



Codified Rule Book for Treasury Bills

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Introduction

The establishment of Money Market Dealership by the Central Bank of Nigeria (CBN) in 2007 and subsequent commencement of secondary market trading of Treasury bills and Open Market Operation (OMO) bills (which was accepted as a perfect substitute for Treasury bills) led to the development of rules and guidelines to guide the activities of the market and the trading members that are Money Market Dealers (MMDs).

Adherence to these rules and tenets of professionalism by market participants is necessary to ensure a well-functioning market with little need for oversight by the Central Bank of Nigeria (CBN). These rules shall be binding on all trading members.

FMDQ has adopted the existing Financial Markets Dealers Association (FMDA) guidelines which complement the provisions of the Central Bank of Nigeria's (CBN) 2007 Money Market Dealership System in Nigeria: Operational Procedure. FMDQ intends to re-work some parts of these rules after its launch.

Each trading member is responsible for the activities of its personnel (both dealing and support staff). These rules are therefore addressed, not only to the management of the trading members, but to the dealers and the relevant operational support staff. Management should clearly set-out, in writing, the authorities and responsibilities within which dealing and support staff should operate. These might include:

- General dealing policy including reporting procedures
- Persons authorised to deal
- Products to be dealt-in
- Risk management (counterparty, position and stop-loss limits etc.) and internal controls
- Confirmation and settlement procedures
- Relationships with member firms
- Other relevant guidelines as considered appropriate

Management should ensure that individual dealers are aware of their responsibility to act professionally at all times. It is the responsibility of management and staff to ensure that they are aware of legal requirements applicable to the transactions they undertake and to abide by them.

These rules shall be read in conjunction with, and shall not be superior to any Laws and Enactments of the Federal Republic of Nigeria or any directive(s) of the CBN and other regulatory/monetary authorities.

While steps have been taken to ensure that these rules are comprehensive, they may not be exhaustive. It is our hope that both the letter and the spirit of the rules will be adhered to.

Key Definition

Acronym	Definition
AFS	Available For Sale
CBN	The Central Bank of Nigeria
CSCS	Central Securities Clearing System
DMB	Deposit Money Bank
DH	Discount House
FMDQ	Financial Markets Dealers Quotations
HTM	Held-To-Maturity
IPHC	Initial Pre-Hearing Conference
MTM	Market-To-Market
MMD	Money Market Dealer
MSA	Mediation Submission Agreement
NMRA	Nigerian Master Repo Agreement
PTM	Post-Trade Module
Repo	Repurchase Agreement
RPT	Riskless Principal Transaction
RTGS	Real Time Gross Settlement
SEC	Securities and Exchange Commission
TDC	Treasury Dealership Certificate

Codified Rule Book for Treasury Bills

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
General Standards	Powers Exercisable	3111	<p>Institutional Arrangements</p> <ul style="list-style-type: none"> i. Trading members shall be supervised by the CBN on all issues relating to primary dealership ii. A trading member shall apply administrative and institutional arrangements that allow for transparent and safe operations iii. Appointment of a trading member shall be terminated by the CBN, upon the breach of any of the provisions of the guidelines 	CBN	GPD Sec. 5 (i-iii)
	Committees	3121	<ul style="list-style-type: none"> i. FMDQ's Executive Regulation & Supervision Committee and the FMDQ Board Regulation & Supervision Committee shall rule on disputes/infractions referred to it by trading member, customer or the Market Surveillance Unit of FMDQ on matters relating to dealing relationships, market standards and conduct of the trading members 	FMDQ	
	Rule Interpretation	3131	<ul style="list-style-type: none"> i. The operational procedure (Money Market Dealership System in Nigeria – April 24, 2007) should be read along with the CBN's Guidelines for Dealership in Money Market Instruments published in January 2007. The two documents are available on the CBN website 	CBN	MMD Sec. 1
	Rule Applicability	3141	<ul style="list-style-type: none"> i. Following the appointment of Money Market Dealers (MMDs), this operational procedure is indicated as a guide for money market activities 	CBN	MMDS Sec. 1.1
	Rule Amendments	3151	<ul style="list-style-type: none"> i. FMDQ shall file with the Securities and Exchange Commission (SEC), three copies of a report of any proposed amendment or repeal of or any addition to its rules within 30 days (or such shorter period as SEC may authorise) before any action is taken on such amendments, revocation or addition by its members or by any governing 	SEC	SRR Sec. 192(1)

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			bodythereof		
		3152	i. FMDQ shall copy CBN on all proposed amendment or repeal or addition to its rules	FMDQ	
Authorisations & Approvals for Membership	Eligible Institutions	3211	i. All Deposit Money Banks (DMBs) and Discount Houses (DHs) appointed by CBN as MMDs	CBN	CABD
	Eligibility Criteria	3221	i. A trading member shall be either a Deposit Money Banks (DMB) or a Discount Houses (DH) ii. A trading member is expected to maintain a minimum capital base of ₦3.00 billion and comply with the liquidity and other regulatory requirements of the CBN iii. A trading member is expected to be actively involved in securities trading and show a minimum amount of trading in Nigerian treasury bills over a period of time	CBN	GPD Sec. 4 (i-v)
	Reporting Requirements	3231	Daily and Weekly Statistics A. Trading members shall forward soft copies of the following, in prescribed formats to the CBN daily: i. End-of-day prices on the various maturities traded ii. Closing Trading Positions iii. Marked-to-Market report on the trading members' Trading Book positions iv. Closing Available-For-Sale (AFS) and Held-To-Maturity (HTM) holdings B. Trading members shall forward soft copies of the following, in prescribed formats to the CBN weekly: i. Volumes allotted at the auction	CBN	MMD Sec. 3.3.1

