

RULES OF NIGERIAN EXCHANGE

PROPOSED AMENDMENTS TO ISSUERS' RULES

AMENDMENTS TO RULES GOVERNING FREE FLOAT REQUIREMENTS FOR ISSUERS LISTED ON NIGERIAN EXCHANGE LIMITED¹

Legend: additions underlined, deletions struck through

Definitions

Board means the listing platform ~~Board~~ on which the Issuer's securities are admitted for trading on The Exchange.

Issuer ~~means Companies Listed on Nigerian Exchange Limited's platform~~ any entity, any class of whose securities has been admitted to listing by Nigerian Exchange Limited.

Free Float means the number or value of shares that an Issuer has outstanding and available to be traded on The Exchange. It includes all shares held by the investing public, and excludes shares held directly or indirectly by promoters, directors and their close relatives; strategic investors holding five percent (5%) and above of the issued share capital; and ~~or~~ government.

Public means persons other than the directors and employees of an Issuer ~~company~~ and any other persons excluded in these and any other Rules of The Exchange.

Shareholding Structure means the analysis of an Issuer's issued share capital, showing the distribution of shares held directly and/or indirectly by various shareholders.

¹ **Rule Making History**

1. The draft Rule Amendments were presented to the Regulation Committee (RegCom), and were approved at the RegCom Meeting of 2 July 2020, for exposure to stakeholders for comments;
2. The draft Rule Amendments were exposed for stakeholders' comments from 13 July 2020 to 3 August 2020;
3. At its meeting of 27 January 2021, the RegCom considered the revised draft Rule Amendments (further to stakeholders' comments), and approved for submission to the National Council of The Exchange / Board of NGX Regulation Limited ("the Board") for approval;
4. The Board approved the draft Rule amendments at its meeting of 21 April 2021 for submission to the Securities and Exchange Commission (SEC);
5. The Board approved draft Rule Amendments were submitted to the SEC for approval on 27 April 2021.

1.0 Free Float Requirements for New and Existing Listings

1.1 To qualify for listing on any of the Boards of The Exchange and maintain same, an Issuer shall ensure that, **as at the date The Exchange receives the Issuer's application to list and at all times thereafter**, it complies with the following minimum free float requirements for the Board on which listing is being sought,

1.1.1 For any Issuer seeking to list on the Premium Board, its free float shall be:

- (a) Twenty percent (20%) of the Issuer's issued share capital made available to the public and held by not less than three hundred (300) shareholders; or
- (b) valued at Forty Billion Naira (~~N40 Billion~~) or more, or any value prescribed by The Exchange from time to time. ~~on the date The Exchange receives the Issuer's application to list.~~

1.1.2 For any Issuer seeking to list on the Main Board, its free float shall be:

- (a) Twenty percent (20%) of the Issuer's issued share capital made available to the public and held by not less than three hundred (300) shareholders; or
- (b) valued at Ten ~~Twenty~~ Billion Naira (~~N1020 Billion~~) or more, or any value prescribed by The Exchange from time to time. ~~on the date The Exchange receives the Issuer's application to list.~~

~~1.1.3 For any Issuer seeking to list on the Alternative Securities Market (ASeM) Board, its free float shall be:~~

- ~~(a) fifteen percent (15%) of the Issuer's issued share capital made available to the public and held by not less than fifty one (51) shareholders; or~~
- ~~(b) valued at Fifty Million Naira (N50 Million) or more, or such value as The Exchange determines is appropriate in the circumstances., on the date The Exchange receives the Issuer's application to list.~~

1.1.4 For any Issuer seeking to list on the Growth Board, its free float shall be:

- (a) **For** Entry Segment: ten percent (10%) of the Issuer's issued share capital made available to the public and held by not less than twenty-five (25) shareholders; **or**
valued at Twenty Million Naira (N20 Million) or more, or any such value prescribed by the Exchange as appropriate in the circumstance.
- (b) **For** Standard Segment: fifteen percent (15%) of the Issuer's issued share capital made available to the public and held by not less than fifty-one (51) shareholders; or
valued at Fifty Million Naira (~~N50 Million~~) or more, or any such value The Exchange determines is appropriate in the circumstances.

1.1.5 **For Cross Border Listing, the free float shall be:**

- (a) ten percent (10%) of the Issuer's issued share capital made available to the public and held by not less than two hundred (200) shareholders; or**

valued at ten Billion Naira (N10 Billion) or more, or any value prescribed by The Exchange as appropriate from time to time.

