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## **Presentation to Capital Markets Committee (CMC)**

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**Bola Onadele. Koko**  
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**FMDQ Group**

**April 15, 2021**



**FMDQ Group**

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**FMDQ Securities Exchange Limited**

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**FMDQ Clear Limited**

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**FMDQ Depository Limited**

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## FMDQ Group

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FMDQ Securities Exchange Limited

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## Debt Capital Market Development Project 2025

### Housing Finance SubCo

- Development of the National Housing Strategy
- Advocacy for the withdrawal of 25% from RSA as equity contribution for mortgage loans
- Advocacy on the passage of Model Mortgage Foreclosure Law
- Advocacy for the adoption of Uniform Underwriting Standards by commercial banks
- Participation in the Financial Strategy System (FSS) 2020 Housing Finance Committee
- Execution of Housing Roundtables in collaboration with relevant stakeholders

### Infrastructure Finance SubCo

- Supported the birth of the newly-established InfraCo which backs the development of Nigeria's infrastructure
- Spearheading the tradability framework of the Road Infrastructure Tax Credit Scheme
- Collaboration with the Infrastructure Concession Regulatory Commission to support advocacy efforts on the National PPP Policy, capacity building on project bonds, etc.

### Sustainable Finance SubCo

- Implementation of the Nigerian Green Bond Market Development Programme
- Activation of the Financial Centre for Sustainability, Lagos
- Collaboration with the Federal Ministry of Environment – PACET Agenda

### Vision

*To become a world class, properly functioning debt capital market by 2025*

### Strategic Objectives



## Investors, Issuers and Intermediaries Education/Engagement SubCo

- Sensitised market stakeholders via a webinar on the short-term financing option in the Nigerian debt markets

## Regulation Consolidation SubCo

- Provided recommendations for the removal of restrictive regulations in the insurance sector to the House of Representatives Committee on Insurance and Actuarial Matters through the NIA.
- The Consolidated Insurance Bill 2020 seeks to repeal, re-enact and consolidate the Insurance Act 2003 with other insurance related laws, and has gone through second reading and public hearing

