



These Rules and Regulations are made pursuant to the Memorandum and The Articles of Association of The Nigerian Stock Exchange and are subject to The Provisions of The Investments and Securities Act (ISA) of 1999 and The Rules and Regulations made there under

## **GENERAL RULES**

### **Article 1: Application**

These Rules and Regulations shall be binding upon Dealing Members in their relationship with The Exchange, as between themselves as Dealing Members, and as regulating the business which they conduct as Dealing Members of The Exchange with the general public.

### **Article 2: Duty to Observe and Report Breaches**

It is the duty of every Dealing Member of The Exchange to observe these Rules and Regulations and to report forthwith any breach of the Articles or Rules and Regulations by any other Dealing Member in writing to the National Council of The Exchange, or through the Branch Councils to the National Council of The Exchange. Any Dealing Member, being aware of any breach on the part of another Dealing Member and failing to report the same to Council as aforesaid, shall himself/itself be guilty of a breach of these Rules and Regulations.

### **Article 3: Identification of Business Documents**

Every Dealing Member shall have printed upon all letterheads the names of its Directors. All letterheads, contract notes, brochures, scrip receipts or other documents used by the Dealing Member in the transaction of stockbroking business shall have printed on them the words "Member of The Nigerian Stock Exchange".

### **Article 4: Non -Agency Relationship**

No Dealing Member of The Exchange (other than a Dealing Member acting under the specific authority of the Council) shall hold itself out to any person as being the agent of or otherwise representing, or having the power in any way to act for or bind The Exchange.

### **Article 5: Notification of Business Address and Closure of Office**

Dealing Members shall notify the Secretary of The Nigerian Stock Exchange in writing the address of any office, or offices in Nigeria at which they intend to carry on stockbroking business and shall also give notice to the Secretary within fourteen (14) days of closing such an office or offices for business.

Any office shall be continually under the personal supervision of a Director of a Member company or an Accredited Representative, whose name(s) shall be notified to The Exchange.



**Article 6: Prescribed Mode of Advertisement**

- (a) Dealing Members of The Exchange shall only be permitted to exhibit outside the offices at which they carry on stockbroking business, name plate bearing the name in which business is carried on, of a size not larger than 64cm by 32cm or if a circular plate, with a diameter not exceeding 50cm.
- (b) The Secretary shall from time to time cause advertisements to be made to the effect that a list of Dealing Members of The Nigerian Stock Exchange can be obtained from the Secretary;
- (c) Dealing Members are also permitted to issue explanatory brochures and such other items for advertisement to the public provided the draft is approved by The Exchange.
- (d) Dealing Members may be required by The Exchange to discontinue or modify any advertisement which in the opinion of The Exchange appears to infringe the intention of this Regulation.

**Article 7: Mode of Changing of Directors and Shareholders**

Alterations to the particulars of all directorships and shareholdings of Dealing Members shall be with the prior approval of The Exchange.

The Secretary shall keep a record of such particulars, which shall be available for inspection by Dealing Members at the registered office of The Exchange.

**Article 8: Association with Non-Dealing Members**

With respect to activities on The Exchange no Dealing Member shall without special consent of the Council, and subject to such conditions as the Council may impose, enter into partnership or any agency or profit sharing agreement or any association of which the Council may not approve, with any person, firm or limited liability company who or which is not a member of The Exchange.

**Article 9: Effect of Client Defaulting**

No Dealing Member shall carry on business for a client who is in default to another Dealing Member and it is the duty of every Dealing Member to notify The Secretary the name and circumstances of every such default. The circumstances of each default shall be submitted to the Council, which may at its discretion cause the name to be in a list to be kept by the Secretary for purpose of circulating the name of defaulters to all Dealing Members and Members of The Exchange. The Council may from time to time cause any name to be deleted from the list.

**Article 10: Scope of Business Activities**

No Dealing Member shall carry on any other business save that of dealing in securities and those activities which are ancillary thereto.



**Article 11: Qualifications for Legal Actions/Redress**

- (a) No Dealing Member shall institute legal proceedings to enforce a claim against another Dealing Member or a Member arising out of any stockbroking transaction without first exhausting all procedures set out for dispute resolution in accordance with these Rules and Regulations.
- (b) No Dealing Member shall institute legal proceedings against The Exchange without first exhausting all procedures set out for dispute resolution in accordance with these Rules and Regulations.

**Article 12: Annual Subscription and Fees**

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.

**Article 13: Maintenance of Client's Account**

Every Dealing Member shall keep all monies held on behalf of Clients in a Bank Account separate from its own monies and such Account shall be kept in the name in which the Dealing Member carries on its stockbroking business followed by the words "Clients' Account".

**Article 14: Record of Transactions and Right of Inspection**

Every Dealing Member shall keep proper records and books of account in respect of all stockbroking transactions. The Council shall prescribe the forms in which such records and books are to be kept by Dealing Members and be entitled to empower the Compliance Department of The Exchange to inspect the records of Dealing Members from time to time and report thereon to the Council.

**Article 15: Supervision and Internal Controls**

Each Dealing Member shall comply with minimum standards on internal control as prescribed from time to time by The Exchange.

- (a) Each Dealing Member shall establish and maintain a system to supervise and ensure compliance of the activities of its officers, Stockbrokers and employees. Final responsibility for proper supervision rests with the Dealing Member.

The supervisory system shall provide for written procedures to be established, maintained and enforced that are designed to supervise the types of business in which the Dealing Member is involved. The procedures must identify the individual supervisory persons, the Compliance Officer and their titles and qualifications. The Dealing Member shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person assigned as Stockbroker or employee directly involved in the securities business.



(b) Regular Internal Review of Records

Each Dealing Member shall conduct a review, at least annually, of the securities business in which it engages based on the records prepared for that purpose. The review shall be reasonably designed to assist in ensuring that transactions were validly executed and customer accounts are correct, as well as detecting and preventing violations of, and achieving compliance with The Exchange's Rules and Regulations. Each Dealing Member (shall prepare a report pertaining the review of the activities of each office or branch, which shall include the periodic examinations. Each Dealing Member shall maintain a written record and the dates upon which each review was conducted.

(c) Supervisors' or Compliance Officers' Reporting Requirements

A Dealing Member firm shall at all times have one or more Compliance officers who shall be identified to The Exchange and Competent to advise the member firm and its employees on the application of these Rules and shall report to The Exchange any legal violation within 24 hours of their knowledge of such violation and propose the appropriate remedy thereto.

The Compliance officers shall also be responsible for ensuring that money laundering training programmes are administered on persons qualified to conduct business on the behalf of the firm.

(d) Risk Management

Each Dealing Member shall comply with minimum standards on risk management as prescribed from time to time by The Exchange.

Each Dealing Member shall have in place a unit in charge of risk management - this unit is responsible for studying, identifying the risks that the Dealing Member may be exposed to and the management tools to overcome it, as well as determining the Member's Capital Adequacy and verifying that the Dealing Member maintains it. The Dealing Member shall set the proper systems that ensure the efficiency of that unit by using the necessary formulae and software to determine percentage of acceptable risks.

