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**RULEBOOK**  
*of*  
**THE NIGERIAN  
STOCK EXCHANGE**

## PREFACE

The Rulebook of The Nigerian Stock Exchange, 2015 (the “Rulebook”) is a compilation of all the Rules, Regulations and Guidelines (“Rules”) of The Exchange in one (1) document. It will facilitate quick and easy access to the Rules by Dealing Members, Issuers, investors and all other stakeholders who require them.

In providing an overall enhanced experience, users of the Rulebook will observe:

- a. A consolidated Index of all the Rules, as of today, 31 December 2015.
- b. Division into Parts, Chapters, and Sections, which have been grouped into related subject matters for ease of access and efficient use.
- c. Chapters and Section breaks, which have a numbering system that will enable us to add new provisions without disturbing the order of existing provisions, as necessary.
- d. A comprehensive editing of the Rules for consistency and clarity.
- e. A consolidation and re-ordering of the Rules for improved flow and rationality in the context of the Rules.
- f. A cleaning up where there were overlaps and duplications of provisions.
- g. Updated cross-references in order to make relevant connections between related provisions.

For our stakeholders who may be interested in the historical changes and developments to the Rules, we will also retain the links on our website to the Rules ([Dealing Members’ Rules](#) | [Issuers’ Rules](#)) as they appeared in separate documents prior to compilation in the Rulebook.

31 December 2015

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**PART I**  
**RULES AND REGULATIONS**  
**GOVERNING**  
**DEALING MEMBERS**

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# CHAPTER 1

## GENERAL RULES

### Section I: General, Corporate & Administration of Rules

#### **Rule 1.1: Preamble**

These Rules and Regulations are made pursuant to the Memorandum and Articles of Association of The Nigerian Stock Exchange and are subject to the provisions of the Investments and Securities Act (ISA) of 2007, and the Rules and Regulations made thereunder.

#### **Rule 1.2: Application**

These Rules and Regulations shall be binding upon Dealing Members in their relationship with The Exchange, as between themselves as Dealing Members, and as relates to the business which they conduct as Dealing Members of The Exchange with the general public.

#### **Rule 1.3: Authority to Administer Rules of The Exchange**

The Council of The Exchange shall make and administer Rules, Regulations and Guidelines for regulation of trading in securities listed on The Exchange and the activities of its Members; and shall exercise all powers, authorities and discretions in that regard.

#### **Rule 1.4: General Conduct**

A Dealing Member shall not do or cause to be done any act, matter or thing, which would adversely affect the goodwill or public image of The Exchange or its Members.

#### **Rule 1.5: Observance of Rules and Regulations**

Dealing Members shall:

- (a) Operate strictly within the provisions of the ISA and the Rules and Regulations made there under, the Rules and Regulations of The Nigerian Stock Exchange, and the Central Securities Clearing System and any practices, conventions, usages and other related regulations as may be applicable from time to time;
- (b) Refrain from using the name of The Exchange or the privilege of membership of The Exchange in activities that have no bearing with the activities of The Exchange.

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**Rule 1.6: Duty to Observe and Report Breaches**

It is the duty of every Dealing Member of The Exchange to observe these Rules and Regulations, and to report forthwith any breach of the Articles or Rules and Regulations by any other Dealing Member, in writing to the National Council of The Exchange, or through the Branch Councils to the National Council of The Exchange. Any Dealing Member, being aware of any breach on the part of another Dealing Member and failing to report the same to Council as aforesaid, shall himself/itself be guilty of a breach of these Rules and Regulations.

**Rule 1.7: Non-Agency Relationship**

No Dealing Member of The Exchange (other than a Dealing Member acting under the specific authority of the Council) shall hold itself out to any person as being the agent of or otherwise representing, or having the power in any way to act for or bind The Exchange.

**Rule 1.8: Identification of Business Documents**

Every Dealing Member shall have printed upon all letterheads the names of its Directors. All letterheads, contract notes, brochures, scrip receipts or other documents used by the Dealing Member in the transaction of stockbroking business shall have printed on them the words "Member of The Nigerian Stock Exchange".

**Rule 1.9: Scope of Business Activities**

No Dealing Member shall carry on any other business save that of buying and or selling securities and those activities which are ancillary thereto.

**Rule 1.10: Dealing as Agent or Principal**

A Dealing Member may trade either on behalf of its clients or on its own account or both as approved by The Exchange.

**Rule 1.11: Dealing Member to Sponsor Application for Quotations**

Any application for a quotation of securities on The Exchange must be sponsored by a Dealing Member and made in accordance with the Listing Requirements as prescribed by the Council from time to time.

**Rule 1.12: Right to Charge Brokerage Income**

Dealing Members shall charge all clients whether persons, firms, or companies or others on whose behalf they deal in securities, whether as buyer or seller, brokerage income according to the scale prescribed by the Council and approved by the Commission and other relevant



authorities with regard to transaction in securities.

**Rule 1.13: Brokerage Requirement**

A Dealing Member shall charge brokerage separately to their clients.

**Rule 1.14: Disclosure Obligation**

Every Dealing Member is required to deal with The Exchange in an open and cooperative manner, and shall disclose any matter relating to the operations of the firm on which The Exchange would reasonably expect notice. The foregoing obligation shall be in addition to all financial disclosures to The Exchange.

**Rule 1.15: Prohibition of Business Relationship Based on Guarantee**

Dealing Members shall not:

- (a) enter into any business relationship with a client premised on a guaranteed return to the client; or
- (b) guarantee, directly or indirectly, a customer against loss in any account or in any securities transaction executed by the Dealing Member for such customer, or previously agreed with the customer on a profit margin.

**Rule 1.16: Prohibition Against Preferecing of Customers**

Dealing Members are prohibited from giving preference to any customer's account over other customers including the assignment of more favourable transactions thereto in a manner that is contrary to the priority in which the executions were made.

**Rule 1.17: Effect of Client Defaulting**

No Dealing Member shall carry on business for a client who is in default to another Dealing Member. It is the duty of every Dealing Member to notify The Exchange of the name and circumstances of every such default. The circumstances of each default shall be submitted to the Council, which may in its discretion cause the name to be in a list to be kept by The Exchange for purpose of circulating the name of defaulters to all Dealing Members and Members of The Exchange. The Council may from time to time cause any name to be deleted from the list.

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**Rule 1.18: Limitation of Liability of The Exchange**

The Exchange shall provide its services on a best efforts basis and shall not be liable for failure of the system or for any loss, damages, or other costs arising in any way out of:

- (a) Telecom network or system failures including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions: or
- (b) Accident, transportation, neglect, misuse, errors, frauds of the Dealing Member or its Authorized Persons or the agents or any third party: or
- (c) Any fault in equipment (either supplied by The Exchange or approved by The Exchange) which forms or does not form part of the Dealing Member Installation.
- (d) Natural disaster, fire, war or violence, or any other similar occurrence.

Without prejudice to the above provisions, such failure shall not reduce, alter or affect the liability of the Dealing Member in respect of any trades to which it is a party.

**Rule 1.19: Indemnification to The Exchange**

- (a) Every Dealing Member shall indemnify The Exchange against losses arising from Stockbroking activities.
- (b) Each Dealing Member shall indemnify The Exchange against legal proceedings arising from such member's professional misconduct.

**Rule 1.20: Right to Facilities and Data of The Exchange**

A Dealing Member shall not, by itself or through any other persons on his behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System, except with the explicit approval of The Exchange and in the ordinary course of business.

**Rule 1.21: Publication and Subscription to Daily Official List**

The Exchange shall publish a list of closing prices daily and each Dealing Member shall subscribe for at least one copy of the Official List at each publication. No list of any kind shall be published and sold by a Dealing Member without the prior approval of The Exchange.

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**Rule 1.22: Amendments to Laws, Rules, Codes or Guidelines Cited**

Reference made in these Rules to any laws of the Federal Republic of Nigeria, or the Rules, Codes or Guidelines of any regulatory agency of the Federal Government of Nigeria shall include such amendments as may from time to time be made to such laws, Rules, Codes or Guidelines.

**Rule 1.23: Interpretation of the Rules and Regulations**

The interpretation of any of these Rules and Regulations shall rest with Council and any decision of the Council thereon shall be final and binding on all Members.

**Rule 1.24: Definitions**

In these Rules and Regulations, unless the context otherwise requires:

“Accredited Representative” means a representative of a Dealing Member company who is duly authorized to be present and vote at all meetings on behalf of the Member Company.

“Affected Transaction” means a change of control of a company with the result that the acquirer is obliged to make a mandatory offer to the shareholders whose shares it did not acquire

“All Parties Meeting” means an Exchange convened meeting of all parties to a dispute with the aim of amicably resolving the issues.

“Approved Person” means all Directors; and Principal Officers such as the Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Authorized Clerks of a Dealing Member.

“Articles” means Articles of Association of The Exchange.

“Authorized Clerk/Stockbroker” means a person who:

- (a) has qualifications and has undergone training recognized and prescribed by The Exchange;
- (b) is registered with The Nigerian Stock Exchange;
- (c) is not less than twenty-one (21) years old and of good character and integrity;
- (d) has agreed to comply with such other requirements for membership as Council may prescribe from time to time;
- (e) is recommended by a Dealing Member who will be liable for all transactions made on its behalf on The Exchange by the Authorized Clerk; and
- (f) is registered as a market operator under the Investment and Securities Act, 2007.

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“ATS” means Automated Trading System. This is a computer trading program that maintains a central limit order book, automatically matches orders and quotes, and submits trades to The Exchange.

“Blacklisting” means a situation where The Exchange puts the name of a Dealing Member on a list of persons who are denied privileges, services, access, recognition or are boycotted or punished.

“Branch Council” in relation to The Exchange means the person from time to time in whom the management of the Branch Exchange is vested.

“Branch Director” means the principal executive for the time being, of The Exchange.

“Broker-Dealer” means a firm that is engaged in the business of buying and selling of securities. It is registered with and is directly or indirectly regulated by a governmental authority or a regulated securities exchange.

“Churning” means excessive trading by a Dealing Member in a client's account which does little to meet the client's investment objectives, and is done largely to generate commissions.

“Commission” means the Securities and Exchange Commission (SEC) established by the Investment and Securities Act, 2007.

“Company” has the same meaning assigned to it in the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria, 2004.

“CSCS” means the Central Securities Clearing System Plc.

“Custodian” means ‘custodian’ as defined in Section 152 of the Investments and Securities Act, 2007.

“Dealing Member” means a member company who has been granted licence by The Exchange as a dealer in securities hereinafter referred to as member.

“Director” has the same meaning assigned to it under the Companies and Allied Matters Act, 2004.

“Director-General” means the Chief Executive for the time being of The Exchange.

“Effecting a Market Corner” means to acquire enough shares of a particular security or to hold a significant position to be able to manipulate its price.

“Exchange” means a body corporate known as The Nigerian Stock Exchange which has been registered by the Securities and Exchange Commission (SEC).

“False Market” means a market in which a movement in the price of a share is brought about or sought to be brought about by contrived factors including but not limited to buyers and sellers acting in collaboration with each other, or any act which has the effect of preventing or inhibiting the free negotiation of market prices, or the employment of any fictitious transaction or device or any other form of deception or contrivance.

“Force Majeure” means an event that can neither be anticipated nor controlled including acts of nature and acts of people, the effects of which could not be prevented or avoided by the exercise of due care or foresight.

“Foreign Investments” means any investment in securities involving capital importation by a corporate body or individual. Foreign investors (F.I.'s) shall include:-

- (a) foreign institutional investors (F.I.I.'s) (e.g. pension funds, unit trust funds, investment trust funds, institutional portfolio managers, nominee companies, asset management companies, or any other corporate body);
- (b) Individual investors who are foreigners and Nigerians resident abroad who are investing with foreign currency.

“Hard-To-Borrow Security” means an illiquid security or a security that is not easily available in the market at any given point in time.

“High Net Worth Investor” means an individual with net worth of at least Three Hundred Million Naira (₦300,000,000) in liquid assets, excluding automobiles, homes and furniture; or an individual with minimum verifiable annual income of Thirty Million Naira (₦30,000,000).

“Insider” means a person who has inside information through being a director, employee or shareholder of an issuer of securities traded on The Exchange to which the inside information relates; or who has access to such information by virtue of his employment, office or profession; or such person knows that the direct or indirect source of the inside information was any of the aforementioned persons.

“Insider Dealing” includes insider trading and occurs when a person or group of persons who being in possession of some confidential and price sensitive information not generally available to the public, utilizes such information to buy or sell securities for the benefit of himself, itself or any person.

“Inside Information” means specific or precise information, which has not been made public and which is obtained or learned as an insider; and if it were made public would be likely to have a material effect on the price or value of any security listed on a regulated market.

“Intermittent System Decoupling” means a disconnection between The Exchange’s trading system and the CSCS’s clearing and settlement system.

“In writing or written” shall include printing, typewriting or any other mode of representing or reproducing words in a visible form.

“Investors’ Protection Fund” means the fund established by The Exchange pursuant to the provisions of the ISA to mitigate losses suffered by investors.

“Local Custodian” means a custodian who is licensed to do business in Nigeria.

“Member Company” means a company that:

- (a) is incorporated under the Companies and Allied Matters Act, 2004 as a limited liability company.
- (b) is recognized as a member company by The Exchange.

“Naked Short Selling” means the practice of selling securities the seller does not own and has not made arrangements to borrow; or the practice of seeking to profit from an expected fall in the price of an asset by selling shares you do not own without borrowing, or making arrangements to borrow them.

“National Best Bid and Offer” means the highest displayed bid and the lowest display offer in the order book.

“National Council” in relation to The Exchange means the persons from time to time in whom the governance of The Exchange at the national level is vested; hereinafter referred to as the Council.

“Nominal Transfer” means a transfer of listed securities between the Transferor and the Transferee who are related or connected parties which involves no consideration passing from the Transferee to the Transferor.

“Order Book” means an electronic list of buy and sell orders for a specific security or financial instrument, organized by price level. The order book lists the number of shares being bid for or offered at each price point, or market depth. It also identifies the market participants behind the buy and sell order. The order book is dynamic and constantly updated in real time throughout during trading hours.

“Ordinary Member” means a Member of The Exchange other than a Dealing Member.

“Party” means either the Transferor or the Transferee, each of which could be an individual or a corporate entity.

“Primary Listing Market” means the main stock exchange where a publicly traded company’s stock is bought and sold.

“Professional Misconduct” means any conduct that involves dishonesty, fraud, deceit or fraudulent misrepresentation or any act that reflects adversely on the honesty, trustworthiness or professional competence of the Dealing Members or its employee and/or its agent.

“Qualified Institutional Investor” shall have the meaning as may from time to time be ascribed to it by the Commission.

“Recognized Stock Exchange” means such stock exchange as the Council from time to time decides to recognize.

“Regulated Broker-Dealer” means a person or corporate entity engaged in the business of buying and/or selling of securities, which person or corporate entity is directly or indirectly regulated by a governmental authority concerned with the regulation of capital markets or by a Stock Exchange that is regulated by such governmental authority.

“Retail investor” means all other investors that do not fall under the category of Institutional or High Net Worth Investors.

“Rules and Regulations” means Rules, and Regulations governing The Exchange and the Members thereof, and include amendments thereto that are made from time to time.

“Securities” has the same meaning as is assigned to it in the Investments and Securities Act 2007, however to the extent that they are under the purview of The Exchange from time to time.

“Secretary” means Secretary to the Council of The Exchange.

“Short selling” The sale of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller.

“Stockbroker” means a person licensed by The Exchange to trade in securities.

“T+0” means “Trade date plus zero days” and it means trade date without additional business day, its effect is that it marks the commencement of the transaction cycle to be concluded later at T+3.

“T+3” means “Trade date plus three (3) business days” and its effect is that the transaction cycle must be completed on that day three (3) or settled (i.e. delivery versus payment) within three (3) business days following the execution of the trade.

“Trade Warehousing” means a process where The Exchange permits a Dealing Member to execute a client’s mandate to buy securities in small volumes over a number of trading sessions and the total shall be aggregated and invoiced as one whole.

“Trading Floor” means the place set apart for Dealing Members for the transaction of business.

“WAT” means West Africa Time, which is equivalent to GMT +1 hour

Words signifying the singular number only shall include the plural and vice-versa.

Words signifying 'he' shall include 'she' or 'it' and vice-versa.

### Section II: Fees

#### **Rule 2.1: Powers to Impose Fees and Charges**

- (a) The Council shall have the power to impose fees and charges in relation to such matters or things, and in such amount as the Council may from time to time deem fit, in addition to any fees and charges specifically required to be paid by or imposed on Dealing Members by these Rules and to require the payment of such fees and charges by Dealing Members or other persons and to prescribe the time and method of payment thereof.
- (b) **Review of Fees and Charges:** The amount of any fees and charges imposed by the Council pursuant to these Rules may from time to time be revised by the Council as it shall in its absolute discretion deem fit.

#### **Rule 2.2: Annual Subscription and Fees**

- (a) The Council shall prescribe from time to time the annual subscription and fees payable by each Dealing Member. An Ordinary Member of The Exchange is not required to pay annual subscriptions unless and until it applies for and is granted a licence to commence business as a broker and or dealer in securities.
- (b) All Dealing Members are required to pay the annual subscription fees due to The Exchange, including but not limited to Annual charges no later than the last business day in March of every year.
- (c) Any Dealing Member that fails to pay any of its annual subscription fee when due to The Exchange shall be liable to a fine of Fifty Thousand Naira (₦50,000) for each day it fails to make the payment for a period of not more than thirty (30) days.
- (d) Any Dealing Member that fails to pay any of its annual subscription fees after the thirtieth (30<sup>th</sup>) day following the last business day in March in any given year shall be suspended from trading forthwith.



- (e) Suspension placed on a Dealing Member for failing to pay any of its annual subscription fees shall be lifted only upon payment of the fees due to The Exchange and the accumulated fines.

**Rule 2.3: Notification of Fees and Charges**

The amount of any fees and charges which the Council may impose shall be notified to the Dealing Members by means of circulars.

**Rule 2.4: Mode of Payment**

Council shall also prescribe the time and method of payment of any fees and charges imposed pursuant to these Rules by means of circulars to Dealing Members and other persons, and they shall comply with the requirements, instructions or directives contained in such circulars, including the payment of interest, penalty or fine for late payment of such fees and charges.

**Rule 2.5: Dealing Member Fees and Charges**

The approved maximum Broker/Dealer fees and commissions on any transaction (buy or sell) shall be as prescribed by the Securities and Exchange Commission from time to time. Provided that where ancillary services relating to securities investments are offered, a Dealing Member shall only be entitled to charge additional fees for such services as may be approved by The Exchange from time to time.

**Rule 2.6: Transaction Fees**

- (a) A Transaction Fee as prescribed by Council and approved by the Commission shall be payable to The Exchange on every sale of securities listed on The Exchange carried out by a Dealing Member whether as principal or agent on the Trading Floor, and whether the transaction is arranged or concluded in Nigeria or elsewhere.
- (b) **Collection of Transaction Fees:** Every Dealing Member shall collect the Transaction Fee from its client, or shall be liable itself if it deals as principal. In the event that a Dealing Member fails to collect such Fees from its clients, that Dealing Member shall nevertheless be liable to The Exchange for payment of the Fee.
- (c) **Notification of Transaction Fees:** Within seven (7) days from the beginning of each month, The Exchange shall forward to every Dealing Member the Transaction Fees payable in respect of transactions carried out as principal or agent during the previous month.

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- (d) **Remittance of Transaction Fees:** A Dealing Member shall remit within fifteen (15) days from the beginning of each month the total Transaction Fee due whether or not it receives a demand note from The Exchange.

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## CHAPTER 2

### OPERATION AND MANAGEMENT OF MEMBER ORGANIZATIONS

#### Section III: Acquiring and Maintaining a Dealing Membership Licence

##### **Rule 3.1: Application Procedure**

- (a) Any entity that wishes to be licensed as a Dealing Member of The Exchange shall be duly licensed by The Exchange in accordance with the relevant laws including the ISA, the SEC Rules, Rules and Regulations Governing The Exchange's Dealing Members, and other relevant Rules and Regulations governing the capital market;
- (b) Application for a licence as a Dealing Member to transact business as a stockbroker shall be made in the prescribed manner as determined by The Exchange;
- (c) Application for a licence shall be made to the National Council of The Exchange;
- (d) After meeting the requirements for the grant of a Dealing Member licence, an Approval-In-Principle (AIP) will be granted to the applicant, and this shall be valid for six (6) months only.
- (e) Upon fulfilling the requirements for commencement of operations as a Dealing Member, a Dealing Membership licence will be granted.

##### **Rule 3.2: Requirements for Granting an Approval-In-Principle**

- (a) Any organization applying for a Dealing Membership licence of The Exchange shall submit evidence that the company:
  - (1) is a duly incorporated limited liability company in Nigeria under the Companies and Allied Matters Act, 2004;
  - (2) is not formed to engage in any business other than trading in securities;
  - (3) has the professional and technical capacity to manage the business of securities trading; and
  - (4) possesses appropriate Information and Communication Technology that can adequately support online real-time transactions in addition to keeping proper accounting records.
- (b) The application of the prospective Dealing Firm shall be accompanied by:
  - (1) A non-refundable application fee of Five Hundred Thousand Naira (₦500,000) in

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- bank draft payable to The Nigerian Stock Exchange and marked "Application Fee";
- (2) Names, addresses (physical and electronic) and telephone numbers of the person(s) to whom enquiries may be referred;
  - (3) Address of the applicant's registered office and proposed Head Office, if different from its registered office;
  - (4) Attestation that the applicant or its subscribers, directors or officers have never mismanaged, either fully or partially, any fund and has not been subject of an involuntary liquidation proceeding or the delisting of a company;
  - (5) Police clearance and Credit Check Reports for each promoter and director of the Dealing Firm.

**Rule 3.3: Additional Documents to be Submitted**

- (a) The following documents must be submitted along with the application for a Dealing Membership licence;
  - (1) A Corporate Affairs Commission (CAC) certified true copy of the Memorandum and Articles of Association of the applicant company which must contain, amongst others, the following provisions:
    - (A) The sole object being to conduct the business of securities trading on The Exchange;
    - (B) Limitation on the issuance of any un-issued share capital, rights issue, issuing preference shares or debentures of the applicant company;
    - (C) The policies of the Board meetings, noting that the Board will meet not less than four (4) times a year;
  - (2) Certified true copies of the applicant company's Certificate of Incorporation, Forms CAC 2 (Returns of Allotment of Shares), CAC 7 (Particulars of Directors) and CAC 3 (Notice of Situation/Change of Registered Office);
  - (3) For companies that have operated for more than eighteen (18) months, the latest audited accounts and management letter issued by an Audit firm duly registered by SEC; and a Statement of Affairs for companies that have operated for less than one (1) year;
  - (4) Feasibility Report/Business Plan which shall contain amongst others, the Business Strategy and Objectives of the applicant company stating the long term objectives of the company, services to be rendered, business strategy(ies), projected profit growth, investment objectives and implementation plan, risk

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- management framework of the firm and internal controls;
- (5) Ownership structure of the applicant company in a tabular format showing the names, addresses/contact details, profession/business of investors, number of shares held and percentage shareholding. Copies of the Bio-data/resume of investors should also be attached;
  - (6) List of investors with more than five percent (5%) shareholding in the applicant company;
  - (7) Where the applicant company has corporate entities as investors, the following documents of the corporate shareholder(s) must be submitted:
    - (A) CAC certified true copy of the Memorandum and Articles of Association;
    - (B) Copy of the Certificate of Incorporation and certified true copies of Forms CAC 2 and CAC 7;
    - (C) Duly signed and sealed board resolution approving the company's decision to invest in equity shares of the applicant company;
    - (D) Names and current addresses (business and residential) of investors/directors and their related companies, if any;
    - (E) Where the company has operated for more than eighteen (18) months, latest audited accounts and other reports of the company;
    - (F) Where the company has operated for less than eighteen (18) months, statement of affairs and other reports of the company.
  - (8) Undertaking by the Board and Management of the applicant company that the applicant company will be adequately capitalized for the volume of its business at all times;
  - (9) Organizational structure of the applicant company showing functional units and reporting relationships;
  - (10) Where the applicant company will operate a branch network, it shall submit details of its policy on branch expansion indicating policy objectives, and proposed locations;
  - (11) Undertaking that the branches will be managed by a Chartered Stockbroker registered by the Commission;
  - (12) Three (3) Year financial projections including Income Statement, Statement of Financial position, Cash Flow Statement and underlying assumptions, or Statement of Affairs for newly incorporated entities;
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- (13) Structure of Board of Directors, including the relevant committees, senior management, and internal control systems. The following shall also be specified:
- (A) Criteria for selecting Board members;
  - (B) Roles and responsibilities of the Board and its relevant Committees;
  - (C) The full names, addresses and detailed curriculum vitae outlining the relevant qualification and experience of each director of the applicant company including directorships of other companies for the past ten (10) years (if any);
  - (D) Evidence that the proposed Chief Executive Officer has consented to his appointment and is an Authorized Clerk of The Exchange of not less than five (5) years' experience;
  - (E) Policy on succession plan for key officers;
  - (F) Attestation by each of the members of the Board of Directors and top management that he/she has never:
    - (i) Compounded his/her debt, had a judgment debt, or been involved in any fraud;
    - (ii) Been indicted by any commission of inquiry;
    - (iii) Been refused membership of or expelled from a professional body or association;
    - (iv) Been convicted by any court of law or is under any pending criminal prosecution;
    - (v) Been disqualified under any law in Nigeria from acting in that capacity; and
    - (vi) Been a member of or managed a company that was involuntarily liquidated or delisted from the official list of The Exchange.
- (b) Police Clearance Certificate for all key staff and back office operation staff of the applicant company.

**Rule 3.4: Minimum Capital Requirement**

The applicant company shall submit evidence of its minimum paid up capital as prescribed by SEC from time to time to operate its business model in the prescribed percentage holding ratio of liquid and stock assets. Capital shall be in form of:

- (a) Liquid assets represented in cash which shall be shown by way of cash deposit bank statement(s) to ascertain bank balances within the period;
- (b) Stock assets represented by stocks shall be shown by way of a statement from CSCS;
- (c) A valuation of the fixed and other assets held in the name of the applicant company subject to the provisions of the Rules and Regulations of the SEC.

**Rule 3.5: Approval-In-Principle**

- (a) An Approval-In-Principle (AIP) will be granted to an Applicant Company where upon The Exchange has conducted:
  - (1) an evaluation of its application, documents submitted in support of its application; and
  - (2) an interview of its investors, members of the Board of Directors and top management; and

The Exchange is of the opinion that the applicant company has successfully met the requirements set forth above.

- (b) An AIP will be valid for a period of six (6) months during which time the applicant company shall be expected to put in place all the requirements for the commencement of operations.
- (c) Where a firm has been granted an AIP and has not met the requirements for the commencement of operations within 6 (six) months of the grant, The Exchange shall grant an extension of no more than three (3) months after which the AIP can be revoked.
- (d) If after the period granted applicant is unable to meet the requirements for the commencement of operation its application shall be revoked.
- (e) An AIP will be converted to a full Dealing Membership licence only when The Exchange has conducted a Certification Inspection and the firm proves that it has met all the requirements set below for Commencement of Operations.

Section IV: Commencement Requirements

**Rule 4.1: Requirements for Commencement of Operations**

Where the applicant is of the opinion that it has within the stipulated time met the requirements for commencement of operations, it shall apply in writing to The Exchange for a date to conduct a certification inspection. The company shall at the inspection provide the following:

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- (a) Proof of payment of the following fees:
- (1) Fifteen Million Naira (~~₦~~15,000,000) Dealing Membership licence;
  - (2) One Million Naira (~~₦~~1,000,000) contribution to the Investors' Protection Fund;
  - (3) One Million and Eight Hundred Thousand Naira (~~₦~~1,800,000) ATS Fee;
  - (4) One Hundred Thousand Naira (~~₦~~100,000) Trade Guarantee Fund (CSCS);
  - (5) Twenty Five Thousand Naira (~~₦~~25,000) CSCS Eligibility Fee.
- (b) Copies of the share certificate issued to each investor or evidence of share ownership;
- (c) Manual of operations;
- (d) Minutes of pre-commencement Board Meeting;
- (e) Systems documentation:
- (1) A list of systems to be used in the delivery of the services provided by the firm, together with a description of their functionality, version number, support contracts and training offered to staff to ensure competent use;
  - (2) A technical infrastructure diagram detailing the information technology environment of the firm;
  - (3) The documented Information Security policies and processes to ensure compliance;
  - (4) The Business Continuity Plan, together with schedules for testing the adequacy and appropriateness of the plan, including power failover systems;
  - (5) A description of backups of critical systems, their schedule and off-site location;
  - (6) Any other documentation as may be prescribed by The Exchange.
- (f) Copies of letters of offer and acceptance of employment in respect of the Chief Executive Officer, Chief Compliance Officer, Chief Finance Officer, Chief Risk Officer and Head of Client Services;
- (g) Copy of letter of registration of the Chief Compliance Officer (CCO) from SEC in accordance with the SEC Rules and Regulations and evidence that the CCO has fully gone through The Exchange's learning program for Compliance Officers;
- (h) Undertaking by each member of the Board of Directors and the top management
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to maintain high ethical standards, professionalism, fairness in the firm's operations, exercise due diligence and care in their conduct, and avoid any conflict of interest at all times;

- (i) Undertaking by each member of the Board of Directors and the top management that the Dealing Member shall not engage in any business other than the management of stocks and shares at all times;
- (j) Undertaking by each members of the top management to ensure that the Dealing Member shall keep and maintain proper books and records at all times;
- (k) Attestation of willingness and capacity on the part of the Dealing Member firm to comply with the provisions of the ISA, SEC Rules and Regulations, The Exchange's Rules and Regulations, and other applicable regulations;
- (l) Undertaking by each member of the Board and the top management of the Dealing Member Firm to be individually and jointly liable for every loss incurred by the company;
- (m) Evidence of Memorandum of Understanding with another stock-broking firm relating to booth sharing;
- (n) List of company's assets (an asset register must disclose cost, name of supplier, date of purchase, location, identification number, rate of depreciation and net book value);
- (o) Sample of account opening forms which shall include but not be limited to the following Know Your Client (KYC)/Client Due Diligence (CDD) requirements in accordance with the relevant legislation in force from time to time:
  - (1) Recent passport photograph;
  - (2) Means of Identification via:
    - (A) Copy of data page of passport, or
    - (B) Copy of Driver's Licence, or
    - (C) Copy of National Identity Card;
  - (3) Proof of Address via one of the following:
    - (A) Copy of utility bills, or
    - (B) Report on physical address verification by account officer.
- (p) Samples of orders or instruction ("Mandates") forms, which shall have space for an officer of the firm to verify clients' signatures and availability of shares for

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- which approval must be given, before trades can be jobbed and executed;
- (q) Samples of email/telefax indemnity signed by clients. The indemnity shall state the client's name, CSCS account number, phone numbers from which text message would emanate and email address from which mails would be sent;
  - (r) Proof of opening of the following bank accounts:
    - (1) Firm's trading/ settlement account,
    - (2) Firm's current account,
    - (3) Clients' current account;
  - (s) Verification of Board and Management Profile;
  - (t) Confirmation that principal officers have the requisite qualifications as follows:
    - (1) The Managing Director (MD) shall be a Chartered Stock Broker and an Authorized Clerk of The Exchange with a minimum of five (5) years stockbroking experience;
    - (2) The Chief Finance Officer (CFO) shall be a Chartered Accountant and shall have any other qualification that may be stipulated by The Exchange with relevant financial market experience;
    - (3) The Chief Compliance Officer (CCO) shall be registered with the Commission and must have completed the mandatory learning program of The Exchange;
    - (4) The Chief Risk Officer (CRO) shall have the relevant experience in the financial industry;
    - (5) Any person or group of persons who will deals directly with investors shall have undergone a learning program in an institution recognized by The Exchange;
    - (6) The firm shall produce police clearance report and evidence of appropriate backup check on all staff not registered with the SEC from time to time as prescribed by the Exchange.
  - (u) The Firm shall demonstrate its ability to meet the minimum technology requirements stated hereunder:
    - (1) Hardware components such as servers, computers, printers, uninterruptible power supply apparatus (UPS), stabilizer and software components;
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- (2) Information Security systems deployed for intrusion prevention and detection as well as addressing viruses and other malware Trade Execution – trading software /application for managing client orders and The Exchange's trading software for trade execution;
  - (3) Secure connectivity/Telco – communications server, router, switches, firewall and broadband installation;
  - (4) Trade reconciliation – automated trade matching and trade confirmation (trade downloads and post trades client account updates) process that negates the need for human intervention;
  - (5) Trade accounting - accounting application that interfaces seamlessly with the CSCS and The Exchange trading systems;
  - (6) any other requirement as may be determined by The Exchange from time to time.
- (v) Firms that wish to be considered for the market making functionality when applying for a Dealing Membership licence will need to meet higher level technology requirements. These include:
- (1) The ability to manage, measure and control their portfolio risk using probability algorithms that take into consideration their open positions, borrowing inventory and collateralized obligations;
  - (2) The ability to systemically compute value-at-risk, using market-standard methodologies;
  - (3) The ability to automatically detect or determine when the market is in pre-open, open and closed status;
  - (4) The ability to provide two (2) way quotes directly from the market making system into the trading engine in an automated manner and ensure that required market making obligations are met;
  - (5) The capability to conduct periodic stress testing to ensure that the system can perform and meet global standards even in extreme market conditions;
  - (6) The ability to maintain the net position for each security within a portfolio and mark-to-market in real time;

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- (7) The ability to extract and process information in a timely manner to support the effects of corporate actions on a security or group of securities held within a portfolio;
  - (8) The capability to recalculate the Net Asset Value (NAV) of the securities based on new market information;
  - (9) The capability to recalculate the total exposure of open positions based on analysis derived from new market information;
  - (10) Systems that can manage any borrowed securities, together with details of collaterals, due dates and associated contracts;
  - (11) The ability to recalculate margin requirements based on new market information;
  - (12) The ability to extract appropriate levels of accurate data from the trading platform to support both short selling and securities lending operational functions;
  - (13) Functionality to support real time calculations of total value of inventory;
  - (14) Functionality to support mark-to-market of securities out on loan;
  - (15) The ability to calculate total expected revenue from lending activities;
  - (16) A robust database that has the ability to store past prices/historical data and to support client/management reporting requirements;
  - (17) The capability to provide automated alerts and triggers to notify users and support teams based on specific risk levels.

**Rule 4.2: Contact with The Nigerian Stock Exchange**

- (a) Duly completed application form and supporting documents shall be submitted in both hard and soft copies in sealed envelopes to the Exchange at the address designated for receipt of applications.
- (b) All enquiries should be referred to the address designated by The Exchange for the receipt of enquiries into applications.

*Section V: Transfer/Sale of Dealing Membership Licence Requirements*

**Rule 5.1: Acquisition of a Dealing Member Licence**

Where a company duly incorporated by the CAC wishes to acquire one hundred per-cent (100%) holding in a Dealing Member Firm, the following shall be required:

- (a) The target Dealing Member Firm shall notify The Exchange of its intention to sell/transfer its licence to another organization and seek the approval of The Exchange.
- (b) The acquiring company must meet all the requirements set forth in these rules to qualify it for a dealing membership.
- (c) A sum representing six per-cent (6%) of the consideration for sale/transfer must be paid by bank draft to The Nigerian Stock Exchange and shall be an added condition for obtaining approval.
- (d) In addition to the above, the following documents shall be forwarded to The Exchange by the acquiring company:
  - (1) A copy of the duly executed Transfer/Sales Agreement;
  - (2) Board resolution approving the acquisition of the Dealing Member;
  - (3) Evidence of payment of transfer fee to The Exchange.
- (e) An Approval – In – Principle will be granted to successful applicants.
- (f) The acquiring company must request for a pre-certification inspection after three (3) months of being issued an AIP and must meet all the requirements set forth above for commencement of operations.

**Rule 5.2: Proprietary Interest of The Exchange over Dealing Membership Licences**

- (a) The proprietary interest over all Dealing Membership Licences issued by The Exchange shall remain with The Exchange and each License shall be returned to The Exchange immediately a demand is made by it in that regard.
- (b) In the event of the expulsion, winding up, liquidation or receivership of a Dealing Member, the License issued by The Exchange shall not form part of the Dealing Member's assets applied towards the settlement of its liabilities but shall immediately be returned to The Exchange and the proprietary interest thereon shall immediately revert to The Exchange.

**Rule 5.3: Sale/Transfer of a significant shareholding in a Dealing Member Firm**

Where a company duly incorporated by the CAC wishes to acquire more than five per-cent (5%) holding in the shareholding of a Dealing Member Firm, the following will be required:

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- (a) The Dealing Member firm shall request for an approval in the change of its shareholding structure stating the specific number and percentage of shareholding to be acquired;
  - (b) The following documents shall be submitted along with the application:
    - (1) Where the acquirer is an individual, an application by the individual to The Exchange requesting approval to obtain the stated shareholding, or where it is a company, its board resolution approving the acquisition;
    - (2) Proposed changes in the directorship and management of the firm;
    - (3) Copies of employment and acceptance letters of Key management roles, CEO, CFO, CCO, or CRO, if persons occupying the aforementioned positions are to be changed. Officers filling these roles must have the requisite qualification and experience;
    - (4) Relevant undertaking to be signed by new directors and members of senior management of the firm;
    - (5) Police clearance for new directors and members of senior management;
    - (6) Payment of the transfer sum in line with payment requirements set above.

**Rule 5.4: Obligations of Parties during Mergers and Acquisitions of Dealing Member Firms**

The Exchange shall only consent to the merger of any two (2) or more Dealing Members or the acquisition of one (1) or more Dealing Members by another entity where –

- (a) the whole of the undertaking or any part of the undertakings or interest and the property, assets and liabilities of the transferor or target Dealing Member(s) are being transferred to the transferee or acquiring entity; and
- (b) The Exchange is satisfied that in order to protect its/their clients' sufficient provision has been made to cover the obligations of the transferor or target Dealing Member(s).

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Section VI: Classification of Registration

**Rule 6.1: Dealing Member – Broker/Dealer:**

A Firm that wishes to operate as a Dealing Member of The Exchange shall comply with the following:

- (a) A Dealing Member shall be registered as a Broker/Dealer by the SEC and shall operate within the parameters and restrictions provided for Broker/Dealer by the SEC Rules;
- (b) The Dealing Member Firm shall be licensed by The Exchange to transact business on its floors or given remote access to the trading engine;
- (c) The Dealing Member firm shall be known and referred as a “Member of the Nigerian Stock Exchange”;
- (d) The Dealing Member firm shall maintain the minimum capital requirement set by the Securities and Exchange Commission (SEC) from time to time;
- (e) Where the capital adequacy of the Dealing Member Firm falls below the minimum requirement, the Dealing Member shall be suspended immediately and be required to shore up its capital within twenty four (24) hours;
- (f) To meet its capital adequacy pursuant to this sub-rule, the Dealing Member may, with the approval of The Exchange, enter into an arrangement with another licensed Broker or Dealer with respect to having access to the trading engine to execute orders of the Broker or Dealer on behalf of its clients or itself respectively;
- (g) Notwithstanding the provision of Rule 17.5 of these Rules, a Dealing Member Firm shall be entitled to share its commission with any Broker or Dealer with respect to sub-rule (f) above.

**Rule 6.2: Broker:**

- (a) A firm registered by the Commission as a Broker and licensed by The Exchange as an agent of a Dealing Member shall not be known as a member of The Exchange;
- (b) A Broker shall be an agent for buying and selling, of securities on The Exchange on behalf of its clients for a commission and settles through a Dealing Member.
- (c) The Dealing Member is the primary responsible party for the Broker and as such shall ensure the Broker's compliance with all relevant rules, regulations, policies, instructions, circulars, and notices of The Exchange, Commission and all other regulatory authorities from time to time;

- (d) The functions of the Broker shall be limited to:
- (1) Purchasing securities on behalf of his clients only;
  - (2) Disposing of securities on behalf of his clients only;
  - (3) Charging a fee or commission for executing buy and sell orders made on behalf of its clients;
  - (4) Other services ancillary to (i) and (ii) above.
- (e) The minimum capital requirement for a Broker shall be as determined by the SEC;
- (f) A Firm that wishes to register with the SEC as a Broker shall comply with the following:
- (1) The Broker shall operate within the provisions provided in the SEC Rules and Regulations;
  - (2) The Broker shall be certified by The Exchange as eligible for licence as an agent in line with the eligibility criteria specified by The Exchange;
  - (3) The Broker shall be licensed and recognized by The Exchange as an agent affiliated to a Dealing Member;
  - (4) The Broker shall operate in the market through the Dealing Member Firm;
  - (5) The Broker shall with the approval of The Exchange, partner with a named Dealing Member Firm with respect to having access to the trading engine for execution of orders;
  - (6) Notwithstanding the provision of Rule 17.5 of these Rules, a Broker shall be entitled to share commission with a Dealing Member Firm with respect to sub-rule (f)(5) above;
  - (7) The Broker shall maintain the minimum capital requirement set by the SEC from time to time;
  - (8) Where the capital adequacy of the Broker falls below the minimum requirement, the Broker shall immediately be suspended from the Dealing Member Firm.

**Rule 6.3: Dealer:**

- (a) A firm registered by the Securities and Exchange Commission as a Dealer and licensed by The Exchange to deal on securities on its own account through a Dealing Member shall not hold itself out as a member of The Exchange.
- (b) The Dealer shall operate in the market through the Dealing Member Firm;



- (c) The Dealer shall with the approval of The Exchange, partner with a named Dealing Member Firm with respect to having access to the trading engine for execution of orders;
- (d) The Dealing Member is the primary responsible party for the Dealer and as such shall ensure its compliance with all relevant rules, regulations, policies, instructions, circulars, and notices of The Exchange, SEC and all other regulatory authorities.
- (e) The functions of the Dealer shall be limited to:
  - (1) Purchasing securities on its own account only;
  - (2) Disposing of securities from its own account only;
  - (3) Other services ancillary to (1) and (2) above.
- (f) The minimum capital requirement for the Dealer shall be as determined by the SEC from time to time;
- (g) A Firm that wishes to operate in the market as a Dealer shall comply with the following:
  - (1) A Dealer shall be registered as such by the SEC and shall abide by the provisions of the SEC Rules and Regulations;
  - (2) The Exchange shall certify that the Dealer is eligible for registration as an agent as per the eligibility criteria specified by The Exchange;
  - (3) The Dealer shall be licensed and recognized by The Exchange to deal with securities on its own account through a Dealing Member;
  - (4) Notwithstanding the provision of Rule 17.5 of these Rules the Broker/ Dealer and the Dealer shall be entitled to share commission with the Dealing Member Firm with respect to this sub-rule.
  - (5) The Dealer shall be under an obligation to maintain the minimum capital requirement set by the SEC which shall be applicable at any time in force;
  - (6) The Dealing Member shall monitor the compliance of minimum capital requirement by the Dealer;
  - (7) Where the capital adequacy of the Dealer falls below the minimum requirement, the Dealer shall immediately lose its affiliation with the Dealing Member Firm.

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**Rule 6.4: Revocation of Inactive Dealing Members' Licences**

- (a) Under no circumstances shall a Dealing Member cease to carry out its day to day business activities for which it was licensed to operate, without any reasonable cause.
- (b) Where a Dealing Member is inactive for a period of six (6) consecutive months, The Exchange shall revoke the License of the Dealing Member.
- (c) A Dealing Member shall be considered inactive under the following circumstances:
  - (1) Voluntary Inactivity: this occurs where the firm has not recorded any trading activity without being suspended by The Exchange or the Commission. Where a firm has been voluntarily inactive for the stipulated period its dealing licence shall be revoked forthwith.
  - (2) Involuntary Inactivity: this occurs where the firm has been suspended by The Exchange or the Commission for any infraction. Where a firm has been involuntarily inactive for the stipulated period The Exchange shall exercise its discretion in determining whether to revoke the firm's dealing licence.
- (d) Where The Exchange revokes a Dealing Member's licence, The Exchange shall immediately commence the process of expelling such Dealing Member.

**Rule 6.5: Resignation of Membership of The Exchange**

- (a) Any Dealing Member that wishes to resign its membership of The Exchange shall do so by giving The Exchange three (3) months' notice of its intention to do so, in writing, through the Council Secretary; and a copy of the Notice of Resignation shall be posted on the notice board in The Exchange rooms and on The Exchange's website.
- (b) Dealing Members shall advise the Council Secretary of any outstanding debts, obligations, and commitments of the resigning Dealing Member and of any outstanding dealings and transactions in which it may be concerned.
- (c) The Exchange, in its sole discretion, may –
  - (1) accept such resignation unconditionally; or
  - (2) accept the resignation subject to ensuring that the following conditions have been met:
    - (A) all obligations to clients have been met; and
    - (B) all transactions have been settled.
- (d) The Exchange shall determine the effective date of resignation of membership and may prescribe any additional conditions that it considers necessary to achieve that purpose.

- (e) Upon submitting its Notice of Resignation, the Dealing Member shall only retain its obligations of membership but not the right to carry out any trading activities, except in relation to achieving the objectives of sub-rule (c)(2) above.

**Rule 6.6: Mode of Changing of Directors and Shareholders**

Alterations to the particulars of all directorships and shareholdings of Dealing Members shall be with the prior approval of The Exchange.

The Secretary shall keep a record of such particulars, which shall be available for inspection by Dealing Members at the registered office of The Exchange.

**Rule 6.7: Disclosure of Directorship**

Where a Director of a Dealing Member firm is also on the Board of a listed company on The Exchange such directorship shall be disclosed.

**Rule 6.8: Dual Board Membership Prohibited**

No one person shall serve as a Director in more than one Dealing Member firm at a time.

**Rule 6.9: Approval of The Exchange about Material Changes**

Prior written approval of The Exchange shall be required for any change in the name, directorate, shareholding, share capital structure or control of a Dealing Member.

**Rule 6.10: Qualification of Chief Executive Officer**

A person shall not be qualified for appointment as a Chief Executive of a Dealing Member unless he:

- (a) is an Authorized Clerk of The Nigerian Stock Exchange with core stockbroking experience of not less than five (5) years; and
- (b) has a minimum of five (5) years cognate experience in the finance industry.

**Rule 6.11: The Chief Executive Officer & Managing Director's Position**

- (a) The roles of Chief Executive Officer and Managing Director of a Dealing Member shall not be separated and any reference in these Rules to a Chief Executive Officer shall be applicable to a Managing Director.
- (b) The Chief Executive Officer's responsibilities shall include amongst others the

management and supervision of the affairs of the entire firm.

- (c) The Chief Executive Officer shall be a member of the Board of Directors of the Firm and his appointment as director shall be registered at the Corporate Affairs Commission.
- (d) No Dealing Member shall operate for more than six (6) months without a substantive Chief Executive Officer. Any Dealing Member that violates this provision shall be immediately suspended from trading and shall be liable to pay a fine of One hundred Thousand Naira (₦100,000). Any suspension imposed in violation of this Rule shall only be lifted upon the appointment of a substantive Chief Executive Officer and the payment of the penalty.

**Rule 6.12: Specific Actions Requiring Prior Consent of The Exchange**

- (a) A Dealing Member shall not be allowed to do any of the following without the prior written consent of The Exchange:
  - (1) Establish or maintain any branch office;
  - (2) Allow or agree to any change in the control or shareholding structure of the Company;
  - (3) Employ any of the following:
    - (A) Directors, Authorized Clerks or other persons including Principal Officers such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer, who have been indicted by The Exchange or the Commission.
    - (B) Any person who was an officer or employee of a Dealing Member expelled from the Exchange;
    - (C) Any person expelled, as an Authorized Clerk or its equivalent, from any other exchange;
    - (D) Any person refused admission as a member of the Chartered Institute of Stockbrokers or any person expelled from its membership;
    - (E) Any person expelled as a member of any professional association or institute;
    - (F) Any person who is insolvent or has been convicted of theft, fraud, forgery, or any other crime involving dishonesty.
  - (4) Publish, circulate or distribute by any means whatsoever any invitation or advertisement.
- (b) In no circumstances shall a Dealing Member neglect, ignore or fail to obtain prior consent on specific actions as required by The Exchange.
- (c) If a Dealing Member contravenes the above stated rules, it shall be liable to a fine of Two Hundred and Fifty Thousand Naira (₦250,000) in addition to any other punishment which the Council may impose as it deems fit.

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**Rule 6.13: Regulation of Publications**

The Exchange may disallow any invitation or advertisement proposed to be published, circulated or distributed by a Dealing Member without specifying the reason or allow the same on such modifications as The Exchange may deem fit.

**Rule 6.14: Notification of Change of Approved Persons**

- (a) All Dealing Members shall notify The Exchange within ten (10) business days of the change of their Directors, and Principal Officers such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer, in the format to be prescribed by The Exchange.
- (b) Notwithstanding the provision above, the appointment of an approved person requires the prior approval of The Exchange.
- (c) Any Dealing Member that contravenes this rule shall pay a fine of One Hundred Thousand Naira (~~₦~~100,000).

**Rule 6.15: Notification of Business Address and Closure of Office**

Dealing Members shall notify the Secretary in writing the address of any office, or offices in Nigeria at which they intend to carry on stockbroking business and shall also give notice to the Secretary within fourteen (14) days of closing such an office or offices for business.

Any office shall be continually under the personal supervision of a Director of a Member company or an Accredited Representative, whose name(s) shall be notified to The Exchange.

*Section VII: Capital and Financial Reporting*

**Rule 7.1: Minimum Capital Requirement**

The minimum capital requirement for every Dealing Member shall be as prescribed by the Securities and Exchange Commission and The Exchange from time to time. Provided that all Dealing Members shall also meet the minimum requirements and standards as prescribed by The Exchange from time to time for the following:

- (a) Technology,
- (b) Manpower and equipment,
- (c) Organizational structure and governance,
- (d) Effective processes,
- (e) Global competitiveness.

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**Rule 7.2: Net Liquid Capital Requirement**

- (a) Every Dealing Member shall at all times have and maintain a Net Liquid Capital equal to or in excess of the prescribed minimum Share Capital for Dealing Members as may be determined from time to time by the Commission and The Exchange;
- (b) The computation of the minimum Net Liquid Capital requirement for Dealing Members shall be as determined from time to time by the Commission and The Exchange;
- (c) Every Dealing Member shall compute and include its Net Liquid Capital in all regulatory reports issued by it and shall notify The Exchange immediately and not later than twenty four (24) hours of the discovery if its Net Liquid Capital falls below the prescribed minimum Share Capital; and shall submit to The Exchange a monthly report on its share capital in the prescribed format.
- (d) The Exchange shall notify any Dealing Member whose net liquid capital falls to one hundred and twenty five per-cent (125%) of the prescribed minimum capital to recapitalize and such Dealing Member shall be closely monitored by The Exchange to ensure that its net liquid capital does not deteriorate further.
- (e) Any Dealing Member that violates sub-rules "a" or "c" above shall be suspended by The Exchange and shall be liable to pay a penalty of Five Thousand Naira (₦5,000) for every day the Dealing Member fails to notify The Exchange.

**Rule 7.3: Accounting Year End**

Every Dealing Member shall adopt 31 December as its accounting year-end date and shall forward to The Exchange the name(s) of its auditor(s) who shall furnish The Exchange with the information referred to in Rule 7.4 below.

**Rule 7.4: Submission of Financial Reports to The Exchange**

- (a) Every Dealing Member shall submit to The Exchange its annual financial statements, within ninety (90) days of the end of the fiscal year and its quarterly financial statements within forty-five (45) days of the end of the quarter; and any other periodic report within the period stipulated by The Exchange.
- (b) All Financial statements shall be prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) applicable to the time period covered in such financial statement(s).
- (c) The Exchange shall communicate the need for submission of any other periodic financial report to Dealing Members via its Circular to the Market.

- (d) If a Dealing Member fails to comply with this provision, it shall be liable to the following penalties which are subject to review by Council and any change thereto shall be made public by way of a Circular:
- (1) Failure of a Dealing Member to submit Quarterly Returns on the date due for submission shall attract a penalty of Five Thousand Naira (₦5,000) per day of default and the Dealing Member shall be suspended from trading with effect from the first trading day after the due date;
  - (2) Failure of a Dealing Member to submit Audited Financial Statements on the date due for submission shall attract a penalty of Five Thousand Naira (₦5,000) per day of default for a maximum of four (4) weeks;
  - (3) Where a Dealing Member fails to submit Annual Financial Statement after four (4) weeks of default, the Dealing Member firm shall forthwith be suspended from trading;
  - (4) Where a Dealing Member is suspended from trading under sub-rule (1) or (3), such suspension shall be lifted upon submission of the Quarterly Returns or Annual Financial Statements;
- (e) Contents of Auditor's Report: in forming his opinion the Auditor should consider and report on the following matters:
- (1) Whether the minimum capital has been maintained;
  - (2) Whether in the opinion of the Auditor, the financial position of the member firm is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its Books of Accounts and Records.
  - (3) Contraventions and fines, if any, during the year.
- (f) Disclosure of Interests:
- A Dealing Member shall disclose in its annual accounts a list of shareholders with five per-cent (5%) or more of the share capital.

**Rule 7.5: Extension of time for Submission of Annual Financial Statements**

- (a) Where appropriate, a Dealing Member must apply for an extension of time for submission of its Annual Financial Statements two (2) weeks before same is due and shall be expected to give reasons for requesting the extension;
- (b) The decision to grant a Dealing Member's request for an extension of time under sub-rule (a) shall be entirely at the discretion of The Exchange and shall in no event be longer than a period of four (4) weeks from the due date for submission;

- (c) Where a Dealing Member fails to submit its Annual Financial Statements at the expiration of the extended time period, the Dealing Member shall forthwith be suspended from trading;
- (d) Where a Dealing Member is suspended from trading pursuant to Rule 7.4 (d), such suspension shall be lifted upon submission of the Annual Financial Statements;
- (e) The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.

**Rule 7.6: Prohibition of Manipulation of Financial Statements**

- (a) Under no circumstances shall a dealing member manipulate its financial statements.
- (b) Where the shareholders of a Dealing Member inject funds in the form of cash deposit for shares,
  - (1) Such deposits must be converted to equity investment within three (3) months of receipt of funds in that regard; and
  - (2) Dealing Members must allot shares for which the deposits were made and file a return on allotment of shares in the specified format with the Corporate Affairs Commission within the stipulated period.
- (c) If a Dealing Member contravenes any of the above stated rules, it shall be liable to a fine not less than Five Hundred Thousand Naira (₦500,000). Provided that:
  - (1) The fine shall be paid by the Dealing Member firm no later than ten (10) business days after the fine is imposed on the firm.
  - (2) Any Dealing Member that fails to pay the fine within the stipulated period shall be suspended from trading forthwith.
  - (3) A suspension placed on a Dealing Member for failing to pay the fine shall be lifted only upon payment of the fine to The Exchange, and allotment of the shares as stated in "sub-rule (b)(2)" above.

Section VIII: Authorized Clerks: Eligibility, Registration e.t.c.

**Rule 8.1: Requirements for becoming an Authorized Clerk**

A person shall not be An Authorized Clerk unless:

- (a) He has passed an appropriate professional examination as prescribed by law;
- (b) He has qualifications and has undergone training recognized and prescribed by The Exchange;
- (c) He is registered with The Nigerian Stock Exchange.
- (d) He is not less than twenty-one (21) years old and of good character and integrity;
- (e) He has agreed to comply with such other requirements for membership as Council may prescribe from time to time; and
- (f) He is recommended by a Dealing Member who will be liable for all transactions made on its behalf on The Exchange by the Authorized Clerk.



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**Rule 8.2: Eligibility and Admission Procedures for Authorized Clerks**

- (a) Every graduate of the Chartered Institute of Stockbrokers desirous of becoming registered as an Authorized Clerk of The Exchange shall:
  - (1) Make an application in writing in the form prescribed by Council; and
  - (2) Attend an oral interview to be conducted by The Exchange to assess his proficiency. An applicant shall be entitled to attend up to a maximum number of three (3) interviews only.
  
- (b) No applicant seeking registration as an Authorized Clerk shall be eligible for invitation by The Exchange to attend an oral interview unless the applicant provides:
  - (1) Documentary evidence that he has received training as a Clerk in a Dealing Member for a minimum period of six (6) consecutive months; and
  - (2) Written recommendation, by the Dealing Member, affirming the applicant's eligibility to attend the oral interview having satisfied the training requirement in sub-rule (b)(1) above.
  
- (c) A successful applicant's name shall be placed in the register of Authorized Clerks.
  
- (d) A Dealing Member shall be liable to pay a fine not exceeding Five Hundred Thousand Naira (₦500,000) in addition to any other sanction which Council may deem fit to impose, if the Dealing Member:
  - (1) Recommends for registration as Authorized Clerk a person who has not satisfied the training requirement in sub-rule (b) above; or
  - (2) Falsely represents that an applicant for registration as Authorized Clerk has satisfied the training requirement in sub-rule (b) above.

**Rule 8.3: Robing and Induction Ceremony for Authorized Clerks**

- (a) Each successful candidate that wishes to become an Authorized Clerk shall attend a robing and induction ceremony to be conducted by The Exchange on a date to be determined by it.
  
- (b) The Chief Executive Officer of each Dealing Member that has recommended a candidate for registration as Authorized Clerk shall attend the robing and induction ceremony of such candidate and where unable to attend shall provide to The Exchange in writing at least three (3) days prior to the ceremony the name of a senior Authorized Clerk of the Dealing Member who shall attend.
  
- (c) Any candidate whose recommending Dealing Member is not represented as stated in sub-rule (b) above at the robing and induction ceremony shall be barred from participating in the proceedings.
  
- (d) Each participating candidate shall at the robing and induction ceremony:

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- (1) be robed in the prescribed Trading Jacket by the Chief Executive Officer of the Dealing Member or by his representative as stated in sub-rule (b) above; and
  - (2) shall subscribe to an Oath of Allegiance for Authorized Clerks which shall be prescribed and administered by The Exchange.
- (e) A successful candidate's name shall be entered in the Register of Authorized Clerks after attending and participating fully in the robing and induction ceremony.

**Rule 8.4: Register of Authorized and Unauthorized Clerks**

A register of authorized and unauthorized clerks and the names of their employers shall be kept by the Secretary and be available to all members upon application.

**Rule 8.5: Engaging an Unauthorized Clerk**

No Dealing Member shall assign a person who is not an Authorized Clerk of The Exchange to deal on its behalf.

**Rule 8.6: Authorized Clerks to be Fit and Proper Persons**

The Council shall have full powers to investigate the conduct and integrity of any person intended to be employed as an Authorized Clerk. The Council shall have absolute discretion to withhold or to withdraw approval at any time but the Council shall be required to give reasons for its action. The decision of the Council shall be final.

**Rule 8.7: Conditions for Introducing Authorized Clerks**

On payment of the fee to be prescribed by the Council from time to time, a Dealing Member may be permitted to introduce Authorized Clerks, provided that only one person, being the Member, its accredited representative or authorized clerk, may deal on its behalf at any one time on the Floor of The Exchange, without prejudice to remote access to the trading engine by other authorized representatives of the Member firm.

**Rule 8.8: Fees**

The fee payable by a Dealing Member in consideration of his entitlement of registered clerks shall be that prescribed from time to time by the Council.

**Rule 8.9: Change of Employment of Authorized Clerks**

- (a) Every Dealing Member shall notify The Exchange in writing within twenty-four (24) hours if its Authorized Clerk leaves its employment.

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- (b) The Exchange shall carry out an inspection of workstations of Dealing Members trading on the floor at periodic intervals and where it is observed that:
- (1) An Authorized Clerk has left the employment of a Dealing Member and The Exchange was not notified the Dealing Member shall be:
    - (A) Suspended for ten (10) business days; and
    - (B) Fined not less than Five Hundred Thousand Naira (₦500,000).
  - (2) An Authorized Clerk is trading on behalf of a Dealing Member who is not his employer both parties shall each be:
    - (A) Suspended for ten (10) business days; and
    - (B) Fined not less than Five Hundred Thousand Naira (₦500,000).
  - (3) An Authorized Clerk leaves the employment of one Dealing Member and without notifying The Exchange he is employed by and he trades on behalf of another Member the Authorized Clerk and his new Dealing Member employer shall each be:
    - (A) Suspended for ten (10) business days; and
    - (B) Fined not more than Five Hundred Thousand Naira (₦500,000).

**Rule 8.10: Transfer of Authorized Clerks**

- (a) A Dealing Member shall not permit an Authorized Clerk to trade on its behalf unless The Exchange has received a letter stating that the former Dealing Member, with whom the Authorized Clerk was employed has no objection to the transfer of the services of the Authorized Clerk to the new Dealing Member Firm.
- (b) Provided that where such letter is withheld for a period exceeding ten (10) business days without any proven justifiable reason acceptable to The Exchange, or there are no objections to such transfer within the same period, The Exchange shall exercise its discretion to authorize such transfer.

**Rule 8.11: Annual Fit and Proper Evaluation** *(Rule Not Yet Effective)*

- (a) No person shall be permitted to participate in the market unless he is subjected to and passes an annual fit and proper evaluation as may be prescribed and administered by The Exchange.
- (b) An approved person shall be deemed fit and proper if:
  - (1) He has not been convicted of any offence relating to fraud;
  - (2) He has not been adjudged guilty of misfeasance, wrongful trade or other misconduct relating to capital market activities, by any court of competent jurisdiction;
  - (3) He has not been declared bankrupt;

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- (4) He has not been refused, restricted or suspended from carrying on trading activities on the Exchange;
  - (5) He is of sound mind;
  - (6) He has not engaged in activity which The Exchange deems to be conduct which would adversely affect the goodwill or public image of The Exchange or its Members.
- (c) If any approved person contravenes this rule, or fails to submit him/herself for evaluation; or provides false information, the Dealing Member concerned shall be suspended for a period to be determined by The Exchange and shall pay a fine of Two Hundred and Fifty Thousand Naira (₦250,000).

**Rule 8.12: Power to Suspend or Revoke the Registration of Authorized Clerks**

- (a) The Exchange may suspend any Authorized Clerk or revoke the registration of any Authorized Clerk who has breached any rules or regulations of The Exchange or is found to be complicit in any breach of such rules or regulations.
- (b) The fees in relation to the entitlement of registered clerks shall be paid annually in advance and where any subscription is in default, unless the same be paid within one (1) month after written notice thereof, The Exchange shall have the power to suspend the registered clerk thus affected and his name shall thereupon be posted by The Exchange on the Notice Board in the Trading Floor for general information.

**Rule 8.13: Continuous Development Programme (CDP)**

- (a) All Authorized Clerks who have:
  - (1) passed the qualifying examinations for membership of the Chartered Institute of Stockbrokers; and
  - (2) have passed the oral interview conducted by The Exchange; and
  - (3) have been inducted by The Exchange,

shall attend at least one (1) CDP training every two (2) years, which shall be organized by The Exchange or by anyone authorized by it in that regard.
- (b) If default is made in complying with this Rule, The Exchange shall notify the Authorized Clerk who shall provide in writing within ten (10) business days of receiving notification in that regard from The Exchange, the reasons for his default and why he should not be suspended by the Council.

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**Rule 8.14: Prohibition of Unauthorized Persons**

- (a) In no circumstances shall a Dealing Member engage the services of an unauthorized person for the purpose of soliciting or otherwise influencing any persons to affiliate with the Dealing Member as customers.
- (b) Any Dealing Member that knowingly engages the services of an unauthorized person shall be liable to:
  - (1) Pay a fine of Five Hundred Thousand Naira (₦500,000);
  - (2) Suspension for a period of ten (10) business days;

Suspension placed on a Dealing Member for failing to pay the fine shall be lifted only upon payment of the fine to The Exchange.

*Section IX: Management / Supervision / Internal Controls*

**Rule 9.1: Responsibility for Employees' Actions**

Without prejudice to any regulation, every Dealing Member shall be responsible for all the actions of its employees.

**Rule 9.2: Suitability of Members' Employees**

- (a) Dealing Members shall thoroughly investigate the previous records of persons they contemplate employing in the securities business including brokers and persons who regularly handle or process customer's accounts and persons having supervisory responsibility over persons engaged in such activities.

The Exchange may require at any time the name, actual duties, resumes and the appropriate information regarding any person employed by a Dealing Member in the securities business to permit The Exchange to ensure compliance with its rules.

- (b) A Dealing Member shall not employ or retain in its employment any person whose name has been expunged from the Register of Authorized Clerks.

Every Dealing Member shall notify The Exchange in writing immediately there is any change of employment of its Authorized Clerk.

**Rule 9.3: Supervision and Internal Controls**

Each Dealing Member shall comply with minimum standards on internal control as prescribed from time to time by The Exchange.

- (a) Each Dealing Member shall establish and maintain a system to supervise and ensure compliance of the activities of its officers, Stockbrokers and employees. Final responsibility for proper supervision rests with the Dealing Member.

The supervisory system shall provide for written procedures to be established, maintained and enforced that are designed to supervise the types of business in which the Dealing Member is involved. The procedures must identify the individual supervisory persons, the Compliance Officer and their titles and qualifications. The Dealing Member shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person assigned as Stockbroker or employee directly involved in the securities business.

- (b) **Regular Internal Review of Records**  
Each Dealing Member shall conduct a review, at least annually, of the securities business in which it engages based on the records prepared for that purpose. The review shall be reasonably designed to assist in ensuring that transactions were validly executed and customer accounts are correct, as well as detecting and preventing violations of, and achieving compliance with The Exchange's Rules and Regulations. Each Dealing Member shall prepare a report pertaining the review of the activities of each office or branch, which shall include the periodic examinations. Each Dealing Member shall maintain a written record and the dates upon which each review was conducted.

**Rule 9.4: Qualification to Manage Investments and Provide Investment Advice**

- (a) Only Authorized Clerks may exercise discretion in the management of securities traded on The Exchange on behalf of clients.
- (b) Where any employee of a Dealing Member who is not an Authorized Clerk described in sub-rule (a) contravenes this rule, the Dealing Member shall be liable to any of the following penalties, in addition to any other sanctions that The Exchange may impose:
- (1) A fine;
  - (2) Suspension for a period to be determined by The Exchange;
  - (3) Expulsion of the Dealing Member.

**Rule 9.5: Prior Written Consents**

- (a) Dealing Members shall maintain policies and procedures reasonably designed to ensure that approvals are obtained prior to the taking of any action where approval is required.
- (b) Dealing Members shall make written or other affirmative evidence of such approvals and retain such records for a period of not less than six (6) years.

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**Rule 9.6: Control of Offices and Trading Terminals**

- (a) Each office, department or business activity of a Dealing Member (including foreign incorporated branch offices) shall be under the supervision and control of the Dealing Member establishing it and of the personnel delegated such authority and responsibility. The person in charge of a group of employees shall be reasonably accessible especially to the Dealing Member's customers and shall reasonably discharge his duties and obligations in connection with supervision and control of the activities of those employees and in compliance with applicable laws and regulations.
- (b) The Board of Directors of each Dealing Member shall provide for appropriate supervisory control and shall designate a senior member of its management who shall assume authority and responsibility for internal supervision and control of the firm and compliance with all applicable laws and regulations. This officer shall:
  - (1) delegate to qualified employees responsibility and authority for supervision and control of each office or department, and provide for appropriate procedures of supervision and control;
  - (2) establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.
- (c) Only senior Authorized Clerks or Stockbrokers or persons sufficiently experienced or trained in supervisory and operating procedures and controls of a Dealing Member firm are qualified persons acceptable to The Exchange to be in charge of:
  - (1) any office of a Dealing Member, or
  - (2) any branch, regional or other group of offices.
- (d) Dealing Members' foreign branch offices shall only be established with prior approval of The Exchange and continuation of the arrangement shall be subject to any changes in the Rules of The Exchange as may be thereafter adopted.
  - (1) Approved foreign branch offices and their personnel shall be fully subject to the Rules of The Exchange to the same degree and extent as are Dealing Members and their personnel. All obligations and liabilities of such foreign branch offices shall be guaranteed by its parent Dealing Member which shall be fully responsible for all acts of such foreign branch office.
  - (2) For the purposes of this provision, the term "foreign branch office" shall include any such independently organized foreign location –
    - (A) from which the services of the Dealing Member are being made available, or
    - (B) for which the financial resources of the Dealing Member are being utilized in the operation of the office, or
    - (C) as to which either of the above is held out, respectively, as available or being utilized.

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- (e) Dealing Members shall develop and publish written communication policies and procedures that are appropriate for their business, size, structure and customers; and such policies and procedures shall include provisions for:
    - (1) Reviewing and monitoring communications with their customers;
    - (2) Education and training of employees as to organizational policies and procedures; and documentation of such education and training; and
    - (3) Surveillance and follow-up to ensure that such policies and procedures are implemented and adhered to.
  - (f) Dealing Members shall put in place proper controls and procedures to safeguard their offices, and shall make provision for secure facilities for storage of customer records, securities and cash;
  - (g) Dealing Members shall make adequate provisions for secure and controlled access to their trading terminals and other trading system support technology; and documentation such as letterhead and other confidential and valuable documentation;
  - (h) Where two (2) Dealing Member firms share space or where a Dealing Member firm is part of another entity, the procedures and the physical layout of the office should clearly indicate the responsibilities of the firms or entities within the office;
  - (i) Where the position of any Authorized Clerk or Stockbroker appointed to have responsibility for the Dealing Member's obligations under sub-rules (g) and (h) above becomes vacant, such position shall be filled within three (3) months of it having become vacant or, upon application by a Dealing Member, within such further time period as The Exchange may determine;
  - (j) Any Dealing Member that contravenes the above stated rules shall be liable to a fine of Five Thousand Naira (₦5,000) payable for everyday during which it remains in default in addition to any other sanctions that The Exchange may impose.

**Rule 9.7: Improper use of Information**

A Dealing Member shall not make improper use of any knowledge or information it may acquire during the course of its work and it shall ensure that members of its staff also observe this requirement.

**Rule 9.8: Information Barrier Policies**

- (a) Every Dealing Member or appointed Market Maker shall:
  - (1) establish and maintain appropriate internal policies, guidelines and procedures to deny access to inside information to persons other than those who require it for the exercise of their functions,



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- (2) ensure that no improper trading occurs through the use of price sensitive or material information available to persons within the firm; and
  - (3) ensure that all Market Making activities shall be adequately separated from agency trading activities by information barriers through which no information shall be permitted to pass, to the detriment of clients.
- (b) Any Dealing Member or appointed Market Maker that breaches sub-rule (a) above shall be liable to pay a fine of not less than One Million Naira (₦1,000,000) within seven (7) business days of The Exchange imposing the fine.
- (c) The Senior Management and the Chief Compliance Officer of each Dealing Member or appointed Market Maker shall have joint responsibility for implementing the policies, guidelines and procedures to ensure the effectiveness of the information barriers.
- (d) Every Dealing Member or appointed Market Maker shall be liable for any breach by its employees of the information barrier policy.
- (e) Where any fine imposed by the Exchange remains unpaid at the expiration of the date set by The Exchange, the Dealing Member shall immediately be suspended from trading. In the case of a Market Maker, all of its Market Making privileges shall be immediately suspended and shall remain suspended for as long as the fine remains unpaid.

