



AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE
(AMENDMENTS TO DEALING MEMBERS' RULES - PART XV B)

RULES ON SECURITIES TRANSACTIONS BETWEEN DEALING MEMBERS OF
THE NIGERIAN STOCK EXCHANGE¹

Definitions:

Acceptance	An acceptance is a final and unqualified expression of assent by an Authorized Clerk on behalf of its Dealing Member employer, to the terms of an offer made orally or in writing. An acceptance may be made orally, however, it must subsequently be recorded in writing for reference purposes not later than twenty four (24) hours after the offer is accepted.
Authorized Clerk	For the purposes of these Rules, an Authorized Clerk or Stockbroker means a person who: (a) has qualifications and has undergone training recognized and prescribed by The Exchange; (b) is registered with The Nigerian Stock Exchange; (c) is not less than twenty-one (21) years old and is of good character and integrity; (d) has agreed to comply with such other requirements for membership as Council may prescribe from time to time; (e) is recommended by a Dealing Member who will be liable for all transactions made on his behalf on The Exchange by the Authorized Clerk; and (f) is registered as a market operator under the Investment and Securities Act, 2007, and authorized by a Dealing Member to make an offer or issue acceptance on behalf of the Dealing Member with whom he is employed.

¹ **Rule Making History**

1. The proposed Amendments were presented to the Rules and Adjudication Committee of Council (RAC) at the RAC Meeting of 15 May 2018, and approved for exposure to stakeholders for comments;
2. The proposed Amendments were exposed for stakeholders' comments from 31 May to 2 July 2018;
3. The RAC considered the proposed Amendments, and stakeholders' comments thereon at its Meeting of 19 September 2018, and approved the draft Rules for submission to the National Council of The Exchange (Council);
4. The Council approved the proposed Amendments at its Meeting of 25 October 2018 for submission to the Securities and Exchange Commission (SEC);
5. The SEC approved the Rules on 6 May 2019.



Consideration	The promise, forbearance, payment value, services or any such thing of worth and value exchanged as bargain for a proposed agreement or transaction.
Offer	An offer means an expression of willingness made by one Authorized Clerk on behalf of its Dealing Member to enter into an agreement for the purchase or sale of securities on specified terms, with the intention that the terms should be binding once accepted by another Authorized Clerk, on behalf of its Dealing Member. An offer may be made orally, however, it must subsequently be recorded in writing for reference purposes not later than twenty four (24) hours after the offer is made.
Offeree	means a Dealing Member that receives an offer through its Authorized Clerk from another Authorized Clerk acting on behalf of another Dealing Member (the offeror).
Offeror	means a Dealing Member that makes an offer through its Authorized Clerk to another Dealing Member (the offeree) through the latter's Authorized Clerk.
Parties	means a combination of persons acting for both the Offeror and the Offeree.
Party	means any person who takes part in a transaction in the capacity of an offeror or offeree.
Transaction	means an agreement for the purchase or sale of securities.

1. **General Requirements**

Any Dealing Member seeking to negotiate a Transaction with another Dealing Member to be executed off-book using the trading system or remote trading facilities of The Exchange shall ensure that:

- (a) where an Authorized Clerk is negotiating on behalf of its Dealing Member, a letter of authorization executed by the Chief Executive Officer is provided to the other Party, at the time of negotiating the transaction. The letter of authorization shall be in a format to be prescribed by The Management of The Exchange from time to time;
- (b) an Offer is made by one Authorized Clerk on behalf of its Dealing Member;



- (c) the Offer is accepted by another Authorized Clerk on behalf of its Dealing Member, and the Acceptance is communicated to the Authorized Clerk representing the Dealing Member who made the Offer;
- (d) both Parties to the Transaction clearly express their agreement with the terms of the Transaction and intention that the agreement shall be binding on them;
- (e) the Transaction is executed in accordance with the agreement of the Parties and in compliance with the Rules of The Exchange and other applicable laws, rules and regulations.

2. **Obligations of Parties:**

Each party to a Transaction shall:

- (a) act in the best interest of the market;
- (b) avoid impropriety, or any appearance of improper behaviour;
- (c) confirm its client's instruction before entering into any agreement;
- (d) be transparent and accountable for its actions; and
- (e) comply with the Rules of The Exchange and other applicable laws, rules and regulations.

3. **Proof of Agreement**

In considering whether to enforce an agreement reached by Parties to a Transaction, The Exchange shall take into account the various factors within the circumstances of the Transaction, and such factors that would be considered include proof of the agreement(s) of Parties, made via any one or more of the following:

- (a) a recorded telephone conversation made via a dedicated and registered line, which is subsequently reduced to writing within twenty four (24) hours;
- (b) electronic mail;
- (c) duly executed agreement;
- (d) a letter;
- (e) short message service (SMS) or text message;
- (f) such other memorialized and auditable means as may be approved by The Exchange from time to time.

4. **Consideration**

Every agreement reached by Parties shall be supported by Consideration which shall be something of value; and all communications, documents and any evidence supplied by any of the Parties to prove the existence of an agreement shall have a Consideration, without which such agreement or Transaction may not be enforced by The Exchange.



Revocation, Rescission, Cancellation

5. An Offer may be revoked by the Offeror at any time before the Offeree's Acceptance, provided that the revocation is communicated clearly to the Offeree, either orally or in writing. If the revocation is communicated orally, it shall subsequently be reduced to writing or communicated via a recorded telephone line before the offer is accepted.
6. Where both Parties have reached an agreement, any Party that reneges on or cancels the transaction shall be liable to the sanctions stated in these Rules.
7. Notwithstanding the above provision, Parties to an agreement may by mutual consent rescind the agreement and discharge each other of any obligation prior to the execution of the transaction.
8. Parties may mutually rescind their participation in a proposed agreement at any time before the terms are finalized.
9. Either Party may revoke or cancel the agreement on grounds provided under the agreement, or that are generally acceptable under Nigerian law, including:
 - (a) Fraud;
 - (b) Market manipulation and insider dealing;
 - (c) Misrepresentation;
 - (d) False inducement, duress or undue influence;
 - (e) Incapacity owing to vitiating or frustrating circumstances outside the control of the party e.g. delisting or suspension of the securities, or
 - (f) Any breach of The Exchange's Rules.

10. Notification to The Exchange

A Dealing Member shall notify The Exchange of a default and/or submit the dispute to The Exchange, to adjudicate on the matter. The Exchange may investigate and sanction a defaulting party notwithstanding that the notification of the complainant Dealing Member was not received within the stipulated time, provided that proven circumstances outside the control of the complainant Dealing Member prevented a timely notification or report to The Exchange.



11. Sanctions

The Exchange may impose all or any of the following on a Dealing Member that violates these Rules:

- (a) a directive that the Party in breach should perform and execute the specific terms of the agreement, where it is just and equitable to do so;
- (b) A fine not less than Two Hundred and Fifty Thousand Naira (~~₦~~250,000);
- (c) A compensatory payment to the Party not in default to be determined by The Exchange but not less than Five Hundred Thousand Naira (~~₦~~500,000);
- (d) Suspension for a minimum of five (5) business days; and
- (e) Public censure.