

A Securities Exchange as an

Agent of Change Vol. 2



Transforming the Nigerian Financial Markets

Fixed Income ■ Currencies ■ Derivatives

HISTORY MADE...!!!

FIRST EVER LISTING OF THE
FEDERAL GOVERNMENT OF NIGERIA EUROBOND
ON A DOMESTIC EXCHANGE



DEBT MANAGEMENT OFFICE
NIGERIA

**US\$1.00 BILLION
FGN EUROBOND
7.875% FGN 16-FEB-2032**





A Securities Exchange
as an

Agent of Change
Vol. 2

FMDQ

OTC Securities Exchange

...empowering the Nigerian debt capital & FX markets

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Preface

Examining FMDQ OTC Securities Exchange as an Agent of Change in the Nigerian financial markets sphere is no mean feat. It is almost impossible to fully document the labour that has gone in crafting FMDQ into the financial markets architecture it is known as today. However, we owe it to the numerous individuals who labour day and night for the actualisation of FMDQ's vision to chronicle its developmental process. This is the second account of the documentation of FMDQ's history. The first account was written in 2014 and captured the sequence of activities that led to the birth and launch of FMDQ onto the Nigerian financial markets landscape. This second account will be focused on FMDQ's development and progress since 2014, and its outlook for the future.

The time period captured in this documentation seems rather short at first glance. However, it has been encouraging to see all that has been accomplished in such a short time. It pleases me to no longer regard FMDQ, which was a few short years before, just a grand idea, as a “start-up company”. We hit the ground running and have been able to accomplish some aspects of our audacious vision, made possible only by the gruelling work of our committed stakeholders, Directors and staff.

This is an opportunity to thank everyone who has made our progress and achievements possible; our Board of Directors, for providing world-class leadership; our regulator, the Securities and Exchange Commission, for its willingness to listen and openness to considering new ideas; our staff, for churning out A+ work day in and day out, toiling hard in building this institution; our shareholders, for giving us the necessary freedom to accomplish our goals; our Members, for trusting our leadership and recognising our value; our friends in the industry, for continuously availing us their time and expertise when required; the media, for constantly reporting our progress and pushing us to be innovative; and all our stakeholders for offering us the needed support.

I would especially like to appreciate the outgoing Chairman of the FMDQ Board, Dr. (Mrs.) Sarah O. Alade, OON, who, since she took over as Chairman in July 2014, has skillfully and inspiringly steered the institution on its path towards certain achievement of its vision. A lot still remains to be accomplished in the lofty goals we have set for ourselves - both as an institution and as an “agent of change” in the financial markets, and our sights remain set on becoming a world-class institution and securities exchange, being the pride of, not just Nigeria and West Africa, but the entire African continent.

Bola Onadele. Koko

Managing Director/CEO, FMDQ OTC Securities Exchange
April 2017





Foreword

When I was appointed the Chairman of the Board of FMDQ in 2014, I perceived it would most certainly be an interesting endeavour leading the Board of an 'over-the-counter securities exchange'. Looking back at all the work that we have done between that time and now, it is clear that good progress has been made in charting a path for this budding financial market infrastructure we have built to continue to trudge on in this bid to propagate innovation in our financial system.

The task of crystallising the dream of an over-the-counter (OTC) platform for our fixed income and currency markets has been properly birthed and effectively advanced, thankfully, by the inaugural Board of FMDQ led by Mr. Aigboje Aig-Imoukhuede, CON. The task of crafting the strategy for FMDQ for the future and sculpting the role that the OTC Exchange was to play in the Nigerian financial eco-system fell on me as the second Chairman of the Board. I am pleased to aver that considerable progress has been made in this regard.

Today, it is gladdening to assert that FMDQ is Nigeria's foremost debt capital and currencies securities exchange. Under my stewardship, the Board outlined a clear mandate, which the Company's Management has been empowered to drive. Focus and energy were expended on driving global competitiveness by deepening our markets through product innovation and institutionalising robust market architecture.





Given that domestic investment base, liquidity and diversity in securities and players help to dampen the impact of economic shocks, the justification for FMDQ as a key financial market infrastructure in Nigeria should be regarded as settled.

To strengthen our financial system, and by extension the overall development of the country, it is important to bear in mind that we are all tasked with the responsibility of creating a framework where banks, securities dealing houses, pension and mutual funds, other asset managers, insurers, financial market infrastructures, as well as regulatory and supervisory authorities, such as the Central Bank of Nigeria, Securities and Exchange Commission, Debt Management Office, National Pension Commission and National Insurance Commission, all function in synchrony at all times and adequately meet Nigeria's economic needs in the 21st century. I am confident that the operation we have built in FMDQ will be significant in driving this objective.

As I leave, I wish to express my deep appreciation for the opportunity to have served in this capacity. I am confident that the OTC Exchange will continue to champion innovation in the Nigerian financial system.

Dr. (Mrs.) Sarah O. Alade, OON

Chairman, FMDQ OTC Securities Exchange
April 2017





ABBREVIATIONS

ACTN - *Association of Corporate Treasurers of Nigeria*
AGM - *Annual General Meeting*
CBN - *Central Bank of Nigeria*
CP - *Commercial Paper*
CSCS - *Central Securities and Clearing System PLC*
DCM - *Debt Capital Markets*
DMBs - *Dealing Member (Banks)*
DMO - *Debt Management Office, Nigeria*
DMSs - *Dealing Member (Specialists)*
DQL - *Daily Quotations List*

FMDA - *Financial Markets Dealers Association*
FMDQ - *FMDQ OTC Securities Exchange*

IOSCO - *International Organisation of Securities Commissions*

MMAN - *Money Market Association of Nigeria*
NAFEX - *Nigerian Autonomous Foreign Exchange Fixing*
NAICOM - *National Insurance Commission*

NIFEX - *Nigerian Inter-Bank Foreign Exchange Fixing*
NITTY - *Nigerian Inter-Bank Treasury Bills' True Yield Fixing*

PenCom - *National Pension Commission*

SRO - *Self-Regulatory Organisation*
STB - *Short-Term Bonds*
STP - *Straight-through Processing*
T.bills - *Treasury Bills*

CHAPTER 1

The Journey to Transforming the Nigerian Financial Markets

*The FMDQ **GOLD** Agenda*



The global economic meltdown of 2008 stirred the need for the standardisation of clearing, governance, operations and reporting rules of the over-the-counter derivatives the world over, and as expected Nigeria saw the opportunity to extend the governance to the cash markets. However, the discourse which formed the foundation for the establishment of FMDQ OTC Securities Exchange (“FMDQ” or the “OTC Securities Exchange” or “the OTC Exchange”) officially began in 2009; indeed, the idea of a securities exchange to develop and govern the activities of the Nigerian OTC markets was birth almost a decade before then.

In December 11, 2009, a strategy session with FMDA, then MMAN, members themed: **SEC-Registered OTC ...way to go**, became the starting point in the actualising of the FMDQ dream. The FDHL-MT (a financial services strategic collaboration of FDHL and Management Transformation Ltd.) facilitated session elaborated on the design of the FMDQ concept for the Nigerian financial markets, reflecting the participants' in-depth understanding of peculiar realities and needs of the Nigerian financial markets, as well as a shrewd awareness and adoption of international best practices.

With very many series of strategic & advocacy meetings, stakeholder education & workshop sessions, technology review sessions, brainstorming sessions, business plan & implementation development meetings, extensive sponsorship lobbying & negotiations, financial regulators “buy-in” engagements, and an OTC markets licence registration application later, “FMDQ OTC PLC”, with an initial authorised share capital of ₦535 million, was registered to function as a securities exchange providing oversight on the Nigerian OTC markets.

From that fateful day in December 2009, through expected ups and downs, and being faced with challenging but surmountable hurdles whilst experiencing and celebrating little to enormous victories, over a period spanning almost four (4) years, FMDQ OTC PLC was incorporated in January 2011; constituted its 13-man inaugural Board chaired by Mr. Aigboje Aig-Imoukhuede, CON, and vice chaired by Mr. Jibril Aku, in February 2012; registered by the SEC as an OTC securities exchange in November 2012; and then formally launched on the Nigerian financial markets scene in November 2013.



A woman with dark hair, wearing a black and white striped shirt, is speaking at a podium. She is holding a white card with the FMO logo and the text "FMO" and "FMO" on it. The podium has a microphone and a glass panel. The background is a plain wall.

GLOBAL COMPETITIVENESS ■ OPERATIONAL EXCELLENCE ■ LIQUIDITY ■ DIVERSITY





A major requirement for the successful creation of FMDQ was securing indisputable and unflinching support of relevant stakeholders, and this requirement remains so to this day for the sustained accomplishment of FMDQ. Indeed, the intricacies of the coordination of policies, regulations, governance, supervision and development of the Nigerian financial markets within FMDQ's purview, which cut across the distinct jurisdictions of the SEC, CBN, DMO, PenCom etc., make it imperative for the OTC Exchange to garner the support and buy-in of the respective stakeholders towards a common goal of developing the Nigerian financial markets (i.e. capital, money, currency and derivatives) essential for the growth and stability of the nation's economy, through this unique establishment, FMDQ, whilst keeping up with the international reforms and the growth rates of trade volumes, product development and so on, in line with the nation's aspirations of the evolution of the Nigerian financial sector into an international financial centre and African DCM hub by 2020 (i.e. The FSS 2020 Program).

Since its launch onto the Nigerian financial markets landscape, FMDQ has emerged into Nigeria's celebrated fixed income and currencies OTC securities exchange, strategically driven to revolutionise the Nigerian financial markets. True to its operational mandate, FMDQ functions as an OTC securities exchange, organising and deepening the markets, and an SRO in regulating the activities of its Members in the markets under its governance; while providing an exclusive market governance structure for the OTC markets within its purview: fixed income, currency and derivatives. Indeed, FMDQ has benchmarked and modelled itself against leading innovative OTC and bonds markets.



FMDQ's Model OTC & Bonds Markets





As an OTC securities exchange, FMDQ has been structured to provide the services of a traditional OTC market with the regulatory qualities of a securities exchange. While some of the trappings of a traditional OTC market, such as the separation of the market into inter-dealer market & customer market, bilateral trade negotiations & arrangements, and the culmination of transactions through telephone & e-mail messages, are still evident, FMDQ has many undeniable characteristics of a securities exchange, for instance the strict enforcement of rules guiding trade, information flow and market conduct, centralised communication of prices to all market participants, sophisticated trading platforms, among others, and continues to develop further to attain even more of the features such as guaranteed clearing and settlement arrangements.

July 31, 2014, at the 2nd AGM of the OTC Exchange, saw the retirement of the inaugural Board Chairman and five (5) other members of the inaugural Board of Directors of FMDQ, while six (6) new Directors were elected to the Board, with Dr. (Mrs.) Sarah Alade, OON (Deputy Governor, Economic Policy Directorate, CBN) elected as the new Chairperson. Under the direction of the new Board, during a Board Strategy Retreat in October 2014, the OTC Exchange's Strategic Plan was reviewed and updated to reflect the current market realities and shareholders' sentiments, resulting in the articulation of the Guiding Principles that would shape the Strategic Plan for FMDQ for the next five (5) years.

The Management of FMDQ, in November 2014, organised a Strategy Retreat to fully articulate its Strategic Plan for 2015 through to 2019. At this Retreat, a new vision was crafted in line with the OTC Exchange's focus and the soaring heights it set for itself. Consequently, FMDQ's vision "to be the most liquid, efficient, secure and technology-driven OTC market in Africa by 2018" was modified to a more focused and audacious vision **"to be no. 1 in Africa in the fixed income and currency markets by 2019"**. FMDQ's mission "to empower the OTC financial markets to be innovative and credible, in support of the Nigerian economy" was also modified marginally but with profound impact to, **"to empower the financial markets to be innovative and credible, in support of the Nigerian economy"**. During the Retreat also, the OTC Exchange's core values of **"World-class Standards"**, **"Innovation"**, **"Integrity"** and **"Value-Adding"** were articulated, and after a year, during a Staff Acculturation Session, **"World-class Standards"** (which still remains one of the Company's values) was substituted with **"Teamwork and Collaboration"** as a core value, to reflect the cross-functional nature of deliverables amongst teams in FMDQ, and the OTC Exchange's participative, collaborative and informative relationships with its stakeholders.





FMDQ, about a year into its operations, was growing and attaining a greater understanding of what it entailed to achieve the expectations of its shareholders and other stakeholders as articulated by the Board; understanding what it meant to become a world-class institution and a world-class securities exchange. With this growth and better understanding, followed the necessitation of the coining of a name for the OTC Exchange, other than its registered name (FMDQ OTC PLC), to swiftly and unambiguously project what type of institution FMDQ was. “FMDQ OTC Securities Exchange”, consequently, became the institution's brand name.



FMDQ 5-Year Strategy Underpinnings



CHAPTER 2

Delivering Change - Making An Impact





Armed with a refocused vision “to be No. 1 in Africa in the Fixed Income and Currency Markets by 2019”, FMDQ set about on its mission “to empower the financial markets to be innovative and credible, in support of the Nigerian economy”, with renewed zeal and corresponding doggedness. FMDQ, in its short almost three and a half years in operation, has gained incredible momentum in the Nigerian financial markets. With one of its key mandates being the development of the Nigerian debt capital markets, FMDQ has demonstrated its keen resolve towards implementing various strategic initiatives focused on driving change and building knowledge through transparency, integration, regulation and education, thereby maximising stakeholder value and empowering the Nigerian financial markets and economy at large. These strategic initiatives which have, no doubt, had tremendous impact on the Nigerian financial markets landscape, range from FMDQ's Listings & Quotations Franchise development, to those around secondary market liquidity, transparency & information, governance & regulation and education.

The Listings & Quotations Franchise Competitive Edge...

As an OTC Exchange positioned to bring about revolutionary changes in the Nigerian DCM, FMDQ would not relent on discovering ways to push the envelope in its desire to achieve its goals. The fourth quarter of 2014 would prove to be the period when the beginning of unprecedented and revolutionary change would occur in the nation's DCM. In October 2014, FMDQ released its Commercial Paper Quotation Rules and Process, which had received a “No Objection” from the CBN at the end of August that same year. FMDQ had essentially commenced the initiative that would aid the revival of the Nigerian CP market, with its attendant outcomes of providing transparency, information disclosure and governance, among others, in a market that was previously opaque and unregulated. Less than a month following this, FMDQ, on November 3, 2014, admitted the first commercial paper programme – the Stanbic IBTC Bank PLC ₦100.00 billion Multi-Currency Commercial Paper Issuance Programme – for registration and quotation on the platform. As at March 2017, FMDQ had welcomed a total of circa ₦250.00 billion (from forty (40) CPs) for quotation on the platform; CPs raised by corporates operating in diverse sectors of the Nigerian economy, ranging from Banking and Financial Services to Property Development and Fast Moving Consumer Goods. The revival of the CP market has not only added value to working capital management for corporate treasurers, but has also provided an alternative asset class to investors and fund managers. In addition, the OTC Securities Exchange has successfully brought efficiency to the CP market through its unprecedented transparency to an otherwise opaque market through its Quoted Commercial Paper Status Report (QCSR), which offers a comprehensive status report on CPs quoted on FMDQ, and provides the investors with requisite information on such issuances to enable them make informed investment decisions. This Report is published on the FMDQ website.





