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To: ALL DEALING MEMBERS OF FMDQ OTC SECURITIES EXCHANGE
From: MARKET REGULATION GROUP

SETTLEMENT OF CLIENTS' SPOT FX OBLIGATIONS IN THE OTC FX FUTURES MARKET

1. This guidance is issued pursuant to clause 1.13 of the OTC FX Futures Market Operational Standards (the "Standards").
2. Based on an assessment of the conditions in the Nigerian foreign exchange ("FX") market, it is evident that the market is faced with liquidity challenges in terms of the supply of foreign currency. This illiquidity in the FX market has impacted on Clients' ability to meet their Spot FX obligations in the OTC FX Futures market.

Consequent to the above and in a bid to address this liquidity challenge, it has been resolved that FX Forwards may, in the interim, be purchased to settle Clients' FX obligations in the OTC FX Futures market in respect of executed OTC FX Futures contracts. This exception is however subject to the following conditions:

- (i) The tenor of FX Forwards purchased to settle Clients' outstanding FX obligations in relation to the attendant OTC FX Futures contracts shall not exceed **one (1) month**.
 - (ii) The purchase of FX Forwards to settle Clients' outstanding FX obligations in the OTC FX Futures market **prior to** the maturity of the attendant OTC FX Futures contracts shall be conducted in accordance with the provisions of section 1.13 (i) to (iii) of the Standards.
 - (iii) The purchase of FX Forwards to settle Clients' outstanding FX obligations in the OTC FX Futures market **after** the maturity of the attendant OTC FX Futures contracts shall not exceed **twenty (20) business days** from the maturity dates of the attendant OTC FX Futures contracts.
 - (iv) The provision of clause 2 (iii) shall not apply to matured OTC FX Futures contracts that remain unsettled as at the date of the issuance of this Market Bulletin. To this effect, Clients with such positions shall be permitted to purchase FX Forwards to settle their outstanding FX obligations no later than twenty (20) business days from the date of this Market Bulletin.
3. The contents of this Market Bulletin are without prejudice to the provisions of section 4 of the Standards with respect to the treatment of Settlement Amounts.
 4. This Market Bulletin shall **take effect immediately**.

Please be guided accordingly.



Jumoke Olaniyan
Divisional Head
Market Development & Regulation