



EXPOSURE OF NEW RULES AND SUNDRY AMENDMENTS TO THE RULES AND REGULATIONS OF THE COMMISSION

New Rules

1. Proposed Rules on E-Dividend Mandate
2. Proposed Rules on Transmission of Shares
3. Proposed Rules on Direct Cash Settlement (Re-Exposure)

Major Amendments

4. Proposed amendment to Rules on Related Parties Transaction and Conflict of Interest
5. Proposed amendment to Rules on Collective Investment Schemes (Re-Exposure)

Sundry Amendments

6. Proposed amendment to Rule 14- Appointment of Compliance Officer
7. Proposed amendment to Part C (Schedule I) – Securities Offering

Details of the proposals are as follows:

New Rules

1. PROPOSED RULES ON E-DIVIDEND MANDATE

Name/citation of the Rule - E- DIVIDEND MANDATE

(1) Rules on E-Dividend Mandate

- (1) Registrars shall ensure that all mandated shareholder accounts are credited with all outstanding unclaimed dividends within 2 days.

Justification: *This will increase the rate of compliance by registrars and help to reduce the quantum of unclaimed dividends.*

- (2) Registrars shall forward status reports on all mandated shareholders accounts on a quarterly basis.

Justification: *This is to enable the Commission monitor the level of compliance with the E-Dividend Mandate Management System.*

- (3) Where BVN is provided, Bankers' confirmation shall not be required before shareholders' accounts are mandated by the registrars.



Justification: *This is to avoid unnecessary delay in mandating shareholders' accounts.*

- (4) Any Registrar that violates the provisions of these Rules shall be liable to a penalty of not less than One (1) million Naira and an additional sum of N20, 000 for every day the violation persists.

Justification: *To serve as a deterrent to registrars for possible violation of the rule.*

2. PROPOSED RULES ON TRANSMISSION OF SHARES

Name/citation of the Rule -

1. Rules on Transmission of Shares:

The Registrar shall ensure that shares of a deceased are transmitted within three weeks of receiving the request from the Administrators/Executors subject to the availability of the following:

- a) Letter of Introduction from the Administrators/Executors, introducing themselves as the legal representatives of the Estate. The letter should also indicate the names, addresses, signatures and BVNs of the individual Administrators/Executors.
- b) Original Death Certificate from the National Population Commission (NPC) for sighting.
- c) Original probate letter or Letter of Administration for sighting or the Certified True Copy (CTC) from a Notary Public.
- d) Copy of newspaper advert placed by the Court or Gazette.
- e) Any evidence of ownership of the investment i.e. CSCS statement(s) of the deceased, original share certificates, dividend stub or dividend warrants or bank statement(s) showing receipt of dividend(s) into the account(s) of the deceased. Where the Administrator/Executor cannot provide these requirements, the Registrar may require confirmation through insurance, indemnity or interview.

2. Fees Chargeable for Transmission of Shares

Registrars shall charge fees for transmission of shares as follows:

- a) For a value of shares of N5 million and below - 1% of the value +5% VAT
- b) For a value of shares above N5 million - 0.5% of the value subject to a maximum of N200, 000.00 +5% VAT



- c) Fees chargeable for confirmation of Probate/Letter of Administration shall not exceed N12,000.00.

3. Replacements/Records Update

Registrars shall charge fees for the following transactions:

- a) Dematerialization (DEMAT) - not more than N200 per certificate.
- b) Change of Address, Name, Mandate - not more than N200 per request.
- c) Mandating shareholders account for e-Dividend Mandate Management System- not more than N50 per account.
- d) Update of Signature Capture/Scanning - not more than N200 per signature.

4. Turnaround Time for Replacement and Record Update:

The turnaround time for processing all requests for replacement and update shall be as follows:

- a) Dematerialization (DEMAT) -three (3) working days.
- b) Change of Address/Name/Mandate- two (2) working days (with complete documentation).
- c) Update of Signature Capture/Scanning - twenty-four (24) hours.

Justification: *To ensure standardization and efficiency in the transmission process, thereby minimizing conflict, protecting investors and maintaining the integrity of the market.*

3. PROPOSED RULES ON DIRECT CASH SETTLEMENT (RE-EXPOSURE)

LEGEND: Additions are underlined
Deletions are ~~struck through~~

The following rules were exposed in January 2018. However, due to the inclusion of some comments received from stakeholders and further review by the Rules Committee, there is a need to re-expose the rules to reflect the new amendments for the information of the public.

1. Definition

~~**Direct Cash Settlement** is a process of paying proceeds of trade into a client designated bank account directly, by a clearing and settlement entity.~~

Direct Cash Settlement is a process of paying proceeds of trades carried out on behalf of a client into the client's designated bank account directly by a clearing and settlement entity.

~~**Trading Member** is a registered member of an exchange which has obtained a dealing license for trades on behalf of its clients.~~

Dealing Member for the purpose of these rules is a registered member of an exchange, which has obtained a dealing license to execute trades on behalf of its clients.

2. Applicability

~~These rules shall apply to all registered clearing and settlement entities, securities exchanges and their respective trading members that trade on behalf of clients.~~

These rules shall apply to all registered clearing and settlement entities, and the concerned Dealing Members of registered securities exchanges that execute sale transactions on behalf of their clients.

3. Requirements

- ~~1) All clearing and settlement entities and securities exchanges shall ensure compliance with these rules~~

All clearing and settlement entities and the Dealing Members of registered exchanges shall ensure compliance with these rules;

- ~~2) Settlement of every trade carried out on a registered exchange shall be done by direct payment into the client's account by an approved clearing and settlement entity except where a client opts out in writing.~~

Settlement of exchange-traded securities carried out on a securities exchange shall be done by direct payment into the client's account by an approved clearing and settlement entity except where a client opts out in writing;

- ~~3) Where the client opts out, the trading member shall notify the clearing and settlement entity prior to the settlement day of the trade~~

Where a client opts out, the dealing member shall notify the clearing and settlement entity not less than three business days prior to executing any sale trade on behalf of the client.

- ~~4) Each client shall provide its/his bank account details through its trading member to an approved clearing and settlement entity for purpose of direct cash settlement.~~

All Dealing Members shall provide their clients' bank account details, including BVN to an approved clearing and settlement entity for purpose of direct cash settlement;



- 5) ~~Settlement of all trade shall be made by direct payment into the client's account within the clearing and settlement entity's stipulated settlement cycle~~

Where a client does not provide account details, the dealing member shall not execute any sell trade on behalf of the client.

- 6) Where a dealing member execute a sale trade without account details of the client, the clearing and settlement entity shall ensure that such trade is cancelled prior to the settlement day.

- 7) Settlement of all sale exchange-traded securities shall be made by direct payment into the client's account within the clearing and settlement entity's stipulated settlement cycle.

4. Sanctions

- 1) ~~Any Exchange, Clearing House or Trading member that violates the provision of these Rules shall be liable to a penalty of not less than One million naira (N1, 000,000) in addition to any other sanction which the Commission may impose~~

A Clearing and settlement entity that violates the provisions of these rules shall be liable to a penalty of not less than Ten Million Naira (N10,000,000) in addition to any other sanction which the Commission may impose;

- 2) ~~In addition to the sanction in Rule 4(1) above, any trading member that settles a client's trade outside the client's account shall be liable to a fine of not less than 3 times the value of the amount settled~~

A dealing member that violates the provisions of these Rules shall be liable to a penalty of not less than N1 million and a fine of not less than three (3) times the value of the amount settled, in addition to any other sanction the Commission may impose.

- 3) ~~Where a clearing and settlement entity violates any of the provisions of these rules, the sanctions in Rule 4(1) shall apply.~~

MAJOR AMENDMENTS

4. PROPOSED AMENDMENTS TO THE RULES ON RELATED PARTIES

Existing Rule – Contents of Trust Deed 465(z):

- (z) 'provision prohibiting fund manager from investing in its in-house, Trustees, Custodians and their associates instruments'



Proposed amendment – Contents of Trust Deed 465(1)(z)

(z) provision on permissible investment and limits in related party transaction instruments stating that:

“The Fund Manager of an authorized CIS shall not invest the assets of the Fund in securities or assets of related parties to the CIS and their affiliates except as otherwise permitted by the Commission;”

2. New Rule

New Rule 465(2)

- a) The Fund Manager of a CIS may invest in money market instruments issued by the affiliates of a related party to a CIS only where the following conditions have been satisfied:
 - i) that the Money market instruments issued by a related party affiliate shall not be below investment grade rating of A- and at yields better than prevailing market rates and conditions;
 - ii) that consent/approval of the Trustees for compliance with pre conditions for such investment has been obtained;
- b) The investment in money market instruments of a related party or its affiliates shall not exceed the following thresholds –
 - I. Equity Funds and Balanced Funds – Not more than 5% of total value of money market allocation;
 - II. Money Market Funds – Not more than 15% of NAV;
 - III. Fixed Income Funds – Not more than 10% of total value of money market allocation;
 - IV. REITs – Not more than 2% of 10% allowable exposure to liquid assets;
- c) The CIS Custodian shall ensure and report to the Trustee and Commission compliance with limit set in (b) above.

Provided that the Fund Manager is prohibited from undertaking investments on behalf of a CIS in the Fund Manager’s and Trustee’s assets/instruments.

