



EXPOSURE OF PROPOSED NEW RULES TO THE RULES AND REGULATIONS OF THE COMMISSION

LEGEND:

- **Additions are underlined**
- **Justifications are *italicized***
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1. PROPOSED RULES ON CROWDFUNDING

PART 1 – GENERAL PROVISIONS

1. Definition of Terms

Act – The Investments and Securities Act, 2007

AML/CFT – Anti-Money Laundering /Combatting the Financing of Terrorism

Associated Person - "Associated person of a funding portal member" or "person associated with a funding portal member" means any sole proprietor, partner, officer, director or manager of a funding portal, or other natural person occupying a similar status or performing similar functions, or any natural person directly or indirectly controlling or controlled by a funding portal member, or any employee of a funding portal member;

Blind pool: A business plan which is solely for the purpose of merging with or acquiring an unidentified entity;

Complex Structures: A complex structure is an entity without immediate transparency of ownership and/or control thereby making it difficult to immediately ascertain the beneficial owners of the entity;

Crowdfunding: The process of raising funds to finance a project or business from the public through an online platform;

Crowdfunding Portal: A website, portal, intermediary portal, application, or other similar module that facilitates interaction between fundraisers and the investing public;



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Crowdfunding Intermediary: An intermediary organized and registered as a corporation to facilitate transactions involving the offer or sale of securities or investments through an online electronic platform);

Digital Commodities Investment Platform: A digital platform that connects investors to specific agricultural or commodities projects for the purpose of sponsoring such projects in exchange for a return;

Funding Round: The period within which a specific project, business, or venture is hosted on a crowdfunding platform to raise funds from a large number of people in exchange for shares, debt securities or other investment instruments approved by the Commission;

High Net Worth Investor: Shall have the same meaning as provided in the SEC Rules;

Investment-based crowdfunding: The process of raising funds from a large number of people through an online platform in exchange for shares, debt securities or other investment instruments approved by the Commission;

Investment Instruments: Instruments approved by the Commission for issuance through a crowdfunding portal from time to time including shares, plain vanilla bonds or debentures, and simple contracts;

Investor: refers to any person or entity that seeks to make, are making, or have made an investment in an investment vehicle with the expectation of achieving returns;

Issuer: refers to the originator, maker, obligor, or creator of the security or investment instrument which shall be registered with the intermediary;

KYC: Know Your Customer;

Material Adverse Change: Means any event, development or circumstance that has had or could reasonably be expected to have an unfavourable effect. It also includes changes in the condition (financial or otherwise), operations, business, performance, properties or assets of the Borrower and its Subsidiaries, taken as a whole;

Minimum Threshold: The minimum percentage of the target amount which must be raised by an issuer in a funding round in order to be eligible for the disbursement of the proceeds;



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MSME: Micro, small and medium enterprises shall be as prescribed by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in relation to total asset and annual turnover;

Non-Permissible Investment Instrument: Means any investment instrument other than plain vanilla bonds/debentures, ordinary shares and simple investment contracts;

Operator: The Crowdfunding Intermediary registered by the Commission;

Qualified Institutional Investor: Shall be as defined in the SEC Rules;

Plain vanilla bonds/debentures: Non-complex debt instruments with fixed rates and a defined maturity that involves an investor (lender) purchasing a bond at its face value, receiving periodic interest payments from the bond issuer (borrower) and receiving the full principal upon maturity;

Predecessor: An entity which has been followed or replaced by another entity whether through a merger, acquisition, or other form of corporate action;

Public Company by Default: A private company whose members exceed 50 at the end of a funding round;

Restricted Dealer: A dealer registered by the Commission to only carry out crowdfunding activities as specified under these Rules;

Retail Investor: Any investor other than a High Net worth, Sophisticated Investor or Qualified Institutional Investor;

Simple Investment Contract: A contract or scheme for the placing of capital or laying out of money in a way intended to secure income or profit from its employment and includes participation in any profit-sharing agreement by virtue of which:

- The investors provide the capital;
- The promoters manage, control and/or operate the enterprise; and
- The investors share in the earnings and profits;

Sophisticated Investor: Shall have the meaning assigned to it in the SEC Rules and Regulations;

Target Plan: Means the proposed use of the funds to be raised on the portal specifying full details of the project to be funded and documentary evidence of all forms of insurance, and contract with relevant third parties including off-takers and land owners (as applicable).



2. Eligibility

All MSMEs incorporated as a company in Nigeria with a minimum of two-years operating track record shall be eligible to raise funds through a Crowdfunding Portal registered by the Commission, in exchange for the issuance of shares, debentures, or such other investment instrument as the Commission may determine from time to time.

3. Exemptions from Certain Provisions of the Act

1. An issuer may offer or sell securities or other investment instruments under these Rules without the need for prior registration of the securities or investments pursuant to the Act, provided that:
 - a. The issuer is an entity incorporated in Nigeria, and accredited and/or accepted by a Crowdfunding Portal to utilize its platform;
 - b. The aggregate amount of securities or investment instruments that can be offered and sold by the issuer within a 12-month period shall comply with the following limits:
 - i. The maximum amount which may be raised by a Medium enterprise shall not exceed N100Million;
 - ii. The maximum amount which may be raised by a Small enterprise shall not exceed N70Million;
 - iii. The maximum amount which may be raised by a Micro enterprise shall not exceed N50Million
2. The limits set forth above shall not apply to MSMEs operating as digital commodities investment platforms, or such other MSMEs as may be designated by the Commission from time to time.
3. The aggregate amount of securities or investments instruments sold to any investor across all issuers in investment-based crowdfunding during the 12-month period shall not exceed the following limits:
 - (i) Retail investors may not invest more than 10% of their annual income in a calendar year.
 - (ii) Sophisticated, High Net worth and Qualified Institutional Investors are not subject to the limits set forth above.



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4. The issuance of securities or other investment instruments shall be conducted through a registered Crowdfunding Portal.
5. Only plain vanilla bonds/debentures, ordinary shares and other investment instruments as may be determined by the Commission shall be issued pursuant to this exemption.
6. For the purpose of calculating the aggregate amount of securities and investment instruments offered and sold by an issuer under this Rule, and determining whether an issuer has previously sold securities or investment instruments within a 12-month period, the term issuer as used in this Rule, shall include all entities controlled by or under common control with the issuer and any predecessors of the issuer.

