FMDQ OTC PLC

FMDQ's Strategic Plan for the Nigerian Debt Capital Market

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February 10, 2015

Global Competitiveness ▪ Operational Excellence ▪ Liquidity ▪ Diversity

Synopsis

Part 1	**Overview** ▪ BRICâs Edge Over MINT ▪ Comparative Analysis ï China, Nigeria & South Africa ▪ Economic Development and Financial Market Landscape
Part 2	**FMDQ – The Nigerian Debt Securities Exchange**
Part 3	**The FMDQ Prestige** ▪ FMDQ Debt Market Value Chain ▪ FMDQ Prestigeé ▪ FMDQ 2014 OTC Market Turnover
Part 4	**FMDQ Value-Adding Initiatives** ▪ FMDQ Fixed Income Specialists ▪ Transparency: FMDQ Bloomberg E-Bond and FMDQ Website ▪ FMDQ e-Markets ▪ FMDQ Capacity Building ▪ Visibility for Registration Members
Part 5	**FMDQ in Partnership with its Registration Members**
Part 6	**List, Quote & Trade on FMDQ…**

Outline

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Overview: BRIC's Edge Over MINT

"The current trend towards bank lending disintermediation suggests corporatesé and state governments by extensioné will increasingly access debt capital markets, paving the way for lower issuance and funding costs, reduced stress on the banking system and increased investment opportunities for wholesale and retail investors. **This trend will only continue if local markets enhance their liquidity and depth across the product spectrum, broadening investment appeal to a wider range of participants and ensuring a larger portion of [...] savings (both personal and institutional) remains within the region".** ***This should be the path for Nigeria.***

Source: ASIFMA Asiaꞩ Capital Markets: Strategies for Sustained Growth ï Nov. 2013

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Comparative Analysis: China, Nigeria & South Africa

Parameter	China	Nigeria	South Africa
▪ **Maximum Tenor (years)** *Sovereign*	10	20	35
▪ **Total Outstanding ($bn)** *Sovereign* *Non-Sovereign*	 *3,054* *1,446*	 *26* *5*	 *123* *97*
▪ **Liquidity (measured by trading intensity)** *Sovereign*	1.06	1.33	12.42
▪ **Number of Listings** *Sovereign* *Non-Sovereign*	 *1,048* *1,440*	 *15* *44*	 *1,021* *629*
▪ **Pension Assets ($bn)**	240	28	236

Source: World Federation of Exchanges, www.investing.com,www.tradingeconomics.com www.bis.com

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Comparative Analysis - South Africa vs Nigeria

Fixed Income (Dec, 2014)				
	South Africa		Nigeria	
Issuer	(USD'bn)	%	(*USD'bn)	%
Governments	123.50	61.00	25.97	83.70
Government Agencies	26.32	13.00	1.73	5.60
Subnational (Municipals)	20.25	1.00	2.46	7.90
Supranational	0.00	0.00	0.72	2.30
***Corporates**	50.61	25.00	0.13	0.40
Total Outstanding	**220.67**	**100.00**	**31.01**	**100.00**
Turnover	3,113.60	-	41.35	-
****Trading Intensity**	14.11	-	1.33	-
Listed Bonds	1,650	-	59	-

Foreign Exchange (Jan-Dec, 2014)		
Country	**South Africa**	**Nigeria**
Total Trade (USD'bn)	188.39	146.94
FX Turnover (USD'bn)	5,500.00	172.86
FX Turnover/Total Trade	**29.20**	**1.18**

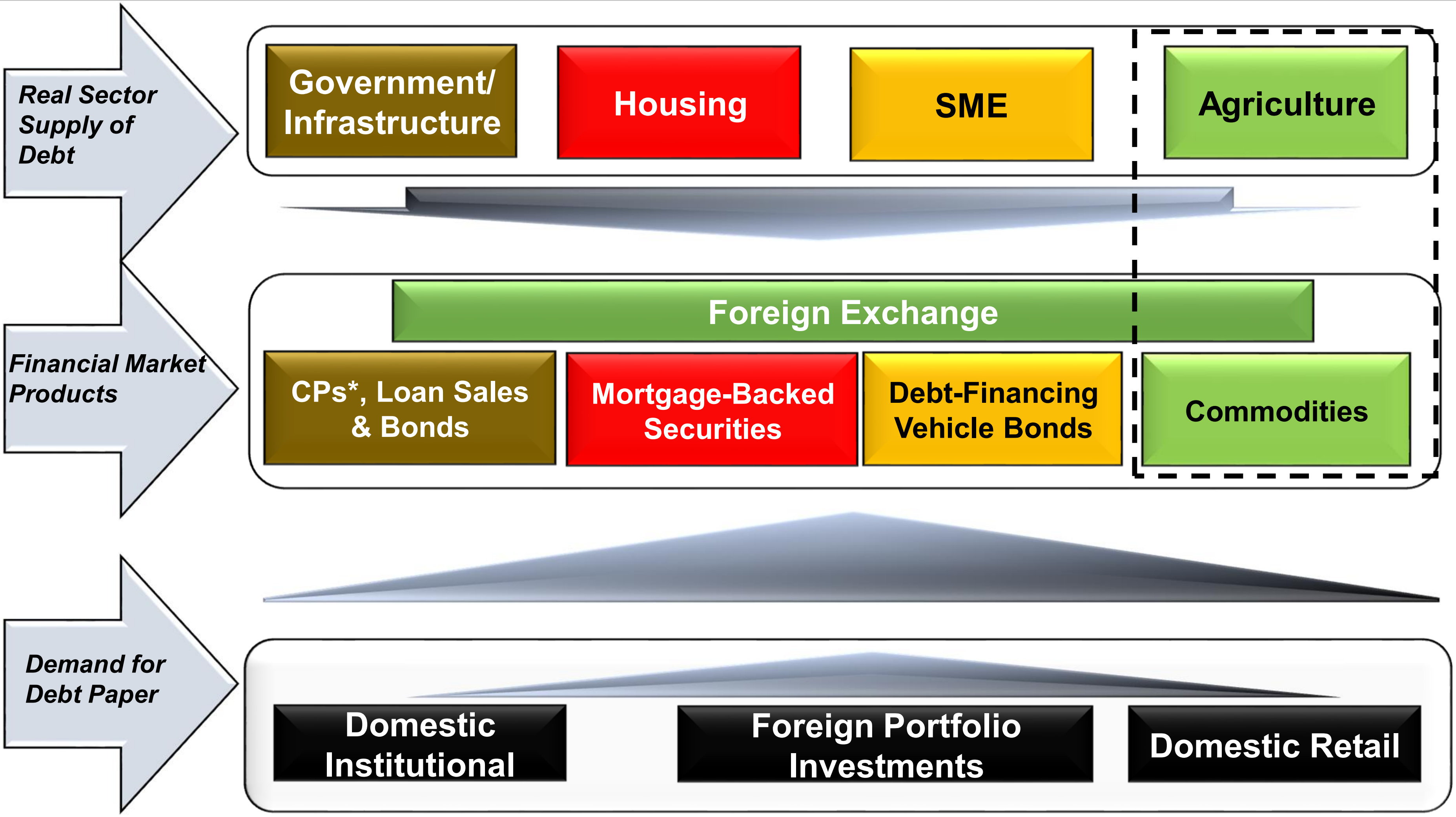
Pension Assets		
Country	**South Africa**	**Nigeria**
Total (USD'bn)	236.00	27.78