3. Amendment

Existing Rule: 532(y)

- (y) provision prohibiting fund manager from investing in its in-house, Trustees, Custodians and their associates instruments’

Proposed Amendment: 532(y)

(y) a statement that the fund manager may invest the assets of a CIS in money market instruments of a related party's affiliates provided that:

- i. Money market instruments issued by such affiliate shall not be below investment grade rating of A- and at yields better than prevailing market rates and conditions;
- ii. The consent/approval of the Trustees for compliance with pre-conditions for such investment has been obtained;
- iii. Such investment shall not exceed 2% of 10% allowable exposure to liquid assets;
- iv. The CIS Custodian shall ensure and report to the Trustee and Commission compliance with limit set in (iii) above

Justification: *The object of this amendment is to ensure that Fund Managers can now invest in instruments of related parties where such instruments hold the potentials of providing good yields to the Fund. This will ensure a balance of investor protection and achievement of optimal asset allocation potentials as offered by the Market.*

4. Proposed Creation of New Rules to replace 450 - General Rules for CIS

Provision on Management of Conflict of interest and Transactions in Affiliates of CIS Related Parties

A. Definitions:

- 1. Principal transaction:** A transaction which, singularly or in aggregate of a series of the same transaction equals five percent (5%) or more of the Fund's net asset value (NAV), in which the Fund Manager of an authorized Collective Investment Scheme acting on behalf of the CIS enters with an affiliate of a related party to a CIS as defined under this Rule.
- 2. Related Party/Related Party to a CIS:** A related party, having regards to a registered Collective Investment Scheme shall be the Trustee, Fund Manager and Custodian of such CIS.
- 3. Affiliate of a Related Party/Related Party to a CIS:** An affiliate of a related party having regards to a registered Collective Investment Scheme shall be any person, natural or corporate falling within the categories of the parties listed below:



- a) Companies that share personnel of the Fund Manager who hold administrative, management and Board position in the Company, in addition to front office staff engaged in investment management function of the CIS;
- b) Companies that share personnel of the Trustee Company who holds administrative, management and Board position in the Company;
- c) Companies that share personnel of the Custodian Bank or Central Depository who holds administrative and management position in the Bank or Depository;
- d) Companies that are affiliates of the Fund Manager, Trustees or Custodians within the same financial group or another group;
- e) Key persons undertaking asset management, investment analysis and other key front office tasks that impact or likely to impact the Fund;
- f) Persons capable of exerting influence on management and Board decisions in related parties and their affiliates;
- g) Other Collective Investment Schemes managed by:
 - i. the Fund Manager;
 - ii. an affiliate of the Fund Manager and/or companies belonging to the same group as the Fund Manager;
 - iii. an affiliate of the Trustee and/or companies belonging to the same group as the Trustee;
 - iv. a Company whether as affiliate, subsidiary or parent of the Fund Manager, Trustees or Custodian whose securities are unlisted or listed on a recognized securities Exchange;
- h) Sponsor, administrator or managers of electronic/digital platforms which serve as channel for subscription to or redemption from, of units of an authorized CIS;
- i) Companies which share interlocking directorship with the Fund Manager, Trustee or Custodian;
- j) Companies that engage in principal transactions with the Fund Manager, Trustee or Custodian;
- k) Companies/Entities with at least 5% shareholding or beneficial ownership in the Fund Manager, Trustee or Custodian;
- l) Associates of the Fund Manager, Trustee or Custodian;
- m) Any other person(s) identified by the Fund Manager, Trustees to the Fund, the Custodian or the Commission as an affiliate of a related party.

B. Management of Conflict of Interest

1. Conflict of Interest

- a) Conflict of interest issues shall be assessed on a case by case basis;
- b) A Fund Manager shall disclose whenever a conflict arises or where it is reasonable to assume that a potential conflict may exist.

2. Trust Deed Provision

The Trust Deed of an authorized Collective Investment Scheme shall contain provisions on management of conflict of interest/related party transactions between the Fund Manager of an authorized CIS and its related parties on behalf of the CIS:

- a) Stating policies and procedures for management of real and potential conflict of interest between the CIS, the Fund Manager, Trustees, Custodians and affiliates of each;
- b) Requiring that all services or transactions undertaken by the Fund Manager on behalf of the CIS with the affiliate of a related party shall be done at arm's length and at terms - cost, price, and best prevailing market conditions in the interest of the CIS;
- c) Disclosure to the Commission of any service contract with potential of conflict of interest between a CIS and related party of a Fund Manager, Trustees or Custodian of the CIS;
- d) Requirement for disclosure to the Commission, having obtained Trustees consent for purchase of securities on behalf of the CIS by the Fund Manager in which its related party acts as Issuing House/Underwriter to an offer;
- e) Disclosure to the Commission of purchase of securities in (d) where the Fund Manager and Trustees have:
 - i. shown the transaction to be in the best interest of the CIS and unit holders,
 - ii. shown the transaction to be carried out at arm's length;
 - iii. made full disclosure to the Commission on transaction cost and terms with the related party.

2. Requirement for Trustees prior consent and approval for certain transactions

- a) Principal transactions in securities and assets for and on behalf of the CIS by the Fund Manager with its related party as counter party or vendor to ensure that cost, terms and conditions of the transaction are carried out at the best price and prevailing market condition;



- b) Principal transaction for sales or purchase of securities in the secondary market where a related party acts as broker or intermediary for such sale or purchase showing the price or cost at which the transaction was made as compared to the highest and lowest price for the similar transaction in the market for that day;
- c) Investment of assets of the CIS at best rates and prevailing market conditions in money market instruments of a related party in line with limits provided for under this Rule.

3. Requirement on the Fund Manager

The Board of the Fund Management Company shall:

- a) Approve and institute policies and procedures for management of conflict of interest and guidelines on related party transactions for Collective Investment Schemes and all asset management operations requiring that the best interest of clients is placed prior and above all other considerations in its operations;
- b) Identify and manage real and potential conflicts of interest in its overall asset management operations including its management of authorized CIS in line with the policies and procedures established in (a);
- c) Disclose and file periodic reports on related party transactions for CIS under its management; and intermediation service cost paid to related parties' on behalf of the CIS (e.g. Broker's fees, etc.) to the Commission
- d) Strictly enforce policies on conflict of interest management and guidelines on related party transactions undertaken for and on behalf of an authorized CIS;
- e) Ensure that transactions with a related party for and on behalf of a CIS shall be undertaken in the best interest of the Scheme, at prices and conditions equal or better than that prevailing in the market.
- f) Report/disclose to the Commission (in its quarterly returns), and Trustees of all related party transactions, service contracts/agreements; fees, commissions, transaction costs arising from transactions or service provision with related parties of the Fund Manager and showing comparable best market price and cost to support that the transaction and service were carried out at terms and prevailing conditions in the best interest of the CIS;
- g) Maintain a record of all transactions and service executions undertaken with a related party with and for the CIS.

4. Disclosures on Related Party Transactions

The Fund Manager of an authorized CIS shall file periodic reports (quarterly and annual) disclosing the following:



- a) All service contract with related parties such as securities brokerage, advisory, marketing fees and aggregate cost of such services to the CIS in absolute amount and as percentage to total operating cost;
- b) Investment/portfolio holdings in securities, instruments issued by related parties showing aggregate value and percentage composition to CIS net asset value;
- c) Principal transaction (purchase or sale) of securities and assets between the Fund Manager of the authorized CIS and related parties showing purchase cost or sale price, best prevailing market price or cost at the time of transaction, evidence that the transaction was carried out at best execution price or under terms same or better than prevailing market condition at time of transaction;
- d) Principal transactions (purchase or sale) of securities and assets between the CIS by the Fund Manager acting on its behalf, and a client of the Fund Manager under discretionary portfolio management service of the Fund Manager or affiliate of the Fund Manager, showing price or cost of the transaction and best market price or cost of similar transaction for that day;
- e) A primary market transaction involving the subscription to securities offerings at the primary market by the Fund Manager of the CIS in which a related party acts as Issuing House/Underwriter disclosing the number of units/shares and value of securities subscribed for, percentage composition subscribed and total subscription of the offer.

5. Penalties

Contravention of the Rules in this part shall attract one or more of the following sanctions:

- a) Minimum penalty of N1 million;
- b) Disgorgement of proceeds of the transaction and payment to the Fund of three (3) times the profit realized;
- c) Withdrawal of license of offending party and
- d) Referral for criminal prosecution where this is established.

General Justification for Rules

The above Rules are proposed to provide for management of conflict of interest issues and permit (within some limitations) related party transactions for Collective Investment Schemes to set out guidelines on management of conflict of interest by Fund Managers.



5. PROPOSED AMENDMENTS TO RULES ON COLLECTIVE INVESTMENT SCHEMES (RE-EXPOSURE)

LEGEND: Additions are underlined
Deletions are ~~struck through~~

The following rules were exposed in July 2018. However, due to the inclusion of some comments received from stakeholders and further review by the Rules Committee, there is a need to re-expose the rules to reflect the new amendments for the information of the public.

Name/citation of the Rule – Offer Process for Closed-Ended Collective Investment Schemes/ 450 (B)

Full Text of the Rules –

A. Filing of Registration Statement

- (1) The Registration Statement for the offer of units shall be filed by an issuing house and shall conform with the requirements of the Investments and Securities Act (ISA), these Rules and Regulations and any other requirement prescribed by the Commission.
- (2) The Registration Statement shall be accompanied by the following documents –
 - a. An executed SEC Form 6A
 - b. Draft Prospectus
 - c. Draft Trust Deed
 - d. Draft Custody Agreement
 - e. Draft Vending Agreement
 - f. Original letters of consent from the prospective parties to the Scheme dated and signed by named persons giving the consent. Provided that a corporate entity giving consent shall do so through duly authorized persons who shall be a director, company secretary or persons acting in those capacities with the seal of that entity
 - g. Original letters of consent from the directors of the Fund Manager and any other individual that is a party to the Scheme, dated and signed by the named persons giving the consent and duly notarized
 - h. Sworn “Undertaking to File Periodic Reports and Returns” with the Commission
 - i. Board Resolution from the Board of the Fund Manager / Promoter authorizing the launching of the unit trust scheme
 - j. Evidence of payment of SEC fees
 - k. Rating Report (where applicable)
 - l. Evidence of appointment of a Sharia Adviser (for sharia compliant funds)
 - m. Such other relevant documents as may be required from time to time.



- (3) The Issuer/Fund Manager shall make a sworn declaration that it has fully disclosed all material facts in the Offer document and the declaration shall be signed by the Chief Executive Officer and the Company Secretary.

B. Executed Offer Documents

Convening of a completion board meeting for a closed-ended CIS offer shall be optional; however executed Offer documents of a closed-ended CIS offer shall be submitted to the Commission within 5 working days of clearance by the Commission.

C. Parties to an Issue/Scheme

Where there is more than one Issuing House for a public offer of a scheme, the Lead Issuing House shall not be a subsidiary, affiliate or a related company of the Fund Manager or Promoter.

D. Opening and Closing of Offer

- a) An offer for a closed-ended scheme shall remain open for a period not exceeding 28 working days.
- b) The Commission may grant an application for extension of time under any of the following circumstances –
 - (i) Upheavals, which could be either religious, political or social. These must be national or within the catchment areas of the fund manager or promoter
 - (ii) Crisis such as labor unrest or riots which could lead to office shutdowns;
 - (iii) A minimum of three (3) days public holidays within an offer period;
 - (iv) Natural disasters such as earthquake, fire outbreaks, etc.
- c) The application for extension of time shall be made within 5 working days prior to closing date of the Offer as stated in the Offer documents.
- d) Notwithstanding the provisions stated herein, no offer shall continue beyond the closing date unless prior written approval of the Commission is obtained.

