FMDQ SPOTLIGHT

NEWSLETTER EDITION 73 – NOVEMBER 2020

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FMDQ Group Unveils Winners of its 3rd Annual GOLD Awards

… Institutionalises Beacon of Recognition for Market Stakeholders

In the wake of a highly anticipated moment in the Nigerian financial market, FMDQ Holdings PLC ("FMDQ" or "FMDQ Group") unveiled the winners of its 2020 GOLD Awards. The FMDQ GOLD Awards ("GOLD Awards"), underscored by the tenets FMDQ's GOLD (Global Competitiveness, Operational Excellence, Liquidity and Diversity) Agenda, has become a corporate tradition of FMDQ, recognising the demonstrated resilience and agility of the Nigerian financial market participants, and acknowledging the valuable efforts of these stakeholders whose participation in the FMDQ markets (Fixed Income, Foreign Exchange, and Derivatives), and across the financial market infrastructure (FMI) value chain of FMDQ's business – Exchange, Central Counterparty, Depository and Private Markets – between the review period of October 2019 to September 2020, have positively shaped the course of the markets and invariably impacted development of the Nigerian economy. Now in its third year, the 2020 FMDQ GOLD Awards, fast becoming a beacon of recognition for the Nigerian financial market, has attracted the attention of local and international stakeholders, with Awards across the Primary Market, Secondary Market, FMDQ Members' & Clients' Choice (as nominated and voted by FMDQ Members/Clients) and FMDQ Leadership segments.

Despite an exceptionally tough year in 2020, owing to the outbreak of the novel coronavirus (COVID-19) pandemic that affected the global economies and financial markets, as well as the recent social unrest in the country, the Nigerian financial market participants continued to play an all-important role in stabilising the economy at large, providing a viable avenue for governments, corporates, and individuals to efficiently raise capital, transfer value and manage their risks, and remaining relentless in their quest to make the Nigerian financial market GOLD. In the light of the standards of the "new normal", and in keeping with the tradition of FMDQ Group to recognise excellence in its markets, the 2020 FMDQ GOLD Awards was commemorated, albeit without a ceremony, as the list of Awards winners was circulated to the public via publications across all traditional and online media channels on Friday, November 6, 2020.

Acknowledging the finalists and nominees, and congratulating the 2020 FMDQ GOLD Awards Winners, the Group Chairman of FMDQ Group, Dr. Kingsley Obiora, via a virtual address, noted that the year 2020 has been a truly challenging yet rewarding year; one which has stretched the resilience of the market and at the same time availed opportunities to deepen our markets. According to him, FMDQ Group commenced the year with great optimism as it became a Capital Market Holding Company, and Africa's first vertically integrated financial market infrastructure group, with four (4) market subsidiaries, and despite the economic downturns which the global and local economies face, the Group remains committed to the actualisation of its GOLD Agenda. Also commending the winners and all the stakeholders in the Nigerian capital market for their efforts at making Nigeria globally competitive, the Director-General of the Securities and Exchange Commission (SEC), Mr. Lamido Yuguda, who was represented by the Executive Commissioner, Operations, SEC, Mr. Temidayo Obisan, reiterated the commitment of the SEC towards collaborating with the financial market stakeholders, including the financial market infrastructures, to define appropriate market structures, create an enabling environment, build a transparent and efficient market and ultimately reduce systemic risks and protect investor interests.

