

FMDQ OTC PLC

2016

ANNUAL REPORT & ACCOUNTS



**FMDQ OTC Securities Exchange**

*Transforming the Nigerian Financial Markets*

**Fixed Income ■ Currencies ■ Derivatives**



# FMDQ OTC Securities Exchange

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*Empowering the Nigerian Financial Markets*

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# NOTICE OF 5<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 5<sup>th</sup> Annual General Meeting (“AGM”) of FMDQ OTC PLC (the “Company”) will be held at the Intercontinental Hotel, Plot 52, Kofo Abayomi Street, Victoria Island, Lagos, on Friday, April 28, 2017 at 11:00 AM prompt to transact the following:

## ORDINARY BUSINESS

1. To lay before the members, the Audited Annual Financial Statements and Other Information for the year-ended December 31, 2016, together with the reports of the Directors, the Auditors and the Audit Committee thereon
2. To re-appoint Messrs. KPMG Professional Services as the Company's External Auditors and to authorise the Directors to fix the remuneration of the External Auditors
3. To elect the members of the Audit Committee

## SPECIAL BUSINESS

1. To ratify the appointment of Directors of the Company
2. To consider and fix the emoluments of Directors of the Company as contemplated under section 271 of 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 his/her/its stead. A proxy need not be a member. For the appointment to be valid, the duly completed and 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

By 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.

## BY ORDER OF THE BOARD



**Ajibola Asolo**  
Company Secretary  
FRC/2015/NBA/00000013523  
FMDQ OTC PLC  
1, Olosa Street  
Victoria Island  
Lagos  
April 4, 2017





## ABOUT THIS REPORT

### Board Responsibility for Annual Report

The Board of Directors of FMDQ OTC PLC (hereinafter, the “Company”, “FMDQ”, “OTC Exchange” or “OTC Securities Exchange”) acknowledge responsibility for the integrity of the Annual Report and Accounts (the “Report”). The Board believes that the Report covers all material issues and fairly presents the performance of the OTC Securities Exchange and is comfortable with the reliability and integrity of the information contained herein.

### Disclaimer

Some of the statements in the Annual Report constitute forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking 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, 2016. It describes the strategic path taken over the past year and the way this fits into the Company's strategy. It also discusses the operating environment during the period, as well as key aspects of FMDQ's business and operating models.

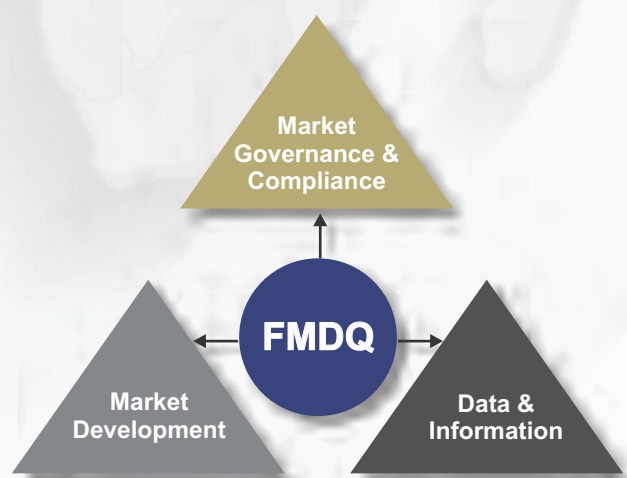
# Company Profile

FMDQ OTC Securities Exchange is Nigeria's foremost debt capital and currencies over-the-counter (OTC) securities exchange, strategically driven to revolutionise the Nigerian financial markets. FMDQ was registered by the Securities and Exchange Commission (SEC or the Commission), Nigeria, in 2012, as an OTC securities exchange with primary focus on organising and deepening the markets; and as a self-regulatory organisation (SRO) responsible for regulating the activities of its Members in the markets under its governance, through effective collaboration with key financial market regulators.

The OTC Securities Exchange, in collaboration with financial markets regulators, provides and maintains an exclusive market governance structure for the OTC markets within its purview: fixed income (money, repurchase agreements (repos), commercial papers (CPs), treasury bills (t.bills) and bonds), currencies and derivatives; whilst offering listings & quotations, memberships, market connectivity, data & information and market regulation services to its various stakeholders in its markets.

In line with its mandate and its twin functions as an OTC securities exchange and SRO, FMDQ is empowered to offer the following:

- **Market Governance & Compliance:** focus on maintaining market confidence, credibility and integrity, through documentation, surveillance and enforcement of market rules
- **Market Development:** focus on ensuring market efficiency and liquidity, by driving product innovation and institutionalising robust market architecture
- **Data & Information:** focus on providing access to market data and information, thereby positioning as the market information repository, servicing the needs of regulators, operators, investors, and local & international end-users



## Corporate Statements

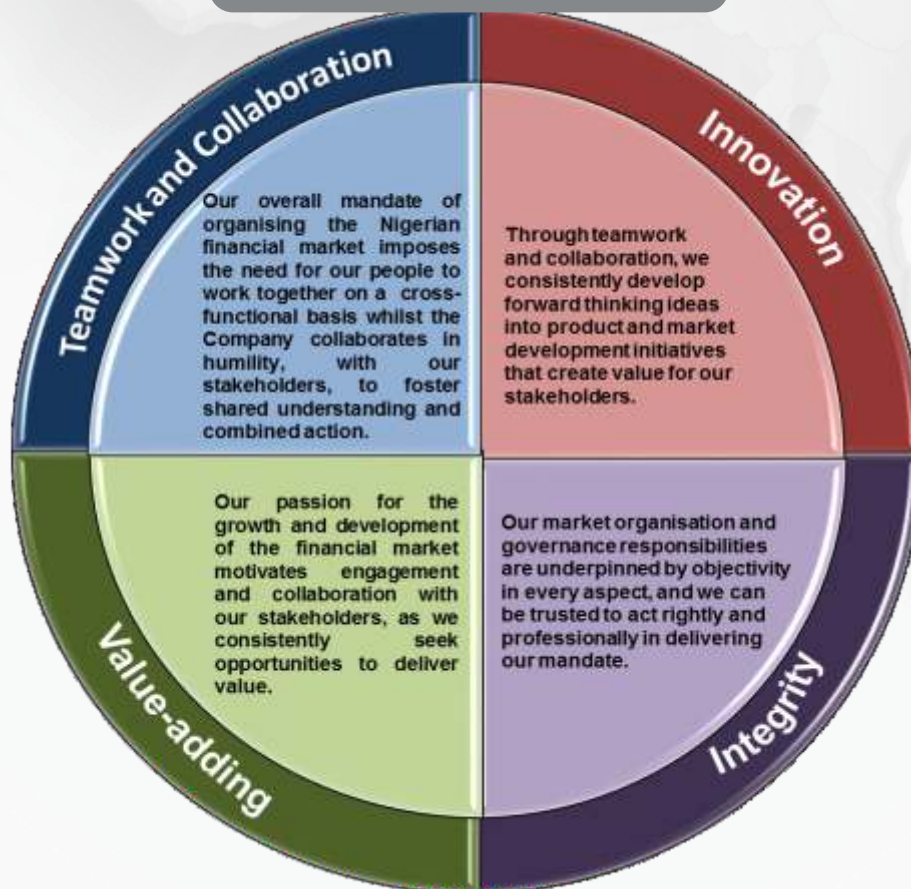
### Our Mission

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

### Our Vision

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

## Our Core Values



## Value Proposition

In line with 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, FMDQ is poised to deepen its markets through product innovation and the institutionalisation of robust market architecture.

With **Transparency, Integration, Regulation and Education** at the core of its value proposition, FMDQ's system and product innovation activities and market integration agenda are geared towards maximising stakeholder value and empowering the Nigerian financial markets and the economy at large.



\*E-Bond - FMDQ-Bloomberg E-Bond Trading System; \*\*TRFXT- Thomson Reuters Foreign Exchange Trading System

1 – **PenDealer**: Pension Operators Fixed Income Trading, Reporting and Surveillance System

2 – **Q-Deal**: FMDQ Non-banking Financial Institutions Fixed Income Trading, Reporting and Surveillance System

3 – **FFTRS**: FMDQ Futures Trading and Reporting System



## The FMDQ “GOLD” Agenda

FMDQ, as the foremost debt capital and FX OTC securities exchange in Nigeria, is unwavering in its commitment to the transformation of the Nigerian financial markets through its “GOLD” (Global Competitiveness, Operational Excellence, Liquidity and Diversity) Agenda. The “GOLD” Agenda continues to serve as the OTC Exchange's methodology for assessing the quality of, not only the markets under its purview, but the Nigerian financial markets at large.





# Memberships

Improving network effects, promoting market liquidity, facilitating effective market integration and effecting adequate governance structures in the markets, continue to be the objectives FMDQ strives to achieve in relation to the membership categories it introduces and maintains in the financial markets. The OTC Exchange's innovative edge makes it possible for the exploration of various membership categories that will address the needs of the financial markets' varied stakeholders, comprising, but not limited to, financial services regulators, market makers, brokers, investors, issuers, and other market participants.

FMDQ's membership categories, which serve to promote, among others, market efficiency, liquidity and governance, support the Company's long-term ability to consistently create value for its stakeholders. These categories are depicted below:



FMDQ's membership categories have been carefully carved out to promote integration, growth and diversity in the Nigerian financial markets landscape, and to foster the alignment of the domestic markets with international standards.

## 1. Dealing Members

This membership category, which is largely made up of institutions that make market in the products traded on the OTC Securities Exchange, is made up of two (2) sub-categories:

- **Banks:** These Central Bank of Nigeria (CBN)-licenced banks provide liquidity via their market making activities in all the products traded in the FMDQ OTC markets, whilst also ensuring availability of the products to the end-users, where required. These products include the fixed income, money, currencies and derivatives products traded OTC. As at December 31, 2016, there were **twenty-six (26)** FMDQ-licenced Dealing Member (Banks) (DMBs)
- **Specialists:** These non-bank financial institutions (i.e. investment banking firms and securities dealing firms) also provide liquidity through their market making activities albeit in the fixed income market only. These Specialists generate additional liquidity to the Nigerian fixed income market, serving as avenues for effective and efficient retail participation in the market. Institutions under this sub-category clear and settle trades only through select settlement banks, i.e. the DMBs. As at December 31, 2016, there were **sixteen (16)** non-bank financial institutions that had successfully completed the first stage towards being fully-licenced Dealing Member (Specialists) (DMSs) of FMDQ

## 2. Associate Members

This membership category, which is further classed into three (3) sub-categories, experienced commendable growth in 2016, increasing from fourteen (14) Associate Members as at December 31, 2015, to **forty-two (42)** Members as at December 31, 2016. These sub-categories include:

- **Inter-Dealer Brokers:** Institutions in this sub-category facilitate liquidity in the FMDQ markets by offering brokerage services amongst FMDQ Dealing Members only. These institutions are registered with the SEC, as inter-dealer brokers and are authorised by FMDQ to provide their services on the OTC Exchange platform
- **Brokers:** Institutions in this sub-category provide liquidity in the FMDQ fixed income and money markets, offering brokerage services between FMDQ Dealing Members and clients (i.e. investors) only. These institutions are registered with the SEC as brokers and are authorised by FMDQ to provide their services on the OTC Exchange platform
- **Clients:** Members in this sub-category include, but are not limited to, institutional investors made up pension fund administrators, other asset/fund managers, insurance companies, other corporates (non-bank), etc. that participate in the FMDQ markets as end-users of the products traded on the OTC Exchange

## 3. Registration Members

This membership category is made up of two (2) sub-categories, with a total of **forty-nine (49)** institutions licenced by FMDQ as at December 31, 2016, to perform their functions as registration Members of the OTC Exchange as follows:

- **Listings:** Institutions in this sub-category are the SEC-registered issuing houses, authorised by FMDQ to act as sponsors of issuers of publicly offered/privately placed fixed income securities, including bonds (sovereign, agency, sub-national, corporate, supranational and Sukuk), asset-backed securities, mortgage-backed securities, funds (mutual and exchange traded), among others, for listing and/or quotation on the platform of the OTC Exchange

- **Quotations:** Institutions in this sub-category are financial institutions authorised by FMDQ to act as sponsors of issuers of commercial papers and other short-term debt securities, for quotation on the platform of the OTC Exchange

#### 4. Affiliate Members

This membership category, in the course of 2016, was reclassified to include three (3) sub-categories to accommodate the diverse market participants that would typically fall under this category. These categories were created for institutions and individuals with some association with the financial markets and interest in the FMDQ markets, willing to take advantage of the OTC Exchange's commitment to developing the Nigerian financial markets through knowledge, information and appropriate connectivity.

FMDQ Affiliate Members are however not conferred with any participatory or voting rights on the OTC Exchange as obtains with Dealing, Associate and Registration Members. There are three (3) Affiliate Members sub-categories, with a total of **twenty-six (26)** Members as at December 31, 2016, which include:

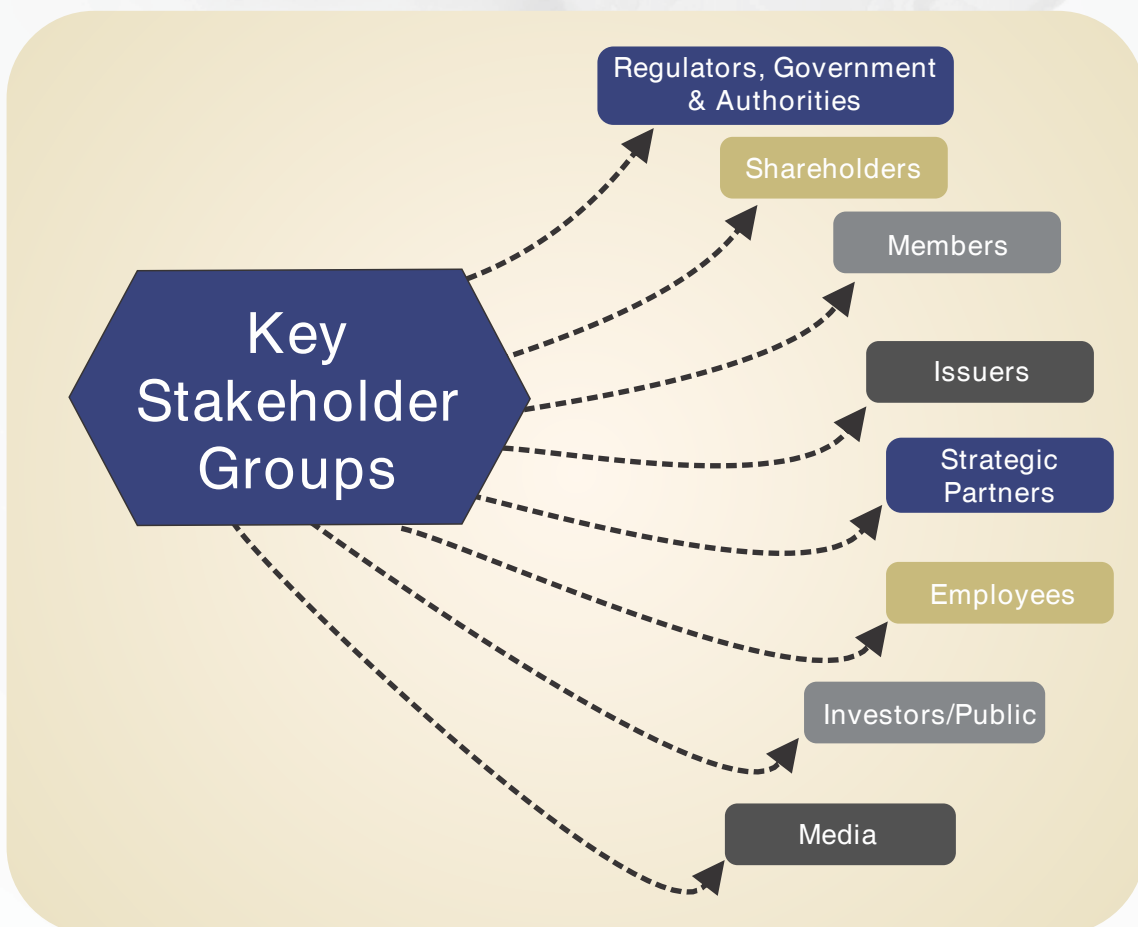
- **Standard** - Institutions and individuals in this sub-category have a deep desire to build capacity and financial markets know-how by taking advantage of FMDQ's commitment to facilitate same. Affiliate Members under this sub-category avail on FMDQ's core value proposition of consistently adding value to a vast range of stakeholders and are consequently provided with benefits including, but not limited to, financial market knowledge acquisition, market monitoring ability, tools to enable informed investment decisions and efficient price discovery, as well as access to the repository of fixed income and currency markets information, all through FMDQ's e-Knowledge module within its e-Markets Portal
- **Regulator** - This sub-category provides financial market regulators with data access and visibility rights over the market activities of their respective supervisees on FMDQ's platform through access to FMDQ's proprietary trading, reporting and surveillance systems, as relevant
- **FX Trading** - This sub-category was specifically created to cater to the majority of corporate institutions desirous of executing FX trades with CBN-Authorised FX Dealers (also DMBs) who in turn have been mandated by the CBN, as part of its improved governance and transparency objectives, to execute all FX trades with their corporate clients only through FMDQ-advised FX Trading and Surveillance Systems. Institutions under this sub-category, in addition to being authorised to trade FX with the Authorised Dealers through the relevant System(s), will also have access to the benefits availed the Affiliate Members under the "Standard" sub-category
  - **FX Trading (Corporates)** – In recognition of the requirement by some institutions for access to trade on the FMDQ-advised FX Trading System(s) strictly in accordance with the CBN directive, without the need for any additional benefits from FMDQ (such as access to e-Knowledge), this "off-shoot" of the Affiliate Member (FX Trading) category was established



# Sustainability Strategy

## Stakeholder Engagement

The actualisation of FMDQ's transformative agenda for the Nigerian financial markets requires the collective input of all relevant stakeholders. In recognition of this, FMDQ places significant emphasis on its stakeholder engagements, ensuring the development and sustenance of participative, collaborative and informative relationships.



FMDQ's relationship and engagement with its key stakeholder groups are depicted below:

S/N	Stakeholder & Key Interest	Engagement Channel(s)	Engagement Focus
1.	<b>Financial Market Regulators, Government &amp; Authorities</b> Financial markets development, in line with global standards and best practices	Periodic reports, presentations, training/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
2.	<b>Shareholders</b> 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
3.	<b>Members</b> 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 and initiatives
4.	<b>Issuers</b> Value-add for listings and quotations of securities on FMDQ's platform	Presentations, road shows bespoke listing & quotation ceremonies, meetings, reports, advertisements, press releases/articles and FMDQ corporate website	Listing and quotation requirements, current and historical information of issues, etc.
5.	<b>Investors</b> 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
6.	<b>Media</b> 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
7.	<b>Employees</b> 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
8.	<b>Public</b> Corporate Social Responsibility (CSR), financial markets education and awareness	Advertisements, 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



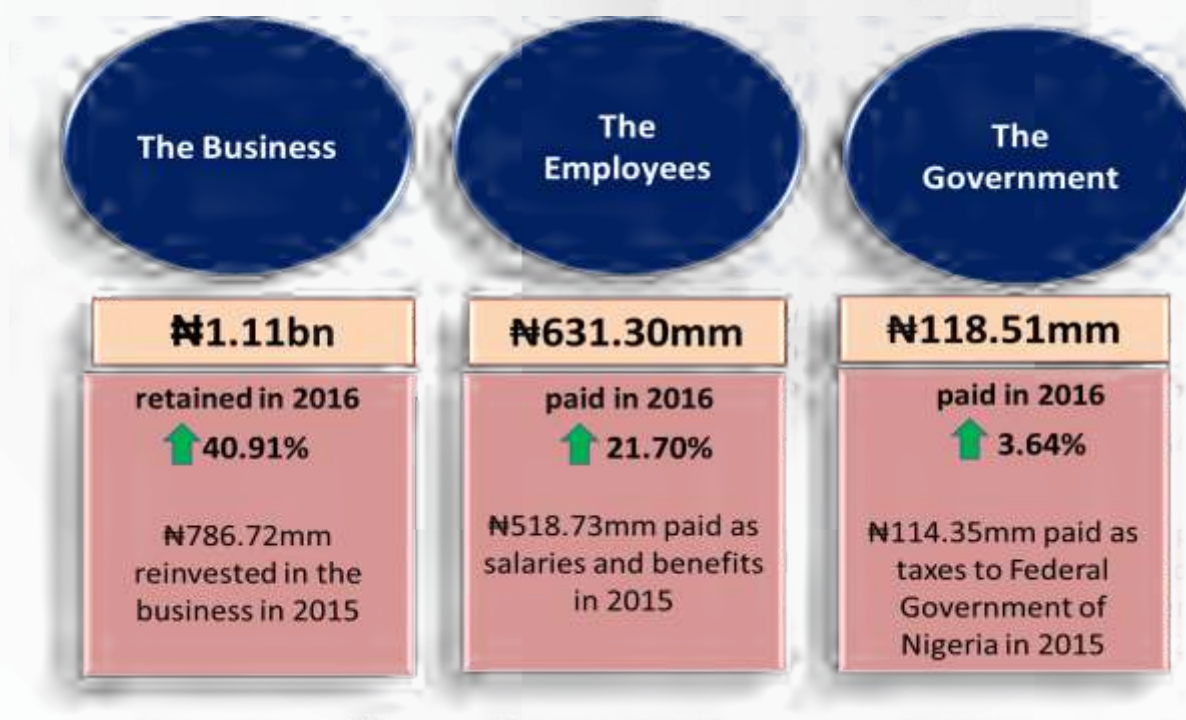
## Value Created For Stakeholders

Value-adding is one of the key concepts and primary drivers of FMDQ's activities in the debt capital, currency and derivatives markets. The OTC Exchange astutely recognises the importance of meeting the needs of the varied stakeholders in the financial markets it serves, and thus, through the concerted efforts of its diverse stakeholder groups, continues to deliver on its mandate to transform the Nigerian financial markets, in alignment with international best practices and standards.

Though the financial markets environment was beleaguered with instability and uncertainties in 2016, FMDQ, through innovation and commitment, continued to create and add economic and non-economic value to its stakeholders. FMDQ is relentless in its mandate to boost the growth and development of the OTC markets within its purview, thereby providing an environment for all market stakeholders to thrive.

### Economic Value

S/N	Item	2016 (N'000)	2015 (N'000)
1.	Revenue	1,575,123.00	1,846,962.00
2.	Other Income	465,783.00	244,014.00
3.	Operating Expense	(1,600,531.00)	(1,617,246.00)
	<b>Total Economic Value Created</b>	<b>440,375.00</b>	<b>473,730.00</b>



## Non-Economic Value

In delivering on its promise for the transformation of the Nigerian fixed income, currency and derivatives markets, FMDQ contributed, in no small measure, in non-economic terms, to the value created for its diverse stakeholders during the year. These activities included, but were not limited to the following:

<b>Area of Value Creation</b>	<b>Initiative</b>
<b>Capacity Building</b>	<p><b>FMDQ Academy</b></p> <ul style="list-style-type: none"> <li>As a thought-leader in the Nigerian OTC financial markets space, FMDQ strategically led innovation towards the growth and development of these markets, through its launch of a market education and capacity building initiative: <b>The FMDQ Academy (the Academy)</b>. The Academy, the first from a securities exchange in Nigeria, is tasked with delivering bespoke financial markets education to FMDQ stakeholders in line with the OTC Exchange's market and product development agenda in the fixed income, currency and derivatives markets. This FMDQ wholly-sponsored initiative will address the observed knowledge and skills gaps in the Nigerian financial markets, ensuring that capacities are aligned with the rapid market transformation and product innovation in the Nigerian and global financial markets</li> <li>The Academy has commenced its e-learning solution with a Learning Management System offering free introductory courses in fixed income, currency and derivatives. These courses will continue to be optimised over time as FMDQ progresses with transforming its markets, even as the Academy is set to roll out face-to-face and tailored learning programs</li> </ul>
<b>Listings and Quotations</b>	<ul style="list-style-type: none"> <li>In 2016, FMDQ continued to ramp up activities to further deepen its Listings and Quotations franchise. By streamlining its processes and ensuring an unrivalled time to market for issues on its platform, FMDQ upheld the prestige of its Listings and Quotations Service, providing a robust and efficient platform for the registration, listing/quotation, trading and valuation of debt securities</li> <li>The OTC Exchange welcomed seven (7) corporate bond listings, cutting across the financial, manufacturing, leasing and hospitality sectors; and eighteen (18) CP quotations from companies within the fast-moving consumer goods, real estate and financial sectors</li> <li>The year also saw, as part of the OTC Exchange's achievements in the listings space, the pioneer listings of a money market fund and an exchange traded fund on the platform. Consequently, the Greenwich Plus Money Market Fund and the Vetiva S&amp;P Nigerian Sovereign Bond Exchange Traded Fund joined the host of other securities benefitting from the value-add of FMDQ's Listings &amp; Quotations Service such as global visibility, continuous information disclosure, price formation, among others</li> </ul>

Area of Value Creation	Initiative
Market Development	<ul style="list-style-type: none"> <li> <p data-bbox="443 367 951 394">■ <b>Feasibility Study on OTC Derivatives</b></p> <p data-bbox="491 398 1442 752">A key element of FMDQ's transformational agenda for the Nigerian financial markets is the development of deep debt capital and currency markets, coupled with a dynamic derivatives market where products can be traded freely in a competitive and transparent manner. FMDQ recognises the crucial role which derivatives play in the development and growth of an economy – from supporting price discovery, competitiveness, risk management and market efficiency, to attracting capital flows, reducing cost of capital, among others – and being desirous of providing a platform where all OTC market activities in fixed income, currencies and derivatives are transacted, commissioned a Project, “Feasibility Study on the Introduction of OTC Derivatives in the Nigerian Financial Markets” during the course of the year.</p> <p data-bbox="491 786 1442 1039">The Project Implementation Plan which included several key stakeholder engagement workshops focused on assessing the readiness of the market and its stakeholders for OTC derivative products. Consequently, based on the project findings, FMDQ has commenced the development of a strategic implementation trajectory for the deployment of an active OTC derivatives market, with focus on fixed income and interest rate derivatives, to begin with. This is well in line with the OTC Exchange's mandate to transform and align the Nigerian financial markets to international standards.</p> </li> <li> <p data-bbox="443 1072 860 1099">■ <b>Naira-Settled OTC FX Futures</b></p> <p data-bbox="491 1104 1442 1554">During the course of the year, the Nigerian FX market saw the introduction of a timely and much-welcomed innovation in the launch of the pioneer OTC derivative product in the country, the Naira-settled OTC FX Futures (OTC FX Futures), following the release of the CBN's Revised Guidelines for the Operation of the Inter-Bank Foreign Exchange Market (the Revised Guidelines). This product, which was launched with the CBN as the pioneer seller, offering OTC FX Futures contracts to the FX Authorised Dealers, aims to provide a hedge to manage FX exposures in the market, thereby addressing illiquidity in the FX market, minimising any disequilibrium in the Spot FX market, and attracting significant capital flows to the Nigerian financial market, among other benefits. Also in support of this market innovation to aid proper development, FMDQ developed and released the OTC FX Futures Market Framework and the OTC FX Futures Market Operational Standards, which serve to appropriately guide and provide adequate governance in the market.</p> </li> <li> <p data-bbox="443 1588 1023 1615">■ <b>Debt Capital Markets Development Project</b></p> <p data-bbox="491 1619 1442 1973">As an innovation-driven OTC Exchange focused on revolutionising the Nigerian financial markets, FMDQ, following extensive consultations with stakeholders in the Nigerian financial markets space, commenced the Debt Capital Markets Development (DCMD) Project to ensure the effective implementation of the recommendations drawn from the widely-attended Nigerian Debt Capital Markets (DCM) Workshop, organised by FMDQ, in collaboration with the International Financial Corporation (IFC), and with the support of the Securities and Exchange Commission. The Workshop, themed “The Nigerian Debt Capital Markets – Towards a Brighter Future”, was convened to harness the capacity and potential of the domestic DCM, with the aim of exchanging ideas for enhancing and deepening the Nigerian financial market.</p> </li> </ul>

Area of Value Creation	Initiative
	<p>Following the successful hosting of the Workshop, the Visioning Team and Workshop Planning Committee were transitioned into a DCMD Project Implementation Team consisting of three (3) levels of implementation committees viz: the Steering Committee (SteerCo), Transformation Committee (TransCo) and Sub-Committees (SubCos). The membership of these Committees includes representatives from the Securities and Exchange Commission, the Ministry of Finance, the Central Bank of Nigeria, the National Pension Commission, the Debt Management Office, FMDQ and other key stakeholders within the Nigerian financial market. The Project was officially launched in November 2016 at the SEC's Quarterly Capital Market Committee meeting.</p> <p>The DCMD Project, which focuses on identifying and implementing quick-win strategies that will transform the Nigerian DCM into a world-class, properly functioning DCM by 2020/25, draws strongly from the SEC's 10-Year Nigerian Capital Market Master Plan (NCMMP), with the DCMD Project seeking to fast-track the realisation of the DCM initiatives in the NCMMP. The vision of the DCMD Project is also aligned with the Financial System Strategy (FSS) 2020 initiative which is aimed at making Nigeria one of the top 20 economies in the world by 2020.</p> <ul style="list-style-type: none"> <li>■ <b>Short-Term Bonds</b> Having identified the funding gap, for corporates, between the money market debt securities (such as commercial papers) and the traditional medium- to long-term debt securities (such as bonds), FMDQ, through a series of intense deliberations with its stakeholders, developed and obtained the approval of the SEC to introduce Short-Term Bonds (STBs) onto the Nigerian DCM landscape. STBs are essentially short-term debt securities issued by corporate entities, for tenors between one (1) year and three (3) years. FMDQ also received the SEC's approval to commence the pre-qualification and eventual listing (post the SEC's registration of the product) of STBs on its platform and consequently, obtained the SEC's approval of the FMDQ Short-Term Bonds Registration Process and Listing Rules, to provide effective market regulation and governance for the product. Whilst supporting an even greater inclusion and participation of corporates in the Nigerian DCM, the introduction of STBs will also serve to boost the investment product bouquet in the market.</li> <li>■ <b>FMDQ – Nigeria Mortgage Refinance Company PLC Partnership</b> As part of efforts geared towards empowering the financial markets, in support of Nigeria's economy, FMDQ, during the year, formalised a partnership with the Nigeria Mortgage Refinance Company PLC (NMRC) and co-signed a memorandum of understanding with NMRC in this regard. Through this collaboration, NMRC will effectively connect the Nigerian mortgage industry to the debt capital markets (DCM) and in turn, FMDQ will support NMRC in the intermediation of long-term funding from the capital market towards the development of the mortgage industry and ultimately bridge Nigeria's housing deficit through the provision of affordable housing finance.</li> </ul> <p>This partnership will, among others, see the introduction and deployment of initiatives aimed at launching a range of mortgage products in the Nigerian capital market; the articulation of strategies aimed at developing the Nigerian mortgage industry through non-interest finance (e.g. Sukuk); the roll-out of awareness programmes, investor/market education and capacity building in Nigeria; and the expansion of listing opportunities for NMRC's debt securities.</p>



Area of Value Creation	Initiative
Market Governance	<ul style="list-style-type: none"> <li> <b>FMDQ Complaints Management Framework</b>            In order to support the primary objectives of securities regulation in any capital market, as provided by the International Organisation of Securities Commissions (IOSCO), aimed at achieving ultimate protection for investors and reducing systemic risk in the markets, FMDQ, in accordance with the SEC Rules relating to the Complaints Management Framework in the Nigerian capital market, developed a Complaints Management Framework (the Framework).             This Framework seeks to address complaints arising out of issues that are covered under the various FMDQ Rules made pursuant to the Investments and Securities Act 2007 (ISA) and the SEC Rules and Regulations 2013, as well as other issues that arise in respect of activities conducted within the OTC markets under FMDQ's purview: fixed income (money, treasury bills, bonds, funds, repos and CPs), currency and derivatives markets. The Framework is designed to ensure that complaints from FMDQ, its Members and/or their clients about the activities of the OTC Exchange and its Members are managed in a fair, impartial, transparent and timely manner.         </li> <li> <b>Mandatory Registration of Commercial Papers</b>            Having approved the FMDQ Commercial Paper Quotation Rules, the CBN has authorised the OTC Exchange as a platform for the mandatory registration and quotation of CPs in Nigeria. This mandatory registration of CPs, which lays credence to the apex Bank's unwavering commitment to govern and uphold the integrity of the Nigerian financial market, prohibits banks from transacting in any capacity, in CPs that are not quoted or intended for quotation on an authorised securities exchange, such as FMDQ.         </li> </ul>

## Sustainability & Corporate Social Responsibility Agenda

### ■ FMDQ Sustainability Agenda

FMDQ's Sustainability agenda encompasses the three (3) pillars of sustainability; economic, social and environment. Immediate attention, however, will be focused on economic activities, with our learning and development initiative, aimed at enriching the lives of young Nigerians through education, empowerment and the promotion of capital market literacy among students, from primary school through to university level at the fore.