**Rule 9.9: Risk Management**

Each Dealing Member shall:

- (a) Comply with minimum standards on risk management as prescribed from time to time by The Exchange.
- (b) Have in place a unit in charge of risk management, which shall be responsible for studying, identifying the risks that the Dealing Member may be exposed to and the management tools to overcome it, as well as determining the Member's Capital Adequacy and verifying that the Dealing Member maintains it. The Dealing Member shall set the proper systems that ensure the efficiency of that unit by using the necessary formulae and software to determine percentage of acceptable risks.

**Rule 9.10: Members' Duty to Report Legal Actions**

A Dealing Member must notify The Exchange immediately if:

- (a) Any legal action is brought against the company, officer or employee of the company which is related to the business activities of the company;
- (b) The company becomes insolvent or ceases to settle its debts;
- (c) Criminal proceedings or prosecution proceedings are filed against any founder, officer, manager or employee of the company.

**Rule 9.11: Corporate Governance**

- (a) All Dealing Members shall be guided by the principles and provisions of the Securities and Exchange Commission's Code of Corporate Governance, 2011 (the "Code") which should form the basis of the minimum standard of their corporate behaviour. Failure to abide by the Code shall be deemed to be a violation of the Rules of The Exchange.
- (b) If any default is made in complying with the provisions of the Code, The Exchange shall notify the Dealing Member of such default and the Dealing Member shall provide in writing within ten (10) business days the reasons for such default and why it should not be sanctioned by Council.

**Rule 9.12: Obligation to Disclose Money-Laundering Activities**

- (a) A Dealing Member shall abide by all anti-money laundering disclosure requirements incidental to stockbroking business pursuant to the Money Laundering (Prohibition) Act, 2004.
- (b) A Dealing Member should not voluntarily appear in Court as a witness against a client or former client or The Exchange unless served with a subpoena or any other form of witness summons.
- (c) In respect of sub-rule (b) above, a Dealing Member shall apply for the consent of the Council by submitting to the Council an application in such form as may be prescribed by Council from time to time.

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**Rule 9.13: Anti-Money Laundering and Combating the Financing of Terrorism**

Every Dealing Member shall comply with such other requirements for identification of clients as prescribed by the laws of the Federal Republic of Nigeria and such other Rules and Regulations as may be prescribed from time to time by regulatory agencies including the Securities and Exchange Commission, the Central Bank of Nigeria; and The Exchange on money laundering and combating the financing of terrorism or other related matters. Pursuant to the foregoing each Dealing Member shall:

- (a) Have an Anti-Money Laundering Policy and train its employees on the prevention and detection of money laundering and other related activities as may be prescribed by The Exchange from time to time.
- (b) Disclose to The Exchange on a quarterly basis and in a format to be prescribed by The Exchange all proprietary accounts held by it whether directly or indirectly and with other stockbroking firms.
- (c) Authorized clerks shall disclose to their Senior Management, all personal securities accounts held whether directly or indirectly and to declare the nature of interest in the securities.

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Section X: Compliance Officers

**Rule 10.1: Supervisors' or Compliance Officers' Reporting Requirements**

- (a) A Dealing Member firm shall at all times have one or more Compliance Officer who shall be identified to The Exchange.
- (b) Compliance Officers shall be competent to advise the member firm and its employees on the application of these Rules and shall report to The Exchange any legal violation within twenty four (24) hours of their knowledge of such violation, and propose the appropriate remedy thereto.
- (c) The Compliance officers shall also be responsible for ensuring that money laundering training programmes are administered on persons qualified to conduct business on the behalf of the firm.

**Rule 10.2: Appointment of Compliance Officers**

- (a) Persons to be appointed as Compliance Officers in a Dealing Member Firm shall meet the following qualification requirements:
  - (1) A minimum educational qualification of a university degree or a higher national diploma from a recognized tertiary institution, or professional qualification in the field of Law, Accounting, Actuarial Science, Auditing, Finance, Economics or any other relevant discipline;
  - (2) A minimum of four (4) years' experience in the capital market with proven understanding of the operations of the capital market and relevant regulatory requirements;
  - (3) Proficiency in the use of I.T. and desktop automated tools and programs;
  - (4) Satisfactory completion of The Exchange's mandatory Compliance Officers' training program;
  - (5) The individual shall pass the 'Fit and Proper' evaluation as prescribed by The Exchange from time to time. When determining fitness and propriety, The Exchange will take into consideration, among other things, the individual's competency to carry out the Compliance function, his character and integrity.
- (b) The Exchange has the discretion to object to the appointment of any person as a Compliance officer.

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**Rule 10.3: Chief Compliance Officer**

- (a) Dealing Member Firms shall register a compliance officer with The Exchange.
- (1) The individual registered as Compliance Officer will be treated, for all intents and purposes, as the 'Chief Compliance Officer' of that Dealing Member Firm.
- (2) To qualify for appointment as Chief Compliance Officer of a Dealing Member, a Compliance Officer shall have either:
- (A) Undertaken and completed relevant courses recognized and certified by The Exchange; or
- (B) Undertaken and completed the relevant courses under the *Compliance Officers Training Program* of The Exchange.
- (b) The Chief Compliance Officer shall not be below the rank of a Head of Department. The Chief Compliance Officer shall remain independent and neutral at all times to safeguard against the possibility of a conflict of interest.
- (c) The Exchange shall not permit the fusion of any role and/or function within the organization with that of the Compliance Officer to prevent any potential of conflict of interest. Neither should the Compliance Officer be assigned any competing assignments.
- (d) Notwithstanding the above, the office of a Chief Compliance Officer may only be combined with the roles of a Company Secretary or Legal Adviser or Head of Legal, provided that the Company Secretary or Legal Adviser or Head of Legal shall be a person that has the requisite knowledge and experience of capital market operations and has undergone the relevant training as prescribed by The Exchange.
- (e) The process for the appointment and removal of a Chief Compliance Officer shall be approved by the Board of Directors of the Dealing Member firm.

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**Rule 10.4: Identification of Compliance Officers to The Exchange**

Dealing Member Firms are obligated to formally notify The Exchange of the appointment of their Compliance Officers within five (5) business days of appointment.

The following documents shall accompany the notice informing The Exchange:

- (a) Detailed curriculum vitae,
- (b) Signature specimen,
- (c) Letter of registration or acknowledged sponsored individual registration application with the SEC as Compliance Officer. Where an acknowledged sponsored individual registration application is provided, a definitive SEC registration letter as a Compliance Officer must be forwarded to The Exchange within three (3) months.
- (d) Evidence of completion of the Compliance Officers Training Program (for Chief Compliance Officers).

**Rule 10.5: Definition of Roles, Responsibilities and Obligations**

- (a) Roles and Responsibilities:
  - (1) Compliance Officers have the role of advising Dealing Member Firms and their employees on the application of the Rules.
  - (2) A Compliance Officer shall have the ability to interpret and apply legislation, rules, regulations, guidelines, policies and other regulatory requirements relevant to the capital market. This includes continuous monitoring and implementation of relevant regulations, codes and rules in force from time to time, preparation and submission of regulatory reports as at when due and adopting relevant industry and market best practices in order to minimize and/or mitigate risks.
  - (3) The Compliance Officer shall focus on activities that assess, determine and ensure compliance by the Dealing Member Firm, with both internal and external rules and policies.
  - (4) The Compliance Officer shall also monitor regulatory changes and ensure the dissemination of updates on regulations, rules or guidelines and periodic compliance changes to the Dealing Member and its employees. He shall carry out compliance monitoring covering all operational areas.
  - (5) The Compliance Officer shall ensure that all investments and other operational transactions comply with all relevant legislations, regulations and policies through appropriate control of systems in order to minimize and mitigate

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risks.

- (6) The Compliance Officer shall be responsible for the preparation of compliance reports on a monthly, quarterly, bi-annual and annual basis as the case may be to the Board of the Dealing Member and report breaches of regulations to The Broker Dealer Regulation department of The Exchange.
  - (7) The Compliance Officer, with the support of the Dealing Member's board and management, shall develop and implement a robust compliance program which is periodically revised to reflect changes in the requirements of the organization, the laws, rules, regulations, guidelines and policies of relevant regulatory authorities.
  - (8) The Compliance Officer shall be responsible for developing, coordinating, and participating in educational and training programs that focus on the elements of the capital markets regulatory environment, and shall also ensure that all management and other employees are knowledgeable of, and comply with relevant rules and regulations.
  - (9) The Compliance Officer shall be responsible for developing policies and programs that encourage managers and employees to report violations, suspected violations and breaches without fear of victimization.
- (b) Obligations
- (1) The Compliance Officer shall report to The Exchange any violation of the Rules within twenty-four (24) hours of his/her knowledge of such violation. The Compliance Officer is responsible for fully disclosing violations and ensuring that appropriate remedial or disciplinary action is taken where violations are identified.
  - (2) Notwithstanding the above, the Dealing Member Firm shall be appropriately sanctioned for any violation and be responsible for all the actions of its employees.
  - (3) The Exchange shall report to his/her regulating professional body any Compliance Officer that neglects or deliberately fails to report any violation observed by him/her to The Exchange.

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**Rule 10.6: Protection of Compliance Officers**

- (a) The Chief Compliance Officer shall be a senior member of management in the organizational structure of the Dealing Member Firm, with a direct reporting line to the Managing Director/Chief Executive Officer and a second reporting line to the Board of Directors.
- (b) The Board of Directors of a Dealing Member shall put in place a system to ensure sufficient protection of the Compliance Officer for the purpose of performing the roles and functions expected of him.
- (c) Upon the appointment of a Compliance Officer, the Dealing Member Firm shall be required to forward to The Exchange a copy of the letter of employment or letter of redeployment as the case may be, stating the conditions of service.
- (d) The Dealing Member shall not unduly deny the Compliance Officer any entitlements including but not limited to promotions, salary increases, commendations, training, or any other form of compensation and rewards;
- (e) The Compliance Officer shall attend management meetings to ensure that decisions reached at such meetings are in compliance with relevant laws, rules etc.
- (f) The Compliance Officer shall attend all general Compliance Officers' meetings that may be called by The Exchange and/or SEC from time to time;
- (g) The Compliance Officer shall be entitled to communicate with any member of staff for the purpose of accessing documents necessary for the performance of his/her duties;
- (h) The Compliance Officer shall be entitled to compel any member of staff to promptly supply information, explanation, documents as may be required by relevant authorities from time to time;
- (i) The Compliance Officer shall be entitled to report any perceived discrimination, and/or maltreatment to The Exchange;
- (j) The Compliance Officer shall be entitled to defend any allegation against him by the Dealing Member and The Exchange shall make its decision thereof.
- (k) No Dealing Member shall remove a Compliance Officer from office whilst investigations are ongoing concerning any allegation made by the Compliance Officer.
- (l) The Dealing Member shall not terminate or redeploy a Compliance Officer without prior notification and clearance from The Exchange, stating the reason(s) for the termination. Failure to obtain clearance from The Exchange before terminating or redeploying a



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Compliance Officer shall attract a financial penalty of not less than Five Hundred Thousand Naira (~~N~~500,000) and/or suspension from trading on the floors of The Exchange.

- (m) The Compliance Officer may only be removed during such period where the grounds for his removal are not motivated by the allegation made by the Compliance Officer against the Dealing Member.

**Rule 10.7: Termination / Resignation of Appointment**

- (a) The Compliance Officer may be removed by the Board of Directors provided he is given a notice:
- (1) Stating that it intends to remove him from office; and
  - (2) Setting out the grounds on which it intends to remove him; and
  - (3) Giving him a period of not less than five (5) business days within which to make his representations.
- (b) The Board of Directors shall satisfy itself that the grounds upon which the removal of a Compliance Officer is sought are reasonable and equitable and are in the overall interests of the Dealing Member; and such removal shall be notified to The Exchange in writing within five (5) business days.
- (c) Dealing Member Firms shall, within five (5) business days of the resignation of a Compliance Officer, notify The Exchange of such resignation in writing, stating the reason for the Compliance Officer's resignation and giving details of an Acting Compliance Officer, along with his credentials, for The Exchange's approval. The Acting Compliance Officer shall possess the requisite educational qualifications, skills and experience required for the role.
- (d) The Compliance function shall never be left vacant at any point in time, and upon a vacancy occurring, an Acting Compliance Officer shall be appointed immediately to carry out the duties until a substantive Compliance Officer is appointed.
- (e) An Acting Chief Compliance Officer may be a senior member of management i.e. a Director or another compliance officer in the Dealing Member Firm.
- (f) The position of an Acting Chief Compliance Officer cannot be held for more than two (2) consecutive months. Consequently, a new Chief Compliance Officer shall be appointed within two months of the resignation or removal of the former Chief Compliance Officer.
- (g) Where a termination/transfer/redeployment of a Compliance Officer is at the instance of the Dealing member, prior clearance shall be obtained from The Exchange in writing.

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**Rule 10.8: Penalties**

Failure to appoint and identify a Compliance Officer to The Exchange may result in a fine of not less than Five Hundred Thousand Naira (₦500,000) or suspension from trading on the floors of The Exchange, or both.

Section XI: Customer Accounts

**Rule 11.1: Know Your Client**

- (a) A Dealing Member shall not accept or operate a share trading account or otherwise deal on behalf of any other person unless it has taken all reasonable steps to establish the true identity of that person, including his address, occupation, date of birth, mother's maiden name, driver's licence or international passport, current passport photograph and utility bills or any other information that can sufficiently identify him; if a body corporate, certificate of incorporation, Board resolution and relevant Corporate Affairs Commission's form showing return on allotment.
- (b) *(Rule Not Yet Effective)*
- (1) Each Dealing Member shall obtain the biometrics of all its individual clients and shall regularly update the records of all its clients in that regard;
  - (2) With regard to corporate entities, the Dealing Member shall obtain the corporate information of the company in addition to the biometrics of the Authorized Signatories to its share trading account;
  - (3) Biometric identifiers obtained shall include finger prints and iris recognition and the information collected shall be applied towards confirming clients' identities;
  - (4) No Dealing Member shall open, accept and/or operate a securities trading account or otherwise deal in any manner whatsoever, on behalf of any person or entity unless the biometrics of such person or authorized signatories of the entity have been collected by the firm;
  - (5) Any Dealing Member that fails to obtain the biometrics of its clients and obtain adequate KYC documentation from its clients shall be suspended from executing any trading activity on that account for that client forthwith until regularization is effected; and in addition may be fined as appropriate;

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- (6) In obtaining the data of its clients for identification purposes, every Dealing Member shall request for and receive from each client at least two (2) of the following means of identification prior to opening any client account:
- (A) Passport
  - (B) National identity card
  - (C) Driver's licence
  - (D) Utility bill
  - (E) Voters card
  - (F) Employee's photo identification card issued by recognized employer with employer's tax identification from the Federal Inland Revenue Service;
- (7) At least one (1) of the means of identification in sub-rule (6) shall bear the full names, photograph, current address and signature of the client.
- (8) Each Dealing Member shall also obtain basic information from its clients such as its clients' investment objectives, horizon and posture i.e. passive, moderate, aggressive e.t.c.; and shall identify the category namely foreign, local retail or institutional, which each client belongs in addition to any other relevant information.
- (9) Dealing Members shall inform their clients of the basic risks involved in trading on The Exchange, the rights and obligations of the client, etc. by issuing to the client a copy of the "Risk Disclosure Document" as approved by The Exchange from time to time; and bringing its contents to their notice. Dealing Members shall obtain and retain in their records, a copy of the Risk Disclosure Document duly signed by each client.

**Rule 11.2: Supervision of Customer Accounts**

- (a) Dealing Members shall maintain written policies and procedures regarding the supervision of customer accounts, including the opening and closing thereof, and all transactions in such accounts for and on behalf of such account holders.
- (b) The policies and procedures described in sub-rule (a) above shall be reasonably designed to ensure that:
  - (1) the Dealing Member learns the essential facts relative to its customer's request to open or close an account;
  - (2) the customer has received, or has been offered but waived receipt of, all required disclosures concerning the account prior to opening such account;

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- (3) a customer's instructions with respect to transactions involving the customer's account are carried out in an orderly and efficient manner; and
  - (4) all transactions and financial commitments entered into by the Dealing Member for or on behalf of customers are undertaken pursuant to a written mandate from such customer(s) or his designated agent and are within the scope of authority of the Dealing Member or the employee acting on behalf of the Dealing Member.
- (c) No person shall approve the opening of accounts except if he or she is an approved sponsored individual who is registered with the Commission.
- (d) The person responsible for giving the approval in sub-rule (c) above shall learn or be informed of and understand the following essential facts relative to the customer and to the nature of the proposed account:
- (1) the customer's total assets compared to the size of the proposed account where the Dealing Member has been granted discretion over the account;
  - (2) the customer's trading or financial objectives for the account;
  - (3) the customer's risk tolerance for trading in the proposed account;
  - (4) the customer's overall level of investment experience;
  - (5) whether the customer intends to give discretion to the Dealing Member firm over some portion of, or all of the account; and
  - (6) whether the customer was solicited to open an account or approached the Dealing Member firm on its own.
- (e) Dealing Member firms shall maintain policies and procedures that are reasonably designed to:
- (1) protect and hold in confidence all financial and other information concerning the customer and/or the customer's account;
  - (2) promptly detect any irregularity, fraud or error in connection with a customer account; and
  - (3) minimize, so far as is reasonably practicable, the risk of loss to the customer which results from any irregularity, fraud or error in the Dealing Member firm's interactions with, or on behalf of, such customer.

**Rule 11.3: Prohibited Practices**

Members are prohibited from:

- (a) Opening clients account without observing the Know-Your-Client procedures.
- (b) Using or borrowing a customer's accounts without a contract or his written authorization.
- (c) Using a customer's name without a contract or his written authorization.
- (d) Establishing fictitious accounts to execute some transactions.
- (e) Providing incomplete, inaccurate or misleading information to a customer.
- (f) Giving recommendations or information to customers leading to excessive transactions on a customer's account for personal interest or to obtain commissions.

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- (g) Disclosing customer's information or acting in a way that would harm the customer or any other party.

**Rule 11.4: Confirmation of Orders and Mandates**

- (a) A Dealing Member shall obtain confirmed orders from its clients before placement of an order on the system and shall keep records relating to all aspects of an order, from placement by the customer to completion or cancellation and all key events in between.
- (b) Dealing Members are required to enter mandates authorizing either a buy or sell order into The Exchange's order book immediately and shall continuously attempt to execute a mandate within ten (10) business days from the time a mandate was given by the client. If after ten (10) business days of continuous attempt to fulfill the mandate, the mandate cannot be executed due to market conditions, the mandate must be revalidated unless otherwise specified in the mandate.
- (c) A Dealing Member that knowingly fails to execute the mandate within the stipulated period shall be liable to the following penalties:
- (1) A fine of Ten Thousand Naira (~~₦~~10,000) only for every additional day it remains in default after the stipulated period;
  - (2) The mandates that were not executed timely must be revalidated by the clients.
- (d) In no circumstances shall a Dealing Member receive a pre-signed blank mandate form from a client.
- (e) Where a Dealing Member accepts a pre-signed mandate form contrary to sub-rule (d) above, it shall forfeit the benefit accrued from the transaction and be liable to a fine of Five Hundred Thousand Naira (~~₦~~500,000).

**Rule 11.5: Issuance of Contract Notes**

Every Dealing Member shall issue a contract note for every purchase or sale of securities entered into by it not later than the end of the next trading day. The contract note shall be duly stamped signed by the Dealing Member and shall contain the following information:

- (a) The name and logo under which the Dealing Member carries on its business as a dealer in securities and the address of the principal place at which he or it so carries on business;
- (b) The name and address of the client on behalf of whom the transaction was consummated;
- (c) Transaction date;
- (d) The description, quantity and the price at which the Transaction was executed;
- (e) The amount of consideration payable under the contract

- (f) The brokerage payable in respect of the contract;
- (g) Other statutory charges.

**Rule 11.6: Maintenance and Segregation of Client's Account**

- (a) Every Dealing Member shall keep all monies held on behalf of clients in a bank account separate from its own monies and such account shall be kept in the name in which the Dealing Member carries on its stockbroking business followed by the words "Clients' Account".
- (b) Failure of a Dealing Member to keep and hold all monies on behalf of clients in a bank account separate from its own monies shall attract an immediate penalty of suspension from trading until such account is opened and evidence of maintaining the account is submitted to The Exchange and a fine of Five Hundred Thousand Naira (₦500,000);
- (c) Non-payment of the fine stated in sub-rule (b) above shall be a ground for not lifting the suspension placed on the Dealing Member notwithstanding that the Dealing Member has opened such Clients' Account and provided evidence of same to The Exchange;
- (d) Where eight (8) weeks have expired since a Dealing Member has been suspended pursuant to sub-rule (b) The Exchange shall make a recommendation to Council for the withdrawal of the Dealing Member's licence and Council shall in its sole discretion determine whether the suspension should be continued or the Dealing Member's licence withdrawn, provided always that such suspension pursuant to sub-rule (b) shall continue pending Council's decision;
- (e) The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.

**Rule 11.7: Monthly Financial Statements to Clients**

- (a) Every Dealing Member shall render regularly and promptly, monthly electronic statements of account to each of its clients providing a summary of a client's transactions including a report of activities on the client's account, showing all transactions carried out on behalf of such client.
- (b) Dealing Members shall keep copies of statements provided to customers.

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**Rule 11.8: No Unauthorized Use of Client Funds; Segregation of Client Funds**

- (a) A member entrusted with assets of a customer shall use all reasonable care to safeguard those assets, in accordance with this provision.
  
- (b)
  - (1) Customer funds that are held by a Dealing Member must be kept in one or more separate accounts from the Dealing Member's business accounts. Customer fund accounts shall be clearly designated as for the benefit of the Dealing Member's customers, and the Dealing Member shall take all reasonable legal measures with the institution holding such funds to ensure that such accounts will not be subject to offset against obligations of the Dealing Member.
  
  - (2) Dealing Members shall keep such books and records as shall be necessary to show and distinguish in connection with its business as a Dealing Member:
    - (A) Moneys received from or on account of customers, and moneys paid to or on account of customers, or paid into escrow for the customer's benefit; and
    - (B) Moneys received from or on account of the Dealing Member, and moneys paid to or on account of the Dealing Member.
  
- (c) Payments into customer accounts:
  - (1) Dealing Members who hold or receive money on account of a client shall, immediately pay such money into the customer's account or an escrow account for the customer's benefit.
  - (2) In the event that the Dealing Member receives funds that belong in part to a customer and in part to the Dealing Member, the Dealing Member shall deposit the entirety of the funds received into the customer's account and shall thereafter transfer the Dealing Member's funds from the customer's account to the Dealing Member's account(s).
    - (A) Such transfer shall be approved in writing by an authorized supervisor, and shall be noted in the books and records of the Dealing Member.
    - (B) Documentation showing the amount of the initial payment that was due and owing to the Dealing Member, and the circumstances of such obligation, shall be made available to The Exchange immediately upon request. If a Dealing Member fails to maintain such documentation or provide such documentation to The Exchange upon request, the Dealing Member shall be presumed to have improperly commingled customer funds.
  - (3) No monies shall be paid into a customer's account other than:
    - (A) Money held or received on account of such customer;
    - (B) Money for replacement of any sum that may have been mistakenly drawn from such account;
    - (C) Moneys received by the Dealing Member representing in part money belonging to the customer and in part money due to the Dealing Member.

(d) Withdrawals from customer accounts:

- (1) Dealing Members shall not withdraw or transfer customer funds from the customer accounts for the purpose of settling any transaction by the Dealing Member as principal, or for the purpose of settling any business debt of the Dealing Member.
- (2) No moneys shall be drawn from customer accounts other than:
  - (A) Moneys properly required for payment by or on behalf of a customer in connection with debts due from the customer to the Dealing Member for liabilities arising from trades executed on behalf of the customer or in satisfaction of margin calls or other customer obligations;
  - (B) Moneys properly required for payment to a customer upon written request by the customer; and
  - (C) Moneys belonging to the Dealing Member as may have been paid into the customer's account.
- (3) Nothing in this rule shall deprive a Dealing Member of any legal recourse rights, whether by way of lien, set-off, counter-claim or otherwise, against moneys held in a customer's account.

(e) Custody of customer securities.

- (1) Customer securities shall be held in one (1) or more separate accounts from the Dealing Member's trading account(s). Customer securities accounts shall be clearly designated as for the benefit of the Dealing Member's customers and the Dealing Member shall take all reasonable legal measures to ensure that such accounts will not be subject to offset against obligations of the Dealing Member.
- (2) Dealing Members shall keep such books and records as shall be necessary to show and distinguish in connection with its business as a Dealing Member:
  - (A) Securities received for sale or kept pending delivery in the market;
  - (B) Securities fully paid for, pending delivery to the customer;
  - (C) Securities received for transfer or sent for transfer by the Dealing Member, in the name of the customer or the customer's designee;
  - (D) Securities that are fully paid for and are held in custody by the Dealing Member as security or margin; and
  - (E) Fully paid-for customer securities that are registered in the name of the Dealing Member towards margin requirements.



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**Rule 11.9: Prohibition of Unauthorized Sale of Securities**

- (a) No Dealing Member shall sell any securities without the authorization of the owner.
- (b) A Dealing Member that has sold any securities without the authorization of the owner shall not be permitted to keep any benefits accruing from such transaction, including but not limited to bonuses, rights, cash dividends, capital appreciation, and any profit accruing therefrom whatsoever.
- (c) A Dealing Member that sells securities without the authorization of the owner shall:
  - (1) be required to buy back the securities along with any accrued benefits within a period of fourteen (14) business days from the day the Dealing Member is required to buy back the securities by The Exchange; and
  - (2) where the sale transaction is Five Million Naira (~~₦~~5,000,000) and below in value, be liable to pay a fine of One Million Naira (~~₦~~1,000,000) or three (3) times the value of the sale, whichever is higher, and Five Thousand Naira (~~₦~~5,000) for every day from the day on which the Dealing Member is required to buy back the securities by The Exchange until the day the Dealing Member completes buying back the shares for the owner; or
  - (3) where the sale transaction is higher than Five Million Naira (~~₦~~5,000,000) in value or the Dealing Member has engaged in such unauthorized sale of securities on a previous occasion, shall have its dealing licence withdrawn by the Council of The Exchange and shall in addition be liable to pay a fine of Five Million Naira (~~₦~~5,000,000) or three (3) times the value of the sale, whichever is higher and Five Thousand Naira (~~₦~~5,000) for every day from the day of the sanction until the day the Dealing Member completes buying back the shares for the owner;
  - (4) where the Dealing Member is unable to buy back the sold shares within the stipulated fourteen (14) business days period as a result of stock unavailability or illiquidity, the Dealing Member shall immediately notify The Exchange of this fact in writing and The Exchange shall determine the best monetary value in the circumstances to be paid to the owner.
- (d) No Dealing Member shall have its licence withdrawn pursuant to sub-rule (c)(3) above, unless the Disciplinary Committee of Council has made a finding that the Dealing Member engaged in the unauthorized sale of securities within the ambit sub-rule (c)(3) and has made a recommendation to Council that the licence should be so withdrawn, provided always that during the pendency of any investigative or disciplinary proceedings, the Dealing Member shall be suspended from trading.

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**Rule 11.10: Misappropriation of Funds**

- (a) In no circumstances shall a Dealing Member that misappropriates its client's funds be permitted to keep any benefits accruing from such misappropriation, including but not limited to bonuses, rights, cash dividends, capital appreciation, and any profit whatsoever.
- (b) Any Dealing Member that misappropriates a client's funds shall:
  - (1) Where the funds are Five Million Naira (₦5,000,000) and below in value, be liable to return the misappropriated funds with interest at two per-cent (2%) above the Monetary Policy Rate; or
  - (2) Where the Dealing Member had engaged in such misappropriation of funds on a previous occasion or the funds misappropriated are above Five Million Naira (₦5,000,000) in value, the Dealing Member shall have its dealing licence withdrawn by the Council of The Exchange and shall in addition return the misappropriated funds with interest at two per-cent (2%) above the Monetary Policy Rate;
- (c) The provisions of sub-rule (b) above shall apply whether the funds misappropriated were client's funds kept with the Dealing Member for use for some other purposes, proceeds of sales of the Dealing Member's client's shares, conversion of the client's dividend warrants, or funds in the possession of the Dealing Member as a result of invoicing the client at a wrong price, or any client's funds how so ever.
- (d) No Dealing Member shall have its licence withdrawn pursuant to sub-rule (b)(2) above, unless the Disciplinary Committee of Council has made a finding that the Dealing Member engaged in misappropriation of funds within the ambit of sub-rule (b)(2) and has made a recommendation to Council that the licence should be so withdrawn, provided that during the pendency of any investigative or disciplinary proceedings, the Dealing Member shall be suspended from trading.

**Rule 11.11: Discretion in Customer Accounts**

- (a) No Dealing Member, or employee or agent of a Dealing Member, shall exercise any discretionary power in any customer's account, or accept orders for an account from any person other than the customer without first obtaining written authorization of the customer.
- (b) No Dealing Member, or employee or agent of a Dealing Member exercising discretionary power in any customer's account shall effect purchases or sales of securities which are at variance with the objectives of such customer.

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**Rule 11.12: Grants of Discretion (Books and Records)**

Dealing Members shall maintain written records of all grants by a customer of discretionary power in such customer's account, and any revocations of such grants of discretionary power by the customer.

**Rule 11.13: Payments for Purchase or Sale of Securities**

- (a) All payments for purchase of securities shall be made either by personal cheque, bank draft or electronic money transfer subject to the observance of the provisions of the Money Laundering Prohibition Act of 2012 as amended, and the Prevention of Terrorism Act, 2013.
- (b) All payments for sale of securities shall be made either by cheque, bank draft, Electronic money Transfer in favour of the account holder in Central Securities and Clearing System Plc or in the name on the securities certificate evidencing the ownership of the securities.

**Rule 11.14: Third Party Transactions (Sales Proceeds in the Name of Third Party)**

Any Dealing Member that delivers the proceeds of sale of a Client's securities to a third party shall on demand of the client immediately buy back the client's securities.

Section XII: Errors and Error Accounts

**Rule 12.1: Responsibility for Accuracy of Orders**

- (a) A Dealing Member shall be solely responsible for the accuracy of orders entered into the Trading system.
- (b) A Dealing Member shall not access a client's account without a confirmed order or mandate.

**Rule 12.2: General Ledger Error Accounts**

- (a) No Dealing Member shall be permitted to effect transactions using the trading facilities of The Exchange unless such Dealing Member maintains an error account in its general ledger.
- (b) Any transaction effected using The Exchange's trading facilities which results in a Dealing Member assuming or acquiring a position in a security as a result of an error and any transaction initiated on the trading floor by a Dealing Member to offset a transaction made in error shall be cleared in the Dealing Member's general ledger error account or

group general ledger error account unless the customer accepts the error transaction. Any transaction initiated on The Exchange's trading facilities by a Dealing Member to offset a transaction made in error shall be duly posted in the general ledger error account.

- (c) A general ledger error account shall be opened by a Dealing Member to register all transactions carried out in error. Records as to all errors shall be maintained by the Dealing Member and such records shall include the following audit trail data elements:
- (1) Name or identifying symbol of the security, as may be required by the clearing agency;
  - (2) Number of shares or quantity of security;
  - (3) Transaction price;
  - (4) Time the trade was executed;
  - (5) Executing broker's identity in regard to its side of the contract;
  - (6) Nature and amount of the error;
  - (7) The aggregate amount of liability that the Dealing Member has incurred and has outstanding, as of the time each such error trade entry was recorded;
  - (8) Such other information as The Exchange may from time to time require.
- (d) An error may be resolved by the customer accepting the error transaction as executed or a Dealing Member paying the customer to settle the amount of the error (a "difference cheque"). Detailed records of the type contained in (3)(a) shall be maintained by the Dealing Member in respect of each transaction which resulted in:
- (1) a difference cheque of more than One Million Naira (₦1,000,000); or
  - (2) a customer's refusal of a difference cheque of any amount.
- (e) A Dealing Member shall report to The Exchange all error transactions in such Dealing Member's account which result in:
- (1) a profit or loss of more than Fifty Thousand Naira (₦50,000), for any single transaction, or
  - (2) an aggregate profit or loss of more than Five Hundred Thousand Naira (₦500,000) in any calendar week.

The reports shall be rendered quarterly and shall contain a detailed record of the errors and liquidating transaction as may be defined and determined by The Exchange from time to time.

- (f) Any Dealing Member that contravenes the above stated rules shall be liable to a fine of Five Thousand Naira (₦5,000) payable for everyday during which it remains in default in addition to any other sanctions that The Exchange may impose.

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**Rule 12.3: Expunging Bargain**

An application to expunge a bargain in The Exchange shall not be entertained by The Exchange, except upon a specific allegation of fraud, or wilful mis-representation or upon prima-facie evidence of a material mistake in the bargain, or in connection with an obvious error.

**Rule 12.4: Cancellation of Trades**

Trades may be cancelled by The Exchange where a fraud has been established or any other situation that The Exchange considers will adversely affect the market.

**Rule 12.5: Obvious Errors**

In the event that one or more transactions is consummated on the facilities of The Nigerian Stock Exchange that arises out of an Obvious Error (as defined in this rule), The Exchange may exercise the power to cancel or adjust such transaction(s) according to the terms of this rule. In addition, The Exchange may cancel or adjust pending bids and offers that arise out of an Obvious Error, or halt trading in one or more securities pending the resolution of an Obvious Error.

(a) Definitions of Obvious Error:

- (1) Error as to Size of Bid or Offer: The transaction resulted from a bid or offer in an amount that was disproportionately larger than the prevailing market in such security.
- (2) Error as to Bid or Offer Price: The transaction was consummated at a price that is significantly different from the prevailing market in the subject security at the time the initiating bid or offer was made, provided that there is no extrinsic information that would justify such transaction price.
- (3) A trade has occurred in bonds at a price that is significantly different from the prevailing market for such bond.
- (4) Error as to account number:
  - (A) Validation of accounts is not possible because there is no link between The Exchange's systems and those of the Central Securities Clearing System Plc;
  - (B) The same account number is entered for the buy and sell sides when doing a cross deal; or
  - (C) A trade results in an inadvertent cross deal between two accounts of the same house such that there is no change in beneficial ownership of the shares traded.

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- (5) Rapid repetition of a trade: A series of transactions in the same security for the same amount of such security is executed at a pace and in a manner that suggests to a reasonable observer that the bid or offer is being automatically repeated by either the brokers' or The Exchange's system, contrary to the brokers' or customers' intentions.
- (b) Obvious Error Procedure:
- (1) Initiating a Review for Obvious Errors
- (A) On the initiative of a Dealing Clerk: if a Dealing Clerk believes that he participated in one or more transactions as a result of an Obvious Error, he must notify The Exchange within thirty (30) minutes of execution of the transaction(s) and request that the transaction be cancelled or adjusted.
- (i) If a Dealing Clerk fails to report the potentially erroneous transaction(s) within the time-frame specified, he may be unable thereafter to cancel or adjust the transaction(s) on the basis that it is an Obvious Error.
- (ii) A Dealing Clerk must notify an Officer in Market Control Department in writing and The Exchange may from time to time prescribe the form of such notification.
- (iii) The notification of an Obvious Error must include the symbol, the transaction time, the transaction price, the account number(s) of the customer(s), and a brief description of why the Dealing Clerk believes that the error falls under the Obvious Error definition.
- (iv) The Exchange and the Dealing Clerk shall obtain the written consent of the counterparty prior to effecting the cancellation or adjustment of the transaction.
- (B) Extraordinary circumstances: The Exchange may in its sole discretion or further to any notification in that regard, carry out a review of one or more transactions believed to result from an obvious error, notwithstanding that the Dealing Clerk's application was not made or a notification in that regard was not received within the time period set forth above. The Exchange shall initiate such review only if the nature of the obvious error could not have been known within the time period set forth above or if extraordinary circumstances outside the control of the Dealing Clerk prevented a timely application or review within such time period.
- (C) On initiative of The Exchange: The Exchange may on its own initiative call one or more transactions for review as potential Obvious Errors. Such review shall be initiated within thirty (30) minutes of the suspected erroneous transaction(s) or in
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the case of Obvious Errors that could not be detected prior to closure of the market, within a reasonable time from the close of the market.

- (2) Whenever a review is initiated for one or more transactions under this rule, The Exchange shall publish a notice informing the market that a trade is under review, and may invite affected participants in the trade under review to timely submit additional information that would be relevant to The Exchange's review. The notice to the market shall specify the time by which affected participants must respond.
  - (3) Adjust or Cancel. The Head of Market Operations or his designee have exclusive responsibility to determine whether an Obvious Error occurred. If the Head of Market Operations or his designee determines after a review of the circumstances that an Obvious Error has occurred, The Exchange shall take one of the actions listed below:
    - (A) Errors as to size and price will be corrected and a charge of One Hundred Thousand Naira (₦100,000) may be imposed on the Dealing Member responsible for the erroneous order entry in appropriate circumstances. The fine shall be paid within twenty-four (24) hours from the time The Exchange corrects the trade. Notwithstanding any fines that are assessed, The Exchange reserves the right to take further disciplinary action against the Dealing Member responsible for the erroneous order entry, in accordance with The Exchange's rules regarding disciplinary proceedings.
    - (B) Repeated trades due to a system error will be adjusted or canceled as appropriate. No fines will be applicable.
    - (C) The Exchange shall promptly notify the parties to the transaction and the market once a decision is reached as to whether an Obvious Error occurred or not.
- (c) Appeal of Decision. An affected party to a trade that has been reviewed pursuant to this rule may appeal the decision of the Head of Market Operations or his designee.
- (1) Within fifteen (15) minutes of the announcement of a decision by The Exchange, a party wishing to appeal the decision shall submit a notice of appeal to the Head of Market Operations. The notice of appeal shall state the basis for the appeal, and supply any relevant information that the appealing party wishes The Exchange to consider on appeal.
  - (2) The appellant shall pay a deposit of One Hundred and Fifty Thousand Naira (₦150,000) to The Exchange in connection with the appeal. If the appeal is successful, The Exchange

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shall refund the deposit to the appellant. Failure to pay the deposit amount shall be grounds for refusing to consider the appeal.

- (3) Whenever an appeal is filed, The Exchange shall publish a notice to the market notifying the market that the appeal has been requested, and inviting affected participants in the trade under appeal to timely submit additional information that would be relevant to The Exchange's review on appeal. The notice to the market shall specify the time by which affected participants must respond.
  - (4) The Head of Market Operations or his designee shall forward the notice of appeal, any responses, and any relevant information to the Chief Executive Officer of The Exchange or his authorized designee.
  - (5) The Chief Executive Officer or his authorized designee shall render a decision on the appeal within thirty (30) minutes and the decision shall be final and binding.
  - (6) The Head of Market Operations or his designee shall communicate the decision on the appeal to the participants, and shall publish to the market a final notice of the results of the review of the trade. Upon completion of the appeal, The Exchange shall be empowered to take any of the corrective actions described in sub-rule (b)(3) above.
- (d) In instances where the obvious error occurs within thirty (30) minutes of market close The Exchange shall use its discretion as to whether to allow the review of the obvious error.

Section XIII: Books and Records

**Rule 13.1: Record of Transactions and Right of Inspection**

- (a) Every Dealing Member shall keep proper records and books of accounts in respect of all stockbroking transactions. The Exchange shall prescribe the forms in which such records and books are to be kept by Dealing Members and shall be entitled to empower the Broker Dealer Regulation Department to inspect the records of Dealing Members from time to time.
- (b) The information gathered during the inspection of records of Dealing Members shall be used as prescribed by the Management of The Exchange.
- (c) Prior to embarking on its inspection the Broker Dealer Regulation Department of The Exchange shall give a minimum of ten (10) business days written notice to the Dealing Member of its intention to conduct an inspection of the Dealing Member's



records;

- (d) The Chief Executive Officer of the Dealing Member, and the heads of all the Dealing Member firm's departments shall be present during the inspection;
- (e) Where any of the aforementioned officers of a Dealing Member cannot be present during an inspection, the firm shall provide The Exchange with a written notice which shall be received at least three (3) business days prior to the inspection stating the reasons for such absence and providing a suitable representative;
- (f) The Exchange may impose a fine not exceeding Fifty Thousand Naira (₦50,000) if any Dealing Member violates the provisions of sub-rule (e) above.

### **Rule 13.2: Cooperation in Connection with Inspections or Investigations**

Dealing Members and their personnel shall cooperate fully and promptly with all inspections or investigations conducted by The Exchange or by the Securities and Exchange Commission and shall respond to inquiries by The Exchange and the Securities and Exchange Commission promptly.

### **Rule 13.3: Client Record Keeping**

- (a) Every Dealing Member must have appropriate procedures and systems in place which guide the safe storage and retrieval, in a manner safe from destruction, of all record of –
  - (1) communications relating to a service rendered to a client, including instructions given by the client to the member;
  - (2) transaction documentation relating to clients;
  - (3) contractual arrangements between the Dealing Member and its clients, including mandates prescribed by the rules; and
  - (4) client particulars required to be provided in terms of the rules or which are necessary for the effective operation of client accounts;
- (b) The client records in sub-rule (a) above may be kept in printed, electronic or voice-recorded format;
- (c) Dealing Members need not hold the records in sub-rule (a) above themselves but must be capable of making such records available for inspection within seven (7) days;
- (d) All instructions given by clients to execute transactions and all other client records in sub-rule (a) above must be kept for at least six (6) years after the rendering of the services concerned;
- (e) Any Dealing Member that contravenes the above stated rules shall be liable to a fine of Five Thousand Naira (₦5,000) payable for everyday during which it remains in default in addition to any other sanctions that The Exchange may impose.

**Rule 13.4: Clients' Complaints Management**

- (a) For the purposes of this provision, a client complaint is defined as complaint in relation to the provision of services, in which the client alleges that he has suffered, or is likely to suffer financial prejudice as a result of the Dealing Member:
- (1) Contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client;
  - (2) Contravening or failing to comply with The Exchange's rules and directives;
  - (3) Acting dishonestly, negligently or recklessly; or
  - (4) Treating the client unreasonably or unfairly.
- (b) Every Dealing Member shall:
- (1) Establish and maintain an appropriate internal complaints management procedure as an initial point of dispute resolution with its clients. Where a dispute is not resolved internally within ten (10) business days of the complaint or of the dispute arising, the dispute shall be referred to The Exchange by the Dealing Member or the client;
  - (2) Provide detailed information in writing to its existing clients and to its new clients at the account opening stage about the dispute resolution mechanisms of The Exchange as provided under these Rules.

Section XIV: Communications

**Rule 14.1: Communication with the Public**

All advertisements, circulars and publications shall be:

- (a) Made in good faith and shall not confuse, mislead or offend;
- (b) Free from inaccuracies and be capable of substantiation. Descriptions, claims or comparisons which are misleading about expertise or service shall not be included;
- (c) Drafted to clearly describe the Dealing Member with the words "Member of The Nigerian Stock Exchange";
- (d) Of such a character as would be unlikely to bring The Exchange or its Members to disrepute;
- (e) Written in such a way as not to prejudice the interest of investors.

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**Rule 14.2: Prescribed Mode of Advertisement**

- (a) Dealing Members of The Exchange shall only be permitted to exhibit outside the offices at which they carry on stockbroking business, a name plate bearing the name in which business is carried on, of a size not larger than 64cm by 32cm or if a circular plate, with a diameter not exceeding 50cm.
- (b) The Secretary shall from time to time cause advertisements to be made to the effect that a list of Dealing Members of The Nigerian Stock Exchange can be obtained from the Secretary;
- (c) Dealing Members are also permitted to issue explanatory brochures and such other items for advertisement to the public provided the draft is approved by The Exchange.
- (d) Dealing Members may be required by The Exchange to discontinue or modify any advertisement which in the opinion of The Exchange appears to infringe the intention of this Regulation.

**Rule 14.3: Information Provided to Clients**

- (a) In rendering a service to a client, any representations made and information provided by a Dealing Member:
  - (1) shall be factually correct;
  - (2) shall be provided in plain language, devoid of uncertainty or confusion and shall not be misleading;
  - (3) shall include or reference all facts or caveats necessary to make any included statements not misleading;
  - (4) shall be adequate and appropriate in the circumstances of the particular service, taking into account the factually established or reasonably assumed level of knowledge of the client;
  - (5) shall, as regards all amounts, sums, values, charges, fees, remuneration or monetary obligations mentioned or referred to therein, be reflected in specific monetary terms, provided that where any such amount, sum, value, charge, fee, remuneration or monetary obligation is not reasonably pre-determinable, its basis of calculation shall be adequately described;
  - (6) need not be duplicated or repeated to the same client unless material or significant changes affecting that client occur, or the relevant service renders it

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necessary, in which case a disclosure of the changes shall be made to the client without delay.

- (7) regarding the manner in which trading shall be conducted for an account shall be re-confirmed by the Dealing Member when necessary.

(b) Dealing Members:

- (1) shall not disclose any confidential information acquired or obtained from a client about such client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required pursuant to any rule, regulation or law binding on the Dealing Member or otherwise applicable in the circumstances ;
- (2) shall advise a client in advance of any restrictions or limitations that may affect the access of that client to its assets.

**Rule 14.4: Unauthorized Dissemination of Information**

- (a) In no circumstances shall a Dealing Member knowingly disseminate any information which requires the prior approval of The Exchange without first receiving the said approval.
- (b) If a Dealing Member contravenes the above stated rule, it shall be liable to a fine of Two Hundred and Fifty Thousand Naira (₦250,000) and such other disciplinary action as the Council may impose.
- (c) The fine shall be paid by the Dealing Member no later than ten (10) business days after the fine is imposed on the firm or such other time as The Exchange may determine.
- (d) Any Dealing Member that fails to pay the fine within the stipulated period shall be suspended from trading forthwith.
- (e) Suspension placed on a Dealing Member for failing to pay the fine shall be lifted only upon payment of the fine to The Exchange.

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## CHAPTER 3

### TRADING AND EXCHANGE OPERATIONS

#### Section XV: NSE Trading Operations

##### **Rule 15.1: Official Days and Hours of The Exchange**

The Exchange shall open for trading on all days except Saturdays and Sundays and on such National public holidays as may be declared from time to time.

##### **Rule 15.2: Extension or Reduction of Trading Times**

- (a) Trading shall be conducted at specified times as may be determined by The Exchange. The Exchange may extend, advance or reduce trading hours by notifying Dealing Members when necessary.
- (b) Unless otherwise specified by the Council, The Exchange shall be open for business from 9.30 to 14.30 WAT, as follows:
  - (1) There shall be a pre-open session between 9.30 and 10.15 WAT;
  - (2) There shall be an automated opening auction at 10.15 WAT;
  - (3) Following the opening match, trading shall commence and continue until 14.30 WAT in a continuous trading session;
  - (4) Trading shall cease at 14.30 WAT. No trading shall occur after this time.
- (c) In extraordinary circumstances, as defined in the sole discretion of The Exchange, The Exchange may authorize an extension of the trading hours past 14.30 WAT on a particular trading day. The Exchange shall provide public notice of any extension of the trading day as promptly as practicable.

##### **Rule 15.3: Valid Transactions**

Unless otherwise stipulated at the time of a transaction all shares dealt in by a Dealing Member shall be deemed to be fully paid. All transactions entered into by Dealing Members shall be for net prices as between the buyer and seller. Any offer to buy or sell at a price named, shall be funded.

##### **Rule 15.4: Recognized Parties to Deals**

The Nigerian Stock Exchange does not recognize in its dealings any parties other than its own Dealing Members. Every bargain therefore, whether for account of the Dealing Member affecting it or for account of a client, must be fulfilled according to the rules, regulations and usages of The Exchange.

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**Rule 15.5: Mode of Trading**

The Exchange shall provide an Automated Trading System to be referred to as The Nigerian Stock Exchange Automated Trading System (NSEATS).

**Rule 15.6: Trading Method**

No Dealing Member shall put through a transaction on The Nigerian Stock Exchange other than through NSEATS or any other form prescribed by the Council.

**Rule 15.7: Trading Parameters**

- (a) The Exchange shall from time to time specify various trading parameters relating to the Trading System.
- (b) Lot sizes - The size of a lot shall be one share.
- (c) Display of Quotes and Orders—NSEATS will display Quotes and Orders submitted to the System as follows:
  - (1) Book Feed—quotes and orders resident in the NSEATS available for execution will be displayed through the NSEATS.
  - (2) National Best Bid and Offer - for each security, the aggregate size of all Quotes and Orders at the best price to buy and sell resident in the NSEATS will be displayed as the publicly available quotation in such security.

**Rule 15.8: Maintenance of Trading Systems**

Each Dealing Member must maintain the appropriate systems and technology to enter customers' orders and receive reports and trading data electronically from The Exchange's trading systems. Dealing Members must also maintain the required electronic linked facilities with CSCS and maintain an off-site back-up system for data to prevent any problems in its electronic systems.

**Rule 15.9: Approved Workstations**

Trading shall only be allowed through approved Workstation(s) located on any of The Exchange Trading Floors and/or at approved office(s) of a Dealing Member or any other access mode as may be approved from time to time by Council.

**Rule 15.10: Access to the Trading Engine**

Access shall be by the use of Trader Identification Code and the assigned Password.

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**Rule 15.11: Permission to Use the Trading System**

The permission to use the Trading System shall be subject to payment of such charges as The Exchange may from time to time prescribe.

**Rule 15.12: Responsibility of Dealing Member**

A Dealing Member firm shall be fully responsible for all matters arising from access to the trading engine through its Trader Identification Code and Password.

**Rule 15.13: Right to Appoint Users**

Dealing Members shall be entitled to appoint users from a pool of authorized clerks with the approval of The Exchange to operate the Trading Workstations.

**Rule 15.14: Conditions for Appointment of Users**

The appointment of users shall be subject to such terms and conditions as The Exchange may from time to time prescribe.

**Rule 15.15: Admittance into the Trading Floor**

The number of persons per Dealing Member, to be admitted to the Trading Floor at any one time during trading hours as specified in these Rules shall be as determined by The Exchange from time to time.

**Rule 15.16: Use of Trading System Access Codes**

- (a) The Exchange will issue to every Dealing Member trading codes for access to the trading engine of the floor of The Exchange and no Dealing Member or user thereof shall share its log-in details and password with another Dealing Member or user.
- (b) Any Dealing Member or user that breaches the provisions of sub-rule (a) above, shall in addition to any other punishment which The Exchange may impose, be –
  - (1) Suspended for two (2) weeks; and
  - (2) Fined Five Hundred Thousand Naira (₦500,000).

**Rule 15.17: Obligation to Change Password**

Where a Dealing Member requests to change its password for reasons approved by The Exchange, the Dealing Member shall immediately change its Trader Password.

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**Rule 15.18: Restrictions**

A Dealing Member shall not permit itself or any other person(s) to:

- (a) Use the software provided by The Exchange for any purpose other than the purpose as approved and specified by The Exchange.
- (b) Use the software provided by The Exchange on any equipment other than the workstation approved by The Exchange.
- (c) Copy, alter, modify or make available to any other person the software provided by The Exchange.

**Rule 15.19: Securities Eligible for Trading**

Only securities that are included on the list of eligible securities may be traded on or through The Exchange's systems and facilities. Dealing Members may not misrepresent non-eligible securities as being eligible for trading through The Exchange's systems and facilities.

**Rule 15.20: Closure of Register**

Unless otherwise prescribed by The Exchange:

- (a) Any securities in the official list with a local register shall be marked ex-dividend or ex-scrip on the first day of the closure of Register for transfers;
- (b) Any securities in the official list, in respect of which the Register is maintained outside Nigeria shall be marked ex-dividend on the day on which it is so marked by the recognized Stock Exchange on which the security is primarily quoted;
- (c) Any fixed interest securities quoted on the official list shall be marked ex-interest on the day nearest to the seven (7) days prior to the date on which the register is closed for transfers.

**Rule 15.21: Restriction of Price Movement Ex-Div Day**

On the day a stock is marked for dividend or scrip, there shall not be a price movement on the stock.

**Rule 15.22: Cancellation of Dividends**

On receipt of official information cancelling the recommendation or declaration of dividends any notice posted making the security ex-dividend under Rule 15.19 shall automatically be cancelled and be deemed to have been void and of no effect. Bargains shall be completed as if



the securities have not been marked ex- dividend. Any deduction made under Rule 1.12 shall be refunded.

**Rule 15.23: Trade Types**

- (a) The Exchange shall prescribe from time to time different trade types, market types that will be permitted to Dealing Members for dealings in securities.
- (b) Order Entry parameters - Orders must be entered into the System for display and/or execution as appropriate. Such orders are executable against marketable contra-side orders in the System.
  - (1) The Exchange shall permit the entry of limit and market orders as follows:
    - (A) A market order is an unpriced order (to buy or sell) for a security, placed to trade immediately at the current best price available in the market. A market order becomes a limit order once a price is calculated. A limit price on market orders is generated automatically by the trading system, based on the defined price protection formula.
    - (B) A limit order is an order to buy or sell securities at a specified price, or better.
  - (2) All orders shall clearly indicate:
    - (A) Whether they are market or limit orders;
    - (B) If the orders are limit orders, the limit price for such orders;
    - (C) Whether they are orders to buy, to sell or to sell short;
    - (D) Any time-in-force restrictions;
    - (E) Any special fill terms.
  - (3) Unless specified otherwise, The Exchange shall permit the entry of the following time-in-force limit orders:
    - (A) Good Till Month (GTM): a good till month order is valid until the last trading day of the month.
    - (B) Day: a day order is valid until the close of the trading day on which it was entered.
    - (C) Fill or Kill (FOK): a fill or kill order must be filled in its entirety as soon as it enters the market. If an immediate trade is not possible, the order is automatically purged from the trading system.
    - (D) Good Till Open (GTO): a good till open order is valid in the pre-open session. If it does not trade at opening the order is automatically purged from the trading system.
  - (4) Unless otherwise specified, The Exchange shall permit the entry of the following special fill terms:

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- (A) All or None (AON): an all or none order is an order that only trades if the entire volume of the order is bought or sold.
  - (B) Whole or None (WON): a whole or none order is an order that only trades if the entire volume of the order is bought or sold by one other counterparty's order.
  - (C) A Dealing Member that is acting as a Broker shall be permitted to transmit to the ATS multiple orders at a single as well as multiple price levels. The ATS shall time-stamp an order which shall determine the time ranking of the order for purposes of processing of orders.

**Rule 15.24: Order Entry and Execution**

- (a) **Pre-Open Session:** The Exchange shall designate a period time before the Opening Auction as a "Pre-Open Session." During the Pre-Open Session, Dealing Members may enter limit orders for matching and trading in the Opening Auction. Dealing Members may also cancel, or modify any parameter of, orders previously entered during the Pre-Open Session.
  - (1) Orders may be designated as "good till session". Orders marked as "good till session" shall be eligible for execution in whole or in part during the Opening Auction, and any such orders or portions of such orders that are not executed during the Opening Auction shall expire at the close of the Opening Auction. Orders designated as "good till day" and "good till date" are eligible to participate in the Opening Auction in whole or in part, and if not executed in the Opening Auction, shall be executed and/or expire according to their respective terms.
  - (2) Orders that are not executable according to their terms in the Opening Auction will be held by the system for matching and trading during the regular trading session.
- (b) Dealing Members may not enter explicit cross trades during the Pre-Open Session but may enter implicit cross orders.
  - (1) For purposes of this rule, an explicit cross order consists of two (2) or more marketable orders on opposite sides of the market, entered by a single Dealing Member on behalf of two (2) or more customers for the purpose of having such orders matched against each other.
  - (2) For purposes of this rule, an implicit cross order consists of two (2) or more marketable orders on opposite sides of the market, entered by a single Dealing Member on behalf of two (2) or more customers, with no guarantee that such orders will be matched against each other.
- (c) Orders entered during the Pre-Open Session shall not be matched or traded during the Pre-Open Session but shall be queued in the Regular Term book for execution in the

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Opening Auction or the regular trading session. Orders entered during the Pre-Open Session shall queue using the same Queue Priority methodology as trades entered during the continuous trading session.

- (d) During the Pre-Open Session, The Exchange shall publish an indicative opening price that will be updated as orders are entered, adjusted or cancelled. Such indicative opening price shall not be binding on the Market Maker, who may adjust the opening price to reflect actual or anticipated supply or demand in the Opening Auction or during the continuous trading session. Indicative prices shall be limited to plus or minus five per-cent (5%) from the previous day's closing price or such other reference price as The Exchange shall define.

(b) **Pre-Open Adjust Session**

- (1) The Exchange shall designate a period of time after the Pre-Open Session and prior to the Opening Auction as the "Pre-Open Adjust Session". During the Pre-Open Adjust Session, Market Makers may enter orders for the purpose of offsetting an order imbalance by providing additional liquidity on the opposite side of the market from the imbalance.
- (2) During the Pre-Open Adjust Session, Dealing Members other than Market Makers are not permitted to enter, modify or cancel orders entered during the Pre-Open Session.
- (3) During the Pre-Open Adjust Session, The Exchange shall publish an indicative opening price that will be updated as Market Maker orders are entered, adjusted or cancelled. Such indicative opening price shall not be binding on the Market Maker, who may adjust the opening price to reflect actual or anticipated supply or demand in the Opening Auction or during the continuous trading session. Indicative prices shall be limited to plus or minus five per-cent (5%) from the previous day's closing price or such other reference price as The Exchange shall define.
- (4) At the close of the Pre-Open Adjust Session, the system shall recalculate the reference price based on the price set in the Opening Auction. After the reference price has been reset, price fluctuations during the continuous trading session shall be limited to plus or minus five per-cent (5%) from the reset reference price.

(c) **Opening Auction**

- (1) The ATS shall establish the market opening price for each security to maximize the volume of executable orders, as described herein.

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- (2) In the Opening Auction, the ATS shall match executable limit orders in the limit order book, and any Market Maker interest designated as executable. Executions at the Opening Auction shall be allocated to executable orders as follows:
- (A) The System shall evaluate all marketable orders to determine the Maximum Marketable Volume price. For purposes of this rule, the Maximum Marketable Volume price is the price or prices at which marketable buy and sell orders can be crossed that will result in the highest number of shares that are purchased and sold. If there is only one such price, the Maximum Executable Volume price shall be the opening price for trading.
- (B) If there are two (2) or more Maximum Executable Volume prices, the System shall evaluate all Maximum Executable Volume prices to determine the Minimum Surplus price. For purposes of this rule, the Minimum Surplus is the price or prices at which the crossing of executable buy and sell orders will result in the smallest number of executable shares being unmatched in the opening cross. If there is only one such price, the Minimum Surplus price shall be the opening price for trading.
- (C) (i) If there are two (2) or more Minimum Surplus prices, the System shall evaluate all Minimum Surplus prices to determine the Market Pressure created by such prices. For purposes of this rule, Market Pressure measures the direction of the market as a result of the unexecuted buy or sell orders at each Minimum Surplus price, as follows:
- (aa) If there is a balance of buy orders over sell orders at a Minimum Surplus price (that is, an opening cross at the Minimum Surplus price being evaluated would result in a balance of unexecuted buy orders), the Market Pressure is positive.
- (bb) If there is a balance of sell orders over buy orders at a Minimum Surplus price (that is, an opening cross at the Minimum Surplus price being evaluated would result in a balance of unexecuted sell orders), the Market Pressure is negative.
- (ii) If the Market Pressure is positive for all possible Minimum Surplus prices, then the opening price for trading shall be the highest of the Minimum Surplus prices. If the Market Pressure is negative for all possible Minimum Surplus prices, the opening price for trading shall be the lowest of the Minimum Surplus prices.
- (D) (i) If the Market Pressure at each possible Minimum Surplus prices is not in a single direction (that is, at the various Minimum Surplus prices being evaluated, the Market Pressure for some are positive and for others are

negative), the System shall determine the two (2) Minimum Surplus prices where the Market Pressure changes from positive to negative, and shall compare these values to the Closing Price of the security in the previous trading session.

- (ii) If the Closing Price from the previous trading session is:
  - (aa) Greater than or equal to the Minimum Surplus price that creates negative Market Pressure, then the opening price for trading shall be the Minimum Surplus price that creates negative Market Pressure.
  - (bb) Less than or equal to the Minimum Surplus Price that creates positive Market Pressure, then the opening price for trading shall be the Minimum Surplus price that creates positive market pressure.
- (iii) Between the two (2) Minimum Surplus prices, then the opening price for trading shall be Closing Price from the previous trading session.

(d) **Continuous Trading**

- (1) During the Continuous Trading session, Dealing Members, including Market Makers, may place, change or cancel orders, consistent with these Rules and Regulations.
- (2) The ATS shall designate incoming orders as either aggressive orders or passive orders as follows:
  - (A) Incoming orders that are executable upon entry (that is, orders that are capable of immediate execution consistent with the terms of the order) shall be considered aggressive orders.
  - (B) Any aggressive order that is unable to trade shall be designated as a passive order, and shall be queued into the market, following queue priority rules.
    - (i) A special term order is aggressive when it enters the market order book as an incoming order, and becomes a passive order when queued. After a trade occurs in the market, a queued special term order becomes aggressive again only when it is able to trade with another queued order.
    - (ii) A contingent order that has been entered into the trading system becomes an aggressive order when its trigger price is reached and it enters the market order book.

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- (C) Incoming orders that are not executable upon entry (that is, orders that are not capable of immediate execution consistent with the terms of the order) shall be considered passive orders.

(e) **Queue Priority for Limit Orders**

An incoming order that does not immediately match with another order is queued in the market in descending order of priority by the following:

- (1) Best price
- (2) Member Cross
- (3) Earliest time stamp (first-in-first-out)

(f) **Queuing of Market Orders**

(1) Market orders will trade at the prevailing market price when entered if one or more executable contra-side orders are queued in the order book except Crossing Orders and Negotiated Deals. If a market order is entered and there are no orders on the other side of the order book, the market order will be rejected by the system.

(2) If the market order is entered and partially matches with all orders on the other side of the book, leaving an outstanding quantity, the ATS shall thereafter assign a limit price to the remainder of such order using the criteria set forth below, and such remainder will be queued in the order book for execution:

(A) During the continuous trading session, if there is contra-side interest queued the remainder of the market order shall be queued at the last trade price.

(B) Market orders that have been assigned a limit price by the ATS pursuant to this rule shall in all other respects retain their character as market orders, and shall be executed accordingly.

(g) When a passive order with queue priority meets the criteria of an aggressive order and has a price equal to or better than the aggressive order, the ATS shall match the passive and aggressive orders and execute a trade. When multiple queued orders exist at the best market price, a passive order from the same trading member as the aggressive order shall have cross priority and shall be executed before all other orders at the same price.

(h) Decrementation - Upon execution, an order shall be reduced by an amount equal to the size of that execution and the remainder shall be eligible for execution until the order is either filled in its entirety or cancelled.

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- (i) (1) At the end of the continuous trading session but before the Closing Session, there shall be a "Pre-Close Adjust Session", the starting time and duration of which shall be designated by The Exchange.
- (2) During the Pre-Close Adjust session, continuous trading will cease.
- (A) Dealing Members may not withdraw or amend orders, including Pre-Close Orders during the session.
- (B) All unmatched orders entered in the continuous trading session will be automatically carried over to the Closing Auction, and will be eligible for execution during the Closing Auction.
- (C) Pre-Close orders entered during the Pre-Open Session or the continuous trading session shall become activated and visible to the market.
- (3) Dealing Members other than Market Makers are prohibited from entering order during the Pre-Close Adjust Session. During such session, Market Makers may enter orders for the purpose of offsetting closing imbalances. During this session, The Exchange will not publish an indicative closing price.
- (j) The market shall close at the end of the Pre-Close Adjust Session, at a time that shall be designated by The Exchange. The closing price of any security will be calculated by the system based on the supply and demand for such security at the end of the Pre-Closing Adjust Session as demonstrated by open orders carried into the Closing Session, Pre-Close orders entered for execution at the close, and Market Maker interest entered during the Pre-Close Adjust Session. All open orders, Pre-Close orders and Market Maker interest that were eligible for execution at the close shall be matched at the closing price.

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**Rule 15.25: Entry of Customers' Orders**

- (a) All orders entered for customers must contain the following information:
  - (1) The date and time of entry,
  - (2) The security name and quantity to be bought or sold,
  - (3) The terms and validity period of the order.
  
- (b) A customer's order may be entered by any of the following means:
  - (1) In person on the premises of the Dealing Member,
  - (2) By fax pursuant to the written agreement between the Dealing Member and the customer,
  - (3) By telephone (voice or text), in which case, the order must be recorded by the Dealing Member if the Dealing Member and customer have agreed to enter orders by telephone and provided the relevant procedures are respected,
  - (4) By e-mail,
  - (5) By short message service (SMS), provided that: any mandate received by SMS is properly documented and shall be provided upon request,
  - (6) No Dealing Member shall execute any electronic mandates given by its client without first receiving from such client a duly signed indemnity form against loss or damage that might be incurred by executing such electronic mandate,
  - (7) Failure to provide documentation in proof of any mandate received may be treated as misconduct and sanctioned by The Exchange as appropriate.

**Rule 15.26: Order Prices**

All orders entered on the Trading System shall be at prices exclusive of brokerage.

**Rule 15.27: Unit of Trading**

Unless otherwise designated, the unit of trading in securities on The Exchange is one (1) share.

**Rule 15.28: Minimum Price Variations**

- (a) Bids or offers in securities admitted to trading on The Exchange may be made in such variations as The Exchange shall from time to time determine and make known to the Dealing Members.
  
- (b) The minimum price variation (MPV) for quoting and entry of orders in equity securities admitted to dealings on The Exchange shall be one (1) kobo.



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**Rule 15.29: Pricing Methodology**

- (a) Securities shall trade in price increments of one (1) kobo.
- (b) The opening price of any security traded on The Exchange on any given Trading day shall be the price determined by the Automated Trading System in the opening auction of that Trading day as follows:
- (1) Each symbol has only one (1) opening price per move from pre-open to open market state.
  - (2) The opening price calculation is based on the orders in the regular term book only.
  - (3) Each time orders are entered in the pre-open period the opening price is recalculated. A final opening price is calculated at the end of the pre-open state.
  - (4) Orders that match and are able to trade are queued in the market and traded at the opening price (some of them might be traded partially).
  - (5) The following criteria are used to calculate the opening price in consecutive order:
    - (A) Maximize share trade volume
    - (B) Minimize imbalance in share volume
    - (C) Better price for the market side in high demand (i.e., the side of the market with no remaining volume)
    - (D) Minimize Net change from the previous day's closing price
    - (E) Maximize Share price.
  - (6) The price level that allows the maximum amount of shares to trade is the opening price. At each price level (i.e., prices of queued orders) the total share volume available in the market is calculated. The total share volume available is determined separately for both the buy and sell side of the market.
- (c) The closing price of any security traded on The Exchange on any given Trading day shall be calculated as follows:
- (1) The close price is the last trade price in the symbol's primary listing market.
  - (2) Symbols that do not trade on a particular day use their last traded price from their primary market as their closing price.
- (d) Price movements and price limits
- (1) For purposes of calculating price movements and price limits, equity securities traded on The Exchange shall be classified as follows:
    - (A) Group A: shall consist of equities with a Primary Market Maker that are not classified in Group B; and
    - (B) Group B: shall consist of equities with a Primary Market Maker, that are priced above ₦100.00 per share for at least four (4) of the last six (6) months, or new security listings that are priced above One Hundred Naira

(₦100) at the time of listing on The Exchange.

- (2) Price movements: the minimum quantity traded that will change the published price of an equity security shall be as follows:
  - (A) Group A: Fifty Thousand (50,000) units.
  - (B) Group B: Ten Thousand (10,000) units.
- (3) Price Limits. The price movement band on any given Trading day shall be determined as follows:
  - (A) Group A: +/- 10% based on the previous day's closing price.
  - (B) Group B: +/- 10% based on the previous day's closing price.
- (e) Small Trades:
  - (1) Trades of fewer than Fifty Thousand (50,000) shares shall be regarded by the ATS as a small trade. Small trades in a security shall not result in a change in the publicly reported price of such security.
  - (2) Small trades in a security shall not affect the following statistics calculated by The Exchange for that security:
    - (A) Last trade price
    - (B) Daily high and low prices
    - (C) Fifty two (52) week high and low prices
    - (D) Average price
    - (E) Open price. If after the opening there are only small trades, the open price shall be set to NULL and reported as blank.
    - (F) Close price
    - (G) Indices of which the security's symbol is a member.

**Rule 15.30: Pricing Methodology - Par Value Rule** *(Rule Not Yet Effective)*

- (a) Notwithstanding its par value, the price of every share listed on The Exchange shall be determined by the market, save that no share shall trade below a price floor of one Kobo (₦0.01) per unit.
- (b) "Par value" is the nominal value of a share as stated in the Memorandum of Association of an Issuer.
- (c) "Price floor" means the amount below which the price of one unit of a share shall not be permitted to trade, and the minimum amount which must be paid for a share in the event of a drop in the unit price of that share.

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**Rule 15.31: Block Divestments**

Where blocks of shares are available for sale through a Dealing Member, such transactions should be done with the prior approval of The Exchange. In this context, block of shares means any number of units of shares or stocks in any company up to an amount to be determined from time to time by the Council.

**Rule 15.32: Notification of Trade in Securities Amounting to 5% of an Issuer's Total Listed Securities or More**

- (a) All Dealing Members or Authorized Clerks who wish to trade in any stock or security amounting to five per-cent (5%) of an Issuer's total listed securities or more shall notify The Exchange before executing such trades or within twenty four (24) hours after such trades have been executed.
- (b) Notification from the Dealing Member or Authorized Clerk to The Exchange shall be in form of:
  - (1) A letter from the Dealing Member or Authorized Clerk informing The Exchange about the mandate received; and
  - (2) A copy of the mandate which shall be in the form of a letter or email from the owner to the Dealing Member or Authorized Clerk.
- (c) Any breach of this rule shall result in suspension of the Dealing Member for ten (10) business days and payment of a fine of One Hundred and Fifty Thousand Naira (~~₦~~150,000).

**Rule 15.33: Prohibition of Trading in Exchange Listed Securities Outside The Exchange**

- (a) No exchange listed securities of a public company shall be bought or sold outside the facilities of a recognized securities exchange on which the securities are listed.
- (b) Any violation of this rule shall attract the following penalties:
  - (1) Ten per-cent (10%) interest on the evaded transaction fees;
  - (2) Where the value of the transaction is Five Million Naira (~~₦~~5,000,000) or below, the Dealing Member and/or listed company involved shall be liable to pay respectively, a fine of One Million Naira (~~₦~~1,000,000) or three (3) times the value of the transaction, whichever is higher, and Five Thousand Naira (~~₦~~5,000) every day from the date the transaction took place or was discovered, whichever is earlier, until the transaction is regularized and the penalties are paid; or
  - (3) Where the value of the transaction is higher than Five Million Naira

(₦5,000,000), or either of the Dealing Member or listed company have previously engaged in such evasion, the Dealing Member's licence shall be withdrawn by the Council of The Exchange and both parties shall in addition be liable to pay respectively, a fine of Five Million Naira (₦5,000,000) or three (3) times the value of the transaction, whichever is higher and Five Thousand Naira (₦5,000) every day from the date the transaction took place or was discovered, whichever is earlier, until the transaction is regularized and the penalties are paid.

