

MARKET NOTICE

To: ALL MARKET PARTICIPANTS
From: MARKET DEVELOPMENT GROUP
Reference: FMDQ/MDG/020819/MN-18
Notice Date: AUGUST 2, 2019
Effective Date: OCTOBER 2, 2019

OTC FX FUTURES NON-CASH ELIGIBLE COLLATERAL: FGN SECURITIES LIQUIDITY STATUS AND HAIRCUT

As part of our mandate to promote integrity, drive liquidity and efficiency in the Nigerian financial markets, and in line with Principle 7 of the CPMI-IOSCO PFMI¹, FMDQ Securities Exchange PLC (“**FMDQ**”), in conjunction with its Clearing House subsidiary, FMDQ Clear Limited (“**FMDQ Clear**”), conducted an assessment of the non-cash Eligible Collateral² pledged as margins by Futures Banks in the Naira-settled OTC Foreign Exchange (FX) Futures market.

Further to the above-referenced assessment, it has become imperative for liquidity standards to be set and haircuts for illiquid securities determined for non-cash Eligible Collateral pledged in the OTC FX Futures market. Consequently, the following shall apply for liquid and illiquid non-cash Eligible Collateral:

1. Liquid Federal Government of Nigeria (FGN) Securities

The FGN securities listed in Appendix I shall be acceptable as liquid non-cash Eligible Collateral by the Clearing House, FMDQ Clear, wherein no haircuts will be applied.

2. Illiquid FGN Securities

Illiquid FGN securities (i.e. all other securities not listed in Appendix I) shall be subject to a haircut of **80%** when pledged to the Clearing House as Eligible Collateral for OTC FX Futures transactions.

The list of liquid non-cash Eligible Collateral shall be updated on a quarterly basis or such other frequency as may be determined by FMDQ Clear from time to time and same communicated to market participants on the FMDQ website or any other communication medium as may be determined.

This Market Notice shall take effect from **Wednesday, October 2, 2019**.

Please be guided accordingly.

¹ The Committee on Payments and Market Infrastructures (“CPMI”) and International Organization of Securities Commissions (“IOSCO”) Principles for Financial Market Infrastructures (“PFMI”) April 2012.

² Eligible collateral is defined in the OTC FX Futures Market Operational Standards as cash, FGN Securities such as bonds and Nigerian treasury bills, CBN bills and any such other asset/instrument as may be determined by FMDQ.

APPENDIX I – LIST OF ACCEPTABLE FGN SECURITIES AS LIQUID NON-CASH ELIGIBLE COLLATERAL

S/N	Security Description	S/N	Security Description
1.	All Nigerian Treasury Bills	10.	12.50 FGNB 22-JAN-2026
2.	All Central Bank of Nigeria Bills	11.	16.2884 FGNB 17-MAR-2027
3.	7.00 ³ FGNB 23-OCT-2019	12.	13.98 FGNB 23-FEB-2028
4.	15.54 FGNB 13-FEB-2020	13.	12.1493 FGNB 18-JUL-2034
5.	14.5 FGNB 15-JUL-2021	14.	12.40 FGNB 18-MAR-2036
6.	16.39 FGNB 27-JAN-2022	15.	16.2499 FGNB 18-APR-2037
7.	12.75 FGNB 27-Apr-2023	16.	14.80 FGNB 26-APR-2049
8.	14.20 FGNB 14-MAR-2024	17.	15.743 ⁴ FGNSK 28-DEC-2025
9.	13.53 FGNB 23-Mar-2025		

³ Federal Government of Nigeria Bond

⁴ Federal Government of Nigeria Sukuk