

RULEBOOK OF NIGERIAN EXCHANGE LIMITED

PROPOSED AMENDMENTS TO THE RULES ON FILING OF ACCOUNTS AND TREATMENT OF DEFAULT FILING¹

Proposed Rule Changes:

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

1.0 Preamble

These Rules shall apply to all Issuers whose securities are listed on the Daily Official List of Nigerian Exchange Limited (The Exchange) except otherwise stated.

- (a) Financial statements (full year audited financial statement and quarterly financial statement) shall be prepared using the accounting policies and methods that comply with International Financial Reporting Standards and other accounting standards/Rules set forth by the Financial Reporting Council of Nigeria or any other relevant Regulator, and shall contain the information required by the provisions of the relevant Rules and the instructions established by The Exchange.**
- (b) Financial Statements shall be submitted to The Exchange via its Issuers' Portal in electronic form for publication on The Exchange's website and shall be published on the Issuers' website. Issuers must ensure that the Financial Statements required to be published by these Rules remain available to the public via the Issuer's website for at least five (5) years.**
- (c) An Issuer shall be held liable for the content of all financial statements filed with The Exchange and as such should exercise all reasonable care in preparing and filing its financial statements to ensure that all information in the financial statements that it submits are accurate; not misleading, false or deceptive; free from error and material misstatements, and do not omit any material facts likely to affect the import of such information.**

¹ Rule Making History

1. The draft Rules were considered by the Rules and Adjudication Committee of Council (RAC) on 17 February 2015, and approved for exposure to stakeholders for comments.
2. The draft Rules were exposed for stakeholders' comments from 25 February to 12 March 2015;
3. The RAC considered the draft Rules and stakeholders' comments thereon at its Retreat of 21 May 2015, and approved the draft Rules for submission to the National Council of the Exchange (Council);
4. The Council approved the draft Rules at its meeting of 18 June 2015 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved Rules were submitted to the SEC for approval on 24 June 2015.
6. Further to the Council's directives, the submitted Rules were withdrawn from the SEC, for further revisions.
7. The Revised Draft Rules were approved by the Council on 11 December 2015 for exposure to stakeholders for comments.
8. The Revised Draft Rules were exposed for stakeholders' comments from 22 December 2015 to 18 January 2016. 9. The RAC considered the Revised Draft Rules and stakeholders' comments thereon at its meeting of 9 February 2016, and approved the Revised Draft Rules for submission to the Council for approval.
10. The Council approved the Revised Draft Rules at its meeting of 31 March 2016 for submission to the Securities and Exchange Commission (SEC);
11. The Council approved Rules were submitted to the SEC for approval on 15 April 2016;
12. The SEC approved the Rules on 1 August 2016.

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2.0 Financial Disclosure

2.1 Filing of Periodic Financial Statements

2.1.1 Every Issuer shall file with The Exchange its unaudited or audited quarterly accounts, as approved by its board of directors. **However, a foreign Issuer with a secondary listing on The Exchange shall comply with the financial disclosure requirements of the primary listing exchange, or as otherwise approved by The Exchange.**

2.1.2 Every Issuer **(except for Issuers of debt securities and fund/portfolio managers of collective investment schemes (CIS))** shall file its unaudited quarterly accounts **via the Issuers' Portal** not later than thirty (30) calendar days after the relevant quarter, and publish it ~~within five (5) business~~ **not later than ten (10)** days after the date of filing, in at least ~~two (2)~~ **one (1)** national daily newspapers, and post it on the company Issuer's website, with the web address disclosed in the newspaper publication. ~~An electronic copy~~ **Evidence** of the **newspaper** publication shall be filed with The Exchange on the same day as the newspaper publication.

2.1.3 Issuers of debt securities and fund/portfolio managers of CIS shall file half-year financial statements for the Issuer and the CIS (as applicable) not later than 30 calendar days after the end of the relevant quarter.

2.1.4 An Issuer that chooses, ~~in addition,~~ to audit its quarterly accounts shall:
(a) within fifteen (15) calendar days after the relevant quarter end, announce via The Exchange's Issuers' Portal its intention to audit its quarterly accounts and that its accounts will be filed later than expected as a result; and

(b) file such accounts not later than sixty (60) calendar days after the relevant quarter, and publish it ~~within five (5) business~~ **not later than ten (10)** days after the date of filing, in at least ~~two (2)~~ **one (1)** national daily newspapers and post it on the company's website, with the web address disclosed in the newspaper publications. ~~An electronic copy~~ **Evidence** of the **newspaper** publication shall be filed with The Exchange on the same day as the newspaper publication.

