



A. CAPITAL MARKET HOLDING COMPANIES RULES

1. Definition of terms

Capital Market Holding Companies (CMHC) means a financial group of companies which carry out securities business, asset management, and other capital market businesses within the financial group.

CBN means Central Bank of Nigeria

Commission means the Securities and Exchange Commission, Nigeria

Control means the holding of more than 50 per cent of the voting shares of the subsidiary or in instances where the holding is less than 50 percent, an entity has control of an investee when it has ;

- i) power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns);
- ii) exposure, or rights, to variable returns from its involvement with the investee; and
- iii) the ability to use its power over the investee to affect the amount of the investor's returns.

Financial Holding Company (FHC) means an entity that has investments in various companies carrying out financial services.

Holding Company (HoldCo) means "any entity that owns controlling shares in another company (subsidiary) or group of companies to influence the decision making process.



Related Party a party is related to an entity if:

- (a) Directly, or indirectly through one or more intermediaries, the party
 - (i) Controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) Has an interest in the entity that gives it significant influence over the entity;or
 - (iii) Has joint control over the entity;
- (b) The party is an associate of the entity
- (c) The party is a joint venture in which the entity is a venture;
- (d) The party is a member of the key management personnel of the entity or its parent;
- (e) The party is a close member of the family of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) or
- (g) The party is a post-employment benefit plan for the benefit of employees of the entity, or any entity that is a related party of the entity.

Related Party Transaction is a transfer of resources, service or obligations between related parties, regardless of whether a price is charged.

Mono-line Capital Market Operator means an entity that focuses on operating in one function within the market

Non-Operating CMHC means a company holding equity investment in capital market operating subsidiaries and other businesses in the financial industry.



Operating CMHC means a company holding equity investments in capital market and non-capital market subsidiaries whilst also carrying out a capital market function.

SEC means Securities and Exchange Commission, Nigeria

2. Pre –Registration Conditions

A CMHC shall prior to registration with the Commission submit the following documents:

- a) The names, number and profiles of proposed directors/promoters of the companies;
- b) Proposed group structure with detailed explanatory notes;
- c) Proposed Memorandum and Articles of Association of the group;
- d) Capital Structure;
- e) Any other document/information that the SEC may require.

3. Registration Conditions

(1) A CMHC shall submit the following documents:

- a. Certificate of incorporation issued by the Corporate Affairs Commission (CAC).
- b. Memorandum and Articles of Association of the group.
- c. Evidence of a holding of an aggregate of more than 50% interest in shares in a registered entity, or holding of an aggregate of less than 50 percent of shares but has control in a registered entity.
- d. Evidence that the primary focus of the entire group is on Capital Market activities.
- e. Evidence of at least two subsidiaries or more
- f. Evidence of meeting the prescribed minimum capital requirement



- g. A written and duly executed undertaking by the company that the group will be and remain adequately capitalized for the volume and nature of its business at all times.
- h. Evidence of corporate governance charter of the group
- i. Any other document/information that the SEC may require.

(2) **Registration Requirements**

An application for registration as a CMHC shall be filed on relevant SEC forms as contained in schedule III to the Rules and Regulations and shall be accompanied by;

- (a) a minimum of two sets of completed Form S.E.C. 2 to be filed by the sponsored individuals;
- (b) a copy of Certificate of Incorporation certified by the Corporate Affairs Commission (C.A.C.); where a copy not certified is filed, the applicant shall present the original copy for sighting by an authorized officer of the Commission;
- (c) a copy of Memorandum and Articles of Association certified by the Corporate Affairs Commission;
- (d) a copy of CAC Form containing particulars of directors certified by the Corporate Affairs Commission;
- (e) copy of latest audited accounts or audited statement of affairs for companies in operation for less than one (1) year;
- (f) profile of the company covering among others, a brief history of the company organizational structure, shareholding structure, principal officers, etc. (see Form S.E.C. 3 for details);
- (g) Fidelity bond representing 20% of paid-up capital;



- (i) sworn undertaking to keep proper records and render returns;
- (j) evidence of minimum paid-up capital.