December 2014 is a period that will forever be etched in the history of FMDQ OTC Securities Exchange, because that was the time when one can arguably suppose that the Nigerian debt securities primary market scene changed for good. After a series of extended engagements with the Securities and Exchange Commission, FMDQ was granted the approval of its Bond Listing and Quotation Rules by the Commission.

December 2014 marked the month and year when FMDQ's position as an integrated OTC securities exchange with the main focus of bringing about reform and revolution in the Nigerian debt capital markets was solidly affirmed. The Listings and Quotations Franchise of FMDQ was birthed and tasked with making a significant, positive and enduring impact in the Nigerian financial markets. FMDQ, in its innovative and value-adding ways, adopted a competitive pricing model and also immediately began offering a second-to-none listing and quotation service, which successfully attracted a significant number of listings to the OTC Exchange.



Consequently, on April 8, 2015, the OTC Exchange, in a unique and prestigious listing ceremony like one never hosted in the Nigerian market by a securities exchange, welcomed the pioneer corporate bond listing on its platform – the United Bank for Africa PLC ₦30.50 billion Series 1: 7year 16.45% Fixed Rate Subordinated Unsecured Notes due in 2021.



MD/CEO, FMDQ presenting Listing Scroll to erstwhile GMD/CEO, UBA PLC during the commemoration of the pioneer corporate bond listing on FMDQ

This one-of-a-kind ceremony was marked by distinct and symbolic activities in honour of the issuer, which included, among others, the signing of the “Bond Listing Register”, the unveiling of the “Bond Listing Scroll”, the presentation of the “Bond Listing Plaque”, and the ultimate, the autographing of the “Bond Listing Wall of Fame”. FMDQ had set the bar for itself! The OTC Exchange has since attracted more listings, with a total of circa twenty (20) non-sovereign bonds and a combined total value of about ₦302.00 billion, listed on the platform as at March 31, 2017.





In addition to this, July 2015 saw also a groundbreaking achievement for FMDQ, when the DMO formalised the listing and quotation of ₦4.85 trillion FGN Bonds and ₦2.80 trillion Nigerian T.bills respectively on the OTC Exchange. As at March 31, 2017, a total value of circa ₦7.00 trillion FGN Bonds and ₦3.50 trillion Nigerian T.bills are outstanding.



Building on successes achieved in 2014 and 2015 with pioneer listings and quotations, the year 2016 also demonstrated itself to be another year of triumph for the Listings and Quotations Franchise of FMDQ, with the pioneer listings of two (2) Fixed Income Funds (total value of circa ₦2.60 billion) on the platform.





Secondary Market Liquidity and Building Strong Network Effects...

Successful markets are built on strong “network effects”. This implies that the more the players are in a marketplace, the better it is for that marketplace and the stronger the market. An Exchange able to provide liquidity in a market is able to attract more activity in the market. FMDQ, over the course of its existence, has consistently focused on strategic initiatives aimed at building its network effects; on a domestic scale in the short-term, and a global scale in the medium-term to long-term. Transparency and market connectivity seemed like the obvious and most logical first steps. There are no market liquidity deterrents like opacity and information asymmetry and these were commonplace in the market FMDQ was to inherit from inception. Indeed, promoting transparency and price discovery was among the key mandates of the OTC Exchange. On November 7, 2013, the nation saw, for the first time, prices of all fixed income securities in the Nigerian OTC markets as published by FMDQ's Daily Quotations List (DQL).

FMDQ			FMDQ Daily Quotations List						28-Apr-17
OTC Securities Exchange			The FMDQ Daily Quotations List (DQL) contains data relating to, amongst other things, interest rates and coupon rates, rates of foreign exchange products, fixed income securities and derivatives in the Nigerian market (the "Information"). The Information is provided for informational purposes only. It is not intended to be used as a basis for investment or to provide any other financial advice. The Information is provided "AS IS" and "AS AVAILABLE" and may not be accurate, complete, reliable or up to date. You should not rely on the Information. The Information is provided for informational purposes only. It is not intended to be used as a basis for investment or to provide any other financial advice. The Information is provided "AS IS" and "AS AVAILABLE" and may not be accurate, complete, reliable or up to date. You should not rely on the Information.						
Rating/Agency	Description	Issue Date	Coupon (%)	Outstanding Value (\$Mn)	Maturity Date	Days to Maturity (Yrs)	Yield (%)	Closing Price	
Short-Term Federal Government of Nigeria (FGN) Bonds									
	FGN 20.00 29-JUN-2017	29-Jun-12	20.00	211.30	29-Jun-17	4.75	16.52	101.71	
	FGN 14.00 13-JUL-2016	13-Jul-11	14.00	400.40	13-Jul-16	4.80	16.52	101.67	
	FGN 10.00 10-JUL-2015	10-Jul-10	10.00	371.77	10-Jul-15	4.20	16.51	101.73	
	FGN 10.00 27-JAN-2014	27-Jan-10	10.00	401.15	27-Jan-14	4.75	16.62	101.52	
	FGN 10.00 14-MAY-2014	14-May-14	10.00	219.10	14-May-14	0.00	16.50	101.79	
	FGN 10.00 27-JAN-2010	27-Jan-10	10.00	411.50	27-Jan-10	0.00	16.50	101.80	
	FGN 10.00 17-MAY-2017	17-May-17	10.00	14.04	17-May-17	0.00	16.50	101.58	
	FGN 10.00 27-JAN-2010	27-Jan-10	10.00	391.57	27-Jan-10	0.00	16.52	101.86	
	FGN 10.00 10-JUL-2016	10-Jul-16	10.00	387.53	10-Jul-16	0.00	16.52	101.88	
	FGN 10.00 10-MAY-2010	10-May-10	10.00	400.50	10-May-10	0.00	16.54	101.86	
Fixed Income Securities									
Rating/Agency	Description	Issue Date	Coupon (%)	Outstanding Value (\$Mn)	Maturity Date	Days to Maturity (Yrs)	Yield (%)	Closing Price	
	FGN 10.00 29-JUN-2017	29-Jun-17	10.00	211.30	29-Jun-17	0.00	16.52	101.80	
	FGN 10.00 13-JUL-2016	13-Jul-16	10.00	400.40	13-Jul-16	0.00	16.52	101.82	
	FGN 10.00 10-JUL-2015	10-Jul-15	10.00	371.77	10-Jul-15	0.00	16.51	101.84	
	FGN 10.00 27-JAN-2014	27-Jan-14	10.00	401.15	27-Jan-14	0.00	16.62	101.86	
	FGN 10.00 14-MAY-2014	14-May-14	10.00	219.10	14-May-14	0.00	16.50	101.79	
	FGN 10.00 27-JAN-2010	27-Jan-10	10.00	411.50	27-Jan-10	0.00	16.50	101.80	
	FGN 10.00 17-MAY-2017	17-May-17	10.00	14.04	17-May-17	0.00	16.50	101.58	
	FGN 10.00 27-JAN-2010	27-Jan-10	10.00	391.57	27-Jan-10	0.00	16.52	101.86	
	FGN 10.00 10-JUL-2016	10-Jul-16	10.00	387.53	10-Jul-16	0.00	16.52	101.88	
	FGN 10.00 10-MAY-2010	10-May-10	10.00	400.50	10-May-10	0.00	16.54	101.86	
Repurchase Agreements									
Rating	Issue	Description	Issue Date	Coupon (%)	Outstanding Value (\$Mn)	Maturity Date	Days to Maturity (Yrs)	Yield (%)	Marked Price
Sub-ordinated Bonds									
	A-Suqia	A-Suqia	10-Aug-10	10.00	10.00	10-Aug-17	6.88	15.75	100.90
	A-Suqia	A-Suqia	21-Dec-10	10.00	25.00	21-Dec-17	6.88	15.87	101.00
	Bib-Suqia	Bib-Suqia	17-Feb-15	10.00	4.04	17-Feb-17	2.78	11.11	101.03
	A-Suqia	A-Suqia	27-May-15	11.00	6.56	27-May-17	2.79	15.75	101.40
	A-Suqia	A-Suqia	10-Dec-16	10.00	47.00	10-Dec-17	0.75	17.00	101.27
Repurchase Bond									
	AAA-MAP	AAA-MAP	11-Feb-10	10.00	10.00	11-Feb-10	0.00	10.23	101.50
	AAA-MAP	AAA-MAP	11-Feb-10	11.25	10.00	11-Feb-21	11.25	15.50	101.52
Sukuk									
	BBB-Suqia	BBB-Suqia	10-Oct-11	10.75	1.00	10-Oct-20	8.88	10.75	101.40
Corporate Bonds									
	AGG-B	AGG-B	10-Aug-10	10.00	20.00	10-Aug-17	6.88	15.72	101.50
	BBB-AGG	BBB-AGG	10-Nov-12	10.00	0.25	10-Nov-17	4.88	15.30	101.70
	A-AGG	A-AGG	10-Aug-10	10.00	10.00	10-Aug-10	0.00	15.42	101.20
	A-AGG	A-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.00	10.50	101.00
	BBB-AGG	BBB-AGG	10-Nov-10	10.00	20.00	10-Nov-20	10.0		



From inception, FMDQ identified the need for a robust mechanism for price discovery, so as to efficiently govern and promote transparency in the financial markets. FMDQ has remained committed to this mandate and daily quotation of all securities listed and quoted on the OTC Exchange and indeed all debt securities issued in Nigeria is one of the initiatives it has developed to achieve same. FMDQ makes available to its users and Members its DQL, an information tool that advances transparency by promoting uniformity in securities valuation and has remained a reference point for various stakeholder groups in the Nigerian financial markets since its maiden publication in 2013. It is widely adopted as the official source for fixed income securities prices in Nigeria by financial services regulators, auditors, professionals and investors alike. In 2016, FMDQ revised the DQL in line with current market dynamics, best practices, and transparency policies to ensure the accuracy of the DQL. The data is also shared securely with media partners for publication, to further ensure the integrity of the DQL. In addition, FMDQ provides a Quotation Service offering which provides a continuous disclosure of all relevant information pertaining to all debt securities listed/quoted on FMDQ, and is made widely available, serving to promote credibility and visibility. This Quotation Service, available on FMDQ's website for the benefit of issuers, investors, regulators, traders, etc, goes a few steps further than the DQL, providing a wealth of information on specific issues and the respective issuers.

The next “order of business” was improving market connectivity. In March 2014, the FMDQ Bloomberg E-Bond Trading and Market Surveillance System (E-Bond) was launched in the market, a System designed to support the entire trade workflow for the trading of Nigerian fixed income securities by the Dealing Member (Banks) of FMDQ. The Thomson Reuters FX Trading System would serve the same purpose for the FX market.

These Systems, not only promote price discovery and enhance transparency, thereby encouraging market liquidity, but also serve as effective governance tools for promoting and enforcing proper market conduct of the Dealing Member (Banks).

FMDQ indeed did not leave out the other players in the markets as 2016 saw the commencement of the development of bespoke price discovery, trading and surveillance systems by the OTC Exchange to support the needs of the players in the financial markets. Some of these include a price discovery system for clients to monitor intra-day market prices and rates in government securities and \$/N trading (e-Discovery web-based System), a trading system for fixed income trading for the non-bank financial institutions (FMDQ Q-Deal Trading System), a Client Trade Execution, Reporting & Surveillance System (the PenDealer System) to facilitate the trading activities of the pension fund operators in the fixed income market and the FMDQ Futures Trading, Reporting & Surveillance System.

FMDQ OTC Securities Exchange

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in Bloomberg (Intra-day market prices as at: 24 April 2017 12:07:38) Welcome Ego Odeyemi

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Foreign Exchange Market Rate (Executed Trades)				
Currency Pair	Deal Rate	Deal Volume	Deal Time	
USD/NGN	11.43	250	12:13:48	

Treasury Bills (Executed Trades)				
Security	Price	Yield	Qty (Mn)	Deal Time
91ND008 01/01/17	94.85	11.43	250	12:13:48
91ND008 01/01/17	94.85	11.43	1.00	09:28:28
91ND008 06/01/17	94.85	11.43	1.00	09:28:28

Treasury Bills (Request for Quotes)				
Security	Bid	Ask	Yield	Qty
91ND008 01/01/17	94.85	94.85	11.43	250
91ND008 06/01/17	94.85	94.85	11.43	250





The OTC Exchange has not rested on its oars as since 2014, and has continued to work and is committed to working tirelessly to enhance the trading experience of its Members, from STP to a consolidated trading and settlement solution.

Liquidity in the non-sovereign products, like in most jurisdictions, has been a challenge in the FMDQ OTC markets and the OTC Exchange, in line with its market development mandate, has sought to introduce initiatives targeted at addressing this challenge. Noteworthy of these is the Fixed Income Specialist System, a critical strategic goal for the enhancement of liquidity for fixed income securities in the market. In an attempt to build a more liquid fixed income market for non-sovereign debt securities, FMDQ developed the concept of the FISS. Liquidity in the non-sovereign fixed income market is enhanced through the commitment of fixed income specialists, to make firm bids and 'best-effort' offer quotes to willing participants in the secondary market for select fixed income securities. It is expected that this will serve to improve, among others, primary issuance price formation through the development of a non-sovereign yield curve, competitive pricing/quoting for investors, liquidity in the non-sovereign fixed income securities secondary market, price transparency and valuation of the non-sovereign fixed income securities.

