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**Statement of Compliance with the IOSCO  
Principles for Financial Benchmarks**

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**FMDQ Securities Exchange Limited**

**May 2022**

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## 1.0. INTRODUCTION

FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) is a wholly owned subsidiary of FMDQ Group PLC (“**FMDQ Group**”) with a mission to empower markets for economic progress towards delivering prosperity. FMDQ Exchange is a securities exchange registered by the Securities and Exchange Commission (“**SEC**”), Nigeria, and is focused on organising the segments of the Nigerian financial markets within its purview and creating an efficient platform for the admission and trading/reporting of securities and financial instruments. As part of its mandate, the Exchange facilitates price discovery, transparency, and liquidity in its markets through the development and publication of benchmarks.

FMDQ Exchange is currently the administrator for the Nigerian Autonomous Foreign Exchange Fixing (“**NAFEX**”)<sup>1</sup>, the Nigerian Inter-Bank Offered Rate (“**NIBOR**”)<sup>2</sup>, and the Nigerian Inter-Bank Treasury Bills’ True Yields Fixing (“**NITTY**”)<sup>3</sup> [collectively called the “**Benchmarks**” or the “**FMDQ Exchange Benchmarks**”].

FMDQ Exchange considers the Benchmarks to fall within the definition of ‘benchmark’ set out in the final report published by the International Organisation of Securities Commissions (“**IOSCO**”) on “*Principles for Financial Benchmarks*” (the “**IOSCO Principles**”) on July 17, 2013. Accordingly, FMDQ Exchange is the Benchmark Administrator<sup>4</sup> of the Benchmarks for the purposes of this Statement of Compliance under the Principles.

As the largest exchange in Nigeria by transaction value, with an average annual turnover of circa \$554.00 billion over the last eight (8) years, the Exchange has championed the introduction of several innovative market development initiatives, driven by its strategic mandate, to transform the Nigerian financial markets. Consequently, FMDQ Exchange affirms the importance of the accuracy and integrity of Benchmarks in the pricing of financial contracts and, more generally, financial markets, and is committed to operating FMDQ Exchange Benchmarks in accordance with the IOSCO Principles and other relevant industry standards.

## 2.0. STATEMENT OF ADHERENCE

This Statement of Compliance seeks to describe the extent of the Exchange’s compliance with the IOSCO Principles with respect to FMDQ Exchange Benchmarks. As contemplated by the IOSCO Principles, in assessing the extent of FMDQ Exchange’s compliance, the Exchange has sought to implement the IOSCO Principles in a manner proportionate to the size and risks posed by each Benchmark and the FMDQ Exchange Benchmark setting process. For the avoidance of doubt, this Statement of Compliance is not intended to cover any other dataset published or disseminated by FMDQ Exchange which shall/may be covered by separate Statements of Compliance as relevant.

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<sup>1</sup> Benchmark rate for FX spot operations in the Investors’ & Exporters’ FX Window.

<sup>2</sup> Reference for short-term lending rates of reputable banks in the Nigerian financial market quoted on an annualised basis.

<sup>3</sup> Reference for Benchmark risk-free rate derived from the conversion of treasury bills discount rates for Benchmark tenors to money market yields i.e., true yields.

<sup>4</sup> Benchmark’ and ‘Administrator’ are defined by IOSCO in the Glossary of Key Terms in Annex A of the [Principles for Financial Benchmarks](#).



The content of this Statement of Compliance follows the order of the IOSCO Principles and serves as a summary of FMDQ Exchange's Benchmark Control Framework. Further information regarding FMDQ Exchange, and the Exchange's Benchmarks is available on the FMDQ Exchange website.

**Governance:** FMDQ Exchange has primary responsibility for all aspects of the determination of the FMDQ Exchange Benchmarks and has ethics and conflicts of interest policies in place. A Benchmark Control Framework has been implemented that defines the roles and responsibilities of the Administrator in the production of the Benchmarks. Furthermore, a Benchmark Oversight Committee ("**BOC**") has been established to periodically review and provide guidance on the Benchmarks. Consequently, the Market Review Committee ("**MRC**") of FMDQ Exchange exists to periodically review and provide guidance on the Benchmarks as a BOC in line with requirements of the IOSCO Principles.

**Quality of the Benchmark:** NAFEX is intended to be a reliable representation of trading activities in the I&E<sup>5</sup> FX<sup>6</sup> Window in the Nigerian FX market, while NIBOR and NITTY are meant to measure the cost of funding in the inter-bank money market and trading activity in the treasury bills market respectively. The calculation of each Benchmark is primarily anchored in observable, arm's length transactions where the data is available and reflects sufficient liquidity and/or 'executable bid/offer quotes' where liquidity levels are low and is published each business day. Data exclusion policies have been implemented for FMDQ Exchange Benchmarks that permit the exclusion/elimination of outlier/erroneous transaction data from the Benchmark calculations. Data contingency processes have been developed for FMDQ Exchange Benchmarks in the unlikely event that a primary data source of one or more of FMDQ Exchange Benchmarks is unavailable.

**Quality of the Methodology:** FMDQ Exchange has documented Methodologies to derive and calculate the Benchmarks daily. The FMDQ Exchange Benchmarks are calculated as trimmed arithmetic mean rates. All data collected and used in the production of FMDQ Exchange Benchmarks are subject to internal controls by the contributors and FMDQ Exchange. Any material changes to the Methodology of, or decision to terminate, any of FMDQ Exchange Benchmarks would be communicated to the public and feedback would be solicited, to the extent reasonable.

**Accountability:** FMDQ Exchange has an established process for receiving and addressing complaints related to the administration of the Benchmarks<sup>7</sup>, as well as ensuring quality assurance. The Internal Audit function at the FMDQ Group level is responsible for ensuring quality assurance through periodic reviews of the Benchmark computation process and ensuring maintenance of relevant records of all actions taken in the computation of the Benchmarks. Section 3 below provides additional details regarding the compliance of FMDQ Exchange Benchmarks with each of the IOSCO Principles, where applicable.

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<sup>5</sup> Investors' and Exporters'

<sup>6</sup> Foreign Exchange

<sup>7</sup> This includes but is not limited to FMDQX Benchmark Determination and Dissemination, Operations, Governance, etc.



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### **3.0. INDEPENDENT BENCHMARK REVIEW REPORT**

**The Managing Director,  
FMDQ Securities Exchange Ltd,  
Exchange Place,  
35 Idowu Taylor St,  
Victoria Island,  
Lagos, Nigeria.**

#### **Assurance Report on the Compliance of FMDQ Securities Exchange Ltd with the IOSCO Principles for Financial Benchmarks**

We have performed an examination of the Statement of Compliance of FMDQ Securities Exchange Ltd ("FMDQ Exchange") with the Principles for Financial Benchmarks published by the International Organisation of Securities Commissions (IOSCO) in July 2013.

#### **Use of report**

We have carried out a reasonable assurance engagement in respect of:

1. The Statement of Compliance of the Company describing the control procedures designed to address the IOSCO Principles;
2. The suitability of design of the control procedures to address the IOSCO Principles in accordance with the terms of our engagement letter dated 2<sup>nd</sup> November 2021.

This report is issued solely to FMDQ Exchange. We do not accept any responsibility to third parties to whom our report may be shown or into whose hands it may come. This report may not be used other than together with the IOSCO Statement of Compliance of FMDQ Exchange to which it relates.

#### **Respective responsibilities**

FMDQ Exchange is responsible for designing, implementing, and monitoring the policies, procedures and processes that achieve compliance with the IOSCO Principles for Financial Benchmarks as well as preparing the Statement of Compliance with the above-named Principles.

