THE Nigerian STOCK EXCHANGE

Growth Board

A Guide to Listing
Disclaimer

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The Nigerian Stock Exchange (NSE) was established in 1960 and today services the second largest financial centre in sub-Saharan Africa. The NSE is licensed under the Investments and Securities Act (ISA) and is regulated by the Securities and Exchange Commission (SEC). The NSE is an automated exchange and provides listing and trading services, as well as electronic Clearing, Settlement and Delivery services through Central Securities Clearing System Plc.

The NSE continues to evolve to meet the needs of its valued customers, and to achieve the highest level of competitiveness. The Exchange operates fair, orderly and transparent markets that bring together the best of African enterprises and the local and global investor communities. The Nigerian Stock Exchange is poised to champion the acceleration of Africa’s economic development and to become “the Gateway to African Markets”

The Exchange is a full member and executive committee member of the African Securities Exchanges Association (ASEA) and an affiliate member of the World Federation of Exchanges (WFE).
The SME Ecosystem – Why Growth Board?

**Size of the SME in Nigeria:**

In Nigeria, there are a total of 37,067,416 million Micro, Small and Medium Enterprises making up the growth sector.

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Enterprises</td>
<td>1,793</td>
</tr>
<tr>
<td>Small Businesses</td>
<td>71,228</td>
</tr>
<tr>
<td>Microenterprises</td>
<td>41.4 Mn</td>
</tr>
</tbody>
</table>

**Growth sector contribution to GDP:**

The growth sector contributes about 48.7% to the Nigerian GDP.

**Alternative sources of SME Financing:**

- Debt
- Equity
- Leasing and Hire Purchasing
- Trade Credits
- Bank Loans
- Overdraft and Credit Lines

**Threats to SMEs in Nigeria:**

- Access to Finance
- Access to information
- Insecurity
- Government Policies/Ease of Doing Business
- Multiple Taxation
- Infrastructural gaps
- Foreign Exchange Rates
- Talent Acquisition/Retention
Comparison with Other Jurisdictions

Representation of Growth companies in Nigerian Capital Market:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Market Cap ($100Mn)</th>
<th>Number of Listed Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSE AIM</td>
<td>863</td>
<td>1365.4</td>
</tr>
<tr>
<td>NASDAQ First North</td>
<td>339</td>
<td>294.2</td>
</tr>
<tr>
<td>JSE AltX</td>
<td>49</td>
<td>10.0</td>
</tr>
<tr>
<td>ASEM</td>
<td>9</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Out of 41 million SMEs in Nigeria, only 9 are listed on the Exchange.

Opportunity landscape in the Nigerian SME space:
Financial sector start-ups had the highest number of deals accounting for 75% of the total funding during this period followed by the agricultural sector.

Series C funding round represented 64% of the total funding in value which shows that most start-ups used this funding method followed by Series A Funding.

The relatively low Equity penetration suggests huge and untapped opportunities for the capital market; SME’s can utilize equity platforms such as the NSE Growth Board to access more secured and sustainable capital for growth.

**Series A:** Generally done when the company is generating some revenue, though it might not be in net profit. The risk involved at the highest in this round of funding.

**Series B:** This is required by the company to scale up to, face competitors and have a market share. The goal of this funding is not only to break-even but to also have a net Profit. At this stage, investment risk is lower and the amount of funding is more than Series A.

**Series C:** The company goes for Series C round of funding when it looks for greater market share, acquisitions, or to develop more products and services.
Nigerian companies attracted a total sum of $8.57 billion in funding between January and September 2019 (9-month).

The oil and gas sector attracted the largest funds, with $3.43 billion, while Fintech companies ranked seventh within the period. The sector raised $202.10 million.
The Growth Board

The Growth Board is designed to encourage small cap and growth oriented companies with good corporate governance standards to list. It aims to encourage companies with high growth potential to seize the opportunity of raising long term capital and promote liquidity.

The Growth Board was established as part of the NSE’s initiative on elevating the Nigeria Capital market and meeting the needs of businesses at every phase of their lifecycle. The board targets fast growth companies such as SMEs operating in various sectors including Technology companies.

Objectives of the Board

1. To encourage companies with high growth potential to seize the opportunity of raising long term capital and promote liquidity.