(e) Liquidity Margin Requirement

A Dealing Member shall at all times maintain a liquidity margin of not less than 10% of shareholders' funds.

(f) Disclosure of Interests

A Dealing Member shall disclose in the annual accounts list of shareholders with 5% or more of the share capital.

(g) Accounting Year



Each Dealing Member shall supply to The Exchange in writing the Accounting Year-end date and the name(s) of its Auditor(s) who will furnish the certificate referred to in paragraph “h” below and shall thereafter notify The Exchange immediately of any change therein.

(h) Annual and Quarterly Financial Statements

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.

(i) Contents of Auditor's Report In forming his opinion the Auditor should consider and report on the following matters:

- (i) Whether the minimum capital has been maintained;
- (ii) Whether in the opinion of the Auditor, the financial position of the member firm is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its Books of Accounts and Records.
- (iii) Contraventions and fines, if any, during the year.

(j) Members' Duty to Report

A Dealing Member must notify The Exchange immediately if:

- (i) Any legal action is brought against the company, officer or employee of the company which is related to the business activities of the company;
- (ii) The company becomes insolvent or ceases to settle its debts.
- (iii) Criminal proceedings or prosecution proceedings are filed against any founder, officer, manager or employee of the company.

**Article 16: Declaration of Private Financial Position**

When required by the Council, a Dealing Member and/or Principal Promoter shall supply to it, a sworn Declaration (in such form as the Council may prescribe) of its private financial position.

**Article 17: Notification of Insolvency**

When a Dealing Member is unable to fulfill its obligation it shall notify the Secretary in writing to that effect.

**Article 18: Defaulting Transactions**

Any Dealing Member who shall have a transaction with another Dealing Member in which such other Dealing Member is in default, shall forthwith notify the Secretary in writing of such default.



**Article 19: Claims not to be Sold, Assigned or Pledged**

No Dealing Member, being a creditor of a defaulter, shall sell, assign or pledge his claim against such a defaulter to any non-Member without the prior consent of Council.

**Article 20: Cessation of Activity**

After receipt by the Secretary of intimation under Article 17 or Article 18, of these Rules and Regulations, no arrangement shall be entered into by the defaulting Dealing Member in respect of its stockbroking liabilities without the approval of Council.

**Article 21: Powers of Council in the Event of Default**

In all cases of default, the Council shall meet and appoint a Committee which shall have the following powers:

- (a) To engage technical and professional assistance;
- (b) To call from the defaulter its original Books of Account relating to, and a statement of sums owing to, and by him in connection with Stockbroking transactions;
- (c) To call meetings of Members who are creditors or defaulters;
- (d) To summon the defaulter to appear before such meetings of the Committee and to afford the defaulter full right to defend himself before the Committee throughout the investigation;
- (e) To make detailed examinations of all relevant accounts;
- (f) To report to the Council any entry, transaction or matter which have been or appear to be irregular;
- (g) To recommend to Council the appointment of an Interim Management to manage and deal with the stockbroking business of the defaulter and the assets subject to the approval of the commission
- (h) Any other matter incidental to the investigation.

**Article 22: Obligation to Submit Transaction Statements**

A defaulter shall, when called upon to do so in terms of Article 21 of these Rules and Regulations, hand over to the Committee all books, accounts and documents connected with its stockbroking business, statement of all sums owing to and by it in connection with such business at the time of the default and any other relevant documents and information which the Committee may require.

**Article 23: Exposing Defaulters**



The Committee set up under Article 21 shall cause a notice to be sent to all Dealing Members and the Commission advising them of the name of the defaulting Dealing Member and requiring all those having claims against such defaulter to file such claims with the Committee by a date to be stated in the notice.

**Article 24: Appearance before Council**

Dealing Members and their Accredited Representatives and Clerks shall appear before the Committee when called upon to do so and shall give such information and produce such books, accounts and documents as may be in their possession or under their control and relevant to the matter under investigation.

**Article 25: Effect of Bankruptcy**

Any Dealing Member who shall be adjudicated bankrupt by a competent court of law shall cease to be a Member.

**Article 26: Council to Notify the Public**

The Council shall and by such means that it may deem fit, notify, or cause to be notified to the public that any Dealing Member has been expelled or has otherwise ceased to be a Dealing Member or has been suspended and may give the name of such Dealing Member in such notification.

**Article 27: Notification to Regulatory Authorities and other Stock Exchanges**

The Council shall notify the Commission and where it deems necessary other regulatory authorities and Stock Exchanges affiliated with or recognized by The Exchange of the cessation of membership, otherwise than by death or resignation of any Member.

**Article 28: Dealing Member to Sponsor Application for Quotations**

Any application for a quotation of securities on The Exchange must be sponsored by a Dealing Member and made in accordance with the Listing Requirements as prescribed by the Council from time to time.

**Article 29: Expunging Bargain**

An application to expunge a bargain in The Stock Exchange shall not be entertained by the Council, except upon a specific allegation of fraud, or willful mis-representation or upon prima-facie evidence of a material mistake in the bargain.

**Article 30: Suspension of Rights and Privileges**

Any Dealing Member that is under suspension shall have its rights and privileges of Membership suspended.



**Article 31: Trading Method**

No Dealing Member shall put through a transaction on The Nigerian Stock Exchange other than through The Nigerian Stock Exchange Automated Trading System (The NSEATS) or any other form prescribed by the Council.

**Article 32: Publication and Subscription to Daily Official List**

The Exchange shall publish a list of closing prices daily and each Dealing Member shall subscribe for at least one copy of the Official List at each publication. No list of any kind shall be published and sold by a member without the prior approval of the Council.

**Article 33: Valid Transactions**

Unless otherwise stipulated at the time of a transaction all shares dealt in by a Dealing Member shall be deemed to be fully paid. All transactions entered into by Dealing Members shall be for net prices as between the buyer and seller. Any offer to buy or sell at a price named, shall be funded.

**Article 34: Recognition of Bargain Slips**

All Bargain Slips shall be exchanged by Dealing Members immediately after an order is filled and shall have printed or written on them the words "Subject to the Articles of Association and Regulations of The Nigerian Stock Exchange"

**Article 35: Recognized Parties to Deals**

The Nigerian Stock Exchange does not recognize in its dealings any parties other than its own Dealing Members. Every bargain therefore, whether for account of the Dealing Member affecting it or for account of a client, must be fulfilled according to the rules, regulations and usages of The Exchange.

**Article 36: Genuineness and Regularity of Documents**

- (a) The seller of securities is responsible for the genuineness and regularity of documents delivered;
- (b) In cases where any such security is by or pursuant to the law of any country placed under any disability not applicable to all other securities of the same issue, the buyer may submit the case to the Council who may, if in their opinion the circumstances warrant such action, require the security in question to be returned to the seller and a similar security not subject to such disability to be delivered in its place. The Council may determine the point of date to which the trace back shall be carried.





