



# FMDQ SPOTLIGHT



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## *New Stories*

### **Investment Banking Firms' Brainstorming Session with FMDQ**

As a debt capital-focused securities exchange, FMDQ is developing another segment of the Fixed Income market called the Specialist Dealing Member (SDM) market. This segment is being introduced to accommodate Non-Bank Financial Institutions (NBFIs)/Dealer Brokers in the Fixed Income market as FMDQ continues to strive for growth, development, liquidity and credibility in the financial market.

FMDQ invited Investment Banking Firms to brainstorm on the proposed framework for the Specialist Dealing Member market. It was a productive meeting where critical features of the market; market standard trading sizes, spreads and system requirements, were discussed and decided in order to push the SDM initiative to the next phase.

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### **Covenant University Students Visit FMDQ**

FMDQ hosted the Banking & Finance Students' Association of Covenant University, Ota, Ogun State, on March 16 & 17, 2015. This study tour provided an opportunity for the 400 level students of the association to gain thorough insight into the scope and operations of FMDQ, and financial market activities in general.

Students were provided with the opportunity to learn by experiencing first-hand, the working environment in FMDQ and to hear from FMDQ staff on market operations and expectations from FMDQ in the financial environment. Key activities during the study tour included a presentation on the overview of the Nigerian financial landscape as well as the FMDQ story; from its evolution to its role in the financial markets, milestones since inception, and strategic initiatives for 2015. They were also engaged in an interactive session on the Two-way Quote (2WQ) and Order-based Two-way Quote (OB2WQ) market trading styles and FMDQ's examination and surveillance activities. Finally, the students also had the opportunity to view the trading screens which showed live quotations from FMDQ Dealing Members during the day's trading session.

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# ***FMDQ Listings & Quotations***

## **United Bank for Africa PLC Bond Listing on FMDQ Platform**

Following the recent approval of the FMDQ Bond Listing and Quotation Rules by the Securities and Exchange Commission (SEC), FMDQ is pleased to announce the listing of the pioneer corporate bond on its platform - United Bank for Africa PLC (UBA) ₦345bn Medium-Term Note Issuance Programme: Series 1: 16.45 UBA 30-DEC-2021 (₦30.5bn). This listing provides the necessary visibility and liquidity for the secondary market trading of UBA Bonds in the Debt Capital Market (DCM).

Similar to CP Quotations, FMDQ, shall provide continuous information disclosure to include price/value data and detailed issuers'/issue information on FMDQ-listed bonds to stakeholders via the 'Listings & Quotations' page on FMDQ website. The UBA Bond shall be included on the FMDQ Bloomberg E-Bond Trading System (E-Bond) and also on the FMDQ website, providing issuers, investors, dealers, regulators and the general public with the tools for price discovery and transparency.

[Click to view details of United Bank for Africa PLC N345bn Medium-Term Note Programme Listing](#)

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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 – February 2015)

	Turnover (₦'mm)
<b>Foreign Exchange</b>	6,705,757
<b>Foreign Exchange Derivatives</b>	1,663,319
<b>Treasury Bills</b>	5,594,222
<b>FGN Bonds</b>	1,235,414
<b>Other Bonds*</b>	57
<b>Eurobonds</b>	334
<b>Repurchase Agreements/Buy-Backs</b>	5,719,862
<b>Unsecured Placements/Takings</b>	1,489,774
<b>Money Market Derivatives</b>	32,000
	<b>22,440,738</b>
<i>USD equivalent (million)</i>	<i>117,325</i>
<b>No. of Business Days</b>	<b>40</b>
<b>Average Daily Turnover</b>	<b>561,018</b>
<i>USD equivalent (million)</i>	<i>2,933</i>

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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 – February 2015)

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

Stanbic IBTC Bank PLC and Access Bank PLC swapped positions at the top of the Table due to increase in FX transactions by Stanbic IBTC Bank PLC. Ecobank Nigeria Ltd. retained its position at Dealing Member that maintained its previous position at 6<sup>th</sup> place, while Union

Bank of Nigeria Ltd. dropped off the League table. New to the top 10 table is Citibank Nigeria Ltd. who enters at 10<sup>th</sup> position with increased transaction volumes on T.Bills, FX and Repos & Buy Back.

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## ***Upcoming Events***

### **FMDQ Debt Capital Market Workshop**

FMDQ, in partnership with the Securities and Exchange Commission (SEC), will be holding a workshop on “Nigeria’s Debt Capital Market”. This workshop, will focus on challenges in the Nigerian DCM and drill down to practical and implementable solutions. The Workshop which is scheduled for April 2015 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 Corporate Bonds**

A Corporate bond is a debt instrument issued by a company to raise financing for a variety of reasons such as funding of on-going operations, mergers & acquisitions or expansion of business operation/assets. They can also be defined as securities issued by a company and sold to investors. The backing of the bond is usually the repayment capacity of the company. The term ‘Corporate Bond’ is usually applied to long-term debt instruments with maturity of at least one year. They are sometimes listed on exchanges, however, most trading activities on corporate bonds happen in the over-the-counter (OTC) markets.

Corporate bonds can be categorised based on their credit rating namely:

- High Grade (also known as Investment Grade)
- High Yield (also known as Non-investment Grade, Speculative Grade or Junk Bonds)

Bonds rated AAA, AA, A and BBB are High Grade while bonds rated BB and below are High Yield.

The various types of corporate bonds based on the bonds features are:

- **Coupon Bonds**: These are bonds that pay coupon (periodic interest) on the bonds issued to investors. These payments are usually semi-annually
- **Zero Coupon Bonds**: These bonds are issued at a discount and have no periodic coupon payment
- **Callable Bonds**: These bonds allow the issuer (the Corporate) to buy back the bond from the investors before maturity date for a price determined at the time that the bond is issued
- **Puttable Bonds**: These bonds allow investors to sell the bond back to the issuer, prior to maturity date, at a price that is specified at the time that the bond is issued
- **Convertible Bonds**: These bonds allow investors to convert the bond into equity. They can either be secured or unsecured and issued out of the company's capital structure

The price of a corporate bond is influenced by several factors including the bond maturity date, the credit rating of the corporate issuing the bond and the general level of interest rates. The yield of a corporate bond fluctuates to reflect changes in the price of the bond caused by shifts in interest rates and the market's perception of the issuer's credit quality.

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