



THE Nigerian STOCK EXCHANGE

FEDERAL GOVERNMENT OF NIGERIA SAVINGS BOND: Product Features, Trading and Opportunities

Presented to
CEOs of Dealing Member Firms
March, 2017

1

- Introduction

2

- Primary Market Issuance/Subscription

3

- Secondary Market Features

4

- Q & A



THE Nigerian STOCK EXCHANGE

Introduction

Federal Government of Nigeria Savings Bond (FGNSB) is issued by the Federal Government of Nigeria (FGN) through the Debt Management Office (DMO). The Features of the FGNSB are as follows:

- The product will be issued **monthly** in tenors of 2 and 3 years, with quarterly payment of interest to investors.
- The product will be offered to the investing public through Offer for Subscription at an interest rate to be announced by the DMO on the day offer opens.
- It was resolved that the FGNSB coupon rate would be based on the secondary market yields of similar maturities for FGN Bonds
- The Offer for subscription will be open for 5 days from the date of announcement.
- Minimum subscription amount is N5,000.00 with additions in multiples of N1,000.00, subject to a maximum of N50,000,000.00.
- The Bond is backed by the full faith and credit of the Federal Government of Nigeria

Purpose

- 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 favourable returns available in the capital market.
- To diversify funding sources for the Government.
- To promote Financial Inclusion
- To promotes domestic investors participation in Capital Market Activities

Benefits

- Interest income is paid quarterly directly into bond holder's account.
- The Bond is acceptable as collateral for loans by banks and can be sold for cash in the secondary market before maturity.
- Good for savings towards retirement, marriage, school fees, house projects, etc.
- Safety: backed by the full faith and credit of the Federal Government of Nigeria.



**THE Nigerian
STOCK EXCHANGE**

Primary Market Issuance/Subscription

In view of this addition to the FGN securities market, the new market structure for the FGN securities market will be as follows:

FGN Savings Bond

minimum subscription **N5,000.00**, maximum **N50,000,000.00**

**Nigerian
Treasury Bills**

minimum subscription **N50,001,000.00.**

FGN Bonds

minimum subscription **N50,001,000.00.**

Steps in the issuance process



1

- Publication of Offer for Subscription Notice by DMO.
- Announcement of interest rate by the DMO in at least 3 national dailies.

2

- Investors obtain forms from Distribution Agents or download from the DMO website.
- Forms are filled and submitted.
- Payment is made to Distribution Agents (Accredited Stockbrokers).

3

- Distribution Agents submits Subscription Forms (hard and electronic copies).
- Payments is remitted to the Government Stockbroker (GS) with appropriate Excel Sheets.

4

- The GS forwards a Schedule of Investors and the amount received from Stockbrokers to the CBN and CSCS, respectively for settlement.

5

- CSCS and CBN update their records and inform the DMO on Settlement Date (T+3).

6

- On Settlement Date, CSCS debits the DMO's account for the volume of Bonds issue.
- The CSCS subsequently credits investors' account with the CSCS and generate text messages to Investors.

*Offer for Subscription will be open to investors for 5 working days, including day of announcement and closure.

*Offer Price will be fixed by the DMO and announced on the first day of Offer. The price will be based on competitive fixed rates.



Distribution Agents

In the Primary Market, Accredited Stockbroking Firms will act as the Distribution Agents for the FGNSB:

- To market and distribute the FGN Savings Bond.
- Provide requisite investor education on the FGNSB to their clients.
- Open a Central Securities Clearing System (CSCS) Account for investors without CSCS account.
- Receive payments from investors.
- Forward hard and electronic subscription forms with Spreadsheets and remit payments to the Government Stockbroker.

Government Stockbrokers

The Role of Government Stockbrokers will be:

- To act as the receiving agent for the FGN Savings Bond on behalf of the Government.
- Ensure timely receipt of schedule of investors and payments from Distribution Agents (DAs).
- Forward schedule of investors and the amounts paid to the CBN/CSCS.
- Ensure that the total proceeds are remitted into the FGN Savings Account domiciled at the CBN.
- Conduct periodic reconciliation with DAs and the DMO.



Subject to receipt of the schedule of investors, the CSCS will be expected to:

- Credit investors' accounts with CSCS and debit the DMO's account for the volume of Bonds issued to each investor.
- Generate text messages to investors on purchase and sale of their Bonds.
- Update CBN S4 with primary and secondary market transaction details.



