



**NOTIFICATION OF AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE
(DEALING MEMBERS' RULES - PART XIX)
AND INVITATION FOR COMMENTS**

I. Introduction

The Exchange is proposing amendments to the Rulebook of The Exchange (Dealing Members' Rules), by reviewing Rule 11.1 - Know Your Client (KYC); Rulebook of The Exchange, 2015 (Dealing Members' Rules).

II. Summary of the Proposed Amendments

[Proposed Amendments to Rule 11.1 – Know Your Client \(KYC\); Rulebook of The Exchange, 2015 \(Dealing Members' Rules\):](#)

In 2014, the Central Bank of Nigeria launched a centralized biometric identification system for the Banking industry called the Bank Verification Number (BVN). The BVN was established to curb illegal banking transactions in Nigeria. It uses biometrics as the first level information to identify and verify all individuals who operate account(s) in all Nigerian banks and consequently, as a means of authenticating customers' identity at points of transactions.

Furthermore, in June 2017, the Securities and Exchange Commission (SEC) released a new set of rules known as the Three-Tiered Know-Your-Customer (KYC) Framework¹ to be adopted by all Capital Market Operators for the purposes of financial inclusion. This framework provided information on the application of simplified KYC requirements to certain accounts, and classified clients' accounts into the following three (3) categories:

- a. Level 1 - Low-Risk Account;
- b. Level 2 - Medium-Risk Accounts; and
- c. Level 3 - High-Risk Accounts.

Therefore, the objective of amending **[Rule 11.1 - Know Your Client: The Rulebook of The Exchange 2015 \(Dealing Members' Rules\)](#)** is to align The Exchange's Rules with the most recent appropriate practices in the market, as well as to enhance investors' protection and empowerment. It also updates The Exchange's KYC Rules to include a requirement for a client's BVN or any other Federal Government recognized identification number; and aligns with the provisions of the SEC's approved three-tiered KYC Framework. This will also serve as a means to improve financial inclusion, protect the financial system as well as minimize identity theft.

¹ New rules and amendments of the Securities and Exchange Commission as at 12 October 2018- accessed via: <https://sec.gov.ng/regulation/rules-codes/>



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 amendments and providing your comments thereon. A set of the proposed amendments may be viewed through the link provided [here](#).

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 Friday, 17 April 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.

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.

For: Tinuade T. Awe,
Executive Director, Regulation
19 March 2020