Derivatives (Jan-Dec, 2014)			
	Description	**South Africa**	**Nigeria**
Interest Rate Derivatives: Exchange Traded Futures & Options	No. of Contracts ('mm)	4.93	0.00
	Value (USD'bn)	62.62	0.00
Interest Rate Swaps	Value (USD'bn)	N/A	0.47
***Currency Derivatives (CD): Exchange Traded Futures & Options	No. of Trades	47,211	0.00
	Value (USD'bn)	48.57	0.00
CD Forward Swaps	Value (USD'bn)	N/A	27.21

Note: Data are estimates for Dec, 2014
*USD/NGN @ 187, *Pension Assets as @ Oct 2014 for Nigeria and Dec 2013 for South Africa*
***Calculated as YTD Turnover / Outstanding Value ***Annualised Figures N/A: Data Not Available*

Sources:
Reserve Bank of South Africa, JSE

Economic Development & Financial Market Landscape



Equities and derivatives also play major roles in the financial market and economic development matrix

* Commercial Papers

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Outline

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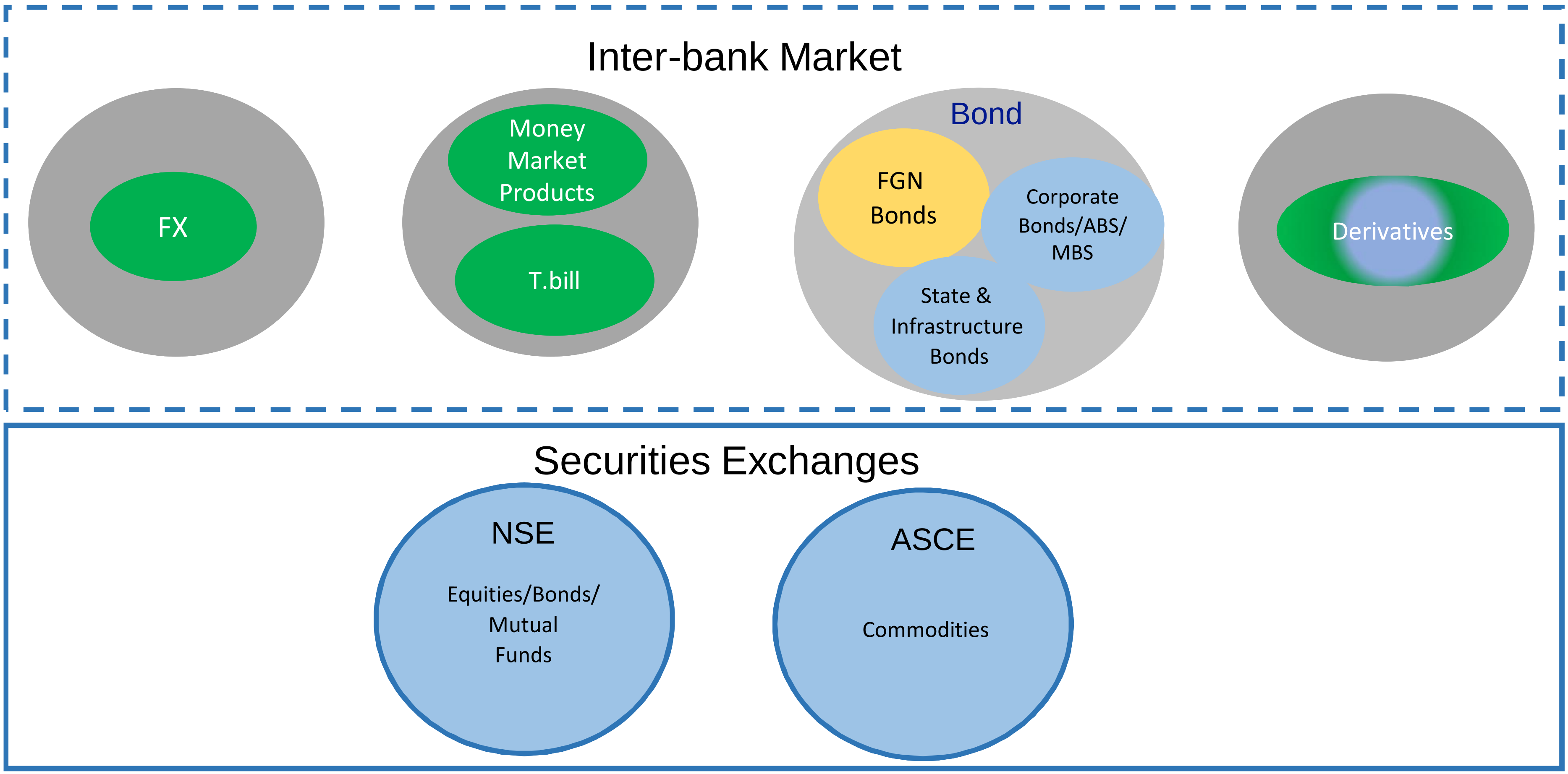
Nigerian Financial Market Landscape: Pre-FMDQ