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			<ul style="list-style-type: none"> ii. Total Treasury bills traded with other trading members (bought and sold for the trading book) iii. Total Treasury bills traded with other trading members (bought for and sold to the AFS book) iv. Total Treasury bills traded with customers (bought and sold for the trading book) v. Total Treasury bills traded with non-trading member (bought for and sold to the AFS book) <p>C. Trading members shall forward soft copies of the following, in prescribed standardised formats to the CBN monthly:</p> <ul style="list-style-type: none"> i. Available-For-Sale/Held-To-Maturity Treasury bills balances ii. Month-end Trading Treasury bills positions iii. Marked-To-Market results on the AFS balances 		
	Technical Requirements	3241	<ul style="list-style-type: none"> i. A trading member shall abide by the guidelines, rules and regulations on primary dealership and any other requirements that may be stipulated by the Central Bank of Nigeria from time to time ii. A trading member shall operate a current account with the CBN for the purpose of dealing in money market instruments iii. A trading member shall ensure that its account is properly maintained at all times, and shall not be overdrawn for any reason iv. A trading member shall be linked to the CBN on-line trading system v. A trading member shall have internet access and dedicated telephone lines for dealing with CBN vi. A trading member shall have voice recording machines 	CBN	GPD Sec. 4 (i-vi)
	Customer Requirements	3251	<p>Trading members shall forward soft copies of the following, in prescribed formats to the CBN weekly:</p> <ul style="list-style-type: none"> i. Total treasury bills traded with customers (bought and sold for the trading book) 	CBN	MMD Sec. 3.3.1

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			<ul style="list-style-type: none"> ii. Total treasury bills traded with customers (bought and sold for the AFS book) iii. Total repo volumes with customers iv. Total transactions on behalf of offshore investors 		
	Organisation Requirements	2261	<p>A trading member shall have Chief Dealer/Financial Markets Officer/Dealers whose sole/primary responsibilities shall include:</p> <ul style="list-style-type: none"> i. Monitoring market performance ii. Monitoring incoming electronic trade instructions iii. Processing or executing trades as per client instructions, either by telephone or online iv. Analysing research compiled by investment analysts to identify market opportunities v. Advising fund /investment managers and stockbrokers on significant changes in market and recommending buy /sell actions vi. Deciding on the products to buy and sell, using careful judgement and research to try and predict how the markets are likely to move vii. Purchasing new issues viii. Preparing reports to summarise trading activities ix. Ensuring details of any problems or delays in processing instructions are reported to the relevant authority x. Regularly monitoring global economic and political developments that can affect prices xi. Constantly networking to maintain strong relationships with analysts, investment managers and brokers xii. Compliance with legal requirements, industry regulations, organisational policies and professional code 	CBN	CFB Appendix C

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
		3262	<p>Required Certifications Skills and Competencies for Chief Dealer/Financial Markets Officer/Dealers</p> <ul style="list-style-type: none"> i. Broad knowledge about securities market with detailed knowledge relating to the specific area you are trading in ii. Quick thinking and ability to perform under pressure iii. Accurate and excellent attention to detail iv. Swift reactions to changing market conditions v. Good analytical skills, with the ability to digest and summarize multiple sources of information vi. Accountable for actions and decisions vii. Resilient and ability to operate in a lively, fast-paced environment viii. Self-confident ix. Discrete and ethical x. Well-organised xi. Outstanding business communication and interpersonal skills 	CBN	CFB Appendix C
		3263	<p>Generic Skills for Chief Dealer/Financial Markets Officer/Dealers</p> <ul style="list-style-type: none"> i. Articulate, clear communicator ii. Strong client service ethic iii. Excellent IT and numeracy skills iv. Driven to work in a team setting 	CBN	CFB Appendix C
		3264	<p>Minimum Qualifications: A first degree and relevant professional certifications such as ACI or Treasury Dealership Certificate (TDC).</p>	CBN	CFB Appendix C
		3265	<p>Minimum Experience:</p> <ul style="list-style-type: none"> i. Minimum of 12 years post qualification experience out of which 8 years have been spent in treasury related function for chief dealers ii. Minimum of 2 years treasury experience for dealers 	CBN	CFB Appendix C

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
	Termination of Membership (Suspension and Revocation of Licence)	3281	<p>i. Any trading member that does not adhere to the stipulated rules should be reported to the FMDQ, which will ensure that the following punitive measures are meted against such member:</p> <ul style="list-style-type: none"> Sanction of 10 business days suspension for improper notice of withdrawal from market. Same sanction goes for any member that enters the market two hours behind time 	FMDQ	GTTB Sec. 2.1.2
	Notice to Members	3291	<p>i. FMDQ shall file with the SEC before issuing to trading members a copy of any notice, circular, list, bulletin etc.</p> <p>ii. Such notices, circulars, lists, bulletins etc. shall be addressed to Director-General and delivered at SEC's head office</p> <p>iii. Where SEC does not respond to the said material within 5 working days of the receipt thereof, FMDQ may issue it to its trading members</p> <p>iv. A facsimile or other electronic copy of such notice may be sufficient provided that there is evidence of receipt</p>	SEC	SRR Sec. 186(1-4)