#### **Independent auditor's responsibilities and scope of work**

Our responsibility is to express a reasonable point-in-time assurance opinion on FMDQ Exchange's Compliance Statement whether it is fairly stated, in all material respects as at 30<sup>th</sup> November 2021. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000).

Our examination included those procedures we considered necessary in the circumstances to obtain reasonable, but not absolute, assurance about whether the IOSCO Compliance Statement of FMDQ Exchange is fairly stated in all material respects. Our examination included obtaining through observation, inspection, representation, inquiry, and examination, on a sample basis, of the evidence supporting the assertions necessary for rendering our opinion. Our procedures are described in the body of the report.



### **Inherent Limitations**

Control procedures designed to address specified control objectives are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Such control procedures cannot guarantee protection against (amongst other things) fraudulent collusion especially on the part of those holding positions of authority or trust. Furthermore, our opinion is based on point-in-time information and the projection of any information or conclusions to any future periods is inappropriate.

### **Conclusion**

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

- a. The Company's Statement of Compliance does not, in all material respects, describe fairly the control procedures that relate to the specified control objectives aimed at complying with the IOSCO Principles which were in place as of 30<sup>th</sup> November 2021; and
- b. The control procedures are not suitably designed such that there is limited assurance that the specified control objectives aimed at complying with the IOSCO Principles will have been achieved if the described control procedures are complied with satisfactorily.

For: EY

A handwritten signature in black ink, appearing to read 'Benson Uwheru', is written over a faint, light-colored signature line.

**Benson Uwheru**

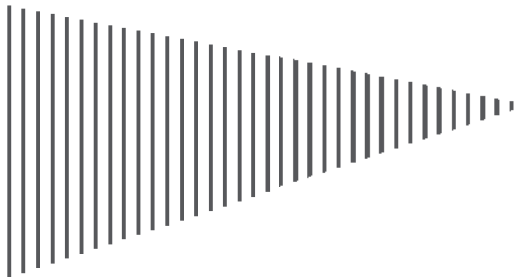
Partner, Consulting Services

FRC/2013/CIBN/00000001554

**FMDQ Securities Exchange Limited**

**Independent Benchmark Review Final Report**

**February 2022**



## Introduction

FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) is a Securities and Exchange Commission (“**SEC**” or “**the Commission**”) registered securities exchange, with a strategic focus to organise the markets within its purview and create an efficient platform for the registration, listing, quotation, trading and reporting of securities and financial products. FMDQ Exchange provides a range of business services in fulfilment of its market development, organiser, and governance mandates, whilst adding value to its diverse stakeholder groups. These services include Registrations, Listings & Quotations, Data & Information, Market Connectivity, Market Governance & Regulation, amongst many others.

In its capacity as a Benchmark Administrator, FMDQ Exchange regularly reviews the policies, processes, and practices for its Fixings in accordance with appropriate international Benchmark regulations and guidance, particularly the International Organisation of Securities Commissions (“**IOSCO**”) Principles for Financial Benchmarks (“**the Principles**”).

The IOSCO Principles articulate policy guidelines and principles for Benchmark-related activities that will address conflicts of interest in the Benchmark-setting process, as well as engender transparency and openness when considering issues related to transition. The Principles help identify certain broad, generic risks to the credibility of Benchmarks arising from vulnerabilities in the Benchmarks’ Methodologies, as well as transparency and governance arrangements.

FMDQ Exchange engaged EY as an Independent Consultant to assess its compliance with the IOSCO Principles for Financial Benchmarks (2013) across Governance, Benchmark Operations, and Information Technology. The procedures performed included the following:

- Review of relevant documents such as FMDQ Exchange Statement of Compliance with the IOSCO Principles, FMDQ Exchange Methodologies, Standard Policies and Procedural Manuals, the Market Review Committee (“**MRC**”) Charter and Minutes of the MRC Meetings, and other supplementary documents
- Walk-throughs for key processes and controls
- Interviews with relevant stakeholders

The report presents highlights of the applicable IOSCO principle and EY’s procedure in assessing compliance. Our observations have been documented with reference to the requirements of the IOSCO principles.



## Detailed Findings

### Section I: Governance

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 1</b></p> <p><b>Overall Responsibility of the Administrator</b></p> <p>IOSCO Principle 1 states that the Administrator shall have primary responsibility for all aspects of the Benchmark determination process, including development, determination and dissemination, operation, and governance.</p> <p>This Principle makes clear that, regardless of the structure for Benchmark determination and administration, there should be an overall entity which is responsible for the integrity of the Benchmark.</p>	<p>FMDQ Exchange is the Benchmark Administrator of NAFEX, NIBOR and NITTY and has primary responsibility for all aspects of the Benchmarks' determination process including the development, dissemination, operation, and governance of the Benchmarks.</p> <p>FMDQ Exchange, through its Market Development function, develops Methodologies to calculate Fixings as part of the Market Architecture Division (“<b>MAD</b>”). FMDQ Exchange retains all intellectual rights and ownership of all its Benchmarks.</p> <p>FMDQ Exchange is responsible for implementing all its Benchmarks in line with the defined Methodologies. Each Benchmark is calculated in a controlled environment and is disseminated on the FMDQ Exchange website, FMDQ Exchange e-Markets Data Portal and through third party data distributors. The FMDQ Exchange Benchmarks are published at approximately 12:00 Noon (WAST<sup>8</sup>) for NAFEX and NITTY and 2:00 PM (WAST) for NIBOR. In the case of a delay of a Benchmark publication, subscribers/users, and third-party distributors as relevant will be notified of the delay via an email.</p> <p>FMDQ Exchange is responsible for the ongoing operation of FMDQ Exchange Benchmarks including taking appropriate contingency measures in the event of absence of sufficient inputs, market stress, disruption, or failure of critical infrastructure. Any contingency measures that are not directly addressed in the Methodology shall be subject to FMDQ Exchange's process for the exercise of Expert Judgment.</p>	<p>EY obtained FMDQ Exchange's Benchmark (NAFEX, NIBOR and NITTY) Methodologies and inspected for evidence that the Exchange accepted responsibility as the Administrator for each Benchmark Fixing.</p> <p>EY reviewed the approved Board Listings and Markets Committee (“<b>BLMAC</b>”) Charter and verified that it defines the responsibilities of the BLMAC in providing governance and oversight over the Benchmark administration process.</p> <p>EY also reviewed the MRC Charter and verified that the BLMAC had appropriately designated the responsibility of review, monitoring, and maintenance of the Benchmark administration framework to the MRC.</p> <p>EY obtained the Draft Standard Policy and Procedure (“<b>SPP</b>”) for the Review of FMDQ Exchange Benchmarks Methodologies, the SPP for Market Notice Issuance and the SPP for Fixings and inspected for evidence that the Fixed Income and Currencies Markets Group (“<b>FCG</b>”) is responsible for the development of the Benchmarks' Methodology while the Index Services Group (“<b>ISG</b>”) of the Exchange is responsible for the computation and publication of Benchmark Fixings.</p> <p>EY inspected the Methodology document for each of FMDQ Exchange Benchmarks and verified that they</p>

<sup>8</sup> West African Standard Time (i.e., Greenwich Mean Time [GMT] + 1)

