



## **RULES AND REGULATIONS GOVERNING DEALING MEMBERS**

### **Proposed Amendments & Additions (Part II)<sup>1</sup>**

**Legend:** Additions – underlined  
Deletions – ~~struck through~~

#### **Definitions**

**Affected Transaction** means a change of control of a company with the result that the acquirer is obliged to make a mandatory offer to the shareholders whose shares it did not acquire.

**All Parties Meeting** means an Exchange convened meeting of all parties to a dispute with the aim of amicably resolving the issues.

**Approved Person** means all Directors; and Principal Officers such as the Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, Authorized Clerks of a Dealing Member.

**Blacklisting** means a situation where The Exchange puts the name of a Dealing Member on a list of persons who are denied privileges, services, access, recognition or are boycotted or punished.

**Effecting a Market Corner** means to acquire enough shares of a particular security or to hold a significant position to be able to manipulate its price.

**Inside Information** means specific or precise information, which has not been made public and which is obtained or learned as an insider; and if it were made public would be likely to have a material effect on the price or value of any security listed on a regulated market.

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#### **<sup>1</sup> Rule Making History**

1. The rules were presented to the Rules and Adjudication Committee of Council (RAC) on 13 and 22 May 2013 for consideration;
2. The RAC approved the rules on 22 May 2013 for submission to Council;
3. The rules were approved by Council on 30 May 2013 for exposure to stakeholders from 7 to 21 June 2013 for their comments;
4. Stakeholders comments were reviewed by the RAC on 17 September 2013 and at its retreat of 18 to 19 October 2013;
5. The revised rules were approved by Council at its retreat of 23 and 24 November 2013;
6. Council approved rules were submitted to the Securities and Exchange Commission (SEC) for approval, under cover of letter dated 4 December 2013;
7. SEC's comments were received on 28 February 2014;
8. The SEC's approval of the rules was received on 5 June 2014.



Insider means an insider as defined in S.315 of the Investments and Securities Act, 2007.

Insider Dealing includes insider trading and occurs when a person or group of persons who being in possession of some confidential and price sensitive information not generally available to the public, utilizes such information to buy or sell securities for the benefit of himself, itself or any person.

Order Book: means an electronic list of buy and sell orders for a specific security or financial instrument, organized by price level. The order book lists the number of shares being bid or offered at each price point, or market depth. It also identifies the market participants behind the buy and sell order. The order book is dynamic and constantly updated in real time throughout the day.

**1. Article 12: Annual Subscription and Fees** *(Amended on 30<sup>th</sup> May 2013)*

- i. The Council shall prescribe the annual subscription and fees payable by each Dealing Member from time to time. An Ordinary Member of The Exchange, other than an Issuing House, is not required to pay annual subscriptions unless and until it applies for and is granted a licence to commence business as a dealer in securities.
- ii. All Dealing Members are required to 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.
- iii. Any Dealing Member who fails to pay any of its annual subscription fee when due to The Exchange shall be liable to a fine of Fifty Thousand Naira for each day it fails to make the payment for a period of not more than 30 days.
- iv. Any Dealing Member that fails to pay any of its annual subscription fees after the 30<sup>th</sup> day following the last business day in March in any given year shall be suspended from trading forthwith.
- v. Suspension placed on a Dealing Member for failing to pay any of its annual subscription fees shall be lifted only upon payment of the fees due to The Exchange and the accumulated fines.



**2. Article 15: Supervision and Internal Controls** *(Amended on 30<sup>th</sup> May 2013)*

Article 15(h): ~~Annual and Quarterly Financial Statements~~ Submission of Financial Reports to The Exchange

~~Dealing Members are required to submit to The Exchange their financial statements within 90 days of the end of the fiscal year and their quarterly financial statements within 45 days of the end of the quarter. All financial statements shall be prepared according to the Nigerian Accounting Standards.~~

- a. Every Dealing Member shall submit to The Exchange its annual financial statements, within 90 days of the end of the fiscal year and its quarterly financial statements within 45 days of the end of the quarter; and any other periodic report within the period stipulated by The Exchange.
- b. All Financial statements shall be prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) applicable to the time period covered in such financial statement(s).
- c. The Exchange shall communicate the need for submission of any other periodic financial report to Dealing Members via its Circular to the Market.
- d. If a Dealing Member fails to comply with this Article 15(h), it shall be liable to the penalties stated in Section 7 of Policy No 01 NSE.