Expressing her delight at the innovative strides of the FMIs, including FMDQ, and other market participants, Ms. Arunma Oteh, OON, Academic Scholar & Executive-in-Residence at Oxford University, United Kingdom & Former Treasurer/Vice President at the World Bank, also via a virtual address, congratulated the winners, nominees, finalists and other stakeholders within the wider ecosystem, for their immeasurable contributions towards making the Nigerian financial market truly GOLD. Delivering his virtual address to the market on the 2020 GOLD Awards, Mr. Bola Onadele. Koko, Chief Executive Officer, FMDQ Group, noted the uniqueness of this year's commemoration, highlighting the challenges posed to the market by the COVID-19 pandemic, and lauding the efforts of the participants at maintaining the integrity and resilience of the market. Whilst expressing his appreciation for their contributions and collaborative efforts towards making the Nigerian markets GOLD, he noted that FMDQ, as a critically important financial market infrastructure in Nigeria, recognises that an efficient financial market is the collective effort of all stakeholders. He added that, through the actualisation of its GOLD Agenda – which presents opportunities for reforms with far reaching implications for the transformation and development of the Nigerian financial markets – FMDQ shall continue to work with all stakeholders to facilitate the delivery of prosperity to Nigeria and Nigerians, and urged all stakeholders to look forward to the fourth FMDQ GOLD Awards slated for November 5, 2021.

As announced via circulation across all traditional and online media channels, 2020 GOLD Awards saw thirty-one (31) Award categories and thirty-four (34) Award winners, with joint winners in two (2) categories. Winning for the third time in a row, Stanbic IBTC Capital Limited bagged the award for the Primary Markets Champion – Capital Markets Securities Origination Award; and Stanbic IBTC Bank PLC, also for the third time, emerged the Secondary Markets Champion, winning the FMDQ Dealing Member Award, amongst six (6) other Awards across the Stanbic IBTC entities; Dangote Group won four (4) awards, with three (3) of these bagged by Dangote Cement PLC, including the Largest Corporate Bond and the Largest Commercial Paper Awards. Further, Chapel Hill Denham, won three (3) Awards, including the FMDQ Registration Member (Listings) and the Most Active Securities Lodgment Sponsor Awards. The Securities and Exchange Commission (SEC) bagged the Financial Market Regulator Market Transformation Initiative Award for the provision of enabling regulatory environment for Central Counterparty (CCP) in Nigeria through the release of CCP Rules and granting of an Approval-in-Principle for CCP – FMDQ Clear Limited as well as for fostering of derivatives market development via the release of the Rules on Regulation of Derivatives Trading, as voted by FMDQ Members and Clients.

Three (3) FMDQ Dealing Member (Banks) – Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC – were also awarded gold, silver and bronze respectively, for a new Award category – FMDQ Markets Liquidity Resilience Award – for significantly contributing to sustained liquidity and market activity, despite the slowdown in the domestic and global economies, following the outbreak of the COVID-19 pandemic. The Corporate Affairs Commission (CAC) was also recognised with the FMDQ Capital Market Catalyst Award, for the facilitation of enactment of the Companies and Allied Matters Act, 2020, which has the potential to significantly impact the Nigerian capital markets.

To maintain the integrity of the Awards in line with best practices, an independent validation exercise was carried out by Ernst & Young Nigeria, a global leader in assurance services, and all validated results, including winners, nominees & finalists, and awards descriptions, are available on FMDQ GOLD Awards website – www.fmdqgroup.com/goldawards/.

FMDQ Group is Africa's first vertically integrated financial market infrastructure group which provides registration, listing & quotation, trading, central counterparty, settlement, risk management and depository services for financial market transactions, as well as data and information services, through its wholly owned subsidiaries – FMDQ Securities Exchange Limited ("FMDQ Exchange" or the "Exchange"), FMDQ Clear Limited ("FMDQ Clear"), FMDQ Depository Limited (FMDQ Depository) and FMDQ Private Markets Limited (FMDQ Private Markets) – and is driven by its mission to collaborate to empower markets for economic progress towards delivering prosperity.

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FMDQ at 7

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Congratulations

to all Nominees, Finalists & Winners of the

3rd FMDQ GOLD AWARDS

FMDQ Exchange

FMDQ Clear

4	31	34
AWARD SEGMENTS	AWARD CATEGORIES	AWARD WINNERS

Primary

Secondary

FMDQ Depository

FMDQ Private Markets

Thank you to all our **stakeholders** for **7** years of collaboration with FMDQ towards making the Nigerian financial market

