

MARKET NOTICE

To: ALL MARKET PARTICIPANTS
From: MARKET DEVELOPMENT GROUP
Reference: FMDQ/MDG/180619/MN-17
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INTRODUCTION OF 13TH MONTHLY NAIRA-SETTLED OTC FX FUTURES CONTRACT

Following engagements with market stakeholders, particularly foreign portfolio investors (foreign and non-resident Nigerians), a gap was identified with the current structure of having twelve (12) open Naira-settled OTC FX Futures (“**OTC FX Futures**”) contracts available at any point in time. To put this in perspective, under the 12-monthly market structure, the tenor between the near month (*with the closest settlement date*) and far month (*with the farthest settlement date*) futures contract is between 336 and 343 days, which is below the longest tenor of treasury bills (“**T.bills**”) securities (364 days). The identified gap leads to the inability of investors to obtain a full 1-year FX hedge for their investment in fixed income securities (e.g. T.bills) of similar tenor (364-day) creating a maturity mismatch and some basis risk in the investment.

Therefore, in line with the market development mandate of FMDQ Securities Exchange PLC (“**FMDQ**” or the “**Exchange**”) and with the approval of the Central Bank of Nigeria (“**CBN**”), FMDQ hereby notifies the market of the introduction of a 13th monthly OTC FX Futures contract to address the above identified gap and enable portfolio investors effectively manage risks, and accord them reasonable certainty of the protections available to them for the full tenor of their underlying investments.

Consequently, the first 13th monthly OTC FX Futures contract [NGUS JUL 29 2020] shall be introduced and offered to the market by the CBN on June 26, 2019, thereby increasing the number of open OTC FX Futures contracts from twelve (12) to thirteen (13).

The provisions of this Market Notice shall be read in conjunction with all relevant OTC FX Futures market-related documentation.

Please be guided accordingly.

Should you have any question(s) about this Market Notice, please do not hesitate to contact the FMDQ Derivatives Market Group at dmg@fmdgotc.com