**Article 37: Disputed Title**

When an official certificate of registration of such securities has been issued, the Council will not, unless bad faith is alleged against the seller, take cognizance of any subsequent dispute as to title, until the legal issue has been decided, reasonable expenses of which legal proceedings shall be borne as the Council may direct.

**Article 38: Seller's Responsibility for Benefits**

The seller is responsible for such benefits as may be due to the buyer if delivery is delayed.

**Article 39: Closure of Register**

Unless otherwise prescribed by the Council:

- (a) Any securities in the official list with a local register shall be marked ex-dividend or ex-scrip on the first day of the closure of Register for transfers;
- (b) Any securities in the official list, in respect of which the register is maintained outside Nigeria shall be marked ex-dividend on the day on which it is so marked by the recognized Stock Exchange on which the security is primarily quoted;
- (c) Any fixed interest securities quoted on the official list shall be marked ex-interest on the day nearest to the seven days prior to the date on which the register is closed for transfers.

**Article 40: Cancellation of Dividends**

On receipt of official information canceling the recommendation or declaration of dividends any notice posted making the security ex-dividend under Articles 39 shall automatically be cancelled and be deemed to have been void and of no effect. Bargains shall be completed as if the securities have not been marked ex-dividend. Any deduction made under Article 41 shall be refunded.

**Article 41: Right to Charge Brokerage Income**

Dealing Members shall charge all clients whether persons, firms, or companies or others on whose behalf they deal in securities, whether as buyer or seller, brokerage income according to the scale prescribed by the Council and approved by the Commission and other relevant authorities with regard to transaction in securities.

**Article 42: Sharing of Brokerage Income**

A Dealing Member may share its commission only with the Member of an officially recognized Stock Exchange.



## **DISCIPLINARY PROCESSES AND PROCEDURES**

### **Article 43: Powers of Council to Discipline Members**

The Council shall have powers to take disciplinary action against its members for any violation of its Rules.

### **Article 44: Power to Hear and Adjudicate**

- (a) The Council may convene a meeting at any time to hear and adjudicate upon disciplinary matters brought before it. If at such meeting it is satisfied that a prima facie case has been established against a Dealing Member, Council shall request the Dealing Member or any of its Accredited Representatives or any of its employees to attend a meeting and explain its or his conduct in regard to the matter.
- (b) Notice to appear before the Council shall be deemed to be effected by The Exchange if:
  - (i) Such notice is served on the person to whom it is addressed; failing which
  - (ii) Such notice is pasted at the last known address of the Dealing Member failing which
  - (iii) Such notice is published in two National daily newspapers.

### **Article 45: Imposition of Sanctions**

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.

### **Article 46: Delegation of Powers to Committee of Council**

Council may delegate any of its disciplinary powers to a Committee to be known as the Disciplinary Committee of Council. Provided that the Chief Executive shall be entitled to exercise the power referred to in Article 45c in cases where a serious misconduct or breach of any of these Rules has been committed by a Dealing Member and shall within the next 24hrs immediately refer such cases to the Disciplinary Committee of Council.



**Article 47: Right of Redress by The Exchange**

The disciplinary powers referred to above may be exercised separately or concurrently and in no circumstances shall the exercise of such powers prejudice any right that may be vested in The Exchange to seek redress against a Dealing Member.

**Article 48: Council's Discretion to Sanction**

Council may exercise any of its disciplinary powers against a Dealing Member or its accredited representatives or any of its employees if, at such meeting or any adjournment thereof, it is of the opinion that considering the explanation, if any, tendered by the member, that the case against the member is substantiated. Council shall also be entitled to exercise any of its disciplinary powers against the Dealing Member concerned should it or its accredited representatives or any of its employees fail to attend the hearing called by Council.

**Article 49: Notification of Disciplinary Action**

Council shall notify the Commission and any other relevant agency whenever it takes any disciplinary action against a Dealing Member or its Accredited Representatives.

**Article 50: Record of Proceedings**

Any resolution shall specify full details of the disciplinary action taken against a Member and when recorded in the Minute Book of the Council or the Disciplinary Committee and signed by the chairman of the meeting deciding on the disciplinary action at a following meeting, the record of proceedings shall be conclusive evidence thereof.

**Article 51: Suspension of Dealing Members**

The Council shall have power to suspend any Dealing Member with or without conditions as it deems appropriate, where the conduct of the Dealing Member is under investigation; provided that the suspension shall not exceed a period of thirty (30) days or such further period as the Council shall deem appropriate based upon the report of the investigations.

**Article 52: Expulsion of Dealing Member**

At any meeting called to consider any question of expulsion, the voting shall be by a show of hands unless a vote by ballot is demanded by no less than three members of Council in which event the voting shall be by ballot.

**Article 53: Publication of Disciplinary Actions**

Council shall have power to publish in the local newspapers or circulars to Dealing Members and other Members of The Exchange, the name of any Member expelled or suspended by The Exchange and also to publish such expulsion or suspension in any other way it may deem fit.



**Article 54: Cessation of Membership**

No Dealing Member who has been expelled from The Exchange shall be eligible for re-admission except where such expulsion is reversed by the Commission and/or the Investments and Securities Tribunal (IST).

**Article 55: Representation before Council**

No Dealing Member shall have the right to be represented at any meeting of Council held for disciplinary purpose(s) by a solicitor or counsel but he or it may if he or it so desires solicit the assistance of another Dealing Member to represent him or it or to make submission on his or its behalf.

**Article 56: Appeal to Council**

Where disciplinary measures are taken against a Dealing Member by the Disciplinary Committee under Article 46:

- (a) The Dealing Member shall be entitled as of right to appeal to the Council within seven days of being notified of the Disciplinary Committee's decision;
- (b) Council shall deal with and decide on the appeal in the same manner as if it were considering the exercise of its disciplinary powers afresh;
- (c) No right of action shall ensue to a Dealing Member (whether against the Chairman of the Disciplinary Committee or the Chief Executive) and the Dealing Member shall not institute any legal action in respect of any loss that the Dealing Member may have suffered (including any loss of profit) by reason of a suspension or any damage to reputation by reason of the fact that a Dealing Member's appeal is upheld by the Council in whole or in part.

**Article 57: Effects of Suspension**

Where a Dealing Member is suspended for any reason whatsoever:

- (a) All monies due to The Exchange, including amounts for the replenishment of the Investor Protection Fund, Trade Guarantee Fund and any fees prescribed under these Rules shall nevertheless remain due and payable by the Dealing Member as if he or it had not been suspended;
- (b) The Dealing Member's right to a Seat shall also be suspended and it shall not be permitted to trade either directly or indirectly during such suspension except as approved by The Exchange for the purpose of making restitution for an unauthorized sales.
- (c) The suspension shall not operate so as to avoid or affect the validity or enforceability of any agreement, transaction or arrangement in relation to the Dealing Member's transactions prior to suspension;



- (d) The Dealing Member shall be under a duty to instruct and appoint another Dealing Member to carry out any instructions already received by it on behalf of its clients prior to suspension and shall immediately notify The Exchange in writing of such appointment;
- (e) The Dealing Member shall do everything possible to ensure that its innocent clients do not suffer any loss or embarrassment as a result of the suspension.