Furthermore, in line with the OTC Exchange's continuous commitment to gender equality and women economic empowerment, the ratio of women in the employment of the Company increased from 38% to 41% for years ending 2015 and 2016 respectively, with the ratio of women in the Management team at 50%. This is a clear indication that FMDQ is committed to promoting diversity and inclusiveness in the workplace.

FMDQ maintains business premises designed with a view to promoting safety and healthy living conditions for employees, and fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises. Employees are adequately insured against occupational hazards and provided with medical facilities which covers them and their immediate families at the Company's expense. Employees are also registered at a fitness center towards achieving employee wellness.



As a responsible corporate citizen, with a global outlook that imbibes best practices, a healthy work culture and an ethical value system, FMDQ remains committed to the values of sustainability, acknowledging that maintaining a positive impact on its immediate environment and community is critical to its overall business success. As part of its strategic objectives, FMDQ plans to spend a percentage of its annual revenue on CSR and sustainability programmes by 2019.

#### ▪ FMDQ Staff Corporate Social Responsibility (CSR) Initiative

FMDQ staff members also undertake annual CSR initiatives. The FMDQ Staff CSR Initiative focuses on supporting four (4) broad categories of Charity Organisations - Orphanages, Youth Rehabilitation Centers, Homes for the Elderly and Special Needs Centers.

In 2016, having raised a fairly substantial amount from the auction of seasonal gifts received by all employees, and the receipt of honorariums from FMDQ Executives who represented the Company on speaking engagements, FMDQ Staff successfully organised its 2016 Staff CSR activities by donating cash and gift items to the following:

1. Living Fountain, a non-governmental, non-profit organisation which focuses on providing shelter, clothing and emotional care for the motherless, abandoned, and the less privileged children in the society
2. The Centre for Corrections and Human Development, a Youth Rehabilitation Centre, in support of the construction of its skills acquisition centre and various community development initiatives
3. Holy Family Home for the Elderly, an Old Peoples' Home, in support of the inmates' health and welfare
4. Modupe Cole Memorial Child Treatment Home & School, a Special Needs facility, in support of the students' welfare, as well as the development of the vocational learning centre

## Relationships with Entities – External Governance

The OTC Exchange maintains effective communication and develops firm working relationships with key Nigerian financial market regulators and government bodies which have direct or indirect oversight of its markets and products. By engaging these regulatory and government stakeholders, the OTC Exchange is able to develop an understanding of how they work, the impact they have on its franchise and how their activities shape the Nigerian financial markets. In a similar vein, close engagement and interaction with these regulatory and government institutions also enhance their understanding of FMDQ's business and promote the effectiveness of their oversight function.

Consequently, the OTC Exchange engaged with relevant regulatory and government institutions on several initiatives to drive the growth and expansion of the Nigerian financial markets and by extension, the Nigerian economy.

S/N	Government/Regulatory Stakeholder	Engagement Focus
1.	Securities and Exchange Commission	As a SEC-regulated OTC Securities Exchange, FMDQ engages the Commission in its normal course of business on a regular basis. In 2016, the OTC Exchange held Management Engagement Sessions with the Commission in Q2 and Q4 to discuss critical issues relating to the development of the FMDQ franchise and the Nigerian capital markets.

S/N	Government/Regulatory Stakeholder	Engagement Focus
		<p>Key engagement focus areas in 2016 were as follows:</p> <ul style="list-style-type: none"> <li>■ <b>CMC Technical Committee on Enhancement of Listings and Issuances</b> During the course of the year, FMDQ was charged by the SEC to collaborate with other Exchanges and stakeholders in the capital market to embark on a market-wide campaign that would culminate in the enhancement of the number of listings (equity and debt securities) on Exchanges in Nigeria, particularly in sectors that were poorly represented on the nation's bourses. The exercise which commenced during the fourth quarter of the year has so far been well received by the selected organisations in the targeted sectors including oil and gas, power and energy, manufacturing, etc. It is expected that by the end of the exercise, the number of listings (including corporate debt securities, which will be issued by companies that would have relied mostly on other sources of capital raising outside of the capital market) would have increased across the Exchanges.</li> <li>■ <b>Rules Filings and Approvals</b> As part of the OTC Exchange's efforts to boost market governance and enhance effective regulation to support the financial markets, FMDQ develops various regulatory frameworks to govern its markets. In line with the FMDQ Rules Making Process, the following regulatory frameworks were approved by the SEC during the year: <ul style="list-style-type: none"> <li>○ <b>Short-Term Bonds Registration Process and Listing Rules:</b> As a consequence of the SEC's approval of the STB Rules, FMDQ will serve as the Exchange through which the primary due diligence for all STB issuances shall be conducted and also provide its efficient platform for the registration and listing of all STBs, thereby ensuring an expedited time to market</li> <li>○ <b>Investor Protection Fund Rules:</b> Pursuant to Part XIV of the Investments and Securities Act (ISA), 2007 all securities exchanges are mandated to establish and maintain a fund for the purpose of compensating investors who suffer pecuniary losses arising from the following: <ul style="list-style-type: none"> <li>- the insolvency, bankruptcy or negligence of a dealing member firm of a securities exchange</li> <li>- 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, or received or deemed received by the dealing member firm in the course of its business as a capital market operator</li> </ul> </li> </ul> <p>Consequently, the FMDQ Investor Protection Fund (IPF) Rules, outlining the objectives of the FMDQ IPF (the Fund) and composition of the Board of Trustees and their powers, was developed and subsequently approved by the SEC. These Rules provide guidance with respect to the monies to constitute the FMDQ IPF, the conditions for pay-outs from the Fund and procedures for making claims against the Fund.</p> </li> </ul>

S/N	Government/Regulatory Stakeholder	Engagement Focus
2.	Central Bank of Nigeria	<p>As part of the OTC Exchange's efforts to facilitate product and market development, FMDQ engaged the CBN on a variety of initiatives, which included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>■ <b>Registration and Quotation of Commercial Papers</b></li> </ul> <p>Despite the progress made in the governance of CPs, following the development of the Rules and Process, and the transparency provided for quoted CPs through the FMDQ Quotations Service, the CBN, identified the need for further reforms to be introduced to fully address all the pertinent issues in the CP market, which left room for malpractice and indiscipline, potentially posing systemic risks to Nigerian banks and the financial markets as a whole.</p> <p>By its circular dated July 12, 2016 to all deposit money banks in Nigeria, the CBN Banking Supervision Department, after a series of engagements with FMDQ, adopted FMDQ's proposal for the introduction of the mandatory registration and quotation of CPs on authorised securities exchanges, such as FMDQ, by virtue of the no-objection granted by the CBN to its Commercial Paper Quotation Rules.</p>
3.	FMDQ–National Pension Commission (PenCom) Collaboration	<p>In a bid to promote best practices, develop the standards and improve the integrity of service in the Nigerian pension industry, PenCom and FMDQ formalised a partnership to enable the achievement of these crucial objectives. Consequently, FMDQ co-signed a “Regulatory Supervision Collaboration Agreement” with PenCom, which promotes the enhancement of PenCom's supervisory function over its supervisees i.e. the pension fund operators. This collaboration, which has seen the deployment of a Client Trade Execution, Reporting &amp; Surveillance System (the PenDealer System) developed by FMDQ to facilitate the activities of the pension fund operators in the fixed income market, will among others, promote increased transparency, facilitate efficient price formation, boost market liquidity, ensure professionalism of the pension operators and preserve fair returns on pension fund investments, for the ultimate benefit of pension contributors and the Nigerian economy as a whole.</p>
4.	National Assembly	<p>FMDQ engaged and collaborated with the National Assembly, via the Senate and House Committees on Capital Market &amp; Institutions, on a number of initiatives aimed at fostering the development of the Nigerian financial markets, including a Joint Senate/House Capital Market Committees' Stakeholder Forum, the review of proposed legislative bills, and participation in public hearings leading to the passage of key legislations.</p>
5.	Federal Ministry of Finance (FMoF)	<p>FMDQ sought and received the support of the FMoF to develop the Nigerian DCM via the nomination of a senior representative of the Ministry as a member of the Steering Committee responsible for coordinating and ensuring the overall success of FMDQ's DCMD Project.</p>
6.	Nigeria Investment Promotion Council (NIPC)	<p>FMDQ successfully partnered with the NIPC on an international roadshow to promote various aspects of the Nigerian economy, showcasing the country as the prime investment destination in Africa with the key aim to attract more foreign investors to Nigeria's markets.</p>



S/N	Government/Regulatory Stakeholder	Engagement Focus
7.	Nigerian Economic Summit Group (NESG)	As a member of the Trade, Investment and Competitiveness Policy Commission of the NESG, FMDQ participated actively in the NESG's activities during the year, which focused on initiatives and discussions targeted at, among others, developing the imperatives for the structural and fiscal changes required to strengthen the domestic economy and the nation's key and high-impacting policies.

## FMDQ Workgroups

The global and local financial crises of 2007/8, amongst its many resultant effects, prompted the need to ensure that the fundamentals of the Nigerian financial markets were strong enough to sustain economic growth and national development objectives. As part of its contributions to long-term economic growth and national development, spurred by the Nigerian financial markets, FMDQ, as the OTC markets organiser, established two (2) Workgroups in 2015; platforms through which shared knowledge from market participants can be harnessed towards the OTC markets development.

### 1. FMDQ Market Development Workgroup

The FMDQ Market Development Workgroup (FMDW) was established to provide a rounded approach to advising, implementing and advocating best practice initiatives across the various financial market products, to ensure global competitiveness, operational excellence, liquidity and diversity of the domestic markets.

#### *Scope and Objectives of the Workgroup*

- To identify and deliberate on the challenges facing the Nigerian fixed income (money market & interest rate) and currency (FIC) markets; act as the think-tank driving an all-inclusive approach to the proposed reforms in the FIC markets and articulate the role to be played by various stakeholders
- To itemise the immediate priorities of the reform agenda and ensure alignment with the mandate of the of the Bankers' Committee Sub-Committee on Financial Markets
- To serve as a technical support group for the FMDQ Market Review Forum (an annual event where the FMDQ Board hosts the heads of Financial Services Regulators) on the development of the Nigerian financial markets and other related matters
- To monitor and analyse developments in the financial markets and make recommendations to improve market liquidity and global competitiveness of the markets
- To deliberate on such other issues as may be specified from time to time by FMDQ or any stakeholder

#### *Membership Composition*

During the year, FMDQ received the retirement notice of the erstwhile Chairman, Mr. Emmanuel Ukeje, which took effect in June 2016. Mr. Emmanuel Ukeje, who retired as the Director of the Financial Markets Department, CBN, served as the Chairman of the Workgroup from October 2015 – June 2016 and has been replaced by his successor, Dr. Alvan Ikoku, the current Director, Financial Markets Department, CBN.

However, Mr. Ukeje was subsequently appointed as the Special Adviser to the CBN Governor on Financial Markets. Consequently, approval was sought and obtained from the FMDQ Board Listings, Markets and Technology Committee to amend the terms of reference of the Workgroup, with reference to the composition

of the Workgroup membership, to include the Special Adviser to the CBN Governor on Financial Markets as a member of the Workgroup.

This amendment was necessitated by the need to ensure a flow of information between the CBN and FMDQ to continually promote a holistic approach to advising, implementing and advocating best practice initiatives across the OTC financial markets.

The current membership of the Workgroup is detailed below:

Stakeholder Category	Organisation/Association	Name of Member
Market Intervention Participant	<ul style="list-style-type: none"> <li>Central Bank of Nigeria (CBN)</li> </ul>	<ul style="list-style-type: none"> <li><b>Dr. Alvin Ikoku</b> - Director, Financial Markets Department (<b>Chairman</b>)</li> <li><b>Mr. Emmanuel Ukeje</b> Special Adviser to CBN Governor on Financial Markets</li> </ul>
Buy-Side	<ul style="list-style-type: none"> <li>Pension Fund Operators Association of Nigeria (PenOp)</li> <li>Fund Managers Association of Nigeria (FMAN)</li> <li>Association of Corporate Treasurers of Nigeria (ACTN)</li> <li>Nigerian Insurers Association (NIA)</li> </ul>	<ul style="list-style-type: none"> <li><b>Mr. Dapo Akisanya</b> - Head, Technical Committee</li> <li><b>Dr. Ore Sofekun</b> - President</li> <li><b>Mr. Ishmael Nwokocha</b> - President</li> <li><b>Mr. Thomas Sunday</b> - Director-General</li> </ul>
Sell-Side	<ul style="list-style-type: none"> <li>Association of Issuing Houses (AIHN)</li> </ul>	<ul style="list-style-type: none"> <li><b>Mr. Sonnie Ayere</b> - Chairman</li> </ul>
Trade Associations	<ul style="list-style-type: none"> <li>Financial Markets Dealers Association (FMDA)</li> <li>Institute of Capital Market Registrars (ICMR)</li> <li>Association of Assets Custodians of Nigeria (AACN)</li> <li>Risk Management Association of Nigeria (RIMAN)</li> </ul>	<ul style="list-style-type: none"> <li><b>Mr. David Adepoju</b> - President (<b>Vice Chairman</b>)</li> <li><b>Mr. Peter Ashade</b> - Managing Director</li> <li><b>Mr. Abiodun Adebimpe</b> - Secretary General</li> <li><b>Mr. Joshua Uwedinisu</b> - Executive Council</li> </ul>
Financial Market Infrastructure	<ul style="list-style-type: none"> <li>Central Securities Settlement System PLC (CSCS)</li> <li>Nigeria Inter-Bank Settlement System PLC (NIBSS)</li> <li>FMDQ OTC Securities Exchange (FMDQ)</li> </ul>	<ul style="list-style-type: none"> <li><b>Mr. Joseph Mekiliuwa</b> - General Manager</li> <li><b>Mr. Ade Shonubi</b> - Managing Director/CEO</li> <li><b>Mr. Bola Onadele. Koko</b> - Managing Director/CEO</li> <li><b>Mr. Dipo Odeyemi</b> - Senior Vice President, Market Operations &amp; Technology</li> <li><b>Ms. Jumoke Olaniyan</b> - Associate Vice President, Market Development &amp; Regulation</li> </ul>



## 2. Financial Market Support for Economic Development Workgroup

The FMDQ Financial Market Support for Economic Development (FMSED) Workgroup was established in 2015 to articulate how financial market activities can be harnessed to foster sustainable economic development. Members of the Workgroup are tasked with advising, advocating and articulating best practices obtainable in global financial markets, to ensure the Nigerian economy fully harmonises and channels resources to the development of the economy.

In 2016, the Workgroup members identified three (3) key initiatives of importance to develop:

- Increasing available funds to fuel economic growth
- Attracting investors to long-term investment
- Promoting an enabling and progressive environment

### *Scope and Objectives of the Workgroup*

- To identify and deliberate on the challenges facing the financial markets in its role of supporting economic development in Nigeria, proffering best-fit reforms required and the role to be played by various stakeholders
- To act as the think-tank and drive an all-inclusive approach to the articulation of reforms and development of the financial markets in support of economic development and advise same to the CBN and Bankers' Committee Sub-Committee on Economic Development & Sustainability
- To serve as a technical support group for the FMDQ Market Review Forum on harnessing financial markets activities to foster sustainable economic development and other related matters
- To deliberate on such other issues relating to financial markets in support of economic development as may be specified from time to time by FMDQ or any stakeholder

### *Membership Composition*

The Workgroup comprises a crossbreed of experts in various fields with demonstrable contribution and commitment to economic development in Nigeria. The current membership of the Workgroup is detailed below:

S/N	Organisation/Association	Name of Member
1.	Management Transformation Limited	Dr. Wura Abiola - Managing Director ( <b>Chairman</b> )
2.	The Infrastructure Bank PLC	Mr. Adekunle Oyinloye - Managing Director/CEO
3.	Bank of Industry (BOI)	Dr. Ezekiel Oseni - Chief Risk Officer
4.	Sterling Bank PLC	Mr. Abubakar Suleiman - Executive Director
5.	ARM - Harith Infrastructure Investment Limited	Mr. Opiuyo Oforiokuma - Managing Director/CEO
6.	FBN Capital Limited	Mr. Patrick Okey Mgbenwelu - Director & Head, Debt Solutions
7.	Independent Consultant	Mr. Rasheed Olaoluwa
8.	FMDQ OTC Securities Exchange	Mr. Bola Onadele. Koko - Managing Director/CEO

## Key Focus Areas – Products Innovation & Market Development

In 2016, FMDQ focused on driving product development and innovation with a high degree of standardisation of structural and contractual terms, and operational processes, leveraging on the expertise of various stakeholders, through regular stakeholder engagement.

The product and market development initiatives for 2016 in addition to the Naira-settled OTC FX Futures included the following:

### 1. Dealing Member (Specialists) Market

Having identified the need and opportunity for the integration of non-bank financial institutions (NBFIs), i.e. investment banking firms, securities dealing firms and experienced unregulated OTC fixed income dealing firms into the fixed income market, FMDQ proceeded, in 2015, to develop a modified Dealing Membership category called the Dealing Member (Specialists) (DMSs); which will serve to further deepen the Nigerian fixed income market.

As part of the implementation exercise for this Project roll-out, a robust web-based proprietary trading system, FMDQ Q-Deal, was deployed to facilitate the trading of fixed income securities by the DMSs. With integrated multi-trading style functionalities, the Q-Deal features anonymous and bilateral trading capabilities and enhances accessibility, price formation, pre- & post-trade price discovery and market surveillance. Incorporated into the system is a frontier trade order management solution that will enable DMSs monitor their trading position and profitability on a real-time basis.

Consequently, the market was activated on June 1, 2016, where sixteen (16) firms that had completed the membership registration commenced active trading of t.bills - *maximum of 91 days* - in a closed-market structure (Phase I).

With Phase I of the Project having been in operation for six (6) months, FMDQ proceeded to implement Phase II of the DMS Market Structure (*Integration with Settlement Banks*) and initiated the activation of this integrated market by the engagement of various settlement banks (DMBs), obtaining their firm commitments with respect to their roles and responsibilities in the integrated market. It is expected that the integrated market will be fully operational by 2017.

### 2. Fixed Income and Foreign Exchange Derivatives

Recognising the key role a vibrant derivatives market plays in supporting the liquidity, growth and development in the financial markets, FMDQ engaged a consultant to conduct a “*Feasibility Study on the Introduction of Derivatives to the Nigerian Financial Markets*”. A comprehensive report from the feasibility study, outlining the results of the general preparedness of market participants, recommendations for the successful implementation of a robust and efficient derivatives market in Nigeria, as well as a 5-year implementation roadmap, was delivered by the consultant in 2016.

The roadmap delineates the implementation phases for the derivatives project, starting from the short-term/immediate goals to the long-term goals and highlights key recommendations for the successful implementation of a robust and efficient derivatives market in Nigeria, which include *inter alia*:

- Introduction of a well-defined central reporting system
- Standardisation and centralised clearing and settlement of derivatives and establishment of a clearing house as well as a central clearing counterparty in the medium- to long-term

- Institutionalisation of minimum competency standards for market operators
- Establishment of dispute resolution mechanisms
- Harmonisation of the regulatory framework of the relevant regulatory authorities

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

FMDQ, in a bid to achieve one of its strategic goals of becoming a sought-after adviser to government and regulators of the financial markets, formalised its partnership with PenCom, through the execution of a Regulatory Supervision Collaboration Agreement in April 2016. The collaboration was initiated as a means of boosting market liquidity, promoting efficient price formation, infusing higher professionalism, upscaling the asset management industry and the Nigerian debt capital market, and ultimately preserving the integrity of the fixed income investments of the pension fund administrators (PFAs) and closed pension fund administrators (CPFAs).

In order to achieve this enormous mandate, PenDealer, an automated Client Trade Execution, Reporting & Surveillance System was developed, supported by a framework dedicated to preserving the aforementioned initiative.

Following several engagements with relevant stakeholders (PenCom, Pension Operators [i.e. PFAs/CPFAs and pension fund custodians (PFCs)] and DMBs), the framework was finalised. The PenDealer system, via which access will be granted to the pension operators, DMBs etc. to facilitate their trades in the fixed income market, and to PenCom to further enhance its regulatory and surveillance capabilities, is expected to go live in 2017.

### 4. Index Development Strategic Partnership – FMDQ-S&P Fixed Income Indices

As part of its ongoing mandate to improve price discovery and transparency in the Nigerian financial markets, FMDQ continued to explore ways of upgrading and improving market standards, through the provision of reliable and credible benchmarks as references for product/market performance. Considering this, FMDQ sought to partner with an internationally recognised index calculation agent and identified S&P Dow Jones Indices LLC (S&P DJI) as a credible brand to partner with.

Consequently, FMDQ entered a strategic partnership with S&P DJI via the signing of a memorandum of understanding (MOU) in December 2016 for the development and publication of co-branded fixed income indices in the Nigerian debt capital markets.

### 5. FMDQ Closing Prices & Fixings (Foreign Exchange & Fixed Income) Methodologies Upgrade

Due to the increasing importance and use of the FMDQ Closing Prices and Fixings, the OTC Exchange embarked on a review of the methodologies for the different asset classes to ensure they provided an adequate reflection of the current market dynamics and were in alignment with global standards, as detailed below:

	Foreign Exchange	Fixed Income
<b>Closing Prices</b>	The FMDQ FX Closing Rate Methodology was reviewed and revised to preserve the integrity of published rates. The revision took into consideration the current levels of liquidity in the FX market, data sourcing and calculation methodology, and detailed	As directed by the Board Listings, Markets and Technology Committee, the FMDQ Fixed Income Closing Price Methodology was revised to further enhance transparency of the process of deriving closing prices for trading fixed income securities, model prices for non-trading fixed income



	Foreign Exchange	Fixed Income
	a contingency plan to ensure credible closing rates were derived and published daily. The revised Methodology was reviewed and duly approved by the FMDQ Market Review Committee (MRC), FMDQ's benchmark oversight committee.	securities and market-indicative rates/prices for securities trading with low liquidity.  The revised methodology was also approved by the MRC.
<b>Fixings</b>	<p>The framework for the FMDQ Fixings - Nigerian Inter-bank Foreign Exchange Fixing (NIFEX) and Nigerian Inter-bank Treasury Bills' True Yield Fixing (NITTY) - was reviewed to promote transparency, and to preserve the relevance and credibility of the benchmarks. The review encompassed the data collection methodology, fixing dynamics, reference banks selection, contingency plan, publication number, style and time, inter alia, and was approved by the MRC.</p> <p>Furthermore, FMDQ has documented a revised Fixings Code of Conduct, applicable to all polled fixings to establish a global understanding of the responsibilities of the reference banks and ensure that rates published are reflective of market dynamics and are credible in relation to the respective products.</p>	

## Key Product & Market Development Focus for 2017

With a strategic focus on Product Diversification in 2017, FMDQ product and market development initiatives will be geared towards consolidating on the market infrastructure and standardisation initiatives commenced in 2016 whilst expanding its product/market development initiatives to include, *inter alia*, the introduction of the much-needed interest rate derivatives products, development of the non-interest capital market products in line with the 10-Year Capital Market Master Plan (2015-2025) developed by the SEC, and other products/market development initiatives which may be identified as key contributors to the growth in the nation's financial markets.

Details of the key focus areas for 2017 are outlined below:

### 1. Expanding the Derivatives Market

FMDQ, in line with its vision, has identified the development of the derivatives markets as a key strategic initiative required to deepen the Nigerian financial market and ensure its emergence as a global financial center. Consequently, starting in 2017, FMDQ aims to identify, develop and launch various derivative products, to further deepen the derivatives market and expand on current market risk management opportunities, especially in the light of the implementation of Basel II and III standards. Initial efforts will be focused on the introduction of Interest Rate Derivatives (IRDs).

In consideration of the recommendations put forward by the consultants following the Feasibility Study on the Introduction of OTC Derivatives in FMDQ Markets, the OTC Exchange shall establish key infrastructure requirements that have been identified as critical to the successful development of a Nigerian derivatives market such as the establishment of a Central Clearing House (CCH) and a Settlement Guarantee Fund.

Furthermore, as the implementation phase is likely to involve numerous engagements with industry professionals (local and foreign) and financial market regulatory agencies, FMDQ has decided to establish a Group within the OTC Exchange dedicated to driving the successful implementation of the development of the derivatives market in the Nigerian financial markets. This will ensure the project implementation is given the necessary attention and dedication for an effective and efficient delivery.



## 2. Bi-lateral Repo with Collateral Management

A repurchase agreements (repo) market, being a key source of liquidity in the financial markets and a major imperative for the introduction of IRDs, has been identified as a key market development initiative for FMDQ in 2017. Having engaged with market participants, through the Financial Markets Dealers Association's Bond and Money Market Workgroups, Management decided to launch the repo market in stages. The first stage will consist of the release of the repo market framework/standards and the commencement of repo trading under the terms of the dedicated Repo Market Agreement to be executed by all market participants and any other regulation as may be prescribed by FMDQ from time to time. This will be closely followed with the migration of repo trading in the FMDQ Proprietary Market System, which is due to be launched in 2017, and will include trading and collateral management modules, as well as a depository for the daily valuation and clearing of repo contracts.

### ■ *Automatic Settlement for Inter-bank Money Market Transactions*

Additionally, to promote operational excellence, enhance processes in the money market architecture, improve operations and avoid leakages which could pose a systemic risk to the market, FMDQ sought the support of the CBN with respect to the automation of the settlement process for money market transactions (unsecured borrowing/lending and repo transactions) of DMBs.

