

CEO INTERVIEW

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Interview with Private Sector Leaders

'We are aligning FMDQ's mission with Nigeria's economic agenda'

"The Managing Director/Chief Executive Officer of FMDQ Securities Exchange plc (FMDQ Exchange, formerly known as FMDQ OTC plc), Bola Onadele. Koko, in this interview, shares insights on how the Company has transitioned from an OTC market to a full-fledged Securities Exchange and now a budding financial market infrastructure (FMI) Group crucial to supporting economic development in Nigeria within 5 years of its operation."

Congratulations on FMDQ Exchange's new status as a full-fledged Securities Exchange. What necessitated this change and how will this impact the future of the business going forward?

Thank you, Sir. It has indeed been a challenging yet rewarding five (5) years for FMDQ Securities Exchange PLC and the markets within its purview - fixed income, currency and derivatives markets. Permit me to begin with some basics about FMDQ in order to paint a picture of how we began and have evolved over the years - from an OTC Market, to a Securities Exchange, and then a budding but critically important FMI Group.

Over the years, development of the Nigerian financial markets has not kept pace with international reforms and the growth rates in trade volume, product development, market sophistication and best practices, to name a few. It was towards providing a roadmap to address some of the identified challenges inhibiting the growth of the market and its alignment with its global counterparts that the concept of FMDQ was birthed by a progressive collaboration between the Financial Markets Dealers Association (FMDA), the Central Bank of Nigeria, Debt Management Office and the Securities and Exchange Commission (SEC), amongst others. FMDQ was established on the foundations of strong governance and shared values evident in its culture of excellence, integrity and a strong collaborative disposition to make the Nigerian financial markets "GOLD" - an acronym we have adopted, which summarises our mandate and stands for Global Competitiveness, Operational Excellence, Liquidity and Diversity.

Let me state here that the change of FMDQ's status has been a long time in the making. Commencing operations in November 2013 as an OTC market, we inherited the existing inter-bank market with a responsibility to organise and act as a frontline regulator of this market. We saw the immediate need to improve market transparency - a mandate which BusinessDay from inception till date has helped us actualise through the publication of the FMDQ Daily Quotations List, - governance, as a self-regulatory organisation, and credibility of the market and its participants, as a first step towards ridding the market of the opaqueness which had characterised its activities. For us, this was the tip of the iceberg as we soon received the SEC's approval of the FMDQ Bond Listing and Quotation Rules, a commendable act by the SEC, preparing the Nigerian debt capital market (DCM) for revolutionary transformation, and providing the market with choice, leading to improved secondary market liquidity, transparency and price formation, amongst others. I must say at this point, we had begun to better appreciate the unique-

ness of the FMDQ model, and in no time, we were opening our doors to different African countries (including Kenya, Uganda, Ghana, Angola, Zambia, Liberia etc.) who sought to learn and understudy the FMDQ model for their respective markets. Indeed, FMDQ inspired the introduction of Ghana Fixed Income Market to the Ghana Stock Exchange and this has now run successfully for two (2) years, and the Kenya market is in the process of setting up a FMDQ-model in Nairobi.

Furthermore, in charting our roadmap for rebuilding of the Nigerian financial markets, our value proposition was centered on increasing the depth, breadth and sophistication of the market through product innovation, market development and deployment of technology as the foundation for market development. Looking beyond the inherited inter-bank markets, FMDQ began to provide a full range of services, in addition to its securities admissions service, including memberships, market connectivity, data and information, market regulation, introducing its post-trade service in 2017, its first venture beyond the execution phase of the securities market, into clearing and settlement, after receiving the SEC's registration for its wholly owned clearing and settlement subsidiary, FMDQ Clear Limited. This subsidiary was fully operationalised in 2018.

You see, the world over, the line between OTC markets and securities exchanges had become so blurry that it was increasingly difficult to differentiate between the two, especially given the spate of global regulations around the previously unregulated OTC markets, following the post-2018 financial crises. Having gone through this interesting journey for over five (5) years, it was evident that the Company had gone above its mandate to organise the markets and had indeed begun to provide services across the full value chain of the securities market, from the money market to the capital market. This therefore informed our engagements with the SEC towards officially changing our status from an 'OTC Market' to a 'full-fledged securities exchange'; for which the SEC approval was granted in March 2019. Following this, we also went ahead to change the Company name to FMDQ Securities Exchange PLC to fully reflect its newly attained status.

