



FMDQ SPOTLIGHT

NEWSLETTER EDITION 62 – DECEMBER 2019



FMDQ

The logo features a stylized icon to the left of the text 'FMDQ', consisting of three horizontal bars of varying lengths. The letter 'Q' is enclosed in a circular shape with a flag-like pattern at its bottom right.



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Happenings at Exchange Place: 2019 Highlights and 2020 Outlook for FMDQ

FMDQ Holdings PLC (formerly FMDQ Securities Exchange PLC) began the year 2019 with optimism and trust that the Nigerian financial market would further maximise its potential and indeed, effectively support the development of the Nigerian economy amongst others. From conceptualisation to implementation of strategic initiatives yielding desired results to diverse stakeholder engagements and collaboration cutting across products, markets and partnerships, the year for FMDQ was marked by significant and note-worthy happenings including the transition of the Exchange from an OTC Market to a full-fledged Securities Exchange, the subsequent evolving of the Company to become Africa's first vertically integrated financial market infrastructure (FMI) group, FMDQ Group (FMDQ or the Group), comprising FMDQ Exchange, FMDQ Clear Limited (FMDQ Clear) and FMDQ Depository Limited (FMDQ Depository), the continuous facilitation of capital access, value transfer and risk management for corporates, governments and other stakeholders via FMDQ's platform, among others. Some of these happenings included but were not limited to the following:

Excursion to Exchange Place by Students of The Learning Place, Lagos:

Having commenced the year on an optimistic note, FMDQ, through the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next), its flagship corporate responsibility programme - which provides and promotes financial markets education for the younger generation (i.e. primary, secondary and tertiary students, as well as fresh graduates) – welcomed the students of The Learning Place, an elementary school based in Lagos, on an excursion to Exchange Place in February 2019. From a tour of Exchange Place to free-style performances by the students at the Exchange's world-class Media Room, and classroom learning, the students were provided the opportunity to interact and learn about the stakeholders and typical workings of the Nigerian financial market.

Commemoration of the International Women's Day:

In March 2019, the international community celebrated the International Women's Day - a day set apart to celebrate the social, economic, cultural and political achievements of women all over the world. In solidarity with the rest of world, and towards the achievement of the Sustainable Development Goals, FMDQ joined other exchanges around the world to ring the bell for equality in line with the global theme for 2019 #BalanceforBetter.

Hosting of the RIMAN Q1 2019 Quarterly Risk Round Table:

As a crucial step towards the development of the Nigerian derivatives market, FMDQ Exchange, through its Derivatives Market Development Project, partnered with the Risk Management Association of Nigeria (RIMAN) to host their Q1 2019 Quarterly Risk Round Table in March 2019. The well-attended roundtable which held at FMDQ's Exchange Place provided a platform to introduce the importance of risk management in a well-functional derivatives market and the role of FMDQ and other stakeholders in the development of the derivatives market in Nigeria.

Hosting of the Green Bond Investors Workshop for Pension Operators:

In partnership with the National Pension Commission (PenCom) and the Nigerian Green Bond Market Development Programme (the Programme) Partners – Climate Bonds Initiative (CBI) and Financial Sector Deepening (FSD) Africa – FMDQ successfully executed an Investors Workshop (the Workshop) for Pension Fund Operators as a means to engage and continuously build capacity in the pension community. Deliberations at this session included green bond pricing strategies, role of external reviews, de-risking concepts such as guarantees/intervention structures and investment strategies deployed by leading international green bond investors.

Commemoration of the Global Money Week:

The Global Money Week is an annual financial awareness campaign designed to inspire children and young people around the world to learn about money matters, livelihoods and entrepreneurship. FMDQ, through the FMDQ-Next initiative hosted at Exchange Place, the Nigerian Economics Students Association of Covenant University. The students were exposed to the operations of the Exchange on a typical business day; straddling its key functions as a market organiser and self-regulatory organisation, and to the roles played by FMDQ and other market participants/stakeholders in the Nigerian financial market.

