

FMDQ HOLDINGS PLC

2019

ANNUAL REPORT & ACCOUNTS



***Consistently
Moving Forward***

CONTENT

	70	Governance Structure
	90	Compliance, Risk & Control
	97	Organisation Design
	110	Financial Reports
	176	Memories of 2019
	193	Corporate Information
5	Company Profile	
9	Chairman's Statement	
13	CEO's Review	
22	Strategic Report	
48	Sustainability Agenda	

FMDQ Holdings PLC

Exchange

Clear

FMDQ

Depository

**Private
Markets**

iQx Consult

▪ **GLOBAL COMPETITIVENESS** ▪ **OPERATIONAL EXCELLENCE** ▪ **LIQUIDITY** ▪ **DIVERSITY**

NOTICE OF THE 8TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting ("AGM") of FMDQ Holdings PLC (the "Company") will be held at FMDQ Holdings PLC, Exchange Place, 35 Idowu Taylor Street, Victoria Island, Lagos State, on Friday, July 24, 2020 at 11:00 AM prompt to transact the following:

ORDINARY BUSINESS

1. To lay before the members, the Audited Annual Financial Statements and Other Information for the year ended December 31, 2019, together with the reports of the Directors, Auditor, and Audit Committee thereon
2. To re-appoint Messrs. KPMG Professional Services as the Company's External Auditor and to authorise the Directors to fix the remuneration of the External Auditor
3. To elect the members of the Audit Committee

SPECIAL BUSINESS

1. To ratify the appointment of the additional Directors of the Company
2. To fix the remuneration of Directors of the Company
3. To consider and, if thought fit, pass the following, as special resolutions of the Company:
 - a) "That 8,170,170 ordinary shares in the Company be allotted to SunTrust Bank Nigeria Limited"
 - b) "That the Board of Directors of the Company are hereby vested with the power to allot shares in the Company"
 - c) "That the increase of the authorised share capital of the Company from ₦1,000,000,000.00 (One Billion Naira Only) to ₦26,000,000,000.00 (Twenty-Six Billion Naira Only) be effected by the creation of 25,000,000,000 new ordinary shares of ₦1.00 each ranking in all respects *pari passu* with the existing shares of the Company, to meet the minimum capital requirement for a Capital Market Holding Company being no less than the sum of the aggregate minimum capital of all its subsidiaries, as contemplated in section 9(1) of the Securities and Exchange Commission Rules on Capital Market Holding Companies 2019"
 - d) "That ₦9,084,752,754.00 in the bonus share reserve be capitalised and made available for distribution to the members of the Company, in the form of ordinary shares, in the proportion of fourteen (14) bonus shares for every one (1) share held by the members. That the bonus shares so issued shall be allotted, and credited as fully paid to the members in the indicated proportions and such bonus shares shall rank *pari passu* in all respect with the existing ordinary shares of the Company"
 - e) "That, subsequent to the implementation of the foregoing and subject to the procurement of relevant regulatory approvals, the name of the Company be amended and changed from "FMDQ Holdings PLC" to "FMDQ Group PLC"
 - f) "That relevant provisions in the Memorandum of Association and the Articles of Association of the Company (as amended) be further amended to reflect the new authorised share capital and change of name"
 - g) "That the proposed cash-settled share option scheme for the benefit of the Group Managing Director/Chief Executive Officer of the Company, details of which are provided in the table of resolutions furnished to members, be approved, as contemplated within section 14.5 of the Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011"
 - h) "That the Board of Directors of the Company, the Company Secretary, and Management be authorised to take all steps required to give effect to these resolutions including, without limitation, the preparation, execution, and filing of all necessary documents, notifications, forms and agreements with, and as required by the SEC, Corporate Affairs Commission (CAC), or any other regulatory agency"



NOTES

1. Compliance with COVID-19 Directives and Guidelines

The convening and conduct of the AGM shall be in strict compliance with the relevant directives and guidelines issued by the Federal Government of Nigeria, State Governments, health authorities and regulatory agencies in curtailing the spread of the coronavirus ("COVID-19") Pandemic in Nigeria, particularly the physical distancing directive and prohibition of gatherings of more than twenty (20) persons. To this end, the five (5) largest shareholders and the five (5) smallest shareholders will be engaged in relation to physical attendance of the AGM. From this list of attendees, members shall be entitled to select proxies. However, for the avoidance of any doubt, members will be able to attend and participate in proceedings virtually.

2. Proxy and Attendance by Proxy

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his/her/its stead. A proxy need not be a member of the Company. For the appointment to be valid, the duly completed and duly sealed proxy form must be deposited at the office of the Company Secretary, FMDQ Holdings PLC, Exchange Place, 35 Idowu Taylor Street, Victoria Island, Lagos State, not less than forty-eight (48) hours before the time fixed for the meeting. Details of same can also be emailed to: leg@fmdqgroup.com.

Members who wish to appoint proxies can choose their preferred proxy from the list set out below:

1. Central Bank of Nigeria
2. Financial Markets Dealers Association
3. Access Bank PLC
4. NSE Consult Limited
5. Sterling Bank PLC
6. Coronation Merchant Bank Limited
7. FBNQuest Merchant Bank Limited
8. Fidelity Bank PLC
9. First Bank of Nigeria Limited
10. FSDH Merchant Bank Limited
11. Mr. Bola Onadele. Koko
12. Mr. Ajibola Asolo

3. Virtual Attendance

A Zoom Cloud Meeting link shall be provided to members, via email, prior to the meeting to enable members and stakeholders, who are unable to physically attend the meeting, attend and participate in proceedings.

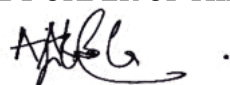
4. Audit Committee

In accordance with section 359(5) of the Companies and Allied Matters Act 2004, any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least twenty-one (21) days before the AGM. Details of same can also be emailed to: leg@fmdqgroup.com

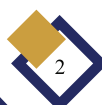
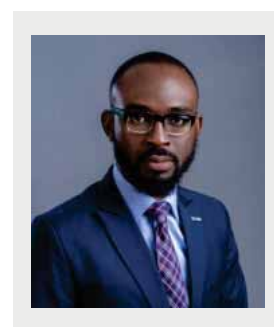
5. Ratification of the Appointment of Additional Directors

Mr. Chukwuemeka Godswill Onwuka and Mr. Abubakar Sadiq Mohammed were appointed Non-Executive Directors of the Company by the Board on December 20, 2019. Dr. Kingsley Isitua Obiora was appointed a Non-Executive Director of the Company by the Board on June 1, 2020. All appointments are being presented for shareholders' approval. Directors' profiles are contained in the Annual Report for your reference.

BY ORDER OF THE BOARD



Ajibola Asolo
Company Secretary
FRC/2015/NBA/00000013523
FMDQ Holdings PLC
35 Idowu Taylor Street
Victoria Island
Lagos State
Nigeria
June 24, 2020



ABOUT THIS REPORT

Board Responsibility for Annual Report

The Board of Directors of FMDQ Holdings PLC (hereinafter referred to as the “Company”, “FMDQ”, “FMDQ Group”, or “the Group”) affirms that this Annual Report has been prepared in line with the Securities and Exchange Commission's Code of Corporate Governance and global best practices. The Board confirms responsibility for the integrity of the Annual Report, and believes the Report addresses the material issues and fairly presents the performance of FMDQ Holdings PLC. The Board is comfortable with the reliability and integrity of the information contained herein.

Disclaimer

Some of the statements in the Annual Report may contain progressive statements concerning the Company's strategy, performance, and growth. Readers are cautioned not to place undue reliance on the progressive statements. Legislation in Nigeria governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope and Boundaries

This Annual Report presents the consolidated activities and Audited Financial Statements of FMDQ Group and its subsidiaries for the year ended December 31, 2019. It also describes the strategic path that has been taken over the past year and the way this fits into the Company's Strategy, the operating environment in which the Company operates as well as its business and operational models.



OUR FOOTPRINTS



As @ December 31, 2019; *Naira-Denominated Bonds/Sukuk (excluding Conventional FGN Bonds and FGN Savings Bonds)

The background of the slide is a photograph of an office wall. At the top center is a white sign with the FMDC logo. Below it are several blue posters with white and yellow text. The posters contain phrases like 'TEAMWORK AND COLLABORATION', 'INNOVATION', 'FORWARD THINK', 'GLOBA COMPETI', 'VALUE-ADD', and 'MANDATE'. A large, dark blue diagonal shape cuts across the left side of the image, and a yellow diagonal shape is at the bottom left.

Company Profile

- Overview
- Corporate Statements
- Value Proposition

COMPANY PROFILE

Overview

FMDQ Group is Africa's first vertically integrated financial market infrastructure (“FMI”) group, strategically positioned to provide seamless and cost-efficient trading, clearing, settlement, risk management and depository of financial market transactions, as well as data and information services, across the fixed income (money, repurchase agreement (“Repo”), commercial papers (“CPs”), treasury bills and bonds), currencies and derivatives markets; through its wholly owned subsidiaries – FMDQ Securities Exchange Limited (“FMDQ Exchange or the Exchange”), FMDQ Clear Limited (“FMDQ Clear or the Clearing House”), FMDQ Depository Limited (“FMDQ Depository or the Depository”), FMDQ Private Markets Limited (FMDQ Private Markets) and iQx Consult Limited (“iQx Consult”).

The Company was registered as an OTC Market and self-regulatory organisation (SRO) by the Securities and Exchange Commission (SEC), Nigeria, in 2012, launched on to the Nigerian financial market in 2013, and subsequently as a securities exchange in March 2019. Having obtained all the necessary statutory and regulatory approvals, FMDQ was reorganised into a holding company structure, which saw the Company's name change from FMDQ Securities Exchange PLC to FMDQ Holdings PLC, becoming the non-operating Holding Company warehousing the wholly owned subsidiaries.



FMDQ Group operates the largest Exchange in Nigeria, with an average annual market turnover of circa ₦152 trillion (US\$564 billion) over the last six (6) years, as well as the only Central Clearing House, and one of the Depositories in the country.

Role of FMDQ in the Ecosystem



In line with its FMI status, FMDQ Group, provides a robust and vertically integrated platform with straight-through-processing capabilities for the markets within its purview; allowing market participants to commence and execute their financial market transactions efficiently on the platform.

In achieving its transformational mandate for the Nigerian financial market, FMDQ plays key strategic roles in the Nigerian financial market ecosystem, supported by its sustainability pillars towards facilitating sustainable growth and development across the market and economy at large.

CORPORATE STATEMENTS



Group Vision

To be the Leading African Builder of Ecosystems of Financial Infrastructure and Services for Markets



Group Mission

We Collaborate to Empower Markets for Economic Progress Towards Delivering Prosperity

Our Core Values



Value Proposition

FMDQ, driven by its aspiration to be Africa's most diversified and integrated FMI group, in line with its vision to be the leading African builder of ecosystems of financial infrastructure and services for markets, anchors its developmental agenda for the Nigerian financial market on the introduction of innovative products and markets, and the institutionalisation of robust market architecture to support efficient service delivery.

FMDQ Group actively seeks out novel opportunities to maximise its offerings to varied stakeholder groups in line with its value proposition hinged on the pillars of Product Innovation, Market Governance & Development, Listings & Liquidity Enhancement, Price Formation & Transparency, and Economic Development Advocacy.



Product Innovation

- Interest Rates & Currency Hedging Products
- Bond Exchange-Traded Funds
- Non-Interest Finance Products



Market Governance & Development

- Market Rules & Regulations
- Systems Integration
- Post-trade Services
- Standards & Benchmarks
- Securities Registration, Listings & Quotations
- Noting



Listings & Liquidity Enhancement

- Competitive Listings and Quotations Processes
- Network Effects (Markets Integration)
- Fixed Income Market Specialists
- Financial Market Volatility Management



Price Formation and Transparency

- Trading Systems
- Information Repository
- FMDQ Quotation Service



Economic Development Advocacy

- Government & Regulatory Collaborations
- Financial Market Support for Infrastructure & Housing Finance

The FMDQ “GOLD” Agenda

With opportunities for reforms with far reaching implications, the FMDQ “GOLD” (Global Competitiveness, Operational Excellence, Liquidity and Diversity) Agenda serves as an effective assessment of FMDQ's markets and outlines the commitment of FMDQ towards the transformation of the Nigerian financial market in line with its international counterparts and global best practices.



GLOBAL COMPETITIVENESS

- Governance ▪ Transparency ▪ Professionalism ▪ Technology ▪ Documentation
- Central Clearing ▪ Payment & Settlement ▪ Trade Repository



OPERATIONAL EXCELLENCE

- Certification ▪ Standardisation ▪ Market Information ▪ Legal Support
- Clearing ▪ Delivery versus Payment/Delivery versus Free ▪ Market Systems
- Straight-through-Processing



LIQUIDITY

- Network Effects ▪ Trade Volume ▪ Trading Intensity



DIVERSITY

- Product Diversification ▪ Market Diversification
- Market Players / Foreign Participation

Chairman's Statement



Dr. Kingsley Obiora

*Group Chairman,
FMDQ Holdings PLC*

“

Dear Shareholders,

It is my pleasure to welcome you to the 8th Annual General Meeting of our Company, the first in my capacity as Group Chairman of the Board of Directors, where I will be presenting the Annual Report and Accounts of FMDQ Holdings PLC for the year ended December 31, 2019.

FMDQ achieved a resilient performance amidst the challenging operating environment, due to strategic initiatives implemented in its first Strategic Lustrum (2015 - 2019), which mitigated the impact of volatile market conditions.

2019 was a year of growth, expansion, and reorganisation for FMDQ, with the second year of the operationalisation of its wholly owned subsidiary, FMDQ Clear Limited, and the activation of another wholly owned subsidiary, FMDQ Depository Limited, making significant progress in its bid to help de-risk the financial markets by constructing market infrastructures in all components of the capital market value chain, from pre-trade, trade to post-trade.

”

Operating Environment

Global economic growth remained weak in 2019 at 2.90 per cent, largely due to the heightened US-China trade war and the escalation of the Brexit-related uncertainties which heavily weighed on business sentiment and global activity. Further pressures came from weaknesses in large emerging market economies such as Brazil, India, Mexico, and Russia. In addition, geopolitical tensions in Iran, economic difficulties in Argentina, and social unrest in Venezuela, Libya, and Yemen, further worsened the global economic outlook for 2019. However, with global trade at a standstill, central banks in several advanced and emerging economies, including the US Federal Reserve, European Central Bank, reacted aggressively with accommodative policy measures, which facilitated the increase in capital inflows to high-yielding emerging economies and portfolio reallocations. These policies averted a deeper slowdown in the latter part of the year.

On the domestic front, the Nigerian economy grew marginally as real Gross Domestic Product (GDP) rose to 2.27 per cent in the first quarter of 2019, compared with 1.93 per cent in the corresponding period of 2018. Factors such as the volatility in the global oil market, the rising spate of illegal bunkering activities in the Niger-Delta Region, low credit to the private sector, infrastructure deficit and low capacity for revenue generation contributed to the economy's slow growth. However, although revenues from the oil and gas sector contracted from the second quarter of the year, the non-oil economy bolstered growth. The agricultural sector was a major contributor to real growth driven by government's interventions in the form of low-interest credit and subsidised farm inputs.

Foreign exchange was relatively stable during the financial year, but exchange rate pressures intensified due to weak oil revenues and a slowdown in capital flows by foreign portfolio investors. However, by the year end, the external sector performance improved due to the increase in the international price of crude oil. Consequently, aggregate foreign exchange inflow into the Central Bank of Nigeria (CBN), at US\$3.72 billion, rose by 5.8 per cent. It however showed a decrease of 53.0 per cent below the level at the end of the corresponding period of 2018. Ultimately, the rise in aggregate foreign exchange inflow into the CBN, relative to the preceding month's level, was attributed to the rise in both oil and non-oil receipts.

Financial Performance

A review of our financial results continues to show astounding performance across all financial metrics. The Group Revenue stood at ₦21.46 billion, with the Company's Revenue coming in at ₦17.71 billion, a growth of 62.51 per cent and 33.65 per cent from 2018, respectively. Though Group Consolidated Expenses increased from ₦5.99 billion in 2018 to ₦8.24 billion in 2019, the Group Profit before Tax at ₦13.22 billion in 2019, significantly surpassed ₦7.21 billion recorded in 2018, a growth of 83.38 per cent. Similarly, Company Profit before Tax at ₦10.67 billion in 2019, significantly surpassed ₦6.17 billion recorded in 2018, a growth of 72.81 per cent.

The sustained performance of the Group is attributable to the continued development of the wholly owned subsidiary, FMDQ Clear.

The turnover from trading activities on the Group's platform, across the fixed income, foreign exchange and derivatives markets, showed an increase of 27 per cent in 2019, closing at ₦232.68 trillion, from the turnover of ₦182.62 trillion reported in 2018.

A detailed account of the Group's financial performance is set out in the Financial Reports section of the Annual Report.

Corporate Development

In March 2019, FMDQ transitioned from an OTC Market to a full-fledged Securities Exchange and by the end of 2019, was positioned to become Africa's first vertically integrated financial market infrastructure (FMI) group. Requisite approvals were also obtained for the reorganisation of the FMDQ entities into a holding company structure, with the parent company founding a wholly owned Exchange subsidiary, FMDQ Securities Exchange Limited, and transferring its 'securities exchange and self-regulatory organisation' registration from the SEC to the new entity.

Consequent upon transitioning into a non-operating holding company, focusing fully on servicing and driving its businesses, FMDQ changed its name from FMDQ Securities Exchange PLC to FMDQ Holdings PLC, warehousing four (4) wholly owned subsidiaries: FMDQ Exchange, FMDQ Clear, FMDQ Depository and iQx Consult.



Furthermore, the receipt of the SEC's approval for the FMDQ Equity Market Rules in December 2019 solidified FMDQ's position as a full-spectrum market, poised to offer all products in the financial markets space. These key achievements successfully marked the end of FMDQ's maiden 5-Year Strategic Plan (2015-2019) and has formed the basis for the Group's next 5-Year Strategic Plan. With its improved strategic positioning as Africa's first vertically integrated FMI Group, there can be no doubt that the Group is positioned to deliver value to stakeholders and help engender growth and development in our markets.

Business Development

In the Exchange business, our Securities Admission business thrived in 2019 as we admitted an impressive number of eighty-four (84) securities, up to 6 per cent from the previous year, with a total value of ₦2,732.42 billion, a significant increase from ₦1,027.15 billion in 2018. We recorded a total of nineteen (19) Bonds, sixty (60) Commercial Papers (CPs), and five (5) Funds, across various sectors, listed and quoted on our platform, as well as the registration of five (5) CP Programmes. The Exchange also experienced growth in its membership base, as the year closed with a total of two hundred and seventeen (217) Members, up 11 per cent from the one hundred and ninety-five (195) Members in the previous year. This growth was seen across most membership categories. In addition, progress was made following the launch of FMDQ Derivatives Market Development Project in 2018, to develop a more vibrant derivatives market in Nigeria, with a focus on market sensitisation and capacity building, ahead of its planned introduction of derivatives product in 2020.

The year was spent strengthening the operational and strategic capacities in our clearing, settlement, and depository businesses. FMDQ Clear focused on building operational readiness and capabilities to extend its services from just clearing and settlement to providing central counterparty (CCP) services in the near term, while FMDQ Depository focused squarely on operational efficiency and the implementation of its market entry agenda, which I am happy to report has now begun to yield results, with the onboarding of securities from ten (10) issuers, including Dangote Cement PLC and MTN Nigeria Communications PLC, thus far in 2020.

2019 saw the actualisation of the post-trade spectrum for financial market transactions, leveraging on the digitised and integrated structure of the FMDQ Group, strategically positioning the Group to commence the delivery of world-class services and operations to support its aspiration to make the Nigerian financial market globally competitive and operationally excellent.

Sustainability and Corporate Responsibility

As part of its Environmental Sustainability Agenda, FMDQ entered a strategic collaboration with RecyclePoints Limited, a waste recycling and social benefit company that encourages individuals and corporates to recycle everyday waste by creating value from recycled products. This was done in a bid to actively manage the Group's environmental impact and to build an eco-conscious culture.

During the course of the year, there was also a focus on the continuous development of the debt capital market, through several initiatives, including the Debt Capital Markets Development (DCMD) Project, having worked assiduously with key stakeholders in the financial market ecosystem to set up the Financial Centre for Sustainability, Lagos (FC4SL). This venture made Lagos the 23rd Member of the FC4S Network, in alignment with FMDQ's drive to promote sustainable finance in the Nigerian financial market.

In addition, FMDQ's flagship corporate responsibility agenda, the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next), which facilitated several initiatives during the year, including the Teach-a-Class Initiative, Excursions, Summer Camp for Primary and Secondary School Students, Trading Challenges, Internships, amongst others, saw a total of three hundred and twenty-nine (329) participants, compared to forty-one (41) participants in its maiden year, 2018.

FMDQ continued to deliver in line with its sustainability pillars, to foster sustainable growth and prosperity for all. The details of our sustainability activities are set out in the Sustainability Agenda section of this Report.

Governance

Dr. Okwu Joseph Nnanna retired as Group Chairman of the Board on May 29, 2020, after three (3) years of meritorious service to FMDQ. Further, Mr. Uzoma Dozie and Mr. Peter Amangbo retired from the Board in 2019, while Mr. Emeka Emuwa and Mr. Ebenezer Onyeagwu were appointed to the Board.

As required by the Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011, PricewaterhouseCoopers, on the approval of the Board, was engaged to conduct the 2019 FMDQ Board Evaluation. Our Directors retain a high level of competence, maintaining oversight of the Group's affairs and working hard to guide Management's efforts to grow the business into a robust full-service FMDQ Group. A report on the output of the evaluation process is set out in Corporate Governance section of the Annual Report.

Outlook for 2020

2020 is already proving to be an unprecedented year, with the COVID-19 pandemic having crippled the global and domestic economy alike. However, as usual, FMDQ stands ready, and very early on, began to take proactive steps to ensure that we preserve value for our stakeholders in light of the uncertainty before us. We have, in this bid, shifted the implementation of the 2020 – 2024 Strategic Plan to a new 5-Year Horizon, 2021- 2025. While the implementation of the Strategic Plan will now commence in 2021, the Group continues to move forward, uncompromisingly, in developing and assembling the structures, in 2020, to drive the execution of extant Strategic Initiatives, as identified during the year. In doing so, we will effectively ensure that we focus on actualising our agenda to (a) de-risk our markets even further; (b) further diversify our products and markets; (c) consolidate FMDQ's position as the most innovative FMI Group in the country and beyond; and (d) ensure that principles of good corporate governance are further entrenched within our Group to build sustainable business franchises.

Although we are mindful that market externalities may render implementation more challenging than otherwise contemplated, we nonetheless remain excited by the opportunities that lie ahead. The Board will continue to oversee the task of striking the right balance between capturing opportunities for stakeholders and maintaining appropriate risk controls, which will allow us to weather these uncertain times in a strong, safe, and sustainable manner.

Conclusion

I would like to use this opportunity to highlight how delighted I am to be a part of this forward-looking Group. I would also like to extend my appreciation to my predecessor, Dr. Okwu Joseph Nnanna, who presided over very impactful achievements during his tenure and handed over the reins to a Group that is well positioned for the future, with a set of highly complementary businesses across the financial market infrastructure space. I look forward to working with all our stakeholders, internal and external, to take FMDQ Group to the next level, in line with its second lustrum Strategic Plan, whilst continuing to create value for stakeholders.

I would like to express my gratitude to the Board of Directors for their visionary leadership, and to Management for the dedication and hard work that they committed to the Group throughout the course of 2019. I would also like to acknowledge and appreciate the support provided by our stakeholders such as our shareholders, including the CBN and the FMDA; the SEC and other financial services regulators; our Members; and our various market participants.

Do stay safe as I wish you all a fruitful year ahead!



Dr. Kingsley Obiora
Group Chairman

CEO's Review



Mr. Bola Onadele. Koko

*Group Managing Director/Chief Executive Officer,
FMDQ Holdings PLC*

“

2019 delivered a strong financial performance for FMDQ Group, as laudable progress was made in the execution of its Strategic Objectives in support of the Nigerian financial markets, and with the emergence of FMDQ as Africa's first vertically integrated financial market infrastructure (FMI) group.

I am therefore pleased, on behalf of Management, to present you with the highlights of the consolidated performance and key activities of FMDQ Holdings PLC for the year ending December 31, 2019.

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Performance Review - Group

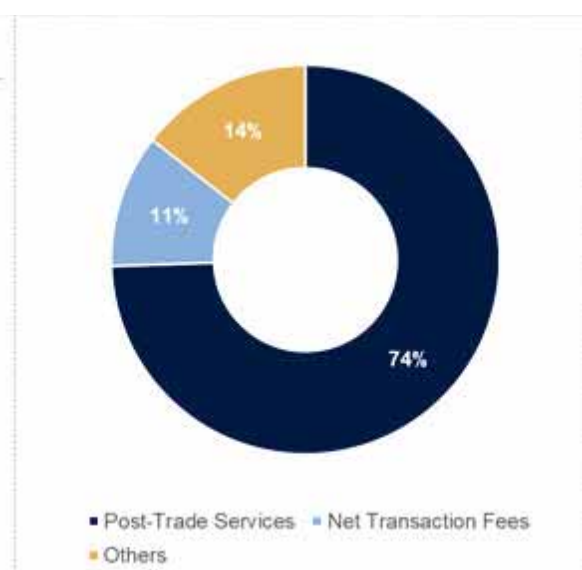
Consolidated Revenue

Total revenue earned by the Group in 2019 was ₦21.46 billion, a 63% increase from ₦13.20 billion earned in 2018. The increase in revenue was largely driven by post-trade services rendered by the Group's wholly owned clearing house subsidiary, FMDQ Clear, i.e. the clearing; margin administration; collateral management and settlement of fixed income securities; and derivatives contracts

Group Revenue ₦'bn



Group Revenue Distribution



Earnings from post-trade services contributed 74% (₦15.98 billion) to the Group's overall revenue, while Transactions Fees and Non-Transaction Fees (including Interest income) contributed 11% (₦2.38 billion) and 14% (₦3.10 billion) respectively. The core market participant categories of the Group receiving the gamut of services rendered were Clients (non-bank), contributing about 73% to overall revenue earned, and the Dealing Member (Banks), contributing 26%, while 1% was contributed by other sources

Consolidated Expenses

The period saw an increase in the Group operating expenses by circa 38%, from ₦5.99 billion to ₦8.24 billion, in line with the Group's commitment to execute its Strategic Initiatives, pursue market development initiatives and develop its people to support the execution of corporate goals. The major driver for the growth in operating expenses was personnel expenses, which increased by c. 64% from 2018, largely on the back of increased headcount to support the execution of the Strategic Objectives, closing the year with one hundred and two (102) Staff, a 48% increase from sixty-nine (69) Staff in 2018

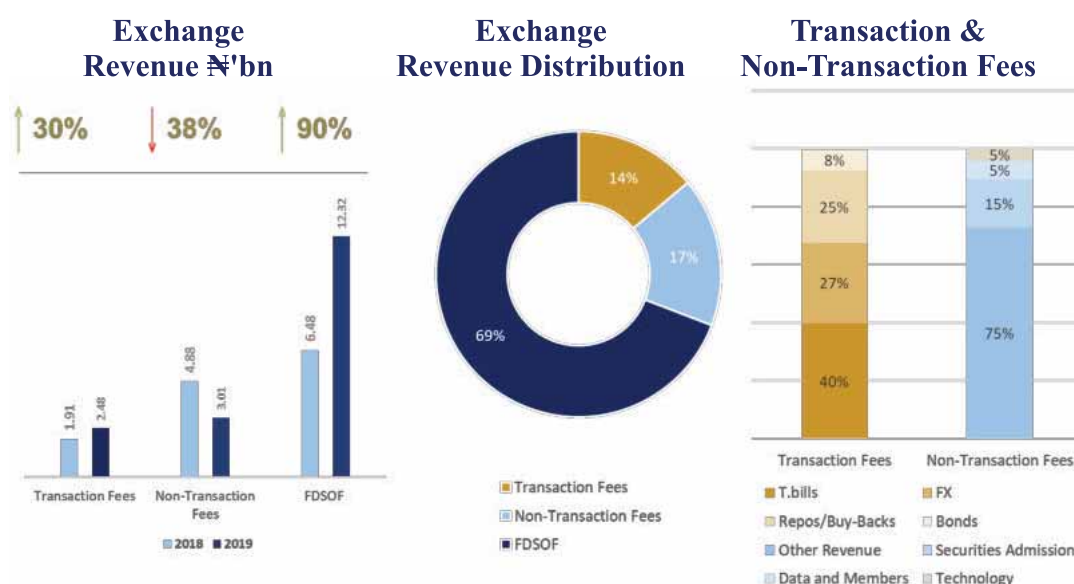
Highlights of 2019 Financial Performance

Year Ended December 31	2019 (₦'000)	2018 (₦'000)	Variance (%)
Revenue	21,457,264	13,203,865	62.51
Operating Expense	(8,237,679)	(5,995,050)	37.41
Profit Before Tax	13,219,585	7,208,815	83.38
Tax Expense	(2,982,707)	(1,572,760)	89.65
Other Comprehensive Income	406,103	12,654	3,109.29
Total Comprehensive	10,642,981	5,648,709	88.41

Performance Review - Subsidiaries

Exchange Business

As a result of the Exchange's robust organic growth in 2019, total revenue stood at ₦17.80 billion, a commendable 34% increase from ₦13.25 billion recorded in 2018. The major revenue driver was the Franchise Development Support and Outsourcing Fees ("FDSOF") contributing 69% to total revenue. Transaction Fee and Non-Transaction Fees contributed 14% and 17% respectively, to total revenue

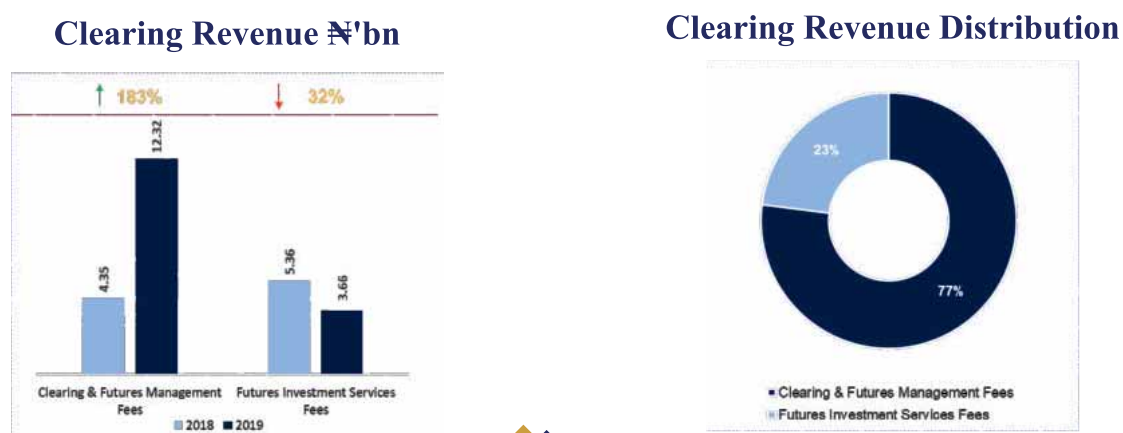


Total market activity in the fixed income, currency and derivatives markets recorded a commendable 27% increase in 2019 from the turnover of ₦182.86 trillion reported in 2018, settling at ₦232.68 trillion. The most actively traded product in the market, was Treasury bills (then fungible with Open Market Operations Bills), contributing 37% to total turnover. Except for the Other Bonds and Commercial Papers product categories, year-on-year ("Y-o-Y") increases were recorded on the market turnover of the respective product categories

Clearing Business

Total revenue (excluding interest income) earned by FMDQ Clear in 2019 amounted to ₦15.98 billion, a remarkable 65% increase from the ₦9.71 billion reported in 2018. This was largely attributed to the Clearing and Futures Management Fees earned on the OTC FX Futures product

Clearing and Futures Management Fees, earned from trade matching and risk management (margining) services carried out on transactions traded on FMDQ Exchange, increased by 183% to ₦12.32 billion in 2019 from ₦4.35 billion in 2018, and contributed 77% to the Clearing House's total revenue (excluding interest income) in 2019. Futures Investment Services Fees decreased by 32% to ₦3.66 billion in 2019 from ₦5.36 billion in 2018 and contributed 23% to total revenue



The Clearing House saw continued growth in the value of sovereign fixed income securities transactions cleared by FMDQ Clear, as a total transaction value of ₦76,118.82 billion was cleared during the year, representing a c. 16% Y-o-Y increase from 2018. Similarly, activities and participation levels in the OTC FX Futures market significantly increased when compared to 2018 as shown by the number and value of executed contracts cleared by FMDQ Clear, totaling 1,068 and US\$15,074.88 million, respectively

▪ *Depository Business*

As FMDQ Depository was operationalised in the second half of 2019, the Company was not focused on immediate revenue generation, but implementation of structures to deliver operational excellence and value to its stakeholders. Therefore, the Company's 2019 total revenue of ₦0.55 billion, was fully contributed by Interest Income

Ahead of operationalising its business franchise, FMDQ Depository commenced leveraging on strategic partnerships and alliances formed by the FMDQ entities, whilst engaging its critical stakeholders, including regulators and market participants, across the value chain, on its operational readiness to implement value-added product and service offerings. FMDQ Depository is therefore strategically positioned to complement the clearing function discharged by FMDQ Clear by providing the requisite framework for collateral caching, asset servicing and settlement services in the Nigerian financial markets, offering market participants an unrivalled opportunity to experience enhanced straight-through-processing

Business Development - Revenue Drive

The business environment in 2019 was marked with political activities, in particular the general elections, in the first half of the year, and a regulatory regime focused on driving growth and maintaining low interest rates. Noteworthy increase in activity was experienced in the foreign exchange derivatives and Treasury bills markets following the 2019 general elections, while the lower yield environment boosted market activities in the fixed income market as issuers of debt securities leveraged the opportunity to avail on lower funding costs.

▪ *Transaction Fees*

Sustained interest in the fixed income, currency and derivatives markets had a corresponding effect on Net Transaction Fees revenue which contributed 13% to total revenue. Treasury bills turnover remained the major revenue driver to overall Transaction Fees earned, contributing 40%, while turnover from foreign currency and repos & buy-backs activities contributed 27% and 25% respectively to overall Transaction Fees revenue. Net Transaction Fees increased by 26% to ₦2.38 billion in 2019 from ₦1.89 billion recorded in 2018

Within the year, the Exchange focused on implementing strategic initiatives targeted at expanding its product coverage to address the evolving risk management needs of market participants, thereby enhancing investors' confidence, and promoting the credibility of the Nigerian financial markets

▪ *Post-Trade Services*

Clearing, Futures Management, and Investment Management Fees earned by FMDQ Clear on the Naira-settled OTC FX Futures product were the key drivers of the improved revenue performance in 2019. Total revenue from these three (3) lines was ₦14.38 billion, accounting for 67% of the Group's total revenue

FMDQ Clear has been instrumental in the improved operational efficiency experienced by the market in the post-trade services value chain for fixed income and the OTC derivatives products. The Clearing House has efficiently leveraged its Systems and strategic collaborations in the provision of an environment that serves to considerably minimise counterparty, trading liquidity and operational risks. The integration of the FMDQ Proprietary Market System, the Q-ex System, with the CBN's Scripless Securities Settlement System ("S4") in 2018 proved invaluable in our drive for operational efficiency and risk minimisation

Following the release of the Rules on Central Counterparty by the Securities and Exchange Commission during the year, FMDQ Clear activated necessary actions and engagements towards becoming a full-fledged central counterparty (CCP) for the provision of full and robust risk management services in readiness for the planned launch of exchange-traded derivatives and in support of future corporate growth



The depository franchise has focused on developing and activating the requisite foundation for sustainable revenue generating activities, most importantly collaborating with the regulatory authorities to ensure that extant rules were reviewed to accommodate and support a fair competitive landscape for two (2) depositories. The onboarding of depository participants, in preparation for service consumption and commercial activities, was also successfully activated to complete the post-trade cycle

■ ***Securities Admissions***

In effectively supporting the market for debt securities in the Nigerian economy, the Exchange successfully admitted a total of eighty-four (84) securities, spread across commercial papers [sixty (60)], bonds [nineteen (19)] and funds [five (5)], in 2019 for trading on the platform. Commercial paper issuances quoted on the Exchange recorded a total of ₦467.56 billion from eleven (11) institutions, corporate bond issuances listed a total of ₦169.26 billion from eight (8) institutions and funds listed totaled ₦23.79 billion from five (5) financial institutions. Under the sovereign category, the Exchange admitted to its platform, FGN Green Bond, Sukuk and Eurobonds, with face values of ₦15.00 billion, ₦100.00 billion and \$5.37 billion, respectively. The Exchange also proudly welcomed the first Climate Bonds Certified Corporate Green Bond in Africa, issued by Access Bank PLC, on its platform. Revenue earned from the Securities Admissions Service grew by 12% to ₦490.00 million in 2019, from ₦437.09 million in 2018 and contributed 3% to total revenue earned in 2019. Bonds listings was the major revenue driver in this revenue category, contributing 55% (₦269.45 million)

■ ***Private Companies' Securities Noting***

The Private Companies' Securities Noting franchise enrolled the Infracorp Funding SPV Limited ₦200.00 billion Private Companies' Bond Programme, signifying that the Noting franchise gained traction in 2019, as more private companies sought to raise long-term debt finance. In order to ensure the continued provision of a robust and efficient platform for private companies to access long-term debt finance in an organised market, the FMDQ Noting service will be given renewed focus under a separate arrangement and entity, FMDQ Private Markets Limited, from 2020. This focus will see the expansion of services to support the development of private entities in the capital market

■ ***Data and Information Services***

Real-time and historical data on key financial markets is provided via FMDQ's e-Markets Portal, a bespoke highly relevant information repository for the market. Thirty-six (36) subscribers to FMDQ's data, comprising twenty-five (25) local entities and eleven (11) international entities (including three (3) data redistributors), were profiled on the e-Markets Portal, availing them access to trading and market data, securities valuation, and analytics, among others. Revenue from the provision of this service increased by 11% to ₦40.16 million in 2020

■ ***Memberships***

In 2019, the Exchange recorded two hundred and seventeen (217) Members, representing an 11% increase from 2018. The growth in the membership franchise was driven majorly by the 16% increase in the Associate Members category. The Dealing and Registration Member categories also witnessed growth of 14% and 13% respectively, as the Exchange continued to promote awareness of its services across the financial markets. Total revenue earned from Memberships amounted to ₦157.15 million in 2019, a YoY increase of 36%. As the business and its markets evolve, the Exchange will continue to ensure the robustness of its membership categories to support the strategic thrust of the Group and facilitate the assured market development

■ ***Technology Services***

To provide robust, efficient and secured technology services aimed at supporting market development, FMDQ's Proprietary Market System, Q-ex, was optimised further via the commencement of the System upgrade to implement straight-through and real-time settlement of Repurchase Agreement transactions in the market; the System upgrade is at an advanced stage of completion. Technology remains a key enabler and a potential source of significant impact to the institution's business operations and FMDQ remains resolute in its commitment to invest diligently in technology in support of its market development mandate. Revenue from Technology Services recorded a 13% increase to ₦130.94 million in 2019

Stakeholder Focus

In line with our Strategic Objective to activate and leverage on partnerships and strategic alliances (local & international organisations), the need for participative, collaborative, and informative relationships with stakeholders cannot be overemphasised. FMDQ therefore strives to maintain mutually beneficial relationships, strategic partnerships, memberships, and technical alliances with a wide range of local and international stakeholders in its pursuit to transform the Nigerian markets.

During the year, FMDQ held and participated in a number of events, local and international, and engaged with a wide range of stakeholders as part of its stakeholder engagement mandate. Some notable activities during the period were:

- FMDQ became a Member of International Swaps and Derivatives Association (ISDA)
- The Group hosted its biennial 2019 Nigerian Capital Market Conference, themed, '*Nigeria: A Compelling Destination of Capital*', attracting over 450 local and international attendees, including market participants, regulators, government authorities and subject-matter and model markets experts with varying interests in the Nigerian and global financial market space
- Furthermore, FMDQ hosted its Members, regulators, government agencies, local and foreign portfolio investors, and a host of others to the second edition of its flagship FMDQ GOLD Awards to acknowledge and formally recognise the contributions of these participants, whose activities directly impacted the development of the markets and positively contributed to making them GOLD – Globally Competitive, Operationally Excellent, Liquid and Diverse
- FMDQ attended annual membership meetings and conferences of Associations to which it belongs, such as the International Organisation of Securities Commissions (“IOSCO”), World Federation of Exchanges (“WFE”), African Securities Exchanges Association (“ASEA”), International Capital Markets Association (“ICMA”), Nigerian Economic Summit Group (“NESG”), to build capacity of its staff and foster shared knowledge with other participants in the quest to develop the markets under its purview

FMDQ remains committed and focused on initiating, supporting, and partnering with relevant stakeholders on market development initiatives capable of impacting the Group, the Nigerian financial markets, and the economy, positively.

Risk Management

In line with our commitment to continuously create value for our stakeholders, the need to effectively manage risks and exploit attendant opportunities is crucial to the business operations of the Group. The Group's risk management framework aligns with our Strategic Objectives and enables FMDQ to identify, analyse, treat, monitor, and report on risks which span across strategic, operational, compliance and reporting obligations of the Group. In 2019, the Group improved on the scope of its risk management framework and methodologies to support newly created entities.

As the Group strives to continuously adhere to relevant rules and regulations guiding its business operations, 2019 saw FMDQ's full compliance with both the Global Data Protection Regulation (GDPR) and the Nigeria Data Protection Regulation (NDPR) 2019 standards, making it one of the first financial market organisations in Nigeria to be GDPR and NDPR compliant, and ensuring we keep to our commitment to protect our stakeholders' data and assets in line with global best practices.

Whilst we have established adequate risk management policies and procedures to address risks inherent in our business operations, the execution of the relevant risk management frameworks is supported by a strong risk culture across the Group, driven by continuous risk awareness and an environment which encourages transparent risk disclosures.

Technology

With a mandate to provide solutions with optimal stability, scalability and efficiency that ensure achievement of the Group's Strategic Objectives, sustainability of its business operations and improved operational efficiencies, FMDQ continues to make investments to expand its technology infrastructure and resources.



In line with best practices of IT Governance, FMDQ conducted a performance review of its technology franchise to ensure continual improvement on its IT operational processes and infrastructure for optimal delivery of IT services using global standards of Information Security Management System (**ISO27001:2013**) and IT Service Management System (**ISO20000:2018**) standards formalised by International Standardisation for Organisation (ISO).

Following the delivery of the Clearing and Settlement System module in the first phase deployment of the Group's proprietary market system ("FMDQ Q-ex"), 2019 ushered in the next phase of deployments commencing with the Repo Collateral Management System module, and followed closely by the Derivatives Trading and Clearing System module, both of which are underway. The FMDQ Q-ex System, which provides seamless automation for straight-through-processing, was further stabilised and enhanced to achieve maximal uptimes and robust functionalities in line with global standards.

To ensure the highest level of security for assets deposited with FMDQ Group, through its wholly owned Depository subsidiary, FMDQ successfully deployed the SWIFT Messaging System to facilitate seamless and secure financial communication with stakeholders, in line with global best practices.

Key Highlights of 2019

2019 was an epoch-making year for FMDQ, having evolved to becoming Africa's first vertically integrated financial market infrastructure group. Whilst ensuring a continuum of value-adding services, FMDQ leveraged its improved status and collaboration with stakeholders during the year to support its product and market development agenda, as well the Group's drive to promote a sustainable financial market in Nigeria.

Notable amongst the achievements in 2019 are:

- Transition of FMDQ from an operating holding company to a non-operating holding structure, warehousing three (3) subsidiaries – FMDQ Exchange, FMDQ Clear and FMDQ Depository, completing the value chain of pertinent financial market infrastructure required to support market efficiency and promote straight-through-processing of capital market transactions in the Nigerian financial market
- Operationalisation of its CSD subsidiary, FMDQ Depository, to provide a safe depository for financial market assets, as well as facilitate settlement of capital market transactions
- Appropriation of funds to a Default Resolution Reserve (DRR) for FMDQ Clear, in order to build up the necessary risk reserve as part of its CCP activation/readiness plan - to support the cash, fixed income, and derivatives markets in alignment with FMDQ Group-wide product rollout plan. The DRR is planned to grow to c. ₦20.00 billion in the medium-term
- Establishment and subsequent launch of FC4SL – an initiative set on inspiring a greener Nigeria through sustainability principles cutting across investments, innovation, partnerships and capacity development, in collaboration with market stakeholders, making Lagos the 23rd Member of the FC4S Network, alongside other international financial centres

A detailed account of the key highlights of 2019 for the Group is presented in the Strategic Report section of this Annual Report.

Strategic Outlook

As the Group marked the end of its maiden 5-Year Strategic Plan (2015 - 2019), the year saw the articulation and documentation of the 5-Year Strategic Plans for all FMDQ Entities, in order to effectively launch the Group's second Strategic Lustrum.

Looking ahead, the outbreak of COVID-19 in the first quarter of 2020, which triggered lockdown directives from the Federal Government of Nigeria, as part of the government's plan to contain the pandemic, as well as the slowdown of economic activities, has demonstrated the resiliency in our business operations, following the seamless activation of our Business Continuity Management Plan (BCMP). As an FMI group, critical to the proper functioning of the Nigerian financial markets,

the Group leveraged its web-based trading, clearing, settlement and data & information services platforms, allowing its Members, clients and other stakeholders to remotely access relevant platforms and conduct their businesses remotely. *More information on FMDQ's response to the COVID-19 pandemic is detailed in the 'Special Report on FMDQ's Response To COVID-19 Pandemic' section of this Annual Report.*

With 2020 ushering in the beginning of a highly audacious Group vision - ***'To be the leading African builder of ecosystems of financial infrastructure and services for markets'***, and with a mission to ***“collaborate to empower markets for economic progress towards delivering prosperity”***, FMDQ Group, through the active support of its stakeholders, is set to take on with renewed commitment, its mandates to further de-risk the Nigerian financial markets and continue to invest resources in its market and product innovation agenda, thereby consolidating FMDQ's position as the most innovative FMI Group in the country and beyond.

The development of the derivatives market is a key focus area for FMDQ Exchange in 2020, and the Exchange is positioned to launch new derivative products during the year. FMDQ Clear will continue to focus on strengthening its post-trade service offerings and enhancing its readiness to operate a full-fledged CCP, upon regulatory approval, to support the launch of exchange-traded derivative products into the market. With the support of market stakeholders, FMDQ Depository has successfully onboarded some of the choicest debt securities on to its platform, with its appointment as sole depository to the Lagos State Government ₦100.00 billion bond, and more recently, as a joint depository to the Dangote Cement ₦100.00 billion Bond. Having successfully delivered the power of choice of depositories to the investors and issuers in the market, continuous efforts will be made towards facilitating interoperability amongst the central securities depository (CSDs) in Nigeria to enable seamless processing of clients' transactions. Further to the incorporation of our Private Markets subsidiary in 2020, FMDQ will focus on promoting the development of organised private capital, providing the much-needed transparency in the market for private debt and equity securities, by eliminating information asymmetry and ultimately improving credibility in the market for private issuances.