4. Structure of the CMHC –

- a) A CMHC shall be a **non-operating** company that holds equity interest in other companies within the Capital Market.
- b) Where the CMHC acquires a 100 percent interest in another company, that company, shall be referred to as a wholly owned subsidiary of the holding company.
- c) The CMHC may also elect to acquire less than 100 percent ownership, but own at least 51% but has control of the other entity to ensure that it oversees the operations of the company.
- d) A CMHC may acquire any permissible financial institution, subject to the prior approval of the SEC.
- e) Where the target company is outside the supervisory purview of the SEC, the prior approval of the relevant regulator is required.
- f) A CMHC that elects to change to mono-line capital market operator shall seek the prior approval of the SEC. Such CMHC shall submit along with its request for approval the following:
 - i. Annual audited financial statements for the immediate past three years under the arrangement/structure it seeks to discontinue;
 - ii. Divestment plan from subsidiaries; and
 - iii. Any other requirements as may be determined by the SEC from time to time.
- g) The CMHC shall operate under the approved structure for a minimum period of three (3) years in order to ensure stability before it is permitted to apply to the Commission for a change in structure.



- h) The SEC may direct a CMHC to divest from a financial market subsidiary where in the opinion of the SEC, the subsidiary is being run in a manner detrimental to the interest of investors and/or other stakeholders.
- i) The CMHC shall have only one hierarchy (parent and subsidiaries).

5. Corporate Governance –

- (a) The CMHC shall comply with the provisions of the Securities and Exchange Commission's Code of Corporate Governance for Public Companies or any other Code in force.
- (b) The board of a CMHC shall include at least an individual who is knowledgeable in the practice and operations of each line of business of the companies within the Group.
- (c) Appointment to the board and management positions shall be in line with the requirements of the "**fit and proper**" criteria or any other regulation issued by the Commission from time to time.
- (d) Regulations on sponsored individuals currently applicable to Capital Market Operators shall also apply to CMHCs.
- (e) A public CMHC shall publish its financial statements on its website.

6. Ownership and Control

- a. Ownership and Management shall be separate and distinct.
- b. Changes in ownership and control of a CMHC shall be subject to prior approval of the SEC.
- c. The SEC shall be notified of any shareholding of 5% and above by a single shareholder.
- d. Subsidiaries of a CMHC are prohibited from acquiring shares in the CMHC.
- e. Subsidiaries are prohibited from acquiring shares of other subsidiaries of their parent holding company.
- f. Only those regulated entities in which the CMHC has control will be held as subsidiaries.



- g. A CMHC shall cease to be a CMHC where it loses its Controlling Interest for a period that exceeds six (6) consecutive months in all the capital market subsidiaries in the group or has only two subsidiaries and loses its controlling interest in either of the subsidiaries.
- h. Where a CMHC loses controlling interest in any subsidiary but still qualifies as a CMHC, that subsidiary shall cease to count as a subsidiary of the CMHC.

7. Permissible Activities –

- (a) The activities of a non-operating CMHC shall be restricted to the holding of equities in its subsidiaries
- (b) A CMHC may, with the prior written approval of the SEC, provide shared services to its subsidiaries within the group in respect of:
 - i. Human Resources;
 - ii. Risk Management;
 - iii. Information and Communication Technology;
 - iv. Facilities (Office Accommodation including Electricity, Security and Cleaning Services in that accommodation)
 - v. Strategy; and
 - vi. Any other services as may be approved by the SEC from time to time.
- (d) Shared services shall be provided at arm's length and transactions in respect of such services shall require the consent of the Board of Directors of the subsidiaryies.

9. Non-Permissible Activities

- (1) A CMHC is prohibited from undertaking the following activities:
 - a) Investment in non-financial entities.
 - b) Establishment, divestment and closure of subsidiaries without the prior written approval of the SEC and/or any other relevant regulatory or supervisory authority, as may be applicable.



- c) Deriving or receiving income from sources other than as listed herein:
 - i. Dividend Income;
 - ii. Income from shared services, where applicable;
 - iii. Interest earned from investments
 - iv. Divestment from subsidiaries/associates; and
 - v. Any other source as may be approved by the SEC.

