
CIRCULAR

NSE/RD/BDR/CIR4/19/07/04

4 July 2019

**PROHIBITION OF CIRCULATION OF FALSE, MISLEADING OR INACCURATE INFORMATION,
FRONT RUNNING, MARKET MANIPULATION AND MARKING THE CLOSE**

Dealing Members (Members) are reminded of certain provisions in The Rulebook of The Nigerian Stock Exchange, 2015 (Dealing Members Rules) and its relevant amendments, which prohibit Members from engaging in unwholesome activities which are not permitted by The Exchange. Specifically, some of these provisions relate to:

- Circulation of false, misleading or inaccurate information by Dealing Members;
- Front running; and
- Market manipulation and Marking the close.

A. Circulation of False, Misleading or Inaccurate Information by Dealing Members

1. Rule 17.5: (a) and (c) General Conduct, Sharing of Brokerage Income; and Association with Non Dealing Members, provides that:

“(a) No Dealing Member shall do or cause to be done any act, matter or thing which would adversely affect the goodwill or public image of The Exchange or its Members;

(c) Any Dealing Member that violates the provisions in (a) above shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose:

- (1) A fine to be determined by The Exchange based on the circumstances of the case and which fine shall not be less than Five Hundred Thousand Naira (₦500,000); and suspension of the Dealing Member for such period as may be determined by The Exchange; or*
- (2) Expulsion of the Dealing Member”*

2. Rule 17.20: Circulation of False, Misleading or Inaccurate Information, provides that:

“(a) A Dealing Member shall not circulate or disseminate or authorize or assist in the circulation or dissemination of any statement or information to the effect that the price

of any securities will or is likely to rise or fall when, to his knowledge, the rises or falls or likely rises or falls are attributed to any action which, if done by a Dealing Member would be in contravention of trading rules.

- (b) A Dealing Member shall not circulate or disseminate or authorise or assist in the circulation or dissemination of false, misleading or inaccurate information concerning market information or conditions including but not limited to the market making, securities lending, and short selling programmes that affect or tend to affect the price and/or liquidity of any securities.*
- (c) A Dealing Member that knowingly disseminates false, misleading or inaccurate information as stated above shall be liable to one or more of the following penalties:
 - (1) Public censure of the Dealing Member;*
 - (2) Blacklisting of the Dealing Member;*
 - (3) A fine to be determined by The Exchange based on the circumstances of each case;*
 - (4) Where an Authorized Clerk is involved, revocation of registration of the Authorized Clerk.*
 - (5) Expulsion of the Dealing Member.”**

3. Rule 14.1: Minimum Standards for Communicating with the Public, Amendments to Dealing Members Rules (Part IX) (a - f), provides that:

- “1. All information set forth in advertisements, brochures, circulars and publications shall:*
- a. Be fair, made in good faith and shall not confuse, mislead or offend;*
 - b. Be free from inaccuracies and be capable of substantiation. Descriptions, claims or comparisons which are misleading about expertise or service shall not be included;*
 - c. Be free of descriptions, claims or comparisons which are false, exaggerated, unwarranted, as well as promissory claims about expertise, services, product, or performance of the firm or within the capital market.*
 - d. Be of such a character as will be unlikely to bring The Exchange or its Members to disrepute;*
 - e. Be written in such a way as not to unfairly prejudice the interest of investors, The Exchange or other Capital Market Operators;*

- f. *Be free of words or phrases that are likely to create unhealthy competition, unfairly discredit, disparage or attack the services offered by other firms or exaggerate the nature of competitive differences;”*

The Rules referenced above emphasize the fact that the circulation of false information by a Dealing Member concerning market activities is prohibited. More so, any Dealing Member that engages in such activity shall be sanctioned in line with the Rules, where such false information is brought to the attention of The Exchange. All Dealing Members have a duty to ensure that all information, advertisements, brochures, circulars and publications are accurate, clear, fair, made in good faith and inoffensive.

B. Front Running;

Furthermore, Dealing Members are reminded never to take undue advantage of clients to make profits illegally pursuant to **Rule 17.12: Front Running and Trading Ahead of Customers**, Rulebook of The Exchange 2015 (Dealing Members Rules). It provides that:

“Dealing Members shall not take advantage of an order or a block transaction, that may influence the price of a security, issued by a customer or a group of customers nor shall the Dealing Member trade ahead of customers in the same direction of their orders before the said customers have executed their orders, which may result in the Dealing Member profiting from and illegally taking advantage of the customers. Dealing Members are prohibited from making any deals or recommendations to others to trade in the same direction of the orders before the execution thereof.”

C. Market Manipulation and Marking the Close

All Dealing Members are also reminded that market manipulation of any kind is strictly prohibited pursuant to **Rule 17.13: Prohibition of Market Manipulation and Illegal Market Dealings**, Rulebook of The Exchange 2015 (Dealing Members Rules), specifically Rule 17.13 (a) and (b)(4) which provide that:

- “(a) No Dealing Member may –*
- (1) Either for its own account or on behalf of another person, directly or indirectly use or knowingly participate in the use of any manipulative, improper, false or deceptive practice of trading in a security listed on The Exchange which practice creates or might create –*
 - (A) a false or deceptive appearance of the trading activity in connection with; or*
 - (B) an artificial price for, that security;*

(2) *Place an order to buy or sell listed securities which, to his or her knowledge will, if executed, have the effect contemplated in sub-rule (a)."*

"(b) Without limiting the generality of sub-rule (a), the following are deemed to be manipulative, improper, false or deceptive trading practices:

(4) Approving or entering an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of a security traded on the floor of The Exchange;"

Finally, marking the close, which involves attempting to influence the closing price of a security by executing purchase or sale orders at or near the close of normal trading hours, is prohibited. This act includes approving or entering an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of a security traded on the floor of The Exchange. Such activity can artificially inflate or depress the closing price for the security; and The Exchange prohibits Dealing Members from engaging in such activity.

The Exchange takes strong exception to the violation of any of the aforementioned Rules and advises all Dealing Members to ensure strict compliance with the provisions of the Rules referenced above to avoid regulatory sanctions.

Please be guided accordingly.



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