Having addressed to a reasonable point, the transparency and market connectivity matters in a market that was already in existence and inherited by FMDQ, the process of “financial markets integration” appeared to be a most reasonable next step. FMDQ was quick to recognise that whilst it had inherited an inter-bank market, its mandate could not be sufficiently and successfully achieved with just one aspect of the financial markets it intended to develop. Although an extremely crucial and no doubt indispensable part, the inter-bank market on its own was not sufficient to actualise revolutionary development in the Nigerian financial markets. Consequently, FMDQ, as part of its mandate to integrate the Nigerian financial markets, thereby improving the network effects and promoting market liquidity, set about providing a credible and efficient platform for the effective integration of market participants with diverse needs in the Nigerian financial markets through memberships. FMDQ's markets integration journey started in May 2014, with the licensing of FMDQ's first batch of **Dealing Members (Banks)**; these are CBN-licensed banks who provide liquidity through market making in all the products traded on FMDQ, i.e. the fixed income, money market instruments, currencies and derivative products, among others. The DMBs made up the most part of inter-bank market the OTC Exchange inherited.

This milestone was then followed by the introduction of **Associate Member (Inter-Dealer Brokers)** on the OTC Exchange, a set of market participants that the OTC Exchange also inherited from the erstwhile OTC market. These are SEC-registered Inter-Dealer Brokers authorised by FMDQ to offer brokerage services amongst FMDQ DMBs only.



This was swiftly followed by the introduction of **Associate Member (Brokers)**, who are also SEC-registered brokers, authorised by FMDQ to offer brokerage services only between FMDQ Dealing Members and other clients. FMDQ, also saw the need to draw in end-users of the products traded on the OTC Exchange, **Associate Member (Clients)**; which include but are not limited to, institutional investors, made up pension fund administrators, other asset/fund managers, insurance companies, other corporates, etc., that participate in the FMDQ markets in various capacities. The approval of the FMDQ Bond Listings and Quotation Rules in December 2014 and also the CP Quotation Rules in August 2014 led to the introduction of the **Registration Member (Listings) and (Quotations)** membership categories on the OTC Exchange. The Registration Member (Listings) category consists of SEC-licensed issuing houses sponsoring issuers of publicly offered/privately placed fixed income securities including bonds (sovereign, agency, sub-national, corporate and supranational), asset-backed or mortgage-backed securities and mutual funds for listing on the OTC Exchange. While the Registration Members (Quotations) category is for financial institutions sponsoring issuers of CPs and other short-term debt securities (as applicable) which are to be quoted on the OTC Exchange.

On December 16, 2014, at the InterContinental Hotel, Victoria Island, Lagos, FMDQ hosted its inaugural “Members Only” meeting, where for the first time in the history of the Nigerian financial markets, representatives of the different areas of the FMDQ markets – the traders, buy-side, sell-side, intermediaries etc. – came together “under one roof” to contribute to the designing and crafting of the architecture of the financial markets in which they would operate. The representatives at the session included, among others, deposit money banks, investment banks, brokers, corporate treasurers, pension fund administrators and asset/fund managers; all Members of FMDQ under one membership category or another. This session marked the first of what will be a bi-annual gathering of FMDQ Dealing, Associate and Registration Members in the coming years. FMDQ's market integration agenda was being actualised.



Cross-section of FMDQ Members at the Inaugural 'Members Only' Meeting on December 2014

The end of 2015 witnessed the conceptualisation of another category of Dealing Members, **the Dealing Member (Specialists)**. The idea was for non-bank financial institutions (i.e. investment banking firms, securities dealing firms etc.) to contribute to the provision of liquidity through their market-making activities, in the fixed income market. These market participants were to be integrated into the FMDQ markets and equipped with the appropriate tools to aid in generating additional liquidity in the market, and would serve as avenues for effective and efficient retail participation in this market. The DMS Project took off in 2016 and the process for full integration into the market has commenced in 2017. The DMS is critical to the retail strategy of FMDQ in fixed income.



2015 also saw the introduction of the Affiliate Membership category, as FMDQ thought it pertinent to capture institutions and individuals with a keen interest in the FMDQ markets or an association with the financial markets, who wish to take advantage of the OTC Exchange's commitment to develop the Nigerian financial markets. In the course of the year 2016, this category was re-classified to further include a wider group of institutions/individuals interested in participating in the FMDQ markets; they are: **Affiliate Member (Standard)**, for institutions and individuals with a deep desire to build capacity and financial markets know-how by taking advantage of FMDQ's commitment to facilitate same; **Affiliate Member (Regulator)** category, which provides financial market regulators with data access and market visibility rights over the market activities of their respective supervisees on FMDQ's platform, through access to FMDQ's proprietary Trading, Reporting and Surveillance Systems as relevant; **Affiliate Member (FX Trading)**, specifically created to cater for the corporate institutions that along with seeking to build capacity and financial markets know-how on the financial markets, are also desirous of executing FX trades with CBN-Authorised FX Dealers (also FMDQ Dealing Member (Banks)) that have been mandated by the CBN, as part of its improved governance and transparency objectives, to execute all FX trades with their corporate clients only through FMDQ-advised FX Trading and Surveillance Systems.

A further category was introduced, **FX Trading (Corporates)**, an offshoot of the Affiliate Member (FX Trading) membership category, in recognition of the requirement by some institutions for access to trade on the FMDQ-advised FX Trading System(s) strictly in accordance with the CBN directive, without the need for any additional benefits from FMDQ (such as access to FMDQ's Information Portal). The Affiliate Members, however, are not vested with any participatory/voting rights on the OTC Exchange as either Dealing, Associate or Registration Members.

The OTC Exchange's innovative edge makes it possible for the exploration of various membership categories that will address the varied needs of all the financial markets participants.

The Information Powerhouse – FMDQ Portal/Knowledge Centre...

Recognising the importance of accessing key market information, FMDQ provides access to market data and information, via its website and the e-Markets Portal, a technology initiative launched in February 2015. The FMDQ **e-Markets** Portal is an online information repository where subscribers can access pre-trade and post-trade information services, securities valuation, real-time prices, trading data, market data, market and analytical reports etc., as well as historical information on prices in the debt and currency markets, thereby positioning the OTC Exchange as a valuable market data and information repository, servicing the needs of its Members, the financial market regulators, issuers, local and international investors, as well as other market operators, to enable users stay abreast of the activities in the markets and make more informed business decisions.

It was important for FMDQ, in living up to its reputation of being the main information repository for the markets within its purview, to publish appropriate reports providing relevant market information for all its stakeholders.



The decisions of market participants and stakeholders are largely influenced by the availability of such information. Therefore, FMDQ worked to fill the information gaps in the Nigerian financial markets by publishing reports that were considered valuable to both domestic and international stakeholders, as well as financial market regulators.

Consequently, the FMDQ Newsletter, Spotlight, was launched in November 2014. A range of OTC Market Turnover Reports were also launched during the same year. In a very short space of time, these Reports proved extremely valuable to the recipients of same and FMDQ wasted no time in developing more Reports to address the needs of its varied stakeholders. 2015 was the year for the development of key Market Intelligence Reports including the “Daily Financial Market Indicators Report”, the “OTC Monthly” and the “Financial Markets Review Report”.

These Reports, providing a wealth of information from periodic reviews of the financial market indicators, highlights of key occurrences and turnover performance in the market, to reviews of activities in the OTC markets and reviews of the OTC markets with regulatory and systemic impact analysis, are available on FMDQ's website and/or on its e-Markets Portal.



FMDQ e-Markets Portal

Standardisation, Reforms & Governance...

In its quest to further deepen the financial markets and drive liquidity, FMDQ set out initiatives to develop sound Market Infrastructure and Standardisation. Apart from focusing on improving price discovery, providing access to credible, reliable, and consistent financial markets data & information, these initiatives also focused on the development of robust regulation to govern the various product offerings in the markets, and the standardisation of regulatory processes to support and guide the activities of the operators within the FMDQ markets. FMDQ launched the reformed NIBOR in April 2014, aimed at enhancing the NIBOR process towards strengthening its credibility as a money market benchmark. It was no surprise following this, as the OTC Exchange continued to grow, that the reforming of the FMDQ Fixings and the governance around these Fixings became a normal part of its business activities in fulfilment of its market development and value-adding mandates.





FMDQ now regularly reviews its policies and practices in accordance with appropriate international benchmark regulations and guidance, particularly the IOSCO Principles for Financial Benchmarks. The FMDQ Fixings bouquet, consisting of the NIBOR, NIFEX and NITTY, have all been reviewed to ensure independent, credible and transparent Fixings designed to be reasonably reflective of the market. FMDQ also reviewed the methodology guiding the selection of and performance of the Reference Banks that supply the polled data used in the calculation of the Fixings. Crucial to the Fixings process to ensure integrity, has been the Reference Banks also signing on to the FMDQ Fixings Code of Conduct guiding their activities. In April 2017, a new Fixing, the NAFEX, was launched onto the FX market scene to aid the activities of the new FX market window, the Investors' & Exporters' FX Window, launched by the CBN in the same month.

Frameworks, Regulation...& Market Stability...

The development of robust product and market regulation and frameworks is crucial in fostering and maintaining market stability and continuity in any financial market and FMDQ, very early on, quickly recognised that collaborating with its stakeholders, especially those to be guided by these regulation and frameworks was essential. This was not something that could be achieved in a silo. Indeed, a fine balance needed to be established especially with regards to the development of regulation; the OTC Exchange had to ensure that the regulation was effective to achieve its necessary oversight function beneficial to the entire market, whilst ensuring they were efficient enough not to be too stifling and end up limiting progress. This concept or “ideal order of things” has played out in almost all the product and market regulation and frameworks development processes carried out by FMDQ, but one that enacted this concept in almost complete perfection was the development of the Framework and the Standards for the Naira-settled OTC FX Futures Market introduced into the Nigerian FX market by the CBN in June 2016.

The launch of the Naira-settled OTC FX Futures Market on June 27, 2016 came two (2) weeks after the CBN released the Revised Guidelines for the Operation of the Inter-Bank FX Market (the “Revised Guidelines”) on June 15, 2016. The OTC Exchange, in furtherance of its role as a market development focused organisation and an agent of progressive change in the Nigerian financial markets, worked with the CBN to develop the Naira-settled OTC FX Futures, which was introduced by the CBN as one of the approved products for hedging FX in Nigeria with underlying benefits including, inter alia achieving exchange rate stability, attracting significant capital flows to the Nigerian fixed income and equity markets and minimising the disequilibrium in the Spot FX market.





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OTC FX Futures Market

Trade Naira-Settled OTC FX Futures on FMDQ

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The Naira-settled OTC FX Futures contracts are essentially non-deliverable Forwards (i.e. contracts where parties agree to an exchange rate for a predetermined date in the future, without the obligation to deliver the underlying US Dollar (notional amount) on the maturity/settlement date). Upon maturity, both parties are assumed to have transacted at the Spot FX market rate. OTC FX Futures contracts are cash-settled in Naira and the differential between the contract rate and the Nigerian Inter-Bank Foreign Exchange Fixing (NIFEX) Spot rate on the maturity day determines the settlement amount, i.e. the gain/loss inherent in the contract.

The Naira-settled OTC FX Futures market kicked off on June 27, 2016, with the Central Bank of Nigeria as the pioneer seller of the OTC FX Futures contracts, offering non-standardised amounts for different tenors, from one (1) month through to twelve (12) months to Authorised Dealers, who in turn offer same to customers with trade-backed transactions or who may trade same with other Authorised Dealers, setting on bespoke maturity dates.

FMDQ OTC Securities Exchange acts as the OTC FX Futures Exchange, organising the smooth running of this market through its System, the FMDQ OTC FX Futures Trading & Reporting System, the OTC FX Futures Market Framework and FMDQ OTC FX Futures Market Operational Standards, serving to provide the requisite transparency and governance for the success of the market.

[View OTC FX Futures Market Close-Out Methodology](#)

[View OTC FX Futures Open Contracts](#)

[View FMDQ OTC FX Futures Market Framework](#)

[View OTC FX Futures Market Operational Standards \(Revised\)](#)

[View How the OTC FX Futures Market Works](#)

[View OTC FX Futures Contract Specification](#)

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- [Closing FX Rate](#)
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FMDQ, in its capacity as a market organiser and SRO, was to develop a product Framework to ensure all participants in the OTC FX Futures market had a very good understanding of the market features and modalities, and at the same time develop robust market operational standards that would guide and outline, among others, the eligibility criteria for transactions to gain access to the OTC FX Futures market; the attendant documentation requirements; duties and obligations of the transaction counterparties, clients, as well as the designated Clearing Agent; trading standards and settlement process; margining requirements; conditions for externalisation of transaction proceeds by clients; and the penalties for breach of the Standards. Acknowledging the novelty of the product, FMDQ immediately solicited the assistance of the various relevant stakeholders - from the SEC, CBN, to the deposit money banks (traders, front and middle offices), to NIBSS (the designated Clearing Agent) - to come up with the appropriate Framework and Standards for the product. Consequently, after weeks of highly intense engagements with these stakeholders, among others, the FMDQ OTC FX Futures Framework and the OTC FX Futures Market Operational Standards were developed and released to the market. The achievement of the structure for this product in record time, once again, amplified the enterprising and painstaking attributes of FMDQ.





A similar framework and regulation development process was adopted for the “Short-Term Bonds Registration Process and Listing Rules”. As an innovation driven OTC Exchange, FMDQ, following extensive consultations with stakeholders in the Nigerian financial markets space, identified the funding gap for corporates/non-sovereign institutions, between the money market debt instruments such as CPs with maximum tenors of 270 days and the traditional medium-term to long-term debt securities (e.g. bonds) which are typically issued for three (3) years and above.



FMDQ set to commence listing of short-term bonds

IBHEANYI NWACHUKWU

In order to support an even greater inclusion and participation of corporates in the Nigerian debt capital market (DCM), FMDQ OTC Securities Exchange through its various engagements and with the subsequent approval of the Securities and Exchange Commission (SEC) is to introduce Short-Term Bonds (STBs) to the Nigerian fixed income market.

Short-Term Bonds are essentially short-term debt instruments issued by corporate entities, for tenors of between one (1) year and not exceeding three (3) years.

As an innovation-driven Exchange focused on powering growth, through product and market development, FMDQ OTC Securities Exchange had, following extensive consultations with stakeholders in the Nigerian

financial market space, identified the funding gap for corporates, between the money market debt instruments such as commercial papers (CPs) with maximum tenors of 270 days and the traditional medium- to long-term debt instruments (bonds), which are typically issued for three (3) years and above.

In addition to bridging the funding gap between short- and medium- to long-term debt instruments, STBs are designed to serve the liquidity needs of the medium to large creditworthy corporates and commercial entities by providing an alternative/competitive source of financing to bank loans. Also, STBs are beneficial to the DCM as they will serve to boost the investment product bouquet for the buy-side (which comprises amongst others, the Pension Fund Administrators), off-shore investors and other market participants.