**Rule 15.34: Nominal Transfers** *(Rule Not Yet Effective)*

- (a) No security listed on The Exchange shall be bought or sold outside the facilities of The Exchange.
- (b) Any securities holder that wishes to transfer his securities by way of a nominal transfer shall apply to The Exchange through his Stockbroker for transfer of the securities. The Stockbroker shall carry out the requisite Know-Your-Client (KYC) enquiries on the securities holder and the proposed Transferee.
- (c) The Exchange shall review the application and the supporting documents submitted by the Stockbroker to determine whether the relationship between the proposed Transferor and the proposed Transferee is sufficient for the transaction to be classified as a nominal transfer.
- (d) In reaching a decision to classify a transaction as a nominal transfer, The Exchange shall:
  - (1) With regard to a nominal transfer between corporate entities, consider whether a Party directly or indirectly controls the other Party, or both Parties are under common control. A Party shall be deemed to control another Party if it holds or is beneficially entitled to hold, directly or indirectly, more than fifty per-cent (50%) of the total voting rights in the other Party, its total income, or issued share capital. Connections between corporate entities include but are not limited to the following:
    - (A) holding companies, subsidiaries and sister subsidiaries,
    - (B) a joint venture and a special purpose vehicle created for the purpose of the joint venture;
  - (2) With regard to nominal transfer between individuals, consider the following connections:
    - (A) Whether there is a familial relationship between Transferor and Transferee including but not limited to spouse, brother, sister, father, mother, child or step-child;

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- (B) Whether the Transferor is acting as trustee of any trust or as the personal representative administering any deceased person's estate; and the Transferee, is:
- (i) a beneficiary of such trust or estate who has a familial relationship with the settlor of the trust or the deceased such as being a spouse, brother, sister, father, mother, child or step-child; or
  - (ii) a body corporate in which the beneficiary under sub-rule (i) above is a shareholder, or
  - (iii) a trust whose terms confer a power on the trustees that may be exercised for the benefit of the beneficiary under sub-rule (i) above.
- (3) With regard to a nominal transfer between an individual and a corporate entity, consider whether the individual is a beneficial shareholder of the corporate entity.
- (e) The Parties shall comply with such directions as may from time to time be provided by The Exchange with regard to completing the transaction.
- (f) In order for The Exchange to approve the transfer, the following documents shall be submitted to The Exchange:
- (1) Application letter by the Stockbroker introducing the client and detailing the nature of the transaction;
  - (2) two (2) copies of the client's CSCS shares Statement indicating the current shareholding position, where the shares are dematerialized;
  - (3) two (2) copies of a Letter of Authority addressed to The Exchange executed by the proposed Transferor;
  - (4) For a corporate entity, a duly executed board resolution and a certified true copy of its most recent Form CAC 7 (Particulars of Directors) and Form CAC 2 (Statement of Share Capital and Return on Allotment of Shares).
  - (5) Original executed securities transfer form(s);
  - (6) Mandate executed by the Transferor in favour of the Stockbroker making the application;
  - (7) Other relevant documents such as means of identification of the Transferor, Transferee, any signatories or relevant person;
  - (8) In respect of a trust, a certified true copy of the trust deed; and
  - (9) In respect of the estate of a deceased, a certified true copy of the will and the probate or if intestate, the letters of administration;
  - (10) Such other documents as may be required by The Exchange.
- (g) The Exchange shall charge a fee as may from time to time be determined and published by it as approved by the Commission.

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- (h) Where the transaction is eligible for approval by The Exchange, the Transferee shall execute an indemnity in a form to be prescribed by The Exchange.

**Rule 15.35: Cross Deals**

When a Dealing Member or Authorized Clerk has an order to buy and an order to sell the same security at the same price, the Dealing Member or Authorized Clerk may “cross” those orders at a price at or within The Exchange best bid or offer.

**Rule 15.36: Trade Warehousing**

- (a) Where a client’s mandate to buy relates to securities not fully available and only an insignificant portion of such mandate can be executed in a trading session, The Exchange may permit the Dealing Member to execute such client’s mandate in small volumes over a number of trading sessions which shall be aggregated and invoiced as one whole.
- (b) All trade warehousing transactions as described in sub-rule (a) above shall be completed by day T+2; day “T” being the date of execution of the first trade in the mandate.
- (c) Each custodian shall ensure that the Dealing Member involved in a warehoused buy trade receives funding for the transaction on the settlement day i.e. T+3.
- (d) Trade warehousing shall apply only to trades executed on behalf of institutional clients that use local custodians; and Pension Fund Administrators are excluded.
- (e) Funding shall be required for trade warehousing only when the client gives a mandate to buy. As Custodians receive funds from clients the funds shall be returned to the Dealing Member that funded the transaction.
- (f) On day T+2 (End of Day), all uncompleted mandates revert into the Dealing Member’s proprietary account.

**Rule 15.37: Post Trade Allocation**

- (a) Where in order to meet a client’s needs, it is required that executed portions of such client’s mandate should be split into its various accounts in specific proportions or pro-rated in line with the client’s initial mandate, The Exchange may permit the re-allocation of such executed trades between the client’s different accounts.
- (b) Post trade allocations as described in sub-rule (a) above shall be permitted by the automated trading system of The Exchange such that allocation of executed trades across clients’ accounts shall be enabled.
- (c) Where a Dealing Member has link accounts with more than one (1) local custodian, The

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Exchange shall permit the allocation of the executed trades per Custodian on a first in first out basis and pro-rated on the basis of clients' instructions.

- (d) A two and half ( $2\frac{1}{2}$ ) hour window shall be created after each trading session for reallocation of executed trades.
- (e) All Post Trade Allocations after End of Day (T+0) shall be rejected when an attempt is made to feed same into the CSCS portal and such trades shall default to the Broker's proprietary position.
- (f) Any trade that defaults to a Broker's account shall no longer be reallocated to a client account and this would be carried as a proprietary position by the Broker.
- (g) No Broker shall derive any profit or gain from the operations of the Broker allocation account and any Broker that violates this provision shall be liable to pay a fine, in addition to any other sanctions which The Exchange may impose in that regard.

**Rule 15.38: Short Selling**

- (a) A listed security may be sold short at a price below the last sale price.
- (b) Naked short selling is prohibited.

**Rule 15.39: Penalties for Naked Short Selling**

- (a) Any Dealing Member that engages in naked short selling shall be liable to pay a fine of ten per-cent (10%) of the total transaction value and any benefit accruing from such transaction shall be paid to The Exchange.
- (b) Any Dealing Member involved in naked short selling more than once over a period of one (1) year shall be classified as a "serial offender".
- (c) A serial offender will be suspended from trading for a period to be determined by The Exchange.

**Rule 15.40: Borrowing Required to Short Sell**

A Dealing Member may not accept a short sale order in any security from another person, or effect a short sale in any equity security for its own account, unless the Dealing Member has borrowed the security, or entered into a bona-fide arrangement to borrow the security which will be delivered on the date of delivery.

**Rule 15.41: Marking of Short Sale Orders**

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All orders for short sale must be marked "short sale."

**Rule 15.42: Intermittent System Decoupling**

- (a) Where due to intermittent system decoupling a Dealing member or Market Maker executes a naked short sale, the Dealing Member or Market Maker shall be under an obligation to buy back the securities not later than one (1) day after the naked short sale.
- (b) Any Dealing Member or Market Maker that fails to buy back the securities within the stipulated time shall be liable to pay a fine of ten per-cent (10%) of the total transaction value within a stipulated time to be determined by The Exchange.
- (c) Any Dealing Member or a Market Maker that fails to pay the stipulated fine shall be suspended from trading activities and the Market Maker shall be suspended from short selling for a period to be determined by The Exchange.

**Rule 15.43: Hard-To-Borrow Securities**

- (a) Every Dealing Member shall ensure that it identifies and confirms the availability of the securities it intends to deal in from an approved Securities Lending Agent before it sells short any securities.
- (b) Where a Dealing Member with a Securities Lending arrangement sells short without confirming the availability with the Securities Lending Agent, the Dealing Member shall be under an obligation to buy back the securities no later than one (1) day after the naked short sale and shall not be permitted to keep any benefit accruing from such transaction.
- (c) Where a Dealing Member that is under an obligation to buy back securities as required under sub-rule (b) above fails to do so, he shall be liable to pay a fine of ten per-cent (10%) of the total transaction value;
- (d) Where a Dealing Member that is under an obligation to buy back and/or pay the stated fine fails to do so, the Dealing Member shall be suspended from short selling for a period to be determined by The Exchange.



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**Rule 15.44: The Exchange's Discretion to Act in Time of Emergency**

If in the opinion of The Exchange the functioning of the Trading Floor is threatened or likely to be severely and adversely affected by an emergency, including but not limited to fire or other casualty or accident, power failures, communications breakdown, computer malfunction and other similar events, The Exchange shall have full authority to take such actions as it deems appropriate.

**Rule 15.45: Suspension on Trading of Securities**

- (a) The Chief Executive Officer of The Exchange or in his absence his authorized designee may:
- (1) halt or suspend trading in one, some or all securities traded on The Exchange,
  - (2) close some or all Exchange facilities, and/or
  - (3) determine the duration of any such halt, suspension or closing.

He shall implement such a halt, suspension or closing only when he deems such action to be necessary or appropriate to the maintenance of a fair and orderly market or for the protection of investors, or otherwise in the public interest, such as in the case of actual or threatened physical danger, civil unrest, terrorism, acts of war, or the loss or interruption of facilities used by The Exchange.

- (b) The Chief Executive Officer or his authorized designee shall notify the Council of actions taken pursuant to this Rule, immediately or not later than twenty four (24) hours after the occurrence of the event and shall describe the factors contributing to the decision to halt or suspend trading and/or close The Exchange's facilities.
- (c) The Chief Executive Officer, or in his absence his authorized designee may close The Exchange's facilities upon the direction of a governmental agency in a force majeure situation or in recognition of national holidays that fall on days when The Exchange would otherwise be open for trading.

**Rule 15.46: Trading Halts Due to Extraordinary Market Volatility (Index Circuit Breakers)**

- (a) The Exchange shall halt trading in all stocks and shall not reopen for the time period specified in this Rule if there is a Significant Market move in either direction.
- (b) For purposes of this Rule, a Significant Market move means a five per-cent (5%) move in price of the All Share Index between 10:15am and 13:45pm on a trading day as compared to the closing price of the All Share Index for the immediately preceding trading day.
- (c) Halts in Trading: if a Significant Market move occurs after 10.15am and any time up to and including 13.45pm The Exchange shall halt trading in all stocks for thirty (30) minutes. The Exchange shall not halt trading if a Significant Market move occurs after 13.45pm.

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The Exchange shall halt and reopen trading based on a Significant Market move only once per trading day.

- (d) If, following the reopening of trading after a Significant Market move halt, the All Share Index moves further by a minimum of five per-cent (5%) below its closing value on the immediately preceding trading day, during any trading day The Exchange will halt all trading for the remainder of the day. The last traded price in any security prior to the closing of the market shall be deemed the closing price in such security for the day.
- (e) Re-opening of Trading: the re-opening of trading following a trading halt shall follow the procedures as may be set forth by The Exchange.
- (f) Nothing in this Rule shall be construed to limit the ability of The Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on The Exchange pursuant to any other Exchange rule or policy.

**Rule 15.47: Recognition of Bargain Slips**

All Bargain Slips shall be exchanged by Dealing Members immediately after an order is filled and shall have printed or written on them the words "Subject to the Articles of Association and Regulations of The Nigerian Stock Exchange".

*Section XVI: Clearing and Settlement*

**Rule 16.1: Time Frame for Delivery and Settlement**

Delivery and settlement shall be done on a time frame prescribed by The Exchange on a Delivery- versus-Payment basis.

**Rule 16.2: Transfer Forms**

Where an investor is buying securities of a company for the first time, the Dealing Member shall lodge a transfer form with the Registrar of that company within five (5) business days of the transaction.

**Rule 16.3: Direct Cash Settlement**

- (a) Each client's bank account details shall be provided by its broker-dealer to CSCS which is the agent of The Exchange for the clearing and settlement of all securities traded on the Automated Trading System of The Exchange.

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- (b) Settlement of each trade carried out on NSEATS of The Exchange shall be done by direct payment into the client's account as provided to CSCS.
- (c) Notwithstanding the foregoing:
- (1) Any client that declines direct cash payment into its account provided to CSCS shall notify it of that fact by completing a Direct Cash Settlement notification form in which the client shall make its preference known.
  - (2) Settlement of transactions carried out on behalf of any client whose account details are not provided to CSCS shall be done by payment into the account of the client's broker-dealer firm.
  - (3) Where a client provides its broker-dealer firm with a written mandate to purchase securities with proceeds from the sale of other securities any payment attributable to the sale shall be made into the account of the broker-dealer firm provided the client gives its consent in that regard.
- (d) Within three (3) business days of receiving instructions from a client that settlement should be done by direct payment into such client's account a broker-dealer shall:
- (1) Notify CSCS of the client's instructions; and
  - (2) Provide the client's account details.
- (e) Any broker-dealer that violates the provision in sub-rule (d) above shall be liable to pay a fine of Two Hundred and Fifty Thousand Naira (₦250,000) in addition to any other sanction which The Exchange may impose.
- (f) Any broker-dealer that:
- (1) Trades in its client securities without receiving a mandate from its client; or
  - (2) Neglects to remit to its client the proceeds from trading in such client's securities within three (3) business days of receiving such,
- Shall be liable for any penalties imposed under these Rules for unauthorized sale of securities, in addition to any other sanction which The Exchange may impose.
- (g) Every broker-dealer shall take all reasonable steps to ensure that all details of direct settlement originates from the actual client and that the "Know Your Client" provisions in these Rules are duly complied with.

**Rule 16.4: Seller's Responsibility for Benefits**

The seller is responsible for such benefits as may be due to the buyer if delivery is delayed.

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**Rule 16.5: Delivery of Transfer Instruments**

Scripts and transfer instruments shall be delivered in such manner as prescribed by The Exchange from time to time.

**Rule 16.6: Genuineness and Regularity of Documents**

- (a) The seller of securities is responsible for the genuineness and regularity of documents delivered;
- (b) In cases where any such security is by or pursuant to the law of any country placed under any disability not applicable to all other securities of the same issue, the buyer may submit the case to the Council who may, if in their opinion the circumstances warrant such action, require the security in question to be returned to the seller and a similar security not subject to such disability to be delivered in its place. The Council may determine the point of date to which the trace back shall be carried.

**Rule 16.7: Verification of Transfer**

It is the duty of the selling Dealing Member to ascertain that:

- (a) The instrument of verification is correctly stamped.
- (b) The client's signature is duly witnessed and the transferor's name, the number of shares and the numbers on the share certificates being verified are correctly stated on the instrument of the prescribed form.

**Rule 16.8: Duty to Report Failed Transaction**

Should the buying Dealing Member fail to take delivery or the selling Dealing Member fail to deliver on the due date, the party not in default shall report the default to The Exchange as soon as it becomes aware of the matter.

**Rule 16.9: Consequences**

Any Dealing Member, who fails, in relation to a transaction in an Eligible Security, to comply with these Rules where applicable, shall be liable to disciplinary action by Council.

**Rule 16.10: Defective Transfer**

- (a) In the event of any defective transfer whereby a transferee, due to no fault of his, is unable to receive delivery of transfer of the securities purported to be transferred by a transferor under the relevant instrument(s) of transfer for any reason whatsoever including any defect in the relevant instrument(s) of transfer or in the title to the

securities or following delivery of a transfer of securities found, not to have good title to such securities;

- (b) In any such event a selling Dealing Member shall take all steps necessary to correct such defective transfer within seven (7) days of the receipt of notice of such defective transfer from a transferee or The Exchange. The selling Dealing Member shall further be responsible for any and all costs and expenses associated therewith including any losses suffered by a transferee.

**Rule 16.11: Disputed Title**

When an official certificate of registration of such securities has been issued, the Council will not, unless bad faith is alleged against the seller, take cognizance of any subsequent dispute as to title, until the legal issue has been decided, reasonable expenses of which legal proceedings shall be borne as the Council may direct.

**Rule 16.12: Contribution to the Trade Guarantee Fund**

Every Dealing Member shall contribute to the Trade Guarantee Fund an amount as prescribed by Council from time to time in accordance with the guidelines for the operations of the Fund to facilitate settlement of transactions.

Section XVII: Member Conduct

**Rule 17.1: Just and Equitable Principles**

Every Dealing Member shall transact its business in a just and equitable manner and every transaction, whether for the account of the member effecting it or for the account of a client, must be fulfilled according to applicable laws, rules and regulations.

**Rule 17.2: Council's Decisions and Directives**

All Dealing Members shall abide by all decisions, rulings and directives of Council and any other person or body of persons authorized by Council in the lawful execution of its powers pursuant to the provisions of these Rules and Regulations.

**Rule 17.3: Duty to Act in Clients' Best Interest**

A Dealing Member shall at all times act and procure or ensure that its Authorized Clerks and employees act in the best interest of its clients.

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**Rule 17.4: Zero-Tolerance Policy**

The Exchange shall operate a zero-tolerance policy on proven professional misconduct.

**Rule 17.5: General Conduct, Sharing of Brokerage Income; and Association with Non-Dealing Members**

- (a) No Dealing Member shall do or cause to be done any act, matter or thing which would adversely affect the goodwill or public image of The Exchange or its Members;
- (b) With respect to activities on The Exchange, a Dealing Member shall only share its commission or enter into a partnership, agency or profit sharing arrangement with a person or corporate entity who or which is a broker-dealer and such other registered market operators as The Exchange may from time to time specify;
- (c) Any Dealing Member that violates the provisions in (a) above shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose:
  - (1) A fine to be determined by The Exchange based on the circumstances of the case and which fine shall not be less than Five Hundred Thousand Naira (₦500,000); and suspension of the Dealing Member for such period as may be determined by The Exchange; or
  - (2) Expulsion of the Dealing Member.
- (d) Any Dealing Member that violates the provisions in (b) above shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose:
  - (1) A fine to be determined by The Exchange based on the circumstances of the case and which fine shall not be less than Five Hundred Thousand Naira (₦500,000); or
  - (2) Suspension of the Dealing Member for such period as may be determined by The Exchange; or
  - (3) Suspension of any Authorized Clerk involved in such prohibited conduct for such period as may be determined by The Exchange.

**Rule 17.6: Trading Floor Dress Code, Identification Badges and Access Control Cards for Authorized Clerks**

- (a) No Authorized Clerk or Trainee Authorized Clerk shall have access to the Trading Floor unless he or she:
  - (1) Obtains a trading jacket as prescribed by The Exchange; and
  - (2) Applies to and obtains from The Exchange a trading floor badge and an access control card, which shall be issued, upon payment of a fee to be prescribed by The Exchange provided The Exchange has discretion to withhold access.
- (b) Each Authorized Clerk and Trainee Authorized Clerk shall at all times on the trading floor,

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- (1) Wear a trading jacket; and
  - (2) Wear a trading floor badge on such part of his Trading Jacket as shall make him constantly identifiable; and
  - (3) Carry his access control card with him or her.
- (c)
- (1) Any Authorized Clerk or Trainee Authorized Clerk that appears on the trading floor without a trading floor badge shall be sent off the trading floor and shall be liable to:
    - (A) Suspension from the trading floor and denial of access to the trading platform for one (1) week; and
    - (B) Pay a fine of Fifty Thousand Naira (₦50,000).
  - (2) Any Authorized Clerk or Trainee Authorized Clerk that appears on the trading floor without an access control card or uses an access control card belonging to another Authorized Clerk or Trainee Authorized Clerk to enter or exit the trading floor shall be liable to:
    - (A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and
    - (B) Pay a fine of Two Hundred and Fifty Thousand Naira (₦250,000).
  - (3) If any Authorized Clerk or Trainee Authorized Clerk falsely presents himself as another Authorized Clerk or Trainee Authorized Clerk and enters or attempts to enter the trading floor whilst wearing the trading floor badge of the other Authorized Clerk or Trainee Authorized Clerk or he uses or attempts to use their access control card to enter or exit the trading floor, he shall be liable to:
    - (A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and
    - (B) Pay a fine of Two Hundred and Fifty Thousand Naira (₦250,000).
  - (4) If any person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk and uses or attempts to use the access control card of an Authorized Clerk or Trainee Authorized Clerk to enter or exit the Nigerian Stock Exchange Building or its trading floor, that person shall be apprehended and handed over to the Police for prosecution and shall immediately be barred from entering the Nigerian Stock Exchange Building in future unless the National Council decides otherwise.
  - (5) If any Authorized Clerk or Trainee Authorized Clerk gives his access control card to another person and that other person falsely presents himself as that Authorized Clerk or Trainee Authorized Clerk by using or attempting to use the same access control card to enter or exit the Nigerian Stock Exchange Building or its trading floor that Authorized Clerk or Trainee Authorized Clerk shall be liable to:
    - (A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and
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- (B) Pay a fine of Five Hundred Thousand Naira (₦500,000).
- (6) If any person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk by wearing or carrying a trading jacket in a manner suggesting that he is an Authorized Clerk or Trainee Authorized Clerk and he enters or attempts to enter or exit The Nigerian Stock Exchange Building or its trading floor that person shall be apprehended and handed over to the Police for prosecution and shall immediately be barred from entering the Nigerian Stock Exchange Building in future unless the National Council decides otherwise.
- (7) If any Authorized Clerk or Trainee Authorized Clerk gives his Trading Jacket to another person and that other person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk by wearing or carrying the same Trading Jacket whilst entering or attempting to enter or exit the Nigerian Stock Exchange Building or its trading floor the Authorized Clerk or Trainee Authorized Clerk shall be liable to:
- (A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and
- (B) Pay a fine of Five Hundred Thousand Naira (₦500,000).
- (d) Any Authorized Clerk or Trainee Authorized Clerk that is suspended from the trading floor and denied access to the trading platform shall forthwith surrender his trading floor badge and access control card to The Exchange. Until his suspension is lifted and he is readmitted to the trading floor, his trading floor badge shall be revoked and he shall be denied access to the trading platform and his access control card shall be deactivated.
- (e) Trading floor badges and access control cards remain the property of The Exchange and shall be surrendered to The Exchange upon the occurrence of any of the following:
- (1) Suspension
  - (2) Revocation of registration
  - (3) Resignation
  - (4) Expulsion.

**Rule 17.7: Conduct on the Trading Floor**

- (a) All Authorized Clerks and Authorized Persons shall at all times conduct themselves with decorum whilst on the trading floor.
- (b) Any Authorized Clerk or Authorized Person that engages in assault, fighting or any unruly behaviour on the trading floor shall be liable to:
- (1) Immediate suspension from the trading floor and access to the trading platform for six (6) weeks; and



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- (2) Appear before the Council Disciplinary Committee which shall consult with the Doyen of the trading floor in arriving at a decision; and
  - (3) Upon a finding by the Disciplinary Committee that the Authorized Clerk or Authorized person has breached this Rule,
    - (A) The Dealing Member that is the employer of the Authorized Clerk or Authorized Person shall pay a fine not exceeding One Million Naira (₦1,000,000); and shall pay for any damage suffered by other Authorized Clerks, Authorized Persons or staff of The Exchange or any damage to their property.
    - (B) The Exchange may impose any of the following sanctions on the Authorized Clerk or Authorized Person in breach:
      - (i) Fine
      - (ii) Suspension
      - (iii) Revocation of licence.

**Rule 17.8: Prohibition of Smoking, Gaming, or Gambling**

Smoking, gaming, gambling and any other act which is considered by the Council to be detrimental to the interests of The Exchange are strictly forbidden on the Trading Floor.

**Rule 17.9: Eating and Drinking Areas**

Drinking and eating may only be carried on at the designated area or areas.

**Rule 17.10: Care in the Use of Computer Terminals**

It is the duty of every Authorized Clerk to exercise due care in operating the computer terminals, the Internal Telephone System and other equipment at the Members' booth.

**Rule 17.11: Responsibility for Damage to Equipment**

Where any damage is caused to any of the above-mentioned equipment or fixtures or any other property by an Authorized Clerk or by any other person employed by the Dealing Member, the Dealing Member shall be responsible. Where such damage is caused negligently Council may impose whatever disciplinary action it thinks fit.

**Rule 17.12: Front Running and Trading Ahead of Customers**

Dealing Members shall not take advantage of an order or a block transaction, that may influence the price of a security, issued by a customer or a group of customers, nor shall the Dealing Member trade ahead of customers in the same direction of their orders before the said customers have executed their orders, which may result in the Dealing Member profiting from and illegally taking advantage of the customers. Dealing Members are prohibited from

making any deals or recommendations to others to trade in the same direction of the orders before the execution thereof.

**Rule 17.13: Prohibition of Market Manipulation and Illegal Market Dealings**

- (a) No Dealing Member may -
- (1) Either for its own account or on behalf of another person, directly or indirectly use or knowingly participate in the use of any manipulative, improper, false or deceptive practice of trading in a security listed on The Exchange which practice creates or might create -
    - (A) a false or deceptive appearance of the trading activity in connection with;  
or
    - (B) an artificial price for, that security;
  - (2) Place an order to buy or sell listed securities which, to his or her knowledge will, if executed, have the effect contemplated in sub-rule (a).
- (b) Without limiting the generality of sub-rule (a), the following are deemed to be manipulative, improper, false or deceptive trading practices:
- (1) Approving or entering an order to buy or sell a security traded on the floor of The Exchange which involves no change in the beneficial ownership of that security;
  - (2) approving or entering an order to buy or sell a security traded on the floor of The Exchange with the knowledge that an opposite order or orders of substantially the same size at substantially the same time and at substantially the same price, have been or will be entered by or for the same or different persons with the intention of creating -
    - (A) a false or deceptive appearance of active trading in connection with; or
    - (B) an artificial market price for, that security;
  - (3) Approving or entering orders to buy a security traded on the floor of The Exchange at successively higher prices or orders to sell a security listed at successively lower prices for the purpose of unduly or improperly influencing the market price of such security;
  - (4) Approving or entering an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of a security traded on the floor of The Exchange;
  - (5) approving or entering an order to buy or sell a security traded on the floor of The Exchange during any auctioning process or pre-opening session and cancelling such order immediately prior to the market opening, for the purpose of creating

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- or inducing a false or deceptive appearance of demand for or supply of such security;
- (6) Effecting or assisting in effecting a market corner;
  - (7) Maintaining at a level that is artificial the price for dealing in securities traded on the floor of The Exchange;
  - (8) Employing any device or scheme to defraud any other person as a result of a transaction effected through the facilities of The Exchange; or
  - (9) Engaging in any act, practice or course of business in respect of dealings in securities traded on the floor of The Exchange which is deceptive or which is likely to have such effect.
- (c) Any Dealing Member that contravenes this rule shall be liable to any of the following penalties in addition to any other sanction that The Exchange may impose;
- (1) A fine equivalent to three (3) times the amount of profit or gain derived by the Dealing Member in the alleged manipulation and /or illegal market dealing.
  - (2) The fine shall be paid by the Dealing Member not later than ten (10) business days after the fine is imposed on it.
  - (3) The Dealing Member shall be placed on suspension for a period to be determined by The Exchange which shall not be less than one (1) month.
  - (4) The Exchange shall forthwith withdraw the registration of the Authorized Clerk(s) involved in the transaction(s).
  - (5) Cancellation of the affected trades based on inappropriate market behaviour.

**Rule 17.14: Prohibition of Pegging/Stabilizing of Securities**

A Dealing Member shall not, either alone or with any Member or any other person effect or knowingly assist in effecting any series of transactions for the purchase or sale of securities, or the purchase or sale of any securities for the purpose of pegging or stabilizing the price of such securities.

**Rule 17.15: Prohibition of Insider Dealing**

No Dealing Member shall participate in any insider dealing in relation to any securities traded on The Exchange or knowingly assist any Member or any other person to participate in such insider dealing. This prohibition includes the following:

- (a) An insider trading for his own account:
- (1) An insider who knows that he or she has inside information and who deals directly or indirectly or through an agent for his or her own account in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
  - (2) An insider does not contravene this rule if such insider proves on a balance of probabilities that he or she -
    - (A) was acting in pursuit of the completion of an affected transaction;
    - (B) only became an insider after he or she had given the instruction to deal to a Dealing Member and the instruction was not changed in any manner after he or she became an insider.
- (b) An insider who deals for another person:
- (1) An insider who knows that he or she has inside information and who deals, directly or indirectly, for any other person in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
  - (2) An insider does not contravene this rule if such insider proves on a balance of probabilities that he or she -
    - (A) is a Dealing Member and was acting on specific instructions from a client, save where the inside information was disclosed to him or her by that client;
    - (B) was acting on behalf of a public sector body in pursuit of monetary policy, policies in respect of exchange rates, the management of public debt or external exchange reserves; or
    - (C) was acting in pursuit of the completion of an affected transaction;
    - (D) only became an insider after he or she had given the instruction to deal to a Dealing Member and the instruction was not changed in any manner after he or she became an insider.
- (c) An insider who discloses inside information:
- (1) An insider who knows that he or she has inside information and who discloses the inside information to another person contravenes this rule.
  - (2) Notwithstanding the foregoing, an insider does not contravene this rule if such insider proves on a balance of probabilities that he or she disclosed the inside information because it was necessary to do so for the purpose of the proper performance of the functions of his or her employment, office or profession in

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circumstances unrelated to dealing in any security traded on The Exchange and that he or she at the same time disclosed that the information was inside information.

- (d) An insider who encourages or discourages another person to trade:

An insider who knows that he or she has inside information and who encourages or causes another person to deal or discourages or stops another person from dealing in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.

- (e) A Dealing Member that knowingly deals in such securities as stated above shall be liable to any of the penalties imposed under the Investments and Securities Act, 2007 in addition to any other sanctions that The Exchange may impose as follows:

- (1) A fine equivalent to three (3) times the amount of profit or gain derived by the Dealing Member involved in insider dealing which shall be paid by the Dealing Member no later than ten (10) business days after the fine is imposed on the firm;
- (2) The fine shall be paid by the Dealing Member no later than ten (10) business days after the fine is imposed on the firm;
- (3) The Dealing Member may be placed on suspension for a period to be determined by The Exchange;
- (4) The Exchange may withdraw the licence of the Authorized Clerk(s) involved in the transaction(s).

**Rule 17.16: Churning; Fictitious or Deceptive Trading Patterns**

- (a) Prohibition on Churning Customer Accounts.

Dealing Members shall not:

- (1) Encourage customers to engage in purchase or sale transactions that lack a reasonable business purpose other than to generate brokerage fees, commissions or rebates or other payments for the Dealing Member;
- (2) Furnish false or misleading quotations, or any other false or misleading information or advice to customers that would induce the customer to engage in a transaction of the type described in (a) above; or
- (3) Break large customer orders for a security into smaller executions that generate additional brokerage fees, commissions, rebates or other payments for the Dealing Member (over and above the payments that would accrue to the Dealing

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Member if the order were executed in whole or in larger portions), unless the Dealing Member can show a reasonable business purpose for handling the order in such manner.

- (b) Prohibition on Fictitious or Deceptive Trading Patterns.
- (1) A Dealing Member shall not, with respect to one or more securities, engage in transactions whose primary purpose is to –
- (A) Create a false, misleading or artificial appearance of trading activity in such security;
  - (B) Unduly or improperly influence the market price for such security;
  - (C) Establish a price for such security that does not reflect the true state of the market or actual supply and demand among investors.
  - (D) Change the price of a security for personal benefit, or to evade or decrease taxes; or
  - (E) Evade otherwise applicable laws, regulations, Exchange rules, credit limits, codes of ethics or similar restrictions.
- (2) A Dealing Member violates this rule if, for the primary purpose described in sub-rule (b)(1) above, it:
- (A) Enters orders to buy a security at successively higher prices, or orders to sell securities at successively lower prices;
  - (B) Breaks large customer orders for a security into smaller executions;
  - (C) Executes any transaction in such security which involves no change in the beneficial ownership thereof;
  - (D) Enters an order at or near the close of the market that has the effect of changing or maintaining the closing price of such equity security;
  - (E) Enters an order to buy or sell any equity security and cancel such order immediately prior to its execution;
  - (F) Advises customers to buy or sell a particular security while the Dealing Member is selling or buying the same security directly or through a related party, without disclosing that fact to the customer;
  - (G) Enters orders whose effect is to change the price of a security to an artificial price that was previously agreed upon between the Dealing Member and other parties; or
  - (H) Engages in other conduct not specified herein but that has the same or similar effects on the market as those described in this rule.

**Rule 17.17: Maneuvering with Intention to Defraud**

A Dealing Member shall not directly or indirectly, in connection with any transaction with any person, involving the purchase or sale of securities, employ any device, scheme or artifice to

defraud that person, or engage in any act, practice, or course of business which operates or is likely to operate as a fraud or deception.

**Rule 17.18: Prohibition of Improper Influence Payments and Gratuities**

All Dealing Members shall comply with all anti-corruption laws and regulations in force which prohibit the giving, promising, offering, requesting, agreeing to receive, or receiving, either directly or indirectly, a bribe, gratuity or anything of value (whether tangible goods or intangible services or consideration) for the purpose of influencing any decision or obtaining an improper advantage.

**Rule 17.19: Verification of Shares in Connivance with Another**

Any Dealing Member that in connivance with another verifies shares owned by any other person, shall be liable to pay a fine of Fifty Thousand Naira (₦50,000).

**Rule 17.20: Circulation of False, Misleading or Inaccurate Information**

- (a) A Dealing Member shall not circulate or disseminate or authorize or assist in the circulation or dissemination of any statement or information to the effect that the price of any securities will or is likely to rise or fall when, to his knowledge, the rises or falls or likely rises or falls are attributed to any action which, if done by a Dealing Member would be in contravention of trading rules.
- (b) A Dealing Member shall not circulate or disseminate or authorise or assist in the circulation or dissemination of false, misleading or inaccurate information concerning market information or conditions including but not limited to the market making, securities lending, and short selling programmes that affect or tend to affect the price and/or liquidity of any securities.
- (c) A Dealing Member that knowingly disseminates false, misleading or inaccurate information as stated above shall be liable to one or more of the following penalties:
  - (1) Public censure of the Dealing Member;
  - (2) Blacklisting of the Dealing Member;
  - (3) A fine to be determined by The Exchange based on the circumstances of each case;
  - (4) Where an Authorized Clerk is involved, revocation of registration of the Authorized Clerk.
  - (5) Expulsion of the Dealing Member.

**Rule 17.21: Confidentiality of Information**

A Dealing Member shall respect the confidentiality of information entrusted to it by its clients and shall not disclose any such information to a third party without the specific authority of its

client unless:

- (a) It knows or suspects its client to have committed the offence of treason, money laundering, terrorists financing or drug trafficking and any other felonies. The duty to disclose is obligatory on the Dealing Member in these circumstances;
- (b) The disclosure is reasonably necessary to protect the interest of the Dealing Member or to enable the Dealing Member sue for its brokerage income or fees or to defend an action instituted against it.
- (c) A Dealing Member is obliged to disclose to The Exchange any share purchases for a client which is five per-cent (5%) and above, of the share capital of the company.

**Rule 17.22: Prohibition of Transactions with Suspended Dealing Member**

A Dealing Member shall not transact with another Dealing Member whose membership rights have been suspended except as approved by The Exchange.

*Section XVIII: Defaults, Insolvency and Investors' Protection*

**Rule 18.1: No Defaults**

- (a) No Dealing Member shall default on a transaction with another Dealing Member or client.
- (b) A Dealing Member shall be deemed to be in default if it is unable to meet its financial or other commitments to another Dealing Member or client, arising out of a legitimate transaction.
- (c) Any Dealing Member that contravenes this rule shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose:
  - (1) Specific performance of the transaction;
  - (2) Suspension;
  - (3) A fine to be determined by The Exchange; and
  - (4) Public Censure.

**Rule 18.2: Defaulting Transactions**

Any Dealing Member who shall have a transaction with another Dealing Member in which such other Dealing Member is in default, shall forthwith notify the Secretary in writing of such default.



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**Rule 18.3: Claims not to be Sold, Assigned or Pledged**

No Dealing Member, being a creditor of a defaulter, shall sell, assign or pledge his claim against such a defaulter to any non-Member without the prior consent of Council.

**Rule 18.4: Cessation of Activity**

After receipt by the Secretary of a Dealing Member's notification under Rule 18.2 or 18.10, no arrangement shall be entered into by the defaulting Dealing Member in respect of its stockbroking liabilities without the approval of Council.

**Rule 18.5: Powers of Council in the Event of Default**

In all cases of default, the Council shall meet and appoint a Committee which shall have the following powers:

- (a) To engage technical and professional assistance;
- (b) To call from the defaulter its original Books of Account relating to, and a statement of sums owing to, and by him in connection with stockbroking transactions;
- (c) To call meetings of Members who are creditors or defaulters;
- (d) To summon the defaulter to appear before such meetings of the Committee and to afford the defaulter full right to defend himself before the Committee throughout the investigation;
- (e) To make detailed examinations of all relevant accounts;
- (f) To report to the Council any entry, transaction or matter which have been or appear to be irregular;
- (g) To recommend to Council the appointment of an Interim Management to manage and deal with the stockbroking business of the defaulter and the assets subject to the approval of the Commission;
- (h) Any other matter incidental to the investigation.

**Rule 18.6: Obligation to Submit Transaction Statements**

A defaulter shall, when called upon to do so in accordance with these Rules and Regulations, hand over to the Committee all books, accounts and documents connected with its stockbroking business, statement of all sums owing to and by it in connection with such business at the time of the default and any other relevant documents and information which the Committee may

require.

**Rule 18.7: Exposing Defaulters**

The Committee set up under Rule 18.5 shall cause a notice to be sent to all Dealing Members and the Commission advising them of the name of the defaulting Dealing Member and requiring all those having claims against such defaulter to file such claims with the Committee by a date to be stated in the notice.

**Rule 18.8: Appearance Before Council**

Dealing Members and their Accredited Representatives and Clerks shall appear before the Committee when called upon to do so and shall give such information and produce such books, accounts and documents as may be in their possession or under their control and relevant to the matter under investigation.

**Rule 18.9: Declaration of Private Financial Position**

When required by the Council, a Dealing Member and/or Principal Promoter shall supply to it, a sworn Declaration (in such form as the Council may prescribe) of its private financial position.

**Rule 18.10: Notification of Insolvency**

When a Dealing Member is unable to fulfill its obligation it shall notify the Secretary in writing to that effect.

**Rule 18.11: Effect of Bankruptcy**

Any Dealing Member who shall be adjudicated bankrupt by a competent court of law shall cease to be a Member.

**Rule 18.12: Investors' Protection Fund**

The Exchange shall maintain and operate an Investors' Protection Fund to be administered in accordance with the Investments and Securities Act 2007 as amended from time to time and any other relevant legislation; and the Rules of the Fund shall be binding on all Dealing Members.

**Rule 18.13: Contribution to Fund Not Refundable**

Each Dealing Member upon admission to Membership of The Exchange shall pay a non-refundable sum of One Million Naira (₦1,000,000) as initial contribution to the Fund or such other amount as may be determined by Council.

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**Rule 18.14: Annual Premium**

Without prejudice to the foregoing, each Dealing Member shall pay an annual premium to the Fund as shall be prescribed by Council.

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## CHAPTER 4

### ADJUDICATORY PROCESS

#### Section XIX: Disciplinary Procedures

##### **Rule 19.1: Powers of Council to Discipline Members**

- (a) The Council shall have powers to take disciplinary action against its Members for any violation of its Rules.
- (b) **Delegation of Powers to Committee of Council:** Council may delegate any of its disciplinary powers to a Committee to be known as the Disciplinary Committee of Council. Provided that the Chief Executive shall be entitled to exercise the power referred to in Rule 19.10 in cases where a serious misconduct or breach of any of these Rules has been committed by a Dealing Member and shall within the next twenty four (24) hours immediately refer such cases to the Disciplinary Committee of Council.
- (c) **Right of Redress by The Exchange:** The disciplinary powers referred to above may be exercised separately or concurrently and in no circumstances shall the exercise of such powers prejudice any right that may be vested in The Exchange to seek redress against a Dealing Member.

##### **Rule 19.2: Specific Powers of Council**

The Council and (subject to Rule 19.1 (b) hereof) the Committee may exercise their disciplinary powers against a Dealing Member in such manner as prescribed by these Rules and Regulations where such Dealing Member:

- (a) Is or has been in breach of these Rules or any Regulations made here under; disobeys or challenges any lawful exercise of any power pursuant or incidental thereto; or has shielded or assisted or omitted to report or has dealt with any Dealing Member with the knowledge that such Dealing Member has acted contrary to these Rules;
- (b) Is or has been in breach of the Articles;
- (c) Is or has been in breach of Clearing and Settlement Rules;
- (d) Is or has been in breach of any of the terms and conditions of its licence as Council shall from time to time determine;
- (e) Fails to submit any periodic reporting statements or annual audited accounts required by these Rules and Regulations within the time prescribed for submission;
- (f) Appears to have been admitted under any misrepresentation or by the suppression of any information which may be required of him or it or his or its proposer or seconder and which in the opinion of the Council is material;
- (g) Has been charged with and convicted of a criminal offence necessarily involving a finding of fraud or dishonesty;
- (h) Has failed or is unable to carry out any legal obligation relating to transactions in securities;

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- (i) Engages in any conduct which is likely to be injurious to the integrity of The Exchange or prejudicial to the objectives of The Exchange;
  - (j) Deals with any person, body, firm, corporation or company who or which may have been announced or declared by The Exchange or otherwise notified to the Dealing Members as one who or which has defaulted in carrying out its engagements or obligations relating to securities;
  - (k) Is or has been guilty of any misconduct as defined in the Investments and Securities Act, 2007, Rules and Regulations and Code of Conduct of the Commission and any other relevant legislation;
  - (l) Fails to report a transaction or knowingly makes or reports a false or fictitious transaction;
  - (m) Makes a material misstatement to Council, any Committee, the Chief Executive or other employees of The Exchange;
  - (n) Knowingly disseminates false, misleading or inaccurate reports concerning market information or condition that affect or tend to affect the price of any issue of securities;
  - (o) Trades or deals after becoming insolvent;
  - (p) Refuses to appear before the Council, any Committee or the Chief Executive of The Exchange when being called upon, provided he or it has been given notice;
  - (q) Refuses to answer fully all questions or refuses to produce all books and records at any disciplinary hearing or investigation when required to do so or testifies falsely;
  - (r) Refuses to make available all information, books and records as may be required by authorized employees of The Exchange in the course of any spot check provided by these Rules and Regulations;
  - (s) Except as may be otherwise provided by any law in force in Nigeria, makes use of or reveals any confidential information obtained by reason of participating in any investigative proceedings or hearing or revealed to him confidentially by Council, any Committee, the Chief Executive or officer of The Exchange;
  - (t) Induces or attempts to induce another person to buy or sell securities:
    - (1) By dishonestly concealing any material fact;
    - (2) By making or publishing or causing to be made or published whether recklessly, dishonestly or otherwise, any statement, promise or forecast that is misleading, false or deceptive;
    - (3) By recording or storing in or by means of any mechanical, electronic or other device, information that he or it knows to be false or misleading in any material respect.
  - (u) Accepts an order from a client for the sale or purchase of securities without causing such order to be executed on the floors of The Exchange;
  - (v) Sells without clients' mandate or authorization;
  - (w) Defaults in payment of his or its subscription or any fine imposed on him or it;
  - (x) Fails to pay any monies including the subscription due to The Exchange after the expiry of notice in writing calling upon him or it to pay; or
  - (y) Shields or assists, or omits to report, or deals with, any Member who it knows has acted contrary to these Rules;
  - (z) Becomes bankrupt as defined in the Investments and Securities Act, 2007 or enters into other relevant statutory arrangements with his creditors for the payment of debts or is otherwise insolvent;
  - (aa) Breaches any of the conditions for the grant of its Dealing Membership.
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**Rule 19.3: Investigation Panel**

- (a) The Exchange shall constitute an Investigation Panel and appoint officers or employees to investigate complaints made against Dealing Members in respect of a breach of any provisions of these Rules and Regulations and any other relevant legislation.
- (b) **Production of Relevant Documents:** A Dealing Member shall make available to The Exchange all relevant documents and information required for the investigation.
- (c) **Admissibility of Computer Records:** The computer records of transactions maintained by The Exchange are admissible evidence of transactions of Dealing Members.
- (d) **Obligation to Appear before an Investigation Panel:** The Dealing Member and any of its employees shall appear before the Investigation Panel when called upon to do so and shall give such information and produce such books, accounts and documents as may be in their possession or under their control and relevant to the matter under investigation.
- (e) **Recommendation to the Disciplinary Committee:** Where in the opinion of the Investigation Panel, a Dealing Member is found to have breached the Rules and Regulations; a recommendation shall be made to the Disciplinary Committee of Council for appropriate sanctions.
- (f) **Right to Request for Investigation Report:** If any investigation is carried out and a written report is produced to the Council, the Dealing Member concerned shall have the right to request a copy of such report.
- (g) **Cost of Investigation:** Expenses incidental to or consequential upon an investigation ordered by Council shall be borne by the Dealing Member concerned.
- (h) **Exclusion of Claims against The Exchange:** In the event of Council exercising its discretion in ordering an investigation, the Dealing Member concerned shall not be entitled to claim against The Exchange.

**Rule 19.4: Retention of Jurisdiction Over Former Employees**

- (a) So that it may properly investigate and enforce sanctions against possible violations of Exchange rules and regulations, The Exchange shall retain continuing jurisdiction over a former employee of a Dealing Member firm at any time after the date that The Exchange receives written notice of the resignation or termination of any Dealing Member employee.

- (b) In the event that The Exchange asserts jurisdiction over a former employee of a Dealing Member firm under sub-rule (a) above, such employee may thereafter be compelled to appear and testify before The Exchange, or to submit relevant books and records or other tangible materials to The Exchange, or respond to written requests from The Exchange for additional information, in the same manner and to the same extent as if the employee were still employed by the Dealing Member firm.

**Rule 19.5: Suspension of Dealing Members Pending Investigation**

The Exchange shall have power to suspend any Dealing Member with or without conditions as it deems appropriate, where the conduct of the Dealing Member is under investigation; provided that the suspension shall not exceed a period of thirty (30) days or such further period as the Council shall deem appropriate based upon the report of the investigations.

**Rule 19.6: Power to Hear and Adjudicate**

- (a) The Council may convene a meeting at any time to hear and adjudicate upon disciplinary matters brought before it. If at such meeting it is satisfied that a prima facie case has been established against a Dealing Member, Council shall request the Dealing Member or any of its Accredited Representatives or any of its employees to attend a meeting and explain its or his conduct in regard to the matter.
- (b) Notice to appear before the Council or any of its Committees shall be deemed to be effected by The Exchange if:
- (1) Such notice is served on the person to whom it is addressed physically or by electronic mail to the address provided by the person; failing which
  - (2) Such notice is pasted at the last known address of the Dealing Member;
- (c) Service of notice by any of the above stated means shall be deemed to have failed if the Dealing Member or any of its Accredited Representatives or any of its employees do not attend the meeting.
- (d) As a final attempt, such notice shall be pasted on the Notice Boards in the Trading Floor of The Exchange and published on the website of The Exchange or any other means by which the Dealing Member shall be reasonably expected to have received sufficient notice of the proceedings; failing which the meeting shall proceed and any decisions taken thereat shall be without further reference to the Dealing Member and shall be binding on the Dealing Member.

**Rule 19.7: Representation before Council**

No Dealing Member shall have the right to be represented at any meeting of Council held for disciplinary purpose(s) by a solicitor or counsel but he or it may if he or it so desires solicit the

assistance of another Dealing Member to represent him or it or to make submission on his or its behalf.

**Rule 19.8: Record of Proceedings**

Any resolution shall specify full details of the disciplinary action taken against a Member and when recorded in the Minute Book of the Council or the Disciplinary Committee and signed by the chairman of the meeting deciding on the disciplinary action at a following meeting, the record of proceedings shall be conclusive evidence thereof.

**Rule 19.9: Council's Discretion to Sanction**

Council may exercise any of its disciplinary powers against a Dealing Member or its accredited representatives or any of its employees if, at such meeting or any adjournment thereof, it is of the opinion that considering the explanation, if any, tendered by the Member, that the case against the Member is substantiated. Council shall also be entitled to exercise any of its disciplinary powers against the Dealing Member concerned should it or its accredited representatives or any of its employees fail to attend the hearing called by Council.

**Rule 19.10: Sanctions**

- (a) The punishment which the Council may impose on a Dealing Member found to have contravened any provisions of the Code of Conduct for Dealing Members shall be any or a combination of:
- (1) Admonition;
  - (2) Public Censure
  - (3) Fine;
  - (4) Restitution;
  - (5) Suspension on such terms and for such period as Council may think fit;
  - (6) Call upon a member, by written notice, to resign. Failing the receipt of notice of such resignation from the Member within seven (7) clear days of the date of notice, exercise the power of expulsion;
  - (7) Expulsion.
- (b) Where the rules are silent on any breach, Council may impose such penalty or sanctions as it may deem appropriate in the circumstances.

**Rule 19.11: Effect of Sanctions**

- (a) (1) **Suspension of Rights and Privileges:** Any Dealing Member that is under suspension shall have its rights and privileges of Membership suspended in accordance with this rule.



- (2) Where a Dealing Member is suspended for any reason whatsoever:
- (A) All monies due to The Exchange, including amounts for the replenishment of the Investors' Protection Fund, Trade Guarantee Fund and any fees prescribed under these Rules shall nevertheless remain due and payable by the Dealing Member as if he or it had not been suspended.
  - (B) The Dealing Member's right to a Seat shall also be suspended and it shall not be permitted to trade either directly or indirectly during such suspension except as approved by The Exchange for the purpose of making restitution for an unauthorized sales.
  - (C) The suspension shall not operate so as to avoid or affect the validity or enforceability of any agreement, transaction or arrangement in relation to the Dealing Member's transactions prior to suspension.
  - (D) The Dealing Member shall be under a duty to instruct and appoint another Dealing Member to carry out any instructions already received by it on behalf of its clients prior to suspension and shall immediately notify The Exchange in writing of such appointment. Upon the suspension of a Dealing Member and its appointment of another Dealing Member, the appointed firm shall be liable and fully responsible for the transactions executed.
  - (E) The Dealing Member shall do everything possible to ensure that its clients do not suffer any loss or embarrassment as a result of the suspension.
- (b) **Termination of Trading Rights:** Where a Dealing Member is expelled from The Exchange it shall forthwith lose all trading rights on The Exchange.

**Rule 19.12: Professional Misconduct**

Where a prima facie case of professional misconduct has been established against a Dealing Member, such a member shall be immediately suspended.

**Rule 19.13: Expulsion of Dealing Member**

At any meeting called to consider any question of expulsion, the voting shall be by a show of hands unless a vote by ballot is demanded by no less than three (3) members of Council in which event the voting shall be by ballot.

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**Rule 19.14: Cessation of Membership**

No Dealing Member who has been expelled from The Exchange shall be eligible for re-admission except where such expulsion is reversed by the Commission and/or the Investments and Securities Tribunal (IST).

**Rule 19.15: Effect of Disciplinary Actions by the Commission**

- (a) Without prejudice to all the remedies open to the Dealing Member, where a Dealing Member is suspended by the Commission, as soon as The Exchange is notified, it shall immediately commence the process of suspension or expulsion of the Dealing Member.
- (b) Where a Dealing Member's registration is revoked by the Commission, as soon as The Exchange is notified, it shall immediately commence the process of expulsion of the Dealing Member.

**Rule 19.16: Appeal to Council**

Where disciplinary measures are taken against a Dealing Member by the Disciplinary Committee under Rule 19.1(b):

- (a) The Dealing Member shall be entitled as of right to appeal to the Council within seven (7) days of being notified of the Disciplinary Committee's decision;
- (b) Council shall deal with and decide on the appeal in the same manner as if it were exercising its disciplinary powers afresh;
- (c) No right of action shall ensue to a Dealing Member (whether against the Chairman of the Disciplinary Committee or the Chief Executive) and the Dealing Member shall not institute any legal action in respect of any loss that the Dealing Member may have suffered (including any loss of profit) by reason of a suspension or any damage to reputation by reason of the fact that a Dealing Member's appeal is upheld by the Council in whole or in part.

**Rule 19.17: Right to Appeal Against Council Decision**

If dissatisfied with the decision of Council, a party to the dispute may seek leave of The Exchange to appeal to the SEC and the party shall pay the fees to be prescribed by Council from time to time for copies of the record of proceedings.

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**Rule 19.18: Notification of Disciplinary Action**

- (a) Council shall notify the Commission and any other relevant agency whenever it takes any disciplinary action against a Dealing Member or its Accredited Representatives.
- (b) **Notification to Regulatory Authorities and other Stock Exchanges:** The Council shall, where it deems necessary, notify other regulatory authorities and Stock Exchanges affiliated with or recognized by The Exchange of the cessation of membership, otherwise than by death or resignation of any Member.
- (c) **Council to Notify the Public of Suspensions and Expulsions:** The Council shall and by such means that it may deem fit, notify, or cause to be notified to the public that any Dealing Member has been expelled or has otherwise ceased to be a Dealing Member or has been suspended and may give the name of such Dealing Member in such notification.
- (d) **Publication of Disciplinary Actions:** Council shall have power to publish in the local newspapers or circulars to Dealing Members and other Members of The Exchange, the name of any Member expelled or suspended by The Exchange and also to publish such expulsion or suspension in any other way it may deem fit.

Section XX: Dispute Resolution

**Rule 20.1: Power of Adjudication by Council**

Council shall have power to adjudicate on disputes between Dealing Members inter se, Dealing Members and clients, and Dealing Members and Management.

**Rule 20.2: Qualifications for Legal Actions/Redress**

- (a) No Dealing Member shall institute legal proceedings to enforce a claim against another Dealing Member or a Member arising out of any stockbroking transaction without first exhausting all procedures set out for dispute resolution in accordance with these Rules and Regulations.
- (b) No Dealing Member shall institute legal proceedings against The Exchange without first exhausting all procedures set out for dispute resolution in accordance with these Rules and Regulations.

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**Rule 20.3: Notification of Disputes to The Exchange**

Any dispute between Dealing Members arising from a breach of these Rules shall be immediately reported to The Exchange.

**Rule 20.4: Effect of Legal Action by Members Against The Exchange**

A Member that institutes an action against The Exchange shall have its or his membership suspended until the determination of the matter.

**Rule 20.5: Obligation to Appear at an Exchange Coordinated Mediation**

- (a) The Managing Director and the Chief Compliance Officer of a Dealing Member firm must be present at an "Exchange Coordinated Mediation" when notified of any such meeting and shall give such information and produce such books, accounts and documents as may be in the firm's possession or under its control and are relevant to the matter in dispute.
- (b) Where circumstances exist which necessitate his absence, the Managing Director shall give a prior written notice to The Exchange providing cogent reasons for his absence and indicating the identity of the firm's duly appointed representative that will attend the meeting.
- (c) If the Managing Director of a Dealing Member or the firm's duly appointed representative who has been notified to The Exchange neglects, ignores or fails to appear at the All Parties Meeting, the Dealing Member shall be liable to pay a fine of Fifty Thousand Naira (₦50,000).

**Rule 20.6: Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution**

- (a) Notice of Suspension or Termination:
  - (1) If a Dealing Member, a person associated with a Dealing Member, or person otherwise subject to The Exchange's jurisdiction, fails to comply with an arbitration award or a settlement agreement related to an arbitration or mediation pursuant to Rules 20.1, 20.2 or any of The Exchange's rules, The Exchange may provide written notice to such Dealing Member or person stating ("the respondent") that the failure to comply within twenty-one (21) business days of service of the notice will result,
    - (A) in the case of a Dealing Member, in a summary suspension of such Dealing Member or a termination of the Dealing Member's membership, or
    - (B) in the case of a natural person, a suspension from associating with any Dealing Member, until the arbitration award settlement is satisfied in full.

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(b) When a Dealing Member or associated person fails to comply with an arbitration award or a settlement agreement related to an arbitration or mediation under any of The Exchange's rules involving a customer, a claim of inability to pay shall not be a defence.

(b) Service of Notice of Suspension or Termination

The notice of failure to pay an arbitral award described in sub-rule (a) above shall be given to the Dealing Member, person associated with a Dealing Member or person otherwise subject to The Exchange's jurisdiction in a manner that is consistent with the service of notices under these Rules.

(c) Contents of Notice

A notice issued under this Rule shall state whether The Exchange is seeking a suspension or termination, and shall state the specific grounds and factual basis for such action. The notice shall state when The Exchange's action will take effect and explain what the respondent must do to avoid such action. The notice shall also state that the respondent may file a written request for a hearing with The Exchange, and shall prescribe the time in which such request must be filed, which shall not be less than twenty-one (21) business days from the date of service of the notice.

(d) Effective Date of Suspension or Termination

The suspension or termination referenced in a notice issued and served under this Rule shall become effective twenty-one (21) days after service of the notice, unless stayed by The Exchange further to a request by a Dealing Member or person served with a notice, for a hearing.

(e) Request for Hearing

A Dealing Member or person served with a notice under this Rule may file with The Exchange a written request for a hearing to dispute the failure to pay an arbitral award. A request for a hearing shall be made before the effective date of the notice, as indicated in sub-rule (d) of this Rule. A request for a hearing must set forth with specificity any and all defences to The Exchange's action.

(f) Failure to Request Hearing

If a Dealing Member or person does not timely request a hearing, the suspension or termination specified in the notice shall become effective twenty-one (21) business days after the service of the notice and the notice shall constitute final Exchange action.

(g) Request for Termination of the Suspension

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A Dealing Member or person subject to a suspension under this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with The Exchange and The Exchange may grant the relief sought for good cause shown.

**Rule 20.7: Adjustments on Dealing Member's Records**

Any adjustments to a Dealing Member's trading records kept by The Exchange can only be made after a dispute has been reported and a decision made by The Exchange. Any such decision shall be final and conclusive and binding on the parties involved.

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## CHAPTER 5

### REPRESENTATIVE OFFICES

#### Section XXI: Meaning and Functions of Representative Offices

**Rule 21.1: Definition:**

A Representative Office is a Dealing Member office specifically established for the purpose of receiving and collecting transaction orders and instruments from or on behalf of clients and transmitting same to the Head Office or a branch office for execution and verification.

**Rule 21.2: Functions of Representative Offices**

A Representative Office may carry out only the following functions:

- (a) Receiving transaction orders and instruments from or on behalf of clients.
- (b) Transmitting such orders or instruments to a branch, head office or designated offices for appropriate actions.
- (c) Providing periodic updates to clients on the status of their transaction orders.
- (d) Addressing complaints from clients in conjunction with branch or head offices as appropriate.
- (e) Investor education activities.
- (f) Such other activities as are approved by The Exchange.

**Rule 21.3: Establishment and Maintenance**

Dealing Members shall comply with the following requirements for establishing and maintaining their Representative Offices:

- (a) The Dealing Member shall make an Application in writing to The Exchange detailing the address and location of the proposed representative office.
- (b) The Application shall be supported by:
  - (1) Details of the qualifications of the supervisor in charge of the proposed representative office, as prescribed in Rule 21.5 below.
  - (2) A copy of the Supervisory policy of the Dealing Member regarding its representative offices.
  - (3) The Dealing Member's justification for seeking to establish a representative office.
  - (4) An undertaking in a form to be prescribed by The Exchange by the Dealing Member to take full liability for actions of its representative office.

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- (5) Evidence of payment of appropriate fees to The Exchange for on-site pre certification inspection.
  - (c) Approval of the application shall be communicated to the Dealing Member in writing if The Exchange is satisfied that the registration requirements have been met by the Dealing Member.

**Rule 21.4: Required Infrastructure and Equipment**

A representative office shall have the following infrastructure and equipment:

- (a) Adequate working space with appropriate office furniture,
- (b) At least one (1) computer system with internet access, or efficient means of communication,
- (c) Printer,
- (d) Telephone; and
- (e) Fireproof cabinets.

**Rule 21.5: Staff Requirements**

- (a) A representative office shall be managed by a Supervisor who shall also be the compliance officer for the representative office.
- (b) The minimum educational qualification for a Supervisor is a University degree or a Higher National Diploma or their equivalent. Dealing Members are required to conduct enhanced Know Your Employee ('KYE') due diligence checks on all representative office staff.
- (c) Each representative office shall have a minimum of two (2) full time resident employees of the Dealing Member.

**Rule 21.6: Mandatory Regulatory Requirements**

- (a) All representative offices shall comply with the Rules and Regulations Governing Dealing Members and all Capital Market laws, rules and regulations, including the Know Your Customer requirements ('KYC').
- (b) All employees at representative offices are strictly prohibited from engaging in all securities trading and ancillary activities.
- (c) The Dealing Member's name, registration number; and registration certificate shall be prominently displayed in each representative office.
- (d) All correspondences of a representative office shall be on the Dealing Member's letterhead paper which shall mention in legible characters the address of the representative office.



- (e) All staff of representative offices shall undergo a compulsory compliance and Anti- Money Laundering and Countering Financing of Terrorism (AML/CFT) training before commencing work; and shall attend annual periodic training at least one of which shall be on compliance and AML/CFT.
- (f) The Chief Compliance Officer of a Dealing Member shall be responsible for the internal review of its representative offices and reports on their activities shall be submitted to The Exchange alongside its Quarterly Report.
- (g) Each representative office shall maintain a record of all instruments, mandates and evidence of payments received from clients in line with the KYC requirements.
- (h) A register of all the information and documents transferred from the representative office to the Head Office shall be maintained at both the representative office and Head Office and shall be available for production to The Exchange on demand.
- (i) Records at the representative office shall be kept in a fireproof safe.
- (j) Clients' mandates shall be communicated to the representative office through courier or by electronic means.
- (k) There shall be no cash handling in a representative office except petty cash used for administrative expenses. All representative offices shall display in a conspicuous location in their offices, a message indicating that no cash would be accepted in respect of any transactions.
- (l) All transaction payments made by clients shall be by bank draft or cheque or bank transfer or any other means of payment accepted by the Central Bank of Nigeria ('CBN'); and a copy of the evidence of such payment shall be sent to the Head or branch office within five (5) business days of the date of the transaction.

**Rule 21.7: Supervision / Inspection by The Exchange**

The Exchange shall conduct routine and special on-site examinations on representative offices with or without notice to the Dealing Member.

**Rule 21.8: Sanctions**

The Exchange shall impose any or a combination of the following sanctions on any Dealing Member whose representative office breaches any of the requirements stated above:

- (a) A minimum fine of One Hundred Thousand (₦100,000),
- (b) Closure of the representative office,
- (c) Suspension of the Dealing Member,
- (d) Expulsion of the Dealing Member.

**Rule 21.9: Notice of Voluntary Closure of a Representative Office**

Any Dealing Member that wishes to close a representative office shall give a minimum of one (1) month's notice in writing to The Exchange setting out its reasons for the decision.

**Rule 21.10: Re-designating a Branch as a Representative Office**

- (a) The Exchange shall re-designate a branch as a representative office if such branch fails to meet the minimum requirements of a branch office or if the branch's operational capabilities have declined to the extent that it can only carry out the functions of a representative office.
- (b) Where a Dealing Member wishes to voluntarily re-designate a branch as a representative office it shall give a minimum of three (3) months' notice in writing to The Exchange setting out its reasons for the decision.

**Rule 21.11: Re-designation of a Representative Office as a Branch Office**

- (a) The Exchange shall re-designate a representative office as a branch office upon confirmation that the representative office meets the requirements of a branch office, and has the Securities and Exchange Commission's approval.
- (b) A Dealing Member seeking a re-designation of its representative office as a branch office should submit a written application to The Exchange stating its reasons for the re-designation. The application shall be supported by:
  - (1) Details and qualification of the branch manager who shall be a Chartered Stockbroker registered by the Commission.
  - (2) Functions that the proposed branch office shall carry out.
  - (3) The supervisory framework that will guide the Dealing Member's supervision of the proposed branch office.
  - (4) Evidence of payment of appropriate fees to The Exchange for on-site precertification inspection.
- (c) Approval of the application shall be communicated to the Dealing Member in writing if The Exchange is satisfied that the registration requirements have been met by the Dealing Member.

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## CHAPTER 6

### SUB-BROKERS

#### Section XXII: Sub-Brokers

##### **Rule 22.1: Definition**

A “Sub-Broker” is any person or entity not being a Dealing Member, that is registered by the Securities and Exchange Commission (“Commission”) as a Sub-Broker; and acts on behalf of a Dealing Member as its agent for assisting investors in buying, selling or dealing in securities through such Dealing Member.

##### **Rule 22.2: Eligibility to Act as Sub-Brokers**

- (a) Dealing Members shall transact business with only Sub-Brokers that are duly registered with the Commission upon receipt of approval from The Exchange pursuant to Rule 17.5 of the Rules and Regulations Governing Dealing Members.
- (b) Dealing Members shall ensure that their clients are not acting in the capacity of Sub-Brokers unless such clients are registered with the Commission as Sub-Brokers.
- (c) Dealing Members shall execute agreements with each of their Sub-Brokers specifying the rights and responsibilities of the Dealing Members and Sub-Brokers as provided in the Rules and Regulations of the Commission.

##### **Rule 22.3: Requirements for Approval of the Sub-Broker**

- (a) Any Dealing Member that wishes to transact business with a Sub-Broker shall submit an application for approval pursuant to Rule 17.5 of the Rules and Regulations Governing Dealing Members to The Exchange in writing.
- (b) The application for approval shall be supported by the following documents:
  - (1) A certified true copy of the Registration Letter of the Sub-Broker issued by the Commission.
  - (2) A copy of the documents evidencing the qualifications of the sponsored individual(s) of the Sub-Broker.
  - (3) A completed standard form guarantee document completed by the Dealing Member.
  - (4) A copy of the agreement between the Sub-Broker and Dealing Member.

- (5) Any other document(s) that may be required by The Exchange.

**Rule 22.4: Mandatory Regulatory Requirements**

- (a) Any Dealing Member transacting business with a Sub-Broker shall comply with the following requirements:
- (1) The Dealing Member shall ensure that where an individual is sponsored as a Sub-Broker, such sponsored individual shall be an Associate Member of the Chartered Institute of Stockbrokers (CIS) or a first degree holder in relevant fields as may from time to time be determined by The Exchange in line with the Rules and Regulations of the Securities and Exchange Commission, with a minimum of five (5) years post working experience excluding National Youth Service.
  - (2) The Dealing Member shall ensure that the Sub-Broker complies with the Rules and Regulations Governing Dealing Members and all Capital Market rules and regulations, including the Know Your Customer requirements ('KYC').
  - (3) The Dealing Member shall be responsible for the internal review of activities of the Sub-Broker and shall ensure that supervisory controls are put in place to monitor the activities of the Sub-Broker. The Dealing Member shall submit a quarterly report of its review in a form to be prescribed by The Exchange with the Dealing Member's quarterly report.

**Rule 22.5: Sanctions**

- (a) Where a Sub-Broker transacting business with a Dealing Member violates any of the Capital Market rules and regulations, the Dealing Member concerned may be sanctioned in line with sub-rule (d) below.
- (b) Where an agreement setting out the relationship between a Dealing Member and a Sub-Broker which was approved pursuant to these Guidelines is terminated for any reason, the Dealing Member shall notify The Exchange and the Commission within forty-eight (48) hours of the termination and the reasons for termination.
- (c) Where the Commission notifies The Exchange or The Exchange otherwise becomes aware of an enforcement action against a Sub-Broker, The Exchange's approval of the arrangement between the Sub-Broker and the Dealing Member shall be suspended pending the outcome of the enforcement action. No Dealing Member shall transact any business with a Sub-Broker whose approval has been suspended.
- (d) The Exchange shall impose any or a combination of any of the following sanctions on the Dealing Member for violating any of the rules stated above:

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- (1) A minimum fine of One Hundred Naira (~~₦~~100,000) to be paid by the Dealing Member or such minimum fine as The Exchange may determine from time to time;
  - (2) Suspension of a Dealing Member;
  - (3) Expulsion of a Dealing Member;
  - (4) A referral of the Sub-Broker to the Commission;
  - (5) A referral of the Sub-Broker to the law enforcement agencies;
  - (6) Referral of the Sub-Broker's sponsored individuals to their supervising professional bodies; and
  - (7) Blacklisting the Sub-Broker from dealing with Dealing Members.

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## CHAPTER 7

### SPONSORED ACCESS *(Rules Not Yet Effective)*

#### Section XXIII: Rules Pertaining to Sponsored Access

##### **Rule 23.1: Preamble**

The objective of the Sponsored Access Rules (the "Rules") is to enable entities that are not Dealing Members of The Exchange to participate in the Nigerian capital market by granting them access to The Exchange's trading facilities through Dealing Members of The Exchange. These Rules set forth the conditions under which such access may be granted and regulate the exercise of same.

##### **Rule 23.2: Definitions**

**Member System:** means any system administered and controlled solely by the Sponsoring Member that applies the pre-and post-trade financial and regulatory controls set forth in the Rules.

**Sponsored Access:** means the electronic access arrangement under which a Dealing Member of The Exchange ("Sponsoring Member") permits an entity that is not a Dealing Member ("Sponsored Participant") to transmit Orders using a Sponsored Access System, but the Orders do not pass through the Sponsoring Member System prior to reaching The Exchange's Trading System.

**Sponsored Access Officer:** means an employee of the Sponsored Member, who shall be a competent person, as its contact person responsible for all matters connected with its Sponsored Access arrangements, including giving adequate responses to enquiries by an Exchange.

**Sponsored Access System:** means any system that applies pre-and post-trade financial and regulatory controls set forth in the Rules and that is not administered and controlled solely by the Sponsoring Member.

**Sponsoring Member:** means a Dealing Member that provides a Sponsored Participant with access to The Exchange's Trading System to enable the Sponsored Participant to enter Orders into The Exchange's Trading System using a Sponsored Access System.

**Sponsored Participant:** means an entity that is not a Dealing Member of The Exchange that is granted access to the trading platform of a foreign

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Exchange through a Sponsoring Member using a Sponsored Access System.

Third Party Provider: means a firm that provides a Sponsored Access System to Sponsored Participants for accessing an Exchange's Trading System.

**Rule 23.3: Approval of Sponsored Access**

- (a) No Dealing Member of The Exchange shall enter into a Sponsored Access arrangement with any foreign or Nigerian broker dealer unless it has obtained the prior written approval of The Exchange to such arrangement.
- (b) An application for the written approval of The Exchange to a Sponsored Access arrangement shall be made in such manner as may be prescribed by The Exchange from time to time.
- (c) The application shall be accompanied by a written certification from the proposed Sponsored Participant that it has received a copy of the Rules and Regulations of The Exchange and it is prepared to abide by them.

**Rule 23.4: Obligation to Provide Information to The Exchange**

- (a) The Exchange may at any time require a Sponsoring Member to provide information regarding its Sponsored Access arrangements.
- (b) The Sponsoring Member shall inform The Exchange of any material change with respect to its Sponsored Access arrangements not later than twenty-four (24) hours after discovery of the occurrence of such a change.

