



INTERPRETATIVE GUIDANCE TO
SECURITIES LENDING GUIDELINES OF THE NIGERIAN STOCK EXCHANGE AND GMSLA (AS AMENDED)
AND
RULES GOVERNING THE INCLUSION OF RETAIL PARTICIPANTS IN SECURITIES LENDING TRANSACTIONS

RULEBOOK OF THE EXCHANGE, 2015 (DEALING MEMBERS' RULES)

BACKGROUND:

The Securities Lending Guidelines of The Nigerian Stock Exchange (the Guidelines) became effective in March 2012; and subsequently the Rules and Adjudication Committee of the National Council of The Exchange (the remit of which is presently subsumed into the remit of the Regulation Committee of the National Council of The Exchange) resolved at its retreat of 8-9 November 2013 that there was a need to review the Guidelines. The purpose of the proposed amendments to the Guidelines and the Nigerian Addendum to the Global Master Securities Lending Agreement (“GMSLA”) was to provide clarity and to ensure that the use of the GMSLA by Security Lenders conform to the Securities and Exchange Commission’s Rules on Securities Lending (“SEC Rules”). The Exchange received the approval of the Securities and Exchange Commission (“SEC” or “the Commission”) on the Amendments to the Securities Lending Guidelines of The Nigerian Stock Exchange and GMSLA (the ‘Guidelines’) on 24 March 2017. The Exchange via a Notice dated 22 November 2018, notified the market of the SEC’s approval, and the Rules and the Guidelines became effective on 7 January 2019.

In line with The Exchange’s vision for increased stakeholder inclusion in the capital markets industry, it became imperative for The Exchange to include retail investors in the Securities Lending Program to enable their participation and in order to widen the pool of securities available for lending. In view of this, the Rules Governing the Inclusion of Retail Participants in Securities Lending Transactions (the Rules) were birthed and received the approval of the Commission on 17 March 2016. Consequently, The Exchange via a Notice dated 22 November 2018, notified the market of the SEC’s approval, and the Rules became effective on 7 January 2019.

This consolidated Interpretative Guidance seeks to provide clarity on the following aspects of the Guidelines and the Rules and by extension, the expectations of the respective stakeholders under the Guidelines and the Rules:

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|---|---|
| 1) Rules Governing the Inclusion of Retail Participants in Securities Lending Transactions | <ul style="list-style-type: none">● General Standards● Eligibility● Reporting and Administrative Requirements● Enforcement |
| 2) The Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA (as amended) | <ul style="list-style-type: none">● Lending Agents● Principal Intermediaries● Legal Agreements |

INTRODUCTION:

- What is Securities Lending?

Securities Lending involves the temporary transfer of securities¹ from one party (the Lender) to another (the Borrower) for a fee. These transactions are ordinarily facilitated through an intermediary acting as an agent or principal intermediary between the Lender and borrower; and the borrower is obliged to return the securities, either on demand or at the end of a term. In simple terms, the transaction involves the temporary loan of securities from a Lender to a borrower.

- How can one lend or borrow securities?

Parties would typically do this through a securities lending agent who is a company duly registered as a market maker, custodian, licensed Dealing Member or any other market participant by the Securities and Exchange Commission, through whom the Lender will deposit the securities for lending and from whom the borrower will borrow the securities.

- Why would one borrow a security? Why not simply buy it?

There are instances where a security is required for a temporary timeframe. These instances include where some market participants have agreements to “make markets” in certain securities or an instance where it is important for a buyer to receive the securities by a specific date. In the latter situation, if the seller of the securities anticipates late delivery for any reason, borrowing at short notice can be a way to get hold of the delayed securities and deliver in time in which case it is cheaper and less risky to borrow as opposed to buying it out rightly. In addition, many strategies used in the financial markets rely on borrowing a security temporarily. In which case, borrowing can be used for trading (taking risk for profit), arbitrage (making riskless profit from price differences), or hedging (reducing risk) purposes.