, on the date The Exchange receives the Issuer's application to list.

~~1.2~~ The Exchange may grant extension of time to an Issuer to comply with the minimum free float requirements if:

~~1.2.1~~ it believes that the market can operate fairly and in an orderly manner with the Issuer's existing level of free float, or

~~1.2.2~~ it receives an undertaking from:

~~(a)~~ a majority holder of shares in the Issuer holding a number of securities equivalent to at least five percent (5%) of the issued shares, or

~~(b)~~ a combination of holders of shares in the Issuer, holding a total number of securities amounting to at least five percent (5%) of the issued share capital,

~~to make available to the investing public a specific number of securities, required to restore the Issuer to the required free float level within such period as The Exchange may approve. The Issuer shall produce and submit to The Exchange for consideration and approval, an acceptable compliance plan in that regard.~~

2.0 Self-Assessment and Self-Regulation

2.1 Each Issuer shall independently, review its free float every half-year, or other reasonable time, and when there is a breach of its free float requirement, the Issuer shall:

2.1.1 Disclose to The Exchange that it is not fully compliant with the free float requirement;

2.1.2 Initiate the steps set forth in these Rules in order to comply with the free float requirement; and

2.1.3 Demonstrate its co-operation and commitment in that regard.

2.2 Each Issuer shall incorporate in its half-year financial statement filed with The Exchange, its shareholding pattern **structure**, and also indicate whether or not its free float is in compliance with The Exchange's free float requirements for the Board on which it is listed.

3.0 Dealing with Free Float Deficiencies

3.1 **Where any Issuer is not compliant with the free float requirements, the Issuer shall immediately and in any event not later than two (2) business days of becoming aware of the non-compliance, notify NGX RegCo of its non-compliant status.**

3.1.1 **Upon confirmation of the deficient status of the Issuer, NGX RegCo may depending on the compliance level of the Issuer, grant the Issuer an extension of a minimum of two (2) years (or any other timeline as maybe decided upon by NGX RegCo) to resolve the free float deficiency.**

3.1.2 **Should the issuer fail to rectify the free float deficiency within the extension of time granted, NGX RegCo may commence the process of delisting the Issuer's**

securities except the Issuer requests for additional extension of time which shall not be more than a period of five (5) years.

3.1.3 Where an issuer fails to notify NGX RegCo of its non-compliance or observed deficiency, NGX RegCo may reprimand the issuer and such reprimand, either in private or in public, shall be at the discretion of NGX RegCo.

3.2 Where any Issuer is not compliant with the free float requirement, and **NGX RegCo** notifies such Issuer of that fact, the following shall be applicable:

3.2.1 NGX RegCo shall notify the Issuer of the free float deficiency and request for its updated shareholding structure to determine its level of non-compliance.

3.2.2 Once confirmation of the deficient status of the Issuer is completed, NGX RegCo depending on the compliance level of the Issuer, may grant the Issuer an extension of two (2) years (or any other timeline as maybe decided by NGX RegCo) to resolve the free float deficiency upon receiving a request from the Issuer.

3.2.3 Should the issuer fail to rectify the free float deficiency within the approved extension of time granted, NGX RegCo may commence the process of delisting the Issuer's securities except the Issuer requests for additional extension of time which shall not be more than a period of five (5) years.

3.2.4 Within ten (10) business days of receiving The Exchange's approval in 3.1.1 and 3.2.2 above, the Issuer shall notify its shareholders in writing via a notice submitted through The Exchange's Issuers' Portal that if it does not achieve the required free float within the stipulated timeframe, The Exchange may suspend trading in its securities.

~~3.3.2 The Issuer shall within ten (10) business days of receiving The Exchange's notification, initiate discussions with The Exchange on the Issuer's plan for restoring itself to a state of full compliance with the free float requirement.~~

~~3.3.3 Within three (3) months of receiving The Exchange's notification, the Issuer shall produce and submit to The Exchange for consideration and approval, an acceptable compliance plan setting out a program for restoring itself to full compliance with The Exchange's free float requirements listing standards.~~

~~3.3.4 Where the compliance plan submitted by the Issuer is not approved by The Exchange, the Issuer shall submit an alternative acceptable compliance plan within twenty-one (21) business days of The Exchange's notification of rejection of the initial plan.~~

~~3.3.5 Upon receiving The Exchange's approval of the compliance plan, the Issuer shall immediately commence implementation of the plan towards achieving full compliance within such period as The Exchange may approve.~~

~~3.3.6 Within ten (10) business days of receiving The Exchange's approval in 3.1.4 above decision, the Issuer shall notify its shareholders in writing via a notice submitted through The Exchange's Issuers' Portal that if it does not achieve the required free float within the stipulated timeframe, The Exchange may suspend trading in its~~

securities.