2.1.5 **Every Issuer shall:**

- (a) **file** audited annual accounts with The Exchange not later than ninety (90) calendar days after the relevant year end, and
- (b) publish **the accounts** in at least ~~two (2)~~ **one (1)** national daily newspapers not later than ~~twenty-one (21)~~ **ten (10)** calendar days **after the date of filing**, before the date of the Annual General Meeting, and
- (c) post **the accounts** on ~~its~~ the company's website with the web address disclosed in the newspaper publications. ~~An electronic copy~~ **Evidence** of the **newspaper** publication shall be filed with The Exchange on the same day as the newspaper publication.

2.1.6 An Issuer shall not file any interim accounts without having first filed its last Audited annual accounts, and any contravention of this provision shall be deemed to be an unauthorized publication under the Rules of The Exchange.

~~4.1.65~~ Any late submission of accounts shall attract the following ~~a~~ fines:

- (a) ~~One Hundred Thousand Naira (N100,000) per day for the first ninety (90) calendar days of non-compliance, following which the shares of the Issuer shall be~~

~~suspended from trading on The Exchange, until the accounts is submitted. Penalties shall not run upon suspension of trading.;~~

- ~~(b) Two Hundred Thousand Naira (N200,000) per day for the next ninety (90) calendar days of non-compliance;~~
- ~~(c) Four Hundred Thousand Naira (N400,000) per day thereafter until the date of submission.~~

3.0 Contents of Financial Statements

3.1 In addition to the provisions of relevant accounting standards, laws, rules and requirements regarding preparation of financial statements, Issuers are required to include the following in financial statements:

- (a) In relation to securities transactions by directors, an Issuer shall disclose the following in its quarterly financial statements, full year audited financial statements, and in the Corporate Governance Report contained in its annual reports:**
 - (1) whether the Company has adopted a code of conduct regarding securities transactions by its directors on terms no less exacting than the required standard set out in The Exchange's Rules;**
 - (2) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in The Exchange's Rules and in the Issuer's code of conduct regarding securities transactions by directors; and**
 - (3) in the event of any non-compliance with the required standard set out in the Rules, the details of such non-compliance and an explanation of the remedial steps taken by the Issuer to address such non-compliance.**
- (b) An Issuer shall incorporate in its half-year financial statement its shareholding pattern, and also indicate whether or not it's free float is in compliance with The Exchange's free float requirements.**
- (c) An Issuer shall disclose in its Annual Report the details of shareholders holding five per-cent (5%) or more in the company's share capital. The Exchange shall provide a checklist on the contents of Issuers' Annual Report, which may be amended from time to time by The Exchange.**
- (d) Fund managers shall include in or circulate with each annual report and audited statement of accounts of a CIS, a statement of asset value of the trust and of the investments comprised in the trust. The fund manager shall also include details concerning the total number of units issued and redeemed during the financial year, and total number of outstanding units at the end of the financial year.**

4.0 Treatment of Deficient Filing: Notification and Cure Periods Application for Extension of Time before Due Date of Filing of Accounts

2.1 Submission of Application for Extension of Time before Due Date

- 4.1.1** Where an Issuer has a reasonable belief that it will not be able to file its accounts by the relevant due date, the Issuer may before the due date submit an application for an extension of time, supported by compelling reasons and evidence in support of its inability

to file its accounts by the due date. The Issuer's application shall be received by The Exchange not later than:

- (a) ~~thirty (30)~~ **fifteen (15)** calendar days before the filing due date for annual accounts; and
- (b) ~~fourteen (14)~~ **seven (7)** calendar days before the filing due date for quarterly accounts.
- (c) Notwithstanding (a) and (b) above, The Exchange may in circumstances deemed appropriate in its sole discretion, consider applications filed within a timeframe that is shorter than the timeline stated in paragraphs (a) and (b) above where extenuating factors are presented by the Issuer.**
- (d) The Exchange may in its sole discretion decide whether to grant such extension or not, provided that any extension granted shall not exceed ninety (90) calendar days from the relevant due date (the Cure Period) or extended as may be determined from time to time (Additional Cure Period).**

4.1.2 Notwithstanding that an Issuer has applied and obtained the approval of The Exchange for extension of time to file the relevant quarterly or annual accounts before the due date, the Issuer shall be required to issue ~~a press release of not less than half a page, in at least two (2) one (1) national daily newspapers~~ **an announcement via The Exchange's Issuers' Portal** and posted on the Issuer's website, with the web address indicated in the **announcement** ~~press release~~, disclosing that:

- (a) the relevant accounts will not be filed by the due date and the reason for the delay; and
- (b) approval has been obtained to file the accounts within a period outside the relevant due date.