**Article 58: Termination of Trading Rights**

Where a Dealing Member is expelled from The Exchange it shall forthwith lose all trading rights on The Exchange.

**Article 59: Specific Powers of Council**

The Council and (subject to Article 46 hereof) the Committee may exercise their disciplinary powers against a Dealing Member in such manner as prescribed by these Rules and Regulations:

- (a) Is or has been in breach of these Rules or any Regulations made here under disobeys or challenges any lawful exercise of any power pursuant or incidental thereto; or has shielded or assisted or omitted to report or has dealt with any Dealing Member with the knowledge that such Dealing Member has acted contrary to these Rules;
- (b) Is or has been in breach of the Articles;
- (c) Is or has been in breach of Clearing & Settlement Rules;
- (d) Is or has been in breach of any of the terms and conditions of its licence as Council shall from time to time determine;
- (e) Fails to submit any periodic reporting statements or annual audited accounts required by these Rules and Regulations within the time prescribed for submission;
- (f) Appears to have been admitted under any misrepresentation or by the suppression of any information which may be required of him or it or his or its proposer or seconder and which in the opinion of the Council is material;
- (g) Has been charged with and convicted of a criminal offence necessarily involving a finding of fraud or dishonesty;
- (h) Has failed or is unable to carry out any legal obligation relating to transactions in securities;
- (i) Engages in any conduct which is likely to be injurious to the integrity of The Exchange or prejudicial to the objectives of The Exchange;



- (j) Deals with any person, body, firm, corporation or company who or which may have been announced or declared by The Exchange or otherwise notified to the Dealing Members as one who or which has defaulted in carrying out its engagements or obligations relating to securities;
- (k) Is or has been guilty of any misconduct as defined in the Investments and Securities Act, 1999, Rules and Regulations and Code of Conduct of the Commission and any other relevant legislation;
- (l) Fails to report a transaction or knowingly makes or reports a false or fictitious transaction;
- (m) Makes a material misstatement to Council, any Committee, the Chief Executive or other employees of The Exchange;
- (n) Knowingly disseminates false, misleading or inaccurate reports concerning market information or condition that affect or tend to affect the price of any issue of securities;
- (o) Trades or deals after becoming insolvent;
- (p) Refuses to appear before the Council, any Committee or the Chief Executive of The Exchange when being called upon, provided he or it has been given notice;
- (q) Refuses to answer fully all questions or refuses to produce all books and records at any disciplinary hearing or investigation when required to do so or testifies falsely;
- (r) Refuses to make available all information, books and records as may be required by authorized employees of The Exchange in the course of any spot check provided by these Rules and Regulations;
- (s) Except as may be otherwise provided by any law in force in Nigeria, makes use of or reveals any confidential information obtained by reason of participating in any investigative proceedings or hearing or revealed to him confidentially by Council, any Committee, the Chief Executive or officer of The Exchange;
- (t) Induces or attempts to induce another person to buy or sell securities:
  - (i) By dishonestly concealing any material fact;
  - (ii) By making or publishing or causing to be made or published whether recklessly, dishonestly or otherwise, any statement, promise or forecast that is misleading, false or deceptive;
  - (iii) By recording or storing in or by means of any mechanical, electronic or other device, information that he or it knows to be false or misleading in any material report.
- (u) Accepts an order from a client for the sale or purchase of securities without causing such order to be executed on the floors of The Exchange;
- (v) Sells without clients' mandate or authorization.



- (w) Defaults in payment of his or its subscription or any fine imposed on him or it;
- (x) Fails to pay any monies including the subscription due to The Exchange after the expiry of notice in writing calling upon him or it to pay; or
- (y) Shields or assists, or omits to report, or deals with, any Member who it knows has acted contrary to these Rules;
- (z) Becomes bankrupt as defined in the Investments and Securities Act, 1999 or enters into other relevant statutory arrangements with his creditors for the payment of debts or is otherwise insolvent;
- (aa) Breaches any of the conditions for the grant of its Dealing Membership.

**Article 60: Effect of Legal Action By Members against The Exchange**

A Member that institutes an action against The Exchange shall have its or his membership suspended until the determination of the matter.



## **FEES AND CHARGES**

### **Article 61: Powers to Impose Fees and Charges**

Council shall have the power to impose fees and charges in relation to such matters or things and in such amount as Council may from time to time deem fit in addition to any fees and charges specifically required to be paid by or imposed on Dealing Members and to require the payment of such fees and charges by Dealing Members or other persons and to prescribe the time and method of payment thereof.

### **Article 62: Notification of Fees and Charges**

The amount of any fees and charges which the Council may impose shall be notified to the Dealing Members by means of circulars.

### **Article 63: Review of Fees and Charges**

The amount of any fees and charges imposed by the Council pursuant to these Rules may from time to time be revised by the Council as it shall in its absolute discretion deem fit.

### **Article 64: Mode of Payment**

Council shall also prescribe the time and method of payment of any fees and charges imposed pursuant to these Rules by means of circulars to Dealing Members and other persons, and they shall comply with the requirements, instructions or directives contained in such circulars, including the payment of interest, penalty or fine for late payment of such fees and charges.

### **Article 65: Transaction Fees**

A Transaction Fee as prescribed by Council and approved by the Commission shall be payable to The Exchange on every sale of securities listed on The Exchange carried out by a Dealing Member whether as principal or agent on the Trading Floor, and whether the transaction is arranged or concluded in Nigeria or elsewhere.

### **Article 66: Collection of Transaction Fees**

Every Dealing Member shall collect the Transaction Fee from its client, or shall be liable itself if it deals as principal. In the event that a Dealing Member fails to collect such Fees from its clients, that Dealing Member shall nevertheless be liable to The Exchange for payment of the Fee.

### **Article 67: Notification of Transaction Fees**

Within 7 days from the beginning of each month, The Exchange shall forward to every Dealing Member the Transaction Fees payable in respect of transactions carried out as principal or agent during the previous month.





**Article 68: Remittance of Transaction Fees**

A Dealing Member shall remit within 15 days from the beginning of each month the total Transaction Fee due whether or not it receives a demand note from The Exchange.



### **INVESTOR PROTECTION FUND**

**Article 69: Maintenance and Operation**

The Exchange shall maintain and operate an Investor Protection Fund to be administered in accordance with the Investments and Securities Act, 1999 and any other relevant legislation.

**Article 70: Contribution to Fund Not Refundable**

Each Dealing Member upon admission to Membership of The Exchange shall pay a non-refundable sum of N1, 000,000 as initial contribution to the fund or such other amount as may be determined by Council.

**Article 71: Annual Premium**

Without prejudice to the foregoing, each Dealing Member shall pay an annual premium to the Fund as shall be prescribed by Council.

**Article 72: Observance of IPF Rules**

The Rules of The Fund shall be binding on all Members.



## **TRADING**

### **Article 73: Official Days and Hours of The Exchange**

The Exchange shall open for Trading on all days except Saturdays and Sundays and on such National public holidays as may be declared from time to time.

