

January 13, 2017

FMDQ/MRG/130117/MB-18A

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 further to the Market Bulletin (MB-18) dated January 9, 2017.
2. Further to clause 2 (i) of MB-18, Dealing Member (Banks) (“DMBs”) are advised as follows:
 - (i) The purchase of FX Forwards with tenors **exceeding one (1) month** shall not constitute valid settlement of outstanding FX obligations on attendant OTC FX Futures contracts.
 - (ii) Where a one (1) month FX Forward contract is rolled over, it shall not be eligible to settle Clients’ outstanding FX obligations in the OTC FX Futures market.
 - (iii) Based on clauses 2 (i) and (ii) above, any Settlement Amounts due to the Clients for OTC FX Futures contracts, where the attendant outstanding FX obligations are settled with FX Forwards exceeding the stipulated one (1) month tenor or settled with rolled over one (1) month FX Forwards, shall be deemed forfeited and shall not be released to the DMB/Client. However, in the event that Clients’ OTC FX Futures contracts are at a loss, the settlement process shall still be effected. Consequently, DMBs’ CBN operating accounts shall be debited for the attendant Settlement Amounts.
3. Further to clause 2 (iii) of MB-18, DMBs are advised as follows:
 - (i) Where one (1) month FX Forwards are not executed for the settlement of Clients’ outstanding FX obligations in the OTC FX Futures market within twenty (20) business days from the maturity dates of the attendant OTC FX Futures contracts, only Spot FX transactions shall be permitted for the settlement of the Clients’ outstanding FX obligations and deemed eligible for the release of any Settlement Amounts where applicable.
 - (ii) Where one (1) month FX Forwards are executed after the stipulated twenty (20) business days for settlement of the Clients’ outstanding FX obligations, Settlement Amounts in relation to the attendant matured OTC FX Futures contracts, should these be due to the Clients, shall be deemed forfeited and shall not be released to the DMBs/Clients. However, in the event that Clients’ OTC FX Futures contracts are at a loss, the settlement process shall still be effected. Consequently, DMBs’ CBN operating accounts shall be debited for the attendant Settlement Amounts.
4. In addition to the above, upon the maturity of the OTC FX Futures contracts, any cash/securities pledged by Clients with the DMBs shall be released to the Clients. Such released pledges may be applied to other risk management products available in the Nigerian foreign exchange market.
5. This Market Bulletin shall be read in conjunction with MB-18.

Please be guided accordingly.

Should you have any questions about this Market Bulletin, please do not hesitate to contact the Market Regulation Group at mrq@fmdqotc.com.