(2) Internal Management of Subsidiaries

No CMHC shall:

- (a) Arrogate to itself any of the powers or functions of the Board of Directors, or internal management responsibilities and obligations of any of its subsidiaries or associates of any such subsidiary;
- (b) Interfere in the day-to-day activities of the subsidiaries;
- (c) Be involved in credit administration and approval process of its subsidiaries;
- (d) Require its subsidiaries (including any organ, agent, employee or director thereof) to take directives or act on the instructions of the CMHC in its decision making process, or in relation to the conduct of its business in any way whatsoever.
- (e) Have any of its employees, while in the employment of the CMHC, work for any subsidiary, except employees engaged in shared services arrangements;
- (f) Engage the services of any employee of any of its subsidiaries;
- (g) Enter into any technical or management service contract with any of its subsidiaries except as stipulated in the permissible activities above;
- (h) Purchase/dispose assets from/to its subsidiaries without the prior written approval of the SEC and any other relevant regulator;

(3) Intra-Group Transactions

No CMHC shall:



- a) Engage in any transaction or maintain any business relationship with any of its subsidiaries, except such transaction is conducted at arm's length;
 - b) Obtain a loan based on the guarantee of its subsidiary/associate of the subsidiary, except where the loan is secured by dividend (declared) income or Service Level Agreements by the CMHC for services to its subsidiaries.
- (4) Credit by a subsidiary to their Holding Company would be regarded as a return of capital and deducted from the capital of the subsidiary in computing the holding company's capital adequacy ratio;
- (5) Any lending to subsidiaries within the CMHC (group would attract 100% risk weight (if it is fully secured) otherwise it would be deducted from the capital of the subsidiary when computing capital adequacy ratio.

(6) Change in ownership structure

Except with the prior written approval of the SEC, no CMHC or any director, shareholder, agent or instrumentality of such an entity or its shareholders shall enter into an agreement or arrangement which results in:

- (a) a change in the control of the CMHC
- (b) For the sale, disposal or transfer of the whole or any part of the business of the CMHC;
- (c) For the amalgamation or merger or takeover of the CMHC with any other person;
- (d) For the reconstruction of the CMHC; or
- (e) To employ a management agent or to be managed by or to transfer its business to any such agent.



(7) Appointment of Directors and Top Management

No CMHC shall appoint:

- (a) As director, any person who at the relevant time is a director of any of its subsidiaries/associates of the subsidiary, except with the prior written approval of the SEC. Where such an appointment is approved, the aggregate number of directors from the subsidiaries and associates of the subsidiary at any point in time shall not exceed 30% of the membership of the Board of Directors of the CMHC.
- (b) Any member of its board to serve on the board of its subsidiaries, except with the prior written approval of the SEC. Where such an appointment is approved, the number of directors from the CMHC at any point in time shall not exceed 30% of the membership of the Board of Directors of each of the subsidiaries.
- (c) A person who has served as a director(executive or non-executive) for the maximum allowable period as stipulated by the relevant industry regulator into any subsidiary, or an associate of such a subsidiary until after a minimum period of three (3) years after the expiration of the tenure of such director, and vice versa.

(8) Intra-Group Transfer of Assets

Intra-group transfer of assets shall be carried out in a transparent manner and at arm's length.

10. Prudential Regulations of Capital Market Holding Companies –

(1) Minimum paid-up capital and capital reserves

The minimum capital requirement for a CMHC shall be the sum of the aggregate capital of all its subsidiaries.



(2) Shareholders' Funds

The CMHC shall maintain the minimum capital requirement at all times by ensuring that the shareholders' funds does not fall short of the prescribed minimum capital.

(3) Percentage of Holdings and Nature of Subsidiaries

The CMHC shall at all times specify the nature and percentage of holdings in subsidiaries.

(5) Capital Adequacy Ratio

Capital adequacy ratio as prescribed in the SEC Rules and Regulations shall be applied to all capital market subsidiaries where applicable.

(6) Sources of Revenue

Major sources of revenue of each subsidiary should be from core and related capital market activities including:

- a) Commissions, fees and other incomes from permissible financial services
- b) Dividend Income;
- c) Income from shared services, where applicable;
- d) Interest earned from investments
- e) Any other source as may be approved by the SEC.

(7) Acquisition of Subsidiaries

In the acquisition of subsidiaries, the SEC shall be satisfied that the CMHC has adequate capital resources to carry out the acquisition.



(8) Intra-group Exposure

No member of the group shall directly or indirectly lend or borrow and or have an aggregate contingent liability from or to any member of the group above 10% of its shareholders fund unimpaired by losses.