### **Article 74:**

Trading shall be conducted at specified times as may be determined by Council. The Exchange may extend, advance or reduce trading hours by notifying Dealing Members when necessary.

### **Article 75: Mode of Trading**

The Exchange shall provide an Automated Trading System to be referred to as The Nigerian Stock Exchange Automated Trading System (The NSEATS).

### **Article 76: Maintenance of Trading Systems**

- (a) Each Dealing Member must maintain the appropriate systems and technology to enter customers' orders and receive reports and trading data electronically from the Exchange's trading systems. Dealing Member must also maintain the required electronic linked facilities with the Central Securities Clearing System (CSCS) and maintain an off-site back-up system for data to prevent any problems in its electronic systems.
- (b) Trading shall only be allowed through approved Workstation(s) located on any of The Exchange Trading Floors and/or at approved office(s) of a Dealing Member or any other access mode as may be approved from time to time by Council.

### **Article 77: Permission to Use the Trading System**

The permission to use the Trading System shall be subject to payment of such charges as The Exchange may from time to time prescribe.

### **Article 78: Restrictions**

A Dealing Member shall not permit itself or any other person(s) to:

- (a) Use the software provided by The Exchange for any purpose other than the purpose as approved and specified by The Exchange.
- (b) Use the software provided by The Exchange on any equipment other than the workstation approved by The Exchange.



- (c) Copy, alter, modify or make available to any other person the software provided by The Exchange.

**Article 79: Right to Facilities and Data of The Exchange**

A Dealing Member shall not, by itself or through any other persons on his behalf, publish, supply, show or make available To any other person or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System, except with the explicit approval of The Exchange and in the ordinary course of business.

**Article 80: Limitation of Liability of The Exchange**

The Exchange shall provide its services on a best effort basis and shall not be liable for failure of the system or for any loss, damages, or other costs arising in any way out of:

- (a) Telecom network or system failures including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions: or
- (b) Accident, transportation, neglect, misuse, errors, frauds of the Dealing Member or its Authorized Persons or the agents or any third party: or
- (c) Any fault in any attachments or associated equipment (either supplied by The Exchange or approved by The Exchange) which forms or does not form part of the Dealing Member Installation.
- (d) Natural disaster, fire, war or violence, or any other similar occurrence.

Without prejudice to the above provision, such failure shall not reduce, alter or affect the liability of the Dealing Member in respect of any trades to which it is a party.

**Article 81: Access to the Trading Engine**

Access shall be by the use of Trader Identification Code and the assigned Password.

**Article 82: Responsibility of Dealing Member**

A Dealing Member Firm shall be fully responsible for all matters arising from access to the Trading Engine through its Trader Identification Code and Password.

**Article 83: Right to Appoint Users**

Dealing Members shall be entitled to appoint users from a pool of authorized clerks with the approval of The Exchange to operate the Trading Workstations.



**Article 84: Conditions for Appointment of Users**

The appointment of users shall be subject to such terms and conditions as The Exchange may from time to time prescribe.

**Article 85: Confidentiality**

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

**Article 86: Obligation to Change Password**

Where a Dealing Member requests to change its password for reasons approved by The Exchange, the Dealing Member shall immediately change its Trader Password.

**Article 87: Trading Parameters**

The Exchange shall from time to time specify various trading parameters relating to the Trading System.

**Article 88: Trade Types**

The Exchange shall prescribe from time to time different trade types, market types that will be permitted to Dealing Members for dealings in securities.

**Article 89: Indemnification to The Exchange**

Every Dealing Member shall indemnify The Exchange against losses arising from Stockbroking activities.

**Article 90: Suspension on Trading of Securities**

The Exchange may at its discretion at any time suspend or lift suspension on trading in particular securities.

**Article 91: Dealing as Agent or Principal**

A Dealing Member may trade either on behalf of its clients or on its own account or both as approved by The Exchange.

**Article 92: Responsibility for Employees Actions**

Without prejudice to any regulation, every Dealing Member shall be responsible for all the actions of its employees.

**Article 93: Confirmation of Orders**

A Dealing Member shall obtain confirmed orders from its clients before placement of an order on the system and shall keep records of same upon completion or otherwise.



**Article 94: Cancellation of Trades**

Trades may be cancelled BY The Exchange where a fraud has been established or any other situation that The Exchange considers will adversely affect the market.

**Article 95: Responsibility for accuracy of Orders**

- a. A Dealing Member shall be solely responsible for the accuracy of orders entered into the Trading system.
- b. A Dealing Member shall not access a client's account without a confirmed order or mandate.

**Article 96: Issuance of Contract Notes**

Every Dealing Member shall issue a contract note for every purchase or sale of securities entered into by it not later than the end of the next trading day. The contract note shall be duly stamped signed by the Dealing Member and shall contain the following information:

- (a) The name and logo under which the Dealing Member carries on its business as a dealer in securities and the address of the principal place at which he or it so carries on business;
- (b) The name and address of the client on behalf of whom the transaction was consummated;
- (c) Transaction date;
- (d) The description, quantity and the price at which the Transaction was executed;
- (e) The amount of consideration payable under the contract
- (f) The brokerage payable in respect of the contract;
- (g) Other statutory charges.

**Article 97: Order Prices**

All orders entered on the Trading System shall be at prices exclusive of brokerage.

**Article 98: Brokerage Requirement**

A Dealing Member shall charge brokerage separately to their clients.

**Article 99: Restriction of Price movement Ex-Div Day**

On the day a stock is marked for dividend or scrip, there shall not be a price movement on the stock.

**Article 100: Pricing Methodology**

Pricing on The Exchange shall be made in accordance with the following requirements:



- (a) Opening and closing prices shall be as generated by the trading engine on any given day.
- (b) Price movement can only occur as a result of transaction whose volume is not less than that prescribed by The Exchange.
- (c) The price movement band on any given Trading day shall be as determined by The Exchange.

**Article 101: Block Divestment**

Where blocks of shares are available for sale through a Dealing Member, such transactions should be done with the prior approval of The Exchange. In this context, block of shares means any number of units of shares or stocks in any company up to an amount to be determined from time to time by the Council.

**Article 102: Know Your Client**

- (a) A Dealing Member shall not accept or operate a share trading account or otherwise deal on behalf of any other person unless it has taken all reasonable steps to establish the true identity of that person, including his address, occupation, date of birth, mother's maiden name, driver's licence or international passport, current passport photograph and utility bills or any other information that can sufficiently identify him; if a body corporate, certificate of incorporation, Board resolution and relevant Corporate Affairs Commission's form showing return on allotment.
- (b) Every Dealing Member shall comply with such other requirements for identification of clients as prescribed by the Commission and Money Laundering (Prohibition) Act of 2004.
- (c) (i). All payments for purchase of securities shall be made either by personal cheque, bank draft or electronic money transfer subject to the observance of the provisions of the Money Laundering Prohibition Act of 2004.  
  