	<p>FMDQ Exchange’s Benchmark Oversight Committee (“<b>BOC</b>”) is the MRC which provide governance and oversight in respect of all aspects of FMDQ Exchange’s Benchmark Administrator functions. The responsibilities of the MRC include, without limitation, overseeing FMDQ Exchange’s Benchmark administration activities undertaken by FMDQ Exchange personnel including reviewing and challenging all aspects of (i) Benchmark design, (ii) the integrity of FMDQ Exchange Benchmark determination processes, and (iii) relevant control frameworks; and monitoring financial markets, institutions and structures, recommending policy alternatives to regulatory agencies and developing, calibrating and reviewing market intervention policies (either from FMDQ Exchange or regulatory agencies).</p>	<p>contain a contingency plan for instances where Fixings’ submissions are below the documented threshold.</p> <p>EY obtained FMDQ Exchange's SPP for the Delay in Publication of Market Data and noted that it details procedures for notifying stakeholders on Benchmark publication delays.</p> <p>No exceptions were noted.</p>
<p><b>Principle 2</b></p> <p><b>Oversight of Third Parties</b></p> <p>IOSCO Principle 2 requires an Administrator to maintain appropriate oversight of third parties that perform activities related to the Benchmark determination process, such as the collection of inputs, publication or where a third-party act as a calculation Agent.</p> <p>This Principle reflects the concern that any outsourcing of functions should be subject to oversight by the Administrator. This Principle applies only where activities relating to the Benchmark determination processes are undertaken by third parties, for example with respect to collection of inputs, or where a third-party act as the Calculation Agent or Publisher of the Benchmark.</p>	<p>FMDQ Exchange manages all aspects of the Benchmark determination process and does not outsource responsibility for the Benchmark determination process. Third parties are not involved in the collection of inputs to FMDQ Exchange Benchmarks, as FMDQ Exchange sources all data directly from either the counterparties to the trades underlying the Benchmarks or the intermediaries on whose systems those trades are executed.</p> <p>However, FMDQ Exchange does publish the FMDQ Exchange Benchmarks through data vendors. Such relationships are governed by legal agreements that set out the roles and obligations of these data vendors and the limitation to the use of the FMDQ Exchange Benchmarks. Consequently, FMDQ Exchange does not consider these providers as “third parties” as contemplated under Principle 2 of the IOSCO Principles.</p> <p>Therefore, the oversight requirement described in Principle 2 does not apply to FMDQ Exchange.</p>	<p>Not Applicable.</p> <p>FMDQ Exchange manages all aspects of the Benchmark determination process and does not outsource responsibility for the Benchmark determination process.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 3</b></p> <p><b>Conflicts of Interest for Administrators</b></p> <p>IOSCO Principle 3 states that the Administrator should document, implement, and enforce policies and procedures for the identification, disclosure, management, mitigation, or avoidance of conflicts of interest including the disclosure of any material conflicts of interest to stakeholders.</p>	<p>FMDQ Exchange enforces policies and procedures to mitigate and avoid conflicts of interests in the determination of FMDQ Exchange Benchmarks which are periodically reviewed by MRC. Additionally, FMDQ Exchange maintains an Employee Code of Conduct and Staff are subject to continuous education on ethics and confidentiality.</p> <p>FMDQ Exchange has organised the management and supervision of its Benchmark Administration activity in a manner which seeks to manage and mitigate conflicts of interests that may arise. FMDQ Exchange separates the administration and determination functions of FMDQ Exchange Benchmarks from direct supervision and control of the Market Development and Market Oversight functions. To this end:</p> <ul style="list-style-type: none"> <li>- The team responsible for carrying out the administration and determination functions of FMDQ Exchange in relation to the Benchmarks is separated from the team which develops the Methodology for FMDQ Exchange Benchmarks</li> <li>- The goals, rewards and incentives for personnel involved in the administration and determination of FMDQ Exchange Benchmarks are not directly or indirectly tied to the performance of the Benchmarks</li> <li>- FMDQ Exchange personnel are required to conduct their business activities in line with processes and procedures established in relation to the administration of FMDQ Exchange Benchmarks and in accordance with the Employee Code of Conduct, other internal policies, and relevant laws; and in limited, circumstances, regarding Benchmarks and in accordance with the Employee Code</li> </ul>	<p>EY obtained the Employee Code of Conduct Policy and inspected for provisions by FMDQ Exchange to disclose, manage, mitigate, and avoid conflicts of interest among employees as well as safeguard confidential information.</p> <p>EY requested for evidence of signed confirmation of all Benchmark employees understanding and commitment to comply with the Employee Code of Conduct Policy and disclose conflicts of interest.</p> <p>EY also assessed FMDQ Exchange's organogram to verify that FCG and ISG responsible for Benchmark Methodology development and publication respectively maintain reporting lines to separate Divisional Heads.</p> <p>EY reviewed the Performance Management Policy and Remuneration Policy of FMDQ Exchange to verify that goals and incentives for Benchmark Staff were not directly or indirectly tied to the performance of the Benchmarks.</p> <p>EY obtained the Code of Business Conduct and Ethics for Directors and inspected for provisions by FMDQ Exchange to disclose, manage, mitigate, and avoid conflicts of interest among Board members as well as safeguard confidential information.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange’s Statement of Compliance	EY Procedure Performed
	<p>of Conduct, other internal policies, and relevant laws; and in limited circumstances, regarding Benchmarks and in accordance with the applicable Methodology, Expert Judgment may be applied. Any such Expert Judgment is subject to internal procedures, controls and criteria established to mitigate any conflict of interest which may arise</p> <ul style="list-style-type: none"> <li>- FMDQ Exchange has a robust Code of Business Conduct and Ethics for Directors, which sets out to ensure that Directors are making ethical decisions when performing their duties. This Code is intended to provide the Director's guidance with respect to recognising and managing areas of ethical issues and disclose unethical conduct whilst fostering a culture of openness and accountability</li> </ul>	
<p><b>Principle 4</b></p> <p><b>Control Framework for Administrators</b></p> <p>IOSCO Principle 4 states that an Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark.</p> <p>The control framework should be appropriately tailored to the materiality of the potential or existing conflicts of interest identified, the extent of the use of discretion in the Benchmark setting process and the nature of Benchmark inputs and outputs.</p> <p>Amongst other things, the framework should address the following areas:</p>	<p>FMDQ Exchange has incorporated the elements of the Benchmark Control Framework, in proportion to the risk and size of FMDQ Exchange Benchmarks in respect of Benchmark design, determination, publication and ongoing maintenance, as well as the policies and procedures, training and IT systems that support the Benchmark administration framework into the various documents for the respective administrative functions:</p> <ul style="list-style-type: none"> <li>- <b>Conflicts of Interest:</b> FMDQ Exchange, as the administrator, maintains organisational and administrative arrangements (including policies and procedures) to identify, manage, mitigate, or avoid existing or potential conflicts of interests that may arise from the process of Benchmark administration (please refer to the description of compliance with Principle 3)</li> </ul>	<p>EY obtained FMDQ Exchange’s Benchmark Control Framework and SPP for Fixings and Methodology Review and inspected for evidence that procedures and controls exist to promote consistency throughout the Benchmark administration process.</p> <p>EY reviewed the FMDQ Exchange website to verify that the Benchmark Control Framework is made available to the public.</p> <p>EY reviewed the Methodology documents of each of the Benchmark Fixings and conducted walk throughs with the Benchmark administration process owners to test implementation of an appropriate control framework for the process of determining and distributing the Benchmark.</p> <p>EY reviewed FMDQ Exchange's Whistle blowing policy to verify that the Exchange had established an effective whistleblowing mechanism to facilitate early</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<ul style="list-style-type: none"> <li>- Conflicts of interest in line with Principle 3 on conflicts of interests</li> <li>- Integrity and quality of Benchmark determination.</li> <li>- Whistleblowing mechanism.</li> <li>- Expertise</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Internal Oversight:</b> FMDQ Exchange is focused on managing risk (including operational risk) associated with Benchmark administration related activities. To this end, the BOC provides governance and oversight of Benchmark administration activities. The BOC is composed of representatives from several FMDQ Exchange front office functions and risk/control functions (please refer to Principle 5)</li> <li>- <b>Escalation and Whistleblowing:</b> All FMDQ Exchange personnel are required to comply with the FMDQ Exchange Employees Code of Conduct, which sets the expectation that personnel will, and encourages personnel to, escalate all possible violations of a law, regulation, FMDQ Exchange policy or ethical standards.</li> </ul> <p>Furthermore, FMDQ Exchange has an established Whistleblowing Policy and mechanism which provides an avenue for stakeholders (members, employees, regulators, investors, industry professionals, issuers, and the public) to report all or any possible violations of a law, regulation, FMDQ Exchange policy or ethical standard</p> <ul style="list-style-type: none"> <li>- <b>Benchmark Complaints Procedures:</b> Complaints regarding FMDQ Exchange Benchmarks are handled in line with the FMDQ Exchange Benchmark Complaints Policy and the Complaint Management Framework which is developed pursuant to the Investments and Securities Act 2007 ("ISA"), SEC Rules and Regulations 2013 and the IOSCO Principles for Securities Regulation</li> </ul>	<p>awareness of any potential misconduct or irregularities that may arise.</p> <p>EY tested FMDQ's whistleblowing mechanism to confirm its functionality. EY obtained the record of trainings and training materials for FMDQ Exchange Staff to verify that training content included ethics, conflicts of interest, continuity, and succession planning for personnel.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange’s Statement of Compliance	EY Procedure Performed
	<ul style="list-style-type: none"> <li>- <b>Benchmark Administration Process:</b> FMDQ Exchange maintains procedures for the ongoing determination, publication, and maintenance of FMDQ Exchange Benchmarks. The FMDQ Exchange Benchmark Methodologies disclose the determination process for the Benchmarks including, without limitation, the data inputs, and their sources. In addition, Benchmark Methodologies contain a description of the consequences of market stress or disruption events for the determination of the Benchmarks, including the use of Expert Judgment (please refer to descriptions of compliance with Principles 6 to 15 for further details)</li>   <li>- <b>Maintenance, Periodic Review, and Communication:</b> The FMDQ Exchange Benchmarks are subject to periodic review to gauge whether relevant Fixings remain fit-for-purpose. During the review, FMDQ Exchange considers several factors relevant to the Benchmarks, including the original design considerations, determination Methodologies, data inputs, stakeholders’ feedback (including complaints) and audit findings. If FMDQ Exchange determines that the Benchmark Methodology should be modified, or a relevant Benchmark is no longer suitable, the BOC must approve any modification or discontinuation and notify stakeholders accordingly. Please refer to descriptions of compliance for Principles 12 and 13 respectively for further details</li>   <li>- <b>Information Published and Made Available:</b> The Benchmark Methodology is made available via the following link <a href="https://www.fmdqgroup.com/markets/fmdq-benchmark-administration/">https://www.fmdqgroup.com/markets/fmdq-benchmark-administration/</a></li>   <li>- <b>Expertise:</b> FMDQ Exchange has implemented measures to ensure that all FMDQ Exchange personnel involved in</li> </ul>	