**Rule 23.5: Responsibility**

- (a) Every Sponsoring Member that enters into an arrangement with a Sponsored Participant to provide Sponsored Access shall do so through a Sponsored Access System. A Sponsoring Member may provide access to multiple Sponsored Participants.
- (b) A Sponsoring Member that provides Sponsored Access shall be responsible for all trading conducted by the Sponsored Participant pursuant to the Sponsored Access arrangement to the same extent as if the Sponsoring Member directly conducted such trading and shall be responsible for ensuring regulatory returns of all trades carried out by the Sponsored Participant.
- (c) The Sponsoring Member shall have the same liability for Orders which are placed by a Sponsored Participant pursuant to a Sponsored Access arrangement as for Orders which

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the Sponsoring Member places in any other manner; and the Sponsoring Member shall be liable for any and all actions taken using its electronic connections to The Exchange's Trading System, regardless of whether such actions are taken by an authorized representative of the Sponsoring Member, the Sponsored Participant or any other party.

**Rule 23.6: Monitoring**

- (a) The Sponsoring Member shall appoint one of its employees, who shall be a competent person, as its contact person responsible for all matters connected with its Sponsored Access arrangements, including giving adequate responses to enquiries by The Exchange. This employee shall be referred to as the Sponsored Access Officer. The Sponsoring Member shall also appoint a competent relief officer for the substantive Sponsored Access Officer.
- (b) The Sponsoring Member shall provide The Exchange with the resume of its Sponsored Access Officer and the substitute. The Sponsoring Member shall ensure that it notifies The Exchange in writing and not later than twenty-four (24) hours after discovery of any changes to the information provided with respect to the Sponsored Access Officer and the substitute.
- (c) The Sponsoring Member shall be responsible for implementing policies and procedures for supervising and monitoring all trading effected pursuant to its Sponsored Access arrangements in order to ensure that the creation and conduct of such arrangements are in compliance with all applicable rules and regulations. This obligation shall apply irrespective of the manner in which orders pursuant to such arrangements reach The Exchange.
- (d) The policies and procedures established pursuant to sub-rule (c) above shall include appropriate technical and administrative procedures aimed at ensuring that Orders placed through Sponsored Access arrangements do not violate The Exchange's Rules and Regulations.
- (e) Where a Sponsoring Member loses the capability to monitor the trading activity of its Sponsored Participant for any reason, the Sponsoring Member shall inform The Exchange of that fact not later than twenty-four (24) hours of such inability. Upon receiving such notification from the Sponsoring Member, The Exchange may, in its sole discretion, immediately terminate access by disconnecting the Sponsored Participant's trading session.
- (f) The Exchange maintains the discretion to adjust any of the timelines in these Rules as may be required in the specific circumstances.



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**Rule 23.7: Essential Terms of Sponsored Access Agreements**

- (a) All Agreements for Sponsored Access shall be subject to approval by The Exchange.
- (b) At a minimum, Sponsoring Members providing Sponsored Access shall include in their written agreements with Sponsored Participants provisions addressing the matters set forth below:
  - (1) General Provisions
    - (A) All trading activities executed by the Sponsored Participant shall comply with all applicable laws and regulations, including but not limited to The Exchange's Rules and Regulations.
    - (B) Each Sponsored Participant shall promptly upon request provide its Sponsoring Member with access to such books, records or financial information that are necessary to enable the Sponsoring Member to fulfil its regulatory obligations with respect to all activity of the Sponsored Participant within the Sponsored Access arrangement; and shall cooperate with the Sponsoring Member in the Sponsoring Member's compliance with all applicable regulatory requirements.
    - (C) Information provided by Sponsored Participants to Sponsoring Members shall be maintained as confidential by the Sponsoring Member, provided that such information shall be provided to The Exchange upon request.
    - (D) Each Sponsored Participant shall maintain its trading activity within the credit, product or other financial limits specified by its Sponsoring Member.
    - (E) Each Sponsored Participant shall procure and maintain requisite technology permitting sponsored access to The Exchange's Trading System in a physically secure manner and shall not permit unauthorized individuals to use or thereby obtain access to The Exchange's Trading System.
    - (F) Each Sponsored Participant shall ensure that its authorized individuals:
      - (i) Familiarize themselves with all applicable regulatory requirements; and
      - (ii) Receive appropriate training prior to using or accessing The Exchange's Trading System.
    - (G) Where it is determined by The Exchange that permitting continued access to a Sponsored Participant poses serious risk to the trading system of The Exchange or the integrity of the market:
      - (i) the Sponsoring Member shall have the right to immediately terminate the

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- Sponsored Access arrangement; and
- (ii) The Exchange shall immediately terminate the Sponsored Access arrangement in such manner as it deems fit, including physically terminating access to the trading system in respect of such arrangements.
- (H) A Sponsored Participant's access shall be suspended where its Sponsoring Member has been suspended by The Exchange.
  - (I) Information provided by Sponsored Participants to Sponsoring Members shall be maintained as confidential by the Sponsoring Member, provided that such information shall be provided to The Exchange upon request.

(2) Financial Control Provisions:

Each Sponsoring Member shall establish adequate procedures and controls that enable it to effectively monitor and control its Sponsored Access arrangements in order to systemically limit the Sponsoring Member's financial exposure. At a minimum, the Sponsored Access System shall be reasonably designed to prevent:

- (A) each Sponsored Participant from entering Orders that in aggregate exceed appropriate pre-set credit limits including finely-tuned credit limits by sector, security or otherwise;
- B) sponsored Participants from trading products that the Sponsoring Member is restricted from trading or that the Sponsored Participant is restricted from trading for reasons specific to the Sponsored Participant; and
- (C) sponsored Participants from submitting erroneous Orders by providing for the rejection of Orders that exceed certain price or size parameters, on an Order-by-Order basis or over a short period of time, or that indicate duplicative Orders.

(3) Regulatory Control Provisions

- (A) Each Sponsoring Member shall establish adequate procedures and controls reasonably designed to permit it to effectively monitor and control its compliance with applicable regulatory requirements in the context of its Sponsored Access arrangements.
- (B) Each Sponsoring Member shall have systemic controls reasonably designed to ensure compliance by the Sponsored Participant with all applicable regulatory requirements.
- (C) Each Sponsoring Member shall ensure that appropriate supervisory personnel receive and review timely reports of all trading activity by its Sponsored Participants sufficient to permit the Sponsoring Member to comply with applicable regulatory requirements, and to monitor for illegal activity such as market manipulation or insider trading.

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- (D) At a minimum, appropriate supervisory personnel should receive the following:
- (1) immediate post-trade execution reports of trading activity of all Sponsored Participants, including their identities;
  - (2) all required audit trail information by no later than the end of the trading day;
  - (3) all information necessary to create and maintain the trading records required by applicable regulatory requirements not later than the end of the trading day; and
  - (4) appropriate supervisory personnel shall review execution reports and all other reports immediately.
- (E) Every Sponsoring Member that provides Sponsored Access shall enter into and maintain an agreement with each Third Party Provider, specifying which of the financial and regulatory controls provisions above are satisfied by the technology provided, and the agreement shall provide for the following obligations:
- (1) Third Party Providers shall promptly upon request provide Sponsoring Members with access to such books, records or financial information that are necessary to allow the Sponsoring Member to fulfill its regulatory obligations with respect to all activity of the Sponsored Participant within the Sponsored Access arrangement; and
  - (2) Third Party Providers shall cooperate with the Sponsoring Member in the Sponsoring Member's compliance with all applicable regulatory requirements.

**Rule 23.8: Third Party Providers**

- (a) Third Party Providers shall procure and maintain requisite technology permitting Sponsored Access to The Exchange's Trading System in a physically secure manner and shall not permit unauthorized individuals to use or thereby obtain access to The Exchange's Trading System.
- (b) The Exchange shall maintain the right to audit the quality assurance processes of any Third Party Provider connecting to The Exchange on an ongoing basis. Such providers shall be expected to maintain a rigorous methodology for software development, change control, release management and quality assurance.

**Rule 23.9: Information Security Audits**

An Exchange shall from time to time perform information security audits of the end to end systems implemented by third party providers and in use by the Sponsoring Members and Sponsored Participants.

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## CHAPTER 8

### MARKET MAKING

Section XXIV: Rules Pertaining to Market Makers and Market Making

**Rule 24.1: Definitions:**

In these rules, the under listed words and phrases are defined thus:

SEC:	the Securities and Exchange Commission
NSE:	the Nigerian Stock Exchange
Dealing Member:	a member company that has been granted a licence to deal in securities by the NSE
Instruments:	securities as defined by the Investment and Securities Act as may be amended from time to time
Market Maker:	any Dealing Member who has undertaken, and been appointed by the NSE to enhance the market liquidity of a particular security
Market Making:	Unless the context otherwise requires, refers to the act of entering bid and offer prices in NSE's trading facilities for a specified security based on the requirements stipulated by NSE.
National Best Bid (NBB):	the highest quoted price a market participant is willing to pay for a particular security.
National Best Offer (NBO):	the lowest quoted price a market participant is willing to sell a particular security.
Primary Market Maker:	any Market Maker who has been appointed by NSE as the foremost liquidity provider of a particular security and has undertaken to assume the role.
Specified Security:	the security specified by NSE as available for market making.
Supplemental Market Maker:	any Market Maker who is appointed to act as a supplementary liquidity provider.
General Principles:	the primary responsibilities of Market Makers are to maintain a fair and orderly market in their securities of responsibility and

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generally to make a positive contribution to the functioning of the market. Each Market Maker must ensure that trading for the Market Maker's own account is reasonable under the circumstances, is consistent with just and equitable principles of trading, and is not detrimental to the integrity of NSE or the market.

**Rule 24.2: Appointment of Market Makers**

- (a) When NSE considers it to be in the interest of the market that liquidity in a specified security be improved, it may enter into agreements with Dealing Member-firms, one of whom shall assume the role of a Primary Market Maker for such security and the rest shall assume the role of Supplemental Market Makers.
- (b) NSE shall determine the minimum and maximum number of Supplemental Market Makers for a specified security.
- (c) A Primary Market Maker may act as Market Maker for more than one specified security.

**Rule 24.3: Allocation of Securities**

- (a) At inception, NSE will create baskets of securities using the following parameters: Market Capitalization, liquidity, Price, Growth vs Income. The baskets would be allotted to prospective Market Makers via blind draw.
- (b) For new issues, NSE shall, in consultation with the Issuer, appoint a Market Maker.
- (c) Where two or more Market Makers are contending for assignment of responsibility in respect of the same specified security, NSE shall, in consultation with the Issuer, break the tie using the following criteria:
  - (1) Financial resources available to the Market Maker;
  - (2) Experience, expertise and past performance as a Market Maker;
  - (3) Operational capability;
  - (4) Disciplinary history; and
  - (5) Existing relationship between the Issuer and Market Maker
- (d) A Primary Market Maker who is desirous of exchanging or transferring one or more specified securities to another market maker in exchange for consideration shall submit a proposal in writing to NSE for review and determination.
- (e) The Exchange shall publish and regularly update the list of Market Makers and relevant information relating to their activities.

- (f) The Exchange retains the right to re-allocate a security or the entire basket, depending on the performance of the Market Maker.

**Rule 24.4: Registration of Market Makers**

- (a) An applicant who intends to be a Market Maker for a specified security must be a Dealing Member of The NSE and fulfil the following conditions:
  - (1) Have a subsisting registration with the SEC;
  - (2) Have a subsisting registration with the CSCS;
  - (3) Have and maintain the minimum paid up capital requirements as determined by The Exchange from time to time; and
  - (4) Have at least two (2) personnel who are Authorized Clerks of core stock broking experience of not less than five (5) years.
- (b) In addition to the above conditions, an applicant shall also fulfil the following requirements:
  - (1) Have in place, facilities and personnel adequate for the expeditious and orderly carrying out of its business of market making; and
  - (2) Have in place, proper supervisory programme and a system of internal controls to ensure the following:
    - (A) Proper conduct of the business of market making;
    - (B) Proper undertaking of risk management;
    - (C) Proper management of conflict of interest; and
    - (D) Compliance with these Rules.

**Rule 24.5: Application Procedure**

- (a) An applicant is required to apply as a Market Maker in respect of each specified security that it intends to make market.
- (b) The applicant must comply with application procedures and submit the relevant information and documents as determined by The Exchange.
- (c) The Exchange may after giving an applicant appropriate notice and opportunity to be heard, reject an application to register as a Market Maker notwithstanding that such applicant satisfies the applicable qualification criteria set forth in these Rules.

- (d) If an application for approval as a Market Maker is refused, no further application by the same Dealing Member shall be considered within a period of ninety (90) days after the date of refusal.
- (e) An applicant will be notified in writing of the decision of The Exchange of its application.

**Rule 24.6: Obligations**

- (a) A Primary Market Maker shall fill order imbalances at the Opening and Closing auctions on any given day and will provide liquidity to reduce or eliminate imbalances.
- (b) A market maker in a specified security shall maintain a continuous two-sided quote during regular market hours that are within a certain percentage band of the National Best Bid and Offer (NBBO).
- (c) Quotes shall be equal to or better than the National Best Bid Offer (NBBO) for a minimum percentage of continuous trading time during the mandatory period, as stipulated by NSE, on a security by security basis.
- (d) A Market maker shall not quote outside the trading band for any given day.
- (e) The minimum /maximum trading band on any given trading day shall be as determined by the NSE.
- (f) Where there is wide price movements in a particular security for more than two (2) days, The Exchange may on the request of a market maker, suspend or vary the market maker's obligations.
- (g) A Market Maker is required to designate a trader within the firm for each security that has been assigned by NSE to such Market Maker, and:
  - (a) Shall provide NSE with the names of all Designated Traders and their security assignments, and forthwith advise NSE of any change to such information.
  - (b) Notwithstanding the appointment of the Designated Traders, a Market Maker shall continue to be responsible for the market making obligations relating to the securities assigned to the firm.

**Rule 24.7: Exceptions**

Notwithstanding Rule 24.6, a market maker has no obligation to maintain executable quotes:

- (a) In a security during the opening auction or where an unscheduled intra-day auction has been triggered due to price monitoring breach.

- (b) A market maker's quoting obligations shall be suspended during a trading halt, suspension or pause, and shall not re-commence until after the first regular-way transaction following that halt, suspension or pause. The quoting obligation will commence as soon as there has been a regular-way transaction on the security.
- (c) A market maker is not expected to enter a quote based on the prior day's last sale at the commencement of regular trading hours if there is no National Best Bid ("NBB") or National Best Offer ("NBO").

**Rule 24.8: Continuing Obligations**

The following conditions shall apply to a Market Maker throughout the term of its registration:

- (a) The Market Maker shall comply with the qualification criteria stated in these Rules;
- (b) The Market Maker shall notify NSE of the following in writing:
  - (1) any change in capital that causes the Market Maker to fall below the minimum paid up capital requirements;
  - (2) any change that would disqualify it as a Market Maker based on these Rules;
  - (3) any change in the place of business of the Market Maker; and
  - (4) change in name of the Market Maker.
- (c) The Market Maker is bound by and shall comply with these rules and directives and such rules and directives as may be issued by NSE from time to time.

**Rule 24.9: Benefits to Market Makers**

The Market Maker shall have the following benefits:

- (a) The privilege of determine the opening and closing price of the security where they act as Primary Market Maker.
- (b) Privilege to enjoy from a rebate scheme if they hit certain thresholds.

**Rule 24.10: Resignation**

- (a) If a Market Maker wishes to resign as a Market Maker of a specified security, it shall give a written notice to NSE of its intention to resign not less than thirty (30) days prior to the proposed date of resignation.



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- (b) The Exchange may accept the Market Maker's resignation subject to any conditions imposed by The Exchange.

**Rule 24.11: Termination, Suspension or Restriction of Market Making Activity**

- (a) The Exchange may automatically suspend or terminate a Market Maker or restrict its market making activities, upon the happening of all or any of the following events:
- (1) The Market Maker has been wound up whether on a voluntary basis or otherwise;
  - (2) A receiver / manager, provisional liquidator or liquidator has been appointed for the Market Maker;
  - (3) The Market Maker fails to fulfil any of the requirements;
  - (4) The Market Maker is convicted of any offence in or outside Nigeria or had disciplinary action taken against it and its officers for breaches involving dishonesty or fraud; or
  - (5) The Market Maker continuously breaches its obligations for a period determined by The Exchange.
- (b) The Exchange shall notify SEC when it suspends, terminates, or restricts a dealing member from market making activity, and shall state the reasons thereof.

**Rule 24.12: Bid and Offer Prices**

- (a) A Market Maker for a specified security must enter bid and offer prices into NSE's trading facilities for the purpose of buying and selling of the specified security as follows:
- (1) with a minimum presence as stipulated by NSE;
  - (2) within the maximum spread allowed by NSE; and
  - (3) must not be less than the minimum quantity allowed by NSE.
- (b) The NSE may prescribe certain circumstances in which a Market Maker is exempted from entering bid and offer prices as required under the above Rule.

**Rule 24.13: Spread Maintenance**

- (a) Primary Market Makers shall maintain the spread goal agreed upon with NSE in each of their securities of responsibility on a time-weighted average basis.
- (b) NSE shall monitor the spreads on an ongoing basis, and assess the performance of Market Makers on a monthly basis.

- (c) The Primary Market Maker shall notify NSE if for any reason it is unable to maintain its spread goal.

Supplemental Market Makers

**Rule 24.14: Preamble**

One of the major strategies embarked on by the Management of The Nigerian Stock Exchange as a means of increasing Investors' confidence, deepening the market and addressing lack of liquidity in the market is the introduction of the Supplemental Market Maker (SMM) program to support the existing Primary Market Maker (PMM) program.

**Rule 24.15: Applicability**

Rules 24.14 through 24.31 are applicable to all registered SMMs on the Nigerian Stock Exchange.

**Rule 24.16: Registration**

The Dealing member-firm desirous of acting as SMM shall apply to The Exchange in writing. Any dealing member of The Exchange would be eligible to act as SMM provided the criteria laid down by The Exchange are met. These criteria include:

- (a) Must be a licensed Broker-Dealer on The NSE
- (b) Must be registered with SEC and CSCS as a Broker-Dealer
- (c) Must meet the minimum Capital requirement set for SMMs on a continuous basis
- (d) Experience, expertise and past performance in the market
- (e) Operational capability in terms of appropriate staffing, technology and risk management tools.
- (f) Disciplinary history
- (g) Applicant must be in good standing with SEC, NSE and CSCS.

**Rule 24.17: Allocation of Securities**

A Dealing member-firm desirous of acting as SMM shall in addition to its application in writing select a minimum of ten (10) securities in order of preference from the securities listed on The Exchange. Where two or more firms select the same security, the following criteria shall be used in breaking the tie:

- (a) Net Liquid Capital,
- (b) Experience in market making,
- (c) Past Performance (volume and value traded).

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**Rule 24.18: Obligations and Responsibilities of a SMM**

The SMM shall fulfil the following conditions to provide depth and continuity on The Exchange:

- (a) The SMM shall be required to provide a 2-way quote for minimum of sixty per-cent (60%) of the time in a trading day, and a minimum percentage of the time at the national best bid and offer on a security by security basis;
- (b) The Execution of the order at the quoted price and quantity must be guaranteed by the SMM. In other words, the quotes must be firm;
- (c) The SMM will be eligible to change quotes even if no transaction has been executed at the displayed quote. In other words the quotes must be firm;
- (d) The SMM quote shall be provided in such a way that the quotes are not absent from the screen for more than fifteen (15) minutes at a time;
- (e) The SMMs may compete with the PMM for better quotes to the investors. Where the SMM outperforms the PMM four (4) months out of a continuous six (6) months period; the SMM shall have the right to apply to be upgraded to be the PMM for the security in question.
- (f) Once a Broker-Dealer's application for SMM is approved, the company has to start providing quotes within ten (10) trading days of registration.
- (g) Once registered as a SMM, the company has to mandatorily act in that capacity for a minimum of three (3) months.
- (h) The SMM is required to designate a Trader within the firm for each security that has been assigned by The Exchange to such SMM. A trader may make markets in more than one (1) security;
- (i) The SMM Firm shall provide The Exchange with the names of all Designated Traders and the security assignments, and forthwith advise The Exchange of any changes to such information within five (5) days of the change.
- (j) A SMM shall be allowed to deregister by giving one (1) month notice to The Exchange in writing of its intention to resign. The Exchange retains the discretion to accept the resignation immediately.

**Rule 24.19: Voluntary De-registration**

The SMM may be allowed to de-register voluntarily from a particular security provided it has fulfilled its obligations for a minimum period of three (3) months and a one (1) month notice is given to The Exchange.

**Rule 24.20: Compulsory De-registration**

If a SMM fails to fulfil its obligations as a SMM for more than five (5) consecutive trading days, it will automatically stand de-registered from that security and may not be permitted to act as a SMM for any security for a minimum period of three (3) months.

**Rule 24.21: Rights and Restrictions of SMM**

## (a) Rights:

The SMM shall have the following rights:

- (1) Right to short-sell a security in the Covered Short Sale construct approved for PMMs.
- (2) Right to enjoy from Exchange rebate scheme for SMMs if they hit certain thresholds.

## (b) Restrictions:

The SMM shall NOT have the right to determine the opening and closing price of the security where they act as SMM. However they can participate in all auctions, including the opening and closing auctions.

**Rule 24.22: Dissemination of Information**

The Exchange shall disseminate a list of SMMs for the respective securities and their performance to the public via The Exchange's website.

**Rule 24.23: Number of Securities per SMM**

A SMM shall submit a list with a minimum of ten (10) securities. Additional securities shall be linked to the capital adequacy of the SMM.

**Rule 24.24: Number of SMMs per Security**

The Exchange shall appoint a PMM and up to two (2) SMMs per Security.

**Rule 24.25: Minimum Capital**

Market Marker Type	Minimum Net Liquid Capital
Supplemental Market Maker Only	N320m (N70m + N250m)
Existing Primary Market Maker - Equities	N820m (N70m + N500m + N250m)
Existing Primary Market Maker - Bonds	N820m (N70m + N500m + N250m)
Existing Primary <b>Market</b> Maker – Equities & Bonds	N1,320b (N70m + N500m + N500m + N250m)

The Exchange reserves the right to demand additional capital based on the risk profile of the Market Maker.

**Rule 24.26: Liquidity Provider**

The Exchange shall in conjunction with the Central Bank of Nigeria explore the possibility of the Settlement Banks providing funds to the SMMs and creating corresponding lien on the shares held/traded by the Market Makers.

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**Rule 24.27: Monitoring SMM Activities**

The Exchange shall monitor the activities of SMMs. Any violation of these requirements would be liable for punitive action to be taken by The Exchange.

**Rule 24.28: Risk Management and Technology Requirement**

The SMM shall have risk management tools that have facilities for measuring risks, reporting on trading activities and implementing proper financial controls. The Nigerian Stock Exchange expects the risk management tools/technology to have the following features in addition to others:

- (a) The technology should be able to compute Value-at-Risk (VAR), using any or all of the following methods:
  - (1) Historical Simulation,
  - (2) Monte Carlo simulation – using probability estimates,
  - (3) Mean variance approach.
- (b) Inventory of all borrowed securities, with appropriate administration data to manage borrowings, associated collaterals, corporate actions etc.
- (c) Stress Testing – to look at extreme market conditions.
- (d) The system must be able to mark-to-market at any time.
- (e) Alerts – automatic triggers based on specified risk levels.
- (f) Robust Database with the ability to store current and historical prices.

**Rule 24.29: Trading Technology**

The Nigerian Stock Exchange intends to operate Straight-through-processing (STP) for the End-to-End (E-to-E) transactions. In order to implement STP environment, the Broker-Dealer internal systems will be fully integrated with The Exchange's systems, enabling effective flow of market information that will facilitate and improve the decision making process. The Broker-Dealer internal systems should support the following:

- (a) FIX-enabled Execution Management System,
- (b) Real-time Market data,
- (c) Secure and capable connectivity.

**Rule 24.30: PMMS as SMMs**

An existing PMM cannot be a SMM in a security in which the firm is appointed as PMM.

**Rule 24.31: Marketing Support**

An appointed SMM is expected to support The Exchange and other market participants in promoting the securities in which they make market.

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Fixed Income Market Making

**Rule 24.32: Applicability**

Rules 24.32 through 24.43 are applicable to all registered Fixed Income Market Makers (FIMMs) on the Nigerian Stock Exchange.

**Rule 24.33: Registration**

The Dealing Member firm desirous of acting as a FIMM shall apply to The Exchange in writing. Any Dealing Member of The Exchange would be eligible to act as FIMM provided the criteria laid down by The Exchange are met:

Criteria to qualify as a FIMM on the NSE:

- (a) Must be a licensed Broker-Dealer,
- (b) Must be registered with SEC and CSCS,
- (c) Must meet the minimum net capital requirement,
- (d) Experience, expertise and past performance,
- (e) Operational capability in terms of appropriate staffing, technology and risk management tools,
- (f) Disciplinary history,
- (g) Applicant and its promoters must be in good standing with SEC, NSE, CSCS and AMCON as well as other regulatory bodies.

**Rule 24.34: Eligibility**

The Exchange in collaboration with Market Makers will agree on the listed Bonds that will be considered as liquid and tradable on The Exchange's Automated Trading System.

**Rule 24.35: Obligations and Responsibilities of FIMM**

The FIMM shall fulfill the following conditions to provide depth and continuity on The Exchange's Bond trading platform:

- (a) The FIMM shall be required to provide a two-way quote for ninety per-cent (90%) of the time in a trading day;
- (b) Every quote given by the FIMM must be guaranteed as firm by the Market Maker;
- (c) The Market Maker will be eligible to change quotes if no transaction has been executed at the displayed quote;
- (d) The quote shall be provided in such a way that the quotes are not absent from the screen for more than fifteen (15) minutes at a time;
- (e) Once a Broker-Dealer application for FIMM status is approved, the company has to start providing quotes within ten (10) trading days of registration.

- (f) Once registered as a FIMM, the company has to mandatorily act in that capacity for a minimum of three (3) months.
- (g) The FIMM is required to designate a qualified and experienced Trader with a minimum of three (3) years bond trading within the firm as its Bond securities market maker. The FIMM represents that the designated trader has the necessary skill and expertise to perform such function;
- (h) The FIMM shall provide The Exchange with the names of all designated traders acting as Market Makers, and forthwith advise The Exchange of any changes to such information within twenty-four (24) hours of such a change;
- (i) A FIMM shall be allowed to deregister by giving ninety (90) days' notice to The Exchange in writing of its intention to resign as a FIMM.

**Rule 24.36: Compulsory De-registration**

If a FIMM fails to fulfill its obligations as a Fixed Income Market Maker for more than ten (10) consecutive trading days, it will automatically stand de-registered and may not be permitted to act as a FIMM for a minimum period of three (3) months.

**Rule 24.37: Benefits of FIMMs**

The FIMM shall have the following benefits:

- (a) The right to determine the opening price and closing price of the security where they act as FIMM;
- (b) Opportunity to influence. Market Makers at NSE have an important role when it comes to discussion and feedback on upcoming changes, possible improvements etc. and thereby have a significant opportunity to influence the market structure.

**Rule 24.38: Dissemination of Information and Market Data**

The Exchange shall disseminate:

- (a) a list of all eligible Bond instruments with their performance- price and volume of turnover to the public daily via The Exchange's website and Daily Official List.
- (b) a list of appointed FIMMs to the public via its website.
- (c) pre and post trade market data via vendors, and direct real time feeds. This will include best bid, best ask and last trade information.

**Rule 24.39: Minimum Capital**

The minimum capital requirement of Five Hundred Million Naira (₦500,000,000), unimpaired by losses or commitment to other activities, would apply for FIMMs. The Exchange might demand additional capital based on the risk profile of the FIMM.

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**Rule 24.40: Monitoring Fixed Income Market Maker activities**

The Exchange shall monitor the activities of FIMMs. Any violation of these requirements or rules and regulations of SEC and NSE would be liable for punitive action to be taken by The Exchange.

**Rule 24.41: Risk Management and Technology Requirement**

The FIMM shall have risk management tools that have facilities for measuring risks, reporting trading activities and implementing proper financial controls. The Nigerian Stock Exchange expects the risk management tools/technology to have the following features:

- (a) Computation of Value-at-Risk (VAR),
- (b) Inventory of all borrowed Bond securities (Repo), with appropriate administration data to manage borrowings, associated collaterals, coupon payments etc.,
- (c) Stress Testing – to look at extreme market conditions,
- (d) The system must be able to carry out mark-to-market at any time,
- (e) Alerts – automatic triggers based on specified risk levels,
- (f) Robust Database with the ability to store current and historical prices,
- (g) The FIMM shall also have internal technical capabilities for providing current market updates and information to the market - the NSE and other regulatory authorities. Such information shall include, but not limited to:
  - (1) Daily Inventory Position;
  - (2) Daily Profit and Loss;
  - (3) Daily Mark-to-Market valuation;
  - (4) Trading Activity;
  - (5) Customer Activity; and
  - (6) Credit review of current open trades with counterparties.

**Rule 24.42: Compliance-Inspection Visits**

The NSE shall periodically carry out compliance-Inspection visits to the FIMMs' offices to ensure that FIMMs are complying with its rules.

**Rule 24.43: Trading Technology**

The Nigerian Stock Exchange will operate Straight-Through-Process (STP) for the End-to-End (E2E) transactions. This may require the Broker-Dealer's internal systems to be fully integrated with The Exchange's systems, enabling effective flow of market information that will facilitate and improve the decision making process. The Broker-Dealer's internal systems should support the following:

- (a) FIX-Enabled Execution Management System,
- (b) Real-time Market data,
- (c) Secure and capable connectivity.



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## CHAPTER 9

### SECURITIES LENDING GUIDELINES

#### Section XXV: Securities Lending

#### **Rule 25.1: General Standards**

- (a) The Nigerian Capital market has a reputation for the professionalism of the firms that participate in it and their employees. All participants in the securities lending market have a common interest in maintaining this reputation. They also have a common interest in ensuring that the securities lending market operates in a sound and orderly manner. To achieve these aims it is essential that firms and their staff adopt prudent practices, act at all times with integrity, and observe the highest standards of market conduct.
- (1) Participants should possess requisite skills and act with due care and diligence. Staff should be properly trained in the practices of the securities lending market and be familiar with these guidelines.
  - (2) Participants must accept responsibility for actions of their staff.
  - (3) Market professionals should pay particular attention to ensuring fair treatment for and between clients who are not also market professionals where conflict of interest cannot be avoided.
  - (4) Participants in the securities lending market should at all times treat the names of parties to transactions as confidential to the parties involved.
- (b) In order for the benefits of the securities lending market to accrue generally to market participants, it is essential that securities lending activity does not distort the market either in borrowing/lending or in the securities themselves. Participants in the securities lending market shall not enter into any transactions or holding arrangements designed to limit the availability of a specific security or with the intention of creating a false or distorted market in the underlying securities.

#### **Rule 25.2: Preliminary Issues**

- (a) Where relevant, participants should ensure that they have appropriate prior authority from the beneficial owners of the securities, or from a party suitably authorized by the beneficial owners, for the security to be lent.
- (b) All participants should ensure that there are no legal obstacles to their undertaking securities borrowing and lending transactions and that, where necessary they have all

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relevant permissions from the regulatory authorities. They should become familiar with the rules, procedures and conventions of the market in which they will operate in order to fully comprehend the business and its associated risk. Participants should ensure that they have established and fully understood their tax position in relation to securities lending transactions. Such transactions should be carried out in accordance with the relevant market and tax regulations.

- (c) Participants should ensure that they have adequate systems and controls for the business they intend to undertake. These should include the following items.
- (1) Participants should establish, retain and periodically update their documentation so that it is adequate to cover the types of transactions to be undertaken.
  - (2) The management of a lending agent firm should maintain a list of those authorized to borrow or lend securities on its behalf and should make this list available to its counterparties on request.
  - (3) Parties should have suitable internal controls designed to ensure that any securities lent have been properly authorized before securities are delivered against an obligation to lend.
  - (4) All participants should take steps to ensure that daylight exposure is recognized and properly controlled. Such steps should include controls on the replacement or renewal of collateral.
  - (5) Clear and timely records should be available to the management of any party involved in securities lending / borrowing showing, inter alia, the value of securities borrowed/lent, collateral given/taken and, where appropriate, any fee income received. This information should be available in aggregate and by counterparty to enable accurate monitoring of credit risk.
  - (6) Parties in securities lending/borrowing transactions should monitor their exposure to their counterparties on a daily basis. Appropriate exposure limits should be maintained for all counterparties and should be reviewed on a regular basis. Particular attention should be paid to any loans which have been made on an uncollateralized basis.
- (d) The following procedures which should be undertaken before entering into securities borrowing and lending transactions with a new counterparty.
- (1) Participants should ensure that they have agreed documentation and have assured themselves of its effectiveness, particularly, for example, in respect of non-Nigerian counterparties, and that they have undertaken a thorough credit assessment of the counterparty.

- (2) Parties in a securities lending transaction should disclose to their counterparty the capacity (principal or agent) in which they are acting and should also ensure that they are clear as to the capacity of their counterparty. Where the lender is an agent, the parties should agree appropriate arrangements for the identity of the principals on whom the risk is taken to be established before each deal is finalized at least by means of an agreed identification code.
- (e) Before dealing for the first time with a client who is not a market professional, market professionals should either confirm that the client is already aware of these guidelines and its key contents, or draw them to the client's attention.
- (1) Market professionals should check whether the new client has a copy of these guidelines and if not, either send them a copy or advise them to contact The Nigerian Stock Exchange (NSE) directly for a copy. Market professionals may also wish to consider arrangements for notifying their client of any updates.
  - (2) Such market professionals should inform the new client, if they are new to securities borrowing and lending, that these guidelines recommend that:
    - (A) transactions should be under the Securities Lending Legal Agreement or equivalent;
    - (B) transactions should be marked to market regularly and re-collateralized as appropriate; and
    - (C) collateral should normally be held independently from the counterparty.
- If appropriate, the market professional should remind the client that it is for the client to decide if she/he/it needs independent advice.
- (3) Participants should also inform the client that there could be tax consequences from entering into securities borrowing and lending transactions, in particular with regards to dividends.
  - (4) Where such participants will be borrowing securities from clients, whether as a final borrower or intermediary, they should make it clear to the lender that any voting rights will be transferred along with title to the securities and the client is not, therefore, entitled to exercise any such rights until the securities are redelivered to it. They may also wish to consider explaining the client's entitlements in relation to any benefits on loaned securities.

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**Rule 25.3: Lending Agents**

- (a) Before dealing with a client for the first time, agents should confirm that the client is already aware of these guidelines and its key contents by drawing them to the client's attention. Agents should represent clearly the nature of the arrangements and the capacity in which they are acting. There should be a clear legal agreement, which may form part of the standard fund management or custody agreement, authorizing the agent to lend securities, setting down terms on which the securities may be lent and specifying the collateral that may be taken.
- (b) An agent shall obtain the necessary prior written authority from the beneficial owners of the security or from a party suitably authorized by the beneficial owners, to undertake securities lending.
- (c) Where a lender is acting through an agent, there should be an agreed arrangement between agent and principal for the safeguarding of collateral and the allocation of any earnings on that collateral.
- (d) An agent should inform the beneficial owners that securities lending involves the absolute transfer of title and that securities on loan cannot therefore be voted by the lender unless they are recalled. They may also wish to consider explaining the client's entitlements in relation to any benefits on loaned securities.
- (e) An agent should make regular reports to clients, providing them with full explanations of the securities lending activity carried out on their behalf.
- (f) Where a participant is acting as an agent for more than one principal, a clear system for determining which principal's asset are on loan should be established. There should be a clear system for determining any allocation of collateral between the principal lenders and for determining their entitlements.

**Rule 25.4: Legal Agreement**

- (a) All securities lending transactions should be subject to a written legal agreement between the parties concerned. Standard agreements should be used wherever possible.
- (b) The Global MASTER Securities Lending Agreement has been developed as a market standard for securities lending. The Global Master Securities Lending Agreement is referred to in these guidelines as the "Securities Lending Legal Agreement". The Agreement is available on the website of the International Securities Lending Association (ISLA). As of the date of these guidelines, the current version is available at: [http://www.isla.co.uk/uploadedFiles/Member Area/GMSLA/GMSLA%202010%20Final\(3\).pdf](http://www.isla.co.uk/uploadedFiles/Member Area/GMSLA/GMSLA%202010%20Final(3).pdf)

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- (c) Participants entering into a new securities borrowing and lending relationship should adopt the Securities Lending Legal Agreement or a similar agreement suited to their particular circumstances.
- (d) Participants should undertake their own assessment of the legal effectiveness of their agreement, particularly if they have varied important provisions of the Securities Lending Legal Agreement or if the circumstances in which it is to be used are complex.
- (e) The following items in these guidelines should normally be covered by the legal agreement (but the legal agreement will contain other provisions outside the scope of these guidelines):
- (1) the capacities (principal or agent) in which the parties are acting;
  - (2) where relevant, confirmation that an agent has appropriate prior authority from the beneficial owners or a party suitably authorized by the beneficial owners, for the security to be lent;
  - (3) the absolute transfer of the title to securities and collateral (including any securities transferred through substitution or mark to market adjustment of collateral)
  - (4) daily marking to market of transactions;
  - (5) acceptable forms of collateral and margin percentages (alternatively, these matters may be agreed at the time of the loan and included in the relevant confirmation);
  - (6) arrangements for the delivery of collateral and for the maintenance of margin whenever the mark to market reveals a material change in value;
  - (7) provisions clarifying the rights of the parties regarding substitution of collateral;
  - (8) the treatment of dividend payments and other rights in respect of securities and collateral including, for example, the timing of any payments;
  - (9) arrangements for dealing with corporate actions;
  - (10) procedures for calling securities and arrangement if called securities cannot be delivered;
  - (11) clear specification of the events of default and the consequential rights and obligations of the counterparties;
  - (12) full set-off of claims between the counter parties in the event of default; and
  - (13) the governing law and jurisdiction for the agreement.

**Rule 25.5: Custody**

Custody is an important aspect of securities lending. Taking possession of the securities or collateral or using a third party custodian removes an important potential element of the credit risks involved, i.e., that, while in possession of the securities/collateral, the other party defaults and the ownership of the securities/collateral subsequently cannot be proved because of administrative error or fraud. This rule covers this and other issues relating to custody.

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- (a) Participants must ensure that securities loan transactions are identified as such to their custodian. Participants should also take steps to satisfy themselves that their custodian's segregation arrangements are appropriate to the particular circumstances of their activities.
  - (b) Securities and collateral, including where relevant margin, should be delivered to the account of the counterparty or his agent.
  - (c) Before agreeing to arrangements in which securities/collateral are left with the other party to the transaction, participants should consider the credit standing of the other party very carefully. They also need to assure themselves that the other party has appropriate, independently audited, systems and controls for segregating and monitoring securities/collateral.

**Rule 25.6: Collateral/Margin**

- (a) The loan and the collateral should be marked to market on a daily basis, and more frequently if the need arises.
- (b) The collateral should be delivered to the account of the lender or his agent or a designated third party.
- (c) The agreement should provide for the collateral to be adjusted whenever there is a material change in the value of the currency or securities involved in the transaction and for the original margin to be restored.
- (d) The collateral taken should normally include a margin over the value of the loan which should be specified in the agreement. Alternatively, if this is acceptable to both parties, the margin could be agreed at the time of the loan, when it should be included in the relevant confirmation.
- (e) Securities loans should be made on a collateralized basis against collateral acceptable to the lender, as specified in the agreement or agreed by the parties prior to the loan.

**Rule 25.7: Default and Close-out**

- (a) Once a decision to declare a default has been taken, it is important, in the interests of the participant, the defaulting party, and the market, that the process is carried out carefully. In particular:
  - (1) the non-defaulting party should do everything within its power to ensure that the default market values used in the close-out calculations are, and can be shown to be, fair; and

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- (2) if the non-defaulting party decides to buy or sell securities consequent to the close-out, it should make every effort to do so without unnecessarily disrupting the market.
  - (b) Parties to a transaction should satisfy themselves that the legal agreement will allow their claims to be offset immediately against the claims of their counterparty in the event of default. Participants may also consider whether it is possible to negotiate alternative arrangements to manage their credit exposures. Particular care will need to be taken in the case of agreements involving lending through an agent.
  - (c) Some events, such as insolvency, may be automatic events of default under the legal agreement whilst others may trigger one party's right to declare an event of default against the other. In determining whether to declare a default, senior management of participant faced with this decision should weigh carefully whether the event which triggers the right requires such action, or is a technical problem which can be resolved in other ways.

**Rule 25.8: Confirmations**

- (a) Those active in financial markets are fully aware that confirmation and settlement are crucial aspects of any trading operation.
- (b) Market professionals should ensure that a written or electronic confirmation is issued, whenever possible on the day of the trade.
- (c) Participants should ensure that confirmations received are checked carefully as soon as possible, normally on the day of receipt, and that any queries on their terms are promptly conveyed to the issuer.
- (d) Where material changes such as collateral adjustments or substitutions of collateral occur during the life of the transaction, these should be agreed between the parties and may also be confirmed, should either party wish it. Where appropriate, this may be done via a cross reference to the original loan.

**Rule 25.9: Market Practice**

This provision of the guidelines deals with matters of market practice for securities lending. It is inevitable that market practices will evolve and these guidelines can reflect them only at a particular point in time. There are other practical details which will need to be agreed before transactions are undertaken, usually in negotiating the legal agreement. These matters include:

- (1) acceptable collateral, margin levels and the collateral method to be used;
- (2) collateralization following dividends and other corporate events;
- (3) approach to daylight and settlement exposures, and pre-delivery of collateral;
- (4) business day conventions;

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- (5) notice periods for elections, recalls and substitutions;
  - (6) pricing sources for marking to market and currency conversions;
  - (7) settlement arrangements; and
  - (8) designated offices.
- (a) For the purposes of delivery/redelivery of securities and collateral and various notice periods, the parties should enter into a clear agreement between themselves about the meaning of "business days". Participants may wish to vary the usual business day convention to suit their particular circumstances and this variance would need to be reflected in the legal agreement.
  - (b) Participants will need to reach an understanding about the latest time on a business day at which a notice or call should be issued in order to be treated as having been given on that day. Market practice is that notices and other such documents should be given before the close of the relevant market. It should be noted that this may well be earlier than the end of the business day.
  - (c) The relationship between lender and borrower, and the individual transactions between them, will also be facilitated if there is a clear understanding of each party's attitudes to certain events which may occur during a securities loan. Such matters include:
    - (1) voting on stock that lent or collateral given;
    - (2) elections and other corporate actions on stock lent or collateral given;
    - (3) substitutions of collateral; and
    - (4) intra-day marking to market.
  - (d) Trading: at the point of trade, participants will need to agree:
    - (1) margin percentages and acceptable collateral and
    - (2) the essential economic terms of the transaction, in particular the stock to be loaned, rate and term; and
    - (3) any non-standard features of the particular transaction.
  - (e) Confirmations: the loan confirmation should contain the following information:
    - (1) loaned securities (type, ISIN and quantity)
    - (2) lender (underlying principal unless otherwise agreed);
    - (3) contract date;
    - (4) borrower (as for lender);
    - (5) lender's bank account details;
    - (6) borrower's bank account details;
    - (7) rates applicable to loaned securities;
    - (8) rates applicable to cash collateral;
    - (9) delivery dates;
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- (10) term (termination date for term transactions or terminable on demand);
  - (11) acceptable collateral and margin percentages (if not specified in the legal agreement);
  - (12) borrower's settlement system and account; and
  - (13) lender's settlement system and account.
- (f) Delivery/Re-Delivery
- (1) Parties involved in the securities lending transaction should be aware of the procedures for calling securities; also the rights and obligation of each party should be clearly established.
  - (2) There should be explicit agreement between the parties on the arrangements to be followed if called securities cannot be delivered. The parties should also consider whether arrangements are necessary in order to deal with the possibility of securities or collateral being redelivered too late in the day to enable the recipient to meet an onward delivery obligation.
  - (3) Parties should ensure that they are aware of the procedures to be followed in the event of failed deals in all markets in which securities are lent; the rights and obligations of each party should be clearly established.
  - (4) Any party wishing to recall or return securities on loan should have regard to the possible implications for its counterparties and should therefore notify them as soon as possible. Where a lender intends to recall loaned securities in order to meet part of a sale or delivery obligation, it is good practice, if possible to consider whether the larger sale or delivery obligation can be shaped or partialled so as to avoid any prospect of the whole transaction failing if the borrower cannot redeliver the loaned securities at the designated time.
  - (5) The legal agreement between participants may provide for the transferee to obtain financial redress if the transferor fails to redeliver borrowed securities or collateral at the designated time. It is advisable for participants to consider and agree at the onset of a new relationship how any such provisions will operate in the event of a failure to redeliver. Such amounts will typically include:
    - (A) costs passed back to the transferee because its counterparty has bought-in securities to cover a failed onward delivery;
    - (B) interest and overdraft costs which have arisen from the transferee's need to finance an acquisition from an alternative source; and
    - (C) fines and other penalties suffered by the transferee as a result of its inability to settle onward delivery obligations.

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Other forms of potential costs may or may not be covered by the terms of the legal agreement. Where as a result of the transferor's failure to redeliver securities or collateral, the transferee fails to meet a sale or delivery obligation in respect of a larger onward transaction, the norm is for the transferee to seek to recover only that proportion of the costs suffered which relates to the securities/collateral which the transferor has failed to return.

- (6) Where such a claim is to be made, the transferee should inform the transferor promptly of that fact and should also provide notification as soon as possible of the amount due and the basis on which it has been calculated so that the transaction can be settled on a timely basis. The transferee should provide appropriate evidence to support the calculations as soon as possible thereafter.
- (g) Collateral/Margin/Marking to Market
- (1) The required collateral margin will be negotiated between the parties at a level which reflects both their assessment of the counterparty's credit worthiness and the market risks involved in the transaction.
- (2) The norm is for transactions to be marked to market on the basis of end of day prices in the relevant market. Counterparties' credit exposure will also fluctuate intra-day as market prices move and there may therefore be particular circumstances (such as exceptional price movements) in which further valuations and collateral adjustments will be undertaken on an intra- day basis. Participants will need to agree at the onset whether and in what circumstances, such intra-day adjustments are to be undertaken, and the pricing sources and delivery mechanism to be used.
- (3) The degree of exposure which a counter party will regard as material and which will trigger a call for collateral to be provided or returned will be agreed in advance with the other counterparty. The point at which a net mark to market value becomes "material" is itself a credit judgment. This includes the possibility of the two parties agreeing to daily collateral adjustments, irrespective of the size of the exposure that has arisen.
- (4) Borrowers should exercise reasonable care in determining the time at which a substitution call is to be made, bearing in mind that some lenders (particularly principal traders and brokers) may not be in possession of the collateral. They are, therefore, encouraged to give lenders as much time as possible of a substitution. Where a borrower intends to recall and substitute collateral in order to meet part of a sale or delivery obligation on a larger transaction, it is good practice, if possible, to consider whether the larger sale or delivery obligation can be shaped or partialled so as to avoid any prospect of the whole transaction failing if the lender cannot redeliver the collateral at the designated time.

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- (5) Participants will need to agree at the onset how any dividends and other corporate events on borrowed securities or collateral are to be dealt with in the valuation. It is advisable for participants to consider the credit exposures which may arise as a result of such events. Where their assessment indicates that adjustments to the normal calculation may be needed in order to match their particular risk appetite, they may wish to negotiate such arrangements with their counterparty.
- (h) Dividends, Corporate Actions, etc.
- (1) Securities Lending involves the absolute transfer of title of both the securities lent and the collateral taken and any voting rights are transferred along with title. Securities must, therefore, be recalled by the lender, or collateral substituted by the borrower, if they wish to exercise the voting rights attached to particular securities. It is the interest of both parties to a securities lending relationship to understand each other's attitudes to voting from the outset.
- (2) Lenders need to be aware that, if they lend their entire holding of a particular securities, they may cease to receive information about corporate events in relation to it.
- (3) The arrangements to be followed in the event of a rights issue or other corporate action should be clearly established by all parties before a security loan is made.
- (4) Arrangements should be made to compensate the lender of securities (or giver of collateral) for any dividend or interest payment due while a particular security is on loan (or collateral is held by the lender). These arrangements should make each party's obligations clear including, for example, the timing of any payments.
- (i) Term Trades
- (1) Term trades are used in the securities lending market to describe a wide range of arrangements.
- (2) Participants need to agree whether the term of the loan is fixed or indicative. If the term is fixed, there will be no obligation on the lender to accept early return of the securities or on the borrower to comply with a recall request.
- (3) Where the securities lending involves cash collateral, the parties should establish whether it is the amount of the specific securities which is fixed or the overall value.
- (4) In agreeing to a particular rate, the parties will take into account whether or not the term is fixed and the permissibility of returns and recalls.

- (5) Participants where appropriate will also need to reach agreement on the procedure for adjusting if a security is returned early by the borrower or for compensating the borrower in the event of an early recall by the lender.

**Rule 25.10: Approved Securities Lending Agents**

- (a) Only authorized Securities Lending Agents shall be permitted to lend Securities to Dealing Members. Any Dealing Member that holds itself out as a Securities Lending Agent without the required approvals shall be penalized accordingly.
- (b) A Securities Lending Agent (SLA) shall have the obligation to confirm the availability of securities for lending and where a breach of this obligation results in a naked short sale by a Dealing Member, The Exchange shall in addition to a public censure, fine and/or blacklisting of the SLA, immediately notify the Commission and recommend one or more of the additional penalties listed below:
- (1) Suspension of the SLA's registration by the Commission;
  - (2) Termination of the SLA's registration by the Commission.
  - (3) Additional fines.
- (c) The Commission's Rules shall be binding on all SLAs; and where an SLA violates any of the Commission's Rules, The Exchange shall immediately notify the Commission and recommend one or more of the penalties listed below:
- (1) Suspension of the SLA's registration by the Commission;
  - (2) Termination of the SLA's registration by the Commission.
  - (3) Additional financial penalties.

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## CHAPTER 10

### THE INVESTORS' PROTECTION FUND

#### Section XXVI: Investor Protection Fund

The Board of Trustees of The Nigerian Stock Exchange's Investors' Protection Fund ("The Board") hereby makes the following Rules to govern the operations and effective management of the Investors' Protection Fund, pursuant to the powers conferred on it by the Investments and Securities Act, 2007 ("ISA"):

#### **PART 1: PRELIMINARY**

##### **Rule 26.1: Establishment of the Fund**

At a meeting held on 29 January 2012, the National Council of The Nigerian Stock Exchange ("The Exchange") resolved to take the necessary steps to establish a fund to be known as the Investors' Protection Fund pursuant to the provisions of the ISA.

##### **Rule 26.2: Citation and Commencement**

These Rules shall be cited as "the Investors' Protection Fund Rules, 2013" and shall come into effect following approval of the Rules by the National Council of The Exchange and the Securities and Exchange Commission (the "Commission").

#### **PART 2: MANAGEMENT OF THE FUND**

##### **Rule 26.3: Power of Management**

- (a) The Board shall be responsible for the management of the Investors' Protection Fund established pursuant to the ISA (the "Fund") and shall hold, manage and apply the Fund in accordance with the provisions of these Rules and the provisions of the ISA.
- (b) For the purpose of managing the Fund, the Board may by resolution
  - (1) engage such number of staff as it may deem necessary for the efficient performance of its functions;
  - (2) set up sub-committees to assist in the discharge of its functions, in particular for the purpose of determining the eligibility of an investor to receive compensation and the amount payable; and
  - (3) appoint a management sub-committee of not less than three (3) and not more than five (5) persons.

- (c) The Board may by resolution delegate to any sub-committee appointed under sub-rule (b) above all or any of its powers.
- (d) Any power, authority or discretion so delegated by the Board shall be exercised by members forming a majority of the sub-committee as if that power, authority or discretion had been conferred on a majority of the members of the sub-committee.
- (e) Any such delegation by the Board may at any time in like manner be rescinded or varied.
- (f) The Board may at any time remove any member of a sub-committee appointed by it under this rule and may fill any vacancy in the sub-committee howsoever arising.
- (g) A decision of the sub-committee of the Board shall be of no effect until it is confirmed or ratified by the Board.

**Rule 26.4: Payments into the Fund**

(a) There shall be paid into the Fund the following:

(1) Contributions from Dealing Members firms which shall comprise of:

- (A) A mandatory Initial Payment of the sum of One Million Naira (~~₦~~1,000,000.00) prior to the Dealing Members firm's acquisition of a Dealing Membership licence from The Exchange, provided that the value of this mandatory initial payment may be changed from time to time as determined by the Board, subject to the approval of The Exchange;
- (B) An annual Payment of an amount to be determined by the Board from time to time, subject to the approval of The Exchange;
- (C) A mandatory Annual Premium calculated in accordance with the following formulae:

The following shall be used to calculate the percentage value of each Dealing Members firm's ratio of customers' securities and funds to the Dealing Members firm's assets from the data available from the Dealing Members firm's disclosures, subject to the approval of The Exchange:

*Total customer securities and funds managed by the Dealing Member firm*

X 100

*Dealing Member firm's assets*

Once the ratio of customers' securities and funds to the Dealing Member firm's assets has been calculated as set out above, the table below shall be used to determine the ratio of customers' securities and funds to the Dealing Member firm's assets risk factor associated with the Dealing Member firm and the amount payable for each risk factor range shall be an amount to be determined by the Board from time to time:

<b>Bands</b>	<b>Capital Adequacy Ratio</b>	<b>Risk Factor</b>	<b>Amount Payable</b>
1	> 70%	High	
2	40 – 69%	Medium	
3	< 40%	Low	

- (d) Periodic Payment of an amount as may be determined by the Board from time to time in accordance with Section 208(b) of the ISA to be applied towards making up any deficiency in the event that the Fund falls below the minimum amount approved for the Fund;
- (2) An amount from erring Dealing Member firms equal to a percentage of penalties/fines paid by such Dealing Member firms to The Exchange for contravening capital market Rules, Regulations and Market Practices, such percentage shall be determined by The Exchange from time to time;
  - (3) The interest and profits accruing from the investment of the Fund;
  - (4) All monies paid to the Fund in accordance with the provisions of the ISA;
  - (5) All monies recovered by or on behalf of the Board in the exercise of any right of action conferred by the ISA;
  - (6) All monies paid by an insurer pursuant to any contract of insurance or indemnity entered into by a Dealing Member firm or the Board of Trustee;
  - (7) Any monies whether in form of grants, donations or subventions received from The Exchange or other institutions and persons;
  - (8) Monies received as income from, or the proceeds of sale of any investments; and

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- (9) Monies borrowed by the Board from The Exchange for the purposes of the Fund.
- (10) Payment on transactions by Dealing Member firms of 1bp or ₦100.00 per ₦1 million on both sides, subject to the approval of The Exchange.

Provided that in the appropriate circumstances, the Board may in its sole discretion place a moratorium on any of the sources of fund identified in Rule 26.4(a)(1), (2) and (10).

- (11) All other monies received by the Fund pursuant to the provisions of the ISA for the furtherance of its aims and objectives.
- (b) The Board shall not apply the Funds towards any payment except by the authority of an ordinary resolution of the Board or a written resolution signed by all the members of the Board approving such payment.

**Rule 26.5: Fund to be Kept in Separate Bank Account**

All monies forming a part of the Fund shall be paid or transferred into such custodial account or separate bank account within the Federal Republic of Nigeria as may be determined by the Board from time to time with The Exchange's prior approval pending the investment or application of such monies in accordance with the provisions of the ISA.

**Rule 26.6: Payments out of the Fund**

- (a) There shall from time to time be paid from the Fund
- (1) Monies required by the Board for the payment of compensation to investors, in accordance with these Rules;
  - (2) Monies required for the arrangement, service or repayment of loans obtained by the Board from The Exchange for the purposes of the Fund;
  - (3) Premiums on policies of insurance taken out by the Board for the purposes of the Fund;
  - (4) All expenses incurred by the Board in its administration and management including expenses arising from professional services in establishing the Fund, professional fees and expenses of the auditor to the Fund, expenses of the staff of the Fund, professional fees and expenses of advisers appointed by the Board from time to time to render services to the Board or Fund; and
  - (5) Such other monies as are permissible to be paid may be payable out of the Investor Protection Fund in accordance with the provisions of the ISA.



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(b) Payments of compensation out of the Fund shall be in monetary form only.

**Rule 26.7: Indemnity**

The Board and any of its members, officers or servants shall be indemnified out of the Fund against any liability for anything done or omitted in the discharge of the functions of the Board under these Rules, unless such acts or omissions are in bad faith; and any amount payable by virtue of these Rules are to be treated as management costs for the financial year in which it is paid.

**Rule 26.8: Annual Report**

- (a) The Board shall submit to the Commission and The Exchange an Annual Report on the activities and administration of the Fund, covering each successive financial year, and made within three (3) months of the end of the year reported on provided that the timeline for submission of the Annual Report to the Commission shall not apply to the Fund's first year of operation.
- (b) The Annual Report shall *inter alia* include the following:
- (1) Financial statements prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), the ISA, the Companies and Allied Matters Act, and the Financial Reporting Council of Nigeria Act, , showing the movements in the Fund during the year and a statement of assets and liabilities of the Fund at the end of the year;
  - (2) A statement indicating all payments into the Fund and payments out of the Fund during the year;
  - (3) A statement by the Chairman of the Board highlighting the activities of Fund covering the relevant financial year.
  - (4) A report of the Board's Auditors.
- (c) The Board shall ensure that The Exchange's auditors are not appointed as the auditors of the Fund.
- (d) The Board shall ensure that all Annual Reports of the Fund which have been submitted to the Commission and The Exchange shall be displayed on The Exchange's website or such other website as the Board may decide.

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**Rule 26.9: Quarterly Reports**

The Board shall also make quarterly reports to Exchange, giving details of the exercise of its powers and functions.

**Rule 26.10: Report on Particular Events**

The Board shall notify the Commission and The Exchange in writing of significant events occurring in the process of administering the Fund.

**Rule 26.11: Records**

The Board shall keep records which show and explain the transactions of the Fund and shall:

- (a) disclose the financial position of the Fund at any time and enable the Board to make reports required by these Rules.
- (b) maintain such records for a minimum period of seven (7) years.

**Rule 26.12: Public Enlightenment**

The Board may from time to time disseminate information to the public on the operation of the Fund in such manner as it deems fit.

**PART 3: COMPENSATION OF INVESTORS**

**Rule 26.13: Verification of Claims**

In respect of claims submitted to The Exchange by persons who allege that they have suffered pecuniary losses as provided under Section 212(1) of the ISA, The Board shall make payment based on verified claims in accordance with these Rules and the provisions of the ISA.

**Rule 26.14: Payment of Compensation**

- (a) The Board shall pay compensation where it is satisfied, on the basis of evidence provided by an investor or Dealing Member or which is available to it from other sources, that:
  - (1) the investor has a claim against a Dealing Member;
  - (2) the investor has duly applied for settlement of its claim from the Dealing Member;
  - (3) the Dealing Member is unable to satisfy the claim within a reasonable period;
  - (4) the investor has exhausted The Exchange's internal complaint resolution procedure;

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- (5) the investor has duly applied for compensation from the Fund; and
  - (6) The Exchange has verified the claim.
- (b) An application for compensation may be rejected if:
- (1) the claim arose from an event described in Section 212(1) of the ISA, which occurred before a time as may be decided by the Board from time to time; or
  - (2) it is not promptly made and in any event within the periods stipulated in the ISA; or
  - (3) the investor is responsible for, or has directly or indirectly profited from, events relating to the Firm's business which gave rise to the Member Firm's financial difficulties.
- (c) In determining whether the investor is responsible for, or has directly or indirectly profited from, events relating to the Firm's business which gave rise to the Dealing Member Firm's financial difficulties, the Board shall take into account all prevailing circumstances, including but not limited to the following matters:
- (1) whether there is a decision by a body of competent jurisdiction indicating that the investor is responsible for, or has directly or indirectly profited from events relating to the Dealing Member Firm's business which gave rise to the Dealing Member Firm's financial difficulties;
  - (2) whether the investor has admitted that it is either is responsible for, or has directly or indirectly profited from events relating to the Dealing Member Firm's business which gave rise to the Dealing Member Firm's financial difficulties;
  - (3) whether there is evidence provided by the Dealing Member Firm or which is available to the Board from other sources that the investor is responsible for, or has directly or indirectly profited from events relating to the Dealing Member Firm's business which gave rise to the Dealing Member Firm's financial difficulties; and
  - (4) such other matters similar to the foregoing.

**Rule 26.15: Multiple Claims**

- (a) Where a person claims in a double capacity for himself and as the Personal Representative of a deceased investor, he is to be treated in respect of the representative claim as if he were the deceased investor without prejudice to his own personal claim, with sufficient evidence of supporting documentation to the claim on behalf of the deceased investor, including but not limited to a death certificate, letters of administration, wills, executors authorization e.t.c.

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- (b) Where a person claims for himself and as a trustee, he is to be treated in respect of the latter claim as a different person.
  - (c) Where two or more persons in partnership have a joint beneficial claim, then, the claim is treated as the claim of the partnership, otherwise each of them would be taken to have equal shares in the claim unless the contrary is proved to the satisfaction of the Board.
  - (d) Where an agent has a claim for one or more principals, the principal or principals are to be treated as having the claim, to the exclusion of the agent.

**Rule 26.16: Amount of Compensation**

- (a) The maximum compensation payable to an investor who has suffered a loss shall be an amount that is determined by the Board from a written policy from time to time; and where the loss is less than the maximum amount fixed by the Board at any given time, the investor may be paid the full amount of the loss, less any amount or value of all monies or other benefits received or receivable by him from a source other than the Fund in reduction of the loss.
- (b) An investor is entitled to no more than one claim for compensation where he has numerous claims against the IPF in respect of the same Dealing Member Firm.
- (c) Notwithstanding the above, the amount of compensation may be reviewed by the Board on a biennial basis or as otherwise agreed by the Board as the need arises from time to time. In determining the maximum amount of compensation payable, the Board shall take into account circumstances prevailing in the capital market.

**Rule 26.17: Adjusted Payments**

- (a) Where the Board is satisfied that in principle compensation is payable but considers that immediate payment in full would not be prudent having regard to other applications for compensation, or to any uncertainty as to the amount of the investor's overall net claim, it may determine to pay an appropriate lesser sum in final settlement or to make a payment on account.
- (b) The Board may also determine to make a payment on account or to pay a lesser sum where the investor has any prospect of recovery in respect of the claim from any third party or through an application for compensation to any other person or authority.
- (c) The Board may determine to reduce the compensation which would otherwise be payable to an investor in circumstances where it is satisfied that the investor is partly to blame for the loss which he has suffered.

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**Rule 26.18: Recoveries and Subrogation**

- (a) The Board upon the payment to any investor shall be subrogated to all rights of the investor against the Dealing Member concerned to the extent of such payment; and such subrogation shall include the right on the part of the Board to recover an equivalent amount from the Dealing Member or from the proceeds of the sale of the assets of such Dealing Member.
- (b) Any amount received by the Board by virtue of this Rule shall be paid into the Fund.

**Rule 26.19: Protection for Whistle-blowers**

The Board shall establish and maintain a system to receive disclosures in respect of contraventions as provided in the ISA and act on them, where appropriate.

**Rule 26.20: Code of Conduct**

The Code of Conduct for the members of the Board shall be deemed to be incorporated into and made a part of these Rules.

**Rule 26.21: Investment Policy**

The Investment Policy of the Fund shall be determined by the Board from time to time, subject to the approval of The Exchange.

# **PART II**

# **ISSUERS' RULES**

## LISTING REQUIREMENTS

### Section A - PREAMBLE

1. Companies wishing to be admitted to the official list of THE NIGERIAN STOCK EXCHANGE must, in addition to complying with The Exchange's Rules Governing Listing, comply with the relevant provisions of the Companies and Allied Matters Act, Cap. C20, LFN 2004, the Investments and Securities Act, 2007, Rules and Regulations made thereunder and other relevant statutory requirements.
2. The detailed listings requirements of The Nigerian Stock Exchange are contained in the Nigerian Stock Exchange Listings Requirements.
3. Listing of Securities on The Exchange shall be effected through the following means:
  - a) **Offer for subscription**  
An invitation by or on behalf of a company or other authority to the public, for subscription of securities at a fixed price;
  - b) **Offer for sale**  
An offer to the public by or on behalf of a shareholder, the proceeds which will go to the vendor(s);
  - c) **Placing**  
Sale by a broker to his clients, of securities, which have previously been purchased or subscribed for;
  - d) **Rights offer/issue**  
A privilege offer/issue to existing shareholders to acquire proportionately additional shares in the company usually at a special price;
  - e) **Capitalization Issue**  
A bonus/scrip issue to existing shareholders;
  - f) **Tender**  
An offer of specific quantity of shares and stock to the public by or on behalf of a company or other authority or a third party for bidding;
  - g) **Introduction**  
The Listing of securities already widely held;

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- h) **Conversion**  
An exchange for or conversion of securities into other classes of securities;
  - i) **Options**  
An offer to buy or sell some shares at an agreed price and time;
  - j) Any other method Council may prescribe.

### Section B - DEFINITIONS

The following terms used in these "Rules Governing Listing on The Nigerian Stock Exchange" shall have the following meanings unless the context otherwise requires:

- "An Associated Company" is an investee company that is not a subsidiary and in respect of which:
- a) The investor's interest in the voting power of the investee is substantial, and
  - b) The investor has the power to exercise significant influence over the financial and operating policies of the investee, and
  - c) The investor intends to retain its interest as a long-term investment.
- "Capital" includes shares and loan capital.
- "Commission" means the Securities and Exchange Commission.
- "Committee" means the Quotations Committee of Council.
- "Company" means a public company as defined by the Companies and Allied Matters Act, Cap. C20, LFN 2004 and includes Corporations.
- "Council" means the Council of The Exchange and/or any Committee set up by Council.
- "Dealing Member" means a member of The Exchange that is licensed to deal in securities on any of the trading floors of The Exchange.
- "Free Float" means the number of shares outstanding and available to be traded on a securities exchange.
- "Inside Information" means information related to an Issuer or the Issuer's securities, directly or indirectly, which is not published and the disclosure of



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which may have a substantial effect on the price of its listed or traded securities or derivative instruments connected to those securities. The information is of a precise nature which is specific to the Issuer and is likely to have a significant effect on the price of the shares if it were generally available.

“Insider”

means an individual:

- a: who is connected with the company during the preceding six months in one of the following capacities:
  - i. a director of the company or a related company
  - ii. an officer of the company or a related company
  - iii. an employee of the company or a related company
  - iv. a person involved in a professional or business relationship with the company as above
  - v. a shareholder who owns five per-cent (5%) or more of any class of securities or any person who can be deemed to be an agent of any of the above listed persons; and
  - vi. members of the audit committee.
  
- b. who by virtue of having been connected with the company as mentioned in paragraph “a” has obtained unpublished price sensitive information in relation to the securities of the company.

“Issuer”

means any entity, any class of whose securities has been admitted into listing by the Nigerian Stock Exchange.

“Listing”

means admission of securities to the Official List.

“Material Circumstances”

means events or developments which bring about any circumstance in which an insider becomes aware of material price sensitive information.

“Material Information”

means information that is not generally available to the market; and if it were generally available to the market, it would have a material effect on the market price or value of the Issuer’s listed securities. Material information consists of both material facts and material changes relating to the business and affairs of an Issuer.

“Persons closely connected”

include an individual’s spouse, relative or the spouse of a relative and other close dependants.

- “Principal Officer” includes Directors, Company Secretary, Internal Auditor and other persons such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer.
- “Prospectus” includes circular, advertisement, explanatory memorandum, scheme of arrangement, rights offer document, or other equivalent document, published or circulated, relating to the Securities for which listing is sought.
- “Public” means persons other than the directors and employees of a company.
- “Securities” include shares, stock units of a unit trust, debentures and bonds.
- “Shares” include ordinary and preference shares and units of a unit trust.
- “The Exchange” means The Nigerian Stock Exchange or NSE.
- “Trust Deed” includes supplemental trust deed.
- “Underwriting” the act of agreeing to buy all or part of a new issue of securities to be offered for public sale with a view to resale and not as a form of investment. There are two basic types of underwriting:
- a) “Standby underwriting” is where the underwriter is legally bound to take and pay up to the underwritten percentage only if the issue is not fully subscribed.
  - b) “Firm underwriting” is where the issuer sells the entire issue to the underwriters, who then attempt to resell it, the issuer receives the agreed upon amount and all the risks associated with selling the issue are transferred to the underwriters.
- “Unit Trust” means any vehicle or arrangement made for the purpose of providing investors facilities for participation as beneficiaries under a trust in profits and income arising from the acquisition, holding management or disposal of securities.

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### Section C – REQUIREMENTS FOR ALL LISTINGS

- a) Application for Listing will only be entertained if sponsored by a Dealing Member of The Exchange.
- b) The company must be a public company, which will issue or has issued an invitation to the public to subscribe for its shares or has satisfied Council that the public is sufficiently interested in the company's shares to warrant Listing.
- c) All securities for which listing is sought shall first be registered with the Securities and Exchange Commission.
- d) All application and documents to be considered or approved by Council should always be submitted to The Exchange at the earliest possible date. The final prospectus for approval must be forwarded to The Exchange at least seven (7) business days before the date for the completion board meeting.
- e) Before the grant of Listing, all applicant companies shall sign a General Undertaking that they will provide promptly certain information about their operations and that they will follow certain administrative procedures.
- f) Where it is desired to increase the authorized share capital, the directors shall state, in the explanatory circular or other documents accompanying the notice of meeting, whether or not they presently have any intention of issuing all or any part thereof.
- g) A company which applies for Listing shall comply with the minimum public float requirement prescribed by the Listing standard criteria chosen by the Issuer.
- h) Subscriptions list must remain open for a maximum period of twenty-eight (28) business days.
- i) A maximum of ten per-cent (10%) of an offering will be allowed to staff of a company (or its subsidiaries or associated companies) on special application forms. Such offerings may be placed in Trust for the employees.  
  
Where a proportion of the shares in a placement or public offer is reserved for employees, the company shall provide The Exchange along with the General Undertaking a list of members of staff who have been allotted shares, the number of such shares, the capacity in which they work for the company and the number of years of service with the company.
- j) All companies admitted to Listing on The Exchange shall pay a listing fee as laid down in Appendix IV. These fees are subject to review from time to time.
- k) All clauses in the company's Memorandum & Articles of Association that restrict the transfer of fully paid-up shares must be expunged.

- l) All Listed companies shall advertise the Notice of their annual general meetings in at least two widely read newspapers at least twenty-one (21) days before the annual general meeting. Such advertisement must be conspicuously placed to cover a reasonable portion of a page.
- m) The subscription monies pending allotment and return of funds to subscribers shall be deposited in a designated bank account appointed by the Issuing House and the company. All accrued interests in respect of cleared allotments shall be paid to the company to offset part of the cost of the Issue.
- n) Returned monies arising from an unsuccessful application or termination of an offer/issue shall attract interest at the rate determined by the Commission.
- o) These general requirements are not exhaustive and Council may add thereto or subtract therefrom as considered necessary subject to the approval of the Securities and Exchange Commission.

