



Frequently Asked Questions (FAQs)



1. What is the Investors' Protection Fund ("IPF")?

The Investors' Protection Fund (IPF) is a statutory fund established pursuant to section 197 of the Investments and Securities Act, 2007 ("ISA") to compensate investors who suffer pecuniary loss arising from:

- The revocation or cancellation of the registration of a dealing member firm by the Securities and Exchange Commission (SEC);
- The insolvency, bankruptcy or negligence of a dealing member firm of The Exchange; and
- Defalcation committed by a dealing member firm (DMF) or any of its directors, officers, employees or representatives in relation to securities, money or any property entrusted to, or received or deemed received by the dealing member firm in the course of its business as a dealing member firm.

Pursuant to the provisions of section 197 of the ISA, The Nigerian Stock Exchange ("The Exchange") established its IPF.

2. When was the Investors' Protection Fund reconstituted?

The IPF was reconstituted in 2012.

3. Who administers the IPF?

The IPF is administered by a Board of Trustees (BOT) subject to the regulatory supervision of the Securities and Exchange Commission.

4. What is the monetary value of the Investors' Protection Fund?

As at 24 May 2019, the monetary value of the IPF is One Billion, One Hundred and Eighty-Five Million, Four Hundred and Fifty-Three Thousand, Eight Hundred and Fifty-One Naira, and Thirty-Four Kobo (N1,185,453,851.34).

5. How did the value increase from N689,366,000.00 as at the date of reconstitution to N1,185,453,851.34 Billion on 24 May 2019?

The Board approved a comprehensive investment policy for the IPF that set forth the IPF's investment goals and objectives. The value of the IPF has appreciated based on the implementation of the IPF's investment policy.

6. Why were there no compensation payments to claimants until 2015?

Upon its reconstitution, the IPF BOT immediately set to work. The BOT ensured that it



put in place appropriate corporate governance structures for the IPF. Further, the BOT considered global best practice and based on its findings, took decisions on various issues regarding the IPF, benchmarking its processes and procedures against other international IPF's. The BOT also drafted Rules for the IPF and the Securities and Exchange Commission (SEC) approved these Rules in January 2014. Following a transparent and auditable selection process, the Board appointed auditors. The BOT approved the conversion of the IPF's accounts into IFRS format and the audited accounts were submitted to the SEC. The BOT after a thorough auditable transparent process also appointed identity verification consultants and commenced the process of identifying claimants and verifying their claims before making payments in order to prevent identity fraudsters from depriving Claimants of their compensation payments.

7. When are compensations paid to eligible claimants?

Compensation is paid to eligible claimants who have completed the process of verification and complied with all prerequisites for compensation.

8. Do I have to pay a fee to make a claim under the IPF?

No. A claimant does not have to pay a fee to make a claim from the IPF

9. Who can make a claim under the IPF?

Any claimant that has transacted with a dealing member firm of The Exchange and suffered financial loss as a result of any of the reasons listed in the response to Question one (1) above.

10. Can a claimant be excluded from compensation?

A claimant can be excluded from receiving compensation at any stage of the verification exercise where it is identified that the claim is not eligible for compensation.

11. What is the timeline for payment of compensation to the verified claimants under the Investors' Protection Fund?

Payment of compensation is made to claimants within Thirty (30) days of receipt of their executed indemnity and guarantors indemnity (where applicable) document.

12. What is the process a claimant must go through to receive compensation under the IPF

The processes a claimant must go through to receive compensation are:

- a. Claimant(s) is required to forward a written complaint to The Exchange. Upon receipt, the claim is verified by The Exchange and if eligible under sections 198 and 212 of the Investment and Securities Act 2007 (ISA) the claim will be referred to the IPF.
- b. The BOT of the IPF reviews and approves the verified claims and authorizes the referral of the claimant for identity verification.
- c. The Claimant is required to undergo the identity verification exercise by identity verification consultant engaged by the BOT.
- d. Upon the successful completion of the identity verification exercise, a report is presented by the identity verification consultant for the approval of the BOT.
- e. Upon the approval of the BOT, the claimant is required to execute an indemnity and subrogation agreement following which payment of compensation is made to the claimant.

As at 31 May 2019, the number of claimants whose identity were successfully verified is Four Hundred and Fourteen (414); the total number of claims approved for compensation payment by the BOT is Three Hundred and Fifty-Three (353); total number of claimants compensated is Two Hundred and Seventy (270) valued at Seventy Three Million Eight Hundred and Two Thousand Two Hundred and thirty-one Naira Sixty Seven Kobo (N73,802,231.67) and the total number of approved claimants yet to be compensated is Eighty-Three (83).

13. Is there a limit on the amount that I can receive as compensation?

Yes. Currently, the maximum compensation payable to a claimant that suffered any loss is the sum of N400,000.00 (Four Hundred Thousand Naira) or such sum as may be determined by the BOT of the IPF from time to time

14. Can I receive compensation in form of securities?

No. Compensation is payable on cash basis only.