Establishment of Financial Centre for Sustainability, Lagos:

In order to scale up sustainable finance in Nigeria and recognising the need for a dramatic acceleration in climate financing, the United Nations Environment Programme (UNEP) Inquiry challenged FMDQ Exchange with the formation of the Financial Centre for Sustainability, Lagos (FC4S Lagos), to provide an advocacy platform that will support policymakers in the pursuit to mobilise impact investments and drive standards needed to grow green and sustainable finance instruments required to tackle the socio-economic challenges in Nigeria.

To this end, in April 2019, FMDQ convened a meeting of capital market stakeholders with about forty-three (43) senior representatives from twenty-seven (27) organisations in attendance and formalised the establishment of FC4S, Lagos, under four (4) Thematic Areas - Policy & Regulation; Issuances &

Investments; Research, Education & Engagements and Legal & Risk Management. Lagos became the 23rd Member to join the Network, alongside cities like New York, London, Geneva etc.

Commencement of Derivatives Market Training Series for Market Participants:

In line with its mission to empower the financial markets to be innovative and credible in support of the Nigerian economy and to enhance capacity of its market participants, FMDQ Exchange, through the FMDQ Academy initiative rolled out a Derivatives Market Training Series for its Members, regulators and other market participants ahead of the introduction of derivatives product to the Nigerian financial market by the Exchange. Running at various times between April – October 2019, these bespoke trainings delivered as a series of engagement and directed at different segments and participants of the Nigerian financial markets, were articulated and designed to address the diverse interests represented in the derivatives market and to provide a holistic understanding of how derivatives markets work.

Admission of the Pioneer Climate Bond Certified Green Bond – The Access Bank PLC Green Bond:

As a sustainably informed organisation, FMDQ Exchange admitted the listing of the Access Bank PLC ₦15.00 billion 5-year 15.50% Fixed Rate Senior Unsecured Green Bond (Access Bank Bond) due 2024 on its platform. This listing which represents a laudable feat for Access Bank seeks to finance eligible green assets and projects that will support the delivery of a low-carbon economy as well as champion development in the Nigerian debt capital markets (DCM). The proceeds from the issuance will be used to finance/re-finance. The Access Bank Green Bond is the first Climate Bond Certified Corporate Green Bond in Africa.

Hosting of the Media Engagement Workshop on Green Bonds:

FMDQ, FSD Africa, and CBI, together known as the Nigerian Green Bond Market Development Programme Partners, hosted capital markets media practitioners, through its umbrella association, The Capital Markets Correspondents Association of Nigeria (CAMCAN), to an interactive Media Engagement Workshop (the Workshop). This well-attended and residential Workshop aimed to demystify the concept of green bonds and to promote its general applicability in the Nigerian financial markets. The session provided technical know-how towards improving the reporting of future developments in this market by the participants, and was the first of a series of sessions within the Programme to boost the understanding and appreciation of green bonds across the financial markets value chain, including market stakeholders and policy makers.

Activation of the FMDQ-Next “Teach-a-Class” Initiative:

FMDQ, through the FMDQ-Next initiative, commenced its ‘teach-a-class’ initiative targeting students at the tertiary level, including but not limited to fresh graduates as well as participants of the National

Youth Service Corp (NYSC). The Programme which was filled with educational and interactive financial markets exercises as well as a host of other fun activities ran over a 2-week period in three (3) series. The programme participants were given the opportunity to trade in foreign exchange, fixed income and derivatives markets products via a simulated environment, powered by FMDQ's Q-Hub. By June 2019, about nine (9) finalists emerged – from whence three (3) top winners were selected following a trading challenge at the FMDQ Q-Hub. Among the gifts won by the winners were internship positions at the Exchange.

Hosting of Ms. Laure Beaufils, Outgoing British Deputy High Commissioner to Nigeria:

In recognition of the invaluable support from the British High Commission in Nigeria towards the advancement of the Nigerian financial markets and indeed, the economy, FMDQ hosted Ms. Laure Beaufils, the outgoing British Deputy High Commissioner to Nigeria, at Exchange Place in May 2019. Ms. Beaufils, in the company of other senior executives of the Commission including Mr. Guy Harrison, Head of Prosperity; Mr. Hamed Kamal, Head of Trade and Investment; Mr. Richard Sandall, Senior Adviser, Department of International Development, were hosted to a memorable evening at FMDQ's business complex, Exchange Place. Ms. Beaufils who expressed her delight at the formidable relationship between the United Kingdom and Nigeria also shared her major achievements, challenges and experiences in her time as British Deputy High Commissioner to Nigeria during a talk series - In the Spotlight – featured during the evening.