Principle	FMDQ Exchange’s Statement of Compliance	EY Procedure Performed
	<p>Benchmark Administration possess the necessary levels of expertise and competence and are subject to periodic performance reviews and assessments. All FMDQ Exchange personnel involved in Benchmark Administration activities are subject to regular sensitisation on matters such as ethics, compliance, and information security</p> <ul style="list-style-type: none"> <li>- <b>Audit and Accountability:</b> FMDQ Exchange, as the Benchmark Administrator, is subject to review by the FMDQ Exchange Internal Audit Division in line with the appropriate risk-based audit cycle and maintains written records of key data, events, procedures and other documents for audit and regulatory purposes (please refer to Principles 17 to 19 (inclusive) for further details)</li> <li>- <b>Integrity of Submissions:</b> Benchmark Reference Banks are selected from Dealing Member (Banks) (“<b>DMBs</b>”) based on their market volume and performance, professionalism, and financial standing. Benchmark Reference Banks are required to adhere to the guidelines in the submissions Methodology as directed by FMDQ Exchange which stipulates the following: a pre-compilation or pre-publication monitoring to identify and avoid errors in inputs or submissions, frequency of submissions, etc.</li> </ul>	

Principle	FMDQ Exchange’s Statement of Compliance	EY Procedure Performed
<p><b>Principle 5</b></p> <p><b>Internal Oversight</b></p> <p>IOSCO Principle 5 states that an Administrator should establish an oversight function to review and provide challenge on all aspects of the Benchmark determination process.</p>	<p>The BOC reviews and assesses the Benchmark production process. Internal policies in place define the responsibilities of the BOC and the details of its membership. The composition of the BOC is such that it provides a balanced representation of a range of internal stakeholders and is designed to mitigate any potential conflicts of interest. Each individual member has (i) an appropriate level of seniority and experience to participate as a member of the BOC, and (ii) knowledge and expertise relating to the front office function or risk/control function represented by the relevant individual, in each case as determined by the relevant Front Office Function or Risk/control Function and subject to periodic review. External parties are not included in the oversight of FMDQ Exchange Benchmarks. However, FMDQ Exchange ensures extensive engagements are carried out in line with its documented Stakeholder Consultation Policy.</p> <p>As a general principle, the relevant Financial Market Dealers Association (“<b>FMDA</b>”) Workgroups responsible for the underlying asset for which the referenced Benchmark measures, are consulted. FMDA is the association of Nigerian deposit money banks’ treasurers which is focused on regulatory policy engagement/advocacy and professional ethics in the financial markets. FMDA’s members are the primary contributors to the FMDQ Exchange Benchmarks and therefore the highest-ranked stakeholder category for FMDQ Exchange Benchmarks.</p> <p>In the case of fundamental modifications to the design or administration of a Benchmark, a wider consultation, incorporating all other relevant stakeholders (buy-side, foreign investors, etc.) shall also be undertaken.</p>	<p>EY reviewed the MRC Charter and verified that it defines the roles and responsibilities of the MRC in relation to the Benchmark Administration process as well as the details of its membership.</p> <p>EY obtained a list of the MRC members and verified that its composition is as described in the MRC Charter.</p> <p>EY obtained samples of the MRC Minutes of Meeting and inspected for evidence that the members deliberate on all aspects of the Benchmark determination process.</p> <p>EY reviewed the Benchmark Stakeholder Consultation Policy and inspected for provisions to consult external stakeholders on aspects of the Benchmark determination process.</p> <p>No exceptions were noted.</p>



Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
	<p>The Committee's responsibilities include reviewing:</p> <ul style="list-style-type: none"> <li>- <b>Benchmark design:</b> <ul style="list-style-type: none"> <li>- The definition and Methodology of the Benchmarks</li> <li>- General issues and risks regarding the Benchmarks</li> <li>- The calculation Methodology of the Benchmarks</li> <li>- Any proposed changes to a Methodology</li> </ul> </li> <li>- <b>Integrity of the Benchmark determination and control framework:</b> <ul style="list-style-type: none"> <li>- Audit findings related to the production of Benchmarks</li> <li>- Any use of non-standard procedures in the production of the Benchmarks, including the use of Staff Expert Judgment or contingency data sources</li> <li>- Existing and potential conflicts of interest and related policies imposed on Staff</li> <li>- Investigating complaints reported by stakeholders with regards to the Benchmark Administration process</li> <li>- Assisting in the maintenance of governance/control procedures for FMDQ Exchange Benchmarks including where necessary, advising on enforcement/disciplinary procedures</li> </ul> </li> </ul>	

