



Presentation to Capital Markets Committee (CMC)

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FMDQ Market Overview



Initiative/Issue	Recent Development	Factors responsible for development/Challenges	Next Steps
<p>Changing Dynamics of the Fixed Income Market</p>	<ul style="list-style-type: none"> Reduction in value of NTBs outstanding Decline in yields recorded across various benchmark tenors of NTBs and bonds 	<ul style="list-style-type: none"> FGN’s strategic shift from domestic to international borrowing and subsequent use of Eurobond proceeds to retire maturing NTBs 	<ul style="list-style-type: none"> Corporates to take advantage of the reduction in the crowding out effect on government borrowing and likely reduction in interest rates, to issue more debt securities
<p>Diversification of FGN Borrowing Sources</p>	<ul style="list-style-type: none"> FGN issuance of Eurobonds, Sukuk and Green Bond 	<ul style="list-style-type: none"> FGN’s requirement to access long-term capital targeted at specific infrastructure and environmental projects 	<ul style="list-style-type: none"> FMDQ to continue supporting the DMO (and other relevant stakeholders) with requisite frameworks and structures that will enable the FGN build upon its diversification strategy, thereby adding variety to its existing and future debt issuances

DMO: Debt Management Office; FGN: Federal Government of Nigeria; NTBs: Nigerian Treasury Bills

Recent Developments/Updates

Initiative/Issue	Recent Development	Factors Responsible for Development/Challenges	Next Steps
<p>DCMD Project/ Inaugural Joint Steering & Transformation Committees Meeting</p>	<p>Meeting held on January 2018 to deliberate on the modalities for fast-tracking the Implementation of Project Initiatives in 2018. The following, amongst others, were identified as key issues required to catalyse the realisation of the Project's objectives:</p> <ul style="list-style-type: none"> ▪ Streamlining of bond issuance processes ▪ Ensuring liquidity for corporate bonds in the secondary market ▪ Addressing hurdles preventing International Rating Agencies from setting up and operating in the Nigerian DCM ▪ Development of the Repo market 	<ul style="list-style-type: none"> ▪ Ensuring deeper commitment and collaboration of stakeholders in the DCMD Project ▪ Refocusing and streamlining the Project's priorities ▪ Ensuring that the DCMD Project achieves targeted milestones in 2018 	<ul style="list-style-type: none"> ▪ DCMD Project Steering & Transformation Committees engagement with SEC Executive Management to discuss recommendations for streamlining issuance process

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Initiative/Issue	Recent Development	Factors Responsible for Development/Challenges	Next Steps
Issuance of Interpretative Guidance Notes	<ul style="list-style-type: none"> SEC approval granted on the Regulation Consolidation SubCo's recommendation concerning the issuance of interpretative guidance notes 	<ul style="list-style-type: none"> Facilitating an easy understanding of SEC Rules/Regulations by all stakeholders Improving compliance with all regulatory requirements of the Commission 	<ul style="list-style-type: none"> SEC to commence publication of Interpretative Guidance Notes on Regulations on its website SEC to sensitise market stakeholders on the initiative and its benefits
Advocacy on the removal of restrictive regulations in the NAICOM prudential guidelines	<ul style="list-style-type: none"> Recent engagement between NAICOM Executive Management and the DCMD Project Regulation Consolidation SubCo in March 2018 to address this issue 	<ul style="list-style-type: none"> Low level of insurance industry participation in the DCM relative to other developing economies 	<ul style="list-style-type: none"> NAICOM to include SubCo recommendations in ongoing review of its prudential guidelines FMDQ to invite NIA and NAICOM as members of the DCMD Project Regulation Consolidation SubCo

NAICOM: National Insurance Commission; **NIA:** Nigerian Insurers Association; **SubCo:** Sub-Committee

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Initiative/Issue	Recent Development	Factors Responsible for Development/Challenges	Next Steps
Green Bond Issuance	<ul style="list-style-type: none"> ▪ Commenced market stakeholders' engagement ▪ Participated in the March 2018 Climate Bonds Initiative Annual Conference to connect with global investors and deepen institutional knowledge of Green Bonds Executed a Cooperation Agreement with Climate Bonds Initiative and FSD Africa in March 2018 aimed at supporting the Nigerian Green and Non-Government Bond markets 	<ul style="list-style-type: none"> ▪ Entrenching the principle of green financing in the Nigerian DCM 	<ul style="list-style-type: none"> ▪ Green Bond Training (<i>tentatively May 2018</i>) ▪ Nigeria Green Week (<i>tentatively June 2018</i>)
Housing & Infrastructure	<ul style="list-style-type: none"> ▪ Plans are underway to separate the Housing & Infrastructure into distinct SubCos, allowing for better focus on initiatives aimed at galvanising the two (2) sectors 	<ul style="list-style-type: none"> ▪ Unlocking the inherent potential and opportunities in the housing sector through the Nigerian DCM 	<ul style="list-style-type: none"> ▪ Housing Roundtable (<i>Q2 2018</i>) ▪ Infrastructure Roundtable (<i>Q3 2018</i>)

