

CIRCULAR

28 APRIL 2021

NGXREG/BDR/CIR02/21/04/28

Vulnerability Assessment and Penetration Testing on Digital Applications

We refer to our circular with reference number **NSE/LARD/BDR/CIR1/15/06/01** dated 01 June 2015, and the provisions of the **Rules on Online Trading Portals**, Rulebook of The Nigerian Stock Exchange (Amendments to Dealing Members' Rules, Part IX) which became effective on 21 October 2019.

NGX Regulation Limited "NGX RegCo" will like to remind all Trading License Holders of the provisions of the aforementioned Rules on Online Trading Portals¹ for firms who operate and/or intend to set up digital trading applications. Trading Licence Holders are required to ensure that adequate risk management and supervisory controls are incorporated into their digital trading applications. Also, there is a mandatory requirement for firms with digital trading applications to subject these applications to regular Vulnerability Assessment and Penetration Testing (VAPT) in order to address risk exposures that could arise from the use of these platforms.

Consequently, Trading License Holders that operate or intend to operate digital trading applications are required to take note of the following requirements:

1. Obtain a No-Objection from NGX RegCo to operate a digital trading application.
2. Subject the digital trading application to VAPT by a recognized² VAPT Assessor. The VAPT shall be conducted on a periodic basis and not less than twice a year. The VAPT should include detecting web application vulnerabilities and flaws in the business logic implemented by the application.
3. Submit the VAPT report to the Broker Dealer Regulation Department of NGX RegCo no later than ten (10) business days after receipt of the VAPT report and in any event no later than the last business day in June and December for the first and second reports of the year respectively.
4. Ensure that all applications used by clients to access the Order Management System are in alignment with industry security standard requirements such as complex password setting, multifactor authentication and end-to-end encryption. These shall be subjected to regular vulnerability assessment testing.

¹ An online trading portal is a system, including mobile and other digital applications, set up by a Dealing Member which allows a potential client to open an account and permits new and existing clients to access their accounts, give instructions (to buy or sell securities) on the accounts, and also access information regarding securities and other information about the Dealing Member Firm.

² The updated list of recognized VAPT Assessors was published by The Exchange in collaboration with the Association of Securities Dealing Houses of Nigeria (ASHON) on 31 March 2021 and shall be updated periodically as appropriate.



5. Conduct a comprehensive “Know Your Client” (KYC) review on all clients registered through the digital trading application before an online trading account is activated and before any transaction is carried out by clients on the application.
6. Include relevant online indemnities at the point of account opening stating all necessary information with respect to clients operating their online accounts.
7. Monitor and supervise all trading activities conducted on the application and assign an employee who is an Authorized Dealing Clerk (ADC) to carry out this function.

Please note that where a Trading License Holder fails to comply with the above requirements, Rule 15 of the Rules on Online Trading Portals which states that, *“Any Dealing Member that contravenes any of the Online Trading Portal Rules shall be liable to pay a fine of not less than Two Hundred and Fifty Thousand Naira (N250,000.00) only and such other penalties as may be prescribed from time to time by The Exchange”* shall be applicable.

Consequently, all Trading License Holders with digital trading applications are required to conduct periodic Vulnerability Assessment Penetration Testing exercise, and submit a copy of the report electronically to bdr@ngxgroup.com not later than the earlier of ten (10) business days after receipt of the report from the VAPT Assessor, or the last business day in June and December.

Please be guided accordingly.

A handwritten signature in blue ink, appearing to read 'Olufemi Shobanjo'.

Olufemi Shobanjo
Head, Broker Dealer Regulation