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## PART A – LISTING PROCESS

### Part A1 – Main Board

## CHAPTER 1

### NEW LISTING OF SECURITIES

*(In Respect of Companies whose Securities are not Listed on The Exchange)*

#### Rule 1.1: Qualification for Listing on the Main Board

To qualify for Listing on the Main Board of The Exchange an Issuer shall meet the Initial Listing Standard set forth in either (a) (b) or (c) below and shall submit an Application, in the form set out in Appendix II.

(a) Initial Listing Standard A

The Issuer shall:

- i. Be registered as a public limited company with no restrictions on the transfer of fully paid shares;
- ii. Have a minimum of three (3) years' operating track record;
- iii. Have a pre-tax profit from continuing operation of not less than ~~₦~~300million cumulatively for the last three (3) fiscal years and a minimum of ~~₦~~100 million in two (2) of these years;
- iv. Have financial statements which shall be compliant with the applicable SEC rules and covering the last three (3) fiscal years, provided that the most recent statement at the time of submission of the application is not more than nine (9) months old;
- v. Ensure that a minimum of twenty per-cent (20%) of the issued share capital is made available to the public and held by not less than three hundred (300) shareholders;
- vi. Have shareholders' equity of not less than ~~₦~~3billion;
- vii. Ensure that if the listing is in connection with an Initial Public Offering (IPO) the promoters and directors will hold a minimum of fifty per-cent (50%) of their shares in the company for a minimum period of twelve (12) months

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from the date of listing and will not directly or indirectly sell or offer to sell such securities during that period;

- viii. Ensure that the securities are fully paid-up at the time of allotment or registration in compliance with the applicable SEC rules; and
- ix. Undertake to promptly pay annual listing fees based on market capitalization.

OR

(b) Initial Listing Standard B

The Issuer shall:

- i. Be registered as a public limited company with no restrictions on the transfer of fully paid shares;
- ii. Have a minimum of three (3) years' operating track record; and where the Issuer does not have three (3) years' operating track record the Issuer shall provide evidence of a core investor who has a minimum of three years' (3) operating track record;
- iii. Have a pre-tax profit from continuing operation of not less than N600million cumulatively for the last one (1) or two (2) fiscal years;
- iv. Have financial statements which shall be compliant with the applicable SEC rules and covering the last three (3) fiscal years provided that the most recent statement at the time of submission of the application is not more than nine (9) months old and where the Issuer does not have financial statements for the last three (3) years the Issuer shall provide evidence of a strong technical partner who has a minimum of three (3) years' operating track record with substantial equity and involvement in management and the financial statements for the last three (3) years of the technical partner;
- v. Ensure that a minimum of twenty per-cent (20%) of the issued share capital is made available to the public and held by not less than three hundred (300) shareholders;
- vi. Have shareholders' equity of not less than ~~N~~3billion;
- vii. Ensure that if the listing is in connection with an Initial Public Offering (IPO) the promoters and directors will hold a minimum of fifty per-cent (50%) of their shares in the company for a minimum period of twelve (12) months

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from the date of listing and will not directly or indirectly sell or offer to sell such securities during that period;

- viii. Ensure that the securities are fully paid-up at the time of allotment or registration in compliance with the applicable SEC rules; and
- ix. Undertake to promptly pay annual listing fees based on market capitalization.

OR

(c) Initial Listings Standard C.

The Issuer shall:

- i. Be registered as a public limited company with no restrictions on the transfer of fully paid shares;
- ii. Have a minimum of three (3) years' operating track record; and where the Issuer does not have three (3) years' operating track record the Issuer shall provide evidence of a core investor who has a minimum of three (3) years' operating track record;
- iii. Have financial statements which shall be compliant with the applicable SEC rules and covering the last three (3) fiscal years provided that the most recent statement at the time of submission of the application is not more than nine (9) months old and where the Issuer does not have financial statements for the last three (3) years the Issuer shall provide evidence of a strong technical partner who has a minimum of three (3) years' operating track record with substantial equity and involvement in management and the financial statements for the last three (3) years of the technical partner;
- iv. Ensure that a minimum of twenty per-cent (20%) of the issued share capital is made available to the public and held by not less than three hundred (300) shareholders;
- v. Have a market capitalization of not less than ₦4 billion at the time of the listing, calculated using the listing price and shareholders' equity;
- vi. Ensure that if the listing is in connection with an Initial Public Offering (IPO) the promoters and directors will hold a minimum of fifty per-cent (50%) of their shares in the company for a period of twelve (12) months from the date of listing and will not directly or indirectly sell or offer to sell such securities during that period;

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- vii. Ensure that the securities are fully paid-up at the time of allotment or registration in compliance with the applicable SEC rules; and
  - viii. Undertake to promptly pay annual listing fees based on market capitalization.

NOTE: 1. The Exchange reviews its listing requirements on an ongoing basis to ensure conformity with international best practice.

- (d) Notwithstanding the foregoing,
- (1) The Exchange retains the right to grant a listing to an applicant that does not meet all its requirements or refuse a listing to an applicant that does comply with its listings requirements, on the grounds that, in The Exchange's opinion, the grant or refusal of the listing is in the interests of the investing public.
  - (2) Mineral Companies" (i.e. Mining, Oil & Gas) are exempt from three (3) year track record requirement. Company is required to produce a Competent Persons Report (CPR) describing nature and extent of the company's rights of exploration, geographical characteristics of reserves, estimates of volume (must be in proven commercial quantities), expected extraction volume together with assumptions on forecast revenues and operating costs.
  - (3) The Council of The Nigerian Stock Exchange may grant a deferral or exemption from meeting the minimum public float requirement to large cap companies with market capitalization at IPO in excess of N500 billion.
  - (4) The Exchange encourages all companies seeking listing to comply with the SEC's Code of Corporate Governance for Public Companies in Nigeria to the extent reasonable to enhance corporate discipline, transparency and accountability within the tenets of its operations.

**Rule 1.2: Documents to be Lodged before the Completion Board Meeting**

The following documents shall be lodged before the completion board meeting:

- a) A letter of indemnity by the issuer dated and signed by a director and the company secretary.



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- b) A copy of the approved prospectus.
  - c) A copy of the approval letter from the Commission.
  - d) Printers' proofs of the advertisement and posters.

**Rule 1.3: Documents to be Lodged after the Completion Board Meeting**

Within forty-eight (48) hours after the completion board meeting, the applicant shall lodge with The Exchange one copy each of the prospectus, poster and advertisement, which shall be:

- (i) Dated and signed by every person who is named in the prospectus as a director or proposed director of the company or by his agent authorized in writing;
- (ii) Where an agent signs the documents referred to above, a certified copy of the authorization for such signature shall be submitted along with the documents.

**Rule 1.4: Documents to be Lodged Prior to the Issue's Admission to the Official List**

Prior to the issue being admitted to the official list, the following documents shall be lodged with The Exchange:

- i. A written undertaking accepting to comply with the post-listing requirements of The Exchange in the form set out in Appendix III to these rules.
- ii. A statement of compliance in the form suggested in Appendix XIV.
- iii. A copy of the newspaper cuttings advertising the basis of allotment.

**Rule 1.5: Issuance of Shares Pursuant to Employees' Share schemes**

Where an applicant desires to issue shares pursuant to Employees' Share schemes:

- a) The scheme must be approved by the company in a general meeting
- b) Documents to be forwarded to The Exchange must contain the following information:
  - (i) The persons to whom securities may be issued or sold under the scheme, ("participants);
  - (ii) The total amount of the shares subject to the scheme which must be a stated figure. (The circular must state the percentage of the issued share capital represented);
  - (iii) A maximum entitlement for any one participant;

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- (iv) The amount, if any, payable on application or acceptance and the basis for determining the subscription or sale or option price, the period in or after which payment or calls or loans to provide the same may be paid or called,
  - (v) The voting, dividend, transfer and other rights including those arising on a liquidation of the company, attaching to the securities;
  - (vi) Two (2) copies of the annual financial statements consisting of the most recent ones and those covering the financial period prescribed by the Listing Standard criteria.
  - (vii) A copy of the trust deed constituting the scheme.
  - (viii) The basis of appointment of trustees to the scheme.
- c) The scheme shall provide or the circular to shareholders shall state that the provisions relating to the matters listed in sub-rule (b) above cannot be altered to the advantage of participants without shareholders' prior approval.

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## CHAPTER 2

### SUBSEQUENT LISTING OF SECURITIES

*(In Respect of Companies whose Securities are Already Listed on The Exchange)*

#### **Rule 2.1: Application**

Application, in the form set out in Appendix II, can only be made in respect of a security which has a minimum market as may be determined by The Exchange from time to time, or twenty per-cent (20%) of the authorized share capital.

If a placing is intended, the application must be accompanied or preceded by a request to use such method, and be supported by such other information as The Exchange may from time to time require, including necessary approvals by shareholders at general meeting and the Securities and Exchange Commission.

#### **Rule 2.2: Required Documents**

The following documents shall be lodged at least fourteen (14) days prior to the hearing of the application by the Committee:

- a) A formal application in the form issued by The Exchange (see Appendix II) signed by the sponsoring Dealing Member of The Exchange and accompanied by a non-refundable application processing fee and appropriate listing charges.
- b) One copy of the approved prospectus.
- c) A certified copy of:
  - (i) The resolution(s) of the Board authorizing the issue of all securities for which listing is sought and subsequently allotting same;
  - (ii) The resolution(s) of the Board approving and authorizing the issue of the prospectus and
  - (iii) The resolution(s) of the company in general meeting (if any) authorizing the issue of all securities for which listing is sought.
- d) A certified copy of every letter, report, balance sheet, valuation, vending agreement and other contracts or other document any part of which is extracted or referred to in the prospectus.
- e) A certified copy of the written consent by any expert, affirming permission to included in the Prospectus:

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- (i) A statement purporting to be a copy of or extract from or summary of or reference to a report or valuation or other statement by such expert;
    - (ii) Any recommendation by such expert in relation to acceptance or rejection of an offer or proposal.
  - f) A letter from the issuing house, or in the absence of an issuing house from the underwriters one of whom must be a sponsoring Dealing Member of The Exchange, stating that they have satisfied themselves that the statement in the prospectus as to the sufficiency of working capital has been made by the directors after due and careful enquiry. Such letter shall be required to state that there is written confirmation from persons or institutions on whom reliance is placed for the provision of finance, that such facilities exist.
  - g) A certified copy of the Underwriting Agreement.
  - h) In the case of a Loan Issue, a copy of the Trust Deed or other document securing or constituting the loan capital.
  - i) The following documents shall be submitted for initial approval:
    - i) Two (2) copies of the prospectus.
    - ii) Two (2) copies of the allotment letter, letters of right, scrip or other temporary document of title proposed to be issued.
    - iii) Two (2) copies of the definitive certificate or other definitive document of title proposed to be issued.
    - iv) Two (2) copies of the Memorandum and Articles of Association or other corresponding document unless previously supplied, together with two copies of all special or other resolutions increasing the share capital or capitalizing reserves.
    - v) In the case of loan capital, two copies of the Trust Deed or document securing or constituting the loan capital.
  - j) The prospectus must comply with the relevant provision of the Investments and Securities Act, 2007, where applicable, and with the requirements of Chapter 3 of these Listing Requirements.
  - k) Where it is desired to advertise abridged particulars of a preliminary announcement of a public offer in the Press, applicants must submit two copies of the drafts (which must not contain any information not included in the prospectus) for approval before its insertion in the Press.
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- l) Where, following compliance with Rule 8(d) any amendment is made to any document referred to therein, a like number of the amended copies shall be submitted to The Exchange for approval.

**Rule 2.3: Documents to be Lodged before the Completion Board Meeting**

The following documents shall be lodged before the completion board meeting:

- a) A letter of indemnity by the issuer dated and signed by a director and the company secretary.
- b) A copy of the approved prospectus.
- c) A copy of the approval letter from the Commission.
- d) Printers' proofs of the advertisement and posters.

**Rule 2.4: Documents to be Lodged after the Completion Board Meeting**

Within forty-eight (48) hours of the completion board meeting, the applicant shall lodge with The Exchange one copy each of the prospectus, poster and advertisement, which shall be:

- (i) Dated and signed by every person who is named in the prospectus as a director or proposed director of the company or by his agent authorized through Power of Attorney;
- (ii) Where an agent signs the documents referred to in Rule 10 (a) above, a certified copy of the authorization for such signature shall be submitted along with the documents.

**Rule 2.5: Documents to be Lodged Prior to the Listing of any Supplementary Offer**

Prior to the listing of any supplementary offer, the following documents shall be lodged with The Nigerian Stock Exchange:

- a) A written undertaking accepting to comply with the post-listing requirements of The Exchange in the form set out in Appendix III of these rules;
- b) A statement of compliance in the form suggested in Appendix XIV.
- c) A copy of the newspaper cuttings advertising the basis of allotment.

**Rule 2.6: Suspension of Dealing in Shares**

Subject to the provisions of this rule, if the directors issue and/or offer to issue any shares in the original or any increase capital of the company, in exchange for cash or for consideration other than cash, dealings in all the shares of the company on The Exchange shall be suspended for such period as may be determined by the Council.

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**Rule 2.7: Issuance of Shares Pursuant to Employees' Share schemes**

Where it is desired to issue shares pursuant to Employees' Share schemes:

- a) The scheme must be approved by the company in a general meeting.
- b) Documents to be forwarded to The Exchange must contain the following information:
  - (i) The persons to whom securities may be issued or sold under the scheme ("participants");
  - (ii) The total amount of the securities subject to the scheme which must be a stated figure (The circular must state the percentage of the issued share capital represented by the shares in the scheme);
  - (iii) A maximum entitlement for any one participant;
  - (iv) The amount, if any, payable on application or acceptance and the basis for determining the subscription or sale or option price, the period in or after which payment or calls or loans to provide the same may be paid or called;
  - (v) The voting, dividend, transfer and other rights including those arising on a liquidation of the company, attaching to the securities.
- c) The scheme shall provide or the circular to shareholders shall state that the provisions relating to the matters listed in sub-rule (a) cannot be altered to the advantage of participants without shareholders' prior approval.

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## CHAPTER 3

### CONTENTS OF PROSPECTUS FOR NEW LISTINGS

*(In Respect of whose Securities are not Listed on The Exchange)*

#### **Rule 3.1: Contents of Prospectus for New Listings**

- (a) Where listing is sought for securities of a company no part of whose capital is listed on The Exchange, the contents of the prospectus must include:
1. The full name of the company.
  2. A statement that an application has been made under Section 53 of the Investments and Securities Act, 2007 to Council for the securities to be admitted to the Official List.
  3. In the case of a prospectus advertised in the Press and accompanied by a form of application:
    - (i) The full names, address and description of every director and if required by Council particulars of:
      - a) Any former fore names and surnames;
      - b) Nationality if not Nigerian and;
      - c) Nationality of origin if present nationality is not the nationality of origin.
    - (ii) The full names and professional qualification of the company Secretary and situation of the registered office and transfer office (if different).
    - (iii) The names and addresses of all parties to the issue (bankers, issuing houses auditors, reporting accountants, stockbrokers, solicitors, registrars, trustees etc.).
  4. In case of an increase in the authorized capital where any of the voting capital (unclassified share being counted as voting capital) will remain un-issued, a statement that no issue will be made which would effectively alter the control of the company without prior approval of the shareholders in general meeting.
  5. The authorised, issued and un-issued share capital together with the amount paid-up and description and nominal value of the shares.

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6.
    - (i) The authorised loan capital of the company and any of its subsidiaries, the amount issued and outstanding or agreed to be issued, or, if no loan capital is outstanding, a statement to that effect.
    - (ii) Particulars of any bank overdrafts, guarantees and similar commitments of the company and any of its subsidiaries, if there are no such commitments, a statement to that effect.
  7. If the application is in respect of shares:
    - (i) The voting rights of shareholders,
    - (ii) If there is more than one class of shares, the rights of each class of shares as regards voting, dividend, capital, redemption and the creation or issue of further shares ranking in priority to or *pari-passu* with each class other than ordinary shares.
  8. The provisions or a sufficient summary of the provisions of the Articles of Association, Bye-laws or other corresponding documents with regard to:
    - (i) Any power enabling the directors, in the absence of an independent quorum, to vote remuneration (including pension or other benefits) to themselves or any member of their body;
    - (ii) The borrowing powers exercisable by the directors and how such borrowing powers can be varied;
    - (iii) Retirement or non-retirement of directors under an age limit;
    - (iv) Issue of new and unissued shares;
    - (v) Any restriction on the transfer of fully paid shares.
  9. Where listing is sought for loan capital, the date of the board resolution creating it, the rights conferred upon the holders thereof, and short particulars of the security (if any) therefore.
  10. The date of incorporation and the authority under which the company was incorporated.
  11. A statement of:
    - (i) The history of changes in the share capital within the two (2) years preceding the publication of the prospectus, and
    - (ii) The names of the holders of any substantial or controlling beneficial interest in the capital of the company and the amount of their holdings. For the purpose
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of this sub-rule “substantial or controlling beneficial interest in the capital of the company” means five per-cent (5%) holdings and above.

12. (i) The general nature of the business of the company or group, information as to the relative importance of each activity, in cases where the company carries on two or more activities which are material having regard to profits or losses, assets employed or any other factor.
- (ii) The situation, area and tenure (including in the case of leaseholds, the rent and the expiry date) of the company’s principal landed properties distinguishing between various types of use e.g. factories, offices, residential, warehouses, plantations etc.
13. Particulars of any mortgages, charges, hire purchase commitments or guarantees or other material contingent liabilities of the company and any of its subsidiaries or if there are no such liabilities a statement to that effect:
  - (i) A statement as to the financial and trading prospect of the company or group, together with any material information which, may be relevant thereto, including all special trade factors or risks (if any) which are not mentioned elsewhere in the prospectus and which are unlikely to be known or anticipated by the general public which could materially affect the profits and details of any waiver of future dividends;
  - (ii) Where listing is sought for fixed income securities, particulars of the profits cover for dividend/interest and of the net tangible assets.
14. A statement by the directors that in their opinion the working capital available is sufficient, or if not, how it is proposed to provide the additional working capital thought by the directors to be necessary.
15. If after the latest date to which the accounts of the company have been made up and audited, the company or any of its subsidiaries has acquired or agreed to acquire or is proposing to acquire a business or other assets or shares in a company which will by reason of such acquisition become a subsidiary of the company or any of its subsidiaries, a report made by qualified independent Accountants (not being the auditors of the company) who shall be named in the prospectus shall contain the following:
  - a) With respect to the profits or losses of the business or to the profits or losses attributable to the interest acquired or being acquired in respect of each of the three completed years immediately preceding the publication of the

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- prospectus or in respect of each of the years since the commencement of the business or the incorporation of such subsidiary company if this occurred less than three (3) years prior to such publication and if in respect of a period ending on a date earlier than three (3) months before such publication, no accounts have been made up, a statement that no accounts have been made-up since that date, provided that where any such subsidiary is itself a holding company shall be extended to the profits or losses of the company and its subsidiary companies which shall be ascertained in the manner laid down in Appendix V.
- b) With respect to the assets and liabilities of the business or of the subsidiary and where such subsidiary is a holding company, the report shall be extended to the assets and liabilities of that company and to its subsidiary companies in the manner laid down in Appendix V.
  - c)
    - i) With respect to any other matters, which appear to the Accountants to be relevant, having regard to the purpose of the report.
    - ii) In making such report, the accountants may make adjustments as are in their opinion appropriate for the purpose of the prospectus.
16. The prospectus shall also contain a statement in respect of cases that are the reverse of those referred to in sub-rule 15 above.
17. A statement of the persons holding five per-cent (5%) and above of the share capital of the company and the amounts of the holdings in question together with particulars of the interests of each director (and also, so far as he is aware of or can by reasonable enquiry ascertain the same, of his family interests in the share capital of the company and otherwise than through the company any of its subsidiaries, distinguishing between beneficial and other interests). The expression "family interest" in relation to a director includes spouse, children under twenty-one (21) years of age, trusts in which the director or spouse is a settlor or trustee and in which the director or spouse or any of such children are beneficiaries or discretionary objects and companies known to him to be controlled by him and/or spouse and/or such children and/or the trustees of any such trusts as aforesaid in their capacity as such trustees. (The Council may dispense with this statement in the case of a prospectus where there is no invitation to subscribe capital). Subject to the necessity to distinguish between beneficial and other interests, between the company and each subsidiary and between each class of capital, each director's interests may be aggregated with those of his family interests.
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18. Particulars of any capital of the company or of any of its subsidiaries which has since the date to which the last published audited accounts of the company were made up, been issued or is proposed to be issued or partly paid up otherwise than in cash and the consideration for which the same has been issued or is proposed to be issued.
19. Particulars of any capital of the company or of any of its subsidiaries which has since the date to which the last published audited accounts of the company were made up, been issued or is proposed to be issued for cash, the price and terms upon which the same has been or is to be issued and (if not already fully paid) the dates when any installments are payable with the amounts of all calls or installments in arrears.
20. Particulars of any capital of the company or of any of its subsidiaries which is under option, or agreed conditionally or unconditionally to be put under option with the price and duration of the option and consideration for which the option was or will be granted and the name and address of the grantee. Provided that where an option has been granted or agreed to be granted to all the members or debenture holders or to any class thereof, it shall be sufficient, so far as the names are concerned, to record that fact without giving the names and address of the grantees.
21. The cost or estimated cost of the issue and the application for listing and by whom the same are payable.
22. Particulars of any commissions, discounts, brokerage or other special terms granted since the date to which the last published audited accounts of the company were made up in connection with the issue or sale of any capital of the company or of any of its subsidiaries. Details of all contracts of services (unless expiring or determinable by the employing company without payment of compensation, within one year) of any director of the company or any of its subsidiaries; and where applicable, a statement to the effect that:
  - (i) There are no such contracts
  - (ii) All such contracts are available for inspection in like manner as required under sub-rule 26 and none of such contracts was entered into or varied after the date of the notice convening the last annual general meeting.
23. Full particulars of the nature and extent of the interest direct or indirect, if any, of every director in any assets which since the date to which the last published audited accounts of the company were made up, have been acquired, disposed of or leased to the company or any of its subsidiaries including:
  - a) The consideration passing to or from the company or any of its subsidiaries; and

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- b) Brief particulars of all transactions relating to any such assets which have taken place since such date.
- 24. Where relevant, in the absence of a statement that capital transfer tax indemnities have been given, a statement that the directors have been advised that no material liability for capital transfer tax would be likely to fall upon the company or any subsidiaries.
  - 25. Where the prospectus includes a statement purporting to be made by an expert, a statement that the expert has given and has not withdrawn his written consent to the issue of the prospectus with the statement included in the form and context in which it is included.
  - 26. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into within two (2) years immediately preceding the publication of the prospectus together with a description of the general nature of such contracts, and particulars of any consideration passing to or from the company.
  - 27. A place in Nigeria and reasonable time (not less than fourteen (14) days) during which the following documents (or copies thereof) where applicable may be inspected:
    - a) The Memorandum and Articles of Association;
    - b) Trust Deed;
    - c) Each contract disclosed pursuant to sub-rules 21, 22 and 25 or in the case of a contract not reduced into writing, a memorandum giving full particulars thereof;
    - d) All reports, letters or other documents, balance sheets, valuations and statements by any expert, any part of which is extracted or referred to in the prospectus;
    - e) A written statement signed by the auditors or reporting accountants setting out the adjustments made by them in arriving at the figures shown in their reports and giving reasons therefor; and
    - f) The audited accounts of the company and its subsidiaries for each of the three (3) financial years (if that old) immediately preceding the publication of the prospectus together with all notes, certificates or information required by the Companies and Allied Matters Act, Cap. C20, LFN 2004.
  - 28. The Council shall not grant an initial listing where the last audited accounts of a company is more than nine (9) months old.
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- (b) In cases where it is contented that contracts cannot be offered for inspection without disclosing to trade competitors important information, the disclosure of which might be detrimental to the company's interests, application may be made to Council to dispense with the offering of such documents for public inspection. However, such documents must be made available to The Exchange.
  - (c) The Exchange reserves the right to call for any further or additional information.

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## CHAPTER 4

### CONTENTS OF PROSPECTUS FOR COMPANIES PART OF WHOSE CAPITAL IS ALREADY LISTED ON THE EXCHANGE

**Rule 4.1: Contents of Prospectus for Companies Part of Whose Capital is Already Listed on The Exchange**

- (a) Where listing is sought for securities of a company some part of whose capital is already listed on The Exchange the contents of the prospectus shall include:
1. The full name of the company;
  2. Statement that application has been made under Section 53 of the Investments and Securities Act, 2007 to Council to be admitted to the official list;
  3. In the case of prospectus advertised in the Press and accompanied by a form of application:
    - i) The full names, addresses and description of every director and, if required by Council, particulars of:
      - a) Any former forenames and surnames
      - b) Nationality, if not Nigerian and
      - c) Nationality of origin if present nationality is not the nationality of origin.
    - ii) The full names and the professional qualification of the Secretary and situation of registered office and transfer office (if different)
    - iii) The names and addresses of the bankers, issuing houses, auditors, reporting accountants, stockbrokers, solicitors, registrars and trustees (if any).
  4. Where listing is sought for shares which will not be identical with shares already listed:
    - a) A statement of rights as regards dividend, capital, redemption and voting attached to such shares and (except as regards the lowest ranking equity) as to the right of the company to create or issue further shares ranking in priority to or pari-passu therewith;
    - b) A summary of the consents necessary for the variation of such rights.
  5. In the case of an increase on the authorized capital where twenty-five per-cent (25%) or more of the voting capital (unclassified shares being counted as voting capital) will remain

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- unissued, a statement that no issue will be made which would effectively alter the control of the company without prior approval of the shareholders in general meeting.
6.
    - i) Where listing is sought for loan capital which will not be identical with loan capital already listed, the rights conferred upon the holders thereof and short particulars of the security (if any) therefore.
    - ii) Where debentures or loan stock are issued by way of converting or replacement of debenture or loan stock previously issued, a statement of all material differences between the security for the loan debentures or loan stock, or, if there be none, a statement that the security for the new debentures or loan stock is identical with the security of the old debenture or loan stock.
  7. Where the securities for which listing is sought are offered by way of right to holders of an existing listed security, the provisional allotment letter; letter of right or other documents of offer must show: -
    - (i) The price of the offer;
    - (ii) As a heading, the date the offer expires and that the documents are of value and negotiable and that a stockbroker, banker, solicitor, accountant or any other professional adviser should be consulted immediately in all cases of doubt; and
    - (iii) How securities not taken up will be dealt with and time (not less than twenty-eight (28) days) in which the offer may be accepted; and
    - (iv) The pro-rata entitlement, the last date the transfers would be accepted for registration for participation in the issue, how the shares rank for dividend, the nature of the document of title and proposed date of issue, and how the fractions are to be treated.
  8. Where the securities for which listing is sought are allotted by way of capitalization of reserves of undivided profits to the holders of an existing listed security, the document of offer or circular giving information must show the pro-rata entitlement, the last date the transfers were or would be accepted for registration for participation in the issue, how the shares rank for dividend, the nature of the document of title and proposed date of issue, and how the fractions are to be treated.
  9. Particulars of any bank overdrafts, loans or other similar indebtedness, mortgages, charges, hire purchase, commitments, or guarantees or other material contingent liabilities of the company and any of its subsidiaries, or if there are no such liabilities, a statement to that effect.
  10.
    - i) A statement as to the financial and trading prospects of the company or group,
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- together with any material information which may be relevant thereto, including all special trade factors or risks (if any) which are not mentioned elsewhere in the prospectus and which are unlikely to be known or anticipated by the general public which could materially affect profits.
- ii) Where listing is sought for fixed income securities, particulars of the net tangible assets, profit cover for dividend/interest and due dates for the payment of interest/dividend, as well as due date for repayment of principal amount.
  - iii) A statement as to any waiver of future dividends.
11. A statement by the directors that in their opinion the working capital available is sufficient, or if not how it is proposed to provide the additional working capital thought by the directors to be necessary.
12. Where the securities for which listing is sought were issued for cash subsequent to the date to which the last published audited accounts of the company were made up or will be issued for cash, a statement or an estimate of the net proceeds of the issue as a statement as to how such proceeds were or are intended to be applied.
13. If after the latest date to which the accounts of the company have been made up and audited, the company or any of its subsidiaries has acquired or agreed to acquire or is proposing to acquire a business or other assets or shares in a company which will be reason of such acquisition become a subsidiary of the company of any of its subsidiaries.
- (i) A report made by qualified independent accountants who shall be named in the prospectus:
    - a) With respect to the profits or losses of the business or to the profits or losses attributable to the interest acquired or being acquired in respect of each of five (5) completed years immediately preceding the publication of the prospectus or in respect of each of the years since the commencement of the business or the incorporation of such subsidiary company if this occurred less than three months prior to such publication and if in respect of a period ending on a date earlier than three (3) months, before such publication no accounts have been made up, a statement that no accounts have been made since that date, provided that where any such subsidiary is itself a holding company the report shall be extended to the profits or losses of the company and its subsidiary companies which shall be ascertained in the manner laid down in Appendix V.
    - b) With respect to the assets and liabilities of the business or of the subsidiary and where such subsidiary is a holding company, the report shall



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- be extended to the assets and liabilities of that company and of its subsidiary companies in the manner laid down in Appendix V.
- c)
    - i) With respect to any other matters which appear to the accountants to be relevant, having regard to the purpose of the report;
    - ii) In making such report, the accountants shall make such adjustments (if any) as are in their opinion appropriate for the purposes of the prospectus;
    - iii) A statement as to any change in the financial and trading position since the date to which the last accounts, which are the subject of the above report, were made up.
    - iv) A statement of the general nature of the business acquired or proposed to be acquired together with particulars of the situation, area and tenure (including in the case of leaseholds, the rent and unexpired term) of the factories and building and the principal products.
    - v) A statement of the consideration for the acquisition and how it was or is to be satisfied.
    - vi) A statement of the total emoluments received by the directors of the company in the past financial year together with an indication of what emoluments will be payable after the acquisition to the Directors of the company.
  - d) The requirements of this sub-rule shall be relaxed in the case of non- material acquisitions and may be relaxed on application to the Council to the extent that:
    - i) The information about the acquisition has already been circulated to shareholders; or
    - ii) The company acquired being a company part of whose securities are already listed; the information is available in the Press.
14. The prospectus shall also contain a statement in respect of cases that are the reverse of those referred to in sub-rule 13 above.
15. A statement of the persons holding or beneficially interested in any substantial part of the share capital of the company and the amounts of the holdings in question together with particulars of the interests of each director (and also, so far as he is aware or can by reasonable enquiry ascertain the same, of his family interests) in the share capital of the
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- company and, otherwise through the company and of its subsidiaries, distinguishing between beneficial and other interests. The expression “family interest” in relation to a director includes spouse, children under twenty-one (21) years of age, trusts in which the director or spouse is a settlor or trustee and in which the director or spouse or any of such children are beneficiaries or discretionary objects and companies known to him to be controlled by him and/or spouse and/or such children and/or the trustees of any such trusts as aforesaid in their capacity as such trustees. (The Council may dispense with this statement in the case of a prospectus where there is no invitation to subscribe capital). Subject to the necessity to distinguish between beneficial and other interests, between the company and each subsidiary and between each class of capital, each director’s interests may be aggregated with those of his family interests.
16. Particulars of any capital of the company or of any of its subsidiaries which has since the date to which the last published audited accounts of the company were made up, been issued or is proposed to be issued or partly paid up otherwise than in cash and the consideration for which the same has been issued or is proposed to be issued
  17. Particulars of any capital of the company or of any of its subsidiaries which has since the date to which the last published audited accounts of the company were made up, been issued or is proposed to be issued for cash, the price and terms upon which the same has been or is to be issued and (if not already fully paid) the dates when any instalments are payable with the amounts of all calls or instalments in arrears.
  18. Particulars of any capital of the company or of any of its subsidiaries which is under option, or agreed conditionally or unconditionally to be put under option with the price and duration of the option and consideration for which the option was or will be granted and the name and address of the grantee. Provided that where an option has been granted or agreed to be granted to all the members or debenture holders or to any class thereof, it shall be sufficient, so far as the names are concerned, to record that fact without giving the names and addresses of the grantees.
  19. The cost or estimated cost of the issue and the application for listing and by whom the same are payable.
  20. Particulars of any commissions, discounts, brokerage or other special terms granted since the date to which the last published audited accounts of the company were made up in connection with the issue or sale of any capital of the company or of any of its subsidiaries.
  21. Details of all contracts of services (unless expiring or determinable by the employing company without payment of compensation, within one year) of any director of the company or any of its subsidiaries; and where applicable, a statement to the effect that:
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- (i) There are no such contracts
  - (ii) All such contracts are available for inspection in like manner as required under sub-rule 25 and none of such contracts was entered into or varied after the date of the notice convening the last annual general meeting.
22. Full particulars of the nature and extent of the interest direct or indirect, if any, of every director in any assets which since the date to which the last published audited accounts of the company were made up, have been acquired, disposed of by or leased to the company or any of its subsidiaries including:
- a) The consideration passing to or from the company or any of its subsidiaries; and
  - b) Short particulars of all transactions relating to any such assets which have taken place since such date.
23. Where relevant and in the absence of a statement that capital transfer tax indemnities have been given a statement that the directors have been advised that no material liability for capital transfer tax would be likely to fall upon the company or any of its subsidiaries.
24. Where the prospectus includes a statement purporting to be made by an expert, a statement that the expert has given and has not withdrawn his written consent to the issue of the prospectus with the statement included in the form and context in which it is included.
25. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into within two (2) years immediately preceding the publication of the prospectus together with a description of the general nature of such contracts, and particulars of any consideration passing to or from the company.
26. A place in Nigeria and reasonable time (not less than fourteen (14) days) during which the following documents or copies thereof where applicable may be inspected. The Memorandum and Articles of Association; Trust Deed; each contract disclosed pursuant to sub-rules 22 and 24 or in the case of a contract not reduced into writing a memorandum giving full particulars thereof; all reports, letters or other documents, balance sheets, valuations and statements by any expert, any part of which is extracted or referred to in the prospectus; a written statement signed by the auditors or professional accountants setting out the adjustments made by them in arriving at the figures shown in their reports and giving reasons therefor; and the audited accounts of the company and its subsidiaries for each of the five (5) financial years (if that old) immediately preceding the publication of the prospectus together with all notes, certificates or information required by the Companies Act.
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### **ABRIDGED PROSPECTUS**

- (a) No Company shall publish an abridged prospectus without prior approval of The Exchange. The form and contents of an Abridged Prospectus shall be as prescribed by The Exchange.
- (b) In cases where it is contended that contracts cannot be offered for inspection without disclosing to trade competitors important information, the disclosure of which might be detrimental to the company's interests, application may be made to Council to dispense with the offering of such documents for public inspection. However such document must be made available to The Exchange.
- (c) The Exchange reserves the right to call for any additional information.

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## CHAPTER 5

### LISTING FOR UNIT TRUSTS

#### Rule 5.1: Requirements of Listing for Unit Trusts

1. Application should be made at the earliest possible date in the form set out in Appendix I.
2. Applicants shall submit at least twenty-one (21) days prior to the hearing of their application by the Committee:
  - a) Two (2) proofs of the prospectus;
  - b) Two (2) proofs or copies of the trust deed;
  - c) Two (2) copies of the annual report and accounts covering the financial period prescribed by the Listing Standard criteria immediately before the application or since the creation of the unit trust where the applicant trust is newly formed;
  - d) Two (2) copies of the annual reports and accounts covering the financial period prescribed by the Listing Standard criteria immediately preceding the application or since incorporation of the sponsors of the unit trust where the sponsor is newly incorporated.
  - e) A proof of the definitive certificate or other definitive document of title proposed to be issued;
  - f) Two (2) copies of the most recent annual accounts of the management company in relation to the trust.
  - g) Twenty (20) copies of the abridged application in the prescribed format.
3. The following documents shall be lodged at least twenty-one (21) business days prior to the date of listing:
  - a) A formal application in the form issued by Council (see Appendix I) and signed by the sponsoring member of The Exchange (Note that a statement to the effect that shares are in all respect identical shall be understood to mean that:
    - i) They are of the same nominal value;
    - ii) They carry the same rights to unrestricted transfer and are in all other respects identical including where applicable rights of attendance and voting at meetings.

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- iii) They are entitled to distribution at the same rate and for the same period so that the next ensuing net distribution payable on each unit shall amount to exactly the same sum.
  - b)
    - i) one copy of the prospectus which shall be dated and signed by every director or proposed director of the management company or his agent authorized in writing;
    - ii) Where the document referred to in 3(b) (i) above is signed by an agent a certified copy of the authorization for such signature shall be submitted with the prospectus.
  - c) A certified copy of:
    - i) The resolution of the Board of directors of the management company authorizing the issue of all securities for which listing is sought and subsequently allotting same;
    - ii) The resolution of the Board approving and authorizing the issue of the prospectus.
  - d) The form of undertaking set out in Appendix XV;
  - e) A certified copy of the authorization of the trust by Securities and Exchange Commission;
  - f) A certified copy of the written consent by any expert to the inclusion in the advertisement of any statement purporting to be a copy of or extract from or summary of a report or valuation by such expert;
  - g) A statutory declaration as to the identity of those who control the management company or are interested in its profits.
4. The Exchange reserves the right to ask for any further or additional information.
5. The management company must be registered and resident in Nigeria.
6. Every trust deed drawn up pursuant to unit trust schemes shall in addition to the requirements of any Law guiding the establishment of unit trust schemes make provision for:
- i) Determining the manner in which the management company's prices for units on sale and a purchase respectively, and the yield from the units, are to be calculated respectively, and for entitling the holder of any units to require the management company to purchase them at a price calculated accordingly.
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- ii) Regulating the mode of execution and the issue of unit certificates and in particular provision that no unit certificates shall be executed or issued in respect of rights or interests in any property until steps have been taken, to the satisfaction of the trustee, to ensure that the property will be vested in him or his nominee.
  - iii) Prohibiting or restricting the issue by or on behalf of the management company of advertisements, circulars, or other documents containing any statement with respect to the sale price of units, or the payments or other benefits received or likely to be received by holders of units, or containing any invitation to buy units, unless the document in question also contains a statement of the yield from the unit.
  - iv) Securing that any advertisement, circular or other document containing any statement with respect to the sale price of units or the yield therefrom, or containing any invitation to buy units, shall not be issued by or on behalf of the management company until the trustee has had reasonable opportunity of considering the terms of any such document, and shall not be so issued if within a reasonable time after the document first comes to his attention, he notifies his disapproval of the terms therein by writing to the management company.
  - v) Establishment of a fund to be applied in defraying the expenses of the administration of the trust and for regulating the application of the fund.
  - vi) Audit, and the circulation to holders of units, of accounts relating to the trust (including accounts of the management company in relation to the trust and statements of its remuneration in connection therewith).
  - vii) Requiring the management company (subject to any provisions as to appeal contained in the deed) to retire from the trust if the trustee certifies that it is in the interest of the beneficiaries under the trust that they should do so.
  - viii) Notifying The Exchange immediately after the Board resolution recommending the payment of a dividend and to provide that, the notice shall reach The Exchange not less than twenty-one (21) days before the date of closure of books of transfer for payment of such dividend.
  - ix) Unitholders to have the right to inspect the register on payment of a nominal fee.
  - x) Notice for termination of trust not to be less than six (6) months

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## CHAPTER 6

### CONTENTS OF PROSPECTUS FOR UNIT TRUSTS

#### Rule 6.1: Contents of Prospectus for Unit Trusts

- (a) Where listing is sought for securities of a Unit Trust, the contents of the prospectus shall include:
1. The full name of the unit trust.
  2. The total number of units in existence.
  3. The full name of the management company.
  4. The full names address and description of every director of the management company and, if required by Council, particulars of:
    - (i) any former forenames and surnames;
    - (ii) nationality, and
    - (iii) nationality of origin if present nationality is not nationality of origin.
  5. The full name and qualification of the secretary of the management company and situation of its registered office.
  6. The names and addresses of the trustees, bankers, auditors, brokers, solicitors, paying agents, investment advisers and registrars (if any).
  7. The date of incorporation of the management company and the authority under which the company was incorporated.
  8. The voting rights of unitholders and a summary of the consents necessary for the variation of such rights.
  9. Particulars of the borrowing powers exercisable by the trustees or the directors of the management company on account of the trust and how such borrowing powers may be varied.
  10. Details of any investment limitations.
  11. A statement as to the investment policy of the trust.
  12. A report by the auditors of the trust with respect to:
    - i) The movements of the trust fund account for each of the three (3) financial years immediately preceding the publication of the prospectus or in respect of each of



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the years since the unit trust was established, if this occurred less than three (3) years prior to such publication and, if in respect of a period ending on a date earlier than three (3) months before such publication no accounts have been made up, a statement of that fact;

- ii) The income of, and distribution to unit holders from, the trust for the same period;
- iii) Profits accruing to the management company from the trust for the same period;
- iv) The percentage composition of the trust fund at the end of the last completed financial year;
- v) Any other matter which appear to the auditors to be relevant having regard to the purpose of the report.

In making such report, the auditors shall make such adjustments (if any) as are in their opinion appropriate for the purposes of the prospectus;

- 13.
  - i) Particulars of any preliminary expenses incurred or proposed to be incurred and to whom the same are payable;
  - ii) The cost or estimated cost of the issue and of the application for listing so far as the same are not included in the statement of preliminary expenses and by whom the same are payable.
- 14. Particulars of any commissions, discounts, brokerages or other special terms granted within one year immediately preceding the publication of the prospectus in connection with the issue or sale of any units of trust.
- 15. Where the prospectus includes a statement purporting to be made by an expert, a statement that the expert has given and has not withdrawn his written consent to the issue of the prospectus with the statement included in the form and context in which it is included.
- 16. The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into within two (2) years immediately preceding the publication of the prospectus, together with a description of the general nature of such contracts, and particulars of any consideration passing to or from the trust.
- 17. A place in Nigeria and reasonable time (not less than fourteen (14) days) during which the following documents or copies thereof where applicable may be inspected: The trust deeds; each contract disclosed pursuant to sub-rule 16 above, or, in the case of a contract not reduced into writing, a memorandum giving full particulars thereof; all reports, letters, or other documents, balance sheets, valuation and statements by any expert any

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part of which is extracted or referred to in the Prospectus; a written statement signed by the auditors or accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons thereof, and the audited accounts of the trust fund for each of the five (5) financial years preceding the publication of the prospectus.

18. Details of the duration of the trust and the circumstances and conditions under which it may be terminated.
  19. Details of the circumstances and condition under which the trust may be modified.
  20. It should be noted that Council shall not grant an initial listing where the figures reported on by the auditors, as required by sub-rule (a) 12, are more than nine (9) months old.
- (b) In cases where it is contended that contracts cannot be offered for inspection without disclosing to competitors important information the disclosure of which might be detrimental to the trust's interests, application may be made to The Exchange for approval to dispense with the offering of such documents for inspection. However, such document must be made available to The Exchange.
- (c) In the case of trusts where no units are being offered to the public in connection with or as a result of the application for admission to the official list, the report by the auditors required in sub-rule (a)(12) need only be in respect of the last completed financial year immediately preceding the publication of the prospectus or in respect of the period since the unit trust was established, if this occurred less than one (1) year prior to such publication.

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## CHAPTER 7

### RULES FOR THE LISTING OF EXCHANGE TRADED FUNDS

#### Rule 7.1: Definitions

Applicable Legislation	Means the laws, rules and regulations applicable to investment and securities business in Nigeria.
Appropriate Authorizations	Means all licenses, consents, permits or any other rights regulatory or otherwise which would enable an Asset Manager to perform asset management services for an ETF.
Approved Exchange	Means a stock exchange which is a member of the World Federation of Exchanges or any other exchange acceptable to The Exchange.
Broker-Dealer	Means an entity duly registered with the Commission to execute contracts in securities either as an intermediary or in a proprietary capacity.
Asset Management Agreement	Means an agreement entered into between the authorized dealer and the Fund Manager setting out the terms and procedures by which the authorized dealer may <i>inter alia</i> request the creation and redemption of Securities.
Business Days	Means a day when The Exchange is open for business and trading on The Exchange.
Commission	Means the Securities and Exchange Commission, Nigeria (SEC)
CSCS	Means the Central Securities Clearing System Limited, a company incorporated under the laws of the Federal Republic of Nigeria

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Custodian	Means a person who has custody, as a bailee, of securities or certificate issued in the investor's name with the investor's name appearing in the issuer's register as the beneficial owner of the Securities
The Exchange	Means The Nigerian Stock Exchange Limited by Guarantee, a company incorporated under the laws of the Federal Republic of Nigeria
Exchange Traded Fund or ETF	Means an undertaking which is : (i) unit trust; or (ii) mutual fund; or (iii) collective investment scheme; or (iv) company with fixed capital; or (v) company with variable capital whose articles provide that:  (a) the amount of the paid up share capital of the company shall at all times be equal to the net asset value of the company, and (b) the shares of the company shall have no par value or (c) other structure satisfactory to The Exchange and the Commission which issues an unleveraged security listed on The Exchange or an Approved Exchange and tracks the performance of a specified security or other asset which includes but is not limited to stocks, basket of assets, indices, commodity prices, and/or foreign currency rates or any other appropriate benchmark approved by The Exchange from time to time ("Benchmark").
Creation size	Means the minimum number of Securities as determined in the prospectus of the ETF or as otherwise communicated to The Exchange and the Commission from time to time, which can be acquired for the delivery of corresponding Portfolio Assets to the ETF.
NSE ETF Rules	Means these rules on the listing of ETFs on The Exchange as amended from time to time.
Financial Instruments	Means a document representing a legal agreement that involves monetary value. It gives rise to both a financial asset of one party and a financial liability of another party.

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Foreign ETF	Means an ETF, whose primary listing is on an Approved Exchange outside of Nigeria.
Fund Manager	Means an entity contractually appointed by the ETF to manage the ETF or any part of its Portfolio Assets
ISA	Means the Investments and Securities Act No. 29 of 2007
Issuing House	Means an entity which is registered by the Commission to act as an Issuing House.
Market Maker	Shall have the meaning ascribed to Market Maker in The Exchange's Market Maker Rules, as amended from time to time.
Liquidity Provider	Means any entity permitted to provide liquidity, in the absence of a Market Maker.
NSE Rules	Means any applicable Rules, Regulations, and Guidelines of The Exchange, as amended from time to time.
NAV	Means the Net asset value of the Portfolio Assets of the ETF.
Offer Documents	Means a Prospectus or documents for the placement or introduction of Securities
Placements	Means the offering or sale of Securities to a specified group of persons by public subscription or private invitation.
Portfolio Assets	Means the portfolio of constituent underlying assets of an ETF.
Redemption size	Means the specified number of Securities determined by the Fund Manager which can be redeemed in consideration for delivery by the ETF.
SEC ETF Rules	Means the Rules to govern ETFs enacted by the Commission pursuant to the ISA, as amended from time to time.
Security (ies)	Means a unit, share, debenture or any other instrument issued by an ETF granting an entitlement to the investments or income of an ETF.

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Sponsoring Broker	Means a Dealing Member of The Exchange which sponsors an application for the listing of Securities on The Exchange as described in the Rules Governing Dealing Members of The Exchange, as amended from time to time.
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**Rule 7.2: General**

- (a) In order to be eligible for listing on The Exchange, an ETF shall comply with the NSE Rules, including The NSE ETF Rules, the SEC ETF Rules, the ISA, the rules and regulations made pursuant to the ISA, and any other rules or laws.
- (b) Subject to any temporary or permanent exemption by the Commission, the Securities issued by an ETF shall be approved by the Commission prior to being listed on the official list of The Exchange.
- (c) An ETF shall issue Securities for the purpose of enabling an investor to invest in instruments tracking an appropriate Benchmark approved by the Commission and The Exchange from time to time.
- (d) The underlying assets or portfolio of an ETF shall be sufficiently liquid to satisfy The Exchange that there would be proper price formation in the ETF, and have a net asset value that is calculated in a transparent manner and published on the issuer's website and communicated to The Exchange pursuant to times reasonably prescribed by The Exchange.
- (e) Once approved, an ETF will be listed, and traded in the same manner as other securities on The Exchange's trading system. ETF trades would be settled through the CSCS. ETFs are also freely redeemable via the process for redemption set forth in the prospectus.
- (f) Acceptable communication channels shall include any of the following:
  - (1) the ETF's/Fund Manager's website;
  - (2) a hyperlink from the ETF's website to the website of the Exchange;
  - (3) information pages of vendors who disseminate trading information of Securities in their ordinary course of business. The information pages must be easily accessible by retail vendors.
  - (4) electronic media for information dissemination as provided by the Exchange from time to time, or

(5) any other channels considered acceptable by the Exchange.

**Rule 7.3: Listing Requirements**

An applicant issuer of ETFs shall include the following information in an ETF prospectus:

- (a) The structure of the ETF and details of the index on which the ETF is structured;
- (b) Net Asset Value (NAV) of the ETF as at the date of application;
- (c) Percentage change of the NAV of the underlying basket of securities for the previous six (6) months on a daily basis;
- (d) The basis of computation of management fees, if any;
- (e) Course of action that would be taken by the issuer in the event an underlying security is suspended or de-listed, and its repercussion on the computation of NAV;
- (f) Details of the issuer, as prescribed by The Exchange;
- (g) Currency in which the ETF will be structured and traded;
- (h) Rules pertaining to the treatment of corporate actions including unbundling and re-bundling of securities;
- (i) Any other information that may be required by The Exchange on a case by case basis.
- (j) ETFs shall:
  - (1) be Open ended (unless otherwise determined by The Exchange);
  - (2) be Issued over an index or be structured on any one or a combination of equities; commodities; currency or inflation rate, or financial instruments based on a given ratio acceptable to The Exchange;
  - (3) disclose the methodology of computation of the index, if the ETF is structured on such index;
  - (4) disclose the methodology of computation of the NAV of ETF.
  - (5) Be fully backed at all times; either by an acquisition of the underlying equities,

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commodities, assets or financial instruments it represents, and proxy securities acceptable to NSE which should be listed, freely tradable and have adequate liquidity or cash;

- (6) Hold Portfolio Assets which shall be held by a trust or in custody with a third party (unrelated to the sponsor or originator of the ETF) and a trustee or custodian shall be appointed, subject to approval by The Exchange, to protect the interests of the investors in the ETF.
- (k) An applicant issuer of an ETF shall:
- (1) Appoint a Sponsoring Broker in good standing with The Exchange.
  - (2) Provide evidence to The Exchange, that it has the relevant expertise (as determined by The Exchange) to issue and/or effectively manage ETFs or has access to such expertise;
  - (3) Satisfy the provisions of these NSE ETF Rules;
  - (4) Satisfy The Exchange that a secondary market in the Securities of the ETF will be effectively established and maintained.

**Rule 7.4: Liquidity Provider**

Prior to listing, an ETF shall be required to appoint a third party who shall be an authorized financial institution and who shall undertake to use its reasonable endeavours to maintain a secondary market in the ETF.

**Rule 7.5: Fund Manager**

- (a) An ETF shall appoint a Fund Manager to manage the assets of the fund.
- (b) Where the Fund Manager does not possess the requisite expertise to perform such functions, it shall appoint one or more Asset Manager for in kind creation of securities or in kind redemption of securities.
- (c) Where the Fund manager has appointed the Asset Manager, it shall execute an asset management agreement.
- (d) The Fund Manager shall use its reasonable endeavours to:
  - (1) Obtain appropriate authorizations and licenses to act;



- (2) Have proper and adequate internal control procedures and satisfactory risk management procedures.
- (3) Acquire and maintain the necessary expertise and adequate resources to undertake the function of an Asset Manager.

**Rule 7.6: Foreign ETF**

- (a) To be approved for listing on The Exchange, in addition to meeting the requirements of all applicable laws, rules and regulations, a Foreign ETF shall be required to submit to The Exchange copies of all documentation that the Foreign ETF has submitted to the SEC. Subsequent to such approval, the Foreign ETF shall submit to The Exchange copies of all documentation submitted to the SEC within five (5) business days of such submission to the SEC.
- (b) A Foreign ETF incorporated outside the Federal Republic of Nigeria shall appoint a Sponsoring Broker in good standing with the SEC and The Exchange as its authorized representative in Nigeria unless it is able to prove to the satisfaction of The Exchange that it maintains a permanent presence in Nigeria.

**Rule 7.7: Offering and Listing of Units of an ETF**

- (a) An ETF may list Securities by any of the following methods:
  - (1) offer for subscription;
  - (2) Placement;
  - (3) Introduction, or
  - (4) Such other methods as may be prescribed by the SEC from time to time.
- (b) The Exchange has the discretion to vary or not to allow any particular method of offering if it is of the view that the method in question is not in the best interest of investors.
- (c) The Fund Manager shall use its reasonable endeavours to notify The Exchange of any events that would in the reasonable opinion of the Fund Manager materially affect the underlying security or asset which an ETF is tracking. These events may include but not limited to a material change in the:-

- (1) Methodology for compiling or calculating an index (if applicable);
- (2) Composition of the index due to (for example) the inclusion or deletion of any security;
- (3) Weightings of the index constituents corporate activities or significant market movements;
- (4) Identity of the party that sponsors and/or calculates the index (if applicable);
- (5) Nature of the market in the asset tracked by the Security and any material factor which would have an adverse impact on the price of any Security (such as a disruption or cessation in trading of an asset or index);
- (6) Ability of the ETF to provide a secondary market in the Security
- (7) Status of the Security;
- (8) Material contracts of the ETF;
- (9) Offer Documents.
- (10) The Exchange retains the right to delist an ETF if it reasonably considers such action to be in the best interest of the investing public.

**Rule 7.8: Daily Publication**

The Fund Manager shall publish the following details on its corporate website each day:

- (a) The NAV of the ETF at the closing price of the preceding day;
- (b) The accrued reserves distributable to ETF holders, (if applicable) each preceding day;
- (c) The index level, price or rate tracked by the ETF at the close price of the preceding day;
- (d) Methodology for computing Management Company fees;
- (e) The constitution of the index basket or Portfolio Assets which an investor wishing to subscribe in specie shall deliver on the following trading day;
- (f) The cash amount which an investor wishing to subscribe in specie shall deliver on the

following trading day; and

(g) The cash amount which a holder wishing to redeem in specie (i.e. exercise his delivery rights) would receive.

**Rule 7.9: Corporate Actions and Income Distribution**

- (a) The Offer Documents shall clearly state the procedure and rights, pursuant to which an ETF shall be obliged to distribute income (if any) to an investor. Such procedure shall be fair and transparent. In the event that no income shall be distributable by the ETF, the Offer Documents shall clearly state so.
- (b) Any income such as dividend payments shall be distributed to investors at least annually and not later than that set out in the Offer Documents.
- (c) An ETF Fund Manager shall rebalance its Portfolio Assets as disclosed in the offer document.

**Rule 7.10: Pricing of Securities**

- (a) The ETF shall not issue Securities other than at the price calculated in accordance with the Offer Documents.
- (b) The calculation of the NAV of the ETF by the Fund Manager shall be based on a methodology which is transparent and independently verifiable.
- (c) The ETF Fund Manager shall publish the NAV of the ETF and the NAV per security of the ETF at their closing price respectively on a daily basis, on its corporate website and this information shall be disseminated on a real-time or near real-time basis to The Exchange.

**Rule 7.11: Creation and Redemption of Securities**

- (a) Unless otherwise stated in these Rules, an investor may acquire or redeem a Security in an ETF subject to the terms of the Offer Documents and all relevant provisions and procedures relating to redemption of an ETF.
- (b) Any transaction for the acquisition or redemption of ETF Securities may be settled in cash. Physical or in kind settlement would be as defined by the prospectus of the ETF.

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**Rule 7.12: Exemption**

The Exchange may grant exemptions to the application of these Rules, as it may deem necessary. The Exchange shall within five (5) days notify The Commission of any such exemption.

**Rule 7.13: Change in Identity, Board of Directors, etc.**

The Exchange shall be notified of any change to the board of directors of the ETF, the auditor, and the Articles of Association of the ETF, within one (1) week of such occurrence.

**Rule 7.14. Fees**

An ETF shall be required to pay the applicable fees, as determined by The Exchange.

**Rule 7.15: Contents of Offer Documents**

The Offer Documents shall contain the information required in accordance with the SEC ETF Rules.

**Rule 7.16: Reporting and Audit**

- (a) The Fund Manager shall comply with all reporting and audit requirements of collective investment schemes as prescribed by the ISA and the rules made there under, and also comply with the audit requirements of these Rules.
- (b) An ETF shall provide The Exchange and the SEC with all reports in accordance with relevant provisions of the SEC ETF Rules within the time stated in the SEC ETF Rules. Where the SEC ETF Rules are silent on the time within which a report should be provided, the ETF will provide the report within two (2) business days.
- (c) An ETF shall provide The Exchange with a copy of all notices received from the SEC within five (5) business days of receipt.

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## CHAPTER 8

### SECURITIES ISSUED BY STATUTORY BODIES

#### Rule 8.1: Securities Issued by Statutory Bodies

On application, the Central Bank of Nigeria and other Statutory Bodies shall publish prospectus, the contents of which shall include:

**(a) THE CENTRAL BANK**

- (1) Full name of issuing authority;
- (2) The amount and title of the issue;
- (3) Price of issue;
- (4) A statement, in a form approved by The Exchange, that application has been made to the Council of The Exchange for listing of the relevant securities;
- (5) Opening and closing date of application;
- (6) Object of the issue;
- (7) The revenue against which the security is charged;
- (8) Authority under which the security is issued;
- (9) The place at which applications will be accepted;
- (10) Full particulars of the securities, e.g. the setting up of any sinking fund or of any rights of the Federal Government or public authority to redeem before maturity;
- (11) Date of interest payments;
- (12) Tax position on interest payments;
- (13) Trustee status;
- (14) Maintenance of register;
- (15) A reasonable time, to be specified, during which copies of any law or other authority under which the security has been issued may be inspected at the Central Bank of Nigeria.

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**(b) STATES, LOCAL GOVERNMENT AND OTHER STATUTORY BODIES**

(1) The full name of the issuing authority;

(2) A statement as follows:

“This advertisement is issued in compliance with Regulations of The Nigerian Stock Exchange for the purpose of giving information to the public with regard to the authority. The directors (or other executive management as appropriate) collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in the advertisement misleading”.

In case of authorities where there are no directors, application should be made to The Exchange for the form of heading and other requirements;

(3) A statement that application has been made to Council of The Exchange, for permission to deal in and for listing of the securities;

(4) The amount and title of the security for which listing is sought;

(5) The authority under which the security is issued;

(6) Details of the revenue and capital against which the security is charged;

(7) In the case of a public utility company, details of the areas served by the company;

(8) Purpose of issue and description of the project, stating:

(A) Economic factors involved,

(B) Income and cash flow forecast,

(C) Write up on management and directors of the enterprise;

(9) Full particulars of the security for which listing is sought and in particular:

(A) The rights conferred as regards income and capital, with full information as to the amount and application of any sinking fund; any right of the authority to redeem before maturity, any rights and the security upon which any loan is charged.

(B) The price of and the terms upon which the security has been issued or agreed to be issued, and whether the same has or has not been paid up in full, particulars of all payments still to be made with due dates must be given.

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- (C) The dates and parties to all material contracts affecting the issue of the security with a description of the general nature of the contract.
- (10) Particulars of any capital which is under option or agreed conditionally or unconditionally to be put under option with the price and duration of the option and consideration for which the option was granted and the name and address of the grantee.
- (11) A copy of the last audited balance sheet and profit and loss or income and expenditure account with a copy of the auditors' certificate and any notes or observations, in or on the balance sheet required to be published by any legislation relating to the company;
- (12) A statement by the Solicitor-General of the state or any other legal officer authorised in that behalf to the effect that all the legal requirements relating to the issue have been complied with;
- (13) A statement by the Accountant-General that to the best of his knowledge and belief, there is nothing contained in the prospectus which will make the statement regarding the financial viability of the project misleading;
- (14) The guarantee by state Government of the loan or debenture stating priority claim of repayments of the loan against resources of the said authority;
- (15) The full names and particulars of directors;
- (16) The full names, professional qualification and address of the Secretary and situation of Registered Office;
- (17) The names and addresses of the bankers, stockbrokers, solicitors, auditors, agents and trustees;
- (18) A statement that for a period (not less than fourteen (14) days) at a named place in Lagos (or such other Centre as The Exchange may approve) a copy of the statutes, orders or other authorities under which the security has been created and issued, together with copies of all the material contracts, trust deed (if any) and of all reports, letters, balance sheets, valuations, and statements by any expert and where any of the above mentioned documents are not in English language, notarially certified transaction thereof may be inspected.
- (19) Any other information that may be required by The Exchange.

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## CHAPTER 9

### SOLID MINERALS COMPANIES

#### **Rule 9.1: Preliminary**

The following special requirements apply to Issuers whose activities (whether directly or through a subsidiary company) include exploration for or production of natural resources consisting of substances such as metal, or solid fuels, as well as companies engaged in mining, extraction of metals and precious stones, quarrying or similar activities (Reference herein to the issuer and its subsidiaries, if any, taken together as a group).

#### **Rule 9.2: Qualifications for Listing**

An application for listing from a company whose current activities consist solely of exploration will not normally be considered, unless the issuer is able to establish:

- (a) The existence of adequate economically exploitable reserves of natural resources, which must be substantiated by the opinion of an expert, in a defined area over which the issuer has exploration and exploitation rights.
- (b) An estimate of the capital cost of bringing the issuer into a productive position; and
- (c) An estimate of the time and working capital required to bring the issuer into a position to earn revenue.

#### **Rule 9.3: Technical Adviser**

An issuer whose activities include or are to include exploration for natural resources to a material degree must have available to it the technical advice of an independent person who has had appropriate experience in the type of exploration activity undertaken or proposed to be undertaken by the issuer.

#### **Rule 9.4: Basis of Evidence**

- (a) A statement made in any listing document or circular as to the existence of natural resources must be substantiated by the professional adviser from his own knowledge and supported by details of drilling results, analysis or other evidence.
- (b) If important evidence which must remain confidential for legal or other valid reasons has to be excluded from the listing document or circular or the technical adviser's report included in them, the issuer must allow an independent consultant, mutually approved to verify to The Exchange in confidence the importance of such evidence.



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**Rule 9.5: “Listed Issuers” (New Ventures):**

Where a quoted company proposes to explore for natural resources as an extension to or change from its existing activities, a circular, which must include the information specified in Chapter 9, and in the disclosure requirements where applicable, will be required to be sent to shareholders in either of the following circumstances:

- (a) Where the Proposal involves a very substantial acquisition, a major transaction or a disclosable transaction as defined in Chapters 2, 4 and 5 OR
- (b) Where the Proposal involves a transaction of thirty-three per-cent (33%) or more of the net assets of the issuer to exploration for natural resources or the contribution from such exploration of thirty-three per-cent (33%) or more to the pre-tax trading result of the issuer. Any such transaction should be conditional on approval by the shareholders in a general meeting.

**Rule 9.6: Assessing the Extent of Diversification**

In assessing the extent of diversification or the amount of contribution to the pre-tax trading result, account should be taken of any associated transactions or loans effected or intended and of any contingent liabilities or commitments. In case of doubt as to the application of the requirement, The Exchange should be consulted at the earliest opportunity.

**Rule 9.7: Contents of Listing Documents of New Applicants and Listed Issuers (New Ventures)**

In the case of new applicant whose activities include to a material extent exploration for natural resources, or an issue of securities by a listed issuer for which this is a new venture the listing document or circular must contain the following information in addition to that set out in the Listing Requirements of The Nigerian Stock Exchange:

- (a) The full name, address, any professional qualification and relevant experience of the person whose technical advice is available to the issuer in relation to its exploration activities. This may be included in the adviser's report specified in (f) below;
- (b) A statement of the interests of each promoter or technical adviser in the share capital of the issuer together with the amounts of the holdings in question;
- (c) The general nature of the business of the issuer; distinguishing between different activities which are material having regard to the profits or losses, assets employed or any other factor affecting the importance of each activity. If the

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activities of the issuer take place to a material extent outside Nigeria, a statement of the geographical location of the activities must be made known.

- (d) The nature and extent of the issuer's rights of exploration and exploitation and a description of the properties to which such rights attach, giving particulars of the duration and other principal terms of the concessions.
- (e) In the case of Proposed exploration of mineral bodies, the nature and extent of the issuer's rights and a description of the Properties to which such rights attach, giving particulars of the duration and other principal terms of the concessions or other rights. An estimate of proven exploitable reserves including as precise a description of the nature and quality of such reserves as the evidence allows and a statement of the economic conditions for working them.
- (f) A report by the technical adviser to the issuer with respect to the estimated reserves and the evidence on which the estimate is based, stating his name, address, professional qualifications and relevant experience. The report (made up to date not more than six months prior to the issue of the listing document or circular) must be dated and should include adequate information on the following:
  - (1) The number of holes drilled/mined and their distribution;
  - (2) A statement describing very briefly the geological characteristics of the occurrence, the type of deposit, its dimensions and the grade of minerals for fluid and/or gaseous deposits, the porosity and permeability characteristics of the reservoirs, the thickness of the net pay, the pressure of the fluid or gas within it and the recovery mechanism planned;
  - (3) An estimate of the proven reserves and the anticipated mining recovery and dilution factors or recovery factors with respect to oil and gas factors in place on a field-by-field basis together with the expected period of working;
  - (4) When the concession includes probable or possible reserves relevant to the long-term future of the issuer this should be stated with a note on the type of evidence available. In isolated areas where no factual geological data has yet been obtainable possible reserves should be described by adjectives, not figures;
  - (5) The nature of any geophysical and geological evidence used in making reserves estimates and the name of the organisation that did the work;

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- (6) A statement on production policy; and an indication of the progress of actual working.
  - (g) A statement setting out additional information where it is necessary for a proper appraisal of any special factors affecting the exploration business of the issuer, for example, difficulties of access to, or in recovery of, minerals on properties where the issuer has exploitation rights, or special economic, environmental, political or other circumstances surrounding their exploitation which may affect the commercial viability of the project.
  - (h) In addition to the statement as to the sufficiency of working capital which is required to be given by the directors:
    - (1) An estimate of the requirements of the issuer for funds for at least two (2) years following the issue of the listing documents or circular;
    - (2) Where the issuer already has income, or expects to receive income during the period covered by this statement, particulars of the estimated cash flow for at least two (2) years following the issue of the listing document or circular;
    - (3) An estimate of the further finance required to enable the issuer to exploit its proven reserves and commence recoveries on a commercial scale, together with an estimate of the time needed to achieve this.
  - (i) Full particulars of the nature and extent of the interest direct or indirect, if any, of every director, technical adviser or promoter, named in the listing document or circular, in the promotion of, or in any assets which have been within the two (2) years immediately preceding the issue of the listing document or circular acquired or disposed of by or leased to, the issuer or any of its subsidiaries include:
    - (1) The consideration passing to and from the issuer AND
    - (2) Short particulars of all transaction relating to any such assets which have taken place or an appropriate negative statement.
  - (j) A statement of any claims in relation to exploitation rights made or notified by third parties against the issuer or vice versa or in the absence of such claims, an appropriate negative statement.

**Rule 9.8: Contents of Subsequent Listing Documents and Circulars of Listed Companies**

In the case of a listed issuer whose activities include to a material extent exploration for natural resources, any listing document or circular required pursuant to The Nigerian Stock Exchange

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listing Requirement for securities especially the various methods of seeking quotations of The Nigerian Stock Exchange must include the following:

- (a) A description of deposits; estimate of economically exploitable reserves and expected period of working;
- (b) An indication of the periods and main terms of concessions and economic conditions for working them; and
- (c) Indication of the progress and actual working.

Where the information has been influenced by exceptional factors, that fact must be mentioned.

**Rule 9.9: Mineral Companies Seeking to Issue Debt Securities:**

Except as provided for in Rules 9.5(b) and 9.7(i) and except in the case of debt securities issued by State Corporations, the provisions of this entire Chapter shall apply to listing of debt securities by a mineral company.

**Rule 9.10: Exception**

The items of information set out in Rule 9.8 are not required to be given in an issue of debt securities by a mineral company (not being convertible debt securities).

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## CHAPTER 10

### CROSS BORDER LISTING OVERSEAS ISSUERS – EQUITY SECURITIES

#### Rule 10.1: Preliminary

- (a) The Listing Stock Exchange Listing Rules of the Nigerian Stock Exchange apply as much to overseas issuers as they do to Issuers listed on The Exchange, subject to the additional requirements, modifications or exceptions set out or referred to in this chapter.
- (b) Overseas issuers are encouraged to contact The Exchange if they envisage any difficulties in complying fully with the relevant requirements.

#### Rule 10.2: Qualification for Listing

The following additional requirements apply:

- (a) The Exchange reserves the right, in its absolute discretion, to refuse a listing of securities of an overseas issuer:
  - (1) If it believes that it is not in the public interest to list them; OR
  - (2) If the overseas issuer's primary listing is on an exchange and it is not satisfied that:
    - (1) The overseas issuer is incorporated or otherwise established in a jurisdiction where the standards of shareholder protection are at least equivalent to those provided in Country of Listing; OR the country where listing is being sought; or country on whose stock exchange listing is being sought.
    - (2) Where it believes that the jurisdiction in which the overseas issuer is incorporated is unable to provide standards of shareholder protection at least equivalent to those provided in the Country of Listing, it is possible by means of varying the overseas issuer's constitutive documents and/or Listing Agreement to provide standards of shareholder protection equivalent to those provided in Country of Listing.
- (b) The overseas issuer must normally be registered under and comply with the provision of the relevant portions of its Home Country's Companies Ordinance and the Registrars of Companies in the Country of Listing, including in particular the nomination of a person

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authorized to represent the issuer and perform such duties as may be outlined by The Listing Stock Exchange. The Exchange must be notified of this appointment and any termination of his appointment and details of:

- (1) His address as registered as per the business address overseas,
  - (2) If different, his place of business or, if he does not maintain a place of business, his residential address;
  - (3) His business or residential telephone number, as the case may be;
  - (4) His telex and/or facsimile number; and
  - (5) Any change in the above particulars.
- (c) If the overseas Issuer's primary listing is or is to be on another stock exchange, listing on that exchange must have been granted before listing on Overseas Stock Exchange can be granted.
- (d) (1) in case of registered securities (other than those transferable by endorsement and delivery), provision must be made for a register of holders to be maintained in Country where Listing is being sought or such other place as The Listing Stock Exchange may agree, and for transfers to be registered locally. The Exchange may, however, consider an alternative proposal for registering transfers for Local holders in exceptional circumstances; and
- (2) In the case of bearer securities (i.e. securities for which no register of ownership is kept) provision must be made for the payment of dividends or interest and repayment of capital in the Country where Listing is being sought, or such other places as The Listing Stock Exchange may agree;
- (e) Unless the Listing Stock Exchange otherwise agrees, only securities registered on the Listing Country register may be traded on The Exchange.
- (f) Where two or more share registers are maintained it will not be necessary for the Listing Country register to contain particulars of the shares registered on any other register.
- (g) If the listing involves a marketing of the securities for which listing is being sought, then securities with an expected market capitalization of at least N28 Billion or equivalent must be offered in Nigeria; and
- (h) (1) Where an overseas issuer wishes to obtain a primary listing on another Stock Exchange in the circumstances set out in the rule below:

“Where a holding company is formed and its securities are issued in exchange for those of one or more listed issues, any reorganization by way

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of scheme of arrangement, or by any other means whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed Local issuers and the listing of the later issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed, must first be approved by a special resolution of the shareholders of the listed Local issuer or issuers”.

