

APPENDIX IV

GUIDELINES FOR DESIGNATED ADVISERS FOR COMPANIES LISTED ON ASeM

1. Background

The Nigerian Stock Exchange (“The Exchange”) has rebranded the erstwhile Second Tier Securities market as the Alternative Securities Market (“ASeM Board”). The ASeM Board allows issuers especially indigenous companies the opportunity to inject relatively low cost and long term capital into their businesses through flexible rules that recognize their growth potential rather than size of operation. The ASeM Board accommodates small to mid-cap companies and provides a platform for sustainable growth and development in these organisations.

2. Challenges

The Alternative Securities Market currently consists of twelve (12) companies. The ASeM board had in the past hosted over 30 companies; however the number declined over time owing to various degrees of non-compliance with The Exchange’s post listing obligations thereby leading to both voluntary and compulsory delisting. A large number of the companies currently listed on the ASeM board exhibit inconsistent, incomplete and/or late compliance with the ASeM board’s listing requirements, mainly due to the organization’s ignorance or lack of understanding of their obligations, their importance and effects on the market.

3. Introduction of Designated Adviser

3.1. To ensure compliance with all the requirements and obligations of the ASeM Board, a Designated Adviser (“DA”) is required for all companies listed on the ASeM Board of The Exchange. DAs will provide professional resources to qualifying companies for guidance and advice on securities-related matters.

3.2. DAs are Dealing Members of The Nigerian Stock Exchange:

- a) with expertise on corporate finance and investment;
- b) with in-depth knowledge of capital market rules and operations;
- c) with intimate acquaintance with the disclosure, listing and post listing requirements of The Exchange; and
- d) accredited by The Exchange to perform designated advisory functions.
- e) that are not acting as primary market makers on the exchange

3.3 The Designated Adviser will offer qualifying companies an opportunity to expand relationships with existing clients and attract new business, serving as trusted professionals with expert advice on investor-friendly financial disclosure and investor demand creation for companies listed on the ASeM Board.

3.4 Stockbrokers to applications for new listings must be accredited DAs. A lead Stockbroker to a new listing will provide designated advisory services to the applicant company for a period of one year post listing. At the expiration of this period, the company may retain the services of the appointed DA or appoint a new DA from the list of accredited DAs as published by The Exchange.

4. Functions of a Designated Adviser

4.1. A Designated Adviser shall have the following functions, amongst others:

- a) provide professional and impartial advice to companies seeking listing on all their responsibilities during the application process;
- b) act as a professional and impartial guide to the applicant company in respect of capital market rules and operations;
- c) provide professional and impartial advice continuously to the company to ensure that the company satisfies the ASeM Board requirements for initial and continued membership;
- d) Confirm and determine that the company has addressed and met the disclosure requirements set forth in the ASeM Rules; and
- e) Assist the company's management and board to discern what information is material and therefore needs to be disclosed to investors.

5. Qualifications of Designated Adviser

5.1. A DA is required to have the following minimum eligibility criteria:

- 5.1.1. Be a registered company, with the Corporate Affairs Commission, with a physical operational office within the territory of the Federal Republic of Nigeria.
 - 5.1.2. Be a company with strong evidence of solvency and sufficient professional indemnity insurance to cover its proposed advisory activities;
 - 5.1.3. It must have been actively engaged in the financial advisory or securities business for at least three years;
 - 5.1.4. It must have at least two Subject Expert Professionals (SEP), with experience in corporate finance or a closely related field in their employment as defined in Paragraph 5.3 SEPs are required to complete the form prescribed by The Exchange and attach the completed form to the sponsoring DA's application.
 - 5.1.5. It must be registered by the relevant regulatory authority to introduce companies to The Exchange.
 - 5.1.6. It should have a satisfactory compliance history within the last 3 years
 - 5.1.7. It must demonstrate institutionally or through its SEP, substantial knowledge and understanding of local capital market operations and practices
- 5.2. The Exchange may, at its sole discretion, waive the requirement for the applicant DA firm to have a three-year track record and/or relevant transactions where it determines that the applicant has highly experienced SEPs.

5.3. A Subject Expert Professional (SEP) must be:

- 5.3.1. A full-time employee of an applicant DA;
- 5.3.2. An individual who has acted in a corporate finance advisory role (which may include capital market regulation), for at least the last three years;

- 5.3.3. An individual who has acted in a lead role on at least three transactions in financial advisory and/or capital raising in the course of his career; and
- 5.3.4. An individual who having regard to his honesty, integrity, reputation, competence, suitability, capability and financial soundness is found fit and proper to perform as a SEP .

