

RULES OF NIGERIAN EXCHANGE LIMITED

RULES ON THE MANAGEMENT OF CLIENTS' INACTIVE ACCOUNTS **BY TRADING LICENSE HOLDERS¹**

Definition:

Active Account	An account shall be classified as active if transactions are carried out on the account at least once every three (3) years either by the client or the firm on the discretionary mandate authorised by the client for three (3) years or such period as defined in law without any activity.
Activity	Any valid transaction on an investor's trading account. This includes honoring a client's mandate for purchase or sale of a security, withdrawal from account or deposit for the purchase of a security or any ancillary services paid for by the client.
Inactive Account	An account shall be classified by the Trading License Holder as inactive if there have been no transactions on an investor's trading account for a period of three (3) years after the last transaction.
Key Officers	These include the Compliance Officer, the Head of Operations and the Managing Director/Chief Executive Officer of a Trading License Holder.
Know Your Client	Also called "Know Your Customer" or "KYC". Refers to the process of establishing the true identity of a potential client before opening an account, and periodically over the lifetime of the business relationship between the Trading License Holder and the client, in compliance with the applicable laws, rules, regulations and procedures governing the activities of Trading License Holders.
Reactivation	The act or process of restoring an investor's trading account from Inactive status to Active status in line with these Rules.
In-house Position	Means the internal record of the activities on an investor's account domiciled with the Trading License Holder.

¹ Rule Making History

- The draft Rules were presented to the Regulation and New Business Committee of NGX Regulation Limited (RNBC) at the RNBC meeting of 23 November 2021, and approved for exposure to stakeholders for comments;
- The draft Rules were exposed for stakeholders' comments from 3 December to 24 December 2021;
- The RNBC considered the draft Rules and stakeholders' comments thereon at its meeting of 8 February 2022 and approved the draft Rules for submission to the Board of NGX Regulation Limited (NGX RegCo);
- The Board of NGX RegCo approved the draft Rules at its meeting of 29 April 2022 for submission to the Securities and Exchange Commission (SEC);
- The Board-approved Rules were submitted to the SEC for approval on 7 June 2022; and
- The SEC approved the Rules on 4 November 2024.



1. Valid Transactions on an Account

An investor may engage in any of the following activities to keep its account active:

- a. Buy shares;
- b. Sell shares;
- c. Withdraw cash from account; or
- d. Pay into the client account with a Trading License Holder;

2. When an Account Becomes Inactive

An account shall be classified as Inactive when:

- a. There has been no valid transaction on the account for three (3) uninterrupted years after the last initiated transaction;
- b. All efforts (email, telephone call, letter etc.) by the Trading License Holder to contact the client within a period of three (3) years after the last initiated transaction have been unsuccessful; and/or
- c. A client withdraws from a trading account, and subsequently there is no valid transaction on the account for a continuous period of three (3) years.

3. Restriction of Inactive Accounts

A Trading License Holder shall implement the following restrictions on an Inactive account and said restrictions shall remain in place until and unless there is a Reactivation of the account:

- a. The account shall be classified/marked as “Inactive”;
- b. The account shall be restricted from transactions resulting in an outflow;
- c. The client shall be prohibited from changing its bank account from the one disclosed during its on-boarding or subsequent account updates prior to the inactivity of the account;
- d. The account shall have no access to any/all forms of online or digital trading platforms;
- e. The client shall not be permitted to change its address, electronic mail address or telephone number on record with the Trading License Holder;
- f. The client shall not be permitted to transfer the inactive account to another house;
- g. There shall be no modification of signatures in the mandate instruction applicable to the Inactive account or change of signatories; and
- h. There shall be no addition or deletion of a joint holder to the account.



