



RULEBOOK OF THE NIGERIAN STOCK EXCHANGE, (DEALING MEMBERS' RULES)

**DISCIPLINARY PROCEDURE FOR DEALING MEMBERS OF
THE NIGERIAN STOCK EXCHANGE**

BREACHES TO BE TREATED ADMINISTRATIVELY ¹

The penalty for violation of any Rule in respect of which no penalty is specified shall be a fine of:

- a. Fifty Thousand Naira (₦50,000.00) for first time offenders, or
- b. One Hundred Thousand Naira (₦100, 000) for second time offenders, and for each subsequent violation.

S/n	Title of Rule	Text of Rule
1	Rule 1.8 : Identification of Business Documents	Every Dealing Member shall have printed upon all letterheads the names of its Directors. All letterheads, contract notes, brochures, scrip receipts or other documents used by the Dealing Member in the transaction of stockbroking business shall have printed on them the words "Member of The Nigerian Stock Exchange".
2	Rule 1.9 : Scope of Business Activities	No Dealing Member shall carry on any other business save that of buying and or selling securities and those activities which are ancillary thereto.

¹ The Exchange shall from time to time designate a list of Rules of The Exchange, which The Exchange shall regard as Breaches to be Treated Administratively", and in respect of which The Exchange may impose fines as stipulated.

¹ Rule Making History

1. The list of Breaches to be Treated Administratively was presented to the Rules and Adjudication Committee of Council (RAC) at the Joint Session of the Disciplinary Committee and RAC of Council on 20 January 2016 and approved for exposure to stakeholders for comments;
2. The list of Breaches to be Treated Administratively was exposed for stakeholders' comments from 23 August to 7 September 2016;
3. The RAC considered the list of Breaches to be Treated Administratively, and stakeholders' comments thereon at its Meeting of 20 March 2017 and approved the draft Rules for submission to the National Council of The Exchange (Council);
4. The Council approved the list of Breaches to be Treated Administratively at its Meeting of 25 May 2017 for submission to the Securities and Exchange Commission (SEC);
5. The Council approved list of Breaches to be Treated Administratively were submitted to the SEC for approval on 16 June 2017;
6. The SEC approved the Rules on 26 April 2018.



3	Rule 1.13 : Brokerage Requirement	A Dealing Member shall charge brokerage separately to its clients.
4	Rule 1.15 : Prohibition of Business Relationship Based on Guarantee	Dealing Members shall not: (a) enter into any business relationship with a client premised on a guaranteed return to the client; or (b) guarantee, directly or indirectly, a customer against loss in any account or in any securities transaction executed by the Dealing Member for such customer, or previously agreed with the customer on a profit margin.
5	Rule 1.21 : Publication and Subscription to Daily Official List	The Exchange shall publish a list of closing prices daily and each Dealing Member shall subscribe for at least one copy of the Official List at each publication. No list of any kind shall be published and sold by a Dealing Member without the prior approval of The Exchange.
6	Rule 6.8 : Dual Board Membership Prohibited	No one person shall serve as a Director in more than one Dealing Member Firm at a time.
7	Rule 6.11 : The Chief Executive Officer & Managing Director's Position	(d) No Dealing Member shall operate for more than six (6) months without a substantive Chief Executive Officer. Any Dealing Member that violates this provision shall be immediately suspended from trading and shall be liable to pay a fine of One Hundred Thousand Naira (₦100,000). Any suspension imposed in violation of this Rule shall only be lifted upon the appointment of a substantive Chief Executive Officer and the payment of the penalty.
8	Rule 7.4 : Submission of Financial Reports to The Exchange	(a) Every Dealing Member shall submit to The Exchange its annual financial statements, within ninety (90) days of the end of the fiscal year and its quarterly financial statements within forty-five (45) 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 time 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 Annual Financial Statement after four (4) weeks of default, the Dealing Member firm shall forthwith be suspended from trading;
 - (4) Where a Dealing Member is suspended from trading under sub-rule (1) or (3), such suspension shall be lifted upon submission of the Quarterly Returns or Annual Financial Statements;
- (e) Contents of Auditor's Report: in forming his opinion the Auditor should consider and report on the following matters:
- (1) Whether the minimum capital has been maintained;
 - (2) Whether in the opinion of the Auditor, the financial position of the member firm is such as to enable it to conduct its business on sound lines, having regard to the nature and volume of the business transacted during its past financial year as shown by its Books of Accounts and Records.
 - (3) Contraventions and fines, if any, during the year.
- (f) Disclosure of Interests:



