

CEO INTERVIEW

Interview with Private Sector Leaders

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FMDQ's conceptual identity is prosperity

"The Managing Director/Chief Executive Officer of FMDQ OTC Securities Exchange, **BOLA ONADELE. KOKO**, in this interview, shares his views on the need for the market stakeholders - government, regulators, banks, Nigerian corporates, foreign investors, Nigerians - to effectively harness the potential and opportunities inherent in the Nigerian debt capital market (DCM).

Continued from yesterday

With the issuance of the pioneer Sukuk by the Federal Government of Nigeria, do you think other issuers will favourably consider this alternative asset class? What can you say is the challenge faced by these issuers, if any, and how is FMDQ addressing this?

Permit me to begin by first noting that unlike conventional bonds whose proceeds can be used for a wide variety of purposes including recurrent expenditure, funds realised from a Sukuk issuance can only be deployed for specific purposes and to tangible assets like infrastructure and as such, Sukuk investors receive income based on those assets rather than interest, as is the case with conventional bonds. Although the emergence of Sukuk and other non-interest capital market products have been seen by many as one of the most significant developments in global finance and indeed, in the DCM, perspectives from the Global Sukuk Market Report continue to point to issuers from countries in the Gulf Regions, Malaysia, Indonesia and Turkey as having dominated the Sukuk market; with only modest growth being so far made in Africa. In the case of Nigeria, this market is still at a nascent stage, irrespective of the great potential it holds over the medium-to long-term, especially amidst the unprecedented infrastructural deficits which the nation is faced with. Rightly, a strategic objective of Nigeria's Economic Recovery and Growth Plan (2017-2020) is hinged on building a globally competitive economy and one of the means of achieving this is by investing in and bridging the extensive infrastructure gap. Sukuk presents that viable opportunity where a variety of investors, like ethical and non-interest investors, can participate in the fixed income/debt capital markets. It is therefore very encouraging that the Federal Government of Nigeria, through the Debt Management Office, set the pace with the issuance of the N100 billion FGN Sukuk which was over-subscribed by investors and subsequently listed on FMDQ early this year. The success of the FGN Sukuk and indeed its impact in terms of use of the proceeds have been quite evident, validating the viability of the Sukuk market in the development of a nation's DCM. Notwithstanding this, however, the non-sovereign Sukuk market remains relatively untapped in Nigeria and in Africa as a whole.

If you look at the population of Nigeria today, with well over 180 million people and the geographic and ethnic lines, Sukuk is probably that alternate

product through which both public and private sector participants can contribute to the development of the economy. From states to agencies and corporates, issuance of Sukuk will not only deepen financial inclusion, it will also significantly complement conventional bonds and further strengthen the Nigerian capital markets. From the structuring of a Sukuk instrument to its cost of borrowing (which is partly a function of the credit rating) and the pricing risk, amongst others, issuers are continuously presented with considerations for the issuance of Sukuk and can work with FMDQ-licensed Registration Member (Listings) to demystify any misconceptions and approach the market appropriately. There is also inadequate education and market awareness about this important asset class and FMDQ, desirous of improving private sector involvement to unlock infrastructure capital, is leaving no stone unturned in engaging and educating relevant stakeholders about this market and the huge potential therein. From a regulatory perspective, the SEC has also demonstrated its willingness to support the growth of this market and has further shown this via the SEC's approval of the FMDQ Sukuk Listing Rules.

It's interesting that you raised the issue of the infrastructure deficit in Nigeria. What is FMDQ doing to support the Government's agenda in this regard?

You see, when the operations of FMDQ began, the OTC Exchange's mandate was essentially to perform the role of a market organiser and self-regulatory organisation in the markets within its purview, that is, the fixed income, currency and derivatives markets. With the product and market development initiatives underway, it wasn't long before it was established that our strategic role in the markets also included being a catalyst for infrastructure capital, an advocate and adviser to governments/regulators and acting as a financial markets diplomat with the aim of positively positioning Nigeria in the global financial markets space. Interestingly, this was part of the discussion with the current CBN Governor when he assumed duty. He advised that FMDQ's activities should have economic development impact. We have, therefore, taken on these roles and strategically aligned them to our agenda of making the Nigerian markets "GOLD".

