

**RULES OF NIGERIAN EXCHANGE LIMITED**  
**(ISSUERS' RULES)**

**RULES FOR LISTING OF CLOSED-END FUNDS (CEFs)**  
**ON NIGERIAN EXCHANGE LIMITED<sup>1</sup>**

**0.0 Introduction**

- 0.1 The proposed Rules for listing of Closed End Funds (CEFs) are designed to be a practical guide and shall apply to the listing of CEFs on The Exchange.
- 0.2 The Rules provide Issuers and their advisors with important information about the requirements for listing of CEFs and continuous disclosure requirements.
- 0.3 Any CEF to be listed on The Exchange and listed CEFs shall comply with these CEFs Listing Rules.
- 0.4 The approval granted by The Exchange for listing of a CEF shall not be taken as The Exchange's opinion on that Issuer's standing. The Issuer's directors shall be accountable for the veracity of any information provided to The Exchange, as well as the authenticity of any supporting documents.

**1.0 Definitions**

- "At the Market" At-the-market offerings allow a closed-end fund to raise capital quickly by selling newly issued shares/units into the natural trading flow of the market, without having to announce the offering.
- "CEF or Fund" means Closed-End Fund or closed-end collective investment scheme and is defined as a pooled investment fund, where a fixed amount of capital is raised through an initial public offering and the portfolio is managed by a Fund Manager.
- "Investment Policy" this is the policy adopted by the Issuer that defines the parameters for its funds investment, asset management, and identifies its investment objectives, risk tolerance, investment constraints, and the method of managing and monitoring its investment.

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

1. The draft Rules were presented to the Rules and Adjudication Committee of Council (RAC), and were approved at the RAC Meeting of 19 September 2018, for exposure to stakeholders for comments;
2. The draft Rules were exposed for stakeholders' comments from 3 October to 2 November 2018;
3. At its meeting of 29 March 2019, the Regulation Committee of Council (formerly RAC) considered the Memo for approval of the revised draft Rules (further to stakeholders' comments), for submission to Council for approval; and requested that further internal review be carried out;
4. At its meeting of 12 March 2020, the Regulation Committee reconsidered the Memo for approval of the revised draft Rules, and approved the draft Rules submission to Council;
5. The Council approved the draft Rules at its meeting of 30 April 2020 for submission to the Securities and Exchange Commission (SEC);
6. The Council approved draft Rules were submitted to the SEC for approval on 26 June 2020;
7. The SEC approved the Rules on 23 September 2021.



“Fund Manager”	means an entity appointed to manage the CEF’s investment portfolio.
“Liquidation”	occurs when an Issuer sells off the fund’s assets and distributes the proceeds to the fund’s shareholder/unitholders.
“Net Asset Value Per Share/Unit”	this is the value of a fund share/unit, derived by subtracting the fund’s liabilities from its total assets and then dividing by the number of outstanding shares/units. This value is usually updated daily after the close of market.
“Registrar”	means “registrar” as defined in the Investments and Securities Act.
“Trust Deed”	is the agreement between the Fund Manager and the Trustee, which governs the management of a Unit Trust Scheme.
“Trustee”	means “trustee” as defined in the Investments and Securities Act.
“Unit Trust”	is a form of collective investment constituted under a trust deed, which pools investors’ money into a single fund that is managed by a Fund Manager.

## **2.0 General Requirements for Listing of CEFs**

- 2.1 Every Issuer, seeking a listing of a CEF on The Exchange, shall comply with the requirements contained in these Rules, in addition to all other applicable listing requirements of The Exchange.
- 2.2 The CEF shall be duly registered by the SEC.
- 2.3 An application for listing of a CEF on The Exchange shall be submitted in the form set out in Appendix I (Form of Application for Listing of Unit Trusts), or as prescribed by The Exchange from time to time.
- 2.4 The Issuer’s Board of Directors shall collectively have appropriate and relevant expertise and relevant experience. At least one director shall be an Independent Director.
- 2.5 Where an external Fund Manager is appointed to manage the CEF’s investments, the Issuer’s Board of Directors shall act independently of such Fund Manager.
- 2.6 The Board of Directors shall be responsible for the Issuer’s ongoing compliance with the CEF listing rules.
- 2.7 The CEF shall have a minimum free float of fifteen percent (15%) with no more than fifty percent (50%) of its shares/units held by five (5) or fewer persons. The Exchange may exercise its discretion to review or waive this requirement from time to time.



