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## **GUIDELINES ON TRADE EXECUTION VIA NIGERIAN EXCHANGE LIMITED'S ON-MANUAL NEGOTIATED DEAL WINDOW FOR FIXED INCOME SECURITIES<sup>1</sup>**

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### **1. INTRODUCTION:**

The Nigerian Exchange Limited (“The Exchange” or “NGX”) Fixed Income Market provides access to both retail and institutional investors to trade fixed income securities listed by the Federal Government of Nigeria, States, Corporates, and Supranational issuers on The Exchange. It adopts an integrated straight-through trading and settlement process using best in class market infrastructure without trade failures known as NGX On-Manual Negotiated Deal<sup>2</sup> Trading Window (“Neg-Deal Window”).

These Guidelines on Trade Execution via NGX On-Manual Negotiated Deal Window for Fixed Income Securities (“Guidelines”) provide guidance to approved Trading License Holders for the use of the Neg-Deal Window to execute their trades on bilateral pre-agreed terms; and shall be read in conjunction with The Rules of The Exchange<sup>3</sup>, and such other Rules or Guidelines as the Securities & Exchange Commission (SEC), NGX and other relevant regulatory authorities may introduce to regulate the fixed income securities market from time to time.

### **2. DEFINITIONS**

In these Guidelines, unless the context otherwise requires, the following terms shall have the meanings given below:

**Affiliate** means, in relation to any Person, a subsidiary of that Person or a holding company of that Person or any other subsidiary of that holding company or any entity which controls, is controlled by or is under common control with that Person;

**Force Majeure** means any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, act of God, floods, general riot, civil commotion or civil unrest, acts of war, acts or orders of government or governmental bodies; changes to applicable general or local statutes, or other laws or any regulation or bye-law of any local

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<sup>1</sup> **Guidelines Making History**

a. The draft Guidelines were submitted to the Securities and Exchange Commission (the “Commission”) for approval on 17 February 2021;  
b. The Commission approved the Guidelines on 29 July 2022.

<sup>2</sup> A Negotiated Deal is a trade whose price has been agreed to by the buyer and seller outside the Central Order Book, and is permitted for execution on The Exchange.

<sup>3</sup> [Click here](#) to access the Rulebook.

or other duly constituted authority or the introduction of any such relevant statutes, laws, regulations or bye-laws; or pandemics) which is beyond the control of The Exchange (or any Person acting on its behalf) which results in the partial or total failure of performance by it of its duties and obligations;

**Law** means all laws, statutory provisions and other rules, guidelines, regulations and instruments in force from time to time, including the rules of the Securities and Exchange Commission;

**Market Data** means information relating to fixed income securities which is published or distributed by The Exchange;

**Person** means any individual, entity, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, or a natural person whether in his/her capacity as trustee, executor, administrator, or other legal representative; and

**Representative** means, when applied to any Person, any other Person who carries out or is responsible for any of that Person's functions and shall include each director, officer, employee, nominee or agent of such Person.

**Trading License Holder** means:

- (a) a Dealing Member as defined in the Investment and Securities Act 2007 and as amended from time to time; or
- (b) a market participant who has been granted a market trading license by The Exchange to trade in Securities;

### 3. **NGX ON-MANUAL NEGOTIATED DEAL TRADING WINDOW:**

The On-Manual Negotiated Deal Window is a trading channel available to execute negotiated fixed income deals during The Exchange's trading hours<sup>4</sup>. The Neg-Deal Window complements order executions via the Central Order Book and shall be used only for permissible volume of fixed income securities<sup>5</sup> on bilateral pre-agreed terms. Trades executed via the Neg-Deal Window will be recognized for price-setting purposes and will reflect in The Exchange's Trading Statistics<sup>6</sup>.

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<sup>4</sup> 9.30 to 14.30 West African Time (WAT)

<sup>5</sup> As described under 2(d) Order Entry and Execution (Minimum Order Size) in the Particular Use Guidelines table below

