



# ***FMDQ SPOTLIGHT***

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**FMDQ**

The logo features a stylized icon of three horizontal bars (two grey, one yellow) to the left of the text 'FMDQ'. The 'Q' is a large blue circle with a white and yellow striped flag-like element at its bottom right.



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## FMDQ Depository Goes Live

In yet another significant milestone for the Nigerian capital market, FMDQ Securities Exchange PLC (FMDQ Exchange or the Exchange), having positioned itself as an innovative and pacesetter financial market infrastructure group, announced the operationalisation of its wholly owned central securities depository (CSD), FMDQ Depository Limited (FMDQ Depository or the Depository), on August 5, 2019. The incorporation of this important market infrastructure, in December 2018, and its registration by the Securities and Exchange Commission, Nigeria (SEC or the Commission) in June 2019, follows the operationalisation of FMDQ Clear Limited (FMDQ Clear) - Nigeria's first central clearing house, in January 2018; completing the value chain of pertinent market infrastructure for the pre-trade, trade and post-trade spectrums provided by FMDQ – from listing to trading, clearing, settlement and data, amongst other services.

As a strategically positioned CSD, FMDQ Depository will complement the clearing function discharged by FMDQ Clear by providing the requisite framework for collateral caching, asset servicing and settlement services in the Nigerian financial markets, offering market participants an unrivalled opportunity to experience enhanced straight-through-processing. Specifically, FMDQ Depository is positioned to significantly reduce principal risks in the nation's financial markets by linking securities and cash in a way that enhances delivery versus payment, thus facilitating seamless settlement finality. Ahead of operationalising its business franchise, FMDQ Depository commenced leveraging on strategic partnerships and alliances formed by the FMDQ entities, whilst engaging its critical stakeholders, including regulators and market participants, across the value chain, on its operational readiness to implement value-added product and service offerings. These engagements with stakeholders have culminated in the progressive support of the Central Bank of Nigeria (CBN), which has taken the lead in upgrading relevant guidelines - starting with the 2009 Guidelines on the Issuance and Treatment of Bankers' Acceptances and Commercial Papers, which was revised ten years after on September 11, 2019 - to ensure that market stakeholders have a choice of Nigerian depositories, thereby further enhancing market efficiency in the markets. It is envisaged that the SEC, following its registration of the Depository, is also taking steps to upgrade its regulations to reflect the existence of another depository in the capital market landscape. These changes will facilitate the interoperability between the two (2) depositories in the country, thereby optimising freedom of choice and integrity of depository services, making our financial markets globally competitive and operationally excellent.

From its provision of data integrity and governance, innovative technology in operational processes and straight-through-processing via the FMDQ proprietary system, FMDQ Q-ex, FMDQ Depository has provisioned requisite structures to deliver a client-focused depository of choice, with excellent operational capabilities tailored to provide value-adding services to its stakeholders in the Nigerian financial market.

The three (3) SEC-registered FMDQ entities – FMDQ Exchange, FMDQ Clear and FMDQ Depository – make up Africa’s first vertically integrated financial market infrastructure group, providing a one-stop platform for the seamless listing, trading, clearing, settlement and recording of financial market transactions across the debt capital, equity capital, foreign exchange and derivatives markets.

[Read more](#) on the operationalisation of FMDQ Depository or [click here](#) to visit its webpage.

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## **FMDQ Exchange Holds Series II of Derivatives Market Training for Stakeholders**

FMDQ Exchange activated its Derivatives Market Development Project (the “Project”) in 2018 to set the tone for and facilitate the launch of a standardised derivatives market in Nigeria by the Exchange. Critical to the success of this launch is education and capacity building for all market stakeholders on how a derivatives market works and how other countries/climes have used this very important market to leapfrog their financial markets and support economic development in the long run.

Having successfully run Series I of the Derivatives Market Training for Stakeholders, the Exchange commenced Series II of these training sessions through its learning and development initiative – FMDQ Academy – which seeks to address financial markets capacity building requirements for participants and other stakeholders in the FMDQ Exchange markets; allowing them to maximise the potential of these markets towards positively impacting development of the Nigerian financial markets. To flag off Series II, the Exchange hosted the media through the umbrella body of the Capital Markets Correspondents Association of Nigeria (CAMCAN) to a 2-day training session from Friday, September 13 to Saturday, September 14, 2019.



