



THE RULEBOOK OF THE EXCHANGE, 2015
AMENDMENTS TO DEALING MEMBERS / TRADING LICENSE HOLDERS' RULES
(PART XVIII)¹

Legend: Additions: underlined, deletions: ~~struck through~~

A. AMENDMENTS TO RULE 7.2: NET LIQUID CAPITAL REQUIREMENT Rule 7.2:

Net Liquid Capital Requirement

- (a) Every Dealing Member shall at all times comply with the asset mix ratio ~~have~~ and maintain an adequate Net Liquid Capital ~~equal to or in excess of the prescribed minimum share Capital for Dealing Members~~ as may be determined from time to time by the Commission and The Exchange.
- (b) The computation of the ~~minimum~~ asset mix ratio and Net Liquid Capital ~~requirement~~ for Dealing Members shall be in the prescribed format as determined ~~from time to time~~ by the Commission and The Exchange.
- (c) No Dealing Member's aggregate indebtedness shall exceed ten (10) times its Net Liquid Capital.
- (d) ~~€~~ Every Dealing Member shall compute and ~~include~~ report its Net Liquid Capital to The Exchange on a weekly basis; ~~in all regulatory reports issued by it~~ and shall notify The Exchange immediately and not later than twenty-four (24) hours after the discovery of a reduction in its Net Liquid Capital. ~~falls below the prescribed minimum Share Capital; and shall submit to The Exchange a monthly report on its share capital in the prescribed format.~~

¹ **Rule Making History**

1. The draft Rule Amendments were presented to the Regulation Committee of Council (Reg. Com) at the Reg. Com Meeting of 12 September 2019, and approved for exposure to stakeholders for comments;
2. The draft Rule Amendments were exposed for stakeholders' comments from 24 September to 24 October 2019;
3. At its meeting of 12 March 2020, the Regulation Committee considered the Memo for approval of the revised draft Rule Amendments further to stakeholders' comments, and approved the Rules for submission to Council for approval;
4. The Council approved the draft Rule Amendments at its meeting of 30 April 2020 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved Rule Amendments were submitted to the SEC for approval on 26 June 2020;
6. The SEC approved the Rule Amendments on 5 March 2021.



- (e) ~~d~~) The Exchange shall notify any Dealing Member whose Net Liquid Capital falls below the required capital to one hundred and twenty five per cent (125%) of the prescribed minimum capital to recapitalize within a period to be agreed with The Exchange and such Dealing Member shall be closely monitored by The Exchange to ensure that its Net Liquid Capital does not deteriorate any further.
- (f) Any Dealing Member that violates any of the sub-rule "c" above rules shall be immediately suspended from trading by The Exchange; and any violation of the other sub-rules shall attract, pay a penalty of Five Thousand Naira (N5,000) for every day the Dealing Member fails to notify The Exchange in addition to suspension penalties shall be liable to one of, or a combination of the following:
- i) Immediate suspension from trading to avoid a further deterioration of capital;
 - ii) A penalty of Five Thousand Naira (N5,000) for every day the Dealing Member fails to notify The Exchange of any reduction in its Net Liquid Capital; or where the Dealing Member fails to recapitalize after expiration of the period for recapitalization as agreed with The Exchange, the firm shall be suspended immediately, provided that The Exchange may in its sole discretion suspend a Dealing Member from trading or take such other action that is appropriate in the circumstances during such agreed period where there is a further deterioration in the Net Liquid Capital of the Dealing Member.

B. AMENDMENTS TO RULE 7.6: PROHIBITION OF MANIPULATION OF FINANCIAL STATEMENTS

Rule 7.6: Prohibition of Manipulation of Financial Statements

- (a) Under no circumstances shall a Dealing Member manipulate its financial statements including but not limited to its monthly transaction returns, quarterly returns, audited financial statements and other regulatory report submitted to The Exchange.
- (b) The financial statements of a Dealing Member shall be free from misstatements arising from acts/omissions which include:
- (i) Manipulation, falsification, or alteration of accounting records or supporting documents from which financial statements are prepared;
 - (ii) Misrepresentation in or intentional omission from the financial statements of events, transactions, or other significant information;

