

Presentation to Capital Market Committee (CMC)

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NG CLEARING

About Us

8th Floor, UBA House,
57 Marina Road, Lagos.

NG Clearing – Nigeria’s Premier CCP



Incorporated in 2016.
Recognised by the Securities and Exchange Commission (SEC) as a Central Counterparty (CCP) in 2021.



Owned by reputed Financial Institutions such as Exchange, Depository, top commercial & merchant Banks, Sovereign Investment Authority, and stock brokers association.



Established as a Market Infrastructure Institution (MII) to clear & settle trades in multiple asset classes across Exchanges as a CCP in Nigeria.

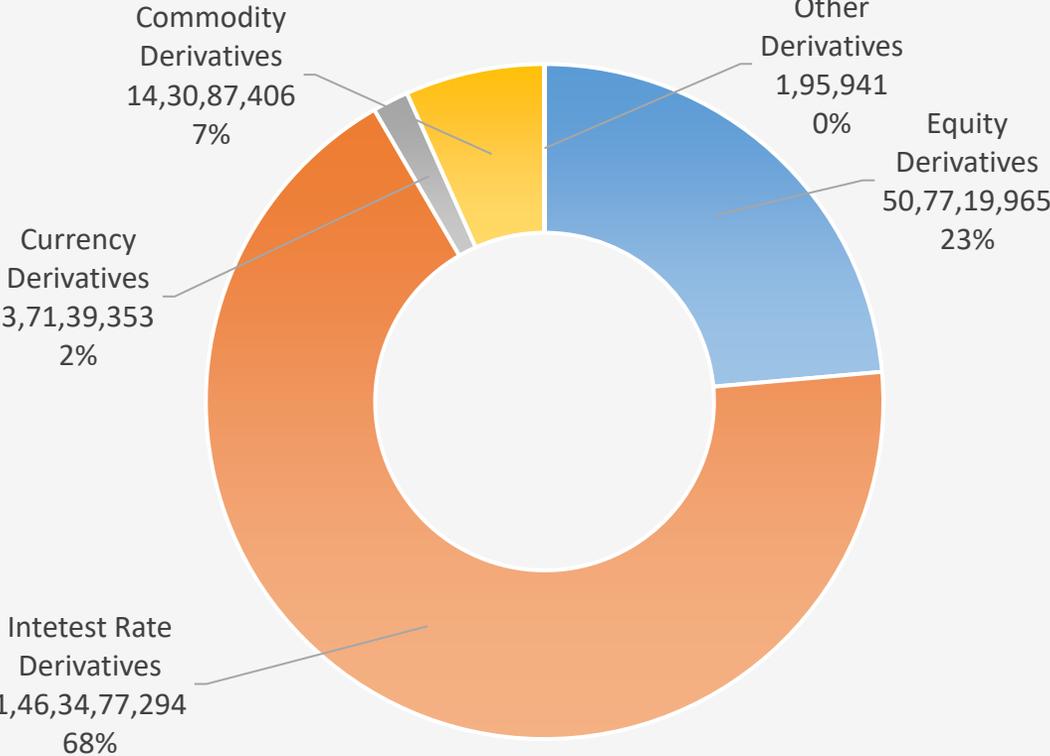


Policies and procedures benchmarked in accordance with the Global Best Practices including the Principles for Financial Market Infrastructures (PFMIs) prescribed by the CPSS-IOSCO.