E. Proceeds of Issue

- a) The Issuing House to a scheme's offer shall ensure that all proceeds of an issue are deposited in an interest-yielding account with the Custodian.
- b) No withdrawal shall be made from the account except a lump sum representing the total cost of issue in accordance with the terms of the vending agreement and as disclosed in the Prospectus.
- c) In the case of over-subscription, the Custodian shall within one working day of clearance of allotment transfer electronically such sum representing the value of the over-subscription including accrued interest in the name of the Offer to the Registrar.
- d) The Registrar shall return all surplus monies to the affected subscribers within five working days of the approval of the allotment proposal.
- e) The Commission may grant an application for the absorption of the oversubscribed portion of a closed-ended CIS offer subject to:



- (i) The filing of an application for registration of the units in the requisite Form; and
 - (ii) Payment of the requisite fees.
- f) The Registrar shall within 14 working days of approval of allotment, forward to the Commission, the following:
- (i) statement of amounts received;
 - (ii) names and addresses of subscribers whose application monies were returned and the mode and evidence of dispatch.
- g) The Fund Manager is prohibited from using or investing the proceeds of the issue for purposes other than those stated in the Prospectus, Trust Deed, or Memorandum and Articles of Association of the CIS –in the case of an open-ended investment company.
- h) If return monies are not dispatched in compliance with sub-rule (d) above, accrued interest shall be paid by the Registrars to the unsuccessful applicants at a rate not below CBN MPR + 5%.

F. Allotment Period and Submission of Allotment Proposal

- (1) An allotment proposal shall be presented to the Commission not later than 2 weeks after the close of the issue unless the Commission on application by the issuer deems it necessary, in the interest of the public and for the protection of investors, to grant a written extension of time not exceeding two weeks.
- (2) The Allotment Proposal filed by the Issuing House shall include –
 - i. summary of applications received;
 - ii. list of allottees of ~~50,000 units of securities or more~~ and list of all allottees acquiring 5% or more of the units on offer;
 - iii. list of all applications received including list of those rejected and the basis for rejection;
 - iv. draft newspaper announcement.
- (3) The Commission may declare any irregular allotment of units null and void and may prescribe appropriate measures to rectify such irregularities.
- (4) Where the Fund Manager/Issuing House fails to submit allotment proposal within the stipulated period or any extended period granted, the Commission may impose appropriate penalty or direct that the issue be aborted irrespective of the level of subscription.

G. Summary report on completion of a public offer

The Issuing House shall within 21 working days of approval of allotment file with the Commission a summary report containing among others, the following:

- a) problems arising generally from the conduct of the issue;
- b) satisfactory compliance of parties with their obligations under the issue;
- c) details regarding the return of surplus monies;
- d) details and any evidence of dispatch of share certificates/electronic statements;
- e) details and evidence of payment of net proceeds of the issue to the issuer;
- f) analysis of total costs incurred during the course of the offer;



g) any other relevant information and recommendation.

H. Abortion of a Scheme Launch

- a. The Fund Manager shall notify the Commission where it seeks to abort the launch or offer of an close-ended scheme and such notification shall state reasons for the proposed abortion.
- b. The allotment proposal of a closed-ended CIS shall only be cleared for allotment if it is 50% subscribed.

~~**I. Power of the Commission to abort an Offer**~~

- ~~a) The allotment proposal of a closed ended CIS shall only be cleared for allotment if it is 50% subscribed.~~
- ~~b) The Commission may direct that a scheme's offer be aborted if it is considered to be in the public interest to do so.~~

I. Under-subscription

- a) The allotment proposal of a closed-ended CIS shall only be cleared for allotment if it is 50% subscribed.
- b) The Commission may direct that a scheme's offer be aborted if it is considered to be in the public interest to do so.
- c) Where a scheme's offer is less than 50% subscribed –
 - i. The Offer shall be aborted by the Fund Manager/Issuing House within 4 weeks of the closing date of the Offer.
 - ii. The Issuing House shall publish in ~~at least two~~ one daily national newspapers and its website details of the decision to abort the Offer not later than 5 working days after the Commission has been notified of the decision.
- d) The Registrar to the Offer shall return monies to subscribers to the aborted Offer not later than 15 days of the decision to abort the Offer and 2 days of the money being remitted to the Registrar.
- e) Subject to the prior approval of the Commission, an aborted Offer may be resuscitated by the Fund Manager/Issuing House within 15 days of the date of notification of the aborted Offer to the Commission.
- f) No resuscitation of such Offer shall be entertained by the Commission after subscription monies have been returned to subscribers as prescribed in paragraph (b) above.

J. Publication of Allotment

- a) The Issuing House shall within five working days of allotment, publish the allotment in at least two national daily newspapers. Provided this shall only apply to retail focused funds.



- b) Units shall be listed not later than 30 days after the allotment clearance (where applicable).

K. Cost of issue

- a) The total Offer cost of a closed-end CIS shall not exceed 1.65% of the total Offer size or such percentage as the Commission may prescribe from time to time.
- b) Provided that the fees for professional parties shall not exceed 1.30% (inclusive of VAT) of the offer costs, of which Issuing House fees must not exceed 0.50%.
- c) Provided further that where such Offer is not fully subscribed, the total costs shall not exceed 1.65% of the amount raised.

L. Underwriting of a Scheme Offer

Underwriting of a scheme offer is optional. Where an issuing house elects to underwrite an offer, the general provisions in the Rules on underwriting of public issues shall apply.

M. Vending Agreement

- a) All vending agreements shall be submitted to the Commission for clearance along with other registration documents.
- b) The Vending Agreement shall, among other things, provide for the following:-
- i. Definition of terms;
 - ii. Obligations of the Issuing House(s);
 - iii. Obligations of the Fund Manager and Promoter (where applicable);
 - iv. Representation and warranties by the Fund Manager/Promoter;
 - v. Covenant by the Fund Manager;
 - vi. Covenant by the Issuing House(s);
 - vii. Indemnities;
 - viii. Remuneration of the Issuing House(s);
 - ix. Terms of the relationship between the joint Issuing Houses where there is more than one Issuing House;
 - x. Conditions and terminations;
 - xi. Time;
 - xii. Notices;
 - xiii. Governing laws;
 - xiv. Arbitration.
- c) The Arbitration Clause in the Vending Agreement shall include provisions to the effect that—
- i. Whenever a dispute arises between the parties, the Commission shall be notified within 5 working days;
 - ii. a maximum period of 10 working days will be allowed for the parties to resolve the dispute themselves or to appoint arbitrator(s);



- iii. the Arbitrator(s) shall have a maximum period of 10 working days to resolve the dispute after the exchange of pleadings by the parties, failing which the matter shall be referred to the Commission for resolution;
- iv. any party aggrieved by the decision of the Commission may refer the matter to the Investments and Securities Tribunal (IST).
- d) The Indemnity Clause in the Agreement shall not exclude but ensure due diligence on the part of the Issuing House(s).
- e) The Vending Agreement shall contain a statement that the terms and conditions of the Agreement are in conformity with the provisions of the Act, and the Commission's Rules and Regulations made thereunder.

N. Quality and Completeness of Offer Documents

- a) The Applicant shall ensure the completeness of every application and document submitted in respect of an offer.
- b) The Applicant shall ensure that where the Commission has raised deficiencies, such deficiencies are addressed in subsequent submissions of the Offer documents.
- c) Any subsisting deficiencies observed shall attract a penalty of not less than one hundred thousand naira (N100,000.00) per submission.

This fine shall be payable by the Applicant without recourse to the Offer proceeds of the CIS being registered.

O. Additional Information

The Offer documents of a CIS shall disclose the policies and procedures for addressing and resolving conflict of interest between the Fund Manager or Trustee and the Scheme.

Justification – *In view of the requirement for new rules to simplify and streamline the open-ended offer process, there is need to expressly state the applicable provisions for closed-ended funds as well. The Rules applicable to company IPOs were replicated here with variations to make them suitable for funds.*

1. New Rule

Name/citation of the Rule – **Offer Process for Open-Ended Collective Investment Schemes/ 450 (C)**

Full Text of the Rules –

A. Applicability

These Rules shall apply to the registration, authorization and offering process of open-ended Collective Investment Schemes.

B. Registration Requirements



- (1) An application for the registration and authorization of an open-ended CIS and registration of the units or securities of the Scheme shall be made to the Commission by the Fund Manager via a letter of application for registration (registration statement) and shall conform to the requirements of the Investments and Securities Act, these Rules and Regulations and any other requirement prescribed by the Commission from time to time.
- (2) The Registration Statement shall be accompanied by the following documents –
 - a. An executed SEC Form 6A
 - b. Draft Prospectus
 - c. Draft Trust Deed
 - d. Draft Custody Agreement
 - e. Original letters of consent from the prospective parties to the Scheme dated and signed by named persons giving the consent. A corporate entity giving consent shall do so through duly authorized persons who shall be a director, company secretary or persons acting in those capacities with the seal of that entity.
 - f. Original letters of consent from the Directors of the Fund Manager and any other individual that is a party to the Scheme, dated and signed by the named persons giving the consent and duly notarized.
 - g. Sworn “Undertaking to File Periodic Reports and Returns” with the Commission
 - h. Board Resolution from the board of the Fund manager / Promoter authorizing the launching of the unit trust scheme.
 - i. Evidence of payment of SEC fees
 - j. Rating Report (where applicable)
 - k. Evidence of appointment of Sharia Adviser (for sharia-compliant funds)
 - l. Such other relevant documents as may be required from time to time
- (3) The interval between the ~~initial~~ filing of documents and the approval or disapproval by the Commission shall not exceed the 60-day period stipulated in the ISA SEC Rules and Regulations subject to the adequacy of the filing.

C. Filing of Executed Scheme Document

Executed Scheme Documents shall be submitted to the Commission within 3 working days of their clearance.

D. Scheme Launch

- (1) An open-ended CIS shall be launched and open for subscription after registration and authorization by the Commission.
- (2) The Scheme’s constituent documents as well as its offering/marketing documents shall disclose the commencement date of the Scheme.
- (3) A scheme’s marketing material shall not contain any misleading or false statements regarding the Scheme or a participatory interest in the Scheme.