The automation of the settlement processes in the Nigerian money market is fundamental to the promotion of efficiency in the Nigerian financial markets, as the guarantee of the settlement of money market transactions through the CBN settlement systems would boost the confidence of FMDQ DMBs in trading repos. The introduction of this process will promote efficiency in the Nigerian financial markets, bring about the much-needed liquidity in the money market and serve as a precursor to the introduction of a CCH through which all trades will be centrally cleared and guaranteed through a Settlement Guarantee Fund.

## 3. Euroclear Integration

One of FMDQ's strategic objectives is the introduction of a full complement of fixed income & currency derivative products with the establishment of international linkages with clearing houses to support international participation in and further deepen the Nigerian fixed income market. To achieve this objective, the OTC Exchange engaged Euroclear, the world's largest securities settlement system located in more than ninety (90) countries, on the integration of Nigerian Eurodollar securities on its platform.

The aim of this collaboration is to give improved confidence to foreign participants by providing direct access to assets purchased in the Nigerian DCM. This has the potential to increase market liquidity through increased participation, translating to increased trade volumes.

## 4. Development of Non-Interest Finance Capital Market Products

As Nigeria's foremost debt-focused OTC securities exchange, FMDQ seeks to provide a platform for the listing/quotation; trading and valuation of products within the full spectrum of the DCM space. To this effect, FMDQ recognised the need to extend its Listings and Quotations service to non-interest capital market products, with a specific focus on the listing of Sukuk securities.

In furtherance of the aforementioned initiative, FMDQ has developed the Draft Sukuk Listing Rules which is awaiting the Commission's review. FMDQ will, as always, adopt relevant best practice in support of the development of the FMDQ non-interest bearing finance capital market franchise, towards, among others, ensuring robustness of the regulatory framework guiding the listing of Sukuk and other non-interest finance products on the OTC Exchange.

## Key Focus Areas - Services

### 1. Listings and Quotations

FMDQ provides an efficient platform for the registration, listing/quotation, trading and valuation of debt securities such as bonds (sovereign, agency, sub-national, corporate, supranational and Sukuk), CPs, Funds (fixed income and money market mutual funds and exchange traded funds) and other short-term debt securities, among others. The FMDQ Listings and Quotations service has been tailored to align the Nigerian DCM with international best practices and standards, consequently providing a platform that supports, in no small measure, the development of the Nigerian DCM.

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, offering benefits enjoyed by issuers, investors (domestic and foreign), market makers and financial market regulators, among others.

### 2. Memberships

As a market organiser, with the strategic intent of making the markets under its purview competitive, liquid and diverse, FMDQ effectively brings together different categories of market participants through its innovative and well-streamlined membership categories.

The OTC Exchange recognises the important role of network effects in any financial markets system, and therefore continues to expand its membership base to include and address the specific needs of its varied stakeholders, at the same time, providing the requisite governance structures to maintain the integrity and sanctity of the financial markets even as market efficiency and liquidity are facilitated.

### 3. Market Connectivity

The alignment of the domestic financial markets to international standards is one of the core mandates driving FMDQ's activities for the development of its OTC markets. The OTC Exchange, in line with its operational excellence business principle, provides tailored and proprietary systems, using cutting-edge technology solutions, and other relevant financial market structures to support and boost trading and connectivity of market participants (including financial markets regulators) in the FMDQ markets, whilst facilitating best- execution and real-time price discovery, in order to maintain and improve credibility, transparency, governance and market liquidity.

### 4. Data and Information

As the information repository for the Nigerian fixed income, currency and OTC derivatives markets, FMDQ, through its innovative and efficient knowledge centre, "FMDQ e-Knowledge", housed in the "FMDQ e-Markets" Portal, provides, among others, comprehensive financial market data, pre- and post-trade information services, and analytics for the benefit of and use by its varied stakeholders (such as its Members, financial markets regulators, local and international investors, issuers, etc.). FMDQ e-Knowledge, maintains its status as a comprehensive, robust and crucial financial markets information and knowledge repository.

### 5. Market Regulation

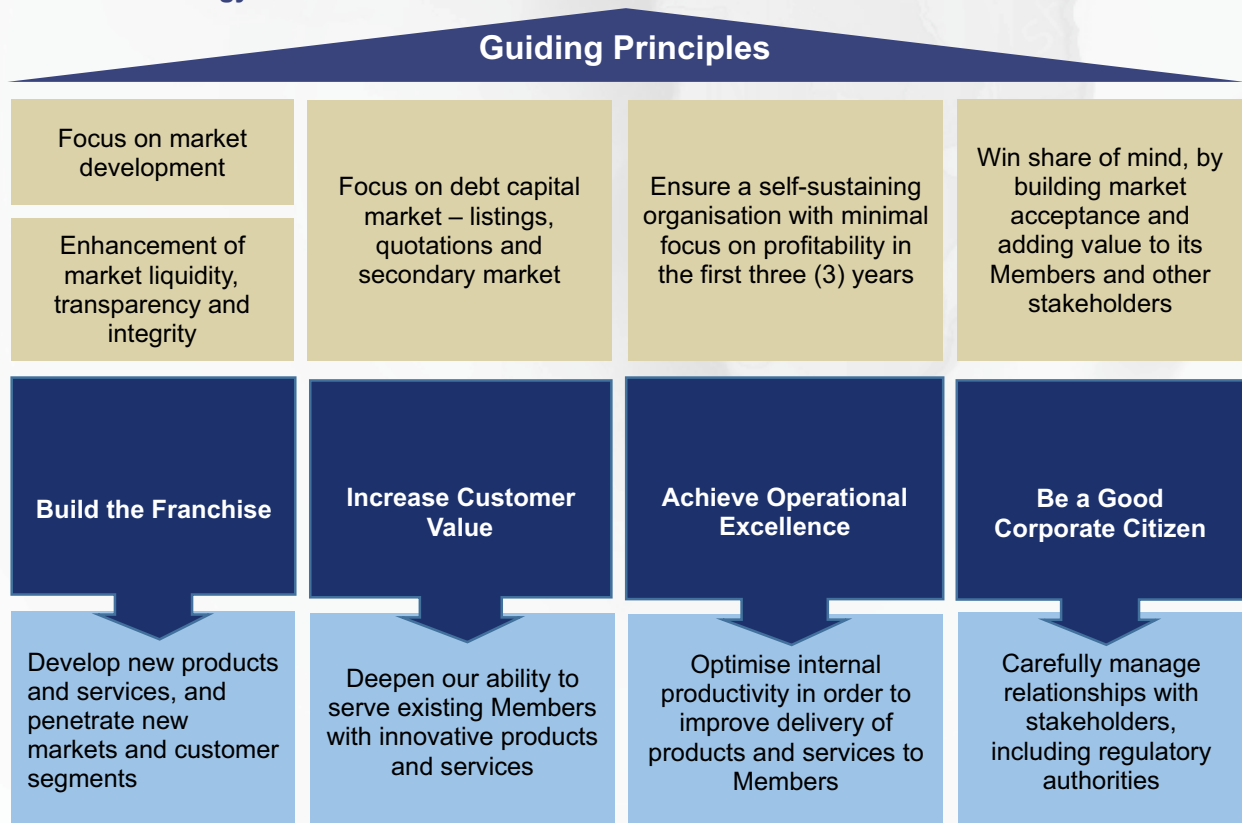
From the creation and enforcement of market Rules, development and communication of Market Bulletins and Guidelines, and administration of Membership Agreements, to the regular conduct of market surveillance, investigations, examination of Members and the resolution of disputes, FMDQ lends itself as an indispensable front-line regulator, overseeing the activities and behaviours of its Members in the markets under its purview. As a market organiser and an SRO, the OTC Exchange emphasises the need to uphold its oversight duties and responsibilities, to ensure the financial markets are credible and transparent, as part of efforts towards maintaining market confidence and ensuring investor protection.

# Strategic Journey

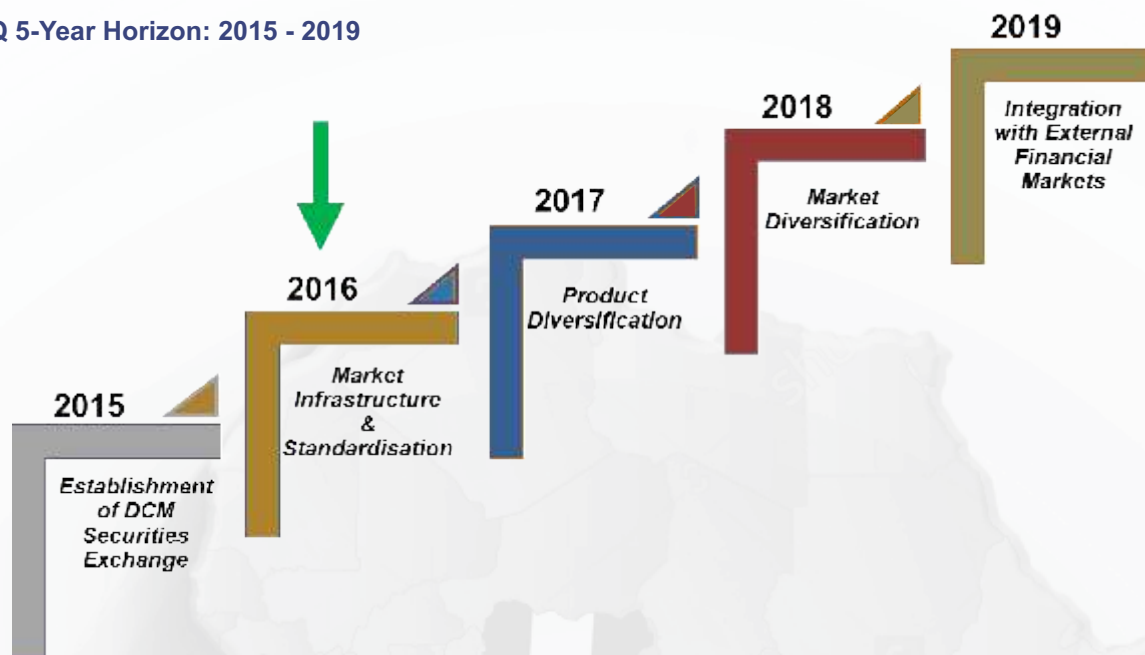
FMDQ's strategy is to position itself as a world-class diversified and integrated OTC securities exchange, with the vision of becoming the "No. 1 in Africa in the Fixed Income and Currency Markets by 2019". With a strategic focus on market development and governance, FMDQ's strategy is driven by product innovation, collaborative relationships, and technology.

In pursuit of its vision and Strategic Objectives, the OTC Exchange will, therefore, continue to introduce innovative solutions to help deepen the Nigerian financial markets and position it to be transparent, credible and attractive to both local and foreign investors.

## FMDQ 5-Year Strategy



## FMDQ 5-Year Horizon: 2015 - 2019



## Review of 2016

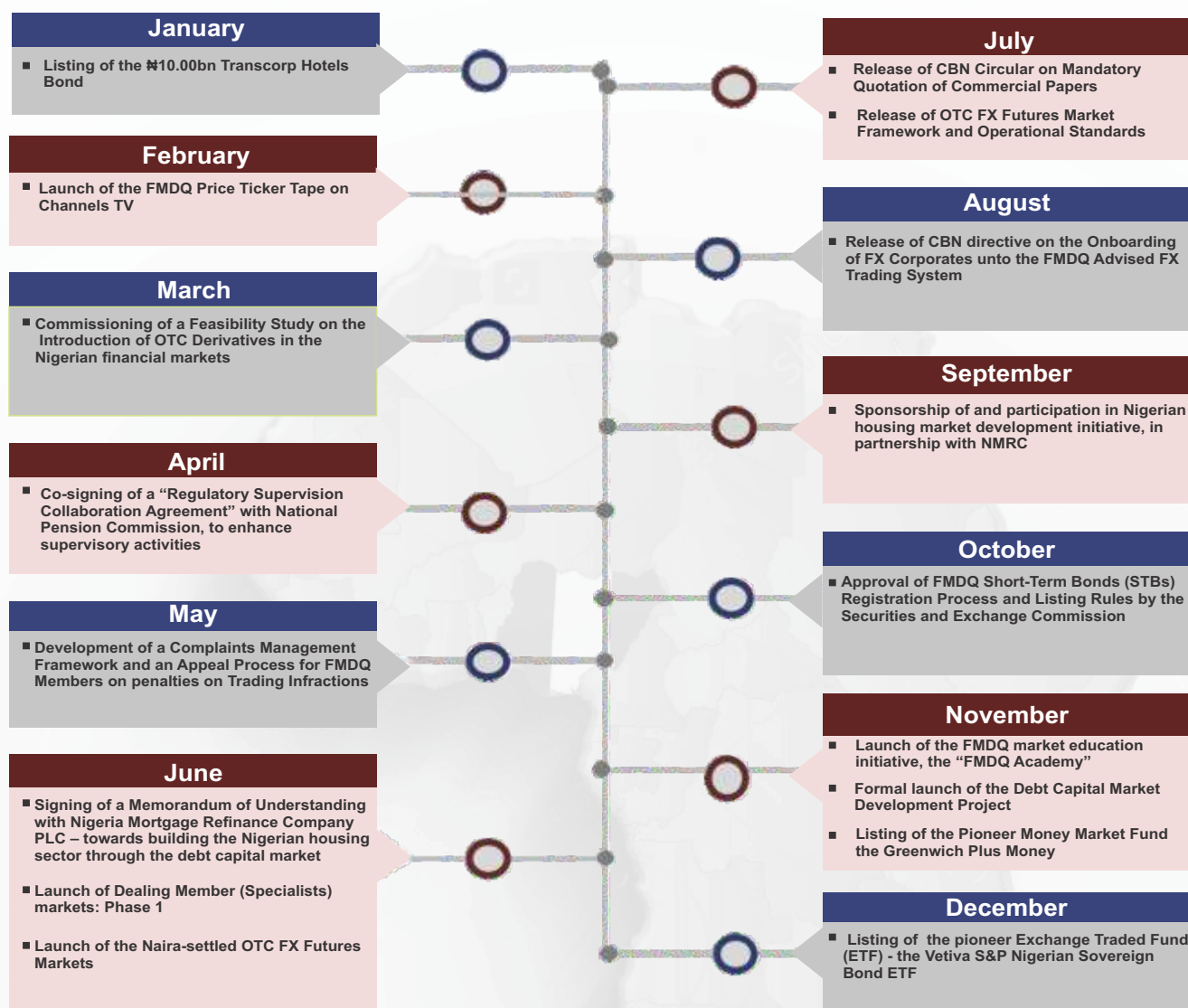
Despite the downward trend of economic activities in 2016, FMDQ made some milestone achievements in its Strategy implementation, which was focused on “Market Infrastructure and Standardisation”, as all efforts were geared towards preparing the markets for growth.

Having commenced securities listing in 2015, FMDQ focused on upgrading its end-to-end Listings and Quotations service, to continuously add value to market players, including issuers and issuing houses, culminating in the listings and quotations of twenty-seven (27) debt securities (eighteen (18) CPs, seven (7) bonds and two (2) funds – the OTC Exchange listed its first fund on the platform in November 2016). The Company also launched the DCMD Project, which was set up to ensure the effective implementation of the recommendations drawn from the widely-attended Debt Capital Markets Workshop organised by FMDQ in 2015. Having received the unrivalled support of the SEC, the Project was officially launched during the Commission's third quarter Capital Market Committee Meeting in November, to focus on identifying and implementing quick-win strategies that would transform the Nigerian market into a world-class, properly functioning DCM by 2020/2025, drawing strongly from the SEC's 10-Year Nigerian Capital Market Master Plan.

The OTC Exchange also witnessed significant activities in the FX and derivatives markets space following the release of the CBN's Revised Guidelines in June. Consequently, FMDQ introduced OTC derivatives into the market with the launch of the Naira-settled OTC FX Futures Market – an innovative product aimed at ensuring that investors are able to hedge legitimate FX risk exposures (i.e. backed by eligible trades/transactions with foreign currency obligations).

Other initiatives implemented during the period included the activation of the DMS market, development of rules for new products (short-term bonds, Sukuk etc.), onboarding of FX corporates on FMDQ-advised Systems, partial integration of FMDQ's systems with clearing and settlement systems, the development of bespoke trading & surveillance systems to support the market (FMDQ Futures Trading & Reporting System [FFTRS], FMDQ Non-bank Financial Institutions Fixed Income Trading, Reporting and Surveillance System [Q-Deal] and Pension Operators Fixed Income Trading, Reporting and Surveillance System [PenDealer]) as well as the development of the first phase of the FMDQ Proprietary Market System, which is positioned to go-live in 2017, the activation of the FMDQ Academy and regulatory/strategic collaborations (PenCom, CBN and NMRC), etc.





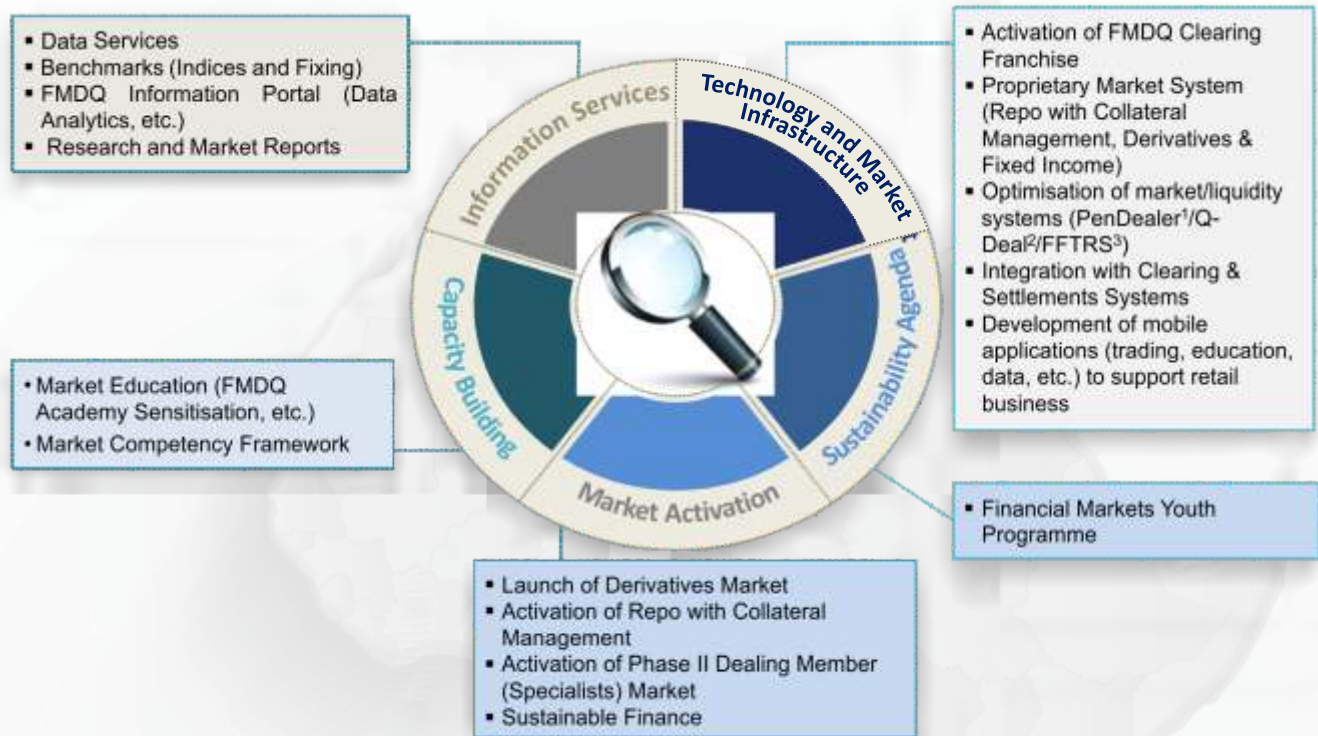
## FMDQ 2017 Focus

Having commenced the activation of the necessary standards and supporting infrastructure for the successful implementation of FMDQ's product and market development agenda, the OTC Exchange is set to place product diversification at the forefront of its Strategy for 2017. To support this strategy, the Company has commenced efforts towards the activation of a central clearing house to facilitate clearing of trades executed in the cash, repo and derivatives markets by the OTC Exchange.

Focus will also be placed on the implementation of the Derivatives Roadmap developed after the completion of the feasibility study on introduction of OTC derivatives (interest rate and currencies) into the Nigerian financial markets, towards developing a functional derivatives market. Furthermore, the development of FMDQ's Proprietary Market System in 2017 will go a long way towards positioning the OTC Exchange as an SRO and single source of market data, thereby supporting the data and information franchise of the Company.

The FMDQ Academy, which was launched during 2016, will continue to support the education and capacity building initiatives for the market. Efforts will also be geared towards concluding the integration of FMDQ's systems with clearing and settlement systems to promote straight-through-processing of trades in FMDQ's

## 2017 Strategic Focus Areas



1 – **PenDealer**: Pension Operators Fixed Income Trading, Reporting and Surveillance System

2 – **Q-Deal**: FMDQ Non-banking Financial Institutions Fixed Income Trading, Reporting and Surveillance System

3 – **FFTRS**: FMDQ Futures Trading and Reporting System



# Chairman's Letter

## Dear Distinguished Shareholders,

It is my pleasure to welcome you to the 5th Annual General Meeting of your Company. As in 2015, the year 2016 was a difficult and challenging year. The Company was, however, able to sustain its growth by continuing to explore new opportunities to expand and enhance FMDQ's activities, markets and reach.

The company continues to focus on growing the business over the long-term and creating value for stakeholders so as to achieve its vision of becoming the number one in Africa in the fixed income and currency (FIC) markets by 2019.

## Operating Environment

The global economy experienced major challenges in 2016, due to the fall in crude oil prices and supply disruptions in some oil producing regions including Nigeria; the civil war in Syria, continuous hostilities across the Middle East and the devastating effect of the refugee situation across the region and in Europe. The June 23 Brexit referendum in the United Kingdom, which went in favour of leaving the European Union, and the unexpected outcome of the presidential elections in the United States, amongst others, contributed to uncertainties in the global environment.

On the domestic front, the challenges in crude oil production led to a sharp drop in government revenue, resulting in the depreciation of the Naira, foreign exchange (FX) scarcity, increase in inflation rate and negative growth, which led to a recession. The country recorded a Gross Domestic Product (GDP) growth rate of -1.7 per cent year-on-year in 2016, from 2.79 percent in 2015. Inflation rose to 18.55 percent in December 2016 from the 9.55 percent recorded in 2015. Nigeria's economic recession led to job losses which exacerbated the already high unemployment rate. These made 2016 a challenging year for most businesses and individuals in Nigeria.

The Central Bank of Nigeria (CBN) introduced the Revised Guidelines for the Operation of the Inter-bank FX Market in June 2016, in a bid to drive transparency, efficiency, price discovery and ensure liquidity in the Inter-bank FX market. The official exchange rate closed at \$/N305 on the Inter-bank market, from \$/N199 at the end of 2015, recording a 35 percent depreciation in the local currency. In a bid to further stabilise the markets, the CBN also increased the Monetary Policy Rate (MPR) from 11 percent to 14 percent, and the Cash Reserve Requirement (CRR) from 20 percent to 22.50 percent during the year.



In the light of the downward slide of the economy, government made several efforts to reflate the economy through an expansionary budget of N6.6trn and anti-corruption initiatives aimed at blocking leakages.

## Corporate Development

Despite the challenges in the domestic environment, FMDQ witnessed a year of heightened business activities and corporate developments. During this period of economic recession and FX volatility, market participants turned to FMDQ's liquid markets, either to raise debt capital or to manage their FX risk exposure through the Naira-settled OTC FX Futures – an innovative product that was introduced by the CBN, in July, to provide hedging opportunities for businesses and individuals who wish to cover their FX exposures. The OTC FX Futures product has since proven to be a reliable solution for users, with a total value of \$5.02bn worth of contracts traded on the OTC Exchange as at the end of December, out of which circa \$1.53bn matured and settled.

On the listings and quotations front, 2016 was a busy year for the OTC Exchange, with the listings and quotations of a total of twenty-seven (27) debt securities, eighteen (18) Commercial Papers (N123.54bn), seven (7) Bonds (N107.80bn) and two (2) Funds (N2.64bn). In addition, the successful launch of the Debt Capital Markets Development Project, with the support of the Securities and Exchange Commission (SEC), consolidated the Company's efforts at establishing its position as the foremost debt capital market (DCM) securities exchange in Nigeria.

Finally, the Company closed the year with a total of one hundred and fifty-nine (159) FMDQ-licenced Members across four (4) categories, representing a remarkable improvement from the seventy-five (75) licenced Members across three (3) categories recorded in 2015. This growth was mainly due to the introduction of four (4) new membership sub-categories; Dealing Member (Specialists), Affiliate Member (Regulator), Affiliate Member (FX Trading) and FX Trading (Corporate), bringing the composition of FMDQ's membership to:

- Dealing Member (Banks & Specialists) – 42 members
- Associate Member (Inter-dealer Brokers, Brokers & Clients) – 42 members
- Registration Member (Listings & Quotations) – 49 members
- Affiliate Member (Standard, Regulators, FX Trading) – 26 members

FMDQ organised its semi-annual meetings for Members (with the exception of the Affiliate Members, who do not have participatory rights in the OTC Exchange), in recognition of the important role of network effects in any financial market system, and desirous of a continued and effective collaboration with its stakeholders.

## Governance

In 2016, there were several changes to our Board, as follows:

- Alhaji Muhammad Nda, our first Independent Non-Executive Director, stepped down from the Board on July 25, 2016, after three (3) years of service
- Mr. Phillips Oduoza retired as the Group Managing Director/CEO of United Bank of Africa PLC (UBA), and consequently retired from the FMDQ Board on July 31, 2016. He has been replaced by his successor, Mr. Kennedy Uzoka, the current Group Managing Director/Chief Executive Officer of UBA
- Mr. Sadiq Mohammed, representing the buy-side, as nominated by the Pension Fund Operators Association of Nigeria (PenOp), resigned from the Board on December 31, 2016, and was replaced by Mr. Dapo Akisanya, who serves as Head, Technical Committee of PenOp
- Mr. Oscar N. Onyema, OON, representing NSE Consult Limited (a wholly-owned subsidiary of The Nigerian Stock Exchange [NSE]), resigned from the Board on December 31, 2016



FMDQ is committed to developing and sustaining a Board with the right expertise, professional pedigree and appropriate size and this is evident in its governance structure, which promotes participation from diverse stakeholders, including its shareholders (CBN, Financial Markets Dealers Association (FMDA), FMDQ-licensed Dealing Members and the NSE Consult Limited), the Bankers' Committee as well as the buy-side.

In furtherance of this commitment towards good corporate governance, an external consultant, PricewaterhouseCoopers Nigeria (PWC), was engaged to conduct the maiden assessment of the performance of the FMDQ Board. This assessment, which was conducted for the year ended 31 December 2016, covered all aspects of the Board's structure, composition, responsibilities, as well as individual members' competencies and respective roles in the Board's performance, in line with the Securities and Exchange Commission's Code of Corporate Governance for public companies (the Code). In addition to each Individual Director's Assessment Report and the Consolidated Report submitted to the Board, PWC issued a letter stating that the Board complied, to a large extent, to the provisions of the Code and this can be found on page 62 of this Annual Report.

In the same vein, good governance also entails having access to expert independent advice when required and the Board has set out plans to constitute an Advisory Board, comprising local and international subject-matter experts, to give the Directors access to independent and objective counsel. Appointments to this Advisory Board will commence in 2017.

## Strategic Positioning

As an innovation-driven OTC Exchange, FMDQ will continue to leverage on collaborative engagements and strategic partnerships to create value-adding opportunities for stakeholders, through the implementation of product and market development initiatives. The development and launch of the first phase of the FMDQ Proprietary Market System, to support the Company's capacity to, not only provide technology services to its Dealing Members, but to position itself as a data and information repository for both local and international stakeholders, will also be a focus area for FMDQ in 2017.

The Company will channel efforts towards the implementation of the OTC Derivatives Roadmap which was developed after the successful conclusion of a feasibility study on the introduction of OTC Derivatives to FMDQ's markets conducted in 2016. Furthermore, risk management and clearing (cash and derivatives) cannot be underestimated as these are important drivers of domestic and global confidence in the Nigerian financial markets. The OTC Exchange has begun developing expertise in these fields through the activation of FMDQ's Central Clearing House, FMDQ Clear Limited, which will operate as a wholly-owned subsidiary. We are hopeful that our regulator, the ever-supportive Securities and Exchange Commission, will register this entity to ensure an integrated securities exchange and clearing franchise to our Members.

FMDQ will also implement the following initiatives for 2017, amongst others:

- Standardisation of repurchase agreements trading (with collateral management)
- Development of the non-interest finance (Sukuk) capital market
- Processing and listing of short-term bonds
- Implementation of Debt Capital Markets Development Project
- Organising the 2017 Nigerian Debt Capital Markets Conference
- Consolidation of the FMDQ Academy to provide capacity building and financial markets education for FMDQ stakeholders

## Conclusion

In the last three (3) years, FMDQ has steadily transformed to the foremost debt capital and currencies OTC Exchange in the Nigerian market, with a set of diversified product range and market infrastructure. Regulatory support, stakeholder collaboration and technology have been the main drivers for this growth, and I am very proud of what FMDQ represents in the market today.


