

**RULEBOOK OF THE NIGERIAN STOCK EXCHANGE
(AMENDMENTS TO DEALING MEMBERS' RULES)¹**

Legend: Additions underlined, deletions ~~struck through~~

Section VI: Classification of Registration

Rule 6.1: Dealing Member: General Requirements – ~~Broker/Dealer~~:

- (a) A Dealing Member is a Member company of The Exchange that has been granted a licence by The Exchange to deal in stocks, shares and other securities listed on The Exchange. A Dealing Member has been defined in the Rules and Regulations Governing Dealing Members as a Member company who has been granted license by The Exchange as a Dealer in Securities.
- (b) A Firm that wishes to operate as a Dealing Member of the Exchange shall note ~~of~~ the following:
- (1) A Dealing Member shall be registered as a Broker/Dealer, or Broker, or Dealer by the Securities and Exchange Commission (the SEC) and shall operate within the parameters and restrictions provided ~~for Broker/Dealer~~ by the SEC Rules for its registration as such;
- (2) A Sub-Broker shall not be licensed by The Exchange, and shall not be treated as a Dealing Member of The Nigerian Stock Exchange. A Sub-broker shall be any person or entity not being a Dealing Member, that is registered by the SEC 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.

¹ **Rule Making History**

1. The amendments to the Rules were presented to the Rules and Adjudication Committee of Council (RAC) on 17 February 2015 and approved for exposure to stakeholders from 25 February to 12 March 2015;
2. Comments received from stakeholders were reviewed at the RAC Retreat of 21 May 2015;
3. The RAC approved amendments to the Rules were presented to the National Council of The Exchange (Council) on 18 June 2015, and the Council made revisions to the Rules.
4. The revised amendments to the Rules were presented to the Council at its meeting of 23 July 2015, and the Council made further revisions to the Rules.
5. The further revised amendments to the Rules were represented to the RAC at its meeting of 9 February 2016 and approved for submission to Council for approval.
6. The Council approved the further revised amendments at its meeting of 31 March 2016 for submission to the Securities and Exchange Commission (SEC);
7. The Council approved Rules were submitted to the SEC for approval on 15 April 2016.
8. The SEC approved the Rules on 1 August 2016.

- (3) The Dealing Member Firm shall be licensed by The Exchange to transact business on its floors and/or given remote access to The Exchange’s trading engine;
 - (4) The Dealing Member Firm shall be known and referred to as a “Member of The Nigerian Stock Exchange”;
 - (5) The Dealing Member firm shall be under an obligation to maintain the minimum capital requirement set by the ~~Securities and Exchange Commission (SEC)~~ from time to time;
 - (6) The Exchange shall put in place a mechanism to monitor the capital adequacy of the Dealing Member Firm on a daily basis;
 - (7) 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;
 - (8) The Dealing Member shall engage in dealings that assist in the maintenance of a fair and orderly market, and The Exchange may suspend, revoke the license of a Dealing Member and expel it from membership of The Exchange if it finds any substantial or continued failure by a Dealing Member to engage in such dealings.
- vii. ~~The Dealing Member firm may in the event of vi above and 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;~~
- viii. ~~The Dealing Member Firm shall be entitled to share its commission with any Broker or Dealer with respect to (vii) above by virtue of Article 42 of the Rules and Regulations Governing Dealing Members (Rules);~~

Rule 6.2: ~~Broker~~ Broker/Dealer:

- (a) A firm registered by the SEC as a Broker/Dealer may, upon application and satisfaction of the relevant requirements, become licensed by The Exchange and known as a Dealing Member of The Exchange;
- (b) A Broker/Dealer shall engage in:
 - (1) Buying and selling of securities on The Exchange on behalf of its clients;
 - (2) Purchasing securities on its own account;
 - (3) Disposing of securities from its own account;
 - (4) Other services ancillary to (1), (2) and (3) above.

- (c) The Broker/Dealer shall be under an obligation to maintain the minimum capital requirement set by the SEC from time to time.
- (d) Only a Dealing Member registered by the SEC and licensed by The Exchange as a Broker/Dealer may engage a Sub-Broker. A Broker/Dealer that engages a Sub-Broker shall be required to provide necessary support to the Sub-Broker in accordance with the applicable rules and regulations of The Exchange. It shall not be mandatory for a Broker/Dealer to engage the services of a Sub-Broker.

Rule 6.3: ~~Dealer~~ Broker:

- (a) A firm registered by the ~~Commission~~ SEC as a Broker ~~and may, upon application and satisfaction of the relevant requirements, become~~ licensed by The Exchange ~~and known as an agent of a Dealing Member shall not be known as a member of The Exchange;~~
- (b) A Broker shall ~~be engage in an agent for~~ buying and selling of securities on The Exchange on behalf of its clients only. ~~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;~~
- ~~(c)(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 (1) and (2) above.
- (d) All Brokers shall comply with the minimum capital requirement set by the SEC from time to time.
- (e) ~~The minimum capital requirement for a Broker shall be determined by the SEC;~~
- (f) ~~A Firm that wishes to register with the SEC as a Broker shall take note of the following:~~
 - ~~(1) The Broker shall operate within the provisions provided in the SEC Rules and Regulations;~~
 - ~~(2) The Exchange shall certify that the Broker is eligible for license 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 (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 6.4: ~~Revocation of Inactive Dealing Members' Licences~~ Dealer:

- (a) A firm registered by the ~~Securities and Exchange~~ SEC as a Dealer ~~and may, upon application and satisfaction of the relevant requirements, become~~ licensed by The Exchange ~~to deal on securities on its own account through a Dealing Member shall not be and~~ known as a Dealing 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.~~
- (b) (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;~~

- ~~(c)(e)~~ A Firm that wishes to operate in the market as a Dealer shall ~~comply with~~ note 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 as may be prescribed from time to time;
 - ~~(2) The Exchange shall certify that the Dealer is eligible for registration as an agent as per the eligibility criteria specified by The Exchange;~~
 - ~~(2)(3) The Dealer shall be licensed and recognized by The Exchange to deal with securities on its own account only 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 subsection.~~
 - ~~(3)(5) The Dealer shall be under an obligation to maintain the minimum capital requirement set by the SEC from time to time, 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.~~

Rule 6.54: 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 6.65: 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 subsection (c)(2) above.

Rule 6.76: 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 6.87: 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 6.98: Dual Board Membership Prohibited

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

Rule 6.109: 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 6.1110: Qualification of Chief Executive Officer

A person shall not be qualified for the 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 5 years cognate experience in the finance industry.~~
- (b) has a minimum of ten (10) years relevant work experience in the financial services industry, with at least three (3) years in a senior management position, or as may be specified from time to time by The Exchange.

Rule 6.1214: 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 6.1312: 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.

Rule 6.~~1413~~: 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.~~1514~~: 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.~~1615~~: 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.