~~3.3.7 Where the Issuer fails to achieve the required minimum free float requirement by the expiration of the timeframe granted by The Exchange, the Issuer's shares shall be suspended and subsequently delisted except it obtains an extension of time to cure the free float deficiency which shall not be more than five (5) years.~~

~~The Exchange may grant extension of time to an Issuer to comply with the minimum free float requirements if:~~

~~3.2.1 it believes that the market can operate fairly and orderly with the existing level of free floats, or~~

~~3.2.2 it receives an undertaking from:~~

~~3.2.1.1 a majority holder of shares in the Issuer holding a number of securities equivalent to at least five percent (5%) of the issued shares, or~~

~~3.2.1.2 a combination of holders of shares in the Issuer, holding a total number of securities amounting to at least five percent (5%) of the issued share capital, to make available to the investing public a specific number of securities, required to restore the Issuer to the required free float level within the next one (1) financial year or a longer period as The Exchange may approve. The Issuer shall produce and submit to The Exchange for consideration and approval, an acceptable compliance plan in that regard.~~

~~3.2.3 it has a minimum free float value of:~~

~~(a) N40 billion and is listed on the Premium Board, or~~

~~(b) N20 billion and is listed on the Main Board, or~~

~~(c) N50 million, and is listed on ASeM or the Growth Board, or~~

~~(d) an amount as may be determined by The Exchange for any of its other Boards from time to time.~~

4.0 Consequences of Un-remedied Free Float Deficiencies

4.1. If **at any time**, an Issuer's shares falls below the free float requirements for the Board on which its securities are listed, the Issuer's name shall be published in The Exchange's periodic "X-Compliance Report" and the Issuer's securities' symbol published on any of The Exchange's systems or media shall be annotated with the compliance status indicator, "Below Listing Standard" (BLS)" or any other **appropriate** compliance status indicator to indicate that it has failed to comply with free float requirements, and such annotation shall remain for as long as the Issuer fails to rectify its free float deficiency.

4.2 **Where the Issuer fails to achieve the required minimum free float requirement by the expiration of the timeframe granted by NGX RegCo- which should not be more than three (3) extensions, NGX RegCo may commence the process of delisting the securities of the Issuer where the deficiency subsists; except it obtains a further extension of time to cure the free float deficiency within a specified period not exceeding five (5) years in total or any other period of time as maybe determined by NGX RegCo.**

4.3 NGX RegCo may commence the process of delisting an Issuer's shares if the Issuer fails to comply with NGX RegCo's directives, take the required steps, or it is unable to return to a state of compliance with NGX's free float requirements within a stipulated period of time not exceeding five (5) years in total or any other period of time as may be determined by NGX RegCo.

4.4 The Exchange will commence the process **of delisting** an Issuer's shares if:

4.4.1 ~~The Issuer fails to respond to The Exchange within ten (10) business days of receiving the notification referenced in Rule 3.1 of these Free Float Rules; or~~

4.4.2 ~~The Issuer fails to produce and submit an acceptable compliance plan to The Exchange within three (3) months of receiving The Exchange's notification or publication of its name on The Exchange's periodic "X-Compliance Report" as operating "Below Listing Standard"; or~~

4.4.3 ~~The compliance plan submitted by the Issuer is not acceptable to The Exchange, and the Issuer fails to produce and submit an acceptable alternative plan within twenty-one (21) business days of The Exchange's rejection of the initial plan;~~

4.4.1 **Within three (3) months of suspension of its securities from trading, the Issuer fails to request for additional extension of time or take necessary action within three (3) months of being suspended from trading to initiate a conversation with NGX RegCo on steps to be taken to resolve its free float deficiency, and produce an acceptable compliance plan for approval; or**

4.4.2 The Issuer is unable to return to a state of full compliance with The Exchange's Listing Standards **free float requirements** within such period of extension or any additional extension of time granted by as is reflected in the Issuer's compliance plan approved by The Exchange **NGX RegCo.**

5.0 Applicability of the Rules

These Rules shall supersede all other rules on free float requirements for Issuers listed on The Exchange.