2. To cater for various market segments and to ensure all spectrum of businesses/companies in various growth phases can be listed.

3. To highlight the benefits available in the capital market for Start Ups, SMEs and Technology companies.

4. To provide market operators with a platform and access to potential pipeline of companies for listing on The NSE.
# Common Concerns About Listing

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Loss of control by entrepreneurs</strong>: Owners may retain up to 85% of total</td>
<td>Owners may retain up to 85% of total shareholdings of the company; requirement is for 15% minimum public ownership.</td>
</tr>
<tr>
<td></td>
<td>shareholdings of the company; requirement is for 15% minimum public ownership</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td><strong>Profit sharing</strong>: Discipline is king as profits are shared per shareholding</td>
<td>Discipline is king as profits are shared per shareholding at specific intervals. Planning is key to growing business and profits.</td>
</tr>
<tr>
<td></td>
<td>at specific intervals. Planning is key to growing business and profits.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td><strong>Associated cost of being listed</strong>: Benefits far outweigh cost as applicable</td>
<td>Benefits far outweigh cost as applicable fees on Growth Board are relatively low. (See Appendix IV of NSE Green Book for fee schedule)</td>
</tr>
<tr>
<td></td>
<td>fees on Growth Board are relatively low. (See Appendix IV of NSE Green Book</td>
<td></td>
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<tr>
<td></td>
<td>for fee schedule)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td><strong>Concern about disclosure requirements</strong>: Disclosures are statutory and improve</td>
<td>Disclosures are statutory and improve the adherence of the company to transparency, which improves confidence and brand integrity.</td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>brand integrity</td>
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</table>

Companies should be aware that becoming a listed company is a strategic decision taken by owners of the business and being listed in the capital market is a long-term and strategic play to enhance corporate governance and sustainability,
# Benefits of the Growth Board

## Benefits of the Growth Board to Issuers

1. Provides a platform for accessing cheap and long tenured capital (equities and fixed income) for growth companies
2. Provides global visibility for attracting international investors
3. Ensures increased Corporate Governance while providing the necessary support mechanism/framework for sustainability
4. Enhances visibility for growth companies to support brand promotion and customer acquisition
5. Provides valuation and potentially enhances liquidity by accessing new investors
6. Serve as an exit option for Core Investors
7. Offers an avenue and flexible mechanism for raising capital
8. Creates, broadens and diversifies investor base
9. Develops and increases sell side coverage / research for growth companies

## Benefits of the Growth Board to Investors

1. Ability to invest in companies with high growth potential thereby resulting in high returns/capital gains.
2. Ability to participate in new startups and companies within growth sectors
3. Diversified Investment options for Retail and institutional investors
4. Enables comparison with other investments due to accessible price information
### Listing Segments on The Nigerian Stock Exchange

<table>
<thead>
<tr>
<th></th>
<th>Growth Board</th>
<th>Main Board</th>
<th>Premium Board</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entry</td>
<td>Standard</td>
<td></td>
</tr>
<tr>
<td><strong>Target Firms</strong></td>
<td>Medium</td>
<td>Medium to Established</td>
<td>Established Businesses</td>
</tr>
<tr>
<td><strong>Legal Form</strong></td>
<td>Public Limited Liability Company</td>
<td>Public Limited Liability Company</td>
<td>Public Limited Liability Company</td>
</tr>
<tr>
<td><strong>Market Capitalization</strong></td>
<td>N50Mn – N500Mn</td>
<td>N500Mn – N4Bn</td>
<td>N4Bn – N200Bn</td>
</tr>
<tr>
<td><strong>Public Float and Minimum Shareholders</strong></td>
<td>10% (25 Shareholders)</td>
<td>15% (51 Shareholders)</td>
<td>20% (300 Shareholders)</td>
</tr>
<tr>
<td><strong>Continuing Obligations</strong></td>
<td>Semi-Annual and Annual Statements</td>
<td>Semi-Annual and Annual Statements</td>
<td>Quarterly, Semi-Annual and Annual statements</td>
</tr>
<tr>
<td><strong>Support Services</strong></td>
<td>Accounting, Audit and Legal Services (Discounted fee rate)</td>
<td>Accounting, Audit and Legal Services (Discounted fee rate)</td>
<td>Standard Support Services</td>
</tr>
</tbody>
</table>
Routes to Listing on The Growth Board
The Growth board will act as a vehicle to attract the fast growing issuers to list on the NSE. The Admittance to the Growth Board would be based on satisfying among other things our listing requirements as stated below:

**Growth Board – Entry**

The Growth Board – Entry platform would serve as the Entry level board for public capital financing for start-ups and SMEs with market valuation between N50m and N500m. Companies admitted on The Growth Board – Entry platform would be publicly traded and subject to regulation. Companies seeking admittance to the Growth Board (Entry) would need to be duly registered as a Public Limited Liability Company, in addition to satisfying other requirements of The Exchange.

**Growth Board – Standard**

The Growth Board – Standard platform would serve as the Standard board for public capital financing for Medium size business and venture capital seed companies with market valuation between N500m and N4Bn. Companies admitted on The Growth Board – Standard platform would be publicly traded and subject to regulation. Companies seeking admittance to the Growth Board (Standard) would need to be duly registered as a Public Limited Liability Company, in addition to satisfying other requirements of The Exchange.
## Eligibility Criteria:

### Entry Segment

**Route 1:**
Company is already listed on the Main Board or Alternative Securities Market (Growth Board) Board of The Exchange, or is seeking to list on the Growth Board (Entry) of The Exchange, and

- Is duly incorporated as a public company limited by shares;
- Has been in operation for at least two (2) years;
- Has audited financials prepared in line with the International Financial Reporting Standards (IFRS);

**Route 2:**
1. Company is a new business that can provide evidence of investment either through:
   - A core investor or a strong technical partner that has a minimum of two (2) years’ operating track record, or
   - A majority shareholder who is either a High Net Worth individual or is a director of a listed company;
2. Has a market capitalization that is equal to, or is in excess of Fifty Million Naira (N50m) on the date The Exchange receives the Issuer’s application to list on the Entry Segment; and
3. Has a minimum free float of ten per cent (10%) of its issued share capital;
4. Has appointed a Designated Adviser or such other relevant professional as may be prescribed by The Exchange from time to time;
5. Has a minimum of twenty-five (25) share-holders or such other number as may be approved by The Exchange from time to time;
6. Undertakes to ensure that its promoters or directors retain a minimum of fifty percent (50%) of their shares in the Issuer for a minimum period of twelve (12) months from date of its listing, and that they do not directly or indirectly sell or offer to sell such securities during that period;
7. Any additional information that The Exchange may request from the applicant; which the applicant shall provide 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 period required by The Exchange, such failure may result in the application being denied.
8. Notwithstanding that an applicant has met the listing requirements, The Exchange may deny an application for listing on the Entry Segment if it is of the view that the applicant’s securities are not suitable for listing on The Exchange.
Eligibility Criteria:

Standard Segment

Route 1:
Company is already listed on the Main Board or Alternative Securities Market (Growth Board) Board of The Exchange, or is seeking to list on the Growth Board (Entry) of The Exchange, and

- Is duly incorporated as a public company limited by shares;
- Has been in operation for at least two (2) years;
- Has audited financials prepared in line with the International Financial Reporting Standards (IFRS);
- Has grown its revenue by a minimum rate of twenty percent (20%) cumulatively in its last (two) 2 years of operations;

Route 2:

1. Company is a new business that can provide evidence of investment in it by:
   - A core investor or a strong technical partner who has a minimum of four (4) years’ operating track record, or
   - A majority shareholder who is a High Net Worth individual; and
2. Achieves a market capitalization that is equal to, or in excess of Five Hundred Million Naira (N500m) on the date The Exchange receives the Issuer’s application to list on the Growth Board;
3. Has a minimum free float of fifteen percent (15%) of its issued share capital;
4. Has appointed a Designated Adviser or such relevant professional as The Exchange may prescribe from time to time;
5. Has a minimum of fifty-one (51) shareholders or such number as The Exchange deems appropriate in the circumstances;
6. Undertakes to ensure that its promoters or directors retain a minimum of fifty percent (50%) of their shares in the Issuer for a minimum period of twelve (12) months from date of its listing, and that they do not directly or indirectly sell or offer to sell such securities during that period;
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### Differences between the Growth Board and ASeM