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
Obligations & Rights	Market Making	3311	<p>Quoting trading member shall</p> <ul style="list-style-type: none"> i. give two-way quote for standard amount and spread without undue delay, during trading hours ii. refrain from quoting non-standard amount iii. state the amount it is willing to quote for if the requesting trading member demands a quote for an amount higher than the standard amount iv. give two-way quote for all Treasury bills that CBN has set aside for trading and all subsequently synchronised issues v. deal, for at least the standard amount, if requesting trading member finds one of its quotes attractive <p>All trading members should ensure that they have at least one dealer on the desk at all times and are obliged to give quotes and deal on their quotes during dealing hours</p> <p><i>(Current practice is that two-way quote are given for different two maturities at the same time)</i></p>	FMDQ	GTTB Sec. 2.3.1
		3312	<p>Calling trading member shall</p> <ul style="list-style-type: none"> i. decide promptly what to do on the quote supplied by the quoting trading member, during trading hours. ii. call a quoting trading member as many times as it desires during trading hours. iii. close one deal per quote or phone call, if it finds one of the quoting trading members' rates attractive. iv. reserve the right not to deal if it finds the quotes unattractive v. not be obliged to give quotes to quoting trading members at that instance. However, if it shall oblige and quote, it must deal if quoting trading members finds its quote attractive 	FMDQ	GTTB Sec. 2.3.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
		3313	Trading members: <ol style="list-style-type: none"> i. shall not refuse to bid on behalf of or offer Treasury bills to a qualified investor ii. shall not divulge any information relating to any third party, with the exception of filing appropriate reporting requirements, and to Government agencies as required by law iii. shall display the two-way quote and strictly abide by them 	CBN	GPD Sec. 7 (i-iii)
	Manipulative or other Fraudulent Devices	3321	<ol style="list-style-type: none"> i. Trading members are expected to be professional in their dealings ii. Trading members are in a position of the highest trust and responsibility and shall always conduct themselves in a manner as to be worthy of this iii. They shall refrain from engaging in any activity that could impact negatively on the money market 	CBN	MMD Sec. 5.1
	False, Misleading or Deceptive Statements	3331	<ol style="list-style-type: none"> i. Unethical behaviour such as flashing quotes, ignoring calls consistently on three (3) occasions, abruptly ending calls and picking calls without response should be reported to FMDQ for practical verification, confirmation and disciplinary action ii. At the confirmation of such behaviour by FMDQ, sanction of 6 calendar months suspension will be duly apportioned to the trading member 	FMDQ	GTTB Sec. 2.2 (iii)

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
Trading & Execution	Types of Transactions	3411	Inter-bank Transaction (Outright) i. The purchase (or sale) of a Treasury bill in exchange for cash on settlement dates	FMDQ	GTTB Sec. 3.2 - 2
		3412	Repo (Repurchase Agreement) i. A repurchase agreement is an agreement in which Treasury bills is sold and later bought back at an agreed price and rate of repo interest ii. In essence, a repo is a borrowing or funding transaction whereby the first party borrows money from the second party, using the asset as “collateral”. At the end of the agreed period, the first party repays the second party, the repo interest and repurchases the asset iii. Repo tenor can be any number of days and the Treasury bill does not necessarily need to conform to the tenor of the repo but the Treasury bills’ outstanding tenor must be longer than the repo tenor. The tenor of the repo transaction will be calculated from the value date	FMDQ	GTTB Sec. 3.2 - 2
	3413	CBN/Trading Member Trades i. The CBN for the purpose of its open market operations and/or for the execution of transactions for some of its internal customers may participate in the secondary market ii. The CBN shall call on trading members for quotes iii. The trade size for the CBN/trading member deals shall be <input type="checkbox"/> ₦1.00 billion Standard <input type="checkbox"/> ₦2.00 billion Medium <input type="checkbox"/> ₦5.00 billion Large iv. A trading member however reserves the right to quote only for standard trade size v. Whilst the CBN can call the trading members to obtain their two-way quotes, the trading members shall NOT call the CBN for two-way	CBN	MMDS Sec. 3.4.1	

