

CIRCULAR

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NGXREG/MRD/CIR02/26/02/19

KNOW YOUR CLIENT (KYC) REQUIREMENTS FOR ONLINE TRADING PORTALS

Please refer to NGX Regulation Limited's ("NGX RegCo") Circulars, with reference numbers **NGXREG/BDR/CIR02/21/04/28** dated 28 April 2021 on "*Vulnerability Assessment and Penetration Testing on Digital Applications*", and **NGXREG/BDR/CIR01/24/03/14** dated 14 March 2024 on "*Know Your Client (KYC)*".

In light of the increasing deployment of Online Trading Portals by Trading License Holders ("TLHs"), TLHs are hereby reminded of their continuing obligation to adequately inform clients of the basic risks associated with trading securities on Nigerian Exchange Limited ("NGX").

This obligation is expressly provided under [Rule 11.1: Know Your Client](#) and [Rules on Online Trading Portals](#), Rulebook of The Exchange, 2015 (Dealing Members' Rules) as amended. The referenced rules provide as follows:

a. Rule 11.1: Know Your Client

"(b) Every Trading License Holder shall: ...

- (6) Obtain basic information from its clients such as its clients' investment objectives, horizon and posture i.e. passive, moderate, aggressive etc.; and shall identify the category (foreign, local retail or institutional) which each client belongs to, in addition to any other relevant information;*
 - (7) Inform their clients of the basic risks involved in trading on The Exchange, the rights and obligations of the client, etc. by issuing to the client a copy of the "Risk Disclosure Document" as approved by The Exchange from time to time; and bring its contents to their client's notice. Trading License Holders shall tailor the Risk Disclosure Document to their respective business model and client risks, and shall obtain and retain in their records, a copy of the Risk Disclosure Document duly signed by each client.*
- (c) Any Trading License Holder that violates sub-rules (a) or (b) above, shall be liable to one of, or a combination of the following penalties:*
- (1) Suspension from executing any trading activity on the client account forthwith until the KYC documents are regularized;*
 - (2) Payment of a minimum fine of Two Hundred and Fifty Thousand Naira (N250,000) and;*
 - (3) Any other sanctions which The Exchange may deem appropriate."*



b. Rules on Online Trading Portals

“9. Dealing Members operating an online trading portal shall:

i. Disclose to their clients, via their online trading portals, and on their account opening forms, the risks associated with using the online trading portal...

15. Any Dealing Member Firm that contravenes any of the Online Trading Portal Rules shall be liable to pay a fine of not less than N250,000.00 (Two Hundred and Fifty Thousand Naira) only and such other penalties as may be prescribed from time to time by The Exchange.”

To ensure strict adherence to the foregoing NGX Rules, Trading License Holders operating Online Trading Portals are expected to satisfy the following requirements:

1. Risk Notification to Clients

Inform clients via their Online Trading Portals, and in their account opening forms, of the risks involved in trading securities using the Online Trading Portal. Such disclosure must be clear, prominent, and easily accessible.

2. Issuance of the Risk Disclosure Document

Provide each client onboarded via the Online Trading Portal with a copy of the “Risk Disclosure Document” as approved by NGX.

3. Execution and Retention of Risk Disclosure Document

Obtain from each client a duly signed or attested copy of the Risk Disclosure Document and retain the executed copy in its records.

Kindly note that compliance with these requirements is mandatory and will be routinely monitored by NGX RegCo in line with our commitment to promote transparency, investor protection, and market integrity. Failure to comply shall attract regulatory action in accordance with applicable rules.

For further enquiries on the above, contact the Market Regulation Department via Marketreg@ngxgroup.com.

Please be guided accordingly.

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