15. What happens if my claim is above the maximum compensation amount of N400,000.00 (Four Hundred Thousand Naira)?

You will be compensated to the extent of the maximum sum payable (N400, 000.00) to an investor as compensation for a claim under the IPF.

16. To whom should the claim be made?

All claims should be made to The Exchange or the IPF with all supporting documents.



A complainant must exhaust The Exchange's complaint management process before making a claim from the IPF. The Exchange shall within thirty (30) days after its internal process verify every claim and determine the amount or extent, if any, to which the claim shall be allowed. Only verified claims will be paid by the IPF.

17. Explain The Exchange's complaint management procedure.

- Upon receipt of a complaint, the complaint document is reviewed to determine whether the issues fall within the regulatory authority of The Exchange. Matters outside the jurisdiction of The Exchange are referred to the appropriate authorities.
- Where the complaint is within the regulatory authority of The Exchange, the complaint is forwarded to the dealing member firm complained about with a directive that it should respond to the allegations.
- Upon receipt of the response, it is reviewed and forwarded to the complainant to respond, i.e., to confirm or deny the dealing member firm's position. Where parties have no further disagreement, the dispute is resolved and The Exchange communicates the details of the resolution to both parties. Where the matter is still contentious, the matter is referred for an All Parties Meeting (APM) where it will be mediated.
- The APM is scheduled to mediate and reach an amicable resolution of the dispute between parties.
- Unresolved matters/appeals from the APM are referred to the Investigation Panel for investigation at the Panel sittings. Cases are heard afresh and the Panel may either uphold the decision of the APM, reverse the entire decision or a part of the decision.
- Unresolved matters/appeals from the Investigation Panel are further referred to the Regulations Committee for resolution.

The Regulations Committee's recommendations and/or appeals from parties are referred to the National Council of The Exchange.

18. What are the documents I need to provide in support of my claim?

Below is a non-exhaustive list of documents that could be required in support of a claim

- i. Copy of share subscription form,
- ii. Contract Notes
- iii. Receipt issued by Firm
- iv. Account Opening Form
- v. Acknowledgment letter from the firm
- vi. Central Securities Clearing System (CSCS) transaction history statement
- vii. CSCS client account statement
- viii. Bank Statement
- ix. Copy of cheque issued/ bank draft
- x. Registrar's statement of transaction,
- xi. Shares allotment letter from registrars
- xii. Copy of share certificate,
- xiii. Letters of Administration/ Probate (in the case of an estate)
- xiv. Company incorporation documents (copy of certificate of incorporation, CAC 7 (particulars of directors) and CAC 2 (statement of share capital).
- xv. Means of identification e.g. driver's license, international passport, national identity card, bankers confirmation etc.
- xvi. Such other documents evidencing identity and ownership over shares.

19. I have more than one claim against different Dealing Member Firms; am I entitled to compensation under the IPF for my claims against each Dealing Member Firm?

Yes. A claimant is entitled to a maximum compensation of N400,000.00 (Four Hundred Thousand Naira) for each successful claim against each DMFs.

20. I have more than one claim against the same Dealing Member Firm; will I be compensated for each claim?

A claimant is entitled to no more than one claim for compensation where he has numerous claims before the IPF in respect of the same DMF.

21. I hold shares of XYZ Company in my account. XYZ Company is now insolvent. Does the IPF protect me against this type of loss?

No. The IPF only protects clients of DMFs against losses that are attributable to the grounds enumerated in the response to question one (1) above. Claims for losses due to market fluctuations or arising from the insolvency of an issuer of a security you own are not covered by the IPF.



22. What if I disagree with what the Dealing Member Firm's records say I am owed?

Where a claimant disagrees with the account statement provided by a DMF, the claimant must provide supporting evidence such as the Central Securities Clearing System Plc. ("CSCS") transaction history report, CSCS client account statements or any other supporting documentation.

23. How long do I have to wait before I am compensated?

Upon the successful completion of the claims verification process and claimant identity verification process an eligible claimant will be compensated within 14 days of the approval of the BOT.

24. To what extent is the right of subrogation of the BOT of the IPF?

Upon payment of compensation to a claimant, the BOT of the IPF shall be subrogated to the extent of the payment made out of the IPF, to fund all the rights and remedies of the claimant in relation to the loss suffered by him. In effect the IPF takes over the rights, security interest or remedies of the claimant against the Firm to the extent of the compensation made.

25. What is the difference between the IPF and the SEC's Investor Protection Fund?

The IPF of The Exchange compensates aggrieved claimant for losses listed in the response to Question one (1) above, and it relates only to the actions of DMFs of The Exchange. The SEC on the other hand established the National Investor Protection Fund (NIPF) in line with its powers under section 13(k) of the ISA to compensate investors whose losses are not covered by the IPF administered by Securities Exchanges and Capital Trade Points. Beneficiaries of this fund are investors who suffer pecuniary loss arising from:

- a. The insolvency and bankruptcy of a capital market operator; and
- b. Defalcation committed by a capital market operator or any of its directors, officers, employees or representatives in relation to securities, money, property entrusted to or received or deemed received by the capital market operator in the course of its business for which it was registered by the commission as a capital market operator.