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**Questions from the DCMD Sensitisation Programme on Short-term  
Financing Option in the Nigerian Debt Markets**

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**FMDQ Securities Exchange Limited**

**November 2020**

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S/N	Question	Answer
1	Both case studies (from Kobby's presentation) have working capital, is that a requirement?	No, it is not a requirement for the "use of proceeds" to be working capital specifically. Some borrowers also raise money in the Commercial Paper market for refinancing of existing debt, pay down bank overdraft, fund a short term trade transaction or simply to enhance their liquidity or cash reserve (if they might need that liquidity in the near term and just want to plan for it). The important principle however is one of disclosure, and the need to ensure that whatever is the stated use of proceeds is what the funds are actually used for.
2	Given the market dysfunction in US securities of March 2020, is the FMF/DMO taking advantage of (or considering using) FMDQ's CCPs to auction its securities beyond the current PDMMS?	The role of FMDQ Clear Limited as a Central Counterparty (CCP) is to mitigate counterparty credit risk by interposing itself between two (2) counterparties, thereby promoting the growth of trading liquidity of financial products in the secondary market. Consequently, CCPs are not used to auction securities in the Primary Market.
3	What macroeconomic conditions can possibly inhibit potential issuer of a CP from moving ahead with the initiative?	The macroeconomic conditions that inhibit issuances include: <ul style="list-style-type: none"> <li>▪ High-interest rate environment: Prospective issuers may typically be discouraged from issuing Commercial Papers when they have to pay high-interest rates to investors, as issuers are continually seeking for the cheapest means of sourcing funds</li> <li>▪ Inflation: The persistent rise in the prices of goods and services will impact the inflation-adjusted returns. Consequently, corporates will be required to offer higher interest rates to attract investors</li> </ul>
	What possible measure can be adopted to help more?	Continuous advocacy engagements with relevant regulatory and governmental stakeholders to simplify extant regulatory frameworks and provide market-friendly policies to encourage active participation in the market. Some other measures that may be adopted to encourage more issuers and issuances, include knowledge sharing sessions such as the FMDQ Webinar.
4	Is there a monitoring and feedback process/framework that ensures that the use of funds as disclosed in the issuing paper is strictly adhered to by the issuer?	Yes, there is a monitoring and feedback process for the Exchange to ensure that issuers adhere to the use of proceeds as indicated in the relevant transaction document. The Exchange has a post-registration/quotation compliance team that ensures that issuers comply with post-issuance requirements, including but not limited to the monitoring of use of proceeds.
5	Why is ₦100.00mm the minimum amount for CPs?	The minimum issuance amount prescribed in the Commercial Paper Registration and Quotation Rules of the Exchange is dependent on the regulatory requirement stated in Section 7.2.1 of the Central Bank of Nigeria Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers which states that "CPs shall be issued at the primary market for a minimum value of ₦100 million and in multiples of ₦50 million, thereafter."