G Global Competitiveness

O Operational Excellence

L Liquidity

D Diversity

4th FMDQ GOLD Awards

Save the Date

NOVEMBER 5, 2021

To see the full list of 2020 winners and Awards descriptions, visit

www.fmdqgroup.com/goldawards

FMDQ Group

Africa's First Vertically Integrated Financial Market Infrastructure Group

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FMDQ Exchange Sensitises Stakeholders on Short-term Financing Option in the Nigerian Debt Markets

In line with the mandate of the FMDQ Debt Capital Markets Development (DCMD) Project to maximise the potential of the Nigerian debt markets through capacity development and support for issuers, investors and other participants in the Nigerian debt markets, the DCMD Project, through its Investors, Issuers & Intermediaries Engagement/Education Sub-Committee, organised a sensitisation session for market participants to highlight a viable short-term financing product – Commercial Papers (CPs)– available for corporates to meet their working capital requirements as well as other short-term financing needs.

The recent market conditions occasioned by the COVID-19 pandemic along with other macroeconomic activities such as low-interest rates, have warranted the need to drive awareness amongst market participants on a cheaper alternative source of short-term funding for these corporates, whilst increasing their capital cost-saving, ensuring capital optimisation, and improving brand reputation as well as global visibility. The FMDQ DCMD Project webinar, therefore, focused on demystifying the Nigerian CP market – value propositions, structure, procedures, documentation requirements, and key stakeholders. The webinar afforded the participants with a unique opportunity to acquire first-hand insights from subject matter experts, case studies cutting across issuer, sponsor, solicitors, and other parties to the transaction.

While delivering the opening remarks, Ms. Tumi Sekoni, Managing Director, FMDQ Securities Exchange, stated that “The Exchange provides an efficient, transparent, and well-regulated marketplace, wherein issuers enjoy competitive pricing, a diverse investors base, information symmetry, and efficient time-to-market, amongst other laudable benefits, in support of an active and viable CP market in Nigeria. The CP market has not only grown enormously over the years, with circa ₦3.00 trillion registered programmes admitted on FMDQ Exchange, but has also created an opportunity for first time issuers to participate in the debt markets, to enable them create a strong corporate brand/reputation and an optimised capital structure to boost operational efficiency and growth. With the current low interest rate regime in the markets, a unique opportunity presents itself for the sensitisation of market participants on the cheap and alternative source of funding for corporates in the Nigerian debt markets. This webinar, therefore, not only seeks to provide more insight into commercial papers as an alternative source of short-term financing, but also to afford corporates the opportunity to seek further clarity, improve knowledge and dialogue on the Nigerian commercial papers market, and how to participate in same, from and with key stakeholders as well as other subject matter experts in the Nigerian financial markets ecosystem.”

Also sharing insights during the webinar, Mr. Kobby Bentsi-Enchill, Executive Director and Head, Debt Capital Markets, West Africa, Stanbic IBTC Capital Limited & Chairman, Investors, Issuers & Intermediaries Engagement/ Education Sub-Committee of the DCMD Project noted that, “Once upon a time, in the not too distant past, accessing debt financing to fund working capital posed one of the biggest challenges to Finance Directors and Treasurers of even the most well-established corporates in Nigeria. Debt financing was predominantly the preserve of our commercial banks, that priced credit at levels often not reflective of market rates and financial system liquidity. The advent of a well-regulated and transparent commercial paper market has been revolutionary, and the dynamics of working capital financing has changed dramatically".

Since the resuscitation of the FMDQ-championed CP market reform in 2014, as predicated on the back of the Central Bank of Nigeria (CBN)'s Guidelines, CPs, which are short-term debt financing instruments issued for a period not exceeding two hundred and seventy (270) days, continue to present a cost-effective and stable means of sourcing scarce capital when compared to traditional bank loans and enable businesses diversify their funding sources. It is therefore, commendable that at such time when banks, non-bank financial institutions and small & medium-scale enterprises are striving to flourish despite the economic challenges in the country, the CP market can be looked to, to provide a viable, stable and cost-effective means for the achievement of their business objectives/goals.