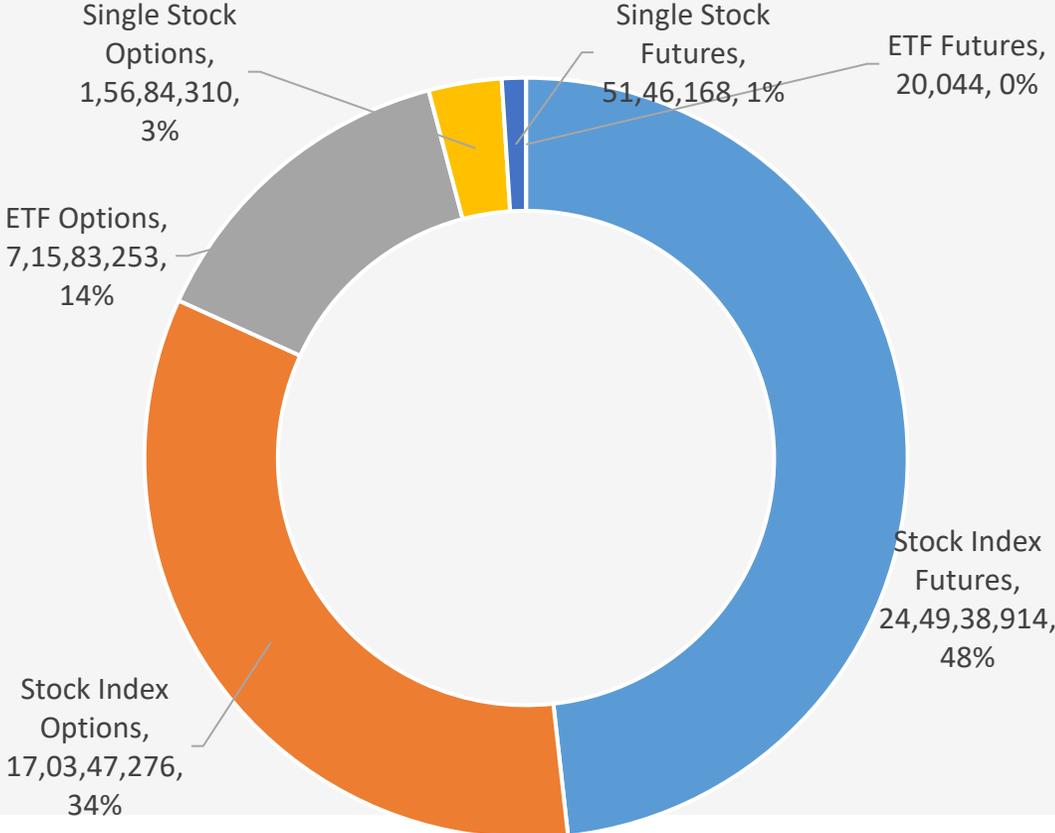


Global Derivative Products Volume (\$)