<sup>6</sup> <https://ngxgroup.com/exchange/data/equities-price-list/>

### 3.1 Particular Use Guidelines

Section	Sub-Section	Guide
1. Pre-Transaction Requirements	a. Accessing Neg-Deal Window	Trading License Holders are required to maintain and enforce appropriate security procedures <sup>7</sup> which are intended to prevent unauthorized persons from having access to the NGX Neg-Deal Window or Trading License Holders' applications.
	b. Evidence of Pre-agreed terms	<p>To reduce the incidence of trade disputes, Trading License Holders are advised to reconfirm transaction terms reached verbally, via an email, telephone and/or other electronic means, and reduce the agreed terms to writing.</p> <p>Trading License Holders shall regard themselves as bound to a trade once:</p> <ul style="list-style-type: none"> <li>a. the two parties have agreed on the terms;</li> <li>b. the transaction has been entered into the Neg-Deal Window by the selling Trading License Holder; and</li> <li>c. accepted by the buying Trading License Holder.</li> </ul>
2. Order Entry and Execution	a. Entry Time	<p>Trading License Holders are advised to enter the trade details of pre-agreed orders within the following timelines after the deal has been agreed:</p> <ul style="list-style-type: none"> <li>a. Within 30 (thirty) minutes, for firms that reach agreement during NGX trading hours; and</li> <li>b. Not later than 10:00am of the next trading day on NGX, for firms whose agreements were reached after trading hours and on non-trading days.</li> </ul>
	b. Permissible Order Type	Outright purchase/sale transaction on fixed income securities in exchange for cash on settlement dates.
	c. Permissible Securities	Only listed debt securities deposited in a recognized Central Securities Depository (CSD) in Nigeria shall be traded through the Neg-Deal Window.

<sup>7</sup> As provided in sub-section (f) and (g) of Rule 9.6: Control of Offices and Trading Terminals of the Rule Book of The Exchange, 2015 (Trading License Holders Rules) or any other Rules of The Exchange.

	d. Minimum Order size	A round lot size no less than 10,000 (ten thousand) units or minimum value of ₦10million is permissible via the Neg-Deal Window or such other limits that may be set by The Exchange.
	e. Execution	<p>The window shall be available for users within the trading hours of The Exchange. The trading hours may be extended or reduced by The Exchange with notification to Trading License Holders. The Exchange may suspend/halt deal execution in circumstances – (1) where such deal is being influenced by a manipulative or deceptive trading practice, or (2) further to a regulatory directive.</p> <p>License Holders are required to ensure that there is no time lag between the buy and sell decision and no open position beyond the agreed time.</p>
	f. Pricing	<p>Pre-agreed prices entered for trades must be entered as 'clean' prices<sup>8</sup>.</p> <p>A pre-agreed price executed on a Neg-Deal trade will impact the published market price of that security.</p>
	g. Reporting	Trades executed via the Neg-Deal Window shall be reported in real time to The Exchange, and shall update published market trade statistics.
	h. Cross Deals	The Neg-Deal Window shall <b>not</b> be used for Cross Deals <sup>9</sup> or unilateral trade executions.
	i. Trade Cancellation	A Trading License Holder's request for an alleged error trade to be cancelled in terms of these Guidelines shall be subjected to and considered under Rule 12.5: Obvious Errors, <i>Rule Book of The Exchange, 2015 (Trading License Holders' Rules)</i> .
<b>3. Dispute Resolution</b>	a. Mediation and Arbitration	The Adjudicatory Process of The Exchange as provided in Chapter 4 and Section XIX: Disciplinary Procedures and Section XX: Dispute Resolution, <i>Rule Book of The Exchange, 2015 (Trading License Holders' Rules)</i> ; as well as subsequent amendments or additions shall be applicable.

<sup>8</sup> A price that does not include any accrued interest.

<sup>9</sup> Rule 15.35: Cross Deals, Rulebook of The Exchange, 2015 (Trading License Holders' Rules) – “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.”

	b. Complaint Resolution	The Exchange will adopt the Complaints Management Framework <sup>10</sup> as prescribed by the SEC in resolution of complaints.
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#### 4. GENERAL PROVISIONS

4.1 **Prevention of Market Abuse:** Notwithstanding the origin of an order to be submitted to the Neg-Deal Window, each Trading License Holder must take reasonable steps to satisfy itself that such orders and any resultant Trades will not have adverse impact on the market or result in a breach of the provisions of Rule 17:12 to 17:22 of the Rule Book of The Exchange, 2015 (Trading License Holders' Rules) or any other Rules of The Exchange. Each Trading License Holder must ensure that all of its employees who are involved in the execution of bilateral trade agreements via the Neg-Deal Window are familiar with the provisions of the above Trading License Holders' Rules and any other relevant Rules of The Exchange, and that those employees receive adequate guidance to make them recognize and avoid entering into any transaction which will result in, or is likely to result in, a breach of those provisions or impact the market's integrity.

4.2 **Other Regulatory Collaborations:** The Exchange shall, pursuant to the current regulatory requirements for fixed income trading, produce records with regard to the orders placed in the Neg-Deal Window and the Trades concluded, as may be required to ensure a comprehensive monitoring by relevant regulatory agencies.

4.3 **Limitations of Liability**

4.3.1 The Exchange, its subsidiaries, Affiliates or assigns, or its or their respective directors, officers, employees or Representatives shall not be liable or responsible to any Person or entity in connection with the use of the Neg-Deal Window; or for any act or omission as a result of the use of the Neg-Deal Window information; or for any loss or damages caused, or alleged to have been caused, directly or indirectly, by or as a result of the use of the Neg-Deal Window.