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			quotes		
	Trading Hours	3421	i. The secondary market for Treasury bills activities shall begin at 0900hrs and end at 1500hrs (Current practice is that trading commences 10.00am and ends 2.00pm every working day)	CBN/ FMDQ	MMD Sec. 3.6.1/ GTBB Sec.2.11
	Trading Parameters	3431	Standard Amount ii. The standard amount for a deal each time a quote is given is ₦250million iii. Where amounts required are not specified up-front, quotes will be assumed to be for the standard amount and confirmed as such iv. However, the standard amount may be revised as the market evolves and with the consent of the trading members	FMDQ	GTBB Sec. 4.1
		3432	Specified Amount i. Where a trading member requests for a quote for an amount larger than ₦250million the trading member must state the exact amount up-front ii. The quoting trading member may decline to quote for such an amount and may specify the amount it is willing to quote for which must be the standard amount or higher iii. In the event that a quoting trading member indicates an amount that is more than the standard amount, the quoting trading member is bound to deal the volume that was indicated by the calling trading member	FMDQ	GTBB Sec. 4.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
		3433	Short Falls <ul style="list-style-type: none"> i. Amounts less than ₦250million are not subject to two-way quote. The quoting trading member has the choice of whether or not to deal for such amounts and it may or may not be on two-way quote basis 	FMDQ	GTBB Sec. 4.3
		3434	Spread <ul style="list-style-type: none"> i. The maximum spread between the bid and offer rates shall be 0.5% in yield terms across all tenors (Current practice is that the maximum spread between the bid and offer rates, for outright transactions, is 0.25% in discount rate across all tenors) 	CBN/ FMDQ	MMDS Sec. 3.1/ GTBB Sec. 4.4
	Best Execution	3441	Validity of Quotes <ul style="list-style-type: none"> i. Quotes given are only valid for that phone call, when dealing is done on phone ii. Quoting trading member cannot change quotes given during the same phone call. Fresh quotes may, however, be given with each new phone call iii. When deals are given through an electronic dealing platform e.g. Reuters, quotes are valid for the duration stated by the quoting trading member until the quoting trading member interrupts the conversation and states that the quote has lapsed or change the rate iv. This will be reviewed based on the conduct of market participants 	FMDQ	GTBB Sec. 2.7
	Trading Halt	3451	FMDQ may declare a trading halt in circumstances where trading activity: <ul style="list-style-type: none"> i. is being or could be undertaken by persons possessing unpublished price-sensitive information that relates to that security ii. is being influenced by a manipulative or deceptive trading practice; or 	FMDQ	IIMMA Sec. 4.5

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			<ul style="list-style-type: none"> iii. may otherwise give rise to an artificial price for that security iv. where the Treasury bill market becomes illiquid due to some external event 		
	Other Trading Practices	3461	<p>Mode of Communication</p> <ul style="list-style-type: none"> i. Dealing will be done both on the telephone and Reuters ii. All trading members are obligated at all times to deal on both iii. Calls should be made on both phone and Reuters, however it could be different quotes 	FMDQ	GTBB Sec. 2.4
		3462	<p>Concluding a Deal</p> <ul style="list-style-type: none"> i. Dealing in the two-way quote system will be on the basis of discount rate ii. Dealers should regard themselves as bound to a deal once the rate and volume have been agreed iii. A deal is consummated when the calling party confirms buying or selling the standard amount or any other amount quoted for at the bid or offer rate indicated by the quoting party iv. After quoting a rate, a dealer cannot refuse to deal if the calling party decides to buy or sell at either of the rates quoted <p>To reduce the incidence of disputes, dealers are advised to reconfirm transaction details</p>	FMDQ	GTBB Sec. 2.5
		3463	<p>Bidding Volume</p> <ul style="list-style-type: none"> i. If no amount is stated before the quote is given, then the quote will be assumed as given for the standard amount ii. If the calling party requests quote for an amount higher than the standard amount and this amount is stated ahead of the quoting party 	FMDQ	GTBB Sec. 2.6

