



PROPOSED AMENDMENT TO THE RULEBOOK OF THE EXCHANGE
(AMENDMENTS TO DEALING MEMBERS' RULES – PART XIX)
RULE 11.1 - KNOW YOUR CLIENT

PROPOSED RULE AMENDMENT

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

SECTION XI: CUSTOMER ACCOUNTS

RULE 11.1: KNOW YOUR CLIENT

- (a) A Dealing Member shall not accept or operate a ~~share~~ securities 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 in accordance with the Securities and Exchange Commission (SEC)'s three-tiered Know-Your-Customer (KYC) Framework for Capital Market Operators and as may be amended from time to time.
- (b) Every Dealing Member shall:
- (1) At least once a year review and where necessary update the records of all its clients;
 - (2) Obtain its clients' bank account details and a Federal Government recognized identification number such as the Bank Verification Number (BVN) which shall be validated through an accepted identification validation portal;
 - (3) With regard to corporate entities, the Dealing Member shall obtain the corporate information of the corporate entity in addition to the Bank Verification Number (BVN) or any other Federal Government recognized identification number of each of the authorized signatories to the corporate entity's securities trading account;

- (4) Put in place adequate risk monitoring tools for the accounts opened in line with the SEC's three-tiered KYC Framework or any relevant provision/guidance of the SEC to ensure that such accounts are not abused;
- (5) ~~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 etc.; and shall identify the category ~~namely (foreign, local retail or institutional)~~ which each client belongs to, in addition to any other relevant information;
- (6) ~~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 bring~~ its contents to their client's notice. Dealing Members shall obtain and retain in their records, a copy of the Risk Disclosure Document duly signed by each client.

(c) Any Dealing Member that violates sub-rules (a) or (b) above, shall be liable to one of, or a combination of the following penalties:

- (1) Suspension from executing any trading activity on the client account forthwith until the KYC documents are regularized;
- (2) Payment of a minimum fine of Two Hundred and Fifty Thousand Naira (₦250,000) and;
- (3) Any other sanctions which The Exchange may deem appropriate.

- ~~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:~~
- ~~(A) ——— Passport~~
 - ~~(B) ——— National identity card~~
 - ~~(C) ——— Driver's licence~~
 - ~~(D) ——— Utility bill~~
 - ~~(E) ——— Voters card~~
 - ~~(F) ——— Employee's photo identification card issued by recognized employer with employer's tax identification from the Federal Inland Revenue Service;~~
- ~~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.~~