
RULEBOOK OF NIGERIAN EXCHANGE LIMITED

PROPOSED RULES FOR TRADING OF DIGITAL ASSETS AND TOKENS

These Rules apply to the trading of Digital Assets and Tokens on NGX Digital Exchange.

1.0 Introduction

NGX Digital Exchange is a specialized platform provided by The Exchange for trading Digital Assets or Tokens of Issuers already listed on The Exchange. It operates a set of limit order books that can be accessed by investors for trading digital assets/tokens on The Exchange. The following set of Trading Rules govern orders placed via these trading platform of the Exchange.

2.0 Definitions

In these Rules, the following words and phrases have the corresponding meanings:

Account means a Trader's Exchange Account.

Asset means a Digital Asset, Digital Token or Fiat Currency.

Available Balance means a Trader's Total Asset Value less any amount held for Open Orders and fees.

Base Asset means the Asset being traded on the Order Book; the first Asset in the Trading Pair. For instance, on the BTC-USD¹ Order Book, BTC is the Base Asset and USD² is the Quote Asset.

Cancel-only Mode means a period during which Traders cannot place new Orders, but will be able to cancel open Orders.

Central Securities Depository (CSD) means the Securities and Exchange Commission recognized institution responsible for holding, clearing and settlement of securities.

Close Price means the price of the transacted security before the market officially closes.

Digital Asset means a digital token that represents assets such as a debt or equity claim on the Issuer as defined in Investment and Securities Act (ISA) 2007.

Fiat Currency means a government-issued currency.

Fill means a match of two Orders. Also referred to as an execution.

Flash Crash means when the value of a market drastically dips in a short period of time and recovers within minutes.

¹ Bitcoin to United States Dollar (BTC-USD)

² United States Dollar (USD)



Full Trading Mode means normal operation of The Exchange's trading platform where traders can place Market Orders and Limit orders and can cancel Orders.

Hold means the setting aside of Assets allocated to an Order.

Indicative Price: The Indicative Price provides Traders with a probable price at which a Trading Pair will open or re-open upon completion of an Auction, given the current book and order activity. The Indicative Price may be available during the period of the auction and until the auction is complete.

Limit Order means an Order to buy or sell a specified quantity of an Asset at a specified price.

Limit-only Mode means that Traders can only place and cancel Limit Orders, but any Market Order will be rejected. During this mode, Limit Orders can be filled.

Maker means a trader who places limit orders on the order book.

Maker Order means an order where the trader sets a limit order at a set price which is placed in the order book and has to be filled by a taker.

Market Order means an Order to buy or sell a specified quantity of an Asset at the best available price of existing Orders on the Order Book.

Omnibus Account means a type of account which allows the combination and management of the transactions of two or more investors in the name of one broker, instead of being designated separately, and also for anonymity of the investors in the account.

Order means an instruction to buy or sell a specified quantity of the Base Asset at a specified price in the Quote Asset.

Order Book means each order book on which Orders are placed for trading in a Trading Pair.

Open Order means an Order which has been posted but not filled, canceled or expired, or a Stop Order which is currently active.

Post-only Mode means that Traders can only place an Order if it would be posted to the Order Book as a Maker Order. An Order which would be posted as a Taker Order will be rejected. No Market Orders may be placed and no Orders will be filled. Resting orders may be canceled in post-only mode.

Price-Time Priority refers to the order execution mechanism which prioritizes and fills orders with the best price and the best time on the Order Book.

Quote Asset means the Asset in which trading is denominated on the Order Book; the second Asset in the Trading Pair. For example, on the BTC/USD Order Book, BTC is the Base Asset and USD is the Quote Asset.

Slippage occurs when a Market Order Fills at a price less favorable than the most recent trade price.



Scheduled Downtime means a planned temporary outage for maintenance or upgrades.

Stop Order means an instruction to post an Order to buy or sell a specified quantity of an Asset only if and when the last trade price on the Order Book equals or surpasses the Stop Price.

Stop Price means the price specified in a Stop Order.

Taker means a trader who places market orders to immediately buy or sell orders sitting on the order book.

Taker Order means an order which is made at the market price and is filled immediately.

Total Asset Value means the gross value of all of a Trader's Assets for the relevant Order Book, expressed in the Quote Asset based on the last trade price. This includes all Assets allocated to Open Orders.

Trader refers to each customer trading on the NGX Digital Exchange.

Trading Halt refers to a halt placed on trading activity that prevents traders from placing or canceling any Orders.

Trading Pair means each pair of a Base Asset and a Quote Asset offered on the NGX Digital Asset Platform.

3.0 Trading on NGX Digital Exchange

3.1 NGX Digital Exchange operates a central limit order book trading platform, and settles trades in a number of Digital Asset and Fiat Currency Trading Pairs. Each Trader's Account will list the Order Books that are available to the Trader.

3.2 Orders:

- (a) To place an Order on an Order Book, a Trader must have an Available Balance of the relevant Asset in their Account which is sufficient to cover the total value of the Order plus any applicable fees to be charged by The Exchange.
- (b) When a Trader places an Order, that quantity of the relevant Asset becomes subject to a Hold.
- (c) A Trader can place an Order as either a Limit Order, a Market Order, or a Stop Order.
- (d) A Trader may cancel an open Market Order or Stop Order at any time before it is Filled. No fees may be charged by The Exchange for canceled Orders.

