

AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE, 2015

(DEALING MEMBERS' RULES, AMENDMENTS - PART XII)¹

Legend: additions underlined, deletions struck through

1. Rule 1.3: Authority to Administer Rules of The Exchange

~~The Council of~~ The Exchange shall ~~make and~~ administer Rules, Regulations and Guidelines for regulation of trading in securities listed on The Exchange and the activities of its Members; and shall exercise all powers, authorities and discretions in that regard.

2. Rule 1.4: General Conduct

A Dealing Member, its employees, officers and directors shall not 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.

3. Rule 1.6: Duty to Observe and Report Breaches

- (1) It is the duty of every Dealing Member of The Exchange to observe these Rules and Regulations, and to report forthwith any breach of the Articles or Rules and Regulations by itself or any other Dealing Member, in writing to the National Council of The Exchange, or through the Branch Councils to the National Council of The Exchange. Any Dealing Member, being aware of any breach on the part of itself or another Dealing Member and

¹ Rule Making History

1. The draft Rules were presented to the Rules and Adjudication Committee of Council (RAC) at the RAC Meeting of 4 July 2016, and approved for exposure to stakeholders for comments;
2. The draft Rules were exposed for stakeholders' comments from 12 July to 9 August 2016;
3. The RAC considered the draft Rules, and stakeholders' comments thereon at its Meeting of 29 November 2016, and approved the draft Rules for submission to the National Council of The Exchange (Council);
4. The Council approved the draft Rules at its Meeting of 26 January 2017 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved Rules were submitted to the SEC for approval on 1 February 2017;
6. To bring the Rules in line with the Disciplinary Procedure for Dealing Members of The Exchange, the draft Rules were revised, and re-presented to the Council, and the Council approved the revised draft Rules at its Meeting of 25 May 2017 for submission to the Securities and Exchange Commission, and authorised the withdrawal of the former version;
7. The Council approved revised Rules were submitted to the SEC for approval on 16 June 2017;
8. The SEC approved the Rules on 5 December 2018.

failing to report the same to Council as aforesaid, shall ~~himself/itself~~ be **guilty of a breach in violation** of these Rules and Regulations.

- (2) The Exchange may, at its sole discretion, exercise its discretion to reduce or waive any applicable sanction(s) where a Dealing Member promptly and voluntarily reports its inadvertent breach of any of The Exchange’s Rules and Regulations, in writing to The Exchange.

4. Rule 1.19: Indemnification to The Exchange

- (a) Every Dealing Member shall indemnify The Exchange against any losses The Exchange suffers and/or any liability The Exchange incurs as a result of the Dealing Member’s Stockbroking activities.

5. Rule 1.24: Definitions

“Blacklisting” ~~means~~ is where The Exchange determines that a Person is:

- (a) no longer entitled to privileges, services, recognition or access to The Exchange and its facilities; or
 (b) not permitted to deal or transact with or be employed by a Dealing Member or Person; and
and the name of the Person is entered in a record maintained by The Exchange to be known as the “Blacklist”.

For the purpose of this definition, “Person” means a Dealing Member, an Authorized Clerk, an employee or director of a Dealing Member, a sub-broker, or any other capital market operator.

Any Person blacklisted by The Exchange may apply to The Exchange for reinstatement:

- (i) after the expiration of the blacklisting period imposed by The Exchange; or where the blacklisting is not for life, a reasonable period has elapsed where no period is specified by The Exchange; and
 (ii) provide compelling reasons in support of his application.
- ~~(a) a situation where The Exchange puts the name of a Dealing Member on a list of persons who are denied privileges, services, access, recognition or are boycotted or punished;~~
~~(b) a situation where The Exchange puts the name of an employee or director of a Dealing Member on a list of persons who are not allowed to either continue being employees or directors of a Dealing Member or becoming employees or directors of any other Dealing Member;~~

a situation where The Exchange puts the name of a sub-broker or any other capital market operator on a list of persons whom Dealing Members of The Exchange are not permitted to deal with or transact with.