		A Dealing Member shall disclose in its annual accounts a list of shareholders with five per-cent (5%) or more of the share capital.
9	Rule 8.13 : Continuous Development Programme (CDP)	<p>(a) All Authorized Clerks who have:</p> <ol style="list-style-type: none"> (1) passed the qualifying examinations for membership of the Chartered Institute of Stockbrokers; and (2) have passed the oral interview conducted by The Exchange; and (3) have been inducted by The Exchange, <p>shall attend at least one (1) CDP training every two (2) years, which shall be organized by The Exchange or by anyone authorized by it in that regard.</p> <p>(b) If default is made in complying with this Rule, The Exchange shall notify the Authorized Clerk who shall provide in writing within ten (10) business days of receiving notification in that regard from The Exchange, the reasons for his default and why he should not be suspended by the Council.</p>
9	Rule 9.10 : Members' Duty to Report Legal Actions	<p>A Dealing Member must notify The Exchange immediately if:</p> <ol style="list-style-type: none"> (a) Any legal action is brought against the company, officer or employee of the company which is related to the business activities of the company; (b) The company becomes insolvent or ceases to settle its debts; (c) Criminal proceedings or prosecution proceedings are filed against any founder, officer, manager or employee of the company.
10	Rule 9.11 : Corporate Governance	<p>(a) All Dealing Members shall be guided by the principles and provisions of the Securities and Exchange Commission's Code of Corporate Governance, 2011 (the "Code") which should form the basis of the minimum standard of their corporate behaviour. Failure to abide by the Code shall be deemed to be a violation of the Rules of The Exchange.</p>



		<p>(b) If any default is made in complying with the provisions of the Code, The Exchange shall notify the Dealing Member of such default and the Dealing Member shall provide in writing within ten (10) business days the reasons for such default and why it should not be sanctioned by Council.</p>
<p>11</p>	<p>Rule 11.4 : Confirmation of Orders and Mandates</p>	<p>(a) A Dealing Member shall obtain confirmed orders from its clients before placement of an order on the system and shall keep records relating to all aspects of an order, from placement by the customer to completion or cancellation and all key events in between.</p> <p>(b) Dealing Members are required to enter mandates authorizing either a buy or sell order into The Exchange’s order book immediately and shall continuously attempt to execute a mandate within ten (10) business days from the time a mandate was given by the client. If after ten (10) business days of continuous attempt to fulfill the mandate, the mandate cannot be executed due to market conditions, the mandate must be revalidated unless otherwise specified in the mandate.</p> <p>(c) A Dealing Member that knowingly fails to execute the mandate within the stipulated period shall be liable to the following penalties:</p> <p>(1) A fine of Ten Thousand Naira (₦10,000) only for every additional day it remains in default after the stipulated period;</p> <p>(2) The mandates that were not executed timely must be revalidated by the clients.</p> <p>(d) In no circumstances shall a Dealing Member receive a pre-signed blank mandate form from a client.</p> <p>(e) Where a Dealing Member accepts a pre-signed mandate form contrary to sub-rule (d) above, it shall forfeit the benefit accrued from the transaction and be liable to a fine of Five Hundred Thousand Naira (₦500,000).</p>
<p>12</p>	<p>Rule 11.5: Issuance of Contract Notes</p>	<p>Every Dealing Member shall issue a contract note for every purchase or sale of securities entered into by it not later than the end of the next trading day. The contract note shall be duly stamped and signed by the Dealing Member and shall contain the following information:</p>



