

## MARKET NOTICE

**To:** ALL MARKET PARTICIPANTS  
**From:** FIXED INCOME AND CURRENCIES MARKETS GROUP  
**Reference:** FMDQX/FCG/050723/MN-39  
**Notice Date:** July 5, 2023  
**Effective Date:** July 5, 2023

### **REVISIONS TO THE NIGERIAN AUTONOMOUS FOREIGN EXCHANGE FIXING AND THE INVESTORS' AND EXPORTERS' FOREIGN EXCHANGE WINDOW SPOT RATES METHODOLOGIES**

This Market Notice is issued in response to the global shift in benchmark administration from a **Contribution-based model** to a **Transaction-based model**, as well as ongoing reforms in the Nigerian Foreign Exchange (“**FX**”) market triggered by the press release titled “**Operational Changes to the Foreign Exchange Market**” issued by the Central Bank of Nigeria (“**CBN**”), directing the consolidation of all extant FX market segments into the Investors’ and Exporters’ (“**I&E**”) FX Window.

Based on the foregoing and upon completion of relevant stakeholder engagements, FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) hereby notifies market participants of revisions (*see Appendix I below*) to the computation methodologies of the Nigerian Autonomous Foreign Exchange Rate Fixing (“**NAFEX** or the “**Benchmark**”), and I&E FX Window Spot Rates to effect a transition from the current contributions-based model (*which involves the use of indicative quotes from market participants*) to a transactions-based model (*which will apply actual FX market transaction data*), effective Wednesday July 5, 2023.

Consequently, Dealing Member (Banks) are strongly encouraged to continuously execute and, accurately and promptly report their FX market transactions during trading hours on the FMDQ-designated FX Trading System to ensure representativeness and integrity of the Benchmark.

Please be guided accordingly.

## Appendix I

### Summary of Revisions

S/N	Parameters	I&E FX Window Spot Rates (Click <a href="#">here</a> to view methodology)		NAFEX (Click <a href="#">here</a> to view methodology)
		Opening Rate	Closing Rate	
1.	<b>Number of Trades and Observation Window</b>	<ul style="list-style-type: none"> <li>▪ <b>Level I</b> – All firm orders<sup>1</sup> in the market at 9:00 AM</li> <li>▪ <b>Level II</b> – All indicative quotes between 8:00 AM – 9:00 AM (subject to a minimum of five (5) indicative quotes)</li> <li>▪ <b>Level III</b> – Previous day’s Closing Rate</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Level I</b> – Last ten (10) trades of the current trading day</li> <li>▪ <b>Level II</b> – Ten (10) data points comprising all trades and most recent firm orders</li> <li>▪ <b>Level III</b> – Most recent firm orders between 9:00 AM – 4:00 PM (subject to a minimum of ten (10) firm orders)</li> <li>▪ <b>Level IV</b> – Maintain current trading day’s Opening Rate</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Level I</b> – All trades between 9:00 AM – 12:25 PM of the current trading day subject to a minimum of ten (10) transactions</li> <li>▪ <b>Level II</b> – All trades between 12:30 PM prior day - 12:25 PM the current trading day subject to a minimum of ten (10) transactions</li> <li>▪ <b>Level III</b> – Maintain prior day's NAFEX</li> </ul>
2.	<b>Contingency Plan</b>	<ul style="list-style-type: none"> <li>▪ Previous day’s Closing Rate will be retained for five (5) consecutive business days. Subsequently, an MRC Meeting shall be convened in a special session to devise a strategy for the appropriate determination of future I&amp;E FX Window Spot Rates towards preserving the continuity of the Spot Rates</li> </ul>		<ul style="list-style-type: none"> <li>▪ The NAFEX rate from the previous day will be maintained for five (5) consecutive business days. Subsequently, the Exchange at its discretion, will defer to alternative approaches (such as model prices and other options for obtaining relevant data inputs for the computation of the Benchmark) to ensure its representativeness of transactions in the FX markets</li> </ul>
3.	<b>Publication Time</b>	<ul style="list-style-type: none"> <li>▪ 9:05 AM</li> </ul>	<ul style="list-style-type: none"> <li>▪ 5:00 PM</li> </ul>	<ul style="list-style-type: none"> <li>▪ 12:30 PM</li> </ul>
4.	<b>Price Format</b>	<ul style="list-style-type: none"> <li>▪ Volume Weighted Average Price (“VWAP”) to two (2) decimal places</li> </ul>		

The Exchange encourages all market participants to actively engage in the transition process and comply with the recommended actions outlined in this Market Notice.

*Should you have any question(s) about this Market Notice, please do not hesitate to contact Fixed Income and Currencies Markets Group at [fcg@fmdqgroup.com](mailto:fcg@fmdqgroup.com).*

<sup>1</sup> This shall represent the mid-rate of firm orders upon activation of 2WQ