



RULEBOOK OF THE NIGERIAN STOCK EXCHANGE
(ISSUERS' RULES)

PROPOSED RULES FOR LISTING OF CLOSED-END FUNDS (CEFs)
ON THE NIGERIAN STOCK EXCHANGE

0.0 Introduction

- 0.1 The proposed Rules for listing of Closed End Funds (CEFs) are designed to be a practical guide to the listing of CEFs on The Exchange.
- 0.2 A CEF is a security that offers its shareholders partial ownership in an underlying portfolio of assets. CEFs are publicly traded and initially raise capital through an initial public offering, the proceeds of which are invested in a basket of securities. As the name implies, CEFs will be closed to new investors wishing to purchase shares from the company once the initial shares are issued. However, existing investors can trade CEFs at market prices on the floor of The Exchange. A unit holder who wants to redeem his unit(s) for cash will have to do so through his stockbroker.
- 0.3 CEFs are beneficial for investors because they are professionally managed by a fund manager, allow for portfolio diversification, regular income and access to liquidity. CEFs may pay out periodic dividends to shareholders and can trade at a discount or a premium to the Net Asset Value (NAV) depending on the demand for them.
- 0.4 Given that the number of shares are fixed, CEFs can invest fully, in either short or long term securities which may result in higher returns for investors. The fixed capital base allows the Fund Manager follow the fund's investment strategy without having to manage inflows or redemption requests.
- 0.5 CEFs trade like regular shares and can therefore utilize any of the stock trading methods acceptable to The Exchange, including market/limit orders. This flexibility gives investors the ability use real-time information to make investment decisions.

1.0 Definitions

- "At the Market" At-the-market offerings allow a closed-end fund to raise capital quickly by selling newly issued shares into the natural trading flow of the market, without having to announce the offering.
- "CEF or Fund" means Closed-End Fund and is defined as a pooled investment fund, where a fixed amount of capital is raised through an initial public offering and the portfolio is run by a Fund manager.



- “Fund Manager” means a duly authorized person assigned to manage the Fund’s investment portfolio and administer the affairs of the CEF.
- “Investment Policy” this is the principle adopted by the Issuer that defines the parameters for its funds investment, asset management, and identifies its investment objectives, risk tolerance, investment constraints, and the method of managing and monitoring its investment.
- “Liquidation” occurs when a Managing Company has decided to sell off the fund's assets and distributes the proceeds to the fund’s shareholders.
- “Managing Company or Issuer” an investment company that specializes in the management of publicly traded CEFs.
- “Net Asset Value” this is the value of a fund share, derived by subtracting the fund’s liabilities from its total assets and then dividing by the number of outstanding shares. This value is usually updated daily after the close of market
- “Registrar” means “registrar” defined in the Investments and Securities Act.
- “Trust Deed” is the agreement between the Fund Manager and the Trustee, which governs the management of a Unit Trust Scheme.
- “Trustee” means “trustee” defined in the Investments and Securities Act.
- “Unit Trust” is a form of collective investment constituted under a trust deed, which pools investors’ money into a single fund that is managed by a fund manager.

2.0 General Requirements for Listing of CEFs

- 2.1 An application for listing shall be made to The Exchange by a Managing Company duly licensed by the Securities and Exchange Commission (SEC or the Commission).
- 2.2 The CEF and its securities shall be duly registered by the SEC.
- 2.3 An application for listing of a CEF on The Exchange shall be submitted in the form set out in Appendix I (Form of Application for Listing of Unit Trusts), or as prescribed by The Exchange from time to time.
- 2.4 The CEF shall have a Board of Directors which shall exclude the employees of any Fund Manager appointed to manage the Fund’s investments. At least one director shall be an Independent Director.



- 2.5 The minimum fund size shall be at least ₦3 billion and the units shall be:
- (a) Fully paid;
 - (b) Free from all lien; and,
 - (c) Freely transferable.
- 2.6 The CEF shall have at least two hundred (200) unit holders and a minimum free float of fifteen percent (15%) with no more than fifty percent (50%) of its shares held by five (5) or fewer persons.
- 2.7 Each CEF shall appoint the following parties:
- (a) Fund Manager; and
 - (b) Registrar.