- What happens to the legal title of the security once the security passes from the lender to the borrower?

Securities Lending involves the absolute transfer of title of the securities lent. Therefore, securities must be recalled by the Lender if it wishes to exercise the voting rights attached to the particular securities. Arrangements should be made in the agreement between the Lender and the borrower, to compensate the lender of securities for any dividend paid while any particular security is on loan. These arrangements should make each party’s obligation clear.

- What are the key benefits to securities lending?

Some key benefits to securities lending include that firstly, it provides a low risk incremental income for investors; and secondly, it provides market making opportunities and liquidity to the broader global markets.

1.0 THE SECURITIES LENDING GUIDELINES OF THE NIGERIAN STOCK EXCHANGE AND GMSLA (as amended)

1.1 Introduction

As with all activities linked to the safekeeping and management of investments, securities lending involves some risks and it is important that investors understand these and implement controls to manage them. Hence, the Guidelines play a key role in

¹ Securities has the same meaning as is assigned to it in the Investments and Securities Act 2007.

enlightening clients who are not market professionals. The Global Master Securities Lending Agreement (GMSLA) published by the International Securities Lending Association (ISLA) has been developed as an international market standard for securities lending and is referred to in the Guidelines as the “Securities Lending Legal Agreement”.

1.2 Definition of Terms

The following terms are defined to provide clarity and further explain the context in which these words are used herein:

- (a) **Intermediary Agent:** This refers to a Lending Agent who lends securities on behalf of the Beneficial Owner to the borrower sourced by the Beneficial Owner and does not agree to be liable for making good any loss caused by the failure of borrower to return the securities or corporate benefits.
- (b) **Beneficial Owner:** This refers to a person who enjoys benefits, associated rights and privileges of ownership in securities.
- (c) **Lender:** This is the Beneficial Owner of securities who participates in a securities lending transaction.
- (d) **Lending Agent:** This means a company duly registered as a market maker, custodian, licensed Dealing Member, securities lending agent, or any other market participant by the Securities and Exchange Commission who acts either as a principal intermediary or an intermediary agent.
- (e) **Participants:** This refers to all parties entering into a securities borrowing and lending relationship.
- (f) **Principal intermediary:** This is a Lending Agent who lends securities on behalf of a Beneficial Owner to the Borrower it sources and assumes principal risk, offers credit intermediation and takes a position in the securities lent to the borrower.
- (g) **Securities Lending:** This refers to the lending of securities such as stocks and bonds by one party to another.

1.3 Objective of the Guidelines

The objective of these Guidelines is to clarify procedures which should be undertaken prior to entering into securities borrowing and lending transactions with a new counterparty. It is expected to enlighten participants on the need to have adequate systems and controls for the business they intend to undertake.

Thus, this Interpretative Guidance would cover the following aspects of the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA (as amended):

- Lending Agents,
- Principal Intermediaries,
- Legal Agreement.

1.4 Interpretation

1.4.1 Lending Agents

- (a) Investors who wish to lend securities may employ a securities lending agent to lend securities on their behalf. Lenders are typically large scale institutional investors, such as pension funds, insurance companies, collective investment schemes and sovereign wealth funds. The Lender may carry out due diligence to identify and appoint the most appropriate agent in the same way that they would to appoint any other professional. The appointed Lending Agent can act either as a Principal

Intermediary or an Intermediary Agent through whom the Lender will deposit the securities for lending and the borrower will borrow the securities.