PART 2 - CROWDFUNDING PORTAL REQUIREMENTS

4. General Provisions

- (a) Every platform that facilitates interaction between fundraisers and the investing public (crowd) for the purpose of any investment-based crowdfunding shall be registered with the Commission as a Crowdfunding Portal;
- (b) A person is considered to be operating, providing or maintaining a Crowdfunding Portal in Nigeria if:
 - (i) the platform is operated, provided or maintained in Nigeria; or
 - (ii) the platform is located outside Nigeria but actively targets Nigerian Investors; or
 - (iii) the component parts of the platform when taken together are physically located in Nigeria even if any of its component parts, in isolation, is located outside Nigeria;
- (c) A Crowdfunding Portal that is located outside Nigeria will be considered as actively targeting Nigerian investors if the operator, or the operator's representative, promotes directly or indirectly the platform in Nigeria;
- (d) A Crowdfunding Portal may be registered and operated only by an operator registered with the Commission as a Crowdfunding Intermediary;
- (e) Only entities registered with the Commission as an Exchange, Dealer, Broker, Broker/Dealer or Alternative Trading Facility as prescribed under the Act and the SEC Rules and Regulations may be registered as a Crowdfunding Intermediary;
- (f) A Dealer registered by the Commission for the purpose of crowdfunding will be considered a "**Restricted Dealer**" and can only carry out activities covered under this Rule;



- (g) The requirement for registration as a restricted dealer is as listed in Schedule 1 of these Rules;
- (h) These provisions do not apply to:
 - (i) a technology service provider who merely provides the infrastructure, software or the system to an operator;
 - (ii) an operator of a communication infrastructure that merely enables orders to be routed to an approved stock market;
 - (iii) an operator of a financial portal that aggregates content and provides links to financial sites of service and information provider.

5. Registration Requirements

- (a) An application for registration of a Crowdfunding Portal shall be made to the Commission in the prescribed form and in the manner specified by the Commission and shall be accompanied with:
 - (i) copy of the certificate of incorporation certified by the company secretary.
 - (ii) 2 copies of the Memorandum and Articles of Association and amendments (if any) certified by the Corporate Affairs Commission
 - (iii) Latest copy of audited accounts or statement of affairs signed by its auditors and management accounts that are not more than thirty (30) days old as at time of filing with the Commission;
 - (iv) 2 copies of existing or proposed by-laws or rules, and such other document governing the conduct of subscribers on the platform;
 - (v) Sworn undertaking to promptly furnish the Commission with copies of any amendments to its by-laws, rules, or codes;
 - (vi) Information relating to market facilities;
 - (vii) detailed information about the crowdfunding system to be adopted;
 - (viii) Information as to its organization including structure and profile of Management as well as rules and procedures;
 - (ix) detailed information about the promoters and principal officers of the Crowdfunding Portal;
 - (x) Sworn undertaking to keep such records and render such returns as may be specified by the Commission from time to time;
 - (xi) An application for registration of at least three (3) principal officers of the Crowdfunding Portal on the prescribed Form;
 - (xii) A person to be so appointed shall include the chief executive of the Intermediary and any person who is primarily responsible for the operations and financial management, by whatever name called of the Crowdfunding Portal;
 - (xiii) minimum paid-up capital requirement of N100 million;



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- (xiv) a written declaration by the operator's chief executive confirming that the operator has, in relation to the Crowdfunding Portal:
 - i. sufficient and capable personnel to carry out operations;
 - ii. adequate security measures, systems capacity, business continuity plan and procedures, risk management, data integrity and confidentiality, record keeping and audit trail, for daily operations and to meet emergencies; and
 - iii. sufficient IT and technical support arrangements.
 - (xv) Any other information required by the Commission from time to time for the protection of investors.
- (b) A restricted dealer shall comply with the registration requirements of a Dealer as prescribed in the SEC Rules and Regulation.

6. Criteria for Registration

- (a) The Commission may register a Crowdfunding Portal if the Commission is satisfied that:
- (i) the operator will be able to operate an orderly, fair and transparent market in relation to the securities or investment instruments that are traded through its electronic platform;
 - (ii) the operator's board, chief executive, and any person who is primarily responsible for the operations or financial management of the Crowdfunding Portal, are fit and proper persons who have not:
 - 1. been convicted, whether within or outside Nigeria, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly;
 - 2. been convicted of an offence under the Act or any other law relating to the capital market;
 - 3. been blacklisted by a professional body which he belongs to;
 - 4. been subjected to any disciplinary process or action by the Commission or other Self-Regulatory Organization in the Nigerian capital market;
 - 5. contravened any provision made by or under any written law, whether within or outside Nigeria appearing to the Commission to be enacted for protecting members of the public;



- a. against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies; or
 - b. against financial loss due to the conduct of discharged or un-discharged bankrupts;
6. engaged in any unlawful business practice;
 7. engaged in or has been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgment; or
 8. engaged in or has been associated with any conduct that cast doubt on his ability to act in the best interest of investors, having regard to his reputation, character, financial integrity and reliability;
- (iii) the operator will be able to manage any risk associated with its business and operation;
- (iv) the operator will be able to take appropriate action against a person in breach including directing the person in breach to take any necessary remedial measure;
- (v) the rules of the Crowdfunding Portal make satisfactory provisions:
1. for the protection of investors and public interest;
 2. to ensure proper functioning of the market;
 3. to promote fairness and transparency;
 4. to manage any conflict of interest that may arise;
 5. to promote fair treatment of all users;
 6. to ensure proper regulation and supervision of its users, or any person utilizing or accessing its platform, including suspension and expulsion of such persons after consultation with the Commission;
 7. to provide an avenue of appeal against the decision of the operator; and;
- (vi) the operator has sufficient financial, human and other resources for the operation of the Crowdfunding Portal, as prescribed by the Commission from time to time.

7. Revocation of Registration

- (a) Without prejudice to the provisions of the SEC Rules and Regulations, the Commission may revoke the registration of a Crowdfunding Portal where:



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- (i) the Crowdfunding Portal fails to meet the requirements under any relevant provisions of these rules;
 - (ii) the operator fails or ceases to operate or maintain the Crowdfunding Portal for a consecutive period of 6 months;
 - (iii) there is a failure to pay fees as prescribed by the Commission.
- (b) The Commission may cancel or suspend the registration of a Crowdfunding Intermediary where the intermediary contravenes any of the provisions of the Act, the rules and regulations, the code of conduct for capital market operators, is guilty of fraud, repeated defaults, has been convicted of an offence involving moral turpitude or fails to do any of the following:
- (i) furnish any information relating to its activities as required by the Commission or furnishes information which is false and misleading in any material particular;
 - (ii) submit periodic returns or reports as required by the Commission;
 - (iii) co-operate in any enquiry or inspection conducted by the Commission;
 - (iv) update its systems and procedures as recommended by the Commission;
 - (v) resolve the complaints of clients or to give a satisfactory reply to the Commission in this regard.

8. Cessation of Business Operations

- (a) The operator shall not discontinue the business or operations of a Crowdfunding Portal without prior approval of the Commission.
- (b) Without prejudice to any provisions in this Rule, the Commission may issue a directive or impose any term or condition for the purposes of ensuring the orderly cessation of the business or operations of a Crowdfunding Portal.

