



FMDQ Exchange Benchmarks Error Policy

FMDQ Securities Exchange Limited

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INTRODUCTION

FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) is a securities exchange with a mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy. FMDQ Exchange aims to achieve this mission by providing the secondary market with world-class market governance and development services. As part of this mission, FMDQ Exchange is committed to developing and publishing independent and transparent Benchmarks that are reasonably designed to be reflective of the market at the time of the determination of the Benchmarks, and which promote transparency in the financial markets.

FMDQ Exchange acts as an Administrator in line with the Principles for Financial Benchmarks (“**PFB**”) of the International Organisation of Securities Commissions (“**IOSCO**”) and currently administers three (3) Benchmarks (“the **FMDQ Exchange Benchmarks**”) in the Nigerian financial markets. The Benchmarks are listed below:

- (i) The Nigerian Inter-Bank Offered Rate (“**NIBOR**”).
- (ii) The Nigerian Inter-Bank Treasury Bills’ True Yields Fixing (“**NITTY**”).
- (iii) The Nigerian Autonomous Foreign Exchange Fixing (“**NAFEX**”).

According to **Principle 11 (Content of Methodology)** of the IOSCO PFB, a Benchmark Methodology should contain procedures for dealing with error reports, including the case for the revision of a Benchmark when applicable. Consequently, recognising that the robustness and transparency of financial Benchmarks such as interest rates and foreign exchange (FX) Benchmarks is crucial to the well-functioning of the financial markets, FMDQ Exchange, as the Administrator of the FMDQ Exchange Benchmarks, has established a Benchmarks Error Policy (the “**Error Policy**”) drawing reference from prevailing international recommendations and best practices.

KEY CONSIDERATIONS

Many considerations are associated with the Error Policy for the Exchange, including:

- Promoting and maintaining the integrity and transparency of FMDQ Exchange and the FMDQ Exchange Benchmarks
- Achieving an accurate and reliable representation of the underlying interest
- Complying with international best practices, standards and regulation
- Acknowledging the operational impacts on users of the FMDQ Exchange Benchmarks
- Safeguarding contractual integrity

Therefore, due to these considerations, the Exchange has put in place the following as detailed in Table 1:

- A threshold for materiality of errors
- A cut-off time for reporting an error to FMDQ Exchange or any “refix”
- Transparency for errors discovered after the cut-off time

POLICY REVIEW OF THRESHOLDS AND TIMELINES

FMDQ Exchange shall review the thresholds and timelines annually to accommodate different rate environments, giving a notice period of at least three (3) months, unless a change in a shorter timeframe is required as a matter of urgency or is mandated by law or regulation.

TABLE 1: FMDQ EXCHANGE ERROR POLICY

Threshold for Materiality	FMDQ Exchange has a materiality threshold for a refix of 5 bps or ₹0.20 of the published rate		
Transparency of Post-cut off Errors	<p>FMDQ Exchange shall publish on its website on a quarterly basis, the incidence of errors. This shall include errors that did not lead to a refix, either because the error came to light after the cut-off time or because the error was below the Exchange’s materiality threshold as defined above.</p> <p>Where no error was identified or reported within a reporting quarter, the Exchange shall publish a nil report accordingly.</p>		
Cut-off time for Refixes	<p>Error(s) identified by external stakeholders must be reported to the Exchange on the day of the publication of the Benchmark for a refix of the relevant Benchmarks to be considered for the same day with the timelines defined below.</p> <p>Mindful of the operational impact that a refix is likely to have on Benchmark users, FMDQ Exchange will, if a refix is under consideration on any day:</p> <ol style="list-style-type: none"> i. make an announcement at www.fmdqgroup.com shortly after discovering or being notified of the error that a refix is under consideration, stating the affected Benchmark, and ii. publish any refixed rates no later than 6:00 PM that day. 		
	Timeline		
	NITTY	NAFEX	NIBOR
Initial publication of Benchmark rates	12:00 PM		2:00 PM
Cut-off time for discovering/reporting an error (Contributors)	Within two (2) hours after initial publication i.e. no later than:		
	2:00 PM		4:00 PM
FMDQ Exchange initial refixing announcement	Within thirty (30) minutes after discovering or receiving notification of error i.e. no later than:		
	2:30 PM		4:30 PM
FMDQ Exchange publishes the revised rate indicating on the publication that the published rate is being revised due to an error	Within thirty (30) minutes after FMDQ Exchange’s decision to perform a revision i.e. no later than:		
	3:00 PM		5:00 PM
Total time after initial publication	Maximum: 3 hours		

For the avoidance of doubt, if a refix is carried out, it will be a refixing of the Benchmark rate "as of the respective Benchmark rate publication time".

Principle 16 (Complaints Procedures) of the IOSCO PFB states that the Administrator should have a detailed process to follow in the event that a complaint results in a Benchmark determination being changed. Any determination of the FMDQ Exchange Benchmarks which is changed following a complaint will be notified in the quarterly publication of errors as it is unlikely that a detailed response to a complaint would fall within the time parameters identified above for refixing.