The steadfast focus on, and execution of our strategies for market infrastructure & standardisation, and product diversification, in 2016 and thus far in 2017 respectively, have given rise to a strong portfolio of products and services in FMDQ's markets. Importantly, the OTC Exchange is in a strong position despite the fact that 2016 was a tough year, not only for FMDQ, but for Nigerian businesses. The year tested our resolve and made us work harder in a volatile and uncertain environment. The FMDQ team made the best of the year to create the achievements that were recorded and to further build on the solid foundation that had been laid in previous years. We are optimistic about 2017 as we envisage that our efforts have better positioned us for the challenges ahead.

Having had the privilege of leading the FMDQ Board since 2014, barely eight (8) months after the launch of the OTC Exchange onto the Nigerian financial markets, the time has come for me to say goodbye, as I will be retiring from the Board, effective April 28, 2017.

Over the years, I have had the pleasure of working with a team of highly passionate and result-driven professionals, from FMDQ staff members to the Management team and my fellow Board members. I would formally like to extend my personal appreciation for their individual and collective efforts displayed throughout my tenure.

I would also like to particularly thank the retiring Directors for their invaluable contributions to the achievement of the FMDQ dream and heartily welcome the new Directors to the FMDQ Board. The support of the financial market regulators and market stakeholders have been invaluable and extremely appreciated. I am confident that our efforts will not be in vain as we all continue to work together towards promoting the development of the Nigerian financial markets, and ultimately, the nation's economy.

I wish you the very best now and in the future.



**Dr. (Mrs.) Sarah O. Alade**  
Chairman

# CEO's Review

On behalf of the Management and Staff of FMDQ, I am pleased to present you with highlights of the performance and key activities of your OTC Exchange for the year ending December 31, 2016.

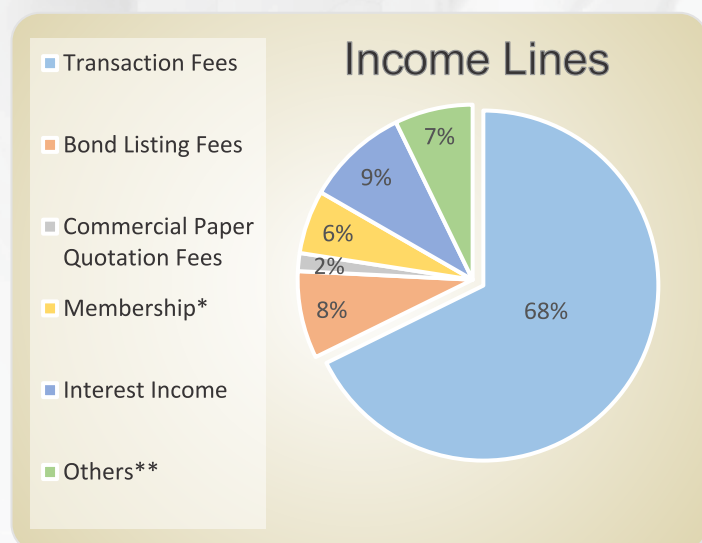
## 2016: The Year in Numbers

### Performance Review

#### a. Revenue

In 2016, FMDQ's total revenue decreased by 1.71%, from N2.07bn in 2015 to N2.04bn, and this was attributable to the decrease in the total OTC market turnover on the back of the challenges in the Nigerian financial markets; particularly, the foreign exchange market, which had a significant impact on trading activities. In the course of the year, key policy decisions were made by the Central Bank of Nigeria with particular focus on introducing a flexible foreign exchange policy and the introduction of the Naira-Settled OTC futures market.

The Company pursued initiatives to diversify its revenue sources resulting in an increase in the contribution of non-transaction fees to total revenue from 20.56% in 2015 to 32.29% in 2016. Non-transaction fees revenue consisted of revenue from bond listings fees, CP quotations fees, membership application fees, membership dues, interest income and technology services.



INCOME LINES	2016	2015	Variance (%)
Transaction Fees	1,381,919.00	1,649,567.00	(16.23)
Bond Listing Fees	164,725.00	131,736.00	25.04
Commercial Paper Quotation Fees	33,993.00	6,148.00	452.91
Membership*	119,747.00	45,750.00	161.74
Interest Income	193,204.00	197,395.00	(2.12)
Others**	147,317.00	147,317.00	221.62
<b>Total</b>	<b>2,040,905.00</b>	<b>45,805.00</b>	<b>(1.71)</b>

\*Inclusive of application fees and annual subscription dues

\*\*Inclusive of Insurance claims, Technology services and others

## b. Expenses

Total operating expenses remained flat at N1.60bn as a result of tight budgetary and expense control measures executed by Management. FMDQ closed the year 2015 with a staff strength of thirty-nine (39) but increased the total number of staff by the end of the year 2016 to forty-two (42), notwithstanding, the Company managed to invest in market development initiatives, franchise development, membership activities, brand development, business marketing and various stakeholder engagements pertinent to the Company's Strategic Objectives.

## Performance Summary

Year Ended December 31	2016 (N'000)	2015 (N'000)	Variance %
Revenue	2,040,906.00	2,076,401.00	(1.71%)
Operating Expenses	(1,600,531.00)	(1,602,671.00)	(0.13%)
<b>Profit/(Loss) Before Tax</b>	<b>440,375.00</b>	<b>473,730.00</b>	<b>(7.04%)</b>
Tax Expense	(118,505.00)	(114,347.00)	3.64%
<b>Total Comprehensive Income</b>	<b>321,870.00</b>	<b>359,383.00</b>	<b>(10.44%)</b>

## Market Review

FMDQ's market turnover in the fixed income and currency (FIC) markets settled at **N113.65trn** in 2016, circa 17.29% lower than the value recorded for the same period in 2015 (**N137.42trn**), driven primarily by a decline in trading activities in the FX and Unsecured Money Market segments.

Activities in the Treasury bills (T.bills) market dominated the FIC markets, accounting for 39.99% of the total turnover relative to 35.01% recorded in the preceding year. Total value of T.bills traded was however 5.77% lower than the value recorded over the same period in 2015. Repo/Buy-Backs followed with 27.00%, showing a 1.21% drop in total value traded year-on-year (YoY), while Unsecured Takings/Placements recorded a decline of 75.45%.

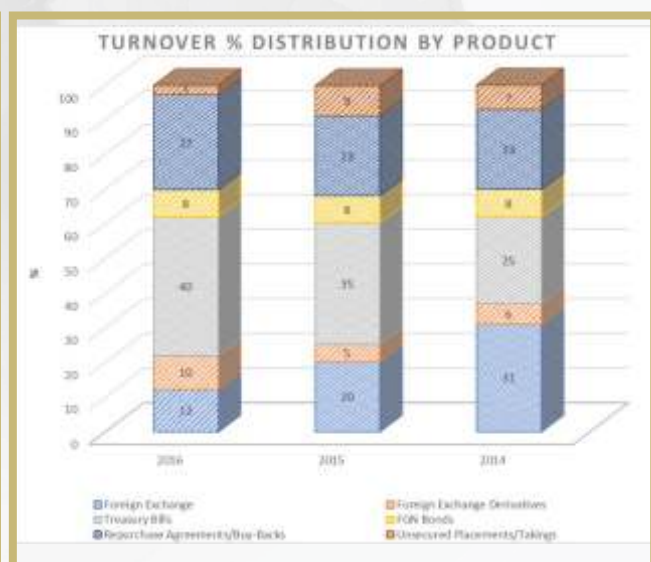
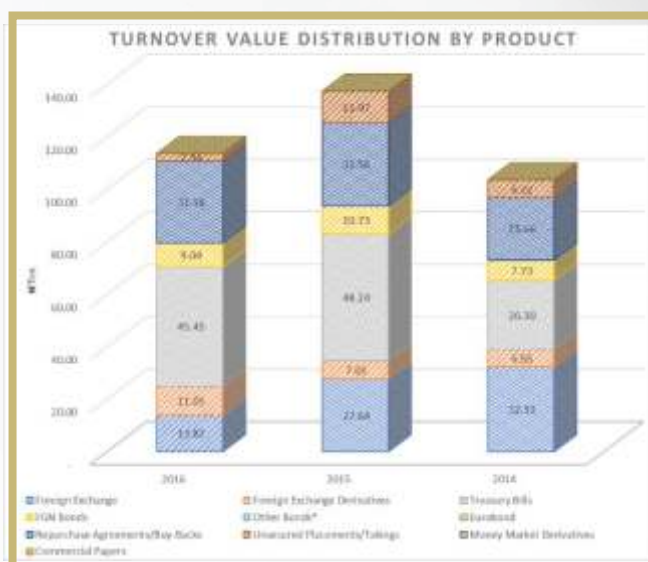
Turnover in the FX market also recorded a 49.79% decline YoY. The Spot FX market remains the major driver of turnover in this market segment.

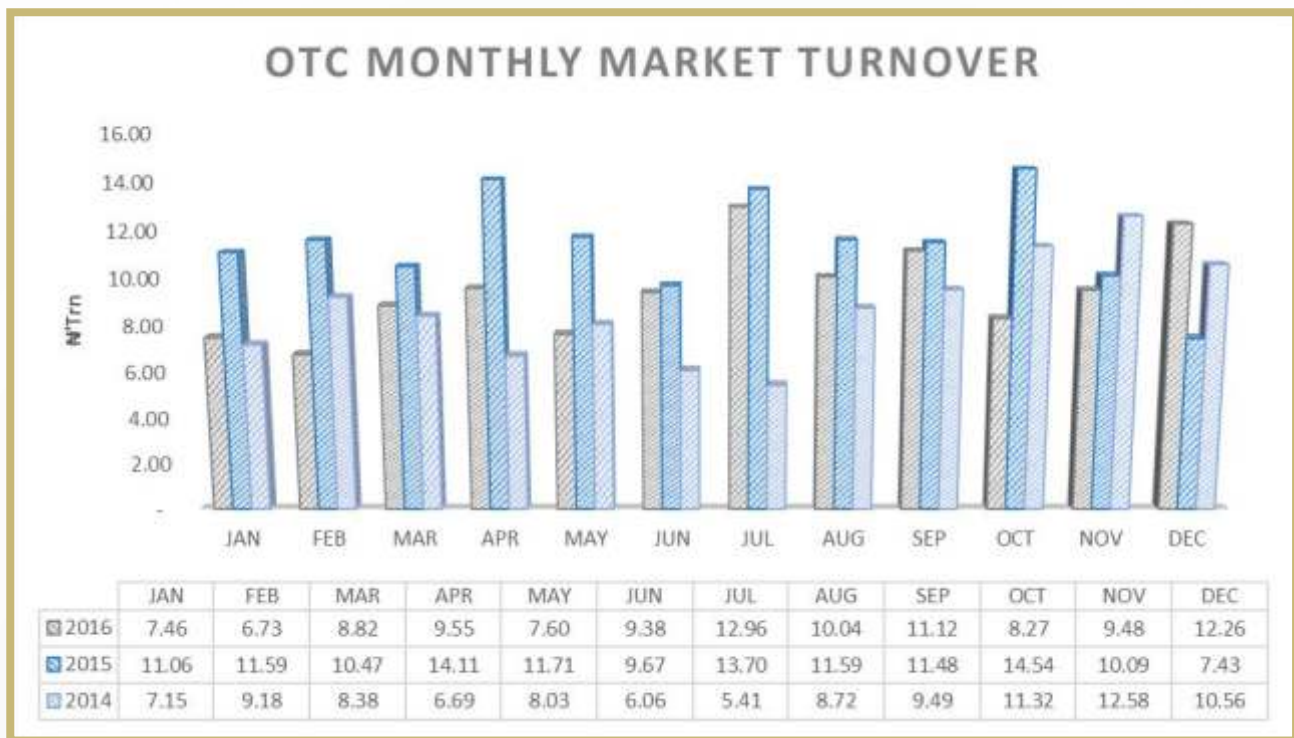


## FMDQ OTC Market Annual Turnover (2014 - 2016)

	2016	2015	2014
	Turnover (₦'mm)	Turnover (₦'mm)	Turnover (₦'mm)
Foreign Exchange	13,874,729.00	27,635,846.00	32,324,766.00
Foreign Exchange Derivatives	11,053,082.00	7,012,768.00	6,554,345.00
Treasury Bills	45,454,164.00	48,235,627.00	26,295,864.00
FGN Bonds	9,036,989.00	10,733,768.00	7,734,216.00
Other Bonds*	40,305.00	130,504.00	227,578.00
Eurobond	53,991.00	38,875.00	-
Repurchase Agreements/Buy-Backs	31,181,222.00	31,564,102.00	23,661,579.00
Unsecured Placements/Takings	2,943,230.00	11,973,135.00	6,722,221.00
Money Market Derivatives	15,870.00	101,235.00	50,829
Commercial Papers	4,817	-	-
	<b>113,658,399.00</b>	<b>137,425,861.00</b>	<b>103,571,397.00</b>
USD equivalent ('mm)	444,847.00	697,947.00	647,321.00
No. of Business Days	252	245	254
Average Daily Turnover	451,025.00	560,922.00	407,761.00
USD equivalent ('mm)	1,765.00	2,849.00	2,549
Average USD/NGN rate	255.50	196.90	160.00

## OTC Market Turnover Distribution by Product





## Business Development – Revenue Drive

Despite the challenging economic conditions posed to the financial markets during the year, FMDQ remained unyielding in its mandate to continue to promote the development of the Nigerian financial markets, whilst driving business development initiatives in line with the Company's goal to remain self-sustaining. The OTC Exchange trudged ahead to build on successes from 2015, by continuing to generate revenue growth from Memberships, Listings and Quotations, and Transaction Fees from secondary market trading activities.

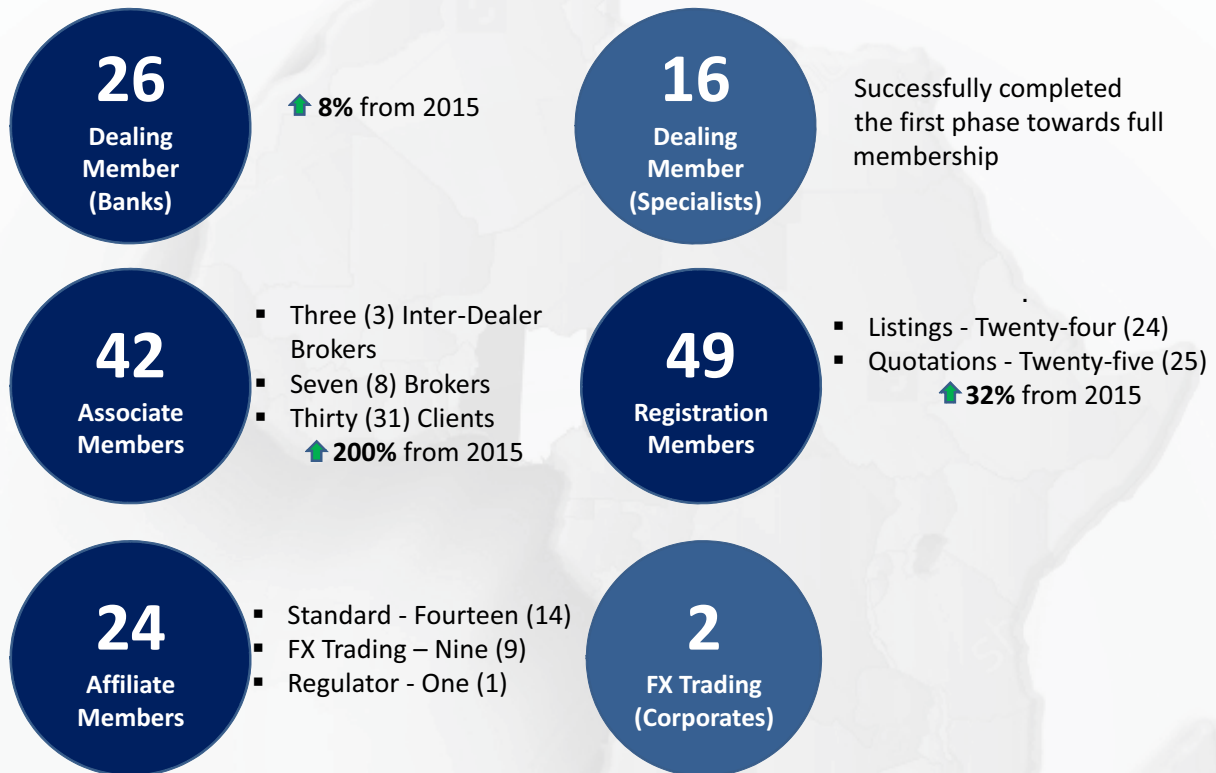
In addition to this, 2016 saw the introduction of two (2) additional revenue lines – Information Services and Technology Services. These additional income streams were created in a bid to further drive revenue growth and reduce the OTC Exchange's exposure to concentration risks.

### a. Memberships

FMDQ, in 2016, focused on developing network effects through its varied membership categories, engaging in relevant strategic collaborations that are aimed at improving the network effects to the benefit of the financial markets. The year saw the optimisation of the FMDQ membership categories, with the OTC Exchange adequately positioned to offer a more robust platform for the effective integration of the Nigerian capital market, thereby enabling proper participation in the market by the varied stakeholders.

The Dealing Member (Specialists) market, which was introduced in 2015, was successfully implemented in 2016. Consequently, this membership category saw the inclusion of non-bank financial institutions that had completed the first phase towards becoming full Members of the OTC Exchange. Similar achievements were also recorded in the Associate Member and Affiliate Member categories, where the OTC Exchange had sought significant growth.

By the end of 2016, FMDQ's membership base stood at a commendable one hundred and fifty-nine (159) Members - with one hundred and seventeen (117) full participating Members in the Dealing Member (Banks) (DMBs), Associate Member (Inter-Dealer Brokers), Associate Member (Brokers), Associate Member (Clients), Registration Member (Listings) and Registration Member (Quotations) membership categories; sixteen (16) DMSs who have completed the first phase towards becoming full Members of FMDQ; twenty-four (24) Affiliate Members and two (2) FX Trading (Corporates).



Through their activities in the financial markets, FMDQ's Members continue to contribute, in no small measure, to the growth of the markets and by extension, the nation's economy. With much enthusiasm for 2017, the OTC Exchange will continue to engage its Members, and through their concerted efforts, progressively make the Nigerian financial markets inclusive, competitive, operationally excellent and diverse.

#### b. Listings & Quotations

Because of the instability which characterised the Nigerian business environment in 2016, the FMDQ Listings and Quotations franchise experienced a somewhat sluggish start, which however, picked up during the latter part of the year. The OTC Exchange admitted twenty-seven (27) debt securities, with a total value of N231.34bn (consisting of corporate bonds and commercial papers (CP)) to the platform. The Company also witnessed its pioneer listings of two (2) funds on the platform, reiterating the OTC Exchange's commitment to facilitating growth and development in the Nigerian debt capital market.

The listings and quotations of these debt securities, spanning different sectors of the economy, ranging from the financial services to the construction industry, are outlined below:

## 8 Commercial Papers

- Guinness Nigeria PLC ₦10.00bn Series 1 & 2
- UACN Property Development Company ₦23.06bn Series 1, 2 & 3
- FSDH Merchant Bank Limited ₦14.98bn Series 1 & 2
- Dufil Prima Foods PLC ₦4.41bn Series 1
- Ecobank Nigeria Limited ₦8.29bn Series 1
- Access Bank PLC ₦35.00bn Series 1, 2 & 3
- Nigerian Breweries PLC ₦27.78bn Series 3 - 8

## 7 Corporate Bonds

- Transcorp Hotels PLC ₦9.76bn Bond Series 2
- FCMB Financing SPV PLC ₦23.19bn Bond Series 2
- C&I Leasing PLC ₦0.60bn Bond
- Lafarge Africa PLC ₦60.00bn Series 1 & 2
- Sterling Investment Management SPV PLC ₦7.96bn Bond Series 1
- Wema Funding SPV PLC ₦6.29bn Bond Series 1

## 2 Funds

- Greenwich Plus Money Market Fund
- Vetiva S&P Bond ETF

Throughout the year, the OTC Exchange maintained world-class Listings and Quotations service for all the debt securities on its platform, including the Federal Government of Nigeria (FGN) debt securities (bonds and treasury bills) and the non-sovereign debt securities, with total market size of N14.15trn and N977.98bn, respectively.

2017 is expected to be more promising with the introduction of new products like short-term bonds; and increased focus on activating others like private companies' bonds in the market. The introduction of these products will help address key desires of market participants, such as improved time to market and reduced issuance costs.

### c. Transaction Fees

Turnover from secondary market trading activities experienced a general decline, owing to the economic challenges faced by the nation and the financial markets leading to a year-on-year decrease in transaction fees income by 17.00%, and an overall decrease in revenue for 2016. As was experienced in 2015, activities from the Treasury Bills and Secured Money Market product categories were the major contributors to the transaction fees revenue. The Unsecured Money Market product category, on the other hand, experienced a dip in its contribution to revenue from transaction fees, when compared to the previous year.

Transaction Fees	2016	2015
	₦'000	₦'000
Foreign Currency Trading	192,727.00	280,032.00
Treasury Bills Trading	596,185.00	633,429.00
Bonds Trading	112,649.00	131,107.00
Repos & Buy	431,302.00	437,462.00
Money Market Transactions	39,509.00	167,537.00
<b>Total</b>	<b>1,372,373.00</b>	<b>1,649,567.00</b>



FMDQ remains unrelenting in pushing its product and market development agenda for the growth and alignment of the Nigerian markets to international standards. To ensure the achievement of these goals, the OTC Exchange made conscious and innovative strides towards diversifying its revenue sources in 2016. Though transaction fees continue to account for majority of the revenue share at circa 80%, the OTC Exchange introduced additional revenue lines along the Information and Technology Services categories.

#### d. Information Services

In a bid to preserve the value of the OTC Exchange as an information repository, and as part of efforts towards diversifying its revenue sources, FMDQ through its unique and robust market knowledge and information portal, “**e-Markets**”, commenced the provision of a wide range of data and information services, ranging from indices, benchmarks to real-time pricing data.

The e-Markets Portal has been strategically positioned to offer indispensable access to a wealth of fixed income and currency markets information to FMDQ Members and other stakeholders who require crucial information on the Nigerian financial markets. Some of these include, but are not limited to, historical information on the Nigerian primary financial and OTC market-related data for the markets within FMDQ's purview, FMDQ Fixings (Nigerian Inter-bank Offered Rate (NIBOR), Nigerian Inter-bank Foreign Exchange Fixing (NIFEX), the Nigerian Inter-bank Treasury Bills' True Yields Fixing (NITTY)), end-user analytics for the fixed income and currency markets etc.

During the course of the year, international and local market participants (non-members of the OTC Exchange) including issuers, traders, and investors who require timely, reliable and accurate market information showed interest in, and consequently became beneficiaries of this new service. The e-Markets portal currently has fourteen (14) local and eleven (11) offshore subscribers to its variety of data/information offering.

#### e. Technology Services

In 2016, FMDQ developed proprietary market systems in support of some of the OTC Exchange's key market development initiatives. Consequently, in line with global best practice, FMDQ introduced its Technology Services fee, specifically the System Usage Fee. FMDQ Technology Services provide, among others, bespoke, efficient and secure proprietary trading systems, developed with the aim of fostering governance, promoting price formation and transparency on trading activities, for the efficient running of the FMDQ markets, for the benefit of the market stakeholders.

Currently, the OTC Exchange has developed three (3) proprietary systems including:

- **FMDQ Futures Trading & Reporting System (FFTRS):** A trading solution to support the Naira-settled OTC FX Futures market
- **FMDQ Q-Deal System (Q-Deal):** A fixed income trading system for non-bank financial institutions to support the DMS membership category
- **FMDQ Clients' Automated Trading, Reporting & Surveillance System (PenDealer):** A regulatory supervision system to enhance transparency in the activities of institutional investors (with specific regulatory obligations) in the fixed income market to support the pension buy-side activities on the OTC platform

Two (2) of these three (3) systems (FFTRS and Q-Deal) have been deployed, while the third (PenDealer) is currently undergoing user testing.

During the year, the following market solutions were also delivered:

- New trading capabilities in FX market with the introduction of auction, order book and relationship trading modules
- Enhanced market surveillance capabilities to support the newly deployed fixed income and FX trading capabilities

In addition, the Board approved the acquisition and deployment of a proprietary market system that will provide the OTC Exchange with capabilities to provide integrated trading, surveillance, collateral management, clearing and depository on one system. Deployment and customisation activities are currently on-going and full implementation is expected to be completed by the end of 2017.

### **Straight-through-processing**

In a bid to continue driving process and cost efficiencies in post-trade activities, Management continued engagement with settlement entities, such as the CBN and Euroclear (an international settlement infrastructure for Eurobond), to deliver straight-through-processing capabilities for settlement of government securities traded on FMDQ's platform. Significant progress has been made in the definition of requirements which are being used to drive a phased delivery plan.

## **Market Surveillance**

FMDQ, as an SRO, has a mandate to uphold market integrity and improve market credibility and confidence of the OTC markets under its purview. This mandate is achieved through the OTC Exchange's rule making, examination and enforcement functions, as provided in the Securities and Exchange Commission (SEC) Rules 2013.

Key activities that enhanced FMDQ's SRO function during the year are highlighted below:

- Development of Post-Listings & Quotations Information Portal on FMDQ's Website
- Activation of Dealing Member (Specialists) (DMSs) Market Monitoring
- Commencement of Active Foreign Exchange (FX) Market Monitoring
- Activation of Complaint Management Function
- Development of Members' Examination Framework
- Activation of Members' Inspection Function

### **Risk Management**

FMDQ's Enterprise Risk Management (ERM) franchise continued in its commitment to develop global best practices in risk management in the OTC Exchange, through implementation of policies and processes. These procedures are aligned with FMDQ's strategy and business models and take into account the recommendations of regulators to ensure that the OTC Exchange's Strategic Objectives are realised.

The ERM franchise activities are governed by the following key principles in line with ISO30001:2009 and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Integrated Framework.

The principles are as highlighted below:

- **Organisational and Governance Model:** This is built on Governance, Risk & Compliance (GRC) Model that assigns roles and responsibilities for control and management of risks, conserving the principle of independence and with clear and coherent reporting mechanisms across FMDQ
- **Risk Management Culture:** Driven by FMDQ's Risk Philosophy and Culture Policy, Management was consciously involved in managing risks and taking risk-based decisions, setting the tone from the top. The series of attitudes, values, skills and ways of dealing with risks were further communicated to all staff members through periodic training sessions and publication of risk newsletters to achieve the desired risk management culture of the Company
- **Risk Identification, Evaluation and Control:** FMDQ's risk profile was determined through the engagement of all Business Units, at various workshops held. High severity risks were reviewed by the Executive Committee and the Board to ensure that the Risk Management Plan was developed and resources allocated for the mitigation whilst other risks are being closely monitored against the Company's desired risk profile
- **Risk Monitoring, Information and Communication** - Based on FMDQ's Loss Data Collection Policy, the franchise developed processes and reporting templates around collection of risk event data across the Company to accumulate, classify, keep and export data relevant to observed internal and external risk events. This enables FMDQ to monitor the actual risk profile of the OTC Exchange against the desired risk profile and design appropriate risk management strategies

## Stakeholder Focus

FMDQ maintains a synergetic relationship with its various stakeholder groups and collaborates with them to create the value which the market requires to attain global standards and increase liquidity. FMDQ, therefore, identified an ongoing need to regularly seek out cooperative opportunities with its varied stakeholders in the conveyance of its strategic and business development initiatives.

The OTC Exchange participated in the following events and workshops, in a bid to engage with stakeholders across local and international borders, as follows:

- The Nigerian Stock Exchange (NSE) & London Stock Exchange Group (LSEG) 2nd Dual Listing Conference, London, United Kingdom
- The 5<sup>th</sup> Building African Financial Markets (BAFM) Capacity Building Seminar, Lagos, Nigeria
- The 2016 Annual Nigeria Investor Day in London, United Kingdom – organised by the Association of Assets Custodians of Nigeria (AACN)
- BusinessDay Annual Capital Market Conference, Lagos, Nigeria
- Capital Market Stakeholders' Forum organised by the Nigerian National Assembly Joint Committee on Capital Market and Institutions, Abuja, Nigeria
- BusinessDay CEO Forum, Lagos, Nigeria
- The 2016 U.S.- Africa Business Forum, New York United States of America
- World Pension Summit 'Africa Special', Abuja, Nigeria
- Financial Times Africa Summit 2016, London, United Kingdom
- 2016 Nigerian Economic Summit, Abuja, Nigeria

- 5th Annual Thomson Reuters Africa Summit, Cape Town, South Africa
- 20<sup>th</sup> ASEA Annual Conference, Kigali, Rwanda
- IMN 14<sup>th</sup> African Capital Markets Conference, Cape Town, South Africa

## Outlook

FMDQ's strategic focus on market infrastructure and standardisation in 2016 positioned the OTC Exchange to implement initiatives that will propel its markets to the next levels, in future planning horizons.