4.3.2 The Exchange, its subsidiaries, Affiliates or assigns, or its or their respective directors, officers, employees or Representatives shall not be liable directly or indirectly to any Person or entity in damages for any action or omission in the creation and enforcement of these Guidelines and accordingly, no claim or recourse in respect of or in relation to any dealing in fixed income securities or any matter connected therewith.

4.3.3 No member of the Board of Directors of The Exchange ("Board of Directors"), or member of a Committee of the Board of Directors, a director, official, other officer, employee or member of any investigative or disciplinary committee or body of The Exchange/acting for The Exchange is liable for any loss sustained by or damage caused to any Person as a

<sup>10</sup> <https://sec.gov.ng/rules-relating-to-the-complaints-management-framework-of-the-nigerian-capital-market/>

result of any action or omission by them or The Exchange in the creation or discharge of these Guidelines or in respect of or in relation to or in connection with any dealings in fixed income securities.

4.3.4 No claim, suit, prosecution or other legal proceedings shall lie against The Exchange, member of the Board of Directors of The Exchange, member of a Committee of the Board of Directors, its subsidiaries, Affiliates or assigns, or its or their respective directors, officers, employees or Representatives, director, official, other officer, employee or member of any investigative or disciplinary committees or body of The Exchange/acting for The Exchange in respect of any act or omission in pursuance of any order or other binding directive issued to The Exchange under any law or delegated legislation for the time being in force.

4.3.5 The Exchange and each of its Affiliates and each of their respective Representatives shall not be liable to any Person for any losses, liabilities, damages, claims, costs or expenses arising from:

- 4.3.5.1 any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other cause, in connection with the furnishing, performance, operation, maintenance, use of or inability to use, all or any part of the systems and services of The Exchange or services, equipment or facilities used to support such systems and services, including order entry and delivery, trading through any means, communication of Market Data or information, workstations used by Trading License Holders and Authorised employees of Trading License Holders, price reporting systems and any and all terminals, communications networks, central computers, software, hardware, firmware and printers relating thereto; or
- 4.3.5.2 any failure or malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption or termination, or any other cause, of any system or service of The Exchange or services, equipment or facilities used to support such systems or services, caused by any third parties including independent software vendors and network providers; or
- 4.3.5.3 any inadvertent errors or inaccuracies in information used in any systems of The Exchange or provided by The Exchange or any Exchange systems, services or facilities; or
- 4.3.5.4 any unauthorised access to or unauthorised use of any Exchange systems, services or facilities by any third party; or
- 4.3.5.5 any error, delay or inaccuracy in the submission of an order or the transmission of information; or
- 4.3.5.6 the acts or omissions of any Trading License Holder or any third party and any of their respective Representatives;

4.3.5.7 any dispute relating to the validity, existence or terms of any Trade;

4.3.5.8 any inability to perform its obligations under these Guidelines as a result of an event of Force Majeure; or

4.3.5.9 participating in The Exchange's fixed income market, except for The Exchange's compensation obligations through its Investors' Protection Fund pursuant to the Investment and Securities Act.

4.3.6 The limitations of liability in Paragraph 4.3.5 above shall apply whether:

- 4.3.6.1 a claim arises in contract, tort, negligence, strict liability, breach of statutory duty, contribution or otherwise; or
- 4.3.6.2 a claim is brought directly or as a third party claim.

4.3.7 Regardless of whether The Exchange has been advised of the possibility of such loss or whether such loss otherwise could have been foreseen, neither The Exchange nor any of its Affiliates, nor any of their respective Representatives, shall in any circumstances be liable to a Trading License Holder or any other Person for:

- 4.3.7.1 loss of or anticipated loss of profit, loss of or anticipated loss of revenue, loss of use, business interruption, loss of use of any equipment, loss of contract or other business opportunity or goodwill or punitive loss; or
- 4.3.7.2 indirect loss or consequential loss.

## 5. **Indemnity**

5.1 Each Trading License Holder shall indemnify The Exchange, each of its Affiliates and each of their Representatives against any and all losses, liabilities, damages, claims, costs or expenses suffered or incurred by The Exchange, an Affiliate or any of their Representatives arising out of or in connection with the Trading License Holder's conduct or its breach of these Guidelines, any Trade, or the Law.

### **Should you require further clarification, kindly contact:**

1. The Market Surveillance and Investigations Department of NGX Regulation Limited at [Market\\_Surveillance@ngxgroup.com](mailto:Market_Surveillance@ngxgroup.com); or
2. The Market Operations Department of Nigerian Exchange Limited at [marketcontrol@ngxgroup.com](mailto:marketcontrol@ngxgroup.com); or [marketoperations@ngxgroup.com](mailto:marketoperations@ngxgroup.com); or
3. The Secondary Markets Department of Nigerian Exchange Limited at [secondarymarkets@ngxgroup.com](mailto:secondarymarkets@ngxgroup.com).