		<p>(a) The name and logo under which the Dealing Member carries on its business as a dealer in securities and the address of the principal place at which he or it so carries on business;</p> <p>(b) The name and address of the client on behalf of whom the transaction was consummated;</p> <p>(c) Transaction date;</p> <p>(d) The description, quantity and the price at which the Transaction was executed;</p> <p>(e) The amount of consideration payable under the contract</p> <p>(f) The brokerage payable in respect of the contract;</p> <p>(g) Other statutory charges.</p>
13	Rule 11.7: Monthly Financial Statements to Clients	<p>(a) Every Dealing Member shall render regularly and promptly, monthly electronic statements of account to each of its clients providing a summary of a client's transactions including a report of activities on the client's account, showing all transactions carried out on behalf of such client.</p> <p>(b) Dealing Members shall keep copies of statements provided to customers.</p>
14	Rule 13.1: Record of Transactions and Right of Inspection	<p>(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 the Broker Dealer Regulation Department to inspect the records of Dealing Members from time to time.</p> <p>(b) The information gathered during the inspection of records of Dealing Members shall be used as prescribed by the Management of The Exchange.</p> <p>(c) Prior to embarking on its inspection 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 of the Dealing Member's records;</p> <p>(d) The Chief Executive Officer, of the Dealing Member, and the heads of all the Dealing Member firm's departments shall be</p>



		<p>present during the inspection;</p> <p>(e) Where any of the aforementioned officers of a Dealing Member cannot be present during an inspection, the firm shall provide The Exchange with a written notice which shall be received at least three (3) business days prior to the inspection stating the reasons for such absence and providing a suitable representative;</p> <p>(f) The Exchange may impose a fine not exceeding Fifty Thousand Naira (₦50,000.00) if any Dealing Member violates the provisions of sub-rule (e) above.</p>
15	<p>Rule 17.6: Trading Floor Dress Code, Identification Badges and Access Control Cards for Authorized Clerks</p>	<p>(a) No Authorized Clerk or Trainee Authorized Clerk shall have access to the Trading Floor unless he or she:</p> <ol style="list-style-type: none"> (1) Obtains a trading jacket as prescribed by The Exchange; and (2) Applies to and obtains from The Exchange a trading floor badge and an access control card, which shall be issued, upon payment of a fee to be prescribed by The Exchange provided The Exchange has discretion to withhold access. <p>(b) Each Authorized Clerk and Trainee Authorized Clerk shall at all times on the trading floor,</p> <ol style="list-style-type: none"> (1) Wear a trading jacket; and (2) Wear a trading floor badge on such part of his Trading Jacket as shall make him constantly identifiable; and (3) Carry his access control card with him or her. <p>(c) (1) Any Authorized Clerk or Trainee Authorized Clerk that appears on the trading floor without a trading floor badge shall be sent off the trading floor and shall be liable to:</p> <ol style="list-style-type: none"> (A) Suspension from the trading floor and denial of access to the trading platform for one (1) week; and (B) Pay a fine of Fifty Thousand Naira (₦50,000). <p>(2) Any Authorized Clerk or Trainee Authorized Clerk that appears on the trading floor without an access control card or uses an access control card belonging to another Authorized Clerk or Trainee Authorized Clerk to enter or exit the trading floor shall be liable to:</p> <ol style="list-style-type: none"> (A) Suspension from the trading floor and denial of access