Arguably, bridging the infrastructural deficit for Nigeria remains a burning topic for our government and beyond this, looking inwards at the different ways to drive this required

growth via the private sector is perhaps the most plausible way to achieve this audacious feat. The time to depend on the government to meet our every need is far gone. Huge potential exists in the private sector and indeed, via the debt capital markets, the credible avenue to tap domestic and offshore investible funds, and we must all turn our attention to these. On this premise, FMDQ activated an Infrastructure Sub-Committee as part of the Debt Capital Markets Development (DCMD) Project 2025. The DCMD Project 2025 is a market-wide initiative championed by FMDQ and its stakeholders and aimed at addressing and implementing solution to the issues that are hampering the development of the nation's DCM. The Project's agenda is achieved via transformation levers which include six (6) Sub-Committees, a Transformation Committee and a Steering Committee. The Infrastructure Sub-Committee is one of the six (6) Sub-Committees within the Project and is positioned to create a platform to identify and address impediments in the development of the Nigerian infrastructure sector, and through advocacy and regulatory engagements, unlock avenues for infrastructure financing through the DCM. I am in fact pleased to mention that the FMDQ infrastructure development mandate is further supported by two (2) other Sub-Committees within the Project - the Housing Sub-Committee and the Sustainable Finance Sub-Committee - aimed at tackling the Nigerian housing sector challenges towards improving home ownership in the medium-to long-term, and leveraging the green finance opportunity to begin addressing some of the basic-needs (sustainable energy to power, recycling/waste management, clean transportation and other environmentally friendly projects) confronting the citizenry. Furthermore, the provision by FMDQ, of a credible platform for the listings, quotations and noting of long-term infrastructure-driven debt products/securities such as green bonds, infrastructure bonds and funds, and Sukuk is the final piece of the puzzle that ensures success and sustainability.

Interestingly, the planned launch of derivatives into the Nigerian financial market by FMDQ will invariably support the government's agenda. For instance, cross-currency interest rate swaps may provide the long-term hedge required to attract foreign capital to fund infrastructure deficit in Nigeria. In line with the FMDQ mission, we are committed to innovation and initiatives that empower our economy and invariably, improve the lives of Nigerians. FMDQ's conceptual identity is prosperity. Governments - federal and states, investors - domestic and foreign, institutional and individuals



and companies, are offered this 'prosperity' through FMDQ's franchise i.e. a platform to access capital, invest, transfer value or transfer risks through hedging.

Tell us about the recently launched Nigerian Green Bond Market Development Programme. What does this initiative aim to address? Do we expect to see issuers access this market?

In today's global financial markets space, the interests and focus on sustainability and green finance have taken centre stage, with increased emphasis on environmental, social and governance tenets for all organisations, and by extension, the economies. Again, in Nigeria, these conversations have begun but are arguably still at the ground phase when compared to milestones achieved by other countries.

Through requisite research and stakeholder engagements, we saw and learnt about how countries around the world were using the Green Finance Strategy to support sustainable developments in their economies, and

essentially recognised the opportunities for Nigeria as a budding economy to tap into this notion, and very quickly too. In the usual FMDQ spirit, we set to work to adequately equip the Nigerian DCM to take advantage of this greenfield. If you recall, and as I earlier alluded to, in September 2017, a Sustainable Finance Sub-Committee was launched as part of the DCMD Project 2025, to focus on demanding environmental, social and governance (ESG) issues affecting business and investment decisions and how the Nigerian DCM can access long-term funding (over \$60 trillion assets under management) for such impact-related projects in the country. This was our first crucial step towards setting the pace and stage for integrating green finance into the Nigerian markets.

