

**NOTIFICATION OF ADDITIONS TO THE RULEBOOK OF THE EXCHANGE  
(DEALING MEMBERS' RULES)  
AND INVITATION FOR COMMENTS**

**I. Introduction**

The Nigerian Stock Exchange (The Exchange) is proposing the following new rules as additions to the Rulebook of The Exchange (Dealing Members' Rules):

- (a) Proposed Rules on Outsourcing of Functions and Shared Services;
- (b) Proposed Rules for Broker to Fintech Collaborations.

**II. Summary of the Proposed Rules**

**(a) Proposed Rules on Outsourcing of Functions and Shared Services:**

The Exchange has observed that a number of Dealing Members engage the services of third parties / professional service firms to perform some activities and functions related to their business operations and regulatory responsibilities. However, it is noted that these outsourced roles and functions are not adequately performed and monitored within the operations of the Dealing Members. The Exchange recognizes that Dealing Members and related entities share certain services (within Corporate group structures), and sometimes outsource functions for strategic reasons and to reduce operational costs. This makes it imperative to provide appropriate guidance, in order to ensure that the integrity of the market is maintained; and to mitigate the risks of Dealing Members operating with or through third parties who are not regulated by The Exchange, or any other recognized regulator.

These proposed Rules seek to:

- (i) Clarify the functions or roles which Dealing Members are required to manage internally, and roles which Dealing Members may outsource to third parties, or share within a corporate group structure;
- (ii) Standardize and stipulate parameters of the processes, procedures, and documentation of outsourcing or service sharing by Dealing Members; and
- (iii) Balance Dealing Members' concerns about operational costs, with The Exchange's desire to mitigate the operational, reputational, compliance, and other risks associated with outsourcing of functions and shared services.

**(b) Proposed Rules for Broker to Fintech Collaborations:**

Recent trends indicate that many traditional financial service providers are reviewing their existing business models by incorporating new technologies to enhance how they interact with clients, provide financial services, and monitor regulatory compliance. The Exchange has observed that some Dealing Member Firms have entered into collaborations with financial technology companies, commonly known as “Fintechs” to provide digital applications as a platform to attract domestic and foreign investors to trade securities in the Nigerian capital market.

Therefore, the proposed Rules for Broker to Fintech Collaborations prescribe the steps and parameters for Dealing Member Firms (DMFs) who are desirous of engaging in Broker to Fintech Collaborations. The Rules also propose to empower The Exchange to regulate such Dealing Member and Fintech relationships, in line with The Exchange’s objective to protect investors from any adverse effect that these relationships may have. This is without prejudice to the potential benefit of making the market more attractive to investors through the Broker to Fintech Collaborations.

The proposed Rules will provide numerous benefits which include:

- (i) Setting the requirements for Dealing Members that wish to enter into such collaborations;
- (ii) Regulating the products and services being offered to clients under the collaborations; and
- (iii) Prescribing mandatory requirements aimed at minimizing the risks associated with Fintech collaborations.

**III. Invitation for Comments**

The Exchange is pleased to invite you to participate in its rule making process. Your participation is required by way of reviewing the proposed Rules and providing your comments thereon. A set of the proposed Rules may be viewed through the link provided here.

[Proposed Rules on Outsourcing of Functions and Shared Services](#)  
[Proposed Rules for Broker to Fintech Collaborations](#)

The Exchange views your participation as important for the following reasons:

- To create public awareness and solicit the public’s feedback on the proposed Rule amendments; and



- To improve the quality of the proposed Rule amendments and thereby have a robust, well written set of Rules.

We are involving as many stakeholders as possible in this commentary process in order to achieve the aforementioned goals. Please be assured that your comments will be considered in arriving at the final text of the Rules.

#### **IV. Response and Timeline**

We will be grateful to receive your comments later not than the close of business on Monday, 3 August 2020. Your comments should be set forth in a WORD document attached to an electronic mail to Mr. Oluwatoyin Adenugba, Head, Rules and Interpretation at The Exchange at [oadenugba@nse.com.ng](mailto:oadenugba@nse.com.ng).

#### **V. Approvals**

Please note that the draft Rules are subject to the approval of the National Council of The Exchange, and the Securities and Exchange Commission.

Tinuade T. Awe,  
**Executive Director, Regulation**  
**13 July 2020**