**3. Article 85: ~~Confidentiality~~ Use of Trading System Access Codes** *(Amended on 30<sup>th</sup> May 2013)*

~~A Dealing Member or its users thereof shall maintain complete secrecy of its password.~~

1. The Exchange will issue to every Dealing Member trading codes for access to the trading engine of the floor of The Exchange and no Dealing Member or user thereof shall share its log-in details and password with another Dealing Member or user.
2. Any Dealing Member or user in breach of the provisions of sub-section 1 above, shall in addition to any other sanction which the Council may impose, be –
  - i. Suspended for two weeks; and
  - ii. Fined ₦500,000.



**4. Article 93: Confirmation of Orders and Mandates** *(Amended on 30<sup>th</sup> May 2013)*

- a. A Dealing Member shall obtain confirmed orders from its clients before placement of an order on the system and shall keep records relating to all aspects of an order, from placement by the customer to completion or cancellation and all key events in between.
- b. Dealing Members are required to enter mandates authorizing either a buy or sell order into The Exchange's order book immediately and shall continuously attempt to execute a mandate within ten (10) working days from the time a mandate was given by the client. If after ten (10) working days of continuous attempts to fulfill the mandate, the mandate cannot be executed due to market conditions, the mandate must be revalidated unless otherwise specified in the mandate.
- c. A Dealing Member that knowingly fails to execute the mandate within the stipulated period shall be liable to a fine of Ten Thousand Naira only for every additional day it remains in default after the stipulated period.
- d. In no circumstance shall a Dealing Member receive a pre-signed blank mandate form from a client.
- e. Where a Dealing Member accepts a pre-signed mandate form contrary to subsection "d" above, it shall forfeit the benefit accrued from the transaction and be liable to a fine of Five Hundred Thousand Naira.

**5. Article 93A Notification of Trade in Securities Amounting to 5% of an Issuer's Total Listed Securities or More**

*(Added on 30<sup>th</sup> May 2013)*

1. All Dealing Members or Authorized Clerks who wish to trade in any stock or security amounting to 5% of an Issuer's total listed securities or more shall notify The Exchange before executing such trades or within 24 hours after such trades have been executed.
2. Notification from the Dealing Member or Authorized Clerk to The Exchange shall be in form of:
  - a. A letter from the Dealing Member or Authorized Clerk informing the Exchange about the mandate received; and
  - b. A copy of the mandate which shall be in the form of a letter or email from the owner to the Dealing Member or Authorized Clerk.
3. Any breach of this rule shall result in suspension of the Dealing Member for ten (10) working days and payment of a fine of ₦150,000.



**6. Article 102: Know Your Client** *(Amended on 30<sup>th</sup> May 2013)*

**Article 102(e):**

- (e) A customer's order may be entered by any of the following means:
1. In person on the premises of the Dealing Member.
  2. By fax pursuant to the written agreement between the Dealing Member and the customer.
  3. By telephone (voice or text), in which case, the order must be recorded by the Dealing Member if the Dealing Member and customer have agreed to enter orders by telephone and provided that the relevant procedures are respected.
  4. By e-mail.
  5. By short message service (SMS), provided that: any mandate received by SMS is properly documented and shall be provided upon request.
  6. No Dealing Member shall execute any electronic mandates given by its client without first receiving from such client a duly signed indemnity form against loss or damage that might be incurred by executing such electronic mandate.
  7. Failure to provide documentation in proof of any mandate received may be treated as misconduct and sanctioned by The Exchange as appropriate.

**7. Article 104. Prohibition of Price Market Manipulation and Illegal Market Dealings** *(Amended on 30<sup>th</sup> May 2013)*

- ~~a. Dealing members shall not participate in any dealings or practices that may mislead or deceive investors affect or artificially control the price of the securities or the market in general.~~
- ~~b. Dealing members shall not alone or with others enter orders in the trading system of the Stock Exchange with the purpose of creating a misleading or a false appearance of the trading volume or liquidity of any security. No Dealing Member shall enter orders with the purpose of fictitiously affecting the market condition or the prices without any real ownership transfer.~~
- ~~c. Dealing Members shall not alone or with others, make fictitious transactions that may cause the price of a security to rise, fall, or remain steady.~~