PART 3 - OBLIGATIONS OF THE CROWDFUNDING PORTAL

9. General Obligations

Every Crowdfunding Portal shall



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- (a) disclose and display prominently on its platform, any relevant information relating to the platform and its use including:
 - (i) information relating to issuers hosted on the platform as required by these regulations;
 - (ii) investor education materials and appropriate risk disclosures;
 - (iii) information on how the platform facilitates the investor's investment including providing communication channels to permit discussions about offerings hosted on its platform;
 - (iv) a general risk warning on participating in funding through the platform;
 - (v) information about complaints handling or dispute resolution and its procedures; and
 - (vi) the fees, charges and other expenses that it may impose on an issuer or investor.
- (b) carry out investor education programmes;
- (c) ensure the disclosure document lodged with the portal by each issuer is verified for accuracy and made accessible to investors through the platform;
- (d) inform investors of any material adverse change to an issuer's proposal as set out under this rule;
- (e) Ensure Issuers comply with the responsibilities and obligations prescribed by this rule.

10. Due Diligence

- (a) A Crowd Funding Portal shall carry out a due diligence on prospective issuers intending to use its platform;
- (b) The scope of the due diligence by a Crowdfunding Portal shall include taking reasonable steps to:
 - (i) conduct background checks on the issuer to ensure fit and properness of the issuer's board of directors, officers and controlling shareholder(s);
 - (ii) verify the business proposition of the issuer; and
 - (iii) comply with all relevant KYC, and AML/CFT regulations as stipulated by the Commission.

11. Monitoring and Reporting

A Crowdfunding Portal shall:

- (a) monitor the conduct of issuers and take action against misconduct of the issuer;
- (b) monitor issuers to ensure that the fundraising limits imposed on the issuer are not breached;



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- (c) monitor investors to ensure that the investment limits imposed on the investors are not breached and ascertain the classification of prospective investors into relevant investor categories;
- (d) comply with all reporting obligation as may be specified by this rule and all rules and regulations relating to market operators;
- (e) file the following reports with the Commission
 - I. monthly reports specifying the following;
 - 1. Total number of issuers who raised funds through the portal during the reporting period;
 - 2. Total number of investors who invested through the platform during the reporting period;
 - 3. Number and Types of securities or investment contracts issued during the reporting period;
 - 4. Total amount raised on the platform during the reporting period;
 - 5. Such other information as may be required by the Commission.
 - II. Quarterly reports, specifying the following;
 - 1. Information on Issuers who raised funds during the reporting period;
 - 2. Total amount raised on the platform during the reporting period;
 - 3. Observed breaches or risk incidents during the reporting period and steps taken to address same;
 - 4. Complaints received and steps taken to resolve same during the reporting period from investors;
 - 5. Such other information as may be required by the Commission;

12. Data Protection and Privacy

A Crowdfunding Portal shall:

- (a) establish appropriate safeguards for ensuring the integrity of the information received and published;
- (b) ensure security and confidentiality of information collected from investors;
- (c) Maintain reliable and secure operating systems;
- (d) identify the sources of operational risks and adopt adequate procedures and controls to avoid operational disruptions;
- (e) develop and implement a written identity theft prevention program;
- (f) install and ensure the operation of suitable back-up facilities;
- (g) be adequately insured against portal failure or closure;
- (h) keep a copy of all relevant documents for a period of at least 7 years after the date on which the document comes into the possession of the portal;
- (i) within 10 working days of receipt of a request from an investor, provide a copy of, or an extract from, a document that is relevant to the investor.



13. Operation of Trust Account

Every Crowdfunding Portal shall appoint a custodian, who shall establish and maintain a separate trust account for each funding round on its platform with a financial institution registered by the Commission as a Custodian.

14. Issue, Publication and acknowledgment of Warning Statements

- (a) The Crowdfunding Portal shall ensure that a warning statement is prominently displayed:
 - (i) to all visitors to the site on the home page of the portal; and
 - (ii) to every investor, on the subscription landing page for each issuer; and
 - (iii) on all application forms for investing through the portal.

- (b) The Warning Statement should among other things, warn and advise investors that;
 - (i) Investing through an online portal is risky and Issuers raising funds through the portal include new or rapidly growing ventures;
 - (ii) Investment in the businesses hosted on the portal is very speculative and carries high risks;
 - (iii) Investors may lose entire investment, and must be in a position to bear this risk without undue hardship;
 - (iv) To ask questions, read all information given carefully, and seek independent financial advice before committing themselves;

- (c) The Crowdfunding Portal shall ensure every investor affirms to a risk acknowledgement form by which the investor confirms:
 - (i) their understanding that the proposed investment is a risky investment;
 - (ii) they are able to economically absorb the complete loss of the investment they intend to make;
 - (iii) the proposed investment amount falls within the prescribed investment limits;
 - (iv) the investor may never be able to sell the securities or investment instruments,
 - (v) the investor will be provided with no disclosure or less disclosure than publicly traded companies,
 - (vi) the investor will not have the benefit of protections associated with an investment made under a prospectus;
 - (vii) the investor will not be entitled to claim from the National investor protection fund;
 - (viii) the portal will not be responsible if the investor loses all or some of the money invested.



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- (d) At or before the time the investor enters into an agreement to invest, the issuer must obtain a signed risk acknowledgement from the investor by which the investor confirms that he/she falls within the investment limits and acknowledges the risks associated with the investment including the following:
- (i) that the Investor is in compliance with his total annual investment limit.;
 - (ii) that the investor has seen and read the warning statement about crowd funding (as provided in these Rules);
 - (iii) the investor understands that investment based crowd funding is risky and that the investor may never be able to sell the securities;
 - (iv) the investor may be provided with less disclosure than public companies provide;
 - (v) the investor may lose his entire investment and confirms that he can bear that loss without suffering undue hardship; and
- (e) The confirmation must be obtained in writing in a separate document
or, if it is obtained by electronic means, through a process which ensures it
is obtained separately from the agreement to use the service.
- (f) The document must be retained by the issuer for at least 5 years' after distribution.

15. Compliance

- (a) *Policies and procedures.* A Crowdfunding portal must implement written policies and procedures relating to its operations which are reasonably designed to achieve compliance with the provisions of the Act and the rules and regulations thereunder.
- (b) *Inspections and examinations.* A Crowdfunding portal shall permit the examination and inspection of all of its business and business operations that relate to its activities, such as its premises, systems, platforms, and records by representatives of the Commission.