Having succeeded in setting up the required market architecture and creating market standards and operational frameworks, some focus areas for 2017 include, but will not be limited to the:

- Diversification of products offerings to include consolidation of OTC FX futures
- Introduction of new derivative products such as fixed income, interest rate and currency derivatives
- Establishment of a central clearing house (CCH) to enhance the credit risk management standards and introduce post trade services to the OTC cash markets. The CCH will also clear the budding derivatives products ahead of the establishment of a central counterparty. The introduction of central clearing will jumpstart the OTC Exchange's move towards vertical integration
- Launch of FMDQ's proprietary market system, which will drive transparency and efficiency in the markets
- Improvement on the capacity of FMDQ Academy to position it as a consolidated learning centre
- Activation of FMDQ Foundation, the Company's Sustainability Agenda, to provide financial markets literacy to students across all levels within the country
- Staff development and empowerment - Functional, Culture & Leadership Competencies
- High Performance Organisation and Culture Inculcation



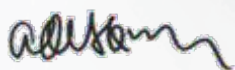
## Appreciation

2016 was a tough year for most businesses in Nigeria, however, we continued to innovate for growth across all of our markets and business, in a bid to create and maintain long-term sustainability.

I would like to thank all our partners and stakeholders for their collaboration with FMDQ and key market players throughout the year, towards the development and transformation of the Nigerian financial markets. We look forward to more collaborative alliances in 2017.

Once again, as we are positioned for landmark developments in the history of the Company, our Chairman retires from the Board of the OTC Exchange. Dr. (Mrs.) Sarah O. Alade, OON, will be the second FMDQ Board Chairman, involved in the conceptualisation and birth of the FMDQ dream, that my colleagues and I are bidding farewell to in the short span of just over three (3) years since the OTC Exchange was launched onto the Nigerian financial market landscape. On behalf of the Directors and Management, I will like to seize this opportunity to express our deepest appreciation to her for the exemplary leadership and superior counsel provided in directing the affairs of the Company. In addition to being very keen about the growth of the Company, she also cared for the welfare of the personnel who work to drive the emerging world-class brand of FMDQ. I wish her many more healthy years ahead.

I will also like to use this opportunity to acknowledge the four (4) retiring Directors for their invaluable contributions and support to the OTC Exchange. We wish them all the best in their future endeavours.



**Bola Onadele. Koko**  
Managing Director/Chief Executive Officer

# Governance Structure

## Corporate Governance Report

### a. The Company's Approach to Corporate Governance

The Board of Directors has a responsibility to create and deliver sustainable value for the Company's shareholders in a manner that is supported by the right culture, values and behaviours. To support this role in determining the strategic objectives and policies of the Company, there exists a well-defined Corporate Governance Manual which became operational in 2015. The Board aims to achieve long-term and sustainable value of the Company, and has the responsibility of ensuring that Management effectively delivers on short-term objectives, while promoting the long-term growth of FMDQ.

To this end, FMDQ continuously aims to adhere to all domestic regulations and benchmarks itself against global best practices. The Company continues to emphasise a value-led culture, high behavioural standards and robust procedures as fundamental tools in the entrenchment of a strong corporate governance framework. In embedding the corporate governance structure, the Company continues to review the external factors that present risks and opportunities for the business to ensure that the Corporate Strategy is appropriate and orderly, thereby developing and sustaining stable markets, as well as enhancing FMDQ's role as a self-regulatory organisation.

The Company's approach to corporate governance is guided by the following core principles:

Principle	Description
<b>Ethical Culture</b>	<p>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.</p> <p>These values shall be extended into every segment of the Company's operations and business activities.</p>
<b>Stewardship</b>	<p>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.</p>

Principle	Description
	In fulfilling its stewardship role, the Board shall seek to instil and foster a corporate environment founded on integrity, and 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.
<b>Independence</b>	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. Furthermore, 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.
<b>Oversight of Strategy</b>	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 & capital plans that are consistent with the strategic goals, and monitoring the Company's performance in executing strategies and meeting objectives.
<b>Oversight of Risk</b>	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.
<b>Accountability and Transparency</b>	<p>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, the Company's primary regulator.</p> <p>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.</p>
<b>Continuous Improvement</b>	<p>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.</p> <p>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.</p>

#### b. Compliance with the Securities and Exchange Commission's Code of Corporate Governance

As a public company, FMDQ confirms that throughout the year-ended December 31, 2016, it aimed to comply with the principles set out in the Securities and Exchange Commission's Code of Corporate Governance. The Company applied the Code's principles of transparency, integrity and accountability by adopting corporate governance best practices as appropriate and proportionate for a company of its size and nature.

The Company's Corporate Governance Manual sets forth the policies and principles adopted by the Board of Directors for the good stewardship of the Company. These policies were prepared based upon current regulations, guidelines and practices appropriate to the Company's circumstances. Additionally, attention was paid to the Code of Corporate Governance for Banks and Discount Houses 2014, being the principal code which applies to FMDQ Dealing Member (Banks). The document is very comprehensive and is updated regularly.

The Securities and Exchange Commission conducted an inspection of the Company during the reporting period (2016) with no grievous deficiency recorded. Observations conveyed by the regulator have been acted upon by Management, and those which require time to implement are being tracked and monitored, with regular reports on these being transmitted to the Board.

#### c. Board Balance and Independence

There is a strong non-executive element on the Board, and the Non-Executive Directors provide deep corporate experience and knowledge which they apply to their understanding of the Company and its Strategy. To this end, all the Board Committees are chaired by Non-Executive Directors.

The Board considers that the Directors possess a strong range of business experience and that the Board has the right mix of skills and experience given the Company's increasing scale and reach. Similarly, the Company takes the issue of independence very seriously. In addition to Ms. Daisy Ekineh, who is an Independent Non-Executive Director, the Board, in the last quarter of 2016, activated a rigorous process to identify and recruit a second Independent Non-Executive Director, a step which will go beyond the regulatory requirement in this regard.

#### 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 is the principal decision-making forum for the Company and is responsible to shareholders for achieving the Company's Strategic Objectives and delivering sustainable growth in shareholder value. Directors act in a way they consider will promote the long-term success of the Company for the benefit of shareholders as a whole, with regard to the interests of the Company's employees, the impact of the business on the community and the interests of stakeholders. The Board has adopted a formal schedule of matters specifically reserved to it. Key matters reserved for the Board are set out in the table which follows:

Power	Components
<b>Strategy and Management</b>	<ul style="list-style-type: none"> <li>■ Approval of the Company's Strategic Plan</li> <li>■ Review of delivery of the Strategy and performance against the Strategic Plan</li> <li>■ Approvals for recruitment and selection of Associate Vice Presidents and above</li> </ul>
<b>Structure and Capital</b>	<ul style="list-style-type: none"> <li>■ Proposal of major changes to the Company's corporate structure, excluding internal reorganisations, which may be approved by the Managing Director/CEO</li> </ul>



Power	Components
	<ul style="list-style-type: none"> <li>Proposal of changes relating to the Company's capital structure or its status as a public limited company</li> <li>Approval of Capital Plan, as may be applicable</li> </ul>
<b>Legal Requirements</b>	<ul style="list-style-type: none"> <li>Approval of Financial Statements</li> <li>Proposal on appropriation of profits in line with the Company's Appropriation Policy</li> <li>Approval of Annual Report and Accounts</li> <li>Approval of any significant change in accounting policies or practices</li> <li>Appointment (or removal) of the Company Secretary</li> <li>Authorisation for Directors' conflicts or possible conflicts of interest</li> <li>Recommendation to the shareholders of the appointment or removal of auditors</li> </ul>
<b>Financial Dealings</b>	<ul style="list-style-type: none"> <li>Approval of annual budgets</li> <li>Approval of sale of assets in accordance with limits specified by the Board from time to time</li> <li>Approval of capital expenditure or investments in accordance with limits specified by the Board from time to time</li> <li>Approval of leases</li> <li>Approval of accounting and investment policy</li> <li>Approval of changes in major banking relationships</li> <li>Approval of profit appropriation</li> </ul>
<b>Regulatory Requirements</b>	<ul style="list-style-type: none"> <li>Approval of resolutions and corresponding documentation for shareholders at AGMs</li> <li>Approval of all shareholder circulars, prospectuses and listing particulars</li> <li>Approval of press releases concerning matters decided by the Board</li> </ul>
<b>Board Membership and Board Committees</b>	<ul style="list-style-type: none"> <li>Approval of FMDQ Board structure, size and composition, including appointments and removals</li> <li>Succession planning for the Board and Management</li> <li>Approval of FMDQ Board Committee membership</li> <li>Approval of continuation in office of Directors seeking re-election at the Annual General Meeting</li> </ul>
<b>Expenses in the Ordinary Course of Business</b>	<ul style="list-style-type: none"> <li>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</li> </ul>
<b>Disposal of the Company's Fixed Assets</b>	<ul style="list-style-type: none"> <li>Approval of the disposal of assets in accordance with limits specified by the Board from time to time</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>Approval of the framework for remuneration packages of the Managing Director/CEO and the Executive Directors</li> <li>Proposal of Chairman and Non-Executive Directors' remuneration</li> <li>Approval of the framework for remuneration packages of executives in specialist roles</li> <li>Determination and authorisation of employee shares/compensation schemes</li> </ul>
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>Approval for process of the Board performance evaluation process</li> <li>Determination of independence of Non-Executive Directors</li> <li>Approval of Corporate Governance Framework</li> </ul>
<b>Delegation of Authority</b>	<ul style="list-style-type: none"> <li>Power to administer areas of governance in relation to the Company as set out in the respective Board Committee Charters</li> </ul>

## f. Board Structure

The tone for proper corporate governance by FMDQ is set by the Board of Directors. The Board is committed to ensuring that FMDQ puts in place effective corporate governance while adding value to its shareholders. As contained in the Company's constitutional documents, the Board is responsible for ensuring its composition and structure adequately represent key stakeholder segments, including capital market participants as may be relevant to the Company's business, as well as ensuring compliance with relevant regulations. As stipulated in the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission, the roles of Chairman and Managing Director/CEO are distinct and separate with a clear division of responsibilities. The Chairman is responsible for the running and leadership of the Board and ensuring its effectiveness. The Managing Director/CEO has delegated authority from, and is responsible to, the Board for managing the Company's business with the power for further delegation in respect of matters which are necessary for the effective running and management of the business.

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

S/N	Director	Role
1.	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*/Mr. Phillips Oduoza (representing Financial Markets Active Banks)	Non-Executive Director
7.	Mr. Yinka Sanni (representing Bankers' Committee)	Non-Executive Director
8.	Mr. Oscar N. Onyema, OON** (appointed pursuant to Company's Articles)	Non-Executive Director
9.	Mr. Bayo Adeyemo (representing FMDA Governing Council)	Non-Executive Director
10.	Mr. Sadiq Mohammed** (representing Buy-side)	Non-Executive Director

S/N	Director	Role
11.	Alhaji Muhammad Nda*** (First Independent Non-Executive Director)	Independent Director
12.	Ms. Daisy Ekineh (Second Independent Non-Executive Director)	Independent Director
13.	Mr. Bola Onadele. Koko (Managing Director)	Managing Director/CEO

\* - Appointed to the Board effective August 1, 2016 in place of Mr. Phillips Oduoza who retired with effect July 31, 2016

\*\* - Retired from the Board effective December 31, 2016

\*\*\* - Retired from the Board effective July 25, 2016

#### g. Board Meeting Attendance in the Year-Ended December 31, 2016

The attendance at Board meetings for the year-ended December 31, 2016 is outlined as follows:

S/N	Director	16 <sup>th</sup> Board Meeting (Apr. 8)	17 <sup>th</sup> Board Meeting (Oct. 28)	18 <sup>th</sup> Board Meeting (Oct. 28)	19 <sup>th</sup> Board Meeting (Dec. 16)
1.	Dr. (Mrs.) Sarah Alade, OON	✓	✗	✗	✓
2.	Mr. Jibril Aku	✓	✓	✓	✓
3.	Dr. Sola Adeduntan	✓	✗	✗	✗
4.	Mr. Peter Amangbo	✗	✓	✓	✗
5.	Mrs. Bola Adesola	✗	✓	✓	✓
6.	Mr. Kennedy Uzoka* Mr. Phillips Oduoza	N/A ✗	✓ N/A	✓ N/A	✓ N/A
7.	Mr. Yinka Sanni	✓	✓	✓	✓
8.	Mr. Oscar N. Onyema, OON**	✓	✓	✓	✓
9.	Mr. Bayo Adeyemo	✓	✓	✓	✓
10.	Mr. Sadiq Mohammed**	✓	✓	✓	✓
11.	Alhaji Muhammad Nda***	✗	N/A	N/A	N/A
12.	Ms. Daisy Ekineh	✓	✓	✓	✓
13.	Mr. Bola Onadele. Koko	✓	✓	✓	✓

\* - Appointed to the Board effective August 1, 2016 in place of Mr. Phillips Oduoza who retired with effect July 31, 2016

\*\* - Retired from the Board effective December 31, 2016

\*\*\* - Retired from the Board effective July 25, 2016

N/A - Not applicable

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 were not able to attend meetings due to conflicts in their schedules, they received and reviewed papers to be considered at the relevant meetings. Where they had comments or concerns on the matters to be discussed, they provided these to the Committee in advance of the meetings.

#### h. Retirement of Directors

Messrs. Oscar Onyema, Sadiq Mohammed, Phillips Oduoza and Alhaji Muhammad Nda retired from the Board during the reporting period.

#### **i. Board Development**

Each new Director joining the Board is provided with an onboarding programme covering the key business areas of the Company. Directors are provided with key documents including strategy documents, an overview of the business, including the regulatory framework within which the Company operates, and information on directors' responsibilities. Additionally, Directors meet with the Company's Executives to better understand each of the business areas. Directors have access to independent professional advice if they judge it necessary to fulfil their responsibilities as Directors and are encouraged to continually update their skills and knowledge of the business, through reports presented at Board meetings on particular business areas.

#### **j. Code of Business Conduct and Ethics for Directors and Management**

In carrying out their functions, members of the Board are to abide by a robust Code of Business Conduct and Ethics for Directors ("Directors' Code") which guides them on how to recognise and handle ethical issues and generally engender an environment aimed at fostering openness and accountability. A critical element of the Directors' Code relates to issues on conflict of interest. In this regard, the Company has established procedures whereby actual and potential conflicts of interest are regularly reviewed and new conflicts dealt with. The decision to authorise a conflict of interest can only be made by non-conflicted Directors and, in making such decision, the Directors must act in a way they consider, in good faith, would be most likely to promote the Company's success. Other key elements of the Directors' Code provide for the Directors' duties to maintain confidentiality of non-public proprietary information which they are entrusted with and advance the interests of the Company when corporate opportunities arise and avoid using such opportunities for personal gain.

Similar to the Directors' Code, there exists a Management Code of Conduct and Business Ethics ("MCCBE") which outlines the expectation of the Company in connection with Management's approach and disposition to discharging their job responsibilities, with the highest standards of personal and professional integrity, to comply with all applicable laws, and to abide by the Company's corporate policies and procedures as may be adopted from time to time.

#### **k. Board Evaluation**

A Board evaluation exercise was implemented to assess performance for the reporting period. The outcome of this exercise, as detailed in the individual Director's Assessment Reports and Consolidated Report for all Directors, which were submitted to the Chairman of the Board, will be leveraged upon in positioning the Board for the future.

#### **l. Reports of Board Committees**

Under the Company's Articles of Association, the Board is empowered to create and delegate authority to Committees in order to effectively discharge its responsibilities. To this end, the Board exploited its four (4) Board Committees to assist in the execution of its duties.

The Reports of the Board Committees are outlined as follows:

##### **▪ Board Regulation and Risk Management Committee (BRRMC)**

The Committee was created by the Board to ensure the Company's ability to discharge its regulatory and supervisory functions as a self-regulatory organisation, in addition to exercising oversight over the nature, extent and approach of the Company's Risk Management Plan.



The attendance at BRRMC meetings for the year-ended December 31, 2016 is outlined as follows:

S/N	Director	Mar. 10	Oct. 11	Dec. 17
1.	Ms. Daisy Ekineh	✓	✓	✓
2.	Mr. Oscar N. Onyema, OON	✗	✗	✓
3.	Dr. Sola Adeduntan	✗	N/A	N/A
4.	Mr. Peter Amangbo	✓	✓	✓
5.	Mr. Sadiq Mohammed	✓	✗	✓
6.	Mr. Bayo Adeyemo	N/A	✓	✓
7.	Mr. Bola Onadele. Koko	✓	✓	✓

#### *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. In particular, the Committee, *inter alia*, oversaw the finalisation of the FMDQ Disciplinary Process, inaugurated the Board of Trustees of the FMDQ Investor Protection Fund (IPF) as approved by the SEC, progressed the Sukuk listing and quotation franchise, received and considered various Risk and Compliance Reports from Management, oversaw the strengthening of the Company's Compliance, Risk and Control Framework and crafted a regulatory framework for the recently-introduced OTC FX Futures market.

#### ■ **Board Listings, Markets and Technology Committee (BLMTC)**

The Committee was created to provide direction in connection with the Company's Listings and Quotations franchise, as a securities exchange in Nigeria, as well as driving (by leveraging on Information Technology) the discharge of the Company's value proposition by providing guidance for the value chain operations (origination, sales and trading) through automation and value-add by promoting price discovery and transparency. The Committee also made advances in overseeing the enhancement of the Company's trading systems and technology trajectory with the development of trading systems for the OTC FX Futures market (FFTRS), Dealing Member (Specialists) market (Q-Deal) and the client trade, execution and surveillance (PenDealer).

The attendance at BLMTC meetings for the year-ended December 31, 2016 is outlined as follows:

S/N	Director	Mar. 11	Aug. 25	Oct. 17	Dec. 14
1.	Mr. Jibril Aku	✗	✓	✓	✓
2.	Mr. Yinka Sanni	✓	✓	✓	✓
3.	Mrs. Bola Adesola	✗	✗	✗	✓
4.	Mr. Sadiq Mohammed	✓	✓	✓	✓
5.	Mr. Bayo Adeyemo	✓	✗	✓	✓
6.	Mr. Bola Onadele. Koko	✓	✓	✓	✓

### Activities of 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.	Transcorp Hotels PLC N9,758,000,000 Series II: 5-year 15.50% Fixed Rate Unsecured Bond under a N30,000,000,000 Medium-Term Bond Programme	February 2, 2016
2.	FCMB Financing SPV PLC N23,185,000,000 Series II 5-Year 15.00% Fixed Rate Unsecured Bond under a N100,000,000,000 Debt Issuance Programme	February 18, 2016
3.	C & I Leasing PLC N600,000,000 18.25% Fixed Rate Bond	June 20, 2016
4.	Lafarge Africa PLC <ul style="list-style-type: none"> <li>Series 1: N26,386,000,000 3-year 14.25% Fixed Rate Bond</li> <li>Series 2: N33,614,000,000 5-year 14.75% Fixed Rate Bond</li> </ul>	October 4, 2016
5.	Sterling Investment Management SPV PLC N7,965,000,000 Series 1 7-year 16.50% Fixed Rate Unsecured Bond	October 24, 2016
6.	Wema Funding SPV PLC N6,295,000,000 Series 1 7-year 18.50% Fixed Rate Unsecured Bond	November 29, 2016

#### B. Fund Listings

S/N	Issue	Approval Date
1.	Memorandum listing of 20,000,000 Units of N100.00 each of the Greenwich Plus Money Market (Open-Ended) Fund	November 4, 2016
2.	5,070,359 units of the Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund	December 28, 2016

#### C. Commercial Paper Programme Registrations

S/N	Issue	Approval Date
1.	FSDH Merchant Bank Limited N30.00bn Commercial Paper Programme	August 19, 2016
2.	Dufil Prima Foods PLC N30.00bn Commercial Paper Programme	August 25, 2016
3.	Access Bank PLC N100.00bn Commercial Paper Programme	September 15, 2016
4.	Sterling Bank PLC N100.00bn Commercial Paper Programme	December 8, 2016

**D. Commercial Paper Quotations**

S/N	Issue	Approval Date
1.	Guinness Nigeria PLC Series II N7,225,956,000 Commercial Paper Notes & Series III N2,774,044,000 Commercial Paper Notes under N10,000,000,000.00 Domestic Commercial Paper Issuance Programme	February 14, 2016
2.	UACN Property Development Company PLC N16,799,893,000 Series 1 Commercial Paper Notes under a N24,000,000,000 Commercial Paper Issuance Programme	May 23, 2016
3.	FSDH Merchant Bank Limited N814,121,000 Series 1 and N14,166,391,000 Series 2 Commercial Paper Notes	October 7, 2016
4.	Dufil Prima Foods PLC N4,412,854,000 Series 1 Commercial Paper Notes, issued under its N30,000,000,000 Commercial Paper Programme	November 14, 2016
5.	Ecobank Nigeria Limited N8,292,483,000 Series 1 Commercial Paper Notes under its N100,000,000,000 Multicurrency Commercial Paper Programme	November 15, 2016
6.	Access Bank PLC N8,452,867,000 Series 1, N4,215,409,000 Series 2 and N22,331,724,000 Series 3 Commercial Paper Notes under its N100,000,000,000 Commercial Paper Programme	December 20, 2016
7	UACN Property Development Company PLC N2,268,321,000 Series 2 and N3,995,215,000 Series 3 Commercial Paper Notes under its N24,000,000,000 Commercial Paper Programme	December 20, 2016
8	Nigerian Breweries PLC Series 3 - 8 Commercial Paper Notes under its N100,000,000,000. Commercial paper programme December 21, 2016	December 21, 2016

■ **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, 2016 is outlined as follows:

S/N	Director	Feb. 9	Mar. 30	Apr. 5	Oct. 7	Nov. 23
1.	Mrs. Bola Adesola (Chair)	✓	✓	✓	✗	✗
2.	Mr. Peter Amangbo	✓	✓	✓	✗	✓
3.	Mr. Phillips Oduoza*	✗	✗	✓	N/A	N/A

S/N	Director	Feb. 9	Mar. 30	Apr. 5	Oct. 7	Nov. 23
4.	Dr. Sola Adeduntan**	N/A	N/A	N/A	✓	✗
5.	Mr. Bayo Adeyemo	✓	✓	✓	✓	✓
6.	Alhaji Muhammad Nda***	✗	✗	✓	N/A	N/A
7.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓

\* -Retired from the Board effective July 31, 2016

\*\* - Joined the Committee after the Board meeting of April 8, 2016

\*\*\* - Retired from the Board effective July 25, 2016

N/A – Not Applicable

#### Activities for Period Under Review

During the period under review, the Committee, amongst other things, considered issues bordering on the Company's financial affairs, including the periodic review of financial statements and budgets as presented by Management. Additionally, there was notable focus on overseeing the strategic positioning of the Company in the context of its dynamic markets and overarching mission and vision.

#### 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, 2016 is outlined as follows:

S/N	Director	Mar. 11	Jul. 27	Oct. 10	Dec. 15
1.	Mr. Phillips Oduoza*	✓	✓	N/A	N/A
2.	Alhaji Muhammad Nda**	✗	N/A	N/A	N/A
3.	Mr. Yinka Sanni	✓	✓	✓	✓
4.	Dr. Sola Adeduntan	✗	✗	✗	✗
5.	Ms. Daisy Ekineh	✓	✓	✓	✓

\*-Retired from the Board effective July 31, 2016

\*\* -Retired from the Board effective July 25, 2016

#### Activities for Period Under Review

During the period under review, the Committee, amongst other things, maintained adequate oversight of the implementation of deliverables of the Company's Human Resources Management franchise, thus ensuring proper consideration of key staff development processes such as training, performance management, acculturation, and engagement. The Committee also endorsed appropriate corporate performance parameters aimed at positioning the Company to achieve set Strategic Objectives through a strong Employee Value Proposition. With respect to corporate leadership, the Committee saw to the maintenance of high standards of corporate governance and adherence to regulatory imperatives, thus, providing a solid foundation for Management to rely on in discharging the affairs of the Company.



# 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.

## Board Evaluation Report



20 March 2017

The Chairman  
Board of Directors  
FMDQ OTC Plc  
1 Olosa Street  
Victoria Island  
Lagos

Dear Sir

### Report to the Board Members of FMDQ OTC Plc on the outcome of the Board Performance Assessment

PricewaterhouseCoopers was engaged to carry out an assessment of the performance of the Board of Directors of FMDQ OTC Plc. as prescribed by Section 15.1 of the Securities and Exchange Commission's Code of Corporate Governance for public companies ('the Code'). The assessment covered all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance. The assessment was conducted for the year ended 31 December 2016.

The Board is responsible for the preparation and presentation of 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. In carrying out the assessment, we have relied on representations made by members of the Board and on the documents provided for our review.

The Board has to a large extent complied with the provisions of the Code. Areas of compliance include the Board's oversight of risk management, internal audit, governance structures and policies. Other areas of compliance include the existence of a corporate communications policy, delegation of authority and accountability framework and the effective monitoring of the implementation of the Company's strategy.

We have also identified areas for improvement during the course of our review. These include the need for the Board to ensure the documentation of a succession plan for Executive and Senior Management staff. In addition, a Remuneration Policy needs to be put in place for Senior Management. Other findings and recommendations are contained in our full report to the Board.

We also facilitated the assessment of the individual performance of Board members by themselves and their fellow Board members for the year under review. This assessment covered the perceived competence, level of attendance at Board and Board Committee meetings, contribution and participation at these meetings and relationships with each other. Each individual Director's assessment report was prepared and made available to them respectively while a consolidated report for all Directors was submitted to the Chairman of the Board.

Yours faithfully

For: PricewaterhouseCoopers Limited

**Ifori Layegue**  
Associate Director  
FRC/2013/ICAN/00002989

*PricewaterhouseCoopers Limited*  
5B Water Corporation Road, Victoria Island  
P O Box 2419, Lagos, Nigeria. T: +234 1 271 1700, [www.pwc.com/ng](http://www.pwc.com/ng)

TIN: 00290010-0001 RC39418

Directors: S Abu, O Adekoya, W Adetokunbo-Ajayi, E Agbeye, UN Akpata, O Alakhume, I Aruofor, K Asante-Poku (Ghanian), C Azobu, R Eastaugh (South African), E Erhie, A Eriksson (Kenyan), I Ezeuko, M Iwelumo, D McGraw (American), A Nevin (Canadian), P Obianwa, B Odiaka, T Ogundipe, P Omontuemen, T Oputa, O Osinubi, T Oyedele, AB Rahji, O Ubah, A Ugarov (American)



# BOARD OF DIRECTORS



# Board of Directors



**Dr. (Mrs.) Sarah O. Alade, OON**

## **Chairman, Board of Directors, FMDQ OTC Securities Exchange**

Dr. Alade is the Deputy Governor, Economic Policy, Central Bank of Nigeria, where she superintends over the Economic Policy Directorate, comprising the Research, Monetary Policy, Trade & Exchange, Statistics and Financial Markets Departments. She represents the Central Bank of Nigeria on the Board of FMDQ OTC Securities Exchange.

She is the Chair of the Monetary Policy Implementation Committee (MPIC), a member of the Nigerian Economic Society (NES) and a Fellow of the Nigerian Institute of Operational Research.



**Mr. Jibril Aku**

## **Board Vice Chairman, and Chair, Board Listings, Markets and Technology Committee, FMDQ OTC Securities Exchange**

Mr. Aku is the Chairman/CEO of Marathon Group of Companies. Until recently, he was the 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 represents the FMDA Board of Trustees on the Board of FMDQ OTC Securities Exchange.

He is a member of the Board of Trustees of FMDA.



**Mrs. Bola Adesola**

**Chair, Board Finance and General Purpose Committee, FMDQ OTC Securities Exchange**

Mrs. Adesola is the Managing Director/CEO of Standard Chartered Bank Nigeria Limited and a member of the Board of Trustees of FMDA. She represents Financial Markets Active Banks on the Board of FMDQ OTC Securities Exchange.

She is a former Executive Director of First Bank of Nigeria PLC, former Managing Director/CEO of Kakawa Discount House Limited (now FBN Merchant Bank Limited) and former Treasurer of Citibank Tanzania.



**Mr. Peter Amangbo**

**Vice Chair, Board Finance and General Purpose Committee, 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 OTC Securities Exchange.

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. Yinka Sanni**

**Chair, Board Governance and Human Resources Committee, FMDQ OTC Securities Exchange**

Mr. Sanni is the CEO of Stanbic IBTC Holdings PLC. Until recently, he was the CEO of Stanbic IBTC Bank PLC, previously the CEO of IBTC Pension Managers Limited. He was also a Non-Executive Director of IBTC Chartered Bank PLC and a Director at Stanbic IBTC Asset Management Limited. He represents the Bankers' Committee on the Board of FMDQ OTC Securities Exchange. As the CEO of Stanbic IBTC Bank PLC, he was Chair of the Financial Markets Sub-Committee of the Bankers' Committee.

**Dr. Sola Adeduntan****Non-Executive Director, FMDQ OTC Securities Exchange**

Dr. Adeduntan is the Managing Director/CEO of First Bank of Nigeria Limited. Prior to this appointment, he was Executive Director/Chief Financial Officer for 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.