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- (iii) Intentional misapplication of applicable accounting principles and financial reporting standards relating to amounts, classification, manner of presentation, or disclosure;
 - (iv) Misappropriation of assets.
- (c) The financial statements of a Dealing Member shall be deemed to have been manipulated where any or all of the items recorded in the financial statement is overstated; understated, or do not show a true and fair view of the financial position or financial performance of the Dealing Member.
- (d) (d) Where the shareholders of a Dealing Member inject funds in the form of cash deposit for shares,
- (i) Such deposits shall be converted to equity investment within three (3) months of receipt of funds in that regard; and
 - (ii) Dealing Members shall allot shares for which the deposits were made and file a return on allotment of shares in the specified format with the Corporate Affairs Commission ~~within the~~ as stipulated period in the Companies and Allied Matters Act Cap. C20, LFN 2004 (as may be amended from time to time); but not later than three (3) months as provided in “sub-rule (d) (1)” above.
 - (iii) The Exchange may at its discretion agree a time with the Dealing Member firm to conclude the statutory registration of the company’s newly allotted shares with the Corporate Affairs Commission as appropriate.
- (e) ~~If a~~ Any Dealing Member that contravenes violates any of the above stated sub-rules a-d, it shall be immediately suspended, and shall be liable to a fine not less than Five Hundred Thousand Naira (N500,000). Provided that:
- ~~(1) The fine shall be paid by the Dealing Member firm no later than ten (10) business days after the fine is imposed on the firm.~~
 - ~~(2) Any Dealing Member that fails to pay the fine within the stipulated period shall be suspended from trading forthwith.~~
- (3) ~~(f)-A~~ The suspension placed on a Dealing Member Firm for financial manipulation shall only be lifted upon The Exchange’s review of all requested documentations; satisfactory resolution of all outstanding issues as confirmed by The Exchange; failing to pay fine shall be lifted only upon payment of the fine to The Exchange, and allotment of the shares as stated in “sub-rule ~~(b d)~~(2)” above as applicable.



C. AMENDMENTS TO RULE 11.14: THIRD PARTY TRANSACTIONS (SALES PROCEEDS IN THE NAME OF THIRD PARTY)

Definitions:

Examiner means an authorized officer or employee of The Exchange or a third-party authorized by The Exchange, who is involved directly or indirectly, in an examination of a Dealing Member.

Rule 11.14: Third Party Transactions (Sales Proceeds and transfer of Client Balance in the Name of Third Party)

- (a) Under no circumstance shall a ~~Any~~ Dealing Member that delivers the proceeds of sale of a client's securities or transfer a portion or all of the client's available balance to a third party. ~~shall on demand of the client immediately buy back the client's securities.~~
- (b) Any Dealing Member that contravenes the above stated rule shall immediately carry out restitution of the client's stockbroking account to its original state, and shall be liable to a minimum fine of Two Hundred and Fifty Thousand Naira (₦250,000) and/or suspension from trading on the floors of The Exchange for a period to be determined by The Exchange.

D. AMENDMENTS TO RULE 11.8: NO UNAUTHORIZED USE OF CLIENT FUNDS; SEGREGATION OF CLIENT FUNDS

Rule 11.8: ~~No~~ Unauthorized Use of Client Funds; Segregation of Client Funds

(c) Withdrawals from customer accounts:

- (1) Dealing Members shall not withdraw or transfer customer funds from the customer accounts for the purpose of settling any transaction by the Dealing Member as principal, or for the purpose of settling any business debt of the Dealing Member.
- (2) No moneys shall be drawn from customer accounts other than:

(A) Moneys properly required for payment by or on behalf of a customer in connection with debts due from the customer to the Dealing Member for liabilities arising from trades executed on behalf of the customer or in satisfaction of margin

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calls or other customer obligations;

(B) Moneys properly required for payment to a customer upon written request by the customer; and

(C) Moneys belonging to the Dealing Member as may have been paid into the customer's account.

