



THE Nigerian STOCK EXCHANGE

FIXED INCOME TRADING AND SETTLEMENT PROCESS FLOWS

July 2020

Outline



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NSE Fixed Income Market



- ❑ The Nigerian Stock Exchange (“The Exchange” or “NSE”) Fixed Income market provides access to both retail and institutional investors to trade fixed income instruments listed by the Federal Government, States, Corporates and Supranational issuers on its platform. It adopts an integrated straight-through trading and settlement process using best in class market infrastructure without trade failures.
- ❑ It provides access to one of the most liquid, transparent and efficient bond markets in Sub-Saharan Africa through our vast network of Dealers and integrated trading platform.
- ❑ Fixed Income trades can be executed on the NSE through the Central Order Book or Cross Deal Window. Investors can send their buy or sell mandates through our Dealing Member Firms (Brokers). Institutional investors can also pre-agree trades with Brokers or Dealers to be executed on the Exchange.
- ❑ In a bid to further enhance price discovery, the Exchange recently launched the Indicative Bond Pricing Framework to address the liquidity and price discovery issues on fixed income by aggregating the prices of fixed income securities from traders across the market.

NSE Fixed Income Market Structure



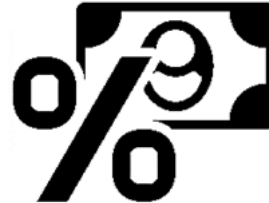
All auction periods have been removed and the Fixed Income market opens at 10am and trades until close of the market at 2.30pm

NSE Fixed Income Market Structure



Price Band

No limit up or down on daily price changes



Price Conventions

- Trade Clean Price, i.e. exclusive of accrued interest but settle dirty.
- Accrued Interest is based on ACTUAL/ACTUAL day count conventions



Securities Board

- Debt Board
- All Bonds including FGN, Corporates, Supranational, Green, Sukuk and Savings Bond



Market Model

- Hybrid Market i.e. Quote and Order Driven
- Trades in COB are matched on Price and Time Priority