Derivatives by Asset Class

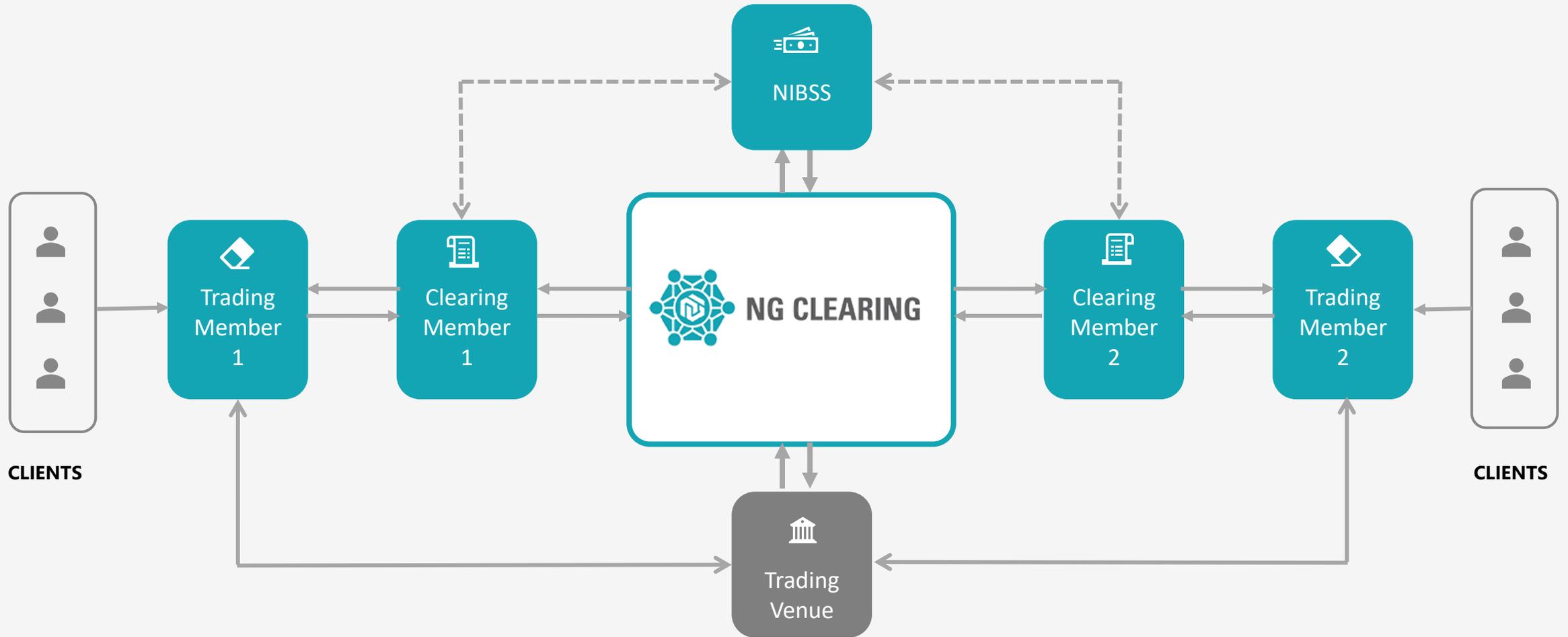


Equity Derivatives



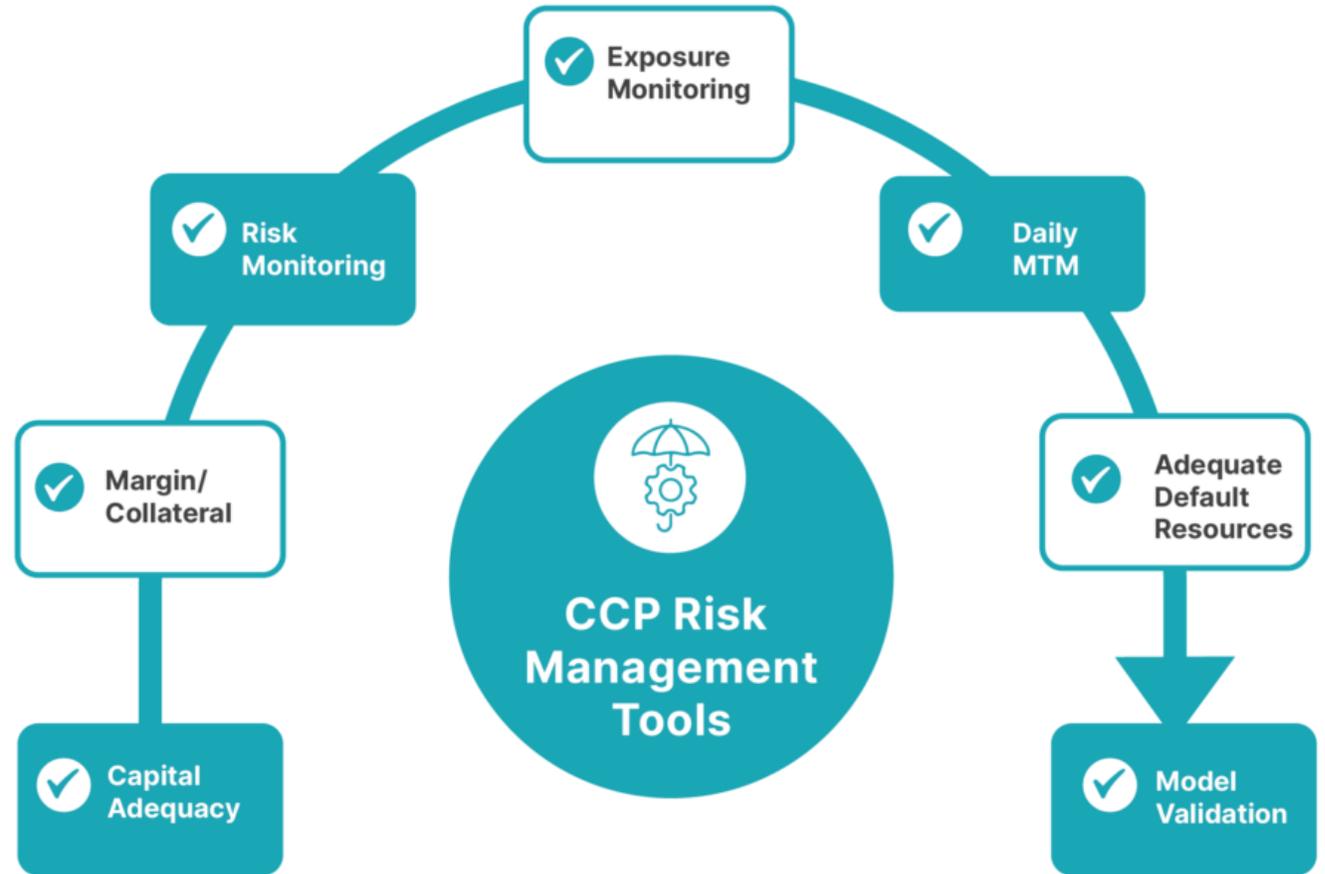
Source: WFE (THE WFE DERIVATIVES SURVEY 2020)