In executing the FMDQ Group Strategy, there will be a need to invest in complementary businesses; deepen domestic and international partnerships, relationships, and propositions across our financial markets; and adapt contemporary and forward-looking best practices which would enhance the Group's visibility and credibility, and FMDQ is committed to taking appropriate steps and making requisite investments to support these initiatives.

Conclusion

FMDQ has been on a remarkable journey over the last six (6) years since it was launched onto the Nigerian financial markets landscape, transforming from a market organiser for the inter-bank markets to its recent status as Africa's first vertically integrated financial market infrastructure Group. The FMDQ Entities' visions are very clear and highly ambitious, but we believe we can deliver the most attractive Exchange in Africa, a globally accepted Central Counterparty, the Nigerian Depository of choice, as well as the leading Marketplace for private capital in Nigeria, by 2025, while positioning the Group as the leading African builder of ecosystems of financial infrastructure and services for markets.

Undoubtedly, the successes achieved by the Group, over the years, have been as a result of the immense support and collaboration of all FMDQ's stakeholders, and I would certainly be remiss if I do not give credit where it is due.

The unflinching support, thought leadership and guidance of the capital market regulator, the SEC, and its readiness to drive market innovation and development is exemplary. Similarly, the apex bank, CBN, who has partnered with FMDQ Group on several market impacting initiatives over the years, must be commended for being a change agent in the market. Our appreciation also goes to the Debt Management Office, National Pension Commission and all other financial services regulators for their contributions to the development of the markets.

The stellar stewardship of the FMDQ Board Members, across all the Entities, over the last six (6) years, cannot be overemphasised and FMDQ would not be where it is today without your sacrificial leadership. I thank all Directors, past and present, for your service. I also wish to specially appreciate the outgoing Group Chairman, Dr. Okwu Joseph Nnanna, for leading the Group to achieve its FMI status, and the Directors who resigned from the Board during the review period - Mr. Uzoma Dozie and Mr. Peter Amangbo.



Finally, I wish to express my most sincere gratitude to our hardworking Management and Staff, who have worked tirelessly with me to make FMDQ an Agent of Change and build an organisation that we can be proud of.

As we commence the second Strategic lustrum of FMDQ Group, my team and I remain committed to delivering on the mandate of the Group and building on previous success to take the Group to the next level.



Bola Onadele. Koko
Group Managing Director/Chief Executive Officer



Strategic Report

- Corporate Scorecard
- Value Created for Stakeholders
- Exchange Business
- Clearing Business
- Depository Business
- External Governance

STRATEGIC REPORT

Strategic Journey

With the Group's focus on *Integrating with External Markets for 2019*, to actualise its first strategic lustrum vision of becoming *No.1 in Africa in the Fixed Income and Currency markets*, FMDQ, through a robust strategy governance underpinned by its Guiding Principles, executed key Strategic Initiatives and Projects geared towards the achievement of its Strategic Objectives for the year.

5-Year Strategy (2015 – 2019) - 1st Strategic Lustrum



Strategic Themes



As 2019 marked the end of the Group's maiden 5-Year Strategic Plan (2015 – 2019), a review of the strategic achievements vis-à-vis the Strategic Horizon for each year was conducted and is presented below.

FMDQ 5-Year Horizon (2015 – 2019)



FMDQ Corporate Scorecard

Having commemorated its fifth year anniversary in 2018, and marking the beginning of the Group's journey into its second lustrum, the year 2019 saw the reorganisation of the FMDQ from an operating holding company into a non-operating holding company structure, and the transition of the OTC Market to a full-fledged Securities Exchange. Following the name change from FMDQ Securities Exchange PLC to FMDQ Holdings PLC; the incorporation of a new Exchange subsidiary - FMDQ Securities Exchange Limited– subsequent transfer of the securities exchange and self-regulatory organisation registration from the parent Company to the newly incorporated Exchange subsidiary by the SEC; the operationalisation of FMDQ Clear in 2018; and more recently, FMDQ Depository in 2019, the Company achieved its goal of becoming a vertically integrated financial market infrastructure group, making FMDQ a one-stop integrated platform to list/quote, trade, hedge, clear, settle, and keep investors' assets. The Group also obtained the approval of the SEC for the FMDQ Equity Listing Rules, thus, positioning FMDQ to offer an even more robust bouquet of products – Fixed Income, Currencies, Derivatives and Equities – in line with its market and product diversification agenda.

Furthermore, ahead of its planned introduction of derivatives product in 2020, FMDQ intensified its efforts towards the implementation of its Derivatives Market Project by focusing on market sensitisation and capacity building through its market education initiative, FMDQ Academy, and cutting across diverse stakeholder categories, whilst furthering its engagements with respect to the enabling laws and regulations required for a derivatives market to thrive in Nigeria. Towards promoting a diversified and deep financial market in Nigeria, the introduction of the planned derivatives products to support risk management will further position the Nigerian financial market as a compelling destination of capital. Additionally, in line with its quest to integrate with external markets, and in support of the planned launch of a derivatives market in Nigeria, FMDQ was admitted as an Associate Member of the International Swaps and Derivatives Association (“ISDA”), a membership sought to foster capacity building as well as enhance the visibility of the Nigerian financial market to a wider range of stakeholders.

“ *Through the FMDQ Academy, the following educative sessions on derivatives were held: three (3) Capacity Building Workshop Series for Market Participants (Series 1), Media Partners through the umbrella body of the Capital Markets Correspondents Association of Nigeria – CAMCAN (Series 2) and Financial Services Regulators (Series 3) in April, September and October 2019, respectively* ”

In entrenching the tenets of sustainability into its activities in the capital market, FMDQ championed, in collaboration with market stakeholders, the establishment and subsequent launch of the Financial Centre for Sustainability, Lagos (“FC4SL”) – an initiative set on inspiring a greener Nigeria through sustainability principles cutting across investments, innovation, partnerships and capacity development. Following its launch, Lagos became the 23rd member to join the global network, alongside others including Geneva, London, New York, Shanghai, etc., with FMDQ serving as the Secretariat. Similarly, FMDQ Exchange recorded the listing of the first-ever Climate Bonds certified corporate green bond to be issued in Africa - the ₦15.00 billion Access Bank PLC Green Bond - making the issuer the first corporate to benefit from the implementation of the Nigeria Green Bond Market Development Programme launched in June 2018 by FMDQ, Financial Sector Deepening, Africa and Climate Bonds Initiative.

In recognition of the role which FMDQ plays in aligning the Nigerian market with its international counterpart, the Group was recognised for its efforts in “Developing the Nigerian Debt Capital Markets” by the Capital Markets Correspondents Association of Nigeria (“CAMCAN”). In the same vein, the Group received an award from BusinessDay Media Limited for the “Integrated Financial Market Infrastructure Provider of the Year”. These awards reinforce FMDQ's efforts to transform the Nigerian financial market in line with its “GOLD” Agenda – Global Competitiveness, Operational Excellence, Liquidity & Diversity.



Also, the Group successfully hosted the 2019 edition of the Nigerian Capital Market Conference, themed “Nigeria: A Compelling Destination of Capital”, continuing in its tradition to provide an enabling platform and avenue for stakeholders in the local and international financial markets, including private, public and other sectors of interest, to deliberate with a view to highlighting pertinent areas to confront in the medium- to long-term, to deepen and facilitate the development of the Nigerian financial market, and the economy in general.

Finally, as the Group marked the end of its maiden 5-Year Strategic Plan (2015 - 2019), the year saw the assessment, review, articulation, and documentation of the second 5-Year Strategic Plans (2020 – 2024), as well as development of the Corporate Statements, for all FMDQ Entities in order to effectively launch the Group's second strategic lustrum.

Strategic Positioning

With 2019 marking the end of the first strategic lustrum, and 2020 ushering in the beginning of a highly audacious horizon, FMDQ Group, through the active collaboration of its stakeholders is set to take on with renewed commitment, a vision *'To be the leading African builder of ecosystems of financial infrastructure and services for markets' with a mission to “collaborate to empower markets for economic progress towards delivering prosperity”*.

In light of the COVID-19 pandemic, which has dragged the global economy into recession and impacted the local Nigerian economy, as well as the business operations of organisations, FMDQ evaluated the risks associated with the pandemic to ensure that adequate controls are put in place to guarantee business continuity and identify opportunities that can be exploited to ensure that the Group continues to create value for its stakeholders. In view of the foregoing, the activation of the Group's 2020 – 2024 Strategic Plans were extended to a new 5-Year Horizon, 2021 – 2025, to allow for a more conducive operating environment for the implementation of the Strategy.

Also, with FMDQ Exchange's upgraded status in the Nigerian financial market, in line with the provisions of the SEC, comes the need to appropriately align the Company's service offerings to align with global best practices. Consequently, the Private Companies' Bonds (“PCB”) Noting Service, has been reorganised and structured as a hub where private companies, including large corporates and small- and medium-sized enterprises, can raise private capital, debt and equity, in the Nigerian capital market, under the newest FMDQ wholly owned subsidiary, FMDQ Private Markets, which was operationalised in January 2020.

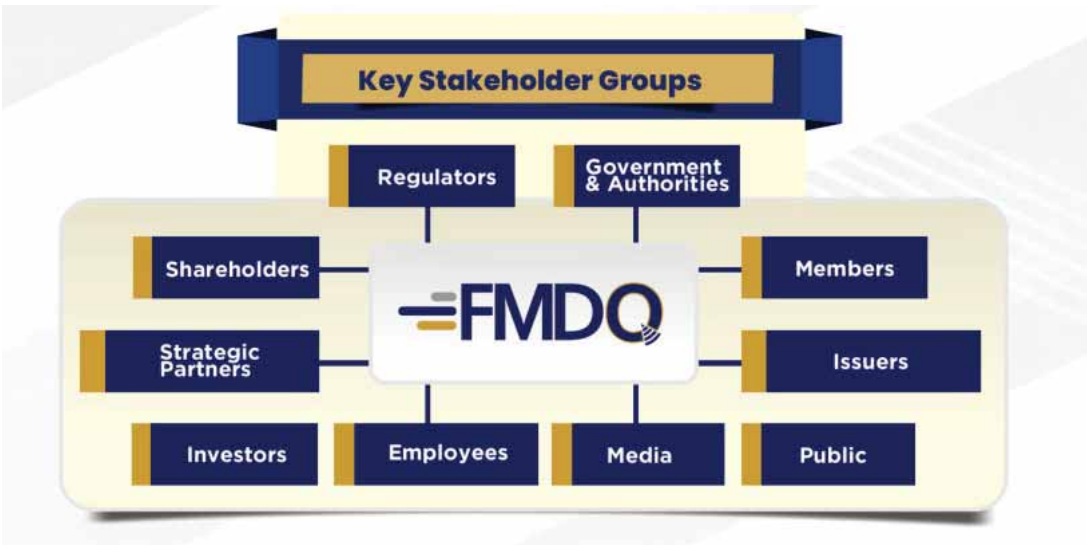
In the same vein, with the approval of the FMDQ Equity Market Rules by the SEC, the Exchange shall focus efforts on instituting relevant market infrastructure as well as ensuring operational readiness for the go-live of equity listing and trading services. The implementation roadmap of the Derivatives Market Project also remains on the front burner for the Exchange, in anticipation of an enabling environment, facilitated by relevant regulations and the subsequent introduction of products in the near term, to boost the depth and diversity of offerings in the Nigerian financial market.

Furthermore, to support the activation of the Group's trajectory towards becoming the leading builder of ecosystems of financial infrastructure, the Group will deepen its Clearing House subsidiary, FMDQ Clear, towards the commencement of central counterparty (“CCP”) services in the near term. Similarly, following the establishment and operationalisation of the “CSD” subsidiary, FMDQ Depository, which completes the post-trade spectrum for financial market transactions, leveraging on the digitised and integrated structure of FMDQ Group, will be strategically positioned to commence the delivery of world-class settlement, depository and asset servicing services, amongst others.

Given the role which technology plays as a strategic enabler in the realisation of FMDQ's vision, its wholly owned subsidiary and technology vehicle, iQx Consult, will be actively deployed to upgrade and avail improved digitised and innovative solutions for the benefit of the Group, to begin with and, the Nigerian financial market and broader ecosystem in the medium- to long-term.

Stakeholder Engagement

Over the last six (6) years, FMDQ has thrived on the foundation of strong collaboration established with key stakeholders in the Nigerian financial market; and built as well as maintained strategic alliances and partnerships towards delivering its mandate for the markets within its purview.

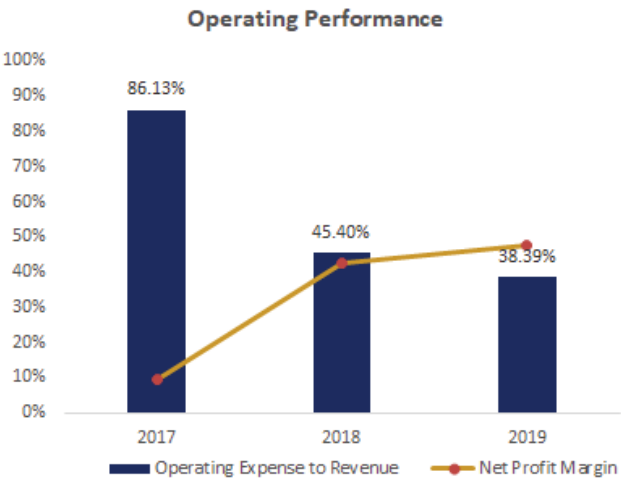
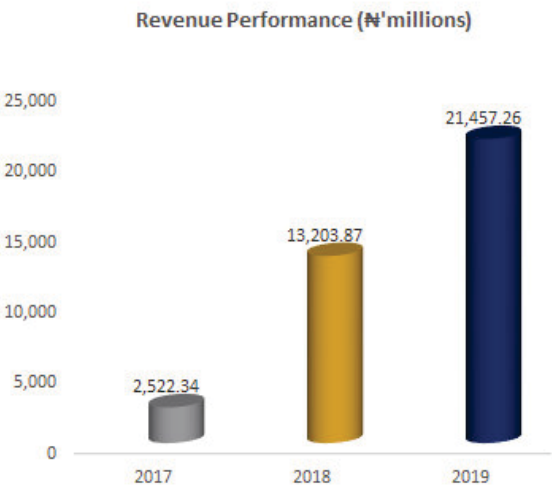


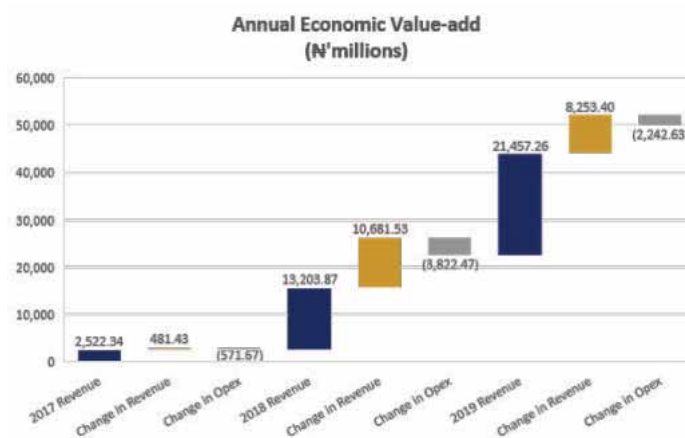
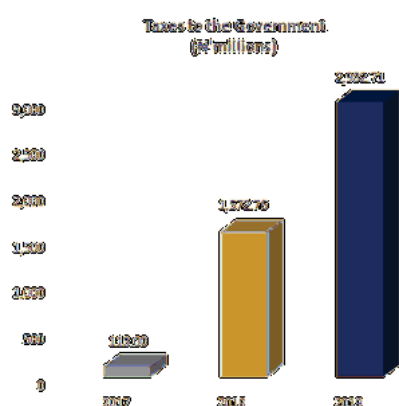
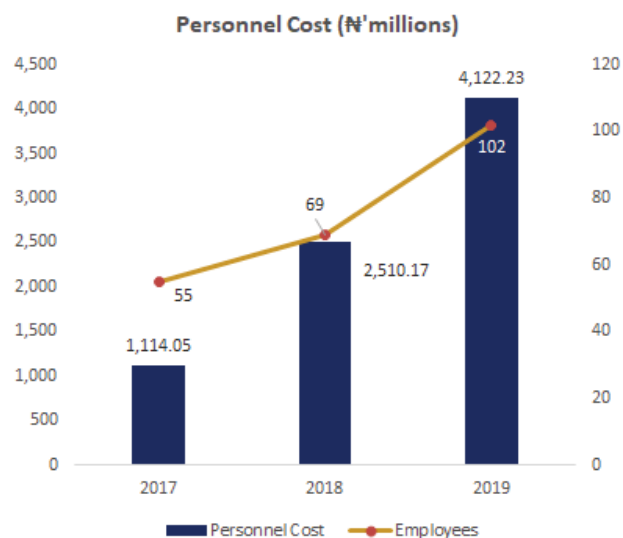
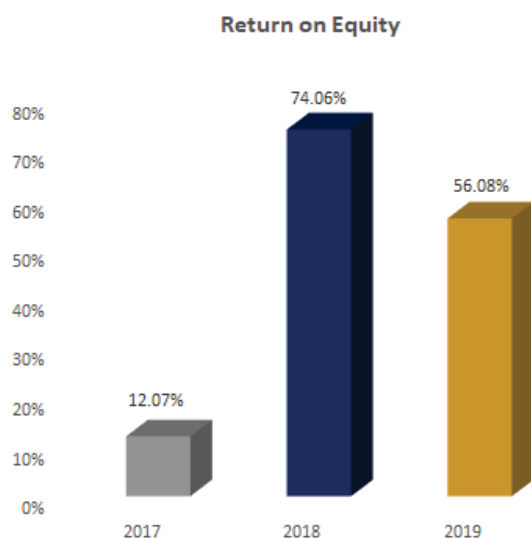
During the year, FMDQ proactively engaged and facilitated dialogue with its diverse stakeholders through different channels, including publications (webpages, social media, online and print), interviews, reports, roundtable sessions, conferences and workshops, and covering various pertinent focuses such as market and product development initiatives, corporate, business and franchise development, as well as market education and sensitisation programmes.

Value Created for Stakeholders

In line with its core values, FMDQ consistently seeks opportunities and develops forward thinking ideas that create value for its diversified stakeholders. Leveraging on engagement and collaboration with its stakeholders, cutting across the Exchange, Clearing and Depository business value chains, FMDQ is positioned to deliver improved and innovative products and services to sustain its commitment to transform the Nigerian financial markets and economy at large.

Economic Value





Non-Economic Value

At FMDQ, identifying and harnessing opportunities to create value for our stakeholders is at the heart of our operations and activities. During the year, and building on the achievements from 2018, FMDQ, in keeping with this commitment and through the collaborative efforts of its stakeholders recorded some notable accomplishments across various areas of its business and market development initiatives.

Listings and Quotations

- Admission for Listing of the pioneer Climate Bond Certified Corporate Green Bond in Africa - Access Bank PLC ₦15.00 billion 5-year 15.50% Fixed Rate Senior Unsecured Green Bond due 2024
- Admission for listing of the NSP-SPV PowerCorp PLC Series 1 ₦8.50 billion 15.60% 15-year Fixed Rate Senior Green Infrastructure Bond under its ₦50.00 billion Bond Issuance Programme, guaranteed by Infrastructure Credit Guarantee Company Limited ("InfraCredit")

*More information on these Admissions can be found in the below referenced section of this Report.
Sustainability Report >> Corporate Governance >> Markets >> Sustainable Securities Admissions.*

Market Development

- Establishment and launch of the Financial Centre for Sustainability, Lagos (FC4SL), as the 23rd Member of the global network of International Financial Centres for Sustainability

More information on the Launch of FC4SL can be found in the referenced section of this Report

Sustainability Report >> Corporate Governance >> Markets >> Establishment and Launch of Financial Centre for Sustainability, Lagos

- Hosting of the Green Bond Workshops for pension fund operators, capital market intermediaries and media partners, in partnership with the National Pension Commission and the Implementation Partners of the Nigerian Green Bond Market Development Programme – FSD Africa and CBI

More information on these Admissions can be found in the below referenced section of this Report

Sustainability Report >> Corporate Governance >> Markets >> Sustainable Securities Admissions

- Commencement of the Derivatives Market Training Series for Market Participants – Members, Corporate Treasurers, Pension Fund Operators, Regulators, Media Partners – through FMDQ's Market Education Initiative, FMDQ Academy

More information on the Derivatives Market Training Series can be found in the referenced section of this Report.

Strategic Report >> Exchange Business >> Market Development >> Stakeholder Engagement

- Execution of the Series II Bootcamp Training themed, *The Nigerian Debt Capital Market: A Viable Means of Financing for Corporates*, by the Debt Capital Market Development (“DCMD”) Project for corporate issuers in the Nigeria DCM

More information on the DCMD Bootcamp Training Series can be found in the referenced section of this Report

Strategic Report >> External Governance >> Highlight of the Debt Capital Markets Development Project >> Investors, Issuers & Intermediaries Engagement/Education

- Co-Hosting of the Fixed Income Indices Sensitisation Workshop with S&P Dow Jones Indices (“SPDJ”) to expand participants' knowledge of indices and their use as performance benchmarks for investment management mandates

More information on the Fixed Income Indices Sensitisation Workshop can be found in the referenced section of this Report

Strategic Report >> Exchange Business >> Market Development >> Stakeholder Engagement

Stakeholder Engagements

- Engagement of Stakeholders on Central Counterparty (CCP) Derivatives Clearing
- Collaboration with Association of Securities Dealing Houses of Nigeria (ASHON) Towards Expansion of the Nigerian Fixed Income Market

More information on these Stakeholder Engagements can be found in the referenced section of this Report

Strategic Report >> Exchange Business >> Market Development >> Stakeholder Engagement

FMDQ SECURITIES EXCHANGE

FMDQ Securities Exchange was registered by the SEC, as an OTC Market (2012), and subsequently, as a Securities Exchange (2019), with a mandate to:

- (i) organise and deepen the markets under its purview
- (ii) create an efficient platform for the registration, listing, quotation, trading and reporting of securities and financial products
- (iii) act as a frontline regulator (self-regulatory organisation) for the markets under its purview

“ **With an average annual market turnover of circa US\$564 billion over the last six (6) years, FMDQ Exchange is the foremost Exchange in Nigeria.** ”

FMDQ Exchange provides a range of business services including Registrations, Listings & Quotations, Data & Information, Market Connectivity, Market Governance & Regulation, Memberships, amongst others and has championed the introduction of several innovative market development initiatives, driven by its strategic mandate, to transform the Nigerian financial markets, including the introduction of the novel hedging product in Nigeria – the Naira-settled OTC FX Futures product - in collaboration with the Central Bank of Nigeria; the reform of the Nigerian Inter-bank Offered Rate (NIBOR) in line with the International Organisation of Securities Commissions (IOSCO) Principles for Financial Benchmarks; and the launch of its e-Markets Portal, a knowledge and information portal, amongst many others.

2019 in Focus – Exchange Business

With the transition of the Exchange from an OTC Market to a full-fledged registered securities exchange, the FMDQ Exchange is set to further transform the Nigerian economy. Organised financial markets with high quality infrastructure are strong buffers against financial crisis and help mollify the effects of systemic shocks. As such, FMDQ Exchange remains committed to transforming the Nigerian financial markets in collaboration with key financial markets stakeholders, through its GOLD Agenda, which serves as the Exchange's methodology for assessing the quality of the markets under its purview.

Given the challenging macroeconomic outlook, FMDQ Exchange remains resolute in taking advantage of opportunities to grow its impact and influence, through the introduction of innovative products, institutionalisation of robust market architectures & governance structures, stakeholder collaboration and the expansion to new markets, thereby improving profitability, and delivering prosperity to its stakeholders and the economy at large.

In 2019, the Exchange attained notable achievements across product and market development, and market governance, including *inter alia*:

a. Product Development

Upgrade of the Naira-settled OTC FX Futures Market Framework

Introduction of a 13th Monthly Naira-Settled OTC FX Futures Contract

Following the introduction of the novel hedging product – the Naira-settled OTC FX Futures in 2016 – FMDQ Exchange, in collaboration with the CBN, introduced the 13th Month Naira-settled OTC FX Futures contract. This contract was introduced to address the inability of foreign portfolio investors to obtain a full one (1) year FX hedge for fixed income securities and to enable portfolio investors effectively manage risks and accord them reasonable certainty of the protection available to them for the full tenor of their underlying money market investments.

Rollover of OTC FX Futures Contracts for Foreign Portfolio Investments

In a bid to support foreign currency liquidity whilst providing flexibility to the Exchange's clients' business strategies in the OTC FX Futures market, FMDQ Exchange introduced the rollover of OTC FX Futures contracts for Foreign Portfolio Investments. This feature permitted the rollover of existing OTC FX Futures contracts for the exact amount and tenor of the original contracts.

Securities Admissions

Listing of the Pioneer Climate Bonds Certified Corporate Green Bond

Access Bank PLC listed the first Climate Bonds Certified Corporate Green Bond in Africa on FMDQ Exchange in April 2019. The ₦15.00 billion Access Bank PLC Green Bond is the first corporate bond to benefit from the Nigerian Green Bond Market Development Programme launched in 2018 by FMDQ Exchange, Climate Bonds Initiative and Financial Sector Deepening, Africa, to develop Nigeria's green bond market.

Listing of the Pioneer Commercial Paper Programme from the Telecommunications Industry

The Exchange registered the first Commercial Paper Programme from the telecommunications industry in August 2019 by MTN Nigeria Communications PLC (“MTNN”), a leading telecommunications operator in Africa. The ₦100.00 billion Commercial Paper Programme was registered to enable the company to diversify its funding options and channel the funds towards working capital and general corporate purpose.

b. Market Development

Upgrade of the FMDQ Exchange Benchmark Administration Structure

FMDQ Exchange Benchmark Audit and Assurance Report

In a bid to enhance the reliability and integrity of the Exchange's Benchmark Administration process, FMDQ Exchange, in its capacity as a Benchmark Administrator, and in line with the precepts of Principle 17 of the International Organisation of Securities Commissions (IOSCO) Principles for Financial Benchmarks (PFBs), engaged Ernst & Young, Nigeria (“EY”) to conduct an independent review of the Exchange's compliance with the IOSCO PFBs which help identify certain broad, generic risks to the credibility of benchmarks arising from vulnerabilities in benchmark methodologies, as well as transparency and governance arrangements.

The assessment, which reviewed the administration process across Governance, Benchmark Operations and Information Technology Application to the Benchmark Administration process, resulted in FMDQ Exchange being fully complaint with all ¹eighteen (18) applicable Principles, with clear segregation of duties between the functions responsible for benchmark development and benchmark administration/operations in line with global best practices.

¹One of the 19 IOSCO Principles – Principle 2 (Oversight of Third Parties) is noted as not applicable to the FMDQ Benchmarks

Publication of Statement of Compliance with IOSCO Principles for Financial Benchmarks

Following the conclusion of the FMDQ Benchmark Audit and Assurance exercise, the engaged independent auditor issued an unqualified opinion on the Exchange's Statement of Compliance to the IOSCO PFBs, deeming the Exchange's Benchmark Administration process representative of the IOSCO Principles for Financial Benchmarks.

Revision to NITTY Methodology

Following the bifurcation of the Nigerian Treasury Bills ("T.bills") and Open Market Operation Bills ("OMO Bills") by the CBN, FMDQ Exchange, as a Benchmark Administrator positioned to develop and publish independent and transparent benchmarks that are reflective of market realities, revised the Nigerian Inter-Bank Treasury Bills' True Yields' Fixing ("NITTY") Methodology to ensure the Fixing remained relevant to market participants while promoting market transparency.

NITTY is the FMDQ Exchange benchmark risk-free rate which is derived from the conversion of T.bills (formerly inclusive of OMO Bills) discount rates for benchmark tenors to money market yields. i.e. true yields. The NITTY Methodology was therefore revised to capture the required input (T.bills only) for the computation of the Fixing.

Stakeholder Engagements and Market Sensitisation

FMDQ Academy (the "Academy")

FMDQ has remained committed to empowering the Nigerian financial markets by delivering fully sponsored specialised training to the Nigerian financial markets' participants on various products and standards/regulations through a competency-based curriculum. In 2019, the Academy delivered eleven (11) sessions of classroom workshops, with a total of three hundred and five (305) participants in attendance. The Academy's online Learning Management System ("LMS") had six hundred and thirty-seven (637) new user sign ups, totaling the registered users to two thousand and sixty-four (2,064) and two thousand, four hundred and thirty-four (2,434) course enrolments across the five (5) courses hosted on the LMS as at December 2019.

Derivatives Market Training Series

As part of the stakeholder engagement and sensitisation plan of the FMDQ Exchange Derivatives Market Development Project, Series I, II and III of the derivatives market training series were held in April, September and October 2019, respectively, through the FMDQ Exchange Academy to provide a holistic understanding of the derivatives market ahead of the official launch of new products into the market. Stakeholders, ranging from Dealing Members (Banks & Specialists), Corporate Treasurers, Pension Fund Operators, Regulators (CBN, National Pension Commission and the Securities and Exchange Commission, to Media practitioners were educated on the fundamentals of the derivatives market and its relevance to sustainable economic development.

Engagement of Stakeholders on Central Counterparty (CCP) Derivatives Clearing

Following the activation of the Clearing Franchise in 2018 – a critical step towards improving risk management and promoting settlement finality on products – FMDQ Exchange hosted a stakeholder meeting themed, *Building an Active and Viable Derivatives Market*, and focused on obtaining the perspective of key market stakeholders from the buy-side and sell-side on their expectations for clearing, capital and operational risk management, and market connectivity in view of the planned launch of derivative products by the Exchange in the near to medium-term.

S&PDJI/FMDQ Fixed Income Indices Workshop

Following the successful launch of the S&P Dow Jones Indices/FMDQ Nigerian Sovereign Bond co-branded Index

(the “Index”), the duo organised a Fixed Income Indices Sensitisation Workshop to build the knowledge and capacity of market stakeholders on the use of indices for investment management. The Workshop provided an avenue to expand participants' knowledge of indices and their use as performance benchmarks for investment management mandates as well as challenges to their adoption/use in the development of products in the Nigerian financial markets.

Dealing Member (Specialists) (“DMS”)

In 2018, the DMS market was launched to promote liquidity and foster market integration in the Nigerian financial markets. Identifying the crucial need for capacity building for stakeholders in this market, FMDQ Exchange organised a training and simulation session in July 2019 in a bid to improve dealers' knowledge and understanding of market making principles in the fixed income market and further promote participants' understanding of the DMS market structure and the FMDQ DMS Automated Trading, Reporting & Surveillance System for the Fixed Income Markets (“Q-Deal”).

Collaboration with ASHON Towards Expansion of the Nigerian Fixed Income Market

FMDQ and ASHON (the professional body which provides rules and regulations that guides the Nigerian Stockbroking Houses, as well as advocates and represents its members) came together in a much anticipated and collaborative move to develop and expand the Nigerian fixed income market for inclusive growth.

Deliberations centered on key reforms and market architecture relevant to a well-functioning and integrated capital market for both parties, including the introduction of bespoke FMDQ Membership Categories - Dealing Member (Specialists) and the Associate Member (Brokers) – to the stockbroking community through which their fixed income markets' needs will be met by FMDQ Exchange.

c. Self-Regulatory Organisation Report

As part of the Exchange's mandate as an SRO in ensuring the integrity of its markets towards inspiring confidence of market stakeholders and participants, the following activities were carried out during the year:

Market Governance and Market Surveillance

Revised Commercial Papers Registration & Quotation Rules

In a bid to support the development of a sustainable CP market by promoting the credibility of registered and quoted CPs in line with global standards, FMDQ Exchange conducted a review of the extant CP Registration and Quotation Rules following the clearance given by the CBN for FMDQ Exchange to provide a registration and quotation platform for CPs in Nigeria.

On-site Inspection of FMDQ Members

The Exchange commenced on-site inspection of its Registration Members in 2019 to further improve investors' confidence in the Exchange's pursuit for transparency and governance in the Nigerian financial market.

Market Surveillance Enhancements

Monitoring activities on the FMDQ Futures Trading and Reporting System were enhanced, leading to improved analytics, increased orderliness, and transparency within the OTC FX Futures market. A Complaints Management Solution, in line with the SEC's guidelines, was also developed, to enable the effective and efficient capture of all stakeholder complaints, the monitoring of resolution progress and the provision of a robust complaints database.

Regulatory Update Sessions

The Exchange commenced its Regulatory Update Sessions targeted at Compliance Officers of Dealing Member (Banks) to provide them with the requisite and enhanced knowledge in the performance of their role to ensure their institutions' compliance with all FMDQ Rules and Regulations.

d. Services

▪ Membership

FMDQ Exchange's Members comprise a diverse network of institutions and people, ranging from banks, non-financial institutions, pension fund operators, issuing houses, corporate institutions, regulators, to individuals. The Exchange's membership structure seeks to connect different sectors and market interests whilst providing the requisite governance structures to maintain market integrity, through an organised and efficient platform where financial market participants can actively participate in the primary and secondary markets

The membership base of FMDQ Exchange continues to increase in alignment with the continuous efforts put in place to drive an integrated financial market, promote market liquidity, improve network effects, and ultimately reduce market failure. As at December 2019, the membership base of the Exchange totaled two hundred and seventeen (217) Members, representing an increase of 11% (22 Members) from one hundred and ninety-five (195) Members recorded in 2018

FMDQ Exchange Membership Base



▪ Market Connectivity

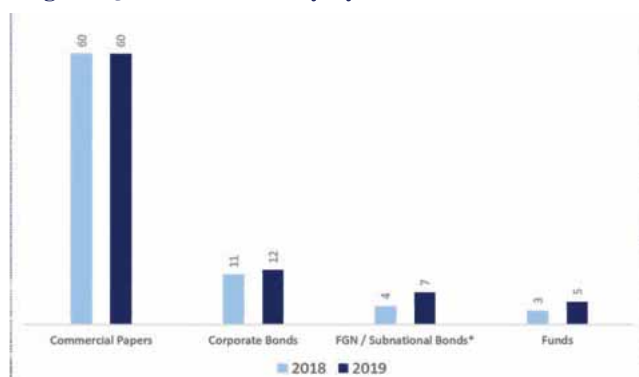
FMDQ Exchange provides bespoke, uniquely organised and integrated trading systems and venues that facilitate enhanced price formation, trading efficiency, best execution, and liquidity for all market participants. These are aimed at fostering governance and providing the requisite visibility and transparency on trading activities for the efficient running of the FMDQ markets. The Exchange also provides tailored proprietary systems and other relevant financial market structures to support and boost trading and connectivity of market participants (including financial markets regulators) in the markets

▪ Securities Admission

FMDQ Exchange facilitates capital formation by creating innovative capital-raising opportunities/channels for issuers, while delivering efficient, client-friendly, cost-effective, and transparent securities admission processes for debt securities such as bonds, funds, and commercial papers, among others. By laying the foundation for sustainable and efficient financing in the Nigerian debt capital markets, the Exchange offers improved market credibility, continuous information disclosure, enhanced secondary market liquidity, and effective price formation to issuers, investors, financial market regulators, etc. The Exchange's Securities Admission service has been deployed in line with global market practices and standards to promote access to long-term capital and investments for corporate institutions, governments, agencies and individuals, thus increasing the productivity and development of relevant sectors and the economy

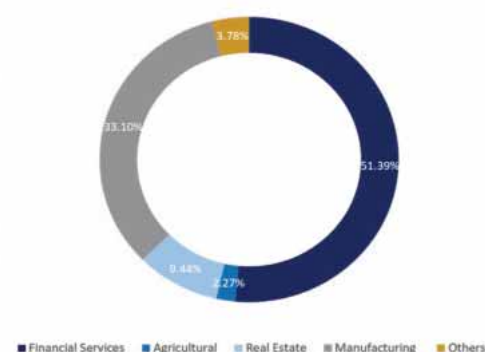
In 2019, FMDQ Exchange listed and quoted a total of nineteen (19) bonds, cutting across issuers from the sovereign, sub-national and corporate (financial, manufacturing, real estate, agriculture and transportation sectors) categories; five (5) funds; sixty (60) commercial papers from companies within the manufacturing, financial services and real estate sectors, and registered five (5) commercial paper programmes, including one from the telecommunications sector

Listings & Quotations Activity by Number of Issues

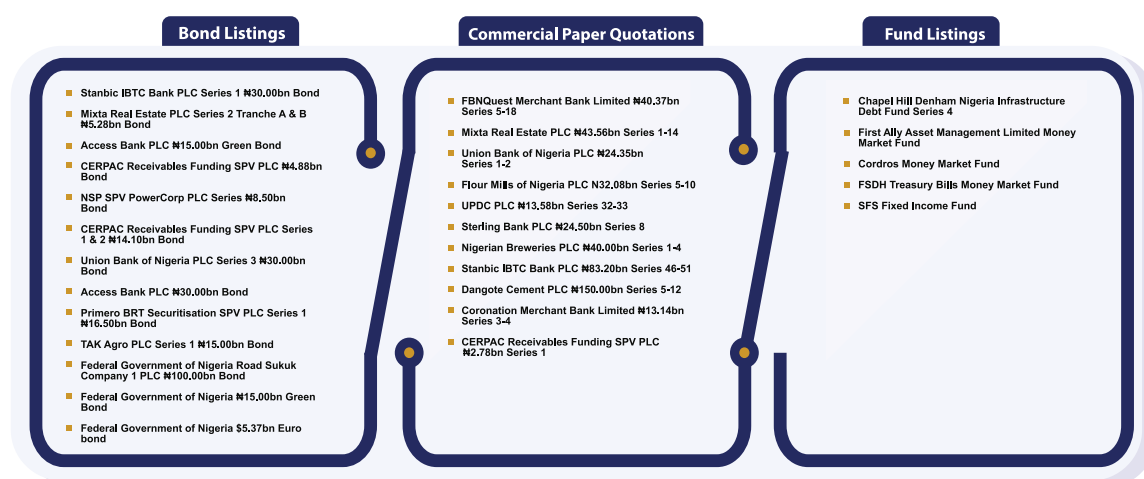


*Includes both local currency and foreign currency denominated bonds

Sectoral Contribution of Listings & Quotations in 2019



Securities Admission (2019)



Notably in 2019, the second Private Companies' Bond Programme was registered since the introduction of the Noting service in 2017. The PCB Noting service provides a platform for private companies accessing the debt capital markets for long-term debt and opting to disclose the requisite information on their activities in the market to a large pool of qualified institutional investors. This service will be provided by FMDQ Private Markets from 2020

Data & Information

FMDQ Exchange is the hub for an extensive range of accurate, relevant, timely and valuable information, data and analytics on the Nigerian fixed income, currency, and derivatives markets, to enable informed investment decisions, capital allocation, trading, pricing, and valuation. This is achieved effectively and seamlessly through FMDQ's innovative and efficient knowledge center, the FMDQ e-Markets Portal. The e-Markets Portal provides key market data and information – both real-time and historical – to further enhance market transparency and support stakeholders with access to crucial and timely information on the Nigerian financial markets

Market Regulation

As a front-line regulator for the fixed income, currency, and derivatives markets, FMDQ Exchange oversees the activities of its Members through the development and enforcement of regulations, standards, and guidelines for participation in its markets. FMDQ Exchange also strives to ensure that the Nigerian financial markets are credible and transparent, maintaining market confidence and ensuring investor protection, through dispute resolution, investigations, enforcements, and general market surveillance. Furthermore, FMDQ Exchange adopts a consultative approach and actively seeks feedback from its regulators, Members, market participants and other stakeholders, to promote and sustain confidence in its markets

2020 Outlook/Focus

a. Product Development

▪ *Bilateral Repo with Collateral Management*

FMDQ Exchange, as a market organiser with a mandate to drive liquidity in the Nigerian financial markets launched the Bilateral Repo with Collateral Management initiative to standardise and coordinate on-system trading of Repos while enhancing the integrity of the market through the introduction of central collateral management services to minimise counterparty risk and improve participation targeted at developing a robust Repo market in Nigeria. The Repo with Collateral Management Project launch is scheduled within the next year

▪ *Exchange-Traded Derivatives*

The Exchange activated the FMDQ Exchange Derivatives Market Development Project (the “Project”) to facilitate the launch of a standardised derivatives market in Nigeria in 2018. The Project activities were structured into three (3) phases with the introduction of Interest Rate and Fixed Income Derivatives as inaugural products. Phase I of the Project was completed in 2018, with the development of a relevant framework and structure for the proposed FMDQ derivatives market, as well as the market sensitisation of market stakeholders. FMDQ transitioned into Phase II of the Project and commenced earnest implementation in 2019, the following identified deliverables towards completion and launch of the proposed market in 2020:

- Development of the FMDQ Derivatives Market Rules and Agreements
- Development of a risk management framework and associated methodologies and policies
- Documentation of membership, operational requirements for the market participants and operational procedures
- Deployment of relevant trading and clearing Systems
- Targeted training and workshop sessions for all stakeholders
- Regulatory engagements

▪ *Market Structure for FGN Promissory Notes*

In September 2018, the Federal Republic of Nigeria Executive Council established the Promissory Notes Programme (“PNP”) to facilitate the settlement of outstanding obligations, due to local contractors and petroleum marketers for fuel subsidy and foreign exchange differential, via the issuance of Federal Government of Nigeria (FGN) Promissory Notes by the Debt Management Office. To this end, FMDQ Exchange, as a market organiser, seeks to create a platform and market structure for trading FGN Promissory Notes to enhance liquidity and further deepen the Nigerian financial markets

▪ *Road Infrastructure Tax Credit Certificate*

In 2019, the FGN established the Executive Order 007 on the Road Infrastructure Refurbishment and Development Tax Credit Scheme (the “Scheme”) aimed at improving road infrastructure by mobilising private sector capital to finance critical road projects, whilst allowing companies reduce their company income tax obligations. Following an extensive review of the Scheme by FMDQ Exchange to identify various initiatives that can complement the objectives of the Scheme, the Exchange will initiate engagements towards formalising the admission, trading, clearing and settlement of Road Infrastructure Tax Credit Certificates (RITCCs), to enhance their liquidity and tradability in the Nigerian fixed income market. FMDQ Exchange seeks to develop a suitable market framework and a robust platform for the listing and trading of the RITCCs

b. Market Development/Service Improvement

▪ *European Benchmark Regulation*

To promote the integrity and credibility of FMDQ Exchange Benchmarks (the “Benchmarks”), the Exchange concluded the Benchmark Assurance Engagement with independent auditors, following which a Statement of Compliance with IOSCO Principles for Financial Benchmarks was issued and published on the FMDQ website. The successful conclusion of the Benchmark Assurance Engagement serves as a preliminary tool towards attaining compliance with the European Benchmark Regulation (“EU BMR”) for FMDQ Exchange's Benchmarks

Therefore, FMDQ Exchange will consolidate efforts, which include the engagement with technical partners to fully assess the Benchmarks towards achieving equivalence with the EU BMR before the stipulated deadline of December 2021

▪ ***Securities Admissions Portal***

In a bid to radically improve all securities registration and admission processes by eliminating manual coordination of workflow capabilities, FMDQ Exchange as an innovative institution, is working to provide an automated System that will manage all stages of the securities admissions process, to efficiently ensure a rapid turnaround time. The Securities Admissions Portal is scheduled to be launched in 2020

▪ ***Development of a Corporate Actions Calendar***

As part of the Exchange's strategy to enhance the post-listings/quotations information disclosure, the Exchange is developing a Corporate Actions Calendar to provide investors and the public with information on corporate actions for Issuers whose securities are listed/quoted on FMDQ Exchange

FMDQ CLEAR

FMDQ Clear is Nigeria's only central clearing house registered by the SEC to function as a clearing and settlement platform for the Nigerian capital market and positioned to deliver, upon regulatory approval, central counterparty services in the medium- to long-term for the purpose of novating products traded on FMDQ Exchange, in line with the Group's integrated structure.

FMDQ Clear provides post-trade services to enhance the integrity of and eliminate the inherent counterparty risks to bilateral trades in the market, whilst facilitating settlement finality, towards delivering capital and cost efficiencies to its Members and further, de-risk the market.

To sustain an effective risk governance structure as well as continued efficiency in the clearing processes, activities and operations of FMDQ Clear are positioned to meet global best practices and guidelines issued by standards setting bodies such as the International Organisation of Securities Commissions ("IOSCO"), the European Securities and Markets Authority ("ESMA") and the Bank for International Settlements ("BIS"), amongst others.

2019 in Focus – Clearing Business

During the year in view, FMDQ Clear's mandate of value creation was maintained as it strived to deliver and sustain value to its stakeholders through improved operational efficiencies (use of integrated clearing and settlement systems amongst others), dependable risk management solutions (availability of robust risk monitoring, aggregation and mitigation tools/systems), and adequate capital and cost efficiencies for its Members and clients.

The following key activities were carried out by FMDQ Clear in 2019:

a. Clearing Activities

▪ *Clearing of Fixed Income Securities*

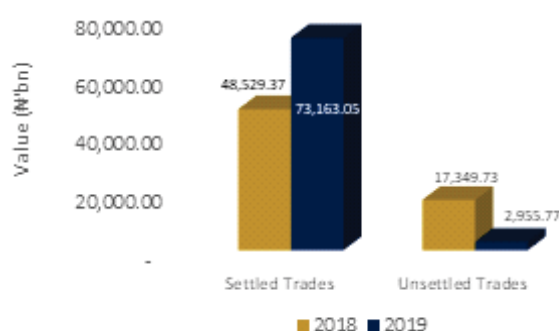
2019 saw continued growth in the value of sovereign fixed income securities transactions cleared by FMDQ Clear, as a total transaction value of ₦76,118.82 billion was cleared during the year, representing a c. 16% Year-on-Year ("Y-o-Y") increase. In addition, the fixed income securities market also recorded significant progress in the size of unsettled trades following the integration of the trading and settlement platforms in mid-2018

Worthy of note was the historically low level of unsettled trades in 2019, c. 3.88%, a significant drop of c. 83.73% from 2018 levels. This is attributed to the productivity gains from straight-through-processing (STP) from FMDQ's proprietary market system ("FMDQ Q-ex System") to the CBN's Scripless Securities Settlement System (S4) for the settlement of sovereign fixed income transactions

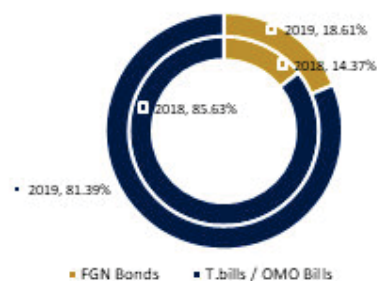
As expected, Inter-Member trades continued to account for a significant portion (c. 79%) of trades in the sovereign securities segment, whilst the CBN OMO Bills accounted for c. 42% of the trades settled within the year. However, clearing activities for non-sovereign securities transactions dwindled within the year, as the total value of transactions cleared by the Company dipped by c. 58% Y-o-Y.

