FMD/DIR/CON/OGC/038/151   **November 25, 2024**

ALL BANKS IN THE INTERBANK FOREIGN EXCHANGE MARKET

GUIDELINES FOR THE ELECTRONIC FOREIGN EXCHANGE MATCHING SYSTEM (EFEMS)

1. General Provisions

1.1 These guidelines regulate the operations of interbank FX trading via the Electronic Foreign Exchange Matching System (EFEMS),

1.2 The purpose is to ensure transparent, fair, and efficient FX trading, minimizing counterparty risk and ensuring compliance with Central Bank of Nigeria (CBN) regulations.

1.3 The CBN has approved the Bloomberg BMatch as the designated platform to support the EFEMS for the interbank trading.

1.4 All market participants are required to comply strictly with these guidelines and any amendments as may be issued by the CBN from time to time.

2. Glossary of Term

2.1 Market Participant: Institutions authorized by the CBN to participate in the Nigerian Interbank FX market.

2.2 Authorized Dealers: Financial Institutions licensed by the CBN to deal in foreign exchange.

2.3 Dealing Code: A unique identifier assigned to market participants by Bloomberg Launch Pad (LP) for trade execution.

2.4 BMatch: The Bloomberg-provided order matching platform for facilitating FX trade.

2.5 Market Maker: An institution mandated to continuously provide two-way quote for the minimum order size limit.

2.6 Spot Transaction: Transactions with settlement date on two business days (T+2) from date it was agreed or executed.

2.7 Business Day: Any working day (Monday to Friday) not declared a public holiday in Nigeria.

2.8 All Other Terms: Definitions shall align with applicable CBN regulations, circulars, and the Banks and Other Financial Institutions Act (BOFIA).

3. Composition of Market Participants

3.1 All Authorized Dealer Banks licensed by the CBN are participants in EFEMS.

3.2 Other participants must secure prior CBN approval to access the EFEMS platform and execute agreements with the platform provider, approved by CBN.

3.3 The platform provider shall assign unique dealing codes to participants who are responsible for maintaining accurate and updated profiles.

3.4 Any participant wishing to withdraw from the platform must notify the CBN in writing, providing a 30-day notice and ensuring no pending obligations.

4. Trading and Operational Requirements

4.1 Trading hours shall be from **09:00 hrs to 16:00 hrs WAT** on business days.

4.2 All unmatched orders will be cleared at the market's close and may be resubmitted on the following business day.

4.3 Quotes on EFEMS will remain anonymous until matched. Once matched, counterparty details will be revealed for settlement purposes.

4.4 All trades consummated on EFEMS are binding, unless canceled by mutual agreement of both parties with written approval from the CBN.

4.5 The minimum tradable amount is **US$100,000.00**, with incremental clip sizes of **US$50,000.00**.

4.6 Participants must set credit and settlement limits for other counterparties in the system. Transactions exceeding these limits will not be executed.

4.7 Participants must have adequate credit and settlement limit set for the CBN as its counterparty bank.

4.8 Participants are required to comply with the Nigerian Foreign Exchange Code and other CBN regulations.

4.9 EFEMS shall be used exclusively for executing **spot FX transactions** involving the Nigerian Naira (NGN) against the United States Dollar (USD). Other currency pairs may be introduced upon the CBN's directive.

4.10 Transactions on EFEMS must be settled through approved settlement systems, with participants bearing responsibility for their obligations.

4.11 The platform provider must offer real-time support to address system issues. In the event of prolonged downtime, alternative trading protocols will be activated as prescribed by the CBN.

4.12 Any participant defaulting on settlement obligations will face penalties as determined by the CBN.

5. Governance and Data Reporting

5.1 The CBN shall monitor all transactions on EFEMS to ensure market integrity and transparency.

5.2 Participants must submit daily transaction reports only to the CBN, detailing trade volumes, counterparties, and settlement status. All whole/interbank trades conducted between Authorised Dealers and non-banks participants on telephone and other acceptable channels in the market must be confirmed on the RFQ and reported on EFEMS immediately. Any deal that falls outside the EFEMS parameters, such as same day or next day settlements delivery vs payment transactions where limits are exceeded and deals with non-standard amount should be booked via the RFQ functionality and uploaded automatically to the FX blotter not more than 10 minutes after the completion of the trade.

5.3 All trade data generated on EFEMS shall be owned by the CBN. The CBN reserves the right to publish aggregated or disaggregated data for market analysis, subject to confidentiality agreements.

5.3 The CBN reserves the right to review EFEMS operations, including participant activities and system efficiency, periodically.

5.4 Violations of these guidelines or other applicable regulations shall attract penalties, including suspension or revocation of EFEMS access rights.

6. Dispute Resolution

6.1 Disputes arising from EFEMS transactions must first be resolved bilaterally between counterparties.

6.2 If unresolved, disputes shall be escalated to the Financial Markets Dealers Association (FMDA) for arbitration.

6.3 Final appeals may be submitted to the CBN for resolution, whose decision shall be binding.

7. Amendments and Updates

7.1 The CBN reserves the right to amend these guidelines as necessary to align with market developments or regulatory changes.

7.2 Amendments will take effect upon issuance, and participants will be duly notified.

Omolara Duke (PhD)
Director, Financial Markets Department
Central Bank of Nigeria