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Initiative	Recent Development	Factors Responsible for Development/Challenges	Challenges/Next Steps
Retail Market Development	<ul style="list-style-type: none"> Engagements currently ongoing with SEC on the development of regulation to support Retail Custody Account for Fixed Income Securities 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> SEC to issue regulation in line with proposal sent by FMDQ
	<ul style="list-style-type: none"> Following feedback received from market, FMDQ decided to re-expose the Draft FISICS Rules for further deliberation by a focused group of market participants 	<ul style="list-style-type: none"> Need for market participants to properly appreciate the reforms sought to be introduced by the regulation 	<ul style="list-style-type: none"> Re-expose Draft FISICS Rules
	<ul style="list-style-type: none"> Engagements ongoing to finalise modalities for activation of Dealing Member (Specialists) market 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Preparation for Market Go-Live

Issue	Objective/Product
Retail Custody Accounts for Fixed Income Securities	<p>Objective</p> <ul style="list-style-type: none">▪ SEC to introduce a new licencing structure for custodians to accommodate the establishment of independent, retail-focused custodians <p>Product</p> <ul style="list-style-type: none">▪ Retail clients are provided with direct access to their custodians giving them more control over their investment portfolios▪ Flexibility in the trading of securities with multiple DMBs as well as facilitate more client activity in the repo markets, thereby driving more depth in the Nigerian financial markets▪ Promote and support the development of retail-focused investment products and deployment of retail investment-friendly channels▪ Promote operational efficiency, minimise fragmentation of liquidity pools and eliminate the concerns of institutions without affiliated custodians

DMBs: Deposit Money Banks

Appendix

Bonds/Funds Listings & NTBs/CPs Quotations (Nov. 10, 2017 – Mar. 29, 2018)

Total Number of Bonds/Funds Listings (Nov. 10, 2017 – Mar. 29, 2018)

Product	Issuer Category	Total Listed	Face Value (₦'bn)
Bonds	FGN	2	106.45
	FGN Eurobonds	2	916.95
	FGN Sukuk	1	100.00
	Corporate	2	13.15
	Sub-national	2	85.14
Funds	Corporate	3	218.21
CPs	Corporate	17	114.13
Total		29	1,554.03

Matured & Paid Down vs Outstanding CPs (Nov. 10, 2017 – Mar. 29, 2018)

Product	Issuer Category	Total Quoted	Face Value (₦'bn)
CPs	Matured & Paid Down	8	11.68
	Outstanding	9	102.45
Total		17	114.13

OTC FX Futures and I&E FX Window Flows

S/N	Indicator	Nov. 10, 2017 – Mar. 29, 2018	Oct. 3, 2017 – Nov. 9, 2017	% Change
1	OTC FX Futures Market Turnover (\$'mm)	2,310.77	860.64	168.45
2	I&E FX Window Flows - FPIs (\$'mm)	3.27	1.54	112.34

Debt Capital Markets Sizing & S&P Bond Index

S/N	Indicator	Nov. 10, 2017 - Mar. 29, 2018	Oct. 3, 2017 – Nov. 9, 2017	% Change
1	DCM Market Sizing (₦'trn)	22.06	18.50	19.24
2	S&P Bond Index	347.43	311.19	11.65

FGN Savings Bond Subscription (Oct. 2017 - Feb. 2018)

Issuance (₦'mm)	Oct.	Nov.	Dec.	Jan.	Feb.	Total (₦'mm)
2-Year Bond	115.28	72.42	50.25	73.05	32.82	343.82
3-Year Bond	273.91	183.81	196.16	123.25	202.2	979.33
Total	389.19	256.23	246.41	196.3	235.02	1,323.15

No. of Retail Subscribers	Oct.	Nov.	Dec.	Jan.	Feb.	Total
2-Year Bond	198	177	141	121	124	761.00
3-Year Bond	260	244	201	178	178	1,061.00
Total	458	421	342	299	302	1,822.00

Total Number of NTBs/CPs Quotations (Nov. 10, 2017 – Mar. 29, 2018)

Product	Issuer Category	Total Quoted	Face Value (₦'bn)
NTBs	FGN	10	1,082.83
CPs	Corporate	17	114.13
Total		16	1,196.96

FGN Bonds & Treasury Bills Yield

	2Y	5Y	10Y
Mar. 31, 2018	13.68	13.59	13.75
Nov. 10, 2017	15.05	14.85	15.19
Change (%)	-1.37	-1.26	-1.44

Treasury Bills Yields (%)

	3M	6M	12M
Mar. 31, 2018	14.59	15.07	15.13
Nov. 10, 2017	18.66	19.20	18.67
Change (%)	-4.07	-4.13	-3.54

Note: \$/₦ - 305.65; Treasury Bills and FGN Bonds Yields are as at Mar. 29, 2018;

CPs: Commercial Paper; **FGN:** Federal Government of Nigeria; **FX:** Foreign Exchange; **NTBs:** Nigerian Treasury Bills; **OTC:** Over-the-counter; **M:** Month; **Y:** Year

Thank you for your attention!



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