

DMO Releases New Guidelines for the Federal Government of Nigeria (FGN) Bond Market

The Debt Management Office (DMO) has released two (2) Guidelines for the operation of the FGN Bond Market titled: **“A Guide to Operations for the Debt Management Office Nigeria, in the Federal Government of Nigeria Bond Market”** and **“General Rules and Regulations Governing the Primary Dealer Market Maker (PDMM) System in Federal Government (FGN) Securities”**. The two (2) Guidelines which are both dated December, 2009 replace the Guidelines issued by the DMO in June, 2006.

A revision of the 2006 Circulars became imperative following significant developments in the FGN Bond Market since June 2006 when the PDMM System was introduced. Some of the major changes in the Guidelines are:

- i. The minimum capital requirement for a PDMM is now 2billion Naira in Shareholders Funds, **unimpaired by losses** and excluding revaluation surplus Banks. Discount houses and broker-dealers are still the only institutions qualified to act as PDMM in the Federal Government of Nigeria Bonds.
- ii. The maximum amount that can be allotted to a PDMM or its Customer with their affiliated entities at an FGN Bond Auction as a group has been raised to 30% from 25%.
- iii. The obligation of PDMMs to underwrite the FGN Bond Auction is now explicitly stated. Also, the PDMMs are now entitled to an Underwriting Fee for the unsubscribed portion of an FGN Bond Auction which they are called upon to take.
- iv. A provision has been included to allow bids for FGN Bonds from special accounts or agencies to be submitted through the Central Bank of Nigeria.
- v. The Fee payable on successful Customer bids has also been simplified in the new Guideline.

The Guidelines takes effect from January 1, 2010.

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