



FAQs

FREQUENTLY ASKED QUESTIONS COMMERCIAL PAPERS (CPs)

SECTION 1 – GENERAL

1. Definitions

Click [here](#) to view terms and expressions used in the FMDQ Exchange Commercial Paper Registration and Quotation Rules (the “Rules”).

2. What are Commercial Papers?

These are unsecured short-term interest bearing or discounted money market instruments, issued in the form of promissory notes by corporates to fund working capital requirements.

3. When and why were CPs introduced?

CPs were introduced in Nigeria in 1962 to finance the export-marketing operations of the then Northern Marketing Board. Under that arrangement, the Marketing Boards met their cash requirements by drawing ninety-day (90-day) bills of exchange on the Marketing Boards.

The bills were then discounted with the commercial banks participating in the scheme. The role of the Central Bank of Nigeria (“CBN”) at the time, was to provide rediscounting facilities for the bills. In 1968, the CBN took over the responsibility from the Marketing Boards.

4. Who can issue a CP?

CPs can be issued by corporates that meet the issuer and issue eligibility criteria and other documentation and disclosure requirements prescribed in the Rules. CPs may be issued as a discreet issuance or under a Programme. A Programme Registration allows for multiple issues covered by a single standardised documentation framework which may be revised from

time to time subject to obtaining the relevant approvals.

5. Who are the typical parties to a CP?

Typical parties to a CP include issuers, issuing houses, solicitors, auditors, underwriters, deposit money banks *inter alia*.

6. Who can act as an Issuing and Placing Agent (“IPA”)?

A non-bank financial institution can act as an IPA for the issuance of CPs and must be a Registration Member (Quotations) of FMDQ Securities Exchange Limited (“FMDQ Exchange” or the “Exchange”). The issuer will however need to appoint a bank as the Collecting & Paying Agent (CPA).

7. Who can act as a CPA?

A CBN-licenced deposit money bank appointed by an Issuer/Promoter to perform the functions of collecting and paying of funds to investors and issuers, where the CP is sponsored by an IPA.

8. Who can act as an Issuing, Placing, Paying and Collecting Agent (“IPCA”)?

Only a CBN-licenced deposit money bank can act as an IPCA on a CP issuance. The IPCA must be a Registration Member (Quotations) of the Exchange.

9. Who can Invest in a CP?

Qualified Institutional Investors (“QIIs”) and Eligible Investors (“EIs”) as defined in the Rules, can invest in CPs. The IPCA/IPA shall ensure that QIIs and EIs meet the qualifying criteria set out in the Rules. Whilst guaranteed CPs may be sold to all investors (QIIs, EIs and any other investor), clean CPs shall only be sold to QIIs and EIs upon the execution

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of a declaration attesting to the investor's awareness of the risks involved in investing in the clean CPs.

10. Can CPs be traded in the secondary market?

Yes. CPs quoted on the FMDQ Exchange platform can be traded in the secondary market. Trades are executed by Dealing Members who provide quotes on the CPs via FMDQ Exchange-advised dealing systems.

11. Who can Sponsor the Registration and Quotation of a CP on the Exchange?

An IPA and/or IPCA duly registered and recognised as a Registration Member (Quotations) of the Exchange can sponsor the Registration and Quotation of a CP on the FMDQ Exchange.

12. What are the relevant fees required for the Registration and Quotation of CPs on the Exchange?

Applications shall be submitted along with the requisite Application, Registration and Quotation fees set out in the [FMDQ Exchange-advised fees and dues framework](#).

13. What is the difference between the Registration and Quotation of CPs on the Exchange?

Registration is the administration of the review and approval processes in respect of CP Programmes, prior to the issuance of such CPs to investors, while Quotation is the admission of issued CPs to the FMDQ Exchange platform for trading.

14. What is the difference between a CP Programme and a Discreet Issuance?

A CP Programme is a shelf filing undertaken by an Issuer intending to access the market at intervals in the near future via a core disclosure document that is updated on a regular basis through supplemental documents. CP Programmes are valid for a period of three (3) years or such other FMDQ Exchange-advised period. A Discreet Issuance is a single CP issue that is not under a CP Programme.

SECTION 2 – ELIGIBILITY CRITERIA FOR REGISTRATION OF PROGRAMMES OR DISCREET ISSUANCES

15. What is the standard timeframe for the Registration of a Programme or Discreet Issuance?

Subject to the timeliness and quality of the Sponsor's response to fulfilling all documentation requirements and no outstanding regulatory issues, a CP Programme or Discreet Issuance may be registered within five (5) business days.