Notes: CBN: Central Bank of Nigeria, **DMO**: Debt Management Office, **FMDQ:** FMDQ OTC PLC, **NASD:** NASD PLC, **ASCE**: Abuja Securities and Commodity Exchange now **NCX**: Nigeria Commodities Exchange, **NSE**: The Nigerian Stock Exchange, **SEC**: Securities and Exchange Commission, **NA:** Not Available

Product Regulated by:

SEC
DMO
CBN
Market Regulated by SEC

Challenges in the Nigerian Debt Capital Market (DCM)

The Nigerian DCM is faced with significant challenges that hinder its growth. FMDQ, in collaboration with the DCM stakeholders, is positioned to begin to address some of these challenges

- **Macro-economic instability**
- **Low issuance of corporate papers, bonds and notes and thin product range; lack of a diversified issuer base**
- **High issuing costs**
- **Limited investor base**
- **Weak market governance and illiquid spot market**
- **Ineffective price discovery, imperfect market knowledge and information dissemination**
- **Slow development of repo and hedging instruments**
- **Lack of integration between trading and settlement systems**
- **Inadequate risk management controls in market operations**

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Overview of FMDQ

Background

- Incorporated Jan. 6, 2011
- Licenced Nov. 6, 2012 to perform the function of OTC securities exchange in the Nigerian Capital market
- Launched Nov. 7, 2013

Twin-Oversight Responsibilities

- Fixed Income Securities Exchange (c. 98% secondary market activity in FGN Bonds & T. Bills)
- Self-Regulator of Members

Ownership Structure

- Central Bank of Nigeria (CBN)
- Financial Markets Dealers Association (FMDA)
- The Nigerian Stock Exchange through its subsidiary, NSE Consult Limited
- 24 banks and discount houses

Membership

- Dealing Members
- Associate Members: Inter-Dealer Brokers, Brokers and Clients
- Registration Members: Listings and Quotations

FMDQ Business Segments

- Regulation & Supervision
- Product & Market Development
- Market Services
- Systems & Technology

FMDQ Value Proposition

FMDQ business models are product innovation and operational excellence driven by its "GOLD" Agenda

FMDQ's Vision:
To be No. 1 in Africa in the Fixed Income and Currency markets by 2019

FMDQ's Mission:
To empower the financial markets to be innovative and credible, in support of the Nigerian economy

Price Formation & Transparency

Listings, Quotations & Liquidity Enhancement

Product Innovation

Market Governance & Development

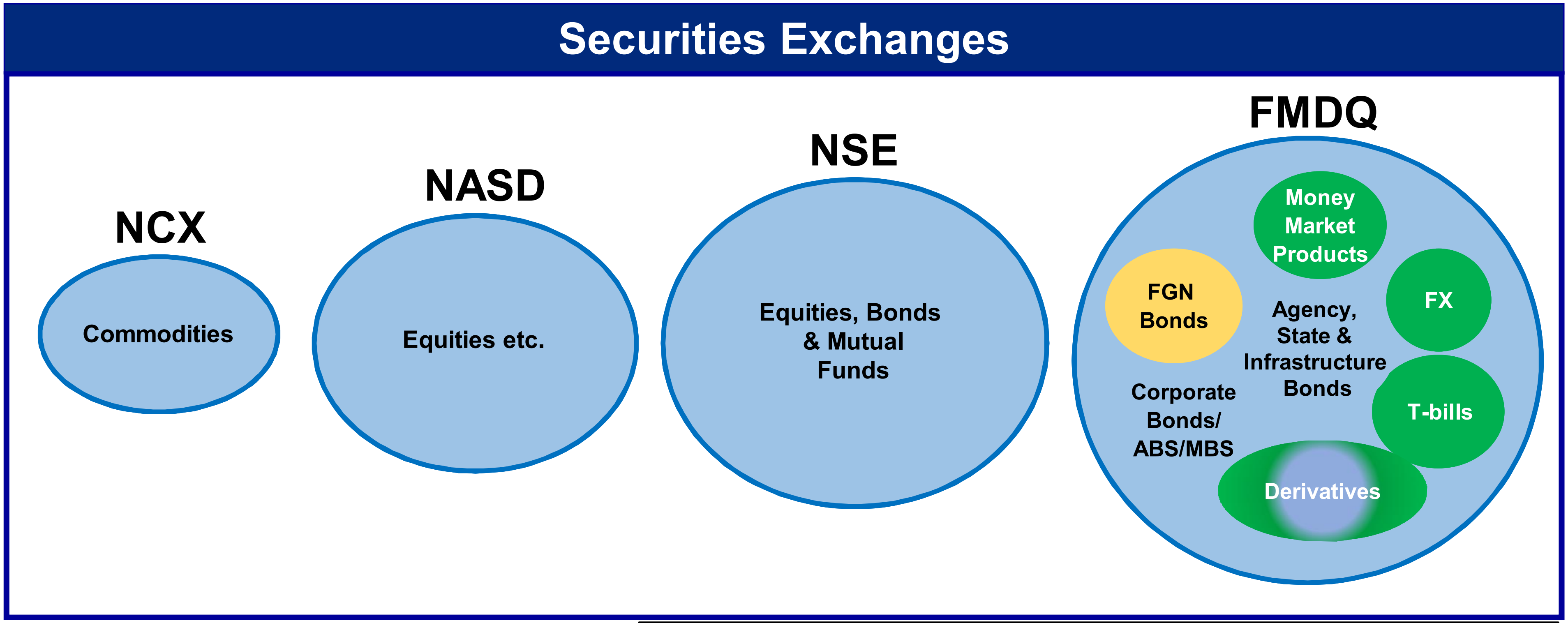
Financial Markets Support

for

Economic Development

Global Competitiveness	**O**perational Excellence	**L**iquidity	**D**iversity

Nigerian Financial Market Landscape: Cum-FMDQ



FMDQ is a securities exchange and self-regulatory organisation with a mission to empower the financial markets to be innovative and credible, in support of the Nigerian economy