**Mr. Bayo Adeyemo****Non-Executive Director, FMDQ OTC Securities Exchange**

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

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).

**Ms. Daisy Ekineh****Chair, Board Regulation and Risk Management Committee, FMDQ OTC Securities Exchange**

Ms. Ekineh is the Chief Executive Officer of DSE Advisory Services Limited. She serves as the Technical Advisor to the Capital Market Master Plan Implementation Council (CAMMIC). She is also on the Board of GTL Registrars Limited and the Interim Management Board of International Energy Insurance PLC. 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 OTC Securities Exchange pursuant to the Company's Articles.

She previously served as the Chief Operating Officer of Global Mandate Consulting Limited, the former Acting Director-General of the Securities and Exchange Commission, Nigeria from May 2009 to January 2010 and at various times, the Executive Commissioner (Operations), and the Director, Securities and Investment Services at the Commission.





**Mr. Kennedy Uzoka**

**Vice Chairman, Board Governance and Human Resources Committee, FMDQ OTC Securities Exchange**

Mr. Uzoka is the Group Managing Director/CEO of United Bank of Africa (UBA) PLC. Prior to this appointment, he served as the CEO UBA Africa, managing the Group's country subsidiaries across eighteen (18) 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. Dapo Akisanya**

**Non-Executive Director, FMDQ OTC Securities Exchange**

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

He is currently an Executive Committee member of PenOp, which he serves as Head, Technical Committee.



**Mr. Bola Onadele. Koko**

**Managing Director/CEO, 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.



# Audit Committee

## FMDQ Audit Committee Members (Shareholders)



**Mr: Herbert Wigwe**  
*Committee Chair*

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. Uzoma Dozie**

Mr. Dozie is the Group Managing Director/CEO of Diamond Bank PLC (Diamond Bank). 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. Ifie Sekibo**  
*(replaced Mrs. Mary Akpobome, effective April 8, 2016)*

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.

## FMDQ Audit Committee Members (Directors)

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

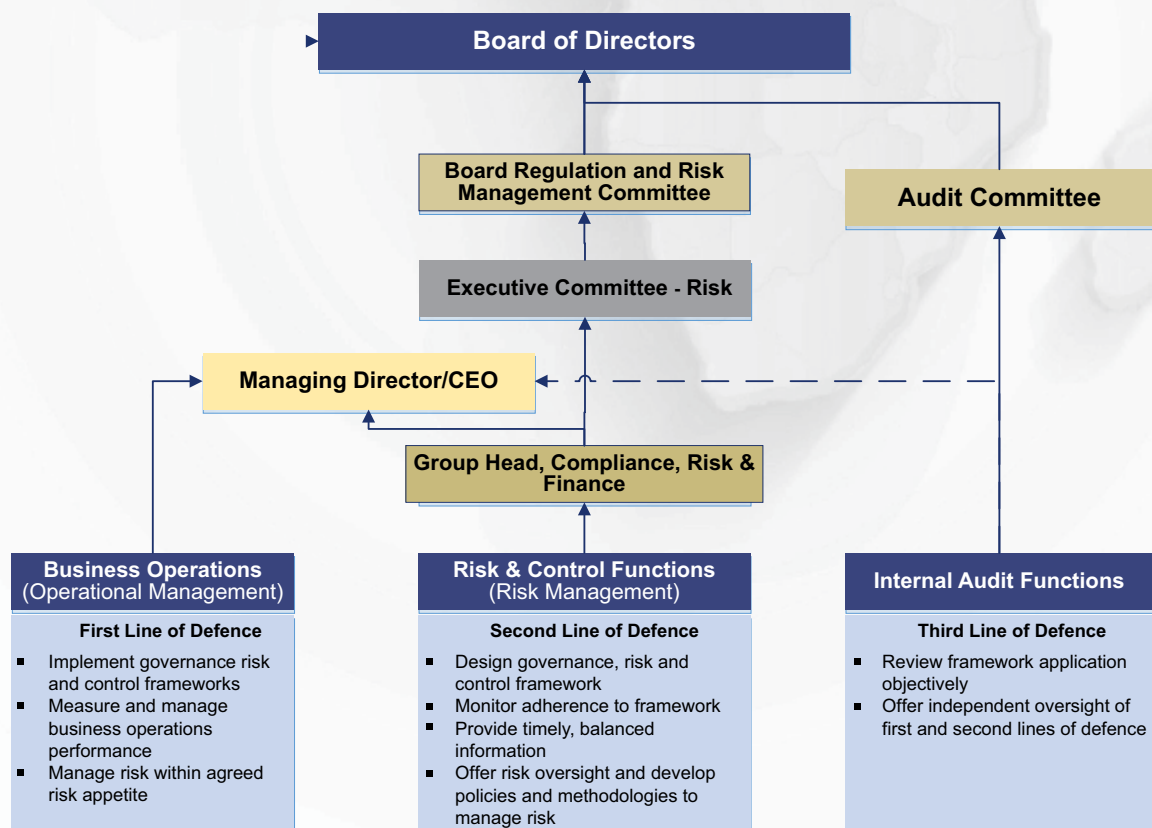
- **Mr. Peter Amangbo**
- **Mr. Oscar N. Onyema (OON)**  
Resigned from the FMDQ Board on December 31, 2016
- **Dr. Sola Adeduntan**

# Compliance, Risk & Control

## Governance, Risk & Compliance Structure

The Governance, Risk & Compliance (GRC) Framework was developed to promote a strong risk management culture and integrate risk considerations into management and decision-making processes through a robust risk governance structure. It ensures that top risks are properly identified, analysed and assessed, in a consistent manner across FMDQ.

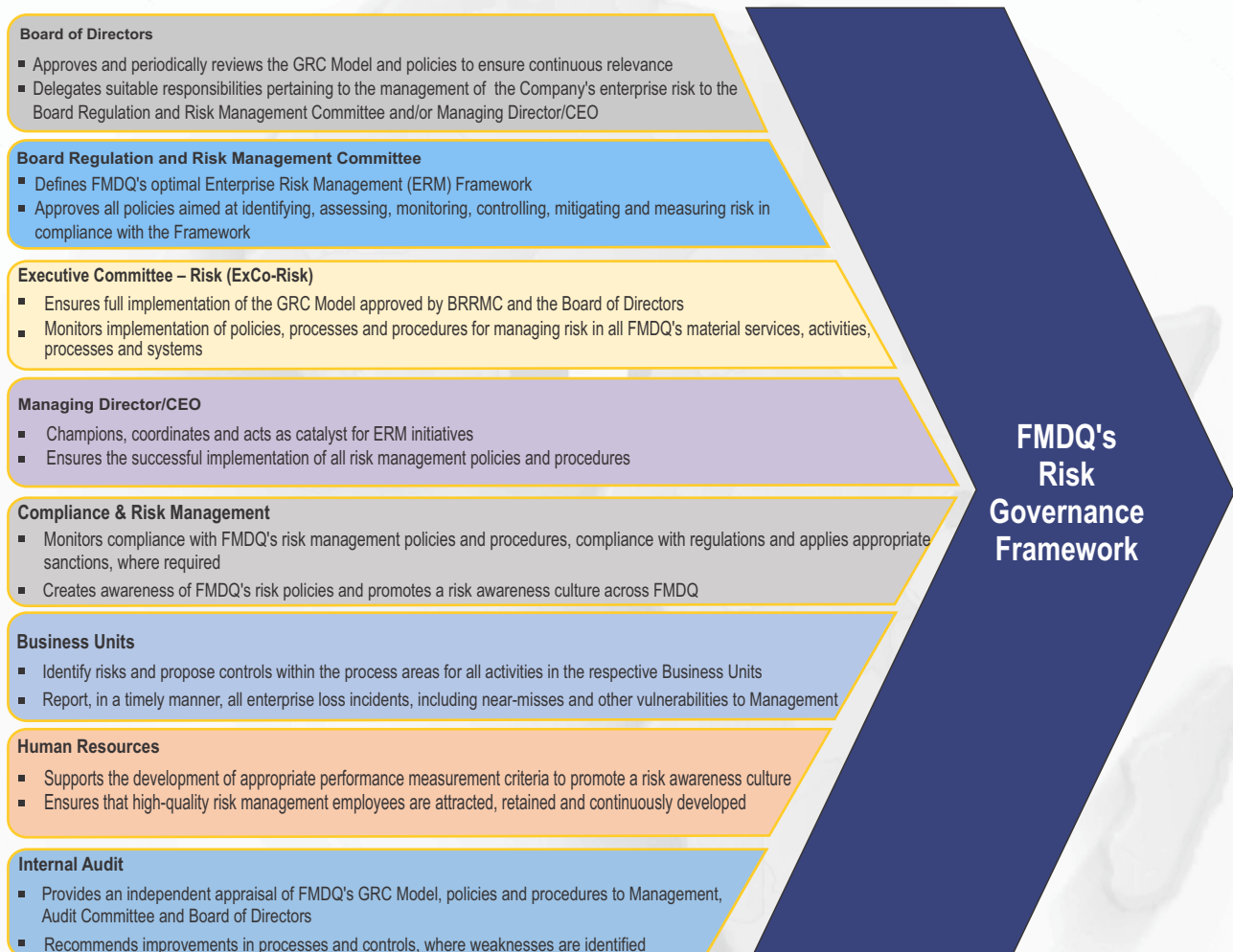
The Company operates the 'three lines of defense' model for the oversight and management of risks to create and promote a culture that emphasises effective management and adherence to operating controls as illustrated below:



## Roles and Responsibility

The Board of Directors is responsible for approving FMDQ's general policies and strategies as well as the general policy of risk. The Board sets the Company's risk appetite, approves the strategy for managing risk and is ultimately responsible for the organisation's system of internal control.

The roles and responsibilities carried out by stakeholders within the GRC Framework include, but are not limited to, the following:



## Risk Management Process/Policy Framework

FMDQ's risk management process involves identifying, assessing, adequately managing and controlling all risks, with a comprehensive and integrated vision at all levels of the Company. FMDQ launched the GRC model based on ISO30001:2009 and Committee of Sponsoring Organisations of the Treadway Commission (COSO) Frameworks to improve its risk management and control capacity.

The GRC model aims to attain excellence in risk management with the overall objective of ensuring that FMDQ's Strategic Objectives are met and value created for all stakeholders. With this model, FMDQ intends to efficiently align the strategic business objectives with regulatory requirements and its risk capacity.

The main elements of FMDQ's Risk Management Framework are highlighted below:





## Risk Profile

FMDQ recognises that identification and evaluation of all risks are the pillars of enterprise risk management. The Company prudently appraised its business operations and mapped the value proposition to its stakeholders to define the broad categories of risk it faces as a business entity. The risk map covers nine (9) main risk categories in which FMDQ has its most significant exposures are shown in the below chart.

### FMDQ Broad Risk Types

#### Strategic Risk

The uncertainties in the Company's strategic intent that may affect the achievement of its strategic goals and objectives.

#### Business Risk

The possibility that the Company's operations or competitive environment will cause it to generate financial results that are worse than expected.

#### Financial Accounting/Reporting Risk

The risk to the reliability of information reported in the Company's financial statements.

#### Hazard Risk

A major exogenous or endogenous factor, which affects the environment in which the Company operates, and most times cannot be controlled.

#### Credit Risk

The risk of an economic loss from the failure of a counterparty to fulfill its contractual obligations, or from the increased risk of default during the term of the transaction.

#### Financial Risk

The risk that movement in prices of financial assets will lead to a loss (Market Risk) and that the Company may be unable to meet short-term financial demands.

#### Compliance Risk

The potential impact of an exposure to regulatory and/or legal penalties, financial forfeiture and material loss as a result of failure to act in accordance with statutory laws, rules and regulations, internal policies and code of conduct, or prescribed best practices.

#### Regulatory Risk

The potential impact of a change in laws, rules and regulations on the business and any other activities of the Company.

#### Operational Risk

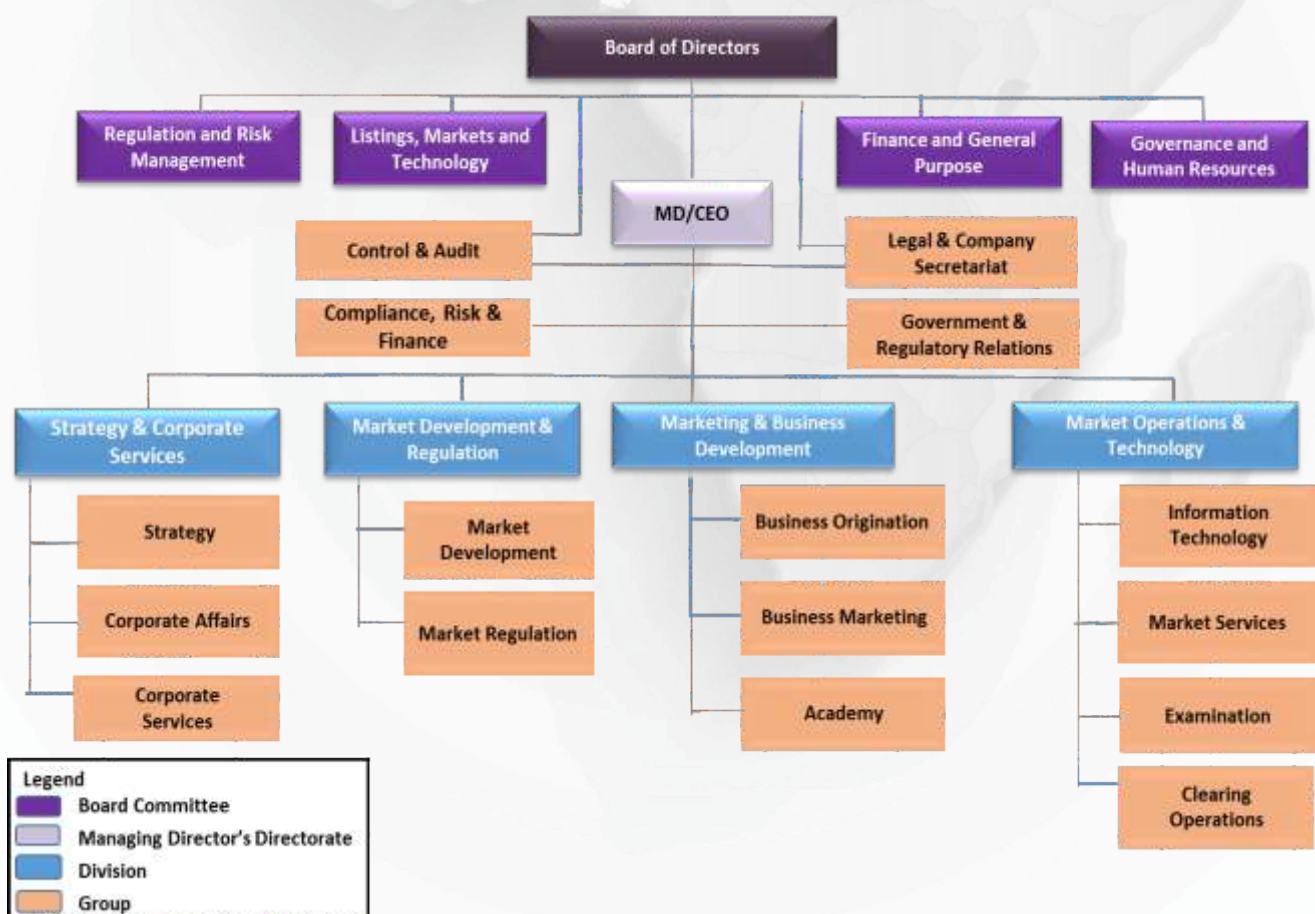
The probability of a loss as a result of failed or inadequate processes, people, systems and external events. This risk includes legal risk but excludes strategic and reputational risks.



# Organisational Design

## FMDQ's Organisation Structure

The FMDQ Organisation Structure is made up of one (1) Directorate, four (4) Divisions and seventeen (17) Groups, as outlined below:



The Organisation Design clearly sets out the mandates of each Group to promote shared understanding, balanced allocation of responsibilities and effective monitoring of organisational output.

## Management Committees

The following Management Committees have been constituted for the effective management of FMDQ's internal and external business operations:

### 1. Executive Committee

The Executive Committee (ExCo) is charged with overseeing and managing the affairs of FMDQ, providing leadership for the overall Strategy of the OTC Exchange and supporting and contributing to the strategic directions set out by the Board. The Committee also acts as the Risk Management Committee to review organisational risk issues. The ExCo meets monthly (and otherwise as required) and consists of the following members:

- The Managing Director/CEO
- Divisional Head, Market Operations & Technology
- Divisional Head, Strategy & Corporate Services
- Divisional Head, Marketing & Business Development
- Group Head, Government & Regulatory Relations
- Secretary: Company Secretariat Officer

### 2. Management Steering Committee

The Management Steering Committee (MSC), which meets semi-annually, is responsible for reviewing and monitoring the Company's Strategy and its franchise-development initiatives/projects, at the respective Group levels. This Committee consists of the following members:

- The Managing Director/CEO
- Divisional Heads
- Group Heads
- Secretary: Group Head, Strategy

### 3. Management Listings & Quotations Committee

The Management Listings & Quotations Committee (MLQC) supports FMDQ's listings and quotations business by reviewing all applications for listings and quotations of securities on the FMDQ platform and, recommending for approval, any security sought to be listed or quoted on the platform of the OTC Exchange to the responsible Board Committee. This Committee meets as often as required and consists of the following members:

- The Managing Director/CEO
- Divisional Head, Market Operations & Technology
- Divisional Head, Market Development & Regulation
- Group Head, Compliance, Risk & Finance
- Group Head, Legal & Company Secretariat
- Secretary: Group Head, Market Regulation

### 4. Market Review Committee

The Market Review Committee (MRC) is charged with the responsibility of reviewing issues in FMDQ's markets that pose significant threats to financial markets stability as well as reviewing and approving reports, proposals and recommendations from its sub-committees. The three (3) sub-committees include:

- Technical Team (MRC-TT): responsible for the first-level review of all FMDQ financial market standards, data and information, methodologies, publications and research reports before presentation to the MRC
- Members' Examination (MRC-ME): responsible for the review of Member's Examination reports before they are sent to the Examinee (Member) and relevant regulators
- Market Intervention (MRC-MI): responsible for the review of data and information on market performance during stress periods and for the recommendation of appropriate action to manage observed threat to orderliness and compliance

The MRC meets as often as required and consists of:

- The Managing Director/CEO
- Divisional Head, Market Operations & Technology
- Divisional Head, Market Development & Regulation
- Group Head, Compliance, Risk & Finance
- Group Head, Market Development (member of the three (3) sub-committees)
- Group Head, Examination (member of the three (3) sub-committees)
- Secretary:
  - Market Intelligence Officer (MRC-TT and MRC on markets reviews)
  - Members' Examination & Investigations Officer (MRC-ME)
  - Market Surveillance & Enforcement Officer (MRC-MI)

## 5. FMDQ Rules & Regulation Committee

The FMDQ Rules & Regulation Committee (FRRC) is responsible for deliberating on and conducting comprehensive reviews and approvals of all draft Rules (which include Guidelines, Market Bulletins, Membership Agreements, Forms and such other Regulation) developed by the OTC Exchange in exercising its SRO function. The Committee meets as required and consists of the following:

- The Managing Director/CEO
- Divisional Head, Market Operations & Technology
- Divisional Head, Market Development & Regulation
- Group Head, Government & Regulatory Relations
- Group Head, Compliance, Risk & Finance
- Group Head, Market Regulation
- Group Head, Examination
- Group Head, Legal & Company Secretariat
- Secretary: Group Head, Market Regulation

## 6. Trading Infractions Appeal Committee

The Trading Infractions Appeal Committee (TIAC) is responsible for reviewing appeals against penalties on trading infractions. The Committee meets as required and consists of the following members:

- Divisional Head, Market Operations & Technology
- Divisional Head, Market Development & Regulation
- Group Head, Control & Audit
- Group Head, Market Regulation
- Market Services Group (representative)
- Secretary: Legal & Company Secretariat Group (representative)

## 7. FMDQ Disciplinary Committee

The FMDQ Disciplinary Committee (FDC) is tasked with hearing and determining charges against a Member in respect of a breach of FMDQ Rules relating to any conduct that may impair the integrity and reputation of FMDQ; and granting consent order in respect of any settlement negotiated between FMDQ and a Member. This Committee will meet as required and shall be constituted, by the FMDQ Board, following a comprehensive investigation report by an FMDQ Disciplinary Panel. The Committee shall be made up of no less than four (4) and no more than seven (7) members (including a Chairman to be appointed by the Committee members).



## Divisional and Group Mandates

### 1. Managing Director's Directorate

This Directorate oversees the following four (4) Groups:

<b>Legal &amp; Company Secretariat Group</b>	This Group is responsible for providing legal advisory services and support to FMDQ. In addition, the company secretariat function provides secretarial services to the Board and Executive Committee, and maintains the OTC Exchange's statutory records and files regulatory returns, amongst others.
<b>Control &amp; Audit Group</b>	This Group is responsible for the internal audit of all FMDQ's policies, processes and systems, and liaises with external auditors and the Audit Committee. The control function ensures the integrity of financial and accounting information of FMDQ and reviews operational processes and related internal controls for efficiency and effectiveness.
<b>Compliance, Risk &amp; Finance Group</b>	This Group is responsible for ensuring compliance, implementing enterprise-wide risk management, and managing all finance and accounting-related activities. It also provides counsel and guidance to Management to ensure compliance with the rules & regulations of the Company's primary regulator, the SEC.
<b>Government &amp; Regulatory Relations Group</b>	This Group acts as the focal point for effective management of FMDQ's relationships with government agencies and regulatory stakeholders at all levels. It also acts as the Office for the implementation of the FMDQ DCM Development Project.

### 2. Strategy & Corporate Services Division

This Division, which drives FMDQ's corporate operations, comprises the following three (3) distinct Groups:

<b>Strategy Group</b>	The Group is charged with coordinating the development, implementation and reporting of corporate strategy and key strategic priorities, and monitoring corporate performance. It also acts as the Enterprise Project Management Office (PMO) for the OTC Exchange.
<b>Corporate Affairs Group</b>	The Group is responsible for all activities relating to internal and external corporate communications and corporate brand management & operations.
<b>Corporate Services Group</b>	The Group is responsible for the Human Resources function. It also provides general internal services such as facilities management, logistics support and vendor management to the Company.

### 3. Marketing & Business Development Division

This Division combines FMDQ's marketing activities and business development initiatives through its three (3) distinct Groups below:

<b>Business Origination Group</b>	The Group is responsible for the business origination and sales of FMDQ services, generation and growth of FMDQ revenues, development of network effects through effective sales and relationship management activities, business planning and reporting, amongst others.
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**Business Marketing Group**

The Group supports the sales function by promoting FMDQ's business activities towards attracting potential customers and retaining existing customers.

**Academy Group**

The Group is positioned to coordinate FMDQ's financial markets education and capacity building initiatives for relevant stakeholders, towards promoting FMDQ's product innovation and market development agenda.

**4. Market Development & Regulation Division**

The Division optimises synergies in key areas of the FMDQ Market Architecture Plan; Product & Market Development, Regulation, Securities Registrations, Listings & Quotations and Membership Administration, and oversees the following three (3) Groups:

**Market Development Group**

The Group is tasked with developing initiatives focused on promoting market credibility, depth, sophistication, efficiency and liquidity by driving product & market renovation and innovation as well as developing robust market architecture, benchmarks, documentation and risk management standards.

**Market Regulation Group**

The Group manages one half of the OTC Exchange's SRO function, ensuring the provision of product and market rules and regulations to promote market credibility and orderliness. It is also responsible for reviewing and recommending for approval, memberships, registrations, listings and quotations applications, for admission to the OTC Exchange.

**Derivatives Market Group**

This Group is responsible for the implementation of FMDQ's OTC Derivatives Implementation Plan. It manages the development of new derivative products as well as supports market architecture for such products to thrive.

**5. Market Operations & Technology Division**

This Division is focused on supporting FMDQ's growing market operations and comprises of four (4) Groups, as follows:

**Information Technology Group**

The Group is charged with formulating and implementing FMDQ's market system strategy, providing bespoke solutions for market operations and maintaining effective IT security across all systems.

**Market Services Group**

The Group is responsible for markets operations support, collating and managing FMDQ OTC market data and information and developing market data and analytics.

**Examination Group**

The Group is in charge of the other half of FMDQ's SRO function and is responsible for monitoring market activities to prevent market abuse and trade manipulation, investigating suspicious market activities and recommending actions against erring Members, inspection of Members and enforcing post-listings and quotations compliance.

**Clearing Operations Group**

The Group is positioned to provide clearing services and conducting valuations and reconciliations for effective collateral management as well as managing margin call administration.

# Management Team



**Mr. Bola Onadele. Koko**  
*Managing Director/CEO (Chairman, Executive Committee)*

Mr. Bola Onadele. Koko 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 Inter-bank Foreign Exchange Fixings (NIFEX) and the Nigerian Inter-bank Treasury Bills' True Yields (NITTY) fixings; and FMDQ.

**Mr. Dipo Odeyemi**  
*Senior Vice President (Member, Executive Committee)*

Mr. Odeyemi is the Divisional Head, Market Operations & Technology. He holds an MBA and a Bachelor's degree in Computer Engineering from the Obafemi Awolowo University, Ile-Ife, Nigeria. He is a certified information system auditor (CISA), a certified information security manager (CISM) and also certified in the governance of enterprise IT (CGEIT) from the Information Systems Audit and Control Association (ISACA), USA.

Dipo's over twenty (20) years of work experience spans across Banking, Consulting and Technology Services with a focus on process management and automation, banking operations, IT advisory and project management. He was formerly Group Head, Business Process Re-engineering in Guaranty Trust Bank PLC.



**Ms. Kaodi Ugoji**  
*Vice President (Member, Executive Committee)*

Ms. Ugoji is the Divisional Head, Strategy & Corporate Services. She holds a Master's degree in Finance and Management from Cranfield University, UK and a Bachelor's degree in Accountancy from the Rivers State University of Science and Technology, Nigeria. She also holds a Professional Certificate in Strategic Management from Harvard University, USA.

Over the last sixteen (16) years, Kaodi has worked within the 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, a subsidiary of Diageo PLC.







**Ms. Tumi Sekoni**  
**Vice President (Member, Executive Committee)**

Ms. Sekoni is the Divisional Head, Marketing & Business 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.

Prior to FMDQ, Tumi was at Lehman Brothers International (Europe) (in administration), as part of the Project Team working towards realising the objectives of one of the administrations from the largest bankruptcy in history.

**Mr. Emmanuel Etaderhi**  
**Vice President (Member, Executive Committee)**

Mr. Etaderhi is the Group Head, Government & Regulatory Relations. He is an alumnus of the University of Lagos, Nigeria, where he obtained a Master's degree in Management, a Master's degree in Economics and a Bachelor's degree in Business Administration. He also holds a diploma in Electrical Engineering (Power) from the Petroleum Training Institute, Delta State, 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.



**Ms. Jumoke Olaniyan**  
**Associate Vice President**

Ms. Olaniyan is the Divisional Head, Market Development & Regulation. 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 IBFCAugusto 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.

**Mr. Emeka Atuma**  
**Associate Vice President**

Mr. Atuma is the Group Head, Compliance, Risk & Finance. 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 (now part of FCMB Limited) and a Financial/Treasury Accountant at Great Brands Nigeria Limited.



**Mrs. Shola Olufosoye**  
**Associate Vice President**

Mrs. Olufosoye is the Group Head, Control & Audit. She holds a Bachelor's degree in Mathematics from the University of Ado-Ekiti, Nigeria (formerly Ondo State University) 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 (now Unified Payment Services Limited) and Interswitch PLC.





# FINANCIAL REPORTS

**FMDQ OTC PLC**  
31 December 2016

## Directors' Report

*For the year ended 31 December 2016*

The Directors present their annual report on the affairs of FMDQ OTC PLC ("the Company") together with the audited financial statements and auditor's report for the year ended 31 December 2016.

### (a) Legal form and principal activity

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.

### (c) Operating results

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

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Operating income	2,040,906	2,090,976
Profit before tax	440,375	473,730
Taxation	(118,505)	(114,347)
Profit after taxation	321,870	359,384

### (d) Proposed dividend

No dividend was proposed by the Board of Directors in respect of the financial year ended 31 December 2016. (December 2015: Nil).

### (e) Directors and their interests

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

Dr. (Mrs.) Sarah O. Alade, OON	- Chairman	
Mr. Jibril Aku	- Vice Chairman	
Mr. Bola Onadele. Koko	- Managing Director/Chief Executive Officer	
Dr. Adesola Adeduntan	- Director	Appointed effective 1 January 2016
Mrs. Bola Adesola	- Director	
Mr. Bayo Adeyemo	- Director	
Ms. Daisy Ekinah	- Director (Independent)	
Mr. Dapo Akisanya	- Director	Appointed effective 1 January 2017
Mr. Kennedy Uzoka	- Director	Appointed effective 1 August 2016
Alh. Mohammad Nda	- Director (Independent)	Retired effective 25 July 2016
Mr. Oscar N. Onyema, OON	- Director	Retired effective 31 December 2016
Mr. Peter Amangbo	- Director	
Mr. Phillips Oduoza	- Director	Retired effective 31 July 2016
Mr. Sadiq Mohammed	- Director	Retired effective 31 December 2016
Mr. Yinka Sanni	- Director	

**FMDQ OTC PLC**  
**31 December 2016**

## Directors' Report Contd.

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 2016.

