

## RULES OF NIGERIAN EXCHANGE

### PROPOSED AMENDMENTS TO TRADING LICENSE HOLDERS' RULES (AMENDMENTS – PART XIII A)

#### BLOCK DIVESTMENTS AND LARGE VOLUME TRADES

**Legend:** additions – underlined; deletions - ~~struck through~~

#### 4. A. BLOCK DIVESTMENTS IN EQUITIES

##### Definition of Terms

“Control” as used in these Rules has the same meaning ascribed to it in Section 119(3) of the Investment and Securities Act, 2007, as amended from time to time.

“Block Divestment” a trade shall be treated as a block divestment where it involves:

- a) a transfer of shares amounting to five percent (5%) ~~thirty percent (30%)~~ or more of the company's total listed shares and ~~the transferee shareholder intends to take control of the listed company;~~ or
- b) a transfer of shares or acquisition of additional shares amounting to five percent (%) or more of the company's total listed shares within a period of one (1) year from the date of first transfer or acquisition of shares.

Where The Exchange identifies a pattern of transactions suggesting a continued divestment process beyond the one (1) year threshold, such transactions may, at the discretion of The Exchange, be treated as a Block Divestment and subject to the applicable rules and requirements. ~~the acquisition of additional shares by a shareholder of a listed company, that would result in an increase in the shareholder's total holdings to thirty percent (30%) or more of the company's total listed shares; and the shareholder intends to take control of the listed company; or~~

- e) ~~Less than thirty percent (30%) of a company's total listed shares but will lead to a material change in the Board and/or Management of a listed company.~~

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**a. 1. Rule 15.31 Block Divestments**

A ~~Dealing Member~~ **Trading License Holder** that receives a mandate to execute a ~~b~~**Block** ~~e~~**Divestment** shall apply to The Exchange for approval to effect the mandate and shall not execute such a mandate without the said approval. Where a ~~Dealing Member~~ **Trading License Holder** is in doubt as to whether a transaction will be treated as a ~~b~~**Block** ~~e~~**Divestment**, the ~~Dealing Member~~ **Trading License Holder** should consult with The Exchange in order to address the doubt.

**b. 2. Rule 15.31A: Requirements for Approval of Block Divestments**

- (a) The application from the **Trading License Holder** ~~Dealing Member~~ to The Exchange shall be in the form of a letter from the **Trading License Holder** ~~Dealing Member~~ informing The Exchange about the mandate received and requesting approval for the ~~b~~**Block** ~~e~~**Divestment**.

Provided that the application process may be initiated by the submission of electronic copies of the application letter and supporting documents, and the hard copies of the application documents shall be filed with The Exchange within ten (10) business days thereafter.

- (b) The letter shall be accompanied by a copy of the mandate which shall be in the form of a duly executed letter from the shareholder to the **Trading License Holder** ~~Dealing Member~~ and such other information reflected on the applicable checklist as The Exchange may from time to time require to be submitted for approval of a ~~b~~**Block** ~~e~~**Divestment**.
- (c) (i) The fees due to The Exchange for ~~b~~**Block** ~~e~~**Divestments** shall be an amount determined by applying the rate that shall be prescribed by The Exchange from time to time to the sum of the number of shares to be divested multiplied by the agreed transaction price or the market price, whichever is higher.
- (ii) Where the trade is to be executed outside the prevailing market price, the **Trading License Holder** ~~Dealing Member~~ shall also include a document explaining the basis upon which the price of the transaction has been calculated with the application letter.
- (d) The ~~Dealing Member~~ **Trading License Holder** shall pay the fees prescribed by The Exchange for ~~b~~**Block** ~~e~~**Divestments** as follows:
- (i) A non-refundable processing fee of 0.2% of the value of the transaction shall be paid upfront and evidence of payment of the processing fee shall be submitted with the application; ~~and~~

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- (ii) A divestment fee of 0.3% of the value of the transaction shall be paid at the time the transaction will be executed following approval of The Exchange; **and**
- (iii) The Exchange shall not commence processing of applications for Block Divestments without receiving evidence of payment of the non-refundable processing fee.
- (e) The Exchange may from time to time in its sole discretion prescribe new parameters or thresholds for trades categorized as ~~Block~~ **Block** ~~Divestments~~.