## Key Next Steps

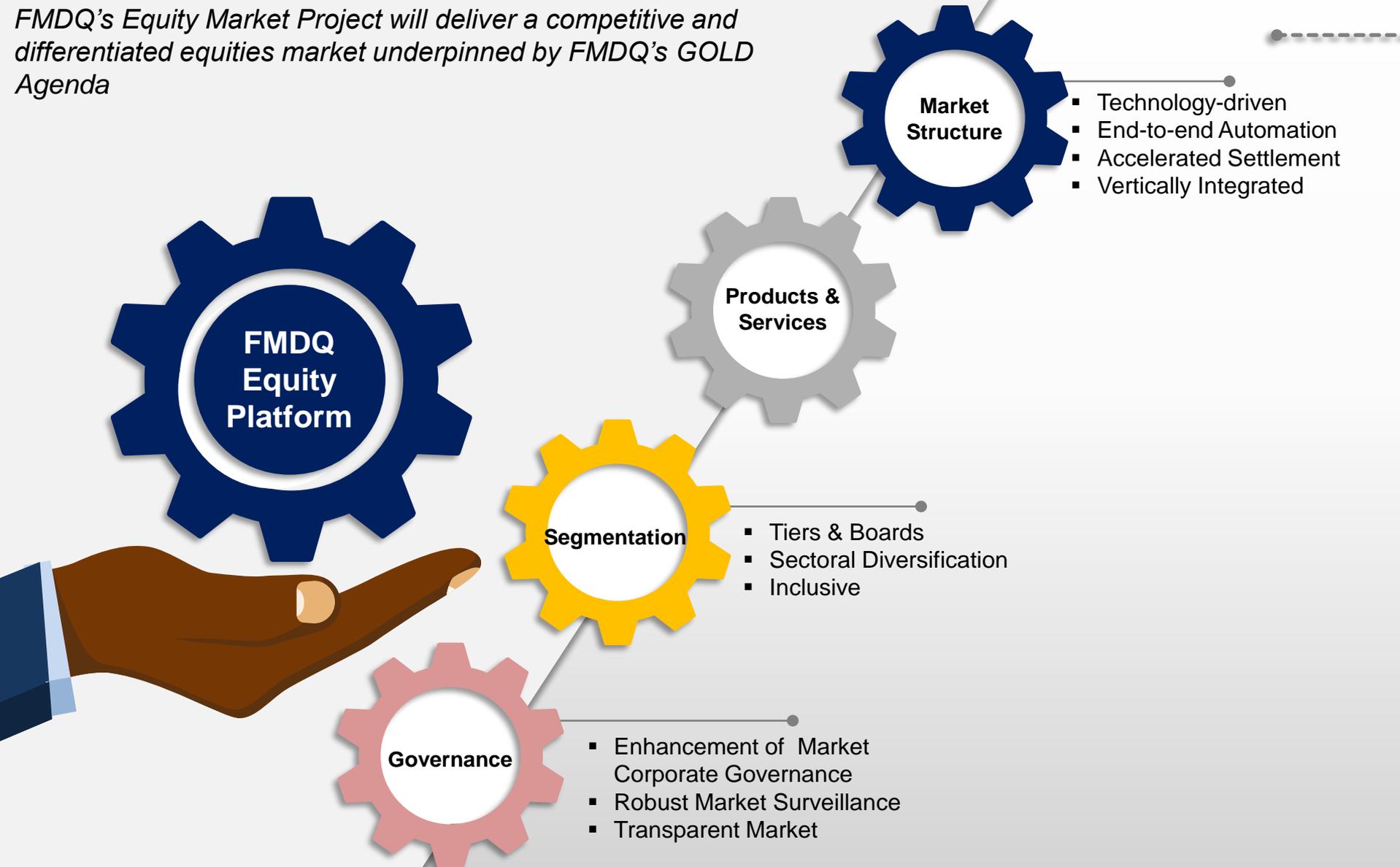
- Continuous capacity building sessions for market participants and stakeholders
- Follow up on the implementation of the Sub-Committees' recommendations

## Strategic Objectives



# Equity Market Project

*FMDQ's Equity Market Project will deliver a competitive and differentiated equities market underpinned by FMDQ's GOLD Agenda*





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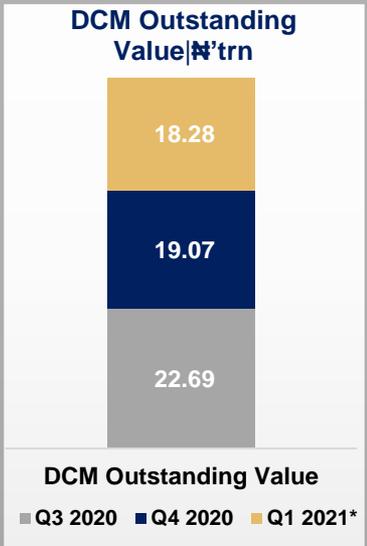
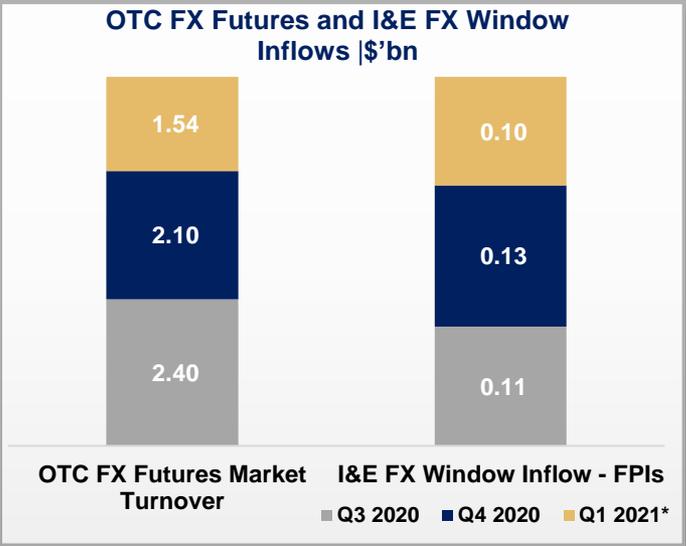
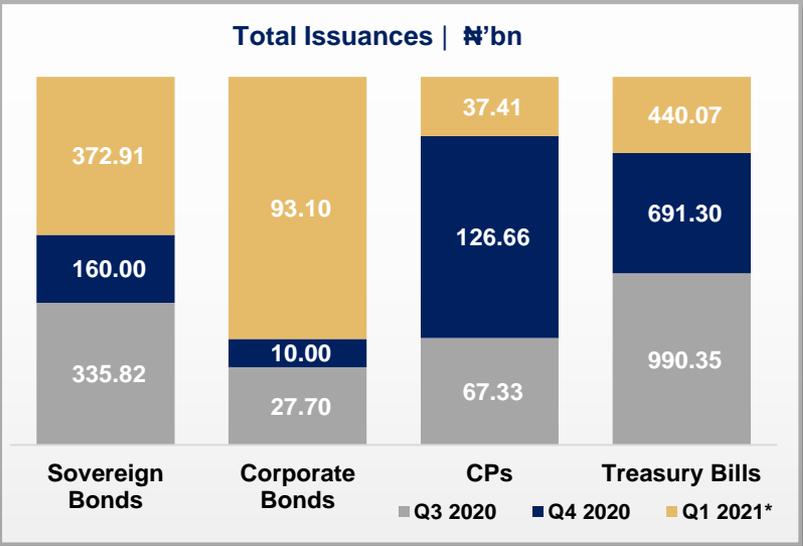
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# Market Statistics