Trading and Settlements

T+2

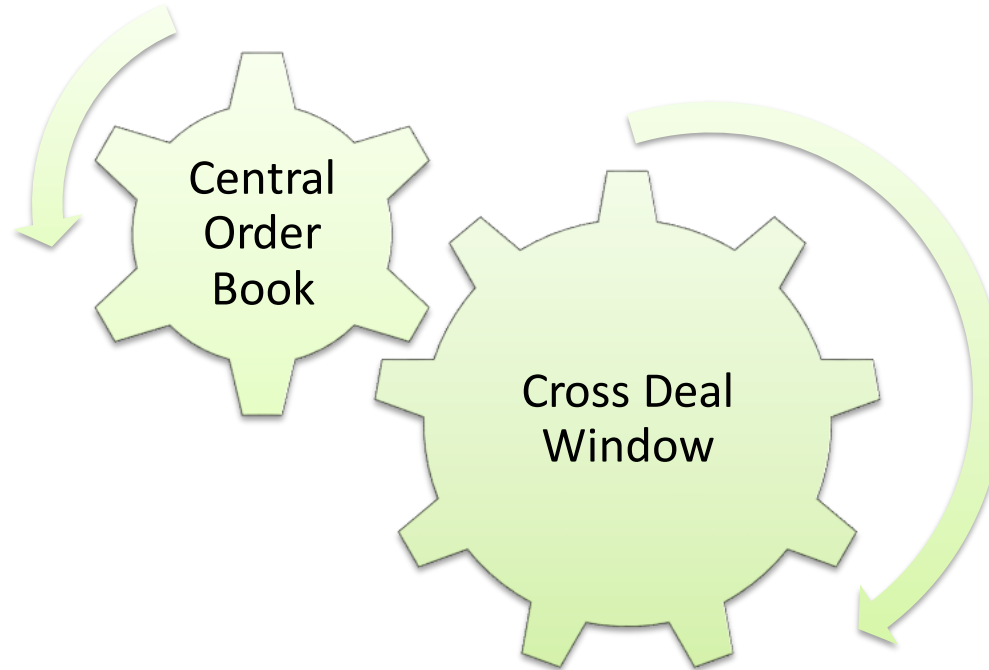


Index Circuit Breaker

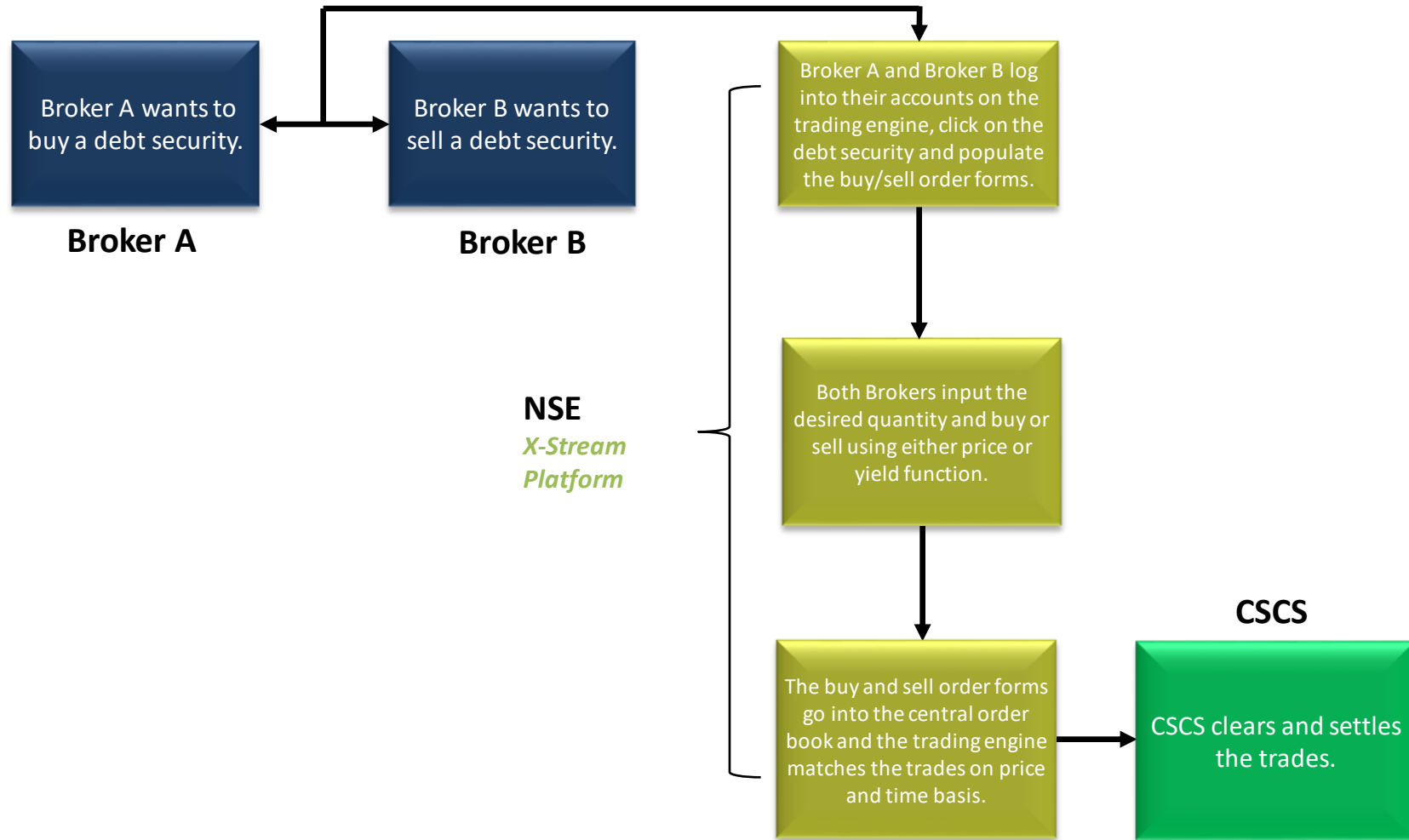
Index Circuit Breaker Rule is not applicable and will not affect the Debt Board