~~An electronic copy of the publication shall be filed with The Exchange on the same day as the newspaper publication.~~

4.1.3 The draft announcement shall be submitted to The Exchange for review and approval before it is published via the Issuers' Portal.

4.1.4 In addition to the foregoing, the Issuer's securities' symbol published on any of The Exchange's systems or media shall be annotated with the words, ~~"Below Listing Standard" (BLS) or any other sign or expression~~ **appropriate Compliance Status Indicator (CSI) Code** to indicate that the Issuer has failed to **make a timely submission of** ~~submit its accounts timeously~~, and such annotation shall **begin from the filing due date and** remain for as long as the Issuer fails to file its accounts.

4.2 Issuers Subject to Primary Government Regulators

4.2.1 ~~Upon application for extension of time by an~~ **Where an** Issuer that is subject to oversight by a specific primary ~~G~~government regulator **applies for extension of time on the ground that its financial statement is undergoing review of said primary government regulator**, The Exchange may grant an extension for **the period that the financial statement is outstanding provided that the** ~~a period not exceeding ninety (90) calendar days from the due date for the relevant accounts (the Cure Period), and the Issuer shall produce to The Exchange evidence of~~ **timely** filing **of** the relevant accounts with such primary ~~G~~government regulator(s) not later than:

- (a) ~~thirty (30)~~ **fifteen (15)** calendar days before the due date of filing its annual accounts;
- (b) ~~fourteen (14)~~ **seven (7)** calendar days before the due date of filing its unaudited or audited quarterly accounts.

4.2.2 Penalties for late filing shall not run where the Issuer produces evidence that the accounts were filed with the primary regulator within the periods stipulated above.

4.2.3 The Issuer's securities' symbol published on any of The Exchange's systems or media shall be annotated with the words, "~~Awaiting Regulatory Approval~~" (ARA) (~~AWR~~) or any other sign or expression **appropriate CSI Code** to indicate that the accounts have been filed with a primary ~~g~~ government regulator, and such annotation shall **begin from the filing due date and** remain for as long as the approval is pending.

5.0 Treatment of Deficient Filing: Notification and Cure Periods for Issuers of Equity

5.1 Application for Extension of Time After Due Date Issuance of Filing Deficiency Notification

5.1.1 Any Issuer that **fails** ~~does not apply for extension of time and obtain approval of The Exchange to file its accounts out of time, prior to the deadline for filing its accounts or the extended deadline approved by The Exchange,~~ shall:

- (a) receive a "**First** Filing Deficiency Notification" from The Exchange within two (2) business days after the deadline for filing its quarterly or annual accounts has passed. The affected Issuer's name shall be published in The Exchange's X-Compliance report as a operating "~~Below Listing Standards~~" (BLS) **delinquent filer together with the appropriate CSI from the filing due date and** shall remain published for as long as the Issuer does not file its accounts.
- (b) be required to take all of the following steps within three (3) business days of the date of the Filing Deficiency Notification:
 - (i) Issue a press release, of not less than half a page, in at least two (2) ~~one~~ (1) national daily newspapers and posted on the Issuer's website, with the web address indicated in the press release, **an announcement on The Exchange's Issuers' Portal,** disclosing the following:
 - (1) that the relevant accounts have not been filed by the due date;
 - (2) a detailed explanation of the reason(s) for the delay; and
 - (3) the anticipated filing date; or its inability to indicate the anticipated filing date, and reasons for the inability to indicate the anticipated filing date.

