

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

**RULES ON PLACING OF CAUTION ON ACCOUNTS<sup>1</sup>**

**Definition:**

Placing Caution on Account means imposing a restriction on the account of a Dealing Member or its client (investor), domiciled with the clearing and settlement depository of The Exchange or a central counterparty (as applicable) for a period of time not exceeding 2 (two) years such that securities can only be purchased into the specified account but cannot be sold during the period that the caution is in place.

1. The Exchange may request its clearing and settlement depository or a central counterparty (as applicable) to place a caution on the proprietary account (s) of a Dealing Member where such Dealing Member:
  - (a) is to be investigated by The Exchange or is being investigated by The Exchange for:
    - (i) misappropriation of clients' funds;
    - (ii) unauthorized sales of clients' securities;
    - (iii) market manipulation;
    - (iv) insider dealing;
    - (v) fraud; or
    - (vi) any other egregious activity as may be determined by The Exchange;

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<sup>1</sup> **Rule Making History**

1. The draft Rules were presented to the Rules and Adjudication Committee of Council (RAC) at the RAC Meeting of 15 May 2018, and approved for exposure to stakeholders for comments;
2. The draft Rules were exposed for stakeholders' comments from 31 May to 2 July 2018;
3. The RAC considered the draft Rules, and stakeholders' comments thereon at its Meeting of 19 September 2018, 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 25 October 2018 for submission to the Securities and Exchange Commission (SEC);
5. The Exchange withdrew the Rules from the Commission on 8 February 2019, to carry out further reviews;
6. The Rules were re-submitted to the Commission on 24 September 2019;
7. The SEC approved the Rules on 27 November 2019.

- (b) becomes inactive;
  - (c) has its Dealing Member License revoked or the license of its parent company revoked by Government or its Regulator.
- 2.
- (a) The Exchange may request its clearing and settlement depository or a central counterparty (as applicable) to place a caution on an investor's account where such account is exposed to, or is at risk of being exposed to any of the activities set forth under 1(a) above.
  - (b) Additionally, depending on The Exchange's assessment of all the circumstances, The Exchange may request its clearing and settlement depository or a central counterparty (as applicable) to place a caution on any or all investors' accounts in the situations set forth under 1(b) and (c) above.
3. Where a caution is placed on an investor's account, The Exchange shall consider requesting its clearing and settlement depository or a central counterparty (as applicable) to lift the caution within a period not exceeding 2 (two) years (which will be dependent on the circumstances of the case) upon only:
- (a) the Dealing Member's resolution of the issue that led to the caution being placed, and the Dealing Member's submission of such proof as The Exchange may demand in that regard; or
  - (b) the mitigation of the identified risk or any threat to the investor's account including those set forth under 1 above; or
  - (c) in the case of a caution placed pursuant to 2(b) above, The Exchange's assessment that in all the circumstances, it is appropriate for the caution to be lifted.

If upon the expiration of a period of 2 (two) years after the caution was imposed the condition stated in Rule 3 (a) and (b) above has not been met and The Exchange is of the view that the investor's account is still at risk of being exposed to or used for any of the activities set forth under 1(a) above The Exchange may apply to the appropriate judicial authority for an order to maintain the caution or ask the investor (if applicable) or Dealing Member to obtain the said order.

4. Where a caution is placed on the proprietary account of a Dealing Member, The Exchange shall consider the lifting of such caution only upon:
  - (a) the resolution, to the satisfaction of The Exchange, of issues that led to placing of the caution, and
  - (b) the Dealing Member's submission of a written request to The Exchange in that regard upon satisfying The Exchange that the issues in (a) above, have been resolved.
  
5. Where a caution is placed on the proprietary account of a Dealing Member or any of its clients' accounts and the Dealing Member is unable to resolve the issues that precipitated the caution,
  - (a) The Exchange may, at its discretion, cause the settlement of the claims of the Dealing Member's clients and any associated expenses, including penalties and other obligations due to The Exchange, with the securities in the proprietary account of the Dealing Member; and
  - (b) The affected investor may request the clearing and settlement depository of The Exchange or a central counterparty (as applicable) to lift the caution placed on its account and take steps to transfer its account to any active Dealing Member firm of its choice.