

NOTIFICATION OF ADDITIONS AND AMENDMENTS TO THE RULES OF NIGERIAN EXCHANGE (ISSUERS' RULES) AND INVITATION FOR COMMENTS

I. INTRODUCTION

Nigerian Exchange Limited ("The Exchange") is proposing the following additions / amendments to the Rules of The Exchange:

- (a) Rules for Migration of Listed Securities from one Board of The Exchange to Another;
- (b) Amendments to Rules Governing Free Float Requirements for Issuers Listed on Nigerian Exchange Limited; and
- (c) Amendments to Rules for Cross Border Listing on The Exchange.

II. SUMMARY OF THE PROPOSED RULE AMENDMENTS/ADDITIONS

(a) Rules for Migration of Listed Securities from one Board of The Exchange to Another

NGX Regulation Limited (NGX RegCo) recently conducted a gap analysis on the Issuers' Rules of Nigerian Exchange Limited ("NGX" or "The Exchange"). One of the gaps revealed during the analysis is that there are currently no provisions in the Rules that regulate or address the migration of listed securities from one Board of The Exchange to another.

To address this lacuna and to foster NGX's commitment to continuously making its Rules more user friendly, easier to understand and aligned with global best practices in light of the peculiarities of the Nigerian market, The Exchange is proposing an addition to its Rules in this regard. This proposed Rule addition will provide in clear terms the prerequisites for migration of Issuers' securities from one Board of the Exchange to another. It is envisaged that this development will ensure that Issuers, advisers and other stakeholders understand the requirements and process of migrating their securities between different Boards of The Exchange.

(b) Amendments to Rules Governing Free Float Requirements for Issuers Listed on Nigerian Exchange Limited

As an integral part of The Exchange's strategy to deepen the liquidity and efficiency of the market, after a thorough review of its Free Float Rules, The Exchange has identified that:

- (i) In spite of previous amendments to the Rules with regard to creating alternative requirements based on market capitalization, as opposed to relying solely on minimum percentage requirements, many Issuers still struggle to comply with the free float requirements; and

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Board of Directors

Chairperson: Mrs. Catherine Echeozo | CEO: Ms. Tinuade Awe | Directors: Mr. Ebilale Mac-Yoroki, Mr. Edo-Abasi Bassey Ukpong, Mrs. Foluke Oyeleye, Ms. Salamatu Hussaini Suleiman

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- (ii) When the Issuers become deficient, they experience significant challenges with returning to full compliance status with the free float requirements in spite of the number of extensions granted to enable them to resolve their free float issues.

In a bid to fully understand the reason for the above anomaly and the degree to which compliance with its Free Float Rules are perceived by its stakeholders to have become burdensome, NGX RegCo conducted research into other jurisdictions' free float requirements and their treatment of free float deficiencies, and the findings are incorporated into the proposed amendments.

Furthermore, the proposed amendments will among other things, introduce changes to the free float requirements for NGX's Main Board and its Growth Board, provide enforcement actions against deficient companies, outline compliance requirements for monitoring them, as well as specify the timelines for granting extension of time to cure free float deficiencies. We believe that the proposed amendments will make the requirements less stringent, strengthen related risk management and internal control processes within Issuers' operations, and engender increased compliance by them.

(c) Amendments to Rules for Cross Border Listing on The Exchange

The Exchange is proposing certain amendments to its Rules for Cross Border Listing, with a view to enhancing the Rules and to making them easier to navigate. Specifically, the underlisted matters which were also identified during the recently conducted gap analysis of the Issuers' Rules will be addressed:

- (i) the existence of listing fees in the Appendix to the Cross Border Listing Rules; and
- (ii) the presence of various dispensable provisions such as Cross Border Listing Regulatory Agreement; In-Bound Listing; and Capital Raising by Issuer with Secondary Listing; and Fast-Tracking Listing Process, which are being reviewed with other stakeholders in order to have a robust process.

Having considered the uncertainty and unnecessary complexity that the foregoing provisions may pose, The Exchange is proposing to expunge them from its Rules. The proposed amendments in addition to providing clarity as to the entities that the Rules are applicable to, the proposed amendments will introduce changes to the General Requirements applicable to Overseas or Foreign Issuers to ensure compliance with global best practice.

III. INVITATION FOR COMMENTS

NGX RegCo is pleased to invite you to participate in its rule making process. Your participation is required by way of reviewing the proposed Rule additions and amendments; and providing your comments on them. The proposed Rule additions and amendments may be viewed by clicking on the hyperlinked texts provided below:

- (a) [Rules for Migration of Listed Securities from one Board of The Exchange to Another](#);
- (b) [Amendments to Rules Governing Free Float Requirements for Issuers Listed on Nigerian Exchange Limited](#); and
- (c) [Amendments to Rules for Cross Border Listing on The Exchange](#).



The Exchange views your participation as important for the following reasons:

- To create public awareness and solicit the public's feedback on the proposed Rule additions / amendments; and
- To improve the quality of the proposed Rule additions / amendments and thereby have a robust, well written set of Rules.

We are involving as many stakeholders as possible in this commentary process in order to achieve the aforementioned goals. Please be assured that your comments will be considered in arriving at the final text of the Rule additions / amendments.

IV. RESPONSE AND TIMELINE

We will be grateful to receive your comments not later than the close of business on Thursday, 5 October 2023. Please provide your comments in a **Microsoft Word document** attached to an electronic mail to Mr. Oluwatoyin Adenugba, Head, Rules and Adjudication at NGX RegCo via oadenugba@ngxgroup.com, **with copy to** rad@ngxgroup.com.

V. APPROVALS

Please note that the draft Rule additions / amendments are subject to approvals by the Securities and Exchange Commission and NGX RegCo's Board.

Tinuade T. Awe,
CEO | NGX Regulation Limited
14 September 2023