Snapshot of Fixed Income Securities Clearing Activities

2018/2019 Sovereign Fixed Income Trades Statistics



2018/2019 Fixed Income Securities Category

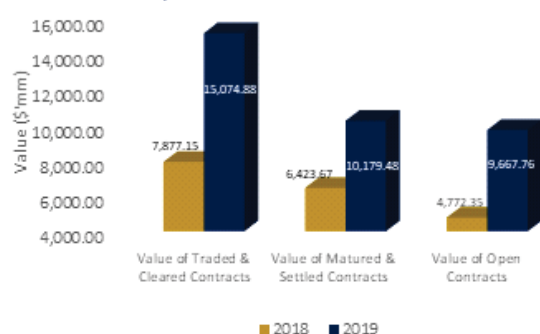


Note - 2018 data is from June 8, 2018 following the launch of the FMDQ Q-ex System

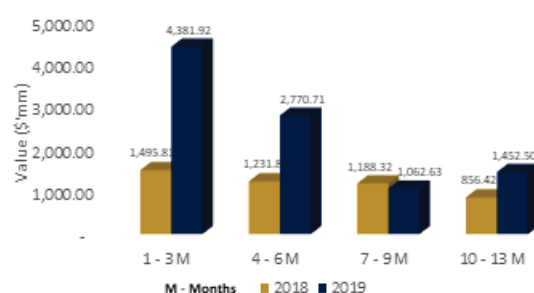
Clearing of OTC FX Futures

In 2019, there was significant increase in OTC FX Futures market activity and participation levels from 2018, as evidenced by the number and value of traded contracts cleared by FMDQ Clear on the FMDQ OTC FX Futures Trading & Reporting System ("FFTRS"), which totaled 1,068 and \$15,074.88 million, representing an increase of 58.47% and 91.37% respectively, compared to 2018. In addition, whilst a total contract value of \$10,179.48 million spanning across twelve (12) contract tenors matured within the year, the value of open contracts as at December 31, 2019 stood at \$9,667.76 million, notably higher than that of 2018 by an impressive margin of c. 102%, indicative of participants', including Nigerian and foreign portfolio investors, acceptance and improved use of the innovative risk management and hedging product, the Naira-settled OTC FX Futures, introduced by FMDQ and the CBN in 2016

2018/2019 OTC FX Futures Contracts Statistics



2018/2019 Open OTC FX Futures Contracts Maturity Profile



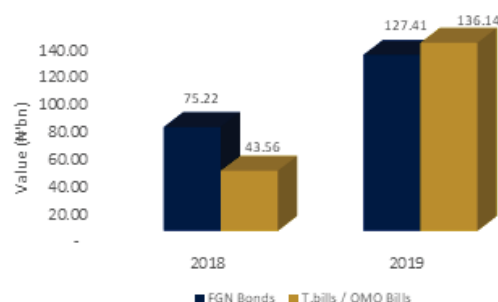
A review of the profile of open contracts as at December 31, 2019 shows that the 1 – 3 months contracts accounted for the bulk of the total open contracts value (c. 45%), which mirrored the same trend observed in 2018, where open contracts as at year-end comprised mostly of 1 – 3 months contracts, representing c. 31% of the total outstanding value.

OTC FX Futures Margin Administration

With increased market activity levels in the OTC FX Futures market within the year, FMDQ Clear processed the collection of initial margins in the form of cash and securities from transaction counterparties (CBN & Futures Banks) for the management of inherent counterparty default risk associated with the OTC FX Futures contracts

In 2019, the total value of cash margins collected increased by c. 92% from 2018 while the value of securities pledged as collateral by the Futures Banks increased by 121.88% Y-o-Y

OTC FX Futures Pledged Securities Profile (₦'bn)



- ***OTC FX Futures Funds Investment Management***

In line with its mandate of value creation for all stakeholders, FMDQ Clear, during the year, facilitated the investment of the cash margins (in the Margin Fund) on executed OTC FX Futures contracts, alongside the unreleased contract settlement amounts withdrawn from the Futures Banks and domiciled in the Clients' Resolution Fund, in short-term sovereign securities ("FGN" Treasury Bills' and CBN OMO Bills) per the requirements of existing guidelines

- ***b. Products and Market Development***

In 2019, FMDQ Clear continued to focus on delivering end-to-end clearing and settlement services to enhance market integrity and eliminate the inherent risks. Various products and market development events characterised its activities in 2019 and these were to further boost value delivery to the markets under FMDQ Group's purview.

- ***Fixed Income Derivatives Market***

As part of its continued pursuit to strengthen the Nigerian financial market, and in a bid to provide a useful risk management tool required for mitigating uncertainties in the financial markets, FMDQ Clear remained vibrant in the activation of clearing and settlement services for the ongoing product development in line with the FMDQ Derivatives Market Project. With its focus on instituting robust risk management processes that will promote safety, stability, confidence, and uniform standards in the marketplace, FMDQ Clear, in 2019 ensured the delivery of the Derivatives Clearing Membership Requirements ("DCMR") and Minimum Default Fund ("MDF") sizing towards the launch of derivatives products

The DCMR which highlights two (2) membership categories - General Clearing Member and Direct Clearing Member - as a first line of defence to manage counterparty credit risk, details the minimum criteria for entities seeking to become members of FMDQ Clear. The MDF on the other hand has been estimated to enable FMDQ Clear, under extreme but plausible market conditions, withstand the default of two (2) Clearing Members with the largest exposures

The above initiatives received positive reactions from the market, consequently, FMDQ Clear has received Expressions of Interest from various institutions desiring to become its Clearing Members

Bilateral Repurchase Agreement with Collateral Management

- In alignment with the FMDQ Group's initiative to improve liquidity and further deepen the Nigerian fixed income market, FMDQ Clear played a critical role towards the planned go-live of the Bilateral Repo with Collateral Management service

FMDQ Clear primarily focused on ensuring that the clearing and collateral management modules of the proprietary FMDQ Q-ex System function optimally and deliver the expected value that will minimise risks and defragmentation in the Nigerian fixed income markets

In addition to the above, the Minimum Exposure Threshold and applicable Haircut Grid for the eligible securities in the Repo market, which will help in curtailing the credit risk in the market were developed and exposed to the market in 2019

Default Resolution Reserve

- To be able to live up to its strategic aspirations, chief of which is de-risking the Nigerian financial markets, FMDQ Clear, in 2019, began to build a sizable Default Resolution Reserve ("DRR") - besides the regulatory capital of ₦5.00 billion for the clearing and settlement business - that will boost its layers of financial resources for the management of counterparty credit risk in the market that it serves

The DRR, which is planned to reach c. ₦20.00 billion in the medium-term, became timely in order to build up the necessary risk reserve as part of FMDQ Clear's CCP activation/readiness plan to support the cash, fixed income, and derivatives markets in alignment with FMDQ Group-wide product roll-out plan

2020 Outlook

Following FMDQ Clear's commencement of full clearing and settlement services for fixed income and derivatives products, the Company will focus on expanding its range of service offerings as well as products within the Nigerian financial markets.

▪ *Activation of Central Counterparty Services*

In a bid to further strengthen the Nigerian financial market whilst ensuring depth, improved liquidity, mitigation of counterparty risk and also enabling a level playing ground between various classes of market participants, FMDQ Clear will seek to activate its CCP function in 2020. As a result, the Company will act as the buyer to every seller and the seller to every buyer in the market. It is expected that this major milestone will introduce efficiency and stability into the Nigerian financial markets, while also reducing liquidity, market, and counterparty default risk for market participants

To this end, FMDQ Clear has commenced the required regulatory engagement towards becoming a CCP. Furthermore, to position the Company adequately for this service in line with the SEC's requirements and in compliance with global standards for CCPs, all relevant Clearing Risk Management documentations, stakeholder engagements and capacity building are underway

▪ *Activation of Settlement Guarantee Fund*

As an enhancement to the clearing and settlement function and ahead of the commencement of the CCP services, FMDQ Clear would seek to establish a Settlement Guarantee Fund ("SGF") in 2020 with the aim of improving confidence in the market, while ensuring resilience by providing sufficient financial resources to cover its credit exposure to each market participant

Having partnered with an international financial organisation, Frontclear Management B.V., FMDQ Clear is at an advanced stage of completing its due diligence exercise towards the establishment of an SGF as part of the Clearing House's risk waterfall. This will further position FMDQ Clear to become a world-class central clearing house with robust risk waterfall that ensures settlement finality

▪ *Clearing of Derivatives and Bilateral Repo with Collateral Management*

FMDQ Clear seeks to expand the universe of the products it clears in 2020 and as such, the Company is positioning to commence the clearing and settlement of fixed income derivatives and bilateral repo products traded on FMDQ Exchange. In addition, FMDQ Clear would provide collateral management services for bilateral repo transactions for market participants. This major initiative is expected to unlock the potential of the Nigerian money market with the possibility of extending the repo curve to up to one (1) year given the attendant reduction in counterparty credit and market risks that the Clearing House would deliver. Engagement and collaboration with stakeholders and market participants are ongoing and market-wide processes are being put in place to ensure the successful launch of these products in 2020

FMDQ DEPOSITORY

In fulfilment of its role as a market organiser and towards making the Nigerian financial market operationally excellent, FMDQ sought to complete the value chain of pertinent financial market infrastructure required to support market efficiency and promote straight-through-processing of capital market transactions in the Nigerian financial market.

To this end, FMDQ Depository was established in 2019 on the tenets of operational resilience and excellence as a Central Securities Depository in Nigeria to provide a safe depository for financial market assets, as well as facilitate settlement of capital market transactions. Complementing the clearing and risk management functions discharged by FMDQ Clear, FMDQ Depository offers the Nigerian capital market participants an unrivalled opportunity to experience enhanced straight-through-processing through a one-stop platform, provided solely by FMDQ Group, where all financial market transactions can securely and efficiently commence and end in the Nigerian financial market.

With FMDQ Exchange and FMDQ Clear, FMDQ Depository completes the value chains of pertinent market infrastructure, particularly the post-trade spectrum, required to effectively align the Nigerian financial market to its global counterparts. From efficient value chain linkages to secure and resilient processes, credible asset servicing and provision of timely and reliable data & information, FMDQ Depository avails investors, issuers, and a host of other market participants a client-focused depository of choice.



2019 in Focus – Depository Business

a. Market Development and Services

Following the operationalisation of its business in December 2019, FMDQ Depository developed a robust five (5)-year strategy to support the entity's aspiration of becoming the depository of choice in Nigeria. Underpinned by first-class operational capabilities, technology systems, risk management and governance frameworks, FMDQ Depository is positioned to deliver on client satisfaction through offering the following innovative and seamless services, affording market participants the unique opportunity to benefit from the integrated and efficient structure of FMDQ.

▪ Depository & Settlement Services

FMDQ Depository provides onboarding and safekeeping for securities including bonds, treasury bills, commercial papers, mutual funds, equities, and other asset classes. The Depository simplifies the settlement process for securities via true simultaneous delivery versus payment (DVP) between market participants. FMDQ Depository continues to strive for the realisation of significant reduction in post-trade principal risks in line with global standards

- ***Collateral Servicing***

The Depository offers seamless movement of securities from one party to another in an efficient and timely manner, ensuring that collateral allocation with the Depository's Members emanates from a central pool. Members are provided with a common point of reconciliation and record keeping, towards reducing redundancy and error; as well as economies of scale of a centralised operational model to perform value-add services such as securities lending and borrowing, amongst others

- ***Asset Servicing***

The Company provides its Members access to a centralised securities database and information ranging from declaration of entitlements (dividends, coupons, bonus, rights etc.) to net asset values, subscription amounts, support for account opening and securities registration forms and corporate events, including annual general meetings

- ***Data Repository***

FMDQ Depository offers data and information services by aggregating transactions, references, positions, and asset servicing data covering all major asset classes. In addition, the FMDQ Depository System provides for easy accessibility of clients' historical data, allowing for full audit trails to promote credibility as required by stakeholders

These services are supported by robust technology platform and data management solution that assures accurate records management, near real-time reconciliation with relevant participants, data confidentiality, and protection against cyber security vulnerabilities

2020 Outlook

FMDQ Depository shall continue to focus on delivering of core depository and settlement services to the Nigerian capital market, building on its operational capabilities and risk management practices and leveraging on the integrated structure of FMDQ Group to support expansions to its service portfolio and market development initiatives.

In the coming year, FMDQ Depository shall continue to work with FMDQ Exchange and FMDQ Clear to:

- Develop a dynamic post-trade market for different asset classes beginning with fixed income securities for non-sovereign securities
- Securities lending and borrowing services, which provide expanded opportunities for better asset utilisation and by extension, better return on investment for investors
- Secure messaging service that supports risk management and operational requirements of our participants and partners
- Establishment of structured, risk managed, and dependable operational links with peer and downstream financial market infrastructures to support further market development, encourage investor choice of depository service provider and assure effective delivery of depository services

EXTERNAL GOVERNANCE

As an integral part of its business model, FMDQ maintains a synergetic relationship with its government and regulatory stakeholders to provide long-term value, create an enabling environment for its market participants and promote the growth of the Nigerian economy. In a bid to ensure adequate coverage of FMDQ markets and business in the extant regulation in the Nigerian capital market and promote innovation, FMDQ actively engages this important class of stakeholders through collaborative engagements, sponsored capacity building sessions, provision of feedback and recommendations to proposed guidelines, regulations, bills, and policies issued by the relevant financial market legislative and regulatory bodies.

Highlight of Government/Regulatory Stakeholder Engagements

Government/Regulatory Stakeholder	Engagement Focus
Presidency/Office of the Vice President	FMDQ maintained its close engagement with the Office of the Vice President and other key government officials from the Presidency on key housing reforms and projects in the pipeline, towards addressing the challenges facing the Nigerian Housing Sector. In addition to this, the Group continued to undertake necessary advocacy for endorsement of the Companies and Allied Matters (Repeal and Re-enactment) Bill, 2020 by the President to support its product and market development initiatives as well as other innovative capital market solutions in line with best practices.
Presidential Enabling Business Environment Council (“PEBEC”)	FMDQ supported the development and launch of PEBEC's Strategic Communications Plan, set to facilitate the effective communication of the government's efforts and initiatives aimed at promoting a more business-friendly environment in Nigeria. The PEBEC initiative was instrumental in increasing the nation's ranking from 146 th in 2018 to 131 st in 2019 on the 2020 World Ease of Doing Business Index Report. The Report names Nigeria, for the second time, as one of the top ten (10) countries with the most notable improvements during the review period.
National Assembly	Following the inauguration of the ninth (9 th) National Assembly, FMDQ continued to foster good relations with the leadership of the National Assembly and key Committees at both the Senate and House of Representatives. FMDQ held introductory meetings with the members of the 9 th Senate Committee on Capital Market and also participated at the public hearing on the Finance Act, 2019 organised by the House Committee on Finance.
Ministry of Finance	FMDQ led various discussions with the Office of the Minister of Finance and Director, Capital Market on several initiatives including the extension of VAT Exemption Order for capital market transactions.
Ministry of Environment	FMDQ held focused capacity building session on Green Bonds and necessary reporting requirements for the Ministry, and further engaged the relevant authorities on areas of collaboration including the proposed Green Roads Initiative.

Government/Regulatory Stakeholder	Engagement Focus
Securities and Exchange Commission	Engagement with the SEC on building a dynamic market and creating enabling environment for capital market-driven initiatives to thrive continued during the review period. From Knowledge Sharing Sessions to participation on technical committees and other strategic and market-impacting engagements, FMDQ maintained a cooperative relationship with the SEC.
Central Bank of Nigeria	At the request of the Market Liquidity Management Office of the CBN's Financial Market Department, FMDQ executed a Knowledge Sharing Session on the Group's key activities and initiatives.
Debt Management Office	FMDQ liaised with the DMO on various initiatives, including the Company's proposal for the equalisation of tax treatment for all asset classes in the Nigerian DCM, and the need for the development and release of the statutory annual Green Bond Report (detailing the use of proceeds and application of funds) required for fully certified green bond issuances, amongst others.
National Pension Commission ("PenCom")	The Pension Industry remains a key and valuable stakeholder in FMDQ's markets. To this end, active engagements were maintained with PenCom, tackling critical initiatives, including relevant proposals on the FMDQ-championed Home Ownership & Mortgage Expansion Scheme (HOMES) Initiative. In addition to this, FMDQ also executed a Green Bonds Investors Workshop for Pension Industry Operators in collaboration with the PenCom during the period in view.
National Insurance Commission ("NAICOM")	The potential importance of the insurance sector to the Nigerian financial market cannot be overemphasised. In this regard and towards maintaining good collaborative relationships, FMDQ engaged NAICOM through the relevant Association on market impacting initiatives including the removal of restrictive regulations in the Insurance Sector's Prudential Guidelines
Lagos State Government	During the review period, FMDQ built and sustained strategic relationship with its host government – Lagos State Government – as is the usual practice. On the back of this relationship, the Executive Governor of Lagos State was hosted by FMDQ at Exchange Place for the formal launch of the Financial Centre for Sustainability, Lagos

Highlight of the Debt Capital Markets Development Project

The Debt Capital Markets Development Project ("DCMD Project"), a market-driven initiative spearheaded by FMDQ in collaboration with key market stakeholders, was set up to implement the resolutions aimed at stimulating and positioning the Nigerian DCM to support the exponential and sustainable development of the economy. The DCMD Project seeks to address the challenges faced with the various segments of the markets and promotes the achievement of the overarching desire of fostering a highly liquid, deep, efficient and well-developed DCM, in order to boost growth and support the future development aspirations of the Nigerian economy.

The DCMD Project is structured around three (3) levels of Implementation Committees namely the Steering Committee, Transformation Committee and Sub-Committees, built around the DCM Transformation Levers. The DCMD Project Transformation Levers are the key drivers of the reforms required to empower the markets and the channels through which the strategic objectives of the DCMD Project will be realised. Below is a summary of some of the key activities under the five (5) Sub-Committees of the DCMD Project.

Sub-Committee	Activity
Regulation Consolidation	<p>The Regulation Consolidation Sub-Committee seeks to liaise with regulatory agencies/institutions to harmonise regulatory frameworks, amend restrictive and conflicting policies, as well as sponsor the development of new policy guidelines to stimulate the rapid growth and development of the DCM. The focus of the Sub-Committee is to conceptualise and articulate ideas through rigorous research of acceptable standards in model markets that can be adaptable in the Nigerian markets. In 2019, regulatory institutions in the Nigerian financial market were engaged on proposed recommendations that could incentivise the capital market to serve as a catalyst for promoting wealth generation and distribution, providing opportunities for the private sector to support government financing efforts for developmental projects.</p>
Investors, Issuers & Intermediaries Engagement/Education	<p>This Sub-Committee is responsible for facilitating financial literacy to empower market participants, promoting the platform for mobilising savings for investments, supporting the raising of capital for business growth and dynamism, promoting corporate governance and social responsibility, as well as supporting inclusive growth as applicable in developed markets.</p> <p>Following the successful execution and positive feedback from the maiden Bootcamp Training Session organised in October 2018, FMDQ Exchange, in collaboration with the DCMD Project organised the Series II Bootcamp Training Session in June 2019. This Session themed, The Nigerian Debt Capital Market: A Viable Means of Financing for Corporates, aimed at educating the participants on the potential of the DCM as a viable means of raising finance for corporates, the available financing options in the Nigerian DCM, the approval process and documentation requirements for debt issuances and the benefits of corporate governance in the Nigerian DCM, amongst others.</p>
Market Liquidity & Enhancement	<p>In a bid to facilitate the creation of liquidity and improve secondary market participation, the Sub-Committee worked with the FMDQ Exchange to articulate market development initiatives to deepen the markets.</p>
Sustainable Finance	<p>This Sub-Committee advocates for the development of regulatory frameworks to support various sustainability-linked capital market products, facilitate capacity building sessions for key market stakeholders and collaborate with local and international partners to develop modalities for identification of eligible projects and offering debt capital markets securities in line with global best practices. Some of the key achievements for the year in view include the execution of the Green Bond capacity building sessions for market stakeholders (investors, issuers, capital market intermediaries, media etc.). The Sub-Committee also supported the issuance of the pioneer Climate Bonds certified corporate green bond in Africa – the ₦15.00 billion Access Bank Green Bond, in addition to championing the establishment and subsequent launch of the FC4SL.</p>

Sub-Committee	Activity
Housing Finance	The Housing Finance transformation lever, through its Sub-Committee, seeks to articulate methodologies for effective housing delivery in Nigeria, in collaboration with key stakeholders in the Nigerian housing sector, develop strategies to promote the delivery of affordable housing through the Nigerian DCM as well as conceptualise ideas through rigorous research of modalities adopted in developed countries/ model markets that can be adaptable to the Nigerian DCM. The Sub-Committee executed housing roundtables to create a platform for expert discussions towards reforms in the Nigerian housing sector as well as supported various advocacy efforts of key housing sector stakeholders.
Infrastructure Finance	To drive infrastructure development through the Nigerian DCM, this Sub-Committee seeks to develop strategies that will promote the development of critical infrastructure, facilitate the creation and update of DCM products as a means of financing infrastructure and support the legislature to develop laws and an enabling environment to encourage private sector participation in Infrastructure.

Highlight of FMDQ Market Development Workgroup

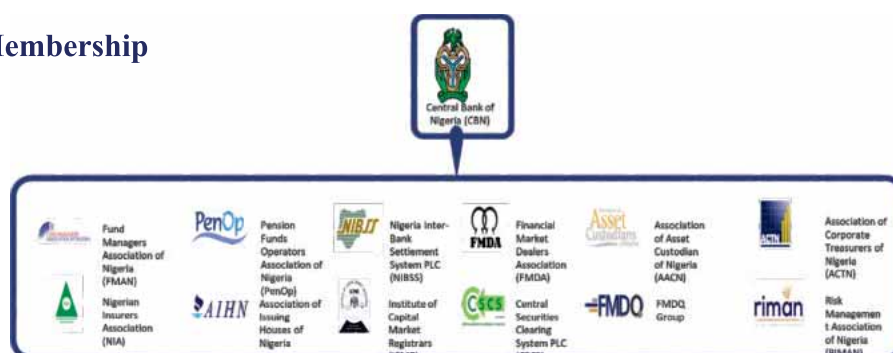
Trend analysis of GDP performance in 2019 indicates that the Nigerian economy remains in recovery, as the economic growth rate maintained a positive trajectory during the year, achieving a real GDP growth of 2.27%, relative to 1.91% recorded in 2018. The financial sector contributed 3.01% to the real GDP growth, recording a growth rate of 2.59% in 2019. To support full economic recovery and drive sustainable economic growth through the Nigerian financial market, FMDQ, in line with its strategic role as a market organiser and financial market diplomat, continued to leverage on the financial market expertise of the FMDQ Market Development Workgroup (“FMDW”).

In 2015, the FMDW was established with the objective of facilitating broad industry engagement towards formulating and reviewing strategies which support the development of the Nigerian financial markets to meet the diverse demands of a developed and internationally integrated economy. FMDW consists of key institutions in the Nigerian financial markets with the requisite expertise and resources to advise, implement and advocate best practice initiatives across the various financial market products.



To achieve the objectives of the FMDW and promote inclusiveness, the membership structure covers key market participants such as the buy-side, sell-side, trade associations and financial market infrastructures.

FMDW Membership Structure



The graphic features a dark blue diagonal band across a background of green foliage. The band contains a series of small, light blue triangles. A yellow bar is positioned at the bottom left of the band. The text 'Sustainability Agenda' is written in a bold, dark blue font on the left side of the band.

Sustainability Agenda

- FMDQ Sustainability Policy
- 2019 Sustainability Report
- Corporate Responsibility Agenda
- Special Report on FMDQ's Response to COVID-19 Pandemic

SUSTAINABILITY AGENDA

Sustainability Policy

Introduction

FMDQ recognises the imperative role it plays in the Nigerian financial market and the opportunities its business presents in its ability to promote sustainable economic growth and development in the wider economy; and as such understands that the delivery of long term business success and value creation is not only hinged on financial, but also environmental and social performance. The Policy, developed in line with the SEC's Code of Corporate Governance for Public Companies, 2014, requirements for sustainability reporting and the ten (10) Principles of the United Nations ("UN") Global Compact, which prioritises four (4) key areas - Human Rights, Labour, Environment and Anti-Corruption - aims to guide the Company in:

- providing a frame of reference for integrating sustainability in our business activities
- developing a sustainable value system and a principled approach to doing business
- being intentional about making a positive impact on our relationships with all our stakeholders
- dealing with business opportunities and risks in terms of direct and indirect sustainability impacts

Strategic Approach

FMDQ, through its activities, aims to achieve sustainability in the areas it actively operates and impacts, as such, its Sustainability Strategy is guided by five (5) main Sustainability Pillars:

- **Our Business** - To ensure that sustainability practices are a core part of the Company's business strategy, where sustainability is embedded across FMDQ's business operations and activities
- **Our Markets** - To promote responsible business practices and sustainable development in our markets & wider economy
- **Our People** - To create a work environment that attracts, fosters engagement, and retains talented employees of diverse backgrounds to fulfil their potential
- **Our Community** - To champion capital market education for the next generation and empower the communities in which we operate, to advance socio-economic development in our nation
- **Our Environment** - To actively manage our environmental impacts derived from the activities of running the Company's operations

Our Sustainability Commitment

Environment

FMDQ recognises that the economic activities of running the business activities may have impacts that could threaten the environment, and therefore is committed to a responsible approach to the environment, taking into consideration the impact of our activities. Our major environmental impacts include energy usage, emissions from generator use and transport, materials usage such as paper, and waste management. These areas have informed the scope of our sustainability and corporate responsibility environmental focus, also in compliance with all environmental and regulatory requirements applicable to our business.

Anti-Corruption

FMDQ is committed to applying high standards of honesty and integrity consistently across its operations and in all its business dealings.

We are guided and operate in accordance with our core values and are committed to applying the principles of integrity, transparency, accountability and ethics to prevent corruption and bribery in all its forms, which include, facilitation

payments, fraud, extortion, collusion, money laundering, an offer or receipt of any in-kind benefits such as, free goods, gifts, loans, fees, rewards, holidays, or special personal services or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust, for the purpose of an inappropriate advantage, or that can result in moral pressure to receive such an advantage in the conduct of the enterprise's business. FMDQ does not tolerate any of these forms of corruption and bribery in the running of its business or in those with whom it does business.

Human Rights and Labour Standards

At FMDQ, respect for human rights is of paramount value to us. We strive to respect and promote human rights in all our business activities in adherence with the UN Guiding Principles on Business and Human Rights, alongside Labour Standards as described in the International Labour Organisation ("ILO")'s Declaration on Fundamental Principles and Rights at Work, in our relationships with our employees, suppliers and vendors. This is in line with our commitment to reduce as much as possible any potential negative impacts on society. FMDQ therefore commits to, amongst others, prohibiting the use of all forms of forced labour, child labour, modern forms of slavery and human trafficking in any business activity engagement.

Diversity & Inclusion

At FMDQ, we are committed to creating an inclusive workplace culture and environment that fully embraces and promotes diversity and equal opportunity, where each employee is treated with respect and can fulfil potential. We do not discriminate on the grounds of gender, age, colour, physical appearance or disability, marital status, national origin, citizenship status, race, religion, political affiliation (or the lack of one), sexual orientation, thinking styles, personality traits (e.g. introverts or extroverts), family status, veteran status or other legally protected category. We value, respect and leverage on the idiosyncratic creative potential and unique contributions that individuals of different backgrounds, exposure, experience and perspectives bring to help in proffering innovative solutions; to enhance the understanding of the needs of our diverse stakeholders, tailor our products and services accordingly and to build a high performing, creative and more innovative organisation that delivers positive business results. Our commitment to diversity & inclusion extends to all areas of business, including but not limited to recruitment and selection, Board & Management appointments, attraction & retention of employees, promotion & career progression, performance management, remuneration, training & development, talent management, succession planning, redeployment and redundancy.

Workplace Health & Safety

At FMDQ, we consider our employees to be one of our most valuable assets and thus are committed to achieving the highest standards of health and safety, by providing and maintaining a work environment that minimises any risks that might jeopardise the health and safety of our employees, visitors and people our operations impact, as we believe that a safe and healthy workplace is a fundamental right of every person and precursor to business success.

Communicable and Serious Diseases

FMDQ is committed to ensuring a consistent and equitable approach regarding the prevention of communicable and serious diseases, such as HIV/AIDS, malaria, among employees and their families, and the management of the consequences of same, including the care and support of employees living with the diseases. This Policy ensures that:

- Employees or potential employees with Communicable and Serious Diseases ("CSD") will be protected against discrimination, victimisation, or harassment
- Regulatory requirements, about CSD, is complied with
- The privacy of person(s) with a communicable or serious disease is protected
- Accidental infection of others within the workplace is avoided
- Appropriate awareness and education programmes are provided

Corporate Social Investment

As a responsible organisation that understands the significant role it can play in helping solve some of our societal problems, FMDQ has identified the ways in which it can support its host communities by championing financial market education for the next generation and through the empowerment of the communities in which it operates, to advance socio-economic development in our nation, by engaging in the following key initiatives:

- **FMDQ Next Generation Financial Markets Empowerment Programme** – a learning and development initiative aimed at promoting financial market awareness, development, and literacy among students across all levels (primary, secondary and tertiary), as well as fresh graduates, within the country. FMDQ aims to make financial market education accessible to both disadvantaged and privileged students
- **FMDQ Staff Corporate Social Responsibility (CSR) Initiative** - an initiative championed by FMDQ Staff, from honorariums, funds raised through auctions carried out on gifts received, and contributions from staff, which are donated to select charity organisations. The Initiative focuses on four (4) main categories, namely, Orphanages, Centres for Youth Rehabilitation, Homes for the Elderly and Special Needs Centres

Other Reference Policies

The table below provides a summary of other reference FMDQ Policies and Guidelines that support the Company's sustainability commitments and approach to its business activities and operation.

Policy	Policy Summary
Code of Conduct (Corporate Governance Manual)	This Policy outlines the principles governing FMDQ's business activities and operations, ensuring that it conducts its business in accordance with the highest standards of business ethics and compliance. The Policy covers Corporate Governance Principles and Structure, Compliance with Laws, Rules & Regulations, Code of Conduct for Directors & Management, Corporate Opportunities, Confidentiality, Protection and Proper use of Company Assets, Fair Dealing, Record Keeping, etc.
Risk Management	This Policy defines the approach adopted by FMDQ in identifying and assessing the risks associated with its business, ensuring that they are adequately managed.
Compliance	This Policy sets out to promote honesty, ethical conduct and ensure compliance with laws, regulations, rules and professional standards as well as with the policies of FMDQ in order to protect its assets and integrity of the firm.
Anti-Money Laundering & Combating the Financing of Terrorism	The Anti-Money Laundering & Combating the Financing of Terrorism Policy ("AML/CFT Policy") sets out the guidelines for FMDQ's compliance with AML/CFT obligations under the law, as well as regulatory directives, and actively prevents any transaction that facilitates criminal activities.
Conflict of Interest (FMDQ Staff Handbook)	This Policy sets out FMDQ's approach to identifying potential conflicts of interest, ensuring they are effectively managed and prevented from materialising, to mitigate against reputational, regulatory, or financial impact to FMDQ.

Policy	Policy Summary
Whistle Blowing	This Policy outlines the whistleblowing provisions in place to report any concerns regarding malpractice or misconduct within FMDQ. Through this Policy, FMDQ aims to promote and encourage ethical behaviour and decision making that underpin and support FMDQ's values in an open, fair and transparent manner and at the same time avoiding the occurrence of unethical behaviour. It also provides an avenue for stakeholders to raise concerns and receive assurance that they will be protected from reprisals or victimisation for whistleblowing.
Corporate Communications	The Policy defines and provides guidelines on the extent, quality and output of communication with FMDQ external stakeholders and on the adherence to and quality of internal communications in line with FMDQ-approved standards.
Business Continuity Management	The Policy is designed to guide FMDQ Staff on how to minimise the impact to the market or stakeholders in the event of a disruption to normal business activity or operation.
Brand Management	This Policy sets out the guidelines for the management, enhancement and preservation of the corporate brand identity of FMDQ.
Remuneration Policy	This Policy describes the basic principles of FMDQ's Remuneration Policy for Directors (Executive and Non-Executive), Management and staff. It provides an objective, adaptable and competitive remuneration structure that is tailored to specific circumstances of the organisation, in order to attract, motivate and retain highly skilled and performing staff and Management, as well as Executive Directors; has regard for job content and the performance of teams and individual employees; reflects market best practices and incentivises and motivates Non-Executive Directors and employees.
Promotion Policy	This Policy provides an overview of the promotion guidelines for FMDQ and is aimed at enabling Executive Management to determine and award promotions within the organisation.
Gifts & Honorariums (Corporate Governance Manual and FMDQ Staff Handbook)	This provides guidance on how to account for any gifts or honorariums received. This Policy is used alongside the AML/CFT Policy.

Enforcement

Disciplinary action will be taken against any employee who is found to be in breach of the Policy. Allegations of discrimination which are not made in good faith will also be treated as a disciplinary matter. Failure of relevant stakeholders e.g. consultants, vendors, and clients, to comply with this Policy may result in their contracts being terminated.

Sustainability Report

As Africa's first FMI Group, FMDQ is committed to championing sustainable best practices across its business, markets, and society in support of the global sustainability agenda. As such, the Group continues to pursue and implement innovative solutions that support the United Nation's Sustainable Development Goals ("SDGs"), which provide a global framework for effectively tackling all sustainability related issues across various sectors. These goals are specifically targeted at addressing the most challenging problems in the world, some of which include gender inequality, affordable and clean energy, decent work, and economic growth, amongst others, to achieve a better and more sustainable future for everyone.

World Federation of Exchanges Sustainability Principles

At FMDQ, we recognise our role, not only as a central point of contact for issuers, investors, and market intermediaries, but also a major contributor to ensuring a smooth transition to a sustainable economy. For this reason, the Group, as an Affiliate of the World Federation of Exchanges (WFE), is also guided by the WFE Principles, to support its leading role in promoting sustainable finance agenda in Nigeria.

Summary of the WFE Principles

Principle 1: Exchanges will work to educate participants in the exchange ecosystem about the importance of sustainability issues

Principle 2: Exchanges will promote the enhanced availability of investor-relevant, decision-useful Economic, Social and Governance (ESG) information

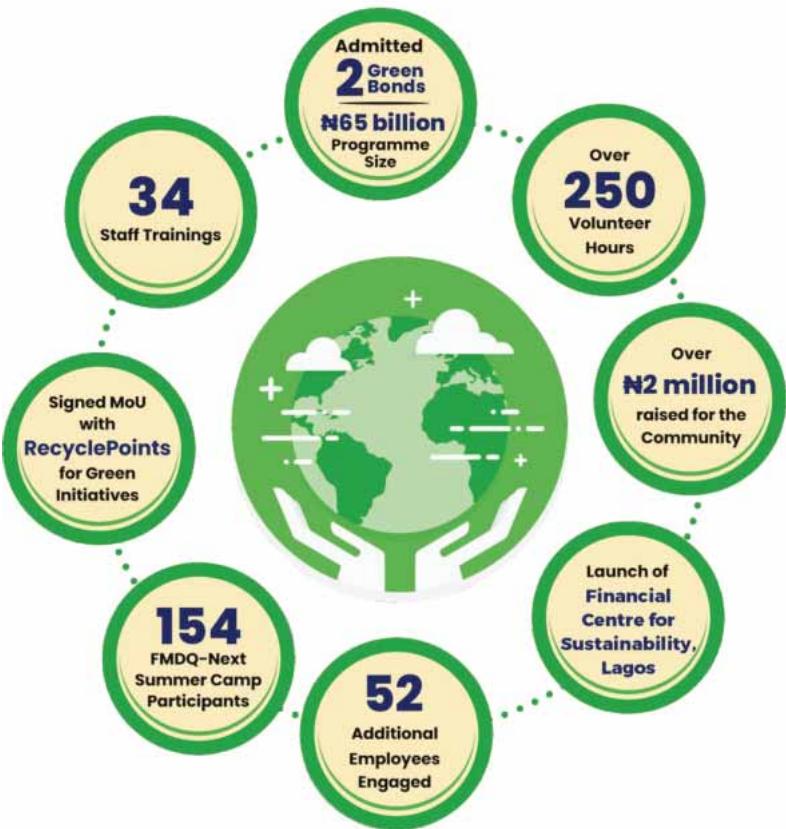
Principle 3: Exchanges will actively engage with stakeholders to advance the sustainable finance agenda

Principle 4: Exchanges will provide markets and products that support the scaling-up of sustainable finance and reorientation of financial flows

Principle 5: Exchanges will establish effective internal governance and operational processes and policies to support their sustainability efforts

From the incorporation of ESG principles across FMDQ Group, development of sustainable products and services, regular engagement with market participants to achieve the sustainable finance agenda, the provision of financial market education to market participants through FMDQ Academy and other communication channels through which market participants are kept informed, amongst others, FMDQ has become a critical catalyst resolute in engineering the Nigerian economy and indeed, the global economy's transition towards achieving and maintaining sustainable development.

2019 Sustainability Highlights



Guided by the Company's five (5) sustainability pillars – Business, Markets, People, Community and Environment – FMDQ consistently identifies key areas of focus through which we implement innovative solutions in line with our corporate sustainability agenda, and to also accelerate our contributions to supporting the UN's Sustainable Development Goals, to play a significant role in resolving some of the urgent challenges facing our nation and our world.

Sustainability Pillars



Business

To ensure sustainability practices are embedded and guide FMDQ’s business operations and activities

SDG Impact Area

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Corporate Governance

In recognition that a thriving financial market needs to be built on solid foundations of robust corporate governance standards and excellent risk management processes, at FMDQ Group we are committed to maintaining the highest standards of ethics and governance, building an ethical culture and executing business operations in a responsible fashion, in order to promote sustainability, enhance transparency and maintain long term market confidence.

As a starting point, our core values of Teamwork and Collaboration, Innovation, Integrity and Value-adding, guide our approach to executing all business activities in a reliable and professional manner. However, our overarching governance architecture is underpinned by strict adherence with the Securities and Exchange Code of Corporate Governance for Public Companies 2011. We are also guided by our Corporate Governance principles of ethical culture, stewardship, independence, oversight of strategy, oversight of risk, accountability and transparency, and continuous improvement as enshrined in our Code of Corporate Governance Manual.

Further information can be found in the Corporate Governance Report section of the Annual Report. FMDQ Group also has policies covering Anti-Bribery and Corruption, Anti-Money Laundering, Conflict of Interest, Whistleblowing, amongst others, which can be found on its website – www.fmdqgroup.com.

Stakeholder Engagement

In order to ensure that we continue to bring innovative and targeted solutions to meet the needs of our varied stakeholder base, we actively engage our different stakeholders via a number of different effective channels. Our stakeholders include our shareholders, Members, employees, issuers, investors, regulators, government authorities, strategic and media partners, amongst others, and the outcome of these engagements provide valuable insight on their viewpoints, expectations, directives on solutions and initiatives, leading to more informed decision making, aiding the achievement of long-term sustainability in the financial market and the community. During the year, FMDQ engaged its domestic and international stakeholders on a variety of initiatives and more information about our stakeholder’s groups and our engagement with them during the year are captured in the Strategic Report section.

Markets

Our strategic agenda is to promote responsible business practices and sustainable development in our markets and wider economy

SDG Impact Area

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

In line with its sustainability agenda, FMDQ Group remained committed to promoting responsible business practices and sustainable development in its markets and wider economy. During the year, FMDQ continued to champion sustainable development in the financial market and wider society through its listing & quotations business services, capacity building sessions, leveraging on its strategic partnerships, amongst others, to empower the financial markets for economic progress and towards delivery of prosperity to Nigerians.

Our Progress in 2019

Sustainable Finance Initiatives and Partnerships

In continuing to make great strides in sustainable development in Nigeria via the DCM, during the year FMDQ admitted the listing of the first Climate Bond Certified Corporate Green Bond in Africa – the Access Bank PLC ₦15.00 billion 5-year 15.50% Fixed Rate Senior Unsecured Green Bond due 2024 – on its platform. The proceeds will finance/refinance eligible green assets that will support the delivery of a low-carbon economy, as well as foster further development in the Nigerian DCM.

Paving the way further, FMDQ also admitted the listing of the North South Power Company Limited - NSP-SPV PowerCorp PLC Series 1 ₦8.50 billion 15.60% 15-year Fixed Rate Senior Green Infrastructure Bond under its ₦50.00 billion Bond Issuance Programme, guaranteed by Infrastructure Credit Guarantee Company Limited (InfraCredit) to its platform. NSP SPV PowerCorp PLC, a first-time issuer in the domestic bond market, is an Africa-focused electricity generation company with a diverse and emerging portfolio focused on the electricity value chain, with special emphasis on renewable energy systems such as solar, electric, thermal, wind and hydro power plants.

“The total value of green securities admitted on FMDQ's platform in 2019 was ₦65.00 billion.”

A *State of Market Report* was also launched by the Implementation Parties (FMDQ, FSD Africa & CBI) of the Green Bond Market Development Programme during the Green Bond Segment of the FMDQ-hosted Nigerian Capital Market Conference, held November 2019, to showcase the implementation journey of the Programme from inception including the key achievements, lessons learnt and the general market outlook.

In a bid to promote market development and cross-boundary collaboration, FMDQ became a Member of International Swaps and Derivatives Association (ISDA) in 2019, in addition to its memberships with the African Securities Exchanges Association (ASEA), International Capital Markets Association (ICMA). The Group is also a founding member of the Association of Securities Exchanges of Nigeria (ASEN), and an Affiliate of the World Federation of Exchange (WFE). Further, FMDQ joined the UN Sustainable Stock Exchanges (SSE) Initiative as an observer in 2018 and is a member of the ASEA Sustainability Working Group, amongst others.

Launch of Financial Centre for Sustainability (FC4S), Lagos

With the growing global thrust towards building sustainable financial systems and in recognition of the need to establish and dramatically accelerate sustainable finance into the Nigerian financial market ecosystem, FMDQ in collaboration with UNEP Inquiry and other stakeholders, established FC4S, Lagos, joining twenty-two (22) other international financial centres, including London, New York, Paris, Geneva, Hongkong, amongst others, as a member of the International Network of Financial Centres for Sustainability. The objective of the FC4S Network is to create a platform for financial centres to exchange experiences and take common action on shared priorities to accelerate the expansion of green and sustainable finance and the long-term vision of the Network is rapid global growth of green and sustainable finance across the world's financial centres, supported by strengthened international connectivity, and a framework for common approaches.

With four (4) Thematic Areas defined – Policy & Regulation; Issuances & Public Investments; Research, Education & Engagements and Legal & Risk Management – the Executive Governor of Lagos State, Mr. Babajide Sanwo-Olu, at a notable event which held at FMDQ's business complex, Exchange Place, officially launched the FC4S, Lagos, and signed a Declaration to advance green and sustainable finance in the Nigerian financial market, in line with the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement. Initiatives to support this commitment are underway.

Capacity Building

Following the launch of the Nigerian Green Bond Market Development Programme in 2018, FMDQ, in partnership with FSD Africa and CBI, hosted a varied stakeholder base to capacity building workshops, in line with the objective to drive education required to integrate the principles of green financing into the Nigerian DCM. They include:

- ***Green Bond Investors Workshop for Pension Fund Operators*** – in partnership with the National Pension Commission, an investor workshop focused on green bond pricing strategies, the role of external reviews, de-risking concepts such as guarantees/intervention structures and investment strategies was conducted for Pension Fund Operators as a means to engage and continuously build capacity in the pension community
- ***Green Bonds Masterclass for Capital Market Intermediaries*** - the session which brought together solicitors, trustees, issuing houses, rating agencies etc. as key stakeholders in the development of the Nigerian green bond market, focused expert discussions on the introduction to Green Bonds, Green Bonds Issuance & Certification Process, the Green Bonds Principles, how to develop a Green Bonds Framework, the Climate Bond Taxonomy, reporting requirement and case studies on successful Green Bonds issuances (domestic & international)
- ***Media Engagement Workshop on Green Bonds*** - the workshop focused on creating awareness and empowering the media practitioners and financial markets correspondents on the impact of climate change, the urgent need for sustainable financing for the Nigerian economy; and to demystify the economic opportunities offered with issuing green bonds, amongst others

In addition, to harmonise post-issuance processes and drive compliance with CBI reporting standards for sovereign issuances, an Inter-Ministerial Committee was formed to facilitate collaboration efforts between the Programme and ministries, departments, and agencies of the Nigerian Government.

People

FMDQ is committed to creating a work environment that attracts, fosters engagement and retains talented employees of diverse backgrounds to fulfil their potential

SDG Impact Area



Given the dynamic and constantly changing business world, every company strives to set itself apart with its people. At FMDQ, our people continue to be of high priority to us, as we attribute our continued success in the delivery of our strategy to their relentless display of commitment to the achievement of the Group's goals. FMDQ is, therefore, committed to investing in the career development of its people, providing a healthy and diverse work environment that values and rewards hard work and integrity, one that encourages employees to reach their full potential.

Our Progress in 2019

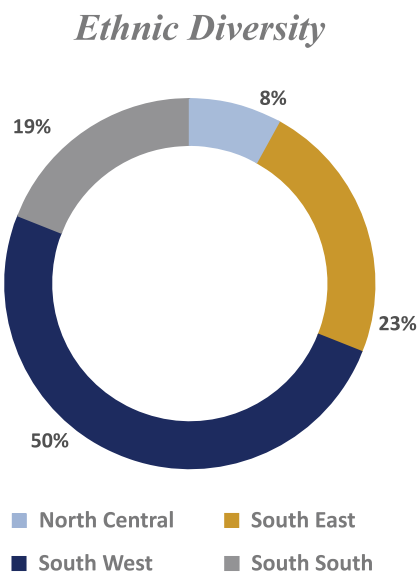
Learning & Development

In the development of our talent, during the year, the following took place:

- **People Development** - Our commitment to Staff training and development continued as 85% of Staff attended trainings/conferences/seminars during the year. Additionally, over 35% of staff across all levels had international exposure during the year.
 - Technical Trainings focused on financial market development, understanding of the capital market, risk management, derivatives, information security awareness, audit, compliance, human resource, and information technology-focused trainings
 - Soft Skills Trainings focused on effective management, leadership, design thinking, effective business writing, emotional intelligence, amongst others
 - Seminars, conferences, and meetings, with a good mix of local and international exposure, ranging from Islamic finance sessions to seminars on green finance, and organised by local and global standard setters and model markets/institutions.
- **Staff Leadership Development Series** – This annual Session, aimed at enhancing staff leadership capacity and competencies was launched in 2018, and the 2019 session, with the theme, “Leadership and Innovation” was facilitated by a renowned financial market doyenne
- **Knowledge Sharing/Empowerment Sessions** – These held in the year, with a focus on various aspects of FMDQ's business functions, including Clearing, Academy and the Debt Capital Markets Development Project, etc., as well as internal knowledge transfer on key knowledge gained from the seminars and conference attended. In addition to this, Induction Programmes were organised for new employees
- **Learning & Development**
 - **Study Tours/Financial Market Missions** – Employees took part in study tours and exploratory missions during the year across the following institutes; Republic of Korea's Ministry of Economy and Finance – South Korea; NASDAQ – United States of America; Brazil Bolsa Balcao Exchange – Brazil; and London Stock Exchange – United Kingdom, amongst others

Diversity & Inclusion

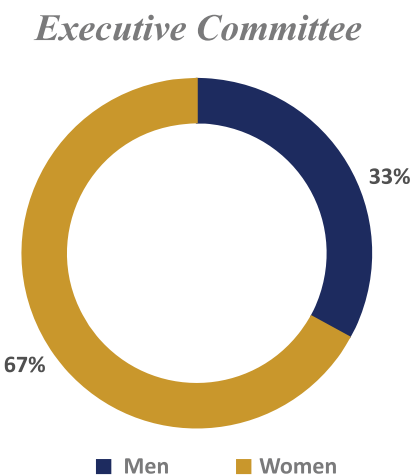
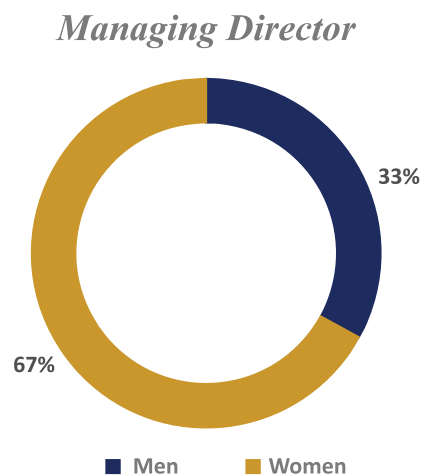
At FMDQ, we intentionally create and encourage an inclusive environment, where individuals of diverse experiences, mindset and perspectives are welcome and given equal opportunity to thrive and succeed. The Group does not discriminate on the grounds of gender, age, physical appearance or disability, sexual orientation, religion, and socio-economic background, in acknowledgement of the important role which diversity plays in fostering improved business performance.