Business Partners



Our Risk Management Overview

Our Risk Management systems include capital adequacy requirements of members, monitoring of member performance and track record, stringent margin requirements, position limits based on capital, online monitoring of member positions and automatic disablement from trading when limits are breached.



Robust interfaces and Systems

Seamless Interfaces Comprehensive reports to Clearing members and Trading Members

- To facilitate risk management of their constituents
- CMs and TMs can start operations without significant investments on internal systems for risk management and settlements
- Granular information on trades, positions, margin requirements, settlement obligations at client/contract level
- Online interfaces to
 - maintain and update client information
 - Manage collaterals with CCP
 - set and monitor margin limits and monitor the same

Bottom-up Risk Management Approach

● Accounting of positions at Client Level

- For determination of daily settlement obligations
- For determination of margin requirements

● Dedicated Default Fund to meet contingences

- Contributed by the CCP and CMs
 - CC has sizable Skin-in-the-Game
 - CC's contribution to be used before non-defaulting CMs
- Periodical sizing / adequacy assessment based on stress tests

Stakeholder Awareness Creation Initiatives

- Training/familiarisation sessions for prospective participants jointly by NGX & NGCL
- Ongoing virtual training room sessions for prospective participants
- Demonstration of CCP systems to prospective participants
- Onsite training at NGCL office in small groups of prospective participants
- Prospective participants who have submitted applications for registration were allowed to participate in the mock/simulated trading and clearing sessions for hands-on experience
- Subject matter experts are engaged for providing better insights on nuances of derivatives clearing

Operational Readiness

Completed

- Offline and real-time communication with Exchange
- Completed testing and deployment of the Risk Management, Clearing & Settlement Systems.
- Completed all required tests including UAT and Market-wide Pilot test in readiness for launch.
- Received approval of rulebook, circular and complaint management framework.
- Received final approval from SEC
- Conducted pilot test of NIBSS interface for fund settlement.
- Business Continuity Plan and Disaster Recovery site are implemented as failover arrangements have been tested.

Ongoing

- Stakeholder awareness session
- Clearing Members in the final stage of onboarding process

Thank You



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