To this end, and in order to support an even greater inclusion and participation of corporates in the Nigerian DCM, FMDQ birthed the STB initiative; the issuance of short-term debt securities by institutions (non-sovereign), for tenors of between one (1) year and not exceeding three (3) years. In addition to bridging the funding gap between short-term and medium-term to long-term debt securities, the product was developed to serve the liquidity needs of medium to large creditworthy corporates and commercial entities by providing an alternative/competitive source of financing to bank loans.

The development of this new product implied the development of a framework and governance structure for the issuance of this product, to the benefit of the issuers and the investors, in line with the OTC Exchange's regulator's (the SEC's) fundamental objectives for the nation's DCM.

To this end, FMDQ developed the Short-Term Bonds Registration Process and Listing Rules (the “STB Rules”) to provide, not only effective market regulation and governance for the product, but also to ensure quick time-to-market in the facilitation of this initiative in collaboration with the SEC.

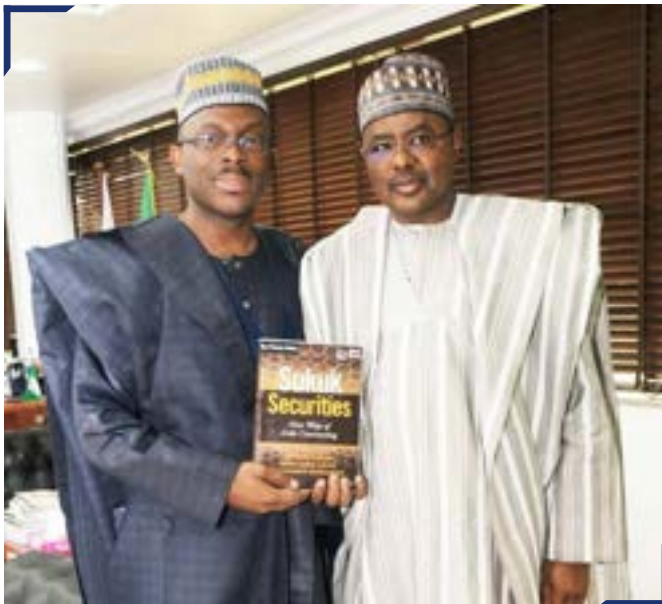
The STB Rules outline the governance structure for STB issuances as well as the procedure for the registration of prospective STB issuances in which FMDQ will serve as the platform through which the primary due diligence for all STB issuances will be conducted prior to the SEC's approval of the registration of STBs. The STB initiative, in alignment with SEC's mission to develop and regulate a capital market that is dynamic, fair, transparent and efficient, was indeed a “victory” for the entire market, from origination (issuance) through to sale (i.e. investment) and post-sale (governance).





October 6, 2016 sealed this “win”, when after several rigorous engagements with the SEC that spanned over eighteen (18) months, on the viability and feasibility of the STB product, the SEC, comfortable with this initiative, granted its approval of the STB Rules. This approval also the birth of the FMDQ “Registration, Listings and Quotations Service”.

FMDQ is also gearing its efforts towards preparing the markets for growth in product inclusion. Consequently, the OTC Exchange developed its draft Sukuk Listing Rules (Sukuk Rules) having identified this product as another area of potential growth for the Nigerian financial market which further aligns with the focus apex regulator, the SEC, which through its 10-Year Nigerian Capital Market Masterplan (2015-2025) seeks to promote diversity, depth, and financial inclusion through the development of a vibrant non-interest capital market (NICM).



FMDQ MD/CEO, Bola Onadele. Koko pays a courtesy visit to the DG, SEC, Mr. Mounir Gwarzo to discuss the collaboration opportunities on the development of the non-interest capital market

The Sukuk Rules, which were approved by the SEC in April 2017 and are in alignment with the current regulatory framework of the SEC for Sukuk as provided in the SEC Rules and Regulations 2013, were also developed following research into global best practices with examples from notable NICM hubs such as Malaysia and Dubai. The Rules set out the eligibility criteria for Sukuk issuers and the issues to be admitted to the Quotations List of the OTC Exchange and also prescribe the post-listing/quotation compliance requirements for all listed Sukuk instruments in order to promote continuous disclosure and transparency in furtherance of FMDQ's market governance mandate. Fully aware of the magnitude of this mandate and with “Product Diversification” as the OTC Exchange's strategic focus in 2017, FMDQ shall, with the support of the SEC, develop and implement the Sukuk Listing Process to ensure quick time-to-market for prospective issuers. The introduction of Sukuk listings to the FMDQ platform in year 2017 is expected to further develop and

enhance the product offerings in Nigeria, thereby catering to the diverse interests of investors in Nigeria and beyond.

Other frameworks and regulation development that followed essentially the same process of rigorous stakeholder engagements prior to release for implementation included, but were not limited to, the “Repo with Collateral Management Market” specifically with the PenCom, pension fund operators and the banks; and the Dealing Member (Specialists) Market, with the non-bank financial institutions and banks, among others.



The Balance Between Transparency, Consistency & Fairness...


Undeniably, essential qualities of regulation are transparency, consistency and fairness, and the success of regulation typically depends on striking a seamless balance between these three (3) factors. Each quality reinforces the other – transparency is enhanced by consistent use of terminology and descriptions; while consistency reduces, or eliminates ad-hoc decision making that can undermine the perception of fairness, since it reduces or eliminates loopholes that require either administrative or jurisprudential interpretation and can lead to regulatory deviation from well-established standards. The effect of paying attention to these qualities is to increase predictability – the sense that an investor/market operator can predict with reasonable certainty how any issues that arise out of transactions in the market would be treated by the regulator. Ultimately, these three (3) factors speak to the standardisation of regulatory processes, which is fundamental to the shaping of the activities of market participants and inevitably impacts on the confidence that investors have in the quality of the market. In keeping with its 2016 strategic focus of “Market Infrastructure and Standardisation”, the OTC Exchange recognised the need for an all-encompassing regulatory landscape that would further leverage its financial market growth and development initiatives. Consequently, FMDQ, in its capacity as an SRO, judged it paramount to zone in on the regulation of market participants and its stakeholders, and particular focus was accorded to documentation and implementation of clear and efficient processes for managing complaints within its markets, taking disciplinary actions against Members for established violations, and providing an avenue through which its Members could appeal against decisions made by the OTC Exchange. Consequently, the “FMDQ Disciplinary Process”, “Complaints Management Framework” and “Appeal Process for Penalties on Trading Infractions” were developed by FMDQ in 2016.

Knowledge is Power...

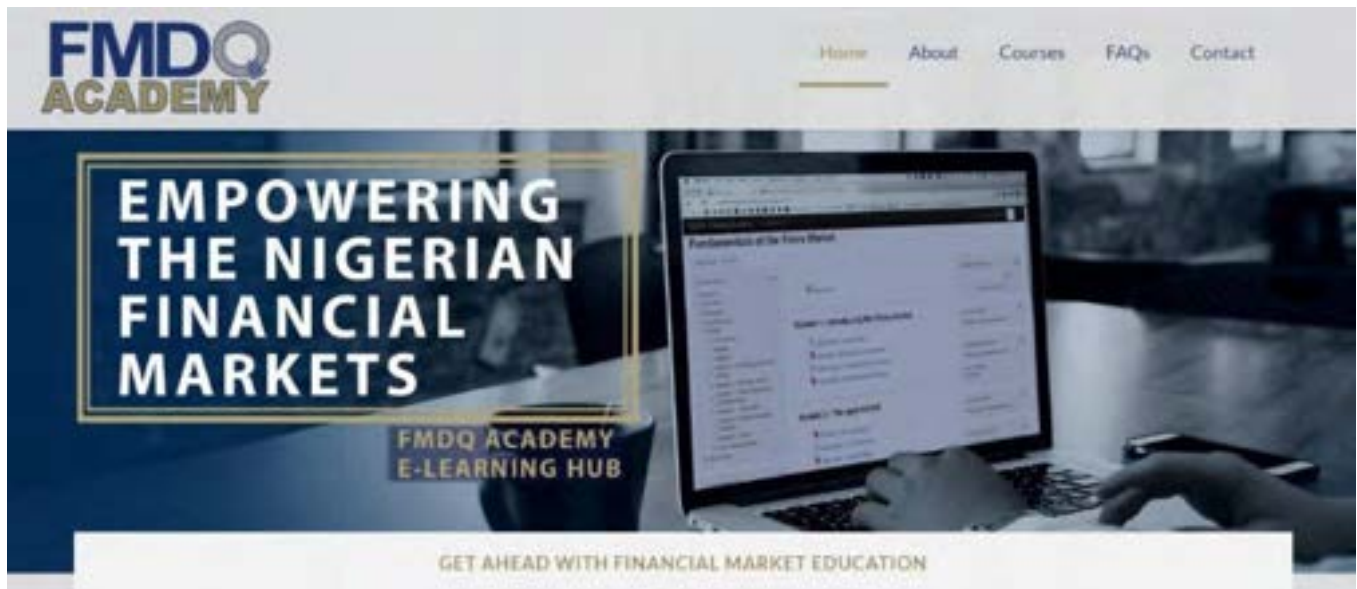
In consolidation of all the market development initiatives targeted at delivering improved and efficient services, liquidity, transparency and information, supported by sound regulation and governance, the full development and sustainability of any market may not be realised without corresponding capacity and technical know-how. As a thought-leader in the Nigerian OTC financial markets space, FMDQ has strategically led innovation towards the growth and development of the Nigerian financial markets, through its launch of a market education and capacity building initiative: **The FMDQ Academy** (the Academy).

The Academy, launched, in November 2016 and the first from a securities exchange in Nigeria, is tasked with delivering bespoke financial markets education to FMDQ stakeholders, in line with the OTC Exchange's market and product development agenda in the fixed income, currency and derivatives markets. This FMDQ wholly-sponsored initiative will address the observed knowledge and skills gaps in the Nigerian financial markets, ensuring that capacities are aligned with the rapid market transformation and product innovation in the Nigerian and global financial markets.





The Academy got off to a strong start when it commenced its e-learning solution with a Learning Management System offering free introductory course modules in fixed income, foreign exchange and derivatives. These courses will continue to be optimised over time as FMDQ progresses with transforming its markets, even as the Academy is set to roll out face-to-face and tailored learning programs for the financial market stakeholders.



Undoubtedly, the past three (3) years have been an exceptionally busy period for the OTC Exchange fiercely determined to make not just a positive impact in the markets within which it operates, but to bring about radical change and innovation in those markets for the ultimate benefit of the economy. Indeed, the last three (3) years have not been without its challenges as the markets, on a global scale, and particularly domestically, have been faced with somewhat tough situations – from falling commodity prices, political instability to slowing economic growth – the impact being acutely experienced in the Nigerian markets.



The FMDQ markets, supported by the different market development initiatives introduced by FMDQ, in collaboration with its stakeholders, however, have demonstrated remarkable resilience over these years as manifest in the markets' turnover.

Product Category	FY 2014	FY 2015	FY 2016	Q1 2017
Foreign Exchange	32.32	27.64	13.87	2.19
Foreign Exchange Derivatives	6.55	7.01	11.05	4.51
Treasury Bills	26.30	48.24	45.45	18.27
FGN Bonds	7.73	10.73	9.04	3.44
Other Bonds*	0.23	0.13	0.04	0.00
Eurobonds	-	0.04	0.05	0.04
Repurchase Agreements/Buy-Backs	23.66	31.56	31.18	7.71
Unsecured Placements/Takings	6.72	11.97	2.94	0.29
Money Market Derivatives	0.05	0.10	0.02	0.01
Commercial Papers	-	-	0.005	0.00
Total	103.57	137.43	113.66	36.46
<i>USD Equivalent (\$'bn)</i>	647.32	697.94	444.84	117.26

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

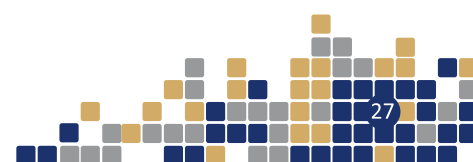
No. of Business Days	254	245	252	65
Average Daily Turnover (N'bn)	407.76	560.92	451.05	560.89
USD Equivalent (\$'bn)	2.55	2.85	1.77	1.80

Notes

Average Rates - 2017: \$/N310.90; 2016: \$/N255.50; 2015: \$/N196.90; 2014: \$/N160.00

FY - Full Year

As is evident, no real change would have been achieved without effective “teamwork and collaboration”, one of the OTC Exchange's core values, with a meaning which so succinctly and aptly summarises one of the key reasons for the Nigerian OTC markets' achievements from the inception of FMDQ to date – “Our overall mandate of organising the Nigerian financial markets imposes the need for our people to work together on a cross-functional basis whilst the company collaborates in humility with our stakeholders to foster shared understanding and combined action”.



CHAPTER 3

Powering Ahead Through Collaboration





As an OTC securities exchange established on the foundation of strong collaboration with key stakeholders in the Nigerian financial markets, FMDQ has, in its over three years in operation, continued to nurture these relationships and develop new ones, as it never fails to recognise that these strategic partnerships, indeed, make it possible for the OTC exchange to deliver on its “**GOLD**” agenda, thereby endearing and positioning its markets in the global financial markets landscape. Quite crucial to the success of the OTC Exchange have been the strong collaborations that have been built with the financial market regulators. “Change” in the Nigerian financial markets landscape cannot be truly achieved without these collaborations and the OTC Exchange has certainly been fortunate to have successfully effected real and positive change through these. Some of these strategic alliances, which have in no small measure, promoted growth and development in the Nigerian fixed income, currency and OTC derivatives markets, and indeed brought about certain and positive change in support of the nation's economy are, from a regulatory standpoint, those with the SEC, CBN, DMO and PenCom.

The Securities and Exchange Commission

December 2014, as previously highlighted, was a “game changing” month for, not only FMDQ as an institution, but for the Nigerian DCM, when the SEC demonstrated its vote of confidence in FMDQ, by granting its approval of the FMDQ Bond Listing and Quotation Rules, authorising the OTC Exchange to list medium-term and long-term bonds, and thereby according FMDQ the status of a full-fledged securities exchange with an inherently unique OTC flavour. Roll forward eight (8) months to October 2015, FMDQ, again supported by the SEC, organised a Nigerian Debt Capital Markets Workshop, which brought together key stakeholders in the Nigerian DCM to diagnose the issues hindering the empowerment of the nation's DCM and propound practical and implementable remedies to the issues, with the intention of positioning the Nigerian markets for unprecedented growth. FMDQ was to be made the coordinator of this commendable, yet mammoth Project, the Debt Capital Markets Development (DCMD) Project, to ensure that with the stakeholders collaborating on this common goal, success will indeed be realised on the remediation strategies for the Nigerian DCM. The DCMD Project was officially launched in November 2016 at the SEC's Capital Market Committee quarterly meeting.