- (4) The Fund Manager of a scheme shall not market the Scheme in a manner that is fraudulent, misleading, or deceptive in respect to:
 - (i) The nature of the Collective Investment Scheme;
 - (ii) The conditions on which a participatory interest of the Scheme may be purchased or sold;
 - (iii) The price at which a participatory interest may be purchased or sold;
 - (iv) The risks associated with the Scheme;
 - (v) Any other material aspects of the Scheme.
- (5) The general guidelines on advertisement as prescribed by these Rules and Regulations shall apply to the marketing of a Scheme.
- (6) Prior to the registration and authorization of a scheme by the Commission, a fund manager shall not:
 - (i) Distribute any marketing or advertisement material relating to the Scheme;
 - (ii) Make any reference to such schemes at product launches.
- (7) The Scheme's documents shall disclose the time frame within which electronic Statements will be issued to subscribers, and monies returned to ~~unsuccessful~~ rejected subscribers as the case may be.
- (8) Subscription monies for a scheme shall be paid to the Scheme's Custodian who shall hold same pending investment by the Fund Manager.

E. Scheme Launch Post-Registration Report

- (1) A report on the ~~initial~~ subscription to the Scheme as well as the Scheme's initial investments shall be filed within 90 days of registration and authorization of the Scheme.
- (2) The report shall contain:
 - a. A summary of applications received;
 - ~~b. list of subscribers of 50000 units of the Fund's units and list of all investors holding 5% or more of the Scheme's units;~~
 - c. list of all applications received including list of applications rejected and the basis for rejection;
 - d. evidence of the Fund Manager's subscription for proprietary stake in the Scheme;
 - e. report on and evidence of any return monies;
 - f. evidence of the Scheme's initial investments;
 - g. details of and any evidence of dispatch of electronic statements;
 - h. any other relevant information

F. Abortion of a Scheme Launch



- (1) The Fund Manager shall notify the Commission where it seeks to abort the launch or offer of an open-ended scheme and such notification shall state reasons for the proposed abortion.
- (2) The Commission may approve the abortion of an open-ended scheme launch and/or revoke the registration and authorization of a scheme where it is deemed to be in the interest of the public.

G. Cost of issue

- (1) The total set up and launch cost of an open-ended CIS shall not exceed 1% of the Scheme's total initial registration size or such percentage as the Commission may prescribe from time to time.
- (2) Provided that the fees for professional parties shall not exceed 0.80% (inclusive of VAT);
- (3) Provided further that where such initial registration size is not fully subscribed, the total cost shall not exceed 1% of initial amount raised.

H. Quality and Completeness of Offer Documents

- (1) The Applicant shall ensure the completeness of every application and document submitted in respect of an offer.
- (2) The Applicant shall ensure that where the Commission has raised deficiencies, such deficiencies are addressed in subsequent submissions of the Offer documents.
- (3) Any subsisting deficiencies observed shall attract a penalty of not less than one hundred thousand naira (N100,000.00) per submission.
- (4) This penalty shall be payable by the Applicant without recourse to the offer proceeds of the CIS being registered.

I. Additional Information

In addition to the minimum disclosure requirements of the Prospectus or Scheme Offer document as prescribed in these Rules, the following shall also be disclosed:

- (1) The policies and procedures for addressing and resolving conflicts of interest between the Fund Manager or Trustee and the Scheme;
- (2) Means by which subscribers may obtain relevant information regarding the Fund.

Justification – *Collective Investment Schemes in Nigeria have traditionally been offered through the Initial Public Offer (IPO) mode –though neither the ISA nor SEC Rules prescribe any particular mode or method of offer. Consequently, Schemes' offer processes are made subject to the involvement of prescribed parties like Issuing House(s), Stockbrokers, Reporting Accountants, and Solicitors; while the process involves a fixed Offer period, allotment etc. as well as fixed costs.*



The consequence of the foregoing has been a system that is both cost and time inefficient – leading to situations where investors’ monies remain idle for weeks pending conclusion of an Offer and allotment thereof.

Agitations by the Fund Managers Association (FMAN) as well as the then CMC sub-committee on Investment Management for an efficient system led to research which revealed that CISs/Mutual Funds offer process do not follow the ordinary IPO or Offer for subscription mode.

2. New Rule

Name/citation of the Rule – Allowable fees/expenses/ 451 (l)

Full Text of the Rule –

l. Marketing/Distribution fees;

~~**Justification** – In view of FMAN’s proposal to relinquish marketing and distribution of funds to brokers and other third parties, the attendant costs will no longer be part of the fees to fund managers but will be separate costs borne by the fund and payable to the respective third party responsible for marketing and distribution.~~

~~The old sub-rule 451(l) will now become 451(m).~~

3. Amendment

Name/citation of the Rule to be Amended – Advertising / 452

Full Text of the Existing Rule –

- (1) Further to existing Rules on the subject, every advertisement by a scheme shall be approved by the Commission;
- (2) No advertisement shall be made stating that a scheme has been fully subscribed or oversubscribed during the period the scheme is open for subscription, except to the effect that the issue is open or closed;
- (3) An advertisement shall not compare one scheme to another;
- (4) If any scheme indicates the past performance of the scheme in an advertisement, the basis for computing the rates of return/yield, and adjustments made (if any) shall be expressly indicated with a statement that such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments.

Proposed Amendment – Guidelines for Advertisement

- (1) Further to the general Rules on Advertisements, every advertisement by a scheme shall be approved by the Commission;



- (2) No issuing house or fund manager shall publish any advertisement relating to a CIS offer or invitation to subscribe without the approval of the Commission;
- (3) No advertisement shall be made stating that a scheme has been fully subscribed or oversubscribed during the period the scheme is open for subscription, except to the effect that the issue is open or closed;
- (4) An advertisement shall not compare one scheme to another;
- (5) No advertisement, circular or any statement with respect to the sale price of units, the payments of other benefits received or likely to be received by unit holders, or invitation to buy units shall be made without disclosing also the ~~yield~~ performance from the units and unless such circulars, advertisements, etc., are cleared by the trustee and approved by the Commission;
- (6) If any scheme indicates the past performance of the scheme in an advertisement, the basis for computing the rates of return/yield, and adjustments made (if any) shall be expressly indicated with a statement that such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments;
- (7) An advertisement of a CIS shall not be misleading. An advertisement shall be considered to be misleading if it contains—
 - (i) Statements made about the performance or activities of the CIS in the absence of necessary explanatory or qualifying notes, which may give an exaggerated picture of the performance than what it really is;
 - (ii) An inaccurate portrayal of past performance or its portrayal in a manner that suggests that past gains or income will be repeated in future.
 - (iii) Ambiguous and high sounding words, slogans and terminologies such as **“invest and haul in the future”, “top offer”, “superior offer”, “brighter future”,** etc.
 - (iv) Statements that promise or guarantee rapid returns or increase in profits.
- (8) An advertisement shall avoid the use of extensive technical legal terminology or complex language and the inclusion of excessive details, which may distract the investor.
- (9) Models, Celebrities, fictional characters, landmarks or the likes shall not be displayed on or form part of the advertisements.
- (10) No advertisement shall include any slogans or brand names for the issue except the normal commercial name of the CIS or brand names of its products already in use. No slogans, expletives or non-factual and unsubstantiated titles shall appear in the advertisements.
- (11) The historical financial information and all other information to be incorporated in advertisement materials shall not exceed the period and information as contained in the approved offer documents.



- (12) Evidence of any award received by the fund manager to be stated in the advertisements shall be forwarded to the Commission for clearance before the advertisements.
- (13) The publication of the following advisory clause: "*Please read the Prospectus and where in doubt, consult your stockbroker, fund/portfolio manager, accountant, banker, solicitor or any other professional adviser for guidance before subscribing*", shall be stated as a footnote in all print and electronic media advertisements of a CIS offer/invitation to subscribe.

Justification – *To provide comprehensive rules on advertisement of CIS*

4. Amendment

Name/citation of the Rule to be Amended – **Contents of Prospectus / 463(e), (p) & (z)(ii)**

Full Text of the Existing Rule – Every prospectus shall contain the information required by the Act and shall in addition state the following information:

- e) The offer stating the requirements of rule 466, the dates of opening and closing of the offer, and the names of the trustee and custodian to the scheme;
- p) a forecast of income of the fund for the next three (3) years;
- z) detailed information of the Fund with respect to the following:

ii) three (3) to five (5) years financial summary. Where the Fund has just been created and is yet to solicit for investment, a statement of affairs of the Fund including financial projection.

Proposed Amendment – Every prospectus shall contain the information required by the Act and shall in addition state the following:

- e) The offer stating the requirements as prescribed under these Rules and Regulations, the dates of opening and closing of the offer **for closed-ended funds and commencement date for open-ended funds**, and the names of the trustee and custodian to the scheme;
- y) detailed information of the Fund with respect to the following:
 - ii) three (3) to five (5) years financial summary for privately managed portfolios converting to a CIS

Justification – *The requirement for an offer period with opening and closing dates are only applicable to closed-ended funds since open-ended fund units, once registered, can be offered for the life of the fund and as such not restricted to an offer period.*

In addition, the forecast projection requirement should be expunged as they add no value to the fund since these projections are based on assumptions that always vary significantly

from the market conditions in future. Furthermore, the removal of this provision will reduce offer costs because the fund will no longer require a reporting accountant as a party to the offer.

5. Amendment

Name/citation of the Rule to be Amended – Contents of a Trust Deed/ 465(d)&(e)

Full Text of the Existing Rules –

- (4) redemption of units by the Fund Manager at prices calculated in the manner prescribed under these Rules and Regulations, and for settlement in respect thereof to be effected not later than five (5) working days following the transaction;
- (5) investment policy, including investment outlets;

Proposed Amendments –

- (4) redemption of units **of open-ended funds** by the Fund Manager at prices calculated in the manner prescribed under these rules and regulations, and for settlement in respect thereof to be effected not later than five (5) working days following the transaction;
- (5) investment policy, including investment outlets **and target asset allocation stated within a range**;

6. (a) Amendment

Name/citation of the Rule to be Amended – Contents of a Trust Deed / 465(k)

Full Text of the Existing Rule –

(k) in addition to (j) above, the Fund Manager of the Scheme shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of the Scheme's net asset value per annum;

Proposed Amendment –

(k) a statement as to the incentive fee to be charged

Justification – *To remove any ambiguity concerning the calculation and application of incentive fees and align with global best practice.*

(b) New Rule

Name/citation of the Rule – Regulation on Incentive Fee / 465 (ff)

Full Text of the Rule –



- (a) all unit trust schemes shall be benchmarked to an appropriate index.
- (b) a fund manager may charge incentive fee where a Fund has outperformed its stated benchmark. The incentive fee shall be chargeable on the total annual returns above ~~5%~~ of the benchmark and up to 20% of the excess returns; Provided that:
 - (i) a Fund's stated benchmark shall be reflective of the nature of the Fund and its underlying instruments;
 - (ii) only actively managed Funds may charge incentive fee;
 - (iii) where a Fund underperforms its benchmark, the management fee charged shall decrease by the same percentage by which the Fund underperformed;
 - (iv) the fund performance must have reached a high-water mark. A high-water mark is reached when the fund's value (per unit basis) exceeds its highest historical record.
- (c) the provisions of this Rule shall also apply to open-ended investment companies, real estate investment schemes and other relevant schemes.