16. Record Keeping

- (a) A Crowdfunding portal shall make and preserve the following records in an accessible place:
- (i) All records relating to an investor who registers on the portal, purchases or attempts to purchase securities or investments through the Crowdfunding portal;



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- (ii) All records relating to issuers who offer and sell or attempt to offer and sell securities or investments through the funding portal and the control persons of such issuers;
 - (iii) Records of all communications that occur on or through its platform;
 - (iv) All records related to persons that use communication channels provided by a Crowdfunding portal to promote an issuer's securities or investments or communicate with potential investors;
 - (v) All notices provided by such crowdfunding portal to issuers and investors through the crowdfunding portal's platform or otherwise, including, but not limited to:
 - 1. notices addressing hours of funding portal operations (if any),
 - 2. funding portal malfunctions,
 - 3. changes to funding portal procedures,
 - 4. maintenance of hardware and software,
 - 5. instructions pertaining to access to the Crowdfunding portal; and
 - 6. denials of, or limitations on, access to the Crowdfunding portal;
 - (vi) All written agreements (or copies thereof) entered into by such Crowdfunding portal relating to its business as such;
 - (vii) All daily, monthly and quarterly summaries of transactions effected through the Crowdfunding Portal, including:
 - 1. Issuers for which the target offering amount has been reached and funds distributed;
 - 2. Transaction volume, expressed in number of transactions, number of securities involved in a transaction and total amounts raised by, and distributed to, issuers;
 - 3. A log reflecting the progress of each issuer who offers or sells securities through the funding portal toward meeting the target offering amount.
- (b) *Organizational documents:* A funding portal shall make and preserve during the operation of the funding portal and of any successor funding portal, all organizational documents relating to the Crowdfunding portal, including but not limited to, pre-incorporation agreements, Memorandum and Articles of Association, minute books.



- (c) *Format:* The records required to be maintained and preserved pursuant to paragraph (b) of this Rule must be produced, reproduced, and maintained in a non-alterable format which ensures the integrity of the content.
- (d) *Third parties:* The records required to be made and preserved pursuant to this section may be prepared or maintained by a third party on behalf of a Crowdfunding intermediary provided that:
- (i) An agreement with a third party shall not relieve a funding portal from the responsibility to prepare and maintain records as specified in this rule.
 - (ii) A Crowdfunding portal must file with the Commission a written undertaking in a form acceptable to the Commission and signed by a duly authorized person of the third party, stating in effect that:
 - 1. such records are the property of the Crowdfunding portal; and will be surrendered upon request by the funding portal.
 - (iii) The undertaking shall include the following:

With respect to any books and records maintained or preserved on behalf of [name of Crowdfunding Portal], the undersigned hereby acknowledges that the books and records are the property of [name of Crowdfunding portal], and hereby undertakes to permit examination of such books and records at any time, or from time to time, during business hours by representatives of the Securities and Exchange Commission and to furnish to the Commission, and its representatives, a true, correct, complete and current copy of any, all, or any part of, such books and records.

- (e) *Examination of Records:* All records held by an Intermediary and/or Issuer are subject at any time, or from time to time, to reasonable periodic, special, or other examination by the representatives of the Commission as the Commission may deem necessary or appropriate in the public interest or for the protection of investors. Every Intermediary and/or Issuer shall furnish to the Commission true, correct, complete and current copies of such records of the Intermediary and/or Issuer that are requested by the representatives of the Commission.
- (f) *Preservation of Records:* The records required to be kept under this part shall be preserved for a period of at least 7 years and kept at the principal place of business of the Platform Operator. If the principal place of business is outside Nigeria, then upon request of the Commission, the operator shall provide such records as



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requested at a place in Nigeria within seventy-two (72) hours after receipt of the request.

(g) *Submission of Yearly Reports*: The operator of a Crowdfunding Portal shall, at the end of each year, submit a report on all crowdfunding transactions on its crowdfunding platform. The operator shall file with the Commission and post on the crowdfunding portal;

- (i) an annual report along with Issuer disclosures
- (ii) other Issuer submissions certified by the principal executive officer of the Issuer to be true and complete in all material respects; and
- (iii) a description of the financial condition of the Issuer as described under "Issuer Requirements".

17. Use of Manipulative, Deceptive or Other contrivances

No operator or associated person of an operator of a crowdfunding portal shall effect any transaction in, or induce the purchase or sale of, any security or investment instrument by means of, or by aiding or abetting, any manipulative, deceptive or other fraudulent device or contrivance.

18. Restriction on Cross Ownership

A Crowdfunding Intermediary shall not allow an issuer access to the Portal if the Portal or any of its officers, directors, significant shareholders or associated persons beneficially own or control more than 5% of the securities of that issuer.

PART 4 - PARTICIPANTS FOR CROWDFUNDING

19. Issuers

- (a) An eligible issuer shall maintain the accurate list of investors.
- (b) The issuer shall clearly outline investors rights and ownership of securities or investment instruments
- (c) An issuer shall offer its securities or investments through a registered Crowdfunding Portal
- (d) All Issuers shall be required to file a standardized offering document with the Crowdfunding Intermediary providing amongst others:
 - (i) key information on the issuer,
 - (ii) the use of the proceeds,



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- (iii) the nature of its existing or proposed business, its business plan, the offering amount to be raised and the duration of the offer;
 - (iv) a certification signed by the issuer stating that:
 - 1. the offering document does not contain a misrepresentation; and
 - 2. Investors have rights of action and withdrawal in the case of a misrepresentation
 - (v) financial information relating to the issuer;
 - (vi) Two years audited financial statements,
- (e) A crowdfunding offering shall not remain open for more than 60 days.
- (f) Where an issuer is unable to meet the prescribed minimum threshold for the target amount within 60 days, the offer must be withdrawn and the issuer may only commence a new crowdfunding offering not earlier than 90 days after the said withdrawal.
- (g) An issuer shall make an offering document available to the investor through the portal before the investor enters into an agreement to purchase the securities or investment instrument.
- (h) An issuer offering securities or investment instruments shall provide an investor with a contractual right to withdraw an offer or agreement to purchase the securities or investment instrument by delivering a notice to the funding portal within 48 hours after the close of the offer
- (i) The offering document shall not be posted on any other website apart from the Crowdfunding Portal.
- (j) The issuer shall deliver a copy of the offering materials to the Commission at the time they are posted on the portal.
- (k) Disclosure shall be provided about any entity or person promoting the offering.

20. Investors

- (a) Investors may be allowed to invest in companies hosted on the Crowdfunding Portal subject to the investment limit specified by the Commission from time to time.
- (b) Investors will be given a cooling off period of 48 hours from the date of close of the offer within which they may withdraw their investment.
- (c) If there is a material adverse change, affecting the project or the issuer, investors may rescind the investment within 7 days from the date the material adverse change became public.
- (d) Where an investor cancels the offer or agreement to purchase securities or investment instruments, all funds which may have been debited from or blocked in the account of the investor shall be refunded or released within 48 hours of the request to cancel



21. Crowdfunding Portal

The Crowdfunding Portal shall;

- (a) be knowledgeable about the general structure, features and risks of securities or investment instruments presented on its platform;
- (b) conduct due diligence on issuers and their business plans in order to ensure that the issuers have genuine business ideas;
- (c) verify the financial condition of the issuers and disclose relevant information on the portal;
- (d) prescribe the minimum threshold for all offers on its platform which shall not be less than 50%;
- (e) take measures to reduce the risk of fraud including, but not limited to,
 - (i) having a reasonable basis for believing that an issuer is complying with the securities laws; and
 - (ii) obtaining background and securities enforcement regulatory history checks on the issuer;
- (f) review the information presented by the issuer on its website to ensure that the information adequately sets out the following:
 - (i) general features and structure of the investment,
 - (ii) issuer-specific risks,
 - (iii) parties involved and any inherent conflicts of interest, and
 - (iv) intended use of funds.