Trade Execution on the Exchange

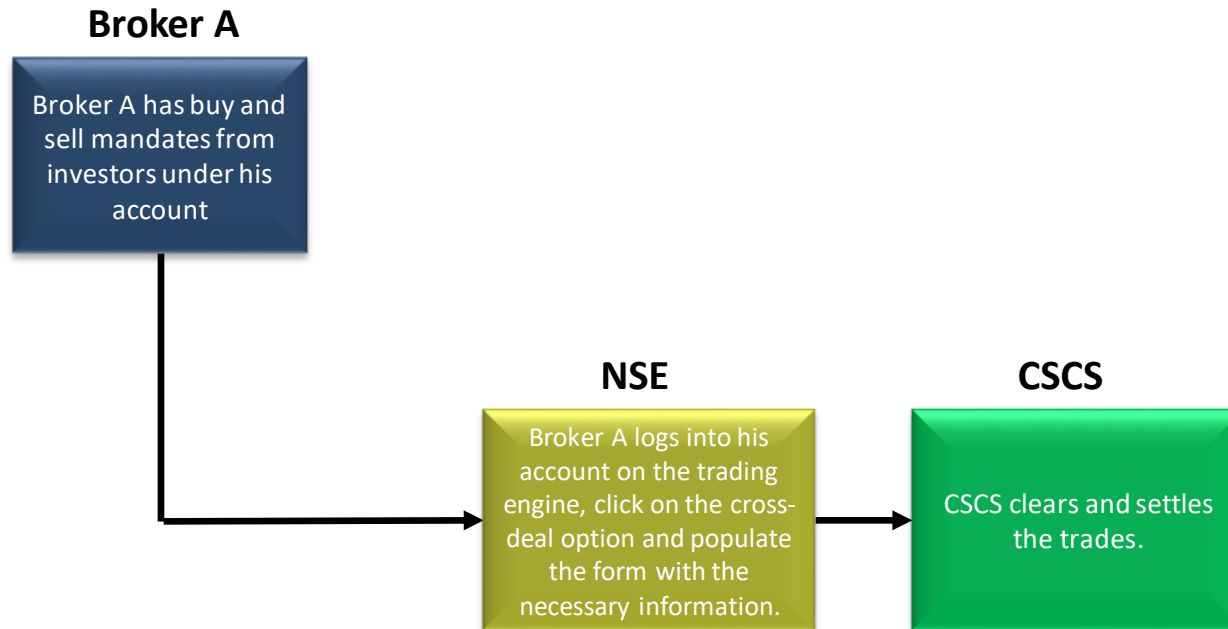
Trade Execution on the Exchange



Trade Execution on the Central Order Book



Trade Execution via the Cross Deal Window



Clearing & Settlement Process