~~(3) Any Dealing Member that withdraws or transfers a customer's funds from a bank account designated as the Client's Bank Account, or operates such other bank account for any transaction other than for buying and selling of securities on behalf of its clients or in any manner contrary to these provisions shall, where the Dealing Member is a:~~

~~(iv) first time offender, be issued with a written warning; or suspended from trading on the floors of The Exchange for a period of not less than five (5) business days and~~

~~(v) as a second time offender, be subject to a minimum fine of Five Hundred Thousand Naira (N500,000);~~

(4) In the case of a subsequent offender, the Dealing Member shall be suspended from trading on the floors of The Exchange for a period of not less than five (5) business days and subject to a minimum fine of Five Hundred Thousand Naira (N500,000);

(5) Nothing in this rule shall deprive a Dealing Member of any legal recourse rights, whether by way of lien, set-off, counter-claim or otherwise, against moneys held in a customer's account.

E. AMENDMENTS TO RULE 13.1: RECORD OF TRANSACTIONS AND RIGHT OF INSPECTION; AND RULE 13.2: COOPERATION IN CONNECTION WITH INSPECTIONS OR INVESTIGATIONS

Rule 13.1: Record of Transactions and Right of Inspection

(a) Every Dealing Member shall keep proper records and books of accounts in respect of all stockbroking transactions. The Exchange shall prescribe the forms in which such records and books are to be kept by Dealing Members and shall be entitled to ~~empower Broker Dealer Regulation Department to inspect~~ examine the records of Dealing Members from time to time.



- (b) The information gathered during the ~~inspection~~ examination of records of Dealing Members shall be used as prescribed by the Management of The Exchange in line with global best practices;
- (c) Prior to embarking on its ~~inspection~~ examination the ~~Broker Dealer Regulation Department~~ of The Exchange shall give a minimum of ten (10) business days written notice to the Dealing Member of its intention to conduct an ~~inspection~~ examination of the Dealing Member's records; and any documents requested by The Exchange in that regard shall be provided by the Dealing Member at least five (5) business days prior to the date of the examination;
- (d) The Chief Executive Officer and the Heads of Departments of the Dealing Member Firm, ~~and the heads of all the Dealing Member firm's departments~~ shall be present during the ~~inspection~~ examination;
- (e) Where any of the aforementioned officers of a Dealing Member ~~Firm~~ that cannot be present during an ~~inspection~~ examination, the firm shall ~~notify~~ provide The Exchange ~~in with a writing notice which shall be received~~ at least three (3) business days prior to the ~~inspection~~ examination stating the reason(s) for such absence and providing a suitable representative;
- (f) Where a Dealing Member fails to produce books and records of accounts requested during the course of an examination in line with (a) and (c) above, the Dealing Member shall be immediately suspended from trading on the floors of The Exchange until the information is provided;
- (g) In addition to the suspension, The Exchange ~~may~~ shall impose a fine not exceeding Fifty Thousand Naira (~~₦~~50,000) payable within five (5) business days if any Dealing Member violates the provisions of sub-rule (e) above.

Rule 13.2: Cooperation in Connection with Examinations ~~Inspections~~ or Investigations

- (a) Dealing Members and their personnel shall cooperate fully and promptly at all times during ~~inspections~~ examinations or investigations conducted by The Exchange or by the Securities and Exchange Commission and shall respond to inquiries by The Exchange and the Securities and Exchange Commission promptly;



- (b) A Dealing Member shall be deemed not to have cooperated fully and promptly during an examination or investigation where the Dealing Member engages in any or all of the following actions, which include:
- i. Falsification or alteration of business policies and non-financial information;
 - ii. Misrepresentation in or delay in providing information related to the examination as stated in the notice of examination;
 - iii. Inability to provide books and records within the specified timeframe of the onsite examination or inability to indicate when they would be produced;
 - iv. Concealing information relating to any aspect of the examination or investigation
- (c) Where a Dealing Member fails to cooperate fully with an Examiner during the conduct of an examination in line with (a) above, the firm shall be immediately suspended from trading on the floors of The Exchange until full cooperation is provided.
- (d) In addition to the suspension, The Exchange shall impose a fine not exceeding Fifty Thousand Naira (₦50,000) payable within five (5) business days;
- (e) Where a Dealing Member fails to pay the prescribed fine in sub-rule (c) above within the specified period, such Dealing Member shall be liable to a further fine not exceeding Five One Hundred Thousand Naira (₦100,000).