4. Responsibilities of Trading License Holders on the Treatment/Operation of Inactive Accounts

Trading License Holders shall:

- a. not carry out discretionary activities on Inactive brokerage accounts.
- b. monitor accounts that are Inactive and initiate appropriate actions for their reactivation or protection from inappropriate or unauthorised access or usage. Such actions shall include, but not be limited to any of the following: contacting the account holders by Short Message Service (SMS), Electronic Mail (e-mail), physical visits, or phone calls.
- c. inform their clients (individuals, corporate and estate) clearly in writing at the start of a business relationship, and on further occasions where practicable about the consequences of account inactivity.
- d. educate the client about his or her responsibility to avoid account inactivity by, informing the firm of any changes in client's contact information or details of the client's next of kin whom the firm may contact in case of inactivity.
- e. notify their clients about the lack of transactions in their account prior to the classification of the client's accounts as Inactive.
 - i. Provided that notification shall not be regarded as a condition precedent to the classification of an account as inactive. Failure to notify a client in advance shall not be a bar to the classification of the client's account as an Inactive Account, in line with these Rules. Three (3) months before classifying an account as Inactive, the Trading License Holder shall notify the individual account holder(s), via their registered e-mail address(es) or via Short Messaging Service (SMS) to their registered telephone lines of the potential inactivity of the account.
 - ii. For corporate accounts, the Trading License Holder shall contact the entity through its designated authorised signatories via the registered e-mail addresses or via Short Messaging Service (SMS) to telephone lines registered by the client with the Trading License Holder three (3) months before classifying an account as Inactive.
 - iii. In a case of Government owned Inactive Accounts, Trading License Holders shall notify the relevant Government institution of the potential inactivity of the account via the registered e-mail address(es) or Short Messaging Service (SMS) to the telephone lines registered by the client with the Trading License Holder three (3) months before classifying an account as Inactive. The notification shall direct the investor to contact the Trading License Holder for Reactivation and provide a link to a web page on the Trading License Holder's website containing information about the account reactivation process should the account become inactive.



- f. continue to reflect the accounts in its books as accounts with credit balances until they are eventually drawn on the clients' instructions following Reactivation.
- g. retain the in-house records of all Inactive Accounts in line with the applicable rules of the Exchange, irrespective of duration of the inactivity, and shall reactivate such accounts upon request by the bona fide account holder or his/her legitimate representatives.
- h. maintain a Board approved policy on Inactive Accounts which shall include the objectives of the policy, procedure/process of handling Inactive accounts and their reactivation, controls after activation of the account, the review of the policy, approval authority and the method of communicating the policy.

5. Requirements for Reactivation of Inactive Accounts

- 5.1 No account shall be reactivated unless due diligence is undertaken by the Trading License Holder in accordance with the applicable KYC process, and documents requested from the client such as those required for updating the KYC requirements are provided as follows:
 - a. Evidence of ownership of account including: correspondences with the Trading License Holder during account opening, receipt of initial payment for purchase of securities or activation of the account or any other document(s) required to show ownership;
 - b. Valid means of identification;
 - c. Proof of Address; and
 - d. Duly completed reactivation request form which should disclose the Bank Verification Number (BVN), telephone number, electronic mail address, National Identity Number (NIN) and postal address (as applicable).
- 5.2 After verifying the updated KYC details of its client and obtaining the relevant approvals from its key officers, the Trading License Holder, shall reactivate the account within twenty-four hour (24) hours of confirming relevant information provided by the investor.

6. Treatment of Balance in an Inactive Account

- a. Where any funds in an Inactive account remains in the books of the Trading License Holders for the minimum period, the Trading License Holder shall ensure that such funds are held in safe custody in the firm's designated client account until the bona fide client makes a claim on it.
- b. Each Trading License Holder shall use all reasonable care to safeguard the funds of the clients in its custody.
- c. Employees of Trading License Holders shall uphold the confidentiality of clients' accounts and shall not disclose any information in clients' accounts.



- d. Trading License Holders shall keep such books and records as shall be necessary to show and distinguish in connection with its business as a Trading License Holder:
 - i. Funds received from and funds paid to clients; and
 - ii. Funds received from or on account of the Trading License Holder, and funds paid to or on account of the Trading License Holder.
- e. Every Trading License Holder shall maintain a record showing the details of the Inactive account (s) in which funds are held; and such records shall be submitted on a quarterly basis to the Securities and Exchange Commission and The Exchange after an account has been classified inactive.

7. Sanctions

- a. Any Trading License Holder that, without cause, unduly delays or fails to facilitate the reactivation of clients' inactive accounts in line with the provisions of these Rules shall be liable to a minimum fine of Five Thousand Naira (₦5,000) for each account.
- b. Any Trading License Holder that fails to maintain adequate records of inactive accounts, and remit reports on same to The Exchange upon its request shall be liable to a fine of Fifty Thousand Naira (₦50,000).