Section II: Quality of the Benchmark

Principle	FMDQ Exchange’s Statement of Compliance	EY Procedure Performed
<p><b>Principle 6</b></p> <p><b>Benchmark Design</b></p> <p>IOSCO Principle 6 states that the design of a Benchmark should seek to achieve and result in an accurate and reliable representation of the economic realities of the Interest it seeks to measure and eliminate factors that might result in a distortion of the price, rate, index, or value of the Benchmark.</p>	<p>FMDQ Exchange Benchmarks consist of spot rate Fixings for fixed income and currency developed by FMDQ Exchange and generated using the Benchmark Methodology.</p> <p>FMDQ Exchange Benchmarks are made available to users at specified set times during each business day and follow a systematic set of documented procedures. The considerations which are factored into the design of FMDQ Exchange Benchmarks include the following:</p> <ul style="list-style-type: none"> <li>- <b>Relevance and Comprehensiveness:</b> The Benchmarks aim to include all market prices that are realistically available to market participants under normal market conditions. Should there be insufficient or unreliable observable pricing in the relevant market, the Benchmarks may be republished and made available as indicative only (please refer to Principles 8 and 9)</li> <li>- <b>Simple and objective selection criteria:</b> Clear and definable objectives govern the inclusion of products, tenors, or datasets within the Benchmark universe</li> </ul> <p>In assessing these design considerations, the underlying components of the proposed Benchmarks are considered by reference to (i) the adequacy of the components used to represent the relevant Interest; (ii) the size and liquidity of the relevant market (for example whether there is sufficient trading to provide observable, transparent pricing); (iii) the relative size of the underlying market in relation to the anticipated volume of trading of the underlying instrument; (iv) the distribution of trading (market concentration); and (v) market dynamics.</p>	<p>EY obtained the Methodology document for each Benchmark and inspected for evidence that they included the Benchmark definition and Methodology.</p> <p>EY requested for a sample of Benchmark publications for the period under review and inspected for evidence of Reference Bank data submissions backing up the publications.</p> <p>EY recomputed the Benchmark publications for the respective samples using the FMDQ defined Methodology to test that there was no application of expert judgment in the period under review.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 7</b></p> <p><b>Data Sufficiency</b></p> <p>IOSCO Principle 7 states that the data used to construct a Benchmark determination should be sufficient to accurately and reliably represent the Interest measured by the Benchmark and should:</p> <p>a) Be based on prices, rates, indices, or values that have been formed by the competitive forces of supply and demand to provide confidence that the price discovery system is reliable; and</p> <p>b) Be anchored by observable transactions entered at arm's length between buyers and sellers in the market for the Interest the Benchmark measures for it to function as a credible indicator of prices, rates, indices, or values.</p>	<p>FMDQ Exchange Benchmarks are primarily anchored in observable transactions that are priced based on the competitive forces of demand and supply and are conducted at arm's length where data is sufficiently available and reflects adequate liquidity and/or 'executable bid/offer quotes' where liquidity levels are low and are published each day.</p> <p>Selection of inputs and their use in the determination of Benchmarks are described in the respective Benchmark Methodologies (please refer to Principle 11).</p> <p>FMDQ Exchange may exercise its Expert Judgment to override a Benchmark determination. Expert Judgment may be used in instances where market activity and observability have deteriorated over time or to the extent that the observed inputs are no longer reliable. In such instances, a Benchmark may be repeated or published as indicative only (please refer to principles 8 and 9).</p>	<p>EY obtained the Methodology documents for each Fixing and inspected for evidence that an analysis of the sufficiency, reliability and accuracy of data used in the Benchmark computation is conducted by FMDQ Exchange.</p> <p>EY requested for a sample of Benchmark publications for the period under review and inspected for evidence of Reference Bank data submissions backing up the publications.</p> <p>EY conducted a walkthrough of the Fixing processes for NAFEX, NITTY and NIBOR and inspected that the process for establishing data sufficiency as described in the Benchmark Methodologies documents are executed.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 8</b></p> <p><b>Hierarchy of Data Inputs</b></p> <p>IOSCO Principle 8 states that the Administrator should establish and publish or make available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks.</p> <p>In general, the hierarchy of data inputs should include:</p> <ul style="list-style-type: none"> <li>a) Where a Benchmark is dependent upon Submissions, the Submitters' own concluded arms-length transactions in the underlying Interest or related markets.</li> <li>b) Reported or observed concluded Arm's-length Transactions in the underlying Interest.</li> <li>c) Reported or observed concluded Arm's-length Transactions in related markets.</li> <li>d) Firm (executable) bids and offers; and</li> <li>e) Other market information or Expert Judgments.</li> </ul>	<p>FMDQ Exchange may use transactional data entered on an arm's length basis between buyers and sellers in the market, where that data is available and reflects sufficient liquidity. In a market where liquidity levels are low, the Benchmark may be based predominantly or exclusively on contributed quotes. The order of selection of data input for underlying securities is outlined in the Methodology of each Benchmark.</p> <p><b>Market Disruption:</b> The Benchmark Methodologies contain descriptions of the consequences of market stress or disruption events on the determination of each Benchmark if such events were to occur.</p> <p><b>Expert Judgment:</b> In addition to the exercise of Expert Judgment described above in relation to input selection, Expert Judgment can also be exercised in performing the relevant Benchmark determination where (i) a market event is not fully anticipated or addressed in the Benchmark Methodology or (ii) inputs for a security or currency pair is unavailable or considered by FMDQ Exchange to be unreliable pursuant to the Methodology.</p> <p>Expert Judgment will be exercised (i) in good faith and in a commercially reasonable manner, (ii) to the extent practicable, reflecting the commercial objective of the relevant Benchmark Fixing and market practice, and (iii) to the extent practicable, in a manner which promotes consistency in the exercise of Expert Judgment and the making of determinations in respect of the Benchmark as a whole (please refer to principles 9 and 11).</p>	<p>EY inspected the Benchmark Methodologies and inspected for evidence of data sourcing procedures.</p> <p>EY requested the user guide of the Data Reporting Portal and conducted a walkthrough to verify the existence of controls to prevent manual interference in the data collection process.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 9</b></p> <p><b>Transparency of Benchmark Determinations</b></p> <p>IOSCO Principle 9 states that an Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline of a concise explanation sufficient to facilitate a subscriber's or Market Authority's ability to understand how the Benchmark determination was developed, as well as a concise explanation of the extent to which and the basis upon which judgment, if any, was used by the Administrator in establishing a Benchmark determination.</p>	<p>The objectives and functions of this Principle have been addressed in an alternative manner based on the FMDQ Exchange's assessment of the impact the publication of the identified information will have on the market. FMDQ Exchange Benchmark determinations are governed by rules detailed in the Benchmark Methodology (please refer to Principle 11). The Benchmark Methodologies provide an understanding of how the Benchmark rates are determined and, circumstances where Expert Judgment may be exercised.</p> <p>However, all second/third level analysis of the Benchmark data while not published are archived by FMDQ Exchange for audit purposes.</p>	<p>EY inspected the FMDQ Exchange website to verify that the Methodologies for each Benchmark are publicly available on the website.</p> <p>EY reviewed the SPP Manual for Fixings and conducted walkthroughs with ISG to verify that the processes and controls in the calculation and publication of the Benchmarks concur with the published Methodology.</p> <p>No exceptions were noted.</p>
<p><b>Principle 10</b></p> <p><b>Periodic Review</b></p> <p>IOSCO's Principle 10 contemplates that the Administrator will conduct a periodic review of Benchmark design.</p>	<p>FMDQ Exchange periodically reviews the Benchmarks by assessing:</p> <ul style="list-style-type: none"> <li>- Whether there have been any changes in the underlying components or Interest referenced by the Benchmarks which may mean that such components or Interest are no longer adequately represented by the Benchmarks in the manner originally intended; and</li> <li>- Whether the Benchmarks remain fit-for-purpose and within acceptable limitations, FMDQ Exchange reviews its Benchmark Methodologies annually to ensure that the approach adopted towards calibrating the Benchmarks considers market trends, feedback, and observations. Furthermore, the frequency of reviews varies across the Benchmarks administered by FMDQ Exchange and depends on relevant factors including the frequency of any operational items which have been collated from</li> </ul>	<p>EY inspected for evidence of periodic reviews of the Benchmarks and assessed whether such reviews considered the following:</p> <ul style="list-style-type: none"> <li>- Changes in the underlying Interest referenced by the Benchmarks which may mean that such components or Interest are no longer adequately represented by the Benchmarks; and</li> <li>- Whether the Benchmarks remain fit-for-purpose and within acceptable limitations.</li> </ul> <p>No exceptions were noted.</p>