Admission of the NSP-SPV PowerCorp PLC Guaranteed Green Infrastructure Bond:

Sustainable infrastructure development in Nigeria took a positive turn when in May 2019, FMDQ Exchange admitted the listing of the NSP-SPV PowerCorp PLC Series 1 ₦8.50 billion 15.60% 15-year Fixed Rate Senior Green Infrastructure Bond under its ₦50.00 billion Bond Issuance Programme, guaranteed by InfraCredit Limited to its platform. As is tradition with the Exchange, a listing ceremony was held in honour of the issue and other parties to the issue, in commemoration of this laudable initiative which holds potential for infrastructure development in Nigeria.

Execution of the Series II Bootcamp Training for Corporate Issuers in the Nigeria DCM:

Owing to the need for increased stakeholder engagement and continuous market sensitisation on the opportunities that exists in the Nigerian DCM for corporates seeking to raise capital for their businesses and beyond, FMDQ Exchange, through the Debt Capital Markets Development (DCMD) Project, deployed a series of bootcamp training sessions across various stakeholder groups in the Nigerian DCM. Having successfully held Series I in 2018, the Series II training themed - The Nigerian Debt Capital Markets: A More Viable Means of Financing for Corporates – focused on the importance of good corporate governance practices for potential issuers that seek to expand their businesses and grow profitability in the long term, modalities for accessing various finance options in the Nigerian DCM and steps to simplifying the documentation process required, amongst others

Collaboration with ASHON Towards Expansion of the Nigerian Fixed Income Market:

FMDQ Exchange and the Association of Securities Dealing Houses of Nigeria (ASHON or the Association) – the professional body that provides rules and regulations that guides the Nigerian Stockbroking Houses, as well as advocates and represents its members – came together in a much anticipated and collaborative move to develop and expand the Nigerian fixed income market for inclusive growth. By this, FMDQ Exchange hosted the Governing Council and other members of ASHON to a meeting where the stockbroking community and the Exchange deliberated on key reforms and architecture relevant to a well-functioning and integrated capital market. In addition, the Association was availed benefits associated with bespoke FMDQ Membership Categories - Dealing Member (Specialists) and the Associate Member (Brokers) - through which their fixed income markets' needs will be met by the Exchange.

Collaboration with Recycle Points Limited Towards a Greener Environment:

FMDQ avowed its commitment to the integration of environmental, social and governance (ESG) considerations in its business operations, guided by its five (5) Sustainability Pillars – Business, Markets, People, Community and Environment – as the Group executed a Memorandum of Understanding with RecyclePoints Limited, a waste recycling and social benefit company that motivates people to recycle their everyday waste by creating value from recycled products. By this strategic collaboration, FMDQ expects to better manage its environmental impact and to build a mindful culture that is eco conscious and one which commits itself to conservation and eco-friendly sustainable business practices.

Engagement of Stakeholders on Central Counterparty (CCP) Derivatives Clearing:

Following the activation of FMDQ Clear in 2018 – a critical step towards promoting settlement finality on products traded on FMDQ Exchange – FMDQ Clear hosted senior representatives of targeted financial institutions to a stakeholder meeting themed: 'Building an Active and Viable Derivatives Market'. The meeting which was anchored by Mr. Roy Siddhartha, a Derivatives Trading, Risk Management, Clearing and Settlement Specialist, focused on obtaining the perspective of key market stakeholders from the buy-side and sell-side on their expectations for clearing, capital and operational risk management, and market connectivity in view of the planned launch of derivative products by FMDQ in the near to medium-term.

