

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

**PROPOSED RULES FOR BROKER TO FINTECH COLLABORATIONS**

**Definitions:**

Digital Application	means a computer program or software which can be accessed over any communications channel designed to run on electronic devices which include, but are not limited to smartphones, tablets, laptops, or desktop computers.
Financial Technology Entity (Fintech)	means any corporate entity that provides financial services through Digital Applications or uses technology to automate and enhance financial services.
Broker	For the purposes of these Rules, Broker is generically used to refer to Dealing Members of The Nigerian Stock Exchange
Broker to Fintech Collaboration (BFC)	Refers to business collaborations between a Dealing Member and a Fintech aimed at providing a product or service offered to end users, including but not limited to the Dealing Member's clients.
Platform	Means any hardware or software used to host a Digital Application or service offered to end users.
Users	Means persons including the clients of the Dealing Member who have been on-boarded on the Platform.
Effective Date	The date on which these Rules become effective.

**1. REQUIREMENTS FOR LETTER OF NO OBJECTION TO BROKER TO FINTECH COLLABORATION**

- 1.1 Any Dealing Member seeking to collaborate with a Fintech to provide products and services via a Platform, shall formally request for a No-objection Letter from The Exchange prior to the execution of the agreement, howsoever named between the Dealing Member and the Fintech.
- 1.2 The written request shall be supported by the following documents:
- (a) A written corporate profile of the Fintech;

- (b) The list of products and services intended to be offered to Users of the proposed Platform;
  - (c) A summary of the proposed arrangements with the Fintech;
  - (d) A Risk Assessment Report carried out by the Dealing Member on the Fintech (including an assessment of the Platform's security review);
  - (e) The proposed Service Level Agreement detailing the various responsibilities of the Dealing Member and the Fintech (this agreement will address a number of issues, including but not limited to data storage, data sharing, integration interfaces, support channels / details, revenue model, rights of the data owner, process for opting in and out of the BFC, an Indemnity Clause to indemnify the Dealing Member from risks arising from the Fintech's operations and any acts of negligence on the part of the Fintech etc.);
  - (f) A Non-Disclosure Agreement among the parties;
  - (g) Proof of Data Privacy Compliance such as a written declaration of compliance (for a Dealing Member and any of the proposed Fintech partners as applicable); and
  - (h) Any other document(s) that may be required by The Exchange.
- 1.3 Following the submission of the written request and supporting documents above, the Dealing Member shall make a presentation to The Exchange at a date communicated by The Exchange to the Dealing Member, and such presentation shall cover details which include the details of the ongoing/prospective Broker to Fintech collaborative arrangements with respect to operational modalities, products/services being offered, safety features and such other details as required within the context of the ongoing/prospective Broker to Fintech collaboration.

## **2. MANDATORY REGULATORY REQUIREMENTS**

- 2.1 Any Dealing Member collaborating with a Fintech shall:
- (a) Ensure that it is acting at all times in full compliance with all applicable laws, rules and regulations, including but not limited to the Rules of the Securities and Exchange Commission (SEC) the Rules of the Nigerian Stock Exchange and that the BFC is subject to the foregoing;
  - (b) Conduct a due diligence exercise on the Fintech it wishes to partner with;
  - (c) Ensure that the BFC is be governed by a legally binding written contract between the Dealing Member and the Fintech.
  - (d) Ensure that its Board and senior management have sufficient awareness and understanding of the Platform's operations in order to manage the attendant risks effectively.
  - (e) Ensure that appropriate procedures and systems are put in place to maintain all Users' records and KYC documentation to ensure safe storage and retrieval, in a manner safe from destruction or unauthorized alteration.

- (f) Take all reasonable steps to establish the true identity of its clients in accordance with the SEC's three-tiered Know-Your-Customer (KYC) Framework for Capital Market Operators, as may be amended from time to time.
  - (g) Maintain and update a Best Execution Policy in accordance with the Rules and Regulations of The Exchange, and best practices.
  - (h) Ensure compliance with all the applicable data protection laws, regulations and guidelines, including the Nigeria Data Protection Regulation (NDPR) as amended from time to time.
  - (i) Be responsible for ensuring that supervisory controls are put in place to monitor the activities of the BFC.
  - (j) Ensure that the Internal Control Review Report of the Dealing Member includes a review of the BFC which shall, amongst other things, contain an analysis of the monthly volume and value of transactions effected through the Platform. The Internal Control Review Report shall be submitted to The Exchange alongside the Dealing Member's quarterly report.
  - (k) Ensure that the Fintech performs Vulnerability Assessment and Penetration Testing in accordance with The Exchange's Rules on Online Trading Portals<sup>1</sup> as amended by The Exchange from time to time.
- 2.2 In the event of any alteration to the terms of the BFC, including the termination of the BFC, the Dealing Member shall immediately provide the following to The Exchange:
- (a) A written Notification of all alterations, summarizing the proposed changes and impact on the BFC; and
  - (b) The process for ensuring that the termination/alteration does not adversely affect the Users.

