RULES OF NIGERIAN EXCHANGE

ADDITIONS TO TRADING LICENCE HOLDERS’ RULES

RULES FOR FIXED INCOME DEALERS ON NIGERIAN EXCHANGE LIMITED

Definition:

For the purpose of these Rules, the following definition shall apply:

Fixed Income Dealer

Is a Trading License Holder of The Exchange duly registered by the Securities and Exchange Commission to trade in fixed income securities.

1.0 INTRODUCTION

These Rules provide a practical guide to the licensing and regulation of Fixed Income Dealers who are authorised to trade fixed income securities on The Exchange.

2.0 APPLICATION AND LICENSING REQUIREMENTS

2.1 Only corporate entities that seek participation in The Exchange’s fixed income market shall be licensed in accordance with the Securities and Exchange Commission’s Rules and Regulations and other relevant rules and regulations governing the capital market.

2.2 Applications for licensing as a Fixed Income Dealer shall be made to The Exchange, supported by documents and information from the applicant, as may from time to time be prescribed by The Exchange.

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Rule Making History

a. The draft Rules were presented to the Regulation Committee of Council (RegCom) at the RegCom meeting of 27 January 2021, and approved for exposure to stakeholders for comments;

b. The draft Rules were exposed for stakeholders’ comments from 10 February to 3 March 2021;

c. The Regulation and New Business Committee of NGX Regulation Limited (RNBC) considered the draft Rules, and stakeholders’ comments thereon at its meeting of 3 August 2021 and subsequently unanimously approved the draft Rules on 23 November 2021 for submission to the Board of NGX Regulation Limited (NGX RegCo);

d. The Board of NGX RegCo approved the draft Rules at its meeting of 29 November 2021 for submission to the Securities and Exchange Commission (SEC);

e. The Board-approved Rules were submitted to the SEC for approval on 7 January 2022; and

f. The SEC approved the Rules on 7 June 2023.
2.3 Each applicant shall submit a notarized copy of the license issued to it by its primary industry regulator in addition to the documents and information required by The Exchange.

2.4 All Fixed Income Dealers shall meet the minimum requirements and standards as prescribed by The Exchange from time to time for the following:

(i) Technology;
(ii) Manpower and equipment;
(iii) Organizational structure and governance;
(iv) Effective processes.

3.0 MINIMUM CAPITAL, NET LIQUID CAPITAL AND REPORTING REQUIREMENTS

Each Fixed Income Dealer shall ensure compliance with the minimum capital requirements, net liquid capital requirements and financial reporting requirements as stipulated by the Rules of The Exchange on Capital and Financial Reporting.

4.0 AUDIT AND EXAMINATIONS

The Exchange shall be entitled to conduct audits and examinations of each Fixed Income Dealer’s operations as part of its supervisory process, to assess each Fixed Income Dealer’s compliance with the Rules of The Exchange. Each Fixed Income Dealer shall for such purposes:

(a) provide such information, books and records as The Exchange may request; and
(b) co-operate with The Exchange.

5.0 COMPLAINTS MANAGEMENT AND DISCIPLINARY PROCESS

Each Fixed Income-Dealer shall comply with:

(a) its primary government regulator(s)’ complaint management process(es);
(b) the SEC Rules Relating to the Complaints Management Framework of the Nigerian Capital Market;
(c) The Exchange’s complaints management and disciplinary process.

6.0 APPLICATION FEES AND ANNUAL SUBSCRIPTION

6.1 The Exchange shall from time to time fix and publish application fees and annual subscriptions payable by a Fixed Income Dealer.
6.2 All Fixed Income Dealers shall pay the annual subscription fees due to The Exchange, including but not limited to annual charges, no later than the last business day in March of every year.

6.3 Any Fixed Income Dealer that fails to pay any of its annual subscription fees when due to The Exchange shall be liable to a fine of Fifty Thousand Naira (₦50,000) for each day it fails to make the payment for a period of not more than thirty (30) calendar days.

6.4 A Fixed Income Dealer that fails to pay any of its annual subscription fees after the thirtieth (30th) day following the last business day in March in any given year shall be suspended from trading forthwith, and all daily penalties shall cease.

6.5 The suspension placed on a Fixed Income Dealer for failing to pay any of its annual subscription fees shall be lifted only upon payment of the annual subscription fees due to The Exchange together with the accumulated fines.

7.0 SANCTIONS

7.1 The Exchange may impose one of or a combination of any of the under listed sanctions on a Fixed Income Dealer found to have contravened any provisions of the Rules and Regulations of The Exchange:

(a) Admonition;
(b) Public Censure;
(c) Fine;
(d) Restitution Order;
(e) Suspension on such terms and for such period as The Exchange may deem fit;
(f) Revocation of Trading License;
(g) Placing a caution on a Fixed Income Dealer’s proprietary account through the applicable Central Securities Depository.

7.2 Where the rules are silent on any breach, The Exchange may impose such penalty or sanctions as it may deem appropriate in the circumstances.

8.0 APPLICABILITY

The Rules that govern Trading License Holders of The Exchange shall apply to Fixed Income Dealers, except where excluded by The Exchange herein, or through other means of communication used by The Exchange.
APPENDIX 1

TEMPLATE LETTER OF EXPRESSION OF INTEREST TO OPERATE
AS A FIXED INCOME DEALER ON THE EXCHANGE

*Letter to be on Applicant’s Letterhead

Date /Month/Year

The Chief Executive Officer
Nigerian Exchange Limited
Nigerian Exchange Group House
2/4 Customs Street
Marina, Lagos

Attention: Secondary Markets Department

Dear Sir:

Letter of Expression of Interest to operate as a Fixed Income Dealer on Nigerian Exchange Limited

“Company name” will like to express its interest to operate as a Fixed Income Dealer on Nigerian Exchange Limited (NGX).

Company provides a brief overview of its business, experience in the capital market and reasons for its intention to acquire NGX’s Fixed Income Dealer trading license.

Please find attached the required documents for ‘Company name” Fixed Income Market membership application.

(Company lists the document provided to Nigerian Exchange Limited)

(Company inserts a closing statement.)

Yours sincerely,

Signature
Name of Signatory
Designation of Signatory