- ~~d. Dealing Members shall not directly or indirectly carry out or depend on actions or practices that are misleading or meant to deceive or take advantage of customers or anybody else.~~
- ~~e. Dealing Members shall not alone or with others enter orders on a specific security affecting its price rise, fall, or remain steady for a certain purpose such as; to change the price of investment value for personal benefits, evade or decrease taxes or reach a certain price previously agreed upon with other parties, with the intent of violating the law, regulations code of conduct or ethics such as raising the price of a security to obtain credit.~~
- ~~f. No Dealing member shall effect any transaction in, or induce the purchase or sale of any security by means of any manipulative, deceptive or other fraudulent device or contrivance.~~

(1) No Dealing Member shall -

- (a) Either for its own account or on behalf of another person, directly or indirectly use or knowingly participate in the use of any manipulative, improper, false or deceptive practice of trading in a security listed on The Exchange which practice creates or might create -
- (i) a false or deceptive appearance of the trading activity in connection with;  
or  
(ii) an artificial price for, that security;
- (b) Place an order to buy or sell listed securities which, to its knowledge will, if executed, have the effect contemplated in paragraph (a).

(2) Without limiting the generality of subsection (1), the following are deemed to be manipulative, improper, false or deceptive trading practices:

- (a) Approving or entering an order to buy or sell a security traded on the floor of The Exchange which involves no change in the beneficial ownership of that security;
- (b) approving or entering an order to buy or sell a security traded on the floor of The Exchange with the knowledge that an opposite order or orders of substantially the same size at substantially the same time and at substantially the same price, have been or will be entered by or for the same or different persons with the intention of creating -
- (i) a false or deceptive appearance of active trading in connection with; or  
(ii) an artificial market price for, that security;
- (c) Approving or entering orders to buy a security traded on the floor of The Exchange at successively higher prices or orders to sell a security listed at successively lower prices for the purpose of unduly or improperly influencing the market price of such security;



- (d) Approving or entering an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of a security traded on the floor of The Exchange;
  - (e) approving or entering an order to buy or sell a security traded on the floor of The Exchange during any auctioning process or pre-opening session and cancelling such order immediately prior to the market opening, for the purpose of creating or inducing a false or deceptive appearance of demand for or supply of such security;
  - (f) Effecting or assisting in effecting a market corner;
  - (g) Maintaining at a level that is artificial the price for dealing in securities traded on the floor of The Exchange;
  - (h) Employing any device or scheme to defraud any other person as a result of a transaction effected through the facilities of The Exchange; or
  - (i) Engaging in any act, practice or course of business in respect of dealings in securities traded on the floor of The Exchange which is deceptive or which is likely to have such effect.
- (3) Any Dealing Member that contravenes this rule shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose;
- i. A fine equivalent to three times the amount of profit or gain derived by the Dealing Member in the alleged manipulation and /or illegal market dealing.
  - ii. The fine shall be paid by the Dealing Member not later than ten (10) working days after the fine is imposed on it.
  - iii. The Dealing Member shall be placed on suspension for a period to be determined by The Exchange which shall not be less than one month.
  - iv. The Exchange shall forthwith withdraw the registration of the Authorized Clerk(s) involved in the transaction(s).
  - v. Cancellation of the affected trades based on inappropriate market behaviour.

**8. Article 105: Circulation of False, Misleading or Inaccurate Information**

*(Amended on 30<sup>th</sup> May 2013)*

- a. A Dealing Member shall not circulate or disseminate or authorize or assist in the circulation or dissemination of any statement or information to the effect that the price of any securities will or is likely to rise or fall when, to his knowledge, the rises or falls or



likely rises or falls are attributed to any action which, if done by a Dealing Member would be in contravention of trading rules.

b. Front Running and Trading Ahead of Customers

Dealing Members shall not take advantage of an order or a block transaction, that may influence the price of a security, issued by a customer or a group of customers, nor shall the Dealing Member trade ahead of customers in the same direction of their orders before the said customers have executed their orders, which may result in the Dealing Member profiting from and illegally taking advantage of the customers. Dealing Members are prohibited from making any deals or recommendations to others to trade in the same direction of the orders before the execution thereof.

c. A Dealing Member shall not circulate or disseminate or authorise or assist in the circulation or dissemination of false, misleading or inaccurate information concerning market information or conditions including but not limited to the market making, securities lending, and short selling programmes that affect or tend to affect the price and/or liquidity of any securities.

d. A Dealing Member that knowingly disseminates false, misleading or inaccurate information as stated above shall be liable to one or more of the following penalties:

- i. Public censure of the Dealing Member;
- ii. Blacklisting of the Dealing Member;
- iii. A fine to be determined by The Exchange based on the circumstances of each case;
- iv. Where an Authorized Clerk is involved, revocation of registration of the Authorized Clerk.
- v. Expulsion of the Dealing Member.