(9) Limits on related party borrowing and lending

(a) A Director or a related party shall not borrow or lend more than 0.1% of the CMHC's shareholder funds from the subsidiaries within the group.

(b) The maximum loan to all related parties shall not exceed 1% of the CMHC's shareholders funds.

(10) CMHC limit on Contingent Liabilities

A CMHC's total exposure on contingent liabilities on behalf of its subsidiaries shall not exceed 20% of its shareholders' funds.

(11) General Service Agreement

Where facilities are shared by members of the group, a comprehensive Service Sharing Agreement should be drawn, and submitted to the SEC for approval. This should be disclosed in the quarterly returns and annual audited accounts.

(12) Internal Control

Each subsidiary shall have a Compliance Officer who reports to both the Board of the subsidiary and Group Compliance Officer.

11. Obligations-

(1) Reporting Obligations

A CMHC shall file with the Commission:



(a) any organizational or structural changes.

(b) reports listed in Schedule IV of the Rules and Regulations of the Commission.

(2) Other Obligations

A CMHC shall:

- (a) Establish and maintain policies and procedures, records, systems reasonably designed to conduct, monitor and manage the CMHC's investments and the risks associated with those investments and make these policies, procedures and records available to the Commission upon request.
- (b) Establish an independent comprehensive and effective risk management Rules, accompanied by a robust system of internal controls and effective internal audit and compliance functions.
- (c) Carry out a periodic group wide stress tests and scenario analysis for major sources of risks.

12. Supervision –

- (1) A CMHC shall be supervised by the Commission while subsidiaries within the group shall be supervised by relevant financial sector regulators where applicable.

Where applicable,

- (2) The Consolidated supervision of the CMHC shall be guided by the Rules for Consolidated Supervision of Financial Institutions in Nigeria and Rules issued by Financial Services Regulation Coordinating Committee (FSRCC).
- (3) The Capital Market Holding Companies shall be required to render statutory returns to the Commission as may be required from time to time.



- (4) The Commission shall conduct inspections on the CMHC and its subsidiaries as required from time to time.

13. Sanctions

Appropriate sanctions and penalties as prescribed under the SEC rules and regulations shall apply for any violation of these rules.

B. PROPOSED AMENDMENT TO RULE 420- RULE ON GLOBAL DEPOSITORY RECEIPTS

1.0 Depository Receipts by Nigeria Entities – Rule 420

Proposed Amendment:

Rule 420 of the Securities and Exchange Commission Rules is hereby amended by substituting, for the current heading, a new heading “Depository Receipts” to cater for all kinds of depository receipts which may be issued or traded in Nigeria or by Nigerian entities. The entire Rule 420 is hereby amended as follows:

Depository Receipts

This Rule shall apply to sponsored and unsponsored Global Depository Receipts representing ownership of securities issued by Nigerian entities and such other Depository Receipts representing ownership of securities issued by foreign entities which are tradable on the international capital market;

1.1 Rule 420 (1) – Definitions

A new sub-section (1) on definitions is hereby inserted as follows:

“Depository” means a bank or institution incorporated in Nigeria or other jurisdiction with valid registration as a capital market operator/intermediary or a foreign capital market operator/intermediary which carries on the business of issuing depository receipts, acting as transfer agent, and corporate actions agent in relation to depository receipts;

“DR” means Depository Receipts;



“Global Depository Receipts” means negotiable certificates or instruments which confers ownership of a specified number of shares or debentures issued by Nigerian entities which are tradable on the international capital markets;

“Issuing Entity/Issuer” means the Underlying Entity in the case of Sponsored DRs and the Depository in the case of Un-sponsored DRs.

“Level I” means an Un-sponsored or Sponsored DR Programme tradable only on an OTC market.

“Level II” means a Sponsored DR programme listed on an Exchange;

“Level III” means a sponsored DR programme used for the purpose of capital raising through a public offering and listed on an Exchange;

“Nigerian Depository Receipts” means negotiable certificates or instruments which confers ownership of a specified number of shares or debentures issued by foreign entities which are listed/tradable on an Exchange in Nigeria;

“Sponsored DR program” means the issuance of DRs at the discretion of the Underlying Entity and in accordance with the deposit agreement between the issuer and the depository.

“Underlying Entity” means the entity that issues the securities represented by the DRs.

“Underlying Securities” means securities issued by the Underlying Entity.