“Indicted” means a situation where a person is undergoing a disciplinary process or The Exchange has imposed any form of ~~penal action~~ **sanction** on a Dealing Member, Director, Authorised Clerk, Principal Officers of Dealing Members or any other person.

6. Rule 6.12: Specific Actions Requiring Prior Consent of The Exchange

- (a) A Dealing Member shall not be allowed to do any of the following without the prior written consent of The Exchange:
- (1) Establish or maintain any branch office;
 - (2) Allow or agree to any change in the control or shareholding structure of the Company;
 - (3) Employ any of the following:
 - (A) Directors, Authorized Clerks or other persons including Principal Officers such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer, who have been indicted by The Exchange or the Commission.
 - (B) Any person who was an officer or employee of a Dealing Member expelled from the Exchange;
 - (C) Any person expelled, as an Authorized Clerk or its equivalent, from any other exchange;
 - (D) Any person refused admission as a member of the Chartered Institute of Stockbrokers or any person expelled from its membership;
 - (E) Any person expelled as a member of any professional association or institute;
 - (F) Any person who is insolvent or has been convicted of theft, fraud, forgery, or any other crime involving dishonesty.
 - (G) Any person blacklisted by The Exchange, or any other exchange or the Commission.

7. Rule 6.14: Notification of Change of Approved Persons

- (a) All Dealing Members shall notify The Exchange within ten (10) business days of the change of their Directors, and Principal Officers such as the Chief Executive Officer, Chief Finance Officer, Chief Compliance Officer and Chief Risk Officer, in the format to be prescribed by The Exchange.
- (b) Notwithstanding the provision above, the appointment of an approved person requires the prior approval of The Exchange.



- (c) Any Dealing Member that contravenes this rule shall pay a **fine penalty** of One Hundred Thousand Naira (~~₦~~100,000) in addition to any other **punishment sanction** which the Council may impose as it deems fit.

8. Rule 7.4: Submission of Financial and Non-Financial Reports to The Exchange

- (a) Every Dealing Member shall submit to The Exchange its audited ~~annual~~ financial statements, within ninety (90) calendar days of the end of the fiscal year, and its quarterly ~~financial statements-returns~~ within thirty (30) calendar days of the end of the quarter; and any other periodic report within the period stipulated by The Exchange.
- (b) All financial statements shall be prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) applicable to the period covered in such financial statement(s).
- (c) The Exchange shall communicate the need for submission of any other periodic ~~financial~~ report to Dealing Members via its circular to the Market.
- (d) If a Dealing Member fails to comply with this provision, it shall be liable to the following penalties which are subject to review by Council and any change thereto shall be made public by way of a Circular:
- (1) Failure of a Dealing Member to submit quarterly returns on the date due for submission shall attract a penalty of Five Thousand Naira (~~₦~~5,000) per day of default, and the Dealing Member shall be suspended from trading with effect from the first trading day after the due date;
 - (2) Failure of a Dealing Member to submit audited financial statements on the date due for submission shall attract a penalty of Five Thousand Naira (~~₦~~5,000) per day of default for a maximum of four (4) weeks;
 - (3) Where a Dealing Member fails to submit its audited ~~annual~~ financial statements after four (4) weeks of default, the Dealing Member firm shall be suspended from trading forthwith;
 - (4) Failure of a Dealing Member to submit any other periodic reports on the due date for submission shall attract a penalty of Five Thousand Naira (~~₦~~5,000) per day of default for a maximum of four (4) weeks;
 - (5) Where a Dealing Member fails to submit the periodic report after four (4) weeks of default, the Dealing Member firm shall be suspended from trading forthwith;
 - (6) Where a Dealing Member is suspended from trading under sub-paragraph (1), ~~or (3) and (5)~~, such suspension shall be lifted upon submission of the quarterly returns, ~~or~~ audited financial statements or periodic reports;