According to Mrs. Ayotunde Owoigbe, Partner at Banwo & Ighodalo, a ready-made answer easily exists for the question, Why CPs? - For unsecured, short-term debt to finance a solid issuer's inventories, accounts payable and other short-term liabilities at prevailing market rates of return to the savvy, liquid investor within the sanctity of FMDQ's regulated platform; the question should be why not CPs?".

The FMDQ DCMD Project is aimed at addressing the challenges hindering the growth of the Nigerian debt markets, by providing a transformation framework with workable solutions that will stimulate growth and accelerate the development of the market to become a world-class, properly functioning debt capital market by 2025. FMDQ serves as the project office of the DCMD Project, and with the collaboration of its stakeholders, will continue to continue to champion initiatives aimed at making it easier for participants in the Nigerian debt markets to access and raise capital, as well as foster development towards upgrading the market to its global counterparts.

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Building the SDGs into Nigeria's Path Forward: FC4S Lagos and PwC Nigeria Hold Capacity Building Webinar

The Financial Centre for Sustainability, Lagos (FC4SL), in collaboration with PricewaterhouseCoopers (PwC) Nigeria, executed a webinar session as part of the Market Education and Sensitisation Campaign Initiative of the Research, Education and Engagements Thematic Area of FC4SL. The session, through expert discussions and deliberations, sought to promote the consideration, adoption and integration of the United Nations' 2030 Sustainable Development Goals (SDGs) into the formulation of developmental policies and strategies to ensure a more sustainable, safer and increasingly prosperous economy for all Nigerians.

While delivering her opening remarks, Her Excellency, Mrs. Adejoke Orelope-Adefulire, Senior Special Adviser (SSA) to the President on SDGs, represented by the Senior Technical Advisor, Dr Bala Yusuf

Yunusa, stated that “the Federal Government of Nigeria has since established institutional mechanisms to support effective implementation of the SDGs. The Office of the SSA to the President on SDGs (the Office) was established in January 2016 with the mandate of strategic planning, co-ordination, and guidance; advocacy, representation, and partnership building; monitoring, evaluation, and reporting; as well as resource work implementation. Several strategic initiatives have since been implemented; including a database mapping that enables a complete realignment of the national statistical system for the requirement and indicators of the SDGs. It has also attempted to integrate the three (3) dimensions of the SDGs – economic, social and environmental – to Nigeria’s Economic Recovery and Growth Plan from 2017 to 2020, and presently, the Office is working closely with the Federal Ministry of Finance, Budget and National Planning to integrate the SDGs into the new National Development Plan (2021 to 2025), as well as Nigeria’s 2050 Agenda. In addition to these, the process for integration of the national financing framework to support the implementation of the SDGs actualisation in Nigeria has commenced in earnest”.

Mrs. Solape Hammond, Senior Special Adviser to the Executive Governor of Lagos State on SDGs & Investments, delivered her take on the SDG initiatives for Lagos State, stating that “Government cannot afford to rely on themselves and their budget to get what needs to be done, it must be the job of everyone. Businesses have to be aligned and not just in terms of Corporate Social Responsibility (CSR) but a complete realignment of our mindset and our approach to business and leveraging innovation, which is part of SDG-9, to deliver solutions that will address the developmental challenges that the country is facing”. She also stated that “the SDG framework provides a role for everyone starting from the national level to the municipalities, businesses, non-governmental organisations and individuals. There has been a lot of collaborations on the national level and Lagos State has been working closely with the Office of the Senior Special Assistant to the President on SDGs and the United Nations Development Programme to develop a common viewpoint; working on the national voluntary review and the framework for Sustainable Finance. But there needs to be increased collaboration at the state level and Lagos State has established the Lagos State Volunteer Corp as a platform to encourage Lagosians to participate and be involved in the development agenda of Lagos State and put her in the fore of achieving the 17 Sustainable Development Goals over the next decade”.