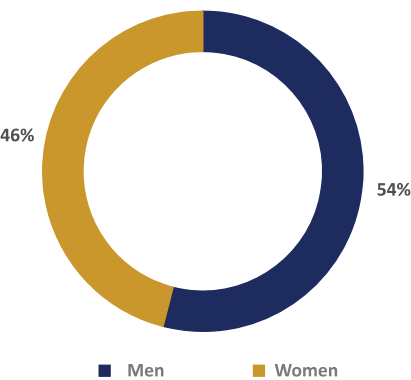
With a total staff strength of 102 in 2019, FMDQ recognises the rich cultural diversity in Nigeria, and constantly seek to eliminate all forms of tribalism in our recruitment process. Our Staff diversity attracts individuals from the various ethnic groups, thereby promoting unity and diversity in the workplace.

In line with the UN SDG Goal 5 – Gender Equality, FMDQ remains committed to an inclusive environment that creates equal opportunities for both genders, female and male to burgeon. At FMDQ, we continue to see a steady and increased representation of women across all levels – Managing Directors, Executive Management, Business Executives, and all Staff.

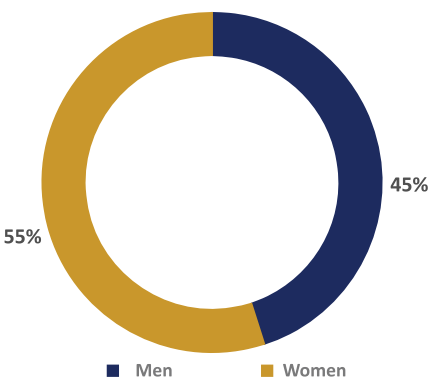
Gender Representations as at year end December 31, 2019



Business Executives



All Staff



Still in support of the UN SDG Goal 5, FMDQ commemorated International Women's Day – a day set apart to celebrate the social, economic, cultural, and political achievements of women all over the world – during the year. The event featured, amongst others, a short documentary featuring FMDQ Staff speaking on women who have greatly inspired them, a special address on 'Empowering Women to Break the Glass Ceiling', facilitated by a financial market titan, as well as the recital of poetry from inspiring women by some FMDQ employees.



In solidarity with the rest of world, and towards the achievement of the SDGs, FMDQ joined other exchanges to participate in the Ring the Bell for Gender Equality ceremony, in line with the global theme for 2019 “#BalanceforBetter” - to draw attention to the fundamental role that the private sector can play in empowering women and advancing gender equality.

Health & Wellbeing

FMDQ recognises the importance of a sound mind and body in relation to employee's productivity. To this end, the Company has structured its work environment in a way that eliminates all forms of threat to the general health and well-being of all staff. During the year, the Group enhanced relevant staff welfare policies whilst continuing to promote wellness in the workplace towards demonstrating its commitment to the FMDQ People. Some of these initiatives include free access to medical care, gym facilities with a yearly staff survey to measure satisfaction with the service providers, as well as initiatives to foster work-life balance for staff.

Furthermore, to consolidate and appreciate the collaborative efforts of the FMDQ People, the FMDQ Staff Club organised an end of the year party themed, “A Night in Havana”, presenting a fun and relaxed evening, with opportunities for team bonding.

In the face of the outbreak of the COVID-19 disease in Nigeria in 2020, the Group took specific care to ensure that FMDQ Staff were provided with a safe environment to work, amongst others. More information on the Group's activities to keep Staff safe are included in the 'Special Report on FMDQ's Response to COVID-19 Pandemic' section.

Employee Value Proposition

FMDQ's Employee Value Proposition (“EVP”) represents our promise to our employees and shows our commitment to ensuring successful employee engagement to enable our people grow whilst delivering excellent service to all stakeholders. As a critical element of fulfilling our Employee Value Proposition, FMDQ Staff Parliament was instituted to systematically identify and proffer recommendations to areas impacting employee engagement and growth thus solidifying the organisation as a Great Place to Work. The inaugural sessions took place in the last quarter of 2019, and of the twenty-three proposals brought up by staff, ten (10) have been implemented whilst nine (9) are work in progress.





As a responsible organisation, FMDQ recognises its role in supporting the development of the community and the Nigerian economy at large. The Group respects the interest of its stakeholders, including its host community, and hence actively seeks opportunities to improve the overall well-being of these communities.

Corporate Philanthropy

FMDQ continued to create and support long-term partnerships through various initiatives such as the FMDQ Staff CSR Initiative, where funds raised from auctions carried out on gifts and honorariums received by FMDQ employees are donated to the Company's partner charity organisations. During the year, the Company supported its four (4) partner charities – namely, Echoes of Mercy and Hope Foundation, Holy Family Home for the Elderly, Living Fountain Orphanage and Modupe Cole Memorial Childcare and treatment Home/ School - in a bid to reduce the impact of the vast challenges that exist in their communities, by availing financial support, provisions tailored to their specific needs, financial market education and bridging the gender inequality gap.

Furthermore, employee donations were matched by FMDQ Group, to raise the sum of ₦2.00 million as cash donations to the four (4) partner charities supported by the Company. Provisions consisting of food items, household items, amongst others were also donated, to provide some relief and support to these groups.

The Group also provided support to vulnerable groups in a bid ease the impact of COVID-19 pandemic. *More information on FMDQ's support to its community in the light of COVID-19 can be found in the 'Special Report on FMDQ's Response To COVID-19 Pandemic' section.*

Corporate Social Investment

Owing to its commitment to bridge the financial literacy gap that exists in the country, the FMDQ Next Generation Financial Markets Empowerment Programme (FMDQ-Next), launched in 2018, with a focus on promoting financial market awareness and literacy among students across all levels, achieved significant milestones as it inculcated additional programmes for its target audience and became even more inclusive during the year.

More information on FMDQ-Next can be found in the Corporate Responsibility Agenda section of this Report.

Employee Volunteering

As an organisation committed to giving back, FMDQ employees continued to invest their time, knowledge, and skills to serving its communities, through various initiatives focused on addressing socio-economic issues. During the year, FMDQ employees contributed over two hundred and fifty-two (252) hours tutoring and equipping the younger (*next*) generation with the required knowledge and skills for a successful financial future.

Environment

FMDQ is committed to actively managing the environmental impacts derived from running the Exchange

SDG Impact Area



As the world continues to feel the effects of climate change, pollution, loss of biodiversity and the depletion of scarce resources, corporate institutions are being challenged to think beyond generating revenue and increasing profits, to becoming conscious of the environmental footprints their business operations, social and economic activities is leaving on the planet. With increasing knowledge and a call to action, efforts to tackle these issues have become a global priority that can no longer be disregarded.

At FMDQ, we recognise the current global transition to a more sustainable economy and that is why, in addition to our continuous delivery of first-class innovative solutions to the financial market, in line with our sustainability agenda, we are also committed to building an organisational culture that is environmentally conscious and intentional about continually innovating to manage its environmental impacts.

In cognisance that our primary greenhouse gas (“GHG”) emissions emanates from energy, waste and water use in our business complex, the Company is making concerted efforts to reduce the negative impact that these pose to the environment, by implementing initiatives that proffer tailored solutions to help manage our negative footprints.

Our Progress in 2019

During the year, efforts were made to reduce the Company's energy consumption through the enforcement of a Daily Office Shut-Down Policy, which supports work-life balance as well as reduces energy use. Also, the Group continued to utilise energy saving LED lighting and motion detectors in some enclosed spaces to control energy usage.

In complement to the 'green' strides FMDQ has made in the financial market, in the course of the year, FMDQ commenced a strategic collaboration with RecyclePoints Limited, a waste recycling and social benefit company, in a bid to commence eco-friendly sustainable business practices within the organisation, as a proactive step in the integration of environmental, social and governance (ESG) considerations in its business operations. The recycling initiative, set to transform the waste management culture at FMDQ, will see the eradication of individual bins, and their subsequent replacement with strategically positioned recycle bins, encouraging employees and visitors alike to adequately sort/dispose of waste – plastics, paper, cans, amongst others.

Furthermore, to reduce paper use during the year, there was a conscious move from the utilisation of multiple local printers serving cluster teams to strategically positioned enterprise printers with access control, serving multiple teams across the Group. In addition, Staff are encouraged to utilise double-sided printing for documents, to reduce the overall amount of paper used.

With the rapidly growing population rate, and with analysts' estimation of only a small percentage of all the water on earth being fit for consumption, the need to adopt practical steps to conserve water cannot be overemphasised. At FMDQ, measures are being put in place to reduce water consumption. One of such is the use of high efficiency lavatories across our business complex to help reduce general water consumption.

As climate change challenges continues to dominate the global discourse, FMDQ shall continue to pursue innovative solutions that support the transition to a low carbon economy, working with its stakeholders, through policies and initiatives that mitigate environmental risk, while optimising our performance in energy efficiency, water usage and emissions.

Corporate Responsibility Agenda - FMDQ-Next

The role education plays in the development of a country's economy and society cannot be overemphasised, as it is one of the keyways to lift a country out of poverty and indeed, a major milestone in the development of any nation. Financial education also plays a significant role in economic and social development, as it aids the building of knowledge, values and skills needed to make sound financial decisions, increases participation in the financial system, with the potential of leading to the eventual achievement of financial security. In recognition that financial literacy could be a poverty alleviation tool and in a bid to develop such pertinent knowledge in its host communities and wider society, FMDQ Group, leveraging on its core capabilities has continued to address this issue through the inclusion of the next generation in its financial market education agenda, via its flagship corporate responsibility programme, FMDQ-Next.

Overview of FMDQ-Next Initiative

The FMDQ-Next, is a learning and development initiative aimed at promoting financial market awareness and literacy among students across all levels (primary, secondary, tertiary), as well as fresh graduates. The Initiative was launched in July 2018 to:

- Introduce participants to the world of finance and investments, exposing them to a wide range of skills which position them for personal growth and innovation thinking for the future
- Demystify the workings of financial markets for the participants, empowering them to be financially astute from an early age
- Teach participants principles to create and manage wealth
- Enhance the professional marketability of the youth, thereby developing Nigeria's local technical capital
- Provide opportunities for students to interact with financial market participants, gaining practical knowledge about key financial market concepts

The FMDQ-Next Initiative makes financial markets education accessible to all students and graduates from different ethnic and social backgrounds, which is in support of the UN SDG 4 – Quality Education - to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Not resting on its oars, the FMDQ-Next Initiative has birthed various innovative and exciting programmes, ranging from the *Teach-a-Class Sessions* - involving fun, educational and interactive financial markets exercises and activities; to the *Excursions and Tours* – where students are given the opportunity to visit FMDQ Group, as well as local and international financial markets institutions; the *Trading Simulation Exercises* – where students learn how to trade a variety of securities in the financial market through the management of a virtual portfolio in a simulated environment; and the *Summer Camp Programmes*, specifically for primary and secondary school students to learn about the financial market during the annual summer holidays.

Having successfully launched the first edition of the FMDQ-Next Summer Camp in 2018, which was targeted at secondary school students, and attracted several dignitaries, including former UK Prime Minister, Ms. Theresa May to Exchange Place, the second edition of the Summer Camp took place in 2019 (running from July through to August 2019), offering both primary and secondary school students the opportunity to learn about the financial market in fun ways and at an exciting environment.



In pursuit of the empowerment of women and girls, the FMDQ-Next intentionally sought out and sponsored five (5) young girls from FMDQ's partner charity organisation, Echoes of Mercy Foundation - a charity focused on the rehabilitation and empowerment of young women who have been victims of abuse, homelessness and human trafficking, and two (2) young girls from the Kabara Community Development Initiative - which focuses on creating an engagement platform to support the intellectual growth of northern Nigerian girls, to take part in the Summer Camp.

Providing tailored sessions for both primary and secondary school student, the 2019 FMDQ-Next Summer Camp was completely over-subscribed owing to the high demand from parents/schools, attracting a total of 154 participants, both male and female from a variety of schools across the country.

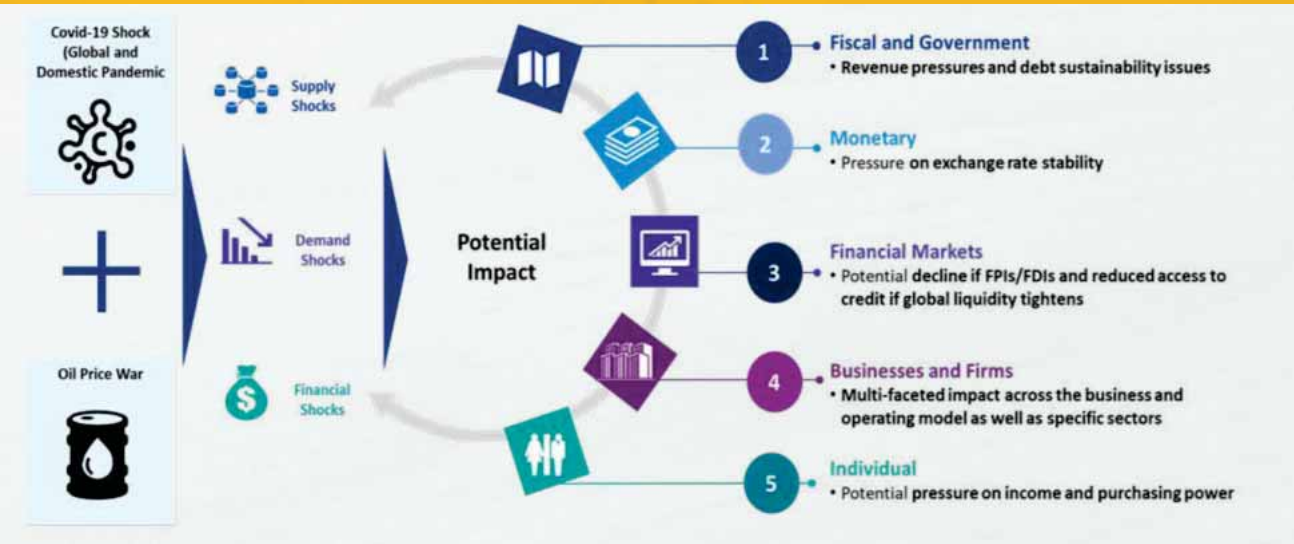
During the FMDQ GOLD Awards, an annual event organised to recognise the contribution of stakeholders to the growth and development of the fixed income, currencies and derivatives markets, selected participants from the 2019 Summer Camp alumni (primary school category) were invited to showcase their learning experience from the Summer Camp. In a drama styled comedy skit, the students educated the audience on financial market concepts, including the role of the financial market, common investment vehicles, financial market participants, amongst others. The audience, which constituted the Executive Governor of Lagos State, participants from the FMDQ markets, including its Members, regulators, government agencies, local and foreign portfolio investors, and a host of others, were thrilled and applauded the students for the far-reaching and thought-provoking knowledge showcased.

SPECIAL REPORT ON FMDQ'S RESPONSE TO COVID-19 PANDEMIC

The rapid outbreak of the novel coronavirus (COVID-19) pandemic has caused unprecedented damage to the global economy, destabilised governments, bankrupted businesses, communities, and caused untold hardship to families across the world. Since the disease was first diagnosed, it has spread to over 200 countries including Nigeria, with over 13.6 million confirmed cases and over 585,000 deaths, as reported by World Health Organisation (WHO) by mid-July 2020. Projections made by economic analysts indicate that the virus may trim global economic growth by up to 6% in 2020, which likely, will lead to the deepest global recession experienced in decades.

Impact of COVID-19

As the virus continued to ravage communities and countries, governments around the world have had to take unprecedented steps to curtail contagion through compulsory lockdowns, cessation of physical activities across different industry sectors, restriction of movements within and between countries, causing major disruptions and leading to the domino effect on global economies, oil prices, businesses and individuals alike. From the increase in the prices of goods and services, a rise in unemployment rate, disproportionate death of health workers, every sector of the global economy has been severely hit by this novel virus. As an import-dependent nation, Nigeria has not been spared from the impact of COVID-19, particularly owing to the decrease in price of oil in the global market. As Nigeria depends mainly on oil for majority of its foreign exchange income, the challenged inflow has invariably led to fiscal funding shortfalls, budget performance readjustments, as well as increased external borrowing to meet obligations and sustain other economic activities.



Source: KPMG: Coronavirus: Global and Domestic Impact

FMDQ's COVID-19 Business Continuity Response

Following the identification and announcement of the index COVID-19 case in Nigeria in February 2020, and prior to the lockdown phase enforced, on March 30, 2020 by the Federal Government of Nigeria, in a bid to flatten the COVID-19 curve and curb its spread, FMDQ Group, as a responsible organisation, recognised the crucial need to maintain market confidence and provide the much-needed support to stakeholders at such a critical time and thus, proactively activated its Business Continuity Management Plan and immediately deployed steps to keep its employees and stakeholders safe, whilst mitigating the impact of the outbreak.

Commencing with mandatory thermal checks at the entrances to FMDQ's business complex, Exchange Place, to availing hand sanitisers to all stakeholders, activating an hourly cleaning schedule to effectively disinfect commonly used areas and surfaces, to restrictions on international and local travel and further restrictions on

physical meetings at Exchange Place and other external sites, FMDQ subsequently, on March 26, 2020, shut down its business complex and implemented its remote working policy which has run seamlessly for over four (4) months – as at July 2020.

Beyond ensuring the well-being of its key employees and stakeholders alike, FMDQ, in its capacity as an organiser of the markets within its purview - fixed income, currencies, and derivatives markets – took targeted steps through its subsidiaries to ensure the continued delivery of uninterrupted services to its respective markets and participants. Notably, as a company built on technology, all trading platforms operated by FMDQ Exchange – FMDQ-Bloomberg E-Bond Trading System (“E-Bond”), Thomson Reuters Foreign Exchange Trading (“TRFXT”) System, FMDQ Clients' Trading, Reporting & Surveillance System (“PenDealer”), FMDQ Trading, Reporting and Surveillance System for FMDQ Dealing Members (Specialists) (“Q-Deal”) and FMDQ Futures Trading & Reporting System – are web-based and fully positioned to support remote trading by Members of the Exchange. Similarly, FMDQ's proprietary clearing and settlement system, FMDQ Q-ex System, is also web-based and can be accessed remotely; thus, ensuring that all related services continue to be provided seamlessly by our clearing and settlement subsidiaries, FMDQ Clear and FMDQ Depository, respectively.

With a full activation of the Group's Business Continuity Management Plan which supports digitised operations of all business services and operations, allowing FMDQ's Members, clients and other stakeholders to conduct their businesses/transactions on FMDQ's platforms as normal, below are some of the other steps taken by the FMDQ entities to support the resilience of the Nigerian financial market as well as the sustained well-being of its human assets.

1. Exchange Business:

The primary market for debt securities continued to provide an avenue for issuers to raise capital to support their businesses, and the Exchange's Securities Admission Service continued to provide timely and efficient services for the registrations, listings and quotations of debt securities; supported by forward-thinking measures including the acceptance of electronic copies for all documentation and disclosure requirements in respect of all securities admission applications. Thus, for the period January to May, 2020, thirty-five (35) Commercial Paper (CP) notes valued at ₦389.30 billion; seven (7) Corporate, Federal and Subnational Bonds valued at ₦156.75 billion and two (2) Mutual Funds valued at ₦28.52 billion were successfully admitted onto FMDQ Exchange's platform. Also, in playing its part to sustain operations and activities in this market, the Exchange deployed adequate and robust technical support to ensure little to no downtime is experienced across all web-based trading and reporting systems/platforms. In addition, to ameliorate its Members, some of whose businesses and reporting obligations were affected by the COVID-19 situation, FMDQ Exchange, extended the timeline for the submission of the 2020 Quarterly Compliance Reports by its Registration Members, allowing Members adequate time to manage their responses to the crisis as well as activate relevant strategies to keep their businesses afloat during the crisis and beyond.

2. Clearing Business:

As Nigeria's only Central Clearing House, FMDQ Clear represents one of the three (3) critical infrastructures in the FMDQ value-chain which provides post-trade services for market participants. Underpinned by integrity and credibility, facilitating uninterrupted clearing and settlement of transactions in the FMDQ markets is crucial to maintaining the sanity and confidence in the markets. Thus, in close collaboration with other third-party settlement agents including the Nigeria Inter-Bank Settlement System (NIBSS) and the Central Bank of Nigeria (CBN), FMDQ Clear through FMDQ's proprietary clearing and settlement system, FMDQ Q-ex System – a web-based remotely accessible system, securely integrated with the CBN's S4 continued to provide effective risk management as well as timely settlement of all transactions in the fixed income and derivatives markets flowing into its system. Thus, from January to May 2020, OTC FX Futures contracts valued at over USD13.00 billion were sold by the single seller of the contracts, the CBN, and traded on FMDQ Exchange, with about USD8.00 billion so far settled on FMDQ Clear. There has been no default in the settlement process since the inception of the product in June 2018.

3. Depository Business:

With regard to the settlement and asset servicing business run by FMDQ Depository, activities continued to ramp up following the Company's operationalisation in late 2019. With the SEC having provided issuers and investors with a choice of depository by the registration of a second depository, FMDQ Depository; a move seen as unprecedented in the Nigerian financial market, FMDQ Depository effectively leveraged on its integrated market structure as well as stakeholder engagement to bring efficiency to the market. Since January 2020, the Depository has welcomed the admission of the Dangote Cement PLC Bond – for which FMDQ Depository is a joint depository, the Lagos State Government Bond as well as the MTN Nigeria CP notes – for which FMDQ Depository is the sole depository, amongst others. Also, the Depository remained in close contact with the market participants, organising meetings and industry-specific webinars as may be required, to discuss winning strategies for tackling some of the challenges presented by the COVID-19 crisis.

4. Private Markets Business:

Recognising the peculiarity faced by private business owners during the pandemic, FMDQ Private Markets, which was recently established to promote the inclusion of private companies in the capital markets, has continued to proactively engage its stakeholders on accessing capital via the capital market during this period. Issues such as the modalities for enabling capital for private companies to facilitate short- to long-term capital to support infrastructure and other developmental facilities for our country, relevant governance structures for accessing the private markets, and attractive structures for galvanising private market growth were actively addressed during its stakeholder engagement session which held in April 2020.

5. People Management:

As a pertinent step towards protecting its employees from the pandemic, FMDQ activated remote work for non-essential employees in the first instance, and subsequently, for all employees effective March 26, 2020 – before the Federal Government enforced statewide lockdown in Lagos – as part of the Group's strategic response to the pandemic. Understanding the financial and emotional impact, as well as the uncertainty occasioned by the pandemic, FMDQ Group, following the full activation of the Remote Work Policy, was deliberate in ensuring the welfare of its staff during the lockdown and beyond. As a key stakeholder in its business, FMDQ maintained a clear line of communication with its workforce; providing periodic updates from Management and all necessary tools, resources, as well as other general support required to guarantee continued first-class delivery from its people. In addition to providing premium health insurance cover for its staff, FMDQ worked with its health management organisation (HMO) provider to ensure continued and safe access to healthcare services even during the pandemic. In addition, from weekly check-in meetings to periodic health assessment forms, conscious efforts were made to keep all employees safe and well.

Furthermore, as a crucial step towards upskilling and reallocating its resources into more efficient use, FMDQ deployed series of virtual trainings and other capacity building initiatives to support personal development of all employees and particularly those whose functions/roles were affected by the outbreak of the disease. As the remote working arrangement continues, productivity management tools were implemented to boost efficiency and support time management enabling employees balance their work and family life. This is line with the Board and Management's decision to retain and uphold the services of all its employees. Further, the FMDQ workforce (permanent and support service providers) have received the commitment of the Board that no jobs will be lost in the Group due to the pandemic.

6. Capacity Building:

Consistent with its drive to promote financial markets education, FMDQ Group, through the FMDQ Academy, has continued to offer free courses on the financial markets to its stakeholders and the public. In the month of April only, FMDQ Academy's e-learning subscriptions for courses in the fixed income, currencies and derivatives markets rose by 577%.

The Exchange leveraged on active stakeholder management to exchange periodic information and keep abreast of all happenings and pain points experienced by its Members in light of the COVID-19 crisis. In so doing, FMDQ Exchange held virtual stakeholder sessions, including the Combating Currency Exchange Volatilities through Risk Management Tools Webinar targeted at corporates, foreign portfolio investors, foreign direct investors etc. to address how these participants can effectively hedge their foreign exchange exposures, among other things.

Furthermore, in a bid to offer practical solutions backed by the capital market for some of the problems exacerbated by the pandemic, particularly in the agribusiness sector, FMDQ in partnership with Financial Sector Deepening Africa and Climate Bonds Initiative – collectively known as partners to the Nigerian Green Bond Market Development Programme – organised a capacity building webinar themed, Green Financing Opportunities for Agribusiness Sector, organised, to provide expert discussions on green bonds as an alternate financing opportunities and highlight the support available under the Programme in this regard. In similar vein, FMDQ also undertook a sensitisation/advocacy drive to educate and provide useful and credible information on the COVID-19 pandemic. Consequently, the #FMDQCares campaign was launched across FMDQ's social media platforms, to lend a voice in support of the government and health sector initiatives and guidelines to flatten the curve and curb the spread of the pandemic.

7. Corporate Social Responsibility:

FMDQ Group has, over the years, pursued its agenda to support education, specifically, financial markets literacy, for the next generation of Nigerians - from primary school, through to university students, and fresh graduates - as evidenced by the Group's corporate responsibility initiative, the FMDQ Next Generation Financial Market Empowerment Programme (FMDQ-Next). Thus, in recognition of the impact of the pandemic in its wider community, particularly access to education for children in public schools, following the abrupt shutdown of physical educational activities in the country, FMDQ has partnered with the Government to support remote educational services for public schools.

FMDQ is also a member of the Capital Market Support Committee for COVID-19 ("CMSCC"), a commendable initiative of the SEC, set up to provide support to the vulnerable groups on behalf of the Nigerian capital markets, and FMDQ Group donated the sum of ₦60 million to show its support. This is in addition to other community-wide corporate responsibility activities aimed at providing some relief to the affected and vulnerable members of the community, including procurement and distribution of face masks to the Government, charitable organisations and other vulnerable groups.

As the situation remains fluid, FMDQ shall continue to monitor global trends and provide strategic and innovative responses to arising needs. Whilst maintaining a phased reopening of Exchange Place, the Group is resolute in its mandate to provide uninterrupted services to the markets, sustain best practices and uphold its integrity. As part of its role in the broader ecosystem, FMDQ shall continue to lend its voice and champion initiatives required to make the markets and ultimately, the Nigerian economy, globally competitive, operationally excellent, liquid and diverse.



Governance Structure

- Corporate Governance Report
- FMDQ's Remuneration Policy

GOVERNANCE STRUCTURE

Corporate Governance Report

a. FMDQ's Approach to Corporate Governance

FMDQ Group is committed to the tenets of strong corporate governance as the Group recognises the role of good corporate governance practices on the efficacy of the Board of Directors (the Board). The Board is devoted to ensuring that the Group adheres to best practice corporate governance principles and abides to high ethical standards, values, and behaviours. To this end, the Board has put in place relevant structures, policies and processes to ensure adherence with the *Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011* (the "SEC Code of Corporate Governance"), the *Financial Reporting Council of Nigeria ("FRCN") Code of Corporate Governance 2018* (the "FRCN Code of Corporate Governance"), the relevant provisions of extant law - such as, but not limited to the *Investments and Securities Act, 2007*, the *Companies and Allied Matters Act, 2004*, etc.- and global best practices, to deliver sustainable value for the shareholders, employees, communities, and other stakeholders of the Group. The responsibilities of the Board are detailed in the Board charter. The Board's conduct is also governed by the Company's Memorandum and Articles of Association. All Board Committees have charters which inform their activities.

FMDQ's guiding corporate governance principles are documented in the *Code of Corporate Governance Manual*, which was approved by the Board on October 30, 2015. This document, along with all the other corporate governance documents (such as, but not limited to, Whistleblowing Policy, Corporate Communications Policy, Insider Dealing Policy, Anti-money Laundering and Combating the Financing of Terrorism Policy, etc.) which underpin the Company's governance architecture, are regularly updated from time to time in line with the provisions of extant codes of corporate governance and best practices.

The Company's approach to corporate governance is guided by the following core principles, which, as noted, are enshrined in the *Corporate Governance Manual*:

Principle	Description
Ethical Culture	Trust, integrity, and good governance shall be hallmarks of the Board's governance approach. In setting the tone at the top, the Board shall nurture the strong corporate values that are well entrenched in the culture of the Company and reinforce the ethical principles on which FMDQ's reputation and successes are founded. These values shall be extended into every segment of the Company's operations and business activities.
Stewardship	<p>The members of the Board shall be the stewards of the Company, exercising independent judgment in supervising Management and safeguarding the interests of shareholders, and strengthening its focus as an FMI Group.</p> <p>In fulfilling its stewardship role, the Board shall seek to instil and foster a corporate environment founded on integrity and to provide Management with sound guidance in pursuit of long-term shareholder value, safeguarding the integrity of the Group.</p>
Independence	Independence from Management is fundamental to its role, and, to ensure that this independence continues to inform the Board's decision-making process, the Board shall put effective mechanisms in place to safeguard this independence. Also, it will be ensured that Independent Non-Executive Directors sit on the Board in order to see to it that the Board does not itself become an echo-chamber.

Principle	Description
Oversight of Strategy	The members of the Board are the key advisors to Management, overseeing strategic direction and the formulation of plans, considering both the opportunities and risks of FMDQ's businesses. In carrying out this oversight role, the Board shall actively engage in setting the long term strategic goals for the organisation, reviewing and approving business strategies, corporate financial objectives and financial and capital plans that are consistent with the strategic goals, and monitoring the Company's performance in executing strategies and meeting objectives.
Oversight of Risk	A key priority of the Board shall be embedding a strong risk management culture throughout the organisation and overseeing the frameworks, policies and processes adopted to identify principal risks to the business and systems implemented to manage those risks. The Board shall actively monitor the Company's risk profile relative to risk appetite and shall seek to ensure that Management's plans and activities provide an appropriate balance of return for the risks assumed and are prudently focused on generating shareholder value and safeguarding the integrity of the Group.
Accountability & Transparency	The Board shall carefully define the expectations and scope of duties of the Board, its Committees and Management and shall be accountable to FMDQ Group's shareholders as well as other stakeholders and the SEC. Transparency is fundamental to good governance, and the Board shall take seriously the Company's commitment to constructive stakeholder engagement, clear and comprehensive disclosure and financial reporting and its role as a public interest entity.
Continuous Improvement	The Board shall be committed to continuous improvement of FMDQ's corporate governance principles, policies and practices, which are designed to align the interests of the Board and Management with those of shareholders, to support the stewardship role of the Board, and to enhance the Board's ability to safeguard the interests of shareholders through independent supervision of Management. To ensure that these policies and practices meet or exceed evolving best practices and regulatory expectations, the Group's corporate governance system shall be subject to ongoing review by the Board Governance and Human Resources Committee.

b. Corporate Reorganisation of FMDQ Group

During the period under review, the Company obtained the approval of the SEC and Corporate Affairs Commission to re-organise its business and franchises into a Capital Market Holding Company structure. To achieve this, the FMI subsidiaries—FMDQ Clear and FMDQ Depository—re-calibrated their offerings to operate under a parent company, while the 'securities exchange' registration and incidental licences held by the erstwhile FMDQ Securities Exchange PLC were transferred to a wholly owned newly incorporated subsidiary of the Company, FMDQ Securities Exchange Limited. The name of the Company was also changed from FMDQ Securities Exchange PLC to FMDQ Holdings PLC.

c. Compliance with the Securities and Exchange Commission's Code of Corporate Governance for Public Companies 2011, the Financial Reporting Council of Nigeria's Code of Corporate Governance 2018, and Required Assurances

Throughout the year ended December 31, 2019, the Company complied with the provisions of the SEC Code of Corporate Governance and FRCN Code of Corporate Governance (the "Codes"). In particular, the Company applied the principles of the Codes to its corporate governance structure and practices.



The Board provides assurance to the stakeholders of the existence of an effective internal audit function in the Company and that, similarly, the risk management, control and compliance functions as well as other associated mechanisms are operational and functional within the Company.

d. Shareholding

The Company is owned by the following:

- Central Bank of Nigeria
- Financial Market Dealers Association (“FMDA”)
- NSE Consult Limited (a fully owned subsidiary of The Nigerian Stock Exchange)
- Seventeen (17) commercial banks, four (4) merchant banks and one (1) discount house

e. Cross-shareholding

The Company does not hold shares or rights in any entity that is a shareholder of FMDQ; hence, there is no cross shareholding.

f. Board of Directors

The Board of FMDQ Group is accountable to its shareholders for the overall direction and control of the Company. It is committed to high standards of governance designed to protect the interests of its shareholders and all other stakeholders, while promoting the highest standards of integrity, transparency and accountability. The profiles of the Directors of FMDQ Group and the respective entities are set out on the Company's website: <https://www.fmdqgroup.com/about/board-of-directors/>

The Board is duly constituted to provide support for, and control of the activities of the Executive Committee—chaired by the Chief Executive Officer—to ensure effective day-to-day management of the Company. The Board is responsible for monitoring Management's implementation of the Company's strategic plans and initiatives for the long-term benefit of the Company and its shareholders. Directors act in a manner that will enhance the value of shareholders by exercising reasonable care, skill, diligence, and independent judgment, whilst taking into consideration the impact of the business on the community and the interest of stakeholders. The Board has adopted a formal schedule of matters specifically reserved to it. Key matters reserved to the Board are set out in the table which follows:

Power	Components
Strategy & Management	<ul style="list-style-type: none"> ▪ Approval of the Company's Strategic Plan ▪ Review of delivery of the strategy and performance against Strategic Plan ▪ Approvals for recruitment and selection of Senior Vice President and above ▪ Promotion to levels from Senior Vice President and above
Structure and Capital	<ul style="list-style-type: none"> ▪ Proposal of major changes to the Company's corporate structure, excluding internal reorganisations, which may be approved by the Chief Executive Officer ▪ Proposal of changes relating to the Company's capital structure or its status as a PLC ▪ Approval of Capital Plan, as may be applicable
Legal Requirements	<ul style="list-style-type: none"> ▪ Approval of Financial Statements ▪ Proposal on appropriation of profits in line with the Company's Appropriation Policy ▪ Approval of Annual Report and Accounts ▪ Approval of any significant change in accounting policies or practices

Power	Components
	<ul style="list-style-type: none"> ▪ Appointment (or removal) of the Company Secretary ▪ Authorisation for Directors' conflicts or possible conflicts of interest ▪ Recommendation to the shareholders of the appointment or removal of auditors ▪ Approval of allotment of shares
Financial Dealings	<ul style="list-style-type: none"> ▪ Approval of Annual Budgets ▪ Approval of sale of assets in accordance with limits specified by the Board from time to time ▪ Approval of capital expenditure or investments in accordance with limits specified by the Board from time to time ▪ Approval of Leases ▪ Approval of accounting and investment policy ▪ Approval of changes in major banking relationships ▪ Approval of profit appropriation
Regulatory Requirements	<ul style="list-style-type: none"> ▪ Approval of resolutions and corresponding documentation for shareholders at AGMs ▪ Approval of all shareholder circulars, prospectuses and listing particulars ▪ Approval of press releases concerning matters decided by the Board
Board Membership and Board Committees	<ul style="list-style-type: none"> ▪ Approval of FMDQ Board structure, size and composition, including appointments and removals ▪ Succession planning for the Board and Management ▪ Approval of FMDQ Board Committee membership ▪ Approval of continuation in office of Directors seeking re-election at the AGM
Expenses in the Ordinary Course of Business	<ul style="list-style-type: none"> ▪ Approval of all expenses over ₦100.00 million in the ordinary course of business or as may be prescribed by the Board from time to time
Disposal of the Company's Fixed Assets	<ul style="list-style-type: none"> ▪ Approval of the disposal of assets in accordance with limits specified by the Board from time to time
Remuneration	<ul style="list-style-type: none"> ▪ Approval of the framework for remuneration packages of the Chief Executive Officer and the Executive Directors ▪ Proposal of Chairman and Non-Executive Directors' remuneration ▪ Approval of the framework for remuneration packages of Executives in specialist roles ▪ Determination and authorisation of employee shares/compensation schemes

Power	Components
Corporate Governance	<ul style="list-style-type: none"> Approval for process of the Board performance evaluation process Determination of independence of Non-Executive Directors Approval of Corporate Governance Framework Appointment (or removal) of members of Executive Management
Delegation of Authority	<ul style="list-style-type: none"> Approval of Board and Board Committee Charters

g. Board Balance and Independence

The Board remains satisfied that it has the appropriate balance of skills, experience, independence, and knowledge to enable it and its Committees discharge their duties and responsibilities effectively, as required by the SEC and FRCN Codes of Corporate Governance. The independence of the Board from Management is a notion that the Board takes seriously; to this end, the Board and all Board Committees are chaired by Non-Executive Directors, while the Board Regulation and Risk Management Committee (BRRMC) — which is the Board Committee responsible for overseeing the Company's self-regulatory organisation franchise — is chaired by an Independent Non-Executive Director. All Directors have access to the advice and services of the Company Secretary; in addition, the Board solicits for external opinion and counsel as and when required.

The Directors have a broad range of skills and experience and, thus, bring independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct which are integral to the success of the Company.

h. Board Structure

As at December 31, 2019, the Board comprised of eleven (11) Directors which include: nine (9) Non-Executive Directors, one (1) Independent Director and one (1) Executive Director, who is the Chief Executive Officer. The Board is responsible for the governance of the Company and is committed to ensuring that effective corporate governance is put in place and adhered to.

As stipulated in the SEC and FRCN Codes of Corporate Governance, the offices of Chairman and Chief Executive Officer are separate and distinct with a clear division of responsibilities. The Chairman provides leadership to the Board whilst ensuring its effectiveness in discharging its supervisory duties. The Board delegates responsibility for the day-to-day management of the Company to the Chief Executive Officer but retains responsibility for the overall strategy and direction of the Company. The Chief Executive Officer is the head of the Management Team who then delegates authority to the appropriate Senior Executives for specific activities and transactions.

During the reporting period, members of the Board of Directors were as follows:

S/N	Director	Role
1.	Dr. Okwu Joseph Nnanna (representing Central Bank of Nigeria)	Chairman
2.	Chairman Mr. Jibril Aku (representing FMDA Board of Trustees)	Vice Chairman
3.	Mr. Patrick Akinwuntan (representing Financial Markets Active Banks)	Non-Executive Director

S/N	Director	Role
4.	Mr. Kennedy Uzoka (representing Systemically Important Banks)	Non-Executive Director
5.	Mr. Kayode Akinkugbe (representing Bankers' Committee)	Non-Executive Director
6.	Mr. Sam Ocheho (representing FMDA Governing Council)	Non-Executive Director
7.	Mr. Dapo Akisanya (representing Buy-side)	Non-Executive Director
8.	Ms. Daisy Ekinah (Independent Non-Executive Director)	Non-Executive Director
9.	Mr. Peter Amangbo* /Mr. Ebenezer Onyeagwu** (representing Systemically Important Banks)	Non-Executive Director
10.	Mr. Uzoma Dozie* /Emeka Emuwa** (representing Financial Markets Active Banks)	Non-Executive Director
11.	Mr. Bola Onadele. Koko (Chief Executive Officer)	Executive Director

*-- Retired from the Board with effect June 19, 2019

** -- Appointed to the Board with effect June 19, 2019

i. Board Meeting Attendance in the Year Ended December 31, 2019

The attendance at Board meetings for the year ended December 31, 2019 is outlined as follows:

S/N	Director	Jan. 17	Mar. 11	Mar. 26	Apr. 26	May 31	Jun. 19	Jul. 26	Oct. 25	Nov. 21	Dec. 20
1.	Dr. Okwu Joseph Nnanna (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Jibril Aku (Vice-Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3.	Mr. Peter Amangbo*	✓	✓	✓	✗	✓	✓	N/A	N/A	N/A	N/A
4.	Mr. Kennedy Uzoka	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓
5.	Mr. Uzoma Dozie*	✓	✓	✓	✗	✓	✓	N/A	N/A	N/A	N/A
6.	Mr. Patrick Akinwuntan	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
7.	Mr. Kayode Akinkugbe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8.	Mr. Samuel Ocheho	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9.	Ms. Daisy Ekinah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10.	Mr. Dapo Akisanya	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

S/N	Director	Jan. 17	Mar. 11	Mar. 26	Apr. 26	May. 31	Jun. 19	Jul. 26	Oct. 25	Nov. 21	Dec. 20
11.	Mr. Emeka Emuwa*	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✗
12.	*Mr. Ebenezer Onyeagwu*	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✗
13.	*Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

* -- Retired from the Board with effect from June 19, 2019

** -- Appointed to the Board with effect from June 19, 2019

N/A -- means member was not a member of the Board at the time of the subject meeting

When arranging meetings on short notice, every attempt is made to accommodate Directors' diaries; however, inevitably, not all Directors were able to attend all such meetings. When Directors were unable to attend meetings due to conflicts in their schedule, they received and reviewed papers to be considered at the relevant meeting. Where they had comments or concerns on the matters to be discussed, they provided these to the Committee or Board in advance of the meeting, as relevant and clarification/guidance was provided in this regard.

j. Retirement of Directors

Mr. Peter Amangbo and Mr. Uzoma Dozie retired from the Board during the reporting period.

k. Appointments to the Board and Directors' Appointment Policy

With the Company's Articles of Association providing that section 259(1) and (2) of the Companies and Allied Matters Act 2004 shall not apply, the Board adopted a formal 'Directors' Appointment Policy', which outlines the policy to be observed when appointing Directors to the Board of Company. It consists of: (i) a process flow; (ii) checklist; and (iii) the composition of the Board of Directors based on the Company's shareholding configuration from which Directors are to be drawn.

The objectives of this Policy are:

- (a) to ensure that the process of appointing a Director is undertaken in an objective, clear and transparent manner
- (b) to ensure that the appointments are made on the basis of an assessment of skills, knowledge, and experience, having regard to the nature of scope of the Company's objectives and activities; and
- (c) to outline the Board's composition, drawn from and representative of its shareholding configuration

A detailed appointment letter spelling out comprehensive terms as it relates to the role, duties and responsibilities, performance evaluation process, code of conduct and obligations on disclosures is issued to Directors upon joining the Board. Mr. Ebenezer Onyeagwu and Mr. Emeka Emuwa were appointed to the Board during the reporting period.

l. Compliance with Statutory Returns

The Board ensured all regulatory reports and statutory returns for 2019 were made to the Company's regulators promptly. No fine was levied against FMDQ in 2019.

m. Board Performance and Evaluation

As required by the SEC and FRCN Codes of Corporate Governance, PricewaterhouseCoopers Chartered Accountants, on the approval of the Board, was engaged to conduct the 2019 FMDQ Board Evaluation, which began in February 2019. They conducted an on-site exercise in the FMDQ offices, met with relevant personnel and examined relevant documentation from 2019. They also conducted interviews with the Board Chairman and Chairs of the Board Committees and administered questionnaires. An extract in relation to the output of this process which was transmitted to the Board by PricewaterhouseCoopers set out below on page 87.

n. Board Training and Development

Upon appointment to the Board, all Directors receive an onboarding pack, which helps to familiarise Directors with the Company's operations, and affairs, as well as the Company's strategy documents and the regulatory framework within which the Company operates. The onboarding session is organised by the collaboration of the Company Secretariat and Company's strategy functions.

As part of the induction process, new Directors meet with the Company's Executive(s) to receive briefings on operational matters and strategic initiatives to help inform their understanding of the Company's business operations and other relevant areas. The Company is committed to ensuring that Directors attend trainings to continually update their skills and knowledge of the Company's business, relevant operating environment, and overall economic landscape to assist them effectively discharge their duties.

o. Code of Business Conduct and Ethics for Directors and Conflict of Interest Policy

The Company has a robust Code of Business Conduct and Ethics for Directors, which sets out to ensure that Directors make ethical decisions when performing their duties. This Code is intended to provide Directors guidance with respect to recognising and handling areas of ethical issues, information on how to report unethical conduct and to help foster a culture of openness and accountability.

The document applies to all Directors. Directors are encouraged to ask questions about circumstances that they require clarity as far as the provisions of the Code is concerned. Such questions are to be directed to the attention of the Chairman of the Board Governance and Human Resources Committee who may consult with the Company Secretary, or outside counsel, as appropriate.

In addition, the Board has adopted a Conflict of Interest Policy, which outlines guidelines and procedures in connection with the identification, disclosure, and management of any real, potential or perceived conflicts of interest on the Group Board. It provides a systematic mechanism for disclosing and evaluating potential and actual conflicts and procedures for the Board, or a Committee with Board-delegated authority, in considering any transaction or arrangement where a conflict may exist. The Policy is intended to supplement, not replace, applicable laws governing conflicts of interest, such as the *Companies and Allied Matters Act 2004*, the *Investments and Securities Act 2007* and any other relevant laws.

p. Whistleblowing Policy

Not applicable during the reporting period.

q. Audit Committee

The Statutory Audit Committee was established in accordance with the provisions of the Companies and Allied Matters Act 2004. The Committee is constituted of Non-Executive Directors and shareholder representatives of FMDQ. The Non-Executive Directors who serve on the Committee are determined by the Board, while shareholders elect their representatives at the AGM of the Company. Any member may nominate a shareholder to the Committee by giving a written notice of such nomination to the Company Secretary at least twenty-one (21) days before the AGM.

The composition and attendance chart of the Audit Committee for the period is set out as follows:

S/N	Name	Interest Represented	Mar. 25	Nov. 26	Dec. 20
1.	Mr. Nnamdi John Okonkwo (Chair)	Shareholders	✓	✓	✓
2.	Mr. Sam Ocheho*	Board of Directors	N/A	✓	✓
3.	Mr. Kayode Akinkugbe	Board of Directors	✓	✓	✓
4.	Mr. Patrick Akinwuntan	Board of Directors	✓	✓	✗
5.	Mr. Uzoma Dozie**	Board of Directors	✓	N/A	N/A
6.	Mr. Abubakar Jimoh	Shareholders	✗	✓	✗
7.	Mrs. Hamda Ambah	Shareholders	✓	✓	✓

* – Became a Board of Directors' representative after appointment to the Board on June 19, 2019

** – retired from the Board effective June 19, 2019

N/A – means member was not a member of the body at the time of the subject meeting

r. Reports of Board Committees

The FMDQ Board has, as noted above, adopted a formal Board charter which details the Board's role, authority, responsibilities, membership, and operations. The Charter sets out the matters specifically reserved for the Board and the powers delegated to its Committees. The FMDQ Board has four (4) Board Committees. A summary of their activities during the reporting period is set out as follows:

▪ Board Regulation and Risk Management Committee (BRRMC)

The Committee was created by the Board to advance the Company's regulatory and supervisory functions as a self-regulatory organisation under the Investments and Securities Act 2007, in addition to exercising oversight over the nature, extent and approach of the Company's operational risk management plan.

