



FMDQ Exchange Benchmarks Stakeholder Consultation Policy

FMDQ Securities Exchange Limited

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1. 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 service. FMDQ Exchange currently administers three (3) Benchmarks (“the **FMDQ Exchange Benchmarks**”) in the Nigerian financial markets in line with the International Organisation of Securities Commissions (“**IOSCO**”) Principles for Financial Benchmarks (“**PFB**”). 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**”).

As stipulated in **Principle 12 (Changes to the Methodology)** of the IOSCO PFB, stakeholder consultation procedures will be activated in relation to changes to the Benchmarks that are deemed material by the oversight function, and that are appropriate and proportionate to the breadth and depth of the Benchmarks’ uses and the nature of the stakeholders.

Therefore, in line with Principle 12, FMDQ Exchange has articulated this policy to clearly define what constitutes a material change, and the method and timing for consulting or notifying subscribers and other relevant stakeholders where appropriate, of the changes.

2. CONSULTATION POLICY

The FMDQ Exchange Market Review Committee (“**MRC**”) is responsible for overseeing any changes to the FMDQ Exchange Benchmarks’ methodologies and may request the Exchange to consult on such changes. The MRC is also responsible for reviewing and approving procedures for the cessation of any of the FMDQ Exchange Benchmarks, including any consultation as regards a Benchmark cessation. Proposals for amendments to a Benchmark will be presented to the MRC and where significant, changes to construction of the FMDQ Exchange Benchmarks are considered, with other stakeholders.

As a general principle, the relevant Financial Market Dealers Association (“**FMDA**”) Workgroups responsible for the underlying asset for which the referenced Benchmark measures, are consulted. The 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 the FMDQ Exchange Benchmarks.

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.

3. MATERIAL CHANGES

Consultations shall always be undertaken for “material changes” in the FMDQ Exchange Benchmarks. Generally, a material change includes, but is not limited, to the following cases:

- any change in the type of input data (e.g. counterparty types)
- fundamental changes to the determination methodology (e.g. elimination or addition of waterfall levels)

- a change to the maturities/tenors in which a Benchmark is published
- a change related to a potential discontinuation of a Benchmark, including transition arrangements to a new Benchmark
- a change that impacts the ability of a stakeholder to use the Benchmark in the established manner

The determination of materiality of a change shall rest with the MRC. FMDQ Exchange may also undertake consultations for other changes should the MRC so recommend.

4. STAKEHOLDER CONSULTATION PROCESS

The MRC shall review the merits of undertaking a public consultation based on materiality. FMDQ Exchange defines materiality as a change in the manner or process by which the Benchmark is calculated, or the interpretation of such manner or process, such that published values will be significantly affected. Changes that do not involve any modification in calculation methods and are for clarification purposes or are simply cosmetic in nature, are considered immaterial.

Where the MRC determines to proceed with a public consultation, it shall approve the contents of the consultation proposal and the set of users and stakeholders to which it should be distributed. Factors to be considered before the commencement of a public consultation proposal are listed in section 5 of this Policy document. The consultation will be announced and distributed to those whose input is sought. It will also be made available through appropriate media channels such as the FMDQ Exchange website and any other channel as may be deemed appropriate based on the materiality of the change.

Consultations will typically be open for feedback for a period of no less than two (2) weeks. However, FMDQ Exchange reserves the right to determine the most appropriate consultation period (including a shorter window for feedback) taking into consideration such factors as the complexity of the subject matter and the desirable timetable for implementing any proposed changes. Once the consultation period has closed, the feedback from the consultation is analysed and recommendations are presented to the MRC. Following the MRC's approval of the proposed change, Benchmark users and other relevant stakeholders are notified through publication of a Market Notice via the FMDQ Exchange website.

5. STAKEHOLDER CONSULTATION KEY CONSIDERATIONS

Factors to be considered include *inter alia*:

- Regulatory or legal implications of the proposed changes
- The number of subscribers and stakeholders potentially impacted by the proposals and the degree to which they will be affected
- Operational implications of the proposed changes
- Any additional changes to processes and procedures within FMDQ Exchange that may be needed as a result of the proposal (e.g. data contribution processes)
- Whether the proposals are clearly articulated and give a balanced view of the likely implications
- Whether feedback received is clear and unambiguous
- Whether the length of the consultation period is sufficient
- How consultation responses will be analysed and what criteria will be used in evaluating them