Part 5 - REQUIREMENTS WITH RESPECT TO TRANSACTIONS

22. General Provisions

- (a) Upon receipt of an application from an eligible issuer, a crowdfunding platform shall provide information to the Commission specifying;
 - (i) Promoters;
 - (ii) Directors;
 - (iii) Controlling shareholders;
 - (iv) Area of business; and
 - (v) Such other information as the Crowdfunding Portal deems relevant or as may be required by the Commission.
- (b) In case of any material adverse change relating to an issuer, the investors must be notified of such change within a period of 24 hours after becoming aware.
- (c) The investors will be given the option to withdraw their investment if they choose to do so within 7 days after the said notification.



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- (d) Funds invested will be maintained by the Custodian in a trust account and will only be released to the issuer after specified conditions are met.
- (e) Funds raised would only be released to the issuer if the target amount or the minimum threshold of funds to be raised is met.

- 23.** A funding project shall remain live on a Crowd funding portal for not more than (60 days);
- 24.** Where the minimum threshold is not reached at the end of an offer, the Crowdfunding portal shall effect a refund to all investors within 48 hours;
- 25.** Investors shall have the right to withdraw any offer or agreement to purchase the securities or investments instruments 48 hours after the closing date stated in the issuer's offering materials. Thereafter, an investor is only able to cancel in the event of a material change to the offering.
- 26.** The ability to cancel shall be permissible by means of an automated system on the Crowdfunding portal or by notice to the Crowdfunding portal and the issuer;
- 27.** Where the funding target is reached, the Crowdfunding portal shall make funds available to the Issuer within 24 hours of the cooling off period provided that where the Issuer is a public company or a public company by default, the portal shall require evidence of registration of the securities with the Commission prior to transferring the funds to the Issuer (where applicable);
- 28.** Where the amount raised meets the minimum amount but falls short of the target amount, the issuer shall provide a revised plan for the proposed use of funds to the investors and the portal. Provided that the underlying project(s) to the proposed use of funds can be downscaled and executed independently without negatively impacting operations of the issuer.
- 29.** Investors shall not transfer their securities or investment instrument for a period of one year except if a transfer is:
 - (a) to the issuer of the securities or investment instrument;
 - (b) to an institutional investor; or
 - (c) part of an offer for sale registered with the Commission;
- 30.** Tag-along rights – admission of an offer to a Crowdfunding portal shall be subject to the existence and confirmation of tag-along rights for retail investors. The issuer's articles of association shall provide for the right of retail investors to withdraw from the company or to sell the stake, in the event that controlling shareholders transfer control of the company to third parties within three years from the conclusion of the offer.
- 31.** A crowdfunding portal shall take all reasonable steps and establish measures by which it is able to verify that the proceeds raised from its platform are utilized for the stated purpose
- 32.** For an offer to be successfully completed, the minimum amount indicated in the offering document which must be sufficient to accomplish the business objectives of the issuer must have been subscribed for.



Part 6 - Obligations of the Issuer

- 33.** An issuer proposing to be hosted on a Crowdfunding Portal shall submit the relevant information to the Crowdfunding Portal including the following:
- (a) information that explains the key characteristics of the company;
 - (b) information that explains the purpose of the listing and the targeted offering amount;
 - (c) Audited financial statements of the company

34. Every eligible issuer seeking to raise funds through a Crowdfunding portal shall issue an offering document;

35. The offering document must be short, easy to read, standardized for comparability and digital friendly by utilising HyperText links to give easy access to detailed information.

36. General Disclosure Requirements

- (a) The offering document shall disclose the following;
 - (i) warnings to investors
 - (ii) the name and address of the issuer, directors and officers;
 - (iii) holders of more than 5% of the issuer's securities;
 - (iv) description of the business of the issuer;
 - (v) principal risks facing the business of the issuer;
 - (vi) a narrative discussion of the financial condition of the issuer. The discussion should address, to the extent material;
 - 1. the issuer's historical results of operations;
 - 2. its liquidity and capital resources;
 - 3. how the proceeds from the offering will affect the issuer's liquidity; and
 - 4. whether these funds or any other additional funds are necessary to the viability of the issuer's business.
 - (vii) use of proceeds;
 - (viii) target offering amount (and a deadline to reach the target offering amount);
 - (ix) number and price of the securities or investment instruments being offered;
 - (x) capital structure and ownership of the issuer;
 - (xi) risk factors;
 - (xii) information about an investor's right to cancel his/her investment;
 - (xiii) related party transactions
 - (xiv) exit options for investors.

37. Risk Disclosure



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- (a) The offering document shall state all risks associated with the investment without mitigants. This should include:
- (i) Liquidity of the securities;
 - (ii) the absence of a secondary market;
 - (iii) restrictions on the ability of an investor to cancel the investment;
 - (iv) the risk of not getting expected performance on the securities purchased;
 - (v) risk of not being able to influence management of the issuer;
 - (vi) dilution risk; and
 - (vii) inability to obtain a return on the investment.

38. Ongoing disclosure requirements

- (a) Every Issuer with a successful Funding Round on a Crowdfunding Portal shall comply with the following continuous disclosure requirements
- (i) prompt notification in the event of changes and prescribed documentation as contained in this regulation;
 - (ii) deliver annual audited financial statements to the Crowdfunding Portal and makes them available to each investor;
 - (iii) the financial statements must be accompanied by a notice of the issuer disclosing in reasonable detail the actual use of the gross proceeds of the offer;
 - (iv) make available to each of its investors within 24 hours of their occurrence a notice of each of the following events:
 - 1. a discontinuation of the issuer's business,
 - 2. a change in the issuer's industry, or
 - 3. a change of control of the issuer.
- (b) Issuers under this regime are required to provide ongoing disclosure on the issues specified above until the earliest of the following dates:
- (i) the issuer becomes a reporting issuer (listed on a recognized exchange),
 - (ii) the issuer has completed a winding up or dissolution.

39. Access to offering and ongoing disclosure documents

All ongoing disclosure documents must be provided to investors through the website of the Crowdfunding portal, the website of the Issuer and such other reasonable means as may be determined by the Commission from time to time;

PART 7 – RESTRICTIONS

40. Prohibited Activities

- (a) The Crowdfunding Intermediary is prohibited from:
- (i) providing any financial assistance to investors for the purpose of investing in an offer hosted on its platform or for which it has provided a service; and



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(ii) compensating any finder or introducer for providing the Crowdfunding Intermediary with information about potential investors.

