THE FEDERAL GOVERNMENT OF NIGERIA (FGN) SAVINGS BOND
FREQUENTLY ASKED QUESTIONS (FAQs)
1. What is an FGN Savings Bond?

FGN savings bond is a bond issued by the Debt Management Office (DMO) on behalf of the Federal Government of Nigeria. The bond is tailored and targeted at retail investors with guaranteed quarterly interest payment and repayment of the principal at maturity.

2. What is the purpose of the FGN Savings Bonds? Why is this necessary?

- To deepen the national savings culture.
- To provide opportunity to all citizens, irrespective of income level, to contribute to National Development.
- To enable all citizens participate in and benefit from the favorable returns available in the Capital Market.
- To diversify funding sources for the Government.

3. What are the benefits of investing in the FGN Savings Bonds?

- The bond earns an investor a coupon or interest income that will be paid quarterly, and directly into the investor’s bank account.
- The bond is safe and backed by the full faith and credit of the Federal Government of Nigeria. Government bonds hardly default and are considered “risk free”, so you are certain that you will get your money back in full at maturity.
- FGN savings bond is a good way to save for the future.
- The bond is acceptable as collateral for a loan from a bank.

4. How much can I invest?

You can buy it through any of the DMO accredited Distribution Agents. DMO Accredited Distribution Agents are registered stockbrokers authorized by the DMO to sell the FGN Savings Bond. Check the DMO website for the list of accredited Distribution Agents. The website is: https://www.dmo.gov.ng/fgn-bonds/savings-bond

5. How much can I invest?

The Bond is backed by the full faith and credit of the Federal Government of Nigeria.

6. How much can I invest?

The bonds will have a tenor of two and three years respectively. Meaning that you can either invest in an FGN savings bond with a duration of two years or one with a duration of three years. The interest/coupon rates will be determined by the Debt Management Office.
8. Will investors be required to have a bank account?
Yes. Anyone who wants to invest in the FGN Savings Bond must have a bank account and indicate their Bank Verification Number (BVN) on subscription forms.

9. How will the interest and principal be paid?
The coupon/interest will be paid quarterly into investor’s bank account, while the principal will be paid at maturity to the investor’s bank account (at the end of the tenor, two or three years) depending on what duration an investor subscribed to.

10. When did the government start selling FGN savings bonds?

11. Will it be issued monthly?
Yes, the FGN savings bond will be issued monthly.

12. How will I know the coupon rate on FGN savings Bond?
The DMO will announce the coupon rate on the first day of each monthly offer period. The information will be published on the DMO’s website (https://dmo.gov.ng/fgn-bonds/savings-bond) and selected national dailies.
The offer circular can also be found on NSE’s website: (http://www.nse.com.ng/products/debt-instruments/fgn-savings-bond)

13. What if I decide to sell before maturity?
You do not have to hold on to the bond until maturity. If you need cash anytime during the duration of the bond, you can sell your bond via the NSE Retail Bonds market. However, the portion of the interest that you are not entitled to earn because you have sold will not accrue to you any longer. For example, if you buy March 13, 2017 and sell May 13, 2017, because you cannot wait until March 2019 (at the maturity of the bond) to get your principal, you will only be entitled to the interest earned between March 13 and May 13, 2017.

14. How will the interest and principal be paid?
Investors who hold till maturity will be credited (via their bank account) with the face value automatically. Investors who wish to exit at any time before maturity can sell by filling a mandate form authorizing their stockbroker to sell their investment in the secondary market.

15. Can investments be made on a continuous basis?
Yes, investors who have invested in a month’s issuance up to the maximum limit can also invest in the next month’s issuance.

16. What are the risks?
The FGN Savings bond is a risk free investment because it is backed by the full faith and credit of the Federal Government of Nigeria and the Federal Government hardly defaults on debt repayments.

17. Where can the bonds be traded?
The bonds will be listed and traded on The Nigerian Stock Exchange.

18. What is the difference between FGN savings bonds and treasury bills?
- Unlike treasury bills, FGN savings bonds have a duration of between two and three years. Treasury bills are not more than one
year with shorter tenors of 91 days, 182 days and 364 days.

- Treasury bills are sold via an auction with rates determined by the forces of demand and supply. The FGN saving bonds will be sold via an offer for subscription with rates determined by the DMO based on prevailing market rates.
- Treasury bills are discount instruments, as such you pay a discounted value to receive full value at maturity (i.e. you may invest N950 to receive N1000 in 90 days). The FGN savings bonds are interest-bearing instruments, as such you buy at face value (say N5000) and receive the stated coupon/interest payment on a quarterly basis; with the principal (or invested amount) repaid at maturity.
- Unlike FGN savings bonds, treasury bills are not sold in the stock market
- The DMO has also stated that treasury bills will no longer be available to retail investors in the primary market.