<table>
<thead>
<tr>
<th>What is the difference between the ASeM and Growth Board?</th>
<th>ASeM</th>
<th>Growth Board</th>
<th>Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Firm</strong></td>
<td>SMEs</td>
<td>Startups, Micro, Small Enterprises, Medium Businesses</td>
<td>Medium, Venture Type Firms, Established Businesses</td>
</tr>
<tr>
<td><strong>Market Capitalization</strong></td>
<td>N/A</td>
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</tr>
<tr>
<td><strong>Fee Structure Listing Fees</strong></td>
<td>N100,000</td>
<td>N250,000 (50% Discount on application fees for the first 24months from launch date of the board)</td>
<td>0.1% of value</td>
</tr>
<tr>
<td><strong>Annual Listing Fees</strong></td>
<td>N200,000</td>
<td>N200,000</td>
<td>Same as Mainboard (Capped at N4.2m for all listed entities)</td>
</tr>
<tr>
<td><strong>Research / Business intelligence</strong></td>
<td>Value-Added Service</td>
<td>Revamped Value-Added Service proposition</td>
<td>Revamped Value-Added Service proposition</td>
</tr>
</tbody>
</table>

### Value Proposition

<table>
<thead>
<tr>
<th>ASeM</th>
<th>Growth Board</th>
</tr>
</thead>
</table>
| • Growth Ambassadors  
• Designated Advisers  
• Institutional Services | • Improved Value Added Services  
• Expanded Designated Advisers  
• Strategic Institutional Partners  
• Reduced NSE fee structure |
Why is the ASeM board being discontinued?

- The chart above shows that there is significant low trade activity and liquidity on ASEM; turnover is also currently less than 1% of the average yearly stock turnover and way below the market average of 37%.
- Consistent negative performance of ASEM index and lack of traction in listings underpins the need for a more revamped board.
Consultation
The company begins preliminary discussions with its financial advisers & Issuing house.

Mandate
The Board and Shareholders mandate the company to proceed with the listing.

Documentation
Functions are allocated, relevant information for the issue are documented.

Distribution / Marketing*
Application forms are distributed through accredited receiving agents.

Completion Board Meeting
All parties to the issue, including the company directors, sign the offer documents.

Approval
Request for approvals from NSE, SEC and the industry regulator (where applicable).

Allotment*
Successful shareholders receive shares, issuers receives payments & receiving agents receive commissions.

Undertaking
The issuer signs a declaration of compliance to post-listing requirements.

Listing
Company shares are admitted to the Daily Official List for trading.

* Applies to IPOs
The decision to list your company can be informed by several reasons, from looking to raise long term capital, to creating a divestment window for existing shareholder(s), to ensuring company continuity beyond the founders. Listing usually follows the stages as described below:

1. Consultation
After preliminary discussions within your company about going public, you are to approach a Designated Adviser (DA) [See list of Accredited DAs at www.nse.com.ng/OurMarkets/Pages/Market-Growth Board.aspx]. Alternatively, a DA may approach you with a proposal for listing of your company.

2. Preparation
After initial discussions with the proposed DA, the Board and Owners of your company will get together to pass the necessary resolutions. A decision will also be made on the preferred route to listing and a mandate letter issued to the DA.

3. Documentation/Packaging
After initial discussions with the proposed DA, the Board and Owners of your company will get together to pass the necessary resolutions. A decision will also be made on the preferred route to listing and a mandate letter issued to the DA.

4. SEC Registration/NSE Approval
Your DA has the responsibility of submitting your application to The NSE with a covering letter, accompanied by the NSE application/listing fees.

5. Completion Board Meeting
You will convene a Completion Board Meeting with all parties to the issue/listing in attendance. At this meeting, your offer documents/prospectus will be signed.

6. Completion Board Meeting
Your Issuing House distributes application forms to all receiving agents. The required number (50 copies of abridged and 25 copies of hardcover) is submitted to The Exchange for distribution to NSE branches and Council members. The application list opens on the selected date and closes after 4 to 6 weeks*.