It must comply with the following additional requirements:

- (A) Provide the Local Stock Exchange with details of the relevant regulatory provisions (statutory or otherwise) in its place of incorporation or other establishment and demonstrate to the satisfaction of The Local Stock Exchange that the standards of shareholder protection provided by that jurisdiction are not lower than those pertaining in Country where Listing is being sought.
  - (B) Include in the listing documents – a summary of the above mentioned regulatory provisions in a form to be decided or agreed up by The Local Stock Exchange on a case-by-case basis and in The Exchange’s absolute discretion; and
  - (C) If requested to do so by The Local Stock Exchange, appoint an independent financial adviser acceptable to The Exchange to confirm that the proposals are in the interests of the holders of the securities of the existing listed company or companies.
- (2) In addition the issuer must comply with such other requirements as The Local Stock Exchange may on a case-by-case basis impose, in order to ensure that Local investors will be afforded the same level of protection as exists in Home Country in relation to holding of securities in a Local issuer; and
- (3) Attention is particularly drawn to the requirement below:
- “Introduction will normally be appropriate in the following circumstances:
- (A) Where the securities, for which listing is sought are already listed on another Stock exchange;
  - (B) Where the securities of an issuer are distributed in specie by listed issuer to the shareholders of that listed issuer or to the shareholders of another issuer; or
  - (C) Where a holding company is formed and its securities are listed in exchange for those of one or more listed issuers, any reorganization by way of scheme

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of arrangement, or by any other means whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed Local issuers, and listing of the later issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed, must first be approved by a special resolution of the shareholders of the listed Local issuer or issuers”.

That any reorganization by way of scheme of arrangement, or by any other means whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed Local issuers and listing of the later issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed, must first be approved by a special resolution of the shareholders of the listed Local issuer of issuers.

- (i) The Issuer shall ensure that a minimum of ten per-cent (10%) of the issued share capital is made available to the public and held by not less than three hundred (300) shareholders.

**Rule 10.3: Application Procedures and Requirements:**

- (a) The following modifications apply against the under listed background:
  - (1) “From the time of submission of the formal application for listing until it is granted, there must be no dealing in the securities for which listing is sought by any connected person of the issuer, except as may be permitted by The Exchange. The directors of the issuer for whose securities listing is being sought shall forthwith notify The Exchange of any such dealings or suspected dealing of which they become aware. If any of the directors or their associations are found to have engaged in such dealing, the application may be rejected.”
  - (2) “In the case of a new applicant a formal declaration relating to any other business activities and undertaking must be duly signed by each director and proposed director. In the case of listed issuer, the same declaration and undertaken must be submitted if specifically requested by The Exchange.”
  - (3) “Where the listing document is required to contain a statement by the directors as to the sufficiency of working capital, a letter from the sponsor or in the case of a listed issuer, the issuer’s financial advisers or auditors, confirming that they are satisfied that the statement in the listing document as to the sufficiency of working capital has been made by the directors after due and careful enquiry and that



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persons or institutions providing finance have stated in writing that such facilities exist”.

- (b) In Rule 10.3(a)(1)-(3) above, the references to “Directors” should be read as references to members of the overseas issuer’s governing body;
- (c) If the overseas issuer’s primary listing is or is to be on The Exchange, the Memorandum and Articles of Association or equivalent documents must be lodged with The Exchange, the Memorandum and Articles of Association or equivalent documents must be lodged with The Exchange, and contents of its Prospectus must comply with those of other companies in the country on whose Stock exchange Listing is being sought.
- (d) If the overseas issuer’s primary listing is or is to be on another Stock Exchange, the one signed copy of the listing document lodged with The Exchange, which conforms as follows:

“Four copies of the listing documents one of which must be dated and signed by every person who is named therein as a director or proposed director of the issuer or by its agent authorised in writing and by the Secretary or, in the case of a capitalization issue, one of which has been dated and signed by the Secretary. May be signed by two members of the overseas issuer’s governing body or by their agents authorised in writing rather than by or on behalf of every director or proposed director; and

- (e) (1) The declaration and undertaking to be lodged as follows:

“In the case of a new applicant, a formal declaration relating to any other business activities and undertaking, as set out in the Form of General Undertaking (Equities) duly signed by each director and proposed director. In the case of a listed issuer, the same declaration and undertaking must be submitted if specifically requested by The Listing Stock Exchange”.
- (2) The language above may be adjusted by virtue of the laws to which the overseas issuer is subject.

**Rule 10.4: Listing Documents:**

- (a) The requirement to include a statement of responsibility as it appears thus:

“Issuers are reminded, that each of their directors is required to accept responsibility for the information which the listing document contains and that a statement to that effect is required to be incorporated in the listing document except where this requirement is excluded by virtue of the relevant provisions of the Listing Requirements of the Local Stock Exchange”.

- (b) The fact that The Local Stock Exchange may require disclosure of such additional or alternative items of information as it considers appropriate in any particular case (see this:

The Exchange may require disclosure of such additional or alternative items of information as it considers appropriate in any particular case. Conversely, it may be prepared to permit, the omission or modification of items of information to suit the circumstances of a particular case. Consequently, issuers are encouraged to seek informal and confidential guidance from The Local Stock Exchange at the earliest opportunity).

In particular, if the overseas issuer's primary listing is or is to be on the Listing Stock Exchange, The Local Stock Exchange may require the listing document to contain a summary of the relevant regulatory provisions (statutory or otherwise) of the country where the overseas issuer is incorporated or otherwise established in a form to be agreed upon by The Local Stock Exchange on a case-by-case basis; and

- (c) The requirement, in the case of an overseas issuer whose primary listing is or is to be on the Listing Exchange, to include a summary of the provisions of the constitutional documents of the overseas issuer and, in addition, in the case of an introduction in the circumstances set out below:

Where a holding company is formed and its securities are issued in exchange for those of one or more listed issuers. Any reorganization by way of arrangement or by any other means whereby securities are issued by an overseas issuer in exchange for the securities of one or more listed issuers and the listing of the later issuer or issuers is withdrawn at the same time as the securities of the overseas issuer are listed must first be approved by a special resolution of the shareholders of the listed Local issuer or issuers.

A comparison between the overseas issuer's constitutional documents and the constitutional documents of the listed issuer whose securities have been exchanged.

- (d) The Local Stock Exchange may be prepared to permit the omission of information where it considers it appropriate. In considering requests for any such omissions, The Exchange will have regard to:

- (1) Whether the overseas issuer has a listing on a regulated, regularly operating, open stock market recognized by The Exchange and conducts its business and makes disclosure according to the accepted standards in the Country of Listing; and

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- (2) The nature and extent of the regulatory standards and controls to which the overseas issuer is subject in its country of incorporation or other establishment.
- Overseas issuers who want to omit any of the prescribed information should therefore consult The Listing Stock Exchange at the earliest possible opportunity.
- (e) The following modifications apply:
- (1) Some of the items of information specified in the listing requirements of The Listing Stock Exchange may be inappropriate and inadequate. In such a case, the items should be appropriately adapted so that equivalent information is given in respect of General Information about the Issuer, its advisers and the listing documents, information on the securities, terms and conditions of the issue, the Issuer's capital, Issuer's activities, Financial information, Issuer's prospects and management position and use of proceeds;
- (2) If the overseas issuer does not have a board of directors, the statement of responsibility required below;
- "The members of the Governing Body collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable inquiries that to the best of their knowledge and belief here are no other facts the omission of which would make any statement herein misleading"
- (3) The statement of responsibility must be made by all the members of the overseas issuer's equivalent governing body and listing document should be modified appropriately
- (f) The documents to be offered for inspection will be the documents corresponding to those mentioned hereunder as (1)-(4):
- (1) The Memorandum and Articles of Association or equivalent of the issuer.
- (2) All reports, letters or other documents, balance sheets valuations and statements by any expert any part of which is extracted or referred to in the listing document;
- (3) A written statement signed by the reporting accountants setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons thereof; and
- (4) The audited accounts of the issuer or, in the case of a group, the consolidated audited accounts of the issuer and its subsidiaries for each of

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the two (2) financial years immediately preceding the issue of the listing document and where any of such documents are not in the Listing Country's commonly spoken Language, certified translations in acceptable language thereof must be made available for inspection. In particular cases, The Listing Stock Exchange may require additional documents to be offered for inspections;

- (g) Overseas issuers which are subject to public reporting and filing obligations in their country of incorporation or other establishment (or listing, if different) may be permitted to incorporate in listing documents relevant documents so published. Such documents must be in commonly spoken language, or accompanied by a certified translation. For example, overseas issuers subject to Securities and Exchange Commission filing requirements in the United States of America may be able to utilise such documents. The Listing Stock Exchange should be consulted in such cases;
- (h) If the overseas issuer's primary listing is or is to be on another Stock Exchange the listing document must be in the Listing Country's common Language or contain a certified translation;
- (i) For the purpose of satisfying or avoiding contravening the under stated position, viz.:

Where the listing committee decided to cancel the listing of a listed issuer it will, if requested, give its reason in writing and the issuer shall have the right to have that decision referred to the listing committee again for review. If the listing committee endorses or modifies its earlier decision the issuer shall have a right to further and final review of that decision by the Listing Appeals Committee. The decision of the Listing Appeals Committee on review shall be conclusive and binding on the issuer.

An overseas issuer whose primary listing is or is to be on another Stock Exchange need only appoint one authorised representative who need not be a director or secretary but be a person acceptable to The Listing Stock Exchange. The authorised representative should act as the principal channel of communication between the issuer and The Exchange.

**Rule 10.5: Listing Agreement**

- (a) The text of the Listing Agreement applicable to overseas issuers is as contained in the form of General Undertaking enclosed as Appendix III.
- (b) Subject to the consent of the Securities & Exchange commission, The Listing Stock Exchange will be prepared to agree such modification to the Listing agreement, as it considers appropriate in a particular case. In particular, in the case of an overseas issuer whose primary listing is on another regulated, regularly operating, open stock market

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recognized by The Exchange, The Exchange may, subject to the consent of the Commission, accept a Listing Agreement which incorporates equivalent continuing obligations to those imposed by that other stock market.

- (c) Conversely the Listing Stock Exchange may impose additional requirements in a particular case. In particular, if the overseas issuer's primary listing is or is to be on The Exchange, The Exchange may impose such additional requirements as it considers necessary to ensure that investors have the same protection as that afforded to them in Country of Listing. The Exchange may add to or waive, modify or not require compliance with, these requirements on a case-by-case basis in its absolute discretion.
- (d) Attention must be paid to the following obligations regarding:
  - (1) Simultaneous release of information to other Exchange and to the market in the country on whose Stock Exchange Listing is being sought.
  - (2) Distribution and contents of annual report and accounts.
  - (3) Disclosure of interests in the overseas issuer's share capital.

**Rule 10.6: Accounts Reports**

- (a) Attention must be taken regarding the requirement for the reporting accountant to be independent both of the overseas issuer and of any other company concerned (see the rule stated below)

“All accountants’ report must be prepared by Professional Accountants who are qualified under the professional accountants bodies for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the country of Listing Corporate ordinance and in accordance with the guidelines of the Chartered Institute of Accountants of the Listing Country”

- (b) A report will not normally be regarded as acceptable unless the relevant accounts have been audited to a standard comparable to that required in the country on whose Stock Exchange Listing is being sought.
- (c) Reports in respect of overseas issuers whose primary listing is or is to be on The Exchange will normally be required to conform with the requirements as to a country standards set out in a & b below:
  - (1) The financial history of results and the statement of Assets & Liabilities included in the Accountants’ report must normally be drawn up in conformity with accounting standards set and approved by the Chartered Institute of Accountants

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of the Listing Country and laid down in the Statements of Standard Accounting Practice issued from time to time by Chartered Institute of Accountants of the Listing Country and the Country of Listing's Accounting Standard Board.

- (2) The relevant standards will normally be those current in relation to the last financial year reported on and wherever possible appropriate adjustments should be made to show profits for all periods in accordance with such standards.

Reports in respect of other overseas issuers are required to conform with Accounting Standards acceptable to The Exchange, which will normally be at least the International Accounting Standards Committee. The relevant standards will normally be those current in relation to the last financial year reported on and wherever possible appropriate adjustments should be made to show profits and loss for all periods in accordance with such standards.

- (d) Where The Listing Stock Exchange allows report to be drawn up otherwise than in conformity with accounting standards approved by country's Institute of Chartered Accountants or its Accounting Standard Board or the International Accounting Standards Committee, The Exchange may, having regard to the jurisdiction in which the overseas issuer is incorporated or otherwise established, require the report to contain a statement of the material differences (if any) from either of those standards.
- (e) In the case of a new applicant whose accounts have not been audited previously on a basis analogous to that outlined in the listing requirement, or whose accounts have not previously been published in consolidated form, The Listing Stock Exchange will generally give favourable consideration to a report in which the reporting accountants' report without material qualification on the last two (2) years, provided that the figures for the preceding year has been prepared by the overseas issuer under the supervision of the reporting accountants.
- (f) Where the figures in the report differ from those in the audited annual accounts a statement of adjustment must be submitted to The Listing Stock Exchange enabling the figures to be reconciled.

Prohibition of overseas issuers from purchasing their own shares or giving financial assistance in connection with such purchases

- (g) (1) An overseas issuer whose primary listing is on The Listing Stock Exchange:
- (A) Shall not purchase any shares, either on The Listing Exchange or by private treaty (whether or not the Memorandum and Articles of Association of the overseas issuer or equivalent constitute documents or any statute or rule

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of law in force in the country of incorporation or other establishment of such overseas issuer would otherwise permit such a purchase).

- (B) Shall not give, whether directly or indirectly, and whether by means of loan guarantee, the provision of security or otherwise any financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares, provided that nothing in this rule will be taken to prohibit:
- (i) Where the lending of money is part of the ordinary business of an overseas issuer, the lending of money by the overseas in the ordinary course of its business;
  - (ii) The provision by an overseas issuer, in accordance with any scheme for the time being in force, of money for the purpose by trustees of fully paid shares in the overseas issuer to be held by or for the benefit of employees of the overseas issuer or any of its subsidiaries, including any director holding a salaried employment of office in the overseas issuer; or
  - (iii) The making by an overseas issuer of loans to persons, other than directors or their associates, *bona fide* in the employment of the overseas issuer or any of its subsidiaries with a view to enabling those persons to purchase fully paid shares in the overseas issuer to be held by themselves by way of beneficial ownership; and
- (C) Shall procure that none of its subsidiary companies shall purchase any shares in any case without the prior written consent of The Exchange.
- (2) For the purpose of Chapter 10, "SHARES" shall mean shares of all classes (other than redeemable preference shares), warrants to subscribe shares and options to purchase shares of the listed overseas issuer. References to purchases of shares include purchases by agents or nominees behalf of the overseas issuer or subsidiary of the overseas issuer, as the case may be.

**Rule 10.7: Listing Fees**

Details of the initial listing fees, subsequent issue fee and other charges together with details of the brokerage charge and transactions levies on new issues are set by the Council of The Listing Stock Exchange.

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**Rule 10.8: General**

- (a) All documents furnished by an overseas issuer, including accounts, which are in a language other than Listing Country's commonly spoken language must be accompanied by a certified translation. If The Exchange so requires, an additional translation must be prepared in the country on whose Stock Exchange Listing is being sought at the overseas issuer's expense by such person or persons, as The Exchange shall specify.
- (b) Information to be supplied by overseas issuers in a listing document or accounts notwithstanding any obligation in The Exchange Listing rules, the Statutory Rules, the Statutory Rules or any obligation imposed by the laws of Listing Country shall not be less than that required to be supplied by the overseas issuer in its place of incorporation or other establishment.



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## CHAPTER 11

### LISTING OF DEPOSITARY RECEIPTS *(Rules Not Yet Effective)*

#### **Rule 11.1 Preamble**

- (a) This Chapter sets out The Exchange's requirements relating to Depositary Receipts (DRs). The aim of the Chapter is to set out the general eligibility, disclosure and continuing obligations requirements that apply to DRs and then set out in subsequent parts specific provisions in relation to sponsored and unsponsored DR issues.
- (b) The Exchange's Listing Rules, including the General Requirements, apply to the listing of DRs subject to, and as may be modified or amended by the additional requirements, modifications, exceptions and interpretations set out in this Chapter.

#### **Rule 11.2. Definitions**

References in this Chapter to:

"Deposit Agreement" means the agreement entered to between the Depository and the Issuer, regulating the terms of a sponsored DR program;

"Depository" means a bank or institution that issues DRs representing the securities of an issuer that are held as a bare trustee in a custody account in its name or a nominee's name in the issuer's local market. The depository may also act as a registrar, transfer agent and corporate actions agent and may cancel or issue DRs for withdrawal or deposit of securities in accordance with the deposit agreement entered into with an issuer for a sponsored program;

"Depository Receipts" means the instruments in dematerialized form (or represented by a certificate issued at the request of a DR Holder), issued in registered form under a DR programme. "DR" shall mean a unit of such instruments;

"Holder of DR or DR Holder" means the registered holder of one or more DRs as evidenced by the register of DRs maintained by the depository;

"International securities" means securities listed and traded on two or more Exchanges in different jurisdictions;

"Issuer" means the Underlying Entity in the case of Sponsored DRs and the depository the case of Unsponsored DRs;

“Liquidity Provider” means a Dealing Member of The Exchange that commits to provide liquidity i.e. protect against variations in volatility on the market, guarantee transactions at all times at the best price and support the volume of transactions in a specific DR Issuance.

“Listing Document” means the offering document for the sale of DRs to be listed on The Exchange;

“Publicly Available Information” shall mean:

- (a) information which has been published in or on any internationally recognized public or electronic news source, regardless of whether the reader or user thereof pays a fee to obtain such information;
- (b) information disclosed by the Underlying Entity pursuant to the requirements of the Underlying Entity's national law, any stock exchange on which the Securities are listed, or the rules of any regulatory body to which the Underlying Entity is subject; and
- (c) information in the secondary market or otherwise within the public domain.

“Securities” shall mean the underlying shares and debt securities represented by the DRs;

“Sponsored DR Issue” means the issuance of DRs at the direction of the Underlying Entity and in accordance with the deposit agreement between the issuer and the depository;

“Terms and Conditions” means the Terms and Conditions of an Un-sponsored DR Issue;

“Underlying Entity” shall for the purpose of these Rules mean the issuer of the Securities in a DR issue; and

“Un-sponsored DR Issue” means the issuance of DRs without the involvement of the Underlying Entity and in accordance with the provisions of the Terms and Conditions of the issuance.

**Rule 11.3: The Underlying Entity**

- (a) The Underlying Entity shall in all DR issues:
  - (1) be a company duly incorporated and validly established under the laws of its jurisdiction of incorporation or establishment; and which operates in conformity with those laws and its constitutional documents;
  - (2) have its primary listing on another exchange and must be listed on an exchange that is acceptable to The Exchange;
  - (3) publish in its latest audited financial statements the following:

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- (A) Paid up share capital,
  - (B) Market value,
  - (C) Total shareholder equity, and
  - (D) Pre-tax profit

Provided that the foregoing shall satisfy the criteria which may from time to time be prescribed by The Exchange.

- (b) In addition, the Underlying Entity shall:
  - (1) have obtained all necessary approvals or exemptions as applicable from the appropriate authorities in the country of its incorporation in accordance with relevant laws relating to issue of securities.
  - (2) at the time of the proposed DR listing the Underlying Entity shall be sufficiently liquid to ensure efficient price formation in the secondary market, that are acceptable to The Exchange;
  - (3) at the minimum have twenty per-cent (20%) of its share capital held by Shareholders, excluding company insiders and any corporate shareholders that are more than fifty per-cent (50%) owned by such insiders.

#### **Rule 11.4 The Depositary**

- (a) The depositary shall be a duly authorized and regulated financial institution acceptable to The Exchange and shall be either:
  - (1) A company duly incorporated in accordance with the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004; or
  - (2) validly established under the laws of the jurisdiction in which it is incorporated or established.
- (b) The depositary, including any replacement depositary, shall be a duly authorised and regulated financial institution acceptable to The Exchange. In assessing suitability, The Exchange shall consider the depositary's experience and capacity for issuing and managing DR programmes or the depositary's experience in managing International Securities.
- (c) The depositary must hold the Securities as a bare trustee in a custody account in its name or a nominee's name for the benefit of the DR Holders; the underlying securities to which the DR relates, all distributions or

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- cash received pertaining to the underlying securities, subject only to payment of the remuneration and expenses of the depositary or its custodian and to the provision of the Deposit Agreement or Terms and Conditions.
- (d) The Depositary shall be duly authorized by its constitutional documents to issue DRs.
  - (e) The Depositary shall be an independent entity from the Underlying Entity.
  - (f) None of the Securities nor any such rights, money or benefits may be, or be liable to be treated as assets of the depositary under the law (including insolvency law) of the jurisdiction of its incorporation, the jurisdiction of incorporation of the Underlying Entity or the jurisdiction of administration of the trust or other arrangement under which the Securities are held.
  - (g) The Exchange may permit the depositary to receive cash distributions from the Underlying Entity without requiring the segregation of such distributions from other cash amounts held by the depositary, provided that the documentation constituting the DRs sets out clearly that the depositary shall distribute such amounts to investors as soon as practicable and in any event no later than fourteen (14) days from the receipt of the dividends from the Underlying Entity.
  - (h) The depositary, shall agree in the Deposit Agreement and stipulate in the Terms and Conditions, its obligation to distribute to DR Holders copies of all information relating to any corporate action to be undertaken by the Underlying Entity or the Underlying Entity's group which it or its nominee receives from the Underlying Entity in its capacity as a Securities holder in the Underlying Entity.
  - (i) In particular, (but without limitation) the depositary shall undertake in the Deposit Agreement or the Terms and Conditions to inform the DR Holders of meetings of Securities holders of the Underlying Entity and to distribute copies of any notices, reports or other communications received from the Underlying Entity giving information on:
    - (i) the allocation and distribution of dividends; and
    - (ii) the issue of new Securities, including arrangements for their allotment, subscription, renunciation, conversion or exchange.
  - (j) The DRs must not impose obligations on the depositary other than to the extent
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necessary for the protection of rights to and the transmission of entitlements of the Securities.

- (k) The depository shall if so required by The Exchange, provide a legal opinion (or legal opinions) in form and content satisfactory to The Exchange confirming:
- (1) that the listing of the DRs is not in breach of any law or regulation in the country of incorporation of the Underlying Entity, or the depository;
  - (2) that all necessary exchange control, tax, Securities laws have been complied with and relevant regulatory consents have been obtained in the country of incorporation of the Underlying Entity and of the depository; and
  - (3) that, subject to the right of The Exchange to permit the depository to receive cash distributions from the Underlying Entity without requiring the segregation of such distributions from other cash amounts held by the depository, provided that the documentation constituting the DRs provides that the depository will distribute such amounts to DR Holders as soon as practicable and in line with these Rules, none of the Securities represented by the DRs nor any rights, money or other benefits attributable to such Securities may be liable to be treated as assets of the depository under the law (including insolvency law) of the jurisdiction or jurisdictions of incorporation of the depository and the Underlying Entity.
- (l) Where a custodian is appointed, the Exchange may request for a certificate of good standing issued by its regulator in its jurisdiction of incorporation in order to satisfy itself of the suitability of the appointed custodian.

**Rule 11.5: The Deposit Agreement/Terms and Conditions**

The Deposit Agreement and the Terms and Conditions shall contain the following:

- (a) The status of DRs as instruments representing ownership interests in the Securities of an Issuer that have been deposited with the depository.
- (b) The status of registered DR Holders as the legal owners of those DRs.
- (c) The role of the depository to issue DRs; in the case of Sponsored DR program,

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this must specify the Depository as an agent of the Issuer and to arrange for the deposit of the Securities with the custodian.

- (d) The duties of the Depository, including the duty to keep in Nigeria and make available for inspection by the DR Holders or an Issuer, a register of DR Holders and the transfers of the DRs; the duty to keep a record of the deposits of the Securities; the issue of DRs; the cancellation of DRs and the exchange of DRs for Securities.
- (e) That the role of the appointed custodian is to hold the Securities for the account of the Depository on behalf of the DR Holders, and as separate and distinct from all other property of the custodian.
- (f) The mechanism for the issue and registration of DRs by the depository upon receipt of Securities in the Issuer and the form of the DR.
- (g) The right of DR Holders to surrender DRs to be cancelled in exchange for the delivery of the Securities, subject to payment of any applicable charges and taxes and any legal or regulatory restrictions.
- (h) The right of DR Holders to corporate action entitlements and state the rights (if any) and procedures applying to cash distributions, distributions of Securities, rights issues or any other distribution accruing to the Securities which the DRs represent, in a manner acceptable to The Exchange.
- (i) The manner in which any corporate action, or other reclassification of the Underlying Entity's Securities, will be represented by and accrue to the DRs, in accordance with the principle that the DR Holders are to be treated as having generally equivalent rights to holders of the Securities which the DRs represent.
- (j) The right of the DR Holders to exercise the voting rights attached to the Securities represented by the DRs and the procedures by which DR Holders will be notified of meetings of Securities holders or solicitations of proxy votes and their entitlement to issue instructions to the depository as to how to exercise their voting rights; (to the extent applicable in case of Unsponsored DRs.
- (k) The conditions and process for the issue or replacement of DRs if any DR instrument is lost, destroyed, stolen or mutilated (if applicable).
- (l) The obligations of DR Holders, including any liabilities for taxes and other charges and the obligation to disclose the beneficial ownership of the DRs on request of the depository or The Exchange.

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- (m) A clear statement of the fees and charges payable by DR Holders, including fees and charges payable to the Depository and the custodian (if applicable).
  - (n) Procedures for the removal and replacement of the depository including an obligation to inform DR Holders by advance announcement, of any prospective resignation, removal and replacement of the depository.
  - (o) An obligation to notify the DR Holders of any changes made to the appointment of a custodian whether or not such change is as a result of resignation or removal.
  - (p) Procedures for the amendment of the Depository Agreement and Terms and Conditions.
  - (q) The governing law of the Depository Agreement and Terms and Conditions shall be that which is acceptable to The Exchange and generally conforms with international best practice.
  - (r) The procedures by which the Depository will notify DR Holders as to where copies of all notices, reports, voting forms or other communications published by the Underlying Entity to its Securities holders can be obtained.
  - (s) In addition to the above:
    - (1) the Deposit Agreement shall also provide:
      - (A) for the appointment of the depository by the Issuer with authorization to act on behalf of the Issuer in accordance with the deposit agreement.
      - (B) that the depository holds as bare trustee (or under equivalent arrangements) for the sole benefit of the DR Holders, the Securities which the DRs represent, and all rights relating to the Securities and all money and benefit that the Depository may receive in respect of them, subject only to payment of the remuneration and proper expenses of the Depository.
    - (2) the Terms and Conditions shall:
      - (A) be duly executed by the Depository as a deed poll;
      - (B) include an obligation to provide the DR Holders with a thirty (30) day notice period prior to any material change(s) to the Terms and Conditions being effected.
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**Rule 11.6: The Securities**

- (a) The Securities represented by the DRs shall already be listed; or will be concurrently listed on a foreign stock exchange (referred to as the “home exchange”) and shall be, or will be, subject to the listing (or other) rules of the home exchange where it has primary listing.
- (b) An application for the listing of DRs shall not be allowed where the Securities are already listed on The Exchange.
- (c) Prior to the issuance and listing of the DRs, the Securities shall be free from all liens and from any restriction on the right of transfer and in the case of Un-sponsored DRs, the Securities shall be fully paid.

**Rule 11.7: The DRs**

- (a) The DRs for which listing is sought shall:
  - (1) be freely transferable;
  - (2) conform with Nigerian law and the law of the Depository's jurisdiction of incorporation. In the event of a conflict between Nigerian law and the law of the Depository's jurisdiction of incorporation, Nigerian law shall prevail;
  - (3) be valid under the law which is expressed to govern the document giving effect to the DR;
  - (4) be capable of being surrendered to be cancelled in exchange for the delivery of the Securities subject to closing of the transfer books the payment of any applicable charges and taxes and any legal or regulatory restrictions;
  - (5) recognize the right of DR Holders to receive distributions made on the Securities;
  - (6) recognize the right of DR Holders to exercise the voting rights attached to the Securities and be informed about the procedures by which DR Holders will be notified of meetings of Securities holders or solicitations of proxy votes; and their entitlement to issue instructions to the depository as to how to exercise their voting rights;
  - (7) specify the manner in which any consolidation or split-up or change in



the par value or other reclassification of the Issuer's Securities will be represented by and accrue to the DRs;

- (8) recognize the right of each DR Holder to receive copies of all notices, reports, voting forms or other communications sent by the Issuer to its Securities holders, and make such communications available for inspection at its principal offices and at the office of the custodian;
- (9) be eligible for deposit in an electronic clearing and settlement system acceptable to The Exchange, or any acceptable alternative system agreed in advance with The Exchange.

**Rule 11.8: Application for Listing**

- (a) The application for listing shall be made by the Issuer by filing the underlisted documents with The Exchange together with the applicable listing fees to be prescribed by The Exchange; and subject to changes as may from time to time be made by The Exchange:
  - (1) an application for admission to listing, in a form to be provided by The Exchange;
  - (2) two (2) copies of the Listing Document;
  - (3) a copy of the Depository Agreement and the Terms and Conditions; as applicable;
  - (4) an undertaking by the Depository to comply with all obligations imposed by these Rules and The Exchange from to time in the form set out in Appendix I to these Rules;
  - (5) a copy of any agreement(s) entered into between the Issuer, the overseas custodian bank, the Depository or the agent of the Depository, which shall inter alia specify the rights to be passed on to the DR Holders (where applicable);
  - (6) such other documents as may be required by The Exchange.
- (b) In a Sponsored DR Issue:
  - (1) certified true copy of the memorandum and articles of association /constitutional documents of the Underlying Entity;

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- (2) a copy of the enactments or provisions having the force of law by or under which the incorporation of the Issuer was effected, attested to by an authorized representative of the company shall be annexed;
  - (3) evidence of listing of the Underlying Entity in the home exchange;
  - (4) where the Underlying Entity has a subsidiary in Nigeria, it shall provide the address of its principal office in Nigeria; if otherwise, it shall provide an address in Nigeria where the said instrument, enactments or provision or copies thereof are made available for public inspection;
  - (5) a certified true copy of the certificate of incorporation of the Underlying Entity issued by the companies registry of the country in which it is incorporated;
- (c) All documents required to be filed at The Exchange shall be in English.

**Rule 11.9: Contents of Listing Document for Sponsored DRs**

- (a) **The Issuer and its Advisers**
- (1) The following shall be stated on the cover page of the Listing Document:
    - (A) the official name and jurisdiction of incorporation of the Underlying Entity;
    - (B) the name and number of the DRs being offered and the issue price, if applicable; and
    - (C) the name of the arranger, underwriters or other distributors of the issue, if applicable.
  - (2) On the inside cover page of the Listing Document, declarations and statements in the following form shall be stated:
    - (A) *“This Listing Document includes information given in compliance with the listing rules of The Exchange. The Underlying Entity accepts full responsibility for the accuracy of the information contained in the Listing Document and confirms, having made reasonable enquiry that to the best of its knowledge and belief there are no facts the omission of which would make any statement within the Listing Document misleading. The Nigerian Stock Exchange takes no*

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*responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of this document.”*

(B) *“The DRs are Securities of a specialist nature and should normally only be bought and traded by investors who are particularly knowledgeable in investment matters or have received adequate advice in that regard.”*

(C) *“Application has been made to The Nigerian Stock Exchange for the DRs to be admitted to the official list.”*

(3) The following shall be stated on the inside of the back cover of the Listing Document:

(A) *the registered address or principal office of the Underlying Entity;*  
*and*

(B) *the names and addresses of the Underlying Entity's attorneys, auditors, depositary, custodian, underwriters, arrangers or other distributors and paying agent (if any).*

(b) **Investment Considerations**

An explanation of any matter of significance to investors relating to the issue of the DRs for which listing is sought, the Underlying Entity and the Underlying Entity's country of incorporation. Such explanation should be given appropriate prominence, depending on the nature of the matter concerned and its significance to investors.

(c) **The Securities Represented by the DRs**

The following information shall be provided in relation to the Securities represented by the DRs:

(1) A statement of the resolutions, authorizations and approvals by virtue of which the Securities have been or will be created and/or issued.

(2) The number of Securities which have been or will be created and/or issued if pre-determined, and the minimum sale price for such Securities.

(3) The ratio of DRs to the Securities.

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- (4) A summary of the rights attaching to the Securities, and in particular the extent of the voting rights, pre-emption rights, entitlement to share in any profits and, in the event of liquidation, in any surplus and any other special rights. Where there is or is to be more than one issue of Securities of the Underlying Entity in issue, like details shall be given for each specific issue.
  - (5) The fixed date(s) on which entitlements to dividends arise.
  - (6) The time limits after which entitlements to dividends lapse and an indication of the person in whose favour the lapse operates.
  - (7) A statement regarding tax on the income from the Securities withheld at source in the country of origin.
  - (8) A statement as to whether the Underlying Entity assumes responsibility for the withholding of tax at source.
  - (9) Arrangements for the transfer of the Securities and any restrictions on their free transferability.
  - (10) Any stock exchanges on which the Securities are listed and an indication of the closing price of the Securities as derived from the official publication of the relevant exchange for the first business day in each of the six (6) months immediately preceding the date of the Listing Document.
  - (11) Where a listing of Securities on another stock exchange is to be sought by the Underlying Entity, details of that stock exchange.
  - (12) The names and addresses of the Underlying Entity's registrars and any transfer agents.
  - (13) Where Securities are being issued at the same time as the admission of the DRs to listing, the following information concerning the terms and conditions of the issue:
    - (A) a statement of any right of pre-emption of Securities holders exercisable in respect of any Securities to be represented by the DRs;
    - (B) the total number of Securities being offered or privately placed (where applicable) by category;

- (C) if a public or private issue or placing is being made simultaneously on the markets of two or more countries and if a tranche is being reserved for certain of these, details of any such issue, placing or tranche;
  - (D) the issue price, the issue premium and the amount of any expenses specifically charged to any subscriber or purchaser;
  - (E) the methods of payment of the issue price;
  - (F) the procedure for the exercise of any right of pre-emption, the transferability of subscription rights and treatment of subscription rights not exercised;
  - (G) the period during which the issue will remain open and the names of the receiving agents;
  - (H) the methods of and time limits for delivery of the Securities;
  - (I) the names, addresses and descriptions of the persons underwriting the issue and the amount of any portion not covered;
  - (J) an estimate of the overall expenses relating to the issue payable by the Underlying Entity;
  - (K) the estimated net proceeds of the issue and the intended application of such proceeds;
  - (L) if known, the dates on which the Securities will be admitted to listing (if applicable) and on which dealings will commence; and
  - (M) details of the dealing and settlement arrangements for the Securities.
- (14) If the Securities have not been admitted to listing but are dealt in on another regulated, regularly operating, recognized open market, an indication of such market. The market shall be acceptable to The Exchange.
- (d) **Litigation or Material Claims**  
Particulars of any litigation, or claims of material importance pending or threatened against the Underlying Entity or any member of the Underlying Entity's group, or an appropriate negative statement.

(e) **Financial Information about the Underlying Entity**

- (1) The financial information about the Underlying Entity and its group shall be set out in the form of a comparative table, together with any interim financial statements published subsequently.
- (2) The comparative table shall include the following financial information, which must be extracted without adjustment from the latest audited annual financial statements, which must be in respect of a period ended not more than nine (9) months before the date of the Listing Document and which covers at least three (3) financial years (or any shorter period stipulated by The Exchange):
  - (A) statement of comprehensive income;
  - (B) statement of financial position;
  - (C) statement of cash flow;
  - (D) statement of changes in equity;
  - (E) summary of significant accounting policies; and
  - (F) notes to the accounts for the last financial year.
- (3) The comparative table shall be presented in a form consistent with that which would be adopted in the Underlying Entity's annual financial statements having regard to the accounting standards, policies and legislation applicable to such financial statements unless The Exchange otherwise agrees.
- (4) The financial information need not be prepared on a consolidated basis if the Underlying Entity has in the past always presented financial statements on another basis. If the Underlying Entity prepares both own and consolidated annual financial statements, the Underlying Entity may include either form or both, provided that the form which is not included does not provide any significant additional information.
- (5) The Exchange may enquire as to whether the accounting principles which have been applied are consistent with International Accounting Standards, the standing of the auditors within the accounting profession of the country where they practice, and whether the audit has been carried out in accordance with International Financial Reporting Standards (IFRS) and/or International Standards on Auditing. An explanation of any significant departures from International Financial Reporting Standards (IFRS) and/or International Accounting Standards or International Standards on Auditing may be required to be included in the Listing Document.

- (6) Where a profit forecast appears in the Listing Document, a statement of the principal assumptions upon which it is based, whether it is audited or unaudited and the date at which the profit forecast was prepared.
  
- (f) **Capitalization and Indebtedness**
  - (1) A summary of the provisions of the Underlying Entity's memorandum and articles of association/constitutional documents regarding changes to its share capital.
  
  - (2) The amount of the Underlying Entity's authorised and issued share capital and the amount of any share capital agreed to be issued, the number of the Securities of which it is composed with details of their principal characteristics.
  
  - (3) Where the Underlying Entity has authorised but unissued share capital or is committed to increase its share capital, an indication of:
    - (A) the amount of such authorised but unissued share capital or capital increase and, where appropriate, the duration of the authorization;
  
    - (B) the categories of any persons having preferential subscription rights for such additional portions of share capital; and
  
    - (C) the terms and arrangements for the issue of Securities corresponding to such portions.
  
  - (4) An indebtedness statement as at the most recent practicable date (which must be stated) of the following, if material:
    - (A) the total amount of any debt Securities of the Underlying Entity issued and outstanding, and authorised or otherwise created but unissued, and term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the Underlying Entity or by third parties) and unsecured loans;
  
    - (B) the total amount of all other borrowings or indebtedness in the nature of borrowings of the Underlying Entity including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowing and debt, all mortgages and charges of the

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Underlying Entity; and

(C) the total amount of any contingent liabilities or guarantees of the Underlying Entity.

(g) **Group Activities**

(1) If the Underlying Entity is a company within a group, a description of the group's principal activities, including details of the main categories of products sold or services performed.

(2) A description of the group covering the Underlying Entity's position within the group and, if a subsidiary, the names and number of Securities held, directly or indirectly, by each holding company of the Underlying Entity.

(h) **Management**

(1) The full names, addresses and functions in the Underlying Entity of every director or proposed director.

(2) Where disclosure of such information is required by any stock exchange on which the Underlying Entity is listed or by the laws of the Underlying Entity's country of incorporation, a statement showing the total direct and indirect interest of the directors in the Underlying Entity together with any options in the share capital.

(i) **Major Shareholders**

(1) To the extent that such disclosure is required by the stock exchange on which the Underlying Entity is listed or by the laws of the Underlying Entity's country of incorporation, the following details shall be provided:

(A) the interests of any director of the Underlying Entity in its share capital;

(B) each person who is, directly or indirectly, interested in five per-cent (5%) or more of the share capital of the Underlying Entity; and

(C) the amount of each director or person's interest in such share capital, together with particulars of any options in respect of further share capital.

(j) **Information about the Depositary**

(1) The name, registered office address and principal administrative establishment (if different from the registered office) of the



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depository.

- (2) The date and country of incorporation of the depository.
- (3) The legislation under which the depository was formed and it operates and legal form which it has adopted under that legislation.
- (4) A summary of the contents of the deposit agreement including the date, parties, duration, and any indemnities or restrictions on the liability of the depository. The summary shall also include a statement as to how the terms of the deposit agreement may be varied and a description of how the agreement may be terminated.

(k) **The DRs**

- (1) The ratio of DRs to Securities.
- (2) A summary of the material terms and conditions of the DRs and the deposit agreement, including the information set out below:
  - (A) The provisions relating to the exercise of and benefit from the rights attaching to the Securities, in particular the notification of voting rights, the conditions on which the depository may exercise such rights, and the procedures applied by the depository to obtain the instructions of the DR Holders and the right to participate in any distribution.
  - (B) The provisions which enable a Holder of DRs to cancel the DRs in exchange for the Securities.
  - (C) The rates of the commissions and costs to be borne by a Holder of DRs in connection with:
    - (i) the issue of the DRs;
    - (ii) the receipt and payment of any cash dividend or other distribution in respect of the Securities;
    - (iii) the creation of additional DRs;
    - (iv) the exchange of the DRs for Securities upon the cancellation of the DRs; and

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- (v) the issue and delivery of replacement DRs.
  - (D) Details of the procedures which will be applied by the depositary whenever it receives cash, Securities or any other distribution in respect of the deposited property.
  - (E) Details of the circumstances in which the issue of DRs may be suspended.
  - (F) Details of the procedures which may be applied by the depositary if and whenever the Underlying Entity announces its intention to offer or invite the holders of the Securities to subscribe or acquire further Securities.
  - (G) The procedures which may be applied by the depositary in the conversion of foreign currency.
  - (H) The procedures which will be applied by the depositary upon any change in the nominal or par value, sub-division, consolidation or other reclassification of the Security or upon any reduction of capital or upon any reorganization, merger or consolidation of the Underlying Entity.
  - (I) The procedures for the issue and delivery of replacement DRs.
  - (J) Arrangements for the transfer of the DRs and any restrictions on their free transferability.
  - (K) Details of the dealing and settlement arrangements for the DRs.
  - (L) The names of any stock exchanges where admission to listing for the DRs is, or is intended to be sought and the date on which the DRs will be admitted to listing, if known.
  - (M) Details of where the Underlying Entity's audited annual financial statements and any interim financial statements will be made available to the DR Holders.
  - (N) An indication of the arrangements with regard to any taxes and charges to be borne by the DR Holders and levied in countries where the DRs are issued.

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- (O) An indication of the legislation under which the DRs have been created (if applicable) and agreed forms of dispute resolution.
  - (P) Details of the procedures regarding the pre-release of DRs and lending of the Securities.

(l) **Material Contracts**

To the extent not already disclosed in the Listing Document, a summary of the principal contents of all material contracts (being contracts not in the ordinary course of business entered into within two (2) years immediately preceding the publication of the listing document); entered into by the Underlying Entity, including particulars of the dates, parties and a summary of the Terms and Conditions of such contracts.

(m) **Conditionality**

If the issue of DRs may be cancelled at any time prior to the document of title being issued, and therefore the grant of the listing may not become effective, this shall be made clear in the Listing Document. The subscription or underwriting agreement shall make the obligations thereunder conditional upon the DRs being admitted to listing.

(n) **Inspection of Documents**

A statement that for a reasonable period (being not less than fourteen (14) days from the date of the Listing Document) at a named place in Nigeria, or such other jurisdiction as The Exchange may stipulate, the following documents (translated into English where the documents are in another language) may be inspected without charge:

- (A) the memorandum and articles of association / constitutional documents of the Underlying Entity;
- (B) the Underlying Entity's most recent audited financial statements and any subsequent interim financial statements; and
- (C) the deposit agreement, any paying transfer agency agreement, if applicable, and any other material contracts pertaining to the issue.

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(o) **Risk Factors**

In a Sponsored DR Issue, the Listing Document should contain declarations in a prominent position, in the following form (where applicable):

- (A) *“Prior to the issue of the DR there has been no public market for the DR. An application has been made to list the DR on The Nigerian Stock Exchange. There can be no assurance that any trading market will develop for the DR.”*
- (B) *“The most recent audited financial statements and interim financial statements have been appended to this Listing Document. However, there can be no assurance that the financial condition or results of operations of the Underlying Entity have not changed in a material adverse manner since the date to which such financial statements were prepared.”*
- (C) *“The necessary principles that have been applied in the annual audited and interim financial statements of the Underlying Entity are consistent with International Financial Reporting Standards (IFRS) and/or International Standards on Auditing. A summary of the principal differences between the principles applied in producing the financial statements of the Underlying Entity and those of the International Accounting Standards and/or International Standards on Auditing is provided herein.”*

(p) **Continuous Disclosure Requirements for Sponsored DR.**

- (A) The Underlying Entity shall prepare and submit to The Exchange its financial statements periodically as specified by The Exchange in its Listings Rules.
- (B) The depositary shall ensure that all communication made by the Issuer to its Securities holders are made available to the DR Holders and copies of same shall be submitted to The Exchange not later than the same date it was made available to its shareholders.
- (C) The Underlying Entity shall provide details of its directors and institutional shareholders or other shareholders holding five per-cent (5%) or more of its Securities to The Exchange quarterly.

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**Rule 11.10: Contents of Listing Document for an Un-sponsored DR**

- (a) The cover page of the Listing Document should set out:
- (1) the official name and jurisdiction of incorporation of the Underlying Entity;
  - (2) the name, number and specific issue of the DR being offered and the issue price, if applicable; and
  - (3) the name, registered office address and principal administrative establishment (if different from the registered office) of the Depository;
  - (4) the date and country of incorporation of the Depository;
  - (5) the legislation under which the Depository was formed and it operates and legal form which it has adopted under that legislation;
  - (6) the name of the arranger, underwriters or other distributors of the issue, if applicable.
- (b) A declaration in the following form should be included on the inside of the cover page of the Listing Document:
- (1) *“This Listing Document includes information given in compliance with the Listing Rules of The Nigerian Stock Exchange.”*
  - (2) *“The depository has extracted such information from publicly available sources and to the best of its knowledge and belief such information has been accurately reproduced in the Listing Document but such information has not been independently verified or checked [or, if applicable, the extent to which it has been so verified or checked]. The Nigerian Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of this document.”*
- (c) The depository shall ensure that the Listing Document contains the form of the Terms and Conditions to be issued in relation to the DR as prescribed by these Rules. The Terms and Conditions would state the number of Securities represented by the DRs.

- (d) Any stock exchanges on which the Securities represented by the DRs are listed and an indication of the closing price of the Securities as derived from the official publication of the relevant exchange for the first business day in each of the six (6) months immediately preceding the date of the Listing Document.
- (e) The depositary shall ensure that the Listing Document contains the latest published annual financial statements and any subsequently published interim financial statements of the Underlying Entity.
- (f) The Depositary shall ensure compliance with Rule 11.9 (j) (Information about Depositary) and Rule 11.9 (k) (the Securities Represented by the DRs).
- (g) All information in relation to the Underlying Entity contained in the Listing Document shall be derived from Publicly Available Information.
- (h) In an unsponsored DR, the Listing Document should also contain declarations in a prominent position, in the following form (where applicable):
  - (1) *“Information in the Listing Document relating to the Underlying Entity has been derived from publicly available sources but has not been provided by the Underlying Entity. The depositary has extracted such information from such publicly available sources and to the best of its knowledge and belief, such information has been accurately reproduced in the Listing Document. However, such information has not been independently verified or checked or, if applicable, the extent to which it has been so verified or checked.”*
  - (2) *“The Underlying Entity is not a party to the offer and sale of the DR or the arrangements pursuant to which the DR may be converted into the Securities. Accordingly, the Underlying Entity is under no contractual obligation to furnish the depositary with reports or other information relating to such Securities for the benefit of investors.”*

**Rule 11.11: Announcements**

In an Unsponsored DR Issue, the depositary shall ensure that every proposed corporate action or restructuring of the Securities is announced, at least ten (10) business days prior to the date of the relevant corporate action provided it affects the listed security (if applicable).

**Rule 11.12: Supporting Documents in an Unsponsored DR**

- (a) The Exchange may at any time before or after the admission to listing require

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the depositary to provide to The Exchange a copy of any of the following, where applicable:

- (1) any reports, letters, valuations, statements by experts, contracts or other documents referred to in the Listing Document; and
  - (2) any temporary and/or definitive document of title regarding the Securities.
- (b) The depositary shall if so required by The Exchange, provide a legal opinion (or legal opinions) in form and content satisfactory to The Exchange confirming:
- (1) that the listing of the DR is not in breach of any law or regulation in the country of incorporation of the Underlying Entity, or the depositary;
  - (2) that all necessary exchange control, tax, Securities laws have been complied with and relevant regulatory consents have been obtained in the country of incorporation of the Underlying Entity and of the depositary; and
  - (3) that, none of the Securities represented by the DR nor any rights, money or other benefits attributable to such Securities may be or be liable to be treated as assets of the depositary under the law (including insolvency law) of the jurisdiction or jurisdictions of incorporation of the depositary and the Underlying Entity.
  - (4) that at the time of the listing the depositary has the capacity to apply to list DRs and that the establishment of the DR facility is in compliance with its memorandum and articles of association/constitutional documents and all applicable local laws and regulations and any listing rules; and that all actions, consents, registrations, and filings to be taken, obtained or made by the depositary under such laws have been taken or obtained.

**Rule 11.13. Continuing Obligations in an Un-sponsored DR**

- (a) As a condition of being granted and maintaining a listing, the depositary shall observe the continuing obligations with respect to Un-sponsored DR Issues which are set out below:
- (1) When additional Securities of the same specific issue representing new DRs are to be deposited with the depositary under the same facility, the depositary shall notify The Exchange of the creation of the new DRs and any modification in the rights attaching thereto. The Exchange may

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list such DRs without requiring a Listing Document to be prepared in connection with the listing application.

- (2) The depositary shall notify The Exchange of the resignation of its appointment and shall give the DR Holders notice of such resignation as provided by the unsponsored Terms and Conditions. The replacement depositary shall satisfy the applicable conditions for listing DRs set out in these Rules.
- (3) The depositary shall notify The Exchange of any modification in the rights of the depositary or any Securities into which the listed DRs are exchangeable, to the extent that it becomes aware of the same. In such circumstances, The Exchange may require a new application for listing of such modified DRs or may cancel the listing thereof.
- (4) If requested by The Exchange, the depositary shall (subject to it or its nominee receiving or otherwise being able to obtain the same) submit to The Exchange through The Exchange's Issuers' Portal or other channels approved by The Exchange one copy of the annual financial statements of the Underlying Entity, the auditors' report thereon, any interim financial statements, all circulars, notices of meetings, forms of proxy, and other similar documents as soon as possible after they have been received or obtained by the depositary (or its nominee) in its capacity as a Securities holder of the Underlying Entity.
- (5) The Exchange may at any time make a public announcement with respect to any information delivered to it by the depositary or the Underlying Entity.

**Rule 11.14. Liquidity Provider**

- (a) A Sponsoring Broker is required to introduce the DRs on The Exchange. The Sponsoring Broker shall be a Dealing Member in good standing with The Exchange's Rules and Regulations.
- (b) The Sponsoring Broker may choose to be the Primary Liquidity Provider for the DRs or otherwise nominate another broker to perform the role of the Primary Liquidity Provider subject to the approval of The Exchange and shall undertake to maintain a secondary market in the DRs.
- (c) There shall be at least one supplemental Liquidity Provider for a specified DR issuance.



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- (d) A primary Liquidity Provider may act as Liquidity Provider for more than one specified DR Issuance.
  - (e) When The Exchange considers it to be in the interest of the market that liquidity in a specified DR be improved, it may enter into agreements with Liquidity Provider-firms, one of who shall assume the role of a Primary Liquidity Provider for such DR and the rest shall assume the role of Supplemental Liquidity Provider.
  - (f) Any Dealing Member desirous of becoming a Liquidity Provider for a designated DR must submit to The Exchange a written application describing all the pertinent factors demonstrating why the firm is suitable to perform the role of a Liquidity Provider taking into consideration the eligibility criteria to be prescribed by The Exchange on:
    - (1) Net Liquid capital of Three Hundred Million Naira (~~₦~~300million) share capital which must have been subscribed and paid up.
    - (2) Experience, Expertise and past performance based on market volume and value traded over the previous twenty-four (24) months.
    - (3) Compliance with The Exchange's minimum operating standards.

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## PART A2 – THE PREMIUM BOARD

# CHAPTER 12

### LISTING ON THE PREMIUM BOARD

#### Rule 12.1: Preamble

- (a) These Rules are designed to be a practical guide to listing on the Premium Board of The Nigerian Stock Exchange (“the Premium Board”). The Rules provide Issuers and their advisors with important information about listing standards, disclosure and notification requirements.
- (b) The Exchange through the Premium Board aims to provide a platform for greater global visibility for eligible Nigerian entities, which will make it easier for them to attract global capital flows and reduce the cost of borrowing.
- (c) The approval granted by The Exchange for the listing of an entity’s securities on the Premium Board does not indicate any opinion by The Exchange on that Issuer’s standing. The Issuer’s directors shall be accountable for the veracity of any information provided to The Exchange as well as the authenticity of any supporting documents.

#### Rule 12.2: Eligibility Criteria for Admission

- (a) Every Issuer that seeks admittance to the Premium Board shall make a written request to The Exchange and execute the General Undertaking for listing on the Premium Board.
- (b) The National Council of The Exchange (“Council”) may authorize the listing of an Issuer’s securities on the Premium Board if the Issuer:
  - (1) Is already listed on the Main Board of The Exchange or is seeking to list on the Premium Board of The Exchange; and
  - (2) Has submitted itself for evaluation under The Exchange’s Corporate Governance Rating System (CGRS) and scores a minimum rating of seventy per-cent (70%); and
  - (3) Achieves a market capitalization that is equal to or in excess of ₦200 billion on the date The Exchange receives the Issuer’s application to list on the Premium Board; and
  - (4) Has any of the following:
    - (a) a minimum free float requirement of twenty per-cent (20%) of its issued share capital; or

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- (b) the value of its free float is equal to or above ~~N~~40 billion on the date The Exchange receives the Issuer's application to list.

Provided that The Exchange may from time to time determine the market capitalization and free float requirements.

- (c) The Exchange may request additional clarification or information from the applicant; and the applicant shall provide the additional clarification or information to The Exchange within such time frame as stipulated by The Exchange. In the event that the applicant fails to provide such clarification or information within the stipulated period, such failure may result in the application being denied.

**Rule 12.3: Eligibility to Remain on the Premium Board and Continuing Obligations**

- (a) The Exchange shall evaluate an Issuer's eligibility to remain on the Premium Board, at regular intervals as may be determined by The Exchange. Such evaluation shall be based on the criteria set forth in Rule 12.2 above; as well as such additional requirements as may from time to time be prescribed by The Exchange. Provided that each Issuer shall comply with all other continuing listing obligations as specified under the Listings Rules of The Exchange.
- (b) Council may grant an extension of time for an Issuer to comply with the requirements set forth in these rules or such other additional requirements as may from time to time be prescribed by The Exchange; provided that the Issuer submits a reasoned written request setting forth why it could not meet the said requirements and how it proposes to satisfy the requirements within the time granted.
- (c) Every decision to grant an extension of time as set forth in sub-rule (b) above shall be published on The Exchange's website.

**Rule 12.4: Corporate Governance Requirements**

- (a) Every Issuer on the Premium Board shall comply with the Securities and Exchange Commission's Code of Corporate Governance and shall disclose in its annual report a list of the codes of corporate governance to which it is subject.
- (b) For each code of corporate governance to which an Issuer on the Premium Board is subject, it shall include in its annual report, a statement signed by the Chairperson of its Board and its Company Secretary, disclosing whether it is fully compliant with the provisions of the code and if not, providing a detailed statement of the facts of its non-compliance and an explanation thereof.

**Rule 12.5: Fees**

The Exchange shall from time to time exercise its powers to fix and publish applicable fees which shall be subject to the approval of the Commission, for admitting an Issuer's securities for listing on the Premium Board and maintaining such listing.

**Rule 12.6: Transfer of Listing Upon Successful Application**

Where the application of a company listed on the Main Board to list on the Premium Board is successful, its listing shall be transferred from the Main Board to the Premium Board.

**Rule 12.7: Sanctions**

An Issuer that breaches any of these Rules shall be subject to sanctions, including but not limited to fines, suspension from trading, delisting from The Exchange or transfer to another board of The Exchange or public reprimand.

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## PART A3 – ASeM BOARD

# CHAPTER 13

### LISTING ON THE ALTERNATIVE SECURITIES MARKET BOARD (ASeM)

#### Section I - Methods of Listings, Definitions and General Requirements

#### **Rule 13.1: Listings Requirements: Introduction and Methods of Listing**

- (a) Companies wishing to be admitted to the official list of THE NIGERIAN STOCK EXCHANGE must, in addition to complying with The Exchange's rules Governing Listing, comply with the relevant provisions of the Companies And Allied Matters Act Cap C20 LFN 2004, the Investment and Securities Act, 2007, Rules and Regulations made thereunder and other relevant statutory requirements.
- (b) The detailed listings requirements of The Nigerian Stock Exchange are contained in the Nigerian Stock Exchange Listings Requirements.
- (c) In broad outline, the methods for Listing of Securities on The Exchange are through:
- (1) **Offer for subscription**  
  
An invitation by or on behalf of a company or other authority to the public, for subscription of securities at a fixed price;
  - (2) **Offer for sale**  
  
An offer to the public by or on behalf of a shareholder, the proceeds which will go to the vendor(s);
  - (3) **Placing**  
  
Sale by a broker to his clients, of securities, which have previously been purchased or subscribed for;
  - (4) **Rights offer/issue**  
  
A privilege offer/issue to existing shareholders to acquire proportionately additional shares in the company usually at a special price;

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**(5) Capitalization Issue**

A bonus/scrip issue to existing shareholders;

**(6) Tender**

An offer of specific quantity of shares and stock to the public by or on behalf of a company or other authority or a third party for bidding;

**(7) Introduction**

The Listing of securities already widely held;

**(8) Conversion**

An exchange for or conversion of securities into other classes of securities;

**(9) Options**

An offer to buy or sell some shares at an agreed price and time;

(10) Any other method that Council may prescribe.

**Rule 13.2: Definitions**

The following expressions shall unless the context otherwise require, have the following meanings in these "Rules Governing Listing on The Nigerian Stock Exchange".

"ASeM" means the Alternative Securities Market

"An Associated

Company" is an investee company that is not a subsidiary and in respect of which;

- a) The investor's interest in the voting power of the investee is substantial, and
- b) The investor has the power to exercise significant influence over the financial and operating policies of the investee, and
- c) The investor intends to retain its interest as a long-term investment.

"Capital" includes shares and loan capital.

"Committee" means the Quotations Committee of Council.

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“Commission”	means the Securities and Exchange Commission.
“Company”	means a public company as defined by the Companies and Allied Matters Act Cap C20 LFN 2004 and includes Corporations.
“Council”	means the Council of The Exchange and/or any Committee set up by Council.
“Dealing Member”	means a member of The Exchange that is licensed to deal in securities on any of the trading floors of The Exchange.
“Listing”	means admission of securities to the Official List.
“Prospectus”	includes circular, advertisement, explanatory memorandum, scheme of arrangement, rights offer document, or other equivalent document, published or circulated, relating to the Securities for which listing is sought.
“Public”	means persons other than the directors and employees of a company.
“Securities”	include shares, stock units of a unit trust, debentures and bonds.
“Shares”	include ordinary and preference shares and units of a unit trust.
“The Exchange”	means The Nigerian Stock Exchange.
“Underwriting”	the act of agreeing to buy all or part of a new issue of securities to be offered for public sale with a view to resale and not as a form of investment. There are two basic types of underwriting:  (1) “Standby underwriting” is where the underwriter is legally bound to take and pay up to the underwritten percentage only if the issue is not fully subscribed.  (2) “Firm underwriting” is where the issuer sells the entire issue to the underwriters, who then attempt to resell it, the issuer receives the agreed upon amount and all the risks associated with selling the issue are transferred to the underwriters.

**Rule 13.3: General Requirements for Listing**

- (a) Application for Listing will only be entertained if sponsored by a Designated Adviser.
- (b) The company must be a public company, which will issue or has issued an invitation to the public to subscribe for its shares or has satisfied Council that the public is sufficiently interested in the company's shares to warrant Listing.

- (c) All securities for which listing is sought shall first be registered with the Securities and Exchange Commission.
- (d) All application and documents to be considered or approved by Council should always be submitted to The Exchange at the earliest possible date. The final prospectus for approval must be forwarded to The Exchange at least seven (7) business days before the date for the completion board meeting.
- (e) Before the grant of Listing, all applicant companies shall sign a General Undertaking that they will provide promptly certain information about their operations and that they will follow certain administrative procedures.
- (f) Where it is desired to increase the authorized share capital, the directors shall state, in the explanatory circular or other documents accompanying the notice of meeting, whether or not they presently have any intention of issuing all or any part thereof.
- (g) A company which applies for Listing shall comply with the minimum public float requirement prescribed by the Listing standard criteria chosen by the Issuer.
- (h) Subscriptions list must remain open for a maximum period of twenty-eight (28) business days.
- (i) A maximum of ten per-cent (10%) of an offering will be allowed to staff of a company (or its subsidiaries or associated companies) on special application forms. Such offerings may be placed in Trust for the employees.  
  
Where a proportion of the shares in a placement or public offer is reserved for employees, the company shall provide The Exchange along with the General Undertaking a list of members of staff who have been allotted shares, the number of such shares, the capacity in which they work for the company and the number of years of service with the company.
- (j) All companies admitted to Listing on The Exchange shall pay a listing fee as laid down in Appendix III to the ASeM Rules and these fees are subject to review from time to time.
- (k) All clauses in the company's Memorandum & Articles of Association that restrict the transfer of fully paid-up shares must be expunged.
- (l) All Listed companies shall advertise the Notice of their annual general meetings in at least two (2) widely read newspapers at least twenty-one (21) days before the annual general meeting and such advertisement must be conspicuously placed to cover a reasonable portion of a page.



- (m) The subscription monies pending allotment and return of funds to subscribers shall be deposited in a designated bank account appointed by the Issuing House and the company. All accrued interests in respect of cleared allotments shall be paid to the company to offset part of the cost of the Issue.
- (n) Return monies arising from an unsuccessful application or abortion of an offer/issue shall attract interest at the rate determined by the Commission.
- (o) These general requirements are not exhaustive and Council may add thereto or subtract therefrom as considered necessary subject to the approval of the Securities and Exchange Commission.

**Rule 13.4: Eligibility and Required Documentation**

To qualify for Listing on the ASeM Board of The Exchange an Issuer shall meet the Initial Listing Standard set forth in below and shall submit an Application, which should be made at the earliest possible date in the form set out in Appendix I.

**(a) Initial Listing Standard**

The Issuer shall:

- (1) Be registered as a public limited company with no restrictions on the transfer of fully paid shares;
- (2) Have a Designated Adviser who shall be responsible for the Issuers compliance with the Listing and Post Listing Requirements throughout the duration of listing on ASeM.
- (3) Have a minimum of two (2) years' operating track record;
- (4) Provide a comprehensive plan of the company's business prospects covering a period of not less than two(2) years;
- (5) Have financial statements which shall be compliant with the applicable SEC rules and the financial statement at the time of submission of the application shall not be more than 9 months old;
- (6) Ensure that a minimum of fifteen per-cent (15%) of the issued share capital is made available to the public and held by not less than fifty-one (51) shareholders;
- (7) Ensure that if the listing is in connection with an Initial Public Offering (IPO) the promoters and directors will hold a minimum of fifty per-cent (50%) of their shares in the company

for a period of twelve (12) months from the date of listing and will not directly or indirectly sell or offer to sell such securities during that period;

(8) Ensure that the securities are fully paid-up at the time of allotment or registration in compliance with the applicable SEC rules; and

(9) Undertake to promptly pay annual listing fees.

**Rule 13.5: Documents to be Lodged Before the Completion Board Meeting**

The following documents shall be lodged before the completion board meeting:

- (a) A letter of indemnity by the issuer dated and signed by a director and the company secretary.
- (b) A copy of the approved prospectus.
- (c) A copy of the approval letter from the Commission.
- (d) Printers' proofs of the advertisement and posters.

**Rule 13.6: Documents to be Lodged After the Completion Board Meeting**

One copy each of the prospectus, poster and advertisement, shall be lodged with The Exchange within forty eight (48) hours of the completion board meeting. These documents shall be dated and signed by every person who is named in the prospectus as a director or proposed director of the company or by his agent authorized in writing. Where an agent signs the documents, a certified copy of the authorization for such signature shall be submitted along with the documents.

**Rule 13.7: Documents to be Lodged Prior to the Issue's Admission to the Official List**

Prior to the issue being admitted to the official list, the following documents shall be lodged with The Exchange:

- (a) A written undertaking accepting to comply with the post-listing requirements of The Exchange in the form set out in Appendix II to these rules.
- (b) A statement of compliance in the form suggested in Appendix IV.
- (c) A copy of the newspaper cuttings advertising the basis of allotment.

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Section II - Subsequent Listing of Securities

(In Respect of Companies Whose Securities Are Already Listed on The Exchange)

**Rule 13.8: Subsequent Listing of Securities**

- (a) Application, which should be made at the earliest possible date in the form set out in Appendix I, can only be made in respect of a security which has a minimum market as may be determined by The Exchange from time to time or twenty per-cent (20%) of the authorized share capital.

If a placing is intended the application must be accompanied or preceded by a request to use such method, supported by such other information as The Exchange may from time to time require, including necessary approvals by shareholders at general meeting and the Securities and Exchange Commission.

- (b) The following documents shall be lodged at least fourteen (14) days prior to the hearing of the application by the Committee:
- (1) A formal application in the form issued by Council (see Appendix I) signed by the sponsoring Designated Adviser of The Exchange and accompanied by a non-refundable application processing fee and appropriate listing charges.
  - (2) One copy of the approved prospectus.
  - (3) A certified copy of:
    - (A) The resolution(s) of the Board authorizing the issue of all securities for which listing is sought and subsequently allotting same;
    - (B) The resolution(s) of the Board approving and authorizing the issue of the prospectus and
    - (C) The resolution(s) of the company in general meeting (if any) authorizing the issue of all securities for which listing is sought.
  - (4) A certified copy of every letter, report, balance sheet, valuation, vending agreement and other contracts or other document any part of which is extracted or referred to in the prospectus.
  - (5) A certified copy of the written consent by any expert to the inclusion in the Prospectus of:
    - (A) A statement purporting to be a copy of or extract from or summary of or reference to a report or valuation or other statement by such expert;

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- (B) Any recommendation by such expert in relation to acceptance or rejection of an offer or proposal.
- (6) A letter from the issuing house, or in the absence of an issuing house from the underwriters one of whom must be a sponsoring Dealing Member of The Exchange, stating that they have satisfied themselves that the statement in the prospectus as to the sufficiency of working capital has been made by the directors after due and careful enquiry. Such letter shall be required to state that there is written confirmation from persons or institutions on whom reliance is placed for the provision of finance, that such facilities exist.
- (7) A certified copy of the Underwriting Agreement.
- (8) In the case of Loan Issue, a copy of the Trust Deed or other document securing or constituting the loan capital.
- (9) The following documents shall be submitted for initial approval:
- (A) Two copies of the prospectus.
  - (B) Two copies of the allotment letter, letters of right, scrip or other temporary document of title proposed to be issued.
  - (C) Two copies of the definitive certificate or other definitive document of title proposed to be issued.
  - (D) Two copies of the Memorandum and Articles of Association or other corresponding document unless previously supplied, together with two copies of all special or other resolutions increasing the share capital or capitalizing reserves.
  - (E) In the case of loan capital, two copies of the Trust Deed or document securing or constituting the loan capital.
  - (F) The prospectus must comply with the relevant provision of the Investments and Securities Act, 2007, where applicable, and with the requirements of these Rules.
  - (G) Where it is desired to advertise abridged particulars of a preliminary announcement of a public offer in the Press, applicants must submit two copies of the drafts (which must not contain any information not included in the prospectus) for approval before its insertion in the Press.
  - (H) Where, following compliance with Rule 13.8(b)(4) any amendment is made to any document referred to therein a like number of the amended copies shall be submitted to The Exchange for approval.
- (c) The following documents shall be lodged before the completion board meeting:
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- (1) A letter of indemnity by the issuer dated and signed by a director and the company secretary.
  - (2) A copy of the approved prospectus.
  - (3) A copy of the approval letter from the Commission.
  - (4) Printers' proofs of the advertisement and posters.
- (d) One copy each of the prospectus, poster and advertisement shall be lodged with The Exchange within forty eight (48) hours of the completion board meeting. Such document shall be dated and signed by every person who is named in the prospectus as a director or proposed director of the company or by his agent authorized through Power of Attorney. Where an agent signs the documents, a certified copy of the authorization for such signature shall be submitted along with the documents.
- (e) Prior to the listing of any supplementary offer, the following documents shall be lodged with The Nigerian Stock Exchange:
- (1) A written undertaking accepting to comply with the post-listing requirements of The Exchange in the form set out in Appendix II of these rules;
  - (2) A statement of compliance in the form suggested in Appendix IV.
  - (3) A copy of the newspaper cuttings advertising the basis of allotment.
- (f) Subject to the provisions of this rule if the directors issue and/or offer to issue any shares in the original or any increase capital of the company:
- (1) For cash; or
  - (2) For consideration other than cash, dealings in all the shares of the company on The Exchange shall be suspended for such period as may be determined by the Council.

### Section III – Designated Advisers

#### **Rule 13.9: Introduction of Designated Adviser**

- (a) To ensure compliance with all the requirements and obligations of the ASeM Board, a Designated Adviser ("DA") is required for all companies listed on the ASeM Board of The Exchange. DAs will provide professional resources to qualifying companies for guidance and advice on securities-related matters.
- (b) DAs are Dealing Members of The Nigerian Stock Exchange:

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- (1) with expertise on corporate finance and investment;
  - (2) with in-depth knowledge of capital market rules and operations;
  - (3) with intimate acquaintance with the disclosure, listing and post listing requirements of The Exchange; and
  - (4) accredited by The Exchange to perform designated advisory functions.
  - (5) that are not acting as primary market makers on The Exchange.
- (c) The Designated Adviser will offer qualifying companies an opportunity to expand relationships with existing clients and attract new business, serving as trusted professionals with expert advice on investor-friendly financial disclosure and investor demand creation for companies listed on the ASeM Board.
- (d) Stockbrokers to applications for new listings must be accredited DAs. A lead Stockbroker to a new listing will provide designated advisory services to the applicant company for a period of one year post listing. At the expiration of this period, the company may retain the services of the appointed DA or appoint a new DA from the list of accredited DAs as published by The Exchange.

**Rule 13.10: Functions of a Designated Adviser**

A Designated Adviser shall have the following functions, amongst others:

- (a) provide professional and impartial advice to companies seeking listing on all their responsibilities during the application process;
- (b) act as a professional and impartial guide to the applicant company in respect of capital market rules and operations;
- (c) provide professional and impartial advice continuously to the company to ensure that the company satisfies the ASeM Board requirements for initial and continued membership;
- (d) Confirm and determine that the company has addressed and met the disclosure requirements set forth in the ASeM Rules; and
- (e) Assist the company's management and board to discern what information is material and therefore needs to be disclosed to investors.