Co-Hosting of the Fixed Income Indices Sensitisation Workshop with S&P Dow Jones Indices:

In 2018, FMDQ and S&P Dow Jones Indices (SPDJI) through a previously executed Memorandum of Understanding, co-branded the Nigerian Sovereign Bond Index to become S&P/FMDQ Nigeria Sovereign Bond Index. On the back of this relationship, the duo co-hosted market stakeholders to a Fixed Income Indices Sensitisation Workshop to build knowledge and capacity of the use of indices for investment management. The Workshop which was themed – Benchmarking Bonds with FMDQ/S&P Fixed Income Indices – provided an avenue to expand participants' knowledge of indices and their use

as performance benchmarks for investment management mandates as well as challenges to their adoption/use in the development of products in the Nigerian financial markets.

Excursion to Exchange Place by the Investment Society of the University of Lagos:

As Excursions are a way in which the FMDQ-Next Programme promotes financial market awareness and literacy, in June 2019, the Exchange was visited by the Investment Society of the University of Lagos, comprising of twenty-nine (29) students in their 2nd, 3rd and final years of study. The students sought to learn about FMDQ – its history, products and services, value chain of the Nigerian financial market ecosystem and the varied career options within the Exchange and financial markets, amongst others. The Excursion ended with some mind-juggling games, meet and greet and a prize giving ceremony.

Empowerment of FMDQ Dealing Member Specialists:

As part of the drive to deepen the Nigerian capital market by fostering market integration and promoting liquidity, FMDQ Exchange launched the Dealing Member Specialist (DMS) market in December 2018. This market is made up of securities dealing firms desirous of participating in the fixed income market, to begin with; trading amongst themselves and with FMDQ's Dealing Member Banks. Identifying the crucial need for capacity building for stakeholders in this market, the Exchange organised a training and simulation session in July 2019 to improve dealers' knowledge and understanding of market making principles in the fixed income market and further promote participants' understanding of the DMS market structure and trading system, Q-Deal.

Execution of the Green Bonds Masterclass for Capital Market Intermediaries:

FMDQ, in partnership with FSD Africa and CBI, under the implementation workstream of the Nigerian Green Bond Market Development Programme, executed a Green Bond Masterclass for Capital Markets Intermediaries in July 2019. The session which brought together solicitors, trustees, rating agencies etc. as key stakeholders in the development of the Nigerian green bond market, focused expert discussions on the introduction to Green Bonds, Green Bonds Issuance & Certification Process, the Green Bonds Principles, how to develop a Green Bonds Framework, the Climate Bond Taxonomy, reporting requirement and case studies on successful Green Bonds issuances (domestic & international).

Emergence as Africa's First Vertically Integrated Financial Market Infrastructure Group

Following the approval of the apex Nigerian capital market regulator, the Securities and Exchange Commission (SEC), for the amendment of the registration of FMDQ OTC PLC from 'an OTC Market' to a full-fledged 'Securities Exchange', the Company secured the necessary approvals for a name change

to 'FMDQ Securities Exchange' thereby aligning its name to its upgraded status in the capital market. In similar vein, the Company obtained approval of the SEC for the registration and subsequent operationalisation of its wholly owned subsidiary, FMDQ Depository – a central securities depository positioned to provide collateral caching, asset servicing and settlement services – completing the value chain of pertinent market infrastructure in the Nigerian financial markets, particularly the post-trade spectrum, following the operationalisation of FMDQ Clear. The FMDQ Entities – FMDQ Exchange, FMDQ Clear and FMDQ Depository – have not only created robust linkages between hitherto fragmented spheres of the markets, but also presented the market with an efficient, innovative and one-stop integrated financial market infrastructure Group for the seamless execution, clearing and settlement of financial markets transaction.

Commencement of the 2nd Edition of the FMDQ-Next Annual Summer Camp Programme:

Having successfully launched the 1st edition of the FMDQ-Next Summer Camp Programme in 2018, commencing with secondary school students in a fully subscribed session, and attracting the former UK Prime Minister, Ms. Theresa May, to FMDQ's business complex, Exchange Place, FMDQ-Next commenced the 2nd edition of the Summer Camp Programme, running from July to August 2019 across three (3) streams of primary and secondary school students and providing fun learning activities and trading sessions to stimulate and engage the students respectively.