Products Regulated by:

- SEC
- DMO
- CBN
- Market Regulated by SEC

ABS-Asset Backed Securities
MBS-Mortgage Backed Securities

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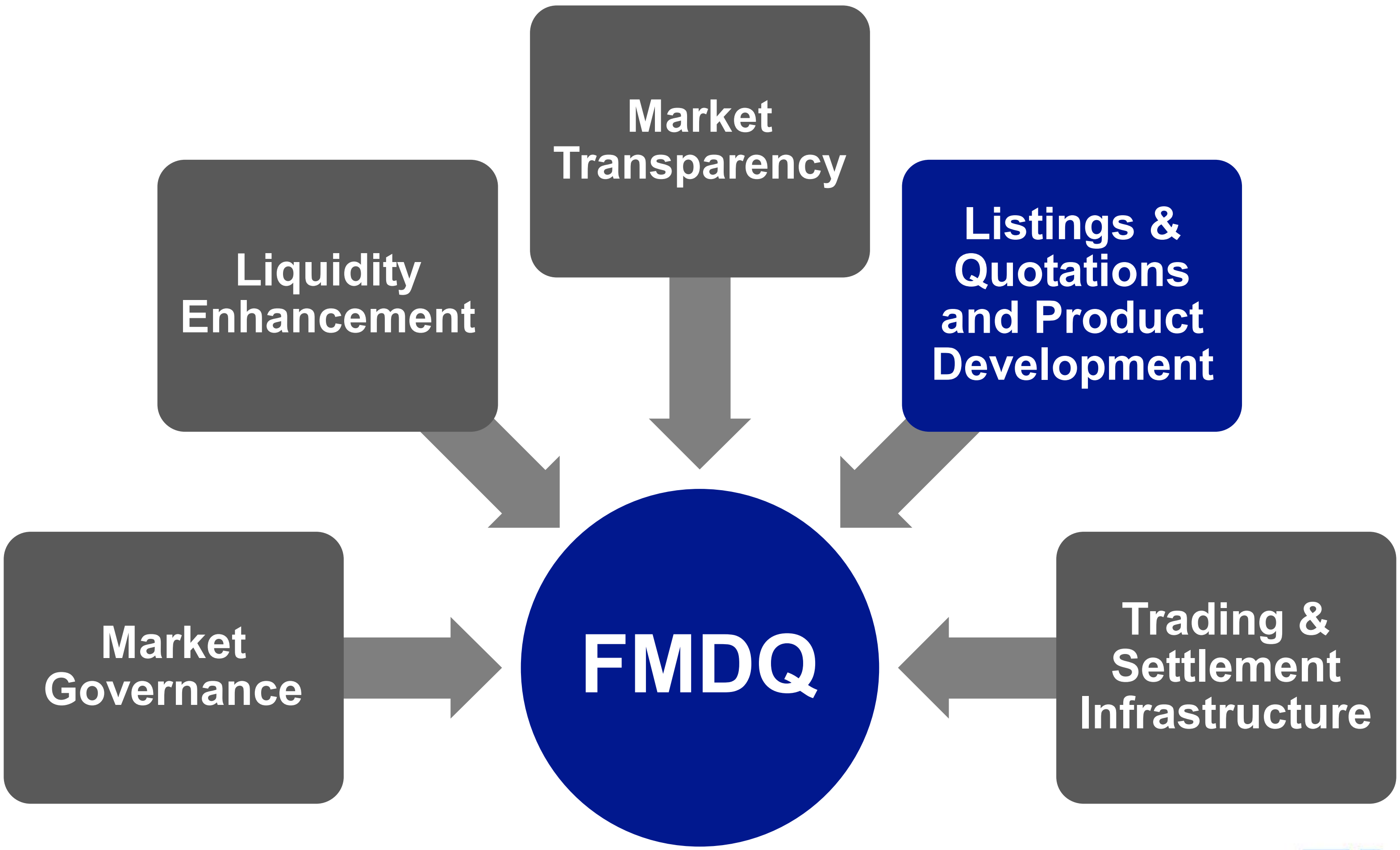
FMDQ Debt Capital Market Transformation Focus

FMDQ will focus its development of the DCM in the following broad areas:



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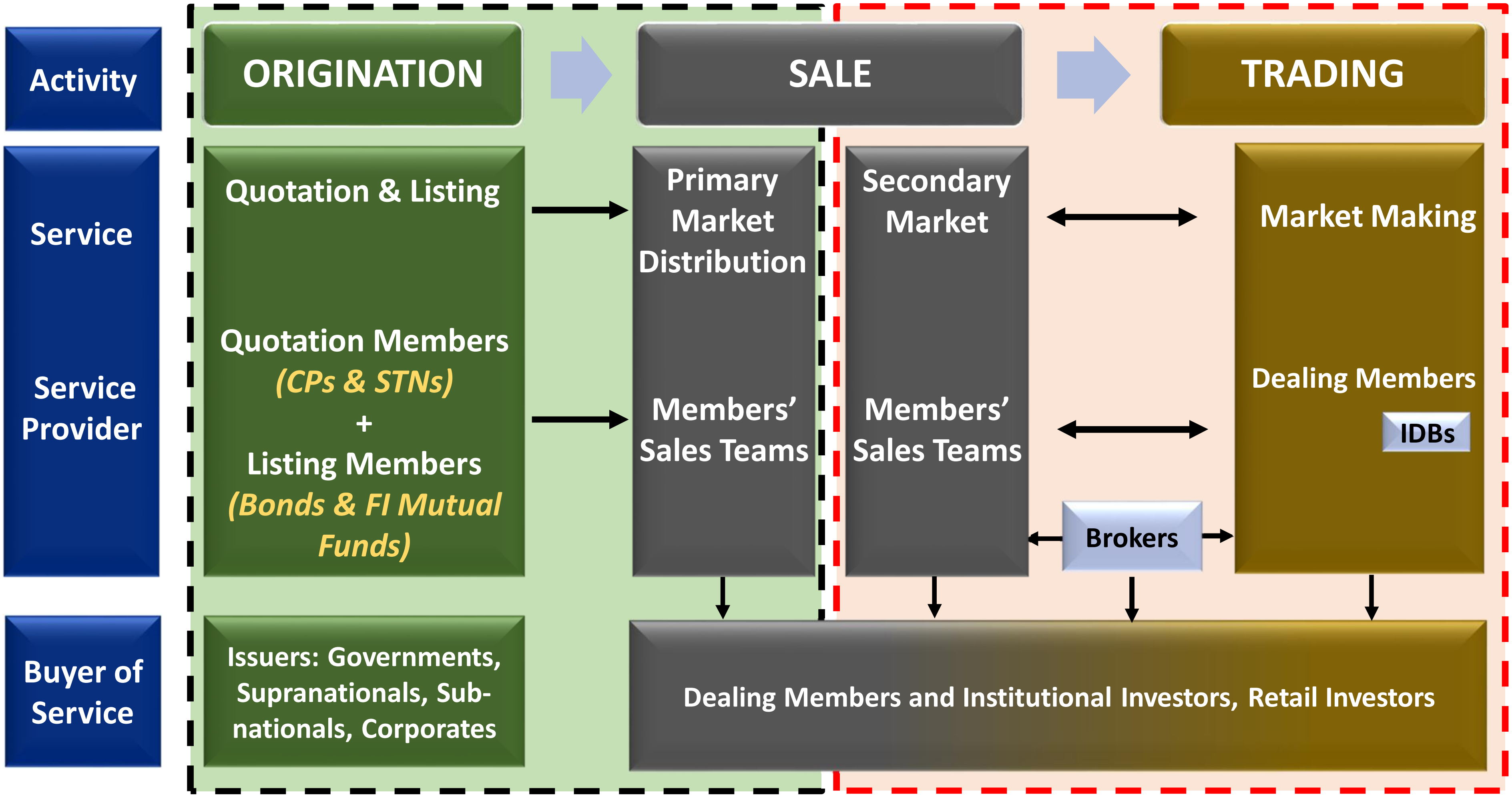
FMDQ Debt Market Value Chain

A fully integrated platform offering the full complement of services across the DCM value chain



CPs: Commercial Papers
STNs: Short Term Notes
FI: Fixed Income
IDBs: Inter-Dealer Brokers

Primary Market Segment
Secondary Market Segment

FMDQ Prestige…

Enhanced Liquidity

- Dealing Members
- FMDQ Fixed Income Specialists

Price Formation

- Credible benchmark pricing
- Proper and efficient portfolio valuation

Unique Visibility

- Prestige of listing on a globally respected exchange raises the profile of issuers

Efficient Processes

- Competitive listing & quotation processes
- FMDQ e-Markets

Competitive Pricing

- Competitive listing and quotation fees

Product & Market Innovation

- Structured market for new fixed income classes

Transparency

- FMDQ Bloomberg E-Bond
- FMDQ Daily Quotations List
- FMDQ Fixed Income Indices
- FMDQ Website Quotations
- FMDQ e-Discovery

Broad Investor Base

- Access to experienced and highly capitalised investors through Registration Members
- Access to institutional investors that are required by their investment guidelines to invest only in listed securities

FMDQ 2014 OTC Market Turnover

FMDQ captures circa 98% of the overall Nigerian OTC financial market turnover

January - December 2014 Market Turnover Report

	Turnover (₦'million)
Foreign Exchange	32,324,766
Foreign Exchange Derivatives	6,554,345
Treasury Bills	26,295,864
Bonds	7,961,793
Repurchase Agreements/Buy-Backs	23,661,579
Unsecured Placements/Takings	6,722,221
Money Market Derivatives	50,829
	103,571,397
USD equivalent (million)	*647,321*

No. of Business Days	254
Average Daily Turnover	407,761
USD equivalent (million)	*2,549*

Source: FMDQ Data Portal as @ January 12, 2015; Figures reported by Dealing Members on a week-ending basis

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FMDQ Fixed Income Specialists

The "Fixed Income Specialist System" (FISS) will boost the debt capital market and enhance the liquidity of non-sovereign bonds and other fixed income instruments (e.g. Commercial Papers and Short-Term Notes) through the commitment of FMDQ Dealing Members, to make firm bids and best-effort offer quotes to willing participants in the fixed income secondary market

Role of a Fixed Income Specialist

- Making firm buy quotes
- Matching buyers with sellers
- Keeping investors informed
- Committing capital when needed
- Standing accountable for market making in the respective security
- Ensuring orders have an equal opportunity to interact and receive the best possible execution

Benefits of the FISS

- Primary issuance price formation improvement
- Competitive pricing/quoting for investors
- Liquidity in the non-sovereign bond and other fixed income secondary markets
- Price transparency and valuations

FMDQ is currently working on providing Fixed Income Specialists for the Lagos State and Local Contractors Receivables Management Ltd. (LCRM) Bonds currently quoted on FMDQ platform

Transparency: E-Bond Quotation

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Transparency: FMDQ Website Quotation

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Quotations

- Bonds
- Commercial Papers
- Issuer History

Issue history of issuer is also provided

List of Bonds

Sub-National Bonds

Issuer	Description	Issuance Type	Outstanding Value (N'bn)
Lagos State Government of Nigeria	N167,500,000,000.00 Debt Issuance Programme	Programme ▼	167.50