The remarkable support provided by SEC has further paved the way for FMDQ to continue to deliver value to its stakeholders in line with world class standards. In keeping with its mandate, FMDQ has taken steps to enhance its Securities Registration, Listings and Quotations Franchise and is working in collaboration with the SEC to commence the implementation of the STB Registration Process in 2017. The STB initiative promises to evolve with market dynamics through continuous collaboration with external stakeholders.





Launch of the DCMD Project on November 24, 2016, at the SEC's Capital Market Committee Quarterly Meeting

The SEC, being the regulator of the OTC exchange, has maintained its support of the vision of FMDQ from inception, and has demonstrated this backing in many more ways than can possibly be addressed. From its approvals of the OTC Exchanges Rules on new products in the market, to collaborations on imbining global best practices in the Nigerian markets to bring about positive reforms. Suffice it to say, the invaluable and consistent support received from the SEC has significantly impacted on the realisation of market-wide goals for growth and development in the Nigerian DCM.



The Central Bank of Nigeria

The CBN continues to play a most significant role in the success of the vision of the OTC securities exchange as an organisation and its vision for the transformation of the Nigerian financial markets. From being the largest shareholder of FMDQ, the regulator of the Dealing Member (Banks) and the money market and FX products



Central Bank of Nigeria and FMDQ Leadership during signing of the OTC FX Futures Agreement

on FMDQ, to being a market participant, the CBN has demonstrated its unequivocal support of FMDQ and its mandate for the financial markets, being in congruence with the apex Bank's. The opportunities afforded FMDQ by the CBN to collaborate with the apex Bank on key market reforms continue to push the markets closer to the realisation of the collective goals of the markets' participants.

Notable and more recent of these collaboration opportunities was the period in the first half of 2016 when CBN officials, along with key members of staff of FMDQ, worked tirelessly to craft a much-needed reform for the Nigerian FX market. This work culminated in the production of a revised set of FX market guidelines, the launch of a new and innovative risk management product for the FX market, and other market-impacting initiatives that have sought to improve the dynamics of the Nigerian FX market specifically, and the money markets by extension. On June 15, 2016, the CBN re-launched the inter-bank FX market with 'Revised Guidelines for the Operations of the Nigerian Inter-Bank FX Market', essentially transitioning the market from a fixed FX rate regime to a floating one. In the reformed FX market structure, trading of hedging products was authorised and this led to the introduction of the innovative and historic Consequently, the OTC FX Futures market was formally launched into the Nigerian OTC derivatives market on June 27, 2016, at the FMDQ offices.

Tenor (M)	Contract Code	Settlement Date	Amount (\$'m)	Rate (\$/m)
1	INDUS JUL 07 2016	27-Jul-16	1.00	219.00
2	INDUS AUG 04 2016	24-Aug-16	1.00	217.00
3	INDUS SEP 01 2016	29-Sep-16	1.00	219.00
4	INDUS OCT 29 2016	26-Oct-16	1.00	263.00
5	INDUS NOV 26 2016	23-Nov-16	1.00	240.00
6	INDUS DEC 24 2016	21-Dec-16	1.00	250.00
7	INDUS JAN 21 2017	20-Jan-17	1.00	243.00
8	INDUS FEB 18 2017	22-Feb-17	1.00	236.00
9	INDUS MAR 16 2017	23-Mar-17	1.00	222.00
10	INDUS APR 13 2017	28-Apr-17	1.00	219.00
11	INDUS MAY 11 2017	29-May-17	1.00	226.00
12	INDUS JUN 08 2017	21-Jun-17	1.00	225.00

Settled on the Nigerian Inter-bank Foreign Exchange Fixing (NIFEX)



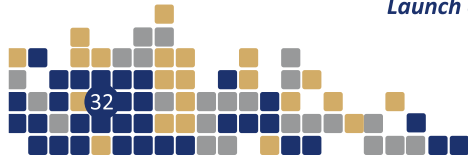
Both domestic and foreign investors especially, cheered this much-awaited development, with the CBN selling the pioneer OTC FX Futures contracts of non-standardised amounts for different tenors, running from one (1) month through to twelve (12) months. A prestigious ceremony on the day of the launch, was hosted by FMDQ in commemoration of this momentous occasion.



Key stakeholders, including SEC and CBN representatives, during the launch of the OTC FX Futures Market



Launch of the OTC FX Futures Market – Subject-matter Panel Interview Session





In the CBN's continuous desire for a financial market that embodies international best practices, despite the progress made on CP governance through the Quotation Service, CBN, in collaboration with FMDQ, identified the need for further reforms to be introduced to fully address pertinent issues arising in the CP market, which left room for malpractice and indiscipline that posed systemic risks to Nigerian banks and the financial markets as a whole. To this effect, FMDQ presented a proposal to the CBN, premised on the transparency provided by securities exchanges and adopted from various model markets, especially in Asia. The Thai Bond Market Association in Thailand was a major reference in this regard. Consequently, in line with its commitment to govern and uphold the integrity of the Nigerian financial markets, the CBN, on July 12, 2016, released a guideline mandating all deposit money banks in Nigeria, to deal only in CPs registered and quoted on authorised securities exchanges. This indeed, was a bullseye win for the CP market, especially for investors and issuers alike. Remarkable progress has been made in the Nigerian CP market as FMDQ, always seeking to add value to all its stakeholders, further enhanced the credibility and liquidity of the CP market through a highly efficient, rigorous and expeditious approval process for CP Programme Registrations and CP Quotations, boasting remarkable turnaround times for the review and approval of these securities. Furthermore, the introduction of the Guidelines has accorded the OTC Exchange the opportunity to further drive liquidity and value for investors by partnering with the Central Securities and Clearing System PLC to promote a seamless and efficient process from primary issuance, to secondary transfer, upon the clearing and settlement of the product.

To enable it perform its intervention function in the market for the purpose of safeguarding monetary and price stability as empowered by the Bank in the “Banks and Other Financial Institutions Act 2004” and the “Central Bank of Nigeria Act 2007”, the CBN is in the final stages of executing a “Market Intervention Participant Agreement” with the OTC Exchange. This Agreement essentially outlines a mechanism which would enable the apex Bank effect market intervention in the FMDQ markets as and when required, within set parameters.

The CBN, working closely with FMDQ has, over time, successfully employed initiatives and issued guidelines and circulars that have been geared towards improving the credibility, liquidity, transparency and efficiency in the markets, proving its keen and unrelenting desire to effect positive and lasting reform in the Nigerian financial markets and the economy.

The Debt Management Office

The partnership FMDQ has nurtured with the DMO is a significantly invaluable one, as the DMO is crucial in the development of the Nigerian DCM, by virtue of being, not only the pioneer of many DCM product initiatives, but also the central coordinator of the nation's debt. Whilst the partnership with the DMO has existed from the very beginning, when FMDQ was launched, and even prior to this specific date, and the positive impact of the partnership has been evident in more ways that can be documented, this account mentions but a few of the collaborations that have resulted in revolutionary change. July 2015 marked one of these, when the DMO took the purposeful and highly significant step to formalise the pioneer listing and quotation of the FGN Bonds and Nigerian T.bills on the OTC Exchange's platform. These listing and quotation saw the admittance of ₦4.85 trillion outstanding FGN Bonds and ₦2.80 trillion outstanding Nigerian T.bills on to the FMDQ Quotations List.





February 2017 was another period of significant triumph for the nation and indeed the OTC Exchange when, following a series of strategic engagements with the DMO that spanned at least three (3) years, the FGN, through the DMO, made the decision to list for the first time ever, its sovereign Eurobonds domestically. Consequently, on Friday, March 3, 2017, a unique and prestigious ceremony was held at the FMDQ offices to commemorate the official listing of the first foreign currency-denominated bond – \$1.00 billion FGN Eurobond 7.875% FGN 16-FEB-2032 – on FMDQ.

2017 is set to be a year of many “firsts” for the nation, championed by the DMO, including the first FGN Savings Bond issuance, the first sovereign Sukuk issuance, the first FGN Diaspora Bond issuance and the first sovereign Green Bond issuance, and FMDQ will continue to work in strong collaboration with the DMO to ensure these initiatives are realised successfully.

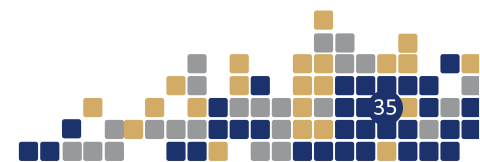


DG - DMO, Dr. Abraham Nwankwo autographing the FMDQ FGN Debt Securities Wall during the FGN Eurobond Listing Ceremony





All parties to the Issuance and Listing of the FGN Eurobond during the FGN Eurobond Listing Ceremony



National Pension Commission (PenCom)

In line with its commitment to govern, promote best practices and uphold the integrity of the Nigerian pension industry, PenCom collaborated with FMDQ in a series of discussions and exchanged correspondences to proffer viable solutions to achieving the shared desire. This collaboration led to the formalisation of PenCom's partnership with FMDQ through the co-signing of a "Regulatory Supervision Collaboration Agreement" on April 7, 2016 at the PenCom offices in Abuja, Nigeria.

This partnership, aimed at enhancing PenCom's supervisory function over its supervisees i.e. the pension fund operators (pension fund administrators, closed pension fund administrators and pension fund custodians) has seen the deployment of a Client Trade Execution, Reporting & Surveillance System called the "PenDealer System", developed by FMDQ to facilitate the trade activities of the pension fund operators with the Dealing Member (Banks) and other stakeholders in the fixed income market.

The outcome of this collaboration is certain to be positive with the market's expectation of increased transparency, efficient price formation, improved market liquidity, enhanced professionalism of the pension operators, preservation of fair returns on pension fund investments, among others, certain to be realised upon successful implementation of the terms of the partnership.

FMDQ also works in collaboration with PenCom on facilitating reforms that will bring about further market development as they relate to the participation of the pension assets in the financial markets, key of which are participation in repurchase agreements market and infrastructure development. The coming years in the nation's financial markets are expected to reap the benefits of the successful and deepened partnership between FMDQ and PenCom.





Crucial also, to FMDQ's achievement of set objectives for market development, are its relationships and partnerships with other stakeholders in the indigenous markets. FMDQ has a strong focus on developing various aspects of the Nigerian financial markets with the collaboration of key markets stakeholders. As a market organiser and even an SRO, FMDQ must and does also view collaboration from the standpoint of the indigenous markets within which it operates, and the players (non-regulatory) within same. Collaboration with these stakeholders, which is directly related to FMDQ's market integration agenda, is fundamental for the successful delivery of the market-wide developmental goals for the nation's markets. Indeed, the markets are made up of varied players with different but complementary needs towards achieving, ultimately, the same objectives.

The OTC Exchange, in recognition of this, has worked in partnership with various stakeholder groups and continues to build, not only on these effective collaborations but engage in new ones. It is safe to expect that collaborations will always be paramount in the achievement of the market development agenda of FMDQ. An attempt has been made to highlight just a small number of these partnerships and collaborations. Indeed, the extent of FMDQ's collaborations with its stakeholders is far-reaching.



FMDQ – Nigeria Mortgage Refinance Company (NMRC) PLC Partnership

The year 2015 saw the consolidation of FMDQ's activities, especially in the area of its listings and quotations service. Following a series of high-level engagements with the then recently established NMRC, FMDQ formally welcomed the listing of the organisation's pioneer mortgage bond – ₦8.00 billion NMRC PLC Bond - on its platform, on September 30, 2015. To further promote NMRC's objectives and effectively support its connection of the Nigerian mortgage industry to the DCM, FMDQ offered its support to NMRC towards the intermediation of long-term funding from the capital market for the development of the mortgage industry, with the ultimate aim of bridging Nigeria's housing deficit through the provision of affordable housing finance.

Consequently, on June 8, 2016, at a Ceremony held at the NMRC offices in Abuja, Nigeria, FMDQ formalised its partnership with NMRC through the co-signing of a Memorandum of Understanding. This collaboration will, among others, see the introduction and deployment of FMDQ initiatives aimed at launching a range of mortgage products in the Nigerian capital market; the articulation of strategies aimed at developing the Nigerian mortgage industry through non-interest finance (e.g. Sukuk); the development and roll out of awareness programmes, investor/market education and capacity building in Nigeria; and the expansion of listing opportunities for NMRC's debt securities.





FMDQ – S&P Dow Jones Indices (SPDJI)

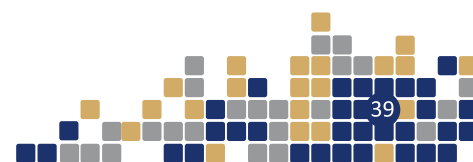
As part of its mandate to improve price discovery and transparency in the Nigerian financial markets, FMDQ formalised its partnership with SPDJI through the signing of a MoU for the development and publication of co-branded fixed income indices in the Nigerian financial market on February 7, 2017, at FMDQ's offices.

FMDQ's journey towards providing reliable and credible benchmarks began in 2014 with the launch of the FMDQ FGN Bond Index. Following the launch, the OTC Exchange continued to identify ways to improve the existing index and align it with international best standards as set out in the IOSCO Principles for Financial Benchmarks. This necessitated numerous engagements with stakeholders including but not limited to fund/asset managers and financial services regulators, who all identified the governance of the index as a very critical value-add for the successful delivery of the aforementioned mandate. To achieve this, FMDQ sought to partner with a world-class index provider, leading to the partnership with SPDJI which was identified as a credible brand and renowned for its index governance.

SPDJI is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. The partnership between FMDQ and SPDJI marked the adoption of the S&P Nigeria Sovereign Bond Index, a bond index which tracks the performance of local currency denominated index to be co-branded under the partnership.



FMDQ MD/CEO, Mr. Bola Onadele. Koko and Mr. Kurt Zyla, Managing Director & Global Head of Exchange Relationships Director & Global Head of Exchange Relationships, SPDJI during the MoU Signing Ceremony between FMDQ and SPDJI





Association of Issuing Houses of Nigeria (AIHN)

Over the years, FMDQ has strategically evolved to become a crucial vehicle through which sustainable economic development can be channeled into Nigeria's economy, via activities in the DCM. FMDQ therefore recognised the key role played by AIHN - an association of the Nigerian issuing houses, representing current and potential Registration Members (Listings and Quotations) of FMDQ, in the DCM - particularly in shaping its Listings and Quotations franchise, and maintains a positive synergy with the Association. FMDQ has continued to actively partner AIHN, participate at the Association's quarterly meetings and engage in one-on-one collaboration meetings with the member institutions to ensure the Association's objectives are aligned to FMDQ's transformational initiatives and projects.