	<p>stakeholder feedback (including complaints), audit findings, and as may be requested by the BOC.</p> <p>The BOC considers the findings following periodic reviews of each Benchmark and any proposed changes to a Benchmark Methodology arising from this review will be subject to the process described in Principle 12.</p>	
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**Section III: Quality of the Methodology**

<b>Principle</b>	<b>FMDQ Exchange’s Statement of Compliance</b>	<b>EY Procedure Performed</b>
<p><b>Principle 11</b></p> <p><b>Content of the Methodology</b></p> <p>IOSCO Principle 11 states that the Administrator should document and publish or make available the Methodology used to make Benchmark determinations with sufficient detail to allow stakeholders to understand how the Benchmark is derived and to assess its representativeness, its relevance to stakeholders, and its appropriateness as a reference for financial instruments.</p>	<p>FMDQ Exchange Benchmark Methodologies are available on <a href="https://www.fmdqgroup.com/markets/fmdq-benchmark-administration/">https://www.fmdqgroup.com/markets/fmdq-benchmark-administration/</a>. The Benchmark Methodologies are designed to enable potential users of the Benchmark and other stakeholders to assess and review the characteristics of each Benchmark (including its objectives, technical Methodology, and parameters).</p> <p>The Methodologies describe the determination process including, without limitation, inputs selection, including definitions of key terms and concepts. In addition, the document contains a description of the consequences of market stress or disruption events for the determination of a Benchmark. FMDQ Exchange periodically reviews the Benchmark Methodology to ensure accuracy and completeness (please refer to Principle 10).</p> <p>While Benchmark Methodologies do not explicitly describe the circumstances in which FMDQ Exchange may consult with stakeholders, the circumstances in which FMDQ Exchange may consult with stakeholders, as appropriate, are outlined in Principles 12 and 13 of this Statement of Compliance. Furthermore, FMDQ Exchange maintains a Reference Bank Methodology, wherein the criteria for including and excluding Submitters is detailed.</p>	<p>EY obtained the Benchmark Methodology and Benchmark Error policies and inspected for evidence that the details of their respective objectives and maintenance were included and publicly available.</p> <p>EY obtained a selection of minutes of the MRC meetings and inspected for evidence that changes to the Benchmark Methodologies are discussed before implementation.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 12</b></p> <p><b>Changes of Methodology</b></p> <p>IOSCO Principle 12 states that an Administrator should Publish or make available the rationale of any proposed material change in its Methodology, and procedures for making such changes. The procedures should clearly define what constitutes a material change, and the method and timing for consulting or notifying subscribers (and other stakeholders where appropriate, considering the breadth and depth of the Benchmark's use) of changes. In addition, the Administrator should develop stakeholder consultation procedures in relation to changes to the Methodology that are deemed material by the oversight function, and that are appropriate and proportionate to the breadth and depth of the Benchmark's use and the nature of the stakeholders.</p>	<p>FMDQ Exchange may seek to revise the composition or calculation Methodology for one or more Benchmarks. The BOC, charged with periodically reviewing the calculation Methodology of the Benchmarks to ensure that they continue to properly reflect their underlying interests, will review, and approve any such proposed revisions.</p> <p>Benchmarks are continually evolving. There is a formal process for changes to the Benchmark Methodology. In such circumstances, FMDQ Exchange follows documented procedures that are proportionate to the size and risks of the Benchmark and involve three (3) phases: discovery, planning, and execution.</p> <p><b>Discovery:</b> FMDQ Exchange, as the Administrator, endeavours to resolve ambiguities, errors and omissions using Expert Judgment and may, in consultation with the BOC, amend the Benchmark Methodology to reflect the resolution of such ambiguity, error, or omission in accordance with documented procedures. In so doing, FMDQ Exchange assesses the potential impact such change may have on users and stakeholders and, if deemed appropriate and proportionate to the rate-Fixing, undertakes a survey of stakeholders for feedback on the proposed amendment to the Methodology. Any such decision to survey stakeholders is taken in consultation with the BOC.</p> <p><b>Planning:</b> FMDQ Exchange, as the Administrator, considers (i) the potential impact on users and stakeholders, (ii) whether a change to the Benchmark Methodology is necessary to ensure that the Benchmark continues to be an accurate and reliable representation of the economic realities of the Interest it seeks to measure, and (iii) any feedback received from stakeholders following a survey, if necessary.</p>	<p>EY obtained the respective Benchmark Methodology documents and inspected for evidence of a provision for frequency of Methodology reviews.</p> <p>EY inspected the Stakeholder Consultation Policy to verify that stakeholders are provided with sufficient time to provide input on proposed changes to Benchmark Methodologies.</p> <p>EY obtained the SPP for Market Notice Issuance and inspected for evidence of a provision for notifying stakeholders on changes to the Benchmark Framework.</p> <p>EY inspected for evidence of notification of stakeholders on changes made to the NIBOR and NITTY Methodologies during the period under review.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
	<p><b>Execution:</b> FMDQ Exchange, as the Administrator, is responsible for consulting with the BOC regarding any proposal to amend the Benchmark Methodology and may liaise with other teams within FMDQ Exchange regarding obtaining stakeholder feedback. The BOC monitors all three (3) phases of the process and approves amendments to the Methodology.</p> <p>Where relevant, pursuant to the Benchmark Methodology, FMDQ Exchange provides notification to users and stakeholders of its decision and rationale behind the amendment of the Methodology.</p>	
<p><b>Principle 13</b></p> <p><b>Transition</b></p> <p>IOSCO Principle 13 states that an Administrator should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest. These policies and procedures should be proportionate to the estimated breadth and depth of contracts and financial instruments that reference a Benchmark and the economic and financial stability impact that might result from the cessation of the Benchmark.</p>	<p>FMDQ Exchange recognises the importance and significance of the FMDQ Exchange Benchmarks to the strength and stability of the financial system. Therefore, to ensure the integrity of the FMDQ Exchange Benchmarks and provide for the continued stability of the financial markets, the Exchange has developed a Benchmark Transition Policy to be executed in the event of the possible cessation of any FMDQ Exchange Benchmark or one (1) or more of the FMDQ Exchange Benchmarks' tenors. (Please see Principle 12).</p> <p>FMDQ Exchange shall provide reasonable notice to stakeholders should it decide to discontinue the publication of a Fixing as documented in the Transition Policy.</p>	<p>EY reviewed FMDQ Exchange's Benchmarks Transition Policy and noted the existence of a framework to address possible cases of a Benchmark cessation.</p> <p>EY observed that no Benchmark was ceased during the period under review.</p> <p>No exceptions were noted.</p>



Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 14</b></p> <p><b>Submitter Code of Conduct</b></p> <p>IOSCO Principle 14 states that where a Benchmark is based on Submissions, The Administrator should develop guidelines for Submitters ("<b>Submitter Code of Conduct</b>"), which should be available to relevant Regulatory Authorities, if any, and Published or Made Available to stakeholders.</p>	<p>The objectives of this Principle have been addressed in an alternative manner and proportionate to the extent of the assessed risks as the FMDQ Exchange Benchmarks can each be determined from a combination of observable transactions and submissions based on the prevailing condition in the market at any given time.</p> <p>Consequently, Contributors are given strict instructions which outline their responsibilities and are required to adhere to them. These factors adequately mitigate the risks that are intended to be addressed by a Submitter Code of Conduct under the IOSCO Principles.</p>	<p>EY inspected for evidence that Submitters are provided with codes of conduct and required to adhere to them.</p> <p>EY requested for copies of the email sent to Reference Banks upon enlistment to verify if its contents cover the provisions of the IOSCO Principles in the absence of a code of conduct.</p> <p>EY requested for evidence of the conduct of quarterly reviews on Reference Banks in line with the requirement of FMDQ Exchange's Fixings Reference Banks Methodology.</p> <p>No exceptions were noted.</p>
<p><b>Principle 15</b></p> <p><b>Internal Control over Data collection</b></p> <p>IOSCO Principle 15 states that when an Administrator collects data from any external source, it should ensure that there are appropriate internal controls over its data collection and transmission processes. These controls should address the process for selecting the source, collecting the data, and protecting the integrity and confidentiality of the data. Where Administrators receive data from employees of the Front Office Function, the Administrator should seek corroborating data from other sources.</p>	<p>The data collected for each of FMDQ Exchange Benchmarks are submitted to FMDQ Exchange through secure data collection mechanisms. Prior to being used to calculate FMDQ Exchange Benchmarks, the data is validated and stored by FMDQ Exchange.</p> <p>Internal controls have been put in place regarding the collection of data and in protecting the integrity and confidentiality of the data, while Staff involved in the Benchmark production process are trained in the proper usage of the data.</p> <p>The Benchmark control framework ensures that adequate controls are in place such that all inputs are considered appropriate to represent the Interest that the Benchmark is seeking to measure.</p>	<p>EY reviewed FMDQ Exchange's controls over data collection procedures covering the selection of data sources, collection of data through the market portal, protection of the integrity of data, and protection of the confidentiality of data.</p> <p>EY reviewed supplementary information on the data collection process and performed walkthrough tests to assess the extent of implementation of data collection controls.</p> <p>EY observed the design and Fixing process on weekly data, the application used by the Submitters to input and submit data. EY verified that controls are in place to monitor and scrutinise submissions and the transmission of data between the company's stakeholders.</p>

	<p><b>Source selection process:</b> Inputs for FMDQ Exchange Benchmarks vary according to the underlying security (please refer to Principles 7 and 8).</p> <p><b>Collection of data:</b> FMDQ Exchange has implemented several internal controls over the collection of inputs. Such controls, which are subject to ongoing assessment and enhancement, are documented in the control framework and include, without limitation:</p> <ul style="list-style-type: none"> <li>- Validation processes for checking the accuracy and completeness of inputs and escalation processes in respect of any inaccuracies identified</li> <li>- Recalculation of a sample of Fixings across a period by an independent external auditor</li> </ul> <p><b>Data integrity and Confidentiality:</b> To protect the integrity of inputs used in the Benchmark determination process, access to the production environment is restricted.</p>	<p>EY performed walkthroughs to ensure that FMDQ Exchange’s internal controls protect the integrity and confidentiality of data collected and transmitted.</p> <p>No exceptions were noted.</p>
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**Section IV: Accountability**

Principle	FMDQX's Statement of Compliance	EY Procedure Performed
<p><b>Principle 16</b></p> <p><b>Complaints Procedures</b></p> <p>IOSCO Principle 16 requires each Administrator to establish and publish a written complaints procedures policy, by which stakeholders may submit complaints, including concerning whether a specific Benchmark determination is representative of the underlying Interest it seeks to measure, applications of the Methodology in relation to a specific Benchmark determination(s) and other Administrator decisions in relation to a Benchmark determination.</p>	<p>Complaints regarding the FMDQ Exchange Benchmarks are handled in line with the published FMDQ Exchange Benchmarks Complaint Policy with its attendant procedures which are designed to foster transparency and fairness in the treatment of the complaint. The Policy requires FMDQ Exchange as the Administrator, to follow specific procedures in relation to complaints received in respect of any of the Benchmarks.</p> <p>Stakeholders may address any concern or complaint in connection with any of the Benchmarks via the designated email: <a href="mailto:complaints@fmdqgroup.com">complaints@fmdqgroup.com</a> which is managed by the Divisional Head, Market Oversight.</p> <p>All documents relating to a complaint, including those submitted by the complainant as well as FMDQ Exchange's own records, are required to be retained for a minimum of seven (7) years, subject to applicable national legal or regulatory requirements (please refer to Principle 18).</p> <p>If a complaint results in change to a Benchmark determination, such change shall be notified to the relevant users or stakeholders.</p>	<p>EY obtained the Exchange's Complaint Management Framework and inspected for evidence that it is made publicly available on FMDQ's website.</p> <p>EY requested for FMDQ Exchange's complaint channel and tested it for efficacy.</p> <p>EY requested for evidence of maintenance of complaint records for the period under review to test that concerns and complaints are appropriately routed to the responsible persons and treated in a timely manner.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 17</b></p> <p><b>Audits</b></p> <p>IOSCO Principle 17 states that the Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to (1) the Principles, and (2) its stated Methodology.</p> <p>The frequency of the audits should be proportionate to the size and complexity of the Administrator's operations and the depth of Benchmark use by stakeholders, provided that each Administrator is audited no less than annually.</p>	<p>FMDQ Exchange's operational activities are subject to annual review by the FMDQ Exchange Internal Audit Division including the Benchmark Administration function in line with its risk-based audit cycle.</p> <p>Furthermore, FMDQ Exchange shall engage an external audit firm biennially to conduct a periodic audit/validation of its compliance with the IOSCO Principles, the results of which will be made available on the FMDQ Exchange public website.</p>	<p>EY obtained FMDQ Exchange's Benchmark Control Framework and inspected for evidence of a provision for frequent review of its compliance with the IOSCO Principles by internal and external auditors.</p> <p>EY obtained the internal audit report of FMDQ Exchange's Compliance with the IOSCO Principles for Financial Benchmarks to confirm that a review has been done during the period under review.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange’s Statement of Compliance	EY Procedure Performed
<p><b>Principle 18</b></p> <p><b>Audit Trail</b></p> <p>IOSCO Principle 18 states that Administrators should retain written records for five years, subject to applicable national legal or regulatory requirements on:</p> <ul style="list-style-type: none"> <li>a) All market data, Submissions and any other data and information sources relied upon for Benchmark determination.</li> <li>b) The exercise of Expert Judgment made by the Administrator in reaching a Benchmark determination.</li> <li>c) Other changes in or deviations from standard procedures and Methodologies, including those made during periods of market stress or disruption.</li> <li>d) The identity of each person involved in producing a Benchmark determination; and</li> <li>e) Any queries and response related to data inputs.</li> </ul>	<p>FMDQ Exchange’s Data Retention Policies which is made pursuant to the ISA and the SEC Rules and Regulations 2013 (please refer to clause 129 and 163), mandates the safeguarding of necessary documents and/or information for audits in accordance with legal and regulatory requirements for a minimum period of seven (7) years. Information retained by FMDQ Exchange include but are not to limited to the following:</p> <ul style="list-style-type: none"> <li>- Data collected for use in the Benchmark determination</li> <li>- Identities of Staff responsible for the calculation of the Benchmarks</li> <li>- Controls related to the validity and accuracy of the input data</li> </ul> <p>Furthermore, all Members of FMDQ Exchange (including Benchmark Submitters) are subject to the above Data Retention Policy by the execution of the relevant Membership Agreement. Consequently, Reference Banks are required to retain all data and information with respect to its role as a Reference Bank for a minimum of seven (7) years.</p>	<p>EY obtained FMDQ Exchange’s Backup &amp; Restore SPP and FMDQ Data Handling and Retention Policy and inspected for evidence that they contain relevant guidelines for back up, retention and destruction of data related to the Benchmark process.</p> <p>EY selected samples of Benchmark publications and Reference Bank data submissions between 2016 and 2021 and requested for evidence of their storage.</p> <p>No exceptions were noted.</p>

