
CIRCULAR

NSE/LARD/BDR/CIR11/16/02/12

12 February 2016

IMPLEMENTATION OF THE MINIMUM OPERATING STANDARDS (“MOS”) – FOLLOW-UP INSPECTIONS

Further to our circular of 24 December 2014, referenced “BDR/CIR/GOI/12/14” which communicated The Exchange’s implementation process for the MOS and the National Council’s directive to commence the Minimum Operating Standards (“MOS”) inspections, in line with the approved process, the 2nd Level Assessment commenced on 17 August 2015 and ended on 15 December 2015.

A total of two hundred and twenty three (223) firms were inspected during the eighteen (18) week period, out of which one hundred and ninety two (192) were Broker Dealers, thirty (30) Brokers and one (1) Dealer.

Based on the MOS rating methodology, fifty-four (54) firms were fully compliant, i.e., they scored five (5), representing 25% of the population of Dealing Members inspected. Sixty-one (61) firms scored between three (3) and four (4), representing 31%, whilst one hundred and eight (108) firms scored two (2) or less representing 44% of Dealing Member Firms.

This circular aims to provide information on the 3rd level/final Assessment which is herein referred to as the “MOS Follow-Up Inspections”.

1. The Exchange shall commence the follow-up inspections on the one hundred and sixty-nine (169) firms that scored between 0 and 4 to review the deficient areas from the recently concluded second level assessment of the MOS inspections in order to revalidate their level of compliance. The follow-up inspections are scheduled to commence on 29 February and end on 31 May 2016. The inspection dates will be communicated to each concerned Dealing Member no later than 10 days before each inspection.
2. The fifty-four (54) Dealing Members that fully complied with the MOS will be excluded from the follow-up inspections.
3. Dealing Members that have reclassified after the initial round of the MOS inspections to a classification with lower MOS requirements, are expected to inform The Exchange of their reclassified status, failing which they will be assessed on the status available from the records of The Exchange.
4. The one hundred and sixty-nine (169) firms scheduled for the MOS follow-up inspections will be expected to fully comply with the five (5) MOS requirements for their registered function. Firms that fail to fully comply will be adjudged to be not compliant with the MOS requirements. Appropriate steps will be taken with respect to these firms to ensure that they exit the market in an orderly manner.



5. The modalities for the implementation of the palliatives on technology, effective processes and business combinations shall be communicated to Dealing Members in due course.
6. In view of the current challenging economic situation, the National Council of The Exchange at its meeting held on 28 January 2016, approved the following additional measures in order to cushion the effect of the economic downturn:
 - i. The *Chief Dealer* and the *Chief Executive Officer* positions can be merged for firms that wish to combine the two roles; and
 - ii. The ancillary personnel functions, such as Human resources, Administration and Internal Audit may be outsourced by Firms that wish to outsource those functions to reputable service providers.

For further clarification on all of the foregoing, please contact Olufemi Shobanjo; Head, Broker Dealer Regulation Department.

Please be guided accordingly.

Tinuade Awe,
General Counsel | Head of Regulation