### FGN Savings Bond Issuances

Tenor	Q1 2021*	Q4 2020	Q3 2020
	(₦'mm)		
2-Year	1,048.68	60.13	229.00
3-Year	1,707.12	491.13	583.22
<b>Total</b>	<b>2,755.80</b>	<b>551.26</b>	<b>812.22</b>



**Note:** DCM – Debt Capital Markets; FPIs – Foreign Portfolio Investments; I&E FX – Investors' and Exporters Foreign Exchange; S&P – Standard & Poor's CPs- Commercial Papers; OTC – Over-the-Counter; FGN – Federal Government of Nigeria; Q1 2021\* – Data as at March 19, 2021; YTD – Year to Date; YTD 2021\*\* – Data as at March 19, 2021

# Key Market Development Initiatives

S/N	Initiative	RAG Status	Phase(s)
1.	<b>Bilateral Repo with Collateral Management Project</b>		<ul style="list-style-type: none"> <li>Market Documentation</li> <li>System Deployment</li> <li>Stakeholder Engagements</li> </ul> <div style="border: 1px dashed black; padding: 5px;">                     Completion Level <span style="background-color: yellow; padding: 2px 10px;">96%</span> </div>
2.	<b>FMDQ Derivatives Market Development Project</b>		<ul style="list-style-type: none"> <li>System Deployment</li> <li>Stakeholder Education</li> <li>Product Development</li> <li>Legal &amp; Regulatory</li> <li>Risk Management and Operational Readiness</li> </ul> <div style="border: 1px dashed black; padding: 5px;">                     Completion Level <span style="background-color: yellow; padding: 2px 10px;">50%</span> </div>
3.	<b>Dealing Member (Specialist) Market (DMS)</b>		<ul style="list-style-type: none"> <li>System Deployment</li> </ul> <div style="border: 1px dashed black; padding: 5px;">                     Completion Level <span style="background-color: yellow; padding: 2px 10px;">50%</span> </div>
4.	<b>Brokers' Orderbook Surveillance System (BOSS)</b>		<ul style="list-style-type: none"> <li>Market Documentation</li> <li>System Deployment</li> <li>Stakeholder Engagement</li> </ul> <div style="border: 1px dashed black; padding: 5px;">                     Completion Level <span style="background-color: yellow; padding: 2px 10px;">50%</span> </div>

Note: RAG Status

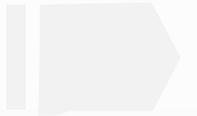
Completed
  Work-in-Progress
  Yet to Commence



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FMDQ Clear has now become strategically positioned to provide Central Counterparty (“CCP”) services in the near-term, as the required legal and regulatory basis have now been secured.