In terms of impact for the future of the business, our strategic horizon for FMDQ in 2019 is the integration of our markets with external markets, with a focus on consolidating operations across the full value chain of the financial market, to operate a fully diversified and integrated FMI Group, offering execution, clearing and settlement opportunities to market stakeholders. FMDQ will also continue to pursue product innovation and market development in line with its mandate to transform the Nigerian financial markets, not relenting on our drive to deliver a deep



and functional derivatives market in the coming years. In support of this agenda, and to promote settlement finality in the market, thereby reducing uncertainty, FMDQ will also focus on positioning FMDQ Clear to operate a central counterparty clearing for fixed income, currency and derivatives products in the near future. Finally, FMDQ needs to align its operations with the country's economic development agenda some of which are espoused by the Central Bank of Nigeria (CBN) e.g. we must position the plan to provide seamless integration of the fixed income and commodities markets to support the agricultural revolution in the country.

We gathered you recently established FMDQ Depository, in addition to the already operationalised clearing and settlement subsidiary, FMDQ Clear Limited. Could you shed more light on what motivated this new subsidiary?

Yes, you are right. FMDQ Depository

Limited, a wholly owned central securities depository (CSD) subsidiary of FMDQ Exchange, was incorporated in December 2018, and registered by the SEC in June 2019, to provide collateral caching, custody and settlement services in the Nigerian financial markets. The activation of this FMDQ entity completes the value chain of pertinent market infrastructure in the Nigerian financial markets, particularly the post-trade spectrum, following the introduction and operationalisation of FMDQ Clear.

Well organised financial markets with high quality infrastructure are strong buffers against financial crisis. With the right structure and market architecture, they tend to assuage the effects of systemic shocks. In knowledge of this and ahead of achieving our first lustrum, the Board and Management of FMDQ quickly realised the crucial importance of shaping and integrating the business vertically, to ensure value is cascaded through the securities market value chain. This inspired our aspirations towards providing end-to-end services - exchange, clearing and

task of facilitating sustainable economic development and prosperity for Nigeria and Nigerians; and so, it was resolved that FMDQ's activities should have direct (and otherwise) impact on economic development. If I remember correctly, this was the strategic message Mr. Godwin Emeziele passed on to me when he assumed duty as the Governor of CBN.

With the Exchange's product and market development initiatives underway, leveraging on the strength of our varied stakeholders and alliances, the Exchange expanded its role in the financial markets ecosystem in alignment to the GOLD agenda, to include being a catalyst for infrastructure capital, an advocate and adviser to governments/regulators and acting as a financial market diplomat, with the aim of positively positioning Nigeria in the global financial markets space.

As a catalyst for infrastructure capital, we recognise the need to look inwards and, indeed, to the private sector, to achieve the audacious task of bridging Nigeria's infrastructure deficit. By providing an avenue where private capital can be tapped from domestic and offshore participants used to finance such crucial needs, the DCM under FMDQ's purview plays a central role. It is towards achieving this and ensuring that all market participants, buy- and sell-side alike are aligned to this objective, that FMDQ not only activated the Debt Capital Markets Development (DCMD) Project - a market-wide initiative championed by FMDQ and its stakeholders and aimed at addressing and implementing solutions to the issues hampering the development of the nation's DCM and by extension, inhibiting it from contributing effectively to economic development - but also activated six (6) Sub-Committees chaired by market subject-matter experts, including the Sustainable Finance, and Housing and Infrastructure Sub-Committees. From ease of accessing the market, to favourable regulatory reforms and product education/knowledge, these three (3) sub-committees, amongst others covered in the Project, create a unified and highly targeted avenue on the foundation of advocacy and regulatory engagements to unlock avenues for sustainable and infrastructure financing through the DCM.

The Housing Sub-Committee is specifically focused on tackling the Nigerian housing sector challenges towards facilitating mortgages and improving home ownership in the medium- to long-term, and leveraging green finance opportunity to begin addressing some of the basic-needs (sustainable energy to power, recycling/waste management, clean transportation and other environmentally friendly projects) confronting the citizenry. In view of the ministerial appointments, the Project Office has prepared position papers on ideas and initiatives to steer the course of Nigerian housing challenges towards positive tides. We have a mission to collaborate with oth-

ers to deliver prosperity to Nigerians.

Away from our continually evolving initiatives in the DCM space, there is also the very important area, which is instrumental to building a future for our dear country, Nigeria and its people - the country's greatest asset. From poor educational systems to a continued decline and eventual dearth of knowledge in key areas such as financial markets, we recognise this under-invested area and as such, launched the FMDQ Academy, a fully-sponsored market education initiative, positioned to drive market development and capacity building by rallying financial market stakeholders, including the regulators, market participants, media and the general public, in alignment with FMDQ's product innovation and market development agenda. Still in this space, and with a view to bringing our future leaders on board, the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next) - an all year ongoing initiative providing tailored financial markets education to primary, secondary and tertiary students, as well as fresh graduates - was activated in 2018. This Programme has impacted over two hundred and fifteen (215) students and fresh graduates since its inception about a year ago, and attracted the former United Kingdom Prime Minister, Ms. Theresa May, who engaged the 2018 Summer Camp participants extensively during her visit to FMDQ's Exchange Place. The 2019 Summer Camp which is currently ongoing has attracted over two hundred (200) participants, at both primary and secondary levels, and we look forward to developing more Programmes for the participants and positively impacting the lives of our future leaders.