(ii.) All payments for sale of securities shall be made either by cheque, bank draft, Electronic money Transfer in favour of the account holder in the Central Securities and Clearing System or in the name on the securities certificate evidencing the ownership of the securities.
- (d) Entry of Customers' Orders  
  
All orders entered for customers must contain the following information:
  - (i) The date and time of entry;
  - (ii) The security name and quantity to be bought or sold;
  - (iii) The terms and validity period of the order;
- (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 the relevant procedures are respected.
4. By e-mail.

**Article 103: Prohibition of Transactions with Suspended Dealing Member**

A Dealing Member shall not transact with another Dealing Member whose membership rights have been suspended except as approved by The Exchange.

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.

**Article 105: Circulation of False Information**

- (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 Member is prohibited from making any deals or





recommendations to others to trade in the same direction of the orders before the execution thereof.

**Article 106: Maneuvering with Intention to Defraud**

A Dealing Member shall not directly or indirectly, in connection with any transaction with any person, involving the purchase or sale of securities, employ any device, scheme or artifice to defraud that person, or engage in any act, practice, or course of business which operates or is likely to operate as a fraud or deception.

**Article 107: Prohibition of Pegging/Stabilizing of Securities**

A Dealing Member shall not, either alone or with any Member or any other person effect or knowingly assist in effecting any series of transactions for the purchase or sale of securities, or the purchase or sale of any securities for the purpose of pegging or stabilizing the price of such securities.

**Article 108: Prohibition of Insider Dealing**

A Dealing Member shall not participate in any insider dealing in relation to any securities traded on The Exchange or knowingly assist any Member or any other person to participate in any such insider dealing.



## **TRADING FLOOR**

### **Article 109: Admittance into the Trading Floor**

The number of persons per Dealing Member, to be admitted to the Trading Floor at any one time during trading hours as specified in these Rules shall be as determined by The Exchange from time to time.

### **Article 110: Dress Code for Authorized Clerks**

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.

### **Article 111: Conduct on the Trading Floor**

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

### **Article 112:**

Smoking, gaming, gambling and any other act which is considered by the Council to be detrimental to the interests of The Exchange are strictly forbidden on the Trading Floor.

### **Article 113:**

Drinking and eating may only be carried on at the designated area or areas.

### **Article 114: Care in the Use of Computer Terminals**

It is the duty of every Authorized Clerk to exercise due care in operating the computer terminals, the Internal Telephone System and other equipment at the Members' booth.

### **Article 115: Responsibility for Damage to Equipments**

Where any damage is caused to any of the above-mentioned equipment or fixtures or any other property by an Authorized Clerk or by any other person employed by the Member the Dealing Member shall be responsible. Where such damage is caused negligently Council may impose whatever disciplinary action it thinks fit.

### **Article 116: Council's Discretion to Act in Time of Emergency**

If in the opinion of Council the functioning of the Trading Floor is threatened or likely to be severely and adversely affected by an emergency, including but not limited to fire or other casualty or accident, power failures, communications breakdown, computer malfunction and other similar events, Council shall have full authority to take such actions as it deems appropriate.



## **DELIVERY AND SETTLEMENT PROCEDURES**

### **Article 117: Delivery of Transfer Instruments**

Scripts and transfer instruments shall be delivered in such manner as prescribed by the Council from time to time.

### **Article 119: Verification of Transfer or**

It is the duty of the selling Dealing Member to ascertain that:

- (a) The instrument of verification is correctly stamped.
- (b) The client's signature is duly witnessed and the transferor's name, the number of shares and the numbers on the share certificates being verified are correctly stated on the instrument of the prescribed form.

### **Article 120: Defective Transfer**

- (a) In the event of any defective transfer whereby a transferee, due to no fault of his, is unable to receive delivery of transfer of the securities purported to be transferred by a transferor under the relevant instrument(s) of transfer for any reason whatsoever including any defect in the relevant instrument(s) of transfer or in the title to the securities or following delivery of a transfer of securities found, not to have good title to such securities;

Then in any such event a selling Member shall take all steps necessary to correct such defective transfer within seven (7) days of the receipt of notice of such defective transfer from a transferee or The Exchange. The selling Member shall further be responsible for any and all costs and expenses associated therewith including any losses suffered by a transferee.

- (b) Time Frame for Delivery and Settlement

Delivery and settlement shall be done on a time frame prescribed by The Exchange on a Delivery-versus-Payment basis.

### **Article 121: Duty to Report Failed Transaction**

Should the buying Dealing Member fail to take delivery or the selling Member fail to deliver on the due date, the party not in default shall report the default to The Exchange as soon as it becomes aware of the matter.



**Article 122: Consequences**

Any Member or Dealing Member, who fails, in relation to a transaction in an Eligible Security, to comply with these Rules where applicable, shall be liable to disciplinary action by Council.

**Article 123: Transfer Forms**

Where an investor is buying securities of a company for the first time, the Dealing Member shall lodge a transfer form with the Registrar of that company within 5 working days of the transaction.

**Article 124: Contribution to the Trade Guarantee Fund**

Every Dealing Member shall contribute to the Trade Guarantee Fund an amount as prescribed by Council from time to time in accordance with the guidelines for the operations of the Fund to facilitate settlement of transactions.

**Article 125: Power of Adjudication by Council**

Council shall have power to adjudicate on disputes between Members inter se, Members and clients, and Members and Management.

**Article 126: Zero-Tolerance Policy**

The Exchange shall operate a zero-tolerance policy on proven professional misconduct.

**Article 127: Adjustments on Dealing Member's Records**

Any adjustments to a Dealing Member's trading records kept by The Exchange can only be made after a dispute has been reported and a decision made by The Exchange. Any such decision shall be final and conclusive and binding on the parties involved.

**Article 128: Admissibility of Computer Records**

The computer records of transactions maintained by The Exchange are admissible evidence of transactions of Dealing Members.

**Article 129: Professional Misconduct**

Where a prima facie case of professional misconduct has been established against a Dealing Member, such a member shall be immediately suspended.

**Article 130: Investigation Panel**

The Exchange shall constitute an Investigation Panel and appoint officers or employees to investigate complaints made against Dealing Members in respect of a breach of any provisions of these Rules and Regulations and any other relevant legislation.



**Article 131: Production of Relevant Documents**

A Dealing Member shall make available to The Exchange all relevant documents and information required for the investigation.

**Article 132: Obligation to Appear before an Investigation Panel**

The Dealing Member and any of its employees shall appear before the Investigation Panel when called upon to do so and shall give such information and produce such books, accounts and documents as may be in their possession or under their control and relevant to the matter under investigation.

**Article 133: Recommendation to the Disciplinary Committee**

Where in the opinion of the Investigation Panel, a Dealing Member is found to have breached the Rules and Regulations; a recommendation shall be made to the Disciplinary Committee of Council for appropriate sanctions.

**Article 134: Right to Request for Investigation Report**

If any investigation is carried out and a written report is produced to the Council, the Dealing Member concerned shall have the right to request a copy of such report.