1. Intra-position transfers: *Counter parties are clients with CSCS Accounts*

2. Inter-position transfers: *One of the parties has a CSCS Account*

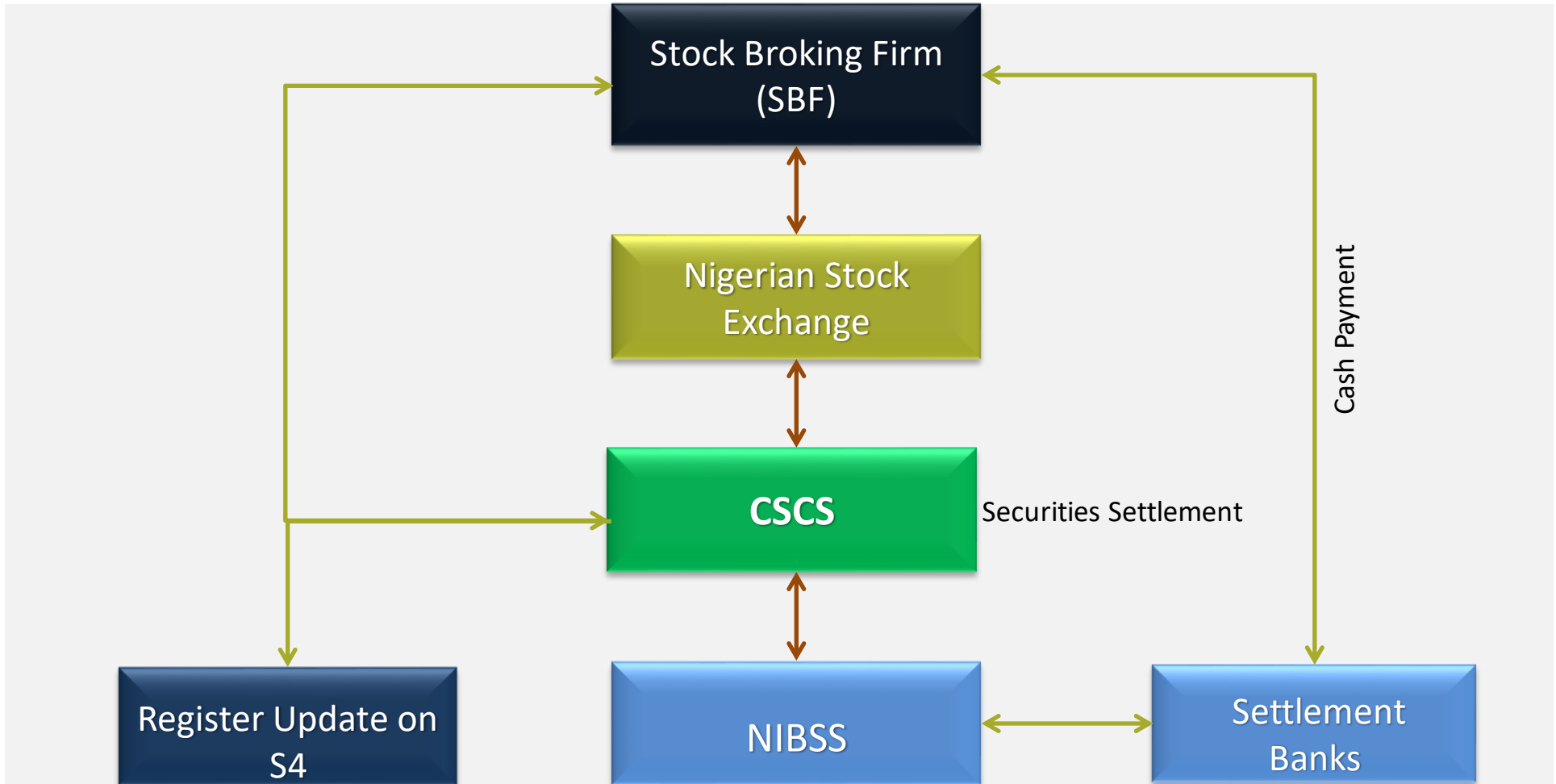
(a) Transfer (Receiving) from S4 participant (*Dealer*) to CSCS clients (*Stock Broking Firms (SBF) & Bondholders*)