Interestingly also, the planned launch of derivatives products by the Exchange in the medium- to long-term will not only attract sustainable investments and investors but would invariably support the government's agenda attracting foreign capital to fund infrastructure deficit in Nigeria, for instance. The derivatives market will be supported by our clearing and settlement subsidiaries, FMDQ Clear and FMDQ Depository, thereby further promoting a safe and credible marketplace, with a seamless integration of all processes from execution through clearing and settlement. We await President Muhammadu Buhari's assent to the Companies and Allied Matters Act (CAMA) Amendment Bill. There are some key provisions in the Bill that will ignite significant employment and career opportunities in the financial markets.

Furthermore, from relaying the challenges faced to proffering plausible solutions, the importance of continued dialogue - both between the private and public sector participants as well as the government - cannot be overemphasised. It is to this end that FMDQ will, once again, bring together domestic and international financial market participants, governments, regulators and subject-matter experts to its Capital Markets Conference on November 7, 2019, in Lagos, a proven strategic way to foster two-way communication, towards improving the lives and businesses of the Nigerian people and beyond. The FMDQ Conference will be followed by its GOLD Awards - a platform through which market participants and stakeholders whose activities have positively impacted and have directly contributed to

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the success of the FMDQ markets and, indeed, development of the Nigerian economy, are recognised.

I can go on and on about our initiatives and aspirations for the Nigerian financial market and economy. However, I will end by adding that FMDQ is committed to innovation and deploying initiatives that empower our economy and invariably, improve the lives of Nigerians. Through FMDQ's franchise, our message of prosperity will continue to be disseminated to all; governments - federal and states, investors - domestic and foreign, institutions and individuals alike.

Despite the economic downturn experienced, how have the FMDQ markets fared over the last few years?

The first five (5) years of FMDQ, from 2013 to 2018, were reflective of the Exchange's unwavering commitment to make the markets GOLD. Attaining its first lustrum in November 2018 and closing the year with a market turnover of N182.86 trillion (from N103.57 trillion in 2014), I dare say that FMDQ has significantly improved the standards of the Nigerian fixed income, currency and derivatives markets and has continued to institute requisite product innovation and market infrastructure to support sustained development and best practices in these markets. The market turnover at half year 2019 was circa N100.00 trillion.

The debt market size is currently at the N32.38 trillion level and the FX and FX derivatives markets have also continued to stabilise, thanks to the efforts of the CBN for sustaining the FX hedging product, the Naira-settled OTC FX Futures for which FMDQ acts as the Futures Exchange. Similarly, the Investors and Exporters FX Window now in its third year has continued to show commendable resilience to stress over time with year-to-date value of trades at the window rising to circa \$37.60 billion by the end of July 2019.

Indeed, five (5) years down the line, the FMDQ markets have been marked by the actualisation of strategic and indeed, far-reaching initiatives towards improving market activities and these markets have steadily continued to develop and perform reasonably better than, perhaps, expected. To this, I must commend the efforts of all the FMDQ Members and market regulators, through whom we have collectively built and sustained the market that we see and appreciate today.

FMDQ is effectively 6 years in operation. Within this short period of operation, the Exchange can be said to have become a systemically important organisation. Looking ahead, what is your outlook for FMDQ and its markets in the next 5 years?

FMDQ Exchange's achievements and per your recognition,



its identification as a systemically important organisation, have been realised mainly because of FMDQ's champions, architects, regulatory visionaries, such as the Securities and Exchange Commission, Central Bank of Nigeria, Debt Management Office, and National Pension Commission, Financial Markets Dealers' Association, FMDQ Members, our Media Partners, such as your good self, and other partners and stakeholders working tirelessly to promote the franchise. So, firstly, I'd say that we would continue to leverage on these relationships and engagements, staying resolute to our commitment to make the Nigerian financial markets GOLD by pursuing our strategic roles of being an adviser to financial services regulators and government, the Nigerian financial markets diplomat and very importantly, the catalyst for unlocking infrastructure capital in Nigeria.