- (b) In ensuring that the business relationship between the Lender and the appointed Lending Agent is clear, legal agreements are entered into between the Lender and the Lending Agent to establish the parameters for the Securities Lending program, what can be lent and to whom, what collateral must be received etc. By extension, a lending agreement known as the Securities Lending Legal Agreement under the Guidelines is executed between the Lender and the borrower. A Lending Agent should make regular reports to Lender clients, providing them with full explanations of the securities lending activity carried out on their behalf.
- (c) The services that Lending Agents may provide include²:
- (i) Access to market demand: Most Lending Agents have agreements with the main sources of borrowing demand and employ dedicated people and systems aimed at generating revenues for their clients.
 - (ii) Supply aggregation: Lending Agents may aggregate securities from large numbers of investors making the supply of securities more attractive to borrowers (who often borrow securities in large size).
 - (iii) Risk management: Lending Agents implement risk management frameworks designed to meet clients' specifications. These might include counterparty exposure limits, restrictions on the amount or type of securities that might be lent etc.³
 - (iv) Collateral management: Lending Agents arrange to receive appropriate collateral on a daily basis to ensure that their clients' loans are secured.⁴
 - (v) Regulatory compliance: Lending Agents assist their clients in complying with specific regulation requirements.⁵
 - (vi) Income collection and protection of entitlements: Lending Agents will collect income from borrowers and pay this to the client. In addition they will also collect any distributions or other entitlements that the client is due to receive on the securities that are on loan⁶.
 - (vii) Indemnification: Lending Agents may provide clients with additional protection against certain risks subject to the terms of the Securities Lending Legal Agreements entered into with the clients. Such indemnification may be for example to cover a loss if a borrower defaults and the value of collateral is insufficient to cover the value of the securities lent.⁷

² Establishing a Securities Lending Program; International Securities Lending Association; retrieved from https://www.isla.co.uk/system/files/2017-10/Guide_for_Institutional_Investors.pdf on January 11, 2019.

³ Rules 2.2 and 2.3.4 Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

⁴ Rule 2.3.4 Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

⁵ Rule 2.2 Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

⁶ Rules 3.7; 3.8; 3.10; 9.8.4 Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

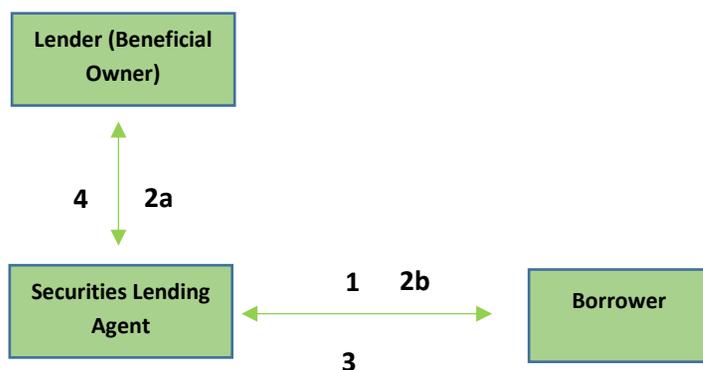
⁷ Typically, as a Principal Intermediary as provided for in Rule 3.2 Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

1.4.2 Principal Intermediaries and Agent Intermediaries

- (a) A Principal Intermediary is a Lending Agent who lends securities on behalf of a Beneficial Owner to the borrower. It sources and assumes principal risk⁸, offers credit intermediation and takes a position in the securities lent to the borrower i.e. it guarantees the return of the equivalent securities of the same type and class to the Lender along with the corporate benefits accrued on them during the tenure of the borrowing, and agrees to be liable for making good any loss caused by the failure of the borrower to return the securities or corporate benefits.
- (b) In contrast, an Intermediary Agent is a Lending Agent who lends securities on behalf of the Lender to the borrower sourced by the Lender. The Lender takes direct credit risk on the borrower while the Intermediary Agent is only responsible for operational risk and other applicable type of risks, i.e., the Intermediary Agent does not guarantee the return of the equivalent securities of the same type and class to the Lender along with the corporate benefits accrued on them during the tenure of the borrowing. In addition, it is not liable for making good any loss caused by the failure of the borrower to return the securities or corporate benefits.
- (c) In view of the above, the functions of a Principal Intermediary include the following:
 - (i) Managing borrower’s risk,
 - (ii) Providing credit Intermediation,
 - (iii) Managing daily collateral process,
 - (iv) Aggregating Market demand.

