

GUIDELINES FOR THE ESTABLISHMENT AND MAINTENANCE OF REPRESENTATIVE OFFICES¹

1.0 Meaning and Functions of Representative Office

1.1 Definition:

A Representative Office is a Dealing Member office specifically established for the purpose of receiving and collecting transaction orders and instruments from or on behalf of clients and transmitting same to the Head Office or a branch office for execution and verification.

1.2 A Representative Office may carry out only the following functions:

- a. Receiving transaction orders and instruments from or on behalf of clients.
- b. Transmitting such orders or instruments to a branch, head office or designated offices for appropriate actions.
- c. Providing periodic updates to clients on the status of their transaction orders.
- d. Addressing complaints from clients in conjunction with branch or head offices as appropriate.
- e. Investor education activities.
- f. Such other activities as are approved by The Exchange.

2.0 Establishment and Maintenance

Dealing Members shall comply with the following requirements for establishing and maintaining their Representative Offices:

Rule Making History

1. The draft Guidelines were considered by the Rules and Adjudication Committee of Council (RAC) on 21 October 2014, and were approved for exposure to stakeholders for comments;
2. The draft Guidelines were exposed for stakeholders' comments from 29 October to 12 November 2014;
3. The draft Guidelines and stakeholders' comments received thereon were considered by the RAC at its emergency meeting of 10 December 2014;
4. The RAC approved the revised draft Guidelines for submission to the National Council of the Exchange (Council);
5. The draft Guidelines were approved by Council at its meeting of 11 December 2014 for submission to the Securities and Exchange Commission (SEC);
6. The Guidelines were submitted to SEC for approval on 18 December 2014;
7. The SEC approved the Guidelines on 2 June 2015.

2.1 Registration Requirements

2.1.1. The Dealing Member shall make an Application in writing to The Exchange detailing the address and location of the proposed representative office.

2.1.2 The Application shall be supported by:

- i. Details of the qualifications of the supervisor in charge of the proposed representative office, as prescribed in section 4 below.
- ii. A copy of the Supervisory policy of the Dealing Member regarding its representative offices.
- iii. The Dealing Member's justification for seeking to establish a representative office.
- iv. An undertaking in a form to be prescribed by The Exchange by the Dealing Member to take full liability for actions of its representative office.
- v. Evidence of payment of appropriate fees to The Exchange for on-site pre certification inspection.

2.1.3 Approval of the application shall be communicated to the Dealing Member in writing if The Exchange is satisfied that the registration requirements have been met by the Dealing Member.

3.0 Required Infrastructure and Equipment

A representative office shall have the following infrastructure and equipment:

- i. Adequate working space with appropriate office furniture,
- ii. At least one computer system with internet access, or efficient means of communication,
- iii. Printer,
- iv. Telephone; and
- v. Fireproof cabinets.

4.0 Staff Requirements

4.1 A representative office shall be managed by a Supervisor who shall also be the compliance officer for the representative office.



- 4.2 The minimum educational qualification for a Supervisor is a University degree or a Higher National Diploma or their equivalent. Dealing Members are required to conduct enhanced Know Your Employee ('KYE') due diligence checks on all representative office staff.
- 4.3 Each representative office shall have a minimum of two (2) full time resident employees of the Dealing Member.

5.0 Mandatory Regulatory Requirements

- 5.1 All representative offices shall comply with the Rules and Regulations Governing Dealing Members and all Capital Market laws, rules and regulations, including the Know Your Customer requirements ('KYC').
- 5.2 All employees at representative offices are strictly prohibited from engaging in all securities trading and ancillary activities.
- 5.3 The Dealing Member's name, registration number; and registration certificate shall be prominently displayed in each representative office.
- 5.4 All correspondences of a representative office shall be on the Dealing Member's letterhead paper which shall mention in legible characters the address of the representative office.
- 5.5 All staff of representative offices shall undergo a compulsory compliance and Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) training before commencing work; and shall attend annual periodic training at least one of which shall be on compliance and AML/CFT.
- 5.6 The Chief Compliance Officer of a Dealing Member shall be responsible for the internal review of its representative offices and reports on their activities shall be submitted to The Exchange alongside its Quarterly Report.
- 5.7 Each representative office shall maintain a record of all instruments, mandates and evidence of payments received from clients in line with the KYC requirements.
- 5.8 A register of all the information and documents transferred from the representative office to the Head Office shall be maintained at both the representative office and Head Office and shall be available for production to The Exchange on demand.
- 5.9 Records at the representative office shall be kept in a fireproof safe.



- 5.10 Clients' mandates shall be communicated to the representative office through courier or by electronic means.
- 5.11 There shall be no cash handling in a representative office except petty cash used for administrative expenses. All representative offices shall display in a conspicuous location in their offices, a message indicating that no cash would be accepted in respect of any transactions.
- 5.12 All transaction payments made by clients shall be by bank draft or cheque or bank transfer or any other means of payment accepted by the Central Bank of Nigeria ('CBN'); and a copy of the evidence of such payment shall be sent to the Head or branch office within 5 business days of the date of the transaction.

6.0 Supervision / Inspection by The Exchange

The Exchange shall conduct routine and special on-site examinations on representative offices with or without notice to the Dealing Member.

7.0 Sanctions

The Exchange shall impose any or a combination of the following sanctions on any Dealing Member whose representative office breaches any of the requirements stated above:

- a. A minimum fine of ₦100,000.00;
- b. Closure of the representative office;
- c. Suspension of the Dealing Member;
- d. Expulsion of the Dealing Member.

8.0 Notice of Voluntary Closure of a Representative Office

Any Dealing Member that wishes to close a representative office shall give a minimum of one months' notice in writing to The Exchange setting out its reasons for the decision.

9.0 Re-designating a Branch as a Representative Office

- 9.1 The Exchange shall re-designate a branch as a representative office if such branch fails to meet the minimum requirements of a branch office or if the branch's operational capabilities have declined to the extent that it can only carry out the functions of a representative office.

9.2 Where a Dealing Member wishes to voluntarily re-designate a branch as a representative office it shall give a minimum of three months' notice in writing to The Exchange setting out its reasons for the decision.

10.0 Re-designation of a Representative Office as a Branch Office

10.1 The Exchange shall re-designate a representative office as a branch office upon confirmation that the representative office meets the requirements of a branch office, and has the Securities and Exchange Commission's approval.

10.2 A Dealing Member seeking a re-designation of its representative office as a branch office should submit a written application to The Exchange stating its reasons for the re-designation. The application shall be supported by:

- i. Details and qualification of the branch manager who shall be a Chartered Stockbroker registered by the Commission.
- ii. Functions that the proposed branch office shall carry out.
- iii. The supervisory framework that will guide the Dealing Member's supervision of the proposed branch office.
- iv. Evidence of payment of appropriate fees to The Exchange for on-site precertification inspection.

10.3 Approval of the application shall be communicated to the Dealing Member in writing if The Exchange is satisfied that the registration requirements have been met by the Dealing Member.