FMDQ SPOTLIGHT

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New Stories

FMDQ e-Markets Launch

A technology initiative in line with FMDQ's agenda to be operationally excellent has been designed to suit the needs of different users in varying capacities. This initiative called the "FMDQ e-Markets" ("e-Markets") will be beneficial to market participants; whether trading, investing, raising debt capital or seeking participation in the market as a stakeholder of FMDQ and the financial market.

The FMDQ e-Markets Portal consists of the following sub-segments:

- e-Discovery: The online price discovery portal, providing online activity prices in the fixed income and currency markets
- e-Registration: The online tool for membership, issuer, issue and eligible investors registrations
- e-Subscription: The online tool for subscription to issues
- e-MarketData: A robust information centre with world-class data mining capabilities
- e-Broker: The online data reporting tool for Associate Members (Inter-Dealer Brokers & Brokers)

FMDQ is delighted to also launch the first version of the "FMDQ e-Discovery" ("e-Discovery"), FMDQ's price discovery portal. It provides online activity information on the FMDQ fixed income and foreign exchange markets. The deployment of this tool is in line with FMDQ's commitment to continue to add value to our Members and stakeholders in general through the provision of market activity transparency.

Data broadcast on e-Discovery include trade prices, bid and ask quotes, trade sizes, rates and deal times. This can help clients, investors, regulators and security issuers to make better decisions with the knowledge of on-the-spot market trends. It will help create market transparency and hopefully increased liquidity by attracting more market participation.

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Nigeria's FX Market Changes to Order-Based 2-Way Quote System

The recent developments in the Nigerian Foreign Exchange (FX) market necessitated the temporary redefining of the standards by which the market would operate. The introduction of the Order-Based 2-Way Quote (OB2WQ) System for the FX market took effect from February 13, 2015. This effectively changes the FX market from a quote driven to an order driven market, where all FX transactions would be based on customer interests only.

Consequently, the OB2WQ market standards have been developed and released to the market. Authorised dealers are to advise the CBN of all their unmet customers' demands at the end of each trading session according to the OB2WQ standards, ahead of the CBN's daily Clearing Session, thus enabling the CBN meet all genuine demand in the FX market, thereby reducing market volatility.

Click to the View Order-Based 2-Way Quote FX Market Standards

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Registration Members Visibility

In accordance with FMDQ's commitment to consistently add value to its stakeholders, FMDQ has embarked on an initiative to provide further visibility for the FMDQ Registration Members and issuers with securities listed and quoted on the platform. To this end, FMDQ has dedicated a section on the homepage of its website, "Listings & Quotations", where current listings and quotations of fixed income instruments on FMDQ will be displayed. Information displayed include, but are not limited to, the lead issuing house (i.e. FMDQ Registration Member), issuer, security issued, issue size, rate/yield, maturity date and credit rating(s).

FMDQ also has a "Quotations" page on its website where extensive details of all listed and quoted securities are displayed, including a history of previous issues listed and quoted on FMDQ. These transparency and visibility initiatives are of immense importance to investors, issuers, FMDQ Members and the Regulators.

Click to View FMDQ "Quotations"

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FMDQ Presents Strategic Plan at the 2015 1st Quarter Meeting of the Association of Issuing Houses of Nigeria (AIHN)

FMDQ, at the annual 1st quarter 2015 luncheon of the Association of Issuing Houses of Nigeria (AIHN) unveiled its strategic plan for the Nigerian Debt Capital Market (DCM). FMDQ also presented at the event, its value-adding initiatives for issuers of debt securities on its platform and the sponsors of the issuers (i.e. FMDQ Registration Members). The OTC securities exchange provides its Registration Members (the issuing houses) and issuers of debt securities with a remarkable opportunity to raise the profile of their issues, access a deep pool of capital and to participate in an efficient and well regulated market. FMDQ will partner with its Registration Members to ensure further development in the DCM.

The highly interactive meeting, which held at the Wheatbaker Hotel, Ikoyi, Lagos, on February 10, 2015, provided a platform, where FMDQ shared its debt market value chain, 2014 market performance and other value-adding initiatives which included, amongst others, FMDQ e-Markets, FMDQ Fixed Income Specialists, FMDQ Education Plan and Improving Transparency and Global Visibility.

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FMDQ Fees & Dues Framework Review

In order to remain competitive and guide economic growth through capital market development, FMDQ, periodically, reviews its fees & dues, and updates these where necessary. Consequently, FMDQ saw the need for a downward review in its listings and quotations services fees, in the hope that this would aid a reduction in issuing and listings/quotations costs in our market; thus improving the issuing of debt securities in the Nigerian Debt Capital Market (DCM).

In line with our mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy, FMDQ continues to look for ways to develop the Nigerian financial market and add value to its stakeholders whilst maintaining a competitive fees and dues structure.

Click to View FMDQ Fees & Dues Framework

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Ghanaian Financial Services Industry Representatives Visit FMDQ

FMDQ played host to key representatives from the Ghanaian Stock Exchange, Ministry of Finance and its Debt Management Office, along with other private market participants who recently came on a study tour to the securities exchange.

