



RULEBOOK OF THE NIGERIAN STOCK EXCHANGE
(ISSUERS' RULES)

PROPOSED RULES FOR LISTING OF COMMERCIAL PAPERS ON
THE NIGERIAN STOCK EXCHANGE

INTRODUCTION

Features

- i. A Commercial Paper (CP) is an unconditional promise by an Issuer to pay to the order of an investor, a certain sum at a future date.
- ii. The purpose of a CP is primarily to raise working capital, re-finance short term assets or other short term needs.
- iii. The tenor of a CP should be short term in nature with maturities ranging between fifteen (15) days and Two Hundred and Seventy (270) days, including rollover, from the date of issue.
- iv. The CP can be issued at a discount to its nominal value, or can be interest bearing.
- v. CPs can be asset backed or unsecured.
- vi. CPs are redeemable on maturity and cannot be pre-liquidated.

1.0 GENERAL REQUIREMENTS

1.1 Mode of Issuance

- 1.1.1 CPs issued by regulated financial institutions may be directly placed by the Issuer but other non-financial CPs shall be placed by the Dealer.
- 1.1.2 An Issuer can register a Programme and issue its CPs in tranches with possibility for re-openings of existing issues.
- 1.1.3 All CP rollovers will be treated as a new issue.

1.2 Registration of CPs

- 1.2.1 All CPs issued for listing on The Exchange shall be registered with Central Securities Clearing System Plc. (CSCS), or any other central securities depository (CSD) licensed by the Securities and Exchange Commission (SEC).
- 1.2.2 CSCS or such licensed CSD shall serve as the custodian of all CP issues, and the central depository for all dematerialized instruments.
- 1.2.3 All CPs listed on The Exchange shall be held in dematerialized form.

1.3 Denominations of CPs

- 1.3.1 The minimum value for any CP issue is One Hundred Million Naira (₦100,000,000) and in multiples of Fifty Million Naira (₦50,000,000), thereafter.
- 1.3.2 The aggregate amount of a CP in issue shall be within the limit approved by an Issuer's board of directors.

1.4 Underwriting of CPs

- 1.4.1 An Issuer may underwrite the issuance of its CPs.
- 1.4.2 Where a CP issue is underwritten,
 - (i) the type of underwriting shall be stated in the offer document, and
 - (ii) the CP issue shall meet the minimum subscription requirements prescribed in these Rules.

1.5 Credit Enhancements

- 1.5.1 Central Bank of Nigeria (CBN) licensed Banks may provide CP Issuers with credit enhancement by way of full or partial stand-by credits or guarantees to the issue;
- 1.5.2 Where the issuer's credit risk of a CP guaranteed by a bank crystallizes, the guarantor bank as the secondary obligor of the instrument shall redeem its guarantee of the instrument by disbursing funds to the beneficiary investor immediately.
- 1.5.3 The issuer shall provide relevant documents from the guarantor of a CP for assessment by The Exchange. Such documents shall include but are not limited to the following:
 - (i) Guarantee Agreement executed by deed;
 - (ii) Last Audited Financial Reports; and
 - (iii) Credit rating report of the guarantor (not below investment grade).
- 1.5.4 Guarantees shall be carried as contingent liability off balance sheet in the financial accounts of the guarantor, and each guarantor must ensure that applicable accounting standards are adhered to.

1.6 Subscription Level

- 1.6.1 The minimum level of subscription for an Issue shall be stated in the Offer Documents by the Issuer.
- 1.6.2 Where a minimum level of subscription for an issue has not been stated in the Offer Documents, a subscription level up to Fifty per cent (50%) of the amount approved by the Issuer's board of directors is permissible.
- 1.6.3 Where the requirements of (a) and (b) above are not met, the Issuing and Paying Agents (IPA), shall prior to allotment of units of the CPs, provide a signed attestation that investors have been informed about the under-subscription, failing which, the issue shall be aborted.
- 1.6.4 Unless otherwise permitted, where any CP issue is under-subscribed and cannot meet the minimum subscription requirement in (a), (b) and (c) above, the issue shall be aborted and any consideration received for the purposes of subscription, where applicable, shall be returned to all investors within two (2) business days.
- 1.6.5 The minimum subscription requirement will not apply to tranches of a CP issuance programme.

1.7 Investors

- 1.7.1 Potential investors who may subscribe to a CP issue are as listed below:
 - (i) Individuals,

- (ii) Corporate Bodies,
- (iii) Unincorporated Bodies,
- (iv) Non-resident Nigerians,
- (v) Foreign Institutional Investors.

1.7.2 Clean CPs i.e. where the CP is not secured or guaranteed by the bank, shall be sold to only institutional investors or high net worth individuals with asset value in excess of Three Hundred Million Naira (₦300,000,000).

