



**AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE
(DEALING MEMBERS' RULES – PART XVI)¹**

**CHAPTER 3
TRADING AND EXCHANGE OPERATIONS**

Section XV: NSE Trading Operations

Legend: additions underlined, deletions ~~struck through and boldened~~

Rule 15.1: Official Days and Hours of The Exchange

- (a) 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.
- (b) **“Trading Hours” means the hours between 9:30 to 14:30 WAT, or any other time as may be prescribed by The Exchange 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.~~

¹ **Rule Making History**

1. The draft Rules were presented to the Rules and Adjudication Committee of Council (RAC) at the RAC Meeting of 28 February 2018 and approved for exposure to stakeholders for comments;
2. The draft Rules were exposed for stakeholders' comments from 19 March to 18 April 2018;
3. The RAC considered the draft Rules, and stakeholders' comments thereon at its Meeting of 15 May 2018 and approved the draft Rules for submission to the National Council of The Exchange (Council);
4. The Council approved the draft Rules at its Meeting of 25 June 2018 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved Rules were submitted to the SEC for approval on 9 July 2018;
6. The SEC approved the Rules on 5 December 2018.

~~(e)~~**(b)** 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.

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.

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.

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 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 and market 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:~~
- (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 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 percent (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.~~
 - ~~(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.~~

~~(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.~~

~~(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.~~

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.

Rule 15.29: Pricing Methodology²

Definition:

Tick size: means the minimum price movement by which the price of a trading instrument can change.

~~(a) Securities shall trade in price increments of one (1) kobo.~~

(a) ~~(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.

² [http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20\(Part%20XI\)%20-%20Pricing%20Methodology.pdf](http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20(Part%20XI)%20-%20Pricing%20Methodology.pdf)

- (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.

(b) (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.

(c) (d) Price Movements and Price Limits and Tick Sizes

(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~~ that are priced at One Hundred Naira (₦100.00) per share or above for at least four (4) of the last six (6) months, or new security listings that are priced at One Hundred Naira (₦100.00) or above at the time of listing on The Exchange.
- (B) **Group B:** shall consist of equities ~~with a Primary Market Maker,~~ that are priced ~~above ₦100.00~~ at Five Naira (₦5.00) per share or above but less than One Hundred Naira (₦100.00) per share for at least four (4) of the last six (6) months, or new security listings that are priced at Five Naira (₦5.00) per share or above but less than One Hundred Naira (₦100.00) per share at the time of listing on The Exchange.



- (C) **Group C:** shall consist of equities that are priced at One Kobo (~~₦0.01~~) per share or above but below Five Naira (~~₦5.00~~) per share for at least four (4) of the last six (6) months, or new security listings that are priced at One Kobo (~~₦0.01~~) per share or above but below Five Naira (~~₦5.00~~) per share at the time of listing on The Exchange.
- (2) **Price Movements:** the minimum quantity of equities traded that will change the published price of an equity security shall be as follows:
- (A) Group A: ~~Fifty-Ten~~ Ten Thousand (~~50~~10,000) units.
- (B) Group B: ~~Ten-Fifty~~ Five Thousand (~~10~~5,000) units.
- (C) Group C: One Hundred Thousand (100,000) 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.
- (C) Group C: +/- 10% based on the previous day's closing price.
- (4) **Tick Size:** the minimum price movement that equities shall trade are as follows:
- (A) Group A: Ten (10) Kobo.
- (B) Group B: Five (5) Kobo.
- (C) Group C: One (1) Kobo.

(d) (e) Small Trades:

- (1) Trades of fewer than Ten Thousand (10,000) shares in Group A, Fifty Thousand (50,000) shares in Group B, and One Hundred thousand (100,000) shares in Group C, shall be regarded by the ATS as small trades. Small trades in an equity security shall not result in a change in the publicly reported price of such security.
- (2) Small trades in an equity 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) Open price. If after the opening there are only small trades, the open price shall be set to NULL and reported as blank.
- (E) Close price.
- (F) Indices of which the security's symbol is a member.

Rule 15.30: Pricing Methodology - Par Value Rule

- (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.

Block Divestments in Equities³

Definition of Terms

"Control" as used in these Rules has the same meaning ascribed to it in Section 119(3) of the Investment and Securities Act, 2007, as amended from time to time.

"Block Divestment" a trade shall be treated as a block divestment where it involves:

- a) a transfer of shares amounting to thirty percent (30%) or more of the company's total listed shares and the transferee shareholder intends to take control of the listed company; or
- b) the acquisition of additional shares by a shareholder of a listed company, that would result in an increase in the shareholder's total holdings to thirty percent (30%) or more of the company's

³ [http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20\(Part%20XIII\)%20-%20Block%20Divestments%20and%20Large%20Volume%20Trades.pdf](http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20(Part%20XIII)%20-%20Block%20Divestments%20and%20Large%20Volume%20Trades.pdf)



- total listed shares; and the shareholder intends to take control of the listed company; or
- c) Less than thirty percent (30%) of a company's total listed shares but will lead to a material change in the Board and/or Management of a listed company.

Rule 15.31 Block Divestments

A Dealing Member that receives a mandate to execute a block divestment shall apply to The Exchange for approval to effect the mandate and shall not execute such a mandate without the said approval. Where a Dealing Member is in doubt as to whether a transaction will be treated as a block divestment, the Dealing Member should consult with The Exchange in order to address the doubt. ~~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 15.31A: Requirements for Approval of Block Divestments

- (a) The application from the Dealing Member to The Exchange shall be in the form of a letter from the Dealing Member informing The Exchange about the mandate received and requesting approval for the block divestment.