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			giving the quote, it will be assumed that the quote was given for the amount stated and the quoting party is obliged to deal		
		3464	<p>Voice Recording Facility</p> <ul style="list-style-type: none"> i. To expedite conflict resolution, the use of voice recording facilities in the trading offices of all parties is compulsory ii. It will be required that all conversations will be recorded iii. Tapes should be kept for at least two months after the settlement dates of the contracts iv. Tapes containing disputed transactions should be retained until the problem has been resolved 	FMDQ	GTBB Sec. 2.9
		3465	<p>Marked-to-Market Methodology</p> <ul style="list-style-type: none"> i. Trading members are advised to adopt the simple averages of quotes obtained from 5 different trading members at 2.00 pm to revalue their trading book daily. ii. Where a trading member has a superior marked-to-market (MTM) methodology, it could adopt this and ensure it is documented and the deviation is signed off by the Treasurer, Market Risk Manager and MD/CEO iii. The trading book shall be MTMdaily and the gains or losses recognised in the Profit & Loss Account that same day in the books of the trading member iv. The Available-For-Sale (AFS) book shall be MTM once a month and the results of the MTM shall be posted to a Capital Reserve on the equity side of the balance sheet v. Losses will be credited to the Treasury bills (AFS) Account and debited to the Capital Reserve A/c vi. Gains will be debited to the Treasury bills (AFS) and credited to the Capital Reserve A/c 	CBN	MMD Sec.4.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			<p>vii. The CBN shall publish daily weighted average prices of all the transactions done on a particular day</p> <p>viii. The CBN shall apply these weighted prices or the price fixings in the valuation of the collaterals to be used for standing lending facility or tenored repos</p> <p>ix. The CBN shall lend against collateral market value and not the face value for Treasury bills</p> <p>x. The CBN MTM shall also be used to value the collaterals backing tenored repos for the purposes of margin (hair-cut) maintenance</p> <p>xi. The repo rate shall apply as an interest rate on the loan amount and not as a discount rate</p> <p>Approvals for reclassification</p> <p>i. Trading members shall seek the approval of the CBN on any reclassification once in an accounting period, and only after the approval of the institution's Board of Directors</p> <p>ii. The request must be comprehensive, detailing the justification and accounting impact of the reclassification</p> <p>Circumstances for Reclassification</p> <p>Circumstances for reclassification may include but are not limited to:</p> <p>i. If dealers are not able to sell the security within 90 day due to exceptional circumstances such as</p> <ul style="list-style-type: none"> • Tight liquidity condition • Extreme volatility • Market becoming unidirectional • Major operational/settlement/infrastructure set-back for a reasonable length of time as determined by CBN <p>ii. Where there is evidence of actual pattern of short-term profit taking, an institution may want to reclassify AFS into Trading</p> <p>iii. To avoid this sort of unstructured pattern, institutions shall hold the</p>	CBN	MMD Sec.4.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			<p>assets in AFS book for a minimum of 50% of the tenor of the asset</p> <p>iv. If as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available or because the “two preceding financial years” referred to in paragraph vii under implications of reclassification has passed, an institution is allowed to reclassify assets under AFS to Held-To-Maturity (HTM)</p> <p>v. Where financial resources are no longer available to an institution to finance the assets to maturity or there are legal or other regulatory constraints frustrating the intention of the institution to hold till maturity, the assets shall be reclassified as AFS from HTM</p> <p>Implications of reclassifications</p> <p>i. Where AFS is reclassified as Trading, the cumulative gain or loss tracked in the capital reserve should remain there until the sale of the reclassified asset</p> <p>ii. Where AFS is reclassified as HTM as outlined in above, the cost of the asset in the HTM will be recorded at the market value as it was in the AFS book</p> <p>iii. Previous gain or loss that had been recognised directly in capital reserve will be recognised or amortised to profit or loss over the remaining life of the asset</p> <p>iv. Any difference between the new cost amount and the maturity amount also will be amortised over the remaining life of the asset</p> <p>v. Where HTM is reclassified as AFS, the asset will be stated in the AFS book at the market value</p> <p>vi. The difference between the market value and the carrying value in the HTM book will be passed to capital reserve, consistent with the treatment of AFS</p> <p>vii. If an institution sells or transfers more than 25% of the HTM portfolio, the HTM book must be reclassified as AFS and the institution may not be allowed to classify any financial asset as HTM for a period of two years after the occurrence of the event</p>	CBN	MMD Sec.4.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			viii. The trading members shall analyse their Treasury bills account balances with the CBN in their financial statements into: <ul style="list-style-type: none"> - Treasury bills' position under trading (long and short positions) - Treasury bills held under Available-for-Sale - Treasury bills held for investment (Held-to-Maturity) 		
	Performance Evaluation	3471	i. The trading members are expected to be active in the secondary market in a manner to ensure that each trading member accounts for a minimum of 3.75% of all secondary market activities in a 6-month rolling period and 75.0% of its proportionate share of the total volume taken up by all trading members at the auctions within the same 6-month rolling period	CBN	MMD Sec. 3.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
Clearing & Settlement	Trade Reporting	3511	<ul style="list-style-type: none"> i. Trading members shall open separate ledger accounts called Treasury bills Trading A/Cs where all purchases and sales under the two-way quote for the purposes of trading shall be recorded ii. The memorandum face values of transactions will be tracked in the accounts as these are the amounts actually being bought and sold at the market values iii. The accounts shall record the transactions at their market values i.e. cost values and sale values iv. There shall not be Unearned Discount A/Cs for Trading Treasury bills purchased and no recognition of interest/discount on positions held but gains and losses resulting from daily marked-to-market v. Where a trading member buys Treasury bills for the purpose of the investment books through the two-way quote it will record it as a purchase in its Trading Book from the third party and simultaneously sell it to its AFS/HTM book vi. The trading members shall maintain separate accounts for its Treasury bills Investment A/Cs – AFS and HTM vii. Where a trading member decides to sell out of its Treasury bills investment through the two-way quote, such should be reported as a purchase from the AFS by the Trading Book and simultaneously sold to a third party viii. The transactions between the AFS and Trading Books must be documented as riskless principal transactions (RPTs) ix. There must be evidence that the internal trade was sold to or bought from a third party x. Each RPT must be at the same price the Trading desk consummated it with the third party as the Trading desk is technically acting as principal xi. There should be no re-classification from Trading Treasury bills to AFS/HTM or vice versa i.e. once a Treasury bill is designated trading, it cannot be moved to investment and vice versa as this has implication on the treatment of MTM losses/profits or the deferred 	CBN	MMD Sec. 4.1.2

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			profit or loss on marked-to-market in the balance sheet. Reclassification should not be confused with transactions between the Trading desk and the AFS book already outlined above		
	Trade Confirmation	3521	<ul style="list-style-type: none"> i. Verbal agreements are considered binding ii. Subsequent written confirmation is regarded as evidence of the deal, but should not override terms agreed verbally iii. Confirmations (whether mailed, telexed or sent by other electronic means) provide an opportunity for dealing errors to be identified and rectified with minimum delay and possible cost iv. Standard confirmation letters should be exchanged within 24 hours <i>(Current practice is that trading members upload trade details into the Post-Trade Module (PTM) which ensure straight-through processing of trades)</i> 	FMDQ Market Practice	GTBB Sec. 2.8
	Trade Processing	3531	<ul style="list-style-type: none"> i. Upon receipt, all confirmations must immediately be thoroughly checked and appropriate action taken to rectify any differences ii. If the confirmation is considered incorrect, the counterparty must immediately be informed, and an amended confirmation should be provided by the bank whose original confirmation was incorrect iii. Any member failing to receive a confirmation within 24 hours should alert the counterparty as soon as possible. <i>Please see Appendices Three and Four for sample confirmation letters</i> <i>(Current practice is that trading members upload trade details into the Post-Trade Module (PTM) which ensure straight-through processing of trades)</i> 	FMDQ Market Practice	GTBB Sec. 2.8
	Trade Settlement	3541	<ul style="list-style-type: none"> i. No trading member shall close with negative Treasury bills account (not trading position but account/balance maintained with the depository – the CBN) ii. Standard settlement will be T+2 although the trading members may agree on any other settlement period for trades among themselves 	CBN	MMD Sec 3.7.1.