1.7.3 Secured or Guaranteed CPs can be sold to all classes of investors.

1.8 Credit Rating

1.8.1 Prior to accepting a CP for listing, each Issuer or specific CP issue shall be rated by a Credit Rating Agency (CRA) registered in Nigeria, and recognized by the Securities and Exchange Commission (SEC), or such other international agency acceptable to The Exchange.

1.8.2 The Issuer or the issue shall receive a minimum of investment grade credit rating, and submit evidence of such rating to The Exchange.

1.9 Credit Rating Agency

1.9.1 The CRA shall have the discretion to determine the validity period of the rating depending upon its perception about the strength of the Issuer or specific CP issue. Accordingly, a CRA shall at the time of rating, clearly indicate the date by which the rating will be due for review.

1.9.2 While a CRA may decide the validity period of the credit rating, it is required to closely monitor the rating assigned to Issuers vis-a-vis their track record at regular intervals and intimate the Issuer of any revision in the rating, particularly when the rating is due for review. The Issuer shall notify The Exchange of the details of such revision by the CRA within forty eight (48) hours of the Issuer becoming aware of the revision.

2.0 LISTING REQUIREMENTS

2.1 Appointment of the Issuing and Paying Agent (IPA)

2.1.1 Each Issuer of CPs shall appoint an IPA, who shall be a Dealing Member of The Exchange, to sponsor its application to list its CP on The Exchange.

2.1.2 The relationship between the IPA and Issuer must be clearly stated in the Agreement executed between both parties and any mandate letters made pursuant to the Agreement.

2.2 Eligibility Criteria for Issuers

- 2.2.1 The Issuer shall be a registered company that has been in business for not less than five (5) years prior to the date of the application to list.
- 2.2.2 The Issuer shall have not less than three (3) years' operating track record prior to the date of its application to list.
- 2.2.3 The Issuer shall have three (3) years audited financial statements, the most recent not older than nine (9) months from the Issuer's last financial year end.
- 2.2.4 Where the CP is guaranteed, the Issuer shall hold an approved credit line with a licensed Nigerian Bank who acts as guarantor.
- 2.2.5 The Issuer's shareholder's funds (unimpaired by losses) shall not be less than Five Hundred Million Naira (₦500,000,000.00) as evidenced by its latest audited accounts and shall be maintained at or above that level for the period any of its CPs remains outstanding.
- 2.2.6 The Issuer's total indebtedness, including the new issue of CP should not exceed Four Hundred per cent (400%) of the Issuer's net worth (or gearing ratio of 4:1) as at the date of its latest audited accounts.
- 2.2.7 The Issuer shall have no overdue loans or defaults in its credit information report (CIR) obtained from a Credit Bureau duly licenced by the CBN, and the said report shall not be more than two (2) weeks old as at the date of the application.
- 2.2.8 Notwithstanding the provisions stated above, where the Issuer is a Special Purpose Vehicle (SPV) set up for the purpose of issuing asset-backed CPs, the following eligibility criteria shall apply:
 - (i) The SPV shall provide predictable cash-flows of the underlying assets.
 - (ii) The SPV shall attain a credit rating of investment grade or higher from a rating agency registered in Nigeria or any international rating agency acceptable to the CBN.

2.3 Documents Required for a CP Listing Application

The Issuer shall provide an Information Memorandum detailing the following:

- 2.3.1 Issuer's letter of expression of interest to list the CP on The Exchange;
- 2.3.2 An Issuer whose securities are not already listed on The Exchange shall provide:
 - (a) a certified true copy (CTC) of its Memorandum and Articles of Association; and
 - (b) a CTC of the Certificate of Incorporation of the Issuer;
 - (c) a company profile detailing the following:
 - (i) Name, registered office address, principal activity, legal form, business sector, organisation structure, subsidiaries, associates, factory/branch locations, and products/services;
 - (ii) Description of the shareholding structure of the Issuer, showing major shareholders (i.e. owning above five per cent (5%)) together with a Corporate Affairs Commission (CAC) CTC of the Issuer's most recently filed