The attendance at BRRMC meetings for the year ended December 31, 2019 is outlined as follows:

S/N	Director	Meeting Dates	Apr. 11	Jul. 16	Oct. 18
1.	Ms. Daisy Ekineh (Chair)		✓	✓	✓
2.	Mr. Dapo Akisanya		✓	✓	✓
3.	Mr. Ebenezer Onyeagwu*		N/A	✓	✓
4.	Mr. Peter Amangbo**		✗	N/A	N/A
5.	Mr. Patrick Akinwuntan		✓	✓	✓
6.	Mr. Bola Onadele. Koko		✓	✓	✓

* -- Appointed to the Board with effect from June 19, 2019

** -- Retired from the Board with effect from June 19, 2019

N/A – means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, BRRMC sought to enhance the Company's regulatory and supervisory functions as a self-regulatory organisation. The Committee, inter alia, oversaw the registration of FMDQ DMBs with the SEC, oversaw the implementation of the Information Security Classification and the activation of the Information Security Management (ISM) franchise, oversaw the development of the Risk Appetite and Systems Control Frameworks, and the development of pertinent risk-related policies as they apply to the Company.

▪ Board Listings, Markets and Technology Committee (BLMTC)

The Committee was created to consider the Company's listings, notings, and quotations propositions, as a securities exchange in Nigeria, in addition to overseeing its technology architecture. The Committee, in the course of 2019, oversaw impactful advancement of the activation of FMDQ's Proprietary Market System and the continued implementation of the Company's technology offering, which is key to its proposition as a technology-driven securities exchange

The attendance at BLMTC meetings for the year ended December 31, 2019 is outlined as follows:

S/N	Director	Jan. 29	Mar. 5	Mar. 30	Apr. 11	May 5	Jun. 15	Jul. 12	Aug. 8	Aug. 22	Aug. 24	Aug. 27	Aug. 29	Sep. 11	Oct. 17
1.	Mr. Jibril Aku (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2.	Mr. Uzoma Dozie*	✓	✓	✓	x	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.	Mr. Dapo Akisanya	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4.	Mr. Sam Ocheho	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5.	Mr. Ebenezer Onyeagwu**	N/A	N/A	N/A	N/A	N/A	N/A	x	✓	✓	✓	✓	✓	✓	✓
6.	Mr. Bola Onadele. Koko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

* -- Retired from the Board with effect from June 19, 2019

** -- Appointed to the Board with effect from June 19, 2019

N/A – means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, the Committee considered and approved the listings and quotations of the following securities and products on the FMDQ Platform:

A. Bond Listings

S/N	Issuer	Description	Approval Date
1.	Stanbic IBTC Bank PLC	₦30.00 billion Series 1 Bond under its ₦150.00 billion Bond Issuance Programme	Jan. 30, 2019
2.	Mixta Real Estate PLC	₦2.96 billion Tranche A and ₦2.32 billion Tranche B Series 2 Bond under its ₦30.00 billion Bond Issuance Programme	Feb. 6, 2019
3.	Access Bank PLC	₦15.00 billion 15.50% Green Bond	Apr. 1, 2019
4.	CERPAC Receivables Funding SPV PLC	₦4.88 billion Bond	Apr. 16, 2019
5.	NSP-SPV PowerCorp PLC	₦8.50 billion Series 1 Bond under its ₦50.00 billion Bond Issuance Programme	Apr. 30, 2019
6.	CERPAC Receivables Funding SPV PLC	₦12.50 billion Series 1 and ₦1.60 billion Series 2 under its ₦25.00 billion Bond Issuance Programme	May 22, 2019
7.	Union Bank of Nigeria PLC	₦30.00 billion Series 3 Fixed Rate Bonds under its ₦100.00 billion Bond Programme	Aug. 21, 2019
8.	Access Bank PLC	₦30.00 billion 7-year 15.50% Fixed Rate Bond	Aug. 27, 2019
9.	Primero BRT Securitisation SPV PLC	₦16.50 billion Series 1 Fixed Rate Bond under its ₦100.00 billion Multi-Medium-Term Bond Programme	Oct. 14, 2019
10.	TAK Agro PLC	₦15.00 billion Series 1 Fixed Rate Bond under the ₦50.00 billion Debt Issuance Programme	Dec. 24, 2019

B. Commercial Paper Registration

S/N	Issuer	Description	Approval Date
1.	Nigerian Breweries PLC	₦100.00 billion CP Programme	Mar. 8, 2019
2.	MTN Nigeria Communications PLC	₦100.00 billion CP Programme	Aug. 22, 2019
3.	CERPAC Receivables Funding SPV PLC	₦6.02 billion CP Programme	Aug. 27, 2019
4.	Dufil Prima Foods PLC	₦30.00 billion CP Programme	Sept. 20, 2019
5.	FSDH Merchant Bank Limited	₦30.00 billion CP Programme	Dec. 13, 2019

C. Commercial Paper Quotation

S/N	Issuer	Description	Approval Date
1.	FBNQuest Merchant Bank Limited	₦1.18 billion Series 5 CP under its ₦100 billion CP Programme	Jan. 29, 2019
2.	Mixta Real Estate PLC	₦9.84 billion Series 1 and ₦2.08 billion Series 2 CPs under its ₦20.00 billion CP Programme	Feb. 6, 2019
3.	Union Bank of Nigeria PLC	₦0.52 billion Series 1 and ₦23.83 billion Series 2 CPs under its ₦100.00 billion CP Programme	Feb. 18, 2019
4.	FBNQuest Merchant Bank Limited	₦3.11 billion Series 6 CP under its ₦100.00 billion CP Programme	Feb. 18, 2019
5.	Flour Mills of Nigeria PLC	₦5.18 billion Series 5 and ₦1.74 billion Series 6 CPs under its ₦100.00 billion CP Programme	Mar. 5, 2019
6.	UACN Property Development Company	₦5.62 billion Series 32 and ₦7.96 billion Series 33 CPs under its ₦24.00 billion CP Programme	Mar. 12, 2019
7.	Mixta Real Estate PLC	₦0.83 billion Series 3 and ₦2.16 billion Series 4 CPs under its ₦20.00 billion CP Programme	Mar. 28, 2019
8.	FBNQuest Merchant Bank Limited	₦3.84 billion Series 7, ₦0.98 billion Series 8 and ₦3.22 billion Series 9 under its ₦100.00 billion CP Programme	May. 23, 2019
9.		₦10.62 billion Series 10 CP under its ₦100.00 billion CP Programme	May. 27, 2019
10.	Sterling Bank PLC	₦24.50 billion Series 8 CP under its ₦100.00 billion CP Programme	Jun. 19, 2019
11.	Nigerian Breweries PLC	₦0.18 billion Series 1 and ₦14.81 billion Series 2 CPs under its ₦100.00 billion Commercial Paper Programme	Jul. 9, 2019
12.	Stanbic IBTC Capital PLC	₦9.88 billion Series 46 and ₦17.9 billion Series 47 CPs under its ₦100.00 billion Commercial Paper Programme	Jul. 12, 2019
13.		₦0.48 billion Series 48, ₦0.24 billion Series 49 and ₦36.74 billion Series 50 CPs under its ₦100.00 billion Commercial Paper Programme	Jul. 31, 2019
14.	Flour Mills of Nigeria PLC	₦12.43 billion Series 7 CP under its ₦100.00 billion Commercial Paper Programme	Aug. 7, 2019

15.		₦2.13 billion Series 8, ₦2.41 billion Series 9 and ₦8.19 billion Series 10 CPs under its ₦100.00 billion CP Programme	Aug. 16, 2019
16.	Nigerian Breweries PLC	₦15.67 billion Series 3 and ₦9.36 billion Series 4 CPs under its ₦100.00 billion CP Programme	
17.	FBNQuest Merchant Bank Limited	₦3.26 billion Series 11, ₦1.00 billion Series 12, ₦2.01 billion Series 13 and ₦0.91 billion Series 14 CPs under its ₦100.00 billion CP Programme	Aug. 19, 2019
18.	Dangote Cement PLC	₦4.78 billion Series 5, ₦4.65 billion Series 6, ₦40.57 billion Series 7, ₦3.048 billion Series 8, ₦2.87 billion Series 9, ₦44.09 billion Series 10, ₦35.00 billion Series 11 and ₦15.00 billion Series 12 CPs under its ₦150.00 billion CP Programme	Aug. 28, 2019
19.	Mixta Real Estate PLC	₦2.15 billion Series 5, ₦6.49 billion Series 6, ₦5.51 billion Series 7, ₦1.99 billion Series 8 and ₦1.10 billion Series 9 CPs under its ₦20.00 billion CP Programme	Sept. 2, 2019
20.	Coronation Merchant Bank Limited	₦3.74 billion Series 3 and ₦9.40 billion Series 4 CPs under its ₦100.00 billion CP Programme	Sept. 12, 2019
21.	Mixta Real Estate PLC	₦1.06 billion Series 10 and ₦1.29 billion Series 11 CPs under its ₦20.00 billion CP Programme	Sept. 16, 2019
22.		₦2.04 billion Series 15 CP under its ₦100.00 billion CP Programme	Sept. 25, 2019
23.	FBNQuest Merchant Bank Limited	₦3.31 billion Series 16 CP under its ₦100.00 billion CP Programme	Oct. 17, 2019
24.		₦1.57 billion Series 17 CP under its ₦100.00 billion CP Programme	Oct. 29, 2019
25.		₦3.31 billion Series 18 CP under its ₦100.00 billion CP Programme	Nov. 15, 2019
26.	Stanbic IBTC Bank PLC	₦17.95 billion Series 51 CP under its ₦100.00 billion Multi-currency CP Programme	Nov. 18, 2019

27.	CERPAC Receivables Funding SPV PLC	₦2.78 billion Series 1 CP under its ₦6.02 billion CP Programme	Nov. 19, 2019
28.	Mixta Real Estate PLC	₦2.53 billion Series 12 CP under its ₦20.00 billion CP Programme	Nov. 22, 2019
29.		₦4.11 billion Series 13 CP under its ₦20.00 billion CP Programme	Dec. 9, 2019
30.		₦2.40 billion Series 14 CP under its ₦20.00 billion CP Programme	Dec. 20, 2019

D. Enrolled PCB Programmes

S/N	Issuer	Description	Approval Date
1.	InfraCorp Funding SPV Limited	₦200.00 billion Multi-Issuer Infrastructure Debt Issuance Programme	Sept. 26, 2019

E. Naira Sukuk Bonds - (FGN)

S/N	Issuer	Description	Approval Date
1.	Federal Government of Nigeria Road Sukuk Company 1 PLC	₦100.00 billion 7 year 15.743% Ijarah Sukuk	Jul. 29, 2019

F. Naira Bonds (FGN)

S/N	Issuer	Description	Approval Date
1.	Federal Government of Nigeria Green Bond	₦15.00 billion 7-Year 14.50% Fixed Rate Green Bond II due 2026	Oct. 9, 2019

G. Listed FCY Bonds

S/N	Issuer	Description	Approval Date
1.	Federal Republic of Nigeria Eurobond	\$0.75 billion 9.248% Bond due 2049, \$1.00 billion Bond 8.747% due 2031 and \$1.12 billion 7.625% Bond due 2025	Feb. 11, 2019
2.	Federal Republic of Nigeria Eurobond	\$1.25 billion 7.143% and \$1.25 billion 7.696% Bonds	Apr. 8, 2019

H. Listed Funds

S/N	Issuer	Description	Approval Date
1.	Chapel Hill Denham Nigeria Infrastructure Debt Fund S4	98.13 million units of ₦108.45 each	Apr. 26, 2019
2.	First Ally Asset Management Limited Money Market Fund	1.00 million units of ₦1.00 each	Jul. 18, 2019
3.	Cordros Money Market Fund	10.00 million units of ₦100.00 each	Aug. 9, 2019
4.	FSDH Treasury Bills Money Market Fund	15.00 million units of ₦100.00 each	Sept. 30, 2019
5.	SFS Fixed Income Fund	500.00 Units of ₦1.00 each	Nov. 22, 2019

▪ Board Finance and General-Purpose Committee (BFGPC)

The Committee was created by the Board to oversee the Company's financial affairs, strategy, and operational structure/approach. The Committee supports and advises the Board in exercising this responsibility and exercises authority delegated to it by the Board in relation to matters set out as its mandate

The attendance at BFGPC meetings for the year ended December 31, 2019 is outlined as follows:

S/N	Director	Meeting Dates					
		Mar. 26	Apr. 12	Jul. 12	Jul. 25	Oct. 18	Dec. 10
1.	Mr. Peter Amangbo (Chair)*	✓	✓	x	N/A	N/A	N/A
2.	Mr. Kayode Akinkugbe	x	✓	✓	✓	✓	✓
3.	Mr. Uzoma Dozie*	✓	x	x	N/A	N/A	N/A
4.	Mr. Sam Ocheho	✓	✓	✓	✓	✓	✓
5.	Mr. Ebenezer Onyeagwu**	N/A	N/A	N/A	✓	x	✓
6.	Mr. Emeka Eriwuwa**	N/A	N/A	N/A	✓	✓	x
7.	Mr. Bola Oluadele Koko	✓	✓	✓	✓	✓	✓

* -- Retired from the Board with effect from June 19, 2019

** -- Appointed to from the Board with effect from June 19, 2019

N/A – means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, the Committee, amongst other things, received, reviewed, and considered the FMDQ Group 2020 - 2024 Strategic Plan and the audited financial statements for the year ended December 31, 2019 as presented by Management, and reported thereon to the Board. Additionally, the Committee developed propositions in relation to a capital raise and diversification of the company's shareholding, and oversaw the advancement of the Group's strategic partnerships.

▪ Board Governance and Human Resources Committee (BGHRC)

The Committee was created by the Board to oversee the Company's corporate governance and human capital structures.

The attendance at BGHRC meetings for the year ended December 31, 2019 is outlined as follows:

S/N	Director	Meeting Dates			
		Apr. 11	Jul 17	Oct. 11	Dec. 11
1.	Mr. Kennedy Uzoka (Chair)	x	x	✓	✓
2.	Mr. Kayode Akinkugbe	✓	✓	✓	✓
3.	Mr. Sam Ocheho	✓	✓	✓	✓
4.	Mr. Dapo Akisanya	✓	✓	✓	✓
5.	Mr. Emeka Emuwa *	N/A	✓	x	x

Public* -- Became a member of BGHRC after the meeting of June 19, 2019

N/A -- means member was not a member of the body at the time of the subject meeting

Activities for Period Under Review

During the period under review, the Committee, amongst other things, upgraded the Company's corporate governance and administrative architecture by updating the existing Corporate Policies and approving new ones. The Committee also accepted and oversaw the execution of the proposition to position FMDQ as a High-Performance Organisation ("HPO") over the period.

Excerpt from Board Evaluation Report



21 May 2020

REPORT ON THE OUTCOME OF THE BOARD EVALUATION FOR THE YEAR ENDED 31 DECEMBER 2019

PricewaterhouseCoopers ("PwC") was engaged to carry out an evaluation of the Board of Directors of FMDQ Holdings PLC ("FMDQ") or ("the Company") as required by Section 15.1 of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies in Nigeria ("the Code" or "SEC Code"). The evaluation covers the Board's structure, composition, responsibilities, processes, relationships and performance of the Committees for the period ended 31 December 2019.

FMDQ Holdings PLC
The Exchange Place,
35, Idowu Taylor
Street, Victoria Island
Lagos

The Board is responsible for the preparation and presentation of the information relevant to its performance. Our responsibility is to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 2 November 2018. In carrying out the evaluation we have relied on representations made by members of the Board and Management and on the documents provided for our review.

The Board has complied significantly with the provisions of the SEC Code. Areas of compliance include: the Board's leadership and relevance of Directors' competence on the Board, Board structure and governance, and its oversight of the financial performance of the Company. Furthermore, the Board took oversight of the management of the Company by reviewing and approving policies and proposals for management implementation. Details of our other findings and recommendations are contained in our report.

We also facilitated a Self and Peer Assessment of each Director's performance in the year under review. This assessment covered the Director's time commitment to the business of the Company, commitment to continuous learning and development and a self & peer assessment. Each individual Director's assessment report was prepared and is made available to them respectively while a consolidated report of the performance of all Directors is submitted to the Board Chairman.

Yours faithfully,
for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Director
FRC/2017/ICAN/00000016659

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700; www.pwc.com/ng, RC 39418

Partners: S Abu, O Adekoya, O Adeola, T Adeleke, W Adetokunbo-Ajayi, UN Akpata, O Alakhume, C Azobu, E Erhie, K Erikume, U Muogilim, P Obianwa, T Ogundipe, C Ojechi, O Oladipo, P Omontuemen, O Osinubi, T Oyedele, AB Rahji, O Ubah

COMPANY'S REMUNERATION POLICY

Policy Statement

The purpose of this Policy is to provide stakeholders with an understanding of the remuneration philosophy and policy applied by the Company for employees, Management and Directors (executive and non-executive). FMDQ believes in performance motivation with the use of a transparent reward system and has established this as a continued practice in the organisation.

Remuneration Philosophy

The Company's Board of Directors and its Governance and Human Resources Committee set a remuneration philosophy which is tailored to specific circumstances of the organisation in order to enable FMDQ attract, motivate and retain highly skilled and performing staff and Management, including Executive Directors. The philosophy is reflective of market best practices and incentivises all employees and the Non-Executive Directors (NEDs) to pursue the short and long-term growth and successes of FMDQ within an appropriate control framework, to promote sustainable value creation for shareholders. The Company's remuneration scheme, which is objective, transparent and in line with best practices, shall also be subject to the following:

a) Transparent Communication/Non-Discriminatory Practices

- All forms of discrimination are not acceptable, i.e. race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, age, disability, religion, belief, political opinion, culture, language, etc.
- While remuneration in FMDQ shall be free of discriminatory distinction, objective distinction based on performance and demonstration of pre-defined competencies shall be applied
- All information required to take decisions regarding remuneration shall be communicated frankly and openly, while the confidentiality of the personal remuneration information of individuals shall be guarded
- The Company shall reward all staff fairly and consistently according to their roles and individual value-add to the organisation

b) Performance-driven Remuneration

- FMDQ strives to strengthen the link between performance and remuneration by establishing and operating a performance management system that makes it possible to differentiate between excellent, average and below average performers

c) Affordability

- FMDQ sets limits with regard to remuneration and other human resource costs, informed by its Strategic Plan, as well as consideration of the annual budgetary realities, peers' pay scales and inflation rate

d) Benchmarking

- FMDQ may participate in an annual benchmarking compensation/remuneration survey to determine the competitiveness and fairness of its pay structure

Remuneration Structure for Employees

The Company shall adopt a remuneration structure which is mindful of the total cost of each employee to the Company and allocates a total value to an employee's role/ job content and Grade & Level, as approved by the Board Governance and Human Resources Committee.

Remuneration for Non-Executive Directors

NEDs shall receive fixed annual fees for service rendered on the Board and Board Committee meetings. The component of NEDs' remuneration may include:

- (i) A sitting allowance for each Board Committee and Board meetings attended during the year Chairing a Committee shall attract a higher allowance
- (ii) An annual vacation allowance for the NED and
- (iii) Any other as may be approved by the Board and shareholders of the Company

Compliance

The Company complies with all applicable laws and codes

Review

The Board Governance and Human Resources Committee, in performance of its duties under the Board Charter, shall review the Company's Remuneration Policy. It shall put to the Board any proposal it deems timely with respect to the items included and the amount earmarked to them. This Policy will be reviewed at least every 2 years from the effective date.

Compliance, Risk & Control

- Governance, Risk & Compliance Structure
- Risk and Control Reports

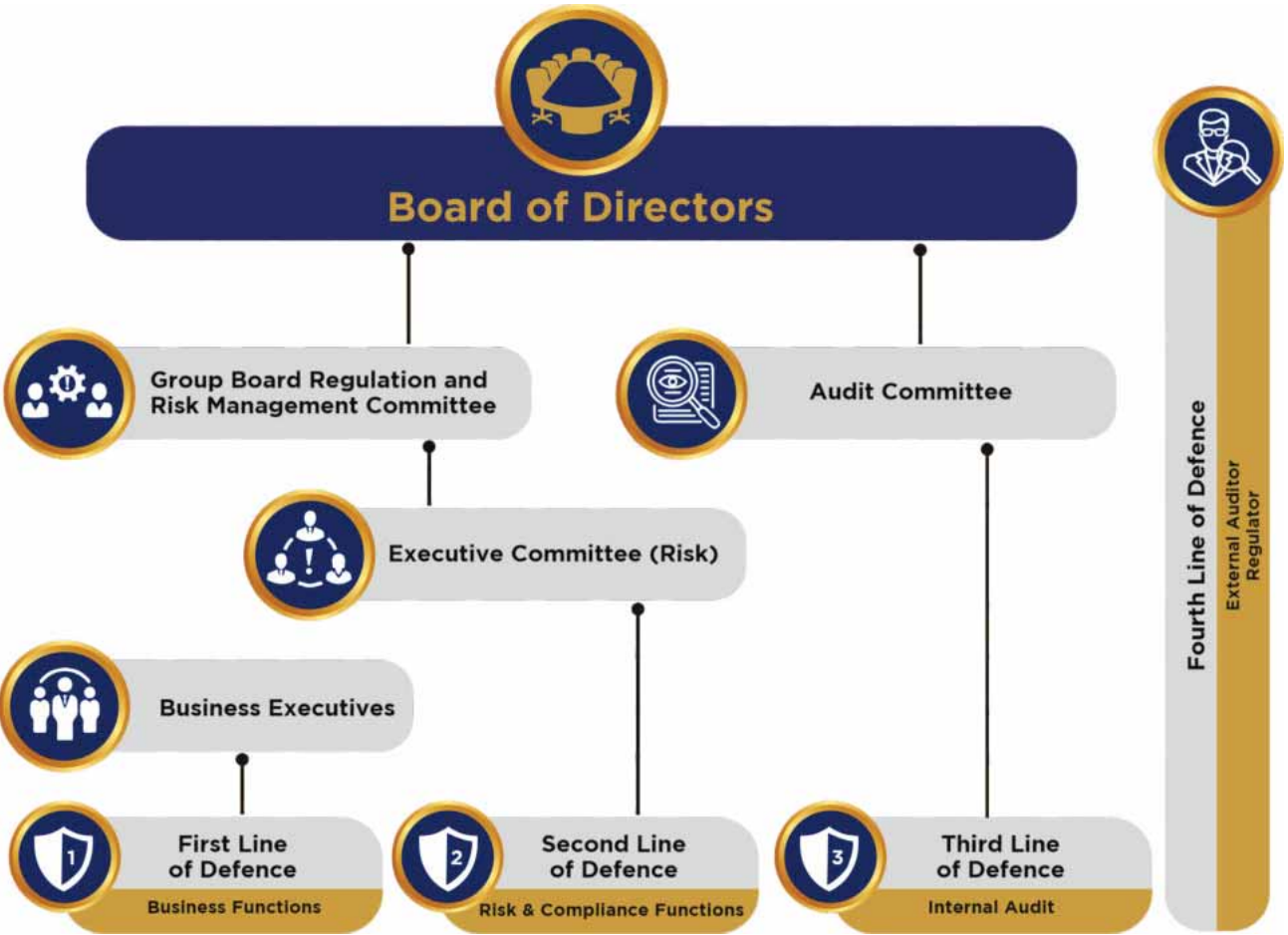


COMPLIANCE, RISK & CONTROL

Governance, Risk & Compliance Structure

The management of FMDQ’s holistic governance, enterprise risk management and compliance is guided by global best standards - the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”) Internal Control - Integrated Framework 2013, the ISO 31000 Risk Management and the International Organisation of Securities Commissions (IOSCO) principles and guidelines. In line with the requirements of the global risk management standards, FMDQ developed a Governance, Risk and Compliance (“GRC”) Framework which supports the risk and compliance functions.

These functions are managed by a robust governance structure led by the Board through the “Four (4) Lines of Defence” Model, with oversight from the Board Regulation and Risk Management Committee, Executive Committee (Risk) and Management (Business Executives).



The Board is primarily responsible for the oversight of the risk management programme throughout the Group; sets and approves the Group strategy, risk management framework and risk appetite, GRC model and delegates suitable responsibilities pertaining to the management of enterprise risk to the Board Regulation and Risk Management Committee. The Board Committee supports the Board through the monitoring of compliance with risk policies, adequacy of internal controls, the risk profile of FMDQ against Board-approved risk appetite and reporting of risk management matters to the Board.

The Audit Committee monitors and reviews the activities of internal audit as well as the Group’s GRC Framework on a regular basis. The Committee also ensures that the internal audit function has the necessary resources and access to relevant information to perform its role.

The Executive Committee (Risk) (“ExCo-Risk”) ensures the application of a consistent and effective approach across the Group to manage the risks associated with its business and operations. ExCo-Risk also mandates full implementation of appropriate risk management processes and methodologies, and champions risk management initiatives across the Group.

Management is involved in the day-to-day administration and monitoring of risks and acts as risk champions – catalysts for enterprise-wide risk management initiatives, promotes awareness of the Group's risk policies and ensures a strong risk awareness culture amongst all categories of staff.










In addition to the GRC structure, the execution of risk management policies and procedures across the Group is well coordinated via the “Four (4) Lines of Defence” model, which consists of Business Units, risk and compliance functions, internal audit franchise and external auditor/regulator.



Risk Management Report

FMDQ constantly assesses the risk exposures inherent in its business operations and operating environment, in line with the defined broad risk categories approved by the Board. The broad risk categories are adequately treated through the following mitigation measures.

Risk Management Report

Broad Risk Category	Description	Mitigation Strategy
 Strategic Risk	The uncertainties in the Group's strategic intent and in the achievement of its strategic goals and objectives.	<ul style="list-style-type: none"> Strategic risk assessment Periodic evaluation of operating environment, as well as macroeconomic conditions Scenario analysis and impact assessment
 Business Risk	The possibility that the Group's operations or competitive environment will cause it to generate financial results that are worse than expected.	<ul style="list-style-type: none"> Close monitoring of FMI industry trends, competitors and evolving technology landscape Product and service diversification Stakeholders engagement and relationship management
 Regulatory Risk	The potential impact of a change in laws, rules and regulations that affect the business and any other activities of the Group.	<ul style="list-style-type: none"> Active engagement with regulators and policy makers Periodic monitoring of changes in regulatory landscape, standards and requirements both globally and locally
 Operational Risk	The probability of a loss as a result of failed or inadequate processes, people, systems and external events. These risks include legal risks but exclude strategic and reputational risks.	<ul style="list-style-type: none"> Application of a robust operational risk management framework, internal control processes Business Continuity Management Plan Independent assessment of the Group's IT infrastructure by an external party
 Hazard Risk	A major exogenous or endogenous factor which affects the environment in which the Group operates. Many of these factors, however, cannot be controlled.	<ul style="list-style-type: none"> Occupational, Health & Safety procedures Business Continuity Management Plan Physical security measures and enhancements Fire drills and trainings
 Financial Risk	The risk that movement in prices of financial assets will lead to a loss (Market Risk) and the risk that a company or bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process to fulfil financial obligation (Liquidity Risk).	<ul style="list-style-type: none"> Establishment of investment limits and asset quality via Board-approved Investment Policy Gap analysis Sensitivity analysis Mark-to-market analysis
 Credit Risk	The risk of an economic loss from the failure of a counterparty to fulfill its contractual obligations, or from the increased risk of default during the term of the transaction.	<ul style="list-style-type: none"> Investment limit Credit rating guiding eligibility of investible securities Collateral management and margin collections Stress testing to determine adequacy of collected margins
 Financial Accounting Risk	The risk to the reliability of information reported in the Group's financial statements.	<ul style="list-style-type: none"> Internal control review of Group's Financial Reports, investment securities validation Independent audit of Group's Financial Statements
 Compliance Risk	The potential impact of exposure to regulatory or legal penalties, financial forfeiture and material loss as a result of failure to act in accordance with statutory laws, rules and regulations, internal policies and code of conduct, or prescribed best practices. This may expose the Group to the risk of fines, penalties and litigation.	<ul style="list-style-type: none"> Compliance monitoring programme and periodic update of Compliance Register and Calendar Periodic scanning of regulatory environment Review and interpretation of rules and regulations by legal functions (both in-house and external) Training and awareness programmes

Information Security Report

As a systemically important FMI group, FMDQ ensures that the best information security practices are established to protect the confidentiality, integrity, and availability of its information technology (“IT”) assets. Whilst the Group constantly upgrades its IT security measures, the developing technology landscape and attendant digitalisation continue to expose FMDQ to cyber risks, requiring huge investments to manage.

To ensure that the Group continues to build resiliency in its IT network and system, FMDQ, during the year in view, developed a robust roadmap to attain ISO 27001 certification. The attainment of the certification will further ascertain the adequacy and effectiveness of the extant Information Security Management System (ISMS) and provide assurance to the stakeholders of the Group. 2019 saw the engagement of an external Consultant to conduct quarterly Vulnerability Assessment and Penetration Testing (“VAPT”) exercises, to regularly evaluate the exposure of the Group's IT application and network to vulnerabilities that can be exploited by unauthorised parties. The Group closely monitors the execution of remedial plans established to address identified vulnerabilities, as part of its commitment to keep up with emerging trends and global best practices. In addition, the Group upgraded its IT policies and systems to align with the requirements of Nigeria Data Protection Regulation (“NDPR”) and General Data Protection Regulation (“GDPR”) and protect the personal identifiable information of data subjects.

In addition to the procurement and deployment of in-house IT security assessment tools to support the periodic VAPT conducted by independent consultants, the Group periodically conducts IT security awareness for staff through publication of newsletters, facilitation of workshops, administration of questionnaires, amongst others.

SEC Supervisory Report

As a capital Market Holding Company with SEC-registered subsidiaries, FMDQ is required by law to comply with the provisions of the Investment and Securities Act, 2007 (ISA) and the SEC Rules and Regulations, 2013 (SEC Rules), in its capacity as the apex regulator of the Nigerian capital market.

The Commission, empowered by the ISA, in the exercise of its general and specific rule-making authority, adopts a consultative approach by obtaining inputs from capital market operators and participants before its final adoption.

In its supervisory role, the SEC periodically conducts routine inspections, audit and inquiries into the activities of capital market operators and SROs, to ensure uniformed compliance with its provisions. The Board of Directors and Management, in line with their commitment, adhered to relevant SEC Rules, as well as relevant recommendations from the SEC in their quest to develop the Nigerian capital markets.

Anti-Fraud Policy

FMDQ maintains a zero-tolerance approach to fraud, bribery, and corruption; and will uphold all applicable laws relevant to countering and investigating such activities across its businesses and operations.

The Anti-Fraud Policy (“AF Policy”) is an expression of our commitment to the fight against bribery and corruption. FMDQ believes that an effective implementation of its Policy will strengthen its reputation, build the respect of employees, raise credibility with key stakeholders, maximise shareholder value, and ultimately support global economic growth. The Group's Policy applies to all transactions, operations, projects, bid processes, procurement, negotiations, arrangements, documentation processes, applications, activities, agreements, contracts, awards, decisions, practices, and other business dealings of the Group.

FMDQ is committed to:

- Developing an anti-fraud culture across the Group
- Seeking to minimise the opportunities for fraud, bribery, and corruption
- Having effective systems, procedures, and controls in place to enable the prevention and detection of fraud, corruption, bribery
- Ensuring that all staff are aware of the risks of fraud, bribery and corruption and understand their obligations to report any actual or suspected incidents of fraud, bribery, or corruption
- Taking all reports of fraud, bribery, and corruption seriously, and investigating them proportionately and appropriately
- Meeting its obligations to report any incident of fraud, bribery, and corruption to appropriate external authorities
- Observing and upholding its policy on fraud

FMDQ will continue to apply high standards of honesty and integrity consistently across its operations and in all its business dealings. The Company operates according to our core values and is committed to preventing corruption and bribery in all its form and does not tolerate this in its business or in those with whom it does business with.

Internal Control Report

FMDQ's internal control framework is modelled after the COSO Framework, which defines internal control as “a process effected by an entity's Board of Directors, Management and other personnel, to provide reasonable assurance regarding the achievement of objectives” in three (3) categories - *effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations*. The scope of internal control at FMDQ therefore, extends to policies, plans, procedures, processes, systems, activities, functions, projects, initiatives, and endeavours of all types at all levels of the Group.

The COSO model, which consists of five (5) components as shown below, is integrated to FMDQ's operational and control environment.

Control Environment

01

This sets the tone for internal control. Through our strong tradition of good corporate governance and a corporate culture based on sound business ethics and accountability, the actions of Management and its commitment to effective governance are transparent to all. Furthermore, the Group has developed a formal Code of Ethics that is communicated to all staff (including new recruits). We have adopted a Whistleblowing Policy, under which whistle blowers can raise concerns to a designated independent third party who will report to the Management. Our overall aim is to build risk awareness and control responsibility into our culture, which are the foundation of our internal control systems.

Risk Assessment

02

We continue to improve our risk management process and the quality of information generated, while maintaining a simple and practical approach. We have embedded risk management into our operations and functional areas; through a bottom-up and top-down approach, the Group conducts periodic group-wide risk assessment to identify and evaluate risks inherent in our business operations. Supported by a strong risk culture, Business Units are risk conscious and open to disclose risk and loss events, through relevant risk monitoring tools developed by Management, for tracking and resolution. On an annual basis, Business Units review and update their risk registers, providing assurances that controls are both embedded and effective.

Control Activities

03

Our core business involves well-established business processes. Control activities have traditionally been built on top-level reviews, segregation of duties, and physical controls. These control policies are now formalised as written policies and procedures, with defined limits of delegated authority and segregated duties and controls. A greater use of automation is also being implemented. As a proactive organisation, the embedded controls across business processes are continuously being reviewed for adequacy and effectiveness, with a primary objective to leverage preventive and detective controls.

Information and Communication

04

Management reports to the Group Board Regulation and Risk Management Committee on a quarterly basis on the state of internal controls in the Group. Key policies such as the Whistleblowing Policy, Employee Code of Conduct, Disciplinary Policy, etc., are duly communicated to all staff and posted on the Group's intranet. Furthermore, the Internal Audit function reviews the state of controls in the Group and provides an independent report to the Audit Committee on a quarterly basis. The AGMs are organised and attended by external parties such as shareholders who actively participate in proceedings. FMDQ's Annual Reports are publicised on the Group's corporate website, making available information on the financial performance of FMDQ to external parties.

Monitoring

05

The Group Board Regulation and Risk Management Committee oversees the group-wide control framework – policies and procedures. Management provides reports to the Group Board Regulatory and Risk Management Committee on major risks, effectiveness and adequacy of extant controls and appropriate mitigating measures. Also, the Internal Audit franchise independently assesses and reports control deficiencies to the Audit Committee to ensure deployment of adequate resources to mitigate risks perceived to be of high impact, which could threaten the achievement of the Group's Strategic Objectives. Management actively monitors corrective actions on these deficiencies and an update report is also provided to the Group Board Regulation and Risk Management Committee on a quarterly basis.





Organisation Design

- Board of Directors
- Audit Committee
- Management Team
- Organisation Structure
- Communication Policy

BOARD OF DIRECTORS



Dr. Kingsley Obiora
Group Chairman

Dr. Obiora is the Deputy Governor, Economic Policy Directorate, Central Bank of Nigeria (CBN). He is also the Chairman of the Africa Finance Corporation.

Prior to his appointment at the CBN, he served as an Alternate Executive Director at the International Monetary Fund (IMF) in Washington D.C., United States of America, where he was responsible for conducting the daily operations of the IMF and also assisted to represent the interests of twenty-three (23) African countries including Nigeria. He also worked at the West African Monetary Institute and the Centre for Econometric and Allied Research at the University of Ibadan. He was also Special Adviser on Economic Matters to the Governor of the CBN, as well as Technical Adviser to Nigeria’s National Economic Management Team. He represents the CBN on the Board of FMDQ Group.

Mr. Jibril Aku
Group Vice-Chairman

Mr. Aku is the Chairman of the Board of Directors of SunTrust Bank Nigeria Limited. He was formerly Group Head Strategy of Ecobank Transnational Incorporated and prior to that engagement, the Managing Director/CEO of Ecobank Nigeria Limited, Executive Director of Afribank PLC (now Skye BankPLC) and Treasurer of Citibank Nigeria Limited.

He is a member of and represents the Financial Markets Dealers’ Association Board of Trustees on the Board of FMDQ. He is also Chairman of FMDQ NIBOR Committee and the erstwhile President of the Money Market Association of Nigeria (now FMDA).



BOARD OF DIRECTORS



Mr. Kennedy Uzoka

Non-Executive Director

Mr. Uzoka is the Group Managing Director/CEO of United Bank of Africa (UBA) PLC.

Prior to this appointment, he served as the CEO of UBA Africa, managing the Group's country subsidiaries across eighteen (18) countries in Africa, as well as supervising key strategic support areas in Digital Banking, Information Technology and Personal Banking. He represents Systemically Important Banks on the Board of FMDQ Group.

Mr. Ebenezer Onyeagwu

Non-Executive Director

Mr. Onyeagwu is the Group Managing Director/CEO of Zenith Bank PLC.

He has served Zenith Bank PLC in various capacities; as Executive Director in charge of Lagos and South-South Zones, and was responsible for strategic groups/business units of the bank, including Financial Control & Strategic Planning, Treasury and Correspondent Groups, Human Resources Group, Oil and Gas Group, and Credit Risk Management Group etc. He represents Systemically Important Banks on the Board of FMDQ Group.



Ms. Daisy Ekinah

Non-Executive Director

Ms. Ekinah is the Technical Advisor to the Capital Market Master Plan Implementation Council. She was a one-time Chair of the African & Middle East Regional Committee of the International Organisation of Securities Commissions. She serves as an Independent Non-Executive Director and was appointed to the Board of FMDQ Group pursuant to the Company's Articles.

She previously served as the Chief Operating Officer of Global Mandate Consulting Limited, former Acting Director-General of the Securities and Exchange Commission, Nigeria, as well as Executive Commissioner (Operations), and Director, Securities, and Investment Services at the Commission. She is also the Chairman of FMDQ Depository Limited.



BOARD OF DIRECTORS



Mr. Emeka Onwuka, OON

Non-Executive Director

Mr. Onwuka is the Partner and Head of Private Clients & Family Wealth Practice at Andersen Tax Nigeria, a member and collaborating firm of Andersen Global. He sits on the Boards of Ecobank Nigeria Limited and Airtel Networks Limited (Bharti Airtel).

Prior to this, he served as Group Managing Director, Diamond Bank PLC, and Chairman, Enterprise Bank Limited, among others. He serves as an Independent Non-Executive Director on the Board of FMDQ Group. He is also the Chairman of FMDQ Securities Exchange Limited.

Mr. Sadiq Mohammed

Non-Executive Director

Mr. Mohammed is the Deputy Group Chief Executive Officer of the Asset & Resource Management (ARM) Group, where he is responsible for providing strategic direction for the Group's business, as well as for other businesses within the ARM Group.

He sits on the Board of SunTrust Bank Nigeria Limited. He serves as an Independent Non-Executive Director on the Board of FMDQ Group. He is also the Chairman of FMDQ Clear Limited.



Mr. Bola Onadele. Koko

Group Managing Director/Chief Executive Officer, FMDQ Group

Mr. Onadele is the Chief Executive Officer of FMDQ Group. He serves as a Non-Executive Director on the Boards of FMDQ Securities Exchange Limited, FMDQ Clear Limited, and FMDQ Depository Limited, as well as, Chairman of FMDQ Private Markets Limited and iQx Consult Limited.

Prior to this engagement, he was the President of FDHL, a financial markets and risk management consulting firm he founded in 2001, where he provided business leadership in the empowerment of the Nigerian financial market. His career spans across Citibank Nigeria (Chief Dealer), FCMB Limited (Treasurer), Trust Bank of Africa (Merchant Bankers) (Managing Director/CEO) and Leadbank PLC (Chief Operations Officer). He is a member of the Board of Trustees of the Financial Markets Dealers' Association.



AUDIT COMMITTEE



Mr. Nnamdi Okonkwo Committee Chairman

Mr. Okonkwo is the Managing Director/CEO, Fidelity Bank PLC, where he also served as the Executive Director in charge of the Bank's businesses in Southern Nigeria until 2014. He has over two (2) decades of experience in the banking sector, having worked at Merchant Bank of Africa, Nigeria, Guaranty Trust Bank and United Bank for Africa, where he was the Regional CEO of the bank's West Africa Monetary Zone covering Ghana, Liberia, and Sierra Leone. Mr. Okonkwo also serves as a Non-Executive Director at Nigeria Inter-Bank settlement system PLC and Unified Payment Services Limited

Mr. Banjo Adegbohunge Member

Mr. Adegbohunge is the Managing Director/CEO of Coronation Merchant Bank Limited. He has over twenty-five (25) years' banking experience in operations, technology and product management spanning international trade, foreign and local payments, foreign exchange, fixed income, money markets and loans. He worked at Citibank Nigeria Limited (formerly Nigeria International Bank Limited) and Access Bank PLC prior to joining Coronation Merchant Bank Limited in July 2018.



Mrs. Hamdah Ambah Member

Mrs. Ambah is the Managing Director/CEO of FSDH Merchant Bank Limited, where she was previously an Executive Director. She has over three (3) decades of professional work experience in the financial services sector. She is a member of the Nigerian Chartered Institute of Stockbrokers and was awarded the 1999 IBTC award for the best examination candidate in Corporate Finance.

FMDQ Audit Committee Members (Directors)

The FMDQ Board representation on the Audit Committee includes the following Directors:

- Mr. Ebenezer Onyeagwu ▪ Mr. Sadiq Mohammed
- Mr. Emeka Onwuka, OON



MANAGEMENT TEAM



Mr. Bola Onadele. Koko

Group Managing Director/
Chief Executive Officer, FMDQ Group

Mr. Onadele is the Chief Executive Officer of FMDQ Group. He serves as a Non-Executive Director on the Boards of FMDQ Securities Exchange Limited, FMDQ Clear Limited, and FMDQ Depository Limited, as well as, Chairman of FMDQ Private Markets Limited and iQx Consult Limited.

Prior to this engagement, he was the President of FDHL, a financial markets and risk management consulting firm he founded in 2001 where he provided business leadership in the empowerment of the Nigerian financial markets. His career of over twenty-six (26) years spans across Coopers and Lybrand Associates (Chartered Accountant), Citibank Nigeria (Chief Dealer), FCMB Limited (Treasurer), Trust Bank of Africa (Merchant Bankers) (Managing Director/CEO) and Leadbank PLC (Chief Operations Officer). He is a member of the Board of Trustees of FMDA.

Ms. Kaodi Ugoji

Group Chief Operating Officer, FMDQ Group

Ms. Ugoji is the Group Chief Operating Officer of FMDQ Group, overseeing five (5) Divisions – Marketing Communications, Strategic Planning, Finance Services, Assurance Services and Research – and the General Internal Services Group. She also serves as a Non-Executive Director on the Board of all FMDQ Group subsidiaries – FMDQ Securities Exchange Limited, FMDQ Clear Limited, FMDQ Depository Limited, FMDQ Private Markets Limited and iQx Consult Limited.

She holds a master's degree in Finance and Management from Cranfield University, UK; a Bachelor's degree in Accountancy from the Rivers State University of Science and Technology, Nigeria; and a Professional Certificate in Strategic Management from Harvard University, USA. Kaodi has over nineteen (19) years' experience in Treasury, Asset Management, Business Development, Marketing Communications, Finance, Project Management and Strategy functions of various organisations including Guaranty Trust Bank PLC, Hermes Investment Managers Limited, London, UK, Diamond Bank PLC and Guinness Nigeria PLC.



Ms. Tumi Sekoni

Managing Director, FMDQ Securities Exchange Limited

Ms. Sekoni is the Managing Director of FMDQ Securities Exchange Limited. She also serves as a Non-Executive Director on the Boards of FMDQ Clear Limited, FMDQ Depository Limited, FMDQ Private Markets Limited and iQx Consult Limited.

She holds an MBA from Durham Business School, UK; and a bachelor's degree in Economics from the University of Lagos, Nigeria. Over the last nineteen (19) years, Tumi has built her career across Trading, Operations, Business Analysis, Business Development, Products & Markets Development, Marketing and Project Management in various organisations including Guaranty Trust Bank PLC, Goldman Sachs International, UBS London and Merrill Lynch.



Mr. Ayodele Onawunmi

Ag. Managing Director, FMDQ Clear Limited

Mr. Onawunmi is the Ag. Managing Director of FMDQ Clear Limited. He also serves as a Non-Executive Director on the Board of FMDQ Private Markets Limited. Prior to joining FMDQ Clear, he was the Managing Partner of 213 Capital, an African focused investment and risk advisory firm.

He holds a master's degree in Finance from London Business School, UK; and a bachelor's degree in Basic Medical Sciences from the University of Ibadan, Nigeria. Ayodele has over twenty (20) years' experience in Trading, Corporate & Investment Banking, Pension Fund Management and Financial Market Consulting in various organisations, including Access Bank PLC and Chapel Hill Denham Group.

Mr. Emmanuel Alao

Chief Operating Officer, FMDQ Depository Limited

Mr. Alao is the Chief Operating Officer of FMDQ Depository Limited. Prior to joining FMDQ Group, he was the Chief Information Officer at Air Peace Nigeria Limited.

He holds a master's degree in Business Administration from CASS Business School, City University, UK, and a bachelor's degree in Electronics & Electrical Engineering from the University of Benin, Nigeria. Emmanuel's work experience of over twenty-seven (27) years' spans across Technology, Project Management and Consulting functions in various organisations including Citibank Nigeria, FCMB Limited, London International Financial Futures & Options Exchange, JPMorgan Chase, Santander UK, KPMG UK and Air Peace Nigeria Limited.



Mr. Leke Adekoya

Ag. Managing Director, iQx Consult Limited

Mr. Adekoya is Ag. Managing Director of iQx Consult Limited. Prior to joining iQx Consult, he was the Account Director for West Africa at Mastercard Incorporated, a financial technology payment service provider.

He holds a master's degree in Cyber Security from Maryville University, USA; a bachelor's degree in Agriculture Engineering from Obafemi Awolowo University, Nigeria; and is a Certified ScrumMaster®, amongst other qualifications. Leke has over eighteen (18) years' experience in Digital Payment Technology, e-Business, Agile Project Management, Process Improvement (lean six-sigma), Enterprise Solution Design & Delivery, and Technology Start-up Advisory functions in various organisations including Nextzon Business Service Limited, Stanbic IBTC Bank PLC, Access Bank PLC and Africa Fintech Foundry.





Mr. Oye Onwuka

Ag. Managing Director, FMDQ Private Markets Limited

Mr. Onwuka is the Ag. Managing Director of FMDQ Private Markets Limited.

He holds a Bachelor's degree in Civil Engineering from the University of Benin, Edo State, Nigeria.

Oye is an experienced professional with about twenty-six (26) years' work experience across various areas including Private Equity, Digital Marketing, Real Estate, Corporate Finance, International Trade, Treasury Management, amongst others. He has been involved in several start-up companies in the technology and real estate sectors.