~~An electronic copy of the publication shall be filed with The Exchange on the same day as the newspaper publication.~~

- (ii) ~~Apply for an extension of time to file the relevant quarterly or annual accounts, which period shall not be more than ninety (90) calendar days from the due date for the relevant accounts (the Cure Period).~~

5.1.2 Where the Issuer does not comply fully with the provisions of paragraph **4.1.1(b)** above within five (5) business days of the date of the Filing Deficiency Notification, The Exchange **may will within two (2) days of the expiration of the required timeline take additional steps against the Issuer, including but not limited to suspending trading in the**

Issuer's securities should it persist in its failure to file its accounts. ~~issue a press release stating that:~~

- ~~(a) a Filing Deficiency Notification has been issued against the Issuer, and providing details of the deficiency;~~
- ~~(b) investors are to trade with caution on the Company's securities in light of the absence of up to date financial information; and~~
- ~~(c) The Exchange may take additional steps against the Issuer, including but not limited to suspending trading in its securities should it persist in its failure to file its accounts.~~

5.2 Failure to File Within Cure Period

5.2.1 If an Issuer fails to file the relevant accounts by the expiration of the Cure Period, The Exchange ~~will~~ **may**:

- (a) send to the Issuer a "Second Filing Deficiency Notification" within two (2) business days after the end of the Cure Period;
- (b) suspend trading in the Issuer's securities; and
- (c) notify the Securities and Exchange Commission (SEC) and the Market within twenty- four (24) hours of the suspension.

5.2.2 Within three (3) business days of receipt of the Second Filing Deficiency Notification and suspension of trading in its securities, the Issuer shall:

- (a) Inform The Exchange in writing of the status of the accounts, and
- (b) Issue an announcement via The Exchange's Issuers' Portal ~~and a press release, of not less than half a page, in at least two (2) one (1) national daily newspaper, and on the Issuer's website,~~ with the Issuer's web address indicated in the newspaper publication announcement, and ~~posted on the Issuer's website~~ disclosing the:
 - (i) status of the relevant accounts,
 - (ii) reason for the continued delay in ~~submission~~ filing, and
 - (iii) anticipated filing date.

~~An electronic copy of the publication shall be filed with The Exchange on the same day as the publication~~

5.2.3 The suspension of trading in the Issuer's securities shall be lifted and the CSI attached to the Issuer's symbol removed upon submission of the relevant accounts, provided that The Exchange is satisfied that the accounts comply with all applicable rules of The Exchange.

5.2.4 The Exchange shall thereafter also announce through the medium by which the public and the SEC was initially notified of the suspension, that the suspension has been lifted.

6.0 Monitoring

6.1 During the Cure Period and for ninety (90) calendar days thereafter (the Additional Cure Period), The Exchange will monitor the Issuer and the status of its filing, until the accounts are filed. If the Issuer still fails to file its accounts by the expiration of the Additional Cure Period, The Exchange may, in its sole discretion, take further actions it deems appropriate in the circumstances, including but not limited to:

- (a) giving such directives as are deemed appropriate;

- (b) cautioning securities' holders that the Issuer's listing of securities is under threat of delisting; and
 - (c) delisting the Issuer.
- 6.2 If in its sole discretion, The Exchange determines that an Additional Cure Period is not appropriate, ~~the Issuer~~ **The Exchange** will commence the ~~be delisting~~ **process** and The Exchange will notify the SEC of the delisting and the reasons in that regard seven (7) days prior to the delisting.
- 6.3 Notwithstanding the foregoing, however, The Exchange may in its sole discretion decide:
- (a) not to afford an Issuer any Cure Period or Additional Cure Period, as the case may be, or
 - (b) at any time during the Cure Period or Additional Cure Period, **and for the purpose of protecting investors, preventing / halting infractions in or by the Issuer, or the maintenance of an orderly market,** to truncate the Cure Period or Additional Cure Period, as the case may be, and immediately commence delisting procedures if The Exchange believes, in its sole discretion, that continued listing and trading of an Issuer's securities on The Exchange is inadvisable or unwarranted in accordance with the Rules of The Exchange.

Provided that The Exchange shall notify the SEC of the reasons for its decision.

- 6.4 The Exchange may also commence suspension of trading, and delisting procedures without affording a cure period at all ~~or at any time during the Cure Period or Additional Cure Period~~ if The Exchange believes, in The Exchange's sole discretion, that it is advisable to do so on the basis of an analysis of all relevant factors, including but not limited to:
- (a) whether there are allegations of financial fraud or other illegality in relation to the Issuer's financial reporting;
 - (b) the resignation or termination by the Issuer of its external auditor due to a disagreement arising from any non-compliance with relevant financial reporting standards;
 - (c) any unreasonable or unjustifiable delay in appointing a new external auditor after a prior auditor's resignation or termination;
 - (d) the resignation of members of the Issuer's Audit Committee or other directors as a result of non-compliance with financial reporting standards or any laws relevant to the performance of their official obligations;
 - (e) the resignation or termination of the CEO, CFO or other key senior executives as a result of non-compliance with financial reporting standards or any laws relevant to the performance of their official obligations;
 - (f) any evidence that it may be impossible for the company to cure its filing deficiency within the periods provided under these Rules;
 - (g) any past history of late filing of accounts;
 - (h) the need to protect investors.