- (b) Crowdfunding Portals and or their managers and officers are prohibited from soliciting investments or making recommendations;
- (c) No Crowdfunding portal shall act as intermediary or facilitator of secondary trades between buyers and sellers for securities or investment instruments issued pursuant to these rules.

41. Issuer Prohibitions/Restrictions

- (a) An issuer shall not directly or indirectly pay a commission, finders' fee, referral fees or similar payment to any person in connection with an offering other than to the Crowdfunding Portal.
- (b) This restriction does not apply to payments to persons as compensation for their services to an issuer in preparing materials in connection with the offering such as accounting or legal fees.
- (c) A Crowdfunding Portal, its respective directors and executive officers shall not lend or finance or arrange lending or finance for an investor to purchase investment instruments under a crowdfunding offer.
- (d) The issuer shall not offer "non-permissible investment instruments"
- (e) An issuer shall not host an offer concurrently on multiple Crowdfunding Portals;

42. Non-permitted Issuers

The following entities are prohibited from raising funds through a Crowdfunding Portal:

- (a) complex structures;
- (b) public listed companies and their subsidiaries;
- (c) companies with no specific business plan or a blind pool;
- (d) companies that propose to use the funds raised to provide loans or invest in other entities;
- (e) such other entity as may be specified by the Commission.

PART 8 –

ADDITIONAL REQUIREMENTS FOR DIGITAL COMMODITIES INVESTMENT PLATFORMS

- 43.** A digital commodities investment platform shall:
 - a) Be permitted to provide crowdfunding portal services as prescribed in these Rules



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- b) If in operation prior to the commencement of these rules, apply for the Commission's "No Objection" to continue to operate as a digital commodities investment platform
- c) Not be registered as fund manager
- d) Only host commodities investment projects on crowdfunding platforms other than a platform which it controls whether directly or indirectly
- e) Submit a target plan to its host Crowdfunding portal for verification and inspection
- f) Ensure that due diligence is carried out on projects and project owners
- g) Ensure that adequate records on project owners including identification, project location, membership of relevant association, guarantors and other relevant details are maintained
- h) Provide an investor or his appointed agent with adequate access to inspect projects to which they have provided sponsorship any time within the project cycle

PART 9 - MISCELLANEOUS

44. Procedure by the Commission Upon Receiving an application

- 1. The Commission may, if it considers it necessary and in the interest of the capital market, require an eligible issuer to provide certain information on the business of an eligible issuer prior to approving a crowdfunding offering.
- 2. Upon receipt and review of all the information submitted, the Commission may within 5 working days of receipt of the information, direct the crowdfunding portal to prohibit or approve the offering with or without conditions and specify the terms.
- 3. Prior to directing the Crowdfunding Portal to prohibit an offering, it shall:
 - (a) state the reasons;
 - (b) direct the Crowdfunding Portal to give the eligible issuer an opportunity to be heard;
 - (c) make a decision and communicate the decision, as the case may be, recommending the appropriate measures that the eligible issuer may take in order to comply.

PART 10- PENALTY

Any crowdfunding portal or crowdfunding intermediary that fails to comply with these rules shall be liable to a fine of not less than One Million Naira and the sum of ten thousand Naira for every day the violation continues.



Schedule 1

Requirements for Registration as Restricted Dealer

Forms

1. Duly Executed Form SEC 3 – For the Company
2. Form SEC 2 and 2D – Sponsored Individuals/Compliance Officer
3. Form SEC 2 and 2D – Directors of the Company

Fees

1. Evidence of Payment of **Filing/Application Fee** – N50,000 (Fifty Thousand Naira);
2. Evidence of Payment of **Processing Fee** – N200,000 (Two Hundred Thousand Naira);
3. Evidence of Payment of **Registration Fee** – N500,000 (Five Hundred Thousand Naira);
4. Evidence of Payment of **Sponsored Individual Fee** – N50,000 (Fifty Thousand Naira) for each sponsored individual.

Minimum Paid-Up Capital and Fidelity Insurance Bond

1. Evidence of Required Minimum Paid up Capital – ₦100,000,000 (One Hundred Million Naira) for operating a crowd funding portal
2. Current Fidelity Insurance Bond valued at a minimum of 20% of the paid-up capital as stipulated by the Commission's Rules and Regulations.

Sponsored Individuals and Directors

1. A minimum of three sponsored individuals, one of whom shall be a compliance officer;
2. The Managing Director of the Company shall be registered as a sponsored individual;
3. Complete postal addresses of previous employers, bankers and nominated referees of sponsored individuals;
4. A detailed curriculum vitae of the sponsored individuals and Directors with a chronology of activities from Secondary School to date; all gaps in employment and educational history should be explained.
5. Copies of credentials and relevant certificates; originals will be required for sighting by the SEC;
6. Police clearance report for each Sponsored Individual.;
7. Copy of a valid means of Identification of the Directors and the Sponsored Individuals of the Company.



Applicant Company

1. A profile of the Company shall include amongst other information; a brief history of the company, organizational and shareholding structure, principal officers as well as details of past and current activities;
2. The name(s) and address(es) of the company's subsidiaries/associated companies/related entities, type of business and percentage holding;
3. Evidence of payment of shares allotted to the shareholders;
4. Operational manual of the company;
5. Business plan;
6. Bank statement of accounts operated by the Company for the last 6 months.

Corporate Documents

A copy of the following, duly certified by the CAC;

1. Certificate of Incorporation;
2. Memorandum and Articles of Association – this shall include the power to perform the specified function;
3. CAC Form(s) showing Statement of Share Capital, Return of Allotment, and Particulars of Directors;
4. Latest audited accounts or audited statement of affairs of the company;
5. The cash assets ratio shall be a minimum of 30% liquid assets and 70% fixed and other assets.

Schedule 2

Transaction Fees

The total fees payable to parties to a crowdfunding issue shall not exceed 2% of the total funds raised.

Justification- In a bid to foster economic development and deepen the market, a proposed rule has been developed to provide a regulatory framework permitting private companies with the required structure and mechanism in place to raise capital from the public through Crowdfunding.