		<p>to the trading platform for two (2) weeks; and</p> <p>(B) Pay a fine of Two Hundred and Fifty Thousand Naira (₦250,000).</p> <p>(3) If any Authorized Clerk or Trainee Authorized Clerk falsely presents himself as another Authorized Clerk or Trainee Authorized Clerk and enters or attempts to enter the trading floor whilst wearing the trading floor badge of the other Authorized Clerk or Trainee Authorized Clerk or he uses or attempts to use their access control card to enter or exit the trading floor, he shall be liable to:</p> <p>(A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and</p> <p>(B) Pay a fine of Two Hundred and Fifty Thousand Naira (₦250,000).</p> <p>(4) If any person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk and uses or attempts to use the access control card of an Authorized Clerk or Trainee Authorized Clerk to enter or exit the Nigerian Stock Exchange Building or its trading floor, that person shall be apprehended and handed over to the Police for prosecution and shall immediately be barred from entering the Nigerian Stock Exchange Building in future unless the National Council decides otherwise.</p> <p>(5) If any Authorized Clerk or Trainee Authorized Clerk gives his access control card to another person and that other person falsely presents himself as that Authorized Clerk or Trainee Authorized Clerk by using or attempting to use the same access control card to enter or exit the Nigerian Stock Exchange Building or its trading floor that Authorized Clerk or Trainee Authorized Clerk shall be liable to:</p> <p>(A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and</p> <p>(B) Pay a fine of Five Hundred Thousand Naira (₦500,000).</p> <p>(6) If any person falsely presents himself as an Authorized</p>
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		<p>Clerk or Trainee Authorized Clerk by wearing or carrying a trading jacket in a manner suggesting that he is an Authorized Clerk or Trainee Authorized Clerk and he enters or attempts to enter or exit The Nigerian Stock Exchange Building or its trading floor that person shall be apprehended and handed over to the Police for prosecution and shall immediately be barred from entering the Nigerian Stock Exchange Building in future unless the National Council decides otherwise.</p> <p>(7) If any Authorized Clerk or Trainee Authorized Clerk gives his Trading Jacket to another person and that other person falsely presents himself as an Authorized Clerk or Trainee Authorized Clerk by wearing or carrying the same Trading Jacket whilst entering or attempting to enter or exit the Nigerian Stock Exchange Building or its trading floor the Authorized Clerk or Trainee Authorized Clerk shall be liable to:</p> <p>(A) Suspension from the trading floor and denial of access to the trading platform for two (2) weeks; and</p> <p>(B) Pay a fine of Five Hundred Thousand Naira (₦500,000).</p> <p>(d) Any Authorized Clerk or Trainee Authorized Clerk that is suspended from the trading floor and denied access to the trading platform shall forthwith surrender his trading floor badge and access control card to The Exchange. Until his suspension is lifted and he is readmitted to the trading floor, his trading floor badge shall be revoked and he shall be denied access to the trading platform and his access control card shall be deactivated.</p> <p>(e) Trading floor badges and access control cards remain the property of The Exchange and shall be surrendered to The Exchange upon the occurrence of any of the following:</p> <ol style="list-style-type: none"> (1) Suspension (2) Revocation of registration (3) Resignation (4) Expulsion.
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16	Rule 17.7: Conduct on the Trading Floor	<p>(a) All Authorized Clerks and Authorized Persons shall at all times conduct themselves with decorum whilst on the trading floor.</p> <p>(b) Any Authorized Clerk or Authorized Person that engages in assault, fighting or any unruly behaviour on the trading floor shall be liable to:</p> <ol style="list-style-type: none"> (1) Immediate suspension from the trading floor and access to the trading platform for six (6) weeks; and (2) Appear before the Council Disciplinary Committee which shall consult with the Doyen of the trading floor in arriving at a decision; and (3) Upon a finding by the Disciplinary Committee that the Authorized Clerk or Authorized person has breached this Rule, <ol style="list-style-type: none"> (A) The Dealing Member that is the employer of the Authorized Clerk or Authorized Person shall pay a fine not exceeding One Million Naira (₦1,000,000); and shall pay for any damage suffered by other Authorized Clerks, Authorized Persons or staff of The Exchange or any damage to their property. (B) The Exchange may impose any of the following sanctions on the Authorized Clerk or Authorized Person in breach: <ol style="list-style-type: none"> (i) Fine (ii) Suspension (iii) Revocation of licence.
17	Rule 17.8: Prohibition of Smoking, Gaming, or Gambling	Smoking, gaming, gambling and any other act which is considered by the Council to be detrimental to the interests of The Exchange are strictly forbidden on the Trading Floor.
18	Rule 17.9: Eating and Drinking Areas	Drinking and eating may only be carried on at the designated area or areas.
19	Rule 17.10: Care in the Use of Computer Terminals	It is the duty of every Authorized Clerk to exercise due care in operating the computer terminals, the Internal Telephone System and other equipment at the Members' booth.
20	Rule 17.11: Responsibility for Damage to Equipment	Where any damage is caused to any of the above-mentioned equipment or fixtures or any other property by an Authorized Clerk or by any other person employed by the Dealing Member, the Dealing Member shall be responsible. Where such damage is