Section 4 and 5 above apply to only Issuers of equity and corporate debt securities.

7.0 Corporate Actions

- 7.1 No Issuer shall declare interim dividends, or bonuses without first preparing and filing accounts, which shall form the basis of such declaration or action, **and obtaining the approval of a primary government regulator (where applicable).**
- 7.2 No Issuer shall declare final dividends without first preparing and filing audited accounts, which shall form the basis of such declaration or action, **and obtaining the approval of a primary government regulator (where applicable). Any Issuer that violates this provision shall be liable to pay a fine which shall not exceed one hundred percent (100%) of the nominal value of the dividends or bonuses declared.**
- 7.3 Any Issuer whose Board of Directors declares interim dividends during any financial year, and thereafter records accumulated losses at the end of that financial year shall, if it is discovered that the declaration of dividends was not justified by the availability of profit for the dividends distributed, be liable to pay a fine which shall not exceed one hundred percent (100%) of the nominal value of the dividend declared.

8.0 Penalties

6.2 Penalties to Run Notwithstanding Remedial Action Taken

~~Notwithstanding that an Issuer takes the required steps during the cure periods or later complies with the provisions of these Rules, any Issuer that defaults in filing its accounts within the stipulated periods shall be liable to pay the applicable penalties stated above, except the affected Issuer had applied for and received from The Exchange, an extension of time to file outside the stipulated periods before the deadline for filing its accounts expired.~~

- 8.1 **For Companies listed on The Exchange's Main Board and Premium Board, any late submission of accounts shall attract a fine of One Hundred Thousand Naira (N100,000) per day for ninety (90) calendar days of non-compliance, following which the shares of the Issuer shall be suspended from trading on The Exchange, until the accounts are submitted. Provided that daily fine shall stop running upon suspension of trading in the Issuers' securities.**

- 8.2 **For Companies listed on The Exchange's Growth Board, any late submission of accounts shall attract the following fines:**

a) **For the Entry Segment:**

- (i) **Five Thousand Naira (N5,000) per day for the first ninety (90) calendar days of non-compliance; and**
- (ii) **Ten Thousand Naira (N10,000) per day thereafter until the date of submission.**

b) **For the Standard Segment:**

- (ii) **Twenty Thousand Naira (N20,000) per day thereafter until the date of submission.**

- 8.3 ~~An Issuer~~ **listed on the Main Board and the Premium Board** shall be liable to pay the following penalties for failure to publish **their** accounts in ~~two (2)~~ **one (1)** national daily newspapers as required, or for failure to provide proof **file the evidence** of **the** publication **with The Exchange**, and for each instance of non-compliance with any directives of The Exchange issued pursuant to these Rules:

- (a) a fine of fifty percent (50%) of its annual listing fee; and

- (b) a fine of Twenty-Five Thousand Naira (N25,000) for every day the Issuer remains in default.

8.4 Issuers listed on the Growth Board shall be liable to pay the following penalties for each instance of noncompliance with any directives of The Exchange issued pursuant to these Rules:

- a) **a fine of ten percent (10%) of its annual listing fee; and**
b) **a fine of Two Thousand, Five Hundred Naira (N2,500) for every day an Issuer on the Growth Board Entry Segment remains in default; and a fine of Five Thousand Naira (N5,000) for every day an Issuer on Standard Segment remains in default.**

7.0 — General

7.1 — Applicability of the Rules

~~The provisions of these Rules shall apply to Issuers whose securities are listed on the Main Board and the Premium Board of The Exchange only.~~

8.5 Prior Approval for All Publications

All accounts, circulars, **announcements** and press releases to be published **via newspapers, The Exchange's Issuers' Portal or the Issuer's website** pursuant to these Rules shall require **be approved by** The Exchange's prior approval **before they are published**, and shall cover a minimum space of half a page per newspaper publication **for Issuers whose securities are listed on the Main Board and Premium Board and a minimum of a quarter page for Issuers whose securities are listed on the Growth Board.**