Association of Corporate Treasurers of Nigeria (ACTN)

ACTN is strategically positioned as the trade body where a critical mass of Nigeria's corporate treasurers (excluding bank treasurers, pension/fund managers) and public sector finance managers can be engaged en masse. Members of ACTN, at its peak, will constitute a large percentage of the sellers and buyers of FX, interest rate cash and derivative products, buy-side of fixed income products and are also the issuers of commercial papers and other short-term bonds/notes. In order to support the sustainable development of the financial markets towards adding its quota to the growth of the Nigerian economy, FMDQ supported the berthing of and maintains a strong partnership with ACTN. In December 2015, ACTN was fortified, with the support of FMDQ, with an Executive Secretary/CEO, to promote its objectives and effectively rally the varied members into the one defined body. FMDQ holds a seat on the Governing Council of ACTN, providing the expertise required by the broader base to consolidate on product innovation and the OTC's Exchange's Education Plan. On December 15, 2016, the ACTN's inaugural breakfast meeting held in Lagos, Nigeria, bringing together various market participants including corporate treasurers, and providing a platform to discuss topical issues relating to the economic outlook for businesses in 2017.

Financial Markets Dealers Association (FMDA)

In line with FMDQ's mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy, the OTC Exchange actively engages the FMDA. In addition to being an assembly of the bank treasurers (who are also FMDQ Dealing Members) who promoted the notion for the establishment of FMDQ, FMDA represents the largest sell-side (and probably buy-side) community in the FMDQ markets (fixed income, currency and derivatives) and is a critical stakeholder in the FMDQ Product Roll-Out Plan, among others. FMDQ therefore continually acknowledges and partners FMDA through participation in its various market development workgroups and through co-sponsorship of its seminars/workshops which are aimed at enhancing capacity building for the market participants.





The Nigerian Debt Capital Markets Development (DCMD) Project

Few things may depict “absolute” collaboration with FMDQ's indigenous markets like the Nigerian DCMD Project, which aspires to bring together the different stakeholders in the Nigerian DCM and the economy towards a common objective of bridging the development gaps, while fostering sustainable growth, in the nation's DCM, will. In perfect tandem with FMDQ's deep desire to develop the Nigerian DCM towards, among others, global competitiveness and economic growth, the OTC Exchange, championed, with the support of key stakeholders, the Project to deliver on the remediation strategies for the growth and development of the nation's DCM following a Nigerian DCM Workshop in October 2015 hosted by FMDQ to diagnose the issues encumbering its [the DCM] growth.

The resolutions at the Workshop saw the establishment of Committees for the purpose of effective and successful implementation of the DCMD Project's objectives, supported by a team of Project Office Advisers. The Committees include the Steering Committee, the Transformation Committee and four (4) Sub-Committees (Housing & Infrastructure; Market Liquidity & Enhancement; Regulation Consolidation; and Investors/Issuers & Intermediaries Engagement/Education). The implementation Committees constitute representatives from, among other institutions, the SEC, Ministry of Finance, DMO, PenCom, CBN, NAICOM and FSS 2020. The DCMD Project's key objective is the realisation of a world-class, properly functioning Nigerian DCM by 2025, in line with the SEC's Nigerian Capital Market Master Plan. The DCMD Project is set to establish the Sustainable Finance Strategy SubCo in 2017.



Launch of the
**DEBT CAPITAL MARKET
DEVELOPMENT PROJECT**

...To become a world-class,
properly functioning DCM by 2025

FEDERAL PALACE HOTEL
VICTORIA ISLAND, LAGOS

NOVEMBER 24,
2016

LEADING THE REVOLUTION IN THE NIGERIAN DEBT CAPITAL MARKET





Representation on the DCMD Project Implementation Committee

- | | |
|---|--|
| 1. Africa Finance Corporation | 25. International Finance Corporation |
| 2. Agosto & Co. Limited | 26. Investment One Financial Services Limited |
| 3. AIICO Capital Limited | 27. National Pension Commission |
| 4. ALM Consulting Limited | 28. Nigerian Insurers Association |
| 5. Bank of Industry | 29. National Investments Promotion Commission |
| 6. Barclays Capital | 30. Nigerian Mortgage Refinance Company PLC |
| 7. Capital Assets Limited | 31. Pension Fund Operators Association of Nigeria |
| 8. Capital Market Solicitors Association | 32. Rand Merchant Bank Nigeria Limited |
| 9. Central Bank of Nigeria | 33. Society for Corporate Governance of Nigeria |
| 10. Central Securities Clearing System PLC | 34. SunTrust Bank PLC |
| 11. Chapel Hill Denham Group | 35. Shell Closed Pension Funds Administrator Limited |
| 12. Climate Bond Initiative | 36. Stanbic IBTC Bank PLC |
| 13. Corporate Affairs Commission | 37. Standard Chartered Bank Nigeria Limited |
| 14. Comercio Partners Limited | 38. Securities and Exchange Commission |
| 15. Debt Management Office, Nigeria | 39. Templars |
| 16. Dunn Loren Merrifield Group | 40. The Infrastructure Bank |
| 17. Federal Inland Revenue Service | 41. The Nigerian Stock Exchange |
| 18. Federal Ministry of Finance | 42. Udo Udoma & Belo Osagie |
| 19. FDHL Group | 43. UACN Property Development Company PLC |
| 20. First Pension Custodian Nigeria Limited | 44. UNEP Inquiry |
| 21. FMDQ OTC Securities Exchange | 45. Vetiva Capital Management Limited |
| 22. FBN Merchant Bank Limited | 46. Wealthfield Partners Limited |
| 23. G. Elias & Co. | |
| 24. Infrastructure Credit Guarantee Company Limited | |



FMDQ Market Development Workgroup

FMDQ activated the FMDQ Market Development Workgroup (FMDW or Workgroup) with key market participants. The FMDW is focused on providing a holistic approach to advising, implementing and advocating best practice initiatives across the various financial market products to ensure the nation's domestic markets are globally competitive, operationally excellent, liquid and diverse. The Workgroup will serve as a technical support group to the FMDQ Market Review Forum (an annual event where the FMDQ Board hosts the heads of Financial Services Regulators) on the development of the Nigerian financial market and other related matters. The Workgroup identifies and deliberates on challenges facing the fixed income and currency markets. It also monitors and analyses developments in the financial markets and makes recommendations to improve market liquidity and global competitiveness of the markets. Their activities and recommendations are to ensure that their reform agenda is aligned with the mandate of the Financial Markets Sub-committee of the Bankers' Committee.

FMDQ Financial Market Support for Economic Development Workgroup

The Financial Market Support for Economic Development (FMSED) Workgroup was established to articulate how financial market activities can be harnessed to foster sustainable economic development. The FMSED Workgroup made up of subject-matter experts and stakeholder institutions, conceptualise and coordinate strategic initiatives towards achieving sustainable economic development. The FMSED Workgroup acts as the think-tank to drive an all-inclusive approach to the articulation of reforms and development of the financial market in support of economic development and advises the CBN and Bankers' Committee Sub-committee on Economic Development & Sustainability. The Workgroup will also act as a technical support group for the FMDQ Market Review Forum on harnessing financial market activities to foster sustainable economic development and other related matters.

Media Partners

The importance of the partnerships FMDQ has developed with the media cannot be underestimated. For an OTC securities exchange like FMDQ looking to quickly establish itself on the financial markets scene where such had never existed, both locally and internationally, the power of the media has to be leveraged. It would have been impossible for FMDQ to begin to effect positive and effective change – change, in terms of market awareness and education, to begin with, and market development ultimately - in the Nigerian financial markets. Over the course of years of existence of FMDQ, key collaborations have been established with the Nation's TV, print and electronic media. In print media, FMDQ has partnered BusinessDay (Nigeria) on a number of key and strategic initiatives aimed at communicating essential, accurate and informative information on FMDQ's markets towards the development of same and ultimately the economy.





The goals for the development of the Nigerian financial market shared by both institutions, make for a seamless, mutually beneficial and market-impacting collaboration. February 2016 witnessed the beginning of a formalised partnership between FMDQ and Channels Television Nigeria (Channels TV), when, in an unprecedented initiative of the OTC Exchange, the FMDQ Price Ticker Tape was launched on Channels TV.



Nine (9) months later, in November 2016, FMDQ formalised a partnership with Proshare Nigeria Limited, another electronic media partner with specific focus on economy and financial information, with the launch of the FMDQ Price Ticker Tape and Fixings Data Segment on the Proshare's homepage on its website.



These partnerships, which were geared towards bringing transparency, credibility and awareness to the Nigerian financial markets, are based on similar premises as the collaborations FMDQ has developed with other media partners. FMDQ continues to build on the existing collaborations it has with other key print and electronic media locally and is looking to expand its efforts in this regard on an international scale.

Partnerships with other Exchanges


As part of its strategy for the transformation of the Nigerian financial markets, FMDQ has also actively engaged and collaborated with other Exchanges within Nigeria and globally. To this end, in 2015, FMDQ sought, and was granted full membership of the African Securities Exchanges Association (ASEA), the premier Association of twenty-six (26) securities exchanges in Africa, which aims to develop Member Exchanges, enhance the global competitiveness of Member Exchanges and provide a platform for networking and exchange of information. FMDQ actively participates in ASEA's three (3) Working Groups - Reporting Standards; Policy and Regulation and Market Development. These Working Groups support and facilitate effective delivery of the Association Executive Committee's mandate and ultimately ASEA's objectives.

Furthermore, the need for a similar Association in Nigeria, geared towards improving the collaboration of the domestic Exchanges in their efforts at developing the Nigerian capital markets, was identified. The Association of Securities Exchanges of Nigeria (ASEN), made up of the five (5) securities exchanges in Nigeria, was therefore set up in 2016, with FMDQ appointed to act as the Secretariat of the Association.

FMDQ's quest for collaborations and continuous development have necessitated the practice of conducting study tours to identified model markets and institutions world over, with not only Board and Management delegates, but with representatives from key financial markets regulators, including the SEC and CBN. These study tours are aimed at expanding partnerships, imbibing global best practices, and understudying strategies and operations in such markets and institutions in order to develop and strengthen FMDQ's operations and franchise as a whole, as well as enhance financial markets regulatory support.

In 2015, the FMDQ Board and Management delegates, led by the Chairman of the Board, Dr. Sarah Alade, OON, visited key stakeholders in the Thai financial markets, including the Thai Bond Market Association, the Securities and Exchange Commission, the Bank of Thailand (Central Bank), amongst others, and later that year, visited again with CBN delegates to understudy the Bank of Thailand's effective monetary policy operations.





In 2016, the FMDQ delegates, led by the Chair of the Board Regulation and Risk Management Committee, Ms. Daisy Ekineh, and accompanied by a representative of the SEC, visited the Malaysian financial markets, with a focus on Bursa Malaysia, (the only Exchange in Malaysia), Securities Commission (capital markets regulator), Bank Negara (Central Bank), Cagamas Berhad (National Housing Corporation), and the Bond Pricing Agency.

Furthermore, FMDQ executed a Memorandum of Understanding with the Johannesburg Stock Exchange (JSE), South Africa, to promote cooperation with each other, develop channels of communication and foster a continuing relationship for the benefit of both Exchanges, as well as the Nigerian and South African financial markets. In line with our mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy, FMDQ will continue to explore collaborations that will facilitate the development of its franchise and the Nigerian financial markets.



Visit to the Thai Bond Market Association, Thailand, by FMDQ Board and Management Delegates, led by FMDQ Chairman, Dr. (Mrs.) Sarah O. Alade, OON



Visit to the Bursa Malaysia Berhad, Malaysia, by FMDQ Board and Management Delegates, accompanied by a representative of the SEC

Blueprint for OTC Securities Exchanges in Africa

As an organisation borne out of innovative minds to fill an important gap in the Nigerian financial markets landscape, the successful takeoff and impact of FMDQ has not gone unnoticed in Nigeria alone, but also in Africa. FMDQ has since attracted diverse African financial market players who consider the concept of an OTC Exchange worthy of adoption in their own financial markets landscapes.

Following a presentation made by Ms. Arunma Oteh, the erstwhile Director-General of the SEC in 2015, on FMDQ's market as an ideal fixed income market at an African Development Bank meeting, and the OTC Exchange's participation in Conferences in African markets, FMDQ has had the honour of hosting delegates from six (6) African financial markets (including the markets' regulators, Exchanges and operators), who have visited the OTC Exchange with the aim of replicating the novel FMDQ concept in their respective countries. During that year, 2015, FMDQ hosted representatives of the Angolan Capital Market Committee, the Bank of Uganda, and a delegation from the Ghana Stock Exchange (GSE), Central Bank of Ghana, and the Ministry of Finance on three (3) separate study tours to the OTC Exchange from the respective countries.



The study by the delegation from Ghana in particular, prompted the Ghanaian policy makers to establish the Ghana Fixed Income Market (GFIM) with the oversight of the Ghana Stock Exchange. Similar visits were made in missions, to study the unique model and operations of FMDQ, with the intention of forging a beneficial alliance with 2016 and 2017 by representatives from the Kenyan, Zambian and Liberian capital markets, to the OTC Exchange.



Representatives from the Ghanaian Financial Markets on study tour to FMDQ offices in February 2015



Representatives of Bank of Uganda on study tour to FMDQ in June 2015



Representatives from Kenya Financial Markets on study tour to FMDQ in August 2015



Representatives from the Zambian Capital Markets on study tour to FMDQ offices in November 2015

The OTC Exchange's desire and willingness to not only effect change in the Nigerian financial markets but also in Africa and the consequent respective visits from these African capital markets, have accorded the African countries the unique opportunity to closely interact and understand the operational modalities of FMDQ, buttressing the impact that FMDQ has, not just in the Nigerian financial market, but in Africa. In the coming years, FMDQ is looking forward to even greater participation, facilitated by the OTC Exchange where possible, from other players in the African financial market, even as it works towards accomplishing its vision.



CHAPTER 4

FMDQ: The Making of a High Performance Organisation





No organisation can build a coherent culture without people who either share its core values or possess the willingness and ability to embrace those values; and the ability to articulate the organisation's unique history and transform it into a story, is a core element of culture creation. Having successfully articulated its culture in 2014/2015, FMDQ's Management now had the responsibility to ensure the effective inculcation of this culture across the organisation to ensure that all employees imbibed the culture. This responsibility remains a perpetual one, and indeed, the successful inculcation of the FMDQ culture across board, will mean that this responsibility is shared by all employees of FMDQ.





