



REQUEST FOR PROPOSAL:

**ENGAGEMENT OF A CONSORTIUM OF
INSURANCE COMPANIES TO ADMINISTER
INSURANCE TO TRADING LICENSE
HOLDERS**

www.ngxgroup.com

10 June 2021

Dear Sir/Madam,

Request for Proposal - Engagement of a Consortium of Insurers to Administer Insurance to Trading License Holders of Nigerian Exchange Limited, Nigerian Exchange Limited and the Investors' Protection Fund of Nigerian Exchange Limited

1. Introduction

1.1 Nigerian Exchange Limited (“The Exchange”) a subsidiary of the Nigerian Exchange Group Plc. (“NGX Group”), serves Africa’s largest economy and is a Nigerian registered private company limited by shares. The Exchange offers listing and trading services, licensing services, market data solutions, ancillary technology services and more.

1.2 In carrying out its functions as a securities exchange, The Exchange has Trading License Holders who can buy and sell securities listed on The Exchange on behalf of the public.

1.3 Furthermore, in compliance with Section 197 of the Investment and Securities Act 2007 (the “ISA”) The Exchange established the Investors’ Protection Fund (the “Fund” or “IPF”) and inaugurated its Board of Trustees (“the Board/BOT”) in September 2012.

1.4 The purpose of the Fund is to compensate investors who have suffered pecuniary loss as a result of situations highlighted in Sections 198 and 212 of the ISA, to wit:

- 1.4.1 the revocation or cancellation of the registration of a Capital Market Operator pursuant to Section 38 of the ISA;
- 1.4.2 the insolvency, bankruptcy or negligence of a Trading License Holder(s) of The Exchange; and
- 1.4.3 any defalcation committed by a member company or any of its directors, officers, employee or representatives in relation to securities, money or any property entrusted to or received or deemed received by the member company in the course of its business.

2. Insurance Product

2.1 In order to ensure investor protection, insurance cover for the Trading License Holders of The Exchange, sustenance of the IPF to meet the objectives of its creation in the immediate and long term and to avoid the risk of depletion by the payment of compensation, and also to protect The Exchange in cases of potential claims in relation to actions of Trading License Holders of The Exchange, the requirement of having an Insurance product for Trading License Holder(s) is provided for in Rule 27A of the Securities and Exchange Commission’s (SEC) Consolidated Rules and Regulations, 2013, approved by the Securities and Exchange Commission (Commission) (hereinafter referred to as “the Referenced Rules”) in December 2019.



2.2 The Insurance product is expected to create a waterfall in the event of a claim, such that the IPF becomes the last resort¹ to compensate investors for losses.

2.3 In compliance with “Rule 27A of the Securities and Exchange Commission’s (SEC) Consolidated Rules and Regulations, 2013; Insurance Policy for Corporate Bodies Licensed as a Trading License Holder of a Securities Exchange”, Trading License Holders are required to procure and maintain an insurance policy issued by an insurance company acceptable to The Exchange and the Commission to cover the risks associated with stockbroking operations. The Exchange therefore seeks to engage a consortium of insurers to provide insurance cover for its Trading License Holder(s) in respect of the following:

- 2.3.1 Fidelity Guarantee against theft, fraud or dishonest acts of employees and sponsored individuals of the company.
- 2.3.2 Professional Indemnity in respect of loss arising from any claim(s) for any act or omission or breach of duty by officers, employees and sponsored individuals.
- 2.3.3 Directors and Officers liability in respect of claims against wrongful acts committed in the capacity of a director.
- 2.3.4 Settlement of investors’ claims for pecuniary losses suffered in the circumstances listed in Sections 198 and 212 of the ISA.
- 2.3.5 Legal Liability, or other third-party claims.
- 2.3.6 Other risks associated with its products and services.
- 2.3.7 The insurance policy shall cover not less than 20% of the minimum paid up capital of the Trading License Holder.

Insurance Cover

2.4 The insurance product is expected to enable Trading License Holders cover the risks associated with their business operations and losses suffered by investors as outlined in paragraphs “a” through “c” above.

Insurance Premium

2.5 The premium for the cover shall be paid by each Trading License Holder and the policy shall name the IPF and The Exchange as co-insured. The premium for the Insurance Product will be assessed with due consideration to all relevant factors, including but not limited to the risks insured, products and services, clientele, the value of the aggregate assets of the Trading License Holder in relation to all its registered functions, to which any officer, employee or sponsored individual may have access, the type and terms of the arrangements made for the custody and safekeeping of assets and securities in the company's portfolio.

¹ Where the Trading License Holder is unable to settle an investor’s claim, a call will be made on the insurance product and the IPF will serve as the final source of compensation of investors.