		caused negligently, Council may impose whatever disciplinary action it thinks fit.
21	Rule 18.1: No Defaults	<p>(a) No Dealing Member shall default on a transaction with another Dealing Member or client.</p> <p>(b) A Dealing Member shall be deemed to be in default if it is unable to meet its financial or other commitments to another Dealing Member or client, arising out of a legitimate transaction.</p> <p>(c) Any Dealing Member that contravenes this rule shall be liable to any of the following penalties in addition to any other sanctions that The Exchange may impose:</p> <ol style="list-style-type: none"> (1) Specific performance of the transaction; (2) Suspension; (3) A fine to be determined; and (4) Public Censure.
22	Rule 20.5: Obligation to Appear at an Exchange Coordinated Mediation	<p>(a) The Managing Director and the Chief Compliance Officer of a Dealing Member firm shall be present at an “Exchange Coordinated Mediation” when notified of any such meeting and shall give such information and produce such books, accounts and documents as may be in the firm’s possession or under its control and are relevant to the matter in dispute.</p> <p>(b) Where circumstances exist which necessitate his absence, the Managing Director shall give a prior written notice to The Exchange providing cogent reasons for his absence and indicating the identity of the firm’s duly appointed representative that will attend the meeting.</p> <p>(c) If the Managing Director of a Dealing Member or the firm’s duly appointed representative who has been notified to The Exchange neglects, ignores or fails to appear at the Exchange Coordinated Mediation, the Dealing Member shall be liable to pay a fine of Fifty Thousand Naira (₦50, 000).</p>
23	Rule 11.1: Know Your Client <i>(Rule Not Yet Effective)</i>	<p>(a) A Dealing Member shall not accept or operate a share trading account or otherwise deal on behalf of any other person unless it has taken all reasonable steps to establish the true identity of that person, including his address, occupation, date</p>



of birth, mother's maiden name, driver's licence or international passport, current passport photograph and utility bills or any other information that can sufficiently identify him; if a body corporate, certificate of incorporation, Board resolution and relevant Corporate Affairs Commission's form showing return on allotment.

(b) (Rule Not Yet Effective)

- (1) Each Dealing Member shall obtain the biometrics of all its individual clients and shall regularly update the records of all its clients in that regard;
- (2) With regard to corporate entities, the Dealing Member shall obtain the corporate information of the company in addition to the biometrics of the Authorized Signatories to its share trading account;
- (3) Biometric identifiers obtained shall include finger prints and iris recognition and the information collected shall be applied towards confirming clients' identities;
- (4) No Dealing Member shall open, accept and/or operate a securities trading account or otherwise deal in any manner whatsoever, on behalf of any person or entity unless the biometrics of such person or authorized signatories of the entity have been collected by the firm;
- (5) Any Dealing Member that fails to obtain the biometrics of its clients and obtain adequate KYC documentation from its clients shall be suspended from executing any trading activity on that account for that client forthwith until regularization is effected; and in addition may be fined as appropriate;
- (6) In obtaining the data of its clients for identification purposes, every Dealing Member shall request for and receive from each client at least two (2) of the following means of identification prior to opening any client account:



		<p>(A) Passport</p> <p>(B) National identity card</p> <p>(C) Driver’s licence</p> <p>(D) Utility bill</p> <p>(E) Voters card</p> <p>(F) Employee’s photo identification card issued by recognized employer with employer’s tax identification from the Federal Inland Revenue Service;</p> <p>(7) At least one (1) of the means of identification in sub-rule (6) shall bear the full names, photograph, current address and signature of the client.</p> <p>(8) Each Dealing Member shall also obtain basic information from its clients such as its clients’ investment objectives, horizon and posture, i.e., passive, moderate, aggressive e.t.c.; and shall identify the category namely foreign, local retail or institutional, which each client belongs in addition to any other relevant information.</p> <p>(9) Dealing Members shall inform their clients of the basic risks involved in trading on The Exchange, the rights and obligations of the client, etc. by issuing to the client a copy of the “Risk Disclosure Document” as approved by The Exchange from time to time; and bringing its contents to their notice. Dealing Members shall obtain and retain in their records, a copy of the Risk Disclosure Document duly signed by each client.</p>
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