Justification – *To remove any ambiguity with regards to the calculation and application of incentive fees and align with global best practice. This is also to ensure that fund managers are only compensated for performance when previous losses are recouped. This will ensure fairness to unit holders.*

7. Amendment

Name/citation of Rule to be amended – Contents of Trust Deed / 465(I)

Full Text of Existing Rule –

- (I) a statement that the annual management fee and other expenses shall not exceed 5% of the net asset value of the Fund;

Proposed Amendment –

- (I) a statement that the ~~annual management fee and other~~ total expenses shall of the fund (including the annual management fee) but excluding incentive fee shall not exceed **3.5%** of the net asset value of the Fund;

Justification – *It is recommended that the above proposal take effect from January 1, 2019 and be further reduced to 3% effective January 1, 2021 to give fund managers enough time to grow CIS funds with the use of alternative distribution channels after which economies of scale will justify a renegotiation of expenses downwards to make Nigerian funds globally competitive and attractive.*

8. New Rule

Name/citation of the Rule – Types of Unit Trust Schemes

Full Text of the Rules –



The name of a fund shall mirror the asset allocation and/or investment objective of the fund.

Justification – *This is in line with international best practice. It will also ensure that the investing public is clear on what type of fund is being invested in.*

a) **New Rule**

Name/citation of the Rule – **A. Equity Fund**

Full Text of the Rules –

(1) Definition

An Equity Fund is a type of unit trust scheme authorized by the Commission having a minimum allocation of 70% of a fund's asset in equities listed on an exchange registered or recognized by the Commission.

(2) Use of Name/Title

The name and title '**Equity Fund**' or some other related variations such as '**Aggressive Fund**' or '**Growth Fund**' shall apply exclusively to schemes that qualify as such further to the definition in (1) above;

Provided that no scheme or proposed scheme shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as an equity fund where such does not meet the definition and other criteria specified in these rules. Accordingly any existing scheme with the name 'equity' or 'aggressive' or 'growth' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Restriction

An Equity Fund may invest up to 15% or 1.2 times of that share's weight in the benchmark (whichever is greater) in the equity security of any single company, provided that this will not apply to a fund whose principal objective is to track or replicate an index.

(4) Investment Objective

The trust deed of an Equity Fund shall state that the investment objective of such fund is capital growth and/or income generation.

(5) Benchmark

The trust deed of an Equity Fund shall choose a benchmark that is a recognized index and appropriate for the investment strategy of the fund, subject to the Commission's approval ~~disclose the relevant benchmark, which shall be equity indices of a securities exchange or OTC platform or any other recognized index that is registered or recognized by the Commission.~~ **Provided that the identified benchmark shall be the relevant benchmark for the fund for a period of not less than 10 5 years.**

(6) Sector Fund



A sector fund is a type of equity fund that allocates at least 70% of the fund to a particular sector.

Justification – *To provide for the minimum rules on other types of collective investment schemes in addition to the rules on money market funds as requested by the Fund Managers Association of Nigeria (FMAN). It also ensures that in comparing performance, only funds with the same asset classes and asset allocation ranges are comparable.*

b) **Amendment**

Name/citation of Rule to be Amended – Money Market Fund/J2

Full Text of Existing Rule – *J2. Money Market Fund*

Proposed Amendment – B. Money Market Fund

Justification – *To bring the entire money market fund rules under the proposed new rules on Types of Unit Trust Schemes*

c) **Amendment**

Name/citation of Rule to be Amended – Money Market Fund; Definition / 468

Full Text of Existing Rule –

Money Market Fund: is a *collective investment scheme* authorized by the Commission having as its primary objective, the provision to investors/participants in the Scheme of steady streams of income derived from investments in high quality money market instruments with financial institutions rated by a registered rating agency as may be specified from time to time by the Commission.

Proposed Amendment –

1. Definition

A Money Market Fund is a *type of unit trust scheme* authorized by the Commission with the primary objective to provide investors/participants in the scheme with steady streams of income derived from investments in money market instruments issued by the Federal Government and in highly rated instrument from financial and non financial institutions ~~Scheme with steady streams of income derived from investments in money market i high quality money market instruments with financial institutions rated by a registered rating agency as may be specified from time to time by the Commission.~~

Justification – *To accurately describe money market funds as unit trust schemes*

d) **New Rule**

Name/citation of the Rule – Money Market Fund / Investment Objective and Benchmark



Full Text of the Rules –

17. Investment Objective

The trust deed of a Money Market Fund shall state that the investment objective of such fund is capital preservation

18. Benchmark

The trust deed of a Money Market Fund shall choose a benchmark that is a recognized index and appropriate for the investment strategy of the fund, subject to the Commission's approval. ~~disclose the relevant benchmark, which shall be the 90-day treasury bill yield index or similar index as provided by a securities exchange or OTC platform or any other recognized index that is registered or recognized by the Commission.~~ **Provided that the identified benchmark shall be the relevant benchmark for the fund for a period of not less than 10 5 years.**

Justification – *Proposed by Fund Managers Association of Nigeria (FMAN) further to the CIS Strategy Document (2013-2018) to ensure that all funds provide full disclosure of relevant information in their trust deeds.*

e) **New Rule**

Name/citation of the Rule – C. Ethical Fund

Full Text of the Rules –

(1) Definition

An Ethical Fund is a type of unit trust scheme authorized by the Commission with ethical investment objectives or other moral/ethical-based investment strategies.

(2) Use of Name/Title

The name and title '**Ethical Fund**' shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above:

Provided that no scheme or proposed schemes shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as an ethical fund where such does not meet the definition and other criteria specified in this Rule. Accordingly any existing scheme with the name 'ethical' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Restriction

- i. An ethical fund shall be categorized as either an equity fund, a money market fund, a fixed income fund or a balanced fund;
- ii. The Rule on Investment Restrictions for Collective Investment Schemes shall apply provided that each restriction shall be increased by 5% for ethical funds.



Justification – *To provide for the minimum rules on other types of collective investment schemes in addition to the rules on money market funds as requested by the Fund Managers Association of Nigeria (FMAN).*

The increase in the investment thresholds for ethical funds is in consideration of the limited investible assets imposed by the ethical objective of the fund.

f) **New Rule**

Name/citation of the Rule – **D. Faith-based Fund**

Full Text of the Rules –

(1) Definition

A Faith-based Fund is a type of unit trust scheme authorized by the Commission with investment objectives and/or strategies based on religious principles. This includes shari’ah compliant funds or other faith-based investment strategies.

(2) Use of Name/Title

The name and title ‘**Faith-based Fund**’ or some other variation reflective of the faith or religion shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above; where it is a shari’ah compliant fund then the name and title ‘Islamic/Shari’ah Fund’ or other related variation is permissible.

Provided that no scheme or proposed schemes shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as a faith-based fund where such does not meet the definition and other criteria specified in these rules. Accordingly, any existing scheme with the name ‘faith-based’ or related variation that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Restriction

- i. Shari’ah complaint funds shall not invest more than 30% of the Fund’s NAV in a single entity, transaction or contract;
- ii. The investment restriction for ethical funds shall apply to faith-based funds.

Justification – *This addition is further to the observation made at the Rules Committee meeting on Tuesday May 8, 2018 to separate ethical funds from faith-based funds.*

g) **Amendment**

Name/citation of Rule to be amended – **Islamic Fund/J3**

Full Text of Existing Rule – **J3. Islamic Fund**

Proposed Amendment – **D (3) Islamic Fund**

Justification – *Being a type of faith-based fund, this amendment proposes to bring the entire Islamic fund rules under the broad title of Faith-based Fund*



h) **New Rule**

Name/citation of the Rule – E. Fixed Income Fund

Full Text of the Rules –

(1) Definition

A Fixed Income Fund is a ~~collective investment~~ unit trust scheme authorized by the Commission with a minimum of 70% allocation to bonds or other debt instruments with a term to maturity of not less than 365 days

(2) Use of Name/Title

The name and title '**Fixed Income Fund**' or '**Bond Fund**' shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above;

Provided that no scheme or proposed schemes shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as a fixed income fund where such does not meet the definition and other criteria specified in this Rule. Accordingly, any existing scheme with the name 'fixed income' or 'bond' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Objective

The trust deed of a Fixed Income Fund shall state that the investment objective of such fund is income generation.

(4) Benchmark

The trust deed of a Fixed Income Fund shall choose a benchmark that is a recognized index and appropriate for the investment strategy of the fund, subject to the Commission's approval ~~disclose the relevant benchmark, which shall be any generic fixed income indices as provided by a securities exchange or OTC platform or any other recognized index that is registered or recognized by the Commission.~~ **Provided that the identified benchmark shall be the relevant benchmark for the fund for a period of not less than 5 years.**

Justification – *To provide for the minimum rules on other types of collective investment schemes in addition to the rules on money market funds as requested by the Fund Managers Association of Nigeria (FMAN). It also ensures that in comparing performance, only funds with the same asset classes and asset allocation ranges are comparable.*

i) **New Rule**

Name/citation of the Rule – F. Balanced Fund

Full Text of the Rules –



(1) Definition

A Balanced Fund is a type of unit trust scheme authorized by the Commission with an asset allocation range of a minimum of 40% and a maximum of 60% to equities and a minimum of 40% and a maximum of 60% to fixed income and money market instruments provided that the fund shall maintain a minimum of 20% to fixed income securities at all times.

(2) Use of Name/Title

The name and title '**Balanced Fund**' shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above;

Provided that no scheme or proposed scheme shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as a balanced fund where such does not meet the definition and other criteria specified in these rules. Accordingly any existing scheme with the name 'balanced' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Objective

The trust deed of a Balanced Fund shall state that the investment objective of such fund is income generation and/or capital growth

(4) Benchmark

On a quarterly basis, the relevant fund management trade association shall publish a composite benchmark, which shall be based on the acceptable benchmarks for individual asset classes as provided by a securities exchange or OTC platform or any other recognized index that is registered or recognized by the Commission. This should be disclosed by the Fund Manager on its website as the relevant benchmark for the fund.