They noted that in its capacity as a market organiser and self-regulatory organisation, FMDQ has significantly impacted on the development of its markets (products and infrastructure); and this visit provided the representatives with a unique opportunity to closely interact and understand the operational modalities of the FMDQ OTC exchange which was launched onto the Nigerian financial markets landscape in November 2013.

Following a review of FMDQ business services and operations, and ahead of discussions towards effective collaboration, the representatives noted key challenges imminent in driving positive change and upholding governance in a previously opaque market; and acknowledged the level of growth and development being engineered by FMDQ in the Nigerian financial landscape.

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FMDQ Turnover & Dealing Members' League Table

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).

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FMDQ OTC Market Turnover (January 2015)

	Turnover (₦'million)
Foreign Exchange	3,328,361
Foreign Exchange Derivatives	773,492
Treasury Bills	2,588,535
FGN Bonds	715,929
Other Bonds*	-
Eurobonds	334
Repurchase Agreements/Buy-Backs	2,830,117
Unsecured Placements/Takings	752,043
Money Market Derivatives	32,000
	11,020,811
USD equivalent (million)	*58,759*

No. of Business Days	20
Average Daily Turnover	551,041
USD equivalent (million)	*2,938*

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The FMDQ League Table shows the rankings of its Dealing Members across all products traded on the FMDQ platform – FX, FX Derivatives, T.Bills, Bonds (FGN Bonds, Eurobonds 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.

Top 10 Dealing Members in FMDQ Market (January 2015)

Rank	Dealing Member
1	ACCESS BANK PLC
2	STANBIC IBTC BANK PLC
3	UNITED BANK FOR AFRICA PLC
4	DIAMOND BANK PLC
5	FIRST BANK OF NIGERIA LIMITED
6	ECOBANK NIGERIA LIMITED
7	MAINSTREET BANK LIMITED
8	SKYE BANK PLC
9	UNION BANK OF NIGERIA PLC
10	STANDARD CHARTERED BANK NIGERIA LIMITED

In the above table, Access bank PLC, Stanbic IBTC Bank PLC, and United Bank for Africa PLC began the year as the leaders in value traded for the overall OTC market, ranking 1st, 2nd and 3rd respectively in the league table.

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Upcoming Events

FMDQ Debt Capital Market Workshop

FMDQ, along with the Securities and Exchange Commission (SEC), will be holding a workshop on "Nigeria's Debt Capital Market". This workshop, where all the challenges being faced in the Nigerian DCM will be traced to their various solutions, will now tentatively hold in April 2015. The workshop aims to be the catalyst for the rejuvenation and growth of the Nigerian DCM. All DCM stakeholders are encouraged to attend. Details of the workshop will be communicated in due course.

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FMDQ Learning

Introduction to Mortgage-Backed Securities

A mortgage-backed security (MBS) is a debt obligation that represents a claim to the cash flows from a pool of mortgage loans (residential property mostly). It is a type of asset-backed security that is secured by a mortgage or collection of mortgages. An asset-backed security is a security whose income payments and hence value, is derived from and collateralised or backed by a special pool of underlying assets.

Mortgage loans are purchased from banks, mortgage companies etc. by governmental, quasi-governmental or private entities who group the mortgages (with similar characteristics – interest rates, maturities etc.) into pools. The banks or mortgage companies receive cash from the sales to make other loans. The pools are then securitised (issuing securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool i.e. investors in the MBSs). Investors in mortgage-backed securities (MBS) are essentially lending to a home buyer or business.

The most basic types of MBSs are Pass-through Participation Certificates (or Pass-throughs), which represent a direct claim on the pool of mortgage loans, entitling the holder to a prorata share of all the principal and interest payments made on the pool. More sophisticated types of MBSs are Collateralised Mortgage Obligations (CMOs) which essentially take the interest and principal repayments from several MBSs and create additional securities with varying maturities and coupons. As special purpose entities, CMOs receive the mortgage repayments and own the mortgages they receive cash flows from. The mortgages serve as collateral and are organised into classes based on their risk profiles. Incomes received from the mortgages are passed to investors based on a predetermined set of rules and investors receive money based on the specific slice of mortgages invested in.

The following are recognised benefits attributed to MBSs:

- Risk transfer: When a bank sells a mortgage to a pooling agency, it relieves itself of the risk of a borrower default. The asset is moved off the bank's books and is replaced with cash. This lowers the bank's risk profile and allows more experienced hands to assume the risk associated with mortgages
- Price Discipline: The securitisation of mortgages encourages lenders not to under or overcharge for mortgages. Mortgage rates that are too low relative to prevailing rates are not attractive to pooling agencies since they offer below market returns. Over-priced mortgages are also problematic because agencies assume that the high rates indicate higher default risk

Prepayment risk is a major concern for MBS investors, typically because homeowners refinance their mortgages when interest rates fall. This implies that they obtain new lower-rate mortgages, use the proceeds to from the sale of their house to pay off the higher-rate mortgage and purchase new houses with new mortgages. Without protection, such prepayments would return principal to investors precisely when their options for reinvesting those funds may be relatively unattractive i.e. the MBS investors would receive their principal back early and may have to reinvest the principal at rates lower than what their MBS was yielding.

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