Hosting of Local and International Study Tour Groups to Exchange Place:

FMDQ played host to the Capital Markets Authority (CMA), Kenya, who were on study tour to FMDQ's business complex, Exchange Place, as part of their Investor Education and Public Awareness Program to understand FMDQ's operations and business services, amongst others. The visit to FMDQ Exchange was also an end-prize for the winners of the CMA Kenya-organised Capital Markets University Challenge. In the same vein, representatives from the Chartered Institute of Bankers of Nigeria were also welcomed to Exchange Place as part of the prize for the winners of the Otunba (Mrs.) Debola Osibogun National Essay Competition for undergraduates of Banking and Finance in Nigeria tertiary institutions. The tour provided an excellent opportunity for the winners to gain a better understanding of the operations of FMDQ and the Nigerian capital market in general.

Induction of Registration Members:

FMDQ Exchange conducted a two-day Induction Programme for representatives of its Registration Members (Listings & Quotations) in September 2019 in line with one of the Exchange's strategic initiatives to ensure that all FMDQ Exchange Members' Authorised Representatives are properly inducted. The Programme which held at the Exchange Place, formally introduced the FMDQ Registration Members to the markets within the Exchange's purview, its services the roles and responsibilities of these Members 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 FMDQ markets.

Launch of the Financial Centre for Sustainability, Lagos:

In October 2019, Mr. Governor, Babajide Sanwo-Olu, the Executive Governor of Lagos State, at a prestigious event which held at FMDQ's Exchange Place, officially launched the Financial Centre for Sustainability, Lagos, (FC4S, Lagos). As a crucial step towards operationalising FC4S, Lagos, a Declaration was unveiled and signed by the Executive Governor and the Chairman, FC4S Lagos, Mr. Bola Onadele. Koko, conveying the commitment of both parties, as well as other key stakeholders, to advance green and sustainable finance in the Nigerian financial markets, in line with the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement.

Hosting of the 2019 Nigerian Capital Markets Conference:

FMDQ Exchange, in November 2019, hosted the 2019 Nigerian Capital Markets Conference (the Conference), themed, Nigeria: A Compelling Destination of Capital; playing host to a wide audience of local and international financial markets participants, experts, captains, doyenne etc. who turned out in large numbers at the Lagos Oriental Hotel, Victoria Island, Lagos. The Conference, which coincided with the 6th year anniversary of FMDQ, brought together market participants, regulators, government authorities and subject-matter and model markets experts with varying interests in the Nigerian and global financial markets space, to deliberate on near-to-medium-term strategies and other pre-requisites needed to position the Nigerian capital and financial markets, to attain its potential and support sustainable economic growth and development in Nigeria.

Hosting of the 2019 FMDQ GOLD Awards:

Following the 2019 Nigerian Capital Markets Conference, FMDQ Exchange hosted market participants, including its Members, regulators, government agencies, local and foreign portfolio investors and a host of others to the second edition of its flagship FMDQ GOLD Awards (the GOLD Awards) on Friday, November 8, 2019. The very well-attended GOLD Awards, which brought together various stakeholders in the FMDQ markets, domestic and international, provided a platform to acknowledge and formally recognise the contributions of participants within the FMDQ Exchange markets for the one year period covering October 2018 to September 2019, whose activities have directly impacted the development of the markets and positively contributed to making them "GOLD" – Globally Competitive, Operationally Excellent, Liquid and Diverse.

The Students of Master Moulders International Academy Visit Exchange Place to mark World Children's Day:

Adopted by the United Nations General Assembly, November 20, has been set aside to as a day the world offers an inspirational entry-point to advocate, promote and celebrate children's rights and FMDQ-Next marked the day in solidarity with the rest of the world. This occasion also provided an opportunity to host the secondary school students of Master Moulders International Academy, on an excursion to FMDQ's business complex, Exchange Place. From an educational session where the

Students took quick lessons on how to grow money with savings, the different investment vehicles available for wealth creation, the varied stakeholders and players in the Nigerian financial markets, amongst others; to life market trading sessions, and some exciting quiz where winners were awarded fantastic prizes, the excursion provided yet another avenue to challenge the thoughts of these young minds and align these towards becoming the next generation of financial market experts.