In 2016, the FMDQ Board and Management identified the need to position FMDQ as a High Performance Organisation (HPO); one that achieves financial and non-financial results that are better than those of its peer group over a long period of time, by being able to adapt well to changes and react to these quickly, manage for the long-term, set up an integrated and aligned management structure, continuously improve on its core capabilities, and truly treat the employees as its main asset.¹

It was swiftly noted that for FMDQ to become an HPO, there must be a conscious effort to ensure that its organisational design, structure, leadership, people, culture, processes and technology are given maximum attention by Management, as these are the main drivers of superior performance within an organisation. Consequently, FMDQ Management immediately set out, through a series of exercises, to implement the building blocks of an HPO, by facilitating staff readiness to becoming high-performing and allocating adequate resources towards adopting the organisational practices that lead to sustained performance. FMDQ is committed to ensuring that its corporate culture and drive to becoming an HPO become and remain driving forces in ensuring the long-term success of FMDQ.

Organisation Structure

Whilst FMDQ Management seeks to maintain a lean organisational philosophy, the OTC Exchange, as it began to rapidly grow and to support this growth, commenced a programmed activation of the functions within the Company in 2014, with a staff strength of nineteen (19) by mid-year 2015 growing to forty-two (42) in April 2017. This organisation structure is consistently aligned with the Company's Strategy and global best standards to ensure the actualisation of FMDQ's vision.

FMDQ Organisation Structure - July 2014

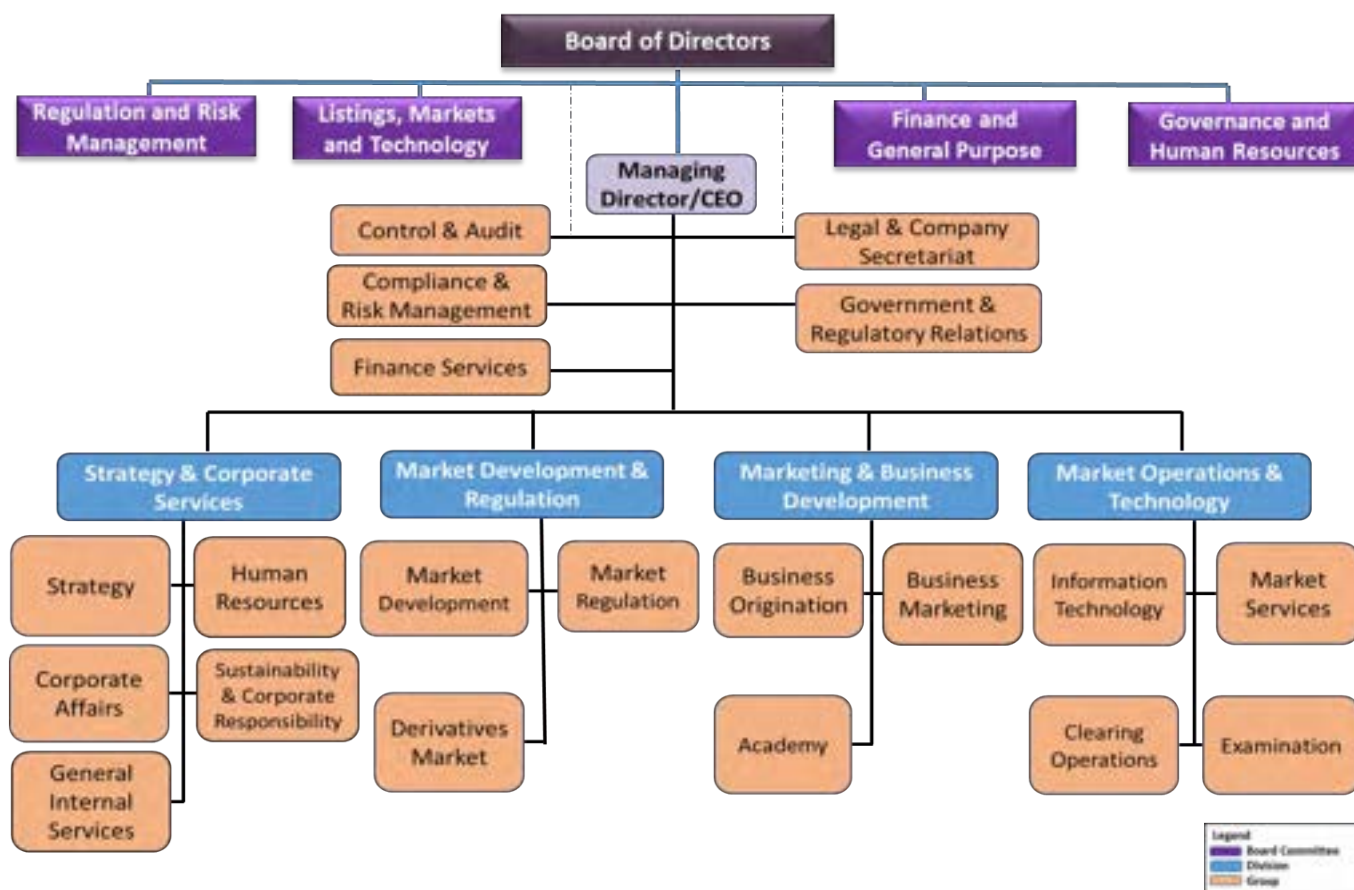


¹A.A. de Waal - "The Characteristics of a High Performance Organisation" 2004 – Published in Business Strategy Series, volume 8, number 3, 2007 (Emerald)





FMDQ Organisation Structure - April 2017



Diversity of FMDQ Board of Directors

Made up of some of the most effective leaders in the Nigerian financial markets, the Board of Directors of FMDQ is responsible for setting out the broad operational and governance architecture designed to drive the OTC Exchange's value propositions, and deliver sustainable value for the Company's stakeholders, in a manner that is supported by the right culture, values and behaviours.



BOARD OF DIRECTORS

 <p>Dr. (Mrs) SARAH O. ALADE, OON <i>Chairman, Board of Directors</i></p> <p>Dr. Alade is the Deputy Governor, Economic Policy, Central Bank of Nigeria, where she superintends over the Economic Policy Directorate, comprising the Research, Monetary Policy, Trade & Exchange, Statistics and Financial Markets Departments. She represents the Central Bank of Nigeria on the Board of FMDQ.</p> <p>She is the Chair of the Monetary Policy Implementation Committee (MPIC), a member of the Nigerian Economic Society (NES) and a Fellow of the Nigerian Institute of Operational Research.</p>	 <p>MR. JIBRIL AKU <i>Visor Chairman, Board of Directors</i></p> <p>Mr. Aku is the Group Head Strategy of Eutawak Transnational Incorporated. He was formerly the Managing Director/CEO of Eutawak Nigeria Limited, Executive Director of AIBank PLC (now Skye Bank PLC) and Treasurer of Citibank Nigeria Limited. He represents the FMDA Board of Trustees on the Board of FMDQ.</p> <p>He is a member of the Board of Trustees of FMDA, Chairman of FMDA NISOR Committee and past President of the Money Market Association of Nigeria (now FMDA).</p>	 <p>MR. PETER AMANGBO <i>Non-Executive Director</i></p> <p>Mr. Amangbo is the Group Managing Director/CEO of Zouth Bank PLC. He has served Zouth Bank PLC in various capacities as the Head of Financial Control and Strategic Planning, Head of the Corporate & Retail Banking Group and the bank's Group Head, Lagos.</p> <p>He represents Systemically Important Banks on the Board of FMDQ.</p>
 <p>DR. ADESOLA K. ADEGUNTAN <i>Non-Executive Director</i></p> <p>Dr. Adeguntan is the Managing Director/CEO of First Bank of Nigeria Limited. Prior to this appointment, he was Executive Director/Chief Financial Officer for the bank. He has also served as a Senior Vice President & Chief Financial Officer at Citibank Nigeria Limited. He represents Systemically Important Banks on the Board of FMDQ OTC Securities Exchange.</p> <p>He is Director of Africa Finance Corporation and a member of Sigma Educational Foundation.</p>	 <p>MS. DAISY EKINEN <i>Independent Non-Executive Director</i></p> <p>Ms. Ekinen is the Technical Advisor to the Capital Market Reform Plan Implementation Council (AMRC) and a member of the Board of Trustees of FMDA. She previously served as the Chief Operating Officer of Global Mandate Consulting Limited, former Acting Director General of the Securities and Exchange Commission, Nigeria, as well as Executive Commissioner Operations, at the Commission.</p>	 <p>MR. KENNEDY UZOKA <i>Non-Executive Director</i></p> <p>Mr. Uzoka is the Group Managing Director/CEO of United Bank of Africa (UBA) PLC. Prior to this appointment, he served as the CEO, Africa, managing the Group's daily operations across 18 countries in Africa as well as a supervisory strategy support area in Digital Banking, Information Technology and Personal Banking.</p> <p>He represents Financial Markets Active Banks on the Board of FMDQ.</p>
<p>VISION</p> <p>To be No. 1 in Africa in the Fixed Income and Currency Markets by 2019</p> <p>MISSION</p> <p>To empower the financial markets to be innovative and credible, in support of the Nigerian Economy</p>	 <p>MR. DAPU AKISANYA <i>Non-Executive Director</i></p> <p>Mr. Akisanya is the Managing Director/CEO of AXA Mutual Insurance Limited. Prior to this appointment, he worked with Asset and Technical Management Company Limited (ATMG) Group in various capacities including: Head, Investment Management & Research; Executive Director, Asset Management Services; and Executive Director, Asset Services Limited. He represents Pension Fund Operators Association of Nigeria (PFON) on the Board of FMDQ.</p> <p>He is currently an Executive Committee member of the PFON, which he serves as Head, Technical Committee.</p>	 <p>MR. BOLA ONADELE KOKO <i>Managing Director/Chief Executive Officer</i></p> <p>Mr. Onadele is the pioneer Managing Director/CEO of FMDQ. Prior to this engagement, he was the President of FOM, a financial markets and risk management consulting firm since 2001.</p> <p>His banking career spanned across Citibank Nigeria (Chief Dealer), FOM Limited (President), Trust Bank of Africa (Merchant Bankers) (Managing Director/CEO) and Leadbank PLC (Chief Operations Officer). He is a member of the Board of Trustees of FMDA.</p>
<p>CORE VALUES</p> <p>Teamwork & Collaboration Innovation Integrity Value-adding</p> <p>VALUE PROPOSITION</p> <p>Global Competitiveness Operational Excellence Liquidity Diversity</p>		

FMDQ Board of Directors as at April 2017

Underpinned by a deliberately meticulous advent to corporate governance and a thoroughly methodical approach to achieving the strategic objective of creating value in the Nigerian financial markets, the OTC Exchange draws directly from its array of stakeholders in terms of board membership. To this end, the Board is made up of independent Directors, representatives from shareholding organisations and relevant financial market associations. This ensures that there is a strong balance and all perspectives relevant to the OTC Exchange's markets, and the broader Nigerian economy at large, are represented.



FMDQ Leadership

Executive Committee

The FMDQ Executive Committee (ExCo) is charged with overseeing and managing the affairs of FMDQ, providing leadership for the overall Strategy of the OTC Exchange and supporting and contributing to the strategic directions set out by the Board. The Committee also acts as the Risk Management Committee to review organisational risk issues.



FMDQ Executive Committee at April 2017

Management Team

The FMDQ Management Team, led by Bola Onadele. Koko, operates an egalitarian management style which encourages open communication and maximum engagement from staff members, and promotes respect for self and colleagues. The team comprises of experienced leaders within their respective market disciplines, bringing years of experience to a young company, and working tirelessly to help the *team scale, grow, and succeed, thereby protecting and growing FMDQ's business, market share and shareholder value.*



FMDQ Management Team as at April 2017

Mr. Bola Onadele. Koko

Managing Director/Chief Executive Officer

Ms. Tumi Sekoni

Mr. Emmanuel Etaderhi

Mr. Emeka Atuma

Mrs. Shola Olufosoye

Ms. Jumoke Olaniyan

Mr. Dipo Odeyemi

Mr. Emmanuel Alao

Ms. Kaodi Ugoji



FMDQ Staff as at May 2014



FMDQ Staff as at April 2017



FMDQ Sustainability & Corporate Social Responsibility (CSR) Agenda

FMDQ's Sustainability agenda encompasses the three (3) pillars of sustainability; economic, social and environment. Immediate attention, however, will be focused on economic activities, with our learning and development initiative, aimed at enriching the lives of young Nigerians through education, empowerment and the promotion of capital market literacy among students, from primary school through to university level at the fore.

In addition to this, as one of the ways to give back to the society, FMDQ, raises funds from the auction of seasonal gifts received by all its employees, and the receipt of honorariums from its Executives who represented the Company on speaking engagements. These funds are managed by the FMDQ employees on initiatives focused on supporting four (4) broad categories of Charity Organisations – Orphanages, Youth Rehabilitation Centers, Homes for the Elderly and Special Needs Centers, within the OTC Exchange's host state, Lagos State.