6. Application Process

- 6.1. Application for accreditation as a DA shall be made in accordance with these Guidelines and the form prescribed thereof by The Exchange from time to time.
- 6.2. Application forms are obtainable on payment of the requisite non-refundable application fees.
- 6.3. Application forms must be completed and submitted in duplicate, with the supporting documents attached.
 - 6.3.1. Application Form;
 - 6.3.2. Application Form in respect of each proposed Subject Expert Professional (a minimum of 2 completed information forms will therefore be required);
 - 6.3.3. All supporting documentation requested in the above forms (and in particular as stated in the Application Form); and
 - 6.3.4. A cheque made payable to The Nigerian Stock Exchange in respect of the application fee.
- 6.4. The Exchange reserves the right to request any other information, documentation or attestations from the applicant or other persons as it might require in its consideration of an application.
- 6.5. Notwithstanding any provision in this framework, The Exchange may, in its absolute discretion decline an application for DA.
- 6.6. Re – accreditation of DAs shall be biennial upon the payment of applicable fees as specified from time to time by The Exchange.

7. Rules and Obligations Governing Designated Advisers

- 7.1. A DA must comply with the following general obligations:
 - 7.1.1. Ensure that it continues to fulfill the eligibility criteria in Section 5 above, and such other conditions as may be imposed by The Exchange;
 - 7.1.2. Notify The Exchange immediately if it ceases to fulfill any of the eligibility criteria or conditions imposed by The Exchange, or has reason to believe that it will cease to do so; and
 - 7.1.3. Keep up to date with the requirements of the rules and professional standards relevant to the fulfillment of its responsibilities, including a sound understanding of the legal and regulatory framework for the Nigerian Capital Market and The Exchange in particular.
- 7.2. Report to The Exchange on matters which should be brought to its attention, including the following:
 - 7.2.1. Appoint a sufficiently senior SEP (or equivalent) to liaise with The Exchange on matters concerning its responsibilities. The DA must provide The Exchange with the contact details

of such liaison persons and inform The Exchange immediately of any change to the person or his/her details;

- 7.2.2. Notify The Exchange when it accepts appointment of a company. The DA shall be required to complete a form disclosing any conflict of interest in respect of the appointment;
- 7.2.3. notify The Exchange when it resigns an appointment;
- 7.2.4. Notify The Exchange when a company refuses to heed its advice on matters which may involve or lead to a breach of the Rules;
- 7.2.5. Notify The Exchange when it forms the opinion that the trading of the company's securities should be halted or suspended, or that the company should be delisted;
- 7.2.6. Ensure provision of any information required from the company by The Exchange as soon as practicable, and to use all reasonable endeavours to ensure that such information is correct, complete and not misleading. If subsequently it believes that the information provided does not meet this standard, notify The Exchange as soon as practicable, and correct the information.
- 7.2.7. Notify The Exchange of any changes to its SEPs or if it falls below the minimum number of SEPs stipulated by the Exchange (redraft in legalese as necessary)

7.3. A DA taking on an already listed company must comply with the following obligations:

- 7.3.1. Develop a thorough understanding of the company and its business, including recent major developments relating to it, and gain an understanding of the industry it operates in, having regard to applicable requirements as prescribed by the Exchange;
- 7.3.2. Consider the suitability of each director or proposed director of the company and consider the efficacy of the board as a whole for the company's needs, having regard to applicable requirements as prescribed by The Exchange;
- 7.3.3. Attend or be adequately represented at relevant board committee meetings of the company by its SEP; and
- 7.3.4. Satisfy itself that the company has sufficient systems, procedures, controls and resources to comply with the ASeM Rules and that its directors understand and intend to fulfill their obligations at all times for as long as the company is listed on The Exchange, having regard to applicable requirements as prescribed by The Exchange.