Subsequently, we went on to formalise our budding relationships with FSD Africa and CBI through the signing of a Cooperation Agreement geared towards the development of the Nigerian non-sovereign green bond market. Essentially, this collaboration has birthed a 3-year Green Bond Market Development Programme ("the Programme") which will facilitate among others, market-wide education, capacity building, issuer preparedness and ultimately, the establishment of the green bond market in Nigeria.

FMDQ thinking of?

One of FMDQ's aspirations as a securities exchange is to fully integrate its activities, providing a robust platform alongside the requisite market architecture for capital access, investment opportunities, value transfer and undoubtedly, risk management. For us, this aspiration is central to, and ultimately drives our strategic initiatives towards transforming the Nigerian financial markets. In the world today, challenging status quo, driving efficiency and expanding existing boundaries have become closely associated with innovators, and for FMDQ, this keeps us on our toes and challenges us to strive for opportunities to create and deliver value to our world of stakeholders - local and international.

FMDQ's overarching goal is essentially to deploy market strategies to encourage capital formation and value addition to the varied stakeholders, so looking at other markets to make the Nigerian financial markets globally competitive may not be far-fetched, as our mandate is geared towards sustainable development for the wider financial markets, most especially in areas where we find are untapped and in which we, along with the relevant stakeholders, can develop for the ultimate benefit of the economy. We will like to build a DCM that is in multiples of the Nigerian GDP. The financial market is an exceptionally wide space and there are, arguably, areas within same that are yet to be explored. It is in this regard that, for instance, FMDQ, through the requisite touchpoint with the SEC, activated the Private Companies' Bonds Noting Service to further expand and facilitate access to debt capital for private companies and indeed, small and medium-scale enterprises; ensuring these are nurtured and exposed accordingly to the due diligence required for disclosures in the financial markets, in line with best practices. These companies are essentially being provided the edge they require for when they are set to go public; an initiative FMDQ has availed its platform to and in our usual commitment, will work with this category of stakeholders to actualise same.

Through product innovation and market development initiatives, FMDQ has continued to transform and position the Nigerian fixed income, currency and derivatives markets in the global financial landscape, and per FMDQ's mandate to make the Nigerian financial market "GOLD", our stakeholders now look to us to expand these boundaries and by extension, cascade these initiatives to other markets.

Talk about the FMDQ markets will not be complete without mention of the foreign exchange market as it is an important seg-

ment of the financial markets. What are your thoughts on this market and what are your expectations for same in the run up to the end of the year?

You are absolutely correct; the FX market is the nerve centre of commerce, which is the life blood of any economy. The FX market, throughout the course of the year so far, has experienced some stability, no doubt aided by the establishment of the I&E FX Window last year and the rise in the price of crude oil. This stability has been somewhat encouraging and is likely expected to be largely maintained for the remainder of the year. In 2019 and beyond, the CBN, as the single largest player and regulator of the FX market may drive further improvements to position the market structure to be more globally competitive.

Congratulations on the launch of the new FMDQ headquarters in Lagos. There was also the launch of FMDQ Next Generation Empowerment Programme (FMDQ-Next) to provide financial markets education. How does this differ, or not, with the previously launched FMDQ Academy? Thank you. Being in a fast-paced environment and resolute in delivering on our initiatives for the Nigerian financial market and economy, expansion and indeed, relocation of FMDQ to its new complex, "Exchange Place" was very imminent, and much-awaited. As you no doubt are aware, FMDQ was honoured to play host to the British Prime Minister, Ms. Theresa May, on her first official visit to Lagos, at Exchange Place in August, barely a month after we had relocated.

Beyond promoting financial markets literacy for FMDQ Members and other market participants, FMDQ as a technology-driven OTC Exchange has extended and is indeed, going over and beyond this noble cause which has seen the provision of pro-bono financial markets training in the fixed income, currency and derivatives markets via the "FMDQ Academy" (with its website hosted at www.fmdqacademy.com) to providing financial markets education for the younger generation, in this case, students, in a bid to empower the next generation.

The FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next), our flagship corporate social responsibility programme, is a learning and development initiative aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary and tertiary), as well as fresh graduates, within the country, making financial market education accessible to students from different backgrounds, and empowering

the next generation of Nigerian youth to be financially astute. FMDQ-Next activities take place in a bespoke simulated trading environment, the FMDQ Q-Hub in Exchange Place, where students are exposed to the workings of the financial markets and gain an understanding of the value of money and strategies to create and manage wealth at an early age. The students are given the opportunity to trade the different financial market securities in the simulated trading environment and can learn directly from and in some cases, interact with relevant financial market stakeholders.

Promoting financial markets education amongst children and the youth particularly is a cause which we have been passionate about at FMDQ. Indeed, from the inception of the OTC Exchange, this was one of the commitments made to the market and has remained a high point which we looked forward to actualising at FMDQ. Our goal really is to improve the financial markets savviness of the next generation such that they are able to, when the time is right, exploit the opportunities the financial markets offer, for their benefit, the benefit of the markets and ultimately, the good of the Nigerian economy. As we know, a well-functional financial market is the collective effort of all stakeholders and the need to continually expand and include more participants in this market cannot be overemphasised.

The FMDQ Academy, on the other hand, remains targeted at addressing the observed knowledge and skills gaps in the Nigerian financial markets of its participants and ensuring that capacities are aligned with the structural transformations and product innovations that are rapidly revolutionising the markets. This FMDQ wholly-sponsored initiative offers e-learning course modules in fixed income, foreign exchange and derivatives, with expansions in the medium-to-long-term to face-to-face, tailored and blended learning programs for optimum market impact.

FMDQ turns five next week. More congratulations are certainly in order considering all your institution has achieved during this period. What has FMDQ got planned to commemorate this worthy achievement?

Thank you very much. It is quite exciting for us as an organisation to be celebrating our 5th year anniversary and we are planning to celebrate this achievement in a modest way throughout this week. The OTC Exchange turns 5 on November 7, 2018, and for us at FMDQ, we recognise, in no uncertain terms, that our achievements have been realised only because of FMDQ's champions, architects and the regula-

tory visionaries, such as the Securities and Exchange Commission, Central Bank of Nigeria, Debt Management Office, and National Pension Commission. So throughout this week, our anniversary celebrations will be mostly about recognising those stakeholders who have painstakingly supported FMDQ and contributed in no small measure, to the institution's success story. The staunch support of our Board of Directors, and the selfless sacrifices made by our staff can be in no way overlooked as we mark this milestone, as these have contributed significantly towards the achievements of the OTC Exchange over the years.

FMDQ, in the last 5 years, has evolved from a market organiser, driving market development and promoting transparency in the fixed income and currency markets, to an OTC securities exchange, pursuing strategic goals of being an adviser to financial services regulators, the Nigerian financial markets diplomat and very importantly, the catalyst for unlocking infrastructure capital in Nigeria. In collaboration with all its stakeholders, FMDQ has stayed true to its commitment to make the Nigerian financial markets globally competitive, operationally excellent, liquid and diverse. To conclude the week-long modest celebration, FMDQ will be hosting the maiden FMDQ GOLD Awards, an event FMDQ had committed to deliver to recognise the outstanding and indispensable contributions of the market participants in the Nigerian financial markets. What better way is there to say "thank you"?

Congratulations again to you and the entire team at FMDQ. Finally, taking you away from FMDQ and the financial markets for just a moment, if you have the opportunity to spend 2 minutes with the President of Nigeria, what will you say to him?

Thank you for this unique opportunity to meet with you Mr. President. We do not have much time, so I will get right to it. Launch a 5-point Big Bang Prosperity Agenda for Nigerians as follows:

Make the State governments economically viable by allowing them control their natural assets.

Galvanise an urgent private sector-led economic revolution on the back of market-friendly legal and regulatory frameworks. We need Jobs! Jobs! Jobs!!!

Champion the programme for massive private and public investments in education. This is the future of Nigeria. Drive high healthcare standards galvanised through insurance and pensions.

Signal private sector investments in housing supply and drive demand with single-digit mortgages.