For more insights on the happenings at Exchange Place, please [click here](#)

Outlook for 2020

With its emergence as an FMI Group – able to seamlessly and reliably offer trade execution, clearing, risk management and settlement services for transactions across the debt capital, equities, derivatives currencies and funds markets – FMDQ Group is strategically positioned to effectively upscale and align the Nigerian financial market to its global counterparts. With this upgraded status, FMDQ Group shall continue to leverage on strategic alliances and collaborations with its varied stakeholders cutting across the exchange, clearing and depository value-chains, to deliver improved value and innovative solutions to sustainably power the growth and competitiveness of the Nigerian financial market and by extension, the economy.

The year 2020 marks the beginning of a new lustrum in FMDQ's strategic journey; and without resting on its laurels over the past years, the Group remains optimistic about the opportunities ahead and is committed to building market infrastructures and sustainably empowering the Nigerian financial market in support of the economy. Underpinned by new and evolving technology, FMDQ looks to expand its offerings for the market across its exchange, clearing and depository functions, providing unrivalled product and market diversification as well as first-in-class services to all stakeholders, integrating the Nigerian financial market with its global counterparts.

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42nd Currency Futures Contract Matures, Settles on FMDQ Exchange

On Tuesday December 24, 2019, the 42nd FX Futures contract - NGUS DEC 24 2019 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 \$23.96 billion; with a total of about \$33.35 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 DEC 30 2020 for \$1.00 billion at \$/₦365.10 was introduced by the CBN alongside the 13th month contract NGUS JAN 27 2021 at \$/₦365.40.

The contracts quotes are published daily on FMDQ's [website](#) and on the FMDQ Twitter page, [@FMDQNigeria](#)

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FMDQ Exchange Admits the Listing of the TAK Agro Bond

In closing the year 2019, FMDQ Exchange delightfully welcomed the approval for the listing of the ₦15,000,000,000.00 TAK Agro PLC Series 1 Fixed Rate Bond (TAK Agro Bond) under its ₦50,000,000,000.00 Bond Issuance Programme on the FMDQ Exchange. Proceeds of this bond shall be used to augment working capital as well as finance the acquisition of 250 + trailer trucks to in support of the Company's business expansion strategy.

As with other securities listed on the Exchange, by its admission to the FMDQ Exchange platform, the TAK Agro Bond gains access to the full complement of an FMDQ Listings and Quotations Service, which includes, but is not limited to, improved secondary market liquidity, efficient listings/quotations process, unprecedented transparency and information disclosure, global visibility and improved network effects.

A formal listing ceremony will be announced in due course.

FMDQ Exchange Commemorates the Listing of the SFS Capital Fixed Income Fund

To formally welcome the listing of the **SFS Fixed Income Fund (the SFS Fund)** on the Exchange, FMDQ Exchange played host to key representatives of the Issuer (SFS Capital Nigeria Limited), Issuing House (SFS Financial Services Limited) as well as other parties to the issue, to a ceremony which held at the Exchange Place in December 2019. Welcoming guests to the Ceremony, Ms. Jumoke Olaniyan, Vice President, Market Architecture at FMDQ, commended the fund manager and highlighted that the issuance would create unprecedented market transparency, unrivalled information disclosure, efficient price formation and improved global visibility, among other benefits.

As is the tradition of all listing ceremony on the Exchange, the issuer, sponsor of the fund & FMDQ Registration Member Listings, signed the FMDQ Funds Listings register, after which the Funds Listings certificate was presented to the issuer. The ceremony was also filled with notable activities such as: presentation of mementos to the issuer, and sponsor of the fund on FMDQ as well as signing of the bespoke e-Autograph board.

In closing, Mr. Emmanuel Etaderhi, Senior Vice President, Economic Development at FMDQ, reiterated the Group's commitment to promoting the potential of the capital markets in supporting businesses and more, and encouraged all stakeholders to work together to boost the efficiency of the processes to support ease of doing of business and accessing the capital markets.





