



THE Nigerian STOCK EXCHANGE

RC: 2321

FIXED INCOME MARKET MAKING

Overview

A new investment opportunity is now available to all investors on The Nigerian Stock Exchange (NSE). The Fixed Income Market Making (FIMM) program will increase accessibility of the bond market to the investing public. Until now, the bond market was mainly accessible to the Institutional, Corporate and High Net Worth Individuals (HNIs) through the Over The Counter (OTC) market. With the introduction of the FIMM program, all investors will now have easy access to the bond market through their broker/dealers via The Nigerian Stock Exchange Automated Trading System.

What is Fixed Income Market Making?

Fixed Income Market Making is a platform that allows debt markets participants to trade NSE listed debt instrument issued by the Federal Government, State Governments or Corporations on a transparent order book with firm orders.

The objective of FIMM is to provide liquidity and transparency through an order book with firm orders, pre and post-trade reporting, clearing and settlement solutions.

Types of Market Making

Quote-driven Market Making: Only the bids and asks of market makers are displayed in the market. The orders of regular broker-dealers are not displayed.

Order-driven Market Making: All the orders of buyers and sellers are displayed in the market, showing the quantity and the price at which a buyer/seller is willing to trade.

Type of Market Structure

The NSE FIMM programme will operate a 'hybrid' market, allowing Market Makers to provide two way quotes and licensed broker/dealers of The Exchange to submit orders as is currently done. These quotes and orders interact on the order book to "discover" the best price for a security.

Why Introduce Fixed Income Market Making Program?

The FIMM will enable the following:

Flexibility and Ease of Trading: Bonds are traded on the NSE, making the buying and selling of bonds as easy as trading in shares.

Transparency: As bonds are listed on the bourse, investors will have access to real-time prices and volumes, just like shares. This will enable investors to continuously monitor their investments and receive up-to-date information.

Diversification: Investors can diversify their portfolio to include bonds to complement their investments in other asset classes such as equities, ETFs etc.

Additional Income Stream: Investors can benefit from a steady income stream through regular coupon payments.

Improve liquidity in retail size: investors do not have to hold bonds to maturity.

Key Features

Market Participants (NSE FIMMs, DMO Government Stockbrokers & AMCON MMs) provide continuous two-way quotes (comprising buy and sell prices and sizes) to the market in a range of eligible bonds throughout the trading periods alongside orders from licensed broker/dealers.

The trading day starts with a pre-open auction phase running from 9.30hours to 10.15hours followed by continuous trading until market close at 14.30hours.

There is no minimum price movement, i.e., there will be no limit up or down on daily price.

A trade is concluded on the basis of matching orders/quotes for purchase and sale and is exempt from tax and stamp duties.

The minimum size available to trade these bonds varies from bond to bond.

All trades are executed on a clean basis, i.e., excluding accrued interest but settle dirty (clean price + accrued interest). Day-count convention used in calculating accrued interest is ACTUAL/ACTUAL.

The trade settlement period is two (2) working days following the trading day on which the trade is executed.

Present NSE Fixed Income Market Makers

The Broker/Dealers below were selected by The Nigerian Exchange to perform the role of Fixed Income Market Makers:

- Capital Bancorp Plc
- Cordros Capital Ltd
- Dunn Loren Merrifield
- FSDH Securities Ltd
- Greenwich Trust Ltd
- Investment One Stockbrokers Ltd (Formerly GTB Securities Ltd)

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