



FMDQ SPOTLIGHT



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New Stories

FMDQ Membership Activation

FMDQ OTC PLC (“FMDQ”) is an organisation with the strategic intent of bringing about revolutionary changes and fostering the development of the Nigerian over-the-counter (OTC) financial markets. It is a Securities and Exchange Commission (SEC) registered OTC securities exchange and self-regulatory organisation. The company brings together Nigeria’s fixed income and currency operations under a single market governance structure. FMDQ promotes market development in the Nigerian OTC financial markets, with a primary focus on the OTC markets – fixed income (money, treasury bills, and bonds), currencies and derivatives.

In building its network effects and driving debt capital market integration, FMDQ has activated the diverse membership classes it desires to operate with. These membership classes consist of the following:

- **Dealing Members:** These are the FMDQ-licenced members that make market on money market, currencies and debt securities traded OTC on the FMDQ platform. Dealing Members must be registered with the Securities and Exchange Commission (SEC) to carry on business as OTC Dealers. There are currently 26 FMDQ-licenced Dealing Members
- **Specialist Dealing Members:** These are the FMDQ-licenced Dealing Members that have their trades cleared and settled by an FMDQ-appointed settlement bank. The category is made up of investment banking institutions and securities dealing firms. The Specialist Dealing Membership category is yet to be activated
- **Associate Members:** There are three (3) sub-categories of membership under this category as follows:
 - Inter-Dealer Brokers: These are SEC-registered brokerage firms that act as intermediaries amongst Dealing Members only
 - Brokers: These are SEC-registered brokerage firms that act as intermediaries between Dealing Members and Clients only
 - Clients: This membership sub-category is made up of institutional investors and other corporate organisations such as the pension managers, fund managers and large business organisations who are end-users of products traded on FMDQ platform. These members desire access to FMDQ trading systems for best execution and price discovery

- **Registration Members:** These are the members sponsoring the issuers that desire listing and/or quotation privileges on the FMDQ platform and are further categorised into two (2) sub-categories as follows:
 - Listing Members: These are issuing houses sponsoring issuers of publicly offered/privately placed fixed income securities, such as, supra-national bonds, sub-national bonds, agency bonds, corporate bonds, asset-backed securities, mortgage-backed securities and mutual funds for listing and/or quotation on the FMDQ platform
 - Quotation Members: These are financial institutions (banks and non-banks) sponsoring issuers of commercial papers on the FMDQ platform

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FMDQ Licences New Associate and Registration Members

To validate the hypothesis of an integrated capital market, FMDQ, on November 21, 2014, licenced a new batch of Members to its platform. The Members consisted of institutions in the Associate Members and Registration Members categories. The licencing ceremony, held at a Cocktail Reception and Dinner Party in honour of the outgoing Directors of the Inaugural Board of FMDQ, saw in attendance, representatives of 36 institutions to receive their licences.

Under the Associate Member category, a total of thirteen (13) institutions were licenced, comprising two (2) Inter-Dealer Brokers, six (6) Brokers and five (5) Clients. Under the Registration Member category, a total of twenty-three (23) institutions, comprising twelve (12) in the Listings sub-category and eleven (11) in the Quotations sub-category, were also licenced.

The licencing of this new batch of FMDQ Members symbolises another step towards the fulfilment of FMDQ's mandate of promoting the growth of the Nigerian financial markets and aligning the markets with international standards.

[Click to view FMDQ Associate Members](#)

[Click to view FMDQ Registration Members](#)

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FMDQ Commercial Paper Quotation Launch

Desirous of entrenching governance and transparency in the Nigerian financial market, FMDQ identified the need for a robust structure around the issuance and quotation of commercial papers (CPs). This, it seeks to achieve, through its market development initiative that provides price/value data and detailed issuers' information to stakeholders – investors, issuers and regulators. Consequently, as a debt capital focused securities exchange, FMDQ has developed the Commercial Paper Quotation Process (CPQP) to revitalise the Nigerian money market and further enhance transparency at the short end of the corporate yield curve.

The FMDQ CPQP details the full cycle of a CP issue from the application through to maturity of the CP. There are four (4) main stages in the CPQP as follows:

- Issuer Application
- Issue Registration
- CP Quotation & Reporting
- Rollover & Maturity

[Click to view the FMDQ CPQP](#)

In support of this process, FMDQ also released its Commercial Paper Quotation Rules (CPQR) to govern the quotation of CPs on its platform. These Rules have been adopted from the Central Bank of Nigeria (CBN) Guidelines on the Issuance and Treatment of Bankers' Acceptances and Commercial Papers (November 18, 2009) and enhanced through wide consultations with stakeholders.

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Bonds Quotation on FMDQ

As a debt capital focused securities exchange, FMDQ is embarking on the provision of visibility, transparency and liquidity for bonds listed on other recognised securities exchanges as permitted by the Securities and Exchange Commission (SEC).

Bonds quoted on FMDQ will benefit from price formation through the trading activities of FMDQ Dealing Members, unprecedented transparency through its trading system (FMDQ Bloomberg E-Bond Trading System), a broad pool of investor funds and visibility.

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FMDQ Listings & Quotations

FMDQ admits Stanbic IBTC Bank CP as First Quotation on its Platform

Sequel to the release of its Commercial Paper Quotation Process and Rules, FMDQ has admitted the first commercial paper (CP) for quotation on its platform. The quotation of the “Stanbic IBTC Bank PLC (Stanbic IBTC Bank) N100bn Multi-Currency Commercial Paper Issuance Programme” on the FMDQ platform ushers in the new era of short-term corporate papers to the Nigerian OTC market. This quotation provides the necessary visibility and liquidity for the secondary market trading of CPs. With the FMDQ CP Quotation Process and Rules put in place, investors in the Stanbic Bank CP can have confidence in their investment in terms of transparency and liquidity.

