

RULEBOOK OF THE EXCHANGE, 2015

AMENDMENTS TO TRADING LICENCE HOLDERS' RULES – PART XIX

RULE 11.1 - KNOW YOUR CLIENT¹

*Legend: additions underlined and **bolded**, deletions ~~struck through~~*

SECTION XI: CUSTOMER ACCOUNTS

RULE 11.1: KNOW YOUR CLIENT

- (a) A ~~Dealing Member~~ **Trading License Holder** shall not accept or operate a ~~share~~ **securities** trading account or otherwise deal on behalf of any other person unless it has taken all reasonable steps to establish the true identity of that person **in accordance with the Securities and Exchange Commission (SEC)'s three-tiered Know-Your-Customer (KYC) Framework for Capital Market Operators and as may be amended from time to time.**
- (b) **Every Dealing Member Trading License Holder shall:**
- (1) **At least once a year review and where necessary update the records of all its clients;**
 - (2) **Adopt a risk based approach to the review and update all of its clients' records;**
 - (3) ~~2.~~ **Obtain its clients' bank account details and a Federal Government recognized identification number such as the Bank Verification Number (BVN) or National Identification Number(NIN) which shall be validated through an accepted identification validation portal; provided that the identification number shall be obtained separately from, and in addition to other acceptable means of personal identification;**
 - (4) ~~3.~~ **With regard to corporate entities, obtain the corporate information of the corporate entity in addition to the Bank Verification Number (BVN) or any other Federal Government recognized identification number of at**

¹ **Rule Making History**

1. The draft Rule Amendments were presented to the Regulation Committee (RegCom), and were approved at the RegCom Meeting of 12 March 2020, for exposure to stakeholders for comments;
2. The draft Rules were exposed for stakeholders' comments from 19 March to 17 April 2020;
3. At its meeting of 2 July 2020, RegCom considered the revised draft Rule Amendments (further to stakeholders' comments), and approved them for submission to the National Council (Council) for approval;
4. The Council approved the draft Rule Amendments at its meeting of 10 August 2020 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved draft Rules were submitted to the SEC for approval on 11 November 2020;
6. The SEC approved the Rules on 11 October 2021.



least one (1) director and all of the authorized signatories to the corporate entity's securities trading account;

- (5) 4. Put in place adequate risk monitoring tools for the accounts opened in line with the SEC's three-tiered KYC Framework or any relevant provision/guidance of the SEC to ensure that such accounts are not abused;
 - (6) ~~5. Each Dealing Member shall also Obtain basic information from its clients such as its clients' investment objectives, horizon and posture i.e. passive, moderate, aggressive etc.; and shall identify the category namely (foreign, local retail or institutional) which each client belongs to, in addition to any other relevant information;~~
 - (7) ~~6. Dealing Members shall Inform their clients of the basic risks involved in trading on The Exchange, the rights and obligations of the client, etc. by issuing to the client a copy of the "Risk Disclosure Document" as approved by The Exchange from time to time; and bringing bring its contents to their client's notice. Dealing Members Trading License Holders shall tailor the Risk Disclosure Document to their respective business model and client risks, and shall obtain and retain in their records, a copy of the Risk Disclosure Document duly signed by each client.~~
- (c) Any Dealing Member Trading License Holder that violates sub-rules (a) or (b) above, shall be liable to one of, or a combination of the following penalties:
- (1) Suspension from executing any trading activity on the client account forthwith until the KYC documents are regularized;
 - (2) Payment of a minimum fine of Two Hundred and Fifty Thousand Naira (N250,000) and;
 - (3) Any other sanctions which The Exchange may deem appropriate.
- ~~1. Each Dealing Member shall obtain the biometrics of all its individual clients and shall regularly update the records of all its clients in that regard;~~
 - ~~2. With regard to corporate entities, the Dealing Member shall obtain the corporate information of the company in addition to the biometrics of the Authorized Signatories to its share trading account;~~
 - ~~3. Biometric identifiers obtained shall include finger prints and iris recognition and the information collected shall be applied towards confirming clients' identities;~~
 - ~~4. No Dealing Member shall open, accept and/or operate a securities trading account or otherwise deal in any manner whatsoever, on behalf of any person or entity unless the biometrics of such person or authorized signatories of the entity have been collected by the firm;~~



- ~~5. Any Dealing Member that fails to obtain the biometrics of its clients and obtain adequate KYC documentation from its clients shall be suspended from executing any trading activity on that account for that client forthwith until regularization is effected; and in addition may be fined as appropriate;~~
- ~~6. In obtaining the data of its clients for identification purposes, every Dealing Member shall request for and receive from each client at least two (2) of the following means of identification prior to opening any client account:
 - ~~(A) ——— Passport~~
 - ~~(B) ——— National identity card~~
 - ~~(C) ——— Driver's licence~~
 - ~~(D) ——— Utility bill~~
 - ~~(E) ——— Voters card~~
 - ~~(F) ——— Employee's photo identification card issued by recognized employer with employer's tax identification from the Federal Inland Revenue Service;~~~~
- ~~7. At least one (1) of the means of identification in sub-rule (6) shall bear the full names, photograph, current address and signature of the client.~~