THE Nigerian STOCK EXCHANGE

Secondary Market



Pricing

- Bonds will be priced as a percentage of par but with a corresponding yield (generated automatically by the system in place).
- Market prices should reflect market conditions.

Trading

- Secondary Market Trading of the FGNSB will be exactly like existing trading on sovereign bonds.
- The Securities will be listed under the Debts Board as a Federal Government Bond and will trade on NSE X-Stream platform.
- Standard quote size by liquidity providers (Distribution Agents and Government Stockbroker) will be 100units i.e. there's an obligation to fill up to 100units for each quote.
- Maximum spread limits (currently 100bps) for liquidity providers will be reviewed from time to time based on market conditions.
- Distribution Agents can also make prices to their client at a spread and cross to their clients trading account on the floor within prevailing market prices.
- Brokers acting as agents will earn commission based on approved fee schedule
- Bonds will trade at clean price and settle at dirty price.



Transaction fee (charged on face value) to be charged on the trading of the retail savings bond are as follows:

Description	Current Fee (%)
NSE	No charge
CSCS Fees*	0.0001%
SEC Fees	No charge
Stockbroker Commission**	1% (capped)
Liquidity Providers Spread	100bps (max)

*CSCS currently charges N1 per One million Naira N1,000,000

**Commission charged by brokers on can be less but should be no more than 1%

***Liquidity provider spread limits can be less but should be no more than 100 basis point

Liquidity

1. All DMO appointed Distribution Agents and Government Broker will provide liquidity on the FGNSB.
2. Liquidity providers will show 2-way quotes in the market within the prescribed spread limit (currently 100bps)
3. Liquidity provider can subscribe for up to Fifty Million Naira (N50, 000, 000) in the primary markets in their proprietary accounts

Role of Intermediaries

All Dealing Members

- Brokers (agent) to investors.

Distribution agents

- Provide Liquidity to clients/investors.
- Provide 2 way quotes on FGNSB for their accounts.
- Principal trading i.e. Trade for their clients.

Government Stockbrokers

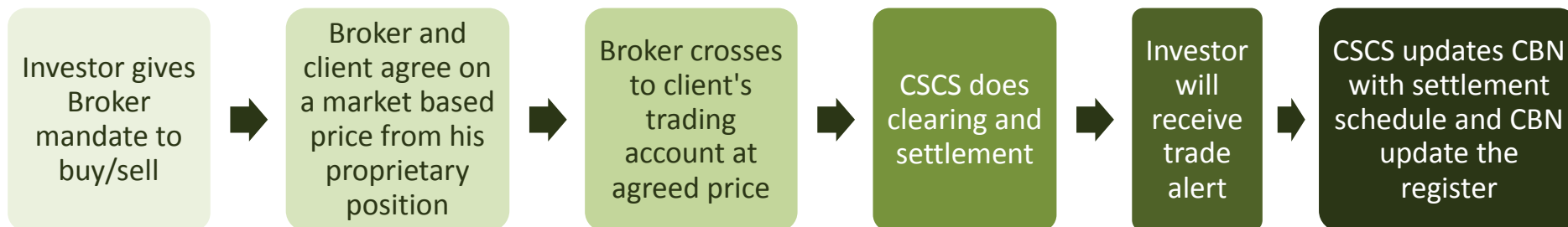
- Provide Liquidity to clients/investors.
- Provide 2 way quotes on FGNSB for their accounts.
- Principal trading i.e. Trade for their clients.