Auction/Re-opening

Transfer from Dealers to CSCS clients on DvF

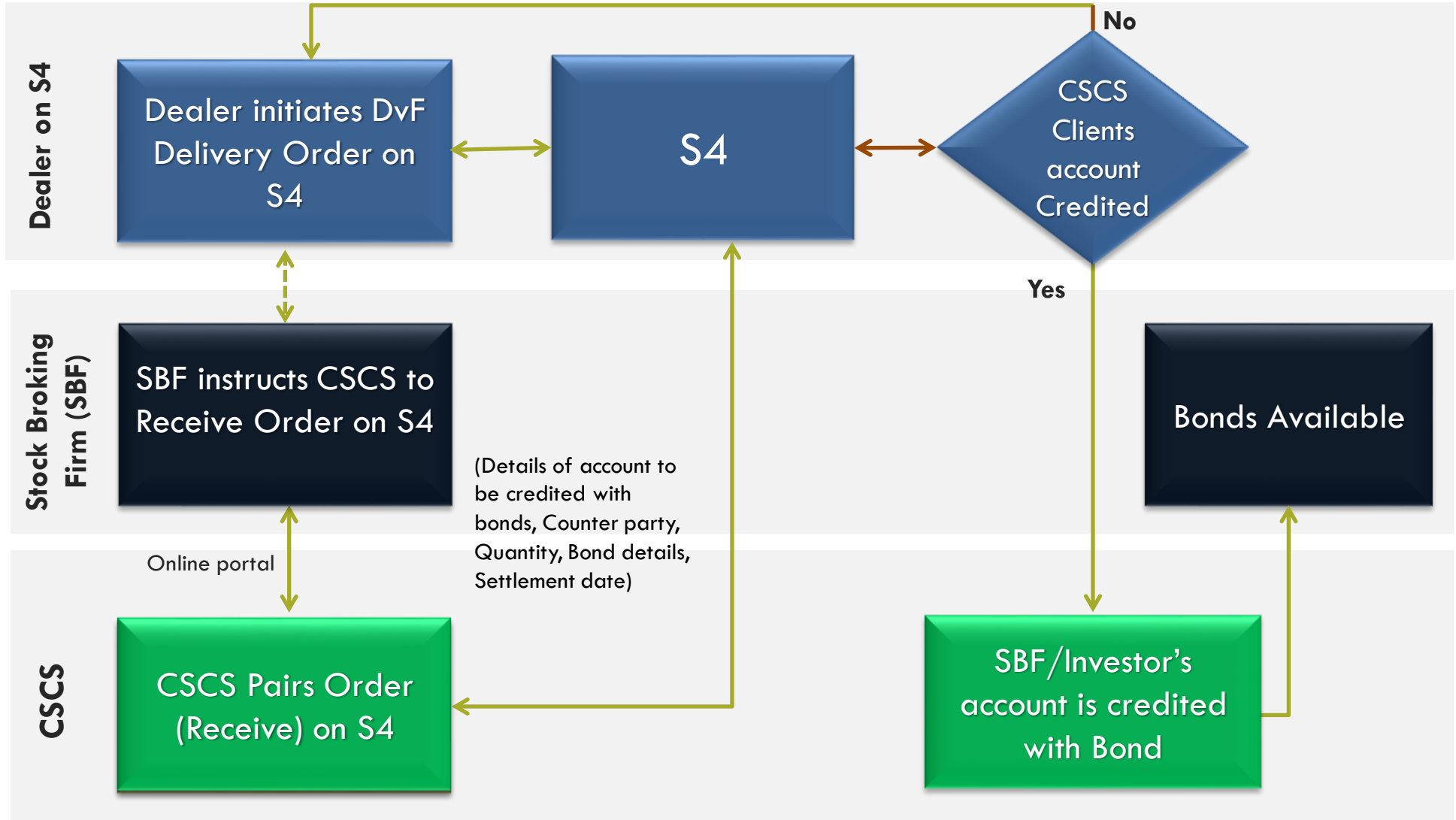
(b) Transfer (Delivery) from CSCS Clients to Dealers on DvF