**Rule 13.11: Qualifications of Designated Adviser**

- (a) A DA is required to have the following minimum eligibility criteria:
- (1) Be a registered company, with the Corporate Affairs Commission, with a physical operational office within the territory of the Federal Republic of Nigeria.
  - (2) Be a company with strong evidence of solvency and sufficient professional indemnity insurance to cover its proposed advisory activities;
  - (3) It must have been actively engaged in the financial advisory or securities business for at least three (3) years;

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- (4) It must have at least two (2) Subject Expert Professionals (SEP), with experience in corporate finance or a closely related field in their employment as defined in Rule 13.11(c). SEPs are required to complete the form prescribed by The Exchange and attach the completed form to the sponsoring DA's application.
  - (5) It must be registered by the relevant regulatory authority to introduce companies to The Exchange.
  - (6) It should have a satisfactory compliance history within the last three (3) years
  - (7) It must demonstrate institutionally or through its SEP, substantial knowledge and understanding of local capital market operations and practices
- (b) The Exchange may, at its sole discretion, waive the requirement for the applicant DA firm to have a three-year track record and/or relevant transactions where it determines that the applicant has highly experienced SEPs.
- (c) A Subject Expert Professional (SEP) must be:
- (1) A full-time employee of an applicant DA;
  - (2) An individual who has acted in a corporate finance advisory role (which may include capital market regulation), for at least the last three (3) years;
  - (3) An individual who has acted in a lead role on at least three (3) transactions in financial advisory and/or capital raising in the course of his career; and
  - (4) An individual who having regard to his honesty, integrity, reputation, competence, suitability, capability and financial soundness is found fit and proper to perform as a SEP.

**Rule 13.12: Application Process**

- (a) Application for accreditation as a DA shall be made in accordance with these Guidelines and the form prescribed thereof by The Exchange from time to time.
- (b) Application forms are obtainable on payment of the requisite non-refundable application fees.
- (c) Application forms must be completed and submitted in duplicate, with the supporting documents attached.
  - (1) Application Form;
  - (2) Application Form in respect of each proposed Subject Expert Professional (a minimum of two (2) completed information forms will therefore be required);
  - (3) All supporting documentation requested in the above forms (and in particular as stated in the Application Form); and
  - (4) A cheque made payable to The Nigerian Stock Exchange in respect of the application fee.

- (d) The Exchange reserves the right to request any other information, documentation or attestations from the applicant or other persons as it might require in its consideration of an application.
- (e) Notwithstanding any provision in this framework, The Exchange may, in its absolute discretion decline an application for DA.
- (f) Re – accreditation of DAs shall be biennial upon the payment of applicable fees as specified from time to time by The Exchange.

**Rule 13.13: Rules and Obligations Governing Designated Advisers**

- (a) A DA must comply with the following general obligations:
  - (1) Ensure that it continues to fulfill the eligibility criteria above, and such other conditions as may be imposed by The Exchange;
  - (2) Notify The Exchange immediately if it ceases to fulfill any of the eligibility criteria or conditions imposed by The Exchange, or has reason to believe that it will cease to do so; and
  - (3) Keep up to date with the requirements of the rules and professional standards relevant to the fulfillment of its responsibilities, including a sound understanding of the legal and regulatory framework for the Nigerian Capital Market and The Exchange in particular.
- (b) Report to The Exchange on matters which should be brought to its attention, including the following:
  - (1) Appoint a sufficiently senior SEP (or equivalent) to liaise with The Exchange on matters concerning its responsibilities. The DA must provide The Exchange with the contact details of such liaison persons and inform The Exchange immediately of any change to the person or his/her details;
  - (2) Notify The Exchange when it accepts appointment of a company. The DA shall be required to complete a form disclosing any conflict of interest in respect of the appointment;
  - (3) Notify The Exchange when it resigns an appointment;
  - (4) Notify The Exchange when a company refuses to heed its advice on matters which may involve or lead to a breach of the Rules;
  - (5) Notify The Exchange when it forms the opinion that the trading of the company's securities should be halted or suspended, or that the company should be delisted;
  - (6) Ensure provision of any information required from the company by The Exchange as soon as practicable, and to use all reasonable endeavours to ensure that such information is correct, complete and not misleading. If subsequently it believes that the information provided does not meet this standard, notify The Exchange as soon as practicable, and correct the information.



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- (7) Notify The Exchange of any changes to its SEPs or if it falls below the minimum number of SEPs stipulated by The Exchange (redraft in legalese as necessary)
- (c) A DA taking on an already listed company must comply with the following obligations:
- (1) Develop a thorough understanding of the company and its business, including recent major developments relating to it, and gain an understanding of the industry it operates in, having regard to applicable requirements as prescribed by The Exchange;
  - (2) Consider the suitability of each director or proposed director of the company and consider the efficacy of the board as a whole for the company's needs, having regard to applicable requirements as prescribed by The Exchange;
  - (3) Attend or be adequately represented at relevant board committee meetings of the company by its SEP; and
  - (4) Satisfy itself that the company has sufficient systems, procedures, controls and resources to comply with the ASeM Rules and that its directors understand and intend to fulfill their obligations at all times for as long as the company is listed on The Exchange, having regard to applicable requirements as prescribed by The Exchange.
- (d) In addition to Rule 13.13(c) above, a DA in the case of a new listing shall be responsible for, but is not limited to, the following obligations:
- (1) Ensuring the company complies fully with the applicable Listings Requirements;
  - (2) Ensuring all relevant documentation required by The Exchange has been submitted;
  - (3) Ensuring each company brought to The Exchange by the DA meets ASeM eligibility criteria as determined by The Exchange;
  - (4) Ensuring each pre-listing statement is compliant with the Listings Requirements and has been completed accurately and fully, without omissions and/or without misleading or false information;
  - (5) Ensuring all directors of each company have the necessary expertise and experience, understand the nature of their responsibilities under the Listings Requirements, and all other relevant laws, are aware of the expectation to prepare and publish all information necessary and that Directors' declarations need confirmation and verification;
  - (6) Ensuring all new appointees to the board of directors of the company are fully briefed as to the nature of their responsibilities;
  - (7) Ensuring the directors attend initial induction and ongoing training as may be organized by The Exchange and its partners;
  - (8) Ensuring the directors of each company are informed on time of any amendment to the Listings Requirements or other relevant regulations;
  - (9) Ensuring all periodic financial announcements are reviewed with the directors prior to publication to check accuracy and full disclosure;
  - (10) Ensuring regular reviews are held of the company's actual trading performance and financial condition to ensure appropriate disclosure of information to investors.
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- (e) Exercise care and diligence, ensuring compliance with the applicable Rules when carrying out its obligations as an adviser and keep all communications with The Exchange confidential, except as required to be disclosed by law.

**Rule 13.14: Insider/Personal Dealing Rules**

- (a) Due to the likelihood of DAs' having access to material, non-public and price-sensitive information, by virtue of their duties and obligations, companies are required to set a trading freeze period policy for their DAs and must include the trading freeze period policy in their contract with their DAs. A copy of this contract must be attached to the letter informing The Exchange of such appointment.
- (b) DAs are prohibited from direct or indirect dealing in the shares of the listed company it advises during the trading freeze period.
- (c) Director/and indirect disclosure, tips or/and recommendations on the basis of possession of such material, non-public and price-sensitive information of the company (ies) by a DA is prohibited.
- (d) An accredited DA must implement a Chinese wall for a clear division of its stockbroking functions and designated advisory functions.
- (e) Violation of this policy will result in loss of status as a DA, amongst other disciplinary actions.

**Rule 13.15: Assessment of Designated Advisers**

- (a) The Exchange may at any time review the performance or conduct of each DA. If The Exchange considers that the DA has not performed its duties satisfactorily, The Exchange may impose such conditions or requirements on the DA or take any other action as The Exchange deems fit.
- (b) When reviewing the performance and conduct of DAs, The Exchange will have regard to;
  - (1) The conduct of companies for which the DA acts;
  - (2) The compliance or otherwise by the DA with these requirements, any other rules or regulations issued by The Exchange which are applicable to DAs, any conditions imposed by The Exchange on the DA and all applicable legislation and guidelines issued by regulatory authorities;
  - (3) The continuing fulfillment or otherwise by the DA of the requirement enumerated in Rule 13.13 above;
  - (4) The possibility or existence of conflicts of interest; and
  - (5) Changes to the Subject Expert Professionals during the past twelve (12) months.

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**Rule 13.16: Enlisting or Withdrawing Services as a Designated Adviser**

- (a) A company shall in writing notify The Exchange of its appointment of a DA.
- (b) A DA shall make its acceptance or rejection of a company's request in writing, simultaneously notifying The Exchange by copy. In the case of a rejection, reasons must be clearly and explicitly stated.
- (c) A notice of withdrawal can be given by either party upon expiration of the stipulated term and not before except at the behest of The Exchange subject to the terms and guidelines provided for in this document. A company will be required to replace its DA within sixty (60) calendar days where it initiates notice of withdrawal. If withdrawal is initiated by the DA, the DA will be required to give sixty (60) calendar days' notice to the company during which period the company must appoint another DA. A company that fails to appoint a DA within the stipulated time period may be placed on suspension and subsequently delisted.

**Rule 13.17: Withdrawal of Designated Adviser Status**

- (a) Where a DA violates substantially or neglects any of the rules in relation to its responsibilities provided herein The Exchange reserves the right to revoke temporarily or permanently its accreditation upon establishing and communicating same to the DA.
- (b) The Exchange reserves the right to revoke its accreditation of any DA for any act of misconduct, including but not limited to market infractions and unfit and improper conduct.
- (c) Where The Exchange revokes the accreditation of a DA prior to the expiration of its tenure with an issuer, The Exchange shall give the affected company (ies), sixty (60) calendar days to appoint another DA.
- (d) A DA, whose accreditation has been revoked as a result of violation of these guidelines, shall be excluded from accreditation for a period to be specified by The Exchange.
- (e) The Exchange shall publish the names of firms whose accreditation has been revoked with the reasons stated thereof.

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Section IV - Share Buy Back

**Rule 13.18: Share Buy Back**

Preliminary

Provision of Listings Rules relating to acquisition of own shares by issuers of securities.

- (a) An Issuer of securities may repurchase or otherwise acquire any admitted securities previously issued by it, in accordance with the Rules and Regulation of the Securities and Exchange Commission or other applicable legislation, provided always that:
- (b) The Articles of Association of the Issuer shall contain a clause authorizing the Issuer to do so;
- (c) The Issuer shall not acquire more than fifteen per-cent (15%) of its issued shares;
- (d) The directors shall take a decision at a Board Meeting for the purchase of a range of shares over a period of not exceeding two (2) years and shall fix a date for the company's meeting for seeking the approval of shareholders.
- (e) The decision of the directors for the purchase shall be communicated to The Exchange on the day of the Board Meeting.
- (f) The Issuer must send to its shareholders an Explanatory Statement (at the same time as the notice of the relevant shareholders' meeting) containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the Issuer of shares including the information set out below:
  - (1) A statement of the total number and description of the shares which the Issuer proposes to purchase;
  - (2) A statement by the directors of the reasons for the proposed purchase of shares;
  - (3) A statement by the directors as to the proposed source of funds for making the proposed purchase; the funds shall be out of the profits of the company which would otherwise be available for dividend or the proceeds of a fresh issue made for the purpose of the purchase;
  - (4) A statement as to any material adverse impact on the working capital or gearing position of the issuer (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period, or an appropriate negative statement;

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- (5) A statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquires, any associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;
  - (6) A statement as to the consequences of any purchases which will arise under the Takeovers Rules of which the directors are aware, if any.
  - (7) A company shall not purchase its own shares within fifteen (15) days prior to the publication of its annual or interim results.
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- (g) A company which has bought back securities cannot make any issue of the same kind of securities in any manner whether by way of public issue, rights issue or bonus issue one year from the date of completion of buyback.
  - (h) Where a company buys back its shares, it shall cancel the repurchased shares within ten (10) business days of the last date of completion of buyback and shall notify The Exchange on completion of the buyback program.
  - (i) The company shall maintain a register of the securities which have been cancelled.

Section V - Continuing / Post Listing Obligations and Disclosures

**Rule 13.19: Undertakings**

Each listed company acknowledges that the privilege to remain on the list of The Exchange is subject to the pleasure of The Exchange and hereby resolves and undertakes as follows:

**(a) Notices**

- (1) To immediately notify the Chief Executive Officer of The Nigerian Stock Exchange (The Exchange) without delay.
  - (A) any announcement of dividends, changes in capital structure or any other moves that could affect the price of the company's shares on the markets;
  - (B) any change in the Directorate of the company;
  - (C) any proposed alteration of the Memorandum or Articles of Association of the company;
  - (D) any proposed change in the general character or nature of the business of the company or of the group or any change in voting control or in beneficial ownership of the securities carrying voting control;

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- (E) any extension of time granted for the currency of temporary documents;
  - (F) any other information necessary to enable shareholders to appraise the position of the company and to avoid the establishment of a false market in the shares of the company;
  - (G) The date and time when the Board of Directors is to meet to discuss dividends, at least fourteen (14) days in advance.
  - (H) (i) To issue all letters of allotment and of rights simultaneously and in the event of it being impossible, to issue letters of regret at the same time, to insert in the press a notice to that effect, so that the notices shall appear on the morning after the allotment letters have been posted;
    - (ii) To issue the definitive certificates within one month of the date of the expiration of any right to renunciation or the lodgement of a transfer and within the same period to issue balance certificates without charge if required.
  - (I) To certify transfers against allotment letters; definitive certificate and balance receipts.
  - (J) (i) To send out proxy forms to all shareholders entitled to attend and vote at general meetings and to provide that such proxy forms are so worded that a shareholder or debenture holder may vote either for or against each resolution;
    - (ii) To ensure that the books of transfer remain open for at least twenty-one (21) days of the board resolution recommending payment of dividend.
    - (iii) To ensure that the register and books of transfer remain closed for at least five (5) business days to allow for settlement of transactions on the last day of business before closure.
    - (iv) To ensure that the notice of closure of the books of transfer is received by The Exchange not less than fourteen (14) days before closure of the Books of Transfer whether or not the board has passed a resolution recommending a distribution.
  - (K) To notify The Exchange without delay of any decision of the company or of any of its subsidiaries to acquire:
    - (i) Shares in another company which thereby becomes a subsidiary; or
    - (ii) Another business or a section of another business and to furnish such information as The Exchange may require with regard to such acquisition; and if so required to issue to members of the company a circular letter giving such information as The Exchange may require.
  - (L) To notify The Exchange within forty-eight (48) hours after the relevant board meeting of:
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- (i) Its intention to make a drawing or redemption of any securities, intimating at the same time the date of the drawing, and in the case of a registered security, the period of the closing of the transfer books (or the date of the striking of the balance) for the drawing.
  - (ii) The amount of the security outstanding after any purchase or drawing has been made.
- (M) To notify The Exchange within forty-eight (48) hours after the relevant board meeting has been held of:
- (i) Any preliminary results for any year, half-year, quarterly and the comparative figures in respect of profits before taxation and after taxation, even if this calls for qualification that such figures are provisional or subject to audit;
  - (ii) Any dividends and other distributions to members recommended or declared to be paid including approval for payment of dividends, interests, rights or scrip issues;
  - (iii) Short particulars of any proposed change in the capital structure, or redemption of securities;
- (N) The Directors shall be held responsible for ensuring that The Exchange is promptly notified of the foregoing matters.

**(b) Vetting and Approval of Circulars and Notices**

To deliver to The Exchange for vetting and approval, personally by the Company Secretary, two (2) copies of proofs of all circulars and notices to shareholders together with accompanying documents, quarterly reports and forecast, bi-annual and annual reports and accounts not less than fourteen (14) days before their despatch or publication.

**(c) Information to be Included in Annual Reports and Audited Accounts**

To include in or circulate with each annual report and audited accounts:

- (1) (A) A description of the operations carried on by the company or, if the company has subsidiaries, the group.
- (B) If the company has subsidiaries, a list giving for each:
  - (i) Its name and country of operation;
  - (ii) The percentage of its equity capital attributable to the Company's interest.

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- (C) If the company or, as the case may be, the group has interest in associated companies, a list giving for each:
- (i) Its name and country of operation;
  - (ii) Particulars of its issued share loan capital and the total amount of its published reserves;
  - (iii) The percentage of each class of share and loan capital attributable to the company's interest;
- (2) To notify particulars of any arrangements under which any Director has waived or agreed to waive any emoluments.
- (3) A statement as at the end of the financial year showing the interests of each director in the share capital of the company, such statement to include by way of a note, changes in those interests occurring between the end of the financial year and a date not more than one month prior to the date of the notice of the annual general meeting or, if there has been no such change, disclosure of that fact;
- (4) A statement showing particulars as at a date not more than one month prior to the date of the notice of the annual general meeting of an interest of any person, other than a director; who holds five per-cent (5%) or more in the equity of the company and the actual amount so held or, where appropriate, a negative statement.
- (d) Supply of Published Accounts**
- (1) To supply the published accounts of the company and, where applicable, either the consolidated accounts of the group, or the accounts of each subsidiary at least twenty-one (21) days prior to the date of the annual general meeting of the company not later than six (6) months after the relevant year end.
  - (2) To supply additional copies of the accounts for use of members of The Exchange as required.
- (e) Certificates, Transfers, Verifications and Registers**
- (1) To register transfers, split certificates, issue certificates or mark or note transfers and where any fees are charged; it shall be a token amount.
  - (2) To verify in writing, signatures of any intending transferor share/stockholder.
- (f) Preparation, Publication and Submission of Accounts**
- (1) (A) To prepare interim reports, such as first quarter, a half-year and nine-months accounts, approved by the directors (whether or not audited),



which must be sent to all shareholders or inserted as paid advertisement in two (2) leading newspapers not later than six (6) weeks after the relevant period.

- (B) To submit final print of the documents stated above to The Exchange.
- (C) To send to The Exchange copy of management or detailed accounts, duly audited;
- (D) To send to The Exchange certified copies of all resolutions passed by the company at general meetings.

(B) The following minimum information shall be disclosed in annual reports in addition to the statutory requirements:

- (i) Turnover figures representing sales exclusively to third parties;
- (ii) Other income such as investment income rents, profits from sale of assets and other unusual items, all to be listed separately;
- (iii) Interest expenses and similar charges;
- (iv) Profits before taxation;
- (v) Taxation figures with full disclosures and bases;
- (vi) Dividend proposed and dividend liability with full disclosure;
- (vii) Profits after taxation;
- (viii) Cash flow statement;
- (ix) Value added statements;
- (x) Five year financial summary;
- (xi) Sales and profit contribution per activity.
- (xii) Directors direct and indirect holdings in the issued shares;
- (xiii) Substantial shareholdings representing five per-cent (5%) or more of the issued shares;
- (xiv) Capital expenditure.

(2) To send to The Exchange, quarterly statements and forecast whether or not audited not later than six (6) weeks after the end of the period.

**(g) Service Contracts**

To ensure that any service contract, not determinable within five (5) years by the company without payment of compensation (other than Statutory) entered into by the company or any subsidiary of the company, with any director or any person who becomes

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a director within twelve months of entering into such a contract shall be made subject to the approval of the company in general meeting.

**(h) Transfers**

- (1) To certify transfers against certificates or temporary documents and to return them on the day of receipt or, should that not be a business day, on the first business day following their receipt and to split and return renounceable documents within the same period.
- (2) Not to register any transfer in respect of the company's shares or debentures listed on The Exchange, unless such transfers are lodged by a Designated Adviser of The Exchange, or as Council may from time to time direct.

**Rule 13.20 Underwriting**

The underwriting of any issue and agreements relating thereto must be cleared with The Exchange prior to the publication of a prospectus.

**Rule 13.21: Appointments of Experts, Consultants or Advisers**

All proposed appointments of experts and other consultants or advisers, other than stockbrokers to any issue sought to be listed on The Exchange shall be notified and cleared by The Exchange and copies of agreements and consents relating to such appointments shall be filed with The Exchange before publication of a prospectus.

**Rule 13.22: Preferential Treatment on Allotment**

Preferential treatment on allotment shall be approved by The Exchange prior to the publication of the prospectus and such allotment shall be limited to ten per-cent (10%) of the amount offered and then, only to directors and employees; except otherwise as approved by the Securities and Exchange Commission (SEC).

**Rule 13.23: General**

- (a) To comply with The Exchange's Rules Governing Listing.
- (b) To pay any listing fees which may become payable to The Exchange as a result of increases in share capital.
- (c) To adhere to any corporate governance disclosure policy requirements that may be issued by The Exchange and be guided by the Nigerian Code of Corporate Governance issued by the Securities and Exchange Commission (SEC).
- (d) To provide any other information that may be requested by The Exchange.
- (e) To effect any corrections to the annual report and accounts as may be advised by The Exchange.

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Section VI – Sanctions and Delisting**Rule 13.24 Sanctions**

- (a) Publication of accounts, notices of Annual General Meetings, closure of register, payment dates, changes in directorate, changes in capital structure, alteration to memorandum and articles of association, changes in general character of the company, all corporate information/development with potential to impact on the company's performance etc. without prior written approval of The Exchange shall attract a fine of fifty per-cent (50%) of the annual listing fee.
- (b) Going to press or otherwise allowing a leak in financial results without informing The Exchange shall attract a suspension from trading and a fine equivalent to fifty per-cent (50%) of the annual listing fees.
- (c) Any late submission of accounts shall attract a fine of One Hundred Thousand Naira (~~₦~~100,000) per week from the due date until the date of submission.
- (d) A listed company who contravenes any of the provisions of the Listing Rules and General Undertaking and fails to pay the penalty imposed on it for such contravention on or before the due date shall be liable to a further fine of Three Hundred Thousand Naira (~~₦~~300,000) in addition to Twenty Five Thousand Naira (~~₦~~25,000) per day for the period the violation continues.
- (e) Failure by the company to pay dividend on due date shall attract a fine of five per-cent (5%) of the total dividend amount declared
- (f) Failure by the company to issue bonus shares within three (3) months after approval by shareholders at an AGM shall attract a fine of five per-cent (5%) of the nominal value of the shares.
- (g) The companies shall be obliged to state in the annual report contraventions and the sanctions imposed for such contraventions.

**Rule 13.25: Delisting**

The Council reserves the right to remove the name of a company from the Official List of The Exchange at its absolute discretion and may, if:

- (a) it considers there is insufficient public interest in the company, viz, insufficient shares in the hands of the public; or
- (b) any of the foregoing terms and conditions are not complied with; or
- (c) the company becomes a subsidiary of any other company.

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## PART B - CAPITAL RESTRUCTURING

### CHAPTER 14

#### SHARE BUY BACK

##### Preliminary

Provision of Listings Rules relating to acquisition of own shares by issuers of securities

##### **Rule 14.1: Repurchase of Securities**

An Issuer of securities may repurchase or otherwise acquire any admitted securities previously issued by it, in accordance with the Rules and Regulation of the Securities and Exchange Commission or other applicable legislation, provided always that:

- (a) The Articles of Association of the Issuer shall contain a clause authorizing the Issuer to do so;
- (b) The Issuer shall not acquire more than fifteen per-cent (15%) of its issued shares;
- (c) The directors shall take a decision at a Board Meeting for the purchase of a range of shares over a period of not exceeding two (2) years and shall fix a date for the company's meeting for seeking the approval of shareholders.
- (d) The decision of the directors for the purchase shall be communicated to The Exchange on the day of the Board Meeting.
- (e) The Issuer must send to its shareholders an Explanatory Statement (at the same time as the notice of the relevant shareholders' meeting) containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the Issuer of shares including the information set out below:
  - (1) A statement of the total number and description of the shares which the Issuer proposes to purchase;
  - (2) A statement by the directors of the reasons for the proposed purchase of shares;
  - (3) A statement by the directors as to the proposed source of funds for making the proposed purchase; the funds shall be out of the profits of the company which would otherwise be available for dividend or the proceeds of a fresh issue made for the purpose of the purchase;
  - (4) A statement as to any material adverse impact on the working capital or gearing position of the issuer (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed purchases were to be

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- carried out in full at any time during the proposed purchase period, or an appropriate negative statement;
- (5) A statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquires, any associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;
  - (6) A statement as to the consequences of any purchases which will arise under the Takeovers Rules of which the directors are aware, if any.
  - (7) A company shall not purchase its own shares within fifteen (15) days prior to the publication of its annual or interim results.
- (f) A company which has bought back securities cannot make any issue of the same kind of securities in any manner whether by way of public issue, rights issue or bonus issue one year from the date of completion of buyback.
  - (g) Where a company buys back its shares, it shall cancel the repurchased shares within ten (10) business days of the last date of completion of buyback and shall notify The Exchange on completion of the buyback program.
  - (h) The company shall maintain a register of the securities which have been cancelled.

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## CHAPTER 15

### TAKEOVERS AND MERGERS

- \* *A listed company is required to submit to The Exchange drafts of all circulars to be issued by the company to its shareholders.*

#### **Rule 15.1: Equal Treatment of Shareholders**

All shareholders of the same class of an offeree company must be treated similarly by an offeror.

#### **Rule 15.2: Equality in Information Sharing**

During the course of a take-over, or when such is in contemplation, neither the offeror nor the offeree company nor any of their respective advisers may furnish information to some shareholders which is not made available to all shareholders.

#### **Rule 15.3: Provision of Sufficient and Relevant Information**

Shareholders must be given sufficient information and advice to enable them to reach a properly informed decision and must have sufficient time to do so. All relevant information must be made available to the shareholders.

#### **Rule 15.4: Standards for Preparation of Documents**

Any document or advertisement addressed to shareholders containing information or advice from an offeror or the board of an offeree company or their respective advisers must, as is the case with a prospectus, be prepared with the highest standards of care and accuracy.

#### **Rule 15.5: Heading and Particulars of Offer Documents**

All documents of offer shall contain as a heading the words "if you are in any doubt about this offer you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser", and must contain the particulars specified in Rules 15.2 to 15.16 of this chapter, in addition to complying with the relevant provisions of the Investments and Securities Act, 2007 and any other relevant law.

#### **Rule 15.6: Date of Dispatch and Particulars of Offeror**

The date the document is dispatched, the names and address of the offeror and if appropriate, the person or company making the offer on behalf of the offeror.

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**Rule 15.7: Particulars of Securities on Offer**

Precise particulars of the securities for which the offer is made whether they will be transferred cum or ex any dividend or interest payment that may be declared, the total consideration payable for the purchase, the period within which and the method by which any cash consideration will be paid, how any securities issued will rank for dividends, capital and redemption and when and how the document of title will be issued and how, and where any such offer may be accepted.

**Rule 15.8: Conditions for Acceptance**

It must state all conditions attached to acceptances and in particular whether the offer is conditional upon acceptance being received in respect of a minimum number of securities and if that is so, that minimum number and the last date on which the offer can be made unconditional. No offer may be conditional upon the payment of compensation for loss of offer if any such payment is proposed, full particulars must be given. A partial offer must be on a pro-rata basis and the reason for the failure to make a full offer given.

**Rule 15.9: Statement of Beneficial Interest**

A statement as to whether the offeror or its directors or any person acting in concert with the offeror has beneficial interest whether direct or indirect, in any of the securities for which the offer is made, giving full details or an appropriate negative statement. Details including dates and costs, must be given of any transaction in the securities of which the offer is made by any of those persons during the period commencing twelve (12) months prior to the announcement of the offer and ending with the latest practicable date prior to the posting of the offer document or an appropriate negative statement made.

**Rule 15.10: Statement of Intention to Transfer Securities**

A statement as to whether or not any securities acquired under the offer will be transferred to any other person, together with the names of the parties to any such agreement and particulars of all securities in the offeree company held by such person, or a statement that no such securities are held.

**Rule 15.11: Disclosure of Existence of Prior Agreement**

A statement as to whether or not any agreement or arrangement exists between the offeror and any of the directors of the offeree company having any connection with or dependence upon the offer, and full particulars of any such agreement.

**Rule 15.12: Employees and Business Continuity**

The intentions of the purchaser as regarding the employees of the company and the continuance of the business.

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**Rule 15.13: Lodgment of Documents**

Particulars of all documents required to be lodged for valid acceptance shall be returned within fourteen (14) days of the closing date of the offer.

**Rule 15.14: Offer for Cash**

If the offer is for cash and it is made on behalf of the offeror, the offer document shall state what steps have been taken to ensure that the offer will be implemented if all the offerees accept.

**Rule 15.15: Particulars of Variation of Directors' Emoluments**

If the total emoluments receivable by the directors of the purchasing company or group will be varied after the acquisition, the offer documents must contain full particulars of the variation, if there will be no variation, a statement to that effect should be made.

**Rule 15.16: Exchange of Securities and Related Matters**

- (a) If the offer is for the exchange of securities the offer document must state the nature and particulars of the offeror company's business, its net profit before tax and rate per cent of dividends on the securities offered and the amount distributed for the past three (3) years, any financial advantage expected to accrue to an acceptor, whether the issue of the new securities requires the passing of a resolution, the first dividend in which they will participate and particulars of all material changes in the offeror company since the date of the last available accounts;
- (b) If the new securities are not to be identical in all respect with an existing listed security all points of difference, full particulars of the voting rights attaching thereto and whether application for permission to deal therein and listing therefore has been or will be made to The Exchange must be stated.
- (c) The Memorandum and Articles of Association, audited accounts covering up to five (5) consecutive years immediately before the application or since the creation of the offeror company and all material contracts shall be made available for inspection at a place in Nigeria.

**Rule 15.17: Offeree's Recommendations and Material Change in Financial Position**

If the offer contains no recommendation by the offeree company's directors, the offer document must state particulars of any known material change in the offeree company's financial position since the publication of the last balance sheet.

**Rule 15.18: Recommendation by Financial Advisers**

If the offer document or any circular sent out in connection therewith, whether by or on behalf of the offeror company include a recommendation by a financial adviser or any other expert who



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is a member of The Exchange for or against acceptance of the offer, Council may require the document, unless issued by the expert in question to include a statement that the expert has given and has not withdrawn his written consent to the issue of the document and the inclusion therein of his recommendation in the form and context in which it is included therein.

**Rule 15.19: Directors' Recommendation and Disclosure of Interest**

If the offer is recommended by the directors, the offer documents must state the directors' recommendation regarding acceptance, the number, description and amount of securities held by or on behalf of the directors of the offeree company in that company and in the offeror company and their intentions as regards acceptance and otherwise of such holdings as may be relevant and full particulars of any material change in the financial position prospects and audited accounts.

**Rule 15.20: Request for Additional Information**

The Exchange reserves the right to request for any further or additional information.

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## CHAPTER 16

### INFORMATION REQUIRED TO BE PROVIDED IN A BLOCK DIVESTMENT

#### **Rule 16.1: Requirements for The Exchange's Approval**

Before granting approval for the transfer of a controlling block of shares in a listed company, The Exchange will require to be furnished with the following information:

- (a) The reasons why the Core Investor is divesting;
- (b) The identity of the proposed new investor(s) and where it is a corporate body, the identity of the promoters, directors and management of the buying company;
- (c) Details of the experience possessed by the directors and proposed management relevant to the industry;
- (d) The qualifications of the buyers and the nature of the expertise possessed by them, which they intend to bring into the target company;
- (e) The value added the buyer is planning on bringing into the business;
- (f) Buyer's confirmation regarding the;
  - (a) Investment objectives in the company; and
  - (b) (ii) Plan for management continuity and profile of the post-acquisition management.
- (g) Payment of a zero point five per-cent (0.5%) block divestment fee of the value of the transaction upon approval of the divestment;
- (h) The transaction must be consummated on the trading floor of The Exchange by a stockbroking firm licensed by The Exchange and registered by Securities and Exchange Commission (SEC);
- (i) Any other information that may be required by The Exchange.

#### **Rule 16.2: Divestment Resulting in Material Change in Management**

A block divestment shall be deemed to have occurred if in the opinion of The Exchange this divestment will lead to a material change in the Board and Management of the company.

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## PART C - INFORMATION DISCLOSURE AND REPORTING

### CHAPTER 17

#### INFORMATION DISCLOSURE

##### Rule 17.1 Preamble

- I. The principal function of The Exchange is to provide a fair, orderly and efficient market for the trading of securities. Every Issuer that is listed on The Exchange is required to provide The Exchange with timely information to enable it efficiently perform its function of maintaining an orderly market, to enable it maintain necessary records and to allow it the opportunity to comment as to certain matters when the facts emerge or so soon thereafter. The information disclosed by an Issuer must be produced to the highest standards and shall be accurate, exact and unambiguous, its content must not be misleading and it shall not exclude or omit anything that may influence the substance or meaning of the information presented.
- II. For the purposes of these Rules, insider, insider dealings, insider information, confidential information, price sensitive information and connected persons are used in accordance with the meaning provided in the Investments and Securities Act, 2007 and the SEC Consolidated Rules and Regulations.
- III. The privilege to remain on the Daily Official List of The Nigerian Stock Exchange is subject to the discretion of The Exchange. All Issuers who wish to have their securities admitted to trading and to remain on The Exchange must comply with:
  - (a) the requirements of any securities and financial regulator by which it is regulated; and
  - (b) the provisions set out in the Standards under which it has securities admitted to trading, and including any modification to the Standards which has been notified via The Exchange's website.
- IV. The Listing Rules including any modification thereto shall be interpreted, administered and enforced by The Exchange; and decisions of The Exchange in respect thereof shall be binding upon every Issuer that is listed on The Nigerian Stock Exchange.
- V. The Issuer agrees to meet the requirements stated in the Listings Rules in order to maintain a listing on The Exchange. In signing the Listing Agreement, the Issuer accepts the authority of The Exchange to suspend from trading or delist the Issuer's securities upon breach of the requirements stated in the listings rules or as may be amended from time to time.

**Rule 17.2: Market Abuse**

Every Issuer shall ensure that investors and the public are kept fully informed of all factors which might affect their interest and in particular, that immediate disclosure is made of any information concerning their interest which might reasonably be expected to have material effect on market activity in, and the prices or value of, listed securities.

**Rule 17.3: Disclosure of Material Circumstances**

Every Issuer shall disclose on an immediate basis all information on any material circumstance likely to affect its financial condition.

**Rule 17.4: Dealing with Insider Information**

An Issuer shall establish effective arrangements to deny access to insider information to persons other than those who require it for the exercise of their functions within the Issuer's organization.

**Rule 17.5: Price Sensitive Information**

Price sensitive information includes:

- (a) Changes in the Directorate of the Issuer;
- (b) The death, resignation, dismissal or appointment of a principal officer;
- (c) Change in the Accounting year end;
- (d) Annual and Interim Results or any recommendation or decision that dividends or scrip issues will or will not be made.
- (e) Profit warnings or a change in the financial forecast or expectation;
- (f) Proposed capital raising or restructuring exercise or changes in the capital structure.
- (g) Giving or receiving a notice of intention to make a takeover or mergers, or acquisitions or tender offers or divestments;
- (h) Any proposed change in the business model or general character or nature of the business of the company or of the group;
- (i) Major new developments in the issuer's sphere of activities including major new products, contract awards and expansion plans.
- (j) Any change in voting control or in beneficial ownership of the securities carrying voting control
- (k) items of unusual or non-recurrent nature
- (l) Any proposed alteration of the Memorandum or Articles of Association;
- (m) Any other information necessary to enable shareholders to appraise the position of the

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company and to avoid the establishment of a false market in the shares of the company.

**Rule 17.6: Disclosure of other Major Changes**

- (a) An Issuer is obliged to immediately disclose the details of any major changes in its business or other circumstances relating to the Issuer which are not directly specified in these Rules, but which are not public knowledge and which may, by virtue of their effect on the Issuer's assets, liabilities, operations or reputation, affect the price of its listed or traded securities.
- (b) Information that is required to be disseminated pursuant to the Listings Rules must not be given to a third party before it is notified to The Exchange except as permitted in these Rules.

**Rule 17.7: Confidentiality Requirements**

- (a) An Issuer may give information in strict confidence to its advisers and to persons with whom it is negotiating with a view to effecting a transaction or raising finance. In such cases, the Issuer must advise, in writing, the recipients of such information that it is confidential and constitutes inside information as defined in the Investments and Securities Act and that the recipients should not deal in the Issuer's securities before the information has been made available to the public.
- (b) Notwithstanding any provisions of these Rules, no confidentiality agreement shall prevent an Issuer from complying with its obligations under the Listings Rules.
- (c) Where an Issuer is obliged (by statute or otherwise) to impart information to a third party or regulator and if such information thereby enters the public domain and is of a price-sensitive nature, it should be simultaneously released to the market.

Provided that an Issuer shall not be obliged to disclose any impending developments that could be jeopardized by premature disclosure.

**Rule 17.8: Duty to Maintain Insider List**

- (a) Every Issuer shall maintain a list of:
  - (1) its own employees that have access to inside information; and
  - (2) the principal contact details of any other relevant person who also have access to inside information regarding either the issuer or the financial instruments of the issuer.
- (b) The list shall state the identity of any person with access to inside information, the

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reason why they have access to inside information, the date on which they first had access to inside information and the date on which the list was created.

- (c) These lists must be updated whenever –
- (1) there is a change in the reason why a person has access to inside information;
  - (2) a new person is added to the list; and
  - (3) any person on the list no longer has access to inside information.

**Rule 17.9: Disclosure of Unusual Price Movements**

- (a) Upon a request by The Exchange, every Issuer shall immediately notify The Exchange whenever any unusual price movements which cannot be justified by ordinary market conditions occur in the prices or trading volumes of their securities.
- (b) Such disclosures must incorporate all previously undisclosed material circumstances if any; and must state whether there are any material circumstances which have not been disclosed.
- (c) The Issuer shall respond promptly to any enquiries made of the company by The Exchange concerning unusual movements in the price or trading volume of its listed securities or any other matters by giving such relevant information as is available to the company or, if appropriate, by issuing a statement to the effect that the company is not aware of any matter or development that is or may be relevant to the unusual price movement or trading volume of its listed securities within two (2) days and shall also respond promptly to any other enquiries made of the company by The Exchange.

**Rule 17.10: Dealing with Rumour**

Whenever an Issuer becomes aware of any rumor or report, true or false, in the press or the media, which is likely to have a bearing on an investor's investment decisions and the value of the shares, and such information is of a different essence than the information previously disclosed to public by its representatives via material disclosures, prospectuses, circulars, announcements approved by The Exchange, financial reports and other public disclosure documents, the company shall make a public statement to clarify its position as promptly as possible.

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**Rule 17.11: Announcements**

Where in accordance with these rules, an Issuer is required to make an announcement and the Issuer is not yet in a position to confirm its implications but the Issuer believes that the information has been or is likely to be leaked, the Issuer must make an interim announcement and the Issuer shall ensure that the interim announcement:

- (a) provides as much detail of the subject matter as possible;
- (b) sets out the reasons why a more comprehensive announcement cannot be made; and
- (c) contains an undertaking to announce further details without delay as soon as the details are available.

**Rule 17.12: Disclosure of Significant Occurrence**

An Issuer shall without any delay, announce via The Exchange's Issuers' Portal any significant occurrence concerning publicly disclosed inside information after these events occur.

**Rule 17.13: Disclosure of Changes in Beneficial Ownership of Shares**

- (a) Every Issuer shall notify The Exchange immediately on any transaction that bring the beneficial ownership in the company's shares to five per-cent (5%) or more not later than ten (10) business days after such transaction.
- (b) In the event of any breach of the provision of this sub-rule the Issuer shall be liable to pay a fine of fifty per-cent (50%) of its annual listing fee.

**Rule 17.14: Disclosure in the Annual Report of Shareholding**

- (a) Every Issuer shall disclose in its Annual Report the details of shareholders holding five per-cent (5%) or more in the company.
- (b) In the event of any breach of the provision of this sub-rule the Issuer shall be liable to pay a fine of fifty per-cent (50%) of its annual listing fee from the year of the non-disclosure of the information.

**Rule 17.15: Disclosure of Dealings in Issuers' Shares**

Securities Trading Policy

- (a) Every Issuer shall establish a securities trading policy which shall apply to all employees and Directors and shall be circulated to all employees that may at any time possess any inside or material information about the Issuer. The trading policy shall include the need to enforce confidentiality against external advisers.

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- (b) Every Issuer shall publicize its securities trading policy in its internal communications, on a regular basis, and place it on its website.
  - (c) All directors, persons discharging managerial responsibility and persons closely connected to them as well as all insiders of the Issuer shall notify the Issuer in writing through the Company Secretary of the occurrence of all transactions conducted on their own account in the shares of the Issuer on the day on which the transaction occurred and the Issuer shall maintain a record of such transactions which shall be provided to The Exchange within two (2) business days of The Exchange making a request in that regard.
  - (d) In relation to securities transactions by directors, an Issuer shall disclose in its interim reports (and summary interim reports, if any) and the Corporate Governance Report contained in its annual reports (and summary financial reports, if any):
    - (1) whether the Company has adopted a code of conduct regarding securities transactions by its directors on terms no less exacting than the required standard set out in these Rules;
    - (2) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in the listings rules and in the Issuer's code of conduct regarding securities transactions by directors; and
    - (3) in the event of any non-compliance with the required standard set out in the Listings Rules, the details of such non-compliance and an explanation of the remedial steps taken by the Company to address such non-compliance.

**Rule 17.16: Trading Restrictions for Restricted Persons**

- (a) The period prior to declaration of price sensitive information is particularly sensitive for transactions in Issuers' securities. This sensitivity is due to the fact that the Directors, persons discharging managerial responsibility and Advisers of the Issuer and their connected persons will, during that period, often possess unpublished price sensitive information.

During such sensitive period, no Director, person discharging managerial responsibility or Adviser of the Issuer and their connected persons shall trade in the Issuer's securities.

- (b) All Directors, persons discharging managerial responsibility and Advisers of the Issuer shall conduct all their dealings in the securities of the Issuer only during the free period and shall not deal in any transaction involving the purchase or sale of the Issuer's



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securities during closed periods or during any other period as may be specified by The Exchange from time to time.

**Rule 17.17: Closed Period**

- (a) No Director, person discharging managerial responsibility and Adviser of the Issuer and their connected persons shall deal in the securities of the Issuer when the trading window is closed. Any period during which trading is restricted shall be termed as a closed period.
- (b) The closed period shall be at the time of:
  - (1) Declaration of Financial results (quarterly, half-yearly and annual);
  - (2) Declaration of dividends (interim and final);
  - (3) Issue of securities by way of public offer or rights or bonus, e.t.c.;
  - (4) Any major expansion plans or winning of bid or execution of new projects e.g. Amalgamation, mergers, takeovers and buy-back;
  - (5) Disposal of the whole or a substantial part of the undertaking;
  - (6) Any changes in policies, plans or operations of the Company that are likely to materially affect the prices of the securities of the Company;
  - (7) Disruption of operations due to natural calamities;
  - (8) Litigation/dispute with a material impact;
  - (9) Any information which, if disclosed, in the opinion of the person disclosing the same is likely to materially affect the prices of the securities of the Company.

**Rule 17.18: Period of Closure**

- (a) The period of closure shall be effective from fifteen (15) days prior to the date of any meeting of the Board of Directors proposed to be held to consider any of the matters referred to above or the date of circulation of agenda papers pertaining to any of the matters referred to above, whichever is earlier, up to twenty-four (24) hours after the price sensitive information is submitted to The Exchange. The trading window shall thereafter be opened.
- (b) Every Issuer shall notify The Exchange in advance of the commencement of each closed period.

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**Rule 17.19: Directors' Obligations to Monitor Changes**

The Directors of the Issuer shall scrutinize on an on-going basis, within the scope of their competence, all the events and changes taking place in the Issuer's operations in order to assess what information requires immediate disclosure in accordance with these Rules.

**Rule 17.20: Financial Reporting and Periodic Disclosure**

The following Rules apply to financial information or financial statements given to The Exchange under the Listing Rules.

(a) All Issuers shall publish on their website all documents requiring publication on The Exchange's website, including announcements, circulars, annual and interim financial and other reports, listing documents etc.

(b) Accounting Standard

The financial statements submitted with an Application for listing and future periodic financial reports shall be prepared using the accounting policies and methods that comply with International Financial Reporting Standards and other accounting standards set forth by the Financial Reporting Council of Nigeria and shall contain the information required by the provisions of the Rules and the instructions established by The Exchange.

(c) Financial Statements

The full financial statements (the annual report and the interim report) shall be submitted to The Exchange in electronic form for publication on the Website of The Exchange.

(d) Where the securities of an Issuer's parent undertaking or significant subsidiary are listed on another stock exchange or admitted to trading on another regulated market, the Issuer shall ensure as far as possible that the reports of these companies are made public on the different exchanges or markets simultaneously and without unreasonable delay.

(e) Audited Accounts

An Issuer shall announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than ninety (90) days after the relevant financial period. Submission of the financial statements shall be in accordance with the format specified by The Exchange in the Rules Governing The Use of The Issuers Portal and an Issuer must ensure that the annual financial report remains available to the public for at least five (5) years.

(f) Quarterly Financial Statements

An Issuer shall announce the financial statements for each of the first three quarters of its financial year immediately after the figures are available, but in any event not later than thirty (30) days after the relevant financial period.

(g) An Issuer shall not announce its Interim Accounts without having first filed its last Audited Financial Statements and any contravention of this provision shall be deemed to be an unauthorized publication under the Rules.

**Rule 17.21: Free Float**

Every Issuer shall maintain the minimum free float which must at all times be held in the hands of the public in accordance with the Listing Standards under which the shares are admitted on the Daily Official List of The Exchange.

**Rule 17.22: Dealing With Free Float Deficiencies**

- (a) Where the free float falls below the minimum listing standard, the Issuer must as soon as practicable announce that fact to The Exchange and The Exchange shall require the Issuer to obtain the required float within a specified period. The Issuer shall be required to notify its shareholders in writing within ten (10) business days of The Exchange's decision that if the required float is not obtained within the specified timeframe The Exchange may suspend trading in the securities.
- (b) The Exchange may allow the Issuer a period of one (1) year or such longer period as The Exchange may agree to retain its listing and rectify the deficiency. The Issuer may be delisted if it fails to restore the percentage of securities in public hands after the period allowed.

**Rule 17.23: Listing and Other Fees**

(a) Initial Listing Fees

Every Issuer seeking to list on The Exchange shall pay an initial listing fee which shall accompany each Application for Listing.

(b) Annual Listing Fees

- (1) Every Issuer shall pay the annual listing fee as set and published by The Exchange which becomes due on January 1 each year and shall forward to The Exchange evidence of payment on or before January 31.
- (2) Any Issuer that violates the above provision shall be liable to pay a fine of fifty per-cent (50%) of its Annual Listing fee.

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(c) **Supplementary Listing Fees**

Every Issuer shall pay supplementary listing fees for all additional securities listed during a calendar year and this fee shall accompany each Supplementary Application for listing for that calendar year.

(d) **Delisting Fees**

An Issuer that desires to delist from the official list of The Exchange shall pay all outstanding fees and a delisting fee in accordance with the fee structure prescribed by The Exchange for that calendar year.

(e) **Block Divestment Fee**

The fees due to The Exchange for block divestment shall be an amount that shall be prescribed by The Exchange from time to time.

**Rule 17.24: Issuers to Co-operate with The Exchange**

- (a) All Issuers are subject to and shall comply with the Rules and Regulations of The Exchange as stipulated by it from time to time.
- (b) All Issuers shall cooperate with The Exchange and shall supply The Exchange with all the information it may require or request from time to time for:
- (1) The adequate supervision of Issuers' compliance with The Exchange's Rules and Regulations as well as other relevant legislation; or
  - (2) The Exchange's collaboration with other regulatory organizations in ensuring the Issuers' compliance with such organizations' Rules or requirements; or
  - (3) Ensuring generally acceptable behaviour in the securities market.

**Rule 17.25: Website Requirement**

Every Issuer shall have and maintain a publicly accessible website.

## CHAPTER 18

### RULES GOVERNING THE USE OF THE ISSUERS' PORTAL

#### Rule 18.1: Definitions

In these Rules, the under listed words and phrases are defined thus:

Commission	means the Securities and Exchange Commission, Nigeria
General Undertaking	means the undertaking executed by legal entities upon admission to The Exchange's Daily Official List and any other agreement or undertaking made pursuant to the Listings Rules.
Issuer	means legal entities that have been admitted to The Exchange's Daily Official List and have agreed to comply with The Exchange's Listing Requirements, the relevant provisions of the Companies and Allied Matters Act Cap C20 LFN 2004, the Investment and Securities Act, 2007, Rules and Regulations made thereunder, and all other relevant statutory and other instruments.
Issuers' Portal	means the on-line tool created by The Exchange, for issuers to submit information required to be submitted to The Exchange in accordance with the Listings Rules.
Listings Rules	means The Nigerian Stock Exchange's Listing Requirements as set forth in a document generally referred to as "The Green Book".
The Exchange	means the Nigerian Stock Exchange.

#### Rule 18.2: Mandatory Use of Issuers' Portal by all Issuers

- (a) Every Issuer shall utilize the Issuers' Portal for the online submission to The Exchange of all information intended for release to the market in compliance with the Listings Rules, unless such information falls within an excluded category as The Exchange may in its sole discretion prescribe from time to time.
- (b) The Issuers' Portal shall be the single gateway for filing all Periodic/Structured and Continuous disclosures.
- (c) Periodic/Structured Disclosures are all financial notifications including:

- (1) Financial Statements (Both Audited and Unaudited);
- (2) Earnings Forecast; and
- (3) Corporate Actions.

(d) Continuous Disclosures are notifications of material information including:

- (1) Notice of Annual General Meeting,
- (2) Notice of Board Meeting,
- (3) Notice of Change of Auditors,
- (4) Notice of Change of Company Secretary,
- (5) Notice of Change of Name and Registered Address,
- (6) Notice of Change of Registrars,
- (7) Notice of Completion Board Meeting,
- (8) Notice of Court Ordered Meeting,
- (9) Notice of Directors Dealings,
- (10) Notice of Extra-Ordinary General Meeting, and
- (11) Notice of Resignation and Appointment of Directors.

**Rule 18.3: Accounting Standard**

All Periodic/Structured Disclosure as set forth in Rule 18.2(c) above submitted via the Issuers' Portal shall be prepared using the accounting policies and methods that comply with International Financial Reporting Standards (IFRS) and other accounting standards set forth by the Financial Reporting Council of Nigeria and contain the information required by The Exchange.

**Rule 18.4: Notification and Communication with The Exchange via the Issuers' Portal**

- (a) The only representatives of an Issuer authorized to use the Issuers' Portal to submit information to The Exchange are the Company Secretary (and his or her designee) and the Chief Financial Officer of the Issuer.
- (b) Issuers that outsource the company secretarial function to a separate entity distinct from the Issuer shall designate one representative of such separate entity to The Exchange, which person shall act as the Company Secretary for the purposes of this rule no later than five (5) business days before the designee uses the Issuers' Portal for the first time.

**Rule 18.5: Issuer to Exercise Reasonable Care in Relation to any Submission**

An Issuer is required to exercise all reasonable care to ensure that any information it submits via the Issuers' Portal is accurate, not misleading, false or deceptive and does not omit any material facts likely to affect the import of such information.

**Rule 18.6: Liability of the Issuer**

An Issuer shall indemnify The Exchange for all damages or loss it may suffer as a result of any inaccurate, misleading, false or deceptive statement contained in the information it submits to The Exchange via the Issuers' Portal.

**Rule 18.7: Malfunctioning of the Issuers' Portal**

- (a) Where an Issuer fails to submit information via the Issuers' Portal within the stipulated timelines due to the malfunctioning of the Issuers' Portal, the Issuer shall immediately notify The Exchange of the reason for such failure and The Exchange may in its sole discretion vary, reduce or waive any sanction that may otherwise have been imposed on the Issuer due to such failure.
- (b) An Issuer shall not be penalized for any delay in filing of any required information via the Issuers' Portal where it has submitted such information within the stipulated time frame but The Exchange did not receive the same due to the malfunctioning of the Issuers' Portal.

**Rule 18.8: Requirements for Information Submitted via the Issuers' Portal**

All information submitted to The Exchange via the Issuers' Portal must meet the following requirements:

- (a) The contents of the documents must comply with the minimum disclosures as set forth in the Appendix to this Chapter or as may be prescribed by The Exchange from time to time;
- (b) The portal will be available to Issuers to submit their documents at any time. However a document to be submitted by a specific date would be considered late if submitted after midnight. A document submitted during the official business hours of The Exchange which is 08.00 hours and 17.00 hours may be viewed by staff of The Exchange before it is released to the market; and
- (c) The information must be duly authenticated electronically by the authorized representatives of the Issuer.

**Rule 18.9: Financial Reporting (Periodic/Structured Disclosure)**

No later than the close of business on the day after an Issuer submits any Periodic/Structured Disclosure as set forth in Rule 18.2(c) above to The Exchange via the Issuers' Portal, it shall publish the same information on its corporate website and shall ensure that the information remains on its corporate website for a period of three (3) years from the date it is posted

thereon.

**Rule 18.10: Sanctions for Breach of Issuers' Portal Rules**

- (a) In the event of any breach of the Issuers' Portal Rules set forth in Rules 18.4 and 18.5 above, the Issuer shall be liable to pay a fine of fifty per-cent (50%) of its annual listing fee.
- (b) In the event of any breach of the Issuers' Portal Rules set forth in Rules 18.8 and 18.9 above, the Issuer shall be liable to pay a fine of fifty per-cent (50%) of its annual listing fee.
- (c) If an Issuer fails to submit the information set forth in Rules 18.2(c) and 18.2(d) above via the Issuers' Portal, the Issuer shall be liable to pay a fine of fifty per-cent (50%) of its annual listing fee.
- (d) The sanctions set forth in Paragraph 14 of Appendix III (General Undertaking) to the Listings Rules (Green Book) shall apply in regard to an Issuers' use of the Issuers' Portal.

**Rule 18.11: Effective Date of Issuers' Portal Rules**

Save for Rule 18.10(b) and (c) above which shall become effective on the First (1<sup>st</sup>) day of January following approval of the Issuers' Portal Rules by the Commission, the Issuers' Portal Rules shall become effective immediately upon publication on the website of The Exchange, following approval by the Commission.



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## CHAPTER 19

### RULES RELATING TO BOARD MEETINGS AND GENERAL MEETINGS OF ISSUERS

#### Rule 19.1 Preamble

Directors or Trustees are responsible, collectively and individually, for ensuring that listed Issuers comply with The Exchange's Rules relating to their Board Meetings and General Meetings. The Exchange expects Directors and Trustees to fulfill fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standards established by law.

Directors or Trustees shall be held responsible for ensuring that The Exchange is promptly notified of the foregoing matters.

#### Rule 19.2: Board Meetings

- (a) Every Issuer shall notify The Exchange within twenty-four (24) hours after the relevant board meeting or after receipt of any required approval from its primary regulator(s) of:
- (1) Its decision to make a drawing or redemption of any securities, intimating at the same time the date of the drawing, and in the case of a registered security, the period of the closing of the transfer books (or the date of the striking of the balance) for the drawing;
  - (2) The amount of the security outstanding after any purchase or drawing has been made;
  - (3) Any preliminary results for any year, half-year, quarter and the comparative figures in respect of profits before taxation and after taxation, including instances where it becomes necessary for qualification that the figures are provisional or unaudited;
  - (4) Any dividend or bonus recommendation and other distributions to members including approvals for payment of declared dividends, Bonus issuance and or, Rights or scrip issues;
  - (5) Short particulars of any proposed change in the capital structure, or redemption of securities;
- (b) Every Issuer shall notify The Exchange in writing of the date and time of its' Board of Directors' meeting at which recommendation of dividends, bonus or issuance of rights

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will be discussed, at least fourteen (14) days in advance.

**Rule 19.3: General Meetings of Members**

- (a) Every Issuer shall hold sessions of the general meetings of shareholders or holders of other securities in accordance with the relevant provisions in the Companies and Allied Matters Act Cap C20 LFN (CAMA) and any other relevant legislation, these Rules and the Issuer's Articles of Association. The Issuer shall also ensure that shareholders or holders of other securities are allowed to lawfully exercise their rights at the meetings.
- (b) The Annual General Meeting ("AGM") provides shareholders or holders of other securities with the opportunity of questioning the Directors and Management on the accounts and reports, which are presented at the meeting and matters relating to the Issuer in general. Such questions shall -
  - (1) be relevant to the Issuer or its business,
  - (2) not result in the release of commercially or price sensitive information, or
  - (3) not be obnoxious or vexatious.

**Rule 19.4: Responsibility of the Directors / Trustees in Relation to General Meetings**

- (a) The Board of an Issuer or the Trustees of a Bond shall perform their duties practically, and shall convene and hold the general meetings in a businesslike manner and within the periods stipulated in the relevant Rules and Regulations. All the Directors of an Issuer or the Trustees of a Bond shall at such meetings be diligent and responsible so as to ensure that general meetings are held in an orderly manner.
- (b) A majority of the Directors or their duly appointed alternates, the Company Secretary and where applicable supervisors of an Issuer shall attend all its general meetings; and where its managers and any other employees are in attendance, they shall attend the meeting as non-voting delegates. Provided that any of the foregoing persons:
  - (1) may exercise their voting rights where they hold shares which are fully paid;  
or
  - (2) only attend the meeting as proxies with specific voting instructions.
- (c) At each annual general meeting the Board of Directors shall present to the shareholders or holders of other securities a Report of the Company's activity detailing a fair view of the development of the business of the Issuer and its subsidiaries during the year and the position at the end of it; and any other matters required by law to be reported. In addition, a report shall be presented by the Audit Committee and the External Auditors.
- (d) If an Issuer fails to hold its annual general meeting within nine (9) months from the end of its financial year end or within such extended period as may be approved by the

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Corporate Affairs Commission; or the Trustees of a Bond fail to hold the annual general meeting within this period, the Issuer or Trustees of the Bond shall file a report with The Exchange within ten (10) business days of the end of the stipulated period explaining the reasons for their default; and they shall make an announcement in that regard in at least two (2) national daily newspapers within five (5) business days of receiving The Exchange's approval to make the announcement.

- (e) If an Issuer or Trustees of a Bond fail to hold an annual general meeting of shareholders or holders of other securities within the term prescribed by these Rules without justifiable cause, The Exchange shall suspend the listing of the securities, and shall require the Board of Directors or Trustees of the Bond to give explanations and make an announcement in that regard within five (5) business days of receiving The Exchange's approval to make the announcement.
- (f) The Directors shall endeavour to be adequately prepared to respond to shareholders or holders of other securities' questions at the meeting and shall do so in a businesslike and respectful manner.
- (g) Directors shall endeavor to utilize in the best way possible any pre-general meeting sessions with shareholders or holders of other securities to iron out legitimate and reasonable issues that are likely to arouse high levels of interest and controversy at the general meetings.

**Rule 19.5: Notice of Meeting**

- (a) The Board of Directors or Trustees of the Issuer shall give Notice of Meeting as provided in Rule 19.8(c) below, to each security holder to ensure that each security holder has a reasonable opportunity to attend the meeting and exercise his voting rights thereat.
- (b) The Notice shall state the nature of the meeting, time and venue and shall include a proxy form which shall include clearly worded resolution proposals in order that securities' holders may be properly guided in casting their votes either for or against each resolution.

**Rule 19.6: Submission of Notice and other Information Documentation to The Exchange**

- (a) Every Issuer shall submit to The Exchange for review, a draft copy of the Notice of Meeting, circulars and annual reports and other notices that will be issued to the holders of listed securities. Copies of all supporting documentation that will be considered at the meeting must accompany the Notice of the Meeting. In the case of an Annual General Meeting, the Audited Accounts shall be submitted as well.

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- (b) Each Director of an Issuer shall accept responsibility for the accuracy of the information in any circular that is sent by the Board of Directors to holders of listed securities and a statement to that effect, shall be incorporated in the circular.
  - (c) No circular or Notice of Meeting to be submitted to The Exchange for its review shall be circulated or made available publicly until the Issuer receives an approval to publish from The Exchange. Barring any unforeseen circumstances, The Exchange shall complete its review within one day from the date of submission.

**Rule 19.7: Changes in Notice of Meeting, Postponement and Cancellation of Meeting**

- (a) Issuers shall notify and obtain the approval of The Exchange before making changes in the contents of the Notice.
- (b) After the Notice convening a general meeting is issued, the meeting shall not be postponed or cancelled and no resolution proposals listed in the Notice shall be cancelled without any justifiable cause. Where due to any unforeseen circumstance it becomes necessary to postpone or cancel the meeting, the Issuer shall make an announcement in at least two national daily newspapers and explain the reasons in that regard at least three (3) business days or any other shorter period as may be approved by The Exchange before the earlier scheduled date of the general meeting.

**Rule 19.8: Notice to be Displayed on the Website**

- (a) Upon receiving the approval of The Exchange every Issuer shall immediately publish on its website the Notice of Meeting, circulars, annual reports, scheme document and other information memorandum that will be considered at the general meeting.
- (b) Upon request by a shareholders or holders of other securities and where practicable, Issuers shall forward to the email addresses of shareholders or holders of other securities the soft copies of the approved documentation in addition to the hard copies which will be sent by post. Copies of such documentation shall also be published on the Issuer's website.
- (c) Issuers shall ensure that the Notice of Meeting and the full copy of the Annual Reports or any other relevant documentation are dispatched to shareholders or holders of other securities and the relevant Regulatory authorities at least twenty-one (21) days before the date of the meeting and evidence of postage shall be made available for inspection by the Regulators at the meeting. Where the notice is personally delivered, evidence of such delivery shall be produced. Issuers shall allow at least five (5) business days for delivery of the Notice of Meeting if sent out by post from the day the letter containing same is posted.

**Rule 19.9: Venue of Meeting**

- (a) General meetings shall be held within business hours at any venue that is reasonably accessible to shareholders or holders of other securities.
- (b) The venue of the meeting shall be easily accessible by all shareholders or holders of other securities including persons with physical disabilities.

**Rule 19.10: Date of Meeting**

No general meeting shall be held on a day declared by the Federal Government of Nigeria as a public holiday.

**Rule 19.11: Right of Attendance**

Notice of meetings shall be restricted to only those entitled to receive Notice of the Meeting in accordance with the provisions of Section 219 of CAMA. Any other attendee not being a person contemplated under Section 219 of CAMA shall be identified in an obvious manner as an observer and distinctly segregated as such.

**Rule 19.12: Conduct of Proceedings at General Meetings**

- (a) The Chairman and the Directors of every Issuer or Trustees of a Bond shall ensure that proceedings at general meetings are conducted in an orderly manner throughout the meeting.
- (b) The Chairman shall give shareholders or holders of other securities ample opportunity to contribute to deliberations at meetings and express their views thereon. The order of proceedings for the meeting shall specify among other things, the maximum duration allowed for each security holder's contributions or interventions, the procedure for asking and for responding to the questions eventually submitted before the meeting and questions asked during the meeting. These must be stated clearly at the commencement of the meeting.
- (c) The Notice shall state the right of securities' holders to ask questions not only at the meeting but also in writing prior to the meeting; and the date prior to the meeting by which such questions must be submitted to the Issuer.
- (d) Shareholders or holders of other securities may submit to the Issuer written memoranda on their observations or concerns arising from the Annual Reports or Information memorandum to the company at least a week before the general meeting and forward copies to the relevant regulatory bodies.

- (e) The Chairman and the Directors shall take steps to ensure due order at general meetings and shall take steps to ensure that no behaviour or interventions prejudicial to the rights and interests of any shareholders or holders of other securities occurs. All incidents prejudicial to the rights and interests of any shareholders or holders of other securities shall be reported in writing to The Exchange within twenty-four (24) hours of the general meeting.
- (f) At any general meeting a resolution put to the vote shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the Articles of Association and CAMA. Unless a poll is so demanded, a declaration by the Chairman that a resolution has on show of hands been carried or carried unanimously by a particular majority or lost shall be evidence of the fact without proof of the number or the proportion of the votes recorded in favour or against the resolution. Notwithstanding the foregoing, there shall be no right to demand for a poll on the election of members of the Audit Committee.
- (g) Where the general meeting becomes rowdy, as a result of which no resolutions can be passed and no business can be transacted in an orderly manner; and it appears to the Chairman that an adjournment is necessary to protect the safety of any person attending the meeting, the Chairman shall immediately adjourn the meeting.
- (h) An announcement in regard to Rule 19.12 (g) shall be made by the Issuer within three (3) days of the meeting via a circular and a report shall be submitted by the Issuer to The Exchange within twenty-four (24) hours of the general meeting; and shall include information on the time and place to which the meeting is adjourned or state that the meeting is adjourned to a time and place to be fixed by the directors. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting at which the adjournment took place.
- (i) Notwithstanding the foregoing provisions, the adjournment of the meeting for a few hours and the subsequent reconvening of the meeting during the same day shall not serve as a waiver of the requirement to notify The Exchange as provided under these rules.
- (j) The Board shall maintain such level of security at the venue of the meeting as is reasonably required to ensure the safety of the shareholders or holders of other securities, directors and other persons who are in lawful attendance at the meeting.

**Rule 19.13: Meeting Convened to Obtain Approval of Shareholders or Holders of Other Securities**

- (a) Where a transaction requires the approval of shareholders or holders of other securities,

such approval shall be obtained either prior to the Issuer entering into the transaction or, if completion of the transaction is expressed to be conditional on obtaining such approval, prior to the completion of the transaction.

- (b) At the meeting, none of the following shareholders or holders of other securities shall exercise any voting rights in respect of the transaction nor accept appointments as proxies unless specific instructions as to voting are given:
  - (1) Each related party, entity or its associate or proxy; and
  - (2) Each interested person or entity or and its associates or proxy.
- (c) The notice convening the meeting shall state that related parties or interested persons shall abstain from exercising any voting rights at the meeting.

**Rule 19.14: Voting Procedure**

- (a) Voting at general meetings may be conducted through the use of an electronic voting device or by any other means prescribed by law.
- (b) Where an Issuer proposes to use an electronic voting device, no voting shall take place until proper arrangements have been made to allow all shareholders or holders of other securities in attendance to participate in the electronic voting and they have all been adequately instructed by the Registrars or the Issuer on how to operate the device.

**Rule 19.15: Announcements**

Where an announcement is required to be made under these Rules, the party concerned shall satisfy that requirement by publishing such announcement in at least two (2) daily newspapers with nationwide circulation. Provided that The Exchange shall be notified and its approval shall be obtained prior to publication.

**Rule 19.16: Sanctions**

- (a) Where an Issuer or any of its directors or any of the Trustees of a Bond contravene or fail to adhere to any of these provisions, The Exchange may censure the Issuer and/or the Issuer's director(s) or the Trustees individually or jointly, either privately or in public.
- (b) In the event of breach of any of these Rules, The Exchange shall impose the following penalties:
  - (1) A form of censure which it determines to be appropriate; and
  - (2) A fine not exceeding fifty per-cent (50%) of the listing fees of the Issuer.

**Rule 19.17: Conduct of Shareholders or Holders of Other Securities at General Meetings**

- (a) All shareholders or holders of other securities and proxy holders must register at the reception desk and show valid identification as a stockholder or as a proxy holder before entering the meeting room.
- (b) The taking of photographs and the use of audio or video recording equipment shall be prohibited without the express consent of the Issuer. In addition, all mobile phones, and similar electronic devices shall be put on silent mode throughout the duration of the meeting.
- (c) Only shareholders or holders of other securities of record or their proxy holders may address the meeting.
- (d) All questions and comments should be directed to the Chairman of the Meeting, who will either respond directly, or invite another officer or director of the Issuer to respond.
- (e) Any shareholder or holder of other securities that wants to address the Meeting shall raise his hand. Upon being recognized by the Chairman, he shall wait for a microphone, then, state his name, his status as a shareholder or holder of other securities or proxy holder, and present his question or comment as concisely as possible.
- (f) In order to use the time of all attendees as effectively as possible, the official business of the meeting shall be handled first, as outlined on the Notice of Meeting. Shareholders or holders of other securities shall confine their questions or comments strictly to the matter that is under consideration.
- (g) Shareholders or holders of other securities shall permit each speaker the courtesy of concluding his or her remarks without interruption and shall act with decorum at all times.
- (h) To allow as many shareholders or holders of other securities to be heard as much as possible, attendees who have already asked a question shall allow others who raise their hands to speak first – and shall limit their own questions and or comments to a maximum of three.
- (i) The views and concerns of all shareholders are welcome; however, the business purpose of the meeting shall be strictly observed, and the Chairman or Secretary may rule the following kinds of questions or comments as out of order:
  - (1) questions that are not related to the business at hand;
  - (2) questions that are irrelevant to the business of the company;



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- (3) comments or questions that are derogatory in nature, or related to personal matters or personal grievances.
  - (j) The Issuer shall reserve the right to report any shareholder or securities holder that makes a comment which is out of order or exhibits any unruly behavior at a general meeting, to the leaders of his association.

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## CHAPTER 20

### RULES GOVERNING TRANSACTIONS WITH RELATED PARTIES OR INTERESTED PERSONS

#### Rule 20.1 Preamble

The objective of these Rules is to guard against the risk that interested persons could influence the Issuer, its subsidiaries or associated companies, to enter into transactions with such interested persons that may adversely affect the interests of the Issuer or its securities holders.

In applying these Rules, regard must be given to:

- (a) the objective of the Rules; and
- (b) the economic and commercial substance of the interested person transaction, instead of legal forms and technicality.

#### Rule 20.2: Definitions

For the purposes of these Rules, the following definitions apply:

"Entity at risk" means:

- (a) the Issuer; or
- (b) a subsidiary of the Issuer that is not listed on The Exchange; or
- (c) an associated company of the Issuer that is not listed on The Exchange provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

"Financial assistance" includes:

- (a) the lending or borrowing of money, guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; or
- (b) the forgiving of a debt, the releasing of or neglect in enforcing a financial obligation of another, or assumption of the financial obligations of another.

"Interested person" means

- (a) In the case of a company:—
  - (1) a director, chief executive officer, or controlling shareholder of the Issuer; or
  - (2) any person connected to such director, chief executive officer, or controlling

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shareholder.

- (b) In the case of a Real Estate Investment Trust (REIT), the meaning ascribed to it in the Securities and Exchange Commission's Rules and Regulations.
- (c) In the case of an investment fund which is not a REIT, —
  - (1) a director, chief executive officer or controlling shareholder of the investment manager(s) (or any equivalent) of the investment fund;
  - (2) the investment manager(s) (or any equivalent), the trustee or controlling unit holder of the investment fund; or
  - (3) any associate of any of the persons or entities in (1) or (2) above.

"Interested person transaction" means a transaction between an entity at risk and an interested person.