From providing a holistic understanding of Exchange-traded derivatives and associated products, to discussions on how the pioneer product championed by the Central Bank of Nigeria in close collaboration with FMDQ Exchange, the Naira-settled OTC FX Futures product works; participants were exposed to various concepts to aid their appreciation of the derivatives market and also build their capacity for onward communication and reporting purposes.

Other stakeholder categories, including financial market Regulators, FMDQ Exchange Dealing Member (Banks), Corporate Treasurers of non-bank financial institutions, amongst others, are also beneficiaries of this training; towards ensuring all participants are knowledgeable and ready to use the offerings of the derivatives market to improve business planning and appropriately manage

foreign exchange exposures using hedging products available in the FMDQ Exchange derivatives market.



FMDQ Exchange and its subsidiaries, FMDQ Clear Limited and FMDQ Depository Limited, in availing the market with an end-to-end platform to list, trade, clear and settle financial market transactions, shall continue to foster economically impacting initiatives, in order to deliver on the mandate of making the Nigerian financial markets globally competitive, operationally excellent, liquid and diverse.



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## **FMDQ Exchange Holds 2<sup>nd</sup> Induction Programme For Its Members**

In fulfilment of one of its strategic initiatives, which is to ensure that all FMDQ Exchange Members' Authorised Representatives are properly inducted, FMDQ Exchange conducted a two-day Induction Programme (the Programme) for representatives of its Registration Members (Listings & Quotations) on September 25-26, 2019.

The Programme which held at the Exchange Place, formally introduced the FMDQ Registration Members to the FMDQ Exchange markets, its services and sensitised these Members on their roles and responsibilities as sponsors of issues on the Exchange. In addition, participants were availed requisite information on the pre-registration and post compliance requirements for the registration, listing and quotation of debt securities on the FMDQ Exchange platform; including applicable rules and regulation and how their activities shape the effective development of the markets within the Exchange's purview.



At the end of the sessions, participants were presented with a Certificate of Attendance by Ms. Tumi Sekoni, Associate Executive Director, Capital Markets at FMDQ Exchange. It will be recalled that in 2018, the Exchange commenced the Induction Programme with sessions for its Dealing Members and in furtherance to this second edition, plans to extend the Induction Programme across the Exchange Membership spectrum.

As critical stakeholders to the achievement of FMDQ Exchange's mandate of developing the Nigerian financial market, the Exchange shall continue to engage and provide avenues for its Members to contribute to its activities; proactively working together to make our developing markets operationally excellent.

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## **US\$29 Billion OTC FX Futures Contract Traded as 39<sup>th</sup> Currency Futures Contract Matured on FMDQ**

On Wednesday September 18, 2019, the 39<sup>th</sup> OTC FX Futures contract - NGUS SEP 18 2019 with a nominal value of \$1,287.32 million, matured and settled on FMDQ Exchange. This maturity brings the total value of matured currency futures contracts on the Exchange, since the inception of the market in June 2016, to circa \$19.58 billion; with a total of about \$29.78 billion so far traded.

The matured contract was valued for settlement against the NAFEX – the Nigerian Autonomous Foreign Exchange Fixing – the FMDQ Exchange reference Spot FX rate published same day. The associated clearing/settlement activities were effected accordingly by FMDQ Clear.

A new contract, NGUS SEP 30 2020 for \$1.00 billion at \$/₦366.27 to replace the matured contract.

The contracts quotes are published daily on FMDQ's website at [www.fmdqgroup.com](http://www.fmdqgroup.com) and on the FMDQ Twitter page, [@FMDQOTCExchange](https://twitter.com/FMDQOTCExchange)

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## More Corporates Raise Finance from FMDQ Exchange Commercial Paper Market

Given the increasingly competitive and demanding market environment, corporate entities have continued to seek innovative ways to source funding to finance their institutional needs. The FMDQ Exchange has continued to provide a viable platform and the Commercial Paper (CP) market, a feasible debt instrument for businesses seeking to raise short-term finance to support their business operations.