9. Rule 7.5: Extension of time for Submission of Audited Financial Statements, and Quarterly Returns

- (a) Where appropriate, a Dealing Member ~~must~~ may apply for an extension of time for **the** submission of its quarterly returns, or audited ~~annual~~ financial statements. **Such application for extension shall be made no later than** two (2) weeks before same is due

- and such Dealing Member shall be expected to give reasons for requesting the extension;
- (b) The decision to grant a Dealing Member's request for an extension of time under sub-article (a) shall be entirely at the discretion of The Exchange and such extension shall in no event be longer than a period of four (4) weeks from the due date for submission for quarterly returns, and eight (8) weeks for audited financial statements;
 - (c) Where a Dealing Member fails to submit its quarterly returns or audited ~~annual~~ financial statements at the expiration of the extended period granted, the Dealing Member shall be suspended from trading forthwith;
 - (d) Where a Dealing Member is suspended from trading pursuant to Rule 7.4 (d), such suspension shall be lifted upon submission of the quarterly returns, or audited ~~annual~~ financial statements;
 - (e) The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.

10. Rule 8.12: Power to Suspend or Revoke the Registration of Authorized Clerks

- (a) The Exchange may suspend any Authorized Clerk or prohibit any Authorized Clerk from being the CEO of a Dealing Member firm for a period of time and/or until after fulfilling conditions specified by The Exchange are satisfied, or revoke the registration of any Authorized Clerk who has breached any rules or regulations of The Exchange or is found to be complicit in any breach of such rules or regulations.

11. Rule 10.5: Definition of Roles, Responsibilities and Obligations

- (b) Obligations
 - (1) The Compliance Officer shall report to The Exchange any violation of the Rules within twenty-four (24) hours of his/her knowledge of such violation. The Compliance Officer is responsible for fully disclosing violations and ensuring that appropriate remedial or disciplinary action is taken where violations are identified.
 - (2) Notwithstanding the above, the Dealing Member Firm shall be appropriately sanctioned for any violation and be responsible for all the actions of its employees.
 - (3) The Exchange shall report to his/her regulating professional body any Compliance Officer that neglects or deliberately fails to report any violation observed by him/her to The Exchange.

- (4) The Exchange may blacklist or ~~reprimand~~ **sanction** any Compliance Officer that neglects or deliberately fails to report any violation observed by him/her to The Exchange.

12. Rule 19.1: Powers of Council to Discipline Members

- (b) **Delegation of Powers to Committee of Council:** The Council may, **at its sole discretion**, delegate any of its disciplinary powers to **other disciplinary organs established by the Council or the Exchange including:**
- (i) a Committee to be known as the Disciplinary Committee of Council;
 - (ii) **the Management of the Exchange;**
 - (iii) **the Adjudicatory Panel; or**
 - (iv) **the Appeals Committee.**

Provided that the Chief Executive shall be entitled to exercise the power referred to in Rule 19.10, in cases where a serious misconduct or breach of any of these Rules has been committed by a Dealing Member and shall within the next twenty four (24) hours immediately refer such cases to the Disciplinary Committee of Council.

- (d) **The Council shall, notwithstanding any delegation, have powers to take disciplinary action against Dealing Members and/or their employees, directors, or Authorized Clerks for any violation of The Exchange's Rules.**

13. Rule 19.2: Specific Powers of Council

The Council and ~~(subject to Rule 19.1 (b) hereof) the Committee~~ may exercise disciplinary powers against a Dealing Member, its employees, directors, or Authorized Clerks in such manner as prescribed by these Rules and Regulations where such Dealing Member:

- (a) Is or has been in breach of these Rules or any Regulations made here under; disobeys or challenges any lawful exercise of any power pursuant or incidental thereto; or has shielded or assisted or omitted to report or has dealt with any Dealing Member with the knowledge that such Dealing Member has acted contrary to these Rules;
- (b) Is or has been in breach of the Articles;
- (c) Is or has been in breach of Clearing and Settlement Rules;
- (d) Is or has been in breach of any of the terms and conditions of its licence as Council shall from time to time determine;
- (e) Fails to submit any periodic reporting statements or annual audited accounts required by these Rules and Regulations within the time prescribed for submission;