19. **Who can invest in FGN Savings Bonds?**

The FGN Savings Bond is targeted at individual savers, small businesses, co-operatives, foundations, non-profit organizations and other investors subject to the maximum limit on N50,000,000. Nigerian Citizens resident abroad and foreigners resident in Nigeria are also eligible.

20. **Will I make or lose money if market interest rates change?**

No, you will not lose money in the Primary Market, however, in the secondary market, bond prices behave like stocks/other investment securities and react to the forces of demand and supply. An increase in prevailing yields in the country will bring about a reduction in the face value of the bond and vice versa.

21. **Why are there limits on the maximum investment amount?**

The limits serve to make the bonds available to many Nigerians thereby giving them an opportunity to save. The DMO has introduced a new debt market structure that affords retail investors to participate in FGN debt issuances via the savings bond (i.e. they can invest up to a maximum of N50million), while segmenting institutional investors to the Treasury Bill and standard FGN bonds market (i.e. they invest a minimum of N50,001,000)

22. **When can I start buying Savings Bonds?**

First auction opened on the 13th of March 2017 while subsequent bond offerings will be monthly. The monthly offer will be announced by the DMO. Each offer shall remain open to investors for 5 days including the day the offer is announced and the date of closure.

23. **If I buy today, when can I get my bonds?**

In the Primary Market (offer period) settlement Date is transaction day (i.e. the day the offer closes) plus three days (T+3) while it would be settled in T+2 in the Secondary Market.

24. **Will I get a bond certificate after I have bought the bonds?**

No. Bond holders will have their holdings credited directly into their CSCS account. So every investor will have to open a brokerage account and CSCS account. Please contact a licensed Stockbroker for more information [http://www.nse.com.ng/dealing-members/find-a-dealing-member](http://www.nse.com.ng/dealing-members/find-a-dealing-member)

25. **How do I know the price a particular FGN Savings Bond is trading in the Secondary Market?**
26. How would the trading activities be monitored?

The NSE Market Surveillance system for monitoring the trading activities of Dealing Members is our front-line defense for detecting these abusive practices and promoting fair and orderly trading activity.

The NSE Market Surveillance and Investigations Department will maintain real-time surveillance of the FGNSB trading carried out by Dealing Members on all the floors and platform of The Exchange, ensuring market integrity and compliance with applicable Trading and Dealing Members’ Rules.

27. How would the trading activities be monitored?

New investors are required to approach any of The Exchange’s Dealing Member Firms to open a stockbroking account and submit at least any two (2) of the following documents:

- Passport
- National identity card
- Driver’s license
- Utility bill
- Voters card
- Employee’s photo identification card issued by recognized employer with employer’s tax identification from the Federal Inland Revenue Service (FIRS).

**Note:** Additional KYC documentation would apply if investor is an institution

28. How do I subscribe to the FGN Bonds?

- Investors are required to obtain the subscription form from any of the Distribution Agents (Accredited Stockbrokers) or download the form from the DMO website: https://www.dmo.gov.ng/fgn-bonds/savings-bond/1963-fgn-saving-bond-subcription-form/file.

  - Completed forms and evidence of payment should be submitted to the Accredited Stockbroker.

29. How would over-subscription of the FGN Savings Bond be handled?

The FGN Savings Bond is an open subscription, thus the window for subscription would remain open during the period of the offer as long as there is demand for the bond.

30. Can The Exchange’s Dealing Member trade the FGN Savings Bond?

Investors can only buy the FGN Savings Bond through the Distribution Agents. However, all dealing members of the Exchange can access the secondary market to trade the bonds.

31. Who is a Distribution Agent?

A distribution agent is a Dealing Member Firm of The Exchange accredited by the Debt Management Office (DMO) to market and distribute the FGN Savings Bond, receive payments from investors and forward the subscription forms to the Government Stockbroker. Please visit: https://www.dmo.gov.ng/fgn-bonds/savings-bond for the list of accredited stockbrokers.
32. What is the transaction cost for buying FGN Savings Bonds?

There are no transaction costs for buying the FGN Savings bond in the primary market (i.e. during the offer for subscription). Investors who wish to buy or sell the savings bond in the Secondary Market will pay applicable transaction charges:


Note:

The above information does not constitute investment or legal advice. Professional advice should be sought by stakeholders or potential investors where required.

Should you require any further clarification, kindly contact Secondary Market and Listings Regulation Departments of The Exchange via the following addresses:

productmanagement@nse.com.ng and lr@nse.com.ng