Dr. Andrew Nevin, Partner & Chief Economist, PwC West Africa/Thematic Lead, Research, Education and Engagements, FC4SL, added that “It is time we move from a Gross Domestic Product (GDP) Lens to an SDG Lens to know if we are making progress in Nigeria”. Also, the Executive Secretary, FC4SL, Mr. Emmanuel Etaderhi, stated that “the SDGs are not just about philanthropy or doing good. They represent a US$12.00 trillion market opportunity available for the public and private sector organisations to exploit”.

The SDGs cover broad challenges such as economic inclusion, diminishing natural resources, geopolitical instability, environmental degradation, and the multifaceted impacts of climate change. They define the agenda for an inclusive economic growth through to 2030. The impact of these goals on global sustainable development will largely depend on the world’s ability to transition to new governance for sustainability that recognises the roles and responsibilities of local and subnational governments as well as corporates. Therefore, the onus lies on both the private and public sector organisations to collaborate in addressing these environmental, social, and economic issues.

Click here to watch the full replay of the Webinar on Building SDGs into Nigeria’s Path Forward.

About FC4SL

The Financial Centre for Sustainability, Lagos was set up with a vision "to become Africa's leading Financial Centre for Sustainability by 2030", and a mission "to position Lagos as a leading market in sustainability principles through investments, innovation, partnerships and capacity development via its core values of Innovation, Market Development, Partnership, Awareness, Credibility and Teamwork (IMPACT)".

FC4SL was established in 2019, as part of an effort to accelerate the expansion of sustainable finance in Nigeria through the collaborative partnership of the United Nations Environment Programme (UNEP), FMDQ Group - Africa's first vertically integrated financial market infrastructure group – as well as other key stakeholders in the Nigerian financial market.

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53rd FX Futures Contract Matures and Settles on FMDQ

On Wednesday November 25, 2020, the 53rd FX Futures contract – NGUS NOV 25 2020 with a nominal value of $1,448.84 million, matured and settled on FMDQ Securities 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 $42.21 billion; with a total of about $50.78 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.

The CBN, as observed over the last fifty-two (52) maturities, introduced a new contract, NGUS NOV 26 2025 for $1.00 billion at $/₦589.03 to replace the matured contract. The apex bank also refreshed its quotes on the existing 1 to 60-month contracts.

The contracts quotes are published daily on FMDQ's website at www.fmdqgroup.com

Click here to view Open Contracts

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At a Glance: Update from FMDQ Clear

For the period in view and following the receipt of an approval-in-principle to become Nigeria's premier Central Counterparty, FMDQ Clear, continues to deliver on its commitment to upgrade the markets in line with its mandate to propel efficiency through its risk management, clearing and settlement activities.

The tables below provide an overview of the clearing and settlement activities cutting across the derivatives (currency futures) and fixed income markets for September and October 2020.

Table 1: Clearing and Settlement Activities in the Derivatives (Currency Futures) Market

S/N	Currency Futures (as of October 31, 2020)	September	October	Change (%)
Clearing				
1	No. of Traded & Cleared Contracts	5,003	5,035	0.64
2	Value of Traded & Cleared Contracts **($'bn)**	50.41	50.65	0.48
3	Value of Open Contracts (as of October 31, 2020) **($'bn)**	11.13	9.89	(11.14)
Settlement				
4	No. of Matured & Settled Contracts	4,008	4,248	5.99
5	Value of Matured & Settled Contracts **($'bn)**	39.28	40.76	3.77

Table 2: Clearing and Settlement Activities in the Sovereign Fixed Income Market

S/N	Sovereign Fixed Income	September	October	Change (%)
1	Total Value of Trades Processed **(₦'bn)**	5,572.47	3008.52	(46.01)
2	Value of Trades Settled **(₦'bn)**	5,214.59	2701.42	(48.19)
3	Value of Unsettled Trades **(₦'bn)**	357.88	307.10	(14.19)

Table 3: Clearing and Settlement Activities in the Non-Sovereign Fixed Income Market

S/N	Non-Sovereign Fixed Income	September	October	Change (%)
1	Total Value of Trades Processed **(₦'bn)**	0.48	4.31	797.92
2	Value of Trades Settled **(₦'bn)**	0.48	4.31	797.92
3	Value of Unsettled Trades **(₦'bn)**	0	0	N/A