Sovereign Bonds

Issuer	Description	Issuance Type	Outstanding Value (N'bn)
N/A	N/A	N/A	N/A

Agency Bonds

Issuer	Description	Issuance Type	Outstanding Value (N'bn)
N/A	N/A	N/A	N/A

Corporate Bonds

Issuer	Description	Issuance Type	Outstanding Value (N'bn)
N/A	N/A	N/A	N/A

Supranational Bonds

Issuer	Description	Issuance Type	Outstanding Value (N'bn)
N/A	N/A	N/A	N/A

Transparency: FMDQ Website Quotation../2

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Quotations

- Lagos State Government Bond ›
- 13.50 Lagos State Nov 27, 2020 ›

Lagos State Government Bond

Issuer	Lagos State Government of Nigeria
Region	South-West Nigeria
Programme	N167.50bn Debt Issuance Programme
Face Value (₦)	1,000.00
Currency	Nigerian Naira
Issuer Rating	Agusto & Co: A+ GCR: A+
Lead Issuing House / Book Runner	Chapel Hill Advisory Partners Limited
Issuing House(s) / Book Runner(s)	Afrinvest (West Africa) Limited, Radix Capital Partners Limited, FBN Capital Limited, FCMB Capital Markets Limited, Marina Securities Limited, Skye Financial Services Limited, Stanbic IBTC Capital Limited, Vetiva Capital Management Limited, Zenith Capital Limited
Bond Specialist	N/A
Day Count Convention	Actual/365
Debt Status	Senior Unsecured Bonds
Programme Document	Shelf Prospectus

Issue	Issue Amount(N'bn)	Tenor	Issue Date	Maturity Date	Coupon (%)
Series 2▼	87.50	7 years	Nov. 27, 2013	Nov. 27, 2020	13.50

Note:
N/A: Not available

Contact

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Email: info@fmdqotc.com

Website: www.fmdqotc.com

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FMDQ e-Markets Portal – Price Discovery

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Market Prices

Foreign Exchange (Executed Trades)

Currency Pair	Exchange Rate	Deal Volume	Deal Time
USD/NGN	195.77	500,000.00	12:58:00

Treasury Bills (Executed Trades)

Security	Price	Yield	Qty ('MM)	Deal Time
NGOMOB 07/02/15	94.48	15.14	250	12:31:06
NIGTB 01/07/16	87.66	15.57	250	11:33:44
NIGTB 03/05/15	99.24	12.65	250	12:27:46
NIGTB 04/09/15	97.92	13.58	250	10:56:31
NIGTB 05/07/15	97.62	10.45	250	12:32:52
NIGTB 06/25/15	94.77	15.04	250	12:29:24
NIGTB 08/06/15	94.19	12.79	250	12:31:43
NIGTB 09/03/15	92.85	13.79	250	12:30:19
NIGTB 12/03/15	89.82	14.03	250	12:09:44
NIGTB 12/17/15	89.21	14.29	250	10:01:38

Treasury Bills (Request for Quotes)

Security	Bid	Ask	Yield	Qty	Deal Time
NGOMOB 02/26/15	99.45	99.46	13.52	250	12:35:28
NGOMOB 03/12/15	98.98	98.99	13.03	250	12:22:48
NGOMOB 04/02/15	98.14	98.17	13.86	250	12:37:23
NGOMOB 04/30/15	97.14	97.19	13.80	250	12:36:47
NGOMOB 05/14/15	96.81	96.87	13.07	250	11:56:33
NGOMOB 06/11/15	95.35	95.43	14.84	250	12:24:41
NGOMOB 07/16/15	93.88	93.99	15.34	250	12:35:29
NIGTB 03/26/15	98.45	98.48	13.36	250	12:37:11
NIGTB 04/23/15	97.39	97.44	13.76	250	12:37:13
NIGTB 05/21/15	96.42	96.49	13.69	250	12:37:18
NIGTB 06/04/15	95.63	95.71	14.74	250	12:26:34

FGN Bonds (Executed Trades)

Security	Price	Yield	Qty ('MM)	Deal Time
NIGB 13.05 08/16/16	97.31	15.10	200	12:29:02

FGN Bonds (Request for Quotes)