Justification – *To provide for the minimum rules on other types of collective investment schemes in addition to the rules on money market funds as requested by the Fund Managers Association of Nigeria (FMAN). It also ensures that in comparing performance, only funds with the same asset classes and asset allocation ranges are comparable.*

9. New Rule

Name/citation of the Rule – Investment Restrictions for Collective Investment Schemes

Full Text of the Rules –

1. The following restrictions shall apply to investments made by schemes.
2. The value of a Fund's investment in:
 - i. Equity securities issued by a single company shall not exceed 5% or in the case of a company with a market capitalization of N50 billion or more, 10% of the Fund's NAV;

Provided however that an Equity Fund may invest up to 15% in the equity security of any single company, and provided further that these will not apply to a fund whose principal objective is to track or replicate an index.

- ii. With the exception of treasury bills, money market instruments issued by any single issuer shall not constitute more than 15% or 1.2 times of that share's weight in the benchmark- whichever is greater 20% of a Fund's NAV. Provided however, that a Money Market Fund shall ensure compliance with the Rules on Money Market Funds;
 - iii. With the exemption of federal government bonds, bonds issued by any single issuer or one group of companies shall not constitute more than 30% of a Fund's NAV; ~~Provided that for Federal Government bonds the 30% restriction shall apply to a single issue;~~
 - iv. Fixed deposits with any single institution shall not constitute more than 20% of a Fund's NAV;
 - v. Units/shares of any collective investment scheme shall not constitute more than 20% of a Fund's NAV; Provided that this shall not apply to a feeder fund or fund of funds;
 - vi. No fund, other than Real Estate Investment Schemes, shall have any direct exposure to real assets estate.
3. No equity investment of a scheme shall represent more than 10% of the outstanding securities of an issuer;
 4. The provisions of this Rule shall not affect the applicability of the investment restrictions in unlisted securities as provided in the Rules on Investment by Collective Investment Schemes in Unlisted Securities.
 5. Where the investment limit as prescribed in this Rule is exceeded as a result of a corporate action or through an appreciation or depreciation of the Fund's NAV, a fund manager shall not make any further acquisition with respect to any security with which the relevant limit is breached, and the fund manager shall within a period of not more than 3 months from the date of the breach take all necessary steps and actions to rectify the breach.

Justification – *To provide for investment restrictions for collective investment schemes without recourse to the Trustee Investment Act. The restriction on investment in real estate assets is to prevent inaccurate valuation given the disparity between valuation frequency for funds (daily) and valuation of real estate assets (annual).*

10. Amendment

Name/citation of the Rule to be Amended – **Investment by Collective Investment Schemes in Unlisted Securities / Unquoted Company /494(3)**

Full Text of the Existing Rule –



Unquoted company:

A Fund Manager shall only invest in unlisted securities of a Company that has:

- a) demonstrated compliance with the Code of Corporate Governance;
- b) consistently produced audited accounts for the preceding five (5) years;
- c) a consistent history of profitability for at least the preceding five (5) years, and has paid dividend at least once in the preceding five (5) years.
- d) The company shall not be leveraged above a reasonable amount as may be prescribed by the Commission from time to time.

Proposed Amendment –

(3) Unquoted Company

A Fund Manager shall only invest in unlisted securities of a Company that is traded on a registered over-the-counter (OTC) market.

Justification – *To make it less onerous for fund managers to ensure continuous compliance with eligible unlisted securities*

11. Amendment

Name/citation of the Rule to be Amended – Investment by Collective Investment Schemes in Unlisted Securities / Rating /496

Full Text of the Existing Rule –

Rating

(1) A collective investment scheme (CIS) shall only invest in the unlisted securities of a company that has been rated to be of investment grade by a reputable/SEC registered rating agency;

(2) A collective investment scheme (CIS) which invests in unlisted securities shall undergo and submit a report of an annual rating by a SEC registered rating agency.

Proposed Amendment – Delete existing rule

Justification: *Fund managers have argued that this is an excessive cost to investors with little corresponding value.*

12. Amendment

~~**Name/citation of the Rule to be Amended – Investment by Collective Investment Schemes in Unlisted Securities / Additional Disclosure /497**~~

~~**Full Text of the Existing Rule –**~~



Additional Disclosure

A Fund Manager seeking to invest assets of a Fund in unlisted securities shall disclose:

Proposed Amendment

A Fund Manager seeking to invest assets of a Fund in unlisted securities shall disclose **in the Fund's prospectus and on the Fund Manager's website:**

13. Amendment

Name/citation of the Rule to be Amended – Fund of Funds and Feeder Funds /J5.

Full Text of the Existing Rule –

J5. Fund of Funds and Feeder Funds

Proposed Amendment –

Umbrella Funds, Fund of Funds and Feeder Funds

Justification – *To make provisions for umbrella funds which are defined within the rules*

14. Amendment

Name/citation of the Rule to be Amended – Sub-Fund of Funds/520

Full Text of the Existing Rule –

“**Sub-Fund of Funds**” means a group of funds under a Master Fund and/or an umbrella fund.

Proposed Amendment –

“**Sub-Fund(s)**” means a fund or group of funds under an umbrella fund.

Justification – *For clarity in distinction of terms and based on global practice*

15. Amendment

Name/citation of the Rule to be Amended –Umbrella Fund/520

Full Text of the Existing Rule –

“**Umbrella Fund**” means a mutual fund that invests primarily in other funds also called fund of funds

Proposed Amendment –



“**Umbrella Fund**” means a shell structure under which sub-funds are managed and each sub-fund is invested separately based on its investment objective.

Justification – *For clarity in distinction of terms and based on global practice*

16. New Rule

Name/citation of the Rule – B. Registration and General Requirements of Umbrella Funds

Full Text of the Rules –

- (1) Requirements for the authorization of a Unit Trust scheme shall apply;
- (2) The sub-funds of an Umbrella Fund may invest directly in underlying assets and other funds with similar investment objectives as the sub-fund;
- (3) The Umbrella Fund structure may be adopted for administrative and cost efficiency provided that –
 - a. Investors of one sub-fund may exchange the units of that sub-fund for another sub-fund under the same Umbrella fund at no additional administration costs and upon fair valuation of the unit prices of both sub-funds;
 - b. The Fund Manager shall disclose, in the fund’s trust deed or other governing document, measures to ring-fence/segregate the assets and liabilities of each sub-fund within an Umbrella Fund;
 - c. Such measures for segregation shall be such that the assets of one sub-fund cannot be used to discharge the liabilities of another sub-fund.

Justification – *To provide a framework for the regulation of umbrella funds, distinct from fund of funds and feeder funds. It is also to guard against a ripple effect with an Umbrella Fund in a situation where one or more sub-funds become insolvent.*

17. Amendment

Name/citation of the Rule to be Amended – Registration Requirements of Fund of Funds/ Fees & Charges /502(4)

Full Text of the Existing Rule –

Fee/Charges

- a) The management fee charged to Fund of funds shall be commensurate to the degree of investment strategies employed by the Fund Manager to achieve the stated objective and shall not be more than 3% of the NAV per annum

Proposed Amendment –

Fee/Charges



a) The management fee charged to a Fund of Funds shall be commensurate to the degree of investment strategies employed by the Fund Manager to achieve the stated objective and the TER shall not be more than 1.5%. of the NAV per annum

Justification – *To reduce TER in order to make CIS funds more attractive and globally competitive. It is recommended that the above proposal take effect from January 1, 2019 and be further reduced to 3% effective January 1, 2021 to give fund managers enough time to grow CIS funds with the use of alternative distribution channels after which economies of scale will justify a renegotiation of expenses downwards to make Nigerian funds globally competitive and attractive.*

18. Amendment

Name/citation of the Rule to be Amended – **Registration Requirements of Feeder Funds/ Fees & Charges /503(3)**

Full Text of the Existing Rule –

Fee/Charges

The total fees/charges (on the Master and Feeder Funds levels) to the feeder-fund shall be commensurate with the degree of investment strategies employed by the Fund Manager to achieve the stated objective and shall not exceed 3% of the Fund’s NAV per annum

Proposed Amendment –

Fee/Charges

The total fees/charges (on the Master and Feeder Funds levels) to the feeder-fund shall be commensurate with the degree of investment strategies employed by the Fund Manager to achieve the stated objective and shall not exceed 1.5% of the Fund’s NAV per annum.

Justification – *To reduce TER in order to make CIS funds more attractive and globally competitive. It is recommended that the above proposal take effect from January 1, 2019 in line with other TER reductions.*

19. Amendment

Name/citation of the Rule to be Amended – **General Requirements of Feeder Funds / 504(2)**

Full Text of the Existing Rule – A Feeder Fund Manager shall appoint a custodian/trustee for the fund;

Proposed Amendment – Delete existing sub-rule

Justification – *This is unnecessary and burdensome since the feeder fund undertakes no investments on its own and is established for the purpose of achieving the investment*



objectives of a Master Fund. Consequently, the custodian/trustee of the Master Fund is responsible for monitoring the activities of the feeder fund.