“Un-sponsored DR program” means the issuance of DRs without the involvement of the Underlying Entity (non-capital raising) and in accordance with the terms and conditions of the issuance.

1.2 Rule 420 (2) – Depository Receipts by Nigerian Entities

The former Rule 420 (1) has been moved to Rule 420 (2)(b). A new Rule 420 (2) (a) is inserted as follows:

Depository Receipts by Nigerian Entities

- (a)** A Global Depository Receipt Programme shall not be established by a Nigerian entity covered under the Act without obtaining the ‘No Objection’ of the Commission in writing;



- (b)** For all levels of Global Depository Receipts, the Issuer shall furnish the Commission with the following:-
- i. nature of the programme;
 - ii. number of securities involved and the percentage they represent of the outstanding securities of the issuer (where applicable);
 - iii. parties (foreign/local);
 - iv. international clearing system to be utilised;
 - v. copies of documents obtained from and filed with the foreign country;
 - vi. copies of latest annual report (where applicable);
 - vii. Board Resolution of the Issuing Entity;
 - viii. Such other documents as may be required from time to time to aid the Commission in its review process.
- (c)** In the case of Level I G.D.R., compliance with the above and the existing guidelines on foreign investments, may qualify the Issuer for a “No Objection” letter from the Commission.
- (d)** Subsequent GDR issues shall be approved only upon satisfactory account of utilization of proceeds from previous capital raising DRs.

1.3 Rule 420(3) Level I GDR- Un-sponsored DR Programs

A new Rule 420(3) has been created to highlight the specific requirements which are peculiar to Un-sponsored DR Programs as follows:

- a. In an unsponsored programme under this Rule, the depository shall be deemed to be the Issuer for the purpose of all disclosure requirements under the Investments and Securities Act and these Rules.
- b. In an unsponsored programme, the Issuer shall furnish the Commission with information on the following:



- i. evidence of valid registration of the depository as a Capital Market Operator/Intermediary or a Foreign Capital Market Operator/intermediary as is applicable;
- ii. evidence of the rights and obligations attached to the depository receipts ;
- iii. prospectus or listing documents.
- iv. Such other document as may be required by the Commission
- c. The prospectus or listing document shall in addition to the standard content of a prospectus, include information about the Issuer of the Depository Receipts, underlying shares, and Key information about the Issue of the DRs, terms and conditions of the Issue.

1.4 Rule 420(4) Level II GDR- Sponsored DR Programs

A new Rule 420(4) has been created to highlight the specific requirements which are peculiar to Sponsored DR Programs as follows:

- a. In a sponsored DR programme, the issuer of the underlying securities shall be deemed to be the Issuer for the purpose of all disclosure requirements under the Investments and Securities Act and these Rules.
- b.** In a sponsored programme, the Issuer shall furnish the Commission with the following additional information:-
 - i. certified true copy of the MEMART of Issuer or its equivalent;
 - ii. copies of resolutions passed at the Annual General Meeting (A.G.M.) or Extraordinary General Meeting (E.G.M.) of the Issuer authorising the conduct of the programme;
 - iii. evidence of authorisation of the Depository to conduct the programme;
 - iv. evidence of valid registration of the Depository as a Capital Market Operator or a Foreign Capital Market Operator/intermediary as applicable
 - v. evidence of share capital of the Issuer (authorised, issued and fully paid;
 - vi. number of the underlying securities;



- vii.** evidence of the rights and obligations attached to the depository receipts;
- viii.** prospectus or listing document;
- ix.** copy of the deposit agreement with the depository;
- x.** Such other document as may be required by the Commission

1.5 Rule 420(5) – Level III GDR – Capital Raising

Rule 420 (2) has been moved to Rule 420(5) – A new Heading “Level III GDR – Capital Raising” has been created for ease of reference.