For some clarity on the transaction relationship between Participants in a Securities Lending transaction, please see Diagram 1 below.

Diagram 1:⁹



Explanatory Notes on Diagram 1:

No. 1: Lending Agent and Borrower identify, negotiate and agree terms of loan;

No. 2a: Securities transferred from the Lender (Beneficial Owner) to Lending Agent;

No. 2b: Securities transferred to borrower;

No. 3: Collateral transferred from Borrower to Lending Agent;

No. 4: Reporting obligation by Lending Agents on exposures to Lender.

⁸ i.e. Primary risk for securities it lends out or receives to be lent.

⁹ Transaction relationship between the Roles of a Lending Agent as an agent of the Beneficial Owner /lender and a Principal Intermediary. The sequences of steps 1 and 2a may often be reversed in practice.

1.4.3 Legal Agreement

- (a) All securities lending arrangements are underpinned by market standard legal agreements such as the GMSLA published by the ISLA. This lending agreement is executed between the Lender and the borrower. The GMSLA has been developed as an international market standard for securities lending and is referred to in the Guidelines as the “Securities Lending Legal Agreement”.
- (b) The issues to be covered under the Securities Lending Legal Agreement include¹⁰:
- (i) The description of the parties,
 - (ii) Where necessary, confirmation that an agent has appropriate prior authority from the Beneficial Owners or a party suitably authorized by the Beneficial Owners, for the security to be lent,
 - (iii) The absolute transfer of the title to securities and collateral,
 - (iv) Acceptable forms of collateral and margin percentages,
 - (v) Provisions clarifying the rights of the parties regarding substitution of collateral,
 - (vi) Arrangements for dealing with corporate actions,
 - (vii) Clear specification of the events of default and the consequential rights and obligations of the counterparties,
 - (viii) The governing law and jurisdiction for the agreement.

1.4.4 Nigerian Addendum to the Securities Lending Legal Agreement

- (a) In view of the operational peculiarities of Securities Lending transactions in Nigeria, Participants entering into a securities borrowing and lending relationship in Nigeria are required to adopt the Securities Lending Legal Agreement which must reflect the variations contained in the Nigerian Addendum to the Securities Lending Legal Agreement (the ‘Nigerian Addendum’) as may be issued from time to time by The Exchange. The provisions of the Securities Lending Legal Agreement must not be contrary to the Nigerian Addendum, the Guidelines, and the SEC Rules. In the event of any conflict between the Securities Lending Legal Agreement and the Nigerian Addendum, the Nigerian Addendum should prevail.
- (b) Key variations to the standard GMSLA to be entered into by Parties to a Securities Lending Transaction in Nigeria as reflected under the Nigerian Addendum include:
- (i) The fact that the Securities Lending Legal Agreement must state that it is between the Lender and the Borrower for which two distinct Agreements shall be executed as follows¹¹:
 - Lender’s GMSLA: between the Lender and the Lending Agent as Party A and Party B respectively; and
 - Borrower’s GMSLA: between the Borrower and the Lending Agent as Party A and Party B respectively.
 - (ii) The deletion of the word ‘London’ to be replaced with ‘Nigeria’ and consequently the London Inter-Bank Offered Rate (LIBOR) is deleted and replaced with Nigerian Inter-Bank Offered Rate (NIBOR); in addition, reference to United Kingdom time shall be replaced by reference to Nigerian time = UTC/GMT+1.¹²

¹⁰ Rule 4.5 Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA

¹¹ Clause 1.1 to the Nigerian Addendum to the Securities Lending Legal Agreement; Appendix to Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA

¹² Clause 1.2 to the Nigerian Addendum to the Securities Lending Legal Agreement; Appendix to Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA

- (iii) The inclusion of an obligation on the Lender or Borrower, engaging in securities lending through a securities firm (Dealing Member) as its agent, to execute a trust deed or any suitable documentation.¹³
- (iv) Consequential amendments to conform to the provisions of the SEC Rules and as may be amended from time to time.¹⁴

2.0 RULES GOVERNING THE INCLUSION OF RETAIL PARTICIPANTS IN SECURITIES LENDING TRANSACTIONS

2.1 Introduction

The Rules are to enable The Exchange promote the participation of retail investors in Securities Lending transactions in order to widen the pool of securities available for lending activity in the market. The Rules seek to ensure that all retail lenders are positioned to surmount legal and operational obstacles in the way of their participation in securities lending transactions. The Rules also seek to ensure that retail investors have sufficient protection and where applicable, that their general relative lack of sophistication in financial matters are not exploited in the context of securities lending transactions.

2.2 Definition of Terms

The following terms are defined to provide clarity and further explain the context in which these words are used herein:

- (a) **Beneficial Owner:** This refers to a person who enjoys benefits, associated rights and privileges of ownership in securities.
- (b) **Intermediary Agent:** This refers to a Dealing Member of The Exchange who a Beneficial Owner has authorized to lend securities on its behalf.
- (c) **Intermediary Agent Identity:** This means the designation within the clearing and settlement depository or a central counterparty system of The Exchange that identifies Dealing Members accredited by The Exchange to act as Intermediary Agents.
- (d) **Principal Intermediary:** This means a Securities Lending Agent who lends securities on behalf of a Beneficial Owner to the borrower it sources. It assumes principal risk, offers credit intermediation and takes a position in the securities lent to the borrower. That is, it guarantees the return of the equivalent securities of the same type and class to the Lender along with the benefits accrued on them during the tenure of the borrowing, and agrees to be liable for making good any loss caused by the failure of borrower to return the securities and accrued benefits.
- (e) **Retail Lender:** This is the retail investor that is a Beneficial Owner of securities who participates in a securities lending transaction.
- (f) **Securities Lending Agent (SLA):** This is a company duly registered as a market maker¹⁵, custodian¹⁶, Dealing Member or any other market participant by the Securities and Exchange Commission, through whom the Lender will deposit the securities for lending and from whom the borrower will borrow the securities. Such a participant must be licensed by the SEC to carry out SLA functions.

¹³ Clause 13 to the Nigerian Addendum to the Securities Lending Legal Agreement; Appendix to Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

¹⁴ Clause 14 to the Nigerian Addendum to the Securities Lending Legal Agreement; Appendix to Amendments to the Securities Lending Guidelines of the Nigerian Stock Exchange and GMSLA.

¹⁵ Section 76 of the Securities and Exchange Commission's Consolidated Rules 2013 (SEC Consolidated Rules) defines Market Maker as any specialist permitted to act as a dealer, any dealer acting in the position of a block positioner, any dealer who, with respect to a security, holds himself out as being ready to buy and sell such securities for his own account on a regular and continuous basis.

¹⁶ Section 116 of the SEC Consolidated Rules defines Custodian of securities as a person who has custody, as a bailee, of securities or certificate issued in the investor's name with the investor's name appearing in the issuer's register as the Beneficial Owner of the securities. For the purpose of this rule, custodian of securities shall also include persons having custody of dematerialized and other securities on behalf of its clients.

2.3 Objective of the Rules

In addition to objectives already stated in this Guidance, the Rules seek to set out procedures that would aid Retail Lenders' understanding of securities lending transactions and its associated risks.

The Rules are applicable to all Dealing Member firms of The Exchange that intend to act as Intermediary Agents between Retail Lenders of securities and Securities Lending Agents (SLA) registered by the Securities and Exchange Commission (the 'Commission').