7. Range of Analysis/Allotment
The Registrar prepares a range of analysis on how the securities should be allotted. After the range is agreed upon, allotment is done and sent to SEC for approval. A copy of the allotment pattern is also sent to the NSE for information.
Listing Process

Monies in respect of unsuccessful/rejected applications are returned.

8. General Undertaking/Declaration of Compliance
At this stage, your company prepares and delivers to the Exchange, on its letterhead paper:

- General Undertaking (As set out in Appendix III of The NSE Green Book) where it undertakes to abide by The Exchange’s post listing requirement).
- A Declaration of Compliance

Your Company Secretary must sign the above statements.

Prospectus Contents Guide
As part of the documents to be presented by your company, you will be required to prepare a Prospectus. This is necessary to give information to the SEC, NSE and intended investors and should contain the following information at the minimum:

- Summary of Offer
- Purpose of Offer
- Corporate Directory
- History & Business of Company
- Risks & Mitigating Factors

- Details of Directors & Management
- Historical Financials
- Financial Forecast
- Statutory & General Information
- Procedure for Application & Allotment
- Application Form
- Application Instructions
- Contact Information

Post Listing Requirements
A listing in itself is not the final stage. In fact, it is just the beginning of a new era for your company. Your continuing obligations, as a publicly quoted company, come with increased responsibilities to the investing public. There are also expectations by The Exchange to ensure your company maintains the discipline to retain its status as a publicly quoted company.

What is expected of your company after listing?
At the pre-listing briefing, the post-listing obligations would have been explained to you, and an irrevocable undertaking to fulfill these obligations signed. The primary obligations are listed below:
### Listing Process

- Submission of semi annual and annual financial statements
- Retainership of the services of a DA, throughout the listing period on Growth Board

*See Appendix III of The NSE Green Book for details of all post-listing obligations.*
Value Added Services
Eligibility Criteria:

Value Added Services are key elements of The Nigerian Stock Exchange’s (NSE) Business Development and retention efforts. These services are designed to create a competitive edge for companies listed on The Exchange and facilitate new listings.

- The NSE allies with a few selected Value Services providers and strategic partners to help with pre-listing diagnostics and reduced fee structure.
- The NSE Value Added Services help stimulate investors’ interest in our market through enhanced information delivery.
- It assists listed companies in complying with post listing obligations and retaining their listing status.

What Services are Provided for Under the VAS Program?

<table>
<thead>
<tr>
<th>Analyst Coverage</th>
<th>Investor Relations</th>
<th>Institutional Services</th>
<th>Corporate Access</th>
<th>Corporate Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The NSE engages independent investment research firms to conduct sell side analysis in order to improve visibility of listed companies and consequently generate more interest on the shares of the issuer.</td>
<td>To help issuers develop an effective Investor Relations (IR) program, the Exchange has partnered with leading IR Service Providers to provide listed companies access to world-class IR solutions.</td>
<td>Institutional services helps Growth companies in the design and documentation of appropriate internal business structures, management processes and procedures to position them as world class enterprises.</td>
<td>Listed companies have access to information and analytics used by institutional investors and analysts. Issuers are able to monitor investor interest, identify and monitor investor activities.</td>
<td>The NSE drives corporate governance through the implementation of the Corporate Governance Rating System which strengthens the governance structures of listed companies and provide a valid basis for investors to make investment decisions base on Corporate Governance Compliance.</td>
</tr>
</tbody>
</table>
Value Added Service Providers

Deloitte

Institute of Directors

Institutional Excellence

TNP

NASDAQ OMX

AELEX

Nairametrics

DCSL

FATE Foundation

Alliance Law Firm

Vaerdii

G. Elias & Co.

Odumakin & Adeulu

Udo Udoma & Belo-Osagie

Punuka

Banwo & Ighodalo

Templars

Aluko & Oyebode

Agusto Consulting

Training, Consulting, Business Advisory

ARRHEN

Olaniwun Ajayi

Proshare Intelligent Investing

Nextzon

Africa Prudential
# Strategic Partners

<table>
<thead>
<tr>
<th>Image 1</th>
<th>Image 2</th>
<th>Image 3</th>
<th>Image 4</th>
<th>Image 5</th>
<th>Image 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Creation Hub</td>
<td>Fintech NGR</td>
<td>CSFS</td>
<td>DBN</td>
<td>Fidelity</td>
<td>Afrimart</td>
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<tr>
<td>Tarvos</td>
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<td>NOVUS</td>
<td>Access</td>
<td></td>
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<td>Rubies</td>
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<td>AGRO</td>
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</tbody>
</table>

