

The Nigerian Financial Markets 2009



A market snapshot by Standard Bank, South Africa

Exchange rate policy:

The Nigerian naira (NGN) is a managed floating exchange rate. The CBN's focus is on maintaining USD/NGN stability. The exchange rate is adjusted occasionally to meet policy objectives.

Exchange controls:

Foreign investors into government bonds are issued with a Certificate of Capital Importation (CCI). Under these regulations, these investors are not allowed to repatriate their investment for at least one year. Investors in corporate instruments and forwards are not subject to a minimum onshore holding period.

Nigeria: FX market conventions

Instrument	Spot	Fwd/NDF	Swaps
Daily turnover range	\$ 180m	\$ 20m	\$ 30m
Trade size range	\$ 2,0 – \$ 50,0 m	\$ 1,0 – \$ 10,0 m	\$ 1,0 – \$ 10,0 m
Bid/offer spread	NGN 0,05	NGN 0,05 on spot rate & 200 bps on interest rate	NGN 0,05 on spot rate & 200 bps on interest rate
Tenor range	-	14 days to 3 years	14 days to 3 years
Settlement	T +2	-	-
Reuters Monitor	NGN1=	NGNF=	NGNF=
Bloomberg Monitor	NGN<CRNCY><GO>, BTMM NG <GO>		

Monetary policy:

Monetary policy is aimed at price stability. M2 money supply is the intermediate target and is controlled through adjustments to the CBN MPR. There is a longer-term transition to an inflation targeting framework.

Debt management policy:

The aim is to increase tenor. In recent years, tenor has increased from 7-year to 10-year bonds. Duration is expected to increase to 20-years in 2009. A 10-year NGN euro-clearable issue is also expected.

Controls/restrictions on foreign participation:

Foreign investors can only invest in government securities dated > 1-year; they cannot participate in primary auctions. Investment in money market instruments (e.g. commercial paper) of a tenor less than a year is allowed.

Taxes on foreign investors:

Investment in government bonds and commercial paper does not attract taxes, while time deposits and dividends on equities attract withholding tax of 10%.

Nigeria: rates market conventions

Instrument	Deposits	Treasury and Central Bank bills	Treasury bonds	Corporate
Primary market				
Monthly primary issuance	-	\$ 1,64bn	\$ 425m	
Tenor range	1 to 364 days	91 to 364 days	3 to 10 years	14 to 270 days
Auction schedule	-	91 & 182 days weekly 364 days monthly	monthly	-
Competitive or non-competitive auctions	-	competitive	Competitive	
Auction participation	-	Only Money Market Dealers	Only Primary Dealer Market Makers	Open to both dealers & clients
Bid size limit	-	25% of total auction per client	25% of total auction per client	-
Allotment	-	Cut-off price	Cut-off price	
Debt stock outstanding	-	\$ 14,0bn	\$ 8,2bn	-
Secondary market				
Daily turnover range	\$ 850m	\$ 635m	\$ 340m	\$ 85m
Trade size range	\$ 850k & above	\$ 2,0m	\$ 850k & above	\$ 4,0m
Bid/offer spread	100 bps	25 bps	15 bps	-
Quotation	Act/365	Act/365	Act/365	-
Settlement	T+0	T+2	T+2	-