

FMDQ SECURITIES EXCHANGE LIMITED JULY 2023

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#### Introduction

This is an explanatory and informational document that describes the end-to-end process of the use of FMDQ Q-Estimator, a strategic tool developed by FMDQ Securities Exchange Limited ("FMDQ Exchange") for the estimation of the Cost of Hedge, and Profit or Loss on derivatives transactions or positions in the Nigerian financial markets. FMDQ Exchange has deployed the Q-Estimator to equip market participants with a tool that aids strategic and informed hedging decision making in the Nigerian financial markets, particularly FMDQ Derivatives market. Kindly see below definition of key terminologies.

#### **Key terminologies:**

- Cost of Hedge is the estimation of the total cost incurred when derivatives contracts are purchased on FMDQ-advised trading System, that is Exchange and Central Counterparty fees
- Profit or Loss is the total gain/loss earned at the maturity of derivatives contracts
- Effective Profit or Loss is the actual gain/loss earned at the maturity of derivatives transactions, when the total cost incurred for purchasing derivatives contracts has been deducted

Kindly click <u>HERE</u> to access FMDQ Q-Estimator.



#### Home Page



## Product Page – Naira-Settled OTC FX Futures

a. How to Calculate Cost of Hedge

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Q-Es Home » Nai	Settled OTC FX Futures »	0
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2	Insert the applicable Contract Rate in line with the Contract Tenor selected as Please note that this could be the actual Contract Rate published by FMDQ an estimated Contract Rate for the purpose of the valuation	oove Exchange or
3	Insert the value of the OTC FX Futures contract to be estimated. This is the t to be hedged against FX risk	otal amount
4	Once all fields are inputted, click <b>CALCULATE</b> to automatically populate the C and Cost of Hedge per Dollar fields	ost of Hedge
	For access to FMDQ market data and information, kindly contact the Memberships & Subscriptions team via email at mbg@fmdqgroup.com	

## b. How to Calculate Profit/Loss

Click here to to the Home	o go back Page.				CLOSSARY		
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	Shou	you require further clarification on FMI	DQ Derivatives market, kindly contact the De	rivatives Business Group via er	nail at <u>dbg@fmdqgroup.com</u> or call +	234-907-035-9954.	
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# Product Page – Interest Rate Futures

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a. How to Calculate Cost of Hedge  $% \mathcal{A}_{\mathcal{A}}$ 

Q-Es Home » Inte	stimator erest Rate Futures »					6/	0
Click here to g	go back to				GLOSSARY		
the nome rage	• Intere intere values	est Rate Futures are standardised deriva est-bearing financial instruments as their s are derived from money market and fixe	tives contracts that have underlying assets, whose ed income products.	COST OF HEDGE			
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Calculator estimate the	page to Cost of	PROFIT/LOSS		Multiplier (N) Futures Price <sup>®</sup>			<b>4</b> <b>5</b>
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				CALCULATE			
				Cost of Hedge Per Contract ( <del>N</del> )			•
	Note M - Month				* Required Fie	lds	
	Should you require t	further clarification on FMDQ Derivativ	es market, kindly contact the Deri	vatives Business Group via e	email at <u>dbg@fmdqgroup.com</u> or c	all +234-907-035-9954.	
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Memberships & Subscriptions team via email at mbg@fmdqgroup.com

## b. How to Calculate Profit/Loss

Q-Estimator Home » Interest Rate Futures »	
Click here to go back to the Home Page. Interest Rate Futures are standardised derivatives contracts that have interest-bearing financial instruments as their underlying assets, whose values are derived from money market and fixed income products.	PCPTT / LOSS     Contract Type *     Select Ty
Stay up to date with the latest news and information on FMDQ Derivatives market	First Name Last Name Email

Step	Description
1	Select the Contract Type to be simulated
2	Select the Contract Name to be simulated
3	Select the Contract Tenor Please note that there are four (4) tenors – 3, 6, 9, and 12 Months – available for each contract in the Interest Rate Futures market
4	Once the Contract Type and Contract Name fields are inputted, the Multiplier field will be automatically populated
5	Insert the Futures Price on Valuation Start Date Please note that this could be the actual Futures price as published by FMDQ Exchange or an estimated Futures Price for the purpose of the valuation
6	Insert the number of contracts to be simulated Please note this has to be a whole number
7	Select the relevant trading position for the simulation. This could be either a long or short position
8	Insert the Futures Price on Valuation End Date Please note that this could be the actual Settlement Futures price as published by FMDQ Exchange or an estimated Settlement Futures Price for the purpose of the valuation
9	Once all fields are inputted, click <i>CALCULATE</i> to automatically populate the Profit/Loss and Effective Profit/Loss fields
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Product Page – Currency Futures

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a. How to Calculate Cost of Hedge



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Step	Description
1	Select the Contract Type to be simulated
2	Select the Contract Tenor to be simulated Please note that there are currently one (1) to twelve (12) monthly contracts available in the Naira-Settled Exchange-Traded FX Futures market
3	Insert the number of contracts to be simulated Please note this must be a whole number
4	Once the Number of Contracts field is inputted, the <b>Contract Value (\$)</b> field will be automatically calculated
5	Insert the Futures Price on Valuation Start Date Please note that this could be the actual Futures price as published by FMDQ Exchange or an estimated Futures Price for the purpose of the valuation
6	Once all fields are inputted, click <b>CALCULATE</b> to automatically populate the Cost of Hedge and Cost of Hedge per Contract fields
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## b. How to Calculate Profit/Loss

Q-Estimator Home » Currency Futures »		(F)		6/ 9
Click here to go back to the Home Page.	Currency Futures are standardised derivatives contracts that create an obligation for the contract holders to exchange cashflows on a specified date based on the predetermined rates of the currency pairs, in this case the United States Dollar (USD) relative to the Nigerian Naira MACAN	PROFIT / LOSS		e clossary
	(rent)	Contract Type *	Select Contract Type ~	
		Contract Tenor (M)*	Select Contract Tenor	2
		Number of Contracts *		3
	COST OF HEDGE	Contract Value (\$)		4
Click here to access the		Futures Price on		
Calculator page to	PROFITAOSS	Valuation Start Date *		5
estimate the Profit or Loss		Position *	Select Trade Position	6
of Currency Futures.		Futures Price on	Select hade rosition	U
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		CALCULATE		
		Profit / Loss (₦)		
		Effective Profit / Loss		8
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		Stay up to date with the	e First Name	
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Step	Description
1	Select the Contract Type to be simulated
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