- (f) Appears to have been admitted under any misrepresentation or by the suppression of any information which may be required of him or it or his or its proposer or seconder and which in the opinion of the Council is material;
- (g) Has been charged with and convicted of a criminal offence necessarily involving a finding of fraud or dishonesty;
- (h) Has failed or is unable to carry out any legal obligation relating to transactions in securities;
- (i) Engages in any conduct which is likely to be injurious to the integrity of The Exchange or prejudicial to the objectives of The Exchange;
- (j) Deals with any person, body, firm, corporation or company who or which may have been announced or declared by The Exchange or otherwise notified to the Dealing Members as one who or which has defaulted in carrying out its engagements or obligations relating to securities;
- (k) Is or has been guilty of any misconduct as defined in the Investments and Securities Act, 2007, Rules and Regulations and Code of Conduct of the Commission and any other relevant legislation;
- (l) Fails to report a transaction or knowingly makes or reports a false or fictitious transaction;
- (m) Makes a material misstatement to Council, any Committee, the Chief Executive or other employees of The Exchange;
- (n) Knowingly disseminates false, misleading or inaccurate reports concerning market information or condition that affect or tend to affect the price of any issue of securities;
- (o) Trades or deals after becoming insolvent;
- (p) Refuses to appear before the Council, any Committee or the Chief Executive of The Exchange when being called upon, provided he or it has been given notice;
- (q) Refuses to answer fully all questions or refuses to produce all books and records at any disciplinary hearing or investigation when required to do so or testifies falsely;
- (r) Refuses to make available all information, books and records as may be required by authorized employees of The Exchange in the course of any spot check provided by these Rules and Regulations;
- (s) Except as may be otherwise provided by any law in force in Nigeria, makes use of or reveals any confidential information obtained by reason of participating in any investigative proceedings or hearing or revealed to him confidentially by Council, any Committee, the Chief Executive or officer of The Exchange;
- (t) Induces or attempts to induce another person to buy or sell securities:
 - (1) By dishonestly concealing any material fact;
 - (2) By making or publishing or causing to be made or published whether recklessly, dishonestly or otherwise, any statement, promise or forecast that is misleading, false or deceptive;
 - (3) By recording or storing in or by means of any mechanical, electronic or other device, information that he or it knows to be false or misleading in any material respect.
- (u) Accepts an order from a client for the sale or purchase of securities without causing such order to be executed on the floors of The Exchange;

- (v) Sells without clients' mandate or authorization;
- (w) Defaults in payment of his or its subscription or any fine imposed on him or it;
- (x) Fails to pay any monies including the subscription due to The Exchange after the expiry of notice in writing calling upon him or it to pay; or
- (y) Shields or assists, or omits to report, or deals with, any Member who it knows has acted contrary to these Rules;
- (z) Becomes bankrupt as defined in the Investments and Securities Act, 2007 or enters into other relevant statutory arrangements with his creditors for the payment of debts or is otherwise insolvent;
 - (aa) Breaches any of the conditions for the grant of its Dealing Membership.
 - (bb) transfers the account of a client without authorization; and
 - (cc) fails to comply with any directive of the ~~Adjudicatory Adjudication Panel, or Appeals Committee panel or Council.~~

14. Rule 19.4: Retention of Jurisdiction over Former Employees and Directors

- (a) So that it may properly investigate and enforce sanctions against possible violations of The Exchange's rules and regulations, The Exchange shall retain continuing jurisdiction over ~~a former employees and or directors~~ of Dealing Member firms at any time after the date that The Exchange receives written notice of the resignation or termination of any Dealing Member employee ~~and or director~~.
- (b) In the event that The Exchange asserts jurisdiction over a former employee ~~and or director~~ of a Dealing Member firm under sub-rule (a) above, such employee ~~and or director~~ may thereafter be compelled to appear and testify before The Exchange, or to submit relevant books and records or other tangible materials to The Exchange, or respond to written requests from The Exchange for additional information, in the same manner and to the same extent as if the employee ~~and or director~~ were still employed or serving on the Board of the Dealing Member firm.