For more on FMDQ Clear, please click here

At a Glance: Update from FMDQ Depository

FMDQ Depository, through its provision of custody and settlement services, strives for excellence in its quest to provide unrivalled and value-adding services to financial market stakeholders, particularly, issuers and investors. As the choice depository for the Nigerian financial market, FMDQ Depository, within the month of November 2020, was appointed depository to the **Union Bank of Nigeria PLC ₦17.5 billion Series 5 and ₦2.5 billion Series 6 CPs** under its ₦100.00 billion CP Programme

The appointment of this security alongside others on the Depository positively reinforces the agenda and commitment of FMDQ Group to offer innovative and seamless services towards making the Nigerian financial markets GOLD – **G**lobally Competitive, **O**perationally Excellent, **L**iquid and **D**iverse.

For more on the service offerings of FMDQ Depository, please click here.

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MTN Nigeria Communications PLC Increases CP Programme on FMDQ Exchange

The Board Listings and Markets Committee of FMDQ Exchange has approved the revision of the Commercial Paper Programme Size of MTN Nigeria Communications PLC (MTN Nigeria) currently registered on FMDQ Exchange from ₦100.00 billion to ₦200.00 billion; enabling the communications giant to raise more short-term debt as at when it requires within the approved programme limit.

As businesses and institutions adjust to the new ‘normal’, corporate entities have continued to seek innovative and capital effective ways to source funding to finance their institutional needs. In this regard, the Nigerian debt capital markets presents a viable access to stable and short- to long-term finance to fund business expansions and initiatives which ultimately translate to the development of the Nigerian economy at large. FMDQ Exchange on its part, continues to provide a viable platform for businesses seeking to raise debt finance to support their operations. With its streamlined and efficient registration process, the Exchange continues to show its steadfastness in aligning the Nigerian DCM to international standards, through the promotion and provision of a world-class registrations, listings, and quotations service, availing issuers and investors the much-needed global visibility, confidence and protection in the markets.

Also, within the month in view, the Exchange admitted the quotation of the **Mixta Real Estate PLC ₦1.34 billion Series 30 Commercial Paper** under its ₦20.00 billion Commercial Paper Issuance Programme.

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

The FMDQ 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 Market Turnover (January - October 2020)

Product Category	(₦'mm)	($'mm)
Foreign Exchange	25,530,179	68,335
Foreign Exchange Derivatives	30,681,570	81,258
Treasury Bills	7,479,679	19,504
OMO Bills	54,993,236	145,400
FGN Bonds	23,064,877	60,834
Other Bonds*	13,966	36
Eurobonds	374,387	982
Repurchase Agreements/Buy-Backs	36,690,816	96,531
Unsecured Placements/Takings	1,347,500	3,565
Money Market Derivatives	327,050	855
Commercial Papers	-	-
Total	**180,503,260**	**477,300**

No. of Business Days	209	209
Average Daily Turnover	**863,652**	**2,284**

Average YTD $/₦ @380.33
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 @ November 6, 2020; Figures reported by Dealing Member (Banks) on a week-ending basis

The total turnover for the January - October 2020 period amounted to ₦180.50 trillion. Trading activities in FX (Spot FX and FX Derivatives) contributed the largest to overall turnover, accounting for 31.14% of the market. Transactions in OMO bills accounted for 30.47% whilst Repurchase Agreements (Repos)/Buy-Backs product categories (Repos/Buy-backs) accounted for 20.33%, and Bonds, Treasury Bills, Unsecured Placements & Takings and Money Market Derivatives representing 12.99%, 4.14%, 0.75% and 0.18% respectively, of overall market turnover.