"Transaction" includes the:—

- (a) provision or receipt of financial assistance; or
- (b) acquisition, disposal or leasing of assets; or
- (c) provision or receipt of services; or
- (d) issuance or subscription of securities; or
- (e) granting of or being granted options; and
- (f) establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

### **Rule 20.3: General Requirements**

- (a) An Issuer shall make an immediate announcement by way of disclosure in the accounts and formal disclosure to The Exchange of any interested person transaction of a value equal to, or more than, five per-cent (5%) of the group's latest audited net tangible assets.
- (b) Where the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to five per-cent (5%) or more of the group's latest audited net tangible assets, the Issuer shall immediately make an announcement of the latest transaction and all proposed transactions to be entered into with that same interested person during that financial year.
- (c) An Issuer shall obtain securities holders approval for any interested person transaction of a value equal to, or more than:

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- (1) five per-cent (5%) of the Issuer or its group's latest audited net tangible assets; or
  - (2) five per-cent (5%) of the Issuer or its group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by securities holders, or is the subject of aggregation with another transaction that has been approved by securities holders, need not be included in any subsequent aggregation; or
  - (3) five per-cent (5%) of the issued share capital.
- (d) In interpreting the term "same interested person" for the purpose of aggregation as in above, the following applies:—
- (1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.
  - (2) The value of a transaction is the amount at risk to the Issuer. This is illustrated by the following examples:—
    - (A) In the case of a partly-owned subsidiary or associated company, the value of the transaction is the Issuer's effective interest in that transaction;
    - (B) In the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and
    - (C) In the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.

**Rule 20.4: Sale of Property Units**

- (a) An Issuer shall announce a sale or proposed sale of any units of its property projects or those of its entity at risk to an interested person within two weeks of the sale or proposed sale.
- (b) An announcement relating to any sale or proposed sale of units of the Issuer or of its entity at risk's property projects shall state the name of the project, the name of each purchaser, the unit number, the sale price and the percentage discount given.
- (c) In deciding on any sale of units of its property projects to an Issuer's interested persons or a relative of its director, its chief executive officer or controlling shareholder, an Issuer's board of directors must be satisfied that the terms of the sale(s) are not prejudicial to the interests of the Issuer and its minority shareholders.

- (d) The audit committee shall review and approve the sale(s) and satisfy itself that the number and terms of the sale(s) are fair and reasonable and are not prejudicial to the interests of the Issuer and its minority shareholders.
- (e) Where a sale or proposed sale to an Issuer's interested person requires the securities holders' approval, the Issuer must obtain the approval not later than six weeks prior to the date of the sale or proposed sale.
- (f) An interested person and any nominee of the interested person must abstain from voting on all resolutions to approve the sales or proposed sales to the interested persons.

**Rule 20.5: Consultation with The Exchange**

- (a) When an Issuer is considering a transaction with any of the parties referred to in the above definitions, the Issuer shall notify and discuss the transaction with The Exchange at an early stage in order for The Exchange to determine whether it will classify the transaction as an interested party transaction and any parties as interested parties in terms of the transaction concerned.
- (b) The Exchange may in its sole discretion upon discussing the transaction with the Issuer, require the Issuer to provide it with a written declaration that, to the best of its Directors' knowledge and belief, there are no nominees holding securities of the Issuer who are acting in concert with any other person with regard to the related party transaction.

**Rule 20.6: Transactions not Regarded as Related Party Transactions**

These rules shall not apply where the Issuer:

- (a) does not have any equity securities listed on The Exchange;
- (b) is a foreign company with a secondary listing on The Exchange.

**Rule 20.7: Contents of Scheme of Transaction Circular**

A Circular containing the Scheme of Transaction in respect of a related party transaction shall be issued by the Issuer within twenty-eight (28) days of its approval by Securities and Exchange Commission and shall include:

- (a) details of the interested party transacting with the Issuer, and the nature of that party's interest in the transaction.
- (b) details of the transaction including relevant terms of the transaction, and

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- the bases on which the terms were arrived at.
  - (c) the rationale for, and benefit to, the entity at risk.
  - (d)
    - (1) an opinion in a separate letter from an independent financial adviser who is acceptable to The Exchange stating whether the transaction:—
      - (A) is executed on normal commercial terms, and
      - (B) is prejudicial to the interests of the Issuer and its minority shareholders.
    - (2) an opinion from the audit committee shall be required for the following transactions:
      - (A) the issue of shares or the issue of other securities of a class that is already listed, for cash.
      - (B) purchase or sale of any real property where:—
        - (i) the consideration for the purchase or sale is in cash;
        - (ii) an independent professional valuation has been obtained for the purpose of the purchase or sale of such property; and
        - (iii) the valuation of such property is disclosed in the circular.
  - (e) an opinion from the audit committee, if it takes a different view to the independent financial adviser.
  - (f) all other information known to the Issuer or any of its directors that is material to security holders in deciding whether it is in the interests of the Issuer to approve the transaction. Such information shall include the true potential costs and detriments of, or resulting from, the transaction, including opportunity costs, taxation consequences, and benefits forgone by the entity at risk.

**Rule 20.8: General Mandate**

- (a) An Issuer may seek a general mandate from securities holders for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.
- (b) An Issuer shall:
  - (1) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year; and

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- (2) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on within the time required for the announcement of such report.
- (c) A circular to shareholders seeking a general mandate shall include:
- (1) the class of interested persons with which the entity at risk will be transacting;
  - (2) the nature of the transactions contemplated under the mandate;
  - (3) the rationale for, and benefit to, the entity at risk;
  - (4) the methods or procedures for determining transaction prices;
  - (5) the independent financial adviser's opinion on whether the methods or procedures in (4) are sufficient to ensure that the transactions shall be carried out on normal commercial terms and shall not be prejudicial to the interests of the Issuer and its minority securities holders ;
  - (6) an opinion from the audit committee if it takes a different view to the independent financial adviser;
  - (7) a statement from the Issuer that it shall obtain a fresh mandate from shareholders if the methods or procedures in (4) become inappropriate; and
  - (8) a statement that the interested person shall abstain, and has undertaken to ensure that its associates shall abstain, from voting on the resolution approving the transaction.
- (d) An independent financial adviser's opinion shall not be required for the renewal of a general mandate provided that the audit committee confirms that:—
- (1) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and
  - (2) the methods or procedures are sufficient to ensure that the transactions shall be carried out on normal commercial terms and shall not be prejudicial to the interests of the Issuer and its minority shareholders.
- (e) Where the information in Rule 20.8(c) above is included in a prospectus issued in connection with a listing of an Issuer, the Issuer may treat the issuance of the
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prospectus as a general mandate having been given. The mandate shall be effective until the earlier of the following:—

- (1) The first annual general meeting of the Issuer following listing; or
- (2) The first anniversary of the listing date.

**Rule 20.9: No Waivers**

The Exchange shall not entertain any application for waiver of any of the provisions of these Rules.



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## CHAPTER 21

### SUSPENSION, CANCELLATION AND WITHDRAWAL OF LISTING

#### **Rule 21.1: General Rule:**

Listing is always granted subject to the condition that where The Exchange considers it necessary for the protection of investors or the maintenance of an orderly market, it may at any time suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the Issuer or not. The Exchange may also suspend dealings in or cancel the listing of securities where:

- (a) An Issuer fails, in a manner which The Exchange considers material, to comply with The Exchange Listing Rules; or
- (b) The Exchange considered there are insufficient securities in the hands of the public; or
- (c) The Exchange considered that the Issuer does not have sufficient level of operations or sufficient assets to warrant the continued listing of the Issuer's securities; or
- (d) The Exchange considered that the issuer or its business is no longer suitable for listing.

#### **Rule 21.2: Request for Suspension at the instance of The Issuer** *(Rule Not Yet Effective)*

- (a) Any request for suspension must be made to The Exchange in writing by the Issuer or the Issuer's authorized representative or financial adviser and must be supported by the specific reasons which the issuer wishes The Exchange to take into account in The Exchange's determination of whether or not trading in the issuer's securities should be suspended .
- (b) The burden is on any Issuer that requests a suspension of trading in its securities to satisfy The Exchange that a suspension would be necessary.

#### **Rule 21.3: Suspension for Non-Compliance with Disclosure Rules**

- (a) The Exchange may suspend trading in an instrument with effect from such time as it may determine if there are reasonable grounds to suspect the Issuer of non-compliance with the disclosure rules.
- (b) Where trading of an issuer's financial instruments is suspended, the issuer, any persons discharging managerial responsibilities and any connected persons must continue to comply with all applicable disclosure rules.

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- (c) Where The Exchange has suspended trading in any instruments, it may impose such conditions on the procedure for lifting the suspension as it considers appropriate.

**Rule 21.4: Voluntary Withdrawal or Delisting**

- (a) An Issuer shall not voluntarily withdraw its listing on The Exchange unless:
- (1) the shares have been listed for a minimum period of three (3) years and the company has filed its audited financial statements for those years.
  - (2) The prior approval of the shareholders has been obtained by way of a special resolution passed at a duly convened meeting of the shareholders of the Issuer;
  - (3) The Issuer has given its shareholders at least three months' notice of the proposed withdrawal of the listing and such notice must include details of how to transfer the securities;
  - (4) The application from the Issuer is supported with the appropriate fees and accompanied by audited financial statements covering a period of six months prior to the date of the application for delisting.
- (b) The Issuer shall comply with the delisting guidelines as prescribed by The Exchange and shall give shareholders who so elect, an exit opportunity before the security is delisted.
- (c) Except a period of three (3) years has elapsed since the listing of its shares, an Issuer shall not apply for delisting of its equity shares pursuant to the following circumstances:
- (1) buyback of its equity shares; or
  - (2) preferential allotment of shares made by the company; or
  - (3) if any instruments issued by the company, which are convertible into the same class of equity shares that are sought to be delisted, are outstanding.
- (d) Where a company has voluntarily delisted, the company and its promoters shall not seek listing for a period of three (3) years from the date of such delisting.

**Rule 21.5: Regulatory Delisting**

Where an Issuer is delisted for non-compliance with the Listings Rules of The Exchange, the Issuer and its promoters shall not seek listing for a period of three (3) years from the date of such delisting.

## **APPENDICES TO THE LISTINGS REQUIREMENTS**

**APPENDIX I  
FORMAL APPLICATION FOR LISTING (UNIT TRUSTS)**

TO: The Chief Executive Officer  
The Nigerian Stock Exchange

..... 20.....

Dear Sir,

We are instructed by .....  
(Name of Company)

To make application for permission to deal in and for listing of its units. In compliance with your rules; furnish information and undertakings, as under:

1) NAME OF TRUST .....

2) ISSUE OF PROSPECTUS OR EXPLANATORY MEMORANDUM

Signed copy attached

Dated this ..... day of ..... 20 .....

3) Number of Units for which admission to the Official List is sought are

.....

4) Number of Units for which admission is not sought are .....

.....

The Units are/are not respectively identical in all respects.

("If not identical it must be stated what date, if ever, the Units will become identical and the definitive certificates must be enfaced with a note to this effect").

We forward herewith all documents required under the Rules governing Official Listing on The Nigerian Stock Exchange, together with a cheque for .....being amount payable in respect of ..... Date where applicable.

.....  
Sponsoring Member of The Exchange

Dated this ..... Day of ..... 20 .....

APPENDIX II

LETTER OF APPLICATION

TO: Chief Executive Officer  
The Nigerian Stock Exchange

..... 20. ....

Dear Sir,

We are instructed by .....  
(Name of Company)

to make application for listing and permission to deal in:

- 1) .....
- .....
- .....
- 2) .....
- .....
- .....

We shall be glad to hear in due course if an advanced booking for listing could be made on behalf of the company. We attach formal application including all documents required under the Listing Requirements of the Nigerian Stock Exchange.

We are,

Yours faithfully,

..... \*Brokers.

Set out securities for which application will be made.  
State how it is proposed to issue the securities.

\*To be signed by the Accredited Representative of the sponsoring Stockbroking firm.

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**APPENDIX III**

Form of General Undertaking (Equities)

TO: The Council of  
The Nigerian Stock Exchange

.....acknowledges that  
(Name of Company)

The privilege to remain on the list of The Exchange is subject to the pleasure of The Exchange and hereby resolves and undertakes as follows:

1. NOTICES

- (a) To immediately notify the Chief Executive Officer of The Nigerian Stock Exchange (The Exchange) without delay of:
  - (i) any announcement of dividends, changes in capital structure or any other moves that could affect the price of the company's shares on the markets;
  - (ii) any change in the Directorate of the company;
  - (iii) any proposed alteration of the Memorandum or Articles of Association of the company;
  - (iv) any proposed change in the general character or nature of the business of the company or of the group or any change in voting control or in beneficial ownership of the securities carrying voting control;
  - (v) any extension of time granted for the currency of temporary documents;
  - (vi) any other information necessary to enable shareholders to appraise the position of the company and to avoid the establishment of a false market in the shares of the company;
  - (vii) the date and time when the Board of Directors is to meet to discuss dividends, at least fourteen (14) days in advance.
  - (viii) any transaction that brings the ownership of any beneficiary in the company's shares to five per-cent (5%) or more not later than ten (10) business days after such transaction.
- (b) (i). To issue all letters of allotment and of rights simultaneously and in the

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- event of it being impossible, to issue letters of regret at the same time, to insert in the press a notice to that effect, so that the notices shall appear on the morning after the allotment letters have been posted;
- (ii) To issue the definitive certificates within one month of the date of the expiration of any right to renunciation or the lodgement of a transfer and within the same period to issue balance certificates without charge if required.
- (c) To certify transfers against allotment letters; definitive certificate and balance receipts.
- (d)
  - (i) To send out proxy forms to all shareholders entitled to attend and vote at general meetings and to provide that such proxy forms are so worded that a shareholder or debenture holder may vote either for or against each resolution;
  - (ii) To ensure that the books of transfer remain open for at least twenty-one (21) days of the board resolution recommending payment of dividend.
  - (iii) To ensure that the register and books of transfer remain closed for at least five (5) business days to allow for settlement of transactions on the last day of business before closure.
  - (iv) To ensure that the notice of closure of the books of transfer is received by The Exchange not less than fourteen (14) days before closure of the Books of Transfer whether or not the board has passed a resolution recommending a distribution.
- (e) To notify The Exchange without delay of any decision of the company or of any of its subsidiaries to acquire:
- (i) Shares in another company which thereby becomes a subsidiary; or
  - (ii) Another business or a section of another business and to furnish such information as The Exchange may require with regard to such acquisition; and if so required to issue to members of the company a circular letter giving such information as The Exchange may require.
- (f) To notify The Exchange within twenty-four (24) hours after the relevant board meeting of:
- (i) Its intention to make a drawing or redemption of any securities, intimating at the same time the date of the drawing, and in the case of a registered
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- security, the period of the closing of the transfer books (or the date of the striking of the balance) for the drawing.
- (ii) The amount of the security outstanding after any purchase or drawing has been made.
- (g) To notify The Exchange within twenty-four (24) hours after the relevant board meeting has been held of:
- (i) Any preliminary results for any year, half-year, quarterly and the comparative figures in respect of profits before taxation and after taxation, even if this calls for qualification that such figures are provisional or subject to audit;
  - (ii) Any dividends and other distributions to members recommended or declared to be paid including approval for payment of dividends, interests, rights or scrip issues;
  - (iii) Short particulars of any proposed change in the capital structure, or redemption of securities;
- (h) The Directors shall be held responsible for ensuring that The Exchange is promptly notified of the foregoing matters.
2. To deliver to The Exchange for vetting and approval, personally by the Company Secretary, two copies of proofs of all circulars and notices to shareholders together with accompanying documents, quarterly reports and forecast, bi-annual and annual reports and accounts not less than fourteen (14) days before their dispatch or publication.
3. To include in or circulate with each annual report and audited accounts:
- a)
    - 1. A description of the operations carried on by the company or, If the company has subsidiaries, the group.
    - 2. If the company has subsidiaries, a list giving for each:
      - (i) Its name and country of operation;
      - (ii) The percentage of its equity capital attributable to the Company's interest.
    - 3. If the company or, as the case may be, the group has interest in associated companies, a list giving for each:
      - (i) Its name and country of operation;



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- (ii) Particulars of its issued share loan capital and the total Amount of its published reserves;
      - (iii) The percentage of each class of share and loan capital attributable to the company's interest;
    - b) To notify particulars of any arrangements under which any Director has waived or agreed to waive any emoluments.
    - c) A statement as at the end of the financial year showing the interests of each director in the share capital of the company, such statement to include by way of a note, changes in those interests occurring between the end of the financial year and a date not more than one month prior to the date of the notice of the annual general meeting or, if there has been no such change, disclosure of that fact;
    - d) A statement showing particulars as at a date not more than one month prior to the date of the notice of the annual general meeting of an interest of any person, other than a director; who holds five per-cent (5%) or more in the equity of the company and the actual amount so held or, where appropriate, a negative statement.
  - 4.
    - a) To supply the published accounts of the company and, where applicable, either the consolidated accounts of the group, or the accounts of each subsidiary at least twenty-one (21) days prior to the date of the annual general meeting of the company not later than six (6) months after the relevant year end.
    - b) To supply additional copies of the accounts for use of members of The Exchange as required.
  - 5. Certificates, Transfers, Verifications and Registers.
    - a) To register transfers, split certificates, issue certificates or mark or note transfers and where any fees are charged; it shall be a token amount.
    - b) To verify in writing, signatures of any intending transferor share / stockholder.
  - 6.
    - a)
      - (i) To prepare interim reports, such as first quarter, a half-year, and nine (9) months accounts, approved by the directors (whether or not audited), which must be sent to all shareholders or inserted as paid advertisement in two leading newspapers not later than thirty (30) days after the relevant period.
      - (ii) To submit final print of the documents stated above to The Exchange.
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- (iii) To send to The Exchange copy of management or detailed accounts, duly audited;
  - (iv) To send to The Exchange certified copies of all resolutions passed by the company at general meetings.

NOTE: The following minimum information shall be disclosed in annual reports in addition to the statutory requirements:

- i) Turnover figures representing sales exclusively to third parties;
  - ii) Other income such as investment income rents, profits from sale of assets and other unusual items, all to be listed separately;
  - ii) Interest expenses and similar charges;
  - iv) Profits before taxation;
  - v) Taxation figures with full disclosures and bases;
  - vi) Dividend proposed and dividend liability with full disclosure;
  - vii) Profits after taxation;
  - viii) Cash flow statement;
  - ix) Value added statements;
  - x) Five year financial summary;
  - xi) Sales and profit contribution per activity.
  - xii) Directors direct and indirect holdings in the issued shares;
  - xiii) Substantial shareholdings representing five per-cent (5%) or more of the issued shares;
  - xiv) Capital expenditure.
- b) To send to The Exchange, quarterly statements and forecast whether or not audited not later than six (6) weeks after the end of the period.
7. To ensure that any service contract, not determinable within five (5) years by the company without payment of compensation (other than Statutory) entered into by the company or any subsidiary of the company, with any director or any person who becomes a director within twelve months of entering into such a contract shall be made subject to the approval of the company in general meeting.

8. To certify transfers against certificates or temporary documents and to return them on the day of receipt or, should that not be a business day, on the first business day following their receipt and to split and return renounceable documents within the same period.
9. Not to register any transfer in respect of the company's shares or debentures listed on The Exchange, unless such transfers are lodged by a Dealing Member of The Exchange, or as Council may from time to time direct.
10. The underwriting of any issue and agreements relating thereto must be cleared with The Exchange prior to the publication of a prospectus.
11. All proposed appointments of experts and other consultants or advisers, other than stockbrokers to any issue sought to be listed on The Exchange shall be notified and cleared by The Exchange and copies of agreements and consents relating to such appointments shall be filed with The Exchange before publication of a prospectus.
12. Preferential treatment on allotment shall be approved by The Exchange prior to the publication of the prospectus and such allotment shall be limited to ten per-cent (10%) of the amount offered and then, only to directors and employees; except otherwise as approved by the Securities and Exchange Commission (SEC).
13. **General**
  - a) To comply with The Exchange's Rules Governing Listing.
  - b) To pay any listing fees which may become payable to The Exchange as a result of increases in share capital.
  - c) To adhere to any corporate governance disclosure policy requirements that may be issued by The Exchange and be guided by the Nigerian Code of Corporate Governance issued by the Securities and Exchange Commission (SEC).
  - d) To provide any other information that may be requested by The Exchange.
  - e) To effect any corrections to the annual report and accounts as may be advised by The Exchange.
- (14) **Sanctions**
  - (a) Publication of accounts, notices of Annual General Meetings, closure of register, payment dates, changes in directorate, changes in capital structure, alteration to memorandum and articles of association, changes in general character of the company, all corporate information / development with potential to impact on the company's performance etc. without prior written approval of The Exchange shall attract a fine of fifty per-cent (50%) of the annual listing fee.

- (b) Going to press or otherwise allowing a leak in financial results without informing The Exchange shall attract a suspension from trading and a fine equivalent to fifty per-cent (50%) of the annual listing fees.
  - (c) Any late submission of accounts shall attract a fine of One Hundred Thousand Naira (N100,000) per week from the due date until the date of submission.
  - (d) A listed company who contravenes any of the provisions of the Listing Rules and General Undertaking and fails to pay the penalty imposed on it for such contravention on or before the due date shall be liable to a further fine of Three Hundred Thousand Naira (N300,000) in addition to Twenty Five Thousand Naira (N25,000) per day for the period the violation continues.
  - (e) Failure by the company to pay dividend on due date shall attract a fine of five per-cent (5%) of the total dividend amount declared.
  - (f) Failure by the company to issue bonus shares within three (3) months after approval by shareholders at an AGM shall attract a fine of five per-cent (5%) of the nominal value of the shares.
  - (g) The companies shall be obliged to state in the annual report contraventions and the sanctions imposed for such contraventions.
- (15) To recognize that Council reserves the right to remove the name of a company from the Official List of The Exchange at its absolute discretion and may, if:
- a) it considers there is insufficient public interest in the company, viz, insufficient shares in the hands of the public; or
  - b) any of the foregoing terms and conditions are not complied with; or
  - c) the company becomes a subsidiary of any other company.

The common seal of the Company is hereto affixed in the presence of:

.....  
Common Seal

.....  
Director

.....  
Secretary

.....  
Date

**APPENDIX IV**

**NSE FEE STRUCTURE - LISTING FEES**

	<b>APPLICATION FEE</b>	<b>LISTING FEE</b>	<b>CSCS ELIGIBILITY FEE</b>	<b>DELISTING FEE</b>	<b>OTHER FEE</b>
<b>BONDS (GOVT/CORP)</b>	0.15%	Based on Table	0.0125%	–	–
<b>FUNDS (MEMORANDUM LISTINGS/UNIT TRUST)</b>	0.30%	N/A	N/A	–	–
<b>LISTING BY INTRODUCTION (PRIVATE PLACEMENT)</b>	0.3% of Share Capital Pre-Privates @ Par (50k) + 0.3% of Private Placement Share Capital @ Private Placement Price	Based on Table	0.0125% @ Listing (Based on Listing Price)	–	–
<b>LISTING BY INTRODUCTION (NO PRIVATE PLACEMENT)</b>	0.3% of Share Capital @ Par of 50k	Based on Table	0.0125% @ Listing (Based on Listing Price)	0.3% of Market Cap of Minority Shareholding only*	–
<b>IPOS/RIGHT/PLACING/ETFs/M&amp;AS</b>	0.3% of Market Cap/Scheme Shares	Based on Table	0.0125%	–	–
<b>BONUS ISSUES</b>	–	Based on Table	0.0125%	–	–
<b>ALTERNATIVE SECURITIES MARKET (ASeM)</b>	N100,000 flat or Equivalent	N200,000 flat or Equivalent	0.0125%	–	–
<b>BLOCK DIVESTMENT</b>	0.5% of value				
*Calculated based on the highest market price within the last 6 months.					

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**SECONDARY MARKET TRANSACTION FEES**

<b><u>EQUITIES</u></b>		
<b><u>FEES TYPE</u></b>	<b><u>BUY SIDE</u></b>	<b><u>SELL SIDE</u></b>
<b>NSE FEE</b>	–	<b>0.3%</b>
<b>CSCS FEE</b>	–	<b>0.3%</b>
<b>TRADE ALERT FEE</b>	<b>N4.00</b>	<b>N4.00</b>
<b>SEC FEE</b>	<b>0.3%</b>	–
<b>STAMP DUTY</b>	<b>0.075%</b>	<b>0.075%</b>
<b>OTHERS: BROKERAGE COMMISSION</b>	<b>0.75 - 1.35%</b>	<b>0.75 - 1.35%</b>

<b><u>ETFs</u></b>		
<b><u>FEES TYPE</u></b>	<b><u>BUY SIDE</u></b>	<b><u>SELL SIDE</u></b>
<b>NSE FEE</b>	–	<b>0.3%</b>
<b>CSCS FEE</b>	–	<b>0.3%</b>
<b>TRADE ALERT FEE</b>	<b>N4.00</b>	<b>N4.00</b>
<b>SEC FEE</b>	<b>0.3%</b>	–
<b>STAMP DUTY</b>	<b>0.075%</b>	<b>0.075%</b>
<b>OTHERS: BROKERAGE COMMISSION</b>	<b>0.75 - 1.35%</b>	<b>0.75 - 1.35%</b>

<b><u>BONDS</u></b>		
<b><u>FEES TYPE</u></b>	<b><u>BUY SIDE</u></b>	<b><u>SELL SIDE</u></b>
<b>NSE FEE</b>	<b>0.0001%</b>	<b>0.0001%</b>
<b>CSCS FEE</b>	<b>0.0001%</b>	<b>0.0001%</b>
<b>TRADE ALERT FEE</b>	<b>N4.00</b>	<b>N4.00</b>
<b>SEC FEE</b>	–	–
<b>OTHERS: BROKERAGE COMMISSION</b>	<b>0.0005%</b>	<b>0.0005%</b>

**NOTES**

- Annual listing fees for equities are graduated based on market capitalization to a maximum of N4.2mn (Four Million Two Hundred Thousand Naira Only) or its equivalent for the main board only.
- Other securities in respect of which listing is maintained inclusive of nominal transfers Max of 2.75% of consideration or its market capitalization whichever is higher.
- Every transaction in respect of which commission is chargeable by members shall be reported to The Exchange as may from time to time be prescribed by The Exchange.
- There is no capital gains tax requirement on capital market transactions while withholding tax is minimal at 10% only.

**TABLE I – MARKET CAPITALIZATION/ NOMINAL VALUE FEES GRADUATION METRICS S/N**

	<b>START (NGN)</b>	<b>END (NGN)</b>	<b>FEE (NGN)</b>
1	BELOW	50,000,000	189,000
2	50,000,001	60,000,000	204,120
3	60,000,001	70,000,000	230,580
4	70,000,001	80,000,000	275,940
5	80,000,001	90,000,000	321,300
6	90,000,001	100,000,000	347,760
7	100,000,001	120,000,000	434,700
8	120,000,001	140,000,000	468,720
9	140,000,001	160,000,000	487,620
10	160,000,001	180,000,000	510,300
11	180,000,001	200,000,000	529,200
12	200,000,001	220,000,000	570,780
13	200,000,001	240,000,000	593,460
14	240,000,001	260,000,000	616,140
15	260,000,001	280,000,000	638,820
16	280,000,001	300,000,000	657,720
17	300,000,001	320,000,000	703,080
18	320,000,001	340,000,000	725,760
19	340,000,001	360,000,000	748,440
20	360,000,001	380,000,000	771,120
21	380,000,001	400,000,000	793,800
22	400,000,001	500,000,000	816,480
23	500,000,001	650,000,000	839,160
24	650,000,001	800,000,000	850,500
25	800,000,001	1,000,000,000	888,300
26	1,000,000,001	2,000,000,000	907,200
27	2,000,000,001	3,000,000,000	945,000
28	3,000,000,001	4,000,000,000	1,020,600
29	4,000,000,001	5,000,000,000	1,096,200
30	5,000,000,001	6,000,000,000	1,171,800
31	6,000,000,001	7,000,000,000	1,247,400
32	7,000,000,001	8,000,000,000	1,323,000
33	8,000,000,001	9,000,000,000	1,360,800
34	9,000,000,001	10,000,000,000	1,400,000

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The above	35	10,000,000,001	11,000,000,000	1,540,000
is subject	36	11,000,000,001	12,000,000,000	1,680,000
to changes	37	12,000,000,001	13,000,000,000	1,820,000
from time	38	13,000,000,001	14,000,000,000	1,960,000
to time.	39	14,000,000,001	15,000,000,000	2,100,000
	40	15,000,000,001	16,000,000,000	2,240,000
	41	16,000,000,001	17,000,000,000	2,380,000
	42	17,000,000,001	18,000,000,000	2,520,000
	43	18,000,000,001	19,000,000,000	2,660,000
	44	19,000,000,001	20,000,000,000	2,800,000
	45	20,000,000,001	40,000,000,000	2,940,000
	46	40,000,000,001	60,000,000,000	3,080,000
	47	60,000,000,001	80,000,000,000	3,220,000
	48	80,000,000,001	100,000,000,000	3,360,000
	49	100,000,000,001	120,000,000,000	3,500,000
	50	120,000,000,001	140,000,000,000	3,640,000
	51	140,000,000,001	160,000,000,000	3,780,000
	52	160,000,000,001	180,000,000,000	3,920,000
	53	180,000,000,000	200,000,000,000	4,060,000
	54	ABOVE 200,000,000,001		4,200,000



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**APPENDIX V**  
**REPORTS BY ACCOUNTANTS**

*(With Respect to Profits, Assets and Liabilities for Purpose of Prospectus Offers for Sale,  
Advertised Statement and Circulars)*

**Requirements**

1. The prospectus must include a report by professional accountants registered and holding practicing certificate under a recognised professional accountancy body.
2. A report which contains any significant qualification or reservation as to the profits or losses reported upon or as to the assets and liabilities would not be regarded by Council as acceptable.
3. Where, in view of the importance of such matters in relation to their report as a whole the reporting accountant makes reference to reports, confirmations or opinion of valuers or other accountants, the names, addresses and professional qualification of such other persons or firms should be stated in the report.
4. It should be noted that Council will not grant an initial listing where the audited accounts of a company are more than NINE MONTHS OLD.

**Computation of Profits**

5. The accountants should indicate in the report the basis which has been adopted in computing profits. This normally states that the profits or losses have been arrived at after charging all expenses, after dealing with such items as depreciation, amortisation, directors' remuneration, interest, etc., on defined bases and after making such adjustment as are appropriate.
6. The accountants' reports in the prospectus or related documents should include the following historical details for each of the preceding three (3) years:
  - a) In relation to profits and losses:
    - i) Turnover representing sales exclusively to third parties less discounts, returns, inwards and other allowances;
    - ii) Cost of services and/or goods sold including cost of purchases showing separately costs relating to amortization, depreciation and obsolescence of fixed assets, etc.;
    - iii) Other revenues, such as investment income, rents profits arising from sale of assets and other unusual items, all to be listed separately;
    - iv) Profits before taxation;
    - v) Taxation figures with full disclosure and bases;

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- vi) Minority interests;
  - vii) Extraordinary items of profit less the taxation attributable thereto;
  - viii) Net profit attributable to shareholders after taxation;
  - ix) Amount of preference dividends together with the rates;
  - x) Net profit attributable to ordinary shareholders;
  - xi) Amount and rates of equity dividends distinguishing between interims and finals;
  - xii) Retained profits;
- b) In relation to the balance sheet:
- i) Summary of the balance sheets of the group (or company if it has no subsidiaries) at the end of each previous accounting period reported upon;
  - ii) Balance sheet of the company and of the group at the end of the last accounting period reported upon;
  - iii) Accounting policies followed in dealing with material items such as turnover, stock valuation, attributable profits from subsidiary or associated companies, deferred taxation, depreciation, etc.
- c) Particulars of any capital of the company or of its subsidiaries which is under option or agreed conditionally or unconditionally to be put under option, with the price and duration of the option and consideration for which the option was granted, and the name and address of the grantee: Provided that where an option has been granted or agreed to be granted to all the members or debenture holders or to any class thereof, it shall be sufficient so far as the names are concerned, to record that fact without giving the names and addresses of the grantees.
- d)
  - i) Particulars of any preliminary expenses incurred or proposed to be incurred and by whom the same are payable;
  - ii) The cost of the application for listing so far as the same are not included in the statement of preliminary expenses and by whom the same are payable.
- e) Particulars of any commissions, discounts, brokerages or other special terms granted within the three (3) years immediately preceding the publication of the prospectus in connection with the issue or sale of any capital of the company or of any of its subsidiaries.
- f) Full particulars of the nature and extent of the interest direct or indirect, if any, of every director in the promotion of or in any property purchased or acquired by the
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company or any of its subsidiaries within the three (3) years preceding the publication of the prospectus, or proposed to be purchased or acquired on capital account including:-

- i) the amount paid or payable in cash, shares or securities to the vendor and, where there is more than one separate vendor or the company or subsidiary is a sub-purchaser. The amount so paid or payable to each vendor and the amount, if any, payable for goodwill, and
- ii) short particulars of all transactions relating to any such property which had taken place within the three (3) years immediately preceding the publication of the prospectus;
- g)
  - i) The name of any promoter and (if a company) The Exchange may require a statement of the issued share capital, the amount paid up thereon, the date of its incorporation, the names of its directors; bankers or auditors; and such other particulars as The Exchange may think necessary in connection therewith;
  - ii) The amount of any cash or securities paid or benefit given within the three (3) years immediately preceding the publication of the prospectus, or proposed to be paid or given to any promoter and the consideration for such payment or benefit.
- h) In relation to Other Assets:
  - i) Land and buildings distinguishing between rights of occupancies and leaseholds and the terms under which it or they are held;
  - ii) Where a valuation or revaluation of assets took place during any of the periods reported upon, full disclosure must be made of any surplus arising from such an exercise and its appropriation;
  - iii) Investments should be valued and in the case of listed trade investments the names and holdings of the companies in which such investments are made should be stated together with aggregate dividends received in each case.
- i) A statement to the effect that no audited accounts have been made up to a date subsequent to that of the latest accounts on which the reporting accountants' report is based;
- j) In relation to profit forecast:

A published letter to the issuing house commenting on the accounting bases and calculations for the profit forecast.

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- k) The aggregate emoluments of its directors during the last year and a comparison with the amount payable under the arrangements in force at the date of the prospectus;
  - l) Any other matter which appear to be relevant for the purpose of the report;
  - m) The report shall be signed by the independent reporting accountants to the issue.
  - n) The above requirements are not exhaustive and The Exchange reserves the right to delete or add thereto.

#### 7. **Statement of Adjustments of Holding Companies**

If the company is a holding company, the statement of adjustment may deal with the consolidated figure of the companies or group of companies comprising the holding company and its subsidiaries. In the latter case a summary combining the figure so as to arrive at those shown in the accounts report should be submitted.

#### 8. **Depreciation**

The report and statement of adjustment should state the amount of the charge, in each period reported upon, for amortisation, depreciation and obsolescence.

The Council may consider some adaptation of this requirement in cases, which involve complex multi-column statements.

#### 9. **Period Covered by the Report**

Although the report is required to deal with the profits or losses of each of the preceding three (3) years, application may be made to cover a shorter period where it is considered that inclusion of earlier years may be irrelevant or misleading.

#### 10. **Additional Information**

- a) In the case of building, construction and similar companies engaged in carrying out contracts of a long term nature, where these form a substantial proportion of the business, the method of taking credit for profits and of arriving at the amounts at which stocks and work in progress were brought into account should be defined in the prospectus.
- b) Where contracts exist for the hire of plant to the company for a period of over one year which are substantial in relation to the company's business, details should be supplied to Council, which may require details thereof to be disclosed in the prospectus.

## APPENDIX VI

### INFORMATION REQUIRED TO BE PROVIDED BY PROPERTY COMPANIES

#### *Companies no Part of Whose Share or Loan Capital is Listed*

A valuation report which unless otherwise agreed shall be by an independent valuer with qualification and experience acceptable to Council of the real property of the company shall be included in the prospectus. The following information in the absence of special circumstances shall be included in the valuation report:

#### 1. **Particulars of Properties**

- a) The address of each property;
- b) In respect of each property:
  - i) A brief description;
  - ii) Existing use;
  - iii) Tenure, i.e. Right of Occupancy terms thereof
  - iv) Terms of tenant's leases or sub-leases;
  - v) Approximate age of the buildings; and
  - vi) Present capital value in existing state;
  - vii) Title documents of existing properties.

#### 2. **Basis of Valuation**

- a) Whether the valuation is on basis of:
  - i) Current value in the open market, stating whether
    - a) on investment basis
    - b) on basis of development
    - c) on basis of future capital realisation
  - ii) Current value as an asset of a going concern
  - iii) Value after development has been completed,
  - iv) Any other basis (which should be stated).
- b) Where the valuation is based on value after development has been carried out:

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- i) Whether planning consent has been obtained and if so whether there are any conditions attached to such consent;
      - ii) the date when the development is expected to be completed;
      - iii) the estimated cost of carrying out the development or where part of the development has already been carried out, the estimated cost of completing the development; and
      - iv) the estimated value of the property in the open market in its present condition.
    - c) Valuation by independent professional valuer acceptable to The Exchange.
  3. **Rental Used in Valuation**

There shall be included in the valuation report in respect of each property:

    - a) estimated current net rental of each property;
    - b) estimated future net rental at named date (where this differs materially from the current net rental); and state whether such information is based on current rental values.
  4. A detailed list of transactions in which the directors or promoters have been involved, either individually or collectively in the acquisition or disposal of any of the properties listed during the two (2) years preceding the valuation:
    - i) the date of the transaction; and
    - ii) the prices paid.
  5. In the case of a further issue of share capital, whether for cash or as vendor's shares, and also in cases of acquisition out of the company's resources including borrowings, a valuation of the properties being acquired shall not be called for unless the acquisitions are substantial in relation to the existing properties of the company. Provided that the circular giving information about the acquisitions includes details of the properties acquired or about to be acquired; of the consideration; the effect on profits of the acquisition and the current indebtedness including terms of loans raised since the last published accounts.

In the case of acquisition of very small value in relation to the existing properties of the company, the press announcement must include a general description of the property acquired. The Council shall also be informed of the names of the vendors whether or not this information may be disclosed in the circular or announcement.
  6. The Council of The Exchange may call for any additional information.
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**APPENDIX VII****MEMORANDUM AND ARTICLES OF ASSOCIATION FOR COMPANIES APPLYING FOR LISTING**

The company must in its Memorandum of Association expressly exclude the power to act as Dealing Member of The Exchange or Stockbrokers. The Articles of Association shall include provisions to the following effect or as may from time to time be required by The Exchange.

**a) As Regards Transfer and Registration**

- i) That the common form of transfer, including electronic transfer, may be used;
- ii) That where the company reserves the right to refuse to register more than three persons as joint holders of a share, such right shall not apply to executors or trustees of a deceased holder.
- iii) That transfers and other documents relating to or affecting the title of any shares shall be registered without payment of any fee.
- iv) That fully-paid shares shall be free from any restriction on the right of transfer and shall also be free from all lien, except as otherwise prescribed by the operation of law.

**b) As Regards Definitive Certificates**

- i) That a new certificate for capital shall be under the common seal, which shall only be affixed with the authority of the directors, except where the transfer or issuance was effected electronically through the Central Securities Clearing System;
- ii) That all certificate issued to replace one that has been worn out, lost or destroyed shall be issued without charge, and where the holder has sold part of his holding, he shall be entitled to a certificate for the balance without charge.

**c) As Regards Dividends**

- i) That dividends may only be paid by the directors out of profits for the period in respect of which dividends are to be paid, except with prior written approval of The Exchange;
- ii) Where the company reserves the right to forfeit unclaimed dividends that power shall not be exercised until twelve (12) years or more after the date of the declaration of the dividend. However, the unpaid dividend shall properly be reflected on the company's account.

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d) **As Regards Directors**

- i) That the borrowing powers of directors are limited so that the aggregate amount at any time owing in respect of moneys borrowed by the company and its subsidiary companies (exclusive of inter-company borrowings) shall not exceed a reasonable amount except with the consent of the company in general meeting.
- ii) That a director shall not vote on any contract, arrangement or proposal in which he is interested and if he does vote; the vote shall not be counted.
- ii) That any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next annual general meeting of the company and shall then be eligible for election.
- iv) That where not otherwise provided by law, the company in general meeting shall have power by ordinary resolution to remove any director (including managing director but without prejudice to any claim for damages) before the expiration of his term of office.

e) **As Regards Accounts**

That a printed copy of the report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account, shall, at least twenty-one (21) days prior to the annual general meeting, be delivered or sent by post to the registered address of every member.

f) **As Regards Rights**

- i) That adequate rights are in appropriate circumstances secured for preference shareholders.
- ii) That the rights attached to any class of shares may not be varied without the reasonable consent of the holders of such shares.

g) **As Regards Investment Trust/Unit Trusts**

Where it is desired that the securities of the company be classified under investment trust/unit trust section of the Official List, that all monies realised on the sale or payment of the same and all other monies in the nature of accretion to capital shall be treated for all purposes as capital monies, and not as profits available for dividend.

h) **As Regards Notices**

- i) That where power is reserved to give notice by advertisement, such advertisement shall be inserted in at least two leading national daily newspapers.



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- ii) That where it is provided that notices shall be given only to those members whose registered addresses are within Nigeria, any member whose registered address is not within Nigeria, may name an address within Nigeria which for the purposes of notice, shall be considered as the registered address.

i) **As Regards Capital Structure**

That the structure of the share capital of the company be stated and where the capital consists of more than one class of security, it must also be stated how the various classes shall rank for any distribution by way of dividend or otherwise.

j) **As Regards Non-Voting or Restricted Voting Shares**

1. That where the capital of the company includes shares which do not carry voting rights, the words “non-voting” must appear in the designation of such shares.
2. That, where the equity includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

k) **As Regards Proxies**

1. That where provision is made in the Articles as to the form of proxy this must be so worded so as not to preclude the use of the two-way form.
2. That a Corporation may execute a form of proxy under the hand of a duly authorised officer.

NOTE: In the event of the Memorandum and Articles of Association not complying with the requirements of the Council and if it is impracticable for the company to alter them before making the application for listing Council may accept an undertaking to amend the Memorandum and Articles at the earliest possible opportunity.

## APPENDIX VIII

### TRUST DEEDS OR OTHER DOCUMENTS SECURING OR CONSTITUTING LOAN CAPITAL

Unless otherwise prescribed by Council there shall be a trustee or trustees. One of the trustees or the sole trustee shall be a trust corporation, which shall have no interest in or relation to the company which might conflict with the position of trustee. In the event of office of trustee becoming vacant, a new trustee appointed under statutory or other power shall prior to appointment be approved by an extraordinary resolution of the holders of the relevant class of loan capital unless such holders have a general power to remove any trustee and appoint another trustee in his place. Trust deeds or other corresponding document shall contain provisions to the following effect:

**A) As Regards Redemption**

1. That where the outstanding amount of a security subject to redemption by drawings is not less than ₦100,000,000 the lots into which the issue is to be divided for the purpose of drawing may, if required, be of not less than ₦1,000.
2. That where:
  - a) a security is payable on a particular date the year of redemption shall be indicated by inclusion in the title of the security;
  - b) a security may be repaid within a fixed period, the period shall be indicated in the title by inclusion of the first and last years of the period; and
  - c) a security is irredeemable, that security be described as such.

**B) As Regards Conversion of Rights**

1. That during the existence of conversion rights:
  - a) unless provision is made for appropriate adjustment of the conversion rights, the company shall be precluded (subject to specified exceptions referred to in the terms of issue which shall have been approved by Council) from effecting any reduction of capital involving repayment of capital or reduction of uncalled liability.
  - b) The creation or issue of any new class of equity share capital shall be prohibited or restricted within specified limits referred to in the terms of issue.
  - c) No capitalization of profits or reserves shall be effected except in shares of the appropriate class and in the case of such an issue the conversion rights shall be appropriately adjusted.

- 
- d) The granting of conversion rights into or of options to subscribe for equity capital shall be prohibited or restricted within specified limits;
  - e) If the company shall make or give to its shareholders any offer or right in relation to shares or debenture of the company or any other company, unless provision is made for appropriate adjustment of the conversion rights, the company shall at the same time make or give to the holders of the convertible securities the like offer or right on the appropriate basis having regard to their conversion rights;
  - f) In the event of voluntary liquidation, except for the purpose of reconstruction or amalgamation on terms previously approved by the trustees, or by an extraordinary resolution of the holders, the holders of the convertible securities shall for a limited period have rights equivalent to conversion;
  - g) The company shall maintain at all times sufficient unissued capital to cover outstanding conversion rights;
  - h) Where provision is made enabling the company at its option to repay or convert the security, if a specified proportion of the security has been converted, such right shall apply to the whole of the security outstanding and shall only be exercisable if notice of intention of such exercise is given within one month after the expiry of those conversion rights which were at the holder's option.
  - i) All necessary allotments of shares consequent upon a conversion shall be effected not later than fourteen (14) days after the last date for lodging notice of conversion.
2. That holders be given not less than four nor more than eight (8) weeks' notice in writing prior to the end of each conversion period reminding them of the conversion rights then arising of current and stating the relative basis of conversion (after taking into account any required adjustments).
  3. That the designation of the security shall include the word "convertible" until the expiration of conversion rights whereupon that word shall cease to form part of the designation.
- C) **As Regards Meeting and Voting Rights**
1. That not less than twenty-one (21) days' notice shall be given of a meeting for the purpose of passing an extraordinary resolution.

2. That a meeting of holders of the securities shall be called on a requisition in writing signed by holders of at least one-tenth of the nominal amount for the time being outstanding.
3. That the quorum for meeting (other than an adjourned meeting) for the purpose of passing an extraordinary resolution shall be the holders of a clear majority of the outstanding securities.
4. That the necessary majority for passing an extraordinary resolution shall be not less than three-fourths of the persons voting on a show of hands and if a poll is demanded then not less than three-fourths of the votes given on such a poll.
5. That on a poll, each holder of securities shall be entitled to at least one vote in respect of each of those amount held by him which represents the lowest denomination in which such securities can be transferred.
6. That a proxy need not be a holder of securities.

**D) As Regards Transfer**

1. That transfers and other documents relating to or affecting the title to any securities shall be registered and where any fee is charged, such fee shall not exceed N100 per item.
2. That the closing of the registers shall be discretionary.

**E) As Regards Definitive Certificates**

1. That the fee for a new certificate issued to replace one that has been worn out, lost or destroyed shall not exceed N100 and that where a holder has sold part of his holdings he shall be entitled to a certificate for the balance without charge.
2. That on any partial repayment of the amount due on the security a note of such payment shall, unless a new document is issued, be enfaced on the document.

**F) As Regards Security**

1. In the case of securities which constitute an unsecured liability, that they be entitled "Unsecured".
2. That the designation of securities shall not include the word "Mortgage" unless they are secured to a substantial extent by a specific mortgage.

**G) As Regards Unclaimed Interest**

Where the right is reserved to forfeit unclaimed interest that right shall not be exercised until twelve (12) years or more after the due date of payment of interest.

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NOTE: Where loan capital is to be secured by a trust deed and such trust deed is yet to be executed by the parties at time of application for listing, a copy of the latest draft thereof shall be lodged for The Exchange's approval and on execution, a copy thereof must be lodged with The Exchange as soon as possible thereafter together with a letter from the Trustees' Solicitors certifying that the trust deed complies in all respects with the draft as finally approved by the Council except as otherwise subsequently agreed with The Exchange, particulars of the agreed variation(s) being set out in the letter.

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**APPENDIX IX**  
**FORM OF GENERAL UNDERTAKING**  
**(Interest Bearing Securities Issued by Government, e.t.c.)**

The Council of  
The Nigerian Stock Exchange

.....acknowledges  
that it shall remain on the Official List of The Exchange only at the pleasure of The Exchange and  
hereby resolves and undertakes as follows:

1. i) To immediately notify the Chief Executive Officer of The Nigerian Stock Exchange without delay of the following:
  - a) the decision to pass any interest payment;
  - b) the date of closing the books, or the striking of balance for the payment of interest in the case of a registered or inscribed security;
  - c) all proposed drawings;
  - d) the date on which it is proposed to close the books for purpose of making drawings in the case of a registered security;
  - e) the amount of the security outstanding after any purchase or drawing has been made;
  - f) any extension of time granted to the duration of temporary documents;
  - g) Annual progress report on the status of the project.
- ii) To forward to the Chief Executive Officer of The Exchange two copies of all circulars, notices, reports, documents or announcements at least fourteen (14) days before they are publicly issued or made in respect of the security.
2. To recognise that the Council reserves the right to remove the name of any security from the Official List if:
  - a) it is considered that there is insufficient public interest in the security, viz, insufficient securities in the hands of the public;
  - b) any of the foregoing terms and conditions are not complied with;
  - c) the Council so resolves, at its absolute discretion.

Authorized Signatory:.....

Authorized Signatory:.....

Date: .....

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**APPENDIX X**

**FORM OF GENERAL UNDERTAKING  
(Interest Bearing Securities Issued by Companies)**

TO: THE COUNCIL OF  
THE NIGERIAN STOCK EXCHANGE

.....acknowledges

that it shall remain on the Official List of The Exchange only at the pleasure of The Exchange and hereby resolves and undertakes as follows:

1. i) To immediately notify the Chief Executive Officer of The Nigerian Stock Exchange without delay of the following:
  - a) the decision to pass any interest payment;
  - b) the date of closing the books, or the striking of balance for the payment of interest in the case of a registered or inscribed security;
  - c) all proposed drawings;
  - d) the date on which it is proposed to close the books for purpose of making drawings in the case of a registered security;
  - e) the amount of the security outstanding after any purchase or drawing has been made;
  - f) any change in the directors of the company;
  - g) any proposed change in the trustees;
  - h) any proposed alteration of the trust deed;
  - i) any proposed change in the collateral, if any, deposited under the trust deed;
  - j) any proposed change in the general character or nature of the business of the company or of the group;
  - k) any extension of time granted for the duration of the temporary documents;
  - l) such other information as may be necessary to enable holders of the security to appraise the position of the company and to avoid the establishment of a false market in the security.

- 
- ii) To forward to the Chief Executive Officer of The Nigerian Stock Exchange two copies of the following:
    - a) all circulars, notices, reports, documents or announcements at least fourteen (14) days before they are issued to holders of the security or made in respect of the security;
    - b) all resolutions passed by the holders of the security within seven (7) days of the passing of the resolutions;
    - c) all resolutions passed by the company other than resolutions passed at an annual general meeting for the purpose of adopting the report and accounts declaring dividends and re-electing directors and auditors;
2. **Annual Reports and Accounts**
- To include in or circulate with each annual directors report and audited accounts;
- i) A description of the operations carried on the company or, if the company has subsidiaries, the group;
  - ii) Where the company has subsidiaries or associated companies a list of those interests where the total investment normally represents more than five per-cent (5%) of the published net assets of the group, or where any subsidiary contributes more than five per-cent (5%) of the published pre-tax trading results of the group; Further information to be provided in respect of each subsidiary or associated company are its name, principal country of operation and the percentage of its equity capital attributable to the group's interest.
3.
  - i) To supply the published accounts of the company and where applicable, the consolidated accounts of the group prior to the date of the annual general meeting of the company;
  - ii) To supply additional copies of the published accounts for use of members of The Exchange as may be required;
  - iii) To supply the published accounts of the company to the paying agents for inspection by security holders, and to mail or deliver same to any security holder upon request and supply copies thereof, in quantities sufficient to satisfy requests received from such security holders.
4. **General**
- i) To comply with The Exchange's Rules Governing Listing both present and future,
  - ii) To pay any listing fees which may become payable to The Exchange as a result of increase in capital;
-



- iii) To adhere to any corporate disclosure policy requirements that may be issued by The Exchange.
5. To recognise that Council reserves the right to remove the name of any security from the Official List if:
- i) it is considered that there is insufficient public interest in the security, viz, insufficient securities in the hands of the public;
  - ii) any of the foregoing terms and conditions are not complied with;
  - iii) the Council so resolves, at its absolute discretion.

THE COMMON SEAL OF )  
 )  
 )  
 )  
 )  
 )  
 ) LS  
 \_\_\_\_\_ )  
 (Name of Company) )  
 )  
 )

Was affixed hereto

In the Presence of:-

.....  
Director

.....  
Secretary

.....  
Date

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## APPENDIX XI

### TEMPORARY DOCUMENTS OF TITLE

1. Documents must be serially numbered, printed on good quality paper and must be examined and signed by a responsible official of the company or authorised agent. The name and address of the first holder and names of joint holders (if any) shall be stated and, in the case of fixed income securities, a statement as to the amount of the next payment of interest or dividend shall be included.
2. Where a right of renunciation is given:
  - i) The form of renunciation and the registration of instructions shall be printed on the back of, or attached to, the document.
  - ii) There shall be provision made for splitting of shares in one document without fee and split documents shall be certified by an official of the company or authorised agent. There shall not be more than one clear business day between the last day for splitting and the last day of renunciation.
  - iii) Where an allotment is made for shares issued for cash and in addition shares of the same class are also allotted and credited as fully-paid to vendors or others, the period for renunciation may be the same as, but not longer than that provided for in the case of shares issued for cash.
3. When a security is offered in conversion of another security and is also offered for subscription in cash, the allotment letters must be marked "CONVERSION" and "CASH" respectively.
4. Letters of allotment and rights must be issued simultaneously and in the event of its being impossible to issue letters of regret at the same time a notice to that effect shall be inserted in the Press to appear on the morning after the allotment letters have been posted.
5. In the absence of contrary instructions from the shareholders, all letters of rights to shareholders with addresses outside the city where the company is domiciled shall be dispatched by post.

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**APPENDIX XII**

**DEFINITIVE DOCUMENTS OF TITLE**

1. The overall size of the certificate shall if possible be no longer than 10 inches x 8 inches (25mm x 20mm).
2. The following shall be shown on the face of the certificate:
  - a) The authority under which the company or organisation is constituted;
  - b) The number of shares or amount of stock the certificate represents and if applicable the number of denomination of units (preferably at the top right-hand corner);
  - c) Footnote stating that no transfer of security or any portion thereof represented by the certificate can be registered without production of the certificate;
  - d) If applicable, the minimum amount and multiples thereof in which the security is transferable.
3. Certificates shall be dated and (in the absence of a statutory authority for issue) be issued under seal.
4. Where a certificate relates to secured or unsecured loans, bonds, or notes it must also;
  - a) State the authority under which the security is issued;
  - b) State on the face the dates when interest is payable and on the back all conditions of issue as to redemption and conversion but need state only such of the conditions as to transfer as differ in any material respect from those normally attached to such security.
5. Where a certificate relates to share capital there being more than one class in issue, the certificates of the preferential class must also bear (preferably on the face) a statement of the conditions conferred thereon as to capital and dividends.

**APPENDIX XIII**

**PARTICULARS OF SECURITIES TO BE LISTED**

To: The Chief Executive Officer  
The Nigerian Stock Exchange

..... 20.....

..... Limited

**SHARE CAPITAL**

Authorized N	In Stock/Shares of In Stock/Shares of In Stock/Shares of In Stock/Shares of	Issued and inclusive of present issue N
N		N

=====

1. Amount and description of securities for which application is now made,  
.....
2. Distinctive numbers of shares (if any) .....  
.....

The Securities for which listing is sought

a)\* are/are not identical in all respects; and

b)\* are/are not identical in all respects with an existing class of security.

\*(Delete as appropriate. If they are not identical now, but will so become in the future, a statement as to when they will become identical shall be added to (a) or

---

(b) above and definitive certificates issued before that date must be enfaced with a note to this effect).

Renounceable Certificates/Letters of Allotment/Acceptance/Rights may not be renounced/may be renounced up to .....

..... And split up to .....

Renounceable Certificates have already been issued in respect of .....

.....

I undertake to lodge with you the required Declaration in due course.

Signed .....

Director

---

NOTE: "identical" in this context means:-

- (1) the shares or units are of the same nominal value with be same amount called up or paid up;
- (2) they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution, the dividend/interest payable per unit will amount to exactly the same sum (gross and net);
- (3) they carry the same rights as to unrestricted transfer, attendance and voting at meeting and are pari passu in all other respects.

**APPENDIX XIV  
DECLARATION OF COMPLIANCE**

The following is a suggested form of declaration, which should be adapted to meet individual cases.

We .....and.....  
a Director and the Secretary respectively of .....  
Plc (hereunder called “the Company”), do declare as follows:

1. That all documents required by the Companies Act to be filed with the Registrar of Companies in connection with the Issue/Offer/Placing/Introduction on.....20.....of the following shares/securities of the Company namely  
  
(insert particulars) have been duly filed and that to the best of our knowledge, information and belief the Company has complied with all other legal requirements in connection with the Issue/Offer/Placing/Introduction.
  
2. That                      shares of                      (Number and class)  
  
N                      Debenture Stock                      debentures/Notes  
  
Have been subscribed/purchased for cash and duly allotted/transferred to the subscribers/purchasers (and that the shares have been converted into N Stock).
  
3. That all monies due to the company in respect of issue/offer have been received by it.
  
4. That                      Shares of  
  
N                      Debenture Stock                      Debentures/Notes  
  
Have been issued credited as fully paid by way of conversion/exchange/consideration for property acquired/other consideration not being cash and have been duly allotted/transferred to the persons entitled thereto (and that the said shares have been converted into N                      Stock).
  
5. That the definitive documents of title above have been delivered/are ready to be delivered.
  
6. That the purchase by the company of all property shown in the prospectus, offer for sale, advertisement or circular to members dated ..... 20..... Have

---

been purchased or agreed to be purchased by it and the purchase consideration for all such property has been duly satisfied.

7. That Trust Deed/Deed Poll relating to the said debenture stock or notes has been completed and executed and a copy has been lodged with The Exchange and that particulars thereof, if so required by statute, have been filed with the Registrar of Companies.
8. That all the shares/debentures/debenture stock/notes of each class for which listing exists are in all respects identical.
9. That there are no other facts relating to the company's application for listing which, in our opinion, should be disclosed to The Nigerian Stock Exchange.

And we make this declaration conscientiously believing same to be true.

Signed.

.....Director

.....Secretary

---

NOTE: "Identical" in this context means:-

- (1) the shares or units are of the same nominal value with the same amount called up or paid up;
- (2) they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution, the dividend/interest payable per unit will amount to exactly the same sum (gross and net);
- (3) they carry the same rights as to unrestricted transfer, attendance and voting at meetings and are pari passu in all other respects.

## APPENDIX XV

### FORM OF GENERAL UNDERTAKING (UNIT TRUSTS)

To: The Chief Executive Officer  
The Nigerian Stock Exchange

.....acknowledges

that .....shall remain on the Official List of The Exchange only at the pleasure of The Exchange and hereby resolves and undertakes as follows:

#### 1. Notices

- (i) To immediately notify the Chief Executive Officer of The Exchange without delay of:
  - (a) any announcement of distribution or any other moves that could affect the price of the trust's units on the market;
  - (b) any change in the management of the trust;
  - (c) any proposed alteration of the instrument or supplemental instruments of the trusts;
  - (d) any proposed change in the basic investment policy of the trust;
  - (e) any other information necessary to enable unitholders to appraise the position of the trust and avoid the establishment of a false market in the units of the trust;
  - (f) the date on and from which purchases and sales of units by the managers will take place ex-distribution;
  - (g) the bid price of units which shall be fixed on conditions corresponding with the regulations laid down by Securities and Exchange Commission for sale price and that the managers will supply the market with bid and offer prices before the closure of business in the last day of the week;
  - (h) any intention to review, vary or terminate the trust.
- (ii) To forward to the Chief Executive Officer of The Nigerian Stock Exchange two copies of:
  - (a) all circulars, notices, reports or other documents at the same time as they are issued to unitholders;



- 
- (b) all resolutions passed by the unitholders within seven (7) days of the passing of such resolutions;
  - (c) all advertisements issued or intended to be issued by the management of the trust.
- (iii) To notify the Chief Executive Officer of The Exchange at least three (3) days in advance giving the dates and times of any meeting at which the declaration or recommendation or payment of a distribution (dividend) is expected to be considered and decided upon.
  - (iv) To clearly set out on an annual basis on the capital value of the trust fund, the amount of the annual management charge, which, in the case of new trusts, is to be taken out of subscribed fund.
  - (v) To maintain a complete file of all advertisements, brochures, leaflets and other documents issued with a view to effecting or stimulating sales or purchases of units.

## 2. Reports and Accounts

- (i) To submit to unitholders and to The Exchange as soon as possible after the first six months of each financial year a report concerning the trust's activities for the half year and to notify The Exchange of the total number of outstanding registered units in existence at the conclusion of that period.
- (ii) to include in or circulate with each annual report an audited statement of account of the trust, a statement of asset value of the trust and of the investments comprised in the trust. There shall also be included details concerning the total number of units issued and redeemed during the period, and outstanding at the end of the period.
- (iii) To promptly supply copies of the report and accounts for use of members of The Exchange as required.
- (iv) To submit to The Exchange and make available to unitholders the annual accounts of the managers in relation to the trust, not later than six months after the period to which it relates.

## 3. Certificates

- (i) To issue definitive certificates within twenty-one (21) days of the lodgement of application.
- (ii) To notify the holder of a registered certificate as soon as a transfer out of the holder's name has been certified.

---

4. **General**

To recognize that Council reserves the right to remove any security from the Official List if:

- (a) it is considered that there is insufficient public interest in the trust viz, insufficient unit in the hands of the public; or
- (b) any of the foregoing terms and conditions are not complied with; or
- (c) the Council so resolves at its absolute discretion.

Director.....

Secretary .....

Date .....

## APPENDIX TO THE NIGERIAN DEPOSITARY RECEIPTS RULES

**APPENDIX I  
FORM OF UNDERTAKING BY A DEPOSITARY IN AN UNSPONSORED DR ISSUE**

Form of Undertaking (Depositary Receipts)

TO: The Council of  
The Nigerian Stock Exchange

(Name of Company)

.....acknowledges that the privilege to remain on the list of The Exchange is subject to the pleasure of The Exchange and hereby resolves and undertakes as follows:

- 1.1 We have an application to the Nigerian Stock Exchange (NSE) for the registration and listing of Depositary Receipts in line with the provisions of the relevant NSE listing rules for Depositary Receipts;
- 1.2 We hereby undertake to comply with all obligations imposed on the issuer of depositary receipts under an unsponsored Depositary Receipt Program and also with the provisions of the Listing Rules of the Nigerian Stock Exchange as amended from time to time.

The common seal of the Company is hereto affixed in the presence of:

.....  
Common Seal

.....  
Director

.....  
Secretary

.....  
Date

## APPENDICES TO THE ASeM RULES

APPENDIX I

LETTER OF APPLICATION

TO: Chief Executive Officer  
The Nigerian Stock Exchange

..... 20. ....

Dear Sir,

We are instructed by .....

(Name of Company)

to make application for listing and permission to deal in:

- 1) .....  
.....  
.....
- 2) .....  
.....  
.....

We shall be glad to hear in due course if an advanced booking for listing could be made on behalf of the company. We attach formal application including all documents required under the Listing Requirements of the Nigerian Stock Exchange.

We are,  
Yours faithfully,

..... \*Brokers.

Set out securities for which application will be made.

State how it is proposed to issue the securities.

\*To be signed by the Accredited Representative of the sponsoring Stockbroking firm.

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APPENDIX II

Form of General Undertaking (Equities)

TO: The Council of  
The Nigerian Stock Exchange

(Name of Company)

.....acknowledges that

The privilege to remain on the list of The Exchange is subject to the pleasure of The Exchange and hereby resolves and undertakes as follows:

**(The entire contents of the undertaking as provided in Appendix III to The Nigerian Stock Exchange Listing Requirements must be fully reproduced in the undertaking that is being executed<sup>1</sup>)**

The common seal of the Company is hereto affixed in the presence of:

.....

Common Seal

.....

Director

.....

Secretary

.....

Date

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<sup>1</sup> This statement was inserted in the April 2013 extraction

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APPENDIX III

FEES

ALTERNATIVE SECURITIES MARKET – ASEM

**(The applicable fees are stated in Appendix IV of The Nigerian Stock Exchange Listing Requirements, and are subject to review from time to time by The Exchange.)**





7. That Trust Deed/Deed Poll relating to the said debenture stock or notes has been completed and executed and a copy has been lodged with The Exchange and that particulars thereof, if so required by statute, have been filed with the Registrar of Companies.
8. That all the shares/debentures/debenture stock/notes of each class for which listing exists are in all respects identical.
9. That there are no other facts relating to the company's application for listing which, in our opinion, should be disclosed to The Nigerian Stock Exchange.

And we make this declaration conscientiously believing same to be true.

Signed.

.....Director

.....Secretary

---

NOTE: "Identical" in this context means:-

- (1) the shares or units are of the same nominal value with the same amount called up or paid up;
- (2) they are entitled to dividend/interest at the same rate and for the same period, so that at the next ensuing distribution, the dividend/interest payable per unit will amount to exactly the same sum (gross and net);
- (3) they carry the same rights as to unrestricted transfer, attendance and voting at meetings and are *pari passu* in all other respects.

## APPENDICES TO THE ISSUERS' PORTAL RULES

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**APPENDIX I**

**Corporate Action Template**

**CORPORATE INFORMATION**

**NAME OF COMPANY**

**REGISTRARS**

**DIVIDEND (Interim):-**

**DIVIDEND (Final):-**

**BONUS:-**

**QUALIFICATION DATE: -**

**CLOSURE OF REGISTER (Dividend):**

**CLOSURE OF REGISTER (Bonus):-**

**PAYMENT DATE:-**

**SUBMITTED BY:**

**APPENDIX II**  
Market Summary Text Format Template for Financial Results

**RESULT ANNOUNCEMENT**

TEST COMPANY ASSURANCE PLC July  
11, 2012

Audited Results (Dec, 2011) Profit and  
Loss Information

Gross Premium Earned 31-12-11 N1.733b 31-12-10 N868.741m

Net Premium Earned 11 N1.554b 10 N745.018m

Net Claims Incurred 11 (N103.054m) 10 (N48.942m)

Underwriting Profit 11 N1.235b 10 N613.319m

Investment & Sundry Income 11 N430.630m 10 N538.530m

Mgt Expenses & Provision for Doubtful Accounts 11 (N1.152b) 10 (N1.145m) Profit  
before Tax 11 N514.182m 10 N6.551m

Taxation 11 (N100.268m) 10 (N196.785m) Profit after

Tax 11 N413.914m 10 (N190.234m)

Transferred to Contingency Reserve 11 (N82.783m) 10 (N26.062m)

Transferred to Retained Earnings 11 N331.131m 10 (N216.296m) Earnings

Per Share (Kobo) 11 3.18k 10 (1.46k)

Balance Sheet Information

Fixed Assets 31-12-11 N1.689b 31-12-10 N1.603b Long

Term Investments 11 N1.537b 10 N396.307m Short Term

Investments 11 N4.600b 10 N5.809b Premium Debtors 11  
N572.831m 10 N122.233m

Cash and Bank Balances 11 N140.730m 10 N146.360m

Intangible Assets 11 N64.542m 10 N80.475m Statutory

Deposits 11 N355.000m 10 N355.00m Other Debit

Balances 11 N484.224m 10 N365.913m

Insurance Funds & Outstanding Claims 11 N541.010m 10 N464.990m

Creditors & Accruals 11 N99.190m 10 N41.391m

Taxation 11 N51.017m 10 N44.240m

Deferred Taxation 11 N299.675m 10 N299.675m Provisions

(Gratuity Fund) 11 N37.338m 10 N26.687m Net Assets 11

N8.415b 10 N8.002b

Corporate Actions Proposed

Dividend Nil Proposed

Bonus Nil

Qualification Date Yet to be Communicated

Closure Date Yet to be Communicated AGM

Date Yet to be Communicated Payment Date

Yet to be Communicated AGM Venue

Yet to be Communicated

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**APPENDIX III**
**Directors' Interest Template**
**DIRECTORS' BENEFICIAL INTEREST**

The interest of the Directors of Example Company Plc in the issued Share Capital of the Company as recorded in the Register of Members as at 30th September, 2008 is as follows:

Name of Director(s)	Direct	Indirect	Holding
Jiro Ejobe	327,375	56,558,610	3.79
Helen Ifeacho	1,395,000	164,025,000	10.94
Ifeatu Osegbo	71,789,025	1,800,000	4.91
Ignatius Ezeja	55,725,547	Nil	3.72
IK Obaseki	47,026,945	Nil	3.14
Ade Ewuosho	23,160,835	85,103,232	7.22
Olumide Lala	64,724,665	Nil	4.34
Cynthia Akpomudiare	51,784,975	Nil	3.45
Josephine Igbinosun	Nil	20,460,000	1.36
Pai Gamde	46,432,500	Nil	3.10
Daniel Ukachukwu	Nil	42,777,093	2.85
Sylvester Atikami	Nil	Nil	Nil
Kenneth Ohaeri	Nil	Nil	Nil

\* Mr. Jiro Ejobe is representing Test Company Securities Ltd, which holds 164,025,000 Shares.

Save as disclosed above, none of the Directors has notified the Company of any disclosable interest in the Company's Share Capital as at that date.

**APPENDIX IV**  
Corporate Forecast Template

**THE NIGERIAN STOCK EXCHANGE PRESENTATION  
OF RESULTS TO THE STOCK MARKET**

<b>COMPANY</b>	<b>FINANCIAL FORECAST (Q1)</b>
<b>Forecast Statement of Comprehensive Income</b>	<b>PERIOD</b>
	[date]
	₦ [currency]
Gross Premium	
(Increase)/ Decrease In Unexpired Premium	
Gross Premium Earned	
Reinsurance Cost	
Premium Earned	
Commission Received	
Total Income	
Claims Incurred	
Underwriting Expenses	
Underwriting Profit	
Investment Income	
Net Operating Income	
Management Expenses	
Provision for bad and doubtful debts	
Profit/ (Loss)before tax	
Forecast Taxation	
Profit/ (Loss) after tax	
Transfer to Statutory Reserve	
Dividend (Proposed-3kobo)	
Retained Profit transferred to revenue reserves	

**APPENDIX V**  
Meeting Form Template

Name of Company  
RC 7878787  
II Diya Street, Gbagada Lagos  
Fax: 234-1-7211663

BOARD OF DIRECTORS  
Mr. Test Name Chairman  
Dr. Test Name2 Director  
Mrs. Test Name3 Director  
Test Name4 Director  
Test Name5 (MD/CEO)  
Test Name6 (DMD/COO)

EXTRACTS OF EXTRA-ORDINARY GENERAL MEETING

PRESENT

Mr. Test Name  
Chairman Dr. Test Name 2  
Director Mr. Test Name3  
Director Test Name 4  
Director

**SPECIAL RESOLUTIONS**

At an Extra Ordinary General meeting of Rock Mortgage Ltd. duly convened and held on the 10<sup>th</sup> of December 2007, the following Special resolutions were proposed to members and unanimously passed:

1. That Rock Mortgage Ltd. be and is hereby authorized to convert to a public limited liability company (plc.) and Rock Mortgage Ltd. be and is hereby authorized to amend the relevant clauses or Its Memorandum and Articles of Association by changing its name from Rock Limited to Rock Mortgage Plc.
2. That Rock Mortgage Ltd. be and is hereby authorized make any further amendments in its Memorandum and Articles of Association that may become necessary to meet, the requirements of the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) for listing on The Exchange.

Dated at Lagos this .....day of.....2008

.....  
Director

.....  
Director

.....  
Secretary