Scenario 1: Intra-position Transfers



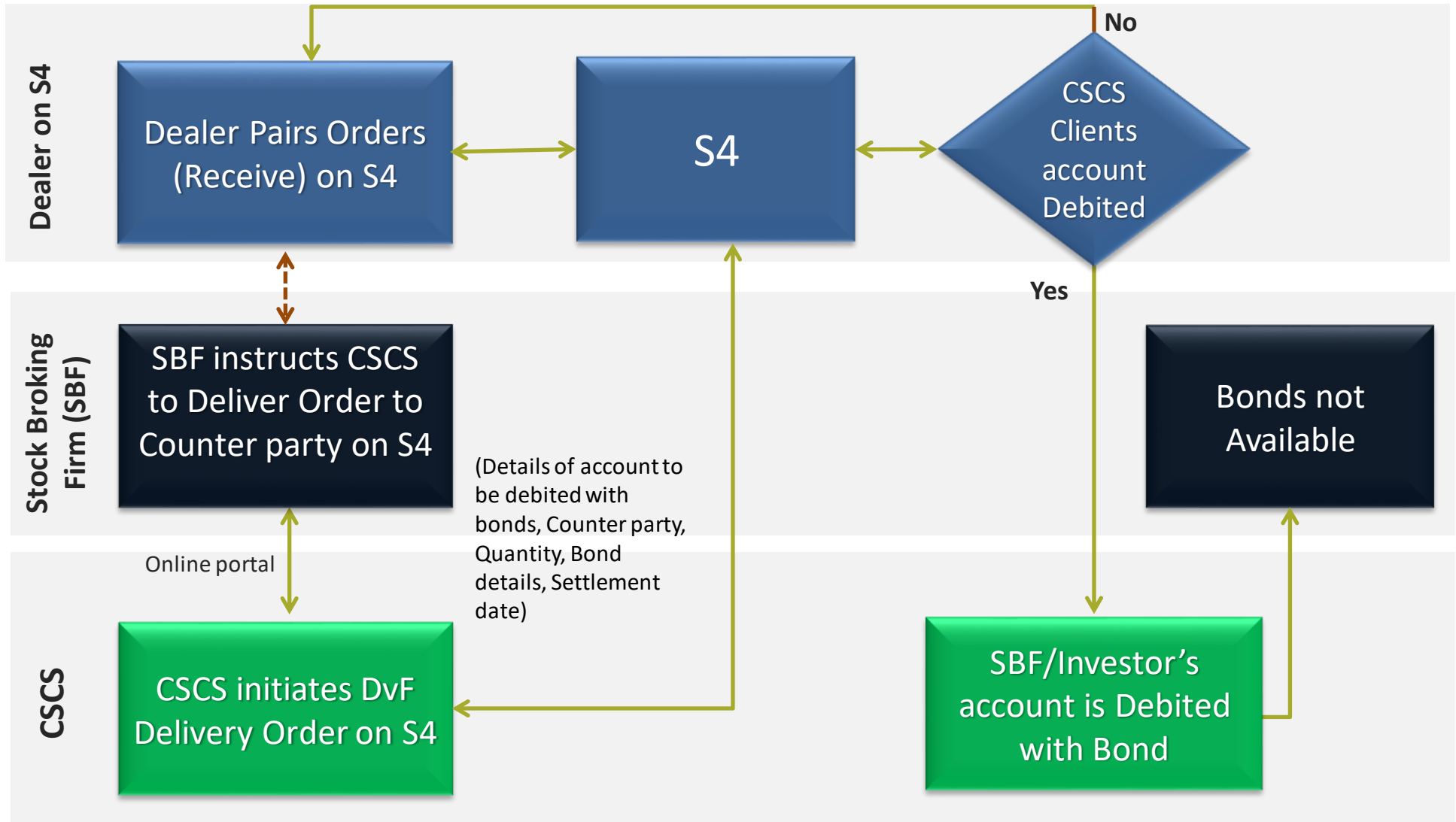


Scenario 2: Transfer From Dealer On S4 To CSCS Clients





Scenario 3: Transfer From CSCS Clients To Dealer on S4



Settlement Process



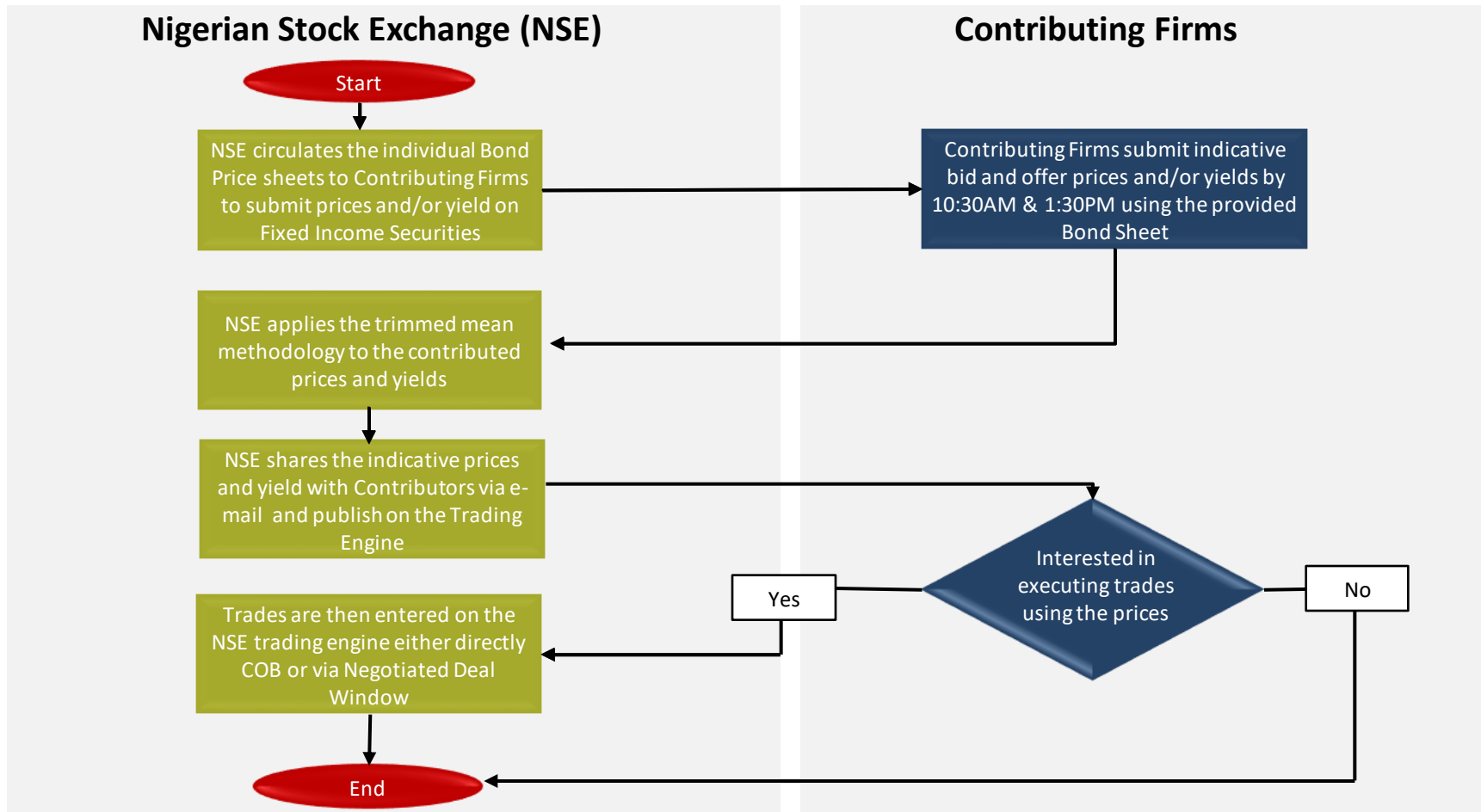
Day T	Day T +1	Day T + 2
<ul style="list-style-type: none">❑ Trading occurs at the Exchange❑ Market Participants (MP) are notified of their Financial Net Obligations, including charges (3.30p.m)❑ Settlement Banks (SB) are notified of Market Participants Financial Net Obligations. <i>(Marked "for your information only")</i>	<ul style="list-style-type: none">❑ SB notifies NSE & CSCS of Market Participants that may not settle trades of Day T by 12 noon.❑ CSCS transmits the final Financial Net Obligations of Market Participants to Settlement Banks & NIBSS by 3.00p.m & 5.00p.m respectively.	<ul style="list-style-type: none">❑ NIBSS applies the settlement advise by 8.00 a.m against the SB Central Bank account❑ SB equally credits or debits her members on the same day (latest by 12 noon).❑ MP are expected to pay their clients on the same day.

NSE Indicative Bond Pricing Framework

NSE Indicative Bond Pricing Framework



- ❑ As part of our liquidity enhancing and market deepening efforts, the Nigerian Stock Exchange launched the Indicative Pricing Framework on February 3, 2020 to address the liquidity and price discovery issues on fixed income by aggregating the prices and yields of fixed income securities from traders across the market.
- ❑ The Exchange welcomes quotes from traders across the market. The process flow details the steps for contributing quotes on the Exchange



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- For more information on trading Fixed Income on the Exchange, please contact aokeniyi@nse.com.ng copying secondarymarket@nse.com.ng
- For more information on the settlement of the Fixed Income trades, please contact ootenaik@cscs.ng copying contact@cscs.ng