

MARKET NOTICE

To: ALL MARKET PARTICIPANTS
From: MARKET DEVELOPMENT GROUP
Reference: FMDQX/MDG/30/11/21/MN-29
Notice Date: November 30, 2021
Effective Date: December 1, 2021

REVISION TO THE REFERENCE RATE FOR THE DAILY VALUATION (MARK-TO-MARKET) OF NAIRA-SETTLED OTC FX FUTURES CONTRACTS

1. This Market Notice (“**MN**”) serves to inform all market participants in the Naira-Settled OTC FX Futures Market (the “**Market**”) of the revision to the reference rate applied for the daily valuation/ mark-to-market for open Naira-Settled OTC FX Futures (“**NSOFF**”) contracts.
2. Under the current Market structure, the reference rate for the valuation of all open NSOFF contracts is NAFEX¹. However, following market engagements on the appropriateness of the extant reference rate for the daily valuation of open positions in NSOFF contracts, as well as to drive convergence with global best practice for valuation of derivatives contracts, the reference rate for all open NSOFF contracts is being revised as follows:
 - a. All open NSOFF contracts with terms to maturity greater than eight (8) days (> 8 days) shall be valued or marked-to-market using the executable NSOFF Rates quoted by the Central Bank of Nigeria (“**CBN**”) for the relevant NSOFF contracts tenors on the applicable valuation dates
 - b. All open NSOFF contracts with terms to maturity of eight (8) days or less (≤ 8 days) shall be valued or marked-to-market using the daily NAFEX rate
3. For the avoidance of doubt, all NSOFF contracts shall be valued or marked-to-market at the applicable NSOFF Rates up until the 8th day to maturity, following which the NSOFF contracts shall then be valued using NAFEX.
4. This revision shall become effective December 1, 2021 and shall apply to all open positions in NSOFF contracts as at the effective date. FMDQ Clear Limited (“**FMDQ Clear**”) shall revalue all NSOFF contracts open positions on the effective date and advise relevant Futures Dealing Member (Banks) of their margin positions.
5. This MN shall supersede all relevant provisions of the OTC FX Futures Market Framework and such other Market-related documentation as applicable to the extent of the details of the revision.
6. This MN shall be read in conjunction with all relevant provisions of the OTC FX Futures Market Framework and such other Market-related documentation as applicable.

Please be advised accordingly.

Should you have any question(s) about this Market Notice, please do not hesitate to contact the FMDQ Exchange Market Development Group at support@fmdqgroup.com

¹ The Nigerian Autonomous Foreign Exchange Fixing