- CAC Form 2 (Statement of Share Capital and Return of Allotment of Shares);
- (iii) Average number of persons employed by the Issuer during the year;
 - (iv) Short profiles of the current members of the Issuer's board of directors and management team together with a CTC of the Issuer's most recently filed CAC Form 7 (Particulars of Directors);
 - (v) List of changes in the composition of the board of directors and management team during the year, if any.
- 2.3.3 Latest audited annual reports and accounts, not older than nine (9) months from the last financial year end;
- 2.3.4 Issuer's most recent unaudited interim reports and accounts;
- 2.3.5 Charges on the Issuer's cash flows with details of charges on assets and cash flow;
- 2.3.6 Details of the Issuer's current debt profile by type, purpose and maturity dates;
- 2.3.7 Copies of any offer letters and agreements in respect of the Issuer's existing borrowings;
- 2.3.8 Details of any litigations/claims currently involving the Issuer;
- 2.3.9 Evidence of the limit of the Issuer's borrowing powers, if any;
- 2.3.10 Credit information report by a CBN-licenced credit bureau;
- 2.3.11 Evidence of payment of The Exchange's application fee for listing the CPs;
- 2.3.12 Signed General Undertaking to abide by all The Exchange's Rules and Regulations, and to pay all relevant fees;
- 2.3.13 Issuer's Board Resolution:
- (a) authorizing the issue of commercial papers (applicable for programme);
 - (b) indicating the aggregate amount to be raised;
 - (c) stating the purpose or usage of proceeds thereof.
- 2.3.14 Copy of Issuing and Paying agent mandate and agreement;
- 2.3.15 Copy of Guarantee/Credit Line Agreement, where applicable;
- 2.3.16 Copy of Underwriting agreement;
- 2.3.17 Issuer or Issue Credit Rating Document (not below investment grade);
- 2.3.18 Sources of repayment/funding plan for the Issue;
- 2.3.19 Details of any credit enhancement to support the CP Issue in the form of guarantee or credit lines (where applicable);
- 2.3.20 A list of all debt instruments of the Issuer having a ranking equal to or higher than the CP Issue (certified by the solicitor to the Issue/Programme);
- 2.3.21 Full financial projections (income statement, balance sheet and cash flow with notes) together with the detailed underlining assumptions for the tenor of the CP;
- 2.3.22 Reporting accountant's final report on the financial projections.

3.0 CONTINUOUS DISCLOSURE OBLIGATIONS

The Issuer shall within forty eight (48) hours of becoming aware of the information furnish to The Exchange any information that affects its creditworthiness, and shall comply with other material disclosure requirements under The Exchange's Rules.

4.0 ENFORCEMENT OF THE COMMERCIAL PAPER LISTING RULES

4.1. Where The Exchange considers that an Issuer or its directors have contravened its Rules, it may impose any one or more of the following sanctions:

- (a) Fines;
- (b) Suspension of trading of the CP;
- (c) Delisting of the CP from the Daily Official List of The Exchange;
- (d) Public Censure of the Issuer, and its director(s) responsible for the contravention.

4.2. Power to Suspend or Delist a CP Listed on The Exchange

4.2.1 CP listing is granted subject to the condition that where The Exchange considers it necessary for the protection of investors or the maintenance of an orderly market, it may at any time suspend or remove the listing of any CPs in such circumstances and subject to such conditions as it thinks fit, whether requested by the Issuer or not. The Exchange may do so where:

- (i) an Issuer fails, in a manner which The Exchange considers material, to comply with these Rules (including failure to pay on time any fees or levies due to The Exchange);
- (ii) The Exchange considers that the Issuer does not have sufficient level of operations or sufficient assets to warrant the continued Quotation of its CPs on the Platform;
- (iii) The Exchange considers that the Issuer or its CP to be no longer suitable for Quotation;
- (iv) any other circumstance as The Exchange may deem fit, to suspend or delist a CP from the Daily Official List of The Exchange.

4.2.2 Where an Issuer itself seeks a suspension of trading of its CPs, its request shall be made to The Exchange by the Issuer's IPA and must be confirmed in writing. The request must be supported by specific reasons in that regard, the requested duration of the suspension, the nature of the event affecting the Issuer's activities which will be announced and the current state of events with respect to the Issuer's activities, all of which must be disclosed to The Exchange, within forty eight (48) hours of the decision so that The Exchange can assess the need for and appropriate duration of the suspension. The continuation of a suspension for a prolonged period without the Issuer taking appropriate action to obtain restoration for listing may lead to The Exchange delisting the CP from the Daily Official List of The Exchange.



- 4.2.3 A CP may be delisted forthwith without being suspended. Where The Exchange considers that a CP is no longer suitable for listing, after notification to the Issuer, The Exchange shall make an announcement naming the Issuer and specifying the period within which the Issuer shall remedy those matters which have rendered the CP unsuitable for listing. If the Issuer fails to remedy such matters within the period prescribed in The Exchange's announcement, it may delist the CP from its Daily Official List.

4.3. Discipline of the IPA

Failure by an IPA to comply with the provisions of these Rules shall incur one or more of the following penalties:

- (a) Fines;
- (b) Suspension on such terms and for such period as The Exchange may think fit;
- (c) Expulsion;
- (d) Blacklisting;
- (d) Public Censure.