The introduction of CP quotation in the Nigerian financial market serves as a first step towards the provision of unparalleled transparency and governance in the CP market. FMDQ, through this initiative, purposes to build a vibrant CP market by providing price/value data and detailed issuers’/issue information on FMDQ quoted CPs to stakeholders – investors, issuers and regulators – thereby strengthening the governance of the CP market, positioning the money market for improved price formation and eventually, the emergence of a transparent corporate interest rate fixing in the Nigerian OTC financial market.

[Click to view details of Stanbic IBTC Bank PLC N100bn CP Quotation](#)

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FMDQ Turnover & Dealing Members' League Table

The FMDQ League Table shows the rankings of its Dealing Members across all products traded on the FMDQ platform – Foreign Exchange (FX), FX Derivatives, Treasury Bills, Bonds (FGN Bonds and Other Bonds), Money Market (Repurchase Agreements, Buy-Backs and Unsecured Placements/Takings) and Money Market Derivatives. It depicts the overall ranking for the cumulative value traded across all products and also the rankings per individual products traded.

Top 10 Dealing Members on FMDQ OTC Market (January – October 2014)

Rank	Dealing Member
1	STANBIC IBTC BANK PLC
2	ECOBANK NIGERIA LIMITED
3	DIAMOND BANK PLC
4	STANDARD CHARTERED BANK NIGERIA LIMITED
5	ACCESS BANK PLC
6	CITIBANK NIGERIA LIMITED
7	UNITED BANK FOR AFRICA PLC
8	FIRST CITY MONUMENT BANK LIMITED
9	GUARANTY TRUST BANK PLC
10	FIRST BANK OF NIGERIA LIMITED

The FMDQ OTC Market Turnover Report shows the turnover on all products traded on the FMDQ secondary market – Foreign Exchange (FX), Treasury Bills (T.Bills), Money Market (Repurchase Agreements, Buy-Backs and Unsecured Placements/Takings) and Bonds (FGN Bonds and Other Bonds). FX and Money Market Derivatives are embedded in the FX and Unsecured products categories. These figures exclude primary market auctions in T.Bills, Bonds and FX.

The data, collated from the weekly trade data submissions by FMDQ Dealing Members, represents trades executed between Dealing Members, Dealing Members & Clients, and Dealing Members & the Central Bank of Nigeria (CBN).

FMDQ OTC Market Turnover (January – October 2014)

	Turnover (₦'million)
Foreign Exchange	24,045,482
Foreign Exchange Derivatives	5,041,787
Treasury Bills	20,842,898
FGN Bonds	6,176,178
Other Bonds	227,194
Eurobonds	-
Repurchase Agreements/Buy-Backs	19,159,027
Unsecured Placements/Takings	4,843,887
Money Market Derivatives	50,829
	80,387,282
<i>USD equivalent (million)</i>	502,421
No. of Business Days	213
Average Daily Turnover	377,405
<i>USD equivalent (million)</i>	2,359

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Upcoming Events

Market Development Stakeholder Session – Series 4

FMDQ, in line with its mandate to facilitate the development of the OTC financial markets, hosts quarterly Market Development Initiatives Stakeholders' Sessions with the various stakeholders of the markets, where FMDQ initiatives are presented for deliberation. These sessions also provide the opportunity for participants to air their views about developments in the OTC markets, make suggestions on further developments to the markets, convey their requirements and offer suggestions on how FMDQ can provide practical solutions to their needs, all with the overall goal to empower and develop the financial markets.

FMDQ will be hosting its 4th Stakeholder Session for 2014 which will be focused on investment banking firms and how they can better participate in the FMDQ market. Details of the meeting are as follows:

Date: Thursday, December 4, 2014

Time: 3:00PM

Venue: Lacour Hotel, 3 Cooper Road, Ikoyi, Lagos

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FMDQ Members Meeting

An FMDQ “Members only” meeting will be convened in December 2014, where the architecture of the Nigerian OTC market will be crafted. All FMDQ Members are encouraged to attend. Details of the meeting will be communicated in due course.

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FMDQ Learning

Introduction to Commercial Papers

A Commercial Paper (CP) is a short-term financial instrument (maximum 270 days tenor in Nigeria), consisting of unsecured promissory notes issued in bearer or electronic (dematerialised) form which can be readily traded. At maturity, the CP issuer pays the amount due to the holder of the CP. A financial institution (e.g. bank, discount house, investment bank) acts as agent for a CP issue, arranging and selling the paper to investors, but does not advance its own funds. A CP is also a form of disintermediation, i.e. raising funds directly from investors without the financial institutions acting as intermediaries through their loans and deposit business. CPs may be “clean” or guaranteed by a bank to make it more marketable in the money market.

The CP market once was limited to entities with strong credit ratings, but in recent years, some lower-credit-rated corporations have issued CPs by obtaining credit enhancements or other collateral to allow them enter the market as issuers.

A CP is issued as a series of notes, and each note promises to pay the bearer a stated sum of money at the maturity date. Each note shows:

- The name of the issuer
- The amount (value) of the note
- The issue date
- The maturity date
- A certificate of authentication, signed by an authorised signatory of the issuer’s issue agent

Each note will also indicate that the note is negotiable, its bearer is entitled to payment, and the payment will be made (on presentation of the note at maturity) by the agent on behalf of the issuer. Common practice now, however, is for CPs to be dematerialised for easier transferability.

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