Mrs. Funlola Akintonde

Head, Human Resources, FMDQ Group

Mrs. Akintonde is the Head, Human Resources of FMDQ Group, comprising three (3) Groups - Recruitment & HR Operations, Talent Management and Culture & People Engagement.

She holds a bachelor's degree in Economics from University of Ibadan, Nigeria; and is a Certified R3 Consultant. Funlola has over sixteen (16) years' experience in Human Resources (HR) Management, Business Support, Administration, HR & Management Consulting, and Business Process Redesign. She worked with various organisations including Eczeillon Capital, UBA Capital PLC, Chapel Hill Denham Group, KPMG Professional Services, MTN Nigeria and Accenture. Prior to joining FMDQ, she was the Lead Consultant for Aracely Limited, a Human Resource consulting firm that delivers successful solutions to businesses.



Mr. Efe Shaire

Head, Business Innovation, FMDQ Group

Mr. Shaire is the Head, Business Innovation of FMDQ Group. Prior to joining FMDQ, he was the Head, East Africa Investment Banking at Absa Group Limited. He holds a bachelor's degree in Biochemistry from the Ambrose Alli University, Nigeria; and is a CFA Institute Charter Holder.

Efe has over sixteen (16) years' experience working in Corporate & Investment Banking and has worked for clients across the Financial Services, Infrastructure and Telecommunications, Media and Technology (TMT) sectors at institutions including, Guaranty Trust Bank PLC, United Bank for Africa PLC and Absa Group Limited. He has advised clients on marquee transactions spanning Mergers & Acquisitions, Equity and Debt Capital Markets products.



Mrs. Adaze Uzor-Kalu

Head, External Relations, FMDQ Group

Mrs. Uzor-Kalu is the Head, External Relations of FMDQ Group, comprising two (2) Groups – Government & Regulatory Relations and Economic Development Alliances. Prior to joining FMDQ Group, she was the Executive Director, Asset Management at the Nigerian Electricity Liability Management Company.

She holds a bachelor's degree in Accounting and Finance from the London Metropolitan University, UK; is a fellow of the Association of Chartered Certified Accountants; and a member of the Institute of Chartered Accountants of Nigeria. Adaze brings over twenty (20) years' of experience across private and public sectors in areas such as Financial Accounting, Investment Banking, Infrastructure Debt Capital Raising, Housing Finance, Strategy and Business Development from organisations such as BGL PLC, Federal Housing Authority, Cluttons LLP, UK, O2 Telecoms UK and Fortis Bank.

Ms. Jumoke Olaniyan

Head, Market Architecture, FMDQ Securities Exchange Limited

Ms. Olaniyan is the Head, Market Architecture of FMDQ Securities Exchange, comprising five (5) Groups – Fixed Income & Currencies Markets, Equity Market, Derivatives Market, Market Regulation and Academy.

She holds a bachelor's degree in Accounting from the University of Jos, Nigeria; and is a Certified Treasury Dealer. As a Dealer and later a Research and Capacity Development Consultant, her over fourteen (14) years' of work experience spans across Training, Consulting and Banking, within various organisations including IBFC Augusto Training Limited (now IBFC Alliance Limited), FDHL and Guaranty Trust Bank PLC. Jumoke developed and facilitated several financial markets training programs and authored the Financial Markets Diagnosis and Outlook Reports for the CBN and the SEC.



Mr. Dipo Omotoso

Head, Information Services, FMDQ Securities Exchange Limited

Mr. Omotoso is the Head, Information Services of FMDQ Securities Exchange, comprising two (2) Groups – Market Data and Index Services.

He holds a master's degree from the University of Calabar, Nigeria; and a bachelor's degree in Chemistry from Obafemi Awolowo University, Nigeria. Dipo has over nineteen (19) years' of work experience in Securities Trading, Treasury Operations, Treasury Risk Management and Strategic Planning, Development and Management. His career spans across institutions including the Nigerian Stock Exchange, BGL Securities Limited and Diamond Bank PLC. Prior to joining FMDQ Exchange, he served as the Head, Markets & Treasury Services at SunTrust Bank Limited.



Mr. Rotimi Adebisi

Head, Depository Services, FMDQ Depository Limited

Mr. Adebisi is the Head, Depository Services of FMDQ Depository Limited. Prior to joining FMDQ Depository, he was the Chief Executive Officer at HIP Asset Management Co. Limited.

He holds a Sloan Fellows MBA from Massachusetts Institute of Technology, USA, and a bachelor's degree in Economics from the University of Ibadan, Nigeria. He is a Fellow of the Institute of Chartered Accountant of Nigeria and an Associate of the Chartered Institute of Stockbrokers. Rotimi has over (20) years' experience in Treasury and Portfolio Management from institutions such as Access Bank PLC, Standard Chartered PLC, First Bank of Nigeria, Skye Bank (now Polaris Bank Limited), Kakawa Discount House Limited (now FBNQuest Merchant Bank).

Mrs. Tayo Bakare

Head, Depository Operations, FMDQ Depository Limited

Mrs. Bakare is the Head, Depository Operations of FMDQ Depository Limited. Prior to joining FMDQ Depository, she was the Head, Global Markets Operations at Stanbic IBTC Bank PLC.

She holds a bachelor's degree in Industrial Relations and Personnel Management from the University of Lagos, Nigeria. Tayo has about seventeen (17) years' work experience in Marketing, Treasury and Banking Operations Management (Branch Operations, Reconciliation, Clearing, Domestic Operations and Archive Management) from organisations such as United Bank for Africa PLC and Metropolitan Bank Limited.



Mrs. Shola Olufosoye

Head, Information Technology, iQx Consult Limited

Mrs. Olufosoye is the Head, Information Technology of iQx Consult Limited, comprising three (3) Groups - Application Management, Infrastructure Management and Enterprise Technology Services.

Shola's over twenty-five (25) years' experience spans across Customer & Relationship Management in Citibank Nigeria Limited, Head of Information Technology with First City Monument Bank Limited, and subsequently Chief Information Officer of Computer Warehouse Group. She served on the Technology Committee which saw the creation of ValuCard Nigeria Limited and Interswitch PLC.



Mr. Yemi Osinubi

Head, Private Capital

Mr. Osinubi is the Head, Private Capital Division responsible for business and market development, as well as stakeholder engagement.

He holds an MBA in Finance & Management Information Sciences from the University of Houston, Texas, USA; a Bachelor's degree in Biochemistry from the University of Lagos, Nigeria; and is a Chartered Financial Analyst.

Yemi has over twenty-two (22) years of work experience spanning across Project & Infrastructure Finance, Corporate Development, Private Equity and Financial Advisory within various organisations including Aquila Energy Capital Corporation, Oando PLC, African Capital Alliance, Riverbank Capital Limited and the International Finance Corporation.

Mr. Emmanuel Etaderhi

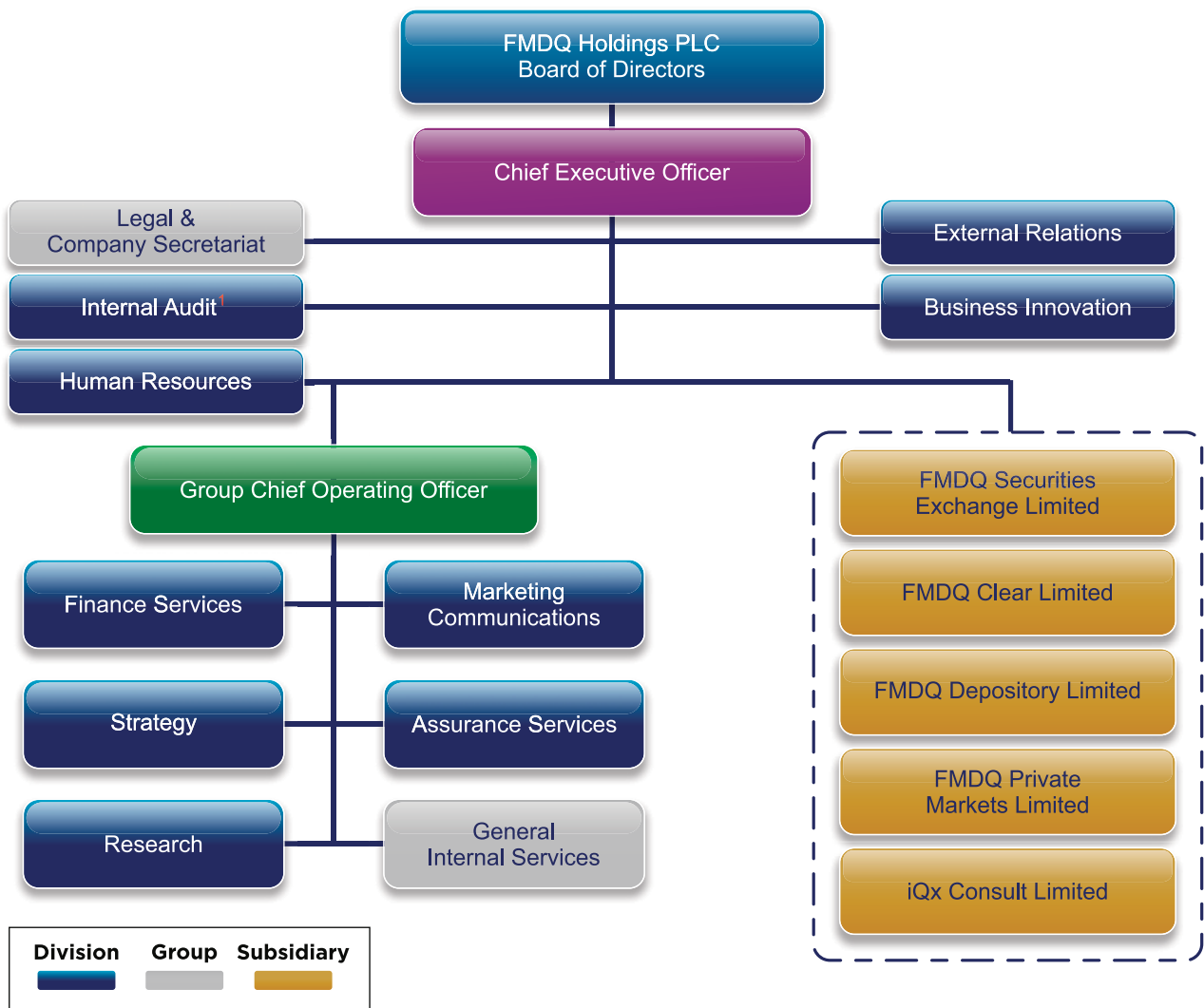
Executive Secretary, FC4S Lagos

Mr. Etaderhi is the Executive Secretary, Financial Centre for Sustainability, Lagos. Prior to this, he was the Head, Economic Development Division, comprising three Groups - Government & Regulatory Relations, Financial Sector Development and Debt Markets Support. He holds a Master's degree in Management, a Master's degree in Economics and a Bachelor's degree in Business Administration from the University of Lagos, Nigeria.

Emmanuel's work experience of over twenty-five years spans across the Financial Services and Power & Energy Sectors, where he was Head of Financial Advisory & Economic Research at Financial Derivatives Company Limited, Head of Research at Keystone Bank Limited and Acting Head, Strategy/Chief Economist at Unity Bank PLC. Prior to joining FMDQ in 2014, he served the Delta State Government as Special Assistant to the Finance Commissioner.



ORGANISATION STRUCTURE



¹ Internal Audit reports to the Audit Committee

COMMUNICATIONS POLICY

Policy Statement

FMDQ is committed to the dissemination of timely, accurate and quality information to its internal and external stakeholders. All internal and external communications should be aimed towards the achievement of FMDQ's vision and mission and should be in line with its approved Strategy. All external communication must be approved by Communications Group ("CMG"), through the Group Chief Operating Officer ("GCOO"). The CEO shall approve all communication with government representatives and FMDQ's regulators, as well as confidential or sensitive information. Exceptions may exist in situations where such communication is part of a Division/Group's functions; for example, Business Development Division's communication with its existing/potential Members and clients and Market Services Group's communication with existing FMDQ Members, to mention a few.

All presentations/materials for external use must be reviewed by CMG prior to exposing these documents to the stakeholders to ensure brand compliance and accuracy of information related to the Company. This includes presentations to external stakeholders at meetings, seminars, conferences, etc. and materials to be uploaded to the website.

FMDQ's relationship with the press media, particularly business reporters, is at the heart of its success. The media, which serves as the medium through which FMDQ reaches its external stakeholders, is accorded high priority in FMDQ. As such, communication with media is to be handled with the highest levels of sensitivity and professionalism and must always be handled by CMG as this is the approved Group for communication and interface with the media. Only Authorised Persons shall be permitted to grant interviews of any sort (print, TV, online) and be quoted with respect to FMDQ's external communications.

Guidelines for Internal Communication

FMDQ's internal communication is targeted at all its internal stakeholders, towards the achievement of its overall objectives. Furthermore, internal communication is aimed at strengthening the organisational culture and feeling of commitment among the internal stakeholders, thereby increasing active participation and team spirit.

Internal communication shall be handled by the Divisions/Groups responsible for such correspondence, including Marketing Communications Division and Human Resources Division (for Staff members) and Legal & Company Secretariat Group (for Board of Directors).

Communication between and amongst Staff members must always be professional. Staff members are to be addressed by either their first names or by their initials in all written communication, except letters which must bear the full name of the Staff member. The use of titles, nicknames or any other names is strictly prohibited in written communication.

Disclosure of Confidential Information

FMDQ is committed to providing timely, accurate, and complete disclosure of its basic company information in an appropriate manner. Disclosure of confidential information is however strictly prohibited as detailed in the FMDQ Confidentiality and Non-Disclosure Agreement which is signed by all Staff members upon assumption of duty. Violation of this Agreement may attract legal redress.

Public Statements of Personal Opinion

FMDQ staff are to refrain from making public statements of opinion regarding FMDQ, its markets and the Nigerian financial markets, and from presenting personal opinions regarding the Group as facts. Such public statements may include quotes given to media, contribution to blogs, published articles, etc. Any such public statements must be approved by the CEO (or his designate) before publication.

DERIVATIVES

FIXED INCOME

CURRENCIES

Financial Reports

Price	Revenue	Sales Volume	Rev. Increase	NET
2,178	890	120,020.00	9%	1.23E+
1,000.00	654	44,545.00	34%	5.6E+01
5,540.00	454	4,324.00	4%	4.5E+01
34,344.00	454	65,484.00	3%	1.2E+01
43,232.00	34	43,444.00	34%	4.2E+01
657,465.00	878	4,545.00	55%	3.43E+02
2,178	890	120,020.00	9%	
1,000.00	654	44,545.00	34%	

Directors' Report

For the year ended 31 December 2019

The Directors present their annual report on the affairs of FMDQ Holdings PLC ("the Company") and its subsidiaries together with the audited financial statements and auditor's report for the year ended 31 December 2019.

(a) Legal form

FMDQ Holdings PLC, formerly FMDQ Securities Exchange PLC, was incorporated as FMDQ OTC PLC in Nigeria under the Companies and Allied Matters Act, 2004 on 6 January 2011 as a public liability company, and was registered by the Securities and Exchange Commission (SEC) on 6 November 2012 to perform its functions as a securities exchange and self-regulatory organisation. The Company commenced operations on 1 January 2013.

Effective 16 December 2019, the Company transferred its securities exchange license to a newly incorporated SEC-registered subsidiary company, FMDQ Securities Exchange Limited, and subsequently became a non-operating holding company in line with the Securities and Exchange Commission's new requirements for holding companies operating in the capital markets.

(b) Principal Activities

The principal activities of the Company were developing, organising and regulating the fixed income, currencies and derivatives markets, and providing a platform for registration, listing, quotation, noting and trading of debt securities, as well as trading of currencies and derivatives.

Effective 1 January 2020, the Company became a non-operating holding company.

The Company has three wholly owned subsidiary companies, FMDQ Clear Limited, FMDQ Depository Limited and FMDQ Securities Exchange Limited. The results of the subsidiary companies have been consolidated in these financial statements.

(c) Operating Results

Highlights of the Group's operating results for the year are as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Operating income	21,457,264	13,203,865	17,708,739	13,250,430
Profit before taxation	13,219,585	7,208,815	10,667,280	6,172,807
Taxation	(2,982,707)	(1,572,763)	(3,101,383)	(1,562,502)
Profit after tax	10,236,878	5,636,052	7,565,897	4,610,305

(d) Proposed dividend

No dividend was proposed by the Board of Directors in respect of the financial year ended 31 December 2019 (December 2018: Nil).

(e) Directors and their Interests

The Directors who held office during the year and to the date of this report were:

Name of Director	Position
Dr. Okwu Joseph Nanna	Group Chairman
Mr. Jibril Aku	Group Vice Chairman
Mr. Bola Onadele. Koko	Group Managing Director/CEO
Mr. Peter Amangbo***	Director
Mr. Kennedy Uzoka	Director
Mr. Kayode Akinkugbe****	Director
Ms. Daisy Ekineh	Director (Independent)
Mr. Sam Ocheho****	Director
Mr. Dapo Akisanya****	Director
Mr. Patrick Akinwuntan****	Director
Mr. Uzoma Dozie***	Director
Mr. Emeka Emuwa*****	Director
Mr. Ebenezer Onyeagwu*	Director
Mr. Emeka Onwuka**	Director
Mr. Sadiq Mohammed**	Director



- * Appointed 19 June 2019
 ** Appointed 20 December 2019
 *** Resigned 19 June 2019
 **** Resigned 20 December 2019
 ***** Appointed 19 June 2019, Resigned 20 December 2019

None of the Directors have an interest in the shareholding of the Company as required to be disclosed under section 275 of the Companies and Allied Matters Act (CAMA), of Nigeria, 2004.

(f) Directors' interest in contracts

None of the Directors have notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of Nigeria, 2004 of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

(g) Major shareholding

According to the register of members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2019.

Name	2019 No of shares	2019 % Holding	2018 No of shares	2018 % Holding
Central Bank of Nigeria	100,000,000	15.61%	100,000,000	15.61%
Financial Markets Dealers Association (FMDA)	79,074,074	12.34%	79,074,074	12.34%
NSE Consult Limited	41,666,667	6.50%	41,666,667	6.50%

The analysis of the distribution of the shares of the Company at the end of the financial year is as follows:

31 December 2019

Share range (Local shareholders)

	No. of Shareholders	% Holding	No. of holdings
1-15,000,000	18	42.14%	270,000,000
15,000,001 and above	8	57.86%	370,740,741
	26	100.00%	640,740,741

31 December, 2018

Share range (Local shareholders)

	No. of Shareholders	% Holding	No. of holdings
1-15,000,000	18	42.14%	270,000,000
15,000,001 and above	8	57.86%	370,740,741
	26	100.00%	640,740,741

(h) Property and equipment

Information relating to changes in property and equipment is given in Note 26 to the financial statements.

(i) Charitable contributions and other donations

The Company made no charitable contributions and donations during the year (December 2018: Nil).

(j) Employment of disabled persons

The Company had no disabled person in its employment as at 31 December 2019 (December 2018: Nil). The applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as much as possible, be identical with that of other employees.

(k) Health, safety and welfare at work

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The Company retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Company's expense. Fire-fighting equipment are installed in strategic locations within the Company's premises.

(l) Employee consultation and training

The Company places considerable value on the involvement of its employees and has a policy of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. The Company places emphasis on employee development and training. Members of staff embarked on different training programs in the course of the year.

(m) Transfer of Operations

FMDQ Holdings PLC has obtained approval to transfer its securities exchange registration to FMDQ Securities Exchange Limited and will therefore discontinue operations as a securities exchange and become a non-operating Holding Company effective 1 January 2020.

(n) Events after the end of the reporting date

On 11 March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic and most governments have taken restrictive measures to contain its further spread by introducing lock downs, closures of borders and travel restrictions which have affected the free movement of people and goods. The Nigerian Centre for Disease Control (NCDC) has confirmed COVID-19 cases in Nigeria and this has resulted in lock down in certain states. The pandemic has caused a significant reduction in social interactions, disruption in economic activities, while some public facilities have been shut down in a bid to reduce the spread of the virus.

The Company considers this outbreak to be a non-adjusting subsequent event. As the situation is fluid and rapidly evolving, the Directors do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak and will continue to evaluate the impact of COVID-19 on the Company's operations, financial position and operating results.

As at the date these financial statements were authorised for issue, the Directors were not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

There were no other events after the reporting date that could have had a material effect on the financial statements of the Company that have not been provided for or disclosed in these financial statements.

(o) Auditors

Messrs KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditors of the Company. In accordance with section 357 (2) of the Companies and Allied Matters Act of Nigeria, 2004 therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD



Mr. Ajibola Asolo
Company Secretary
FRC/2015/NBA/00000013523
28 May 2020

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2019

The Directors accept responsibility for the preparation of the annual consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Group (the Company)'s ability to continue as a going concern and have no reason to believe the Group (the Company) will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Mr. Jibril Aku

Group Vice Chairman

FRC/2013/CIBN/00000001879

28 May 2020



Mr. Bola Onadele. Koko

Group Managing Director/CEO

FRC/2014/ICAN/00000008637

28 May 2020

Audit Committee Report

For the year ended 31 December 2019

To the members of FMDQ Holdings PLC

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, 2004, the members of the Audit Committee of FMDQ Holdings PLC hereby report on the financial statements for the year ended 31 December 2019 as follows:

- (i) We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperation of Management and staff in the conduct of these responsibilities.
- (ii) We are of the opinion that the accounting and reporting policies of the Company are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Company's internal control systems.
- (iii) After due consideration, the Audit Committee accepted the report of the auditors that the financial statements were in accordance with ethical practices and generally accepted accounting principles and give a true and fair view of the state of the Company's financial affairs.
- (iv) We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from Management in the course of their final audit and we are satisfied with Management's responses thereon and with the effectiveness of the Company's system of accounting and internal control.



Mr. Nnamdi John Okonkwo

Chairman, Audit Committee

FRC/2013/ICAN/00000006963

28 May 2020

Members of the Audit Committee

1. Mr. Nnamdi John Okonkwo	Shareholder representative	Chairman
2. Mrs. Hamda Ambah	Shareholder representative	Member
3. Mr. Abubakar Jimoh*	Shareholder representative	Member
4. Mr. Banjo Adegbhungbe**	Shareholder representative	Member
5. Mr. Kayode Akinkugbe***	Director	Member
6. Mr. Sam Ocheho***	Director	Member
7. Mr. Patrick Akinwuntan***	Director	Member
8. Mr. Sadiq Mohammed****	Director	Member
9. Mr. Emeka Onwuka****	Director	Member
10. Mr. Ebenezer Onyeagwu****	Director	Member

* Resigned 1 February 2020

** Appointed 1 February 2020

*** Resigned 20 December 2019

**** Appointed 1 January 2020



KPMG Professional Services
KPMG Tower
Bishop Abiodun Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of FMDQ Holdings PLC (Formerly FMDQ Securities Exchange PLC)

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FMDQ Holdings PLC (“the Company”) and its subsidiaries (together, “the group”), which comprise the consolidated and separate statements of financial position as at 31 December, 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 119 to 172.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 December, 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information. The other information comprises the Directors’ Report, Statement of Directors’ Responsibilities, Corporate Information, Audit Committee report and Other National Disclosures, but does not include the consolidated and separate financial statements and our auditor’s report thereon. Other information also include financial and non-financial information such as Corporate Governance Report, Performance Review, Corporate Social Responsibility, Notice of Annual General Meeting, Chairman’s Statement, Chief Executive Officer’s Review, Report to the Directors on the outcome of the Board Evaluation, Sustainability Strategy, Report on Compliance, Risk and Control, amongst others, together the “Outstanding reports”, which are expected to be made available to us after that date.

Our audit opinion is based on the audit evidence obtained. It is the responsibility of the directors to ensure that the financial statements are prepared in accordance with the applicable financial reporting framework. We are not responsible for preparing or reviewing the financial statements or for the accuracy or completeness of the information presented in the financial statements.

Our audit opinion is based on the audit evidence obtained. It is the responsibility of the directors to ensure that the financial statements are prepared in accordance with the applicable financial reporting framework. We are not responsible for preparing or reviewing the financial statements or for the accuracy or completeness of the information presented in the financial statements.



Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group (and Company)’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group (and Company) or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated and separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group (and Company)’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group (and Company)’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements

Our audit was conducted in accordance with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) and the Auditing Standards Board (ASB) of the Institute of Chartered Accountants of Nigeria (ICAN).

Our audit was conducted in accordance with the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) and the Auditing Standards Board (ASB) of the Institute of Chartered Accountants of Nigeria (ICAN).



or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (and Company) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Анека

Nneka Eluma, FCA
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
29 May 2020
Lagos, Nigeria

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Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	<i>Notes</i>	Group	Group	Company	Company
<i>In thousands of Naira</i>		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Treasury income	9	3,190,982	8,338,042	-	-
Treasury expense	10	(1,134,144)	(3,336,855)	-	-
Net treasury income		2,056,838	5,001,187	-	-
Transaction fees (net)	11	2,381,877	1,890,956	2,381,877	1,890,956
Clearing and futures management fees	12	12,318,374	4,355,978	-	-
Interest income	13	1,889,341	252,994	767,630	170,634
Other income	14	2,786,546	1,696,770	14,534,944	11,182,860
Gain on foreign exchange revaluation	15	24,288	5,980	24,288	5,980
Total Operating Income		21,457,264	13,203,865	17,708,739	13,250,430
Impairment charge on financial assets	17	(137,018)	(8,927)	(46,706)	(3,697)
Personnel expenses	16	(4,122,226)	(2,510,165)	(3,869,902)	(2,436,610)
Other operating expenses	18	(3,494,592)	(3,236,001)	(2,641,008)	(4,397,359)
Depreciation	26	(478,942)	(235,132)	(478,942)	(235,132)
Amortisation	27	(4,901)	(4,825)	(4,901)	(4,825)
Profit before taxation		13,219,585	7,208,815	10,667,280	6,172,807
Income tax expense	19(a)	(2,982,707)	(1,572,763)	(3,101,383)	(1,562,502)
Profit after taxation		10,236,878	5,636,052	7,565,897	4,610,305
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
FVOCI debt instruments - net change in fair value	32(d)	406,103	12,654	396,790	16,632
Other comprehensive income, net of income tax		406,103	12,654	396,790	16,632
Total comprehensive income for the year		10,642,981	5,648,706	7,962,687	4,626,937

The accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statements of Financial Position*As at 31 December 2019*

<i>In thousands of Naira</i>	<i>Notes</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
ASSETS					
Cash and bank balances	20	9,536,031	721,353	332,796	536,018
Investment securities	21	16,147,529	12,033,788	7,717,276	1,841,640
Client resolution fund (CRF) asset	22	30,044,416	33,792,665	-	-
Margin and fixings variance settlement assets	23	172,601,258	130,150,700	-	-
Other assets	24	3,419,506	2,053,907	6,204,888	6,078,281
Investment in subsidiaries	25	-	-	11,000,000	500,000
Property and equipment	26	1,796,773	1,543,218	1,796,773	1,543,218
Intangible assets	27	33,446	15,675	33,446	15,675
Deferred tax assets	19(d)	214,879	-	28,834	-
Total assets		233,793,838	180,311,306	27,114,013	10,514,832
LIABILITIES					
Client resolution fund (CRF) liability	29	30,044,416	33,792,665	-	-
Margin and fixings variance settlement liabilities	30	172,601,258	130,150,700	-	-
Other liabilities	28	9,442,617	7,044,237	9,176,636	2,221,892
Provisions	31	44,100	22,754	44,100	22,754
Current tax liabilities	19(c)	3,408,047	1,508,690	3,340,674	1,498,429
Deferred tax liabilities	19(d)	-	181,841	-	181,841
Total liabilities		215,540,438	172,700,887	12,561,410	3,924,916
EQUITY					
Share capital	32(a)	640,741	640,741	640,741	640,741
Share premium	32(b)	21,148	21,148	21,148	21,148
Retained earnings	32(c)	363,779	4,695,328	-	3,669,193
Bonus share reserve	32(e)	9,721,911	-	9,721,911	-
Fair value reserve	32(d)	373,237	(32,866)	369,556	(27,234)
Other reserves	32(f)	7,132,584	2,286,068	3,799,247	2,286,068
Total equity		18,253,400	7,610,419	14,552,603	6,589,916
Total liabilities and equity		233,793,838	180,311,306	27,114,013	10,514,832

These financial statements were approved by the Board of Directors on 28 May 2020 and signed on its behalf by:



Mr. Jibril Aku
Group Vice Chairman
FRC/2013/CIBN/00000001879



Mr. Bola Onadele. Koko
Group Managing Director/CEO
FRC/2014/ICAN/00000008637

Additionally certified by:



Ms. Kaodi Ugoji
Chief Financial Officer*

* The Chief Financial Officer was granted a waiver by the Financial Reporting Council (FRC) to sign the 2019 Annual Report of FMDQ Holdings PLC pending when the Company regularises her registration with the FRC.

The accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statements of Changes in Equity

For the year ended 31 December 2019

Group

31 December 2019

In thousands of Naira

	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Bonus share reserve	Other reserves	Total equity
Balance as at 1 January 2019		640,741	21,148	(32,866)	4,695,328	-	2,286,068	7,610,419
Total comprehensive income for the year								
Profit for the year		-	-	-	10,236,878	-	-	10,236,878
Other comprehensive income		-	-	406,103	-	-	-	406,103
Total comprehensive income		-	-	406,103	10,236,878	-	-	10,642,981
Transactions with owners, recorded directly in equity								
Appropriation of profit	32(c)	-	-	-	(1,513,179)	-	1,513,179	-
Transfer from retained earnings	32(c)	-	-	-	(13,055,248)	9,721,911	3,333,337	-
		-	-	-	(14,568,427)	9,721,911	4,846,516	-
Balance as at 31 December 2019		640,741	21,148	373,237	363,779	9,721,911	7,132,584	18,253,400

31 December 2018

In thousands of Naira

	Share capital	Share premium	Fair value reserve	Retained earnings	Bonus share reserve	Other reserves	Total equity
Balance as at 1 January 2018	640,741	21,148	(45,520)	298,070	-	1,047,274	1,961,713
Total comprehensive income for the year							
Profit for the year	-	-	-	5,636,052	-	-	5,636,052
Other comprehensive income	-	-	12,654	-	-	-	12,654
Total Comprehensive income	-	-	12,654	5,636,052	-	-	5,648,706
Transactions with owners, recorded directly in equity							
Appropriation of profit	-	-	-	(1,238,794)	-	1,238,794	-
	-	-	-	(1,238,794)	-	1,238,794	-
Balance as at 31 December 2018	640,741	21,148	(32,866)	4,695,328	-	2,286,068	7,610,419

Company**31 December 2019***In thousands of Naira*

	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Bonus share reserve	Other reserves	Total equity
Balance as at 1 January 2019		640,741	21,148	(27,234)	3,669,193	-	2,286,068	6,589,916
Total comprehensive income for the year								
Profit for the year		-	-	-	7,565,897	-	-	7,565,897
Other comprehensive income		-	-	396,790	-	-	-	396,790
Total comprehensive income		-	-	396,790	7,565,897	-	-	7,962,687
Transactions with owners, recorded directly in equity								
Appropriation of profit	32(c)	-	-	-	(1,513,179)	-	1,513,179	-
Transfer from retained earnings	32(c)	-	-	-	(9,721,911)	9,721,911	-	-
		-	-	-	(11,235,090)	9,721,911	1,513,179	-
Balance as at 31 December 2019		640,741	21,148	369,556	-	9,721,911	3,799,247	14,552,603

31 December 2018*In thousands of Naira*

	Notes	Share capital	Share premium	Fair value reserve	Retained earnings	Bonus share reserve	Other reserves	Total equity
Balance as at 1 January 2018		640,741	21,148	(43,866)	297,682	-	1,047,274	1,962,979
Total comprehensive income for the year								
Profit for the year		-	-	-	4,610,305	-	-	4,610,305
Other comprehensive income		-	-	16,632	-	-	-	16,632
Total Comprehensive income		-	-	16,632	4,610,305	-	-	4,626,937
Transactions with owners, recorded directly in equity								
Appropriation of profit	32(c)	-	-	-	(1,238,794)	-	1,238,794	-
		-	-	-	(1,238,794)	-	1,238,794	-
Balance as at 31 December 2018		640,741	21,148	(27,234)	3,669,193	-	2,286,068	6,589,916

The accompanying notes form an integral part of these financial statements.

Consolidated and Separate Statements of Cash Flows*For the year ended*

<i>In thousands of Naira</i>	Notes	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Cash flows from operating activities					
Profit for the year		10,236,878	5,636,052	7,565,897	4,610,305
Income tax expense	19(a)	2,982,707	1,572,763	3,101,383	1,562,502
Profit before taxation		13,219,585	7,208,815	10,667,280	6,172,807
Adjustments for:					
Depreciation of property and equipment	26	478,942	235,132	478,942	235,132
Gain on disposal of property and equipment	37(ii)	(1,382)	(1,334)	(1,382)	(1,334)
Gain on transfer of investment securities	37(i)	-	-	(169,546)	-
Impairment charge on financial assets	17	137,018	8,927	46,706	3,697
Amortisation of intangible assets	27	4,901	4,825	4,901	4,825
Foreign exchange gain	37(vii)	(14,136)	(5,980)	(14,136)	(5,980)
Cash-settled share-based payment expense	16	606,346	-	606,346	-
Share dividend from subsidiary	14(f)	-	-	(1,000,000)	-
Interest income	13	(1,385,641)	(235,604)	(742,201)	(153,244)
Interest expense	34(ii)	43,894	-	43,894	-
		13,089,527	7,214,781	9,920,804	6,255,903
Changes in:					
Other assets	37(vi)	(1,824,657)	(1,778,793)	(528,663)	(5,783,040)
Other liabilities	37(v)	3,003,582	6,383,045	7,005,879	1,445,743
Provisions	31	21,346	-	21,346	-
Placement pledged as collateral	20	(5,000,000)	-	-	-
		9,289,798	11,819,033	16,419,366	1,918,606
Tax paid	19(c)	(1,120,387)	(12,973)	(1,110,130)	(12,973)
VAT paid	37(v)	(1,246,517)	(405,175)	(663,975)	(289,378)
Net Cash from operating activities		6,922,894	11,400,885	14,645,261	1,616,255
Cash flow from investing activities					
Interest received	37(iv)	903,904	202,925	581,022	120,165
Acquisition of property and equipment	37(ii)	(732,513)	(1,172,730)	(732,513)	(1,172,730)
Acquisition of intangible assets	27	(22,672)	(2,490)	(22,672)	(2,490)
Proceeds from sale of property and equipment	37(ii)	1,398	9,837	1,398	9,837
Net purchase of investment securities	37(i)	(3,223,236)	(10,188,286)	(8,300,621)	(503,506)
Additional investment in subsidiaries	37(viii)	-	-	(6,340,000)	-
Net Cash used in investing activities		(3,073,119)	(11,150,744)	(14,813,386)	(1,548,724)
Cash flow from financing activities					
Deposit for shares	28	-	124,350	-	124,350
Payment of lease liabilities	34(iii)	(37,400)	-	(37,400)	-
Net Cash (used in)/generated from financing activities		(37,400)	124,350	(37,400)	124,350
Net increase/(decrease) in cash and bank balances		3,812,375	374,491	(205,525)	191,881
Effect of exchange rate changes on cash and bank balances	37(vii)	2,303	(1,117)	2,303	(1,117)
Cash and bank balances at the beginning of the year		721,353	347,979	536,018	345,254
Cash and bank balances at end of the year	20	4,536,031	721,353	332,796	536,018

The accompanying notes form an integral part of these financial statements.



Notes to the Consolidated and Separate Financial Statements

1 Reporting entity

FMDQ Holdings PLC, formerly FMDQ Securities Exchange PLC, was incorporated as FMDQ OTC PLC (the 'Company'), a public liability company, in Nigeria under the Companies and Allied Matters Act of Nigeria, 2004. The Company was incorporated on 6 January 2011 and commenced operations in January 2013. The address of its registered office is 35 Idowu Taylor Street, Victoria Island, Lagos.

In 2017, the Company invested in a new entity, FMDQ Clear Limited. In 2019, the Company invested in two (2) new entities, FMDQ Depository Limited and FMDQ Securities Exchange Limited. The three (3) entities are wholly owned subsidiaries of FMDQ Holdings PLC. As such, the consolidated and separate financial statements as at and for the year ended 31 December 2019 therefore comprise the Company and its subsidiaries (together referred to as 'the Group').

Prior to 16 December 2019, FMDQ Holdings PLC's principal activities was to function as a market organiser, with dual responsibilities of a securities exchange and self-regulatory organisation. It is regulated by the Securities and Exchange Commission. Effective 16 December 2019, the Securities and Exchange Commission granted the Company approval to transfer its securities exchange license to a newly incorporated subsidiary Company, FMDQ Securities Exchange Limited, and become a non-operating holding company in line with the Securities and Exchange Commission's new requirements for holding companies operating in the capital markets.

2. Changes in accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated and separate financial statements. The Group adopted the following new standards and amendments including any consequential amendments to other standards with the initial date of application of 1 January 2019.

(a) IFRS 16 Leases

The Group initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The major impact of the adoption of this standard is that the Group will be required to capitalise all leases (i.e. recognise a right-of-use asset and a lease liability) with the exemption of certain short-term leases and leases of low-value assets.

As a lessee, the Group leases its current office building and an offsite building. Previously, the Group classified its property lease as an operating lease under IAS 17. On transition, for this lease, the lease liability was measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate of 16.01% as at 1 January 2019. The right-of-use asset is measured at either:

- the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use asset for impairment on the date of transition and has concluded that there is no indication that the right-of-use asset is impaired.

Transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities. The impact on transition is summarised below:

<i>In thousands of Naira</i>	1 January 2019
Right-of-use assets – property, plant and equipment (see note 26)	342,856
Lease liabilities (see note 34(iv))	260,003



Notes to the Consolidated and Separate Financial Statements

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 16.01%.

<i>In thousands of Naira</i>	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements (See note 34(ii))	104,711
Discounted using the incremental borrowing rate at 1 January 2019 (see note 34(iv))	260,003
Lease liabilities recognised at 1 January 2019 (see note 34(iv))	260,003

(b) IFRIC 23 Uncertainty over income tax treatments

The amendment clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Group has adopted IFRIC 23 effective 1 January 2019.

Significant accounting policies

Except for the changes explained in note 2, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

3 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and its interpretation committee effective and available as at 31 December 2016. These financial statements comply with the Companies and Allied Matters Act of Nigeria, 2004 and the Financial Reporting Council of Nigeria (FRC) Act, 2011.

The consolidated and separate financial statements were authorised for issue by the Directors on 28 May 2020.

4 Basis of preparation

(a) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for FVOCI financial assets measured at fair value and financial assets measured at amortised cost.

(b) Functional and presentational currency

The consolidated and separate financial statements are presented in Naira, which is the Group's functional currency. Unless otherwise stated, financial information presented in Naira have been rounded to the nearest thousand.

(c) Use of estimates and judgments

The preparation of the consolidated and separate financial statements in conformity to IFRSs requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or the period of the revision and future periods, if the revision affects both current and future years.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 7.

Notes to the Consolidated and Separate Financial Statements

4.1 New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

4.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having control over an investee.

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). When the proportion of the equity held by non controlling interests (NCIs) changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity relating to a subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(c) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(e) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

5.1 Translation of foreign currencies

Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated

Notes to the Consolidated and Separate Financial Statements

to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and are recognised in the profit or loss. Exchange differences on non-monetary assets are accounted for based on the classification of the underlying items.

Translation differences on equities measured at fair value through other comprehensive income are included in other comprehensive income and transferred to the fair value reserve in equity.

5.2 Cash and bank balances

Cash and bank balances are made up of cash, cash equivalents and placements pledged as collateral.

Cash comprises cash in hand and demand deposits. Cash equivalents are short term liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Placements pledged as collateral represents amounts which the Group has placed with its bank as collateral in order to facilitate lending to the Group's Dealing Member Specialists. This balance has also been included as part of cash and bank balances for the purpose of cash flow statements.

Cash and bank balances are carried at amortised cost in the statement of financial position.

5.3 Financial instruments

(a) Recognition and initial measurement

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Classification and subsequent measurement

Financial assets

The Group classifies financial assets into the following categories: amortised cost and FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether Management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows

Notes to the Consolidated and Separate Financial Statements

or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely principal and interest (SPPI) assessment

In assessing whether the contractual cash flows are solely principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features
- prepayment and extension features, and
- terms that limit the Group's claim to cash flows from the specified assets.

Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI for debt instruments are reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, is a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and the rewards of the ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notes to the Consolidated and Separate Financial Statements

(d) Modifications of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (c)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(e) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(f) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(g) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Notes to the Consolidated and Separate Financial Statements

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. Market is regarded as active if transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on a going basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximises the use of relevant technique incorporating all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures the assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to see a net long position (or paid to transfer a net short position) for a particular exposure.

5.4 Impairment of financial instruments

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; and
- Trade and other receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(i) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the assets original effective interest rate.

IFRS 9 ECL Impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a Significant Increase in Credit Risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month probability of default (PD) that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.

Notes to the Consolidated and Separate Financial Statements

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses. The impairment requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the areas of assessing whether the credit risk of an instrument has increased significantly since initial recognition and incorporating forwardlooking information into the measurement of ECLs.

Inputs into measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD)
- exposure at default (EAD)

ECL for exposures in stage 1 (12-month ECL) is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

These parameters are generally derived externally from Standard and Poor's (S&P), Moody's, Fitch and they are adjusted to reflect forward-looking information as described above.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group plans to estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, and counterparty industry. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

EAD represents the expected exposure in the event of a default. The Group expects to derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

Forward looking information (FLI)

The Group will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Group intends to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process would involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations and selected private-sector and academic forecasters. The base case is expected to represent a most-likely outcome and be aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios would represent more optimistic and more pessimistic outcomes.

Impairment on trade receivables - the simplified approach

Loss allowance on trade receivables or contract assets that result from transactions in the scope of IFRS 15 may be measured using a simplified approach. The Group's trade receivables do not contain a significant financing components and have a short duration, typically less than 12 months which means that measuring the loss allowance as lifetime ECLs generally does not differ from measuring at 12-month ECLs. Trade receivables without a significant financing component are measured on initial recognition at the transaction price determined in accordance with IFRS 15 and do not have a contractual interest rate. This implies that the effective interest rate for these receivables is zero accordingly, the discounting of cash shortfalls to reflect the time value of money when measuring ECL is not generally required.

(ii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Consolidated and Separate Financial Statements

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

(iii) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are charged to profit and loss and deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

5.5 Revenue recognition

(i) Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018). The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rate of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(ii) Other income

Other income comprises insurance claims, sponsorship income, bond listing fees, technology services, penalties and fines, membership dues, application fees, commercial paper quotation fees, margin management fee, processing fees, franchise development support and outsourcing (FDSO) income and any other income earned from non-core operations. Other income is recognised when the performance obligations have been satisfied.

Notes to the Consolidated and Separate Financial Statements

(iii) Treasury income

Treasury income represents total interest income earned by the Group from investing the Client Resolution Fund (CRF) assets and Margin and Fixing Variance Settlement Funds. The Group invests the Funds in treasury bills and other money market instruments, through a Fund Manager- Stanbic IBTC Asset Management Limited (SIAML). The income is recognised using effective interest rate.

(iv) Treasury expense

Treasury expense represents total interest expense to be paid to the FX futures clients on the outstanding CRF liabilities. The liabilities represent settlement amounts due on matured FX futures transactions, but which are yet to be claimed by the clients. The Group pays an agreed percentage of the outstanding amounts to the clients.

(v) Processing fees

Processing fee is computed as a third of the total interest earned by the clients on the CRF. The processing fee is earned when the client makes a claim on the FX futures settlement amount by purchasing spot FX for the underlying contract. The unearned portion of the processing fee is recognised as a liability, and unwinds to profit or loss as the client makes claim for the settlement amount sequel to purchase of spot FX.

(vi) Franchise development support and outsourcing (FDSO) income

FDSO income represents fees earned from FMDQ Clear Limited, a wholly owned subsidiary, in respect of the outsourced services rendered by the parent Company. The fees are accrued in line with the executed agreement with the parent Company, which requires FMDQ Clear Limited to pay 75% (2018: 85%) of its realised revenue, excluding interest income on proprietary capital.

(vii) Transaction fees

Transaction fees represent fees charged by the Company on the face value of the secondary market transactions carried out by its Dealing Members on its platform. The Company charges a fee on the face value of the transactions executed.

(viii) Clearing and futures management fees

Clearing fee is earned by the Group on clearing services carried out on the FX futures transactions that were traded on the erstwhile platform of the parent Company, FMDQ Holdings PLC. The fee is a one-off payment and is computed as 0.05% of the face value of the FX futures contract. It is accrued as the income is earned.

Futures management fee is charged to transaction parties for the maintenance and valuation of open contracts and collateral margins.

5.6 Prepayments

Prepayments are essentially insurance paid in advance. Prepayments are carried at cost less amortisation expensed in profit or loss.

5.7 Contingent liabilities

Contingent liabilities are probable obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. However, they are recognised, if it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Contingent liabilities are disclosed in the financial statements when they arise.

5.8 Property and equipment

(i) Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The costs of the day-to-day repairs and maintenance of property and equipment are recognised in profit or loss as incurred.

Notes to the Consolidated and Separate Financial Statements

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Leasehold improvements	over the period of the lease
Motor vehicles	4 years
Office equipment	4 years
Computer equipment	3 years
Right of use assets	Lower of lease term or the useful life for the specified class item

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Depreciation is not recognised on items of property and equipment that are under construction.

(iv) Derecognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

5.9 Intangible assets

Computer software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

5.10 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated and Separate Financial Statements

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

5.11 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Notes to the Consolidated and Separate Financial Statements

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

5.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

5.13 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.



Notes to the Consolidated and Separate Financial Statements

The Group operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2014, with contributions based on the sum of employees' basic salary, housing and transport allowance in the ratio 8% by the employee and 10% by the employer.

The Group's contribution to this scheme is charged to profit or loss in the period to which they relate. Contributions to the scheme are managed by other appointed pension managers on behalf of the beneficiary staff in line with the provisions of the Pension Reform Act.

The Group also operates a defined contribution plan called "Directors' Exit Pay" for its Executive and Non-Executive Directors. Under this plan, the Group contributes 50% of the Executive Director's annual gross salary and 50% of the Non-Executive Directors' annual Director's fees for every year of service. The Group's contributions are managed by a separate Fund Manager and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the Directors upon exit.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Cash-settled share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any change in the fair value of the liability is recognised in profit or loss.

5.14 Taxation

Income tax expense comprises current tax (company income tax, tertiary education tax, National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

Notes to the Consolidated and Separate Financial Statements

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

In line with the Finance Act 2019, minimum tax if applicable will be determined based on 0.5% of gross turnover, less franked investment income, provided the Company earned gross turnover up to N25 million in the relevant year of assessment.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

Finance Act 2020

The Finance Act was signed into law on 13 January 2020. It introduces changes to the Companies Income Tax Act, Value Added Tax Act, Petroleum Profits Tax Act, Personal Income Tax Act, Capital Gains Tax Act, Customs and Excise Tariff, etc. (Consolidation) Act and Stamp Duties Act. Having now been passed by both arms of the National Assembly, and thereafter assented to by the President, it is expected that its provisions will come into force in 2020 calendar year together with the Budget and the Appropriation Act that was signed by the President in December 2019. The Finance Act is applicable to December 2019 year end financial statements.