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
Dispute Resolution	Mediation	3611	<p>Initiation</p> <ul style="list-style-type: none"> i. A trading member must file a request for mediation to FMDQ ii. FMDQ shall contact the other trading member to confirm if they agree to mediate or arbitrate the dispute 	FMDQ	
		3612	<p>Selection</p> <ul style="list-style-type: none"> i. FMDQ shall assist in the selection of a mediator (a financial markets expert) by providing the trading members a list of mediators from which to choose along with a detailed report on mediator's background (disclosure report) for each mediator ii. The trading members shall select a mediator that they all agree to work with 	FMDQ	
		3613	<p>Sessions</p> <ul style="list-style-type: none"> i. The trading members, their representatives and the mediator must sign FMDQ's Mediation Submission Agreement before the mediation can take place ii. FMDQ shall schedule and communicate the mediation date and location iii. The trading members shall discuss all the areas of dispute under the mediator's guidance 	FMDQ	
		3614	<p>Settlement</p> <ul style="list-style-type: none"> i. If the trading members agree to settle, FMDQ shall draft an enforceable agreement for both trading members to sign 	FMDQ	
		3615	<p>Impasse</p> <ul style="list-style-type: none"> i. If the trading members do not reach a settlement, an arbitration case can be filed, or, if one was previously filed, request can be made to continue the case 	FMDQ	

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
		3616	Fees i. Trading members shall be required to pay administrative fees for mediating through FMDQ and are responsible for the mediator's fee and attendant expenses	FMDQ	
	Arbitration	3621	Filing a Claim i. The trading member (claimant) initiating the arbitration shall submit a Statement of Claim, which includes a description of the dispute, the parties involved, relevant facts and remedies requested either by mail or online to FMDQ ii. Claimant shall also submit the appropriate filing fee as may be determined by FMDQ	FMDQ	
		3622	Answering a Claim i. FMDQ shall notify trading member (respondent) of the case by sending or serving respondent a case packet by mail. If the respondent is registered with FMDQ, the respondent must arbitrate with claimant ii. A respondent shall respond to an arbitration claim by filing an answer that specifies the relevant facts and available defenses to the statement of claim iii. A respondent shall have 48 hours to research the claim, prepare and serve a response	FMDQ	
		3623	Selection i. FMDQ shall analyse the claim, the nature of the dispute and the type of financial instruments involved, and decide how many arbitrator(s) will be required ii. FMDQ will provide list of possible arbitrators with a detailed report on each arbitrator's background (a disclosure report) for the case to both trading members of the dispute iii. Both trading members shall be allowed to determine the arbitrators for the case	FMDQ	

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
		3624	<p>Pre-Hearing Conferences</p> <ul style="list-style-type: none"> i. FMDQ will schedule an Initial Pre-Hearing Conference (IPHC) with the arbitrator(s) and trading members' representatives. The IPHC will hold over the telephone or other electronic means such as VOIP etc. ii. FMDQ will notify the trading members and arbitrator(s) of the date and time of the IPHC at least 72 hours prior to the conference iii. FMDQ shall provide arbitrators with any written submissions pertaining to the issues or disputes to be addressed at the conference prior to a IPHC iv. At the IPHC, the panel will schedule evidentiary hearing dates; set discovery date, briefing date and motions deadlines; and, address other preliminary matters v. At the conclusion of the IPHC, the chairperson shall sign the Hearing Scheduling Order on behalf of the panel and submit it to the FMDQ for distribution to the trading members 	FMDQ	
		3625	<p>Discovery - Exchange of documents/ information & identify witnesses</p> <ul style="list-style-type: none"> i. Trading members must produce all documents required or agreed to be produced ii. Trading members are required to serve on each other copies of documents in their possession that they intend to present at the hearing and to identify witnesses they intend to call at least 72 hours prior to the first scheduled hearing date iii. Any trading member that is unable to provide required documents shall state the reasons in writing iv. Trading members may shorten or lengthen the exchange deadlines by agreement v. The witness lists will also be sent to the arbitrators by FMDQ for review prior to a hearing 	FMDQ	

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
		3626	<p>Hearings</p> <ul style="list-style-type: none"> i. The trading members and arbitrators shall meet in person to conduct the hearing in which the trading members shall present arguments and evidence in support of their respective cases ii. Arbitrators may proceed in the absence of a trading member if it fails to appear at a hearing after having been duly notified of the time, date and place of the hearing by FMDQ <p>Witnesses</p> <ul style="list-style-type: none"> i. Unless all parties agree otherwise, the panel shall not allow fact witnesses whilst expert witnesses shall be permitted to attend all hearings <p>Starting the hearing</p> <ul style="list-style-type: none"> i. Hearings shall be held at FMDQ office, or any other location as may be agreed ii. FMDQ will handle all logistics for the hearing and communicate to the trading members and the arbitrators <p>Record of the Hearing</p> <ul style="list-style-type: none"> i. All hearings shall be digitally recorded ii. Arbitrator(s) shall employ an attendance list to track the attendance of the trading members, representatives and witnesses; and an exhibit list (claimant's exhibits and respondent's exhibits) to track the trading members' exhibits in order to ensure complete record of the hearing <p>Exclusion of Evidence During the Parties' Presentation</p> <ul style="list-style-type: none"> i. Arbitrator(s) may exclude from the hearing any documents not exchanged during the discovery period ii. Arbitrator(s) may exclude from the hearing witnesses not identified during the discovery period <p>Executive Sessions</p> <ul style="list-style-type: none"> i. Executive sessions (separate discussions among the arbitrators) shall be held outside the presence of the trading members and their representatives and witnesses ii. All executive sessions shall be off the record <p>Exiting the Hearing Room</p> <ul style="list-style-type: none"> i. At the conclusion of a hearing, a pre-designated panel member shall 	FMDQ	