### **3.0 Documents Required for Listing of CEFs**

- 3.1 Certified copy of the license issued by the SEC to the Issuer to set up/ manage the Fund.
- 3.2 An application to list shares/units of a CEF, either through an Offer for Subscription or Listing by Introduction, shall include the following documents which shall be submitted by the applicant:
- (a) A copy of the SEC's letter approving the Offer/CEF;
  - (b) A certified copy of the resolution of the Board of Directors of the Issuer;
  - (c) One (1) copy of the prospectus which shall include:
    - (i) General information on the Fund;
    - (ii) The securities for which application is being made;
    - (iii) Valuation provisions;
    - (iv) The Fund's investment policy;
    - (v) The Fund's directors and service providers;
    - (vi) Risk factors and conflicts of interest;
    - (vii) Fees and expenses;
    - (viii) The Fund's assets and financial position including audited financial statements where available; and
    - (ix) Other information as may be required by the SEC and The Exchange.

### **4.0 Continuing Obligations**

- 4.1 To retain its listing on The Exchange, the Fund's Trustees or Board of Directors shall comply with the continuing obligations stipulated by The Exchange, which include but are not limited to complying with relevant provisions in The Exchange's Rules, and shall:
- (a) Effectively monitor and manage the performance of its key service providers, including any external Fund Manager appointed by the Issuer, on an on-going basis.
  - (b) Control insider information and comply with the Disclosure and Transparency Rules, including the disclosure of price sensitive information through The Exchange's Issuers' Portal.
  - (c) Maintain the minimum free float requirement;
  - (d) Publish an investment policy that contains guidelines for managing its assets which shall include the following:
    - (i) Investing and managing its assets in accordance with the published investment policy at all times;
    - (ii) Submitting any proposed material change to its published investment policy to The Exchange; and
  - (e) Publish its annual financial report not later than ninety (90) days after the end of each financial year, and its quarterly financial report within thirty (30) days



after the relevant quarter end. The annual report shall contain information including, but not limited to the following:

- (i) A detailed statement of investment objectives and policies and the manner in which those policies have been carried into effect (where applicable);
  - (ii) The management fees or any other direct or indirect fees and reimbursements paid to the Issuer to be shown separately under gross expenses of the CEF;
  - (iii) Analysis of realized and unrealized surpluses separately stating the profits and losses as between listed and unlisted investments;
  - (iv) A statement that the Board of Directors of the Issuer has complied with, and is in compliance with all the requirements imposed by the SEC and The Exchange's Rules, the Prospectus and any directive issued by the SEC and The Exchange from time to time;
  - (v) Names of persons who during the financial year were members of the Board of Directors of the Issuer;
  - (vi) Disclosure of regulatory sanctions or penalties imposed on the CEF during the year.
- (f) Submit key performance indicators on a monthly basis, which shall disclose:
- (i) Opening Net Asset Value;
  - (ii) Closing Net Asset Value;
  - (iii) Net Income;
  - (iv) Distributions, if any;
  - (v) Net Asset Value/Unit;
  - (vi) Premium/Discount;
  - (vii) Earnings/Unit;
  - (viii) Distribution/Unit, if applicable;
  - (ix) Total Return NAV (%);
  - (x) Total Return Market Price (%);
  - (xi) Distribution Yield (%NAV), if applicable;
  - (xii) Distribution Yield (% Price), if applicable; and
  - (xiii) Expense Ratio.
- (g) Immediately notify The Exchange of the following information relating to the operation of the CEF:
- (i) Any amendment made to the Prospectus with a confirmation from the Issuer that such amendment/s have been approved by the SEC;
  - (ii) Any transaction involving the issuance or potential issuance of any securities other than unlisted, non-voting, and non-participating securities;



- (iii) Any change to the information submitted to the SEC for the purposes of granting the license to the Issuer to operate the CEF, and the renewal of such license;
  - (iv) Any SEC approval or rejection of any material change to the CEF;
  - (v) Appointment of an Investment Manager in the instance where the investments are externally managed;
  - (vi) Any regulatory action taken against the CEF by the relevant authorities;
  - (vii) Any dividend to be paid and when determined. The announcement should include details of the shares/unit, payment date for the dividend, dividend per unit and applicable financial year;
  - (viii) The extension of the CEF beyond the originally stated termination date.
- (h) No more than ten percent (10%), in aggregate, of the value of the total assets of an applicant at admission shall be invested in other listed CEFs.
  - (i) The restriction in (h) does not apply to investments in CEFs which themselves have published investment policies to invest no more than fifteen percent (15%) of their total assets in other listed closed-ended investment funds.
  - (j) Pay an annual listing fee as prescribed by The Exchange from time to time.
  - (k) Report the CEF's NAV on a daily basis.
  - (l) Disclose any:
    - (i) use of derivatives in their monthly and annual reporting, and
    - (ii) resulting leverage to the CEF brought about by their derivatives positions.

