

October 25, 2016

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To: ALL DEALING MEMBER (BANKS) OF FMDQ OTC SECURITIES EXCHANGE  
From: MARKET REGULATION GROUP

**FURTHER GUIDANCE ON THE APPLICATION OF THE OTC FX FUTURES MARKET OPERATIONAL STANDARDS**

1. This Market Bulletin provides further guidance on the application of the OTC FX Futures Market Operational Standards (“Standards”).
2. Dealing Member (Banks) (“DMBs”) of FMDQ OTC Securities Exchange (“FMDQ” or the “Exchange”) are advised as follows:
  - (i) Due to the implicit strategy of the current OTC FX Futures quotes as offered by the Central Bank of Nigeria (“CBN”), foreign portfolio investors (“FPIs”) and foreign direct investors (“FDIs”) are only permitted to execute OTC FX Futures contracts not exceeding the foreign currency amount imported into Nigeria. Consequently, all Settlement Amounts gained on the OTC FX Futures contracts executed by FPIs and FDIs, are currently prohibited from being hedged with the current OTC FX Futures contracts offered by the CBN.
  - (ii) Similarly, returns earned (interests, dividends etc.) on underlying foreign portfolio investments, are also currently prohibited from being hedged with the current OTC FX Futures contracts offered by the CBN.
  - (iii) Settlement Amounts gained on OTC FX Futures contracts executed by FPIs and FDIs, and returns on foreign portfolio investments in the fixed income and equity markets may however be hedged using other risk management products available in the Nigerian financial market.
  - (iv) Further to (i) above, upon the maturity of the OTC FX Futures contract, where an FPI/FDI wishes to use the imported capital for continued investment in the country, such FPI/FDI shall not be permitted to purchase OTC FX Futures contracts exceeding the foreign currency amount originally imported into Nigeria.
  - (v) The above restrictions shall **not** include dividend payments from foreign direct investments as provided in section 2.3 (iii) of the Standards.
3. This Market Bulletin shall take effect from Wednesday, October 26, 2016, as such shall not apply to OTC FX Futures contracts executed prior to **Wednesday, October 26, 2016**. Consequently, such contracts shall remain valid.
4. DMBs are directed to take note of the above guidance as failure to comply with the contents of this Market Bulletin shall be considered a violation of the Standards, and shall attract one or more of the penalties stipulated in section 13 of the Standards.

Please be guided accordingly.



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