

FREQUENTLY ASKED QUESTIONS ON DELISTING OF SECURITIES FROM THE EXCHANGE

1. What is meant by delisting of securities?

The term "delisting" of securities means removal of listed securities from The Exchange. Consequently, the securities of an affected Issuer will no longer be traded on The Exchange and the Issuer's name will be removed from the Daily Official List of The Exchange. The decision to delist a security is taken only after thorough and careful analysis. It is not a decision arrived at without full consideration of the interests of all stakeholders involved.

2. What is the difference between voluntary delisting and regulatory delisting?

Voluntary delisting is the withdrawal of an Issuer's securities listed on The Exchange with the express approval of the holders of its securities, after complying with relevant requirements in that regard. Regulatory delisting refers to the removal by The Exchange of an Issuer's securities for non-compliance with the Listings Rules of The Exchange or for breach of the terms and conditions of the General Undertaking executed by the Issuer when its securities were listed by The Exchange.

3. Why will securities be delisted?

The Exchange will delist securities where the Issuer has not complied with the Listings Rules of The Exchange, or for breach of the terms and conditions of the General Undertaking executed by the Issuer when its securities were listed by The Exchange; or further to the Issuer's application for voluntary delisting of its securities. Other reasons include where, the National Council of The Exchange ("Council") considers that there is insufficient public interest in the Issuer, or the securities of the Issuer in the hands of the public are insufficient to make a market in the securities.

4. What is the process for regulatory delisting?

A summary of the process is as follows:

- a. The Listings Regulation Department of The Exchange submits a recommendation to the Management of The Exchange for delisting of the securities of the non-compliant Issuer, with sufficient reasons to serve as a basis for the proposed action.
- b. Management obtains the approval of Council and, thereafter, the affected Issuer is served with a delisting notice in addition to publication of same in daily newspapers with national coverage.
- c. The delisting notice gives the affected Issuer three (3) months to regularize its listing status and comply with all applicable listing requirements and obligations, failing which its name will be removed from the Daily Official List of The Exchange.

5. What are the rules supporting regulatory delisting

Clause 15 of the General Undertaking (Appendix III, of the post listing requirements of



The Nigerian Stock Exchange), which is executed by all listed companies prior to listing, provides that:

“Council reserves the right to remove the name of a company from the Official List of The Exchange at its absolute discretion and may, if:

- a) it considers there is insufficient public interest in the company, viz, insufficient shares in the hands of the public; or*
- b) any of the foregoing terms and conditions are not complied with; or*
- c) the company becomes a subsidiary of any other company.”*

The relevant rule supporting regulatory delisting is found in Rule 26 of the Amendments to the Listings Rule. It provides as follows:

26. Regulatory Delisting

“Where an Issuer is delisted for non-compliance with the Listings Rules of The Exchange, the Issuer and its promoters shall not seek listing for a period of three years from the date of such delisting.”

6. What are the rules supporting voluntary delisting?

The relevant rules are found in Rule 25 of the Amendments to the Listings Rules. They provide as follows:

25. Voluntary Withdrawal or Delisting

25.1 *“An Issuer shall not voluntarily withdraw its listing on The Exchange unless:*

- i. the shares have been listed for a minimum period of three years and the company has filed its audited financial statements for those years.*
- ii. the prior approval of the shareholders has been obtained by way of a special resolution passed at a duly convened meeting of the shareholders of the Issuer;*
- iii. the Issuer has given its shareholders at least three months’ notice of the proposed withdrawal of the listing and such notice must include details of how to transfer the securities;*
- iv. the application from the Issuer is supported with the appropriate fees and accompanied by audited financial statements covering a period of six months prior to the date of the application for delisting.*

25.2 *The Issuer shall comply with the delisting guidelines as prescribed by The Exchange and shall give shareholders who so elect, an exit opportunity before the security is delisted.*



- 25.3 *Except a period of three years has elapsed since the listing of its shares, an Issuer shall not apply for delisting of its equity shares pursuant to the following circumstances:*
- a. *buyback of its equity shares; or*
 - b. *preferential allotment of shares made by the company; or*
 - c. *if any instruments issued by the company, which are convertible into the same class of equity shares that are sought to be delisted, are outstanding.*
- 25.4 *Where a company has voluntarily delisted, the company and its promoters shall not seek listing for a period of three years from the date of such delisting.”*

7. Can a delisted security be relisted on The Exchange?

The Issuer of a delisted security can seek to have the security relisted on The Exchange after three years of its delisting as stated above in Rules 25.4 and 26 of the Amendments to the Listings Rules.