Our Requirements

2.6 Based on the foregoing, The Exchange intends to appoint reputable and experienced insurance companies to undertake the following:

3. Terms of Reference:

3.1 Provide an Insurance Product which can be utilized as an additional means to compensate investors who suffer pecuniary loss as a result of the reasons outlined in numbered paragraphs "a" through "c" highlighted above. The Insurance Product should address the following:

- 3.1.1 Place responsibility and liability for payment of the premiums on the Trading License Holders;
- 3.1.2 Create a structure which ensures that the Fund and The Exchange are named as the co-beneficiaries of the Product and that all payments under the policy are made directly to the IPF;
- 3.1.3 Provide ways to manage and mitigate risks such as interest rate risks, credit risks, foreign currency risks and equity related risks that are inherent in derivatives investment portfolios or liability structure where derivatives transactions are carried out by a Trading License Holder;
- 3.1.4 Shall cover all Trading License Holders of The Exchange and their market segments; and
- 3.1.5 Any other important detail.

3.2 Develop a risk-based approach to determine the premiums to be paid by each Trading License Holder based on the Trading License Holder's potential exposure to risks.

3.3 Provide any other value-added services in relation to this matter.

NB: All Trading License Holders will be required to take up the insurance product to be implemented by the consortium of insurance companies selected and/or approved by the Exchange and the Board.

4. Request for Proposal

4.1 Consequently, we invite all licensed insurance companies to submit a proposal. Specifically, your proposal should address the following:

- 4.1.1 A description of the methodology and work plan for performing the assignment;
- 4.1.2 Your company's credentials to provide the services required; a brief description of the firm's organization; your financial standing, your standing with the National Insurance Commission (NAICOM), understanding of the risks associated with stockbroking operations and an outline of recent experience on providing insurance cover for similar risks.
- 4.1.3 Any other ancillary terms and conditions of your proposal.



5. Ethical Standards

5.1 Please note that The Exchange requires the insurance company to observe the highest standard of ethics during the selection process and execution of the assignment. Pursuant to this policy, The Exchange:

5.1.1 defines, for the purposes of this provision, the terms set forth below as follows:

- a. *“corrupt practice”* means the offering, giving, receiving, or soliciting of anything of value to influence the action of any official of The Exchange in the selection process or in contract execution; and
- b. *“fraudulent practice”* means a misrepresentation of facts in order to influence a selection process or the execution of a contract to the detriment of The Exchange, and to deprive The Exchange of the benefits of free and open competition.

5.1.2 will reject a proposal if it determines that the company has engaged in corrupt or fraudulent practices in competing for the assignment.

6. Procedure after Submission

6.1 The Exchange shall evaluate the proposals on the basis of their responsiveness to the Terms of Reference. Each responsive proposal will be given a score. A proposal shall be rejected at this stage if it does not respond to important aspects of the Terms of Reference or if it fails to achieve the minimum score. The shortlisted companies shall be invited for a presentation before representatives of The Exchange and the IPF (physically or virtually). Upon the conclusion of presentations, The Exchange in consultation with the Association of Securities Dealing Houses of Nigeria (ASHON) will select the Insurance companies with the clear understanding of the modalities of administering the Insurance Product for Trading License Holders. The Exchange shall further engage each of the selected Insurers to develop the template for the Insurance policies which meet the Commission’s Rules and are acceptable to The Exchange and the IPF.

6.2 Negotiations will subsequently be held, the aim of which will be to reach an agreement on all points and award the assignment to the successful insurance companies. After negotiations are completed, The Exchange will promptly notify other companies on the shortlist that they were unsuccessful.

7. Confidentiality

7.1 By accepting to take part in this selection process the insurance company shall keep in confidence all information provided in relation to this proposal process and shall not disclose the said information to third parties or use the said information for any other purpose other than in relation to the proposal process. Additionally, in the event that your company is not selected, you shall keep in confidence all information provided to you in relation to this proposal and the fact that you have received this proposal.

8. Mode of Submission



8.1 We look forward to receiving your proposal for this assignment not later than the close of business on Monday, 12 July 2021. Proposals should be submitted in soft and hard copies to the undersigned via the addresses below:

Email: eakpata@ngxgroup.com and phalliday@ngxgroup.com

Hand Delivery: NGX Regulation Limited
Broker Dealer Regulation Department
Nigerian Exchange Group House
2-4 Custom Street, Marina, Lagos

Should you have any questions, require clarification or further documents, do not hesitate to contact The Exchange via the above email addresses.

Yours faithfully,

Olufemi Shobanjo,
Head, Broker Dealer Regulation