3.2.1 Limit Orders

- (a) A Limit Order will only ever Fill at the specified price or a better price.



- (b) A Limit Order with 'post-only' selected, will only be posted to the Order Book if it would not be posted at the same price as an existing Order on the Order Book. A Limit Order with 'post-only' selected will always be a Maker Order. 'Post only' orders cannot be placed during an Auction.
- (c) A Limit Order without 'post-only' selected will be immediately posted to the Order Book (subject to any Time in Force Instructions) and can result in a Maker Order or a Taker Order, or an Order that is partially a Maker Order and partially a Taker Order.
- (d) Limit Orders may be placed with one of the following Time in Force Instructions:
 - (i) Good Till Canceled: if posted, the Order will remain on the Order Book until canceled by the Trader. This is the default Time in Force Instruction.
 - (ii) Immediate or Cancel: The Order will only be posted to the Order Book to the extent that it would be immediately Filled. Any remaining quantity is canceled. This results in a Taker Order.
 - (iii) Fill or Kill: The Order will only be posted to the Order Book if it would be immediately and completely Filled. This results in a Taker Order.

3.2.2 Market Orders

- (a) There is no guarantee that a Market Order will Fill at the price specified. A Market Order may Fill at a number of different prices, based on the quantity of the Market Order and the quantities of the existing Orders at best market on the Order Book at the time.
- (b) Depending on the volume and prices of Orders on the Order Book at the time when a Market Order is posted, the Market Order may Fill at a price less favorable than the most recent trade price.
- (c) A valid Market Order will be immediately posted to the Order Book. A Market Order shall always be a Taker Order.

3.2.3 Stop Orders

- (a) Once a Stop Order has been placed, it shall be considered 'active' until it executes, by posting the relevant Order when the Stop Price is triggered.
- (b) A Stop Order is not posted to the Order Book and is not visible to other Traders, but any resulting Order is posted and visible. All Stop Orders shall be placed without 'post-only' enabled.
- (c) A Stop Order must be placed as a Stop Limit Order which posts a Limit Order when the Stop Price is triggered.
- (d) A Stop Limit Order is not guaranteed to Fill. The Trader's Web Interface shall display a warning each time a Trader attempts to place a Stop Order.



- (e) Stop Orders may be placed with one of the following Time in Force Instructions:
 - (i) Good Till Canceled: if posted, the Order will remain on the Order Book until canceled by the Trader. This is the default Time in Force Instruction.
 - (ii) Good till Time: if posted, the Order will remain on the Order Book until a certain time is reached or the Order is canceled by the trader.
 - (iii) Good till Date: if posted, the Order will remain on the Order Book until the end of trading on the selected date.

3.2.4 Posting of Orders to the Order Book

- (a) If an Order is posted to the Order Book at the same price as one or more existing Orders, it is a Taker Order which will result in an immediate Fill at that price, to the extent of the total quantity of those existing Orders.
- (b) To the extent that an Order is posted to the Order Book at a different price to all existing Orders, it is a Maker Order which will remain open at that price on the Order Book until:
 - (i) It is canceled by the Trader;
 - (ii) It expires due to a Time in Force Instruction; or
 - (iii) It is completely Filled by one or more Taker Orders placed by another Trader at the same price.

3.3 Order Minimums/Maximums

- (a) All Market Orders, Limit Orders, and Stop Orders placed on the NGX Digital Exchange are subject to the minimum order size requirements to be specified by The Exchange from time to time.
- (b) All Market Orders, Limit Orders without 'post-only' selected, and Stop Orders placed on the NGX Digital Exchange are subject to the maximum order sizes to be specified by The Exchange from time to time.
- (c) 'Post-only' Limit Orders do not have a maximum order size. The size can be in any increment of the base currency above the minimum order size requirements.
- (d) The NGX Digital Exchange will periodically update these Order Minimums, Order Maximums, and total number of Orders allowed per Order Book to reflect the current state of the marketplace and the notional value of the assets.

3.4 Matching Engine and Order Priority

- (a) NGX Digital Exchange shall match Taker Orders with Open Maker Orders on each Order Book based on Price-Time Priority. If a Cross Order occurs, the order priority shall be price, Cross Orders and Time.
- (b) All Traders accessing the NGX Digital Exchange are subject to the same Price-Time Priority.



- (c) Subject to Time in Force Instructions, an Order may be matched with a number of corresponding Orders at the same price.
- (d) Taker Orders shall be matched with the best available existing Maker Orders.

3.5 Fills and Settlement

- (a) When a Maker Order is matched with a Taker Order, those Orders are Filled. An Order may be matched with and Filled by one or more Orders at the same price.
- (b) The Central Securities Depository will settle all Filled Orders immediately, by debiting and crediting the relevant balances of Assets in both Traders' Accounts.

