



**THE Nigerian
STOCK EXCHANGE**

The NSE Derivatives Project

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Outline



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Exchange Traded Derivatives



Exchange-traded derivatives are standardized contracts that are traded on regulated exchanges and include *futures and options*.



Trading

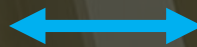
- Regulation
- Standardization
- Transparency
- Margin Collateral
- Simple Liquidation



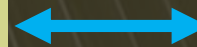
Clearing

The central clearing counterparty (CCP) acts as the counter-party to both the buyer and seller, thereby eliminating the default risk that may come from either of the counterparties.

Me



Exchange / Clearing System



You

Central Clearing Counterparty

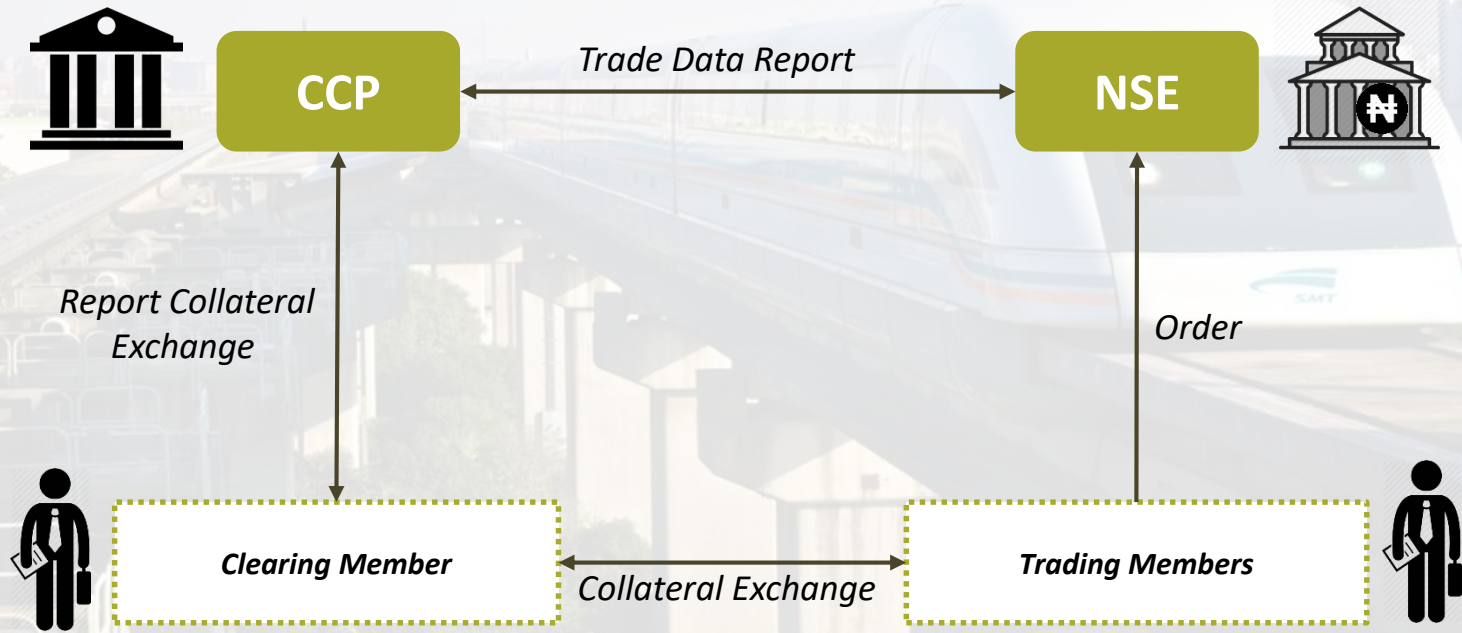


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Crubin Futures

A Central Clearing Counterparty (CCP) is an entity which places itself between counterparties to contracts traded in financial markets.

- ❑ Becoming the buyer to every seller and the seller to every buyer ('central counterparty')
- ❑ Ensuring the performance of open contracts.



Project Stage And Milestone



Feasibility Study and Research

This was done in 2014 by an external body from Hong Kong and the report showed that the Nigerian financial industry is ripe for derivatives market

Legal Framework

The NSE derivatives trading rules have been approved by the SEC. The SEC has also released her derivatives trading and clearing rules. Bankruptcy rule would be released in the future

Product Development And Awareness

Defined contract parameters, market structure, and participation requirements. Market consultation and trainings are ongoing for market participants.



Regulatory Engagement

The Nigerian Stock Exchange engaged the SEC and CBN and secured regulatory approval. Further engagement is ongoing with PENCOM and NAICOM

Technology

The NSE has Implemented derivatives trading module and enhanced trading infrastructure to support derivatives trading. Integration with new post trade systems is on going.

Post Trade Systems

The NSE co-established CCP company called NG Clearing

- Registration with SEC
- Acquisition of technology
- Connection to Exchange
- Onboarding of CMs

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