### **3. Rule 15.31B: Penalties**

Where a ~~Dealing Member~~ **Trading License Holder** executes a ~~Block~~ **Block** ~~Divestment~~ without the prior approval of The Exchange, he shall be liable to suspension for a period of ten (10) business days and payment of a fine of not less than five per cent (5%) of the value of the ~~Block~~ **Block** ~~Divestment~~.

## **2. B. LARGE VOLUME TRADES IN EQUITIES**

### **Rule 15:32: Large Volume Trades in Equities**

- (a) **1.** "All ~~Dealing Members~~ **Trading License Holder** or Authorized Clerks who wish to trade in any equity amounting to:
  - (1) ~~5% or more, but less than thirty per cent (30%) of an Issuer's total listed equities;~~
  - (2) **(a)** Eighty (80) million units or more, but less than **five percent (5%)** ~~thirty per cent (30%)~~ of an Issuer's total listed equities; or
  - (3) **(b)** trade value equal to, or in excess of Eight Hundred Million Naira (~~₦800,000,000~~), or such other threshold value or portion of listed equities as The Exchange may from time to time prescribe, but less than **five percent (5%)** ~~thirty per cent (30%)~~ of an Issuer's total listed equity; **or**
  - (c)** **a transfer of shares or acquisition of additional shares of eighty (80) million units or more of the company's total listed shares or trade value equal to, or in excess of Eight Hundred Million Naira (₦800,000,000) within a period of one (1) year from the date of first transfer or acquisition of shares.**

**whichever is higher among (a), (b), and (c), shall apply for and obtain the written approval of The Exchange before executing such large volume trades. Where The Exchange identifies a pattern of transactions suggesting a continued process of**



**large volume trades beyond the one (1) year threshold, such transactions may, at the discretion of The Exchange, be treated as large volume trades and subject to the applicable rules and requirements.**

This paragraph shall not apply **Provided that** if the transactions **contemplated in this sub-rule (1.)** will lead to a material change in the Board and/or Management of a listed company, **such shall be treated as a Block Divestment.**

- (b) **2.** The application from the ~~Dealing Member~~ **Trading License Holder** or Authorized Clerk to The Exchange shall be in form of:
- (1) **(a)** A letter from the **Trading License Holder** ~~Dealing Member~~ or Authorized Clerk informing The Exchange about the mandate received; and
  - (2) **(b)** A copy of the mandate which shall be in the form of a letter from the shareholder to the ~~Dealing Member~~ **Trading License Holder** or Authorized Clerk;
  - (3) **(c)** A duly completed Large Volume Trading Authorization Form of The Exchange submitted to the Market Operations function of The Exchange before any trade execution in the thresholds as set out in paragraphs **1(a) to 1(b)** ~~a(1) to a(3)~~ above.

The Exchange's response to the ~~Dealing Member~~ **Trading License Holder** or Authorized Clerk's application shall be issued within twenty-four (24) hours of its receipt of the complete application.

- (c) **3.** Where the trade is to be executed outside the prevailing market price, the ~~Dealing Member~~ **Trading License Holder** or Authorized Clerk shall provide to The Exchange before submission of the trade on the automated trading platform, the basis upon which the price of the transaction has been calculated in accordance with the procedure set out above.
- (d) **4.** Where a **Trading License Holder** ~~Dealing Member~~ executes a large volume trade without the prior approval of The Exchange, he shall be liable to suspension for a period of ten (10) business days and payment of a fine of not less than five per cent (5%) of the value of the large volume trade.
- (e) **5.** The fees due to The Exchange for large volume trades in equities shall be an amount that shall be prescribed by The Exchange from time to time, and payable upon the grant of The Exchange's approval and prior to the trade execution.