Following the Finance Act, 2020, the minimum tax rate has been amended to 0.5% of company turnover, and companies with turnover of less than N25 million in a year of assessment will be exempted from the minimum tax. Also the Value added tax is now 7.5% as against 5% effective February 2020.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Notes to the Consolidated and Separate Financial Statements

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

5.15 Share capital and reserves

(i) *Share issue costs*

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) *Dividend on ordinary shares*

Dividends on the Group's ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Group's shareholders. Dividends for the year that were declared after the year end of the reporting period are dealt with in subsequent events note.

(iii) *Fair value reserves*

Fair value reserves represent the fair value gains or losses on valuation of financial assets measured at fair value through other comprehensive income.

(iv) *Share scheme reserve*

Share scheme reserve recognises the impact of revisions to estimates of share-based payment transactions. The movement in this reserve also incorporates share options exercised during a reporting period.

(v) *Bonus share reserve*

Bonus share reserve represents appropriations from retained earnings. These funds are to be used for the issuance of bonus shares to existing shareholders ahead of the capital raise activity. The amount transferred is based on approval by the Board of Directors.

(vi) *Other reserves*

Other reserves warehouse funds appropriated from the Group's retained earnings in order to meet short and medium term strategic objectives. In 2018, N1 billion was transferred from the Company's retained earnings to this reserve. An amount equal to 20% (twenty percent) of the Company's annual Profit After Tax (PAT) is also transferred to this reserve every year. Other amounts appropriated within the Group is based on approval by the Board of Directors.

5.16 Client resolution fund (CRF) assets and liabilities

Client resolution fund represents funds held by the Groups' clearing subsidiary, FMDQ Clear Limited, with respect to settlement amounts on matured FX futures transaction traded on FMDQ's platform, but which are yet to be claimed by the FX futures clients as at the end of the reporting period. The clients are entitled to a fixed interest percentage on the outstanding balance, pending when they claim the funds. The Group invests these funds in treasury bills and other money market instruments and earns interest on the investment. These funds are recognised in the books as assets, and corresponding liabilities (CRF liabilities). In line with the Group's accounting policy, CRF assets and liability are classified and measured at amortised cost.

5.17 Margin and fixings variance settlement assets and liabilities

Margin funds represent cash margins pledged to the Group's clearing subsidiary - FMDQ Clear Limited - by the Central Bank of Nigeria for its open OTC FX Futures contracts. Margin fund assets and liabilities are classified and measured at amortised cost.

Fixings variance settlement funds represent a collection of settlement amounts derived from fixings variance generated when open Nigerian Foreign Exchange Fixing (NiFEX)-based contracts were benchmarked against Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) introduced and administered by FMDQ upon the introduction of the Investors' & Exporters' (I & E) FX Window in April 2017 by the Central Bank of Nigeria. It applies to contracts for which Clients elected NiFEX on their open contract as at the date of commencement of the NAFEX fixings. FMDQ Clear Limited invests these funds in treasury bills and all returns on the investment are fully paid to the CBN. No fees are charged by FMDQ Clear Limited for the administration of these funds. The balances are recognised in the books as assets, and corresponding liabilities.

Notes to the Consolidated and Separate Financial Statements

6 Financial Risk Management

(a) Introduction and overview

The Group's vision is to be Number one in Africa in the Fixed Income and Currency Markets by 2019. Its mission is to empower the financial markets to be innovative and credible, in support of the Nigerian economy. In pursuing its vision, the Group has identified the need to focus on risk management. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group has exposure to the following risks from financial operations:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, receivables and investment in debt securities.

Investment securities

The Group limits its exposure to credit risk by investing mostly in highly liquid money and capital market instruments issued by the Federal Government of Nigeria.

Client resolution fund (CRF) assets at amortised cost

CRF assets represents unclaimed clients' funds which have been invested in government securities. The funds are under the custody of a fund manager, and the credit risk is directly linked on the underlying government securities, which are mostly treasury bills.

Margin and fixings variance settlement assets at amortised cost

The funds are under the custody of a fund manager, and the credit is directly linked to the credit risk on the underlying government securities, which are mostly treasury bills.

Cash and cash equivalents

The Group held bank balances with local banks, assessed to have good credit ratings based on the Group's policy.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

<i>In thousands of Naira</i>	Notes	Carrying amount			
		Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Cash and cash equivalents	20	9,536,031	721,353	332,796	536,018
Investment securities	21	16,147,530	12,033,788	7,717,276	1,841,640
Other assets (net)	24	1,688,836	1,486,648	4,531,910	5,511,773
Client resolution fund assets	22	30,044,416	33,792,665	-	-
Margin and fixings variance settlement assets	23	172,601,258	130,150,700	-	-
		230,018,071	178,185,154	12,581,982	7,889,431

Notes to the Consolidated and Separate Financial Statements

The following table represents an analysis of the credit quality of debt securities at amortised cost, FVTOCI and FVTPL. It indicates whether assets measured at amortised cost or FVTOCI were subject to 12-month ECL or lifetime ECL allowance and in the latter case, whether they were credit-impaired.

GROUP	2019				2018			
	FVOCI	Amortised cost		Total	FVOCI	Amortised cost		Total
<i>In thousands of Naira</i>	12- month ECL	12- month ECL	Lifetime ECL		12- month ECL	12- month ECL	Lifetime ECL	
BBB- to AAA	-	5,995,956	-	5,995,956	-	107,775	-	107,775
BB- to BB+	-	-	-	-	-	-	-	-
B- to B+	12,250,030	211,799,458	79,179	224,128,667	12,033,788	166,052,519	5,063	178,091,370
C to CCC+	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-
Gross carrying amount	12,250,030	217,795,414	79,179	230,124,623	12,063,868	166,160,294	5,063	178,229,225
Loss allowance	-	(106,552)	(79,179)	(185,731)	-	(8,928)	(5,063)	(13,991)
Amortised cost	12,302,530	217,688,862	79,179	229,991,392	12,063,868	166,151,366	-	178,215,234
Carrying amount	12,250,030	217,688,862	79,179	230,018,071	12,033,788	166,151,366	-	178,185,154

COMPANY	2019				2018			
	FVOCI	Amortised cost		Total	FVOCI	Amortised cost		Total
<i>In thousands of Naira</i>	12- month ECL	12- month ECL	Lifetime ECL		12- month ECL	12- month ECL	Lifetime ECL	
BBB- to AAA	-	105,233	-	105,233	-	34,259	-	34,259
BB- to BB+	-	-	-	-	-	-	-	-
B- to B+	7,717,276	4,764,112	46,364	12,527,752	1,841,640	6,017,230	5,063	7,863,933
C to CCC+	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-
Gross carrying amount	7,717,276	4,869,345	46,364	12,632,985	1,865,686	6,051,489	5,063	7,922,238
Loss allowance	-	(4,639)	(46,364)	(51,003)	-	(3,698)	(5,063)	(8,761)
Amortised cost	7,894,617	4,869,345	46,364	12,810,326	1,865,686	6,047,791	-	7,913,477
Carrying amount	7,717,276	4,864,706	-	12,581,982	1,841,640	6,047,791	-	7,889,431

Notes to the Consolidated and Separate Financial Statements

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 90 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Collateral

The Group does not hold collateral.

Concentration risk

Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten the Group's ability to maintain its core operations. It is the risk that common factors within a risk type or across risk types cause credit losses or an event occurs within a risk type which results to credit losses.

As at the reporting date, the Group's credit risk exposure were concentrated as follows:

<i>in thousands of Naira</i>	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Government	16,147,530	12,033,788	7,717,276	1,841,640
Banks/financial services	213,870,541	166,151,366	4,864,706	6,047,791
	230,018,071	178,185,154	12,581,982	7,889,431

(ii) **Liquidity risk**

Liquidity risk is the potential loss arising from the Group's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other Group's risks such as credit, market and operational risks.

The Group maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation.



Notes to the Consolidated and Separate Financial Statements

Maturity analysis for financial assets and financial liabilities

Group

31 December 2019

<i>in thousands of Naira</i>	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and bank balances	20	9,536,031	9,547,878	4,547,878	-	-	5,000,000
Investment securities	21	16,147,529	19,552,591	3,641,504	2,189,331	4,810,550	8,911,206
Other financial assets (net)	24	1,688,836	1,688,836	1,688,836	-	-	-
CRF Assets	22	30,044,416	30,044,416	30,044,416	-	-	-
Margin and fixings variance settlement assets	23	172,601,258	172,601,258	172,601,258	-	-	-
		230,018,070	233,434,979	212,523,892	2,189,331	4,810,550	13,911,206
Other financial liabilities	28	(6,702,363)	(6,702,363)	(6,702,363)	-	-	-
CRF Liabilities	29	(30,044,416)	(30,044,416)	(30,044,416)	-	-	-
Margin and fixings variance settlement liabilities	30	(172,601,258)	(172,601,258)	(172,601,258)	-	-	-
		(209,348,037)	(209,348,037)	(209,348,037)	-	-	-
Gap (assets - liabilities)		20,670,033	24,086,942	3,175,855	2,189,331	4,810,550	13,911,206

31 December 2018

<i>in thousands of Naira</i>	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and bank balances	20	721,353	722,570	722,570	-	-	-
Investment securities	21	12,033,788	12,381,170	9,916,471	-	1,704,291	760,408
Other financial assets (net)	24	1,486,648	1,486,648	1,486,648	-	-	-
CRF Assets	22	33,792,665	33,792,665	33,792,665	-	-	-
Margin and fixings variance settlement assets	23	130,150,700	130,150,700	130,150,700	-	-	-
		178,185,154	178,533,753	176,069,054	-	1,704,291	760,408
Other financial liabilities	28	(5,325,926)	(5,662,817)	(5,662,817)	-	-	-
CRF Liabilities	29	(33,792,665)	(33,792,665)	(33,792,665)	-	-	-
Margin and fixings variance settlement liabilities	30	(130,150,700)	(130,150,700)	(130,150,700)	-	-	-
		(169,269,291)	(169,606,182)	(169,606,182)	-	-	-
Gap (assets - liabilities)		8,915,863	8,927,571	6,462,872	-	1,704,291	760,408

Notes to the Consolidated and Separate Financial Statements

Company

31 December 2019

<i>in thousands of Naira</i>	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and cash equivalents	20	332,796	332,796	332,796	-	-	-
Investment securities	21	7,717,276	2,154,875	1,816,649	1,026,490	325,245	6,407,456
Other financial assets (net)	24	4,531,910	4,531,910	4,531,910	-	-	-
		12,581,982	7,019,581	6,681,355	1,026,490	325,245	6,407,456
Other financial liabilities	28	(8,592,196)	(8,592,196)	(8,592,196)	-	-	-
		(8,592,196)	(8,592,196)	(8,592,196)	-	-	-
Gap (assets - liabilities)		3,989,786	(1,572,615)	(1,910,841)	1,026,490	325,245	6,407,456

31 December 2018

<i>in thousands of Naira</i>	Notes	Carrying amount	Gross nominal inflow/(outflow)	3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year
Cash and cash equivalents	20	536,018	537,235	537,235	-	-	-
Investment securities	21	1,841,640	2,154,875	26,221	-	1,368,246	760,408
Other financial assets (net)	24	5,511,773	5,511,773	5,511,773	-	-	-
		7,889,431	8,203,883	6,075,229	-	1,368,246	760,408
Other financial liabilities	28	(1,837,285)	(1,837,285)	-	(1,837,285)	-	-
		(1,837,285)	(1,837,285)	-	(1,837,285)	-	-
Gap (assets - liabilities)		6,052,146	6,366,598	6,075,229	(1,837,285)	1,368,246	760,408

As part of the management of its liquidity risk, the Group holds liquid assets comprising of cash and cash equivalents and securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

(iii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Exposure to interest rate risk

The Group is exposed to interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates) because it invests in financial instruments like FGN bonds, Eurobonds and Treasury bills measured at fair value through other comprehensive income. This implies that the changes in market interest rates can have material impacts on the carrying amounts of the financial instruments. The impact of rate changes could have an adverse impact on the Company's financial position if not properly managed.

The table below shows the sensitivity of the carrying amount of the financial instruments as at 31 December 2019. The analysis is based on the assumption that interest rates increased/decreased by 200bp and 500bp with all variables held constant.

Group

Scenario

in thousands of Naira

	200bps 31-Dec-19	500bps 31-Dec-19
Investment securities measured at fair value- year end balance	12,238,421	12,238,421
Impact of increase in interest rate on carrying amount	(244,768)	(611,921)
Impact of decrease in interest rate on carrying amount	244,768	611,921

Notes to the Consolidated and Separate Financial Statements

Company Scenario <i>in thousands of Naira</i>	200bps 31-Dec-19	500bps 31-Dec-19
Investment securities measured at fair value- year end balance	7,717,276	7,717,276
Impact of increase in interest rate on carrying amount	(107,121)	(267,803)
Impact of decrease in interest rate on carrying amount	107,121	267,803

Exposure to exchange rate risk

The Group is exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because the Group has invested in a Eurobond and has bank balances denominated in foreign currency. A significant change in the exchange rates between the Naira (functional and presentation currency) relative to the US dollar may have an effect on the Group's revenue and net assets.

The exchange rate as at 31 December 2019 was \$/N364.70 (31 December 2018: \$/N364.18)

Exposure to currency risk

Group and Company <i>In thousands of Naira/USD</i>	USD 31-Dec-19	NGN 31-Dec-19
Bank balance	6	2,188
Investment securities	1,600	583,520
	1,606	585,708

Group and Company <i>In thousands of Naira</i>	USD 31-Dec-18	NGN 31-Dec-18
Bank balance	22	8,180
Investment securities	1,800	655,524
	1,822	663,704

Sensitivity analysis of exchange rates

Arising from exchange rate fluctuations, the Company is exposed to changes in exchange rates. The following shows the sensitivity of the Company's income to changes in exchange rate:

Group and Company Scenario level	Bank Balances	Investment Securities
31 December 2019	200bps	200bps
<i>In thousands of Naira</i>		
Increase	(40)	(11,670)
Decrease	40	11,670
Scenario level	500bps	500bps
Increase	(101)	(29,176)
Decrease	101	29,176
Scenario level	200bps	200bps
31 December 2018		
<i>In thousands of Naira</i>		
Increase	164	13,110
Decrease	(164)	(13,110)
Scenario level	500bps	500bps
Increase	409	32,776
Decrease	(409)	(32,776)

(iv) Risk prevention strategies

The Group has adopted the risk and control self-assessment model to aid the identification, assessment and control of risks to prevent it from crystallising. Using this methodology, every activity or process is believed to have inherent

Notes to the Consolidated and Separate Financial Statements

risk(s). The model involves upfront risk identification, assessment, quantification and mitigation. The Group's strategy for preventing risks is to identify the risk ahead and design preventive controls that reduces the impact of the risk when it occurs. In a situation where there is no preventive controls or it will be costly to put such a control the Group adopt a detective or corrective controls. The Group believes that even after controls are put in place there could be residual risks. The Group also evaluates the residual risks and then design a risk treatment plan for such risks with high residual risks.

(b) Capital management

The strategy for assessing and managing the impact of business plans on present and future regulatory capital forms an integral part of the Group's strategic plan. Specifically, the Group considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Group's assessment taking account of the Group business strategy and value creation to all its stakeholders. The Securities and Exchange Commission ("SEC") sets and monitors capital requirements for the Group's subsidiaries as follows:

	Minimum capital	Total equity
<i>In thousands of Naira</i>	31-Dec-19	31-Dec-19
FMDQ Clear Limited	500,000	8,127,569
FMDQ Depository Limited	5,000,000	5,339,552
FMDQ Securities Exchange Limited	500,000	999,768

The Group's shareholders' funds at the end of the year was higher than the minimum requirement stipulated by SEC.

<i>In thousands of naira</i>	Note	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Paid up share capital	32	640,741	640,741	640,741	640,741
Shareholders' funds		18,253,400	7,610,419	14,552,603	6,589,916

7 Use of estimates and judgments

These disclosures supplement the commentary in financial risk management. Key sources of estimation uncertainty are as disclosed below:

(a) Determining fair values

The Group's policy on fair value measurements is discussed under note 5.3(g).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- (i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2 : Valuation techniques based on observable inputs, either directly - as prices, or indirectly- derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs could have a significant effect on the instrument's valuation. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The Group did not disclose the fair value information for financial assets and liabilities not measured at fair value because the carrying amounts are reasonable approximation of fair value.

Notes to the Consolidated and Separate Financial Statements

Financial instruments measured at fair value

The following tables set out the categorisation into levels of the fair value hierarchy of financial instruments measured at fair value.

Group

31 December 2019

<i>In thousands of Naira</i>	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	12,238,421	-	-	12,238,421
		12,238,421	-	-	12,238,421

31 December 2018

<i>In thousands of Naira</i>	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	12,033,788	-	-	12,033,788
		12,033,788	-	-	12,033,788

Company

31 December 2019

<i>In thousands of Naira</i>	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	7,717,276	-	-	7,717,276
		7,717,276	-	-	7,717,276

31 December 2018

<i>In thousands of Naira</i>	Notes	Level 1	Level 2	Level 3	Total
Financial Assets					
FVOCI - debt instruments	21	1,841,640	-	-	1,841,640
		1,841,640	-	-	1,841,640

(b) Valuation techniques and inputs used in fair value measurement

The price used in determining the fair value of the FGN Bonds, Treasury bills and Eurobonds is the price of FGN Bonds, Treasury bills and Eurobonds with similar maturity and discount as quoted on the FMDQ. This is publicly available and represents the price at which the instruments would be transacted at the reporting date.

(c) Allowance for impairment losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 5.4.

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon Management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, Management makes judgments about a debtor's financial situation and estimate of cash flows considered recoverable are independently approved by the financial control function.

(d) Income tax

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Recognition of deferred taxes

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.



Notes to the Consolidated and Separate Financial Statements

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(f) *Share based payments*

The Group estimates cash-settled share-based payment transactions based on valuation using an option pricing model. The model considers the exercise price of the option, tenor of the option, current price of the underlying shares and expected future volatility in share prices and probability of meeting the terms upon which the options are to be exercised.

Notes to the Consolidated and Separate Financial Statements

8 Classification of financial assets and liabilities and fair value hierarchy

The table below set out the Group's classification of each class of financial assets and liabilities, and their fair values.

Group**31 December 2019**

<i>In thousands of Naira</i>	Notes	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	9,536,031	9,536,031	2
Investment securities	21	12,238,421	3,911,021	16,136,960	1
Other financial assets (net)	24	-	1,688,836	1,688,836	2
Client resolution fund assets	22	-	30,044,416	30,044,416	1
Margin and fixings variance settlement assets	23	-	172,601,258	172,601,258	1
		12,238,421	217,781,562	230,007,501	
Other financial liabilities	28	-	6,702,363	6,702,363	2
Client resolution fund liabilities	29	-	30,044,416	30,044,416	1
Margin and fixing variance settlement liabilities	30	-	172,601,258	172,601,258	1
		-	209,348,037	209,348,037	

31 December 2018

<i>In thousands of Naira</i>	Notes	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	721,353	721,353	2
Investment securities	21	12,033,788	-	12,033,788	1
Other financial assets (net)	24	-	1,486,648	1,486,648	2
Client resolution fund assets	22	-	33,792,665	33,792,665	1
Margin and fixings variance settlement assets	23	-	130,150,700	130,150,700	1
		12,033,788	166,151,366	178,185,154	
Other financial liabilities	28	-	5,325,926	5,325,926	2
Client resolution fund liabilities	29	-	33,792,665	33,792,665	1
Margin and fixings variance settlement liabilities	30	-	130,150,700	130,150,700	1
		-	169,269,291	169,269,291	

Company**31 December 2019**

<i>In thousands of Naira</i>	Notes	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	332,796	332,796	2
Investment securities	21	7,717,276	-	7,717,276	1
Other financial assets (net)	24	-	4,531,910	4,531,910	2
		7,717,276	4,864,706	12,581,982	
Other financial liabilities	28	-	(8,592,196)	(8,592,196)	2
		-	(8,592,196)	(8,592,196)	

Notes to the Consolidated and Separate Financial Statements

31 December 2018

<i>In thousands of Naira</i>	Notes	Fair value through OCI	Amortised cost	Fair value	Fair value hierarchy
Cash and cash equivalents	20	-	536,018	536,018	2
Investment securities	21	1,841,640	-	1,841,640	1
Other financial assets (net)	24	-	5,511,773	5,511,773	2
		1,841,640	6,047,791	7,889,431	
Other financial liabilities	28	-	1,837,285	1,837,285	2
		-	1,837,285	1,837,285	

9 Treasury income

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Treasury income (See note (a))	3,190,982	8,338,042	-	-
	3,190,982	8,338,042	-	-

- (a) The amount represents interest income earned from investing the client resolution fund (CRF) assets as a result of additional treasury activities carried out by the Group. The Group invests the fund in treasury bills and other money market instruments, through a Fund Manager- Stanbic IBTC Asset Management Limited (SIAML).

10 Treasury expense

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Treasury expense (See note (a) below)	1,134,144	3,336,855	-	-
	1,134,144	3,336,855	-	-

- (a) The amount represents interest to be paid to the clients on the outstanding Client Resolution Fund.

11 Transaction fees (net)

Transaction fees income comprises fees earned on the secondary market transactions carried on by FMDQ's Dealing Members. Transaction fees can be analysed as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Transaction Fees- foreign currency trading	426,354	355,372	426,354	355,372
Transaction Fees- treasury bills trading	973,679	808,921	973,679	808,921
Transaction Fees- repo transactions	336,862	219,575	336,862	219,575
Transaction Fees- open buy back transactions	270,160	194,076	270,160	194,076
Transaction Fees- money market transactions	24,261	10,750	24,261	10,750
Transaction Fees - FX Derivatives	248,501	197,616	248,501	197,616
Transaction Fees - FGN Bonds	182,881	123,787	182,881	123,787
Transaction Fees - Eurobonds	1,720	501	1,720	501
Transaction Fees - all products	26	-	26	-
IDB - All Products	12,440	4,126	12,440	4,126
	2,476,884	1,914,724	2,476,884	1,914,724
Transaction fees expense (See 33(d) and (a) below)	(95,007)	(23,768)	(95,007)	(23,768)
	2,381,877	1,890,956	2,381,877	1,890,956

- (a) The amount represents fees charged by the CBN for settlement of executed fixed income securities which is borne by FMDQ on behalf of the Dealing Members.

Notes to the Consolidated and Separate Financial Statements

12 Clearing and futures management fees

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Clearing fee	2,744,960	1,425,677	-	-
Futures management fee	9,573,414	2,930,301	-	-
	12,318,374	4,355,978	-	-

Performance obligations and revenue recognition policies

Clearing and futures management fee and transaction fee income from contracts with clients are measured based on the consideration specified in a contract with a client. The Group recognises revenue when it transfers control over a service to a client.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Transaction fees	The Group provides a platform on which secondary market trade transactions are executed. Transaction fees are charged weekly. The Group sets the rates for each category of transaction and clients on an annual basis.	Revenue from trade transactions executed is recognised at the point in time when the trade takes place. The amounts to be collected from customers on 31 December are recognised as trade receivables.
Clearing and futures management services	The Group's clearing subsidiary provides various futures transactions-related services, including clearing and futures management services. Fees for clearing services and futures management services are charged weekly and monthly respectively. The Group sets the rates on an annual basis.	Revenue from clearing services is recognised at a point in time, when the services are provided while revenue from futures management services is recognised over time (throughout the lifetime of a futures contract) as the services are provided. The amounts to be collected from customers on 31 December are recognised as trade receivables.

13 Interest income

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Treasury bills	1,006,776	128,069	402,107	45,709
Fixed deposit	37,314	14,119	22,698	14,119
Call deposit	466,386	3,271	2,732	3,271
FGN bonds	336,422	50,035	297,650	50,035
Eurobond	42,443	57,500	42,443	57,500
	1,889,341	252,994	767,630	170,634
Explained by:				
Interest income earned on investment securities (See note 37(iv))	1,385,641	235,604	742,201	153,244
Interest income on cash and cash equivalents	503,700	17,390	25,429	17,390
	1,889,341	252,994	767,630	170,634

The interest income has been determined using the effective interest rate approach.

Notes to the Consolidated and Separate Financial Statements

14 Other income

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Sponsorship income	42,945	48,000	42,945	48,000
Membership application fees	43,975	19,688	43,975	19,688
Membership subscription dues	113,173	95,631	113,173	95,631
Insurance claims	16,734	220	16,734	220
Bond listing fees	269,452	228,527	269,452	228,527
Penalties and fines (See note (a))	788	4,000	788	4,000
Commercial paper quotation fees	193,153	182,336	193,153	182,336
Technology services (See note (b))	130,938	115,500	130,938	115,500
Gain on sale of property and equipment	1,382	1,334	1,382	1,334
Franchise development support and outsourcing (FDSO) (See note (c))	-	-	12,315,262	6,475,879
Loss on disposal of investment securities (FGN bonds and treasury bills)	-	(11,704)	-	(11,704)
Gain on transfer of investment securities (FGN bonds and treasury bills) to subsidiary company (See note (d))	-	-	169,545	-
Margin management fees (See note (e))	1,603,859	357,832	-	147,312
Processing fees (See note (f))	131,699	472,557	300	233,160
Participants fees	1,050	-	-	-
Accruals no longer required	130,813	15,144	130,813	15,144
Share dividend from subsidiary (See note (g))	-	-	1,000,000	-
Other revenue (See note (h))	106,585	167,705	106,484	3,627,833
	2,786,546	1,696,770	14,534,944	11,182,860

- (a) Penalties /fines - This relates to monies received as sanctions for infractions by FMDQ's Members. 50% of the penalties/fines received have been appropriated to the Investor Protection Fund of the Exchange.
- (b) This income relates to system usage fees charged on all trades done on FMDQ Futures Trading & Reporting System (FFTRS) by its Dealing Members.
- (c) FDSO income represents fees earned from FMDQ Clear Limited, a wholly owned subsidiary, in respect of the franchise development support and outsourced services rendered by the parent Company. The fees are accrued in line with the executed agreement with the parent Company, which requires FMDQ Clear Limited to pay 75% (2018: 85%) of its realised revenue, excluding interest income on proprietary capital. This is recognised as income in the Company's books and as expense in the subsidiary's books. Both transactions were eliminated upon consolidation.
- (d) This amount represents difference between the fair value of investment securities transferred by the Company to its subsidiary, FMDQ Clear Limited as payment for additional investment in the subsidiary, and the par value of shares issued (See note 37(i)).
- (e) This income relates to 1% management fee charged to the CBN on the management of the margin funds. This includes 0.375% which is recognised as an expense with respect to 0.125% and 0.25% for settlement agency and investment management fees respectively.
- (f) Processing fee is computed as one third of the total interest earned by the clients on the client resolution fund. The processing fee is earned when the client makes a claim on the FX futures settlement amount by purchasing spot FX for the underlying contract.
- (g) This income relates to bonus shares of N1 billion issued by FMDQ Clear to the Parent Company.
- (h) Included in other revenue for the Company in prior year is one-off (non-recurring) treasury income earned by the Company, as a result of additional treasury activities through investing of client resolution funds in treasury bills and other money market instruments. This income was earned by the Company for facilitating the treasury activities prior to operationalisation of its clearing subsidiary, FMDQ Clear Limited. Subsequently, all clearing operations and the attendant revenue were recognised in the books of the subsidiary, FMDQ Clear Limited.

Notes to the Consolidated and Separate Financial Statements

15 Gain on foreign exchange revaluation

The unrealised gain is largely due to the foreign exchange differences arising from the Group's investment in Eurobond.

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Gain/(Loss) on cash and bank balances	12,455	(1,117)	12,455	(1,117)
Gain on foreign exchange revaluation- Eurobond	11,833	7,097	11,833	7,097
	24,288	5,980	24,288	5,980

16 Personnel expenses

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Wages and salaries	1,271,190	931,689	1,107,579	884,964
Productivity bonus (See note (i))	2,012,327	1,117,178	1,950,775	1,100,178
Other staff costs	115,249	369,412	100,536	362,475
Pension costs	117,114	91,886	104,666	88,993
Cash-settled share-based payment (See notes (iv) and 28)	606,346	-	606,346	-
	4,122,226	2,510,165	3,869,902	2,436,610

(i) This includes employees' high performance bonus as implemented by the Board of Directors.

(ii) Employees earning over N60,000 per annum, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments in the following ranges:

<i>Categories (in numbers)</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Less than N2,000,000	4	-	4	-
N2,000,001 - N5,000,000	29	18	24	16
N5,000,001 - N8,000,000	26	19	22	17
N8,000,001 - N11,000,000	13	7	11	5
N11,000,001 - N14,000,000	5	7	4	6
N14,000,001 - N17,000,000	7	5	5	5
N17,000,001 - N20,000,000	3	6	2	6
Above N20,000,000	15	7	11	7
	102	69	83	62

(iii) The average number of full time persons employed during the year by the Company was as follows:

<i>Numbers</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
<i>Categories</i>				
Management staff	15	11	10	10
Non-management staff	87	58	73	52
	102	69	83	62

(iv) Share appreciation rights (cash-settled)

(a) The Group granted share appreciation rights (SARs) to the Group Managing Director/Chief Executive Officer (GMD/CEO) that entitle him to a cash payment. The amount of the cash payment is determined based on the increase in the share price of the Holding Company between grant date and the time of exercise.

Notes to the Consolidated and Separate Financial Statements

The terms and conditions of the grants are as follows:

<i>Grant date/employees entitled</i>	<i>Number of instruments in thousands</i>	<i>Vesting conditions</i>	<i>Contractual life of options</i>
SARs granted to the GMD (5% of the Company's shareholding)	32,037	5 years' service and Key Performance Indicators (KPIs) as indicated in employment contract	5 years
Total SARs	32,037		5 years

(b) Description of share-based payment arrangements

Details of the liabilities arising from the SARs were as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Total carrying amount of liabilities for cash-settled arrangements	606,346	-	606,346	-
Total intrinsic value of liability for vested benefits	-	-	-	-

(c) Measurement of fair values

The fair value of the SARs is determined using the binomial model adjusted for exit rate and vesting period. The inputs used in measuring the fair value at grant date and measurement date were as follows:

	31-Dec-19	31-Dec-19
Fair value (Naira)	66.81	-
Share price (Naira)	15.22	-
Exercise price (Naira)	15.22	-
Expected volatility (weighted average)	52%	-
Expected life (weighted-average)	5 years	-
Expected dividends	-	-

The expected volatility is based on the historical share price returns of comparable companies using 252 days as business days in the year.

The fair value of the liability is remeasured at each reporting date.

(d) Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options are as follows.

<i>In thousands of options</i>	<i>Number of options 2019</i>	<i>Weighted average exercise price 2019 (Naira)</i>
Outstanding at 1 January	-	-
Granted during the period	32,037	15.22
Outstanding at 31 December	32,037	15.22
Exercisable at 31 December	-	-

The options outstanding at 31 December 2019 had a fixed exercise price of N15.22 and a weighted-average contractual life of 5 years. No options were exercised in 2019.

Notes to the Consolidated and Separate Financial Statements

17 Impairment charge on financial assets

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Impairment charge on financial assets	137,018	8,927	46,706	3,697
	137,018	8,927	46,706	3,697
Explained by:				
Impairment charge on investment securities at amortised cost (See note 21(i))	1,913	-	-	-
Impairment charge on investment securities at FVOCI	7,255	-	4,333	-
Impairment charge on investment securities (See note 37(i))	9,168	-	4,333	-
Impairment charge on other assets (See note 24(a))	99,245	8,927	42,243	3,697
Impairment charge on margin assets (See note 28)	28,475	-	-	-
Write-off from other assets	130	-	130	-
	137,018	8,927	46,706	3,697

18 Other operating expenses

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Audit fees	47,825	36,750	27,825	26,250
Professional fees	288,603	208,737	258,778	206,112
Professional fees (legal)	10,322	8,338	10,322	8,338
Stationery and office expenses	506	-	506	-
Bank charges (See note 33(d))	8,269	3,686	6,720	3,402
Travel and lodging expense	88,902	55,924	83,223	55,664
Training and development expense	149,581	86,093	139,344	82,173
Information technology expense	281,688	132,145	281,688	132,145
Investor Protection Fund	22,894	25,246	22,894	25,246
Insurance expense	25,171	14,456	16,778	13,704
Penalties and fines (See (i))	2,610	209	-	209
SEC regulatory expense (See (ii))	238,230	188,756	238,230	188,756
Corporate gifts	10,009	-	10,009	-
Professional membership	6,626	57	6,626	57
General administrative expenses	665,306	332,741	918,603	322,648
Business development expense	150,557	102,391	92,064	93,733
Directors' allowances (See note (iii))	228,799	1,079,846	227,499	1,079,846
Bond listing /quotation events	5,354	15,416	5,354	15,416
Interest expense	43,894	-	43,894	-
Rent expense (See note 34(ii))	-	104,711	-	104,711
Corporate development	227,036	136,664	226,676	136,664
Settlement agency fees, investment management fees and other investment expenses (see note (iv))	353,627	380,041	2,630	1,902,285
Fee rebate	1,050	-	-	-
VAT and WHT expense (see note (vii))	637,733	323,794	21,345	-
	3,494,592	3,236,001	2,641,008	4,397,359

(i) This represents penalties paid to Securities and Exchange Commission (SEC) for appointing Directors for its subsidiary, FMDQ Depository Limited, without prior approval from SEC.

(ii) SEC charged 10% on net realised transactions fee income by the Company on secondary market trading on FMDQ's markets as SEC fees for the year.

(iii) Allowance paid to the Directors during the year:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Sitting allowances	9,940	9,425	8,640	9,425
Retirement contributions (see note (v) below)	123,000	12,500	123,000	12,500
Other allowances (See note (vi) below)	95,859	1,057,921	95,859	1,057,921
	228,799	1,079,846	227,499	1,079,846

Notes to the Consolidated and Separate Financial Statements

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Board Chairman allowances	24,872	14,872	24,872	14,872

(iv) These are fees paid to the Settlement Agent, the Nigerian Inter-bank Settlement System (NIBSS) and the Fund Manager, Stanbic IBTC Asset Management Limited on the Margin and Client Resolution Funds. In prior year, other investment expenses which represent one-off (non-recurring) treasury expenses (interest) to be paid to clients on the outstanding Client Resolution Fund were included here.

(v) Retirement contributions are in respect of the Non-Executive Directors' Exit pay payable to an external fund, Stanbic IBTC Asset Management Limited (SIAML).

(vi) Included in prior year amount is the Group Managing Director/CEO's long-term incentive, paid in 2018, upon completion of the 1st term of the employment contract.

(vii) Included in the Group's amount is the VAT expense on FDSO (Franchise Development Support and Outsourcing) fees paid by FMDQ Clear to FMDQ Holdings. See note 14(c).

19 Income tax expense**(a) The tax charge for the year comprises:**

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Income tax	2,999,711	1,306,114	2,998,144	1,306,114
Tertiary education tax	236,662	101,971	207,929	101,971
NITDA Levy	142,503	71,989	105,617	61,728
Police Trust Fund Levy	551	-	368	-
See note (c) below	3,379,427	1,480,074	3,312,058	1,469,813
Deferred tax (credit)/charge for the year (See note 19(d)(ii))	(396,720)	113,850	(210,675)	113,850
	2,982,707	1,593,924	3,101,383	1,583,663
Impairment on withholding tax receivables	-	(21,161)	-	(21,161)
	2,982,707	1,572,763	3,101,383	1,562,502

(b) The effective tax reconciliation is as follows:

	Rate %	Group 31-Dec-19	Rate %	Group 31-Dec-18	Rate %	Company 31-Dec-19	Rate %	Company 31-Dec-18
Profit before income tax		13,219,585		7,208,815		10,667,280		6,172,807
NITDA Levy		(142,503)		(71,989)		(105,617)		(61,728)
		13,077,082		7,136,826		10,561,663		6,111,079
Tax using the domestic corporation tax	30	3,923,125	30	2,141,048	30	3,168,499	30	1,833,324
Non-taxable income	(11)	(1,403,454)	(25)	(1,767,811)	(6)	(624,075)	(7)	(404,866)
Non-allowable expenses	5	688,166	-	4,559	2	243,045	-	4,559
(Recognition of previously unrecognised tax losses)/Losses for which no deferred tax asset has been recognised	(5)	(604,846)	15	1,055,221	-	-	-	-
NITDA Levy	1	142,503	1	71,989	1	105,617	1	61,728
Impairment on WHT	-	-	-	(21,161)	-	-	-	(21,161)
Tertiary education tax	2	236,662	1	88,918	2	207,929	1	88,918
Police Trust Fund Levy	-	551	-	-	-	368	-	-
Income tax charge	22	2,982,707	22	1,572,763	29	3,101,383	25	1,562,502

Notes to the Consolidated and Separate Financial Statements

(c) Current tax liabilities

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance, beginning of the year	1,508,690	41,589	1,498,429	41,589
Tax charge (See note 19(a))	3,379,427	1,480,074	3,312,058	1,469,813
Tax paid	(1,120,387)	(12,973)	(1,110,130)	(12,973)
Withholding Tax credit notes utilised	(359,683)	-	(359,683)	-
Balance, end of the year	3,408,047	1,508,690	3,340,674	1,498,429

(d) Deferred tax assets/(liabilities)

(i) Deferred tax assets/(liabilities) are attributable to the following:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Property and equipment	(168,069)	(181,841)	(168,069)	(181,841)
Impairment allowances	14,591	-	2,871	-
Tax losses	174,325	-	-	-
Share-based payment liability	194,032	-	194,032	-
	214,879	(181,841)	28,834	(181,841)

(ii) Movement in temporary differences during the year:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Opening balance	(181,841)	(67,991)	(181,841)	(67,991)
Deferred tax credit/(charge) (See note 19(a))	396,720	(113,850)	210,675	(113,850)
Closing balance	214,879	(181,841)	28,834	(181,841)

(iii) Unrecognised deferred tax assets

The Group has unrecognised deferred tax assets in respect of its subsidiaries, (FMDQ Depository Limited and FMDQ Securities Exchange Limited, 2018: FMDQ Clear Limited), because it is not probable that future taxable profits will be available against which the subsidiaries can use the benefits therefrom.

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Group 31-Dec-19	Group 31-Dec-18
	Gross amount	Gross amount	Tax effect	Tax effect
Impairment allowances	1,913	5,230	574	1,569
Tax losses	7	2,010,523	2	603,157
	1,920	2,015,753	576	604,726

The Company (FMDQ Holdings PLC) had no unrecognised deferred tax asset as at 31 December 2019.

Tax losses carried forward

In line with the applicable tax laws, tax losses are to be carried forward indefinitely. Therefore, the required disclosure on expiration date of unutilised tax losses does not apply.

Notes to the Consolidated and Separate Financial Statements

20 Cash and bank balances

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18W
Cash at bank	2,396,415	494,810	332,796	309,475
Placement with Banks	2,139,616	226,543	-	226,543
Cash and bank balances for cash flow purposes	4,536,031	721,353	332,796	536,018
Placement pledged as collateral (See note (a))	5,000,000	-	-	-
Total cash and bank balances	9,536,031	721,353	332,796	536,018
Current	4,536,031	721,353	332,796	536,018
Non-current	5,000,000	-	-	-
	9,536,031	721,353	332,796	536,018

Included in the cash and bank balances are cash balances of N9,537,573,795 and N334,338,909 (31 Dec 2018: N721,352,979 and N536,017,828) for the Group and Company respectively with Guaranty Trust Bank PLC, Access Bank PLC, Zenith Bank PLC and Stanbic IBTC Bank PLC, all of which are related entities to the Group. (See note 33(d)).

- (a) This represents a N5 billion placement with Stanbic IBTC Bank PLC ("the Bank") by FMDQ Clear Limited which acts as cash collateral for overdraft lines which the Bank provides Dealing Member Specialists of FMDQ. This balance is restricted as the Group is required to maintain it with the Bank as collateral in lieu of overdraft availed to Dealing Member Specialists of FMDQ. The placement earns interest at an agreed rate of 6% per annum, and FMDQ Clear Limited has an agreement with the erstwhile FMDQ Securities Exchange PLC (to be taken over by FMDQ Securities Exchange Limited) for a refund of the excess of Nigerian Interbank Treasury bills' True Yields Fixing ("NITTY") rate over the agreed rate 6%.

21 Investment securities

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Debt securities (see note (i) below)	16,147,529	12,033,788	7,717,276	1,841,640
	16,147,529	12,033,788	7,717,276	1,841,640
Current	9,298,283	11,175,524	2,462,787	983,376
Non-current	6,849,247	858,264	5,254,489	858,264
	16,147,530	12,033,788	7,717,276	1,841,640

- (i) The Group's debt securities can be analysed as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Treasury bills - FVOCI	5,379,647	1,679,583	2,462,787	983,376
FGN Bonds - FVOCI	6,200,505	202,393	4,605,748	202,393
Eurobond - FVOCI	648,741	655,871	648,741	655,871
Investments held with Stanbic IBTC Asset Management Limited (SIAML) (See note (a) below)	9,528	9,495,941	-	-
Investment securities at fair value	12,238,421	12,033,788	7,717,276	1,841,640
Treasury bills - amortised cost	3,911,021	-	-	-
	16,149,442	12,033,788	7,717,276	1,841,640
Allowance for ECL impairment on investment securities at amortised cost (See note 17)	(1,913)	-	-	-
	16,147,529	12,033,788	7,717,276	1,841,640

- (a) This amount represents an investment account with SIAML which includes both fixed income mutual fund and investment in treasury bills.

Notes to the Consolidated and Separate Financial Statements

22 Client resolution fund asset

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Client resolution fund asset (See note (a) below)	30,044,416	33,792,665	-	-
	30,044,416	33,792,665	-	-
Current	30,044,416	33,792,665	-	-
Non-current	-	-	-	-
	30,044,416	33,792,665	-	-

- (a) Client resolution fund asset represents funds held by the Group with respect to settlement amounts on matured FX futures transaction traded on FMDQ's platform, but which are yet to be claimed by the FX futures clients as at the end of the reporting period. The clients are entitled to a fixed interest percentage on the outstanding balance, pending when they claim the funds. The Group invests these funds in treasury bills and other money market instruments and earns interest on the investment. These funds are recognised in the books as assets, and corresponding liabilities (CRF liability). See note 29.

23 Margin and fixings variance settlement assets

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Margin fund asset (See note (a) below)	172,601,258	88,143,024	-	-
Fixings variance settlement (See note (b) below)	-	42,007,676	-	-
	172,601,258	130,150,700	-	-
Current	172,601,258	130,150,700	-	-
Non-current	-	-	-	-
	172,601,258	130,150,700	-	-

- (a) Margin funds represent cash margins pledged to FMDQ Clear Limited by the Central Bank of Nigeria for its open OTC FX Futures contracts. The balances are recognised in the books as assets, and corresponding liabilities. It is worthy of note that non-cash margins (initial and variation), in treasury bills and FGN bonds were advised by the Futures Banks to the Central Bank of Nigeria as pledged to FMDQ Clear Limited. These have not been recognised in the Group's books.
- (b) Fixings variance settlement fund represents a collection of settlement amounts derived from fixings variance generated when open NiFEX-based contracts were benchmarked against NAFEX upon the introduction of the Investors' & Exporters' (I & E) FX Window in April 2017 by the Central Bank of Nigeria. It applies to contracts for which clients elected NiFEX on their open contract as at the date of commencement of the NAFEX fixings. FMDQ Clear Limited invests this fund in treasury bills and other government securities and all returns on the investment are fully paid to the CBN. No fees are charged by FMDQ Clear Limited for the administration of this fund. The balance is recognised in the books as an asset, and a corresponding liability (See note 30).

Notes to the Consolidated and Separate Financial Statements

24 Other assets

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Account receivables (See note 33(d))	1,764,273	1,490,844	299,767	361,476
Staff advances	242	8,524	242	8,524
Intercompany receivables (See note 33(d))	-	-	4,282,905	5,149,263
Other receivables	37,556	1,271	-	1,271
Financial assets	1,802,071	1,500,639	4,582,914	5,520,534
Allowance for impairment on other assets (See note (a))	(113,235)	(13,991)	(51,004)	(8,761)
Net financial assets	1,688,836	1,486,648	4,531,910	5,511,773
Prepayments	368,185	130,367	352,506	129,616
WHT receivables	1,362,485	436,892	1,320,472	436,892
	3,419,506	2,053,907	6,204,888	6,078,281
Current	3,419,506	2,053,907	6,204,888	6,078,281
Non-current	-	-	-	-
	3,419,506	2,053,907	6,204,888	6,078,281

(a) The movement in allowance for impairment during the year was as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance, beginning of the year	13,991	5,064	8,761	5,064
Impairment loss during the year (See note 17)	99,245	8,927	42,243	3,697
Balance, end of the year	113,236	13,991	51,004	8,761

25 Investment in subsidiaries

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Investment in FMDQ Clear Limited	-	-	5,000,000	500,000
Investment in FMDQ Depository Limited	-	-	5,000,000	-
Investment in FMDQ Securities Exchange Limited	-	-	1,000,000	-
	-	-	11,000,000	500,000

Notes to the Consolidated and Separate Financial Statements

26 Property and equipment

Group and Company

<i>In thousands of Naira</i>	Leasehold improvements	Motor vehicles	Office Equipment	Right of use assets	Computer equipment	Work-in-progress	Total
Cost							
Balance as at 1 January 2019	557,512	366,780	893,473	-	100,252	-	1,918,017
Transition adjustments (see note 2a)	-	-	-	342,856	-	-	342,856
Additions	39,962	126,850	74,382	61,291	87,172	-	389,657
Disposals	-	(8,000)	-	-	-	-	(8,000)
Balance as at 31 December 2019	597,474	485,630	967,855	404,147	187,424	-	2,642,530
Balance as at 1 January 2018	29,151	269,240	80,741	-	55,888	345,712	780,732
Additions	528,361	132,985	459,183	-	44,364	7,837	1,172,730
Disposals	-	(35,445)	-	-	-	-	(35,445)
Reclassifications	-	-	353,549	-	-	(353,549)	-
Balance as at 31 December 2018	557,512	366,780	893,473	-	100,252	-	1,918,017
Accumulated Depreciation							
Balance as at 1 January 2019	52,488	121,344	157,099	-	43,868	-	374,799
Charge for the year	58,714	98,105	224,190	47,954	49,979	-	478,942
Disposals	-	(7,984)	-	-	-	-	(7,984)
Balance as at 31 December 2019	111,202	211,465	381,289	47,954	93,847	-	845,757
Balance as at 1 January 2018	29,151	70,214	44,853	-	22,391	-	166,609
Charge for the year	23,337	78,072	112,246	-	21,477	-	235,132
Disposals	-	(26,942)	-	-	-	-	(26,942)
Balance as at 31 December 2018	52,488	121,344	157,099	-	43,868	-	374,799
Carrying amounts							
As at 31 December 2019	486,272	274,165	586,566	356,193	93,577	-	1,796,773
As at 31 December 2018	505,024	245,436	736,374	-	56,384	-	1,543,218

(a) There were no authorised or contracted capital commitments as at the end of the reporting period (31 December 2018: Nil)

(b) There were no capitalised borrowing costs related to the construction of property and equipment during the year (31 December 2018: Nil)

(c) The leased assets included in this property and equipment as at year end is the right of use assets (31 December 2018: Nil)

(d) There were no impairment losses on any class of property and equipment (31 December 2018: Nil)

(e) The Computer hardware that was acquired to support the Private Cloud System has been developed by the Group. Thus a reclassification from work-in-progress.