Scenario 1: Brokers act as agent to earn brokerage commission



Note: Investors can place mandates via broker's online/mobile trading platform

Scenario 2: Brokers act as wholesale participants and make prices at a spread

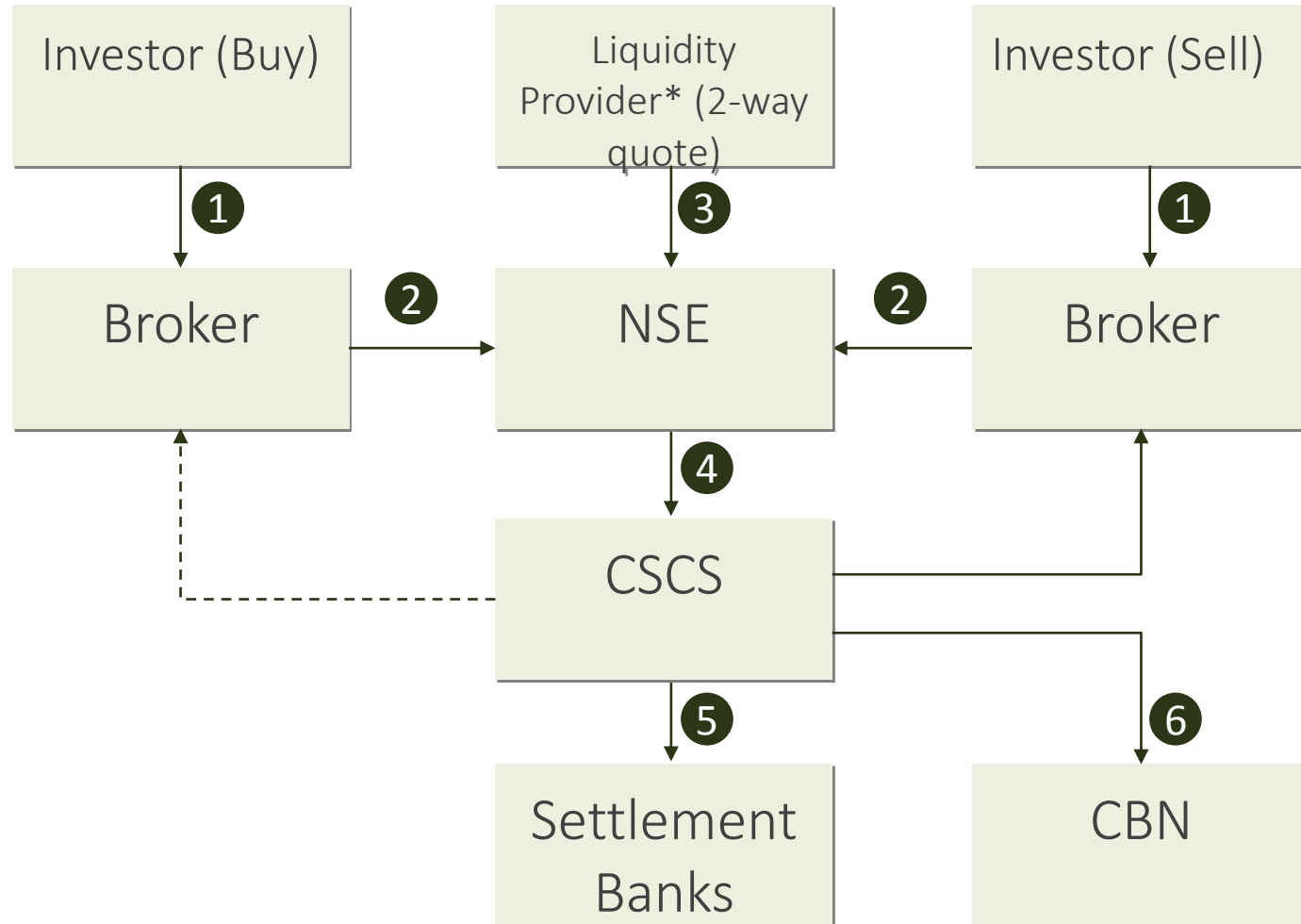


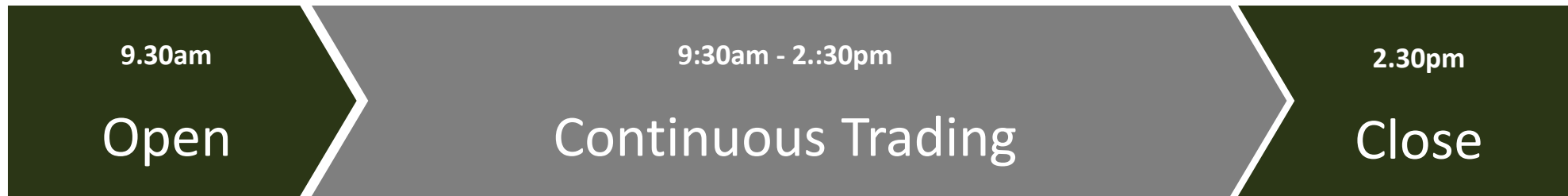
Requirements for Distribution Agents

- Approved Distribution Agents to write CSCS for fixed income market making code to enable them provide 2-way quote. A copy of DMO appointment letter must be provided.
- Approved Distribution Agents to write NSE MOT to add Retail Bond Issuances only to their Fixed Income Market Making Baskets