Where the Global Depository Programme is for the purpose of raising capital, the Issuer is required to file a memorandum containing the following information with the Commission:-

- i.** capital history of the issuer (e.g. total share capital, paid-up capital, issued and un-issued, etc.) with evidence of increase in share capital (where applicable);
- ii.** currency in which securities for the programme would be denominated (e.g. dollars, pound sterling, local currency, etc.);
- iii.** evidence that the programme has been cleared by the Central Bank of Nigeria or the National Insurance Commission where the programme involves a bank or an insurance company. Evidence of clearance by other regulatory agencies would be required where applicable.
- iv.** a signed copy of audited accounts for the preceding five (5) years or number of years for which the issuer company has been in operation, (if less than 5 years) or audited statement of affairs (in the case of a new company) which shall not be more than 9 months old. Where the latest audited accounts are more than 9 months old, recent interim audited accounts for the first 6 months of the financial year must be included.
- v.** rights and obligations attached to each class of securities if different classes of securities are being issued.



1.6 Rule 420(6) – Nigerian Depository Receipts

A new Rule 420(6) has been inserted to make provisions for the issuance/listing of Depository Receipts in Nigeria by Foreign entities as follows:

- a.** A Depository Receipt Programme shall not be listed or traded on any exchange in Nigeria without the prior approval/ registration of the Commission.
- b.** The Commission may approve the listing of a Depository Receipts Programme on an exchange in Nigeria upon compliance with these rules or other requirements as may be prescribed by the Commission from time to time.
- c.** An Issuer of Depository Receipts in Nigeria shall file a prospectus/information Memorandum in accordance with the provisions of the Investments and Securities Act and these Rules;
- d.** An Issuer applying for the listing of a Depository Receipt Program shall in addition to the applicable provisions of Rule 420 (2) above:
 - i.** confirm the approval or registration of the Underlying Securities by the relevant foreign authority;
 - ii.** furnish the Commission with the information required in Rule (2) above to the extent applicable; and
 - iii.** confirm the name of its primary exchange; and indicate that the primary exchange is a member of the World Federation of Exchanges (“WFE”) or such Exchange recognised by the Commission;
- e.** Where the Underlying Entity for an unsponsored NDR opts to issue a sponsored NDR, the Commission shall require the cancellation of the unsponsored programme. This rule is applicable only to NDRs with equity securities as underlying assets;
- f.** Any document to be filed with the Commission or sent to investors must be in English language;
- g.** All subsequent listings of additional units of a Depository Receipt shall also be subject to the Commission’s approval upon payment of relevant fees.



- h.** Except as otherwise provided in these rules, the issuance of a DR Programme shall be implemented within 3 months from the date of approval by the Commission, failure of which the entity shall revert to the Commission with the status of the proposed programme;

1.7 **Rule 420 (7) – Additional Information**

A new Rule 420 (7) has been created as follows:

In addition to the provisions of Rule 420 (1) – (6) above, the Commission, in deciding whether to grant an application for approval, may request further information which may be reasonably required to verify whether the provisions of the Investments and Securities Act and the Rules have been complied with, or any information that the Commission considers appropriate to protect investors and ensure the smooth operation of the market.

C. PROPOSED AMENDMENT TO RULE 35 (7)- CHANGE OF STATUS OF REGISTRANT

Proposed Amendment

(a) “Any person who fails to comply with the provisions of this regulation shall be liable to a minimum penalty of N20, 000.00 and a further sum of not more than N5, 000.00 for every day that the default subsists.

(b) Such person shall have their registration summarily suspended if the period of default exceeds 90 days.

D. RULES ON REGISTRATION OF ALL CAPITAL MARKET OPERATORS WITH RELEVANT TRADE GROUPS/ASSOCIATIONS

Rule 25 is hereby amended as follows:



Self Regulatory Organizations/Trade Associations

(1) Membership

- a)** Every person registered to perform any function in the market shall be a member of an SRO or a Trade Association
- b)** A broker or dealer shall be a member of an association of securities dealers to effect transactions in an over-the-counter (OTC) market
- c)** Where the broker dealer effects transactions on any exchange and over-the-counter market, the appropriate self-regulatory organization shall be the exchange(s) and the association of the relevant over-the-counter (OTC) market

(2) Registration

All Trade Associations whose members have been registered to perform any capital market function shall be registered with the Commission

E. HARMONIZATION OF REGISTRATION REQUIREMENTS FOR INCIDENTAL FUNCTIONS

1 Rule 56 (1) - Functions of Brokers

Proposed Amendment –

Registered brokers shall have the following functions amongst others:-

- (a) sale and purchase of securities on a recognized securities exchange on behalf of clients.
- (b) providing technology platform for clients to trade under clients account.
- ~~(c) providing investment advice to clients.~~
- (d) publishing investment research.
- (e) other services ancillary to (a) above;



Disclosure Reporting Requirement

(f) disclose to the Commission any dealings in a security valued at a minimum of ~~N50 million~~ N500,000 executed in a single deal or in multiple deals on the same day on behalf of his clients.

