

GUIDELINES FOR DEALING WITH SUB-BROKERS¹

Definition

A “Sub-Broker” is any person or entity not being a Dealing Member, that is registered by the Securities and Exchange Commission (“Commission”) as a Sub-Broker; and acts on behalf of a Dealing Member as its agent for assisting investors in buying, selling or dealing in securities through such Dealing Member.

1.0 Eligibility to Act as Sub-Brokers

- 1.1 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 Article 8 of the Rules and Regulations Governing Dealing Members.
- 1.2 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.
- 1.3 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.

¹ Rule Making History

1. The draft Guidelines were considered by the Rules and Adjudication Committee of Council (RAC) on 21 October 2014, and were approved for exposure to stakeholders for comments;
2. The draft Guidelines were exposed for stakeholders’ comments from 29 October to 12 November 2014;
3. The draft Guidelines and stakeholders’ comments received thereon were considered by the RAC at its emergency meeting of 10 December 2014;
4. The RAC approved the revised draft Guidelines for submission to the National Council of the Exchange (Council);
5. The draft Guidelines were approved by Council at its meeting of 11 December 2014 for submission to the Securities and Exchange Commission (SEC);
6. The Guidelines were submitted to SEC for approval on 18 December 2014;
7. The SEC approved the Guidelines on 2 June 2015.

2.0 Requirements for Approval of the Sub-Broker

- 2.1 Any Dealing Member that wishes to transact business with a Sub-Broker shall submit an application for approval pursuant to Article 8 of the Rules and Regulations Governing Dealing Members to The Exchange in writing.
- 2.2 The application for approval shall be supported by the following documents:
- i. A certified true copy of the Registration Letter of the Sub-Broker issued by the Commission.
 - ii. A copy of the documents evidencing the qualifications of the sponsored individual(s) of the Sub-Broker.
 - iii. A completed standard form guarantee document completed by the Dealing Member.
 - iv. A copy of the agreement between the Sub-Broker and Dealing Member.
 - v. Any other document(s) that may be required by The Exchange.

3.0 Mandatory Regulatory Requirements

- 3.1 Any Dealing Member transacting business with a Sub-Broker shall comply with the following requirements:
- 3.1.1 The Dealing Member shall ensure that where an individual is sponsored as a Sub-Broker, such sponsored individual shall be an Associate Member of the Chartered Institute of Stockbrokers (CIS) or a first degree holder in relevant fields as may from time to time be determined by The Exchange in line with the Rules and Regulations of the Securities and Exchange Commission, with a minimum of 5 years post working experience excluding National Youth Service.
 - 3.1.2 The Dealing Member shall ensure that the Sub-Broker complies with the Rules and Regulations Governing Dealing Members and all Capital Market rules and regulations, including the Know Your Customer requirements ('KYC').
 - 3.1.3 The Dealing Member shall be responsible for the internal review of activities of the Sub-Broker and shall ensure that supervisory controls are put in place to monitor the activities of the Sub-Broker. The Dealing Member shall submit a quarterly report of its



review in a form to be prescribed by The Exchange with the Dealing Member's quarterly report.

4.0 Sanctions

- 4.1 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 clause 4.4 below.
- 4.2 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.
- 4.3 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.
- 4.4 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:
- i. A minimum fine of ₦100,000.00 to be paid by the Dealing Member or such minimum fine as The Exchange may determine from time to time;
 - ii. Suspension of a Dealing Member;
 - iii. Expulsion of a Dealing Member;
 - iv. A referral of the Sub-Broker to the Commission;
 - v. A referral of the Sub-Broker to the law enforcement agencies;
 - vi. Referral of the Sub-Broker's sponsored individuals to their supervising professional bodies; and
 - vii. Blacklisting the Sub-Broker from dealing with Dealing Members.