5.0 CP LISTING PROCESS

The process for listing of Commercial Papers on The Exchange shall be as follows:

- (a) Submission of CP listing application by the Issuer, together with all relevant documents as provided in these Rules;
- (b) Review and consideration of the CP listing application by The Exchange;
- (c) Notification of the Issuer of The Exchange's approval of the CP listing application, or the outcome of The Exchange's review;
- (d) Listing of the CP on the Daily Official List of The Exchange.

**APPENDIX I
FORM OF GENERAL UNDERTAKING**

[ISSUER LETTERHEAD]

TO: THE COUNCIL OF THE NIGERIAN STOCK EXCHANGE

.....acknowledges that its CPs shall remain on the Official List of The Exchange only at the pleasure of The Exchange and hereby resolves and undertakes as follows:

1. To perform the following obligations as stated in The Exchange's Commercial Paper Listing Rules:
 - (a) Execute the necessary Agency agreement for Issuing, Placing, Paying and Collecting in respect of the Issue.
 - (b) Ensure that there are sufficient funds in the Issuer's account(s) with the IPCA/CPA to pay investors at least two (2) working days before the maturity date of the CP.
 - (c) Perform the following duties where Issuer intends to rollover the CP:
 - (i) inform the IPCA/CPA in writing at least fifteen (15) working days before the maturity of the CP; and
 - (ii) provide any information relating to the rollover as may be required by investors and forward same to The Exchange.
- For thirty (30) to sixty (60) day CPs, the Issuer shall inform the IPCA/CPA of the rollover not later than ten (10) working days before the maturity of the CP.**
- (d) Pursuant to 1(c) above, if any investor does not agree to a rollover, to repay such investors, and agree that failure to effect repayment shall result in a default.
 - (e) In the event of default in payment, pay investors interest at the agreed Default Rate stated in the offer documents until the debt to the investors have been settled in full.
 - (f) Ensure that any taxes required to be paid in connection with the issuance of the CPs have duly paid (for e.g., withholding taxes on payments made to the parties to the Issue, value added tax etc.).

- (g) Inform The Exchange, through the Issuing and Paying Agent, of any circumstance that may affect the Issuer's creditworthiness.
2. To immediately notify The Exchange of the following:
- (a) Any proposed changes in capital structure or any other corporate action that could affect the price of the CP in the market;
 - (b) Any interim reports showing the comparative figures in respect of profits before taxation and after taxation, even if this calls for qualification that such figures are provisional or subject to audit (if publicly available);
 - (c) The amount of the CP outstanding after any sale has been made (in the case of a Programme);
 - (d) Any change in the directors of the Issuer, together with a CTC of the most recently filed CAC Form 7 (Particulars of Directors);
 - (e) Any proposed changes in the terms of the Issue as contained in the Offer Documents;
 - (f) Any proposed changes to the parties to the Issue including but not limited to the IPCA or IPA and CPA, solicitor, CP Specialist and such other parties as are stated in the Offer Documents;
 - (g) Any proposed change in the general character or nature of the business of the Issuer or the group; and
 - (h) Such other information as may be necessary to enable holders of the CP to appraise the position of the Issuer.
3. To forward to The Exchange two (2) copies of:
- (a) all circulars, notices, reports, documents or announcements at least fourteen (14) days (or a shorter period where the information was not previously available) before they are issued to holders of the CP or made in respect of the CP;
 - (b) all resolutions passed at an annual general meeting, extra-ordinary meeting or any other meeting that will affect the CP Issue.
4. To notify The Exchange, prior to the submission of a binding offer or the execution of a Memorandum of Understanding, of any decision of any subsidiary to acquire:



- (a) shares in another company which thereby becomes a subsidiary; or
- (b) another business or a section of another business and to furnish such information as The Exchange may require with regard to such acquisition.

NOTE: The Issuer's Directors shall take full responsibility for ensuring that The Exchange is promptly notified of the foregoing matters.

- 5. To comply with The Exchange's Rules for Listing Commercial Papers, and any amendments thereto as may be made from time to time.
- 6. To avoid and prevent any leakage of financial statements and ratings or any other information that will affect the price of the CP.
- 7. To adhere to any corporate disclosure policy requirements that may be issued by The Exchange.
- 8. To recognise that The Exchange reserves the right to remove any CP from the Daily Official List if:
 - (a) any of the foregoing terms and conditions are not complied with;
 - (b) The Exchange so resolves, at its absolute discretion.
- 9. To ensure that the annual reports shall comply with all statutory requirements and are prepared in line with the International Financial Reporting Standards (IFRS).
- 10. To recognise that The Exchange reserves the right to request further information from time to time after the execution of this undertaking.

THE COMMON SEAL OF (_____) has been affixed to this undertaking in the manner below on the _____ day of _____ 20__

In the Presence of:

Director

Director/Secretary