2. PROPOSED RULE ON REGULATION OF FUND MANAGEMENT PRODUCTS

Full Text of the Proposed Rule –



- (1) No person or entity shall operate any product that pools investors' monies, including discretionary or non-discretionary portfolios/funds except such person or entity is registered as a fund/portfolio manager.
- (2) No fund/portfolio manager shall develop and operate any product, discretionary or non-discretionary portfolio/fund without the Commission's prior approval or 'no objection'.
- (3) No fund/portfolio manager shall advertise, market or attract investors to the existence of any product, discretionary or non-discretionary portfolio/fund other than registered collective investment schemes.
- (4) Every fund/portfolio manager shall submit quarterly returns and annual reports in respect of such product, discretionary or non-discretionary portfolio/fund, in a form as determined by the Commission.
- (5) Any person or entity that contravenes this rule shall be liable to any one or more of the following sanctions –
 - a. A penalty of not less than ₦500,000 (Five hundred thousand naira) and a further sum of ₦10,000 (Ten thousand naira) for every day the violation continues in respect of each product, discretionary or non-discretionary fund/portfolio under management;
 - b. Suspension of registration;
 - c. Withdrawal of registration;
 - d. Disgorgement of proceeds/income from the product, discretionary or non-discretionary portfolio/fund;
 - e. Any other sanction the Commission deems fit in the circumstance.

Justification – Section 13(a) of the Investment and Securities Act 2007 empowers the Commission to regulate investments and securities business in Nigeria as defined in the Act.

It has become essential to actively monitor the operation of CMO products including discretionary and non-discretionary funds/portfolios given that they have consistently accounted for approximately twice the size of CIS funds in the investment management sector.

In addition, inspection of CMO operations have revealed that some of these products mimic the CIS structure but are erroneously classified as private in-house funds.



3. PROPOSED RULES ON NOMINEE COMPANIES (RE-EXPOSURE)

The following rules were exposed in August 2019. 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. Additions are underlined.

1. Definition of Terms

Nominee Company

A Nominee for the purpose of this Regulation is a company formed by a bank or other financial institution for the purpose of holding securities and other assets and administering them on behalf of the actual owners under the terms of a custodial or nominee agreement.

Holding Company:

Means a bank or other eligible financial institution that owns and controls a nominee company.

Client:

Means a person who has entered into agreement with a nominee company to hold and manage its securities or other assets.

2. Business of Nominee Companies

- a) The business of the Nominee shall be to take title of property, money or securities in trust for and on behalf of clients as Nominee for, or representative of such clients, to hold and deal with such property, money or securities strictly in accordance with any directions given by the respective clients from time to time to the Nominee Company.
- b) A Nominee shall not engage in any business or activity except the business of Nominee companies described above

3. Functions of Nominee Companies

- a) Maintaining accounts of securities of clients



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- b) Collecting all rights and benefits on behalf of, or accruing to clients in respect of securities held
- c) Managing the holding of clients including facilitating sale, purchase, lending and borrowing securities and settlement of investment obligations based on the clients' mandates
- d) Ensuring compliance with contractual obligations with clients and custodians
- e) Maintaining and reconciling records of the services referred to in sub-clauses (i) to (iv) above;
- f) Maintaining sufficient information and record to identify the beneficial owners of securities held by it.
- g) Providing periodic information to clients and custodians (where securities and other assets are transferred to the nominee company by a custodian).

4. Dealing with assets of clients

The Nominee Company shall deal with the assets that it holds on behalf of clients including custodians as follows:

- a) Securities
 - i. Securities as defined in the Investments and Securities Act (ISA) 2007 shall be registered in the name of the nominee or in the name of nominee and client
 - ii. Securities shall be stored and held in safe and secure custody or electronically administered and maintained and shall be protected by adequate and appropriate security and administrative systems.
 - iii. The Nominee Company shall collect corporate action entitlements relating to all securities held on behalf of clients, verify the calculations and convey all details to clients
 - iv. The Nominee Company shall have no authority to demand for board membership of companies or to exercise any voting rights attached to shares registered in the Nominee company's name unless instructed to do so by its clients

- b) Money

The Nominee Company shall:

- i. open a trust account or accounts for clients with one or more banks. The Account name must reflect that it is a Clients' Account
- ii. deposit in the account or accounts opened in terms of the above clause, any money, which is accepted or received by it
- iii. deal with Funds so deposited in accordance with the directions given to it by its clients from time to time
- iv. not co-mingle clients' monies with its own
- v. not receive or hold clients' monies except for the purpose of investing in securities under clients' instructions



- c) Property
 - i. Immovable property shall be registered in the name of the client with power of attorney in favour of the Nominee Company
 - ii. Immovable property shall be managed and secured in accordance with sound property management practices in relation to the particular property concerned, and shall be maintained in a like manner
 - iii. Movable property received shall be dealt with as if it is the property of the Nominee Company and shall be kept in safe and secure custody and shall be properly maintained if necessary
 - iv. Any title deed, certificate or document pertaining to property shall be dealt with as if it were a marketable security
 - v. The Nominee Company shall collect all rents relating to immovable property and pay all expenses incidental to the maintenance thereof as well as in respect of movable property held on behalf of clients, verify the calculations and timely payment thereof and convey all details to clients

5. Clients' Records and Accounts

The Nominee Company shall:

- a) maintain a custody account for every client and provide information to such account to the client
- b) keep and maintain proper books of account and other records necessary to identify assets of each client and to discharge its obligations to its clients
- c) provide clients with any information reasonably required by the client concerning assets held on his or its behalf
- d) obtain the written authority of the client prior to receiving or holding any assets on behalf of such client
- e) report quarterly to its clients on assets held on their behalf and shall include all movements and changes in the holding concerned which occurred since the date on which the holding commenced or immediately prior to the report or as the client requests
- f) maintain basic information on the securities holders including transaction details and maintain documents in relation to transactions that have been made on behalf of the investors

6. Liabilities

The Nominee Company shall not out of its own volition incur any liability of whatsoever nature excluding liabilities arising from acts performed in carrying out its objectives as set out in its Memorandum and Articles of Association.

7. Others



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- a) The Nominee Company shall put in place mechanisms to protect the interest of clients and help preserve market integrity
- b) The Nominee Company shall ensure that its assets are segregated from the assets of clients.
- c) When a Nominee account is opened with a depository by a Nominee Company, the Nominee shall make a declaration that it is acting as a Nominee for its client;
- d) The Nominee Company shall keep clients' assets in such a way as to protect them from foreclosure, appropriation/attachment by creditors or liquidators of the Nominee.
- e) In the case of a proposed merger/acquisition, of the Nominee Company, it shall notify the clients, who shall reserve the right to appoint another Nominee or elect to remain with the new entity.
- f) In the event that the registration of a Nominee Company is revoked/suspended, it shall within 24 hours of receiving the Commission's notification of revocation/suspension inform its clients who shall appoint another Nominee Company within 90 days from the effective date of revocation/suspension, failing which, the Commission shall appoint another Nominee Company to takeover custody of the assets.
- g) In the event of a decision by the Nominee Company to discontinue business, it shall within 2 working days notify the Commission and its clients. The clients shall appoint another Nominee within ~~30~~ 90 days from the date of the notice and the Nominee Company shall transfer assets to the appointed Nominee of the clients within 5 working days.
- h) A Nominee Company's decision to discontinue business shall not be effective without complying with the Commission's Rule on withdrawal of Registration

8. PAYMENT

The Nominee Company may demand payment for providing custody and asset administration services including providing information to account holders, rights holders and others, including for providing notifications of change and statements of holdings. However, this does not apply in regard to information to which public authorities are entitled by law or regulations.