3.0 Documents Required for Listing of CEFs

- 3.1 Certified copy of the license issued by the SEC to the Managing Company to set up/ manage the Fund.
- 3.2 An application to list units of a CEF, either through an Offer for Subscription or Listing by Introduction, shall include the following documents which shall be submitted by the applicant:
- (a) A copy of the SEC's letter approving the listing/issue;
 - (b) A certified copy of the resolution of the Board of Directors of the Managing Company;
 - (c) One (1) copy of the prospectus which shall include:
 - (i) General information on the fund;
 - (ii) The securities for which application is being made;
 - (iii) Valuation provisions;
 - (iv) The fund's investment policy;
 - (v) The fund's directors and service providers;
 - (vi) Risk factors and conflicts of interest;
 - (vii) Fees and expenses;
 - (viii) The fund's assets and financial position including audited financial statements where available; and
 - (ix) Other information as may be required by the SEC and The Exchange.



4.0 Continuing Obligation for CEFs

- 4.1 To retain its listing on The Exchange, each CEF shall comply with the continuing obligations stipulated by The Exchange. These include but are not limited to complying with relevant provisions in The Exchange's Rules, and carrying out the following:
- (a) The Board of Directors of the Managing Company shall effectively monitor and manage the performance of its key service providers, including any fund manager appointed by the Issuer, on an on-going basis.
 - (b) The control of insider information and compliance with the Disclosure and Transparency Rules, including the disclosure of price sensitive information through The Exchange's Issuers' Portal.
 - (c) Compliance with the SEC code of Corporate Governance.
 - (d) Maintaining the minimum free float requirement;
 - (e) Publishing an investment policy that contains guidelines for managing its assets which shall include the following:
 - (i) Investing and managing its assets in accordance with the published investment policy at all times;
 - (ii) Submitting any proposed material change to its published investment policy to The Exchange for approval; and
 - (iii) Obtaining prior approval of its shareholders to any material change to its published investment policy after securing The Exchange's approval.
 - (f) Publishing its annual financial report not later than ninety (90) days after the end of each financial year, and its quarterly financial report within thirty (30) days after the relevant quarter end. The annual report shall contain, but not limited to the following:
 - (i) A detailed statement of investment objectives and policies and the manner in which those policies have been carried into effect (where applicable);
 - (ii) The management fees or any other direct or indirect fees and reimbursements paid to the Managing Company to be shown separately under gross expenses of the CEF;
 - (iii) Analysis of realized and unrealized surpluses separately stating the profits and losses as between listed and unlisted investments;



- (iv) A statement that the Board of the Managing Company has complied with, and is in compliance with all the requirements imposed by the SEC and The Exchange's Rules, the Prospectus and any directive issued by the SEC and The Exchange from time to time;
- (v) Names of persons who during the financial year were members of the Board of the Managing Company;
- (g) Submitting key performance indicators on a monthly basis, which shall disclose:
 - (i) Opening Net Asset Value;
 - (ii) Closing Net Asset Value;
 - (iii) Net Income;
 - (iv) Distributions;
 - (v) Net Asset Value/Unit;
 - (vi) Premium/Discount;
 - (vii) Earnings/Unit;
 - (viii) Distribution/Unit;
 - (ix) Total Return NAV (%);
 - (x) Total Return Market Price (%);
 - (xi) Distribution Yield (%NAV);
 - (xii) Distribution Yield (% Price); and
 - (xiii) Expense Ratio.
- (h) The Issuer shall immediately notify The Exchange of the following information relating to the operation of the Fund:
 - (i) Any amendment made to the Prospectus with a confirmation from the Managing Company that such amendment/s have been approved by the SEC.
 - (ii) Any transaction involving the issuance or potential issuance of any securities other than unlisted, non-voting, and non-participating securities.
 - (iii) Any change to the information submitted to the SEC for the purposes of granting the license to the Managing Company to operate the Fund, and the renewal of such license.
 - (iv) Any SEC approval or rejection of any material change to the Fund.
 - (v) Appointment of an alternate Managing Company.
 - (vi) Any regulatory action taken against the CEF by the relevant authorities.



- (vii) Any dividend to be paid and when determined. The announcement should include details of the units, payment date for the dividend, dividend per unit and applicable financial year.
- (viii) The extension of the CEF beyond the originally stated termination date.
- (i) No more than ten percent (10%), in aggregate, of the value of the total assets of an applicant at admission shall be invested in other listed CEFs.
- (j) The restriction in (i) does not apply to investments in CEFs which themselves have published investment policies to invest no more than fifteen percent (15%) of their total assets in other listed closed-ended investment funds.
- (k) Paying an annual listing fee as prescribed by The Exchange from time to time.
- (l) Reporting the CEF's NAV on a daily basis.
- (m) Disclosing any:
 - i. use of derivatives in their monthly and annual reporting, and
 - ii. resulting leverage to the CEF brought about by their derivatives positions.