NSE Retail Bond Market Structure

1. Clients send orders (buy/sell) to their brokers (NSE dealing member).
2. Broker executes client's orders on NSE retail bond market.
3. Liquidity providers (distribution agent and Government stockbroker) provide 2-way quote.
4. Executed trades on NSE flows through to CSCS.
5. CSCS clears and settles trades (T+2) and CSCS instruct payments on delivery versus payment basis.
6. CSCS sends updated record to CBN as Government's registrar.





- Market Opens.
- Opening price is Previous day closing price.
- Brokers can enter orders.
- Distribution agents and Government Brokers can enter 2-way quote orders within the allowable spread (100bps).
- No Limit Up or Limit Down on price movement.
- Market Closes.
- Closing Price is calculated after continuous trading session.

Note

- Trading Time: 9:30am-2.30pm
- No auction.
- Fixed Income market trade continuously throughout the trading session.



**THE Nigerian
STOCK EXCHANGE**

THANK YOU

Questions & Answers

Visit our website today!

www.nse.com.ng

“A truly user-friendly experience”

NEW & IMPROVED WEBSITE

- Featuring Intuitive navigation
- Enhanced view of listed securities
- Detailed quotes and charting
- Site-wide search
- Mobile access
- Easy-to-find information
- Social media integration
- Improved site load-time
- Enhanced content



Federal Government of Nigeria Savings Bond (FGNSB)

- Role Of CSCS

Dr. Joseph Mekiliuwa
General Manager IT & Ops

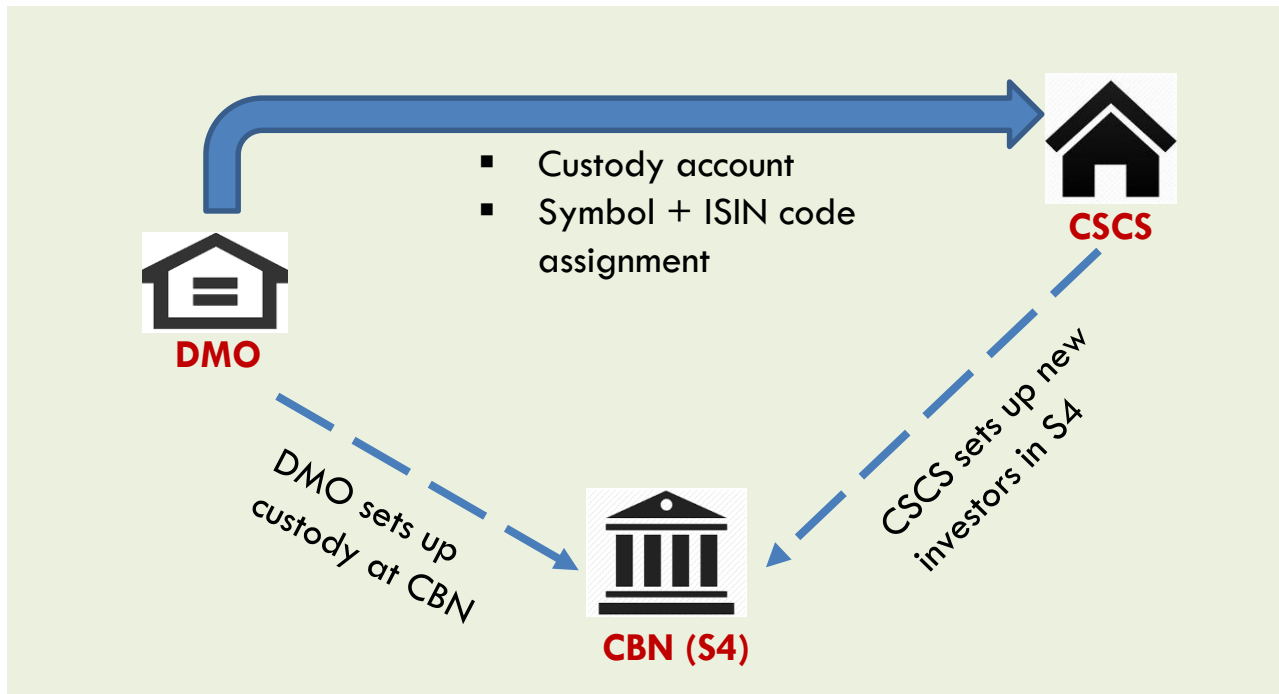
Central Securities Clearing System (CSCS) Plc