20. New Rule

Name/citation of the Rule – Total Expense Ratio for REICO

Full Text of the Rule – The total expense ratio for a REICO shall not exceed 3.5% of its net asset value;

Justification – *To reduce TER in order to make REIS more attractive and globally competitive. It is recommended that the above proposal take effect from January 1, 2019 and be further reduced to 3% effective January 1, 2021 to give fund managers enough time to grow CIS funds with the use of alternative distribution channels after which economies of scale will justify a renegotiation of expenses downwards to make Nigerian funds globally competitive and attractive.*

21. Amendment

Name/citation of the Rule to be Amended – Contents of Trust Deed / 532(j) and (l)

Full Text of the Existing Rule –

(j) All fund expenses including the annual management fee shall not exceed 5% of the net asset value of the fund

(l) In addition to (j) above, the fund manager of the trust shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of the scheme's net asset value per annum

Proposed Amendment –

(j) all REIT expenses, including the annual management fee shall not exceed 3.5% of net asset value of the REIT;

(l) in addition to (j) above, the fund manager of the REIT may charge an incentive fee in the manner provided in these Rules ;

Justification – *To reduce TER in order to make REIS more attractive and globally competitive. It is recommended that the above proposal take effect from January 1, 2019 and be further reduced to 3% effective January 1, 2021 to give fund managers enough time to grow CIS funds with the use of alternative distribution channels after which economies of scale will justify a renegotiation of expenses downwards to make Nigerian funds globally competitive and attractive.*



22. Amendment

Name/citation of the Rule to be Amended – SCHEDULE I / PART C - *Securities*

Full Text of the Existing Rule –

- | | |
|--|------------|
| (1) Application fee for registration of a Collective Investment Scheme, flat rate of | N35,000.00 |
| (2) Filing fee for registration of securities flat rate of | N10,000.00 |

Proposed Amendment –

Registration Fees for Units/Securities and Others

- | | |
|--|-------------|
| (1) Application fee for registration of a Collective Investment Scheme, flat rate of | N50,000.00 |
| (2) Filing fee for registration of units/securities flat rate of | N100,000.00 |

Justification – *General review of SEC fees*

23. Amendment

Name/citation of the Rule to be Amended – Authorization fee for units of the fund of unit trust scheme /Schedule I Part C(5)

Full Text of the Existing Rule –

Authorization fee for units of the fund of unit trust scheme:

- | | |
|---|--------|
| First N10 million | 0.1% |
| Next N10 million | 0.075% |
| Above N20 million and up to N40 million | 0.050% |
| Any sum thereafter | 0.025% |

Proposed Amendment –

Authorization fee for units of a unit trust scheme (including ETFs):

- | | |
|------------------|--------|
| Up to N5 billion | 0.027% |
|------------------|--------|



Over N5 billion

0.025%

Justification – *To simplify fee structure to make Nigerian funds globally competitive and attractive.*

24. Amendment

Name/citation of the Rule to be Amended – Registration of real estate investment funds /Schedule I Part C(6)

Full Text of the Existing Rule –

(6) Registration of real estate investment funds

First N50 million	0.1%
Next N50 million	0.075%
Above N100 million and up to N200 million	0.050%
Any sum thereafter	0.025%

Proposed Amendment –

(6) Authorization fee for units/securities of Real Estate Investment Schemes; Specialized Funds; Private Equity Funds and Venture Capital Funds

Up to N10 billion	0.027%
Over N10 billion	0.025%

A flat fee of 0.025%

Justification – *To simplify fee structure to make Nigerian funds globally competitive and attractive.*

25. Amendment

Name/citation of the Rule to be Amended – Registration of Venture Capital funds /Schedule I Part C(7)

Full Text of the Existing Rule –

(7) Registration of Venture Capital funds

First N100 million	0.1%
Next N100 million and up to N400 million	0.075%
Above N400 million and up to N900 million	0.050%



Any sum thereafter

0.025%

Proposed Amendment – Delete entire provision

Justification – *The fee structure for venture capital funds has been provided for in the proposed amendment to the registration of fees for Real Estate Investment Schemes*

26. New Rule

Name/citation of the Rule – (7) Authorization fee for Infrastructure Funds

Full Text of the Rule –

Up to N15 billion ————— 0.075%

————— Over N15 billion ————— 0.050%

A flat fee of 0.025%

Justification – *To provide an authorization fee structure for Infrastructure Funds*

27. Amendment

SCHEDULE III

Forms

FORM S.E.C. 6A: Registration of Unit Trust Scheme

FORM S.E.C. 6A1: Registration of Real Estate Investment Schemes

FORM S.E.C. 6A2: Registration of Venture Capital funds

FORM S.E.C. 6A3: Registration of Private Equity Funds

FORM S.E.C. 6A4: Registration of Foreign Collective Investment Schemes

FORM S.E.C. 6A5: Registration of Infrastructure Funds

FORM S.E.C. 6A6: Registration of Exchange Traded Funds

FORM S.E.C. 6A7: Registration of Additional Units/Securities of Collective Investment Schemes

FORM S.E.C. 6A8: Registration of Specialized Funds



FORM S.E.C. QR8: Quarterly Return for Private equity funds, Specialized Funds, Venture Capital Funds and Infrastructure Funds

28. Amendment

SCHEDULE IV

Information, Returns and Reports Required to be Filed by Collective Investment Schemes

11. Quarterly report by Custodian

29. Amendment

SCHEDULE VI

Basis of Computation of Bid and Offer Prices for Collective Investment Schemes

(1) Name/citation of the Rule to be Amended - Basis of Computation of Bid And Offer Prices For Collective Investment Schemes / Schedule VI

Full Text of the Existing Rule – The bid and offer prices of units in an open-ended collective investment scheme shall be based on the net asset value of the scheme calculated on a daily basis by the scheme’s manager as follows:

Offer Price:

Value per unit = (1) minus (summation of 2- 10) divided by number of units on sale rounded off.

- the
1. Total market value of securities based on the Exchange daily official list as at date of valuation (lowest market offer price).
 2. Stamp duties;
 3. Brokerage fee;
 4. S.E.C. fee;
 5. Other relevant approved costs
 6. Actual cost of investment in unquoted securities (if applicable);
 7. Estimate of capital appreciation/diminution in value for unquoted companies(if applicable);
 8. Un-invested cash;



9. Undistributed income to date less expenses;
- 10 Total value of money market instrument;
11. Manager's charge.

Bid Price:

Value per unit = summation of (1) minus (2 - 8) divided by number of units on sale rounding off.

- of
1. Total market value of securities based on exchange daily official list as at date valuation (highest market bid price).
 2. Actual cost of investment in unquoted securities (if applicable).
 3. Estimate of capital appreciation for unquoted companies (if applicable).
 4. Un-invested cash.
 5. Undistributed income to date less expenses.
 6. Total value of money market instruments.
 7. Stamp duties.
 8. Brokerage fee.
 9. S.E.C. fee.
 10. Other relevant approved costs.

Proposed Amendment – The bid and offer prices of units in an open-ended collective investment scheme shall be based on the net asset value of the scheme calculated on a daily basis by the scheme's manager as follows:

Offer Price:

Value per unit = Summation 1 to 6 minus (7 to 10) divided by number of units on sale rounded off.

1. Total market value of securities based on the Exchange daily official list as at the date of valuation;
2. Estimate of capital appreciation/diminution in value for unquoted companies (if applicable);
3. Actual cost of investment in unquoted securities (if applicable)
4. Un-invested cash;



5. Undistributed income to date less expenses;
6. Total value of money market instrument;
7. Stamp duties;
8. Brokerage fee;
9. SEC fee;
10. Scheme's Allowable Expenses;

Bid Price:

Value per unit = Summation 1 to 6 minus (7 to 10) divided by number of units on sale rounding off.

1. Total market value of securities based on exchange daily official list as at date of valuation;
2. Actual cost of investment in unquoted securities (if applicable).
3. Estimate of capital appreciation for unquoted companies (if applicable).
4. Un-invested cash.
5. Undistributed income to date less expenses.
6. Total value of money market instruments.
7. Stamp duties.
8. Brokerage fee.
9. S.E.C. fee.
10. Scheme's Allowable Expenses.

Justification – *To review the computation to reflect the value per unit in terms of assets minus liabilities divided by number of outstanding units*

COMPUTATION OF BID PRICE

#

#

Description of securities /investments;

Add Quoted equities

x



Add Money market investments		x	
Add cash and bank		x	
Add dividend		x	
Less payables (if any, with disclosures)		(x)	
Net asset before fees			x
Less expenses;			
auditors fee		(x)	
custodians fee		(x)	
fund managers fee		(x)	
trustees fee		(x)	
registrars fee		(x)	
total fees			
(x)			
Net asset value after fees			
x			
Less charges			
stamp duty	(0.0075 x Quoted ordinary shares)	(x)	
brokerage fees	(0.003 x Quoted ordinary shares)	(x)	
NSE (sell only)	(0.003 x Quoted ordinary shares)	(x)	
CSCS (sell only)	(0.0075 x Quoted ordinary shares)	(x)	(x)
NET ASSET VALUE AT VALUATION DATE			<u>x</u>

BID PRICE = NET ASSET VALUE AT VALUATION DATE /
NUMBER OF OUTSTANDING UNITS



COMPUTATION OF OFFER PRICE

	#	#
Description of securities /investments;		
Add Quoted equities	x	
Add Money market investments	x	
Add cash and bank	x	
Add dividend	x	
Less payables (if any, with disclosures)	<u>(x)</u>	
Net asset before fees		x
Less expenses;		
auditors fee	(x)	
custodians fee	(x)	
fund managers fee	(x)	
trustees fee	(x)	
registrars fee	<u>(x)</u>	
total fees		<u>(x)</u>
Net asset value after fees		x
Add charges		
stamp duty (0.0075 x Quoted ordinary shares)	x	
brokerage fees (0.003 x Quoted ordinary shares)	x	
SEC (buy only) (0.003 x Quoted ordinary shares)	<u>x</u>	<u>x</u>
NET ASSET VALUE AT VALUATION DATE		<u>x</u>

OFFER PRICE = NET ASSET VALUE AT VALUATION DATE/
NUMBER OF OUTSTANDING UNITS



(2) Name/citation of the Rule to be Amended - Basis of Computation of Bid And Offer Prices For Collective Investment Schemes / Schedule VI Note

Full Text of the Existing Rule –

Note:

Securities traded on a Stock Exchange or any regulated market will generally be valued at the last traded price quoted on the relevant exchange or market as at the date of computation. If no trade is reported for that date or if the exchange was not open on that day, the last published sale price or the recorded bid price (whichever is more recent) shall be used. Unlisted equity securities will be valued initially at cost and thereafter, as the Scheme’s Manager shall in its discretion deem appropriate. Unlisted securities (other than equities), for which there is an ascertainable market value will be valued generally at the last known price dealt on the market on which the securities are traded on or before the day preceding the relevant date of valuation and unlisted securities (other than equities), for which there is no ascertainable market value, will be valued at cost plus interest (if any) accrued from purchase to (but excluding) the Valuation Date plus or minus the premium or discount (if any) from par value written off over the life of the security. Any value otherwise than in Nigeria Naira shall be converted at the prevailing market exchange rate.

Proposed Amendment –

Note:

The closing unit price of Closed-ended funds shall be published on a daily basis on the fund manager’s website.

Securities traded on a Stock Exchange or any regulated market will generally be valued at the last traded price quoted on the relevant exchange or market as at the date of computation. If no trade is reported for that date or if the exchange was not open on that day, the last published sale price or the recorded bid price (whichever is more recent) shall be used. Unlisted equity securities will be valued initially at cost at the last traded price on a recognized trading platform and thereafter, as the Scheme’s Manager shall in its discretion deem appropriate. Valuation of Unlisted Securities should comply with the International Financial Reporting Standards.