15. Rule 19.5: Suspension of Dealing Members Pending Investigation

The Exchange Council shall have power to suspend any Dealing Member, any Authorized Clerk, any Compliance Officer or any other employee of a Dealing Member with or without conditions as it deems ~~see~~ appropriate, where the conduct of the Dealing Member and/or the Authorized Clerk or the Compliance Officer or any other employee is under investigation for breach of the Rules or for professional misconduct, provided that the suspension shall not exceed a period of thirty (30) days or such further period as the Council shall deem appropriate based upon the report of the investigations.

16. Rule 19.13: Expulsion of Dealing Member

~~At any meeting called to consider any question of expulsion, the voting shall be by a show of hands unless a vote by ballot is demanded by no less than three (3) members of Council in which event the voting shall be by ballot.~~

- (a) A resolution for the expulsion of a Dealing Member shall be:
 - (i) passed by a majority of not less than two thirds of those Members of the Council who are present at a Special Meeting; and
 - (ii) confirmed by a majority of those Members of the Council who are present at a subsequent Special Meeting.
- (b) At each such meeting the voting shall be by ballot.”

17. Rule 22.2: Eligibility to Act as Sub-Brokers

- (a) Dealing Members shall transact business with only Sub-Brokers that are duly registered with the Commission upon receipt of approval from The Exchange pursuant to Rule 17.5 of the Rules and Regulations Governing Dealing Members.
- (b) Dealing Members shall ensure that their clients are not acting in the capacity of Sub-Brokers unless such clients are registered with the Commission as Sub-Brokers.
- (c) Dealing Members shall execute agreements with each of their Sub-Brokers specifying the rights and responsibilities of the Dealing Members and Sub-Brokers as provided in the Rules and Regulations of the Commission.
- (d) Dealing Members shall not transact with Sub-Brokers that have been blacklisted by The Exchange or any other Exchange or the Commission.

18. Rule 22.5: Sanctions

- (a) Where a Sub-Broker transacting business with a Dealing Member violates any of the Capital Market rules and regulations, the Dealing Member concerned may be sanctioned in line with rule 4.4 below.
- (b) Where an agreement setting out the relationship between a Dealing Member and a Sub-Broker which was approved pursuant to these Guidelines is terminated for any reason,

the Dealing Member shall notify The Exchange and the Commission within forty-eight (48) hours of the termination and the reasons for termination.

- (c) Where the Commission notifies The Exchange or The Exchange otherwise becomes aware of an enforcement action against a Sub-Broker, The Exchange's approval of the arrangement between the Sub-Broker and the Dealing Member shall be suspended pending the outcome of the enforcement action. No Dealing Member shall transact any business with a Sub-Broker whose approval has been suspended.
- (d) The Exchange shall impose any or a combination of any of the following sanctions on the Dealing Member for violating any of the rules stated above:
- (1) A minimum fine of One Hundred Naira (~~₦~~100,000) to be paid by the Dealing Member or such minimum fine as The Exchange may determine from time to time;
 - (2) Suspension of a Dealing Member;
 - (3) Expulsion of a Dealing Member;
 - (4) A referral of the Sub-Broker to the Commission;
 - (5) A referral of the Sub-Broker to the law enforcement agencies; and
 - (6) Referral of the Sub-Broker's sponsored individuals to their supervising professional bodies.
 - ~~(7) Blacklisting the Sub-Broker from dealing with Dealing Members.~~
- (e) **Where a Sub-Broker violates any of the Capital market laws, rules and regulations, The Exchange may blacklist such a Sub-Broker.**