Provided that the application process may be initiated by the submission of electronic copies of the application letter and supporting documents, and the hard copies of the application documents shall be filed with The Exchange within ten (10) business days thereafter.

- (b) The letter shall be accompanied by a copy of the mandate which shall be in the form of a duly executed letter from the shareholder to the Dealing Member and such other information reflected on the applicable checklist as The Exchange may from time to time require to be submitted for approval of a block divestment.
- (c)(i) The fees due to The Exchange for block divestments shall be an amount determined by applying the rate that shall be prescribed by The Exchange from time to time to the sum of the number of shares to be divested multiplied by the agreed transaction price or the market price, whichever is higher.
- (ii) Where the trade is to be executed outside the prevailing market price, the Dealing Member shall also include a document explaining the basis upon which the price of the transaction has been calculated with the application letter.

- (d) The Dealing Member shall pay the fees prescribed by The Exchange for block divestments as follows:
- (i) A non-refundable processing fee of 0.2% of the value of the transaction shall be paid upfront and evidence of payment of the processing fee shall be submitted with the application; and
 - (ii) A divestment fee of 0.3% of the value of the transaction shall be paid at the time the transaction will be executed following approval of The Exchange.
- ~~(iii)~~(e) The Exchange shall not commence processing of applications for Block Divestments without receiving ~~such~~ evidence of payment of the non-refundable processing fee.
- ~~(e)~~ (f) The Exchange may from time to time in its sole discretion prescribe new parameters or thresholds for trades categorized as block divestments.

Rule 15.31B: Penalties

Where a Dealing Member executes a block divestment without the prior approval of The Exchange, he shall be liable to suspension for a period of ten (10) business days and payment of a fine of not less than five per cent (5%) of the value of the block divestment.

Rule 15:32: Large Volume Trades in Equities ~~Notification of Trade in Securities Amounting to 5% of an Issuer's Total Listed Securities or More~~⁴

- (a) "All Dealing Members or Authorized Clerks who wish to trade in any equity amounting to ~~five per cent (5%):~~
- (1) 5% or more, but less than thirty per cent (30%) of an Issuer's total listed equities;
 - (2) Eighty (80) million units or more, but less than thirty per cent (30%) of an Issuer's total listed equities ~~or more; or~~
 - (3) trade value equal to, or in excess of Eight Hundred Million Naira (~~₦800,000,000~~), or such other threshold value or portion of listed equities as The Exchange may from time to time prescribe, but less than thirty per cent (30%) of an Issuer's total listed equity,
- shall ~~notify~~ apply for and obtain the written approval of The Exchange before executing such large volume trades. This paragraph shall not apply if the transaction will lead to a

⁴ [http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20\(Part%20XIII\)%20-%20Block%20Divestments%20and%20Large%20Volume%20Trades.pdf](http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20(Part%20XIII)%20-%20Block%20Divestments%20and%20Large%20Volume%20Trades.pdf)



material change in the Board and/or Management of a listed company. or within twenty four (24) hours after such trades have been executed

- (b) ~~Notification~~ The application 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 electronic mail~~ from the shareholder to the Dealing Member or Authorized Clerk;
 - (3) A duly completed Large Volume Trading Authorisation Form of The Exchange submitted to the Market Operations function of The Exchange before any trade execution in the thresholds as set out in paragraphs a(1) to a(3) above.

The Exchange's response to the Dealing Member or Authorised Clerk's application shall be issued within twenty-four (24) hours of its receipt of the complete application.

- (c) Where the trade is to be executed outside the prevailing market price, the Dealing Member or Authorised Clerk shall provide to The Exchange before submission of the trade on the automated trading platform, the basis upon which the price of the transaction has been calculated in accordance with the procedure set out above.

- ~~(c)(d)~~ Any breach of this rule shall result in the suspension of the Dealing Member for ten (10) business days and payment of a fine of One Hundred and Fifty Thousand Naira (N150,000). Where a Dealing Member executes a large volume trade without the prior approval of The Exchange, he shall be liable to suspension for a period of ten (10) business days and payment of a fine of not less than five per cent (5%) of the value of the large volume trade.

- (e) The fees due to The Exchange for large volume trades in equities shall be an amount that shall be prescribed by The Exchange from time to time, and payable upon the grant of The Exchange's approval and prior to the trade execution.

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

- (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;
 - (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.
 - (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 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

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.

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)⁵

- (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%)~~ **a five per cent (5%) move of such value as is prescribed by The Exchange** 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. 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%)~~ **the value prescribed by The Exchange** 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".~~

⁵ [http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Trading%20Halts%20Due%20to%20Extraordinary%20Market%20Volatility%20\(Index%20Circuit%20Breakers%20Rule\).pdf](http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Trading%20Halts%20Due%20to%20Extraordinary%20Market%20Volatility%20(Index%20Circuit%20Breakers%20Rule).pdf)

**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 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 Marker 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.~~

- ~~(a)~~ (a) 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).
- ~~(b)~~ (b) 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.
- ~~(c)~~ (c) A Market maker shall not quote outside the trading band for any given day.
- ~~(d)~~ (d) 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:
 - (i) Shall provide NSE with the names of all Designated Traders and their security assignments, and forthwith advise NSE of any change to such information.
 - (ii) 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.
- (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.