Security	Price	Yield	Qty	Deal Time

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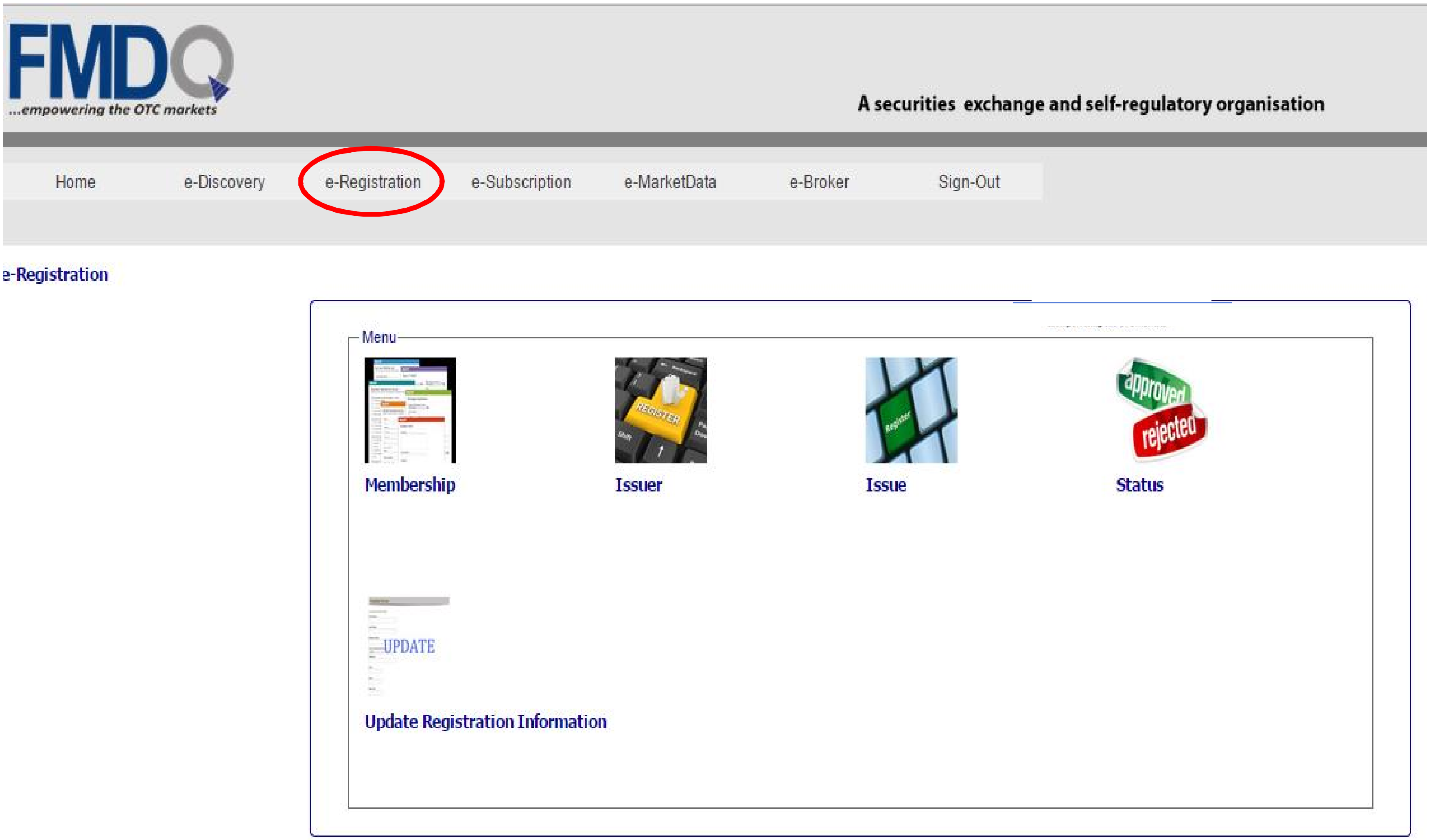
FMDQ e-Markets Portal - Issuance



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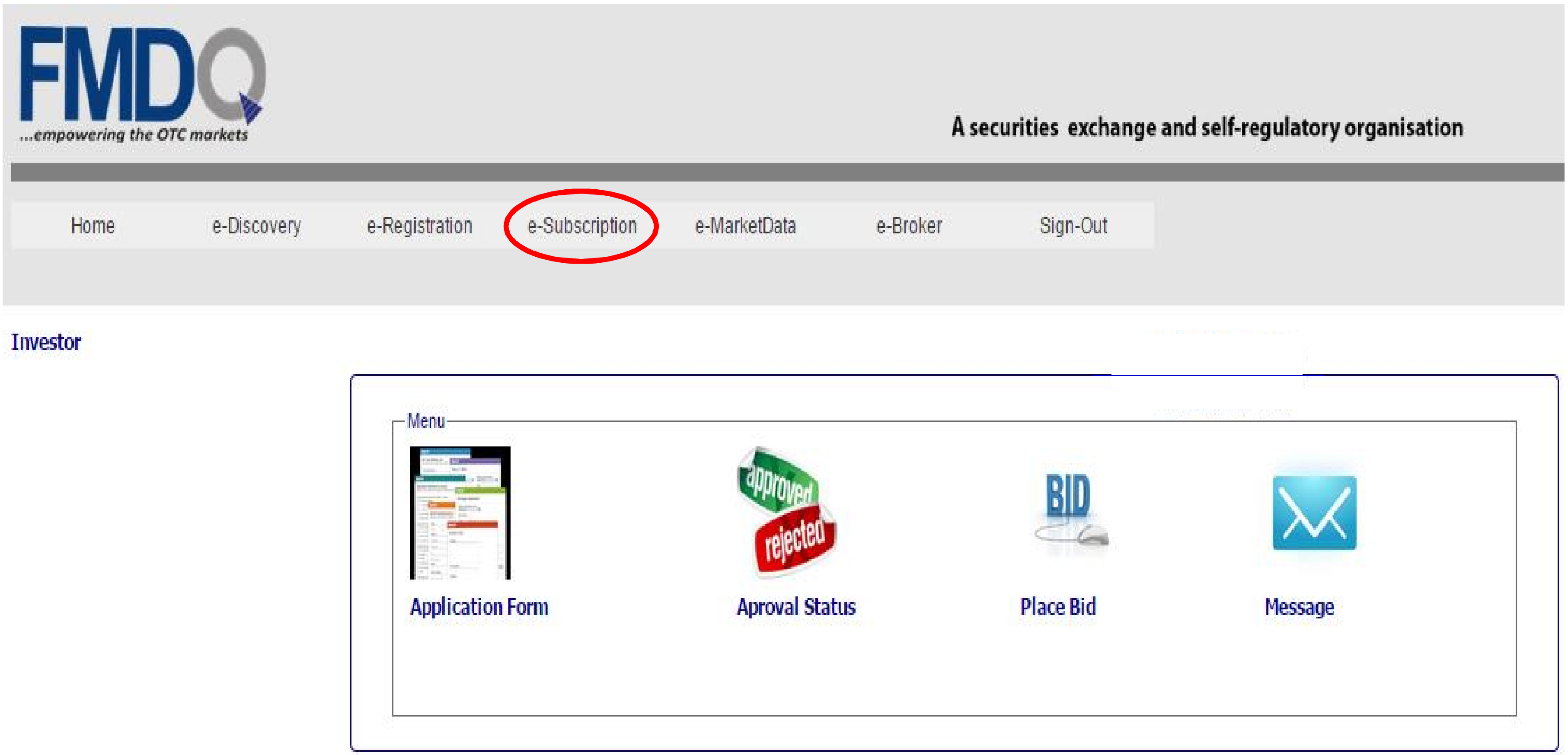
FMDQ e-Markets Portal - Investor



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FMDQ Education Program

Mission:

“To rally financial market participants in alignment with FMDQ’s product innovation agenda”

Structure:

- To educate market participants about FMDQ’s Product – Fixed Income, Currencies & Derivatives
- Offer sponsored local & international courses
- Engage local & international faculty
- Seek support & collaboration form international agencies
- Designate training location
- E-learning solutions

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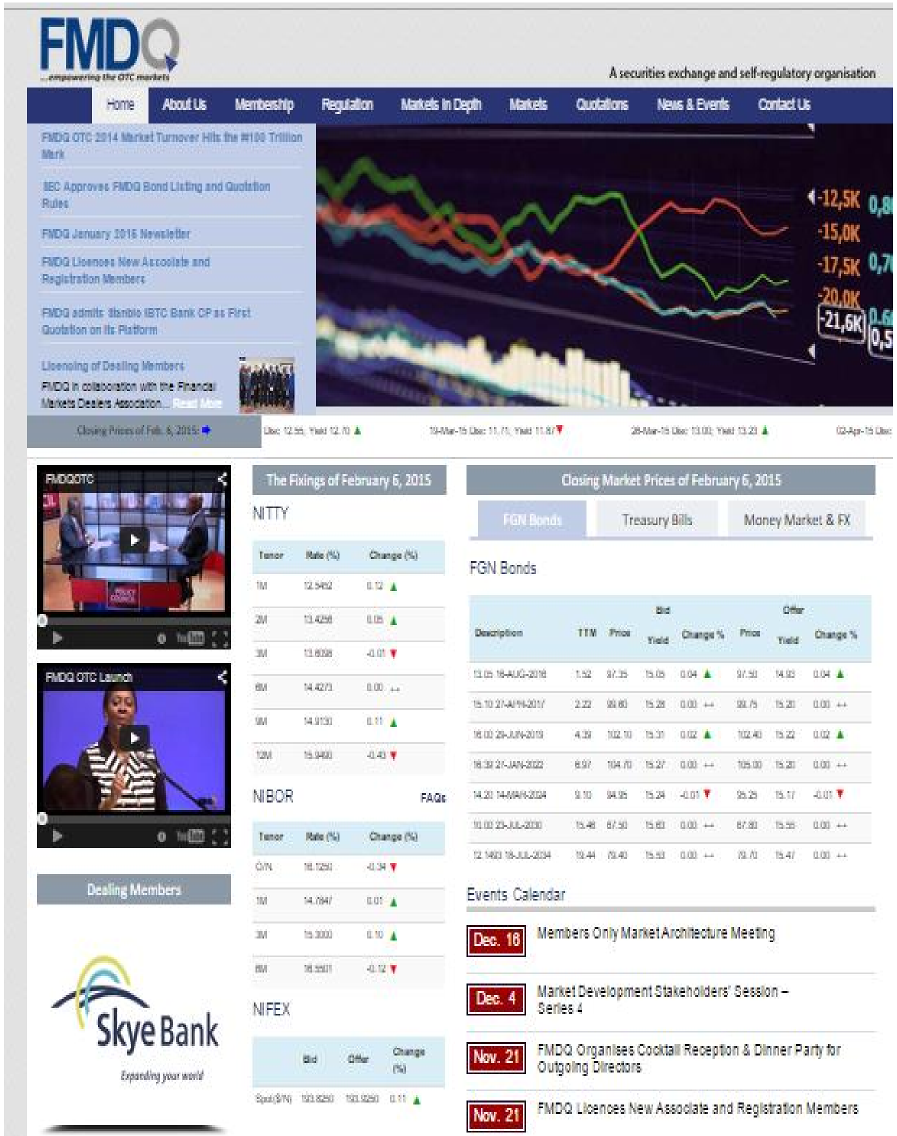
Visibility for FMDQ Registration Members



"the value of visibility isn't that you have it; it's that you use it to enable better decision making"

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FMDQ in Partnership with its Registration Members

FMDQ will enhance its partnership with its Registration Members (Nigerian issuing houses) to ensure further development in the Nigerian DCM. It seeks to;

- Develop the primary and secondary markets for fixed income securities
- Ensure legal, regulatory and institutional framework maintain world-class standards
- Develop initiatives to boost the issuer and investor bases
- Support the Nigerian DCM through capacity building (and/or technical assistance) initiatives
- Sensitise DCM stakeholders on the benefits of developing an efficient fixed income market in Nigeria

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List, Quote & Trade on FMDQ…

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Leading the Revolution in the Nigerian Debt Capital Market

Fixed Income ▪ Currency ▪ Derivatives

- Fixed Income Listings & Quotations
- Market Development & Governance
- Trading Systems & Market Transparency
- Reference & Historical Data

For high liquidity, visibility and transparent price formation, list/quote and trade on FMDQ OTC PLC

A Securities and Exchange Commission Registered OTC Exchange and Self-Regulatory Organisation

Global Competitiveness ▪ Operational Excellence ▪ Liquidity ▪ Diversity

FMDQ OTC PLC

Thank you for your attention

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Global Competitiveness **Operational Excellence** **Liquidity** **Diversity**

APPENDICES

Price Formation

FGN Bonds Auction	Auction Marginal Yield (%)	Market Yield (%)	Absolute Variance (%)
15.10 27-Apr-2017	15.20	15.47	0.27
14.20 14-Mar-2024	15.43	15.11	0.32
12.1493 18-Jul-2034	15.48	15.21	0.27

Auction date – Jan 14, 2015
Source: Debt Management Office

Average Daily Turnover (₦bn)		
	FY 2014	Jan, 2015
FGN Bonds	30.45	35.30
Treasury Bills	103.53	125.96

Source: FMDQ

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AMCON and CBN Numbers

Series	Description	₦bn
1	0.00 AMCON 31-DEC-2013	1,699.43
2	0.00 AMCON 08-AUG-2014	1,001.77
3	0.00 AMCON 15-NOV-2014	88.81
4 & 5	0.00 AMCON 31-OCT-2014	2,886.67

Å AMCON Notes
c. ₦3.80Tr

Å Power Sector Fund
c. ِر 213bn