2.4 Interpretation

2.4.1 General Standards:

As explained above, in a securities lending transaction, a market participant borrows a security for a certain period. The objective of the securities borrower may include to avoid a delivery failure, i.e. settlement failure in the clearing house resulting from the inability to deliver the securities to be transferred; or to cover (or create) a short position in the security in question. The objective of the securities Lender is to earn income, thereby increasing the return on his securities portfolio. Commission payable to the Agents is calculated as a percentage of the lending fees earned by the Retail Lender. This is negotiated between Agents and their Retail Lender clients. It should be noted that the party acting as a Securities Lending Agent must be duly licensed by the Securities and Exchange Commission prior to undertaking such business.

2.4.2 Process Framework:

- (a) A Beneficial Owner of securities that intends to participate in the securities lending program is required to enter into a Securities Lending Agreement with an Intermediary Agent who is a Dealing Member that is approved by The Exchange to perform this role;
- (b) The clearing and settlement depository or a central counterparty, which is currently the Central Securities Clearing System Plc ("CSCS"), creates an Intermediary Agent Identity for the Intermediary Agent and links it to the specified Securities Lending Agent (SLA);
- (c) Upon a Retail Lender's request, the Intermediary Agent places the shares of the Retail Lender to the SLA's pool account;
- (d) The CSCS will place a lien on the securities pledged for the agreed period, during which the securities will not be available for trading by the Retail Lender;
- (e) When the lent securities are due for return, or upon being called by the Retail Lender, the SLA moves the securities back to the Retail Lender's account, subject to the relevant call terms;
- (f) All Retail Lenders are responsible for ensuring that there are no legal obstacles or encumbrances in the way of their participation in securities lending transactions; and should familiarize themselves with the rules, procedures and conventions of the market in order to fully comprehend the securities lending transactions and its associated risks; and
- (g) The SLAs are responsible for ensuring that the benefits of corporate actions are remitted to the Intermediary Agent who in turn remits same to the retail lender of the Securities.

2.4.3 Eligibility:

- (a) Any Dealing Member desirous of acting as an Intermediary Agent shall apply in writing to The Exchange to be accredited in that regard.
- (b) The following are the eligibility criteria that a Dealing Member must comply with to act as an Intermediary Agent:
 - (i) Registration with the Securities and Exchange Commission, Nigeria (the 'Commission');
 - (ii) Registration with the Central Securities and Clearing System Plc. (CSCS)¹⁷;
 - (iii) Good standing with The Exchange; and
 - (iv) Good standing with the Commission, and the CSCS.

2.4.4 Control Measures:

- (a) The Intermediary Agent must obtain the prior authorization of the Retail Lender who is the Beneficial Owner of the securities before moving the securities into the SLA's pool account with CSCS via the CSCS issued token. This approval must be in the form of an overarching Securities Lending Agreement. The Securities Lending Agreement must specify the terms, fee structure and the medium through which instructions shall be deemed to be firm mandates i.e. recorded telephone instruction, electronic mail, or letter etc.
- (b) The Intermediary Agent can only initiate a movement of securities from its pool on the securities lending platform managed by CSCS.
- (c) The Retail Lenders will get a notification from CSCS whenever securities are moved from or into their CSCS account.
- (d) The Exchange will conduct routine examinations of Intermediary Agents on an *ad-hoc* basis to check their books and records to ensure that they have acted within their clients' mandates, in line with relevant Rules of The Exchange.

2.4.5 Reporting and Administrative Requirements:

- (a) In line with the need to promote transparency and efficiency of securities lending transactions, each Intermediary Agent, in addition to keeping sufficient identification records on each Retail Lender, is required to maintain adequate records at all times detailing information which include:
 - (i) Retail Lender's securities available for lending;
 - (ii) Retail Lender's securities currently on loan and the institutions to which the securities have been loaned; and
 - (iii) Necessary documents/mandates evidencing the consent/authority/sign off of the Retail Lender for his/her securities to be used in the securities lending program.
- (b) In addition to the control measures enumerated above, there is an obligation on the Intermediary Agent to ensure that the securities which it pools from Retail Lenders are lent out on a first in first out basis.¹⁸ For transparency and ease of regulatory oversight, the Intermediary Agent is expected to provide weekly returns of movement of Retail Lenders' securities in its custody, to The Exchange to ensure that securities lending activity in the market is effectively monitored.