Top Ten (10) Dealing Member (Banks) in FMDQ Markets (January – October 2020)

The FMDQ 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	ACCESS BANK PLC
3	UNITED BANK FOR AFRICA PLC
4	FIRST BANK OF NIGERIA LIMITED
5	ZENITH BANK PLC
6	STANDARD CHARTERED BANK NIGERIA LIMITED
7	CORONATION MERCHANT BANK LIMITED
8	ECOBANK NIGERIA LIMITED
9	CITIBANK NIGERIA LIMITED
10	GUARANTY TRUST BANK PLC

The top ten (10) Dealing Member (Banks) accounted for 79.52% (₦143.53 trillion) of the overall turnover in the market, with the top three (3) accounting for 63.68% (₦91.40 trillion) of this sub-section of the market. Stanbic IBTC Bank PLC, Access Bank PLC and United Bank for Africa PLC maintained the 1st, 2nd, and 3rd positions respectively, in the value traded for the review period.

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FMDQ DCMD Project to Host Webinar for Retail Investors on Understanding the Fundamentals for Investing in the Nigerian DCM

In line with the mandate of the FMDQ DCMD Project to facilitate flow of information as well as capacity development towards facilitating readiness for investors and other participants in the Nigerian DCM, the DCMD Project, through its Investors, Issuers & Intermediaries Engagement/Education Sub-Committee, is set to organise a capacity building webinar for retail investors, themed: ***Understanding the Fundamentals for Investing in the Nigerian Debt Capital Markets***.

The session, which is slated to hold on **Wednesday, December 2, 2020,** aims to create awareness on the modalities and requirements for participating in the DCM, and ultimately, provide guiding steps to investing in the Nigerian DCM.

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H2 2020 FMDQ Exchange Members' Meeting

As part of its commitment to develop the Nigerian financial market and in recognition of the crucial role played by its Members in this development, FMDQ Exchange is set to host its Members to the second FMDQ Exchange Members' Meeting for 2020 (the Meeting). The Members' meetings, which are held bi-annually, bring together the Dealing, Associate and Registration Members of FMDQ Exchange, to deliberate on and collectively contribute to the market development activities which the Exchange champions.

The Meeting, scheduled to hold Friday, December 11, 2020, shall provide an opportunity to discuss updates on various strategic initiatives being undertaken by the Exchange as well as other FMDQ entities towards making the Nigerian financial market GOLD.

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Debt Capital Market Securities: Types and Benefits

Introduction

In the October edition of the Spotlight, an introduction was provided to the Debt Capital Markets – as the segment of the financial market in which companies, governments and other institutions (collectively referred to as "issuers") raise funds through the issuance (and trading) of debt securities to investors. In the DCM, the relationship between the issuer and the investor is akin to a borrower-lender relationship; hence, the investor in any issuer's debt securities is simply a lender or creditor to the issuer and does not represent an ownership stake in the business. Unlike equity investments which do not have tenors or maturity dates, debt securities have maturity dates, by whence the investors (lenders) receive their original investment (amount raised by the issuer) from the issuer, in addition to the periodic interest payments, and the issuer ceases to have any obligation to the investors. Hence, debt securities are also referred to as fixed income securities because they provide periodic income (interest) payments at a predetermined fixed interest rate to the investors.

This edition of the Spotlight will focus on the various types of debt securities and some of the benefits of investing in them.

Types of Debt Securities

Debt securities can be classified based on their tenor i.e. Short-term and Long-term debt securities.

i. **Short-term Debt Securities:** These are debt securities with tenors of one (1) year or less. The short tenor of these securities makes them attractive to investors with low risk appetite, as a nearer maturity date typically means less credit and interest rate risk all things being equal. Common types of short-term debt securities include:

   a. **Treasury Bills:** These are short-term debt securities issued by central governments and other sovereign institutions. They are usually issued at a discount to investors. At maturity, investors are paid the face value of the investment. Because they are issued by governments, they are often backed by the full faith and credit of the issuing government. Hence, they are deemed risk-free and thus the most liquid short-term debt securities in most jurisdictions

   b. **Commercial Papers:** These are similar to Treasury bills in terms of tenor, as they are short-term debt securities issued by large corporations to raise funds to meet short-term obligations. They are also issued as discounted securities like Treasury bills, for which the issuer repays the face value upon maturity of the debt securities. However, unlike Treasury bills, they are not risk-free, as the investor is exposed to the risk of the issuer (i.e. large corporation) defaulting or failing to meet its obligation at maturity. Hence, they are issued at higher discounts than Treasury bills to incentivise investors

c. **Bankers' Acceptance (BAs):** BAs are essentially CPs guaranteed by banks. The main difference between BAs and CPs is that while CPs are unsecured debt instruments, BAs are secured CPs, with the debt securities backed by the guarantee of a bank. Hence, the bank is liable to meet all the corporation's obligations in the event of a default.