5.0 Treatment of Share Classes of Closed-End Funds

- 5.1 An existing listed class of equity shares of the CEF shall not be converted into a new class or an unlisted class unless prior approval has been given by the shareholders of that existing class in the CEF.
- 5.2 Unless authorised by its shareholders, a CEF shall not issue further of the same class as existing shares (including issues of treasury shares) for cash at a price below the net asset value per share of those shares unless the shares are first offered pro rata to existing holders of shares of that class.
- 5.3 When calculating the net asset value per share, treasury shares held by the CEF shall not be taken into account.

6.0 Additional Listings of a Closed-End Fund

- 6.1 Every listed CEF shall immediately notify The Exchange in writing of any transaction involving the issuance or potential issuance of any securities other than unlisted, non-voting, or non-participating securities.



- 6.2 A CEF shall not proceed with any transaction under this Rule unless approved by The Exchange. Failure to comply with this provision may result in the suspension and/or delisting of the listed Issuer's securities.
- 6.3 The Exchange will advise the Issuer in writing within three (3) business days of receipt of the notification required under Rule 6.1, of its decision to accept or not to accept the notice, indicating any conditions of acceptance or its reasons for non-acceptance. Further information or documentation may be requested before The Exchange decides to accept or not accept the notice of transaction.
- 6.4 Where an Issuer proposes to enter into a transaction which requires notification under Rule 6.1, any public announcement of the transaction shall disclose that the transaction is subject to The Exchange's acceptance or approval.
- 6.5 The Issuer may wish to have an at-the-market offerings and appoint a distribution agent for the at-the-market offering who will not be a principal underwriter.

7.0 Share Buy Back of a Closed-End Fund

- 7.1 The Issuer may repurchase or otherwise acquire units of admitted securities previously issued by it, in accordance with the Rules and Regulation of the Commission, or other applicable legislation
- 7.2 The Issuer shall release a Circular relating to a resolution proposing to give the Issuer authority to purchase units of its own securities, and the Circular shall indicate:
- a) if the authority sought is a general one, a statement of the Board of Directors' or trustees intentions about using the authority;
 - b) the method by which the Issuer intends to acquire the units and the number to be acquired in that manner;
 - c) a statement of whether the company intends to cancel the units or hold them in treasury;
 - d) if the authority sought is related to a proposal to purchase from specific parties, in which case, a statement setting forth the names of the persons from whom units are to be acquired together with all material terms of the proposal shall be provided;
 - e) details of the price, or the maximum and minimum price, to be paid. This should be no less than the CEF's NAV determined as of the specified date;
 - f) an explanation of the potential impact of the proposed buyback, including whether control of the CEF may be concentrated following the proposed transaction.
- 7.2 The Issuer may be allowed to repurchase between five percent (5%) and fifteen percent (15%) of its outstanding units pursuant to a general authorization by the unit holders that



such repurchase shall be carried out by way of a tender offer to all unit holders of that class.

- 7.3 Purchases of more than fifteen percent (15%) of its shares may be made by a CEF, other than by way of a tender offer, provided that the full terms of the buyback have been specifically approved by unit holders
- 7.4 Notwithstanding any of the foregoing provisions, no share buy-back shall result in a breach of the fifteen percent (15%) free float requirement.

8.0 Procedure for the Liquidation or Termination of a Closed-End Fund

- 8.1 A Closed-End Fund shall only be liquidated as stipulated in its prospectus.
- 8.2 The Managing Company shall file with The Exchange a declaration confirming the Issuer's compliance with all applicable Rules in performing its obligations to the holders of units with regard to the distribution of the proceeds of the realization of the Fund, and shall request The Exchange to cancel the units listed on The Exchange.
- 8.3 In the event that the termination date is extended, The Exchange and the public shall be notified by the Issuer and security holders shall be allowed to redeem securities at NAV on or about the original termination date.

9.0 Sanctions

Where at any time, an Issuer fails to comply with any of the CEF Listing Requirements or Continuing Obligations as set out in these Rules, or prescribed by The Exchange from time to time, The Exchange may impose all or any of the following sanctions:

- (a) Suspend and/or delist the CEF from trading on The Exchange;
- (b) Make an announcement advising the market of this fact;
- (c) For failure to file its accounts within the timelines prescribed in these Rules, the Issuer shall be liable to pay a fine of:
 - (i) Ten Thousand Naira (~~₦~~10,000) per week for the first ninety (90) calendar days of non-compliance.
 - (ii) Thereafter, a fine of Twenty Thousand Naira (~~₦~~20,000) per week, in addition to any other additional sanction(s) as may be determined by The Exchange.