Representatives of FMDQ Staff visit Holy Family Home for the Elderly in 2016



Representatives of FMDQ Staff visit Modupe Cole Memorial Child Treatment Home & School in 2015

CHAPTER 5

Innovating for the Future



BUSINESS DAY

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CBN, FMDQ launch Naira-settled OTC FX futures market

Product guarantees FX rate
Hedging product to transform financial decision making for govt, corporates, individuals, others
Opportunity to hedge foreign exchange fluctuations

International airlines lose \$208m in FX rate shift
***As Naira value drops by N82.00

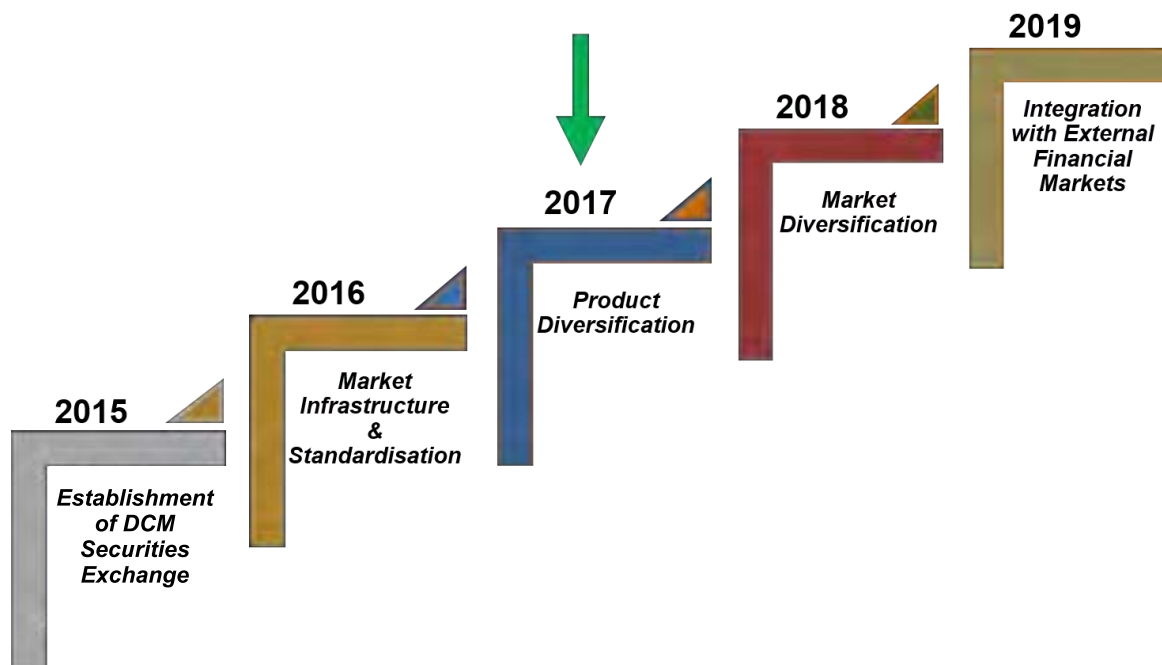
IFECOMA OKEKE

International airlines operating in the country may have lost the sum of \$208 million (N50.6bn) out of the outstanding \$700 million stock in the economy prior to the recent introduction of flexible foreign exchange rate policy by the Central Bank of Nigeria (CBN), BusinessDay analysis shows.

THE CENTRAL BANK OF NIGERIA (CBN) HAS MADE HISTORY IN THE NIGERIAN FX MARKET AS IT BECOMES THE PIONEER SELLER OF THE NAIRA-SETTLED OTC FX FUTURES CONTRACTS ON FMDQ OTC SECURITIES EXCHANGE (FMDQ) TODAY, MONDAY.

Futures contracts of non-stand- will enable corporate treasurers through its System, the FMDQ

FMDQ's direction, in its planned achievement of its vision and mission, has outlined its strategic initiatives spanning a 5-year horizon. These initiatives are geared towards the execution of the OTC Exchange's market organiser, SRO and data & information repository functions. FMDQ recognises the need to continuously engage and collaborate with various stakeholders in implementing these initiatives.



In its quest to see the Nigerian financial markets revolutionised, FMDQ will continue to build on its successes from the last three (3) years, keeping its product and market development agenda at the forefront, gaining momentum in its product diversification plans, by expanding its product offerings to include Repos (with collateral management), STB, Private Companies' Bonds, "AfroDollar" Bonds, Fixed Income and Interest Rate Derivatives and Islamic financing products (starting with Sukuk), invariably building its Listings and Quotations franchise to a much deeper level whilst maintaining global standards. The introduction of these new products and initiatives into the market will be of tremendous value to FMDQ's stakeholders, as they will not only serve to boost the investment product offerings available to the buy-side, which comprises the Pension Fund Administrators, local and offshore investors, the banks and other market participants, but will also improve FMDQ's network effects through the inclusion of more participants in the market, positively impacting liquidity levels in the Nigerian financial markets.

The trajectory of the future of FMDQ will involve deep focus in some key areas, including among others, products and markets diversification, market education, economic development relevance, integration with external financial markets, investor protection, and the development of regulatory reforms to support these. Indeed, the OTC Exchange has already commenced on its journey into the future in these areas.





Nigeria, being one of the emerging economies in the global financial markets, is an exploratory gold mine for derivatives transactions. While the Nigerian derivatives market is still relatively in its infancy and a completely standardised regulatory framework is yet to be fully developed, recent regulatory reforms and market activities have been geared towards creating awareness and encouraging derivatives trading, with positive results. These therefore, bring to the fore, now more than ever, the importance of a strategic market development focus for FMDQ in developing the Nigerian derivatives market. FMDQ, in line with its vision, has identified the development of the derivatives markets as a key strategic initiative required to deepen the Nigerian financial market and ensure its emergence as a global financial center. In response to this urgent need, FMDQ, over the next few years, plans to identify, develop, and launch various derivative products into the market. In support of this strategic initiative, FMDQ has commissioned and conducted a 'Feasibility Study on the Introduction of OTC Derivatives to the Nigerian Financial Markets' outlining the general preparedness of market participants, recommendations for the successful implementation of a robust and efficient derivatives market in Nigeria, as well as an implementation roadmap. FMDQ has also begun to promptly establish market regulation and key infrastructure requirements that are critical to the successful development of a Nigerian derivatives market.

FMDQ, in furtherance of its mandate to ensure a market that is transparent and fair for all market participants, in 2016, set its sights on investors protection and subsequently developed draft Fixed Income Securities Investments Client Services Rules (FISICS Rules) to guide market operations, standards and conduct of Dealing Members in respect of their treatment of clients, especially retail clients, investing in fixed income securities. The draft Rules provide a reference for the practices of Dealing Members who shall subscribe to them in their treatment of clients and their investments in financial assets. To achieve the reforms outlined in the draft FISICS Rules, FMDQ will embark on comprehensive engagements and collaborations with market stakeholders across the DCM value chain including but not limited to regulators such as the SEC and CBN and market participants such as banks, securities dealing firms and asset custodians. To further enhance the confidence on investors in the Nigerian financial markets, FMDQ seeks to launch an Investor Protection Fund later in 2017, following the SEC's approval of its Investor Protection Fund Rules and the constitution of the inaugural Board of Trustees for the IPF.

The OTC Exchange, profoundly clear and continually aware that technology is central to its market operations and success, will also continue to innovate and expand its technology offerings by developing robust technology systems and infrastructure that will not only bring about value-adding solutions and operational excellence in the Nigerian financial markets, but ensure the markets effectively attain parallel standing and compete with the international markets. The development of FMDQ's technology function was premised on the principle of providing 'quick win' solutions to the ever-changing needs of the financial markets. FMDQ had in the past engaged third-party technology vendors to provide trading solutions for its Members with restrictions on data ownership and inflexibility to meet changing market requirements.

Having managed the business for more than three (3) years, FMDQ's Management is positioning the OTC Exchange as a world-class financial market infrastructure to enhance market efficiency, liquidity, financial inclusion and market dominance in its chosen markets. To achieve this, FMDQ is putting in place key technology infrastructures to support its business, key of which is an integrated Proprietary Market System that will support trading, brokerage, surveillance, clearing and settlement of all products traded on the OTC Exchange, even as it sets its sights on the establishment of central clearing and integrated settlement solutions for the OTC markets.





FMDQ will also remain steadfast in its commitments to deliver quality and reliable market data and information, securing relevant partnerships and further enhancing the functionalities of its Information Portal that will aid the effective dissemination of market information to a wider audience, further promoting price discovery, transparency and visibility. In addition to this, FMDQ will, through the Academy, continue to develop and build capacity in the Nigerian financial markets through educative initiatives for FMDQ markets' stakeholders, fostering integration of the financial markets and ultimately increasing investor confidence in the markets. The OTC Exchange will also go a step further and extend financial markets education to young Nigerians with the aim of promoting financial markets literacy from the very early stages of education. This key initiative, set to empower young Nigerians in the financial markets in a most remarkable way, would fall under FMDQ's sustainability agenda.

Not resting on its laurels, FMDQ will continue to live true to its culture of innovation, through the identification and implementation of forward-thinking initiatives for the continuous development of the Nigerian financial markets.



CHAPTER 6

A Befitting Handover





On April 28, 2017, Dr. Mrs. Sarah O. Alade, OON, having meticulously served the OTC Exchange for three (3) years, since July 31, 2014, as the Chairman of the FMDQ Board of Directors, handed over the reigns of leadership to Dr. Okwu Joseph Nnanna, the Deputy Governor overseeing the Economic Policy Directorate of the Central Bank of Nigeria, at the Company's 5th AGM.



This bitter-sweet event provided an opportunity to review the successes achieved by the OTC Exchange in the three (3) short years of Dr. S. O. Alade's tenure, as she accounted for her stewardship, and heralded the next level for FMDQ, under the able leadership of Dr. O.J. Nnanna.




Dr. Sarah O. Alade, OON, (middle), giving her farewell speech during the Company's 5th AGM in April 28, 2017



Indeed, as this edition is dedicated to chronicling FMDQ's progress from July 2014 to April 2017, it is pertinent to highlight some of the OTC Exchange's specific achievements under Dr. Alade's leadership during this time, which may not have been previously mentioned:

- Consistent improvement in financial performance, evident in the increase of the Company's revenue from ₦1.75 billion in 2014, to ₦2.04 billion in 2016, despite Nigeria's entry into recession in 2016
- Establishment of FMDQ as the largest securities exchange in Nigeria, with an average annual market turnover of circa ₦118 trillion, (about \$600 billion), over the last three years
- Development of FMDQ's debt securities listings and quotations franchise
- Growth in the membership base of the OTC Exchange from twenty-three (23) Members in only one (1) category in 2014 to one hundred and seventy-two (172) Members across four (4) broad membership categories as at April 2017
- Introduction of the Bi-Annual 'Members Only' Market Architecture Meeting and several other Market Development Stakeholders' Sessions
- Introduction of the Volatility Management Practice in the FX Market
- Launch of the Thomson Reuters Market Tracker Solution at the CBN and FMDQ for the Nigerian FX market
- Coordination of Feasibility Study on the Introduction of OTC Derivatives in the Nigerian Financial Markets, and development of Derivatives Implementation Plan for rollout in 2017 and beyond
- Admission of FMDQ as a Full Member of the African Securities Exchanges Association and the International Capital Market Association
- Launch of FMDQ Price Ticker Tape on Channels Television
- Development and release of Complaints Management Framework in accordance with the SEC Rules relating to the Complaints Management Framework in the Nigerian capital market
- Release of Guideline on Mandatory Quotation of Commercial Papers on FMDQ by the CBN
- Incorporation of FMDQ Clear Limited to provide central clearing house services for the Nigerian OTC markets





As a befitting end to Dr. Alade's tenure, the OTC Exchange, on April 28, 2017, became the first recipient of the 'Most Innovative in Financial Markets' Award at the inaugural BusinessDay Top 25 Most Innovative Companies & Institutions in Nigeria Awards 2017.



This Award was bestowed on FMDQ by BusinessDay in acknowledgement of FMDQ's visionary stride in pioneering and successfully implementing some of the initiatives earlier discussed, such as the Naira-settled OTC FX Futures Market; the FMDQ Academy; the Debt Capital Market Development Project; amongst others. These ground-breaking advancements were acknowledged, not just for their impact in the financial markets sphere, but for their commercial and socio-economic impact, as well as value creation for Nigeria as a whole. As an innovation-driven OTC Securities Exchange, this award further validated FMDQ's efforts in transforming the Nigerian financial markets through product and market innovation.



Bola Onadele. Koko (5th from the left), MD/CEO, FMDQ, accompanied by some FMDQ Management & Staff, receiving the Award for Most Innovative in Financial Markets Services, on behalf of FMDQ, from Mr. Emmanuel Ukeje, Special Adviser to the Governor of the Central Bank of Nigeria on Financial Markets, during the BuinessDay Top 25 Most Innovative Companies & Institutions in Nigeria Awards 2017



Conclusion

FMDQ has, undoubtedly, continued to build on the strong foundations it was established on – foundations of strong governance and principled values that are evident in a culture of excellence, integrity and a strong collaborative disposition. Looking back at the OTC Exchange's aspirations just over three (3) years ago, indeed, FMDQ has maintained the course towards its goals. FMDQ has continued to ensure that it is built for sustainable operations – among a host of others, it has become a part of the fundamental workings of the nation's economy and is a key value-add in the efficient functioning of the Nigerian financial markets; it has successfully created a framework wherein the motivations of its shareholders are for the benefits of a successful and vibrant market and are based on long-term factors, whilst they operate in the markets inspite of possible conflicts with their business operations; it has aimed to design appropriate compensation models for its shareholders and employees to reward and sustain the motivation for excellence over time; and it has suitably placed itself to efficiently oversee the transformation of the market operations of the financial markets.

FMDQ certainly, must ensure that it is appropriately positioned, through its ongoing initiatives and those for the future, to remain the vehicle for economic development in the financial markets, effectively supporting key drivers of a successful market, including but by no means limited to liquidity, network effects, product diversification and operational excellence, thereby contributing significantly to the revolution in the Nigerian fixed income, currency and derivatives markets.



The First Naira-Settled OTC FX Futures Contracts

Traded on
FMDQ OTC Securities Exchange, the OTC Futures Exchange

Pioneer Seller: The Central Bank of Nigeria

Date: June 27, 2016

TENOR (Month)	CONTRACT CODE	SETTLEMENT DATE	OFFER AMOUNT (Notional) (\$'bn)	RATE (\$/N)
1	NGUS Jul 2016	27-Jul-16	1.00	279.00
2	NGUS Aug 2016	24-Aug-16	1.00	277.00
3	NGUS Sept 2016	28-Sep-16	1.00	275.00
4	NGUS Oct 2016	26-Oct-16	1.00	267.00
5	NGUS Nov 2016	23-Nov-16	1.00	260.00
6	NGUS Dec 2016	21-Dec-16	1.00	250.00
7	NGUS Jan 2017	23-Jan-17	1.00	243.00
8	NGUS Feb 2017	22-Feb-17	1.00	236.00
9	NGUS Mar 2017	22-Mar-17	1.00	222.00
10	NGUS Apr 2017	26-Apr-17	1.00	210.00
11	NGUS May 2017	24-May-17	1.00	230.00
12	NGUS Jun 2017	21-Jun-17	1.00	225.00

- ✓ Hedge exchange rate risk
- ✓ Improve business planning
- ✓ Attract capital flows to the fixed income and equity markets
- ✓ Minimise disequilibrium and moderate rate in the Spot FX market

Join Corporate Treasurers and Business Managers at the FMDQ sensitisation forum on
"How the Naira-Settled OTC FX Futures Market will work"

DATE: Wednesday, June 29, 2016 | TIME: 3:00PM | For more information, e-mail otcfxfutures@fmdqotc.com



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