(g) shall report any suspected market manipulation or insider dealing to the Commission within 48hrs.

2 Rule 67 – SUB-BROKER; Registration Requirements

Proposed Amendment –

An application for registration as sub-broker shall be filed on **Form SEC 2C** as contained in schedule III to these rules and regulations and accompanied by. **(this is an amendment of opening sentence)**

(d) copy of CAC Return on allotment and particulars of Directors Forms CO2 & CO7 certified by the Corporate Affairs Commission;

(j) evidence of minimum paid-up capital of ₦5 million;

(l) letter of recommendation and undertaking signed by the sponsoring Broker/Dealer on behalf of the Sub-Broker.

(n) operational manual and organizational chart;

Deletion of Rule 67 (2) Individual Sub-Broker

~~(a) An application for registration as an individual sub-broker shall be filed on Form SEC 2 as provided in schedule III of these rules and regulations and shall be accompanied by the following:~~

~~(i) Certified copy of certificate of registration of business name (where applicable);~~

~~(ii) Evidence of minimum net worth of ₦500,000;~~

~~(iii) Sworn undertaking to comply with the provisions of the Act and the rules and regulations as may be required from time to time by the Commission;~~

~~(iv) Evidence of compliance with rule 20(4);~~



~~(v) Sworn undertaking to keep proper records and render returns.~~

~~(b) Rule 83(3) and (4) shall, with all necessary modifications, apply in case of denial or suspension of registration of a sub-broker.~~

3 Rule 84 – Functions of Issuing House

Proposed Amendment –

Creation of a new sub (5) as follows:-

(5) underwriting issues of securities

4 New Rule – RULE 84(6)

(6) Sponsoring issuers of publicly offered/privately placed fixed income securities including bonds (sovereign, agency, sub-national, corporate and supranational), asset-backed or mortgage-backed securities and mutual funds for listing on a recognized Exchange

5 New Rule – RULE 84(7)

(7) any other roles ancillary to any of the above”.

6 Rule 88 (1) – ISSUING HOUSE; Registration Requirements

Proposed Amendment –

Where a corporate body intends to be registered as an Underwriter, it shall file FORM S.E.C 3 as contained in schedule III to these Rules and Regulations and shall be accompanied by ...

7 Rule 89 (1) – UNDERWRITERS; Eligibility

Proposed Amendment –

No person, *other than an Issuing House*, may act as underwriter in any public issue of securities unless such a person is registered by the Commission to perform the function.



8 Rule 89 (2) – UNDERWRITERS; Eligibility

Proposed Amendment –

(2) The following may be registered as underwriters—

- (a) banks;
- (b) insurance companies;
- (c) any other person as may be determined by the Commission from time to time.

9 Rule 92 – Functions of Fund/Portfolio Manager;

Proposed Amendment

Fund/portfolio managers may perform the following functions amongst others:-

- (1) investment advisory services;
- (2) selection of securities for the fund/portfolio in exercise of a discretionary mandate;
- (3) publication of financial market periodicals;
- (4) management of funds and portfolios on behalf of investors;
- (5) any other role ancillary to any of the above.

10 Rule 178 (1) – CAPITAL MARKET EXPERTS OR PROFESSIONALS; Registration Requirements

Proposed Amendment –

(1) The following experts/professionals whose opinion impact directly on capital market transactions are subject to registration by the Commission:

- a) legal practitioners;



- b) accountants/auditors
- c) engineers;
- d) estate surveyors and valuers;
- e) any other expert/professional that may be determined by the Commission from time to time.

11 Rule 179 – REPORTING ACCOUNTANTS

New Rule –

- (5) The Reporting Accountant to an entity cannot act as Auditor to that same entity or affiliated entity.

12 Rule 181 to be Amended – ESTATE SURVEYORS

Proposed Amendment – Heading is amended to read: Estate Surveyors and Valuers;

13 Rule 181 – ESTATE SURVEYORS AND VALUERS;

New Rule –

- (4) The estate valuer to an entity cannot act as property manager to that same entity or affiliated entity