

**WELCOME REMARKS BY PATIENCE ONIHA, DIRECTOR-GENERAL DEBT
MANAGEMENT OFFICE AT THE MAIDEN SEMINAR OF THE FINANCIAL MARKETS
DEALERS ASSOCIATION BONDS WORKGROUP ON MAY 23, 2019**

THEME: THE NIGERIAN FUTURES MARKET – A TOOL FOR RISK MANAGEMENT

It gives me great pleasure to be invited to give the Opening Remarks at this auspicious seminar organized by the Financial Markets Dealers Association Bonds Workgroup(FMDA). I would like to extend my sincere welcome to the executive officers and members of the FMDA and various stakeholders who are participating in today's Seminar whose focus is on fostering the development of the Nigerian Futures Market as a robust tool for risk management.

Indeed, the theme of the seminar "***The Nigerian Futures Market – A tool for Risk Management***" could not have come at a more auspicious time given the dynamics in the local and international financial markets which are exposing borrowers and debtors to more risks from interest and exchange rates amongst others. While countries and financial regulators across the world introduced significant measures to avoid a repeat of the financial meltdown of the year 2008 which triggered a depression across the world from which full recovery is yet to occur, there are still reasons to believe that Risk and Risk Management in the financial services sector need further attention. I therefore wish to commend FMDA for choosing a most appropriate topic as the theme for this Seminar.

We are witnesses to the weakness in the credit portfolio of banks which was a reflection of the inadequacy of risk management, and the creation of the Asset Management Corporation (AMCON) to acquire non - performing loans from banks. This however is not a 'one time fix it all' for all the risks to which the financial services sector is exposed. Risk management is fundamental to most, if not all businesses and Governments, particularly in the area of debt management. It is my expectation therefore, that this Seminar would lead not only to an increased understanding of Risks but would ultimately, result in the development of risk management tools, which if effectively understood and deployed, will mitigate the risks to which market operators including governments are exposed to. May I also, add that there is some urgency around meeting these two expectations.

It has been established that there is a correlation between the size of the financial services sector of an economy and the growth of that economy. Put differently, this means that a large and robust financial services sector provides a strong platform for economic growth and development, for the simple reason that it is able to effectively mobilise savings(or attract funds) which it then deploys as capital to providers of goods and services. This role and the downside risks associated with bank failures or collapse of the financial services sector, are some of the reasons why operators in the financial sector are regulated and closely monitored.

At this juncture, please permit me to speak to the achievements that we have made collectively over the years to develop the domestic fixed income securities markets, as it speaks to the potential that we have to successfully introduce a Nigerian Futures Market. The year 2019

marks the 16th anniversary of the resuscitation of the Nigerian Bond Market. Some of you would recall that the Debt Management Office (DMO) introduced Federal Government of Nigeria Bonds in the year 2003 with the longest tenor being 10 years. At that time the financial markets consisted largely of an equities market and a money market. There was no debt capital market to complement these two markets. The introduction of a Primary Dealer Market Maker System in 2006 which led to secondary trading in bonds, the development of benchmark bonds and the coming into being of an Over-The-Counter platform for trading fixed income securities (FMDQ OTC) have transformed the financial markets.

These developments and outcomes combined with Government's expectation of a robust financial services sector capable of supporting the delivery of the targets in the Economic Recovery and Growth Plan (ERGP), require the existence of a financial futures market in Nigeria. Simply put, the Market needs to move to the next level. The new era requires sustained momentum, and new risk management tools in order to better serve the opening-up of the financial services sector and improve Nigeria's global competitiveness. As a note, I would like to add that our participation in the International Capital Market either as borrowers or investors or both, also make a strong case for risk management.

You will observe that in this "Welcome Remarks" I went down memory lane. The purpose is to bring to the fore what can be achieved given a strong focus and commitment to an objective. Nigeria is now said to be one of the most liquid bond markets in Sub-Saharan Africa which is a significant achievement. However, despite the growth, it is not advisable for the markets to continue on this strong positive trajectory without tools to manage the inherent risks. Prudence requires that as financial market operators, we should take up the challenge to develop risk hedging tools appropriate for our environment that are comparable to those in the more advanced markets. The time has come to up the challenge and move our financial services sector to a higher level that will promote growth and stability.

From the Programme for the Seminar and the distinguished Speakers, I am convinced that we are well on our way to developing a Nigerian Futures Market and look forward to receiving a copy of the deliberations or communique after the event.

I want to thank the FMDA for organising this seminar, and the other Speakers who will be speaking today.

I wish the seminar a great success. Thank you.

Patience Oniha
May 23, 2019