NIGERIAN INTER-BANK TREASURY BILLS TRUE YIELDS FIXING (NITTY)
FREQUENTLY ASKED QUESTIONS

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NITTY: FREQUENTLY ASKED QUESTIONS

1. **What is NITTY?**
   The Nigerian Inter-Bank Treasury Bills True Yields (NITTY) is a reference rate for tenured money market instruments. It is calculated from the discount rates of treasury bills and represents the prevailing yields at which treasury bills trade among Nigerian Dealing Member (Banks)("**DMBs**").

2. **How is NITTY determined?**
   Nigerian Inter-Bank Treasury Bills True Yields ("**NITTY**") is determined using the actual Mark to Market ("**MTM**") discount rates from ten (10) money market dealers chosen based on pre-determined criteria. The bid discount rates are then translated to their money market equivalent i.e. true yields. This represents what money market dealers are earning. Once translated, these yields can be used as a basis to form rates that coincide with or are nearest to the various NITTY tenor benchmarks.

3. **How are the MTM discount rates determined?**
   From ten (10) discount rates picked, a process of fixing is employed to cut off the two (2) highest and lowest discount rates. The simple average of the six (6) remaining discounts are now taken to arrive at the MTM discounts of the tradable treasury bills. This is a proprietary process developed by FMDQ Securities Exchange Limited ("**FMDQ**" or the "**Exchange**").

4. **What are the NITTY tenor benchmarks?**
   The NITTY tenor benchmarks as stated on the FMDQ website include: 1 Month, 2 Months, 3 Months, 6 Months, and 12 Months.

5. **How is NITTY calculated?**
   Once the true yields of the tradable treasury bills have been determined as described in question 2, treasury bills that coincide with or are nearest to the NITTY tenor benchmarks are used to calculate NITTY. A simple interpolation/extrapolation process is then used to match the closest Treasury bill days to maturity to their respective benchmarks. Using the simple equation of a straight line and plotting the yields against days to maturity we can arrive at the fixing.

   For example; for the 1 Month fixing, the treasury bills with days to maturity just below and above thirty (30) days and their corresponding yields are used to calculate the equation of the line. If days to maturity on a tradeable treasury bill matches any of the fixing benchmark, the yields for that Treasury Bill will be selected as the fixing.

Rates are quoted to meet with international standards i.e. four (4) decimal places.

6. **What are the uses of NITTY?**

NITTY is primarily designed to support the functions of the NIBOR. Since the longer tenured (close to 365 days) unsecured placement/takings are not very liquid in the Nigerian inter-bank market, the NITTY acts as a starting point for end users as a floating rate index for financial contracts i.e. money market instruments, retail loans, long dated mortgages, bonds and interest rate derivatives.

7. **Will NITTY replace the NIBOR?**

No. The NITTY will not replace the NIBOR. Since long term unsecured funds are not actively traded in the Nigerian inter-bank market, it is simply designed to give all stakeholders an immediate solution and provide alternative sources as the need for derivatives instruments becomes more pressing. NIBOR will give stakeholders a comparable reference platform eventually when unsecured funds become actively traded. Thus, NITTY will be a risk-free benchmark and NIBOR a prime-risk benchmark.

8. **How often will NITTY rates be published?**

NITTY rates shall be published daily and disseminated centrally via www.fmdqgroup.com. NITTY rates may also be sent to respective banks via email.

9. **Where can I find historical and current NITTY rates?**

FMDQ is the primary publisher of the NITTY. Daily NITTY rates can be found at www.fmdqgroup.com. Historical NITTY data is also posted on this website. Should you have further questions regarding these historical data, please contact FMDQ Market Services on +234 1- 2778776 or email – support@fmdqgroup.com.