**Article 135: Right to Appeal against Council Decision**

If dissatisfied with the decision of Council, a party to the dispute may seek leave of The Exchange to appeal to the Securities & Exchange Commission (SEC) and the party shall pay the fees to be prescribed by Council from time to time for copies of the record of proceedings.

**Article 136: Notification**

Any dispute between Dealing Members arising from a breach of these Rules shall be immediately reported to The Exchange.

**Article 137: Cost of Investigation**

Expenses incidental to or consequential upon an investigation ordered by Council shall be borne by the Dealing Member concerned.

**Article 138: Exclusion of Claims against The Exchange**

In the event of Council exercising its discretion in ordering an investigation, the Dealing Member concerned shall not be entitled to claim against The Exchange.



**Article 139: Observance of Rules and Regulations**

Dealing Member shall:

- (a) Operate strictly within the provisions of the Investments and Securities Act 1999 and the Rules and Regulations made there under, the Rules and Regulations of The Nigerian Stock Exchange, the Central Securities Clearing System practices, conventions, usages and other related statutory regulations as may be applicable from time to time;
- (b) Render regularly and promptly, quarterly Statements of Accounts and CSCS Statements to clients to give the true position of each Account;
- (c) Not enter into any business relationship with a client premised on a guaranteed return to the client.
- (d) Prohibition against Guarantees

No Dealing Member shall guarantee, directly or indirectly, a customer against loss in any account or in any securities transaction executed by the Dealing Member for such customer, or previously agreed with the customer on a profit margin.

- (f) Indemnify The Exchange against legal proceedings arising from Dealing Members professional misconduct;
- (g) Not use the name of The Exchange or the privilege of membership of The Exchange in activities that have no bearing with the activities of The Exchange.

**Article 140: Council's Decisions and Directives**

All Dealing Members shall abide by all decisions, rulings and directives of Council and any other person or body of persons authorized by Council in the lawful execution of its powers pursuant to the provisions of these Rules and Regulations.

**Article 141: General Conduct**

A Dealing Member shall not do or cause to be done any act, matter or thing, which would adversely affect the goodwill or public image of The Exchange or its Members.

**Article 142:**

A Dealing Member shall at all times act and procure or ensure that its Authorized Clerks and employees act in the best interest of its clients.



**Article 143: Prohibited Practices**

Members are prohibited from conducting the following:

- (a) Opening of clients account without observing the Know-Your-Client procedures.
- (b) The unauthorized use of customers' funds or commingling the firm's cash accounts with that of customers.
- (c) Use or borrowing of a customer's physical accounts without a contract or his written authorization.
- (d) Use of customer's name without a contract or his written authorization.
- (e) Giving preference to any customer's account over other customers including the assignment of more favorable transactions thereto without regard to the priority in which the executions were made.
- (f) Establishing fictitious accounts to execute some transactions.
- (g) Providing incomplete, inaccurate or misleading information to a customer.
- (h) Giving recommendations or information to customers leading to excessive transactions on a customer's account for personal interest or to obtain commissions.
- (i) Disclosing customer's information or acting in a way that would harm the customer or any other party.

**Article 144: Specific Actions Requiring Prior Consent of The Exchange**

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 Directors, Authorized Clerks or other persons who have been indicted by The Exchange or the Commission.
- (d) Publish, circulate or distribute by any means whatsoever any invitation or advertisement;

**Articles 145: Communication with the Public**

All advertisements, circulars and publications shall be:

- (a) Made in good faith and shall not confuse, mislead or offend;



- (b) Free from inaccuracies and be capable of substantiation. Descriptions, claims or comparisons which are misleading about expertise or service shall not be included;
- (c) Drafted to clearly describe the Dealing Member with the words “Member of The Nigerian Stock Exchange”;
- (d) Of such a character as would be unlikely to bring The Exchange or its Members to disrepute;
- (e) Written in such a way as not to prejudice the interest of investors.

**Article 146:**

In respect of Article 150, a Dealing Member shall apply for the consent of the Council by submitting to the Council an application in such form as may be prescribed by Council from time to time.

**Article 147: Regulation of publications**

The Exchange may disallow any invitation or advertisement proposed to be published, circulated or distributed by a Dealing Member without specifying the reason or allows the same on such modifications as Council may deem fit.

**Article 148: Unauthorized Dissemination of Information**

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.

**Article 149: Confidentiality of Information**

A Dealing Member shall respect the confidentiality of information entrusted to it by its clients and shall not disclose any such information to a third party without the specific authority of its client unless:

- (a) It knows or suspects its client to have committed the offence of treason, money laundering, terrorists financing or drug trafficking and any other felonies. The duty to disclose is obligatory on the Member in these circumstances;
- (b) The disclosure is reasonably necessary to protect the interest of the Dealing Member or to enable the Dealing Member sue for its brokerage income or fees or to defend an action instituted against it.
- (c) A Dealing Member is obliged to disclose to the Exchange any share purchases for a client which is 5% and above the share capital of the company.

**Article 150: Obligation to Disclose Money-Laundering Activities**

- (a) A Dealing Member shall abide by all anti-money laundering disclosure requirements incidental to stockbroking business pursuant to the Money Laundering (Prohibition) Act, 2004.





- (b) A Dealing Member should not voluntarily appear in Court as a witness against a client or former client or The Exchange unless served with a subpoena or any other form of witness summons.

**Article 151: Disclosure of Directorship**

Where a Director of a Dealing Member firm is also on the Board of a quoted company on The Exchange such directorship shall be disclosed.

**Article 152: Improper use of Information**

A Dealing Member shall not make improper use of any knowledge or information it may acquire during the course of its work and it shall ensure that members of its staff also observe this requirement.

**Article 153: Sanctions**

The punishment which the Council may impose on a Dealing Member found to have contravened any of the provision of Code of Conduct for Dealing Members shall be any or a combination of:

- (a) Admonition;
- (b) Fine;
- (c) Restitution;
- (d) Suspension;
- (e) Expulsion

Important Note:

While every effort is made to ensure accuracy, no responsibility is accepted for any error, which may occur in this book.



## **PRINCIPAL OFFICERS OF DEALING MEMBER FIRMS**

### **Article 154: Qualification of Chief Executive Officer**

A person shall not be qualified for appointment as a Chief Executive of a Dealing Member unless he:

- (a) is an Authorized Clerk of The Nigerian Stock Exchange with core stockbroking experience of not less than 5 years; and
- (b) has a minimum of 5 years cognate experience in the finance industry.

### **Article 155: Appointment of a Substantive Chief Executive Officer**

No Dealing Member firm shall operate for more than 3 months without a substantive Chief Executive Officer.

### **Article 156: Approval of Council about Material Changes**

Prior written approval of Council shall be required for any change in the name, directorate, shareholding, share capital structure or control of a Dealing Member.

### **Article 157: Dual Board Membership Prohibited**

No one person shall serve as a Director in more than one Dealing Member firm at a time.

### **Article 158: Conditions for Introducing Authorized Clerks**

On payment of the fee to be prescribed by the Council from time to time, a Dealing Member may be permitted to introduce Authorized Clerks, provided that only one person, being the Member, its accredited representative or authorized clerk, may deal on its behalf at any one time on the Floor of The Exchange, without prejudice to remote access to the trading engine by other authorized representatives of the Member firm.

