporation, World Bank Group. Bola Onadele. Koko is Managing Director/CEO, FMDQ OTC Securities Exchange

Nigeria is already one of the largest economy and the country with the biggest population on the African continent. By 2050, it will be home to 410 million people, making it the third most populous country in the world. Sustained economic growth is therefore imperative to meet the challenges of this demographic transformation, bringing with it rapid urbanisation and surging demand among Nigeria's youth for housing, infrastructure, jobs and business opportunities.

Te most reliable engine room for this vital growth is the private sector - the key driver of employment and innovation. To unleash its potential, however, two ingredients are required: entrepreneurship and capital markets. Capital markets are a necessity for a country's economic development. Why? Because deep and liquid capital markets are the most efficient way to recycle domestic savings and channel international funds in to critical sectors, such as transport and housing infrastructure, as well as small and medium enterprises.

In most developed markets, economic growth has been essentially fuelled by capital markets. On the one hand, Nigeria is characterised by a unique entrepreneurial spirit, also known as the 'Naija' spirit. But on the other hand, the domestic corporate bond market as a proportion of GDP is still in the single digits. Vibrant local capital markets also provide resilience against external shocks – an important lesson learnt from the Asian financial crises in the late 1990s. Strengthened by the strategic shift towards local currency denomination of their debt, Southeast Asian countries were only moderately affected by the 2008 global financial turmoil.

Today South Korea's corporate bond market stands at more than 70% of GDP. Malaysia, meanwhile has a total bond market worth about 45% of GDP, translating into $150 billion worth of corporate bonds circulating in the Malaysian system— all connecting savings to productive private investment. Encouragingly, Nigeria is already equipped with adequate capital markets infrastructure. Te challenge now is to move to the next level, and in its increasingly urban economy, to avoid the 'low development trap' of crowded, disconnected and costly cities identifed in a recent World Bank Group report. Developing countries have always needed to tap into international savings and mobilise domestic resources to finance essential infrastructure needs from building roads, bridges, railways, power grids and houses, to lending for small and medium-sized businesses.

In India, capital markets have also expanded exponentially in response to the financing needs of the private sector. Since 2013, when IFC joined with the Government of India to issue the inaugural Masala Bonds, a new asset class has been created. To date, IFC has issued 140 billion Indian rupees, or the equivalent of $2.1 billion. For corporate India, the total amount of Masala bond issuance is at $2.9 billion. For Africa to grow to its fullest potential, Nigeria must be one of its strongest economic powerhouses. That is why IFC, the private sector arm of the World Bank Group, has invested more in Nigeria than in any other Sub-Saharan African country. IFC is very proud to be the first multilateral development bank to issue an inaugural Naija bond – and would like to do much more. Deepening Nigerian debt capital markets has been a top priority for FMDQ OTC Securities Exchange since its launch into the Nigerian financial markets ecosystem in November 2013. A clear vision has been established for Nigerian fixed income, currency and derivatives markets. Te goal is to integrate Nigeria's domestic capital markets with international markets, making them more globally competitive, operationally excellent, liquid and diverse, in line with its GOLD Agenda.

Te 2017 Nigerian Debt Capital Markets Conference & Awards in Lagos was therefore, a conscious move by FMDQ OTC Securities Exchange, the largest securities exchange, by turnover, in Nigeria, to work with regulators as well as domestic and international stakeholders like IFC and the Securities and Exchange Commission, to articulate strategies for the speedy evolution of mandatory debt capital markets, and to boost economic recovery and growth. Some of the greatest challenges for Nigeria in reaching its economic and social development goals lie in the significant infrastructure deficit. Tis gap has impacted development and hoped-for improvements in Nigerians' standard of living. Lessons from other countries show that debt capital markets, by providing a platform to crowd in private capital, can offer comprehensive solutions, setting Nigeria on track to empower its financial markets to be creative, credible and supportive of the economy and the people.

Send reactions to:
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Debt capital market key to unlocking economy potentials - experts

As FMDQ Exchange holds 2017 Debt Capital Market Conference

INNOCENT UNAH & SALA AUGE

Stakeholders and industry players say the debt capital market is crucial in bridging the infrastructure deficit undermining economic growth, as Nigeria plans to issue a $2.50 billion Euro bond by mid-November.

Speaking at the FMDQ OTC Securities Exchange 2017 Nigerian Debt Capital Market Conference and Awards, held yesterday at the Latana/Orchid Hall of the Eko Hotel and Suites, Lagos Nigeria, the stakeholders called for enabling market reforms that will position the debt capital market to perform its role of capital formation and

Continues on page 4

L-R: Emmanuel Ukeje, special adviser to the CBN governor on financial markets; Patience Oniha, director-general, Debt Management Office/representative of Nigeria's vice president; Jingdong Hua, vice president and treasurer, International Finance Corporation; Mary Uduk, director, securities and investment services department, SEC/ representative of DG, SEC, and Bola Onadele. Koko, managing director/CEO, FMDQ OTC Securities Exchange, at the FMDQ 2017 Nigerian Debt Capital Markets Conference & Awards, in Lagos.

Inside

Manufacturers' confidence maintains upward momentum as policy pushes PMI to 55.3

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Regulatory squabble limits investment in Lagos water transportation

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W-Africa lags behind in continent's 58m tourists arrivals

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HOPE MOSES-ASHIKE

The Nigerian reform window will start to close during 2018 with elections planned for February 2019, pushing investors to take a short term position on the country, emerging and frontier markets investment bank, Renaissance Capital says.

Nigeria is the market most debated in Frontier says RenCap which has concluded that the market is a three-to six-month trading overweight given the extent of Frontier funds' underweight the country.

Other factors under watch by investors include President

Continues on page 34

Nigeria lists inaugural Diaspora Bond, latest Eurobond issues on FMDQ P. 33

L-R: Bola Onadele. Koko, managing director/CEO, FMDQ OTC Securities Exchange; Patience Oniha, director-general, Debt Management Office of Nigeria (DMO), and Kobby Bentsi-Enchill, executive director and head, Debt Capital Markets, Stanbic IBTC Capital Limited, during the presentation to the DMO of the listing certificates for the inaugural $300m Diaspora Bond and $3bn Eurobond issues on FMDQ, in Lagos, yesterday.

Oil prices are likely to find more balance in 2018 based on OPEC's supply cuts and the continued development of US shale output.

Tis development will excite major stakeholders (including producers and as well as rekindle

Continues on page 35

EGRP 7% GDP growth target by 2020 seen unrealistic

BUNMI BAILEY

Nigeria is targeting a GDP growth rate of 7 per cent by the year 2020 according to its Economic Growth and Recovery Plan (EGRP) but an analysis of the country's economic growth within the last three years suggests the forecast may be overly optimistic.

Analysts say that while the

FMDQ People

Executive Committee

Business Executives

MD/CEO Bola Onadele. Koko with 2017 CEO's Awardees (Highly Exceptional Employees)

Management Committee

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	Dr. Adesola Adeduntan Mr. Bayo Adeyemo Ms. Daisy Ekineh Mr. Dapo Akisanya Mr. Peter Amangbo Mr. Kennedy Uzoka Dr. Demola Sogunle
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


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Innovative Listing & Quotation Process
Continuous Information Disclosure
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Market Credibility
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• Mortgage Bonds
• Short-term Bonds
• Eurobonds
• Funds
QUOTE
• Commercial Papers
TRADE
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• Currencies
• Derivatives
DEVELOP
• Non-Interest Capital Market (Sukuk)
• Repo with Collateral Management
• Loan Sale Market
• Securities Lending

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