¹⁷ This registration grants the Intermediary Agents access to the platform designed to aid securities lending.

¹⁸ Rule 3.2(a) of the Rules Governing the Inclusion of Retail Participants in Securities Lending Transactions.

- (c) Also, each Intermediary Agent is required to render monthly reports to the Retail Lender providing full details of their Securities Lending transactions such as historical loan securities records, open loans records and records of securities available for lending¹⁹.

2.4.6 Enforcement:

- (a) The Exchange is entitled to enforce all or any of the disciplinary actions listed in the Rules Governing the Inclusion of Retail Participants in Securities Lending Transactions; Rulebook of The Exchange, 2015 (Dealing Members' Rules) as amended, against any Dealing Member that violates the Rules.
- (b) Any Intermediary Agent or a Dealing Member who is a Securities Lending Agent that violates any of the provisions of the Rules shall be liable to any one or combination of the following penalties:
- (i) Public censure;
 - (ii) Blacklisting;
 - (iii) A fine to be determined by The Exchange based on the circumstances;
 - (iv) Withdrawal of its accreditation as an Intermediary Agent; or recommendation to the Commission that it should be sanctioned or that its registration be withdrawn²⁰.

3.0. EXPECTATION FOR STAKEHOLDERS

3.1 Dealing Members as Intermediary Agents:

From the effective date of the publication of the Rules, Guidelines and GMSLA, each Dealing Member that desires to be an Intermediary Agent is required to:

- (a) Apply to The Exchange to be accredited as an Intermediary Agent, in line with the eligibility criteria under the Rules;
- (b) Execute an agreement with approved Securities Lending Agent(s);
- (c) Execute a lending authorization agreement with its Lender clients in line with the Amendments from the Nigerian Addendum to the Securities Lending Legal Agreement for Securities Lending Transactions undertaken in Nigeria;
- (d) Establish a system that ensures that adequate records on all securities lending transactions for each Lender client is properly maintained;
- (e) Maintain sufficient identification records on each Lender client;
- (f) Provide their Retail Lenders with a monthly notification which provides full details of their Securities Lending transactions such as historical loan securities records, open loans records and records of securities available for lending.
- (g) Provide The Exchange with weekly returns of movement of Retail Lenders' securities in its custody to ensure that Securities lending activity in the market is effectively monitored.

3.2 Clients:

Any Beneficial Owner of securities that intends to participate in a securities lending program as a Securities lender must enter into a Securities Lending Authorization Agreement with an Intermediary Agent that is approved by The Exchange;

¹⁹ Rule 5.1.2 of the Rules Governing the Inclusion of Retail Participants in Securities Lending Transactions

²⁰ In the case of an SLA, as applicable.

All Beneficial Owners are to familiarize themselves as far as possible with the Rules, this Interpretative Guidance, procedures and conventions of the market in order to fully comprehend the securities lending business and its associated risks.

3.3 The Nigerian Stock Exchange:

The Exchange commenced the implementation of the provisions of these Rules from the effective date stated above.

NOTES:

1. The above information does not constitute professional investment or legal advice to anyone. Professional advice should be sought by stakeholders or potential investors where required.
2. Should you require further clarification, kindly contact the following at The Exchange:
 - a. Secondary Markets Department at secondarymarket@nse.com.ng or
 - b. Broker Dealer Regulation Department at nsebdr@nse.com.ng
3. The Rules of The Exchange are also available on its website (www.nse.com.ng), for additional reference.

Issued this 4th day of March, 2020