8. What is the fate of shareholders of these Issuers?

The shareholders of the affected companies will retain their status as shareholders and maintain all rights and privileges accruable to them as shareholders. However, the effect of the delisting on the shareholders is that their securities can no longer be traded on The Exchange. Although the Issuer will still maintain its status as a Public Limited Company, it will not be subject to the strict regulatory regime of The Exchange which stimulates improved corporate governance and increase in shareholder value.

In view of the foregoing, The Exchange advises against shareholder apathy and strongly encourages constructive shareholder activism and vigilance for the improvement of the fortunes of their companies

9. What are the benefits of delisting an Issuer?

Delisting increases privacy of an Issuer's affairs because it reduces the ambit of regulatory scrutiny over the Issuer and removes the expenses of complying with terms and conditions of listing on The Exchange. However, delisting may not always be in the interest of an Issuer as the rules of The Exchange and General Undertaking are designed to protect the investors of an Issuer. As such, delisting removes the additional protection afforded to investors by the rules and regulations of The Exchange.

10. What are the safeguards for shareholders of these Issuers?

The Exchange believes in full and quality disclosure of relevant information by Issuers to their shareholders. This is to keep them informed about the affairs of the Issuer and guide their investment decisions. The Exchange also constantly reviews its rules in line with global best practices. Provisions in the rules of The Exchange which provide safeguards for shareholders include the following, among others:



- Clause 1(h) of the General Undertaking imposes on Issuers, the responsibility of compliance with all post-listing obligations, which were designed to protect the interests of the investing public and the maintenance of a fair, orderly and transparent market.
- The General Undertaking provides for disclosures to The Exchange on the activities of the Issuer. The Exchange imposes an obligation on companies to display conspicuously on their websites information and corporate actions submitted by them through The Exchange's Issuers' Portal, for a period of 3 (three) years from the date it is posted thereon. The Exchange's Issuers' Portal Rules further strengthen the disclosure mechanism, and transparency in the management of the affairs of the Issuer.
- Paragraph 29 of the Amendments to the Listings Rules mandates every Issuer to have and maintain a publicly accessible website.

11. If an Issuer regularizes its compliance status, will this automatically reinstate its listing status?

The regulatory delisting of securities becomes effective upon the expiration of the delisting notice period. The delisting notice only serves as an intention of The Exchange to delist and the companies have a period of 3 months to regularize their listing status with The Exchange in order to avoid delisting. Thus, any Issuer that regularizes its listing status and complies with the applicable terms and conditions for listing within the 3 months period may regain its status as a compliant Issuer and avoid the delisting of its securities.

12. What steps can shareholders take to avert regulatory delisting?

Every Issuer has the opportunity to approach The Exchange to request for clarification in order to aid its compliance with the rules and regulations of The Exchange as well as the terms and conditions of listing. In addition, by being vigilant about the affairs of the Issuer, it is possible for shareholders to avert the delisting of an Issuer.

The Companies and Allied Matters Act, Cap. C20 2004, empowers shareholders to engage companies' directors. Provided shareholders follow the relevant requirements, where shareholders are of the view that the affairs of the Issuer are not being conducted by the directors in a manner that is beneficial to the Issuer, or the directors have refused to convene necessary statutory meetings, shareholders who hold not less than one-tenth (10%) of the paid up capital of the Issuer have the right to requisition a meeting of the Issuer; and in the event that the directors do not accede to their request, convene a meeting of the Issuer to deliberate on its affairs. The Issuer is bound to pay for the reasonable expenses of convening and holding such meetings and decisions taken thereat are binding on the Issuer. This is a form of shareholders engagement with the Issuer as they are the owners of the Issuer. Shareholders can also seek legal redress to compel the Directors to act or to sanction them for their inactions. Shareholders' Associations and Unions can also act as pressure groups to engage the Issuer through legal means and on non-frivolous matters.

NOTE:

- The above information does not constitute investment or legal advice. Professional advice should be sought by stakeholders or potential investors where required.



**THE Nigerian
STOCK EXCHANGE**

- Should you require further clarification, kindly contact the Listings Regulation Department of The Exchange at lr@nse.com.ng
- The Rules of The Exchange are also available on its website (www.nse.com.ng), for additional reference.