7.4. In addition to section 7.3 above, a DA in the case of a new listing shall be responsible for, but is not limited to, the following obligations:

- 7.4.1. Ensuring the company complies fully with the applicable Listings Requirements;
- 7.4.2. Ensuring all relevant documentation required by The Exchange has been submitted;
- 7.4.3. Ensuring each company brought to The Exchange by the DA meets ASeM eligibility criteria as determined by the Exchange;
- 7.4.4. Ensuring each pre-listing statement is compliant with the Listings Requirements and has been completed accurately and fully, without omissions and/or without misleading or false information;
- 7.4.5. Ensuring all directors of each company have the necessary expertise and experience, understand the nature of their responsibilities under the Listings Requirements, and all other relevant laws, are aware of the expectation to prepare and publish all information necessary and that Directors' declarations need confirmation and verification;
- 7.4.6. Ensuring all new appointees to the board of directors of the company are fully briefed as to the nature of their responsibilities;

- 7.4.7. Ensuring the directors attend initial induction and ongoing training as may be organized by the Exchange and its partners;
- 7.4.8. Ensuring the directors of each company are informed on time of any amendment to the Listings Requirements or other relevant regulations;
- 7.4.9. Ensuring all periodic financial announcements are reviewed with the directors prior to publication to check accuracy and full disclosure;
- 7.4.10. Ensuring regular reviews are held of the company's actual trading performance and financial condition to ensure appropriate disclosure of information to investors.

7.5. Exercise care and diligence, ensuring compliance with the applicable Rules when carrying out its obligations as an adviser and keep all communications with the Exchange confidential, except as required to be disclosed by law.

8. Insider/Personal Dealing Rules

- 8.1 Due to the likelihood of DAs' having access to material, non-public and price-sensitive information, by virtue of their duties and obligations, companies are required to set a trading freeze period policy for their DAs and must include the trading freeze period policy in their contract with their DAs. A copy of this contract must be attached to the letter informing The Exchange of such appointment.
- 8.2 DAs are prohibited from direct or indirect dealing in the shares of the listed company it advises during the trading freeze period.
- 8.3 Direct or/and indirect disclosure, tips or/and recommendations on the basis of possession of such material, non-public and price-sensitive information of the company(ies) by a DA is prohibited.
- 8.4 An accredited DA must implement a Chinese wall for a clear division of its stockbroking functions and designated advisory functions.
- 8.5 Violation of this policy will result in loss of status as a DA, amongst other disciplinary actions.

9.0 Assessment of Designated Advisers

- 9.1 The Exchange may at any time review the performance or conduct of each DA. If The Exchange considers that the DA has not performed its duties satisfactorily, The Exchange may impose such conditions or requirements on the DA or take any other action as The Exchange deems fit.
- 9.1 When reviewing the performance and conduct of DAs, The Exchange will have regard to:
 - 9.1.1 The conduct of companies for which the DA acts;
 - 9.1.2 The compliance or otherwise by the DA with these requirements, any other rules or regulations issued by The Exchange which are applicable to DAs, any conditions imposed by The Exchange on the DA and all applicable legislation and guidelines issued by regulatory authorities;

- 9.1.3 The continuing fulfillment or otherwise by the DA of the requirement enumerated in section 5 above;
- 9.1.4 The possibility or existence of conflicts of interest; and
- 9.1.5 Changes to the Subject Expert Professionals during the past 12 months.

10 Enlisting or Withdrawing Services as a Designated Adviser

- 10.1 A company shall in writing notify The Exchange of its appointment of a DA.
- 10.2 A DA shall make its acceptance or rejection of a company's request in writing, simultaneously notifying The Exchange by copy. In the case of a rejection, reasons must be clearly and explicitly stated.
- 10.3 A notice of withdrawal can be given by either party upon expiration of the stipulated term and not before except at the behest of The Exchange subject to the terms and guidelines provided for in this document. A company will be required to replace its DA within 60 calendar days where it initiates notice of withdrawal. If withdrawal is initiated by the DA, the DA will be required to give 60 calendar days' notice to the company during which period the company must appoint another DA. A company that fails to appoint a DA within the stipulated time period may be placed on suspension and subsequently delisted.

11 Withdrawal of Designated Adviser Status

- 11.1 Where a DA violates substantially or neglects any of the rules in relation to its responsibilities provided herein The Exchange reserves the right to revoke temporarily or permanently its accreditation upon establishing and communicating same to the DA.
- 11.2 The Exchange reserves the right to revoke its accreditation of any DA for any act of misconduct, including but not limited to market infractions and unfit and improper conduct.
- 11.3 Where The Exchange revokes the accreditation of a DA prior to the expiration of its tenure with an issuer, The Exchange shall give the affected company(ies), 60 calendar days to appoint another DA.
- 11.4 A DA, whose accreditation has been revoked as a result of violation of these guidelines, shall be excluded from accreditation for a period to be specified by The Exchange.
- 11.5 The Exchange shall publish the names of firms whose accreditation has been revoked with the reasons stated thereof.