Principle	FMDQ Exchange's Statement of Compliance	EY Procedure Performed
<p><b>Principle 19</b></p> <p><b>Cooperation with Regulatory Authorities</b></p> <p>IOSCO Principle 19 states that the Administrator will make available relevant documents, audit trails and other documents subject to these Principles readily available to the relevant Regulatory Authorities carrying out their regulatory or supervisory duties and handed over promptly upon request subject to applicable national legal or regulatory requirements.</p>	<p>FMDQ Exchange is committed to cooperating with relevant Regulatory Authorities to improve the framework for Benchmark regulation or to address an inquiry, subject to applicable legal or regulatory restrictions and contractual or confidentiality obligations. Any such request for information related to the Benchmarks by any applicable Regulatory Authorities would be addressed on a case-by-case basis.</p>	<p>EY conducted an interview with the Head of Market Oversight Division who oversees the Examination Group (responsible for complaints management) and the Exchange Compliance Group (responsible for fraud investigations) to understand the relationship FMDQ has with regulatory authorities.</p> <p>EY obtained evidence of rendition of regulatory returns to regulatory authorities such as the SEC.</p> <p>No exceptions were noted.</p>

## **Conclusion**

FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or “**the Exchange**”) has been assessed to be compliant with the IOSCO Principles for Financial Benchmarks as of 7<sup>th</sup> February 2022.

## Appendix - Glossary of Key Terms

The table below shows the meaning of abbreviations/acronyms used.

<b>Administration</b>	Includes all stages and processes involved in the production and dissemination of a Benchmark, including: <ul style="list-style-type: none"> <li>a) Collecting, analysing and/or processing information or expressions of opinion for the purposes of the determination of a Benchmark</li> <li>b) Determining a Benchmark through the application of a formula or another method of calculating the information or expressions of opinions provided for that purpose</li> <li>c) Dissemination to users, including any review, adjustment, and modification to this process</li> </ul>
<b>Arm's-length Transaction</b>	A transaction between two parties that is concluded on terms that are not influenced by a conflict of interest (e.g., conflicts of interest that arise from a relationship such as a transaction between affiliates)
<b>Benchmark</b>	The Benchmarks are prices, estimates, rates, indices, or values that are: <ul style="list-style-type: none"> <li>a) Made available to users, whether free of charge or for payment</li> <li>b) Calculated periodically, entirely, or partially by the application of a formula or another method of calculation to, or an assessment of, the value of one or more underlying Interests</li> <li>c) Used for reference for purposes that include one or more of the following: <ul style="list-style-type: none"> <li>- determining the Interest payable, or other sums due, under loan agreements or under other financial contracts or instruments</li> <li>- determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument</li> <li>- measuring the performance of a financial instrument</li> </ul> </li> </ul>
<b>Benchmark Administrator</b>	The legal entity responsible for all stages of the Benchmark Administration process, including: <ul style="list-style-type: none"> <li>a) The calculation of the Benchmark</li> <li>b) Determining and applying the Benchmark Methodology</li> <li>c) Disseminating the Benchmark</li> </ul>
<b>BLMAC</b>	Board Listings and Markets Committee
<b>BOC</b>	Board Oversight Committee ( <i>please see MRC below</i> )
<b>Calculation Agent</b>	A legal entity with delegated responsibility for determining a Benchmark through the application of a formula or other method of calculating the information or expressions of opinions provided for that purpose, in accordance with the Methodology set out by the Administrator



<b>Expert Judgment:</b>	Refers to the exercise of discretion by an Administrator or Submitter with respect to the use of data in determining a Benchmark. Expert Judgment includes extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data such as market events or impairment of a buyer or seller’s credit quality, or weighting firm bids or offers greater than a particular concluded transaction
<b>FCG</b>	Fixed Income and Currencies Markets Group
<b>FMDQ Exchange</b>	FMDQ Securities Exchange Limited
<b>FMDQ Exchange Methodologies or the Methodologies</b>	A documented set of procedures applied by the Exchange to derive and calculate daily Fixings and market closing rates/prices
<b>Front Office Function</b>	This term means any department, division, group, or personnel of Submitter or any of its affiliates, whether identified as such, that performs, or personnel exercising direct supervisory authority over the performance of, any pricing (excluding price verification for risk management purposes), trading, sales, marketing, advertising, solicitation, structuring, or brokerage activities on behalf of a third party or for proprietary purposes
<b>Interest</b>	Refers to any physical commodity, currency or other tangible goods, intangibles (such as an equity security, bond, futures contract, swap or option, interest rates, another index, including indexes that track the performance of a rule-based
<b>IOSCO Principles</b>	The Board of the International Organisation of Securities Commissions (IOSCO) Final Report on the Principles for Financial Benchmarks published in July 2013
<b>ISG</b>	Index Services Group
<b>MRC</b>	Market Review Committee ( <i>which is the BOC for FMDQ Exchange Benchmarks</i> )
<b>MN</b>	Market Notices to inform Benchmark users of any changes made to the Benchmarks
<b>MSG</b>	Market Services Group
<b>NAFEX</b>	Nigerian Autonomous Foreign Exchange Rate Fixing
<b>NIBOR</b>	Nigerian Inter-Bank Offered Rate Fixing
<b>NITTY</b>	Nigerian Inter-Bank Treasury Bills’ True Yields Fixing
<b>Reference Bank</b>	Also referred to as Submitter Bank; a legal person with a banking license selected by the administrator to provide information for the determination of a Benchmark
<b>Publish or Make Available</b>	Refers to the expectation that a party such as an Administrator should provide a document or notice to stakeholders. The means by which such notice is made should be proportionate to the breadth and depth of Benchmark use by stakeholders, as determined by the Administrator on a “best efforts” basis. Ordinarily, posting a document or notice on the Administrator’s website will meet this expectation
<b>SPP</b>	Standard Policy and Procedure
<b>Stakeholders</b>	Group, organisation, individuals, or system that affects or can be affected by an organisation’s actions
<b>Submitter</b>	A legal person providing information to an Administrator or Calculation Agent required in connection with the determination of a Benchmark
<b>Subscriber</b>	A person or entity that purchases Benchmark determination services from an Administrator

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