In this vein, the Exchange, within the month in view, following due approval from the FMDQ Board Listings, Markets and Technology Committee, admitted the following issues to its platform:

1. Mixta Real Estate PLC Series 5 - 9 CP notes
2. FBNQuest Merchant Bank Limited Series 15 CP notes
3. Coronation Merchant Bank Limited Series 3 - 4 CP notes
4. Dangote Cement PLC Series 5 - 12 CP notes

In addition, there was also the renewal of the Dufil Prima Foods PLC ₦30,000,000,000 CP programme on its platform; enabling the corporate to raise short-term debt as at when it requires within the programme limit approved.

FMDQ, with desire to avail issuers and investors the much-needed global visibility, confidence and protection in the markets, The successive admittance of these securities, attests to the highly efficient time to market and 'second-to-none' Listings and Quotations service offered by FMDQ.

FMDQ Exchange is committed to availing the market a unique and credible platform for the registration, listing, quotation, trading, valuation and reporting of debt securities. CPs quoted on Exchange, therefore, benefit from its seamless and efficient processes, in addition to continuous information disclosure as required by investors towards enforcing transparency in the Nigerian fixed income market space.

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# FMDQ TURNOVER & DEALING MEMBER (BANKS) LEAGUE TABLE

## FMDQ Exchange Turnover & Dealing Member (Banks)' League Table Report

The FMDQ Exchange Market Turnover Report shows the turnover on all products traded on the Exchange's secondary market – Foreign Exchange (FX), Treasury Bills (T.bills), Bonds (FGN Bonds, other Bonds (Agency, Sub-national, Corporate & Supranational) & Eurobonds)) Commercial Papers and Money Market (Repos/Buy-Backs and Unsecured Placements/Takings). These figures exclude primary market auctions in T.bills and Bonds.

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

### FMDQ Exchange Market Turnover (January - August 2019)

Product Category	(₦'mm)	(\$'mm)
Foreign Exchange	35,969,077	99,494
Foreign Exchange Derivatives	21,638,594	59,857
Treasury Bills	60,147,322	166,339
FGN Bonds	9,597,539	26,556
Other Bonds*	3,460	10
Eurobonds	197,404	546
Repurchase Agreements/Buy-Backs	30,078,047	83,236
Unsecured Placements/Takings	959,431	2,656
Money Market Derivatives	193,111	535
Commercial Papers	-	-
<b>Total</b>	<b>158,783,984</b>	<b>439,229</b>
<i>No. of Business Days</i>	165	165
<i>Average Daily Turnover</i>	<b>962,327</b>	<b>2,662</b>

Average YTD \$/₦ @ 361.58

mm – million

\*Other Bonds include Agency, Sub-national, Corporate & Supranational Bonds

Note: Figures may be subject to change due to potential adjustments from Dealing Member (Banks)

Source: FMDQ Exchange Data Portal as @ September 10, 2019; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January - August 2019 period amounted to ₦158.78 trillion. Trading activities in Treasury Bills contributed the largest to overall turnover, accounting for 37.88% of the market. FX (Spot FX and FX Derivatives) transactions accounted for 36.28% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 18.94%, and Bonds, Unsecured Placements & Takings and Money Market Derivatives representing 6.17%, 0.60% and 0.13% respectively, of overall market turnover.

### **Top Ten (10) Dealing Member (Banks) in FMDQ Exchange Markets (January – August 2019)**

The below League Table shows the rankings of its top ten (10) Dealing Member (Banks) by overall market turnover in the FMDQ Exchange Markets.

RANK	DEALING MEMBER (BANKS)
1	UNITED BANK FOR AFRICA PLC
2	STANBIC IBTC BANK PLC
3	ACCESS BANK PLC
4	STANDARD CHARTERED BANK NIGERIA LIMITED
5	ECOBANK NIGERIA LIMITED
6	FIRST BANK OF NIGERIA LIMITED
7	CITIBANK NIGERIA LIMITED
8	CORONATION MERCHANT BANK LIMITED
9	ZENITH BANK PLC
10	WEMA BANK PLC

The top ten (10) Dealing Member (Banks) accounted for 75.75% (₦119.73 trillion) of the overall turnover in the market, with the top three (3) accounting for 54.48% (₦65.23 trillion) of this sub-section of the market. United Bank for Africa PLC, Stanbic IBTC Bank PLC occupied the 1<sup>st</sup> and 2<sup>nd</sup> positions respectively, while Access Bank PLC maintained the 3<sup>rd</sup> position in the value traded for the review period.