Justification –

For valuation of unlisted securities, IFRS is recommended since all funds have been required to comply with these standards since 2013. The previous note contradicted IAS 39, IFRS 9 and 13. In addition, the audited accounts of funds revealed that they currently comply with IFRS instead of the current provision in the SEC Rules and Regulations.



30. Form SEC 6A8 – Registration of Specialized Funds

FORM SEC 6A8

(To be completed in duplicate)

**SECURITIES AND EXCHANGE COMMISSION (SEC)
INSTRUCTIONS FOR COMPLETION OF FORMS
NIGERIA**

- i. All questions must be answered in the spaces provided and not left blank. Where a question is not applicable please indicate by N/A in the space provided.
- ii. Information supplied/entered in the application form must be valid and correct as at a date not earlier than 30 days preceding the date of this application.
- iii. In the event of any material change to the information provided in this application prior to the authorization of the Offer/Scheme, the applicant shall notify the Commission of such changes immediately.
- iv. Any false/misleading information found to have been supplied herein shall attract appropriate sanction/penalty in line with the requirement of the SEC Rules and Regulations.

Date of submission of application	
Reference/Processing Application No	
Cheque NO.	

1. APPLICANT/REGISTRANT

- a) Name
(Exact name as in certificate of incorporation)
- b) Address
(Registered Office Address)
- c) Telephone Number

2. THE SCHEME/FUND

- a) (i) Name of proposed Scheme



(ii) Proposed Date of Commencement

b) Objective of the Scheme:

.....
.....
.....

c) (i) Number of units proposed for issue:

(ii) Value per unit:

(iii) Minimum Subscription Level per investor:

d) Investment Allocation (*investment mix of the proposed Fund in % terms*)

(i) By Asset Class:

Listed Equities	Unquoted Equities	Fixed Income	REIS	Commodities	Derivatives	SEC Registered Funds	Others - Specify

(ii) By Jurisdiction:

Nigeria (<i>at least 80%</i>)	Eligible Foreign Jurisdiction (<i>i.e. IOSCO Ordinary Member countries</i>):

**attach an appendix if necessary*

e) (i) State voting rights of unit holders (if any)

.....
.....
.....

(ii) Disclose any special rights under the (proposed) scheme

.....
.....

f) Details of redemption provisions (if any):



.....

g) (i) Frequency of Distribution of Income:

.....

(ii) State provision for closure of register of unit holders

.....

(iii) Is automatic reinvestment of distribution permitted? Please give details

.....

(iv) Briefly explain proposals for accounting to unit holders, the share of fund individually invested

.....

h) Disclose borrowing limit of the Fund

i) Investment - Portfolio of Fund prior to Application with SEC (if Applicable)

(i) Equities	(ii) Money Market	(iii) Bonds
(1	(1) Treasury	} ¹ Government Bond
) Quoted <input type="checkbox"/>	Bills/Certificates <input type="checkbox"/>	
(2	(2) Commercial Paper	} ² Corporate Bond
) Unquoted <input type="checkbox"/>) Bankers Acceptances <input type="checkbox"/>	
	(3) Others specify <input type="checkbox"/>	
	(4) <input type="checkbox"/>	



(iv) Real Estate Investment (v) Other
(Specify).....

j) Disclose procedure for undertaking continuous due diligence and risk assessment of investible assets (*attach an appendix if necessary*):

.....

.....

.....

.....

k) Disclose valuation basis and methodology per asset class (*attach an appendix if necessary*):

.....

.....

.....

.....

l) Management Fees

m) Fund Benchmark

n) Incentive Fees

o) Name and Address of Trustee and Custodian for the Scheme

.....

.....

.....

.....

(i) Disclose special relationship of Trustee and Custodian with Management Company of the Fund

.....

.....



-

 (ii) Remuneration
- (iii) Basis of Remuneration

3. THE MANAGEMENT COMPANY

a) Name & Address

b) Date & Place of Incorporation

c) Date of commencement of business

d) Name(s) of Substantial Shareholders (5% & above)

	Name of Company	No. of shares	Amount	%
NIGERIAN				
FOREIGN				

e) Give the names of beneficial owners of Nominee Company shareholding of at least 5% of the ordinary share capital apart from pension funds. (*State the percentage in each case*)

f) Details of funds and portfolio being managed (indicate Country of operation)



Name of Fund	Year Commenced	Privately managed funds/ Aggregate Value			Institutional Investors/ Aggregate Value		
		Quoted Equities	Money Markets	Others	Quoted Equities	Money Markets	Others

(Attach schedule to accommodate additional clients if need be)

g) State specific lines of business (where appropriate) and percentage contribution to turnover from each line

No.	Description	% contribution to	
		Turnover	Net Profit
1			
2			
3			

h) Furnish details of Affiliates as follows:

- (i) Name _____ of _____ Affiliate
- (ii) Address:
- (iii) Nature of Affiliate

i) Management and Principal Officers

Name	Educational Qualification	Position Held	Addresses	Share Qualification	% Shareholding in relation to total share capital	No. of Units of Schemes held	Remarks



--	--	--	--	--	--	--	--

j) Give full details of contingent liabilities (if any) and estimate probability of falling due:

.....

k) (i) Are you a member of any Association of Fund Managers or Security Dealers? Yes/No

(ii) Have you ever been found guilty of any misdemeanor or breach of the rules of any such association?

l) (i) Is any Investment advisory contract subsisting between your company and any other? Yes/No

(ii) Give details about such Investment Advisers below:

Name & Address	Pertinent Fund	Basis of Remuneration
.....
.....

m) (i) Are your officers covered by a Fidelity guarantee Insurance? Yes/No

Name & Insurer	Insured Valued	Date Last Premium paid	Previous Claims (if any)
.....
.....
.....



.....

n) Furnish details regarding previous claims relating to (m) above

.....

o) Five Year Financial Summary (including management account as at immediate quarter preceding submission of application)

4. TRUSTEE

a. (i) Name of Proposed Trustee

(ii) Date & Place of Incorporation.....

b. Relationship with Management Company.....

c. Authorized Capital

d. Issued and paid-up Capital

e. Management of Trustee Company

Name	Educational	Position Held	Address	Units of Scheme held	Remark

f. Particulars of Trusteeship of other Unit Trust Schemes within the last 10 years

Title of Scheme	Year Commenced	Status	Reasons for Cessation



g. Have you ever been found guilty of breach of Trust under the laws of Nigeria? Yes/No

If yes, please give details

.....

.....

.....

h. (a) Remuneration/Charges of Trustee

(b) State basis

i. Briefly describe operational procedure and provision for safe custody of the funds and assets of the Unit Trust Scheme(s) under your Trusteeship

.....

.....

.....

.....

j. Five Year Financial Summary (including management account as at immediate quarter preceding submission of application).

SIGNATURES AND CERTIFICATION

Pursuant to the requirements of the Investment and Securities Act CAP I24 LFN 2007 and the Rules and Regulations thereunder, the Applicant/Registrant has duly caused this application form to be signed on its behalf by the undersigned hereunto duty authorised.

.....
Applicant/Registrant



Date..... Signature

.....

(Full Name and Title)

I certify that to the best of my knowledge and belief the information set forth in this application form is true, complete and correct.

.....

Date

.....

Signature

.....

(Full Name and Title)

NB: This form should be duly notarized.

7. PROPOSED AMENDMENT TO RULE 14- APPOINTMENT OF COMPLIANCE OFFICER

Full Text of Existing Rule

- (1) Every market operator shall appoint a Compliance Officer who shall possess requisite knowledge of relevant capital market regulations and who shall be responsible for monitoring and ensuring compliance with the Act, rules and regulations, notifications, guidelines, instructions etc. issued by the Commission or the Federal Government;
- (2) The Compliance Officer shall be registered by the market operator with the Commission as a sponsored individual by filing Form S.E.C. 2 as contained in schedule III of these rules and regulations;
- (3) The Compliance Officer shall immediately and independently report to the Commission any non- compliance observed by him;
- (4) The Compliance Officer shall be responsible for educating other members of staff on compliance related issues;



(5) The Compliance Officer shall on an annual basis attend at least two trainings organized by institutions recognized by SEC.

Proposed Amendments:

a) **Rule 14 (1)** -Every market operator except capital market experts or professionals as defined in the rules from time to time, shall appoint a Compliance Officer who shall possess requisite knowledge of relevant capital market regulations and who shall be responsible for monitoring and ensuring compliance with the Act, rules and regulations, notifications, guidelines, instructions etc. issued by the Commission or the Federal Government”.

b) **Creation of a new sub-section (6) after sub-section (5) to read as follows:**

Every capital market operator operating a group structure or having multiple functions shall have a minimum of two Compliance Officers for the group or firm.

c) **Creation of new sub-section (7) after the proposed sub-section (6) to read as follows:**

Capital Market Operators registered for the function of Registrars shall have a separate Compliance Officer.

Justification

1. *To reduce the high cost of employing and maintaining sponsored individuals on the Company given its structure and relative similarity in the operations of the entities.*
2. *For registrars they must have a separate Compliance Officer because of the nature of their operations, which requires dealing with clients regularly considering their functions as stipulated in Rule 99.*

8. PROPOSED AMENDMENT TO SCHEDULE I PART C – SECURITIES OFFERING

Existing Rule:

Securities

- | | |
|--|------------|
| (1) Application fee for registration of a Collective Investment Scheme, flat rate of | N35,000.00 |
| (2) Filing fee for registration of securities flat rate of | N10,000.00 |



(3) The registration fees of securities of public companies (including rights issue) special funds and processing fees on offer for sale are as provided hereunder—

Proposed Amendment to Sub (2):

(2) (a) Filing fee for registration of securities flat
rate of ~~N10,000.00~~ N100,000.00

(b) In the event that an application is returned for being incomplete - a re-filing fee of N100,000 is applicable. This fee is payable by the Issuing House without recourse to the Issuer or the Issue proceeds

(c) Where the quality of filing, though complete, is found to be grossly deficient, the transaction shall be rejected and may only be re-filed after payment of a re-filing fee of N100,000.

Justification: *The re-filing fee is more appropriate in comparison to the penalty. Increasing the preliminary filing fee also increases the chances of ensuring that advisers comply with the complete filing requirement of the Commission in a bid to avoid paying the re-filing fee.*