(f) All classes of property and equipment are non-current.

Notes to the Consolidated and Separate Financial Statements

27 Intangible assets

Group and Company

<i>In thousands of Naira</i>	Computer Software	Work-in-progress	Total
Cost:			
Balance as at 1 January 2019	85,192	9,065	94,257
Additions	22,672	-	22,672
Balance as at 31 December 2019	107,864	9,065	116,929
Balance as at 1 January 2018	82,702	9,065	91,767
Additions	2,490	-	2,490
Balance as at 31 December 2018	85,192	9,065	94,257
Accumulated Amortisation			
Balance as at 1 January 2019	78,582	-	78,582
Amortisation during the year	4,901	-	4,901
Balance as at 31 December 2019	83,483	-	83,483
Balance as at 1 January 2018	73,757	-	73,757
Amortisation during the year	4,825	-	4,825
Balance as at 31 December 2018	78,582	-	78,582
Carrying amounts			
As at 31 December 2019	24,381	9,065	33,446
As at 31 December 2018	6,610	9,065	15,675

(a) There were no impairment losses on intangible assets (31 December 2018: Nil)

(b) The intangible assets are non-current assets.

28 Other liabilities

Other liabilities balance comprises

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Account payables (See note (iv))	3,809,537	3,640,367	637,408	181,891
Accruals	2,162,130	1,533,501	2,054,131	1,503,336
Accruals for Directors exit pay (See note (i))	-	27,708	-	27,708
Intercompany payables	-	-	5,169,961	-
Deposit for shares	124,350	124,350	124,350	124,350
Cash-settled share-based payment liability (See note 16)	606,346	-	606,346	-
Financial liabilities	6,702,363	5,325,926	8,592,196	1,837,285
Regulatory fees (SEC)	22,949	17,925	22,949	17,925
Unearned fee income (See note (ii))	1,875,188	1,363,495	189,652	152,074
Statutory payables (See note (iii))	813,642	336,891	371,839	214,608
Non-financial liabilities	9,414,142	7,044,237	9,176,636	2,221,892
Allowance for impairment on margin assets (See note 17)	28,475	-	-	-
	9,442,617	7,044,237	9,176,636	2,221,892
Current	9,442,617	7,044,237	9,176,636	2,221,892
Non-current	-	-	-	-
	9,442,617	7,044,237	9,176,636	2,221,892

- (i) Amount represents accruals for Directors exit pay. The Company contributes 50% of the Executive Directors' annual gross salary and 50% of the Non-Executive Directors' annual Director's fees for every year of service. The Company's contributions are managed by a separate Fund Manager and the Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the Directors upon exit.
- (ii) Amount relates to processing fee income for which the performance obligation is yet to be fulfilled. Processing fee is computed as one third of the total interest earned by the clients on the customer resolution fund, and is earned when the settlement amount is paid out to the customer after making a valid claim.
- (iii) Statutory payables include payables in respect of Withholding Tax, Value Added Tax, PAYE (Pay As You Earn) and pension.

(iv) Account payables

	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
CRF Interest payable to clients(See note (a))	3,048,644	3,336,855	-	-
Payables to other third parties(See note (b))	433,104	303,512	309,619	181,891
Lease liabilities	327,789	-	327,789	-
	3,809,537	3,640,367	637,408	181,891

- (a) This amount represents interest payable to futures clients on the Client Resolution Fund (CRF) assets with the Group.
- (b) Payables to other third parties include payables for consultancy and professional fees.

29 Client resolution fund liability

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Client resolution fund liabilities (See note 22)	30,044,416	33,792,665	-	-
	30,044,416	33,792,665	-	-
Current	30,044,416	33,792,665	-	-
Non-current	-	-	-	-
	30,044,416	33,792,665	-	-

30 Margin and fixings variance settlement liabilities

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Margin fund liabilities (See note 23)	172,601,258	88,143,024	-	-
Fixings variance settlement liabilities (See note 23)	-	42,007,676	-	-
	172,601,258	130,150,700	-	-
Current	172,601,258	130,150,700	-	-
Non-current	-	-	-	-
	172,601,258	130,150,700	-	-

31 Provisions

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning	22,754	21,246	22,754	21,246
Additions	21,346	1,508	21,346	1,508
Balance at the end	44,100	22,754	44,100	22,754
Current	-	-	-	-
Non-current	44,100	22,754	44,100	22,754
	44,100	22,754	44,100	22,754

The provision balance relates to PAYE and WHT tax liability resulting from a revised assessment carried out by LIRS during its tax audit exercise conducted for 2015 and 2016 financial years.



Notes to the Consolidated and Separate Financial Statements

32 Capital and Reserve

(a) Share Capital

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Authorised - 1,000,000,000 Ordinary shares of N1.00 each (31 December 2018: 1,000,000,000 of N1.00 each)	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid 640,740,741 (31 December 2018: 640,740,741) Ordinary shares of N1.00 each	640,741	640,741	640,741	640,741

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Company.

(b) Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

(c) Retained earnings

Retained earnings is the profit generated by the Group not yet distributed to shareholders as dividends. During the year, the Board of Directors approved the appropriation of the Group's retained earnings into a bonus share reserve for the purpose of strengthening the Group's capital base. Further to this, the Board approved a yearly appropriation of 20% of the Company's profit after tax to a financial market development fund reserve. The movement in retained earnings is as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance, beginning of the year	4,695,328	298,070	3,669,193	297,682
Profit for the year	10,236,878	5,636,052	7,565,897	4,610,305
Transfer to bonus share reserve (See note 32(e))	(9,721,911)	-	(9,721,911)	-
Transfer to other reserves (See note 32(f))	(4,846,516)	(1,238,794)	(1,513,179)	(1,238,794)
Balance, end of the year	363,779	4,695,328	-	3,669,193

(d) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of investment securities at FVOCI until the investment is derecognised or impaired. The movement in fair value reserves is as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance, beginning of the year	(32,866)	(45,520)	(27,234)	(43,866)
Movement in fair value reserves (See note 37(i))	(406,103)	(12,654)	(396,790)	(16,632)
Balance, end of the year	373,237	(32,866)	369,556	(27,234)

(e) Bonus share reserve

The bonus share reserve, approved by the Board of Directors on 20 December 2019, represents reserves for bonus shares to be issued to strengthen the Company's capital base. The cumulative change is based on the amount approved by the Board of Directors for appropriation to the bonus share reserve. The movement in bonus share reserve is as follows:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance, beginning of the year	-	-	-	-
Transfer from retained earnings (See note 32(c))	9,721,911	-	9,721,911	-
Balance, end of the year	9,721,911	-	9,721,911	-

Notes to the Consolidated and Separate Financial Statements

(f) Other reserves

This relates to the sinking fund reserve and financial market development fund reserve (Company), as well as the default resolution reserve (FMDQ Clear Limited). In October 27, 2017, the Board of Directors approved a transfer of N1 billion into a sinking fund reserve for the purpose of executing capital projects/asset acquisition. It was further agreed that 20% of annual profit after tax be transferred into the financial market development fund reserve on an annual basis (of which no less than 50% will be dedicated to a Settlement Guarantee Fund to support the clearing house franchise). In 2019, the Board of FMDQ Clear approved that the Company's retained earnings for 2019 and beyond be appropriated into a default resolution reserve.

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance, beginning of the year	2,286,068	1,047,274	2,286,068	1,047,274
Transfer from retained earnings (See note 32(c))	4,846,516	1,238,794	1,513,179	1,238,794
Balance, end of the year	7,132,584	2,286,068	3,799,247	2,286,068

33 Group subsidiaries and related party transactions

(a) Parent and ultimate controlling party

FMDQ Holdings PLC is the ultimate Parent Company with three subsidiaries: FMDQ Clear Limited, FMDQ Depository Limited and FMDQ Securities Exchange Limited.

(b) Subsidiaries

The Group's investment in subsidiaries as at 31 December 2019 are shown below:

Entity	Year-end	Form of Holding	Effective holding	Nominal share capital held	Country of incorporation	Nature of Business
FMDQ Clear Limited	31 Dec	Direct	100%	5,000,000,000	Nigeria	Securities clearing and settlement
FMDQ Depository Limited	31 Dec	Direct	100%	5,000,000,001	Nigeria	Central securities depository
FMDQ Securities Exchange Limited	31 Dec	Direct	100%	1,000,000,000	Nigeria	Securities exchange

(c) Condensed financial information

The condensed financial data of the consolidated entities as at 31 December 2019, are as follows:

Condensed profit or loss and other comprehensive income	31 December 2019					
	Group balances	Elimination entries	FMDQ Holdings PLC	FMDQ Clear Limited	FMDQ Depository Limited	FMDQ Securities Exchange Limited
<i>In thousands of Naira</i>						
Operating income	21,457,264	(13,832,334)	17,708,739	16,660,717	546,797	4,493
Impairment charge on financial asset	(137,018)	-	(46,706)	(88,399)	(1,913)	-
Personnel expenses	(4,122,226)	-	(3,869,902)	(104,391)	(147,933)	-
Operating expenses	(3,494,592)	12,644,908	(2,641,008)	(13,088,839)	(53,952)	(4,725)
Depreciation	(478,942)	-	(478,942)	-	-	-
Amortisation	(4,901)	-	(4,901)	-	-	-
Profit before tax	13,219,585	(1,187,426)	10,667,280	3,379,088	342,999	(232)
Taxation	(2,982,707)	-	(3,101,383)	123,795	(5,118)	-
Profit after tax	10,236,878	(1,187,426)	7,565,897	3,502,883	337,881	(232)
Other comprehensive income	406,103	-	396,790	25,901	-	-
Total comprehensive income	10,642,981	(1,187,426)	7,962,687	3,528,784	337,881	(232)

Notes to the Consolidated and Separate Financial Statements

Condensed financial position <i>In thousands of Naira</i>	31 December 2019					
	Group balances	Elimination entries	FMDQ Holdings Plc	FMDQ Clear Limited	FMDQ Depository Limited	FMDQ Securities Exchange Limited
Cash and bank balances	9,536,031	-	332,796	6,562,465	1,636,727	1,004,044
Investment securities	16,147,529	-	7,717,276	4,521,146	3,909,108	-
Client resolution fund (CRF) assets	30,044,416	-	-	30,044,416	-	-
Margin and fixings variance settlement assets	172,601,258	-	-	172,601,258	-	-
Other assets	3,419,506	(9,452,866)	6,204,888	6,658,405	7,125	1,952
Investment in subsidiary	-	(11,000,000)	11,000,000	-	-	-
Property and equipment	1,796,773	-	1,796,773	-	-	-
Intangible assets	33,446	-	33,446	-	-	-
Deferred tax assets	214,879	-	28,834	186,046	-	-
	233,793,838	(20,452,866)	27,114,013	220,573,736	5,552,960	1,005,996
Financed by:						
Client resolution fund (CRF) liabilities	30,044,416	-	-	30,044,416	-	-
Margin and fixings variance settlement liabilities	172,601,258	-	-	172,601,258	-	-
Other liabilities	9,442,617	(9,452,866)	9,176,636	9,502,660	209,961	6,228
Provisions	44,100	-	44,100	-	-	-
Current tax liability	3,408,047	-	3,340,674	62,250	5,118	-
Deferred tax liability	-	-	-	-	-	-
Share capital	640,741	(10,500,000)	640,741	5,000,000	5,000,000	500,000
Share premium	21,148	-	21,148	-	-	-
Bonus share reserve	9,721,911	-	9,721,911	-	-	-
Fair value reserves	373,237	-	369,556	3,681	-	-
Retained earnings/ accumulated deficit	363,779	-	-	-	337,881	(232)
Other reserves	7,132,584	(500,000)	3,799,247	3,359,471	-	500,000
	233,793,838	(20,452,866)	27,114,013	220,573,736	5,552,960	1,005,996

The condensed financial data of the consolidated entity as at 31 December 2018, are as follows:

Condensed profit or loss and other comprehensive income <i>In thousands of Naira</i>	31 December 2018			
	Group balances	Elimination entries	FMDQ Securities Exchange PLC	FMDQ Clear Limited
Operating income	13,203,865	(6,475,879)	13,250,430	7,951,559
Impairment charge on financial asset	(8,927)	-	(3,697)	(5,230)
Personnel expenses	(2,510,165)	-	(2,436,610)	(73,555)
Operating expenses	(3,236,001)	6,475,879	(4,397,359)	(6,836,766)
Depreciation and amortisation	(235,132)	-	(235,132)	-
Amortisation	(4,825)	-	(4,825)	-
Profit before tax	7,208,815	-	6,172,807	1,036,008
Taxation	(1,572,763)	-	(1,562,502)	(10,261)
Profit after tax	5,636,052	-	4,610,305	1,025,747
Other comprehensive income	12,654	-	16,632	(3,977)
Total comprehensive income	5,648,706	-	4,626,937	1,021,770

Notes to the Consolidated and Separate Financial Statements

Condensed financial position

31 December 2018

<i>In thousands of Naira</i>	Group balances	Elimination entries	FMDQ Securities Exchange PLC	FMDQ Clear Limited
Cash and bank balances	721,353	-	536,018	185,335
Investment securities	12,033,788	-	1,841,640	10,192,148
Client resolution fund (CRF) assets	33,792,665	-	-	33,792,665
Margin and fixings variance settlement assets	130,150,700	-	-	130,150,700
Other assets	2,053,907	(5,194,104)	6,078,281	1,124,886
Investment in subsidiary	-	(500,000)	500,000	-
Property and equipment	1,543,218	-	1,543,218	-
Intangible assets	15,675	-	15,675	-
	180,311,306	(5,694,104)	10,514,832	175,445,734
Financed by:				
Client resolution fund (CRF) liabilities	33,792,665	-	-	33,792,665
Margin and fixings variance settlement liabilities	130,150,700	-	-	130,150,700
Other liabilities	7,044,237	(5,194,104)	2,221,892	9,971,608
Provisions	22,754	-	22,754	-
Current tax liability	1,508,690	-	1,498,429	10,257
Deferred tax liability	181,841	-	181,841	-
Share capital	640,741	(500,000)	640,741	500,000
Share premium	21,148	-	21,148	-
Fair value reserves	(32,866)	-	(27,234)	(5,632)
Retained earnings	4,695,328	-	3,669,193	1,026,136
Other reserves	2,286,068	-	2,286,068	-
	180,311,306	(5,694,104)	10,514,832	175,445,734

(d) Related party transactions

Key Management is defined as members of the Board of Directors. Furthermore, the Group had transactions with some of its shareholders. The balances as at year end and the amounts during the year of these transactions are as disclosed below:

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Cash and bank balances (see (a) below & note 20)	9,536,031	721,353	332,796	536,018
Bank charges (see (b) below & note 18)	8,269	3,686	6,720	3,402
Account receivables (see (c) below & note 24)	1,764,273	1,490,844	299,767	361,476
Director's fees, emoluments and allowances (see (d) below & 18)	276,624	1,079,846	255,324	1,079,846
Transaction fee income (net) (see (e) below & note 11)	2,381,877	1,890,956	2,381,877	1,890,956
Sponsorship income(see (f) below & note 14)	42,945	48,000	42,945	48,000
FDSO income (See (g) below & note 14)	-	-	12,315,262	6,475,879
Intercompany receivables (See note 24)	-	-	4,282,905	5,149,263

(a) Cash and bank balances is represented by bank balances held with Guaranty Trust Bank PLC, Zenith Bank PLC and Access Bank PLC who are also shareholders in the Company.

(b) Bank charges represent charges paid on the Company's bank balances held with Guaranty Trust Bank PLC, Zenith Bank PLC and Access Bank PLC who are also shareholders in the Company.

(c) Accounts receivable is represented by transaction fees receivable from trades executed on the platform by the Dealing Members of FMDQ during the financial year. These Dealing Members are also shareholders in the Company.

(d) Directors' fees and allowances is represented by emoluments and allowances accrued during the year for the Board of Directors.

Notes to the Consolidated and Separate Financial Statements

- (e) Transaction fee income represents income earned on transaction fees charged to Dealing Members who are also shareholders in the Company.
- (f) The sponsorship income includes amount received from some sponsors who are also shareholders in the Company to finance its debt capital conference and awards.
- (g) The FDSO income represents fees earned from FMDQ Clear Limited, a wholly owned subsidiary, in respect of the franchise development and outsourced services rendered by the parent Company. The fees are accrued in line with the executed agreement with the parent Company, which requires FMDQ Clear Limited to pay 75% (2018: 85%) of its realised revenue, excluding interest income on proprietary capital.

34 Leases

Leases as lessee (IFRS 16)

The Group leases its office and offsite premises. The office premises' lease runs for a period of 5 years, with an option to renew the lease after that date while the offsite premises' lease runs for a period of 2 years, also with an option to renew the lease after that date. Lease payments are renegotiated annually to reflect market rentals. Under the lease agreement, the Company is restricted from entering into any sub-lease agreements.

Previously, this lease was classified as an operating lease under IAS 17. Information about the lease for which the Group is a lessee is presented below.

i Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (see Note 26).

<i>In thousands of Naira</i>	Office premises 31-Dec-2019
Balance at 1 January	-
Transition adjustments	342,856
Additions	61,291
Depreciation charge for the year	(47,954)
Balance at 31 December	356,193

See below for maturity analysis of lease liabilities as at 31 December 2019.

At 31 December 2019, the future minimum lease payments under non-cancellable operating leases were payable as follows.

<i>In thousands of Naira</i>	Office premises 31-Dec-2019
Maturity analysis – Contractual undiscounted cash flows	
Less than one year	60,640
Between one and five years	334,988
More than five years	121,279
Total undiscounted lease liabilities at 31 December	516,907

ii Amounts recognised in profit or loss

<i>In thousands of Naira</i>	31-Dec-2019
2019 – Leases under IFRS 16	
Interest on lease liabilities	43,894
Depreciation on right of use assets	47,954
<i>In thousands of Naira</i>	31-Dec-2019
2018 – Operating leases under IAS 17	
Lease expense (See note 2(a) and 18)	104,711

Notes to the Consolidated and Separate Financial Statements

iii Amounts recognised in statement of cash flows

<i>In thousands of Naira</i>	31-Dec-2019
Total cash outflow for leases	37,400

iv Movement in lease liabilities

<i>In thousands of Naira</i>	31-Dec-2019
Balance at 1 January	-
Transition adjustments (See note 2(a))	260,003
Additions	23,892
Interest on lease liabilities	43,894
Balance at 31 December	327,789

v Extension options

The lease of both the office and offsite premises contains extension options exercisable by the Group. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has determined that it would exercise the extension options and has therefore estimated and included the potential future lease payments in the lease liability recognised.

35 Contingent liabilities, litigations and claims

The Company in its ordinary course of business, is presently not involved in any case as a defendant or plaintiff (31 December 2018: Nil).

36 Events after reporting period

On 11 March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic and most governments have taken restrictive measures to contain its further spread by introducing lockdowns, closures of borders and travel restrictions which have affected the free movement of people and goods. The Nigerian Centre for Disease Control (NCDC) has confirmed COVID-19 cases in Nigeria and this has resulted in lock down in certain states. The pandemic has caused a significant reduction in social interactions, disruption in economic activities, while some public facilities have been shut down in a bid to reduce the spread of the virus.

The Group considers this outbreak to be a non-adjusting subsequent event. As the situation is fluid and rapidly evolving, the Directors do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak and will continue to evaluate the impact of COVID-19 on the Group's operations, financial position and operating results.

As at the date these financial statements were authorised for issue, the Directors were not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

There were no other events after the reporting date that could have had a material effect on the financial statements of the Group that have not been provided for or disclosed in these financial statements.

Notes to the Consolidated and Separate Financial Statements

37 Cashflow workings

(i) Investment Securities

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning of the year	12,033,788	1,791,572	1,841,640	1,279,826
Fair value gain recognised in OCI (See note 32(d))	406,103	12,654	396,790	16,632
Non-cash transfer to subsidiary company (See note 37(vi))	-	-	(3,160,000)	-
Gain on non-cash transfer to subsidiary company (See note 14)	-	-	169,546	-
Gain on foreign exchange revaluation (See note 15)	11,833	7,097	11,833	7,097
Impairment charge on investment securities (See note 17)	(9,168)	-	(4,333)	-
Interest receivable	481,737	34,179	161,179	34,579
Balance at the end of the year (See note 21)	(16,147,529)	(12,033,788)	(7,717,276)	(1,841,640)
Movement in investment securities	(3,223,236)	(10,188,286)	(8,300,621)	(503,506)

(ii) Property and equipment

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning of the year	1,543,218	614,123	1,543,218	614,123
Balance at the end of the year (See note 26)	(1,796,773)	(1,543,218)	(1,796,773)	(1,543,218)
	(253,555)	(929,095)	(253,555)	(929,095)
<i>Explained by:</i>				
Acquisition of property and equipment (See note 26)	(389,657)	(1,172,730)	(389,657)	(1,172,730)
Transition adjustment to right of use asset (See note 26)	(342,856)	-	(342,856)	-
	(732,513)	(1,172,730)	(732,513)	(1,172,730)
Gain on disposal of PPE (See note 14)	(1,382)	(1,334)	(1,382)	(1,334)
Proceeds on disposal	1,398	9,837	1,398	9,837
Depreciation	478,942	235,132	478,942	235,132
	(253,555)	(929,095)	(253,555)	(929,095)

(iii) Intangible assets

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning of the year	15,675	18,002	15,675	18,002
Balance at the end of the year (See note 27)	(33,446)	(15,675)	(33,446)	(15,675)
	(17,771)	2,327	(17,771)	2,327

(iv) Interest received

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Interest income earned on investment securities (See note 13)	1,385,641	235,604	742,201	153,244
Interest receivable	(481,737)	(32,679)	(161,179)	(33,079)
Interest received	903,904	202,925	581,022	120,165

Notes to the Consolidated and Separate Financial Statements

(v) Other liabilities

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning of the year	(7,044,237)	(942,017)	(2,221,892)	(941,177)
VAT paid	1,246,517	405,175	663,975	289,378
Interest expense	(43,894)	-	(43,894)	-
Payment of lease liabilities	37,400	-	37,400	-
Impairment charge on margin assets (See note 28)	(28,475)	-	-	-
Cash-settled share-based payment expense (See note 16)	(606,346)	-	(606,346)	-
Deposit for shares	-	(124,350)	-	(124,350)
Balance at the end of the year (See note 28)	9,442,617	7,044,237	9,176,636	2,221,892
Movement in other liabilities	3,003,582	6,383,045	7,005,879	1,445,743

(vi) Other assets

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning of the year	2,053,907	262,880	6,078,281	277,777
Impairment on other assets (See note 17)	(99,245)	(8,927)	(42,243)	(3,697)
WHT receivables utilised during the year (See note 19(c))	(359,683)	-	(359,683)	-
Write-off from other assets (See note 17)	(130)	-	(130)	-
Write back of prior year WHT receivables	-	21,161	-	21,161
Balance at the end of the year (See note 24)	(3,419,506)	(2,053,907)	(6,204,888)	(6,078,281)
Movement in other assets	(1,824,657)	(1,778,793)	(528,663)	(5,783,040)

(vii) Effect of exchange rate changes in cash and bank balances

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Unrealised exchange rate gain on foreign exchange revaluation on Eurobond	11,833	7,097	11,833	7,097
Unrealised exchange rate gain/(loss) on bank balances	2,303	(1,117)	2,303	(1,117)
	14,136	5,980	14,136	5,980
Realised exchange rate gain on bank balances	10,152	-	10,152	-
Gain on foreign exchange revaluation (See note 15)	24,288	5,980	24,288	5,980

(viii) Investment in subsidiaries

<i>In thousands of Naira</i>	Group 31-Dec-19	Group 31-Dec-18	Company 31-Dec-19	Company 31-Dec-18
Balance at the beginning of the year	-	-	500,000	500,000
Additional investment in FMDQ Clear (investment securities) (See note 37(i))	-	-	3,160,000	-
Additional investment in FMDQ Clear (bonus shares received)	-	-	1,000,000	-
Balance at the end of the year (See note 25)	-	-	(11,000,000)	(500,000)
Cash movement in investment in subsidiaries	-	-	(6,340,000)	-

Other National Disclosures**Value Added Statement**

for the year ended 31 December 2019

<i>In thousands of Naira</i>	Group 31-Dec-19	%	Group 31-Dec-18	%	Company 31-Dec-19	%	Company 31-Dec-18	%
Operating income	21,457,264		13,203,865		17,708,739		13,250,430	
Brought in goods and services - local	(3,631,610)		(3,244,928)		(2,687,714)		(4,401,056)	
	17,825,654	100	9,958,937	100	15,021,025	100	8,849,374	100

Distribution of Value Added**To Employees**

Employees as wages and salaries	4,122,226	23	2,510,165	25	3,869,902	26	2,436,610	27
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To Government

Government as tax	2,982,707	17	1,572,763	16	3,101,383	21	1,562,502	18
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Retained in business

- For replacement of property and equipments	478,942	3	235,132	2	478,942	3	235,132	3
- For replacement of intangible asset	4,901	-	4,825	-	4,901	-	4,825	-
- To augment reserves	10,236,878	57	5,636,052	57	7,565,897	50	4,610,305	52
	17,825,654	100	9,958,937	100	15,021,025	100	8,849,374	100

Other National Disclosures

Financial Summary

Group

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18	31-Dec-17
ASSETS			
Cash and bank balances	9,536,031	721,353	347,979
Investment securities	16,147,529	12,033,788	1,791,572
Client resolution fund (CRF) ssset	30,044,416	33,792,665	-
Margin and fixings variance settlement assets	172,601,258	130,150,700	-
Other assets	3,419,506	2,053,907	262,880
Property and equipment	1,796,773	1,543,218	614,123
Intangible assets	33,446	15,675	18,002
Deferred tax assets	214,879	-	-
Total Assets	233,793,838	180,311,306	3,034,556
LIABILITIES			
Client resolution fund (CRF) liability	30,044,416	33,792,665	-
Margin and fixings variance settlement liabilities	172,601,258	130,150,700	-
Other liabilities	9,442,617	7,044,237	942,017
Provisions	44,100	22,754	21,246
Current tax liability	3,408,047	1,508,690	41,589
Deferred tax liabilities	-	181,841	67,991
Total Liabilities	215,540,438	172,700,887	1,072,843
EQUITY			
Share capital	640,741	640,741	640,741
Share premium	21,148	21,148	21,148
Retained earnings	363,779	4,695,328	298,070
Bonus share reserve	9,721,911	-	-
Fair value reserves	373,237	(32,866)	(45,520)
Other reserves	7,132,584	2,286,068	1,047,274
Total Equity	18,253,400	7,610,419	1,961,713
Total Equity and Liabilities	233,793,838	180,311,306	3,034,556

Group

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18	31-Dec-17
Operating Income	21,457,264	13,203,865	2,522,341
Impairment charge on financial assets	(137,018)	(8,927)	-
Operating expenses	(8,100,661)	(5,986,123)	(2,172,582)
Profit before taxation	13,219,585	7,208,815	349,759
Taxation	(2,982,707)	(1,572,763)	(113,000)
Profit after taxation	10,236,878	5,636,052	236,759
Other comprehensive income	406,103	12,654	74,649
Total comprehensive income	10,642,981	5,648,706	311,408

Other National Disclosures

Financial Summary

Company

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
ASSETS					
Cash and bank balances	332,796	536,018	345,254	313,483	321,281
Investment securities	7,717,276	1,841,640	1,279,826	1,552,978	1,699,921
Other assets	6,204,888	6,078,281	277,777	185,080	77,207
Investment in subsidiary	11,000,000	500,000	500,000	-	-
Property and equipment	1,796,773	1,543,218	614,123	457,533	84,665
Intangible assets	33,446	15,675	18,002	18,029	24,870
Deferred tax assets	28,834	-	-	-	-
Total Assets	27,114,013	10,514,832	3,034,982	2,527,103	2,207,944
LIABILITIES					
Other liabilities	9,176,636	2,221,892	941,177	815,540	676,233
Provisions	44,100	22,754	21,246	21,246	-
Current tax liability	3,340,674	1,498,429	41,589	23,772	116,290
Deferred tax liabilities	-	181,841	67,991	16,240	13,627
Total Liabilities	12,561,410	3,924,916	1,072,003	876,798	806,150
EQUITY					
Share capital	640,741	640,741	640,741	640,741	640,741
Share premium	21,148	21,148	21,148	21,148	21,148
Retained earnings	-	3,669,193	297,682	1,108,585	786,715
Bonus share reserve	9,721,911	-	-	-	-
Fair value reserves	369,556	(27,234)	(43,866)	(120,169)	(46,810)
Other reserves	3,799,247	2,286,068	7,274	-	-
Total Equity	14,552,603	6,589,916	1,962,979	1,650,305	1,401,794
Total Equity and Liabilities	27,114,013	10,514,832	3,034,982	2,527,103	2,207,944

Company

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
Operating Income	17,708,739	13,250,430	2,505,833	2,040,906	2,076,441
Operating expenses	(7,041,459)	(7,077,623)	(2,156,462)	(1,600,531)	(1,602,671)
Profit before taxation	10,667,280	6,172,807	349,371	440,375	473,770
Taxation	(3,101,383)	(1,562,502)	(113,000)	(118,505)	(114,347)
Profit after taxation	7,565,897	4,610,305	236,371	321,870	359,423
Other comprehensive income	396,790	16,632	76,303	(73,359)	(46,810)
Total comprehensive income	7,962,687	4,626,937	312,674	248,511	312,613

2019 HIGHLIGHTS: NOTABLE DATES



January

- ₦30.00 billion Stanbic IBTC Bank PLC Bond Listed on FMDQ
- ₦32.90 billion Sterling Investment Management SPV PLC Bond Listed on FMDQ
- ₦3.00 billion Eterna PLC Commercial Paper Note Quoted on FMDQ
- ₦1.18 billion FBNQuest Merchant Bank Limited Commercial Paper Note Quoted on FMDQ



February

- FMDQ-Next Hosted Students of The Learning Place, Lagos, on Excursion
- FMDQ Hosted Ms. Mary Uduk, Ag. Director-General, Securities and Exchange Commission
- ₦5.28 billion Mixta Real Estate PLC Bonds Listed on FMDQ
- ₦11.92 billion Mixta Real Estate PLC Commercial Paper Notes Quoted on FMDQ
- ₦24.35 billion Union Bank of Nigeria PLC Commercial Paper Notes Quoted on FMDQ
- ₦3.11 billion FBNQuest Merchant Bank Limited Commercial Paper Note Quoted on FMDQ
- \$2.87 billion Federal Republic of Nigeria Eurobonds Listed on FMDQ



March

- FMDQ 'OTC' Exchange Became a Fully-Fledged Securities Exchange
- FMDQ Commemorated 2019 International Women's Day
- FMDQ Hosted Risk Management Association of Nigeria (RIMAN) Q1 Quarterly Risk Roundtable
- PenCom in Conjunction with FMDQ, FSD Africa & CBI Hosted the Green Bonds Investors Workshop for Pension Industry Operators
- FMDQ-Next Hosted the Nigerian Economics Students Association of Covenant University in Commemoration of the Annual Global Money Week
- ₦6.92 billion Flour Mills of Nigeria PLC Commercial Paper Notes Quoted on FMDQ
- ₦13.58 billion UACN Property Development Company Commercial Paper Notes Quoted on FMDQ
- ₦2.99 billion Mixta Real Estate PLC Commercial Paper Notes Quoted on FMDQ
- ₦100.00 billion Nigerian Breweries PLC Commercial Paper Programme Registered on FMDQ



April

- FMDQ Hosted Inaugural Meeting for Financial Centre for Sustainability, Lagos
- FMDQ Commenced Derivatives Market Training Series for Market Participants
- FMDQ Listed the Pioneer Climate Bond Certified Corporate Green Bond - ₦15.00 billion Access Bank PLC Green Bond
- ₦4.88 billion CERPAC Receivables Funding SPV PLC Bond Listed on FMDQ
- ₦8.5 billion NSP-SPV PowerCorp PLC Green Infrastructure Bond Listed on FMDQ
- \$2.50 billion Federal Republic of Nigeria Eurobonds Listed on FMDQ
- 98.13 million units of ₦108.45 each Chapel Hill Denham Nigeria Infrastructure Debt Fund Listed on FMDQ



May

- FMDQ, FSD Africa and CBI Hosted Capital Markets Correspondents Association of Nigeria (CAMCAN) to Media Engagement Workshop on Green Bonds
- FMDQ-Next Activated the "Teach-a-Class" Initiative
- FMDQ Hosted Ms. Laure Beaufils, Outgoing British Deputy High Commissioner to Nigeria
- ₦14.10 billion CERPAC Receivables Funding SPV PLC Bonds Listed on FMDQ
- ₦18.66 billion FBNQuest Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ



June

- FMDQ Held Series II Bootcamp Training for Corporate Issuers in the Nigerian Debt Capital Market
- FMDQ Hosted Association of Securities Dealing Houses of Nigeria (ASHON)
- FMDQ Held H1 2019 Members' Meeting
- FMDQ Executed Waste Recycling MOU with RecyclePoints Limited
- FMDQ Clear Hosted Stakeholders Session on Central Counterparty Derivatives Clearing
- FMDQ and S&P Dow Jones Indices Co-Hosted Fixed Income Indices Sensitisation Workshop
- FMDQ-Next Held Trading Challenge with University Students, Recent Graduates and NYSC Candidates
- FMDQ-Next Hosted Investment Society of the University of Lagos on an Excursion
- \$2.87 billion Federal Republic of Nigeria Eurobonds Listed on FMDQ
- ₦24.50 billion Sterling Bank PLC Commercial Paper Note Quoted on FMDQ

2019 HIGHLIGHTS: NOTABLE DATES CONT'D



July

- FMDQ Held Training for its Dealing Member (Specialists)
- FMDQ Co-Hosted Green Bonds Masterclass for Capital Market Intermediaries
- FMDQ Securities Exchange PLC Held 7th Annual General Meeting
- FMDQ Clear Limited Held 1st Annual General Meeting
- FMDQ Next Commenced 2019 Summer Camp Programme
- ₦14.99 billion Nigerian Breweries PLC Commercial Paper Notes Quoted on FMDQ
- ₦65.24 billion Flour Mills of Nigeria PLC Commercial Paper Notes Quoted on FMDQ
- ₦100.00 billion Federal Government of Nigeria Road Sukuk Listed on FMDQ
- 1.00 million units of ₦1.00 each First Ally Asset Management Limited Money Market Fund Listed on FMDQ



August

- FMDQ Emerged as Africa's First Vertically Integrated Financial Market Infrastructure Group
- FMDQ Hosted the Capital Markets Authority (CMA), Kenya, on a Study Tour
- FMDQ Hosted Media Parley to Promote Knowledge Sharing and Networking with Media Partners
- ₦30.00 billion Access Bank PLC Bond Listed on FMDQ
- ₦100.00 billion MTN Nigeria Communications PLC Commercial Paper Programme Registered on FMDQ
- ₦6.02 billion CERPAC Receivables Funding SPV PLC Commercial Paper Programme Registered on FMDQ
- ₦25.94 billion Flour Mills of Nigeria PLC Commercial Paper Notes Quoted on FMDQ
- ₦25.03 billion Nigerian Breweries PLC Commercial Paper Notes Quoted on FMDQ
- ₦7.18 billion FBNQuest Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ
- ₦150.00 billion Dangote Cement PLC Commercial Paper Notes Quoted on FMDQ
- ₦30.00 billion Union Bank of Nigeria PLC Subordinated Unsecured Fixed Rate Bond Listed on FMDQ
- 10.00 million units of ₦100.00 each of the Cordros Money Market Fund Listed on FMDQ



September

- Operationalisation of FMDQ Depository Limited
- FMDQ Exchange Held Series II of Derivatives Market Training for Stakeholders
- FMDQ Exchange Held 2nd Induction Programme for its Registration Members
- ₦30.00 billion Dufil Prima Foods PLC Commercial Paper Programme Registered on FMDQ
- ₦19.59 billion Mixta Real Estate PLC Commercial Paper Notes Quoted on FMDQ
- ₦13.14 billion Coronation Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ
- ₦2.04 billion FBNQuest Merchant Bank Limited Commercial Paper Note Quoted on FMDQ
- 15.00 million units of ₦100.00 each of the FSDH Treasury Bills Money Market Fund Listed on FMDQ



October

- Official Launch of the Financial Centre for Sustainability, Lagos
- FMDQ Exchange Organised Green Bonds Workshop for Issuers and Other Financial Institutions
- FMDQ Won the BusinessDay Award for Integrated Financial Market Infrastructure Provider of the Year
- ₦16.50 billion Primero BRT Securitisation SPV PLC Bond Listed on FMDQ
- ₦4.88 billion FBNQuest Merchant Bank Limited Commercial Paper Notes Quoted on FMDQ
- ₦15.00 billion Federal Government of Nigeria Green Bond Listed on FMDQ



November

- FMDQ Hosted 2019 Nigerian Capital Market Conference
- FMDQ Hosted 2019 GOLD Awards Ceremony
- FMDQ-Next Hosted Master Moulders International Academy to mark World Children's Day
- FMDQ Exchange Hosted its Registration Members to a Stakeholder Engagement Session
- ₦3.31 billion FBNQuest Merchant Bank Limited Commercial Paper Note Quoted on FMDQ
- ₦17.95 billion Stanbic IBTC Bank PLC Commercial Paper Note Quoted on FMDQ
- ₦2.78 billion CERPAC Receivables Funding SPV PLC Commercial Paper Note Quoted on FMDQ
- ₦2.53 billion Mixta Real Estate PLC Commercial Paper Note Quoted on FMDQ
- 500.00 million Units of ₦1.00 each of the SFS Fixed Income Fund Listed on FMDQ



December

- FMDQ Received CAMCAN Award for "Developing the Nigerian Debt Capital Markets"
- FMDQ Unveiled Atrium, Q-Chill, at Exchange Place
- ₦15.00 billion TAK Agro PLC Bond Listed on FMDQ
- ₦30.00 billion FSDH Merchant Bank Limited Commercial Paper Programme Registered on FMDQ
- ₦6.51 billion Mixta Real Estate PLC Commercial Paper Notes Quoted on FMDQ

2019 HIGHLIGHTS: FMDQ-NEXT SUMMER CAMP PROGRAMME



2019 HIGHLIGHTS: FMDQ-NEXT ACTIVITIES CONT'D



FMDQ-Next Holds Trading Challenge



FMDQ-Next Commences its “Teach-a-Class” Series



FMDQ-Next Hosts Investment Society of the University of Lagos on an Excursion to Exchange Place



FMDQ-Next Hosts the Learning Place, Lagos on an Excursion to Exchange Place



FMDQ-Next Commemorates Global Money Week



FMDQ-Next Hosts Master Moulders International Academy to Mark World Children’s Day

2019 HIGHLIGHTS: NIGERIAN CAPITAL MARKETS CONFERENCE



2019 HIGHLIGHTS: GOLD AWARDS CEREMONY



2019 HIGHLIGHTS: GOLD AWARDS WINNERS

Congratulations to the FMDQ 2019 **GOLD** Awards Winners!!!

*Recognising Excellence in the Nigerian
Debt, Currencies & Derivatives Markets*



Primary Market Awards Category

FMDQ Capital Markets
Securities Origination

This award goes to the Registration Member that has sponsored the highest value of listings and/or quotations of non-sovereign local currency securities on FMDQ.



Largest Corporate Bond
Issuer on FMDQ

This award goes to the corporate entity with the highest total bond(s) value listed on FMDQ.



Largest Commercial
Paper Issuer on FMDQ

This award goes to the issuer with the largest total commercial paper value quoted on FMDQ.



Largest Fund Manager
on FMDQ

This award goes to the Fund Manager with the highest total fund(s) value listed on FMDQ.



Most Market-Impacting
Issuer on FMDQ

This Award goes to the issuer with the highest number of pace-setting (inaugural) potentially "market-impacting" debt securities listed on FMDQ.



FMDQ Registration
Member (Listings)

This award goes to the RML that has sponsored the highest total value listings of non-sovereign local currency securities on FMDQ.



FMDQ Registration
Member (Quotations)

This award goes to the RMQ that has sponsored the highest total value of CP (single issues + series) quotations on FMDQ.



Debt Capital Markets
Solicitors

This award goes to the solicitor who has participated in the most diverse and highest number of offers listed and quoted on FMDQ.



Most Innovative
Registration Member

This award goes to the FMDQ Registration Member that has sponsored the most innovative debt issuance structure on FMDQ.



Debt Capital Markets
Financing for Infrastructure
Development

This award goes to the issuer (non-sovereign) with the largest value (single or combined series) of fixed income securities (bonds, CPs, funds, etc.) on FMDQ raised and channeled directly towards promoting/impacting the development of infrastructure in Nigeria.



2019 HIGHLIGHTS: GOLD AWARDS WINNERS CONT'D

Congratulations to the FMDQ 2019 **GOLD** Awards Winners!!!

*Recognising Excellence in the Nigerian
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Secondary Market Awards Category

**FMDQ Dealing
Member
of the Year**

*This award goes to the Dealing
Member with the highest turnover
in the products traded on FMDQ
over the last year of FMDQ.*



**FMDQ Money Market
Liquidity Provider**

*This award goes to the FMDQ Dealing
Member with the highest turnover in
money market products on FMDQ.*



**FMDQ Fixed Income
Market Liquidity
Provider**

*This award goes to the FMDQ
Dealing Member with the highest
turnover in fixed income securities
on FMDQ.*



**FMDQ OTC FX
Futures Bank**

*This award goes to the FMDQ Dealing
Member with the highest value of
executed OTC FX Futures contracts
on FMDQ within the review
period. Highest value of executed
OTC FX Futures contracts.*



**FMDQ FX Market
Liquidity Provider**

*This awards goes to the FMDQ Dealing
Member with the highest turnover in
FX on FMDQ within the review period.
Highest turnover in FX and FX
derivatives.*



**Most Active Corporate
(Domestic) in the
FX Futures Market**

*This award goes to the most active
domestic non-bank corporate
player in the FX Futures market.*



**Most Active Corporate
(Foreign) in the
FX Futures Market**

*This award goes to the most active
foreign non-bank corporate player
in the FX Futures market.*



**FMDQ Member
Compliance**

*This award goes to the Dealing
Member with the least number of
infractions, thereby most compliant
to the market rules and guidelines of
FMDQ. Least number of infractions.*



2019 HIGHLIGHTS: GOLD AWARDS WINNERS CONT'D

Congratulations
to the FMDQ 2019 **GOLD** Awards Winners!!!



This award goes to the SEC for the action/initiative during the period in view that has had the most significant and progressive transformation in the capital markets. This action/initiative has caused a glaring positive difference in the markets and has made for an improved market.



Empowerment of Investors and Issuers with Choice of Depositories
(Registration of FMDQ Depository Limited)




This award goes to the CBN for the action/initiative during the period in view that has had or has the potential to have the most significant and progressive transformation in the financial markets. This action/initiative has caused a glaring positive difference in the markets and has made for an improved market.



Financial Inclusion
(Establishment of Payment Services (Digital) Banks)



This award goes to the FMDQ Associate Member (Inter-dealer Broker) voted by Members as providing the most exemplary brokerage service.





This award goes to the buy-side participant that has been voted the most active player in the fixed income market by FMDQ Dealing Members.





This award goes to the institution that has been voted the most active non-bank corporate player in the FX market by FMDQ Dealing Members.





This award goes to the institution that has been voted by FMDQ Dealing Members as the most active foreign portfolio investor in the Nigerian fixed income and currency markets, contributing significantly to foreign currency inflows to the nation.



2019 HIGHLIGHTS: GOLD AWARDS WINNERS CONT'D

Congratulations

to the FMDQ 2019 **GOLD** Awards Winners!!!





FMDQ Markets Enabler

This award recognises an ex-financial markets practitioner with considerable contribution to market development, who forged ahead to build a track record of leadership and impact in the private or public sector, leading to a position of significant importance in public service, providing the individual with the opportunity to achieve transformational change in the Nigerian financial markets and overall economy.



Mr. Babajide Sanwo-Olu
Executive Governor, Lagos State



FMDQ Capital Markets Catalyst

This award goes to an institution with a programme/initiative that can impact the Nigerian capital markets, with a potential to facilitate access to capital, value transfer or deliver effective efficient risk management.



2019 HIGHLIGHTS: KEY STAKEHOLDER VISITS

FMDQ Hosts Ms. Laure Beaufils, Outgoing British Deputy High Commissioner to Nigeria at Exchange Place



FMDQ Welcomes Local and International Study Tour Groups



2019 HIGHLIGHTS: OTHER MEMORABLE EVENTS



FMDQ's CSR Visit to Old People's Home



FMDQ's CSR Visit to Echoes of Mercy and Hope Foundation



Unveiling of FMDQ's Atrium - Q-Chill



2019 HIGHLIGHTS: LISTINGS & QUOTATIONS CEREMONIES



Sterling Investment Management SPV PLC Bond Listing Ceremony



Mixta Real Estate PLC Commercial Paper Quotation and Bond Listing Ceremony

2019 HIGHLIGHTS: LISTINGS & QUOTATIONS CEREMONIES CONT'D



Pioneer Climate Bonds Certified Corporate Green Bond – Access Bank PLC Green Bond Listing Ceremony



NSP-SPV Powercorp PLC Guaranteed Infrastructure Green Bond Listing Ceremony



Federal Republic of Nigeria Dual-Tranche & Triple-Tranche Eurobonds Listing Ceremony



First Ally Asset Management Limited Money Market Fund Listing Ceremony



Primero BRT Securitisation SPV PLC Bond Listing Ceremony



SFS Capital Nigeria Limited Fixed Income Fund Listing Ceremony

FMDQ PEOPLE-EXECUTIVE COMMITTEE



FMDQ PEOPLE



Business Leadership Committee



All Staff

FMDQ PEOPLE: HIGHLY EXCEPTIONAL EMPLOYEES (HPEs)



CORPORATE INFORMATION

FMDQ Holdings PLC

Registered Office	Exchange Place 35 Idowu Taylor Street Victoria Island Lagos, Nigeria
RC No	929657
Company Secretary	Mr. Ajibola Asolo Exchange Place 35 Idowu Taylor Street Victoria Island Lagos, Nigeria
Chairman	Dr. Kingsley Obiora
Vice Chairman	Mr. Jibril Aku
Other Directors	Mr. Kennedy Uzoka Mr. Ebenezer Onyeagwu Mr. Emeka Onwuka, OON Ms. Daisy Ekineh Mr. Sadiq Mohammed
Group Managing Director/CEO	Mr. Bola Onadele. Koko
Subsidiaries	FMDQ Securities Exchange Limited (RC 1617162) FMDQ Clear Limited (RC 1382108) FMDQ Depository Limited (RC 1550384) FMDQ Private Markets Limited (RC 1655759) iQx Consult Limited (RC 1428322)
Auditor	Messrs. KPMG Professional Services KPMG Towers Bishop Aboyade Cole Street Victoria Island Lagos, Nigeria
Bankers	Access Bank PLC Guaranty Trust Bank PLC Stanbic IBTC Bank PLC Zenith Bank PLC

Africa's First Vertically Integrated Financial Market Infrastructure Group

FMDQ Group

▪ Exchange ▪ Clearing ▪ Depository ▪ Private Markets



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