Name	2016	2016	2015	2015
	No. of shares	% Holding	No. of shares	% 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%	169,074,074	26.39%
NSE Consult Limited	41,666,667	6.50%	41,666,667	6.50%

\* As of 31 December 2015, FMDA held a sum of 90,000,000 shares in a nominee capacity for the following institutions:

Name	No. of shares
First Bank of Nigeria Limited	15,000,000
Express Discount House Limited	15,000,000
Sterling Bank PLC	30,000,000
First City Monument Bank Limited	30,000,000
	90,000,000

In the current year, the shares have been transferred back to the institutions. This transfer explains why the number of shares held by FMDA in the current year has reduced when compared to prior year.

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

#### 31 December 2016

Share range	No. of Shareholders	% Holding	No. of holdings
Local shareholders			
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 2015

Share range	No. of Shareholders	% Holding	No. of holdings
Local shareholders			
1-15,000,000	18	42.14%	270,000,000
15,000,001 and above	5	57.86%	370,740,741
	23	100.00%	640,740,741

*FMDQ OTC PLC*  
*31 December 2016*

## **Directors' Report Contd.**

### **(h) Property and equipment**

Information relating to changes in property and equipment is given in Note 16 to the financial statements.

### **(i) Charitable contributions and other donations**

The Company made no charitable contributions and donations during the year. (2015: Nil).

### **(j) Employment of disabled persons**

The Company had no disabled person in its employment as at 31 December 2016 (2015: 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.

### **(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 2016 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  
 17 February 2017



*FMDQ OTC PLC*  
*31 December 2016*

**Statement of Directors' Responsibility in relation to the Financial Statements for the year ended 31 December 2016**

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria (CAMA) and the Financial Reporting Council (FRC) of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria (CAMA) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In discharging this responsibility, they rely on the Management of FMDQ OTC PLC to prepare the annual financial statements, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, (CAMA).

***Going concern***

The Directors believe that the Company has adequate resources to continue operations as a going concern in the foreseeable future, based on forecasts and available cash resources. The annual financial statements support the viability of the Company, thus, Directors continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Dr. (Mrs.) Sarah O. Alade, OON  
 Chairman  
 17 February 2017  
 FRC/2015/ICENNIG/00000011558



Mr. Bola Onadele, Koko  
 Managing Director/CEO  
 17 February 2017  
 FRC/2014/ICAN/00000008637

*FMDQ OTC PLC*  
*31 December 2016*

## **Audit Committee Report**

*for the year ended 31 December 2016*

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 2016 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 2016 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  
 17 February 2017

### **Members of the Audit Committee are:**

1	Mr. Herbert Wigwe	Shareholder representative	Chairman
2	Mr. Adesola Adeduntan	Director	Member (appointed effective 1 January 2016)
3	Mr. Ifie Sekibo	Shareholder representative	Member
4	Mr. Oscar N. Onyema, OON	Director	Member (Retired effective 31 December 2016)
5	Mr. Peter Amangbo	Director	Member
6	Mr. Uzoma Dozie	Shareholder representative	Member

**KPMG Professional Services**

KPMG Tower  
Bishop Abiodun Cole Street  
Victoria Island  
PMB 40014, Falmoro  
Lagos

Telephone 234 (1) 271 8855  
234 (1) 271 8599  
Internet www.kpmg.com/ng

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of **FMDQ OTC PLC**

**Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of FMDQ OTC PLC, which comprise the statement of financial position as at 31 December, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 89 to 118.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2016, and of its financial performance and its cash flows for the year then ended 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 the Financial Reporting Council of Nigeria Act, 2011.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 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.

**Other Information**

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the 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.

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**Partners:**

Abiodun F. Bada  
Adeniyi R. Ajayi  
Ayobami L. Salami

Joseph O. Tegbe  
Dastimeji I. Salauddin  
Olawale O. Awotupe

Associate Partners:  
Festus C. Eyohe  
Temitope A. Onibisi

Adediji O. Lemilawa  
Ajibola G. Olanrewaju  
Chibuzo N. Aiyemawale  
Kuti O. Okunola  
Olanke I. James  
Oluwatoyin A. Gbolu

Adesola A. Edebiye  
Adesola A. Soyinka  
Oladunsi C. Ode  
Muhammad M. Adeniji  
Olanike O. Olayinka  
Ogunlajo I. Ogunbemis

Adesola P. Adesemi  
Adeleke H. Olanrewaju  
Bakari M. Adesola  
Oladapo R. Oluwadapo  
Oluwalan A. Sowande  
Victor U. Olanrewaju





### ***Responsibilities of the Directors for the Financial Statements***

The Directors are responsible for the preparation of 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 Nigeria and the Financial Reporting Council of Nigeria Act, 2011, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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, 2004*

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Signed:

*Oluwafemi O. Awotoye*

Oluwafemi O. Awotoye, FCA  
FRC/2013/CAN/00000001182  
For: KPMG Professional Services  
Chartered Accountants  
28 February 2017  
Lagos, Nigeria



**FMDQ OTC PLC**  
**31 December 2016**

## **Statement of Comprehensive Income**

*For the year ended 31 December 2016*

<i>In thousands of Naira</i>	<b>Notes</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Transaction fees	7	1,381,919	1,649,567
Interest income	8	193,204	197,395
Other income	9	348,081	244,014
Gain/(loss) on foreign exchange revaluation	10	117,702	(14,575)
<b>Operating income</b>		<b>2,040,906</b>	<b>2,076,401</b>
Personnel expenses	11	(631,306)	(518,734)
Other operating expenses	12	(899,110)	(1,005,520)
Depreciation and amortisation	17,18	(70,115)	(78,417)
<b>Profit before income tax</b>		<b>440,375</b>	<b>473,730</b>
Income tax expense	13( a )	(118,505)	(114,347)
<b>Profit after income tax</b>		<b>321,870</b>	<b>359,383</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Available-for-sale financial assets – net change in fair value		(73,359)	(46,810)
<b>Other comprehensive income, net of income tax</b>		<b>(73,359)</b>	<b>(46,810)</b>
<b>Total comprehensive income for the year</b>		<b>248,511</b>	<b>312,573</b>

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

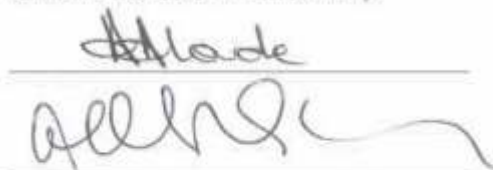
FMDQ OTC PLC  
31 December 2016

## Statement of Financial Position

As at 31 December 2016

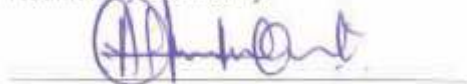
<i>In thousands of Naira</i>	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
Cash and cash equivalents	14	313,483	321,281
Investment securities	15	1,552,978	1,699,921
Other assets	16	185,080	77,207
Property and equipment	17	457,533	84,665
Intangible asset	18	18,029	24,870
<b>Total assets</b>		<b>2,527,103</b>	<b>2,207,944</b>
<b>LIABILITIES</b>			
Other liabilities	19	836,786	676,233
Current tax liability	13 (c)	23,772	116,290
Deferred tax liability	13 (d)	16,240	13,627
<b>Total liabilities</b>		<b>876,798</b>	<b>806,150</b>
<b>EQUITY</b>			
Share capital	20 (a)	640,741	640,741
Share premium	20 (b)	21,148	21,148
Fair value reserve	20 (d)	(120,169)	(46,810)
Retained earnings	20 (c)	1,108,585	786,715
<b>Total equity</b>		<b>1,650,305</b>	<b>1,401,794</b>
<b>Total liabilities and equity</b>		<b>2,527,103</b>	<b>2,207,944</b>

These financial statements were approved by the Board of Directors on 17 February 2017 and signed on behalf of the Board of Directors by:



Dr. (Mrs.) Sarah O. Alade, OON (Chairman)  
FRC/2015/ICENNIG/00000011558

Additionally certified by:



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

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

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

**FMDQ OTC PLC**  
31 December 2016

## Statement of Changes in Equity

### (a) For the year ended 31 December 2016

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

### (b) For the year ended 31 December 2015

<i>In thousands of Naira</i>	Share capital	Share Premium	Fair value reserve	Retained earnings	Total equity
<b>Balance at 1 January 2015</b>	640,741	21,148	-	427,332	1,089,220
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	359,383	359,383
Other comprehensive income	-	-	(46,810)	-	(46,810)
<b>Total comprehensive income for the year</b>	-	-	(46,810)	359,383	312,573
<b>Transactions with owners, recorded directly in equity</b>	-	-	-	-	-
<b>Balance at 31 December 2015</b>	640,741	21,148	(46,810)	786,715	1,401,794



**FMDQ OTC PLC**  
**31 December 2016**

**Statement of Cash Flows**  
**For the year ended 31 December 2016**

<i>In thousands of Naira</i>	Notes	31 December 2016	31 December 2,015
<b>Cash flows from operating activities</b>			
Profit for the year		321,870	359,383
Taxation	13	118,505	114,347
<i>Profit before tax</i>		440,375	473,730
<i>Adjustments for:</i>			
Depreciation of property and equipment	17	54,209	48,594
Allowance for doubtful debts		5,063	-
Amortisation of intangible asset	18	15,906	29,823
Unrealized foreign exchange gain on Eurobonds	10	(186,507)	-
Interest income	8	(193,204)	(197,395)
		135,841	354,752
<i>Changes in:</i>			
Other assets		(112,936)	17,657
Other liabilities		254,072	464,371
Interest income received		118,822	182,848
Tax paid	13 ( c )	(208,410)	(145,014)
VAT paid		(93,519)	(114,781)
<b>Net cash generated from operating activities</b>		<b>93,870</b>	<b>759,833</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	17	(427,077)	(39,984)
Acquisition of intangible asset	18	(9,065)	-
Change in investment securities		334,474	(528,006)
<b>Net cash used in investing activities</b>		<b>(101,668)</b>	<b>(567,990)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(7,797)</b>	<b>191,843</b>
Cash and cash equivalents at beginning of year		321,281	129,438
<b>Cash and cash equivalents at end of the year</b>	14	<b>313,483</b>	<b>321,281</b>

**FMDQ OTC PLC**  
31 December 2016

## 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.

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.

### 2 Basis of preparation

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

The 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 financial statements were authorised for issue by the Directors on 17 February 2016.

#### (b) *Basis of measurement*

The 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 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 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 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.

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.

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### (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 other assets) 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.

**Notes to the Financial Statements****(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:

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



**Notes to the Financial Statements****(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.

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.

**Notes to the Financial Statements**

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. If there is an objective evidence of impairment on loans and receivables or a held-to-maturity asset, the amount of the loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows (excluding future credit losses that have not been incurred) discounted at the assets' 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.

**(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.

**Notes to the Financial Statements****(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);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedges are effective.
- Fair value gains or losses on available-for-sale debt instruments.

**(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. 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) Other assets**

Receivables are recognised at amortised cost. Appropriate allowance for estimated irrecoverable amounts are recognized in the profit and loss account when there is an objective evidence that the asset is impaired

Prepayments are recognised at cost less amortised amounts.

**(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.



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## Notes to the Financial Statements

### (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	2 years
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.

#### (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.

### (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).



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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.

#### **(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.

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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.

#### (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.

#### *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.

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## Notes to the Financial Statements

### (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.

Pronouncement	Title	Effective date
IFRS 9 (amended)	Financial Instruments	Annual periods beginning on or after 1 January 2018.
	IFRS 9 will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.	The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.
	The accounting for financial assets differ in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income.	
	Changes in the fair value attributable to own credit risk for financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within other comprehensive income.	
	The standard has introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss).	
	With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-months expected credit losses or full lifetime expected credit losses.	
	A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.	
	The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. The Company does not intend to early adopt this standard.	

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### Notes to the Financial Statements

Pronouncement	Title	Effective date
Disclosure initiative (amendments to IAS 7)	The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.	The amendments are effective for annual periods beginning on or after 1st January, 2017, with early adoption permitted. The Company will adopt the amendments for the year ending 31 December 2017.
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.	The amendments are effective for annual periods beginning on or after 1st January, 2017, with early adoption permitted. The amendment is not expected to have any significant impact on the financial statements of the Company. The Company will adopt the amendments for the year ending 31 December 2017.
IFRS 16 - Leases	IFRS 16 includes a single, on-balance lead sheet accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make payments. There are optional exemptions for short-term leases and leases of low value assets. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.	The standard is effective for annual periods beginning 1st January, 2019. The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.



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<b>Pronouncement</b>	<b>Title</b>	<b>Effective date</b>
IFRS 15 - Revenue from contracts with customers	<p>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.</p> <p>The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.</p>	<p>The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.</p>
IFRIC 22 - Foreign currency transactions and advance consideration.	<p>The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.</p> <p>The amendments clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.</p> <p>The interpretation applies when a Company:</p> <ul style="list-style-type: none"> <li>• pays or receives consideration in a foreign currency; and</li> <li>• recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.</li> </ul>	<p>The Company will adopt the amendments for the year ending 31 December 2018.</p>

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### 4 Financial Risk Management

#### (a) Introduction and overview

FMDQ OTC PLC's vision is to be No.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 Company has identified the need to focus on risk management. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, receivables and investment debt securities.

##### (i) Exposure to credit risk

The Company'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 Company is exposed to credit risk on its balances with banks, receivables, staff advances and investment debt securities. In 2016: 73% (2015: 89%) of the Company's revenue was attributable to interest income and fees earned on OTC transactions.

##### (ii) Held to maturity investments (HTM)

The Company limits its exposure to credit risk by investing mostly in highly liquid money 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 Company did not have any held to maturity investments that were impaired as at 31 December 2016.

##### (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:

<i>In thousands of Naira</i>	<i>Note</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
Cash and cash equivalents	14	313,483	321,281
Investment securities	15	1,552,978	1,699,921
Other assets (excluding prepayments and WHT receivable)	16	122,987	38,073
		<u>1,989,448</u>	<u>2,059,275</u>

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### (e) 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.

### (ii) 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.

#### 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 assets (excluding prepayments and WHT receivables)	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 (excluding regulatory fees and unearned income)	19	637,429	637,429	-	637,429	-	-
		637,429	637,429	-	637,429	-	-
Gap (asset - liabilities)		1,352,018	2,259,357	264,372	(292,383)	681,483	1,605,885

#### 31 December 2015

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	321,281	340,697	132,719	207,978	-	-
Investment securities	15	1,699,921	2,163,263	433,809	50,582	367,074	1,311,798
Other assets (excluding prepayments and WHT receivables)	16	38,073	38,073	32,807	3,098	2,168	-
		2,059,275	2,542,033	599,335	261,658	369,242	1,311,798
Other liabilities (excluding regulatory fees and unearned income)	19	507,705	507,705	-	507,705	-	-
		507,705	507,705	-	507,705	-	-
Gap (asset - liabilities)		1,551,569	2,034,328	599,335	(246,047)	369,242	1,311,798

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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.

### (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 Company, however, has a significant portion of its investments in non-rate sensitive assets. This greatly assists it in managing its exposure to interest rate risks.

Management is of the view that the assessed impact of interest rate volatility has not been significant on the capital or earnings of the Company.

### (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.

### 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:

Scenario level	50%	50%
	Bank	Investment
In thousands of Nigerian Naira	Balances	Securities
<b>31 December 2016</b>		
Increase	156,742	776,489
Decrease	(156,742)	(776,489)
<b>31 December 2015</b>	<b>3%</b>	<b>3%</b>
Increase	155	10,745
Decrease	(155)	(10,745)
Scenario level	40%	40%
	Bank	Investment
In thousands of Nigerian Naira	Balances	Securities
<b>31 December 2016</b>		
Increase	125,393	621,191
Decrease	(125,393)	(621,191)
<b>31 December 2015</b>	<b>2%</b>	<b>2%</b>
Increase	36	7,177
Decrease	(36)	(7,177)



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## Notes to the Financial Statements

### (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.

<i>In thousands of naira</i>	Note	2016	2015
Paid up share capital	20	640,741	640,741
Shareholders' funds		1,650,305	1,401,794

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## Notes to the Financial Statements

### 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:

31 December 2016

<i>In thousands of Na'ra</i>	Note	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value	Fair value hierarchy
Cash and cash equivalents	14	-	313,483	-	-	313,483	-	-
Investment securities- Treasury bills and FGN Bonds	15	1,127,321	-	-	-	1,127,321	820,413	Level 1
Investment securities- Eurobonds	15	-	-	425,657	-	425,657	425,657	Level 2
Other assets (excluding prepayments and WHT receivable)	16	-	122,986	-	-	122,986	-	-
		1,127,321	436,469	425,657	-	1,989,447	1,246,070	
Other liabilities	19	-	-	-	836,786	836,786	-	-
		-	-	-	836,786	836,786	-	-

31 December 2015

<i>In thousands of Na'ra</i>	Note	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value	Fair value hierarchy
Cash and cash equivalents	14	-	321,281	-	-	321,281	-	-
Investment securities- Treasury bills and FGN Bonds	15	1,392,031	-	-	-	1,392,031	1,121,567	Level 1
Investment securities- Eurobonds	15	-	-	307,891	-	307,891	307,891	Level 2
Other assets (excluding prepayments and WHT receivable)	16	-	38,073	-	-	38,073	-	-
		1,392,031	359,354	307,891	-	2,059,276	1,429,458	
Other liabilities (excluding fines and penalties)	19	-	-	-	523,974	523,974	-	-
		-	-	-	523,974	523,974	-	-

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### 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:

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Transaction Fees- foreign currency trading	162,593	280,032
Transaction Fees- treasury bills trading	590,625	633,429
Transaction Fees- repo transactions	290,509	252,259
Transaction Fees- open buy back transactions	140,793	185,203
Transaction Fees- money market transactions	39,509	167,538
Transaction Fees - FX Derivatives	35,829	-
Transaction Fees - FGN Bonds	110,319	131,106
Transaction Fees - Eurobonds	305	-
IDB - All Products	9,709	-
DMS - TX Fees - All Products	1,727	-
	<b>1,381,919</b>	<b>1,649,567</b>

### 8 Interest income

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Treasury Bills	49,312	119,503
Fixed Deposit	6,652	6,897
Call Deposit	1,115	3,090
FGN Bonds	94,861	51,362
Eurobond	41,264	16,543
	<b>193,204</b>	<b>197,395</b>

- (a) The Company did not recognise any interest income on impaired held to maturity investments since none of its held to maturity investments were impaired in the year
- (b) The Company did not recognise any interest income on financial assets measured at fair value through profit or loss since it did not classify any of its financial assets as fair value through profit or loss.

### 9 Other income

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Sponsorship income	-	8,715
Membership application fees	45,850	19,550
Membership subscription dues	73,897	26,200
Insurance claims	228	999
Bond listing fees	164,725	131,736
Penalties/Fines (See ( a ) below)	4,620	48,000
Commercial Papers quotation fees	33,993	6,148
Technology services	24,036	-
Others	731	2,666
	<b>348,081</b>	<b>244,014</b>

- ( a ) Penalties/fines- This relates to monies received for infraction of trading regulations by Dealing Members

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## Notes to the Financial Statements

### 10 Gain/(loss) on foreign exchange revaluation

The unrealised gain/(loss) is largely due to the foreign exchange differences arising from the Eurobond.

### 11 Personnel expenses

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Wages and salaries	422,622	313,827
Other staff cost	180,428	183,924
Pension cost	28,256	20,983
	<b>631,306</b>	<b>518,734</b>

- (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:

	31 December 2016	31 December 2015
N60,001 - N2,000,000	-	-
N2,000,001 - N3,000,000	3	4
N3,000,001 - N4,000,000	8	7
N4,000,001 - N5,000,000	4	8
N5,000,001 - N6,000,000	-	1
N6,000,001 - N7,000,000	1	4
N7,000,001 - N8,000,000	7	1
N8,000,001 - N9,000,000	7	2
Above N9,000,000	12	12
	<b>42</b>	<b>39</b>

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

	31 December 2016	31 December 2015
Management staff	9	9
Non management staff	33	30
	<b>42</b>	<b>39</b>

- (iii) Directors' remuneration

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Highest paid Director	137,089	137,089
	<b>137,089</b>	<b>137,089</b>

- (a) The highest paid Director's remuneration represents the MD/CEO's salary for the year excluding other benefits



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## Notes to the Financial Statements

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

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Sitting allowances	6,740	9,020
Retirement allowances	6,000	-
Annual allowances	94,588	41,194
	<u>107,328</u>	<u>50,214</u>

## 12 Other operating expenses

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Directors' emoluments	137,089	137,089
Auditor's remuneration	17,640	16,800
Professional fees	41,011	37,214
Professional fees- Legal	9,309	914
Stationery and office expenses	2,707	29,582
Bank charges	3,702	2,744
Travel expense	12,635	61,423
Training and development expense	10,946	72,513
Information technology expense	58,116	24,384
Publicity and advertising expense	5,937	10,892
Insurance expense	7,309	20,701
Penalties and fines (See (i) below)	(43,322)	26,741
SEC fees (See note 19)	134,393	152,259
Transaction fee expense (See (ii) below)	89,074	70,352
FMDA development program (See note 21 (d))	-	30,000
Corporate gifts	12,992	22,163
Professional membership	184	8,434
Allowance for doubtful debts	5,063	-
General administrative expenses	97,869	95,779
Unrealised loss- foreign exchange revaluation	-	-
Business Development	19,327	-
Development of FMDQ Franchise	78,770	-
Strategic initiatives (See (iii) below)	52,054	94,279
Board Allowance	107,328	50,214
Bond listing /quotation events	14,330	17,819
Rent expense	24,648	23,222
	<u>899,110</u>	<u>1,005,520</u>

- (i) The amount represents a write back in the current year, 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.

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## Notes to the Financial Statements

- (ii) The amount represents fees charged by the CBN in respect of securities trading which is borne by the Company on behalf of the dealing members.
- (iii) The amount represents expenses incurred for discretionary projects and programs outside of the organisation's day-to-day operational activities, that are designed to help the organisation achieve its Strategic Objectives.

### 13 Income tax expense

#### a. The tax charge for the year comprises:

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Income tax	14,926	108,197
Tertiary education tax	2,985	8,093
NITDA Levy	4,360	-
Prior year under provision	93,621	-
	115,892	116,290
Deferred tax charge for the year	2,613	(1,943)
	118,505	114,347

#### b. The effective tax reconciliation is as follows:

	Rate %	31 December 2016	Rate %	31 December 2015
Profit before tax		440,375		473,730
NITDA Levy		(4,360)		-
		436,015		473,730
Tax using the domestic corporation tax	30%	130,804	30%	142,119
Non-taxable income	-77%	(90,942)	-12%	(56,222)
Non-allowable expenses	-10%	-11,347	4%	20,927
Prior year under provision	79%	93,621	0%	-
NITDA Levy	4%	4,360	-	-
Investment credit allowance	-9%	(10,976)	0%	(570)
Tertiary education tax	3%	2,985	2%	8,093
Income tax charge	20%	118,505	24%	114,347

#### c. Current tax liability

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Balance as at 1 January 2016	116,290	145,014
Tax charge (See note a below)	115,892	116,290
Tax paid	(208,410)	(145,014)
At 31 December	23,772	116,290

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## Notes to the Financial Statements

### d. Deferred tax liability

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

	31 December 2016	31 December 2015
<i>In thousands of Naira</i>		
Property and equipment	16,240	13,627
	16,240	13,627

(ii) Movement in temporary differences during the year:

	31 December 2016	31 December 2015
<i>In thousands of Naira</i>		
Opening balance	13,627	15,570
Profit or loss	2,613	(1,943)
Closing balance	16,240	13,627

### 14 Cash and cash equivalents

	31 December 2016	31 December 2015
<i>In thousands of Naira</i>		
Cash and bank balances	313,483	90,183
Placements with banks	-	231,098
	313,483	321,281

### 15 Investment securities

	31 December 2016	31 December 2015
<i>In thousands of Naira</i>		
Held to maturity investments debt securities-Treasury bills	420,467	565,867
Held to maturity investments debt securities-FGN Bonds	706,854	826,163
Available for sale investments debt securities- Eurobonds	425,657	307,891
	1,552,978	1,699,921
Current	420,467	671,429
Non-current	1,132,511	1,028,492
	1,552,978	1,699,921

### 16 Other assets

Other assets balance comprise

	31 December 2016	31 December 2015
<i>In thousands of Naira</i>		
Accounts receivable	126,409	37,215
Prepayments	40,740	29,104
Staff advances	1,640	758
WHT tax receivable	21,353	10,129
Allowance for doubtful debts	(5,063)	-
	185,080	77,207
Current	185,080	77,207
Non-current	-	-
	185,080	77,207

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## Notes to the Financial Statements

### 17 Property and equipment

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

<i>In thousands of Naira</i>	Leasehold improvements	Motor vehicles	Furniture and fittings	Computer equipment	Total
<b>Cost:</b>					
Balance as at 1 January 2015	28,292	77,650	21,935	10,607	138,484
Additions	397	12,800	22,956	3,831	39,984
Disposals	-	-	-	-	-
Balance as at 31 December 2015	28,689	90,450	44,891	14,438	178,468
Balance 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
<b>Accumulated Depreciation</b>					
Balance as at 1 January 2015	15,106	23,665	3,599	2,839	45,209
Depreciation for the year	12,205	22,343	9,853	4,193	48,594
Disposals	-	-	-	-	-
Balance as at 31 December 2015	27,311	46,008	13,452	7,032	93,803
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
Disposal	-	-	-	-	-
Balance as at 31 December 2016	28,944	78,212	27,088	13,768	148,012
<b>Carrying amounts</b>					
At 31 December 2015	1,378	44,442	31,439	7,406	84,665
At 31 December 2016	207	70,278	41,475	345,573	457,533

(a) There were no authorised or contracted capital commitments as at the end of the reporting period (31 December 2015: Nil).

(b) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2015: Nil).

(c) There were no leased assets included in this property and equipment as at year end (31 December 2015: Nil).



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## Notes to the Financial Statements

### 18 Intangible asset

<i>In thousands of Naira</i>	<b>Computer software</b>
<b>Cost:</b>	
Balance at 1 January 2016	76,474
Acquisitions	9,065
<b>Balance as at 31 December 2016</b>	<b>85,539</b>

#### **Accumulated Amortisation and impairment losses**

Balance at 1 January 2016	51,604
Amortisation for the year	15,906
<b>Balance as at 31 December 2016</b>	<b>67,510</b>

### Intangible asset

<i>In thousands of Naira</i>	<b>Computer software</b>
<b>Cost:</b>	
Balance at 1 January 2015	76,474
Acquisitions	-
Asset written off	-
<b>Balance as at 31 December 2015</b>	<b>76,474</b>

#### **Accumulated Amortisation and impairment losses**

Balance as at 1 January 2015	21,781
Amortisation for the year	29,823
Impairment loss	-
<b>Balance as at 31 December 2015</b>	<b>51,604</b>

#### **Carrying amounts**

At 31 December 2015	24,870
At 31 December 2016	18,029

### 19 Other liabilities

Other liabilities balance comprise

	31 December 2016	31 December 2015
Account Payables	307,544	95,880
Regulatory fees (SEC) (See note 1 below)	134,393	152,259
Accruals	329,885	411,826
Unearned fee income	64,964	16,269
	<b>836,786</b>	<b>676,233</b>
Current	836,786	676,233
Non-current	-	-
	<b>836,786</b>	<b>676,233</b>

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## 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.

### 20 Capital and reserves

#### (a) Share capital

<i>In thousands of Naira</i>	31 December 2016	31 December 2015
Authorised - 1,000,000,000 Ordinary shares of 1Naira each (31 December 2015: 1,000,000,000 of N1.00 each)	1,000,000	1,000,000
Issued and fully paid 640,740,741 (31 December 2015: 640,740,741 Ordinary shares of N1.00 each)	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.

#### (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

### 21 Related parties transactions

Transactions with related parties are summarised below;

Key management is defined as members of the board. 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:

<i>In thousands of Naira</i>	Note	2016	2015
Cash and cash equivalents (See (a) below)	14	313,483	321,281
Bank charges (see (b) below)	11	3,702	2,744
Account receivables (see (c) below)	15	126,409	37,215
FMDA development program (see (d) below)	11	-	30,000
Directors's fees and allowances (see (e) below)		244,417	187,304
Transaction fee Income (see (f) below)		1,239,272	1,575,608
Transaction fee expense (see (g) below)		89,074	70,352
		2,016,358	2,224,505

**FMDQ OTC PLC**  
**31 December 2016**

## Notes to the Financial Statements

- (a) Cash and cash equivalents is represented by bank balances held with Guaranty Trust Bank PLC, Zenith Bank PLC and Access Bank PLC who are also shareholders in the Company.
- (b) Bank charges 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) The FMDA development program is an initiative of the Financial Markets Dealers Association geared at developing the capital market. FMDQ decided to support this initiative with N30million in 2015. FMDA is a shareholder of the Company.
- (e) Directors' fees and allowances is represented by emoluments and allowances accrued during the year for the board of Directors.
- (f) Transaction fee income represents income earned on transaction fees charged to dealing members who are also shareholders in the Company.
- (g) 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.