Outline

- Symbol & Account Set-up
- Role Of CSCS & Updates On FGN Savings Bond
 - Posting of Allotments/Updates
 - SMS Alerts to investors
 - Secondary Market Transactions

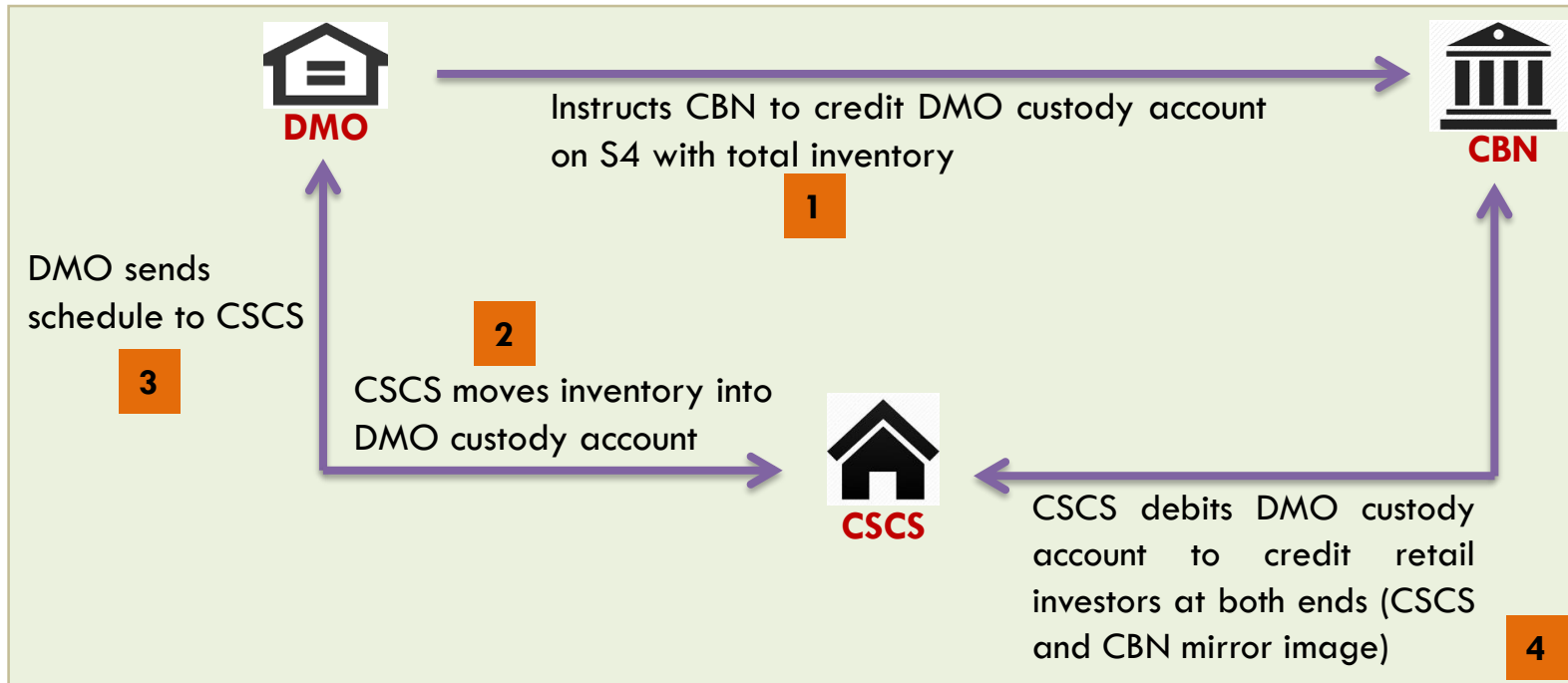
Pre-conditions For FGN Savings Bond (FGNSB) Setup In The CSCS System