## **5.0 Treatment of Share Classes of Closed-End Funds**

- 5.1 An existing listed class of equity shares/units of the CEF shall not be converted into a new class or an unlisted class unless prior approval has been given by the shareholders / unitholders of that existing class in the CEF.
- 5.2 Unless authorized by its shareholders / unitholders, a CEF shall not issue further shares/units of the same class as existing shares/units (including issues of treasury shares/units) for cash at a price below the net asset value per share of those shares/units unless the shares/units are first offered pro rata to existing holders of shares/units of that class.
- 5.3 When calculating the net asset value per share, treasury shares/units held by the CEF shall not be taken into account.

## **6.0 Additional Listings of a Closed-End Fund**

- 6.1 Every listed CEF shall within 24 hours notify The Exchange in writing of any transaction involving the issuance or potential issuance of any securities other than unlisted, non-voting, or non-participating securities.



6.2 The Exchange will advise the Issuer in writing within five (5) business days of receipt of the notification required under Rule 6.1, of its decision to accept or not to accept the notice, indicating any conditions of acceptance or its reasons for non-acceptance. Further information or documentation may be requested before The Exchange decides to accept or not accept the notice of transaction.

6.4 Where an Issuer proposes to enter into a transaction which requires notification under Rule 6.1, any public announcement of the transaction shall disclose that the transaction is subject to The Exchange's acceptance or approval.

6.5 The Issuer may wish to have at-the-market offerings and appoint a distribution agent in that regard who will not be a principal underwriter.

## **7.0 Share Buy Back of a Closed-End Fund**

7.1 The Issuer may repurchase or otherwise acquire shares/units of listed securities previously issued by it, in accordance with the Rules and Regulation of the Commission and subject to prior approval of such repurchase by the Commission; or other applicable legislation.

7.2 The Issuer shall release a Circular relating to a resolution proposing to give the Issuer authority to purchase shares/unit of its own securities, and the Circular shall indicate:

- a) if the authority sought is a general one, a statement of the Board of Directors' intentions about using the authority;
- b) the method by which the Issuer intends to acquire the shares/units and the number to be acquired in that manner;
- c) a statement of whether the company intends to cancel the shares/units or hold them in treasury;
- d) if the authority sought is related to a proposal to purchase from specific parties, in which case, a statement setting forth the names of the persons from whom shares/unit are to be acquired together with all material terms of the proposal shall be provided;
- e) details of the price, or the maximum and minimum price, to be paid. This should be no less than the CEF's NAV determined as of the specified date;
- f) an explanation of the potential impact of the proposed buyback, including whether control of the CEF may be concentrated following the proposed transaction.

7.3 The Issuer may be allowed to repurchase between five percent (5%) and fifteen percent (15%) of its outstanding shares/unit pursuant to a general authorization by the unit holders that such repurchase shall be carried out as prescribed in the Trust Deed or as approved by the Commission.

7.4 Purchases of more than fifteen percent (15%) of its shares/units may be made by a CEF, other than by way of a tender offer, provided that the full terms of the buyback have been specifically approved by unit holders.

7.5 Notwithstanding any of the foregoing provisions, no share buy-back shall result in a breach of the fifteen percent (15%) free float requirement.



## **8.0 Procedure for the Liquidation or Termination of a Closed-End Fund**

- 8.1 A Closed-End Fund shall only be liquidated or terminated as stipulated in its prospectus and in accordance with the Rules and Regulation of the Commission and subject to its approval.
- 8.2 The Issuer shall file with The Exchange a declaration confirming the Issuer's compliance with all applicable Rules in performing its obligations to the shareholder/unitholders with regard to the distribution of the proceeds of the Fund, and shall request The Exchange to cancel the shares/units listed on The Exchange.
- 8.3 In the event that the termination date is extended, The Exchange and the public shall be notified by the Issuer and shareholders/unitholders shall be allowed to redeem securities at NAV on or about the original termination date.

## **9.0 Sanctions**

Where at any time, an Issuer fails to comply with any of the CEF Listing Requirements or Continuing Obligations as set out in these Rules, or prescribed by The Exchange from time to time, The Exchange may impose all or any of the following sanctions:

- (a) Suspend and/or delist the CEF from trading on The Exchange;
- (b) Make an announcement advising the market of this fact;
- (c) Impose fines in the following amounts on the Issuer for failure to file its accounts within the timelines prescribed in these Rules:
  - (i) Not less than Ten Thousand Naira (N10,000) per week for the first ninety (90) calendar days of non-compliance;
  - (ii) Thereafter, a fine of not less than Twenty Thousand Naira (N20,000) per week, in addition to any other additional sanction(s) as may be determined by The Exchange.