In consolidating the gains from previous years towards the next 5 years, the Exchange, in the medium- to long-term is looking to integrate the markets within its purview with external markets, fostering an alignment of our standards with international best practices as a crucial step towards becoming globally competitive. Already, this integration has begun with notable activities in the area including the co-branding of the Nigerian Sovereign Bond Index with the world's leading index provider, S&P Dow Jones Indices. The first co-branded index is the S&P/FMDQ Nigeria Sovereign Bond Index and a host of others are expected to follow. There is also the strategic partnership between

FMDQ and Thomson Reuters (now Refinitiv) towards providing the much-needed capacity building and technical advancement for the Nigerian financial market. Furthermore, in partnership with Climate Bond Initiative, UK (CBI) and FSD Africa - a UK-Aid initiative - the Nigerian Green Bond Market Development Programme, a 3-year Programme to educate stakeholders on and promote the issuance of green debt securities targeted at environmental-friendly projects and investments in Nigeria, was launched, and will generate awareness and drive the required engagements to integrate the principles of green financing into the Nigerian DCM. To continue to fulfil its mission of empowering the Nigerian financial markets to be innovative and credible, in support of the Nigerian economy, as well as meet the expectations of its stakeholders, the Exchange, will not rest on its laurels, and will continue to strengthen existing and seek new strategic alliances to support its market innovation drive as well as improve its knowledge of global best practices.

Furthermore, in line with FMDQ's market integration agenda, 2019 and beyond will see the full operationalisation of the recently deployed FMDQ Dealing Member (Specialist) [DMS] market to reduce fragmentation and further consolidate the markets, as well as foster retail participation in the fixed income markets. FMDQ will also work assiduously to implement its Derivatives Market Implementation Roadmap towards developing the derivatives market.

Given the urgent need to ac-

tivate hedging products for the benefit of both domestic and international market participants, the Exchange will ramp up all efforts to ensure market readiness towards launching derivative market products. Also, we expect to activate new products such as repurchase agreement (Repo) with collateral management service, alongside other product innovation and initiatives arising from time to time in the course of meeting the needs of the markets. In addition to this, and critical to the well-functioning of the derivatives market, the operational capabilities of FMDQ Clear will be further developed in anticipation of its gradual positioning to offer central counterparty services, and the CSD subsidiary, FMDQ Depository, shall be fully operationalised to provide first-class services in the financial markets.

Finally, our agenda to operate a fully diversified and integrated financial market infrastructure group, offering execution, clearing and settlement opportunities in a most efficient way to the market stakeholders, will invariably guide the direction of the business franchise in expanding its frontiers to other markets over the course of the next lustrum.

As a full-fledged securities exchange, will FMDQ Exchange now play in the equities and commodities markets space?

Every time I am asked this question, my response typically is same. The development of the Nigerian financial markets is the collective responsibility of all financial market participants, including FMDQ and its entities. Beyond providing a robust platform for execution, clearing and settlement, as a securities

exchange, our overarching aspiration remains to fully diversify and vertically integrate our markets, offering the full spectrum of products tradeable on an exchange, as well as the associated infrastructure towards ensuring capital access, investment opportunities, value transfer and undoubtedly, efficient risk management.

The Exchange will, therefore, undertake and pursue interests required to harmonise and achieve its objectives of making the Nigerian financial market GOLD. We shall continue to engage our stakeholders and regulators and in so doing, proactively relay solutions to their market needs, whether within our immediate reach or otherwise. We are in business to anticipate the needs of the market participants and commence solving these even before they materialise, so we would engage in activities required of us as an entity to facilitate ease of investment flows as well as capital raising through our markets. We will get involved with any initiative that will promote the global competitiveness of the Nigerian financial markets, offer products and services that will de-risk the markets and bring prosperity to Nigeria, Nigerian corporates, investors in Nigeria and Nigerians.

The last time BusinessDay caught up with you, you left a message for the President. Following President Buhari's re-election, what in your opinion should he prioritise over the course of the next 4 years?

For Nigeria to rise above its challenges and break through the shackles, all hands must be on deck. You, me, everybody must play a role. For me, in addition to security, focus for the President is pretty straight forward. The 5-point Big Bang Prosperity Agenda for Nigerians remain:

A. Make the State governments economically viable by allowing them to control their natural assets

B. Galvanise an urgent private sector-led economic revolution on the back of market-friendly legal and regulatory frameworks. We need Jobs! Jobs!! Jobs!!!

C. Champion the programme for massive private and public investments in education. This is the future of Nigeria

D. Drive high healthcare standards galvanised through insurance and pensions

E. Signal private sector investments in infrastructure and housing supply and drive demand with single-digit mortgages

Whilst FMDQ Exchange has taken on the role of a financial market diplomat, showcasing the potential of Nigeria and the opportunities inherent in its financial market to the international community, the government must reciprocate these efforts by setting out key reforms and policy initiatives to support positive transition of the nation's economy.