4.0 Trading Fees

- (a) The Exchange shall charge a Maker fee for each Maker Order and a Taker fee for each Taker Order. The fee is charged in the Quote Asset and is calculated as a percentage of the Order quantity.
- (b) A fee is charged by debiting the Trader's Available Balance for the amount of the fee at the time that the Order is posted.
- (c) If an Order is posted to the Order Book partially as a Maker Order and partially as a Taker Order, a Maker fee shall apply to the portion posted as a Maker Order and a Taker fee shall apply to the portion posted as a Taker Order.
- (d) The Exchange shall specify the fees to be charged from time to time subject to the approval of the Securities and Exchange Commission.

5.0 Rules on Market Integrity

5.1 All Fills are final and will not be reversed unless:

- (a) The Exchange is compelled to do so by any applicable law or regulation; or
- (b) Where due to a technical error on the part of The Exchange's trading platform Orders or Fills do not occur as specified in these Rules, The Exchange shall make all reasonable efforts to restore all Traders to the position they would have been in had the error not occurred.

5.2 The Exchange may cancel Open Orders in the following circumstances:

- (a) Where the Orders were placed by Traders who, in the opinion of The Exchange, have engaged in abusive use of the platform, including market manipulation or using The Exchange's platform in a manner which unreasonably burdens the platform.
- (b) Where the Orders were clearly erroneous with respect to price, quantity, or other parameters.
- (c) If required by any applicable law or regulation, including specifically where The Exchange is required to suspend or terminate a Trader's account.
- (d) If required for technical reasons.



5.3 Access to NGX Digital Exchange

All NGX licensed Traders have equal access to The Exchange's Application Programming Interfaces (APIs) and Web Interfaces.

6.0 Interruptions

6.1 If technical reasons prevent or degrade Traders' ability to place or cancel Orders, or prevent or degrade access to The Exchange's APIs or the Web Interfaces or affect the operation of The Exchange's Order Books or matching engines, then The Exchange may, in its discretion, take one or more of the following actions in respect of one or more Order Books:

- (a) Temporarily disable depositing or withdrawing Assets.
- (b) Cancel Open Orders.
- (c) Disable the ability to place new Orders (Cancel-Only Mode).
- (d) Disable sign-in.
- (e) Disable the Exchange's APIs.
- (f) Disable access to the Web Interface.

7.0 Self-Trade Prevention

- (a) Self-trade prevention occurs when Traders are stopped from placing an Order which would result in self-execution. Self-trading where the same Trader would act as both the maker and taker for the trade is prohibited.
- (b) If two Orders of the same quantity would result in self-execution, both Orders shall be canceled.
- (c) If two Orders of different quantities would result in self-execution, the smaller Order shall be canceled and the larger order shall be decremented by an amount equivalent to the smaller quantity. The remainder of the larger Order shall remain Open.
- (d) Where Orders placed by Traders with Omnibus Accounts indicate self-trade, such Traders may be requested by The Exchange, to provide proof that the transactions were not artificially carried out to control or manipulate the market.

8.0 Flash Crashes

Manipulation or causation of a Flash Crash is prohibited. Activities which can cause a flash crash include without limitation; system rigging, selling block trades with the intention to influence the price.

9.0 Prohibition of Market Manipulation Activities

- (a) Traders are prohibited from engaging in Market Manipulation activities.
- (b) Market Manipulation of any kind is strictly prohibited. Market Manipulation is defined in The Exchange's Rules, and includes actions taken by any market participant or a person acting in concert with a participant which are intended to:
 - (i) Deceive or mislead other participants;
 - (ii) Artificially control or manipulate the price or trading volume of an Asset; or



- (iii) Aid, abet, enable, finance, support, or endorse either of the above. This may include actions on The Exchange and/or outside of The Exchange.
- (c) For the purpose of these Rules, Market Manipulation shall include, without limitation: front-running, wash trading, spoofing, layering, churning, and quote stuffing. For the avoidance of doubt, the following shall have the meaning ascribed hereto:
 - (i) Front running – trading Asset or placement of any Order based on insider knowledge of a future transaction that will affect its price. Traders shall not take advantage of an order that may influence the price of a security.
 - (ii) Wash trading – illegal act of manipulating trades aimed at misleading the market on the liquidity of the Asset, where a Trader sells and buys back the Asset,
 - (iii) Spoofing – where a Trader places one or more visible Orders with no intention of keeping the Orders, in order to influence the price of the Asset.
 - (iv) Layering – a spoofing tactic, where a Trader places Order to give a false impression of an intention to buy or sell the Asset.
 - (v) Churning – is the practice of excessively trading on the Assets in order to generate commissions.
 - (vi) Quote Stuffing – the act of entering, and immediately cancelling massive Orders in order to flood and confuse the market.

10.0 Sanctions

- 10.1 Any Trader that breaches any provision(s) of these Rules, shall be liable to such sanctions that The Exchange may impose including, but not limited to -
- (a) Suspension or halting of trading;
 - (b) Restricting Trader access to The Exchange;
 - (c) Restricting order types to post-only or limit only;
 - (d) Canceling Orders resting in the Order Book; or
 - (e) Any other actions deemed to be in the best interest of The Exchange and the market.