Rule Section	Rule Sub-Section	Rule Code	Rule	Reference	Detail
			<ul style="list-style-type: none"> collect all accepted exhibits and return them to FMDQ as the official record ii. FMDQ shall release all case-related materials to arbitrator(s) if discussions are adjourned 		
		3627	<p>Decision</p> <ul style="list-style-type: none"> i. Arbitrator(s) shall review the hearing record, the pleadings and submissions and their notes before they deliberate the facts of the case and render a written decision called an award ii. Arbitrator(s) may also request that the trading members submit post-hearing briefs to help clarify issues <p>Rendering the Award</p> <ul style="list-style-type: none"> i. Arbitrator(s) shall be required to render an award within 24 hours from the date the hearing is concluded <p>Form of the Award</p> <ul style="list-style-type: none"> i. All awards must be in writing and signed by all the arbitrators. An arbitrator who disagrees with the award may note the dissent ii. All awards rendered are legally binding and final and are not subject to review or appeal within FMDQ unless there is a challenge from the Oversight Committee <p>Awarding Fees and Costs</p> <ul style="list-style-type: none"> i. Arbitrator(s) shall decide which trading member shall pay the costs incurred as a result of the arbitration <p>Arbitrator Immunity</p> <ul style="list-style-type: none"> i. Arbitrators shall have immunity from civil liability that may arise out of their conduct while serving as arbitrators <p>Penalty</p> <ul style="list-style-type: none"> i. Trading members must comply with the award within 24 hours. Any trading member that does not comply in a timely manner may be suspended by FMDQ <p>Challenging Arbitration Decision</p> <ul style="list-style-type: none"> i. A trading member may challenge an arbitration decision by requesting the Oversight Committee to set the award aside as void ii. The motion must be made within 24 hours of the award 	FMDQ	

Reference

S/N	Acronym	Description
1	MMD	• Money Market Dealership System in Nigeria: Operational Procedure (April 24, 2007)
2	GPD	• Guidelines for Primary Dealership in Money Market Instruments (July 18, 2006)
3	MMDS	• Guidelines for Dealership in Money Market Instruments published (January 2007)
4	CABD	• CBN Circular on Appointment of Deposit Money Banks and Discount Houses as Money Market Dealers (May 25, 2012)
5	GTTB	• Guidelines for Two-Way Quote Trading in Treasury Bills (FMDQ)
6	CFB	• Competency Framework for the Nigerian Banking Industry - Exposure Draft (June 2012)
7	IIMMA	• Inspection and Instruction Manual of FMDQ OTC Members Activities - November 2011
8	SRR	• Securities and Exchange Commission Rules & Regulations - 2013

Appendices

Appendix One -Two -Way Dealing Systems Dispute Form

TO: The CEO
FMDQ OTC PLC

Subject to the terms and conditions in our acceptance of and commitment to the Guidelines of the Two-Way Quote Dealing system, we hereby notify the FMDQ of a dispute arising from a NTBs transaction between us and ABC and seek prompt resolution.

The details of the disputed transaction are as follows:

Buyer's Dealer:

Seller's Dealer:

Amount:

Yield:

Transaction Date:

Value Date:

Maturity Date:

Settlement Amount

Mode of Receipt:

Amount Due to:

Counterparty

Mode of Payment:

Nature of the dispute:

Required compensation:.....

Justification for compensation:.....

Steps already taken in resolution of the dispute:.....

Find attached copies of the following (please tick where applicable):

1. Contract letter
2. Evidence of occurrence of the dispute
3. Justification for claims
4. Evidence of steps taken to resolve the dispute
5. Others (specify)

Kindly advise us as we look forward to prompt resolution of the dispute

.....
Authorised Signatory

.....
Authorised Signatory

Appendix Two – Contract Letter Format for Sale of Treasury Bills

Monday, October, 05 2008.

XXX Bank
AAA Street
Marina
Lagos

RE: SALE OF TREASURY BILLS TO XXXXXX BANK

We write to confirm the sale of Treasury Bills by AAA Bank’s Ltd to XXXX Bank Plc. The details of the Treasury bills are:

Security/NTB Auction /ID:	
Maturity Date:	
Face Value:	
Seller:	
Buyer:	
Trade Date:	
Days To Maturity:	
Settlement Date	
CSCS Instrument Code:	
Discount Rate:	
Discounted Value:	

Please note that the responsibilities and obligations of the parties herein are subject to applicable laws and regulations in Nigeria. Kindly indicate against two authorised signatures your acceptance of this offer.

Thank you for your anticipated cooperation.

Yours faithfully,

For: **AAAAAAA BANK LTD**

Let the signatures be on the same page..