Symbol & Account Set-up



Role Of CSCS & Updates On FGN Savings Bond

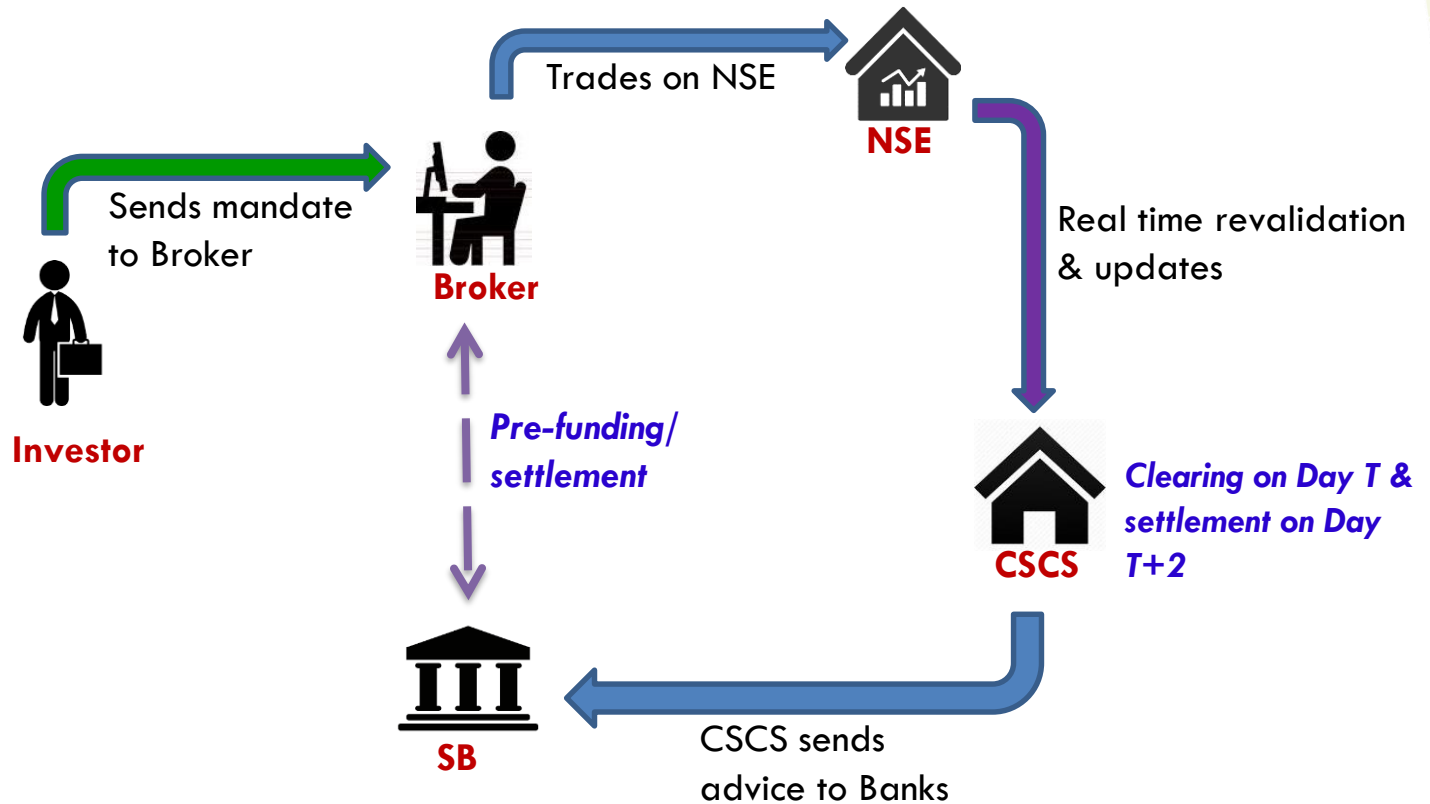
Posting of Allotments/Updates



SMS Alerts to investors



Secondary Market Transactions



Note: SB = Settlement Bank, NSE = Nigerian Stock Exchange

Thank you