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# **FMDQ Foreign Exchange Spot Rates Methodology**

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## Contents

1. Introduction .....	2
2. Coverage .....	2
3. Data Sourcing, Observation Windows and Publication Times.....	2
4. Exercise of Expert Judgement.....	2
5. Calculation Methodology.....	2
6. Contingency Plan .....	3

## 1. Introduction

The following document presents a summary of the methodology that FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) applies to compute the daily Opening and Closing Rate (“**Spot Rates**”) in the Nigerian Foreign Exchange (“**FX**”) Market.

## 2. Coverage

The methodology outlined in this document pertains to the calculation of FMDQ FX Spot Rates for the USD/NGN (\$/₦) currency pair, as well as any other currency pairs traded and reported on the designated FX Trading System in Nigeria.

## 3. Data Sourcing, Observation Windows and Publication Times

FMDQ FX Spot Rates shall be based primarily on data inputs collected from transactions traded or reported on the designated FX Trading System in Nigeria, as well as any other data sources (deemed representative) designated by the Exchange during relevant observation windows for publication as follows:

S/N	FMDQ FX Spot Rates	Observation Window	Publication Time
1.	Opening Rate	9:00 AM – 9:05 AM	9:15 AM
2.	Closing Rate	9:00 AM – 4:00 PM	5:00 PM

## 4. Exercise of Expert Judgement

FMDQ Exchange may exercise discretion with respect to the use of data in determining the Spot FX Rate. Calculation of the FMDQ FX Spot Rate includes a validation process whereby FMDQ reviews data and selects rates pursuant to certain pre-determined tolerance checks. When applying tolerance checks, FMDQ Exchange has the discretion (subject to internal policies and procedures) to accept or reject data from the calculation of the FMDQ FX Spot Rates. Based on FMDQ Exchange’s experience in interpreting market data, FMDQ Exchange shall apply expert judgment where necessary, with the intent of ensuring the quality and integrity of the Spot Rates.

## 5. Calculation Methodology

### 5.1. Computation of the FMDQ FX Opening Rate

The daily FMDQ FX Opening Rate shall be computed using data inputs obtained during the designated observation window in section 3 using a waterfall methodology as follows:

**5.1.1.** Level I – Midpoint of best bid and offer during the observation window

**5.1.2.** Level II – Maintain previous day’s Closing Rate<sup>1</sup>

### 5.2. Computation of the FMDQ FX Closing Rate

The daily FMDQ FX Closing Rate shall be computed using data inputs obtained during the designated observation window in section 3 using a waterfall methodology as follows:

**5.2.1.** Level I – Volume Weighted Average Price (“**VWAP**”) of the rates for the last trades, up to ten (10) (*subject to a minimum of two (2) trades*)

<sup>1</sup> Any republished rates from the previous business day will be identified as such on the FMDQ Exchange website and e-Markets Portal

- 5.2.2. Level II – Simple average of the rates of the last ten (10) trades
- 5.2.3. Level III – Simple average of the rates of all available trades (*subject to a minimum of two (2) trades*)
- 5.2.4. Level IV – The rate of the only trade in the day
- 5.2.5. Level V – Retain the previous trading day's Closing Rate<sup>2</sup>

## 6. Contingency Plan

- 6.1. Where Levels II and V, as documented in sections 5.1.2 and 5.2.5 have been adopted for five (5) consecutive business days, the Exchange, at its discretion may, in line with its internal policies and procedures, defer to alternative approaches and devise a strategy for the appropriate determination of future FX Spot Rates towards preserving the continuity of the Spot Rates.

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<sup>2</sup> Any republished rates from the previous business day will be identified as such on the FMDQ Exchange website and e-Markets Portal