### 22 Contingent liabilities, litigations and claims

The Company in its ordinary course of business, is presently not involved in any case as a defendant or plaintiff (31 December 2015: Nil).

### 23 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 2016 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

### 23 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 N24,648,000 (2015: N23,222,000) was recognised in profit or loss.

**FMDQ OTC PLC**  
**31 December 2016**

**Other National Disclosures**  
**Value Added Statement**  
*For the year ended 31 December 2016*

<i>In thousands of Naira</i>	31 December 2016	%	31 December 2015	%
Operating income	2,040,906		2,090,976	
Brought in goods and services -local	(899,110)		(1,020,095)	
<b>Value added</b>	<b>1,141,796</b>		<b>1,070,881</b>	
Applied to pay:				
- Employees as wages and salaries	631,306	56	518,734	47
- Government as taxes	118,505	10	114,347	11
Retained in the business:				
- For replacement of property and equipment	54,209	5	48,594	5
- For replacement of intangible asset	15,906	1	29,823	3
- To augment reserves	321,870	28	359,383	34
<b>Value added</b>	<b>1,141,796</b>	<b>100</b>	<b>1,070,881</b>	<b>100</b>



**FMDQ OTC PLC**  
**31 December 2016**

## Other National Disclosures

### Financial Summary

#### Statement of financial position

<i>In thousands of Naira</i>	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
<b>ASSETS</b>					
Cash and cash equivalents	313,483	321,281	129,438	26,258	52,788
Investment securities	1,552,978	1,699,921	1,218,725	352,319	562,551
Property and equipment	457,533	84,665	93,275	94,719	11,962
Intangible asset	18,029	24,870	54,693	35,614	-
Other assets	185,080	77,207	80,317	122,820	8,980
<b>Total assets</b>	<b>2,527,103</b>	<b>2,207,944</b>	<b>1,576,448</b>	<b>631,730</b>	<b>636,281</b>
<b>LIABILITIES</b>					
Other liabilities	836,786	676,233	326,644	90,445	88,530
Current tax liability	23,772	116,290	145,014	-	-
Deferred tax liability	16,240	13,627	15,570	-	-
<b>Total liabilities</b>	<b>876,798</b>	<b>806,150</b>	<b>487,228</b>	<b>90,445</b>	<b>88,530</b>
<b>Net assets</b>	<b>1,650,305</b>	<b>1,401,794</b>	<b>1,089,220</b>	<b>541,285</b>	<b>547,751</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	640,741	640,741	640,741	535,000	535,000
Share premium	21,148	21,148	21,148	-	-
Retained earnings	1,108,585	786,715	427,331	(120,604)	12,751
Capital contribution	-	-	-	126,889	-
Fair value reserve	(120,169)	(46,810)	-	-	-
<b>Shareholders' funds</b>	<b>1,650,305</b>	<b>1,401,794</b>	<b>1,089,220</b>	<b>541,285</b>	<b>547,751</b>

#### Statement of comprehensive income

<i>In thousands of Naira</i>	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Operating Income	2,040,906	2,090,976	1,753,006	155,653	80,275
Operating expenses	(1,600,531)	(1,617,246)	(1,044,487)	(289,008)	(51,883)
Profit/(loss) before taxation	440,375	473,730	708,519	(133,355)	28,392
Taxation	(118,505)	(114,347)	(160,584)	-	-
<b>Profit/(loss) after taxation</b>	<b>321,870</b>	<b>359,383</b>	<b>547,935</b>	<b>(133,355)</b>	<b>28,392</b>

The financial information presented above reflects historical summaries based on International Financial Reporting Standards.

# Notable Dates and Events

## 2016 Milestones

S/N	Activity	Date
1.	The Listing of the N10.00bn Transcorp Hotels PLC Bond on the OTC Exchange	January 18
2.	Central Bank of Nigeria Staff Empowerment Programme at FMDQ's offices	February 5 - 9
3.	The Quotation of the N7.23bn and N2.77bn Guinness Nigeria PLC Commercial Papers on FMDQ	February 18
4.	FMDQ Price Ticker Tape Launch on Channels Television	February 25
5.	FMDQ hosted OTC Derivatives Workshops	March 8 - 9 & 17 - 18
6.	Release of Appeal Process for Penalties on Trading Infractions	March 10
7.	Release of FMDQ Complaints Management Framework	March 23
8.	Execution of Regulatory Supervision Agreement between FMDQ and the National Pension Commission	April 7
9.	The 4 <sup>th</sup> Annual General Meeting	April 8
10.	Activation of Dealing Member (Specialists) Market (Phase 1)	June 1
11.	Execution of a Memorandum of Understanding between FMDQ and the Nigeria Mortgage Refinance Company PLC	June 8
12.	Relaunch of the Nigerian InterBank FX Market on FMDQ	June 20
13.	Launch of the Naira-settled OTC FX Futures Market on FMDQ	June 27
14.	The first Bi-annual FMDQ "Members only" Meeting for 2016	June 30
15.	CBN Circular on Mandatory Quotation of Commercial Papers on Authorised Securities Exchange	July 11
16.	Release of FMDQ OTC FX Futures Market Operational Standards	July 27
17.	CBN Directive for Authorised Dealers to Execute all FX Trades with Corporates on FMDQ-advised FX Trading and Surveillance Systems	August 1
18.	The Quotation of the N16.79bn UPDC PLC Commercial Paper on FMDQ	August 8
19.	The Listing of the N0.60bn C & I Leasing PLC Bond on FMDQ	August 15
20.	Securities and Exchange Commission Staff Secondment to FMDQ offices	September 26-30
21.	Approval of FMDQ Short-Term Bonds Registration Process and Listing Rules by the Securities and Exchange Commission	October 6

22.	The Quotation of the 14.98bn FSDH Merchant Bank Commercial Paper Admitted on FMDQ	October 27
23.	Central Bank of Kenya visits FMDQ on a study tour	October 31 – November 4
24.	Launch of the FMDQ Academy	November 7
25.	Study tour to Bursa Malaysia, and other key Malaysian financial market stakeholders including Bank Negara, (Central Bank), Securities Commission and Cagamas Berhad	November 14 - 17
26.	The Bank of Zambia visits FMDQ on a study tour	November 18
27.	The Listing of the N7.96bn Sterling Investment Management SPV PLC Bond on FMDQ	November 21
28.	The Listing of the Pioneer Money Market Fund The Greenwich Plus Money Market Fund on the OTC Exchange	November 21
29.	Official Launch of the Debt Capital Markets Development Project	November 24
30.	The Listing of the N6.29bn Wema Funding SPV PLC Bond on the OTC Exchange	December 12
31.	2016 FMDQ Staff CSR Initiative Day	December 14
32.	The Quotation of the N35.00bn Access Bank PLC Commercial Paper on FMDQ	December 23
33.	The Quotation of the N6.27bn UACN Property Development Commercial Paper on FMDQ	December 23
34.	The Listing of the Vetiva S&P Exchange Traded Fund on the OTC Exchange	December 30
35.	FMDQ Market Turnover closes at N113.66trn	December 31

## Stakeholder Testimonials

"We [Channels Media] are really excited that we are expanding our coverage footprints to FMDQ OTC Securities Exchange, the home of listed government and corporate bonds and traded securities, including bonds, treasury bills, currencies and derivatives. Our partnership couldn't have been more timely, coming at a time when the Nigerian government is focusing intensely on investment inflows, domestic and overseas finance and offerings, to revitalise the economy."

Mr. John Momoh,  
OON

Chairman/CEO of  
Channels Media Group  
February 2016

Mrs. Chinelo  
Anohu-Amazu

Director-General,  
National Pension  
Commission  
April 2016

"This partnership with FMDQ which would grant PenCom online real-time access to FMDQ's trading system(s), will among others, promote increased transparency in trades, efficient pricing of transactions, higher professionalism of players in the fixed income markets and fair returns on pension fund investment, for the ultimate benefit of pension contributors and the Nigerian economy at large."

Mr. Ndoho Wohoro

Director-General,  
Directorate of Public  
Debt Management -  
National Treasury,  
Kenya  
May 2016

"Thank you for your [FMDQ] presentation on "Developing the OTC Market – The Nigerian Experience". I found it illuminating and inspiring coming as it were from another African. I have talked to my Principal Secretary and he concurs with my proposal for FMDQ to come and make the same representation to our Minister of Finance, The Central Bank of Kenya Governor and his deputy, the Capital Markets Authority board and the Treasury executive team".

Dr. (Mrs.) Sarah O. Alade,  
OON

Chairman, FMDQ OTC  
Securities Exchange &  
Deputy Governor,  
Economic Policy  
Directorate, CBN  
June 2016

"Today, the Nigerian financial market is celebrating a significant milestone, as the CBN launches its first set of OTC FX Futures quotes on FMDQ OTC Securities Exchange. This innovative product will bring liquidity, transparency, price formation and diversification into the Foreign Exchange market, making the market globally competitive. FMDQ, the market organiser and the 'OTC FX Futures Exchange,' in collaboration with the CBN and other stakeholders, is adequately equipped to deliver the needed transformation in the Nigerian financial market. I am very proud to be part of the two institutions that made this day possible."

Mr. Paul M. Muthaura

Chief Executive, Capital  
Markets Authority, Kenya  
June 2016

"I wish to express our heartfelt gratitude to FMDQ for the support during the Policy Makers on OTC Bond Market Workshop. We sincerely appreciate your commitment to continue supporting us in our endeavor to develop the capital markets in Kenya, particularly the OTC Bond Market. We certainly expect to gain a lot from this partnership based on your expertise and experience in steering the OTC market in Nigeria."



## Stakeholder Testimonials

"The growth of C&I is the result of focused and disciplined Management and the FMDQ platform has deepened its access to the Financial Market. We congratulate FMDQ and C&I on this historic listing."

Mr. Andrew Otiike-Odibi

Managing Director,  
C & I Leasing PLC  
August 2016

Mr. Rilwan Belo-Osagie

Managing Director,  
FSDH Merchant  
Bank Limited  
October 2016

"The FSDH CPs are being quoted on the FMDQ platform in line with the requirements of the Central Bank of Nigeria (CBN). The establishment of FMDQ has contributed significantly to the growth in liquidity and transparency of the Nigerian fixed income market and FSDH is committed to supporting the growth of this market through the FMDQ platform."

Mr. Dayo Obisan

Managing Director,  
Greenwich Asset  
Management Ltd.  
October 2016

Our choice to list the Greenwich Plus on FMDQ as the first collective investment scheme on its platform is a deliberate strategy to promote the transparency and visibility of the Fund which the FMDQ platform efficiently provides. We thank the FMDQ team for their support and for ensuring a quick and seamless process for the listing of Greenwich Plus.

Ms. Eileen Owusu

Manager, Human  
Resources and Admin,  
Ghana Stock  
Exchange  
February 2017

"We wish to extend our sincere thanks to you [FMDQ] and your dedicated employees for hosting our colleagues on their recent study tour of your institution. They really benefited from the in-depth knowledge imparted by your able employees; we hope that the knowledge acquired will be used to boost the operations of our debt market. We also hope that in the future, other members who will benefit from such opportunities will enjoy the same hospitality that our colleagues enjoyed. Once again thank you."

## Highlights of 2016

### Listings & Quotations Ceremonies



Transcorp Hotels PLC Bond Listing Ceremony



FSDH Merchant Bank Commercial Paper Quotation Ceremony



UPDC PLC Commercial Paper Quotation Ceremony



Greenwich Money Market Fund Listing Ceremony



The C & I Leasing PLC Bond Listing Ceremony



Guinness Nigeria PLC Commercial Paper Quotation Ceremony



Sterling Investment Management SPV PLC Bond Listing Ceremony



## Highlights of 2016

### Products/Markets/Services Launch



Launch of the Debt Capital Market Development Project at the SEC Capital Market Committee Quarterly Meeting



Launch of FMDQ Price Ticker Tape on Channels Television



FMDQ, Channels TV & Representative of CBN at the launch of FMDQ Price Ticker Tape on Channels Television



Launch of the OTC FX Futures - Panel Interview Session



Launch of the OTC FX Futures Market



## Highlights of 2016

### Stakeholder Engagement



Courtesy Visit of FMDQ MD/CEO to the DG Securities and Exchange Commission



FMDQ MD/CEO, CBN Governor and Deputy Governor after the Execution of OTC FX Futures Regulatory Agreement with Central Bank of Nigeria



Execution of Memorandum of Understanding with Nigeria Mortgage Refinance Company PLC



Execution of Regulatory Supervision Agreement with the National Pension Commission



FMDQ Visits the Nigerian House of Representatives Committee on Capital Markets and Institutions



FMDQ's OTC FX Futures Sensitisation Workshop for Corporate Treasurers





FMDQ's 1st Bi-Annual Members Only Meeting



FMDQ's 2nd Bi-Annual Members Only Meeting



Representatives of Bank of Zambia on Study Tour to FMDQ



FMDQ at the Thomson Reuters 2016 Africa Summit



4<sup>th</sup> Annual General Meeting of FMDQ



FMDQ's Staff CSR Initiative - Visit to Holy Family Home for the Elderly



FMDQ MD/CEO at the 20th ASEA Conference in Rwanda



FMDQ Visits Securities Commission, Malaysia on a Study Tour



## FMDQ in the News

**BUSINESS DAY**

NEWS YOU CAN TRUST | \*\* MONDAY 27 JUNE 2016 | VOL. 14, NO 127 | NGN300 | www.businessdayonline.com | facebook.com/businessdayonline | @businessDayNG

# CBN, FMDQ launch Naira-settled OTC FX futures market

International airlines lose \$208m in FX rate shift  
\*\*\*As Naira value drops by N82.00

IFOMA OKERE

**Product guarantees FX rate**  
**Hedging product to transform financial decision making for govt, corporates, individuals, others**  
**Opportunity to hedge foreign exchange fluctuations**

The Central Bank of Nigeria (CBN) has made history in the Nigerian FX market as it becomes the pioneer seller of the Naira-settled OTC FX Futures contracts on FMDQ OTC Securities Exchange (FMDQ) today, Monday.

Futures contracts of non-stand- will enable corporate treasurers through its System, the FMDQ

International airlines operating in the country may have lost the sum of \$208 million (N58.6bn) out of the outstanding \$700 million stuck in the economy prior to the recent introduction of flexible foreign exchange rate policy by the Central Bank of Nigeria (CBN). BusinessDay analysis shows.

**BUSINESS DAY**

Fixed income market liquidity soars as FMDQ integrates NBFI  
... eyes market making in T-Bills, FGN bonds

World's most

Inflation Unemployment

Venezuela  
Argentina  
South Africa  
Greece  
Ukraine  
Nigeria

Nigerian fixed income market will soon experience greater liquidity as the FMDQ OTC Securities Exchange receives about 23 non-bank financial institutions (NBFIs) as Dealing Member (Specialists) "DMSs" at the OTC debt capital

Investors race to safety in fixed income market

1-60k, second Market Movement (MPC) has OTC securities

W

MARKET AND COMMODITIES MONITOR

**BUSINESS DAY**

**MPC has slim room to maneuver as economy nears recession**

Agnc. ministry fails to act as 'tomato Ebola' claims 720,000

... one piece of tomato now from

■ Fuel/Naira rises to hurt Q2 GDP  
■ Unemployment rate jumps to 12.1%  
■ Manufacturing slumps 7%

THE GUARDIAN www.guardian.ng

Wednesday, August 10, 2016 | 43

# FMDQ admits UPDC's N16.7 billion CP on platform

Stories by Helen Oji

FMDQ OTC Securities Exchange has admitted UACN Property Development Company (UPDC) Plc's N16,799,893,000.00 Commercial Paper (CP) on its platform.

This CP represents series one under the organisation's 24,000,000,000.00 CP

Issuer records N67.9% over subscription on transaction

sources at a 25 per cent reduced cost, thereby enhancing their value-creating capability for UPDC's various stakeholders.

According to him, the capital raising has enabled the company to increase its visibility in the market and optimize portfolio by diversifying into

you can just imagine the level of savings that we will make over a six months period and if we issue the series, might be slightly at a higher interest rate but again, we will be able to maximize the funding of our project and basically, that is what we are trying to do.

you do with a cp programme is to refinance the existing medium to long-term obligations. If you have expensive lines on your hand, cp programme helps you in a short term to refinance and help you to save two, three, four hundred basis points on your interest

noted that the quotation of the real sector CP was evidence of the progress made in the Nigerian CP market to instill confidence in the nation's financial market.

He stated that FMDQ, as the market organizer was poised to building a sustainable CP market in the financial market space and promote credibility

invaluable information, institute financial market infrastructures in line with global standards.

"As a securities exchange committed, as one of its mandates, to powering the growth of the Nigerian housing sector through the debt capital market, FMDQ is continually innovating and engaging key stakeholders towards pro-



**market**

**FMDQ pledges to meet funding needs of companies**

**Steady Growth**

The FMDQ OTC Securities Exchange has pledged to continue to use its platform to meet the funding needs of corporate bodies and commercial entities.

The Exchange said this in the two issues issued, and the financial markets and down to a show, reflecting the resilience to the economic system.

It, therefore, hopes for renewed public and investor confidence in the market.

Chairman, Nigerian Securities, Chief Kola Isomade, who led the management team of the Exchange, has pledged to meet the funding needs of corporate bodies and commercial entities.

He reiterated that corporate governance remained the only tool to improve the credibility of the Exchange and urged the FSE to continue with its commitment to that regard.

Isomade thanked the CEO and his team for the Nigerian Securities and Exchange Commission (SEC) for the year, the financial markets and down to a show, reflecting the resilience to the economic system.

It, therefore, hopes for renewed public and investor confidence in the market.

**ROCKWORLD**

**FMDQ pays N962.23m to banks on first naira-settled OTC FX futures**

**AFTER** one month of the introduction of the naira-settled OTC FX futures market, FMDQ Securities Exchange has paid a total sum of N962.23 million to banks in the contract.

According to the FMDQ, the OTC FX futures market made a remarkable increase in the amount of contracts sold over N1.22 billion worth of the OTC FX futures contracts was awarded on the trading and clearing system with the profile of the buyers of the contracts as clearing Foreign Portfolio Investors (FPIs), largely among others.

In line with the OTC FX futures market, the amount to banks was N962.23 million.

**ayNG C002D5556 Thursday 20 October 2016**

**FMDQ set to commence listing of short-term bonds**

**HEANYI NWACHUKWU**

In order to support an even register inclusion and participation of corporates in the Nigerian debt capital market (DCM), FMDQ OTC Securities Exchange through its various engagements and financial market space, identified the funding gap for corporates, between the money market debt instruments such as commercial papers (CPs) with maximum terms of 270 days and the traditional medium- to long-term debt instruments (bonds), which are typically issued for three (3)

**18 BUSINESS DAY**

**INVESTOR**

**FMDQ Learning**

**Introduction to securities markets (1)**

**A** security agreement is a means by which a company or individual can raise capital, as well as an investment aimed at obtaining funds from investors.

**What is a Security?**

A security is a financial instrument issued by a business entity or government, which gives the holder an ownership position or share in the earnings of the company or government.

**Types of Securities**

There are two main types of securities: debt and equity. Debt securities are loans made by investors to the issuer, while equity securities represent ownership in the issuer.

**34 BUSINESS DAY**

**NEWS**

**FMDQ gives PenCom real-time access to OTC trading system**

**...Targets fair returns on over N5trn pension assets investment**

**HEANYI NWACHUKWU**

**F**MDQ OTC Securities Exchange has granted National Pension Commission (PenCom) real-time access to its trading system (a development which will among others promote increased transparency in trades at OTC debt capital market, efficient pricing of transactions, higher professionalism of players in the bond market).

Also at the ceremony, Bola Onadele, Koko, MD of FMDQ, said, "this partnership will seek to achieve among others, the Commission's objectives (as outlined in the Pension Reform Act, 2014), through data access and visibility of its supervisors' (Pension Fund Administrators (PFAs) transactions on FMDQ".

He added the partnership would achieve improved transparency of all PFAs transactions in the Nigerian fixed income market, as well as the money market.

**THE GUARDIAN**

**Benefits of forex futures, by FMDQ OTC Securities**

**As FX two-way quote market goes live on platform**

**F**MDQ OTC Securities Exchange (FMDQ) will be the first OTC FX futures market in Nigeria, offering the market through its system, the FMDQ OTC FX futures trading and clearing system, and market trading standards and rules, among others, to provide the requisite transparency and governance for the market of the market.

According to FMDQ, there is a high level of interest in the market, and the company expects to see a significant increase in the market.

**FMDQ inaugurates debt capital market devt project**

**F**MDQ OTC Securities Exchange (FMDQ) has inaugurated a project aimed at developing the debt capital market in Nigeria. The project is part of the FMDQ's commitment to provide a comprehensive platform for the market.

The project will involve the development of a debt capital market platform, which will provide a comprehensive platform for the market.

**FMDQ, Channels TV partner on price ticker tape initiative**

**A**s part of its commitment to boost transparency in the market, FMDQ OTC Securities Exchange, yesterday, launched FMDQ Price Ticker Tape on Channels Television.

"Price Ticker Tape" will show prices, yields and other securities data listed on the FMDQ platform.

Addressing stakeholders at the launch of the tape in, the Managing Director/Chief Executive Officer of FMDQ, Bola Onadele explained that the partnership would increase the coverage of business and market news such bonds, treasury bills and currency trading in the market.

Speaking at the launch, Managing Director/Chief Executive Officer of FMDQ, Bola Onadele explained that the partnership would increase the coverage of business and market news such bonds, treasury bills and currency trading in the market.







## FMDQ People



Executive Committee



Business Executives



Functional/Group/Divisional Heads with MD/CEO



All Staff



J Markets		J Download		J Report		Benchmark Bonds									
Date	19-Dec-2016	Grouping	None												
Security	Dealer	Time	Bid	Ask	Spd	AvgSpd	CvgTime	CSpd	AvgSpd						
		Active													
NIGB 16 06/29/19	FIRST CITY MORTGAGE BANK PLC	-117706.54	100.35	100.50	15.00	15.00	-117706.54	15.00	15.00	100					
NIGB 16 06/29/19	STANBIC IBTC BANK PLC	-117706.40	100.40	100.55	15.00	15.00	-117706.40	15.00	15.00	100					
NIGB 16 06/29/19	FIRST BANK OF NIGERIA PLC	-117706.54	100.40	100.55	15.00	15.00	-117706.54	15.00	15.00	100					
NIGB 16 06/29/19	FSDH MERCHANT BANK LIMITED	-117706.33	100.40	100.55	15.00	15.00	-117706.33	15.00	15.00	100					
NIGB 16 06/29/19	CITIBANK NIGERIA LIMITED	-117706.4	100.40	100.55	15.00	15.00	-117706.4	15.00	15.00	100					
NIGB 16 06/29/19	UNITED BANK FOR AFRICA PLC	-117706.33	100.40	100.55	15.00	15.00	-117706.33	15.00	15.00	100					
NIGB 16 06/29/19	DIAMOND BANK PLC	-117706.28	100.40	100.55	15.00	15.00	-117706.28	15.00	15.00	100					
NIGB 16 06/29/19	FIDELITY BANK PLC	-117706.44	100.40	100.55	15.00	15.00	-117706.44	15.00	15.00	100					
NIGB 16 06/29/19	ECOBANK NIGERIA PLC	-117706.54	100.40	100.55	15.00	15.00	-117706.54	15.00	15.00	100					
NIGB 16 06/29/19	STANDARD CHARTERED BANK NIGERIA PLC	-117706.35	100.35	100.50	15.00	15.00	-117706.35	15.00	15.00	100					
NIGB 16 06/29/19	GUARANTY TRUST BANK PLC	-117706.54	100.35	100.50	15.00	15.00	-117706.54	15.00	15.00	100					
NIGB 16 06/29/19	UNION BANK OF NIGERIA PLC	-117706.52	100.40	100.55	15.00	15.00	-117706.52	15.00	15.00	100					
NIGB 16 06/29/19	CORONATION MERCHANT BANK LIMITED	-117706.46	100.35	100.50	15.00	15.00	-117706.46	15.00	15.00	100					
NIGB 16 06/29/19	FBN MERCHANT BANK LIMITED	-117706.30	100.40	100.55	15.00	15.00	-117706.30	15.00	15.00	100					
NIGB 16 06/29/19	ACCESS BANK PLC	-117706.42	100.40	100.55	15.00	15.00	-117706.42	15.00	15.00	100					
NIGB 15 54 02/13/20	STANBIC IBTC BANK PLC	-117706.55	98.70	99.00	30.00	30.00	-117706.55	30.00	30.00	100					
NIGB 15 54 02/13/20	FIRST BANK OF NIGERIA PLC	-117706.54	98.70	99.00	30.00	30.00	-117706.54	30.00	30.00	100					
NIGB 15 54 02/13/20	FIRST CITY MORTGAGE BANK PLC	-117706.54	98.75	99.05	30.00	30.00	-117706.54	30.00	30.00	100					
NIGB 15 54 02/13/20	FSDH MERCHANT BANK LIMITED	-117706.33	98.70	99.00	30.00	30.00	-117706.33	30.00	30.00	100					
NIGB 15 54 02/13/20	CITIBANK NIGERIA LIMITED	-117706.40	98.70	99.00	30.00	30.00	-117706.40	30.00	30.00	100					
NIGB 15 54 02/13/20	UNITED BANK FOR AFRICA PLC	-117706.53	98.70	99.00	30.00	30.00	-117706.53	30.00	30.00	100					
NIGB 15 54 02/13/															

USD.MGN

08 Sep 98 USD.MGN 1 2 3 VWA

1 317 325.00

12 00 11 00

Order Book

USD 1,500.000

Order Book

Time	Quantity	Price	Status
5	5	00	
10	5	00	
11	1	00	
12	1	00	
13	1	50	
17	4	50	
18	1	00	
19	1	00	
21	2	00	
22	1	00	
24	2	00	
25	1	50	

USD,NGN

06Sep16 USD,NGN 1 2 3 VVA

1 317  
12 00

325.00  
00

BUY USD  
SELL USD  
ORSH

Buy Order Book Offer

USD 1,000,000

Order Book

	1	325.0	00			0
1	325.0	00				
5	325.0	00				
10	325.0	00				
15	322.5	67				
20	320.7	25				

☐ Round to furthest 1/2 Point Dec 0 ☐ Work Balance Exit



NGN=D1

USD/NGN 02000-1 18DEC16

LAST	SIZE	VOLUME	HIGH	LOW
305.00		0.00358	315.43	304.50
305.00	PREVIOUS	150DEC16		
305.00		0.00212	305.50	304.50

Search or Enter a Contract NGSP-DMT 309.30 -32.5000 -105.650%

NGSP-DMT Time & Sales NGSP-DMT

Current Session 6/20/2016 80 50 100 30 50 100 7:20:00

Trade Log Volume of Price Calc YrD Volume Volume of Price Hoop Flow LIRAK1(HSE4) Log LIRAK1(HSE4) Chat Style

Transaction	Last	Bid Price	Trade Volume	Turnover	Calc YrD	Flow	Trade Type
6/6/2016 11:04:49.381	385.80	365	1.5	4.13	214.675	79	Post
6/6/2016 11:08:44.261	385.80	365	1.5	4.13	214.167	69	Post
6/6/2016 12:16:07.797	330.00	330	8.5	324.75	1,299		
6/6/2016 12:08:13.860	315.80	310	0.23	324.75	1,299	Post	
6/6/2016 16:45:18.589	325.80	325	2.03	324.75	1,299	Green	
6/6/2016 18:32:53.212	315.80	310	0.05	324.5	649	Post	
6/6/2016 18:06:17.178	324.50	324.5	2.03	649	324.5	649	
6/6/2016 09:08:36.173	313.90	313.5	0.06	313.5		Post	

[illegible]

The screenshot shows the NGA-OIMT application interface. At the top, there is a header bar with the application name 'NGA-OIMT', a search icon, and a window control bar. Below the header, the main content area displays a table with the following data:

SUMMARY				Est	STATUS
Activity	Comp/Instal	Loc. Stock	Real	Time	
A 300.00	0.214			12:07	A 355.50
E 300.00	0.214			12:46	E 355.50
B 300.00	1.124			12:41	B 355.50
102476021879				40:31	1.82
					STATUS

[illegible]

**Global Competitiveness - Operational Excellence - Liquidity - Diversity**

# Corporate Information

Registered Office	No. 1, Olosa Street Victoria Island Lagos, Nigeria
RC No.	929657
Company Secretary	Mr. Ajibola Asolo No. 1, Olosa Street Victoria Island Lagos, Nigeria
Chairman	Dr. (Mrs.) Sarah O. Alade, OON
Vice Chairman	Mr. Jibril Aku
Other Directors	Dr. Sola Adeduntan Mrs. Bola Adesola Mr. Bayo Adeyemo Mr. Dapo Akisanya Mr. Peter Amangbo Ms. Daisy Ekineh Mr. Yinka Sanni Mr. Kennedy Uzoka
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

**FMDQ**  
**OTC Securities Exchange**  
*...empowering the Nigerian debt capital & FX markets*

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