**9. Article 108. Prohibition of Insider Dealing** *(Amended on 30<sup>th</sup> May 2013)*

~~No A Dealing Members shall not participate in any insider dealings or practices that may mislead or deceive investors affect or artificially control the price of the in relation to any securities or the market in general traded on The Exchange or knowingly assist any Member or any other person to participate in such insider dealing. This prohibition includes the following:~~

~~Dealing members shall not alone or with others enter orders in the trading system of the Stock Exchange with the purpose of creating a misleading or a false appearance of the trading volume or liquidity of any security. No Dealing Member shall enter orders with~~





~~the purpose of fictitiously affecting the market condition or the prices without any real ownership transfer.~~

~~Dealing Members shall not alone or with others, make fictitious transactions that may cause the price of a security to rise, fall, or remain steady.~~

~~Dealing Members shall not directly or indirectly carry out or depend on actions or practices that are misleading or meant to deceive or take advantage of customers or anybody else.~~

~~Dealing Members shall not alone or with others enter orders on a specific security affecting its price rise, fall, or remain steady for a certain purpose such as; to change the price of investment value for personal benefits, evade or decrease taxes or reach a certain price previously agreed upon with other parties, with the intent of violating the law, regulations code of conduct or ethics such as raising the price of a security to obtain credit.~~

1. An insider trading for his own account:

- a) An insider who knows that he or she has inside information and who deals directly or indirectly or through an agent for his or her own account in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
- b) An insider does not contravene this rule if such insider proves on a balance of probabilities that he or she -
  - (i) was acting in pursuit of the completion of an affected transaction;
  - (ii) only became an insider after he or she had given the instruction to deal to a Dealing Member and the instruction was not changed in any manner after he or she became an insider.

2. An insider who deals for another person:

- a) An insider who knows that he or she has inside information and who deals, directly or indirectly, for any other person in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.
- b) An insider does not contravene this rule if such insider proves on a balance of probabilities that he or she -
  - (i) is a Dealing Member and was acting on specific instructions from a client, save where the inside information was disclosed to him or her by that client;
  - (ii) was acting on behalf of a public sector body in pursuit of monetary policy, policies in respect of exchange rates, the management of public debt or external exchange reserves; or
  - (iii) was acting in pursuit of the completion of an affected transaction;



(iv) only became an insider after he or she had given the instruction to deal to a Dealing Member and the instruction was not changed in any manner after he or she became an insider.

3. An insider who discloses inside information:

a) An insider who knows that he or she has inside information and who discloses the inside information to another person contravenes this rule.

b) Notwithstanding the foregoing, an insider does not contravene this rule if such insider proves on a balance of probabilities that he or she disclosed the inside information because it was necessary to do so for the purpose of the proper performance of the functions of his or her employment, office or profession in circumstances unrelated to dealing in any security traded on The Exchange and that he or she at the same time disclosed that the information was inside information.

4. An insider who encourages or discourages another person to trade:

An insider who knows that he or she has inside information and who encourages or causes another person to deal or discourages or stops another person from dealing in the securities traded on The Exchange to which the inside information relates or which are likely to be affected by it contravenes this rule.

5. A Dealing Member that knowingly deals in such securities as stated above shall be liable to any of the penalties imposed under the Investments and Securities Act 2007 in addition to any other sanctions that The Exchange may impose as follows:

a. A fine equivalent to three times the amount of profit or gain derived by the Dealing Member involved in insider dealing which shall be paid by the Dealing Member no later than ten (10) working days after the fine is imposed on the firm;

b. The fine shall be paid by the Dealing Member no later than 10days after the fine is imposed on the firm;

c. The Dealing Member may be placed on suspension for a period to be determined by The Exchange;

d. The Exchange may withdraw the licence of the Authorized Clerk(s) involved in the transaction(s).