Highlights of Other Admissions to FMDQ Exchange

Within the month in view, the following securities were also admitted with the due diligence and approval of FMDQ's Board Listings, Markets and Technology Committee;

1. Registration of the **FSDH Merchant Bank Limited ₦30,000,000.00 Commercial Paper Programme**
2. Quotation of the **Mixta Real Estate PLC ₦4,108,683,000.00 Series 13** and the **₦2,402,466,000.00 Series 14 Commercial Paper**.

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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 FMDQ 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 Dealing Member (Banks), represents trades executed amongst the Dealing Member (Banks), Dealing Member (Banks) & Clients, and Dealing Member (Banks) & the CBN.

FMDQ Exchange Market Turnover (January - November 2019)

| Product Category | (₦'mm) | (\$'mm) |
|---------------------------------|--------------------|----------------|
| Foreign Exchange | 48,298,178 | 133,513 |
| Foreign Exchange Derivatives | 28,411,229 | 78,543 |
| Treasury Bills | 81,731,116 | 225,898 |
| FGN Bonds | 13,891,284 | 38,402 |
| Other Bonds* | 10,608 | 29 |
| Eurobonds | 239,525 | 662 |
| Repurchase Agreements/Buy-Backs | 41,708,819 | 115,327 |
| Unsecured Placements/Takings | 1,204,069 | 3,331 |
| Money Market Derivatives | 739,111 | 2,042 |
| Commercial Papers | - | - |
| Total | 216,233,938 | 597,748 |
| <i>No. of Business Days</i> | 228 | 228 |
| <i>Average Daily Turnover</i> | 948,394 | 2,622 |

Average YTD \$/₦ @ 361.80

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 Data Portal as @ December 9, 2019; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January - November 2019 period amounted to ₦216.23 trillion. Trading activities in Treasury Bills maintains the largest contribution to overall turnover, accounting for 37.80% of the market. FX (Spot FX and FX Derivatives) transactions accounted for 35.48% whilst Repurchase Agreements (Repos)/Buy-Back product categories (Repos/Buy-backs) accounted for 19.29%, and Bonds, Unsecured Placements & Takings and Money Market Derivatives representing 6.54%, 0.56% and 0.34% respectively, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Exchange Markets (January – November 2019)

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

| RANK | DEALING MEMBER (BANKS) |
|-------------|---|
| 1 | STANBIC IBTC BANK PLC |
| 2 | UNITED BANK FOR AFRICA 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 | ZENITH BANK PLC |
| 9 | CORONATION MERCHANT BANK LIMITED |
| 10 | FIRST CITY MONUMENT BANK LIMITED |

The top ten (10) Dealing Member (Banks) accounted for 75.73% (₦163.19 trillion) of the overall turnover in the market, with the top three (3) accounting for 54.50% (₦88.94 trillion) of this subsection of the market. Stanbic IBTC Bank PLC, United Bank for Africa PLC occupied the 1st and 2nd positions respectively, while Access Bank PLC maintained the 3rd position in the value traded for the review period.

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Understanding Bond Yields

In this edition of FMDQ Learning, we will examine the fundamentals of bond yields, including how they are determined and their relationship with bond prices.

Introduction

The yield on a bond investment is the return an investor gets by making such investment and is computed based on the purchase price of the bond and the coupon (interest) payments received. Whilst the coupon rate is fixed, the price of a bond in the secondary market (mark-to-market price) responds to changes in the general interest rate movements, supply and demand dynamics, credit quality of the bond, as well as its time-to-maturity. The 'current yield' is the return on a bond investment as a percentage of the current price of the bond, while the 'yield-to-maturity' is an estimate of what an investor will receive if the bond is held to its maturity date. Between the above two (2) yield estimations, yield-to-maturity is the most common yield estimation in the bond market as it helps investors compare bonds with different maturities and coupons. It is calculated using a bond's current market price, par value, coupon rate (i.e. the agreed rate which a bond issuer pays the bond investor/subscriber, which is a percent of the bond's par value) and time to maturity. The yield-to-maturity calculation assumes that all coupon payments are reinvested at the same rate as the bond's current yield.