### **Article 159: Register of Authorized and Unauthorized Clerks**

A register of authorized and unauthorized clerks and the names of their employers shall be kept by the Secretary and be available to all members upon application.

### **Article 160: Fees**

The fee payable by a Dealing Member in consideration of his entitlement of registered clerks shall be that prescribed from time to time by the Council.



**Article 161: Power to Suspend authorized Clerks**

The fees in relation to the entitlement of registered clerks shall be paid annually in advance and where any subscription is in default, unless the same be paid within one month after written notice Thereof, the Council shall have the power to suspend the registered clerk thus affected and his name shall thereupon be posted by The Exchange on the Notice Board in the Trading Floor for general information.

**Article 162: Eligibility and Admission Procedures**

Every person desirous of becoming registered as an Authorized Clerk of The Exchange shall make an application in writing in the form prescribed by Council and if his application is approved his name shall be placed in the register of Authorized Clerks.

**Article 163:**

A person shall not be An Authorized Clerk unless:

- (a) He has passed an appropriate professional examination as prescribed by law;
- (b) He has qualifications and has undergone training recognized and prescribed by The Exchange;
- (c) He is registered with The Nigerian Stock Exchange.
- (d) He is not less than 21 years old and of good character and integrity;
- (e) He has agreed to comply with such other requirements for membership as Council may prescribe from time to time; and
- (f) Be recommended by a Dealing Member who will be liable for all transactions made on its behalf on The Exchange by the Authorized Clerk.

**Article 164: Engaging an Unauthorized Clerk**

No Dealing Member shall assign a person who is not an Authorized Clerk of The Exchange to deal on its behalf.

**Article 165: Suitability of Members' Employees**

- (a) Dealing Members shall thoroughly investigate the previous records of persons they contemplate employing in the securities business including brokers and persons who regularly handle or process customer's accounts and persons having supervisory responsibility over persons engaged in such activities.



The Exchange may require at any time the name, actual duties, resumes and the appropriate information regarding any person employed by a Dealing Member in the securities business to permit The Exchange to ensure compliance with its rules.

- (b) A Dealing Member shall not employ or retain in its employment any person whose name has been expunged from the Register of Authorized Clerks.

Every Dealing Member shall notify The Exchange in writing immediately there is any change of employment of its Authorized Clerk.

**Article 166: Transfer of Authorized Clerks**

Save and except the Council otherwise determines, if an Authorized Clerk leaves the employment of a Dealing Member, he may not become an Authorized Clerk of another Member unless he has obtained the prior written consent of the Dealing Member. Where such consent is withheld for more than two (2) weeks, without any proven justifiable reason acceptable to The Exchange, The Exchange shall feel free to authorize such transfer.

**Article 167: Authorized Clerks to be fit and proper Persons**

The Council shall have full powers to investigate the conduct and integrity of any person intended to be employed as an Authorized Clerk. The Council shall have absolute discretion to withhold or to withdraw approval at any time but the Council shall be required to give reasons for its action. The decision of the Council shall be final.

**Article 168: Interpretation of the Rules and Regulations**

The interpretation of any of these Rules and Regulations shall rest with Council and any decision of the Council thereon shall be final and binding on all Members.



**Article 169. In these Rules and Regulations, unless the context otherwise requires:**

- (i) 'Articles' means Articles of Association of The Exchange.
- (ii) 'Accredited Representative' means a representative of a Dealing Member company who is duly authorized to be present and vote at all meetings on behalf of the Member Company.
- (iii) 'Authorized Clerk/'Stockbroker' means a person who:
  - (a) has qualifications and has undergone training recognized and prescribed by The Exchange;
  - (b) is registered with The Nigerian Stock Exchange;
  - (c) is not less than 21 years old and of good character and integrity;
  - (d) has agreed to comply with such other requirements for membership as Council may prescribe from time to time;
  - (e) is recommended by a Dealing Member who will be liable for all transactions made on its behalf on The Exchange by the Authorized Clerk; and
  - (f) is registered as a market operator under the Investment and Securities Act, 1999
- (iv) 'Branch Council' in relation to The Exchange means the person from time to time in whom the management of the Branch Exchange is vested.
- (v) 'Branch Director' means the principal executive for the time being, of The Exchange.
- (vi) 'Trading Floor' means the place set apart for Dealing Members for the transaction of business.
- (vii) 'Commission' means the Securities and Exchange Commission (SEC) established by the Investment and Securities Act, 1999.
- (viii) 'Company' has the same meaning assigned to it in the Companies and Allied Matters Act 2004
- (ix) 'Dealing Member' means a member company who has been granted licence by The Exchange as a dealer in securities hereinafter referred to as member.
- (x) 'Director' has the same meaning assigned to it under the Companies and Allied Matters Act, 2004.
- (xi) 'Director-General' means the Chief Executive for the time being of The Exchange.



- (xii) 'Exchange' means a body corporate known as The Nigerian Stock Exchange which has been registered by the Securities and Exchange Commission (SEC).
- (xiii) 'Member Company' means a company that:
  - (a) is incorporated under the Companies and Allied Matters Act, 2004 as a limited liability company.
  - (b) is recognized as a member company by The Exchange.
- (xiv) 'National Council' in relation to The Exchange means the persons from time to time in whom the management of The Exchange at the national level is vested; hereinafter referred to as the Council.
- (xv) 'Ordinary Member' means a Member other than a Dealing Member.
- (xvi) 'Recognized Stock Exchange' means such stock exchange as the Council from time to time decides to recognize.
- (xvii) 'Rules and Regulations' means Rules and Regulations governing The Exchange and the Members thereof, and include amendments thereto that are made from time to time.
- (xviii) 'Secretary' means Secretary to the Council of The Exchange.
- (xix) 'Securities' has the same meaning as is assigned to it in the Investments and Securities Act 1999, however to the extent that they are under the purview of The Exchange from time to time.
- (xx) 'Stockbroker' means a person licensed by The Exchange to trade in securities.
- (xxi) 'False Market' means a market in which a movement in the price of a share is brought about or sought to be brought about by contrived factors including but not limited to buyers and sellers acting in collaboration with each other, or any act which has the effect of preventing or inhibiting the free negotiation of market prices, or the employment of any fictitious transaction or device or any other form of deception or contrivance.
- (xxii) 'In writing or written' shall include printing, typewriting or any other mode of representing or reproducing words in a visible form.
- (xxiii) Words signifying the singular number only shall include the plural and vice-versa.
- (xxiv) Words signifying 'he' shall include 'she' or 'it' and vice-versa.



- (xxv) 'Investor Protection Fund' means the fund established by The Exchange for the protection of investors.
- (xxvi) 'Professional Misconduct' means any conduct that involves dishonesty, fraud, deceit or fraudulent misrepresentation or any act that reflects adversely on the honesty, trustworthiness or professional competence of the Dealing Members or its employee and /or its agent.