16. What is the minimum size of a CP?

The minimum size of a CP is ₦100.00mm is to be issued in multiples of ₦50.00mm thereafter. The aggregate amount of a CP that can be issued at any given time must be within the borrowing limit approved by the Issuer's Board of Directors.

17. What are the minimum and maximum tenors of a CP issue?

CPs may be issued for tenors ranging between a minimum of fifteen (15) days and a maximum of two hundred and

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seventy (270) days, inclusive of any rollovers from the date of issue.

In the case of a CP programme/shelf registration, the Issuer has the discretion to issue several series/tranches of CPs with separate maturity dates or 're-open' existing CP issues (where there is no change in the maturity date). CP Programmes are valid for a period of three (3) years but may be extended in accordance with the provisions of the Rules.

18. What terms under a registered CP Programme can be revised?

The Programme size, transaction parties, validity period and such other terms as may be prescribed by the Exchange may be revised via the supplemental or the amendment and restatement methods as defined in the Rules.

19. What is the rating requirement for the issuance of CPs?

Corporates must provide an 'Issuer' or 'Issue' rating of minimum investment grade¹ from a credit rating agency registered or recognised by the Commission.

20. Is there a minimum level of subscription for a CP issue?

Yes. The minimum level of subscription for an issue may be determined by the Issuer/Promoter and stated in the Offer Documents². However, where a minimum level of subscription for an issuance has not been stated in the

Offer Documents, the minimum subscription level shall be 50% of the amount approved by the Issuer's Board of Directors (where applicable).

Where the level of subscription is below the minimum level stated in the offer documents or below 50% of the approved issue size, the IPCA/IPA, shall prior to allotment, provide a signed attestation that investors have been made aware of this fact, failing which, the Issue shall be aborted.

21. Are CPs interest bearing or discount instruments?

CPs may be interest bearing or issued at a discount to face value as may be determined by the Issuer.

22. Can CPs be held in dematerialised form?

Yes, CPs shall be issued and held in dematerialised form with a Central Securities Depository recognised by the Exchange.

23. How do investors redeem monies invested in CPs?

On maturity date, the IPCA/CPA shall effect repayment to the designated accounts of all registered holders of the CPs.

24. Are there specific requirements for Special Purpose Vehicles/Entities ("SPVs/SPEs")?

SPVs/SPEs shall be required to have a minimum of three (3) years credit history of the underlying assets, evidence of predictable cash flows of the

¹ Rating that indicates that a CP has a relatively low risk of default. Typically assigned BBB and above by rating agencies.

² Any document containing relevant information to help an investor make an investment decision. Such documents include *inter alia*; the pricing supplement and/or programme memorandum.

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underlying assets or mortgages and such other provisions as may be prescribed by the Exchange from time to time.

25. Can CPs be accompanied with Liquidity and Credit Enhancement Structures?

Yes, CPs may be underwritten to enhance the liquidity of the CP in the secondary market. Guarantee arrangements may also accompany such issuances to provide support to meet repayment obligations in the event of shortfall by the Issuer.

SECTION 3 - QUOTATION AND POST-QUOTATION COMPLIANCE OBLIGATIONS

26. Does FMDQ conduct pre - issuance reviews prior to the opening of a CP?

No. The IPCA/IPA is only required to notify FMDQ Exchange of the Discreet Issue/CPs sought to be issued under a Programme no later than twenty-four (24) hours prior to the opening of the offer.

27. What is the standard timeframe for the Quotation of a CP?

Subject to the timeliness and quality of the Sponsor's response to fulfilling all documentation requirements and no outstanding regulatory issues, a CP may be quoted within three (3) business days.

28. Are there specific timelines for fulfilment of all requirements relevant for Quotation of a CP?

Yes, all quotation requirements for CPs must be fulfilled within five (5) business days from the Settlement Date of the Issue.

29. What type of post-quotation compliance obligations are required by the Exchange?

Post-quotation compliance obligations are categorised into Disclosure Obligations (any information that may affect the price of the securities) and Notification Obligations (information that will keep investors and the general public informed about changes and/or developments that may affect the Issue or the Issuer).

Click [here](#) to view the Post-Listings & Quotations Compliance webpage.

30. Does the Exchange impose sanctions for non-compliance with the Rules?

Yes, the FMDQ Exchange Commercial Paper Infraction and Penalties Guide ("CPIPG") provides a non-exhaustive list of infractions and attendant penalties related to the registration and quotation of CPs on the Exchange. Click [here](#) to view the FMDQ Exchange CPIPG.

For more information and questions about registering and quoting CPs on the Exchange, kindly contact the Exchange's Listings and Quotations Group on +234 1- 2778771 or email – lqg@fmdqgroup.com.