**10. Article 110: Trading Floor Dress Code, Identification Badges and Access Control Cards for Authorized Clerks**  
*(Amended on 30<sup>th</sup> May 2013)*

~~All Authorized Clerks are required to wear their Trading Robes as prescribed by The Exchange before they are admitted to the Trading Floor during trading hours.~~

1. No Authorized Clerk or Trainee Authorized Clerk shall have access to the Trading Floor unless he or she:

- a. Obtains a Trading Jacket as prescribed by The Exchange ; and
- b. Applies to and obtains from The Exchange a trading floor badge and an access control card, which shall be issued, upon payment of a fee to be prescribed by The Exchange provided that The Exchange has discretion to withhold access.

2. Each Authorized Clerk and Trainee Authorized Clerk shall at all times on the trading floor,

- a. Wear a trading Jacket; and
- b. Wear a trading floor badge on such part of his Trading Jacket as shall make him constantly identifiable; and
- c. Carry his access control card with him or her.

3. a. Any Authorized Clerk or Trainee Authorized Clerk that appears on the trading floor without a trading floor badge shall be sent off the trading floor and shall be liable to:

- i. Suspension from the trading floor and denial of access to the trading platform for one week; and
- ii. Pay a fine of Fifty Thousand Naira.

b. Any Authorized Clerk or Trainee Authorized Clerk that appears on the trading floor without an access control card or uses an access control card belonging to another Authorized Clerk or Trainee Authorized Clerk to enter or exit the trading floor shall be liable to:

- i. Suspension from the trading floor and denial of access to the trading platform for two weeks; and
- ii. Pay a fine of two hundred and fifty thousand naira.

c. If any Authorized Clerk or Trainee Authorized Clerk falsely presents himself as another Authorized Clerk or Trainee Authorized Clerk and enters or attempts to enter the trading floor whilst wearing the trading floor badge of the other Authorized Clerk or Trainee Authorized Clerk or he uses or attempts to use their access control card to enter or exit the trading floor, he shall be liable to:

- i. Suspension from the trading floor and denial of access to the trading platform for two weeks; and
- ii. Pay a fine of two hundred and fifty thousand naira.



- d. If any person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk and uses or attempts to use the access control card of an Authorized Clerk or Trainee Authorized Clerk to enter or exit the Nigerian Stock Exchange Building or its trading floor that person shall be apprehended and handed over to the police for prosecution and shall immediately be barred from entering the Nigerian Stock Exchange Building in the future unless the National Council decides otherwise.
- e. If any Authorized Clerk or Trainee Authorized Clerk gives his access control card to another person and that other person falsely presents himself as that Authorized Clerk or Trainee Authorized Clerk by using or attempting to use the same access control card to enter or exit the Nigerian Stock Exchange Building or its trading floor that Authorized Clerk or Trainee Authorized Clerk shall be liable to:
- i. Suspension from the trading floor and denial of access to the trading platform for two weeks; and
  - ii. Pay a fine of five hundred thousand naira.
- f. If any person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk by wearing or carrying a Trading Jacket in a manner suggesting that he is an Authorized Clerk or Trainee Authorized Clerk and he enters or attempts to enter or exit The Nigerian Stock Exchange Building or its trading floor that person shall be apprehended and handed over to the police for prosecution and shall immediately be barred from entering the Nigerian Stock Exchange Building in the future unless the National Council decides otherwise.
- g. If any Authorized Clerk or Trainee Authorized Clerk gives his Trading Jacket to another person and that other person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk by wearing or carrying the same Trading Jacket whilst entering or attempting to enter or exit the Nigerian Stock Exchange Building or its trading floor the Authorized Clerk or Trainee Authorized Clerk shall be liable to:
- i. Suspension from the trading floor and denial of access to the trading platform for two weeks; and
  - ii. Pay a fine of five hundred thousand naira.
4. Any Authorized Clerk or Trainee Authorized Clerk that is suspended from the trading floor and denied access to the trading platform shall forthwith surrender his trading floor badge and access control card to The Exchange. Until his suspension is lifted and he is readmitted to the trading floor, his trading floor badge shall be revoked and he shall be denied access to the trading platform and his access control card shall be deactivated.
5. Trading floor badges and access control cards remain the property of The Exchange and shall be surrendered to The Exchange upon the occurrence of any of the following:
- a. Suspension;
  - b. Revocation of licence;



- c. Resignation;
- d. Expulsion.