**Legal Basis**  
Netting Law and Bankruptcy  
Remoteness

**CAMA 2020**

**Regulatory Basis**  
Central Counterparty &  
Derivatives Market Rules

**SEC RULES 2019**

FMDQ Clear has transitioned from a Central Clearing House to a Central Counterparty



## Central Clearing House

- Clearing of bilateral trades
- Limited central risk management mechanisms that provide some level of settlement assurance
- Collateral management



## Central Counterparty

- All CCH activities
- Clear all kinds of cash and derivatives products
- Novates each transaction
- Additional risk management structure (Mutualised Default Fund)
- Multilateral netting

# Activation of CCP

With the required legal and regulatory basis now in place, FMDQ Clear is activating key initiatives towards the planned roll-out of CCP services and de-risking the Nigerian financial markets.

## Multilateral Netting

- Commence multilateral netting

## CCP Clearing: Exchange-Traded Derivatives

- Onboard Clearing Members and activate CCP clearing

**FMDQC  
CCP**

## Outstanding Approvals from SEC

- Clearing Member Rules
- Activation of Onboarding Process for Prospective Clearing Members



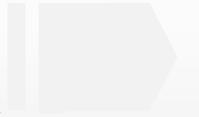
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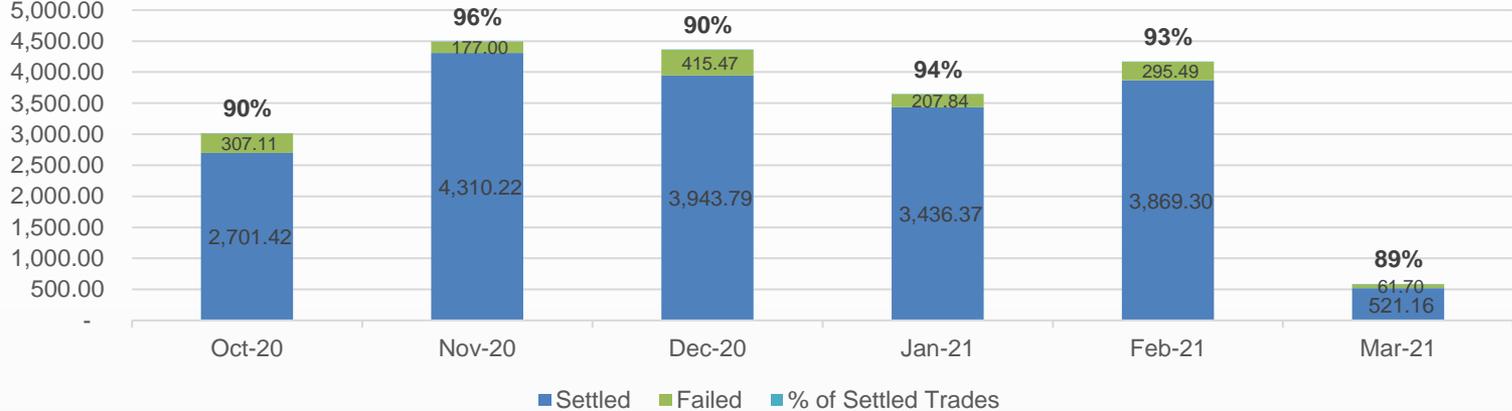
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# Summary of Settlement Activities



## Value (₦'bn)



## Transaction Volume



Note: As at March 12, 2021

FMDQ Depository recognises the need to de-risk secondary market activities and corresponding service components that fall within its mandate.

Conceptualisation and Delivery of a Settlement Guarantee Fund nearing completion with a financial market development company

**Participants' Engagement**



**Regulatory Engagement**

**Thank you for your attention!**



**A Vertically Integrated Financial Market Infrastructure Group**