### **3. OTHER APPLICABLE REQUIREMENTS**

#### **3.1 Anti- Money Laundering and Countering Financing of Terrorism**

Each BFC shall be compliant with all Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) laws, rules or guidelines for financial institutions as applicable from time to time.

#### **3.2 Complaints Management**

All User complaints arising from BFCs shall be recorded and resolved in line with the Complaints Management Framework for the Nigerian Capital Market issued by the

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<sup>1</sup> [http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20\(Part%20IX\)%20-%20Online%20Trading%20Portal%20Rules%20-%20SEC%20Approved%20August%202019.pdf](http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20(Part%20IX)%20-%20Online%20Trading%20Portal%20Rules%20-%20SEC%20Approved%20August%202019.pdf)

Securities and Exchange Commission and the applicable Rules of The Exchange, as amended from time to time.

### **3.3 Communication to Users**

The Dealing Member shall:

3.3.1 Ensure that Users are adequately educated on the features of the products/services being offered on the Platforms and provide necessary disclosures, including but not limited to costs to Users, details of the extent of protection to Users by appropriate governmental bodies, if any etc., where applicable.

3.3.2 Ensure that all communications, marketing and promotional material pertaining to Fintech products/services aimed at Users contain accurate and unambiguous information and that clients are adequately educated on the risks of the products/services being offered. Users shall be clearly informed of their options in relation to those risks including but not limited to the option to opt-out of the services.

3.3.3 Adhere to The Exchange's Rule prohibiting guaranteed returns and guarantees against loss in all communications to Users and prospective Users, marketing and promotional material pertaining to Fintech products/services.

### **3.4 Disclaimer**

The Dealing Member shall ensure that all disclaimers are clearly visible on all software applications, websites, and materials that are developed and utilized for provision of services under the BFC.

## **4. TREATMENT OF BROKER TO FINTECH COLLABORATIONS IN EXISTENCE PRIOR TO THESE RULES**

4.1 In the event that a BFC was in existence prior to the effective date of these Rules, the Dealing Member shall within two (2) months of the effective date of these Rules:

(a) Communicate in writing to The Exchange disclosing the nature of its BFC and attaching the documents listed in Rule 1.1 above;

(b) Make a formal presentation to The Exchange on the BFC that covers the details of the BFC arrangements, including operational modalities, products offered, and safety features; and

(c) Comply with all the requirements set forth in Rule 2 of these Rules.

## **5. TERMINATION OF A BROKER TO FINTECH COLLABORATION**

- 5.1 Where a BFC is terminated, the Dealing Member shall no less than fourteen (14) working days prior to the termination:
- (a) notify The Exchange in writing, stating the reasons for the termination;
  - (b) cease the on-boarding of new Users and communicate the intended termination to all Users previously on-boarded no less than fourteen (14) working days prior to termination.
- 5.2 The Dealing Member shall ensure that all its clients' personal information as well as cash and securities positions are securely maintained following the termination of the BFC. Furthermore, all pending transactions within the fourteen (14) working days window shall be consummated in line with the Dealing Member's Best Execution Policy. This is in addition to ensuring that there is a seamless transition process from the terminated BFC to any new BFC or other arrangement.

## **6. SANCTIONS**

- 6.1 Any violation of these Rules by a Dealing Member shall attract the following sanctions, depending on the severity and frequency of the violation:
- (a) Issuance of a formal warning letter;
  - (b) Issuance of a cease and desist letter
  - (c) Revocation of the No-objection letter.

Furthermore, The Exchange reserves the right to revoke its No-objection Letter to the BFC where there has been any act of misconduct, including but not limited to market infractions, or unfit and improper conduct by the Dealing Member or Fintech.

- 6.2 A Dealing Member whose No-objection Letter is revoked shall immediately cease all activities on the Platform and communicate the revocation to all clients previously on-boarded within fourteen (14) working days of receiving the letter revoking the No-objection.
- 6.3 Failure to cease activities on the Platform will attract further sanctions including:
- (a) A fine to be determined by The Exchange based on the circumstances of the case which in any case shall not be less than ₦250,000 (Two Hundred and Fifty Thousand Naira Only); and/or
  - (b) Suspension of the Dealing Member pending when The Exchange is able to ascertain that the Dealing Member has fully complied.
- 6.4 Failure to disclose BFCs entered into within two (2) months of the effective date shall attract the penalties listed in Rule 6.3 above. The same penalties shall apply to Dealing Members who fail to follow the on-boarding requirements listed in Rule 1 of these Rules prior to entering into a BFC.