**11. Article 111: Conduct on the Trading Floor** *(Amended on 30<sup>th</sup> May 2013)*

~~Physical assault, fighting and reckless behaviour exhibited by a Dealing Clerk and or Authorized Person on the Trading Floor shall attract appropriate disciplinary measures.~~

1. All Authorized Clerks and Authorized Persons shall at all times conduct themselves with decorum whilst on the trading floor.
2. Any Authorized Clerk or Authorized Person that engages in assault, fighting or any unruly behaviour on the trading floor shall be liable to:
  - a. Immediate suspension from the trading floor and access to the trading platform for six (6) weeks; and
  - b. Appear before the Disciplinary Committee which shall consult with the Doyen of the trading floor in arriving at a decision; and
  - c. Upon a finding by the Disciplinary Committee that the Authorized Clerk or Authorized person has breached this Rule,
    - i. The Dealing Member that is the employer of the Authorized Clerk or Authorized Person shall pay a fine not exceeding One Million Naira (₦ 1,000,000.00); and shall pay for any damage suffered by other Authorized Clerks, Authorized Persons or staff of The Exchange or any damage to their property.
    - ii. The Exchange may impose any of the following sanctions on the Authorized Clerk or Authorized Person in breach:
      - Fine
      - Suspension
      - Revocation of licence.

**12. Article 144: Specific Actions Requiring Prior Consent of The Exchange** *(Amended on 30<sup>th</sup> May 2013)*

1. A Dealing Member shall not be allowed to do any of the following without the prior written consent of The Exchange:
  - a. Establish or maintain any branch office;
  - b. Allow or agree to any change in the control or shareholding structure of the Company;
  - c. Employ any of the following:



- i. Directors, Authorized Clerks or other persons including Principal Officers such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer, who have been indicted by The Exchange or the Commission.
  - ii. Any person who was an officer or employee of a Dealing Member expelled from The Exchange;
  - iii. Any person expelled, as an Authorized Clerk or its equivalent, from any other exchange;
  - iv. Any person refused admission as a member of the Chartered Institute of Stockbrokers or any person expelled from its membership;
  - v. Any person expelled as a member of any Professional Association or Institute;
  - vi. Any person who is insolvent or has been convicted of theft, fraud, forgery, or any other crime involving dishonesty.
- d. Publish, circulate or distribute by any means whatsoever any invitation or advertisement.
2. In no circumstances shall a Dealing Member neglect, ignore or fail to obtain prior consent on specific actions as required by The Exchange.
3. If a Dealing Member contravenes the above stated rules, it shall be liable to a fine of Two Hundred and Fifty Thousand Naira in addition to any other sanction which the Council may impose as it deems fit.

**13. Article 148: Unauthorized Dissemination of Information (Amended on 30<sup>th</sup> May 2013)**

~~Where information has been disseminated by a Dealing Member without prior approval of The Exchange pursuant to Article 6, the Dealing Member shall be liable to such disciplinary action as Council may impose.~~

- a. In no circumstances shall a Dealing Member knowingly disseminate any information which requires the prior approval of The Exchange without first receiving the said approval.
- b. If a Dealing Member contravenes the above stated rule, it shall be liable to a fine of Two Hundred and Fifty Thousand Naira and such other disciplinary action as the Council may impose.
- c. The fine shall be paid by the Dealing Member no later than 10 (ten) working days after the fine is imposed on the firm or such other time as The Exchange may determine.
- d. Any Dealing Member that fails to pay the fine within the stipulated period shall be suspended from trading forthwith.
- e. A suspension placed on a Dealing Member for failing to pay the fine shall be lifted only upon payment of the fine to The Exchange.



**14. Article 163A - Continuous Development Programme (CDP)** *(Added on 30<sup>th</sup> May 2013)*

1. All Authorized Clerks who have –

- a. passed the qualifying examinations for membership of the Chartered Institute of Stockbrokers; and
- b. have passed the oral interview conducted by The Exchange; and
- c. have been inducted by The Exchange,

shall attend at least one (1) CDP training every two years, which shall be organized by The Exchange or by anyone authorized by it in that regard.