*Co-Creation Hub - Powering Agriculture with Technology*
## Parties to IPO/Listing

### Reporting Accountant
- Appointed by Issuer to independently report on already audited accounts
- Tax structuring
- Financial due diligence - long term, short term and working capital reports
- Gives credibility to the offer and highlights anything overlooked on audited accounts

### Designated Adviser
- Overall co-ordination of IPO process
- Ensure company meets Growth Board listing requirements
- Ensure compliance with applicable rules
- Filing of application document with NSE
- Ensure compliance with post listing obligations
- Manage communication with The NSE

### Solicitors
- Legal due diligence
- Draft and verification of application document
- Corporate restructuring
- Provide legal opinions

### Issuing House
- Co-ordination of due diligence and application document to SEC
- Develop investment case valuation and offer structure
- Book building, pre-float marketing and distribution
- Manage communication with The NSE

### Other Parties
- Registrars
- Receiving Bank(s)
- Trustees/Underwriter
- Investor Relations Adviser
Designated Adviser
The challenge of meeting post listing obligations has been identified as a key factor impeding smaller companies from fully unlocking value as a listed company. Subsequently, as an emerging business, the invaluable impact of a knowledgeable adviser, constantly available to guide the company in meeting its regulatory obligations and corporate governance in general cannot be over emphasized. It is a compulsory requirement for all companies listed on Growth Board to have a Designated Adviser (DA).

**Roles Of A Designated Adviser**

The functions of a DA, amongst other things will cover the following:

- Provide professional advice to companies seeking listing on their responsibilities during the application process
- Act as a professional and impartial guide to the applicant company in respect of capital market rules and operations
- Provide advice to the company on an on-going basis to ensure that the company satisfies the Growth Board Board requirements for initial and continued membership;
- Confirm that the company has addressed and met the disclosure requirements set forth in the Growth Board Rules;
- Assist the company's management and board to discern what information is material and therefore needs to be disclosed to investors.

**Choosing a Designated Adviser**

It is one of the responsibilities of your company to choose a DA as part of your pre-listing activities. The NSE publishes and updates a list of Accredited DAs on the Growth Board web page of its Website. It is your prerogative to choose from the list as published by The NSE.
## NSE Timeline for Approval of various Applications

<table>
<thead>
<tr>
<th>Application Type</th>
<th>Timeline to Approval (working days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights Issue</td>
<td>5</td>
</tr>
<tr>
<td>Memorandum Listing of Funds</td>
<td>5</td>
</tr>
<tr>
<td>Public Offer for Subscription</td>
<td>5</td>
</tr>
<tr>
<td>Public Offer for subscription of bonds (other than book building)</td>
<td>5</td>
</tr>
<tr>
<td>Bond Issued through book building</td>
<td>5</td>
</tr>
<tr>
<td>Mergers &amp; Acquisition (between listed and unlisted companies)</td>
<td>5</td>
</tr>
<tr>
<td>Employee share based payment scheme</td>
<td>5</td>
</tr>
<tr>
<td>Initial Public Offer</td>
<td>17</td>
</tr>
<tr>
<td>Listing by Introduction</td>
<td>17</td>
</tr>
<tr>
<td>Placing</td>
<td>15</td>
</tr>
<tr>
<td>Block Divestment</td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application Type</th>
<th>Timeline to Approval (working days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mergers &amp; Acquisition (between listed companies)</td>
<td>17</td>
</tr>
<tr>
<td>Dual Listing</td>
<td>17</td>
</tr>
<tr>
<td>Listing by Introduction (Bond)</td>
<td>5</td>
</tr>
<tr>
<td>Listing by Introduction of ETFs/REITS</td>
<td>6</td>
</tr>
<tr>
<td>Public Offer for subscription ETFs/REITS</td>
<td>6</td>
</tr>
<tr>
<td>Voluntary Delisting</td>
<td>5</td>
</tr>
</tbody>
</table>
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