The primary bond market involves the issuance of new bonds by an issuer (e.g. corporate and sovereign) to subscribers/investors, at an offer price/market yield that is determined by the issuer, in line with the credit quality and liquidity of the bond, as well as the prevailing average market interest rate. It is important to note that a bond does not have to be held to maturity. Investors can sell such bonds in the secondary market where the prices fluctuate depending on demand and supply dynamics, as well as the level of market interest rates. If an investor buys a bond (in the secondary market) between coupon payments, the investor must compensate the seller of the bond for the coupon earned from the time of the last coupon payment to the settlement date of the bond. This amount is called accrued interest.

sources of revenue, thereby increasing the country's foreign exchange earnings. Some of these products include palm oil, cocoa, cashew, sugar, and rice. Also, numerous incentive schemes have been deployed by the Federal Government to make the agricultural sector attractive for investment.

Determining Bond Yields

Bond yields are basically determined by the price of the bond in the secondary market. The price of a bond (corporate, sovereign, municipal, etc.) usually changes daily, just like any traded security in the debt or equity markets, as investors buy and sell such securities. The price of a bond is determined by discounting the future cash flows (coupon and principal payments) on the bond. In so doing, two (2) major parameters are critical to estimating the cash flows on a bond. These are the maturity date of the bond (at which time the principal, or face value of the bond is paid and the bond retired) and the coupon rate (which determines the periodic (e.g. twice-yearly) payments made to the bondholder by the issuer).

Relationship Between Bond Prices and Yields

Bond prices and yields have an inverse relationship i.e. move in opposite directions. Essentially, when yields go up, prices go down; and when yields go down, prices go up. This movement in opposite directions is primarily because when a bond is issued and traded in the secondary market, the demand and supply dynamics readjust the yields and prices in line with prevailing market interest rates. A decline in bond yields leads to capital appreciation for bond portfolios (as prices increase) whilst an increase in the yields causes the mark-to-market value of bond portfolios to decline.

To illustrate, consider a simplified scenario in which an investor purchases a bond with a par (face) value of ₦100.00 and a 10.00% annual coupon rate. The yield on the bond will be its annual coupon payment (which is ₦10.00 – i.e. 10.00% of ₦100.00,) divided by the par value ($10/100 = 0.10$), or 10.00%. If due to the market forces of demand and supply in the secondary market, the bond price fell to ₦90.00, the yield would have been ($10/90 = 0.11$) or 11.00%. On the contrary, if the bond price increased to ₦110.00, the yield would have been ($10/110 = 0.09$) or 9.00%. Thus, an increase (decrease) in the bond price leads to a corresponding decrease (increase) in the bond yield. It is important to note that the investor/bondholder would still receive the same amount of interest (coupon) payment, because the coupon rate is based on the bond's par value (i.e. ₦100.00).

FMDQ Exchange provides an efficient platform for an active secondary market for already issued bonds as well as the platform for the listing/quotation of bonds when issued in the primary market. Based on prevailing market conditions, already issued bonds can be purchased at a discount, par, or at a premium, in the secondary market. Worthy of note is that bonds are issued with a set face value and trade at par when the current price is equal to the face value and traded at a premium when the current price is greater than the face value. Bonds offered on a discount, on the other hand, sell at a price below the face value of the bonds.

In summary, bond yields are determined by the prices of the bonds, which in turn, depend on the market conditions, particularly interest rate dynamics. Interest rates, therefore, play an important role in determining the bond yields in both the primary and secondary bond markets. Bond yields respond to the movement in monetary policy rate or yields on alternative asset classes as investors

are always on the lookout for higher yields across various asset classes, and hence will demand high yields (lower bond prices) when the return on alternative asset classes increases, or when monetary policy authorities (such as the CBN) increase the monetary policy rate. Whilst bond yields-to-maturity and prices can both be used to describe the performance of a bond security or portfolio, it is customary for investors to refer to bond yields (rather than bond prices) as it allows for comparison with other interest-yielding financial securities and asset classes.

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