2. If default is made in complying with this Article, The Exchange shall notify the Authorized Clerk who shall provide in writing within ten (10) working days of receiving notification in that regard from The Exchange, the reasons for his default and why he should not be suspended by the Council.

**15. Article 165A - Change of Employment of Authorized Clerks** *(Added on 30<sup>th</sup> May 2013)*

1. Every Dealing Member shall notify The Exchange in writing within twenty four hours if its Authorized Clerk leaves its employment.

2. The Exchange shall carry out an inspection of workstations of Dealing Members trading on the floor at periodic intervals and where it is observed that:

- a. An Authorized Clerk has left the employment of a Dealing Member and The Exchange was not notified the Dealing Member shall be:
  - i. Suspended for ten (10) working days; and
  - ii. Fined not less than ₦500,000.
- b. An Authorized Clerk is trading on behalf of a Dealing Member who is not his employer both parties shall each be:
  - i. Suspended for ten (10) working days; and
  - ii. Fined not less than ₦500,000.
- c. An Authorized Clerk leaves the employment of one Dealing Member and without notifying The Exchange he is employed by and he trades on behalf of another Member the Authorized Clerk and his new Dealing Member employer shall each be:
  - i. Suspended for ten (10) working days; and
  - ii. Fined not more than ₦500,000.



**16. Article 165B: Prohibition of Unauthorized Persons** *(Added on 30<sup>th</sup> May 2013)*

- a. In no circumstances shall a Dealing Member engage the services of an unauthorized person for the purpose of soliciting or otherwise influencing any persons to affiliate with the Dealing Member as customers.
- b. Any Dealing Member that knowingly engages the services of an unauthorized person shall be liable to:
  - i. Pay a fine of Five Hundred Thousand Naira;
  - ii. Suspension of Dealing Member for a period of ten (10) working days;

A suspension placed on a Dealing Member for failing to pay the fine shall be lifted only upon payment of the fine to The Exchange.

**17. Article 165C: Notification of Change of Approved Persons** *(Added on 30<sup>th</sup> May 2013)*

- a. All Dealing Members shall notify The Exchange within ten (10) working days of the change of their Directors, and Principal Officers such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer in the format to be prescribed by The Exchange.
- b. Notwithstanding the provision above, the appointment of an approved person requires the prior approval of The Exchange.
- c. Any dealing member that contravenes this rule shall pay a fine of One Hundred Thousand Naira.

**18. Article 165D: Annual Fit and Proper Evaluation** *(Added on 30<sup>th</sup> May 2013)*

- a. No person shall be permitted to participate in the market unless he is subjected to and passes an annual fit and proper evaluation as may be prescribed and administered by The Exchange.
- b. An approved person shall be deemed fit and proper if:
  - i. He has not been convicted of any offence relating to fraud;
  - ii. He has not been adjudged guilty of misfeasance, wrongful trade or other misconduct relating to capital market activities, by any court of competent jurisdiction;
  - iii. He has not been declared bankrupt;
  - iv. He has not been refused, restricted or suspended from carrying on trading activities on the Exchange;
  - v. He is of sound mind;





- vi. He has not engaged in activity which The Exchange deems to be conduct which would adversely affect the goodwill or public image of The Exchange or its Members.
- c. If any approved person contravenes this rule, or
  - i. Fails to submit himself/herself for evaluation; or
  - ii. Provides false information,

the Dealing Member concerned shall be suspended for a period to be determined by The Exchange and shall pay a fine of Two Hundred and Fifty Thousand Naira.

**19. Article 165E. Qualification to Manage Investments and Provide Investment Advice**

*(Added on 30<sup>th</sup> May 2013)*

- 1. Only Authorized Clerks may exercise discretion in the management of securities traded on The Exchange on behalf of clients.
- 2. Where any employee of a Dealing Member who is not an Authorized Clerk described in subsection (1) contravenes this rule, the Dealing Member shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose:
  - a. A fine;
  - b. Suspension for a period to be determined by The Exchange;
  - c. Expulsion of the Dealing Member.

**20. Article 166: Transfer of Authorized Clerks**

*(Amended on 30<sup>th</sup> May 2013)*

- a. A Dealing Member shall not permit an Authorized Clerk to trade on its behalf unless The Exchange has received a letter stating that the former Dealing Member, ~~he may not become an~~ with whom the Authorized Clerk of another Member was employed has no objection to the transfer of the services of the Authorized Clerk to the new Dealing Member Firm.
- b. Provided that where such letter is withheld for a period not exceeding ten (10) working days without any proven justifiable reason acceptable to The Exchange, or there are no objections to such transfer within the same period, The Exchange shall ~~feel free to~~ exercise its discretion to authorise such transfer.