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9. OWNERSHIP STRUCTURE

The Nominee Company shall be wholly or jointly owned by (a) financial institution(s) with a minimum or combined minimum net worth of N30billion.

10. OBLIGATIONS OF THE PARENT COMPANY

In consideration of the services to be undertaken from time to time by the Nominee Company, the parent company shall submit a sworn undertaking to the Commission that it:

- a) is fit and proper to own a Nominee Company for purposes of carrying out functions of Nominee as provided in SEC Rules and Regulations;
- b) has a non- operating structure which allows for oversight by Executive Management and the Board of Directors of holding company over the business of the Nominee Company;
- c) has evidence of a documented system of internal controls which ensures that its Nominee Company is effectively run, that the assets of clients are safeguarded and segregated and the records of the Nominee Company accurately reflects the information of clients, their assets and transactions;
- d) has evidence of appropriately documented procedures to exclude unauthorized access to critical systems, the thorough testing of systems and the continuity of operations of all critical applications of its Nominee Company, including disaster recovery and a business continuity plan;
- e) has an appropriate documented system of risk management;
- f) shall pay all expenses of and incidental to the formation of the Nominee Company;
- g) shall pay all the liquidation expenses of the Nominee Company of whatsoever nature and kind, in the event of the winding up of the Nominee Company;
- h) shall not dispose of the shares it holds in the Nominee Company to any person without the prior written approval of the Commission and its lead Regulator concerned;
- i) shall guarantee the due performance of the obligations of the Nominee Company to its clients.

11. REGISTRATION AS A NOMINEE COMPANY



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All persons not registered by the Commission as Custodians, carrying on the business of Nominee and holding securities including equities, money market and fixed income securities, derivatives etc. except Pension Assets, on behalf of actual owners shall apply to the Commission for registration as a Nominee.

12. REQUIREMENTS FOR REGISTRATION AS A NOMINEE COMPANY

An applicant for registration as Nominee Company shall be sponsored by its holding company which shall submit the undertaking required under "Obligations of Holding Company" above along with the under listed documents completed by the Nominee Company, its directors and sponsored individuals:

- a) Form SEC 3 in duplicate;
- b) Form SEC 2 and 2D – completed by all Directors and Sponsored Individuals/ Compliance Officer in duplicates;
- c) Evidence of Required Minimum Paid-up Capital of N1,000.00 (One Thousand Naira only) unimpaired by losses;
- d) Evidence that the parent company/ shareholders (financial institutions) have a combined minimum net worth of N30 billion naira;
- e) Current Fidelity Bond covering at least 25% of the minimum capital as stipulated by the Commission's Rules and Regulations;
- f) Detailed curriculum vitae of sponsored individuals and Directors which should include details of activities from secondary school to date arranged chronologically with dates; (all gaps in employment and educational history should be explained);
- g) Copies of credentials of sponsored individuals from secondary school to date (including NYSC discharge/ exemption certificates); originals are required for sighting by officers of the Commission;
- h) Sponsored individuals shall meet the requirements specified in the SEC Rules on Sponsored Individuals and Compliance Officers and Qualifications of Sponsored Individuals and Compliance Officers;
- i) Police clearance report for each Sponsored Individual: Each sponsored individual is to report at the Commission's head office or any of its zonal offices with three recent passport photographs to commence the process;
- j) Copy of means of identification of the Directors and the Sponsored Individuals of the Company (International Passport, Driver's license or Permanent Voters Card);
- k) Profile of the Nominee Company which should include among others brief history of the company, organizational and shareholding structure, principal officers as well as details of past and current activities;
- l) Operational Manual and Organizational chart of the company;
- m) Business plan;



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- n) A copy of each of the following, duly certified by the Corporate Affairs Commission (CAC);
 - i. Certificate of Incorporation
 - ii. Memorandum and Articles of Association– this should include the power to perform the specified function;
- o) CAC Form(s) showing Share Capital, Return of Allotment, and Particulars of Directors;
- p) Latest audited accounts or audited statement of affairs of the company;
- q) Sworn undertaking to keep proper records and render returns as may be specified by the Commission from time to time signed by a director and company secretary (to be notarized);
- r) Sworn undertaking to abide by SEC Rules and Regulations and Investments and Securities Act signed by a director and company secretary (to be notarized);
- s) Evidence of payment of fees as contained in Schedule 1 of SEC Rules and Regulations;
- t) Any other documents as may be required by the Commission

13. OTHER REGISTRATION REQUIREMENTS

- a) A Nominee Company shall have minimum of three sponsored Individuals, one of whom shall be a compliance officer;
- b) The Managing Director of the Company shall at all times be among the sponsored individuals by complying with the requirements for registration of sponsored individuals;
- c) A Nominee Company shall have necessary infrastructure, including vaults for safe custody of title documents, agreements etc. and information technology capability required to effectively discharge its functions.

14. CODE OF CONDUCT

A Nominee Company shall abide by the Code of Conduct for Capital Market Operators and their Employees as set out in the Commission's Rules and Regulations. In addition, any person registered by the Commission as Nominee shall:

- a) not carry out any business except the business of Nominee prescribed in these rules
- b) not invest in securities
- c) be included in the robust risk management procedure and mechanism for compliance with Anti Money Laundering/Combating Financing of Terrorism



(AML/CFT) regulations of its parent company which is registered with the Commission.

- d) keep clients' assets in such a manner as to protect them from foreclosure, appropriation/attachment by creditors or liquidators of the Nominee Company.
- e) in the case of merger/acquisition, notify the clients, who shall reserve the right to appoint another Nominee Company or elect to remain with the new entity.
- f) within 24 hours, in the event that its registration is suspended/revoked, notify all its clients including custodians of the suspension/revocation and their obligation to appoint another Nominee Company within ~~30~~ 90 days from the effective date of suspension/revocation. Where any client fails to appoint another Nominee, the Commission shall appoint another Nominee to takeover custody of the assets.
- g) in the event of a decision by the Nominee Company to discontinue business, notify the Commission and its clients within 24 hours. The Nominee Company shall notify the clients of their obligation to appoint another Nominee within ~~30~~ 90 days from the date of the notice and the Nominee Company shall transfer assets to the appointed Nominee of the clients within 5 working days, failing which the Commission shall appoint a Custodian.
- h) comply with the Commission's Rules on withdrawal of registration before the decision to discontinue business shall be effective.

15. A Nominee Company shall comply with the Commission's Rules on internal controls; monitoring, review, evaluation and inspection of systems and controls; separate custody account; agreement with the client; preservation of records and disclaimer of liability.