ii. **Long-term Debt Securities:** These are debt securities with a tenor of one (1) year and more. They are commonly referred to as "***Notes***" or "***Bonds***". Some common example of bonds includes:

a. **Sovereign Bonds:** These are bonds issued by the Federal Government of nations. They are usually issued to finance infrastructural projects and developments. Just like Treasury Bills, they are often backed by the full faith and credit of the issuing government. Another variant of Sovereign bond is called ***Agency Bond***. They are issued by agencies of government to access low cost funding for dedicated projects such as road construction, housing, power, etc. Agency bonds are equally backed by the government

b. **Corporate Bonds:** These are long-term debt securities issued by corporations to investors to raise funds to meet their financial obligations. They are homologous to CPs and BAs, in terms of being issued by corporations. Corporate bonds usually have a higher coupon rate than sovereign bonds due to their higher risk as the company may default on its obligation

c. **Supranational Bonds:** These are bonds jointly issued by development institutions formed by two or more countries. Just like sovereign bonds, they are considered as very safe and risk-free because they are backed by the credit of the member countries who formed the development institution. Examples of institutions that issue this kind of bond are World Bank, Africa Development Bank, International Monetary Fund, etc.

d. **Eurobonds:** These are bonds issued in a currency different from the currency of the home country of the issuer. Unlike local currency denominated bonds, Eurobonds are not affected by the risk associated with the fluctuation/depreciation of the domestic currency as they are priced in a foreign currency

e. **Sukuk:** This is also referred to as ***Sharia compliant bonds***. They are bonds packaged in compliance with the tenets of Islamic law, which prohibit interest payments. Issuers of sukuk do not pay interest to investors, rather they use the proceeds of the issue to buy an asset and give investors partial ownership interest. Hence, investors in sukuk do not own a debt obligation owed by the issuer, rather they own a part of the asset that is linked to the investment

Benefits of Investing in Debt Securities

Debt securities have unique benefits to the various financial market participants - investors, issuers, governments, etc. Some of these benefits include:

i. **Low-Default Rate:** Debt securities, especially sovereign bonds are considered as risk-free investments, as it is most unlikely that a government will default in payment of principal and coupon on a bond as and at when due. This is because the government technically has unlimited access to its local currency to meet its debt obligations. They are the best investment type for investors with low risk appetite

ii. **Fairly Liquid Nature:** As a result of the lower risk profile of debt securities coupled with the depth of the market, DCMs are seen to attract more investor participation. This, in turn, makes debt securities fairly liquid and easily tradeable

iii. **Priority of Settlement during Bankruptcy Proceedings:** When a company goes bankrupt and is to be liquidated, debt security holders usually have priority over stockholders in a company's capital structure and are first settled from the funds available, post-liquidation

iv. **Tax Exempt:** In some jurisdictions, there are no deduction of taxes on the earnings from debt securities. Thus, serving as an incentive to debt security investors

Conclusion

Based on tenor of maturity, debt securities largely fall into two main categories, i.e. short-term and long-term debt securities. While short-term debt securities constitute securities with less than or one year maturity period, e.g., treasury bills, commercial papers, banker's acceptance, etc.; long-term debt securities have a maturity period of one year and above, e.g., Sovereign Bonds, Corporate Bonds, Eurobonds, Sukuk, etc.

Most investors are attracted to debt securities because they are generally considered as low-risk investments when compared with other investment options.

In the next edition of Spotlight, we shall highlight **New Developments in the Nigerian DCM.**

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