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# UPCOMING EVENTS

## The 2019 Nigerian Capital Markets Conference & GOLD Awards

FMDQ Exchange is set to host the 2019 Nigerian Capital Markets Conference and GOLD Awards on November 7 & 8, 2019 in Lagos, Nigeria. The high-powered Conference, themed, “**Nigeria: A Compelling Destination of Capital**”, is scheduled to hold from **8:30 AM on Thursday, November 7, 2019 at The Oriental Hotel, Victoria Island, Lagos**. As in the previous Conferences<sup>1</sup> hosted by FMDQ Exchange and supported by market stakeholders in 2015 and 2017, the 2019 Conference will provide an enabling platform for domestic and international financial market stakeholders (model market experts, governments, regulators and market participants) to explore country experiences in relation to Nigeria’s, stimulate stakeholder interests and highlight pertinent areas to be confronted in the medium- to long-term to deepen and facilitate the development of the Nigerian financial markets, and the economy in general.

**FMDQ**  
Exchange ■ Clearing ■ Depository

**2019 Nigerian Capital Markets Conference and GOLD Awards**

**NOVEMBER 7 & 8 LAGOS, NIGERIA**

Save the Date

FMDQ GOLD AWARDS (2019) \*\*\*

For sponsorship and partnership enquiries, contact Uzo on 09070359970 or Teju on 09070359971. Alternatively, email: goldawards@fmdqgroup.com

The **FMDQ GOLD Awards**, on the other hand, in its second year, will hold from **5:00 PM on Friday, November 8, 2019** at the same venue; and shall recognise stakeholders whose participation in the fixed income, foreign exchange and derivatives markets in 2019, have supported and fostered growth and development of these markets and invariably, the Nigerian economy.

For more information and/or partnership enquiries, please send a mail to [fcmc@fmdqgroup.com](mailto:fcmc@fmdqgroup.com) or [goldawards@fmdqgroup.com](mailto:goldawards@fmdqgroup.com)

<sup>1</sup> View past Conferences at <http://www.fmdqconferences.com/>

## **The Official Launch of the Financial Centre for Sustainability, Lagos**

The Financial Centre for Sustainability, Lagos (FC4S Lagos) was set up as a collaborative venture among various stakeholders in the Nigerian financial markets and spearheaded by FMDQ Securities Exchange PLC, acting as the Secretariat. The foregoing aligns with FMDQ's developmental mandate on sustainable finance and advances the quest of the United Nations Environment Programme (UNEP) Inquiry to promote sustainable finance in Nigeria – where catalytic economic growth is considered a real possibility if it is successful in capitalising on sustainable investment opportunities.

Following its establishment, a significant milestone was achieved with the admission of FC4S Lagos into the International Network of Financial Centres for Sustainability (FC4S Network) as its 23<sup>rd</sup> Member in May 2019.

An official launch ceremony is slated to hold in October 2019 to commemorate this remarkable feat by the Lagos State Government.

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## Introduction to Financial Market Infrastructure – Part 2

This is the second part of a series on Financial Market Infrastructures (FMIs) commenced in the August 2019 issue, where the concept of FMIs was introduced. In this issue, the principles guiding the administration of FMIs globally will be discussed.

### **Principles of Financial Market Infrastructures**

Globally, international standards are set to govern the operations of FMIs. These standards are termed “Principles of Financial Market Infrastructure” (PFMI); and are issued by the international community to ensure strengthened FMIs and to preserve their financial stability within any given economy.

Issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) under different categories, these twenty-four (24) Principles guide the administration of FMIs globally. The respective categories (a – i) are described below:

- a. General Organisation
  1. Legal Basis: The operations of an FMI must have a clear basis in the law of the jurisdictions it operates in
  2. Governance: Market governance arrangements must be clear and transparent
  3. Framework for the Comprehensive Management of Risks: An FMI must provide for and have a proper risk management framework in place to guide its market operations
- b. Credit and Liquidity Risk Management
  4. Credit Risks: The market operator must carefully manage its credit exposure to market participants and have enough resources to cover any credit risk it is exposed to.
  5. Liquidity Risk: The market operator must monitor and manage liquidity risk
  6. Collateral: Where the market requires the use of collaterals, it must choose one with low credit, liquidity and market risks
  7. Margin: Central Counterparties must manage their credit exposure to market participants by ensuring they have an effective margin system
- c. Settlement
  8. Settlement Finality: Liabilities incurred must be settled with finality, at the very least, at the end of the day where value is credited

9. Money Settlements: Where possible, cash settlements should be finalised through the Central Bank. Credit and liquidity risks must be minimised
  10. Physical Deliverables: Where the market deals with securities or commodities, there must be clear and practical rules about their physical delivery
- d. Central Securities Depositories and Exchange of Value Settlement Systems
11. Central Securities Depositories: Where a securities depository holds the underlying securities of a market, it must manage this 'safeguarding' risk and ensure the securities are held separately from its own assets
  12. Exchange of Value Settlement Systems: Where two linked obligations are exchanged in a transaction (for example, foreign exchange), the settlement of one must be conditional on the settlement of the other
- e. Default Management
13. Participant Default Rules and Procedures: The market must have rules to cope with the default of a market participant, ensuring the losses are contained and liquidity preserved
  14. Segregation and Portability: For a Central Counterparty, it must be possible to segregate and move the positions of the participants' customers
- f. General Business and Operational Risk Management
15. General Business Risk: The market operator must manage its own business risks to ensure it can continue as a going concern
  16. Custody and Investment Risks: Assets, whether belonging to the market operator or market participants, must be safeguarded against losses
  17. Operational Risk: The market operator must identify operational risks; both internally and across the market and its participants
- g. Access
18. Access and Participation Arrangements: Criteria for participating in the market must be objective and transparent, ensuring fair and open access
  19. Tiered Participation Arrangements: Where the financial market has participants at different tiers then the market operator needs to monitor and manage the risks that such indirect relationships could cause
  20. FMI links': If an FMI is interlinked to another FMI, then both need to monitor and manage the risks arising/relating to such relationship
- h. Efficiency
21. Efficiency and Effectiveness: FMIs should be structured to efficiently and effectively meet the needs they were created to serve
  22. Communication Procedures and Standards: The market operator should use relevant and internationally accepted methods of communicating transactions

i. Transparency

23. Disclosure of Rules, Key Procedures, and Market Data: The rules and procedures of the financial market must be clear and disclosed publicly, where required
24. Disclosure of Market Data by Trade Repositories: A trade repository must disclose relevant market information to the public and government authorities in a timely and accurate manner

### **FMDQ as an FMI**

FMDQ Exchange recently transitioned from an OTC Market to a full-fledged securities exchange, by virtue of which the fixed income, FX and derivatives-focused exchange is able to position itself to cover new markets in the equities and perhaps, the commodities exchange space, as may be required by its stakeholders. In addition, the Exchange activated and operationalised two (2) wholly owned subsidiaries - FMDQ Clear Limited and FMDQ Depository Limited. Thus, emerging a **fully diversified and vertically integrated FMI Group**; providing a one-stop platform for the execution, clearing, settlement and recording of securities transactions.

- (i) **FMDQ Exchange** - Robust capital formation platform and trading venue
- (ii) **FMDQ Clear** - Fully integrated central clearing house
- (iii) **FMDQ Depository** - Dependable technology-driven asset depository

In conclusion, FMDQ, as an organisation strategically positioned to make the Nigerian financial markets “**GOLD**” – globally competitive, operationally excellent, liquid and diverse – successfully metamorphosed into an FMI Group guided by the global Principles of FMIs as described above and straddling structural integrations both horizontally (by its new status empowering it to cover new markets) and vertically (by the establishment of FMDQ Clear and FMDQ Depository).

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