Authorised Signatory

For: **XXXXXX BANKLTD**

Authorised Signatory

Authorised Signatory

Authorised Signatory

Appendix Three - Contract Letter Format for Purchase of Treasury Bills

Monday, October, 05 2008.

XXX Bank
AAA Street
Victoria Island
Lagos

RE: PURCHASE OF TREASURY BILLS FROM XXXXXX BANK

We write to confirm the purchase of Treasury bills by AAA Bank's Ltd from XXXX Bank Plc. The details of the Treasury Bills are:

Security/NTB Auction /ID:	
Maturity Date:	
Face Value:	
Seller:	
Buyer:	
Trade Date:	
Days To Maturity:	
Settlement Date	
CSCS Instrument Code:	
Discount Rate:	
Discounted Value:	

Please note that the responsibilities and obligations of the parties herein are subject to applicable laws and regulations in Nigeria. Kindly indicate against two authorised signatures your acceptance of this offer.

Thank you for your anticipated cooperation.

Yours faithfully,

For: **AAAAAAAAA LTD**

Authorised Signatory

For: **XXXXXXXXXX LTD**

Authorised Signatory

Authorised Signatory

Authorised Signatory

Appendix Four - NTB Schedule For CBN Settled Transactions

XYZ BANK PLC - NTB SCHEDULE FOR CBN SETTLED TRANSACTIONS Date: Monday, October, 05 2008.									
S/N	SELLER	BUYER	CSCS NTB CODE	VOLUME	DISCOUNTED VALUE	T - DATE (DD/MM/YY)	SETT. DATE (DD/MM/YY)	REFERENCE	RATE
1	XYZ	ABC	02-AUG-2007	100,000	100,500,000.00				
2	XYZ	DEF	09-AUG-2007	500,000	550,000,000.00				
3	XYZ	GHI	16-AUG-2007	250,000	258,121,220.00				
4	ABC	XYZ	23-AUG-2007	375,800	400,352,000.00				
5	DEF	XYZ	30-AUG-2007	1,000,000	1,000,000,000.00				

Authorised Signatory

Authorised Signatory

NOTE

Landscape format

Font size = 9

Trade date must be in DD/MM/YY format

Settlement date must be in DD/MM/YY format

Transactions must be arranged chronologically

CSCS NTB Code must not exceed 10 characters

Volume must be in unit and no decimal

Discounted value must be in 2 decimal places

SETT. DATE = Settlement Date

T - DATE = Trade Date

Appendix Five - NTB Schedule for Non-CBN Settled Transactions

XYZ BANK PLC - NTB SCHEDULE FOR NON-CBN SETTLED TRANSACTIONS Date: June 05, 2007

S/N	SELLER	BUYER	CSCS NTB CODE	VOLUME ??	DISCOUNTED VALUE(N)	T - DATE (DD/MM/YY)	SETT. DATE (DD/MM/YY)	MODE	RATE
1	XYZ	ABC	02-AUG-2007	100,000	100,500,000.00				
2	XYZ	DEF	09-AUG-2007	500,000	550,000,000.00			IN HSE	
3	XYZ	GHI	16-AUG-2007	250,000	258,121,220.00			CASH	
4	ABC	XYZ	23-AUG-2007	375,800	400,352,000.00			RTGS	
5	DEF	XYZ	30-AUG-2007	1,000,000	1,000,000,000.00			REPO	

Authorised Signatory

Authorised Signatory

NOTE:

Landscape format

Font size = 9

Trade date must be in DD/MM/YY format

Settlement date must be in DD/MM/YY format

Transactions must be arranged chronologically

CSCS NTB Code must not exceed 10 characters

Volume must be in unit and no decimal

Discounted value must be in 2 decimal places

SETT. DATE = Settlement Date

T - DATE = Trade Date

Nigerian Treasury Bills

- (a) NTB schedules to be submitted to CSCS in hard and soft (Designated Flash disk/CD) copies. Soft copy to be in Text file Tab delimited format(Fig 2a & 2b)
- (b) All NTB transactions of T + 2 to be submitted to CSCS on trade date or latest by **10.00a.m**, a day before the settlement date
- (c) Sellers and Buyers advice are required by CSCS in all transactions
- (d) Consequently, it is the responsibilities of the trading members to ensure that all figures and information stated on the transaction schedules are accurate.
- (e) CSCS will notify any of the parties of errors on NTB schedules for amendment and all corrections to be submitted to CSCS latest by thirty (30) minutes after notification
- (f) NTB schedules are to be submitted to CSCS in duplicate copies on the letter-headed paper and duly signed by two (2) authorized signatories thereby requiringno covering letters
- (g) CSCS charges N250.00 per transaction
- (h) All enquiries should be between 3.00p.m and 4.00p.m daily
- (i) Trading members are to collect their NTB net activity reports on each settlement day latest by 10.00am.
- (j) CSCS to advise CBN of the net NTB and cash positions of the Trading Members by 9.00am on the settlement day
- (k) Trading members should forward to CSCS the current dedicated lines of their contact person for ease of communication

Attachments:

- Format of Schedule for NTB Trades (Fig. 2a)
- Hard copy (excel) sample for NTB Trades (Fig. 2b)
- List of FGN Bonds and their CSCS Codes (Tab. 1)?
- List of PDMMs and their CSCS Codes (Tab. 2)?
- List of trading members and their CSCS Codes (Tab. 3)