**21. Article .....: Prohibition of Manipulation of Financial Statements**

*(Added on 30<sup>th</sup> May 2013)*

- a. Under no circumstances shall a dealing member manipulate its financial statements.
- b. Where the shareholders of a Dealing Member inject funds in the form of cash deposit for shares,



- i. Such deposits must be converted to equity investment within three (3) months of receipt of funds in that regard; and
  - ii. Dealing Members must allot shares for which the deposits were made and file a return on allotment of shares in the specified format with the Corporate Affairs Commission within the stipulated period.
- c. If a Dealing Member contravenes any of the above stated rules, it shall be liable to a fine not less than Five Hundred Thousand Naira. Provided that:
- i. The fine shall be paid by the Dealing Member firm no later than 10 (ten) working days after the fine is imposed on the firm.
  - ii. Any Dealing Member that fails to pay the fine within the stipulated period shall be suspended from trading forthwith.
  - iii. A suspension placed on a Dealing Member for failing to pay the fine shall be lifted only upon payment of the fine to The Exchange, and allotment of the shares as stated in “b.ii” above.

**22. Article .....: Obligation to Appear at an Exchange Coordinated Mediation**

*(Added on 30<sup>th</sup> May 2013)*

- a. The Managing Director and the Chief Compliance Officer of a Dealing Member firm must be present at an “Exchange Coordinated Mediation” when notified of any such meeting and shall give such information and produce such books, accounts and documents as may be in the firm’s possession or under its control and are relevant to the matter in dispute.
- b. Where circumstances exist which necessitate his absence, the Managing Director shall give a prior written notice to The Exchange providing cogent reasons for his absence and indicating the identity of the firm’s duly appointed representative that will attend the meeting.
- c. If the Managing Director of a Dealing Member or the firm’s duly appointed representative who has been notified to The Exchange neglects, ignores or fails to appear at the All Parties Meeting, the Dealing Member shall be liable to pay a fine of Fifty Thousand Naira.

**23. Article..... Corporate Governance**

*(Added on 30<sup>th</sup> May 2013)*

- a. All Dealing Members shall be guided by the principles and provisions of the Securities and Exchange Commission’s Code of Corporate Governance, 2011 (the “Code”) which



should form the basis of the minimum standard of their corporate behaviour. Failure to abide by the Code shall be deemed to be a violation of the Rules of The Exchange.

- b. If any default is made in complying with the provisions of the Code, The Exchange shall notify the Dealing Member of such default and the Dealing Member shall provide in writing within ten (10) working days the reasons for such default and why it should not be sanctioned by Council.

**24. Article ..... Revocation of Inactive Dealing Members' Licenses (Added on 30<sup>th</sup> May 2013)**

a. Under no circumstances shall a Dealing Member cease to carry out its day to day business activities for which it was licensed to operate without any reasonable cause.

b. Where a Dealing Member is inactive for a period of six consecutive months, The Exchange shall revoke the License of the Dealing Member.

c. A Dealing Member shall be considered inactive under the following circumstances:

- i. Voluntary Inactivity: this occurs where the firm has not recorded any trading activity without being suspended by The Exchange or the Commission. Where a firm has been voluntarily inactive for the stipulated period its dealing licence shall be revoked forthwith.
- ii. Involuntary Inactivity: this occurs where the firm has been suspended by The Exchange or the Commission for any infraction. Where a firm has been involuntarily inactive for the stipulated period The Exchange shall exercise its discretion in determining whether to revoke the firm's dealing licence.

**25. Article 45: Imposition of Sanctions**

1. Council may exercise any of the following disciplinary powers against a Member:

- (a) Fine;
- (b) Public censure;
- (c) Suspension on such terms and for such period as Council may think fit;
- (d) Call upon a member, by written notice, to resign. Failing the receipt of notice of such resignation from the Member within seven clear days of the date of notice, exercise the power of expulsion
- (e) Revocation of registration of its Authorized Clerks or Accredited Representatives;
- (f) Expulsion.

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