

13 SEPTEMBER 2022

SUBSTANTIAL SHAREHOLDING DISCLOSURE OBLIGATIONS AND CONSOLIDATION OF SHAREHOLDINGS – THE NGX NOMINAL TRANSFER WINDOW

a. Background:

The attention of Nigerian Exchange Limited (“NGX” or “The Exchange”) has been drawn to a trend wherein some investors suddenly announce their previously undisclosed substantial interests in listed Companies. Generally, this involves consolidation of their holdings in multiple Central Securities Clearing System (CSCS) accounts, including nominee accounts and special purpose vehicles (SPVs). Where The Exchange’s guidelines are not followed, these consolidations often result in the affected Issuer’s improper announcement of shareholders holding five percent (5%) or more interest on its Shareholders Register. This practice breaches The Exchange’s Rules as well as other extant market laws. It also impacts market transparency and fairness as it creates information asymmetries, distorts companies’ public information and market data that should be accurate and reliable.

b. Substantial Shareholding Disclosure Obligations - Issuers and Investors:

Issuers and investors are hereby reminded that where an investor’s share dealings result in such investor’s ownership of five percent (5%) or more (direct and indirect holdings) of an Issuer’s listed shares, all such shares held both directly and indirectly must be disclosed as appropriate. These disclosure obligations are provided under The Exchange’s Rules, the Companies and Allied Matters Act (CAMA), 2020¹, and the Consolidated Rules and Regulations of the Securities and Exchange Commission (SEC or the Commission), 2013². Specifically, Rule 17.13: Disclosure of Changes in Beneficial Ownership of Shares, Rulebook of The Exchange, 2015 (Issuers’ Rules) requires every Issuer to notify The Exchange immediately on any transaction that brings the beneficial ownership in the company’s shares to five per-cent (5%) or more not later than ten (10) business days after such transaction.

We also wish to reiterate the provisions of Rule 2.2 of NGX’s Rules Governing Free Float Requirements, which provides as follows:

¹ Please see Section 119 of CAMA which mandates disclosure of holdings by persons with significant control. See also Section 868 for the definition of a “person with significant control” which includes any person directly or indirectly holding at least 5% of the shares or interest (or voting rights) in a company or limited liability partnership. Also, refer to Section 120 on the disclosures required with respect to a substantial shareholder defined therein as a person who “holds himself or by his nominee, shares in the company which entitle him to exercise at least 5% of the unrestricted voting rights at any general meeting of the company”.

² See Rule 397(2) SEC Rules which requires Registrars to file with the Commission, the applicable company and the securities exchange, information on any transaction that brings beneficial ownership of shares in the company to 5% or more.

“Each Issuer shall incorporate in its half-year financial statement filed with The Exchange its shareholding pattern, and also indicate whether or not its free float is in compliance with The Exchange’s free float requirements for the Board on which it is listed.”

In making the requisite disclosures to The Exchange, listed companies are required to state in detail, the different categories of owners of their shares, including Directors, Substantial Shareholders, influential shareholders and other Insiders, indicating whether the holding is **direct or indirect**. This disclosure is also required during the annual report filings of all listed Companies³.

Substantial shareholders and High Net worth Investors therefore have an obligation to be vigilant, by monitoring their holdings, especially where their shares are held in different accounts; and make honest disclosures in that regard. This is to avoid breaching the disclosure obligations where the five percent (5%) reporting threshold is reached, creating the risk of failure of compliance. An investor who chooses to consolidate his/her holdings must comply with the aforementioned disclosure requirements immediately his/her combined holdings in an Issuer reaches the 5% threshold.

c. Consolidation of Holdings - Available Options:

In view of the foregoing, The Exchange wishes to highlight options available to investors in the Nigerian capital market, who are desirous of consolidating their holdings in an orderly and compliant manner. These options include:

- (1) NGX Nominal Transfer Window;
- (2) CSCS consolidation of accounts with different permutations of investor names; and
- (3) SEC approved forbearance window on multiple applications.

Upon receiving appropriate guidance in that regard, investors may adopt any of the above options to consolidate their holdings in order to ensure compliance with the relevant laws, rules and regulations.

d. The Exchange’s Nominal Transfer Window

Nominal Transfer is the transfer of listed securities between a Transferor and a Transferee who are related or connected parties, which involves no consideration passing from the Transferee to the Transferor.

NGX provides a Nominal Transfer window, which enables an efficient consolidation of multiple holdings between connected entities. Nominal Transfer transactions on The Exchange are regulated under **Rule 15:34: Nominal Transfers, Rulebook of The Exchange, 2015 (Trading License Holders’ Rules)**, which became effective on 11 July 2018.

Each Nominal Transfer request/application is carried out in accordance with the provisions of the referenced Rule. Please click on the link below to access **NGX’s Quick Guide to Nominal Transfer Transaction Processing Brochure on the NGX Website**: [NGX’s Quick Guide on Nominal Transfer](https://ngxgroup.com/ngx-download/guide-on-nominal-transfer/). <https://ngxgroup.com/ngx-download/guide-on-nominal-transfer/>

³ See Rule 17.14: Disclosure in the Annual Report of Shareholding, Rulebook of The Exchange, 2015 (Issuers’ Rules)

e. Enquiries:

- I. Investors who are desirous of using The Exchange's Nominal Transfer window should make their application to The Exchange through its Market Operations Department via MarketOperations@ngxgroup.com.
- II. Should you require further clarification on your regulatory obligations in this regard, kindly contact NGX Regulation Limited via its:
 - Listings Regulation Department at ListingsTeam@ngxgroup.com; or
 - Rules and Adjudication Department at RAD@ngxgroup.com.

Signed:

Management

16 September 2022